Volume 82 □ Number 4 □ April 1996

FEDERAL RESERVE BULLETIN

Board of Governors of the Federal Reserve System, Washington, D.C.

The *Federal Reserve Bulletin* is issued monthly under the direction of the staff publications committee. This committee is responsible for opinions expressed except in official statements and signed articles. It is assisted by the Economic Editing Section headed by S. Ellen Dykes, the Graphics Center under the direction of Peter G. Thomas, and Publications Services supervised by Linda C. Kyles.

Table of Contents

Monetary Policy Report to the Congress

Report submitted to the Congress on February 20, 1996, pursuant to the Full Employment and Balanced Growth Act of 1978[1]

MONETARY POLICY AND THE ECONOMIC OUTLOOK

The economy performed well in 1995. Moderate economic growth kept the unemployment rate at a relatively low level, and inflation, as measured by the change in the consumer price index, was in a range of 3 percent or less for the fifth straight year, the first such occurrence in thirty years. This desirable combination of low inflation and low unemployment provided further substantiation of a fundamental point that the Board has made in past reports—namely, that there is no trade-off in the long run between the monetary policy goals of maximum employment and stable prices set in the Federal Reserve Act. Indeed, it is by fostering price stability that a central bank can make its greatest contribution to the efficient operation and overall ability of the nation's economy to create jobs and advance living standards over time.

As economic prospects changed in 1995 and early 1996, the Federal Reserve found that promoting full employment and price stability required several adjustments in its policy settings. Last February, the economy still seemed to be pressing against its potential, and prices were tending to accelerate. To reduce the risk that inflation might mount, with the attendant threat to continued economic expansion, the Federal Open Market Committee raised the federal funds rate an additional ½ percentage point, to 6 percent. Inflation did, in fact, pick up in the first part of 1995, but data released during the spring indicated that price pressures were receding, and the Committee reduced the federal funds rate ¼ percentage point at its July meeting. Through the remainder of the year, inflation was even more favorable than had been anticipated in July, and inflation expectations decreased. In addition, an apparent slowing of economic activity late in the year further reduced the potential for inflationary pressures going forward. To forestall an undue increase in real interest rates as inflation slowed, and to guard against the possibility of unnecessary slack developing in the economy, the Committee eased reserve conditions in December and again at the end of January 1996, reducing the federal funds rate a total of ½ percentage point.

Monetary policy easings since mid-1995 contributed to declines in short-term market interest rates, which by mid-February were down 1 to 2 percentage points from the highs reached early last year. Intermediate- and long-term rates also moved sharply lower last year as the risks of rising inflation receded and as prospects for substantial progress in reducing the federal budget deficit seemed to improve. As of mid-February, these rates were 1¾ to 2¾ percentage points below their levels at the beginning of 1995. Helped by lower interest rates and favorable earnings, major equity price indexes rose 30 percent to 40 percent last year and have moved still higher in early 1996. These financial developments reduced the cost to businesses of financing investment and to households of buying homes and consumer durables; households were also aided by substantial additions to financial wealth from rising bond and equity prices.

The foreign exchange value of the U.S. dollar, measured in terms of the currencies of the other Group of Ten (G-10) countries, fell about 5 percent, on net, during 1995. The dollar appreciated substantially from the summer on and has advanced further on balance in 1996 but not enough to offset a sharp decline that took place in the first four months of 1995. Interest rates fell in most other foreign industrial countries, which also were experiencing slower economic growth, but by less than the decline in rates in the United States. Early in 1995, the dollar also was pulled down by the reactions to the crisis in Mexico, but the negative influence on the dollar from this source appeared to lessen as Mexican financial markets stabilized over the balance of the year. Inflation rates in major industrial countries held fairly steady in 1995 at levels somewhat lower than those prevailing in this country; thus, depreciation of the dollar in real terms against other G-10 currencies was less than the depreciation in nominal terms. Against

1. The charts for the report are available on request from Publications Services, Mail Stop 127, Board of Governors of the Federal Reserve System, Washington, DC 20551.

the currencies of a broader group of U.S. trading partners, the dollar's real depreciation in 1995 was even smaller.

Borrowing and spending in the United States was facilitated not only by lower interest rates but also by favorable supply conditions in credit markets. Spreads between interest rates on securities issued by private firms and those issued by the Treasury generally remained narrow, and banks continued to ease terms and qualifying standards on loans to businesses and households through most of the year. Total debt of domestic nonfinancial sectors grew slightly more than 5 percent last year, just above the midpoint of the Committee's 3 percent to 7 percent monitoring range. Rapid growth of business spending on inventories and fixed capital early in the year boosted the credit demands of firms, despite strong corporate profits. Borrowing was also lifted by the financing of heavy net retirements of equity shares in connection with mergers and share repurchase programs. Growth of household debt slowed a bit but remained brisk; consumer credit continued to grow quite rapidly. Federal debt growth was relatively modest for a second year, influenced by a lower deficit and constraints on normal seasonal borrowing at year-end owing to the federal debt ceiling. Outstanding state and local government debt ran off more rapidly than in 1994.

Commercial banks and thrift institutions again financed a large portion of the borrowing last year; their share of total outstanding debt of nonfederal sectors edged up in 1994 and 1995 after having declined for more than fifteen years. The growth in depository credit was funded primarily with deposits, boosting the expansion of the broad monetary aggregates. M3 grew 6 percent, at the upper end of its 2 percent to 6 percent annual range established by the Committee at midyear. Depositories relied heavily on large-denomination time deposits for funding, but retail deposits also showed gains as declining market interest rates made these deposits more attractive to retail customers. M2 advanced 4¼ percent, putting it in the upper portion of its 1 percent to 5 percent annual range. The expansion of M2 was the largest in six years, and its velocity was unchanged after having increased during the previous three years. Nonetheless, growth of the aggregate was erratic through the year, and the stability of its relationship to nominal spending remains in doubt. M1 declined last year for the first time since the beginning of the official series in 1959. An increasing number of banks introduced retail sweep accounts, which shift money from interest-bearing checkable accounts to savings accounts to reduce banks' reserve requirements. Without these shifts, M1 would have risen in 1995, although slowly.

Economic Projections for 1996

The relatively small amount of information that is available for 1996 indicates that the economy has started off slowly early this year, but fundamental conditions appear to be more encouraging than recent data might seem to suggest. Bad weather in a number of regions and the partial shutdown of the federal government have been disruptive to the economy this winter. These influences seem likely to leave only temporary imprints on spending and production, creating volatility in incoming data over the near term while having little effect on underlying trends.

The economy has also been slowed by production adjustments in some industries in which efforts are being made to bring stocks into better alignment with sales. Inventory accumulation apparently slowed in the fourth quarter, and with financial conditions remaining broadly conducive to growth of private final sales, inventory problems of a degree that might prompt a sustained period of widespread production adjustments do not seem likely. In the household sector, the accumulation of financial wealth brought on by the rise in the stock market has provided the wherewithal for increases in consumption greater than would otherwise have been expected—countering the potential negative influences of more burdensome levels of consumer debt. At the same time, reductions in mortgage interest rates have put the cost of financing a house within reach of a greater number of families and made it possible for a significant number of households to ease their debt-service burdens by refinancing their homes at lower rates. In

1. Economic projections for 1996

Percent

Indicator	Federal Reserve Governors and Reserve Bank presidents		Administration
	Range	Central tendency	
Change, fourth quarter to fourth quarter[1]			
Nominal GDP	4–5	4¼–4¾	5.1
Real GDP[2]	1½–2½	2–2¼	2.2
Consumer price index[3]	2½–3	2¾–3	3.1
Average level, fourth quarter			
Civilian unemployment rate	5½–6	5½–5¾	5.7[4]

1. Change from average for fourth quarter of preceding year to average for fourth quarter of 1996.
2. Chain-weighted.
3. All urban consumers.
4. Annual average.

the business sector, reductions in the cost of financing investment in new capital are providing some offset to the slowing tendencies that normally accompany a cyclical moderation in the growth of aggregate output. In addition, business investment in high-tech equipment likely will continue to be boosted not only by the ready availability of finance but also by technological upgrades and ongoing steep declines in the effective price of real computing power.

In the U.S. external sector, growth of exports strengthened after some sluggishness early in 1995. Expansion of income abroad seems likely to pick up this year, although the prospects still are subject to some downside risk. Imports, meanwhile, have slowed from the very rapid pace seen earlier in the expansion. On net, the underlying trends in exports and imports of goods and services appear to be essentially canceling out in terms of their combined contribution to growth of U.S. real gross domestic product.

Against the backdrop of these developments, members of the Board of Governors and the Reserve Bank Presidents, all of whom participate in the deliberations of the Federal Open Market Committee, anticipate that the U.S. economy will grow moderately, with little change in underlying inflation trends. The central tendency of the participants' forecasts of real GDP growth ranges from 2 percent to 2¼ percent, measured as the cumulative change in output from the final quarter of 1995 to the final quarter of 1996. The rise in activity is expected to be accompanied by further expansion of job opportunities and little change, on net, in the civilian unemployment rate over the four quarters of 1996. The central tendency of the unemployment rate forecasts for the fourth quarter of 1996 is a range of 5½ percent to 5¾ percent, compared with an average of 5.6 percent in the final quarter of 1995. The Committee's forecasts of economic growth and unemployment are quite similar to those of the Administration.

The central tendency of the Governors' and Reserve Bank presidents' forecasts of the rise in the consumer price index over the four quarters of 1996 is a range of 2¾ percent to 3 percent, a shade to the high side of the actual outcome of 1995. At this early point in 1996, with grain stocks exceptionally tight, there is some risk that food price increases at retail could be larger than those of recent years, especially if crop production should remain subpar again this year; and, even though recent upward pressures on energy prices should diminish with the return of normal weather, another year of declining prices cannot be taken as a given. Nonetheless, the experience with inflation at high levels of resource utilization was favorable in 1995, and with businesses still tightly focused on cost control and efficiency gain, broad tendencies toward increased rates of price increase are not anticipated. The Administration forecast of inflation is higher than the forecasts of the Federal Reserve officials, but the difference is not significant given the uncertainties of forecasting.

Price increases like those being forecast for the coming year would leave inflation no higher than it was in the first year or so of the current economic expansion, with the rate of increase holding appreciably below the average rate seen during the expansion of the 1980s. Although the Federal Reserve's long-run goal of restoring price stability has not yet been achieved, the capping of inflation and its diminution over recent business cycles is a clear indication of the substantial progress that has been made to date.

Money and Debt Ranges for 1996

The Committee's intention to make further progress over time toward price stability formed the basis for the selection of the growth ranges for the monetary aggregates in 1996. In reaffirming the ranges that were adopted on a provisional basis in July, the Committee noted that it viewed them as benchmarks for what would be expected under conditions of reasonable price stability and historical velocity behavior. The Committee set the range for M2 at 1 percent to 5 percent and the range for M3 at 2 percent to 6 percent.

Given its expectations for inflation in 1996, the Committee anticipates that nominal GDP will grow somewhat faster this year than would be the case if the economy already were at price stability. If velocities of the aggregates were to exhibit roughly normal behavior this year and nominal income were to expand as anticipated by the Committee, M2 and M3 might grow near the upper ends of their ranges. In assessing the possible outcomes, the Committee noted that considerable uncertainty remains about the usefulness of the monetary aggregates in guiding the

2. Ranges for growth of monetary and debt aggregates

Percent

Aggregate	1994	1995	1996
M2	1–5	1–5	1–5
M3	0–4	2–6[1]	2–6
Debt[2]	4–8	3–7	3–7

NOTE. Change from average for fourth quarter of preceding year to average for fourth quarter of year indicated.

1. Revised at July 1995 FOMC meeting.
2. Monitoring range for debt of domestic nonfinancial sectors.

pursuit of its macroeconomic objectives. Although the monetary aggregates have been behaving more in line with historical patterns than was the case earlier in the decade, the effects of financial innovation and deregulation over the years have raised questions about the stability of the relationships between the aggregates and nominal GDP that have yet to be resolved.

The Committee also reaffirmed the 3 percent to 7 percent growth range for debt. Although there are indications that lenders may no longer be easing terms and conditions for granting credit to businesses and households, the Committee anticipated that credit supplies would remain ample and that debt would grow at about the same pace as nominal GDP. Such increases would be consistent with containing inflation and promoting sustainable growth.

THE PERFORMANCE OF THE ECONOMY

Measured in terms of the chain-type indexes that are now being emphasized by the Bureau of Economic Analysis, growth of real GDP averaged slightly less than 1½ percent at an annual rate over the first three quarters of 1995 after a gain of 3½ percent in 1994. The rise in aggregate output this past year was accompanied by an increase in payroll employment of 1¾ million, and the unemployment rate, after having fallen sharply in 1994, held fairly steady over the course of 1995, keeping to a range of about 5½ percent to 5¾ percent. Consumer prices, as measured by the CPI for all items, rose 2¾ percent over the four quarters of 1995, an increase that was virtually the same as those of the two previous years.

Growth of output during the past year was slowed in part by the actions of businesses to reduce the pace of inventory accumulation after a burst of stockpiling in 1994. Final sales—a measure of current output that does not end up in inventories—rose at an average rate of 2 percent over the first three quarters of 1995 after an increase of 3 percent over the four quarters of 1994. The slowing of final sales was largely a reflection of a downshifting in growth of the real outlays of households and businesses, from elevated rates of increase in 1994 to rates that were more sustainable. Real government outlays for consumption and investment edged down slightly, on net, during the first three quarters of 1995. Increases in real exports and real imports of goods and services were smaller than those of 1994; their combined contribution to GDP growth in the first three quarters was slightly negative.

The Household Sector

Real personal consumption expenditures rose at an annual rate of about 2¼ percent over the first three quarters of 1995 after having risen slightly more than 3 percent over the four quarters of 1994. Available data suggest that growth of real outlays slowed further in the fourth quarter. The reduced rate of rise in consumption spending this past year came against the backdrop of moderate gains in employment and income. The financial wealth of households surged, but impetus to spending from this source evidently was countered by other influences, such as increases in debt burdens among some households and an apparent rise, according to survey data, in consumers' concerns about job security.

Real consumer expenditures for durable goods increased at an annual rate of 2¼ percent over the first three quarters of 1995, a slower rate of rise than in other recent years. Consumer expenditures for motor vehicles declined slightly, on net, over the first three quarters after having moved up nearly 20 percent over the three previous years; in the fourth quarter, unit sales of cars and light trucks, a key indicator of real outlays for vehicles, were down slightly from their third-quarter pace. Incentive programs that provided price concessions of one sort or another to buyers probably gave some lift to sales in 1995. However, "pent-up" demand, which had helped to boost sales earlier in the expansion, probably was no longer an important factor. Recent sales data do not seem to point to any big shifts in demand for vehicles around the turn of the year: The average rate of sales of cars and light trucks in December and January was a touch above the average for 1995 as a whole.

Real outlays for durable goods other than motor vehicles continued to rise at a brisk pace in 1995 but not so rapidly as in other recent years. Spending for furniture and household equipment hit a temporary lull in the first part of 1995 but picked up again over the next two quarters, lifted in part by a rebound in construction of new houses. Fourth-quarter data on retail sales seem to point to a further sizable increase in outlays for household durables; according to most anecdotal accounts, spending for home computers and other electronic gear, which has been surging in recent years, continued to move up rapidly through the latter part of 1995.

Consumer expenditures for nondurables increased at an annual rate of about 1½ percent, in real terms, over the first three quarters of 1995, a little less than the average of the previous ten years and considerably less than in 1994. The growth of real expenditures on apparel slowed sharply after three years of sizable advances. In the fourth quarter, real outlays for nondurables appear to have been lackluster.

Real expenditures for services—which account for more than half of total consumer outlays—increased at an annual rate of about 2¾ percent over the first three quarters of 1995, moderately faster than in either 1993 or 1994. After having declined in 1994, outlays for energy services increased sharply over the first three quarters of 1995: The unusually mild weather of late 1994 gave way, first, to more normal winter conditions in early 1995 and, later on, to hot summer weather that lifted fuel requirements for cooling. Spending gains for other categories of services proceeded at an annual rate of about 2¼ percent over the first three quarters of 1995, about the same rate of rise as in the two previous years.

Real disposable personal income rose at an average annual rate of about 2½ percent over the first three quarters of 1995, a gain that was about in line with the previous year's increase. Monthly data through November suggest that growth of real income may have picked up a little in the fourth quarter. Nominal personal income appears to have increased slightly faster in 1995 than it did in 1994, and growth of nominal disposable income, which excludes income taxes, apparently held close to its 1994 pace. Inflation continued to take only a moderate bite from increases in nominal receipts: The chain-type price index for personal consumption expenditures rose at an annual rate of 2½ percent over the first three quarters of 1995, matching, almost exactly, the increases in each of the two previous years.

After little change during 1994, the real value of household wealth surged in 1995. The value of assets was boosted substantially by huge increases in the prices of stocks and bonds. Liabilities continued to rise fairly rapidly but at a rate well below the rate of increase in household assets; rapid growth of consumer credit was again the most notable feature on the liability side. Behind these aggregate measures of household assets and liabilities was some wide variation in the circumstances of individual households. Appreciation of share prices and the rally in the bond market provided a substantial boost to the wealth of households holding large amounts of those assets. However, households holding few such assets benefited little from the rally in securities prices, and some of these households began to experience greater financial pressure in 1995. Debts taken on earlier proved to be difficult to repay in some instances, and a rising number of households saw their loans fall into delinquency. Overall, however, the incidence of financial stress among households appears to have been limited, as sustained increases in personal income helped to facilitate timely repayment of obligations.

Consumers maintained relatively upbeat perceptions of current and future economic conditions during 1995. The measure of consumer confidence that is prepared by the Conference Board held fairly steady at a high level. The index of consumer sentiment that is compiled by the University of Michigan Survey Research Center edged down a little, on net, from the end of 1994 to the end of 1995, but its level also remained relatively high. By contrast, some survey questions dealing specifically with perceptions of labor market conditions pointed to increased concerns about job prospects during the year; although employment continued to rise in the aggregate, announcements of job cuts by some major corporations may have rekindled consumers' anxieties about job security. In January of this year, consumer assessments of labor market conditions softened further, and the broader indexes of sentiment also declined. The January levels of the indexes were on the low side of their averages of the past couple of years but were well above levels that were reported through most of the first three years of the expansion.

Consumers tended to save a slightly higher proportion of their income in 1995 than they had in 1994. Large increases in financial wealth usually cause households to spend a greater share of their current income, thereby reducing the share of income that is saved. However, rising debt burdens and increased nervousness about job prospects would work in the opposite direction, and these influences may have offset the effect of increases in wealth. Some households also may have started focusing more intently on saving for retirement, especially in light of increased political debate about curbing the growth of entitlements provided under government programs. Nonetheless, the personal saving rate for all of 1995, while moving up a little, remained in a range that was relatively low by historical standards.

Residential investment fell in the first half of 1995 but turned up in the third quarter. Both the downswing in the first half and the subsequent rebound after midyear appear to have been shaped, at least in a rough way, by swings in mortgage interest rates. Although housing activity had been slow to respond to increases in mortgage interest rates through much of 1994, sizable declines in sales of new and existing homes started to show up toward the end of that year, and by early 1995, permits and starts also were dropping. However, the decline in activity proved to be relatively short and mild. By March, mortgage interest rates already were down appreciably from the peaks of late 1994, and midway through the second quarter, most indicators of housing activity were starting to rebound. Sales of new homes surged to especially high levels during the summer, and permits and starts of single-family units rose appreciably. In the autumn, sales retreated from their midyear peaks. Starts also slipped back somewhat during the autumn, but permits held firm.

The intrayear swings in the various housing indicators left the annual totals for these indicators at fairly elevated levels. The average pace of sales of existing homes over the first eleven months of 1995 was well above the average for the 1980s, even after having adjusted for increases in the stock of houses. Starts and sales of new single-family dwellings in 1995 were about one-tenth higher than their averages for the 1980s. So far in the 1990s, demographic influences have been less supportive of housing activity than in the 1980s, as the rate of household formation has lagged—in part because many young adults have delayed setting up their own domiciles. However, an offsetting impetus to demand has come from the improved affordability of housing, brought about in particular by declines in mortgage interest rates.

Construction of multifamily units, after having taken a notable step toward recovery in 1994, rose only moderately further in 1995. Over the first eleven months of 1995, starts of multifamily units amounted to 280,000 at an annual rate, compared with about 260,000 the previous year and a low of 162,000 in 1993. Financing for the construction of new multifamily projects appeared to be readily available this past year. However, the national vacancy rate for multifamily rental units, while down from the peaks of a few years ago, remained relatively high, and increases in rents were not of a magnitude to provide much incentive for the construction of new units.

The Business Sector

Most indicators of business activity remained favorable in 1995, but strength was less widespread than it had been in 1994, and growth overall was less robust. The output of all nonfarm businesses rose at an annual rate of slightly less than 2 percent over the first three quarters of 1995, after a gain of 4 percent in 1994—a pace that could not have been sustained given already high operating levels. Inventory problems cropped up in some lines of manufacturing and trade in 1995 and prompted production adjustments. Scattered structural problems were apparent as well, especially in parts of retail trade in which intense competition for market share caused financial losses and eventual bankruptcy for some enterprises. More generally, however, business profits remained high in 1995, as firms continued to emphasize strategies that have served them well throughout the 1990s—most notably, tight control over costs and rapid adoption of new technologies, achieved by way of heavy investment in high-tech equipment.

In total, real business fixed investment increased at an annual rate of 8 percent over the first three quarters of 1995 after a gain of 10 percent in 1994. Growth in business spending for equipment continued to outpace the growth of investment in structures, even though the latter scored its largest gain of the past several years. On a quarterly basis, investment remained very strong through the first quarter of 1995. After having slowed sharply in the spring, it then picked up somewhat in the third quarter. Fragmentary data for the fourth quarter suggest that investment in plant and equipment recorded a gain of at least moderate size in that period.

Businesses continued to invest heavily in computers in 1995. In real terms, these expenditures rose at an annual rate of nearly 30 percent over the first three quarters of the year, an increase that was even more rapid than that of 1994. Excluding computers, real investment outlays increased less rapidly, on balance, than in 1994, and growth after the first quarter was modest, on net. In the equipment category, outlays for information-processing equipment other than computers moved up at an annual rate of about 13 percent in the first half of 1995 but fell back a little in the third quarter. Spending for industrial equipment followed a roughly similar pattern, with a small third-quarter decline coming on the heels of large gains in the first half of the year. Real outlays for transportation equipment declined in the second quarter but rebounded in the third. Real investment in nonresidential structures moved up in each of the first three quarters of 1995, at an annual rate of more than 6 percent, on average, after a gain of 3½ percent during 1994; the most recent year brought increased construction of most types of nonresidential buildings.

In the industrial sector, elevated levels of investment in equipment and structures in 1995 led to a gain of about 4 percent in industrial capacity. However, in a turnabout from the outcome of the previous year, output of the industrial sector rose considerably less rapidly than capacity: A gain of 1½ percent in total industrial production over the four quarters of 1995 was a sharp slowdown from a 1994 rise of more than 6½ percent. Production of consumer goods followed a choppy pattern during 1995 and rose less than ½ percent over the year as a whole, the smallest annual increase of the current expansion. The output of business equipment advanced in each quarter, but a cumulative gain of 4½ percent for this category was smaller than the increases of other recent years. Production of materials faltered temporarily in the second quarter, but production gains resumed thereafter, leading to a rise of about 2¼ percent over the four quarters of the year.

With capacity expanding rapidly and production growth slowing, the rate of capacity utilization in industry turned down sharply in 1995, backing away from the high operating rates of late 1994. As of this past December, the utilization rate in manufacturing was about ½ percentage point above its long-term average. In January of this year, utilization rates fell noticeably: Vehicle producers reduced assembly rates last month, and winter storms temporarily shut down manufacturing operations more generally.

After having risen rapidly during 1994, business inventories continued to build at a substantial pace in the early part of 1995. By the end of the first quarter, real inventories of nonfarm businesses were about 5½ percent above the level of a year earlier. Meanwhile, strength that had been evident in final sales during 1994 gave way to more subdued growth in the first quarter of 1995, and the ratio of inventories to sales rose. In the second and third quarters, growth of inventories was roughly in line with growth of business final sales; consequently, aggregate inventory–sales ratios held fairly steady during this period. Although data on inventory change in the year's final quarter are not yet complete, the available indicators suggest that significant imbalances probably were present in only a few industries at year-end. Potential for wider inventory problems appears to have been contained through a combination of production restraint late in 1995, caution in ordering merchandise from abroad, and discounting by some retailers during the holiday shopping season. Wholesalers reduced their inventories in the final two months of 1995, and manufacturers' stocks rose only slightly; aggregate inventory–sales ratios moved down in both sectors.

Business profits rose further over the first three quarters of 1995. Economic profits of all U.S. corporations increased at an annual rate of nearly 11 percent, a pace similar to that seen over the four quarters of 1994. The profits of corporations from their operations in the rest of the world moved up sharply, on net, and earnings from domestic operations also continued to advance. The strongest gains in domestic profits came at financial corporations and reflected, in part, an increased volume of lending by financial institutions, reduced premiums on deposit insurance at commercial banks, and rising profits of securities dealers. The economic profits earned by nonfinancial corporations from their domestic operations rose at an annual rate of about 3½ percent over the first three quarters of 1995 after three years in which the annual increases were 15 percent or more. A moderation of output growth at nonfinancial corporations and a flattening of the rise in profits per unit of output both worked to reduce the rate of growth in nominal earnings in 1995. Nonetheless, with unit costs also moving up at a moderate pace, the share of the value of nonfinancial corporate output that ended up as profits changed little, on net, in the first three quarters, holding in a range that was relatively high in comparison to the average profit share over the past couple of decades.

The Government Sector

At the federal level, combined real outlays for investment and consumption fell at an annual rate of about 4¼ percent over the first three quarters of 1995, dropping to a level about 13 percent below its annual peak in 1990. Both investment and consumption were cut back over the first three quarters of 1995. Outlays for defense continued to contract, and nondefense expenditures turned down, reversing a moderate increase that took place over the four quarters of 1994.

Federal outlays in the unified budget, which covers items such as transfers and grants, as well as consumption and investment expenditures other than the consumption of fixed capital, rose 3¾ percent in nominal terms in fiscal 1995, matching almost exactly the percentage rise of the previous fiscal year. Nominal outlays for defense declined 3¼ percent in both fiscal 1995 and fiscal 1994. Outlays for social security increased about 5 percent in both years. Spending for Medicare and Medicaid continued to rise at rates appreciably faster than the growth of nominal GDP. Net interest payments jumped in fiscal 1995 after three years of relatively little change, but working in the other direction, net outlays for deposit insurance were more negative than in 1994 (that is, the margin between insurance premiums and the payout for losses increased). Proceeds from auctions of spectrum rights also helped to hold down expenditures; like the premiums for deposit insurance, these proceeds enter the budget as a negative outlay. In the first three months of fiscal 1996—that is, the three-month period ended in December—federal outlays were about 1 percent lower in nominal terms than in the comparable period of fiscal 1995. Nominal outlays for defense have continued to trend down this fiscal year, and the spending restraint embodied in recent continuing budget resolutions has translated into sharp cuts in nondefense outlays.

Federal receipts rose 7½ percent in fiscal 1995, after having increased 9 percent in fiscal 1994. In both years, categories of receipts that are most closely related to the state of the economy showed sizable increases. With receipts moving up more rapidly than spending in fiscal 1995, the federal budget deficit fell for a third consecutive year, to $164 billion. Progress in reducing the deficit in recent years has come from cyclical expansion of the economy, tax increases, nonrecurring factors such as the sale of spectrum rights, and adherence to the budgetary restraints embodied in the Budget Enforcement Act of 1990 and the Omnibus Budgetary Reconciliation Act of 1993.

The economic expansion also has helped to relieve budgetary pressures that many state and local governments were experiencing earlier in the 1990s. Excluding social insurance funds, surpluses in the combined current accounts of state and local governments were equal to about ½ percent of nominal GDP in the first three quarters of 1995; this figure was more than double the average for 1991 and 1992, when budgetary pressures were most severe.

Even so, state and local budgets remain at the center of strongly competing pressures, with the demand for many of the services that typically are provided by these governments continuing to rise at a time when the public also is expressing desire for tax relief. Although states and localities have responded to these pressures in different ways, the aggregate picture is one in which expenditures and revenues have continued to rise faster than nominal GDP—but by smaller margins than in the early part of the 1990s. In total, the current expenditures of state and local governments, made up mainly of transfers and consumption expenditures, were equal to about 12½ percent of nominal GDP in the first three quarters of 1995, up slightly from the percentages of the two previous years and about 1¼ percentage points higher than the comparable figure for 1989. Total receipts of state and local governments were equal to about 13¼ percent of nominal GDP in the first three quarters of 1995, up just a touch from the comparable percentages of the two previous years but about 1¼ percentage points higher than the percentage in 1989.

State and local outlays that are included in GDP have been rising less rapidly than the current expenditures of these jurisdictions because GDP excludes transfer payments, which have been growing faster than other outlays. In real terms, combined state and local outlays for consumption and investment increased at an annual rate of about 2½ percent over the first three quarters of 1995. Real investment expenditures, which consist mainly of outlays for construction, moved up at an annual rate of almost 7 percent. By contrast, consumption expenditures, which are about four times the size of investment outlays, rose only modestly in real terms—at an average annual rate of about 1½ percent.

The External Sector

Growth of real GDP in the major foreign industrial countries other than Japan slowed sharply in 1995 from the robust rates of 1994. In Canada, where economic activity had been particularly vigorous through the end of 1994, the slowdown reflected weaker U.S. growth as well as macroeconomic policies intended to achieve improved fiscal balance and to prevent the reemergence of inflationary pressures. In Germany and the other European economies, appreciation of their currencies in terms of the dollar during the early months of the year and efforts to reduce public sector deficits contributed to the decline in the rate of real output growth. In contrast, Japan showed some tentative signs of recovery late in 1995 after almost no growth during the previous three years.

With the expansion of real GDP slowing in the foreign G-10 countries at a time when some slack remained, inflation stayed low. The average rate of consumer price inflation in these countries remained about 2 percent last year, essentially the same as in 1994 and somewhat less than in the United States.

Economic growth in the major developing countries slowed on average in 1995 from the strong pace recorded for 1994. The substantial contraction of economic activity in Mexico had important effects on U.S. trade, but real output also slowed in other developing countries, including Argentina. In response to the December 1994 collapse of the Mexican peso, the Mexican government adopted a set of policies intended to tighten monetary conditions, maintain wage restraint, and reduce government spending to mitigate the inflationary impact of the peso's devaluation and to achieve significant reduction in the current account deficit in 1995. Through the third quarter, the Mexican current account was approximately balanced; a deficit of about $20 billion had cumulated during the comparable three quarters of 1994. The merchandise trade balance improved to moderate surplus in 1995 from a substantial deficit in 1994. The improved trade performance in part reflected a severe contraction in aggregate demand. Mexican real output fell sharply early in the year but picked up toward the end of the year, for an annual decline of nearly 7 percent.

The newly industrializing economies in Asia—for example, Malaysia, Korea, and Taiwan—continued to grow rapidly during 1995, at about the same rate as in 1994. Although growth in most of these countries was driven by a strong expansion in internal demand, especially in investment, most countries also benefited from very fast export growth. The marked acceleration in exports was attributable at least in part to a real depreciation of their currencies against the yen and key European currencies during the early part of the year.

In the first eleven months of 1995 the nominal U.S. trade deficit in goods and services reached about $115 billion at a seasonally adjusted annual rate, a level slightly greater than the $106 billion recorded for 1994. U.S. income growth in 1995 was similar to the average for our trading partners, but as is typically the case, comparable increases in income seemed to bring forth an increase in U.S. demand for imports that was larger than the average increases in demand for our exports by the foreign countries with which we trade. Effects of the dollar's depreciation during 1994 and early 1995 worked in the opposite direction, tending to boost exports and hold down imports. Overall, the result of these offsetting tendencies was that the dollar value of exports grew somewhat faster than the dollar value of imports through November. Nonetheless, with the level of imports exceeding the level of exports at the start of the year, these growth rates translated into a slightly larger deficit. The current account deficit averaged about $160 billion at an annual rate during the first three quarters of 1995. Both the trade deficit and the deficit on net investment income widened somewhat, resulting in an increase from the $150 billion current account deficit experienced in 1994.

Real exports of goods and services grew at an annual rate of about 5 percent over the first three quarters of 1995. Agricultural exports remained at elevated levels, and the volume of computer exports continued to rise sharply. Other merchandise exports expanded in real terms at a marginally slower rate than did the total; within this broad category, machinery and industrial supplies accounted for the largest increases. Tabulation of the export data by country of destination showed divergent patterns: Exports to Mexico dropped in response to the economic crisis in that country, but shipments to developing countries in Asia rose sharply. Exports to Western Europe, Canada, and Japan increased as well.

Imports of goods and services increased at an annual rate of about 6 percent in real terms during the first three quarters, a slower rate of advance than during 1994. Imports of computers and semiconductors rose sharply, but imports of other machinery, consumer goods, and industrial supplies slowed. Import prices increased about 2½ percent in the twelve months ending in December 1995. An end to the very rapid rise in world non-oil commodity prices and low inflation abroad helped to restrain the rise in import prices.

In the first three quarters of 1995, recorded net capital inflows into the United States were substantial and nearly balanced the deficit in the U.S. current account. Sharp increases were reported in both foreign assets in the United States and U.S. assets abroad.

Foreign official asset holdings in the United States increased almost $100 billion through September. These increases reflected both intervention by certain industrial countries to support the foreign exchange value of the dollar and very substantial accumulation of reserves by several developing countries in Asia and Latin America. Private foreign assets in the United States also rose rapidly. Net purchases of U.S. Treasury securities by private foreigners totaled $97 billion, an amount far exceeding previous records. Net purchases of U.S. government agency bonds and corporate bonds were also very large.

Direct investment inflows reached almost $50 billion in the first three quarters of 1995; this total was about equal to the inflow during all of 1994 and almost matched the record pace of 1989. Mergers and acquisitions added substantially to the inflow of funds from foreign direct investors in the United States. U.S. direct investment abroad was even larger than foreign direct investment in the United States and also approached previous peak rates. U.S. net purchases of foreign stocks and bonds were up from 1994 but below the 1993 peak rate. The bulk of the net U.S. purchases of foreign securities were from the industrial countries; net purchases from emerging markets played a relatively small role.

Labor Markets

The number of jobs on nonfarm payrolls increased 1¾ million over the twelve months ended in December 1995. After a sharp rise during 1994, gains in employment slowed in the first part of 1995, and the second quarter brought only a small increase. Thereafter, increases picked up somewhat. Nearly 450,000 jobs were added in the final three months of the year, a gain of about 1½ percent at an annual rate. In January of this year, with the weather keeping many workers at home during the reference week for the monthly survey of establishments, payroll employment fell sharply.

As in 1994, increases in payroll employment in 1995 came mainly in the private sector of the economy, but gains there were more mixed than those of 1994. In manufacturing, employment fell about 160,000 over the twelve months ended in December, reversing almost half of the previous year's gain. Losses were concentrated in industries that produce nondurables. A decline this past year in the number of jobs at apparel manufacturers was one of the largest ever in that industry. Sizable reductions in employment also were reported by manufacturers of textiles, tobacco, leather products, and petroleum and coal. In many of these industries, cyclical deceleration of the economy in 1995 compounded the effects of adjustments stemming from longer-run structural changes. In contrast to the widespread contraction in employment among producers of nondurables, employment at the manufacturers of durable goods increased slightly during 1995. Hiring continued to expand briskly at firms that produce business equipment. Metal fabricators also sustained growth in employment but at a slower pace than in 1994. The number of jobs in transportion equipment declined, on net.

In most other sectors of the economy, employment rose moderately last year. The number of jobs in construction increased 140,000 over the twelve months ended in December, a rise of more than 3 percent. In the private service-producing sector, which now accounts for about three-fourths of all jobs in the private sector, employment increased 1.7 million in 1995 after having advanced 2.6 million in 1994. Establishments that are involved in wholesale trade continued to boost payrolls at a relatively brisk pace in 1995. Retailers also added to employment but at a considerably slower rate than in 1994; within retail trade, employment at apparel outlets fell substantially last year, and payrolls at stores selling general merchandise dropped moderately after a large increase in 1994. Providers of health services added slightly more jobs than in other recent years. At firms that supply services to other businesses, employment growth was sizable again in 1995 but less rapid than in either of the two previous years; in this category, providers of computer services expanded their job counts at an accelerated pace in 1995, but suppliers of personnel—a category that includes temporary help agencies—added jobs at a much slower rate than in other recent years.

Results from the monthly survey of households showed the civilian unemployment rate holding in a narrow range throughout 1995, and the rate reported in December—5.6 percent of the labor force—was near the midpoint of that narrow range. In January of this year, the unemployment rate ticked up to 5.8 percent.

The proportion of working-age persons choosing to participate in the labor force edged down slightly, on net, over the course of 1995. It has changed little, on balance, since the start of the 1990s. By contrast, the two previous decades brought substantial net increases in labor force participation, although longer-term trends during the two decades were interrupted at times by spells of cyclical sluggishness in the economy. Two or three years ago, cyclical influences also seemed to be a plausible explanation for the sluggishness of labor force participation in the current business expansion. But, with the participation rate remaining sluggish as job opportunities have continued to expand, the evidence is pointing increasingly toward a slower rate of rise in the trend of participation. Slower growth of participation will tend to limit the growth of potential output unless an offsetting rise is forthcoming in the trend of productivity growth. So far in the current expansion, measured increases in productivity seem to have followed a fairly typical cyclical pattern, with larger increases early in the expansion and smaller gains, on average, in subsequent years. Overall, however, this pattern has not yielded evidence of a significant pickup in the longer-term trend of productivity growth.

The average unemployment rate for all of 1995 was about ½ percentage point below the average for 1994, and it was only a little above the levels to which the unemployment rate fell in the latter stages of the long business expansion of the 1980s. The low unemployment rates reached back then proved to be unsustainable, as they eventually were accompanied by a significant step-up in the rate of inflation, brought on in part by faster rates of rise in hourly compensation and unit labor costs. The current expansion, in contrast, has remained relatively free of increased inflation pressures working through the labor markets. The employment cost index for hourly compensation of workers in private nonfarm industries rose only 2.8 percent over the twelve months ended in December, the smallest annual increase on record in a series that goes back to the start of the 1980s. Hourly wages increased 2.8 percent during the past year, the same relatively low rate of increase as in 1994. The cost of fringe benefits, prorated to an hourly basis, rose only 2.7 percent last year, the smallest annual rise on record. With many firms still undergoing restructurings and reorganizations, many of which have involved permanent job losses, workers probably have been more reluctant to press for wage increases than they normally would have been during a period of tight labor markets. Also, firms have been making unprecedented efforts to gain better control over the rate of rise in the cost of benefits provided to employees, especially those related to health care. Although some of these efforts may have only a one-time effect on the level of benefit costs, groundwork also seems to have been laid for slower growth of benefits over time than would otherwise have prevailed.

Prices

Early in 1995, inflation pressures that had started building in 1994 seemed to be gaining in intensity. Indexes of spot commodity prices continued to surge in the early part of last year, and in the producer price index, materials prices recorded some of the largest monthly increases of the past decade and a half. Consumer prices also began to exhibit some upward pressure, with the index for items other than food and energy moving up fairly rapidly over the first four months of the year.

The surge in inflation proved to be relatively short-lived, however. The spot prices of industrial commodities turned down in the spring of the year and fell further, on net, after midyear. Price increases for intermediate materials slowed in the second and third quarters of 1995, and by the final quarter of the year these prices also were declining. Monthly increases in the core CPI slowed in May; thereafter, increases generally were small over the remainder of the year. The slowing of the economy after the start of the year appears to have cut short the buildup of inflationary pressures before they could have much effect on the underlying processes of wage and price determination. In the end, the rise in the CPI excluding food and energy from the final quarter of 1994 to the final quarter of 1995 amounted to 3 percent, an increase that differed little from those of the two previous years. The increase in the total CPI in 1995 came in at 2¾ percent, the fifth consecutive year in which it has been in a range of 3 percent or less.

In the aggregate, rates of price increase held fairly steady for both goods and services this past year. The CPI for commodities other than food and energy rose 1¾ percent over the four quarters of 1995 after increases of 1½ percent in both 1993 and 1994. The last three-year period in which prices of these goods rose by such small amounts came in the middle part of the 1960s. Apparel prices continued to decline last year but not so rapidly as in the previous year. Price increases for vehicles moderated. The 1995 rise in the CPI for services other than energy was 3¼ percent; although this increase exceeded the 1994 rise by a slight amount, the results for both years were among the smallest increases for this category in the last three decades.

Trends in food prices and energy prices remained favorable to consumers in 1995. The rise in food prices from the final quarter of 1994 to the final quarter of 1995 was slightly more than 2½ percent, almost exactly the same as the increases of the two previous years. The last yearly increase in food prices in excess of 3 percent came five years ago, in 1990. In the intervening years, production adjustments by farmers and weather problems of one sort or another have caused temporary surges in the prices of some farm commodities, but these surges have not resulted in widespread pressures on food prices at the retail level. Moderate rates of increase in the costs of nonfarm inputs that contribute heavily to value added have been an important anchor in the setting of food prices at the consumer level. Also, if only by chance, years of poor crops—like that of 1995, when grain and oilseed production plummeted—have tended to be interspersed with years of good crops, a pattern that has prevented sustained upward pressures on farm and food prices. In the energy area, prices at the consumer level fell 1¼ percent, on net, over the four quarters of 1995, more than reversing a moderate 1994 increase. Gasoline prices dropped nearly 5 percent, on net, over the four quarters of the year, and consumer prices of natural gas also declined appreciably. However, some upward pressures developed in late 1995 and early this year, largely in response to unexpectedly cold temperatures that boosted fuel requirements for winter heating.

All told, the price developments of 1995 appear to have left a favorable imprint on expectations of future rates of inflation, if results from various surveys of consumers and forecasters are an accurate reflection of the views held by the broader public. Monthly responses to the surveys tend to bounce around somewhat, but over 1995 as a whole, average readings of anticipated price increases one year into the future were slightly lower than those of 1994, and survey responses about inflation prospects over the longer term came down more substantially. Although the responses regarding expected inflation still tended, on balance, to run to the high side of actual rates of price increase, the easing of inflation expectations this past year provided another encouraging sign that inflation processes that helped to undermine other recent business expansions are still in check in the current expansion.

Financial, Credit, and Monetary Developments

In 1995 and early 1996, the Federal Reserve had to adjust its policy stance several times to promote credit market conditions supportive of sustained growth with low inflation. At the beginning of 1995, some risk remained that inflation might rise. To provide additional insurance against that development, the Federal Open Market Committee (FOMC) tightened reserve conditions, raising the intended federal funds rate ½ percentage point, to 6 percent, thereby extending the episode of policy firming that had begun one year earlier. As time passed, it became clear that these policy tightenings had been successful in containing inflationary pressures, and the System initiated ¼ point reductions in the federal funds rate in July and December 1995 and January 1996.

Most market interest rates had peaked before the policy tightening last February. During the spring, interest rates declined appreciably, as market participants increasingly came to believe that no additional policy restraint would be forthcoming, and, indeed, that easing might be in the cards. Mounting evidence that the growth of spending had downshifted and price pressures were muted, along with greater hopes that substantial progress would be made toward reducing the federal budget deficit, contributed to the change in attitudes and to the drop in interest rates, especially longer-term rates. On balance during 1995, interest rates dropped 1 to 2½ percentage points, with the largest declines registered on intermediate- and long-term securities. This year, short- and intermediate-term interest rates have fallen somewhat further, while long-term rates are unchanged to a little higher.

During the first part of last year, expectations of lower U.S. interest rates relative to other G-10 countries and other factors such as the crisis in Mexico contributed to a 10 percent depreciation of the trade-weighted exchange value of the dollar. By year-end, though, the dollar had retraced about half of these losses, and it has appreciated further on balance in 1996.

The course of interest rates during the year influenced overall credit flows and their composition. The expansion of the total debt of domestic nonfinancial sectors was relatively strong during the first half of the year but moderated later in 1995. For the year, debt grew 5¼ percent, a bit above the midpoint of its annual growth range. Initially, household and nonfinancial business credit demands were concentrated in floating-rate or short-term debt instruments. As the yield curve flattened, credit demands shifted to fixed-rate, long-term debt instruments.

Because depository institutions are important sources of short-term and floating-rate credit to households and businesses, depository assets grew rapidly early on and then backed off. The need to fund the increase in assets, along with declines in market interest rates relative to yields on retail deposits, led to the fastest growth in M2 and M3 since the late 1980s; M2 ended the year in the upper part of its annual range, and M3 was at the upper end of its range. In contrast, M1 declined for the first time since the beginning of the official series in 1959, as many banks introduced retail sweep accounts that shifted deposits from interest-bearing checking accounts to savings-type accounts in order to reduce reserve requirements.

The Course of Policy and Interest Rates

The Federal Reserve entered 1995 having tightened policy appreciably during the previous year. Short-term interest rates had risen more than 2½ percentage points from the end of 1993, and long-term rates were up 2 percentage points. Policy tightening had been necessitated by the threat of rising inflation posed by unusually low real short-term interest rates earlier in the 1990s. Rates had been kept low to counter the effects of impediments to credit flows and economic growth. But as these impediments were reduced, the economy expanded at an unsustainable pace and margins of underutilized labor and capital began to erode. Ultimately, absent a firmer policy, excessive demands on productive resources and resulting higher inflation would have produced strains, threatening economic expansion.

In early February the policy actions taken in 1994 did not appear to be sufficient to head off inflationary pressures. The growth of economic activity had not shown convincing signs of slowing to a more sustainable pace, and available information, including a marked rise in materials prices during the last half of 1994, seemed indicative of emerging resource constraints and building inflationary pressures. In these circumstances, the FOMC agreed on a ½ percentage point increase in the federal funds rate, and the Board of Governors approved an equal increase in the discount rate.

During the remainder of the winter and through the spring, incoming data signaled that economic growth was finally moderating. At first, it was unclear if the slowdown was temporary or if it was a lasting shift toward a sustainable rate of economic expansion in the neighborhood of the economy's potential. Adding to the uncertainty was a pickup of consumer price inflation and a pronounced weakening in the foreign exchange value of the dollar. At the March meeting, the FOMC determined that it would be prudent to await further information before taking any additional policy actions, but it alerted the Manager of the System Open Market Account that, if intermeeting action were to be required, the step would more likely be to firm than to ease.

By the May meeting, substantial evidence had accumulated that the threat of rising inflation had lessened. Economic growth had slowed; although the adjustment to inventory imbalances that had developed earlier in the year was contributing to the slowdown, the underlying trajectory of final sales was still uncertain. The FOMC determined that the existing stance of policy was appropriate and expressed no presumption as to the direction of potential policy action over the intermeeting period, issuing a symmetric directive to the Account Manager.

Intermediate- and long-term interest rates had fallen throughout the winter and spring, as evidence accumulated that the expansion of economic activity was slowing and that inflationary pressures were ebbing. Furthermore, budget discussions in the Congress seemed to foreshadow significant fiscal restraint over the balance of the decade, putting additional downward pressure on these rates. Short-term rates had declined less, but in late spring, financial market participants had begun to anticipate an easing of monetary policy. By midyear, the three-month Treasury bill rate had declined about ¼ percentage point from its level at the beginning of the year, while rates on securities with maturities greater than one year had dropped as much as 2 percentage points.

Employment data released shortly after the May FOMC meeting were surprisingly weak, and by the July meeting it appeared that growth of aggregate output had sagged markedly during the second quarter as businesses sought to keep inventories from rising to undesirable levels. This deceleration of output growth was accompanied by a softening of industrial prices and a marked reduction in the pace at which materials prices were rising. With the economy growing more slowly than had been anticipated and potential inflationary pressures receding, the FOMC voted to ease reserve pressures slightly with a ¼ percentage point decline in the intended federal funds rate.

Although financial market participants had anticipated a decline in the federal funds rate at some point, bond and equity markets rallied strongly immediately after the change in policy was announced. However, a pickup in economic growth during the summer made further reductions in the funds rate appear less likely, and interest rates backed up for a time.

The Committee did keep rates unchanged at the August and September meetings. Although inflation had improved, the slowdown had been anticipated to a considerable extent. Moreover, uncertainties about federal budget policies and their effects on the economy remained substantial.

At the November meeting, the economic signals were mixed. Anecdotal information tended to suggest a softening in spending after the third quarter, but the extent of any slowing of spending and inflation was unclear. Although short-term rates remained above long-term averages on a real, inflation-adjusted basis, substantial rallies in bond and stock markets were thought likely to buoy spending. Against this backdrop, the FOMC voted to maintain the existing stance of monetary policy.

The generally positive news about inflation and hopes for a budget agreement had helped propel the bond market higher throughout the fall. By the December meeting, intermediate- and long-term interest rates were 1¾ to 2½ percentage points below their levels at the beginning of the year. The bond market rally, along with strong earnings reports, pushed equity prices higher during the year, and by mid-December, equity price indexes were up about 35 percent from levels at the beginning of the year. Since the last easing in July, inflation had been somewhat more favorable than anticipated, and the expansion of economic activity had moderated substantially after having posted a strong third quarter. With both inflation and inflation expectations more subdued than expected, and with the slowing in economic growth suggesting that price pressures would continue to be contained, the FOMC decided to reduce the intended federal funds rate an additional ¼ percentage point, bringing it to 5½ percent.

The data available at the time of the FOMC meeting in late January gave stronger evidence of slowing economic expansion. This development reduced potential inflationary pressures going forward and raised questions about whether monetary policy might unduly restrain the pace of expansion. The Committee believed that a further slight easing in monetary policy was consistent with keeping inflation contained and fostering sustainable growth, given that price and cost trends were already subdued. In these circumstances, the Committee lowered the intended federal funds rate ¼ percentage point, to 5¼ percent, and the Board approved an equivalent reduction in the discount rate, to 5 percent.

Partly as a consequence of the System actions in December and January, short- and intermediate-term interest rates have fallen ¼ to ½ percentage point since mid-December. However, on balance, longer-term rates are unchanged to a little higher. The absence of a firm agreement to reduce the federal budget deficit, and some tentative signs most recently that the economy might not be so sluggish as some market participants had feared, have held up longer-term rates.

Credit and Money Flows

On balance in 1995, the debt of the domestic nonfinancial sectors grew at about the same pace as in the previous year, although within the year, debt growth was much stronger in the first half than in the second. Credit supplies remained plentiful: Banks continued to be willing lenders, and in securities markets most interest-rate spreads remained quite narrow. Debt burdens for households increased, but except for a few types of consumer credit obligations, delinquency rates remained at low levels. Rising equity prices bolstered the overall financial condition of households.

Federal debt rose 3¾ percent in 1995, slightly less than in 1994. The federal government's demands for credit fell largely because the budget deficit shrank about 20 percent for the calendar year. Federal debt growth also slowed toward year-end as the Treasury drew down its cash balance to keep borrowing within the $4.9 trillion debt ceiling.

State and local government debt fell 5½ percent—more than in 1994. A few years earlier, municipalities had taken advantage of low long-term rates to prerefund a substantial volume of issues, many of which were eligible to be called in 1995. As those securities were called, and with gross issuance light, the stock of municipal securities contracted for a second consecutive year. Despite the overall reduction in debt outstanding, the ratios of tax-exempt to taxable yields jumped in the first half of the year and, for long-term debt, held at an elevated level during the remainder of the year. This increase was associated with concerns about the effect on demands for tax-free municipal debt of proposals for changes in federal taxation that would sharply reduce the tax advantages of holding municipal bonds.

Household borrowing remained robust in 1995, moderating only a bit from 1994, and the ratio of household debt to disposable personal income rose further. Even so, the financial condition of this sector remained good on balance, although there were signs

3. Growth of money and debt
Percent

Period	M1	M2	M3	Domestic nonfinancial debt
Year[1]				
1980	7.5	8.7	9.6	9.5
1981	5.4 (2.5[2])	9.0	12.4	10.2
1982	8.8	8.8	9.7	9.8
1983	10.3	11.8	9.5	11.9
1984	5.4	8.1	10.8	14.6
1985	12.0	8.6	7.7	14.3
1986	15.5	9.2	9.0	13.3
1987	6.3	4.2	5.9	9.9
1988	4.3	5.7	6.3	9.0
1989	.5	5.2	4.0	7.8
1990	4.2	4.1	1.8	6.8
1991	7.9	3.1	1.2	4.6
1992	14.3	1.8	.6	4.7
1993	10.5	1.4	1.0	5.2
1994	2.4	.6	1.6	5.2
1995	−1.8	4.2	6.1	5.3
Quarter (annual rate)[3]				
1995:1	−.1	1.4	4.8	5.3
2	−.5	4.3	6.7	7.0
3	−1.5	7.0	8.0	4.6
4	−5.1	4.0	4.4	3.9

1. From average for fourth quarter of preceding year to average for fourth quarter of year indicated.

2. Adjusted for shifts to NOW accounts in 1981.

3. From average for preceding quarter to average for quarter indicated.

of deterioration. The rally in the domestic equity markets supported household balance sheets by boosting net worth sharply. In addition, delinquency rates on home mortgages and closed-end consumer loans at banks, while rising, remained at low levels. Other indicators, however, provided evidence that some households were likely beginning to experience increased financial pressures. For instance, delinquency rates on credit card debt held by banks and on auto loans booked at captive finance companies rose sharply. Furthermore, the average household debt-service burden—calculated as the share of disposable income needed to meet required payments on mortgage and consumer debt—continued to rise last year. This measure of debt burden has now reversed about one-half of the decline it posted earlier in the decade.

The average debt-service burden of nonfinancial corporations—the ratio of net interest payments to cash flow—also rose last year, but it remained well beneath the most recent peak reached in 1990. The increase in debt burden was in part associated with the relatively strong growth of the debt of nonfinancial businesses. This sector's debt growth was especially robust early in the year, when business fixed investment picked up further and inventory accumulation was rapid. Debt issuance was also boosted by the rising wave of mergers, although a good number involved stock swaps. Financing needs fell back later on as investment growth slowed and profits increased. Funding patterns also shifted as bond yields fell, and firms relied more heavily on longer-term debt. Despite the increase in credit demands, interest rate spreads of investment-grade private securities over comparable Treasuries widened only slightly and remained narrow by historical standards, suggesting that lenders continued to view balance sheets of nonfinancial corporations as remaining healthy on the whole. Spreads on below-investment-grade debt rose more sharply but stayed well beneath levels reached early in the decade.

Commercial banks met a significant portion of the increase in business credit demands last year, which, in turn, contributed to the rapid expansion of bank balance sheets. Banks funded a portion of the loan increase by reducing their securities holdings, although higher market prices of securities and off-balance-sheet contracts left reported securities holdings slightly higher for the year. In fact, bank security holdings relative to the size of their balance sheets remained elevated and, together with banks' strong capital positions, indicated that late in the year banks were well positioned to continue accommodating the credit demands of households and businesses. Although qualitative information suggested that banks were no longer reducing the standards businesses needed to meet to qualify for loans, some easing of credit terms continued, with interest rate spreads on business loans narrowing further. Growth of real estate loans held by banks slowed over the year as the share of fixed rate mortgages in total originations rose with the decline in long-term rates. Banks tend to securitize fixed rate mortgages more than adjustable rate loans. Consumer loans on the books of banks began the year growing at very high rates; this growth decelerated throughout 1995 as the volume of securitization increased. In response to rising delinquency rates, some banks tightened terms and standards for consumer loans toward the end of 1995 and early 1996.

Total assets of thrift institutions are estimated to have risen slightly last year. Growth at healthy thrift institutions more than offset a substantial transfer of thrift assets to commercial banks through mergers. The revival of growth in thrift assets, along with the strong showing of bank credit, helped to nudge up depository credit as a share of domestic nonfinancial debt for the second straight year after fifteen years of declines. Banks and thrift institutions still account for more than one-third of all credit to nonfinancial sectors.

Banks and thrift institutions funded a large share of their asset growth with deposits, and M3 grew 6 percent. The non-M2 portion of M3 was especially strong, in part as depository institutions substituted large time deposits for nondeposit sources of funds. The sharp reduction in deposit insurance premiums, which made large time deposits a more attractive source of funds, probably contributed to this shift. Late in the year, branches and agencies of Japanese banks, facing some resistance in U.S. funding markets, ran off time deposits while continuing to increase their funding from overseas offices.

M2 rose as lower market interest rates and a flatter yield curve increased the relative attractiveness of retail deposits.[2] As is typical, deposit interest rates,

4. Distribution of bank assets by capital status
Percentage of industry assets

	1990:Q4	1995:Q3
Undercapitalized	31.3	.5
Adequately capitalized	38.6	2.9
Well capitalized	30.1	96.6

NOTE. Adjusted for examiner ratings.

2. In February 1996 M2 was redefined to exclude overnight repurchase agreements (RPs) and overnight Eurodollars; these instruments

and to a lesser extent returns on money market mutual funds, adjusted slowly to declines in market rates last year. Falling interest rates for comparable maturity market instruments were not the whole story for the growth of M2, however. As the yield curve flattened, the relative gains from holding longer-term assets with less certain price behavior fell, and this probably strengthened household demand for components of M2. Even so, M2 velocity was about unchanged after having increased for four years.

M1 fell almost 2 percent in 1995, the first annual decline since the beginning of the Board's official series in 1959. Sweeps of deposits from reservable checking accounts, a component of M1, to nonreservable money market deposit accounts were a major influence. Without these sweeps, M1 would have risen 1 percent. By the end of last year, sweeps had spread to thirty-two bank holding companies, and the initial amounts swept by these programs totaled $54 billion. The corresponding decline of more than $5 billion in required reserves largely showed through to reserve balances maintained at Federal Reserve Banks. As banks continue to introduce retail sweep programs in the future, the aggregate level of required reserve balances will tend to fall further. Although it has not happened yet, one possible consequence of the declining required reserve balances is greater instability in the aggregate demand for reserves and in overnight interest rates. In 1991, after the cut in reserve requirements at the end of 1990, unusually low levels of required reserve balances were associated with greater variability in the federal funds rate, as banks' volatile clearing needs began to dominate the demand for reserves, making daily reserve demand more difficult to estimate.

The run-off in reserve balances held down the growth of the monetary base to 4 percent in 1995. In addition, currency growth slowed, primarily owing to reduced shipments abroad. Foreign demand moderated with the stabilization of financial conditions in some countries where dollars circulate widely. Indeed, reduced demands from abroad contributed to a rare decline in the currency component of M1 this past summer, the first decrease since the early 1960s. The demand for existing Federal Reserve notes also slackened in anticipation of the introduction of a newly designed $100 bill that will be more difficult to counterfeit.

will remain in M3. These items were first included in M2 in 1980 because they were being substituted for demand deposits as businesses were in the process of managing their cash holdings more closely. Since then, other uses of overnight RPs and Eurodollars have come to dominate movements. Moreover, while RPs and Eurodollars are only 3 percent of M2, they contribute substantially to the short-run volatility of that aggregate. Removing these components from M2 should make the weekly levels of the aggregate less volatile and reduce the reporting burden on banks that have had to distinguish between overnight and term RPs and Eurodollars. On a monthly and quarterly basis, the relationships of the two measures of M2 to income and interest rates are almost indistinguishable. The historical M2 data presented in this report exclude overnight RPs and overnight Eurodollars.

Foreign Exchange Developments

The weighted-average foreign exchange value of the dollar in terms of the other G-10 currencies declined about 5 percent on balance last year. The dollar fell sharply through April and reached a low almost 10 percent below its value at the end of 1994. The downward pressure against the dollar was sparked by indications of some slowing of the pace of U.S. real output growth, which contributed to expectations that further increases in U.S. interest rates were unlikely, and by the acrimony surrounding the ongoing trade dispute between the United States and Japan. The crisis in Mexico also weighed on the dollar. On several occasions in March and early April the Trading Desk at the Federal Reserve Bank of New York, joined by some other central banks, intervened to buy dollars on behalf of the Department of the Treasury and the Federal Reserve System in an effort to counter the pressure for dollar depreciation.

The release by the G-7 officials of the communiqué from their meeting in late April supporting an orderly reversal of the dollar's decline and the signing of a trade agreement between the United States and Japan at the end of June helped to stabilize the dollar, which had fluctuated narrowly until early August. The dollar then rebounded somewhat and remained within a narrow range through the end of the year. The recovery of the dollar stemmed, in part, from perceptions that its earlier decline, particularly in terms of the yen, had been excessive in light of the underlying fundamentals. Moreover, weakness in the economies of some other major industrial countries began to emerge, reducing prospective returns available abroad. At times from May through August, the Trading Desk again entered the market in conjunction with other central banks to intervene in support of the dollar, reinforcing the view that U.S. authorities were committed to a strong dollar.

In all of the major foreign industrial countries, long-term interest rates declined during 1995, nearly reversing the increases that had occurred during the previous year. On average, rates on foreign government issues with maturities of ten years fell about 150 basis points in the twelve months to December, somewhat less than the decline that occurred in the comparable U.S. rate. In Canada, where economic activity slowed sharply, the drop in long-term rates nearly matched that in the United States, while in Italy, where political uncertainty remained a concern throughout the year, rates fell only 100 basis points. During the first few weeks of this year, long-term rates abroad generally moved down somewhat more but then most recently returned to their December average levels. An important exception is Japan, where rates have risen from their late-December levels, apparently reflecting market perceptions that the stage is set for a Japanese economic recovery. Short-term market rates in the major foreign industrial countries were mixed, but on average rates moved down.

On balance, the dollar depreciated about 8 percent in terms of the German mark during 1995 and by similar amounts in terms of most other currencies participating in the Exchange Rate Mechanism of the European Union. After substantial depreciation against the mark early in the year, the dollar stabilized and then partly recovered as economic indicators revealed significant softening in economic activity in Germany. Easing by the Bundesbank during the second half of the year reinforced the view that mark interest rates were not likely to rise and might fall further. The dollar depreciated slightly, on balance, in terms of the Canadian dollar, despite periods of selling pressure on the Canadian dollar during the year related to Canada's fiscal situation and possible secession by Quebec.

Although the dollar did fall to a record low, below 80 yen to the dollar in mid-April, by year-end the dollar had appreciated slightly in terms of the yen from its level at the end of 1994. So far this year, the dollar has appreciated somewhat further against the yen. Resolution of the trade dispute and repeated episodes of exchange market intervention by the Bank of Japan, sometimes in conjunction with U.S. and foreign monetary authorities, contributed to the appreciation of the dollar in terms of the yen during the second half of the year. However, the fundamental cause of the yen's decline during that period probably was the easing of monetary policy by the Bank of Japan that pushed short-term market interest rates to extremely low levels.

In terms of the Mexican peso, the dollar appreciated sharply from the onset of the crisis in late December 1994 to March. The dollar subsequently retraced some of those gains, and the peso–dollar rate fluctuated narrowly through the middle of the year. Uncertainty about the prospects for Mexican economic performance and macroeconomic policy sparked renewed appreciation of the dollar in terms of the peso in November. Since November, data indicating that the decline in Mexican real economic activity may have ended, some intervention by the Bank of Mexico in support of the peso, and a perception that the decline in the peso may have gone too far given the underlying fundamentals have contributed to some rebound of the peso. During the year, the Mexican authorities drew $3 billion on short-term swap lines with the Federal Reserve and the Exchange Stabilization Fund (ESF) of the U.S. Treasury and $10.5 billion on a medium-term swap facility provided by the ESF. By the end of January 1996, the short-term drawings had been entirely repaid.

Adjusted for relative consumer price inflation, the dollar was little changed, on balance, against a multilateral-trade-weighted average of the currencies of eight developing countries that are important U.S. trading partners. The dollar's 30 percent real appreciation against the Mexican peso was about offset by real depreciations against the other seven currencies. □

The Fiscal Position of the State and Local Government Sector: Developments in the 1990s

Laura S. Rubin, of the Board's Division of Research and Statistics, prepared this article. Jeff Campione and Robin McKnight provided research assistance.

After difficulties during the early 1990s, the fiscal position of state and local governments has improved considerably in the past three years. States, as a group, have fared relatively well, although some local governments are still struggling with fiscal difficulties. In addition, the sector as a whole continues to face persistent underlying structural problems. This article first examines the primary budget concepts that are generally used to evaluate the fiscal condition of state and local governments. Next it surveys the status of the various levels of government, that is, states, cities, counties, and school districts. Then it discusses some of the underlying problems in state and local budgeting, particularly in the areas of health care, education, corrections, and pensions.

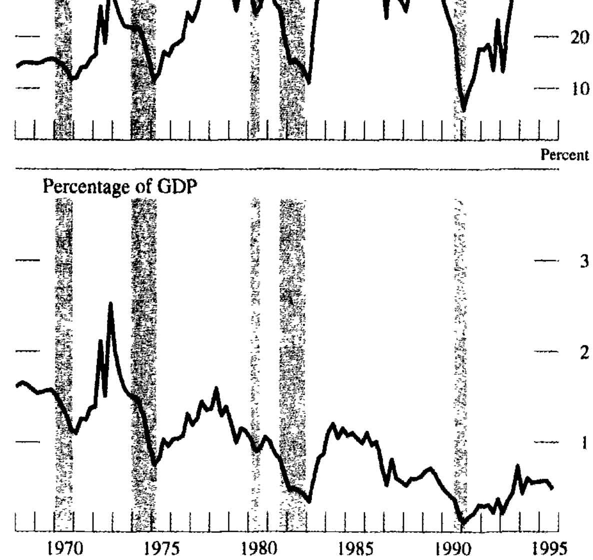
BUDGET CONCEPTS

The national income and product accounts (NIPA), published by the Commerce Department, provide a comprehensive summary of the receipts and expenditures of all state and local governments and their enterprises. Up-to-date NIPA information for the state governments and the local governments separately is not available, although social insurance fund data for the sector are published and will be discussed later. According to the NIPA, the fiscal position of state and local governments, excluding their social insurance funds, has improved in recent years: Although the surplus of current accounts dipped markedly in 1990, it then trended up for several years and remained about unchanged over 1994 and 1995. A similar pattern is apparent for the surplus as a share of GDP, but more broadly, when measured this way, the surplus has been on a general downward trend for the past quarter-century (chart 1).

The examination of data published by a variety of state and local organizations provides some insight into how the various levels of government are faring. These sources focus on the general fund budgets, which are the primary accounts for financing day-to-day operations of both state and local governments. In every state except Vermont, the general fund and many other budget accounts are required to be balanced, either within each fiscal year or over a two-year period. The accompanying box discusses state balanced-budget requirements and the ways states meet them.

The general fund accounts of state governments exclude earmarked funds, federal funds, and pension funds. They also exclude most outlays for capital investment. As a result, the general fund accounts of all state and local governments cover only about half of the sector's spending, and therefore any reading of

1. State and local sector surplus, 1968–95



NOTE. Shaded areas indicate periods of recession as defined by the National Bureau of Economic Research. Data are quarterly and on a NIPA basis; they exclude social insurance funds; the figure for 1995 is through Q3.

the fiscal position of a government based solely on its general fund budget is incomplete. However, data on the general fund accounts, particularly for states, are readily available and are viewed as a good indicator of state fiscal conditions. Although both the general fund accounts and the NIPA include interest outlays, only the NIPA includes the services of capital assets—equipment and structures—as expenditures.[1]

The general fund accounts of state and local governments may include revenues that are not counted in the NIPA but that could buoy, or mask, an otherwise tenuous budgetary picture. The following are examples of budgetary practices used by many states.

• States focus on a general funds measure that reflects their balance sheet position rather than the difference between revenues and outlays over a year. Thus, states whose current-year expenditures exceed their current-year revenues could still be reporting a positive year-end general fund "balance" as long as that gap does not exceed the net surpluses accumulated in previous years. For example, for fiscal year 1995, which ended June 30, 1995, the National Conference of State Legislators (NCSL) projected a closing balance of $4 billion even though planned expenditures were expected to exceed revenues by more than $1 billion.[2]

1. Until the revision to the NIPA, released in January 1996, the spending measure that determined the NIPA surplus or deficit for state and local governments included purchases of all durable goods and structures. However, the NIPA now feature a current account measure of the surplus or deficit. Thus, outlays for equipment, a component of durable goods, and structures have been reclassified as investment, and services of these assets, along with compensation and spending on other services, nondurable goods, and certain durable goods that are not capitalized, like parts, are being reported as current-account purchases or government consumption expenditures.

2. Corina L. Eckl, Karen Carter, and Arturo Perez, *State Budget Actions 1994*, National Conference of State Legislatures (November 1994), p. 42.

State Requirements for Balanced Budgets

The definition of "balance" used by state governments does not necessarily accord with the generally accepted view, say for individuals, that current revenues cover current expenditures. For state governments, a balanced general fund budget for a given fiscal year requires that revenues plus surpluses from preceding years be at least as large as outlays. Forty-nine states have balanced-budget requirements. They focus on general fund budgets, although, in many states, other state funds are also expected to balance. More states have constitutionally mandated balanced-budget requirements than statutory requirements. Generally, the governor must submit a balanced budget or the legislature must enact one. In some states the budget need not be in balance at the end of the fiscal year, whereas other states allow the carryover of a deficit into the next fiscal year if necessary.

If a shortfall in the general fund is anticipated during the planning stages of a budget, which occur during the legislative session preceding a given fiscal year, state governments usually cut spending or increase taxes, fees, and charges. In addition, many governments rely on interfund transfers, for example, from so-called rainy-day funds or from other funds, to ensure fiscal balance. Forty-five states have budget stabilization, or rainy-day, funds whose primary purpose is to provide revenue during periods of fiscal distress.[1] In addition, some states transfer money from trust funds, which always have a large, positive balance. For example, funds may be transferred from a state's education or transportation trust fund to the general fund near year-end and then transferred back shortly thereafter. Generally, these types of transfers do not involve pension funds.

Some states have also used proceeds of short-term debt offerings, and occasionally bonds, to cover shortfalls in their general fund accounts, thereby "balancing" those budgets. Other balancing techniques employed when shortfalls appear toward the end of the fiscal year include the postponement of payments until after the end of the year or, sometimes, the acceleration of some receipts into the year. Finally, certain functions may be moved outside the realm of the general fund budget. Thus, although a simple comparison of expected outlays and receipts from current sources may imply a deficit, considerable fiscal maneuvering can produce a "balance."

Analysts emphasize that state officials want and try to act responsibly to balance their budgets. Moreover, concern about a state's municipal bond rating may encourage actions to balance its budget. Therefore, even without explicit laws, the manifest intention of officials is to balance state and local budgets according to the terms and definitions described above, and the primary motivation for balanced budgets is not the formal requirement but rather "tradition, practice, and public expectation."[2] Wyoming is a case in point: Although the state is not legally required by constitution or statutory provision to balance its budget, the expectation is so strong that it is considered to have the requirement in practice.

1. Revenues for the rainy-day funds are determined through appropriations or automatically as a function of a state's budget surplus. Only Arkansas, Hawaii, Illinois, Montana, and Oregon, along with the District of Columbia, do not have rainy-day funds.

2. Ron Snell, *State Balanced Budget Requirements: Provisions and Practice*, National Conference of State Legislatures, forthcoming.

• Second, governments may count the proceeds of short-term debt offerings as a source of funds (revenue), although these are not included in the NIPA.

• Third, governments may transfer funds into their general fund from other accounts, or they may sell an asset. For example, in the period from fiscal 1991 to 1994, the State of New York sold more than $300 million of assets to public authorities, which borrowed to finance the purchases. A transaction of this type increases revenue in the general fund but does not change the fiscal condition for the state on a NIPA basis.

The Current Fiscal Condition of States and Local Governments

Like the NIPA, the general fund accounts of states and many local governments suggest significant improvement from weakness earlier in the 1990s. Expenditures for the sector are split about evenly between states and local governments. At the local government level, the share of expenditures is roughly one-third each for cities and school districts, with counties making up most of the remaining outlays. State revenues have come in above the expectations of state budget planners for the past few years, and year-end balances have grown to more than 5 percent of expenditures. For some local governments, general fund data are not available. However, even though the data sources are varied, the story is clear: Many local governments still appear to be struggling to improve their budgetary positions.

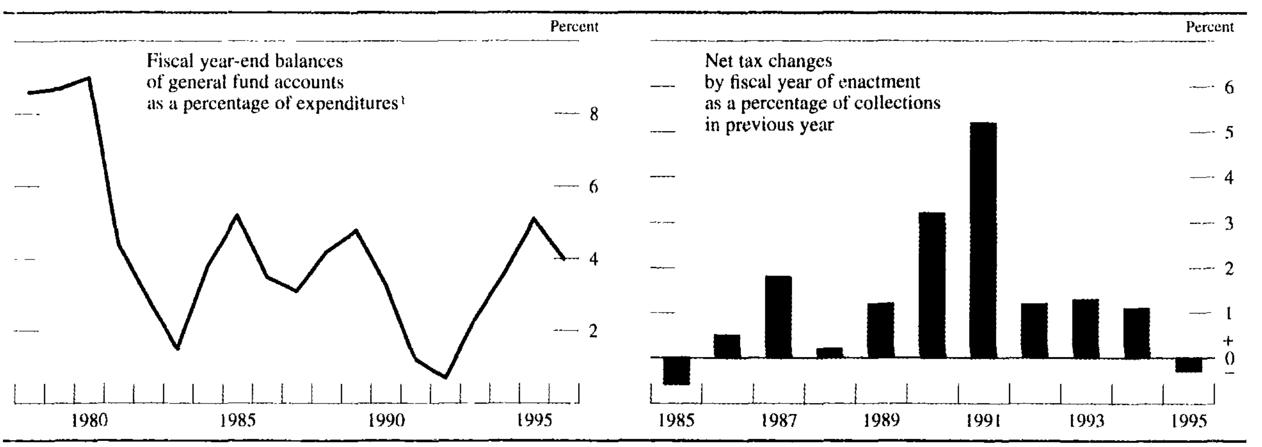
States

The fiscal position of most states has continued to improve. According to a recent survey by the National Conference of State Legislatures (NCSL), general fund balances have risen from less than 1 percent of states' expenditures in fiscal 1992 to an estimated 5.1 percent in fiscal 1995 (chart 2). Indeed, the recent improvement compares favorably with the period from 1984 to 1990 when general fund balances averaged 4 percent of expenditures. Even so, while the improvement is nationwide, weakness is still apparent in a number of states.

In fiscal 1995, which ended last June for most state governments, tax collections were stronger than expected; as a result, budgets improved despite considerable growth in outlays and small legislated tax reductions. However, budget officers are expecting their fiscal stance to weaken a little in fiscal 1996 because they are expecting revenue growth to slow. According to a midyear survey of the 1996 fiscal situation by NCSL, forty states estimated that revenues would come in at or above target for the current fiscal year. But ten states were expecting revenues to be below projections, compared with just two states last year. Several of these states indicated that the weakness was due to smaller-than-expected sales and excise taxes, whereas a few states blamed weaker personal income tax collections. The states reporting problems were Idaho, Hawaii, Maine, Maryland, Nebraska, New Mexico, Rhode Island, South Dakota, Vermont, and Wyoming. On the spending side, most states indicated that expenditures were expected to end up close to planned levels, and fewer states than last year are expecting overruns.

The strengthening in fiscal positions since the early 1990s reflects several factors. Among these factors were tax hikes and spending restraint early in the decade and a slowing of the growth in outlays for Medicaid from the enormous advances seen early in the 1990s. Even so, Medicaid payments increased

2. Indicators of the fiscal position of states



1. Annual data. Figure for 1995 is an estimate and for 1996, a forecast.

Source. National Conference of State Legislatures.

nearly 10 percent in each of the past two years, and they are expected to rise at about the same rate in fiscal 1996.

With the improvements in budget positions, many states have cut taxes in recent years. In 1995, many states cut the personal income tax, and some acted to reduce local property taxes. However, according to the Center for the Study of the States, "Few of the reductions were large enough to make a big difference in the income of taxpayers or the fiscal situation of the states."[3] States tend to raise taxes during or immediately after a recession to make up for shortfalls and then to hold the line or even cut taxes several years later when receipts are strong. The small tax reductions in fiscal 1995, like those in 1985, followed that general cyclical pattern (chart 2).

Local Governments

Although no comprehensive data sources on the current fiscal position of local governments are available, information from various sources indicates that the budgets of local governments as a group have not fared as well as those of states. According to the Census of Governments, which is available only through 1992, local governments experienced considerably more fiscal distress than states between the mid-1980s and 1992. Although local governments recorded deficits beginning in 1986, state governments were not in deficit until 1991. In addition, local government deficits were larger as a percentage of their expenditures than were state government deficits. Other data sources also substantiate the continuation of fiscal difficulties at the local government level.

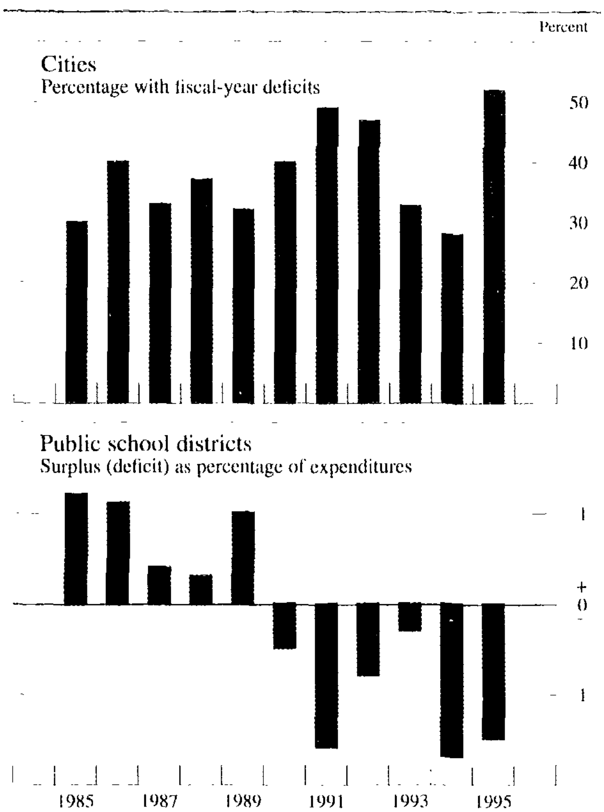
Cities

According to survey data from the National League of Cities, the fiscal condition of cities improved considerably in 1993 and 1994. In fiscal 1995, however, more than half of large cities reporting were expecting to run deficits in their general fund accounts (chart 3). If, after final data are available, these deficits are substantiated, the percentage of cities with deficits in 1995 will be the largest since at least 1985. Fiscal 1994 turned out to be a better year than had been projected primarily because cities succeeded in holding down the growth of expenditures. Even so, in 1994, nearly 30 percent of cities were reporting deficits. A more recent opinion survey indicates that in fiscal 1995 economic and fiscal conditions continued to improve; as a result, the budgetary position of many cities may turn out to have been better than expected earlier. The factors having the most negative effects on the fiscal position of cities included infrastructure needs and spending, unfunded federal and state mandates, city employee health benefits, and crime.

Counties

The National Association of Counties has been surveying counties for only a few years. In general, the survey reports suggest continuing fiscal weakness. According to the 1995 report, when counties were asked to describe their fiscal condition, less than 5 percent of respondents said that revenues were expanding and that they were able to undertake new programs. In contrast, more than 60 percent either

3. Indicators of the fiscal position of local governments, 1985–95



NOTE. For cities, figure for 1995 is an estimate. For school districts, figures for 1994 and 1995 are estimates.

SOURCES. For cities, National League of Cities, *City Fiscal Conditions in 1995*, June 1995. For public school districts, National Education Association, *1994–95 Estimates of School Statistics*, April 1995.

3. Steven D. Gold, "1995 Tax Cuts: Widespread But Not Revolutionary," *State Fiscal Brief* (December 1995), p. 1.

were having difficulty maintaining services or were reducing discretionary programs, and 4 percent characterized their fiscal position as in crisis.

School Districts

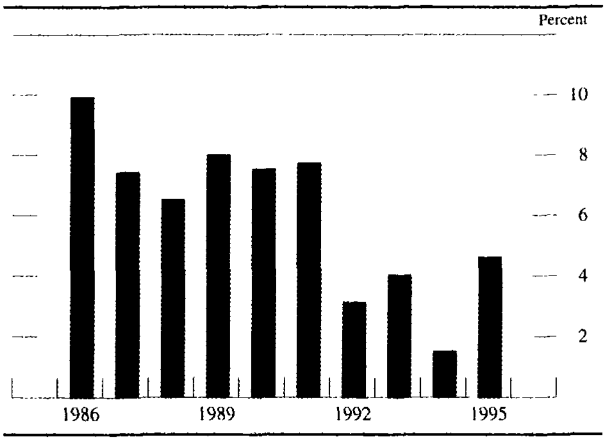
Data from the National Education Association suggest that the fiscal condition of school districts appears no better than that of cities and counties. Public school districts, whose data include capital accounts, ran a surplus through the school year ending in 1989 and have been in deficit ever since (chart 3). The deficits reflect imbalances in operating accounts as well as a step-up in school construction early in the 1990s.

In summary, a number of local governments have continued to experience budgetary problems. The weakness probably is due partly to reductions in aid by state governments, especially in the early 1990s, as states tried to deal with their own fiscal distress. For example, the growth of state aid for public education slowed sharply beginning in 1991 (chart 4). However, after years of cutting aid to local governments, about half the states are planning to help local governments during fiscal 1996, particularly through increased school aid.

CONTINUING PRESSURES

Although the current situation looks more favorable for many governments, difficult problems may be looming on the horizon. Problems could arise from political and economic events, such as reductions in federal aid or an economic downturn, as well as from the fundamental underlying changes in demand that have been stretching governments for the past decade. Three particular areas of concern—corrections, health, and education—reflect both demographic and social trends. In addition, with a considerable share of state and local pension plans underfunded, meeting payments for future retirees could add significantly to fiscal pressure. Finally, if legislation to reduce the federal budget deficit is enacted, it will likely entail reductions in aid to state and local governments.

4. State aid for public education (K-12) measured by the percentage change from year to year, 1986-95



NOTE. Figures for 1994 and 1995 are estimates.
SOURCE. National Education Association, *1994-95 Estimates of School Statistics*, April 1995.

Corrections

Though still a relatively small portion of total spending, corrections has been one of the fastest-growing programs of state and local governments in recent years. Spurred by rising crime rates and a growing awareness of and concern about safety, legislators have been eager to get tough on criminals. As a result, governments have been quick to adopt measures that set mandatory minimum sentences and to try juveniles as adults. Between 1993 and the end of 1995, twenty-four states had passed "three strikes and you're out" type of laws, which require mandatory sentences for habitual offenders.

Not surprisingly, the costs of the criminal justice system appear to be rising. In fiscal 1995, appropriations for corrections rose at least 10 percent in fourteen states. Funds were spent on hiring additional prosecutors and policemen, adding beds to existing facilities, and building new jails and prisons. The "three strikes" laws could prove particularly costly as they raise the need for prison capacity. Several states have estimated significant increases in state expenditures to build more prisons in the years ahead. In addition, some states anticipate additional court costs. For example, the California Judicial Council anticipates a rising number of felony jury trials.[4] Defendants may be more willing to accept the risk of a trial and less willing to take a plea bargain that would result in a lengthy jail term.

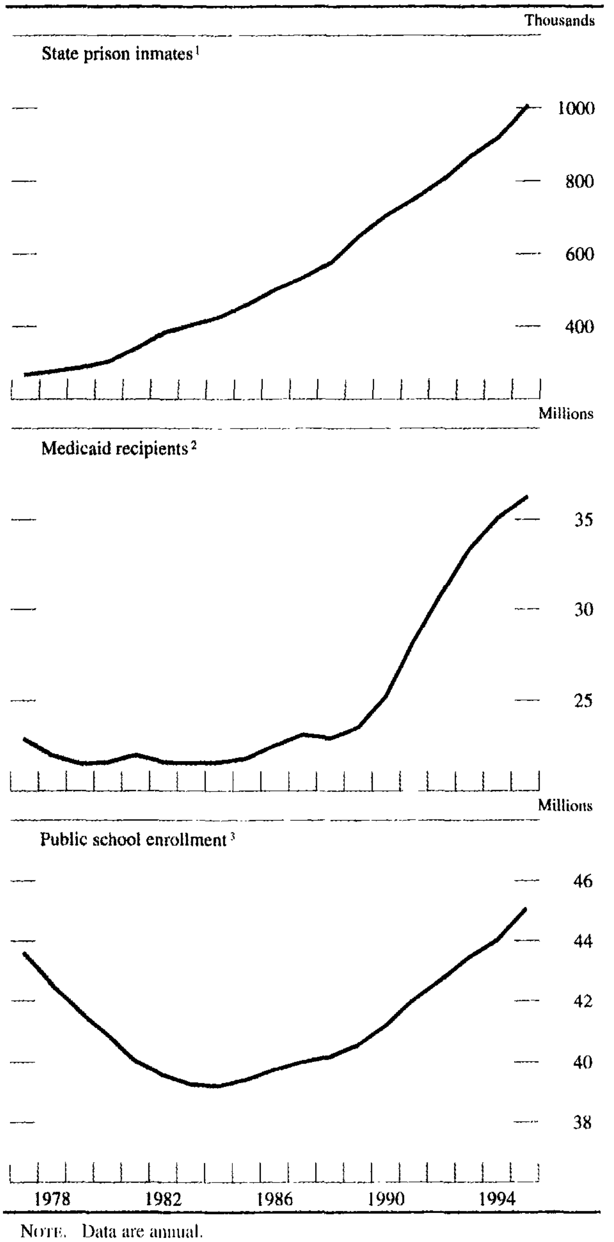
The number of prison inmates rose dramatically between 1980 and 1995, with the number of state prisoners tripling to about 1 million in 1995 (chart 5).[5] By comparison, the state prison population

4. Donna Lyons, *'Three Strikes' Legislation Update*, National Conference of State Legislatures (December 1995).

5. In 1994, state facilities held 62 percent of incarcerated individuals, and jails under the jurisdictions of local governments held 33 percent; federal prisons held the remaining 6 percent.

was essentially flat from 1930 to 1970 and rose only a little during the 1970s. The recent wave of anti-crime legislation, including the "three strikes" laws, appears to be bolstering prison populations further. In 1995, the number of prisoners under the jurisdiction of state authorities jumped 9.1 percent, compared with a gain of 7.2 percent, on average, during the preceding five years.

5. Demand for state and local services, 1977–95



NOTE. Data are annual.
1. Annual data as of June 30 of each year.
2. Figure for 1995 is estimated by the Health Care Financing Administration.
3. Figures for 1994 and 1995 are estimates by the Department of Education.
SOURCES. Data for the number of state prison inmates are from the Department of Justice; for Medicaid recipients, the Health Care Financing Administration; for public school enrollment, the Department of Education.

The recent increases in prison populations reflect both more arrests and an increased likelihood of incarceration after arrest. These trends are associated with the increase in anti-crime measures and the rise of illegal drug use; notably, the percentage of prisoners serving sentences for drug-related charges rose from 6 percent to 22 percent during the past fifteen years. However, the good news is that the rate of violent crime came down a little in 1993 and 1994 and that the rate for property crime has fallen 9 percent since its high in 1991. These developments likely are improving the perception of public safety.

Medicaid

Medicaid provides specific medical services to most recipients of federal cash assistance programs (Aid to Families with Dependent Children and Supplemental Security Income) and to others meeting a separate test of financial need. States administer the program and, with the federal government, fund it. The programs vary considerably because states may choose to offer optional services that are not mandated and because their policies on reimbursement and administration differ. The federal match is a function of the per capita income of the particular state, and the federal government's share ranges from 50 percent to 78 percent.

Between 1988 and 1993, total transfer payments for Medicaid rose from 10 percent to more than 16 percent of state and local government expenditures.[6] The increase reflected various factors including the recession, rising health care costs, a surge in the use of provider taxes, and the shift of many beneficiaries from state general assistance programs to Medicaid.[7] The number of recipients also rose because federal mandates were expanded to require states to cover individuals at higher levels of income and to include previously optional services. In particular, coverage of pregnant women and children was significantly expanded primarily by raising the income limit below which families qualified and by extending the age limit for eligible children.

6. State and local transfer payments for Medicaid include the federal matching grant along with state and local government payments.

7. Early in the decade, many states accepted donations from or imposed taxes on health care providers, such as hospitals, in schemes to help bolster federal matching requirements for Medicaid. The term "provider taxes" includes these taxes, fees, and contributions. In recent years, the use of provider taxes has been muted by federal regulations.

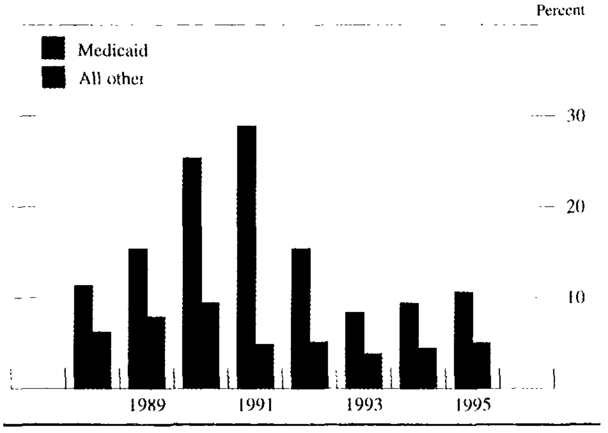
In recent years, the pressure on state budgets from Medicaid expenditures has waned as the economy has strengthened and the rise in health care costs has slowed. Moreover, most of the newly eligible individuals have now been added to the rolls. Notably, the growth of Medicaid recipients has slowed from a high of 12 percent in 1991 to just 3 percent in 1995 (chart 5). Correspondingly, the share of Medicaid spending has stabilized since 1993 as advances in state and local government expenditures on Medicaid have come down from the nearly 30 percent increase in 1991. Nevertheless, at a range of 8–9 percent, growth in Medicaid spending has remained high in recent years and is expected to exceed increases in most other state and local programs in the near term (chart 6).

Education

After a major push to upgrade public school systems in the 1970s and 1980s, many state and local governments reduced their efforts in the 1990s. Although state spending on education increased during the first half of the 1990s, states assigned higher priorities to other programs, particularly corrections and Medicaid, and the pace of growth of education spending lagged. As a result, state spending on education fell as a share of general fund spending from just under 50 percent in 1989 to less than 42 percent in 1995, even as public school enrollment steadily increased (chart 5).

The increase in public education programs during the 1970s and 1980s added noticeably to costs. As a result of the Education of the Handicapped Act passed in 1975, proportionately more handicapped children were educated in the public school system. In addition, programs for gifted, learning-disabled, and bilingual children were expanded, all adding significantly to costs. Besides the increase in programs, some states adopted quality standards for their education systems, and these measures also helped to speed up growth in operational outlays.

6. Comparison of nominal government expenditures by program, 1988–95



NOTE. Expenditures are measured as percentage changes from Q4 to Q4. Figures for 1995:Q4 are estimates by Federal Reserve Board staff members.
SOURCE. NIPA.

Because of the reordering of priorities, in fiscal 1991 growth in actual K–12 spending—at less than half the pace of the previous year—fell far short of planned increases in appropriations, as states made midyear adjustments to spending plans with the goal of balancing their budgets. Again in 1994, growth in actual spending fell short of appropriations. On balance, states reduced the growth in aid to local public schools in the 1990s (chart 4). Higher education took an even bigger hit: Growth in appropriations fell in 1991 and 1992, and the level of appropriations actually declined slightly in fiscal 1993.

With the improvement in state budgets in recent years, some efforts are being made to make up for cuts earlier in the decade. For fiscal 1995, growth in actual spending rose about 8 percent for K–12 education, but based on appropriations, growth in outlays for education is likely to slow again in fiscal 1996. Growth in spending for higher education rose somewhat to nearly 4 percent in fiscal 1995 and is expected to remain at that pace in 1996. In addition, some states are working on plans to aid local governments in 1996. Nonetheless, the demographics are such that state and local governments will be facing a rising demand for public education. Annual increases in K–12 enrollment in public schools are expected to hover in the 2 percent range through 1997 and then to rise more gradually over the next decade. Public elementary school enrollment is expected to peak in 2002, whereas enrollment in high schools is forecast to advance for several more years. As a result, governments may be forced to increase spending on education in the years ahead, even if they are not expanding programs.

Pensions

Another area of concern affecting state and local budgets is pensions. Many are considerably underfunded, and meeting pension obligations will add to fiscal pressure in the years ahead for many governments.

State and local public employee retirement systems (PERS), along with other social insurance systems, are included in the NIPA. Inflows to the insurance funds include contributions by employers and personnel as well as interest earnings. Offsetting these revenues are transfer payments to retirees and administrative expenses. Surpluses of state and local social insurance funds are a source of saving that is available each year to the rest of the economy through the credit and equity markets. Through the 1970s and 1980s the surpluses grew steadily on a NIPA basis; after peaking at $68 billion in 1992, the surplus fell to $58 billion in 1995.

For the state and local sector as a whole, the retirement systems constitute approximately 90 percent of all the social insurance funds, which in some states also include workers' compensation and temporary disability insurance. Roughly 90 percent of the pension assets of all state and local government workers are held by about 10 percent of the approximately 6,000 pension funds in the sector. About 90 percent of state and local government employees are covered by defined benefit pension plans, and 9 percent of workers are covered by defined contribution plans.[8] PERS alone control more than $1 trillion in assets—nearly 30 percent of all pension assets.

Assets of PERS are invested mainly in U.S. government securities and in corporate stocks and bonds. State and local governments administer the retirement systems, and state and local laws govern the provision of retirement benefits and the protection of the plans' assets. In some cases the pension fund is the sole guarantor, and in others the employers, that is, the governments themselves, stand behind the systems. The Public Pension Coordinating Council (PPCC) provides information and helps coordinate activities of the pension administrators.[9] Unlike private pension plans, however, PERS are not subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides standards for participation, vesting, funding, fiduciary duties, disclosure, and reporting and prescribes mechanisms to enforce these standards.

An important distinction exists between the corpus, or assets, of state and local pension trusts and the government's contributions. Although state and local governments have rarely borrowed from the corpus, they have, at times, altered their pension fund contributions in response to budgetary distress. Annual contributions depend on actuarial assumptions, one of which is the expected rate of return on pension fund investments. In the early 1990s, many states adopted unrealistically high rates of return, which allowed them to reduce their own contributions, thereby freeing up funds for general government purposes. Meanwhile, some states took other steps to help bolster the general fund. For example, California postponed normal employer contributions for fiscal 1994 until fiscal 1995, and Maine made the decision to spread the unfunded pension liability over more years. As a result, government contributions actually fell in real terms in the late 1980s and early 1990s. According to the Government Accounting Office, in 1991 only 80 percent of actuarially required annual contributions were being made.

Based on definitions applied by state and local governments, in the early 1990s total assets of PERS covered more than 80 percent of total liabilities, which are calculated to include current liabilities plus liabilities based on assumed future salary and service increases up to retirement.[10] Governments expect to exist indefinitely and therefore include the stream of future benefits in this calculation. The ratio of assets to liabilities is referred to as the actuarial accrued liability funding ratio. By comparison, for private sector pension plans, the funding ratio omits liabilities accruing from future services.

The view of the PPCC is that PERS are fairly well funded and that plan participants are also protected by the laws of state and local governments.[11] In 1975, the funding level was just 51 percent. Then, spurred partly by concern about the prospect of being included under the terms of ERISA, state and local governments worked to increase the level of funding in the pension funds up to the 82 percent level in fiscal 1992. However, the funding status of public pension plans varies widely, and many plans are significantly underfunded, with funding ratios of less than 75 percent. In addition, the funding ratios may vary according to the type of plan. For example, proportionately more plans for police and firefighters are poorly funded compared with plans for general government employees (chart 7).

Data from the Bureau of Economic Analysis indicate that net inflows to state and local pension funds, in the aggregate, deteriorated between the late 1980s and 1995. The accumulated surpluses of these

8. State and local government employees have the option of participating in social security, but given the broad availability of the public employees retirement systems, most have chosen not to do so.

9. PPCC is conducting a survey to determine the proportion of those systems backed by the governments themselves.

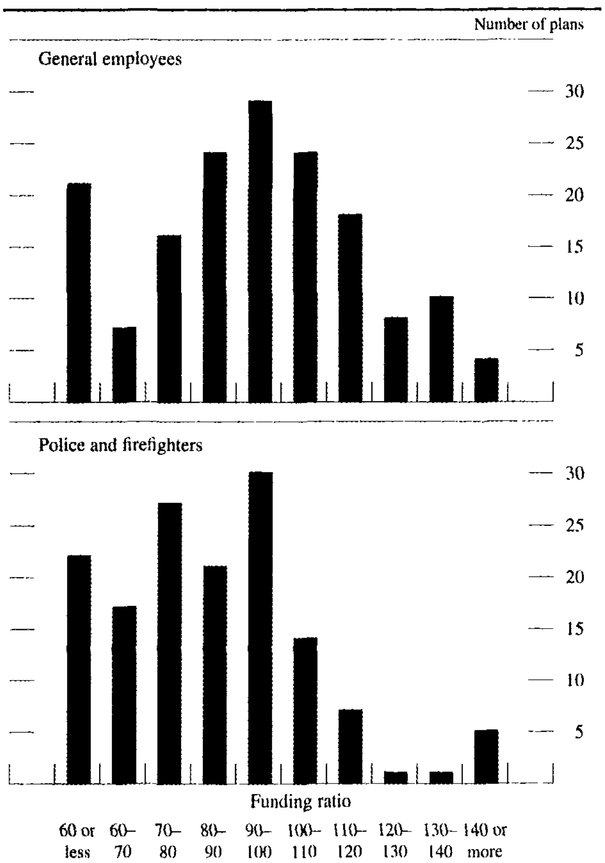
10. Current liabilities are accrued benefits earned to date by workers and retirees based on years of service and salaries.

11. Some analysts argue that one can compare the pension funding ratio to a home mortgage; that is, if 80 percent of a home mortgage is paid off, with twenty to twenty five years left on the mortgage, the mortgage holder is in good shape

accounts fund future pension liabilities, and the adequacy of these surpluses must be judged in relation to the growth of liabilities. Although a good measure of liabilities is not available, total wages and salaries is used as a very rough indicator. The surplus of the social insurance funds measured in relation to state and local employee wages and salaries rose steadily through the 1970s and leveled off in the 1980s.[12] However, in recent years, the surplus has come down relative to payrolls (chart 8). Much of this decline can be explained by the weakness in real government contributions as previously noted; personal contributions by government workers trended up until 1994 and then flattened. Meanwhile, the growth in real benefits to annuitants appears to have accelerated. In addition, the ratio of active state and local workers to retirees is declining.

12. The charts show social insurance funds instead of retirement funds because the data are more readily available.

7. Distribution of state and local pension plans by funding ratio, fiscal year 1992



NOTE. The funding ratio is the ratio of plan assets to the actuarial accrued liability.
SOURCE. Public Pension Coordinating Council, *Survey of State and Local Government Employee Retirement Systems*.

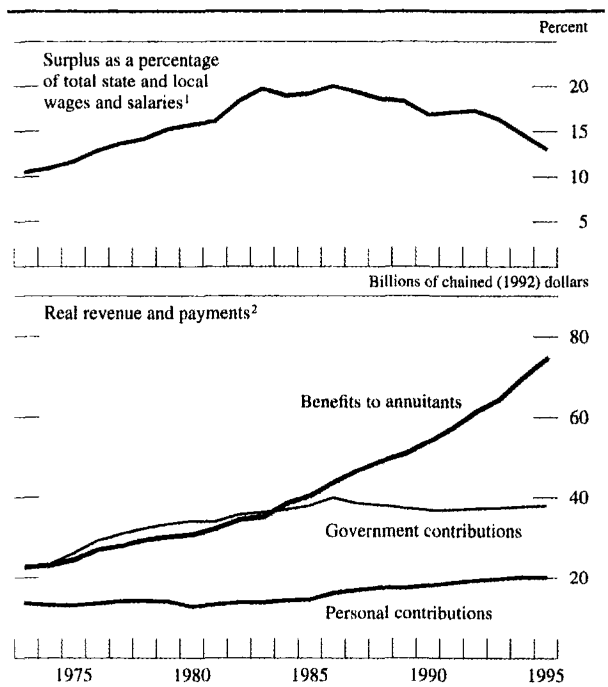
Clearly, problems exist for many state and local retirement systems, and some governments will find pension fund requirements a source of financial strain in the years ahead. However, although data are not yet available, the stock market boom of 1995 appears to have raised the assets of pension funds considerably and probably helped improve funding ratios for many state and local pension plans.

SUMMARY

Some states have only recently pulled out of the period of fiscal distress that characterized much of the early 1990s, and many cities, counties, and school districts are still wrestling to balance their budgets. In addition, tax burdens have remained at roughly the same high levels that have prevailed for the past twenty-five years (chart 9), and some citizens appear to be calling for lower taxes and less government. Therefore, many governments may not be in a financial or political position to make up possible federal cutbacks in aid.

On balance, despite the recent rosy picture, the sector's future fiscal health is far from certain. As described, many governments are coping with underlying structural changes, particularly growing populations of prisoners, school-age children, and low-

8. State and local social insurance funds, 1973–95

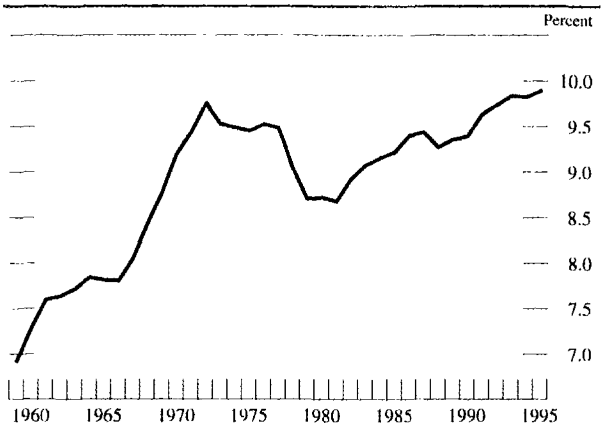


NOTE. Data are annual and on a NIPA basis.
1. Data for 1995 are averages of the first three quarters.
2. Deflated by the personal consumption expenditures deflator.

income individuals in need of health care. In addition, some governments will need to add to pension funds in the years ahead to bring them to full funding.

Many governments may not be prepared if the economy weakens or if federal aid is cut. Reductions in federal grants have been under consideration for some time, and the current impasse in Washington is creating uncertainty for state and local budget planners. Many state and local officials are concerned; however, most have still not developed specific coping strategies, and most state legislatures have not taken any formal action. Rather, planning has centered on fiscal analysis, data collection, and issue monitoring. Some governments have established interagency review committees, but quite a few have adopted a wait-and-see approach. In addition, some private groups, such as charitable organizations and business groups, have developed proposals.

9. State and local tax revenue as a percentage of nominal GDP, 1959–95



NOTE. Data are annual and on a NIPA basis; the figure for 1995 is through Q3.

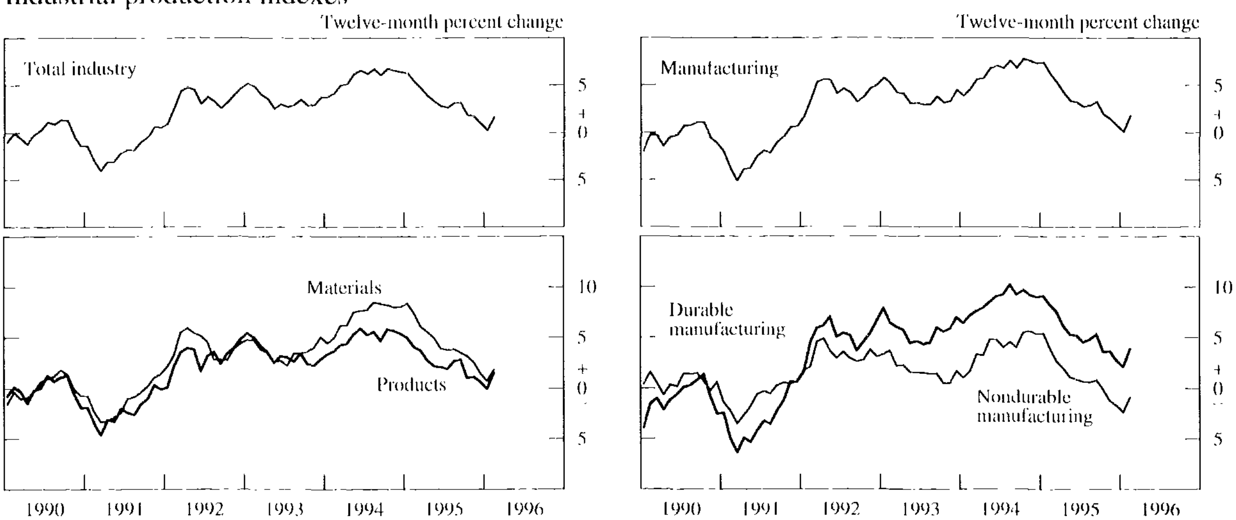
Another important factor contributing to the uncertain future for the state and local sector is the direction of aggregate economic activity. Most forecasters are calling for continued growth in 1996 and 1997, perhaps at a somewhat slower pace than in the previous two years. Generally, state and local planners incorporate those forecasts into their own revenue projections. As always, unexpected weakness in economic growth could upset state and local fiscal positions. Given the uncertainties on the receipt side and continuing demand pressures, state and local governments may have to work hard to maintain program goals and keep their budgets in balance. □

Industrial Production and Capacity Utilization for February 1996

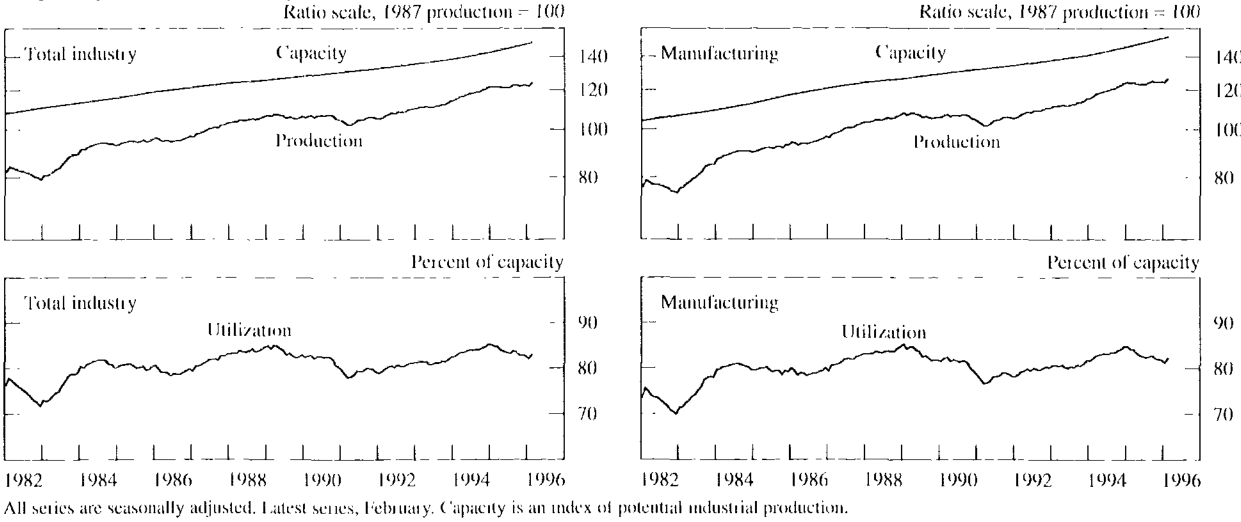
Released for publication March 15

Industrial production rose 1.2 percent in February after having fallen 0.4 percent in January; part of the gain reflects a bounceback from the temporary disruptions caused by the blizzard that hit the East Coast in early January. The level of total output in February was 0.8 percent higher than in December, with the improvement concentrated mainly in business equipment and in related durable goods materials; the recovery of aircraft and parts production after the settlement of a strike at a major manufacturer in mid-December accounted for nearly one-third of the overall growth in total industrial output since the end of last year. Among other major market groups, the levels of production of consumer goods and construction supplies were about the same as in December, while the output of materials other than durables

Industrial production indexes



Capacity and industrial production



All series are seasonally adjusted. Latest series, February. Capacity is an index of potential industrial production.

Industrial production and capacity utilization, February 1996

Category	Industrial production, index, 1987 = 100								
	1995		1996		Percentage change				
					1995[1]		1996[1]		Feb. 1995 to Feb. 1996
	Nov.[r]	Dec.[r]	Jan.[r]	Feb.[p]	Nov.[r]	Dec.[r]	Jan.[r]	Feb.[p]	
Total	**122.6**	**122.7**	**122.1**	**123.7**	**.3**	**.1**	**.4**	**1.2**	**1.6**
Previous estimate	122.4	122.6	121.9	...	.2	.2	.6	...	...
Major market groups									
Products, total[2]	118.8	118.9	118.4	120.0	.4	.1	-.5	1.4	1.5
Consumer goods	115.9	115.2	113.7	115.1	.9	.6	-1.3	1.2	.2
Business equipment	156.9	158.2	160.7	163.8	.2	.9	1.6	1.9	6.2
Construction supplies	108.7	110.4	108.0	110.5	.3	1.6	2.2	2.3	.9
Materials	128.4	128.4	128.0	129.3	.3	.0	-.3	1.0	1.8
Major industry groups									
Manufacturing	124.5	124.7	124.3	126.1	.1	.2	.3	1.4	1.7
Durable	134.3	134.8	134.6	137.2	.6	.4	.2	1.9	3.9
Nondurable	113.7	113.5	112.9	113.8	-.5	.2	.6	.8	.9
Mining	98.3	97.8	97.3	98.8	.1	-.6	.4	1.5	2.0
Utilities	125.4	124.7	123.2	121.8	3.1	-.6	1.1	1.2	2.7

Category	Capacity utilization, percent								Memo Capacity, percentage change, Feb. 1995 to Feb. 1996
	Average, 1967–95	Low, 1982	High, 1988–89	1995			1996		
				Feb.	Nov.[r]	Dec.[r]	Jan.[r]	Feb.[p]	
Total	**82.1**	**71.8**	**84.9**	**84.7**	**82.9**	**82.7**	**82.1**	**82.9**	**3.9**
Previous estimate	...	...	...	...	82.8	82.7	81.9	...	...
Manufacturing	81.4	70.0	85.2	84.2	81.9	81.8	81.2	82.1	4.3
Advanced processing	80.7	71.4	83.5	82.0	80.3	80.1	79.6	80.6	4.9
Primary processing	82.6	66.8	89.0	89.3	85.9	85.7	84.9	85.7	2.8
Mining	87.4	80.6	86.5	90.0	87.7	87.2	86.8	88.1	.1
Utilities	86.9	76.2	92.6	88.2	92.5	91.9	90.7	89.6	1.1

NOTE. Data seasonally adjusted or calculated from seasonally adjusted monthly data.
1. Change from preceding month.
2. Contains components in addition to those shown.
r Revised.
p Preliminary.

declined, on balance, over the past two months. At 123.7 percent of its 1987 average, industrial production in February was up 1.6 percent from February 1995. Capacity utilization rose 0.8 percentage point in February, to 82.9 percent.

When analyzed by market group, the data show that the production of consumer goods rebounded 1.2 percent after having dropped a similar amount in January. The output of durable consumer goods rose 3.7 percent but remained below its December level, as the pickup in production of goods for the home, such as appliances, did not fully reverse its drop in January. The production of motor vehicles was about 1 percent higher than in December. The output of nondurable consumer goods rose 0.6 percent, to a level a bit higher than in December. The production of consumer chemicals and food exceeded their December levels. The output of business equipment rose sharply in both January and February, reflecting, in part, the increase in aircraft production. The output of information processing equipment remained strong, and the production of industrial equipment, which had been sluggish since last summer, picked up.

The output of construction supplies increased more than 2 percent, returning to the high level at the end of last year. The production of materials rose sharply, more than reversing the loss in January. The output of durable materials rose 1.5 percent after having posted a small gain in January. February's gain in the production of durable materials mainly reflected increases in parts and components for equipment, particularly those used in information processing equipment and in aircraft; the output of basic metals also rose sharply. The production of nondurable materials rose 0.9 percent but remained 0.7 percent below its level in December. The output of energy materials was about unchanged.

When analyzed by industry group, the data show that manufacturing output rose 1.4 percent in February and was more than 1 percent higher than in December. The strength since the end of last year has been primarily concentrated in durables; in addition to the rebound in the production of aircraft and parts, noticeable growth occurred in primary metals, industrial machinery and equipment, electrical machinery, instruments, and stone, clay, and glass products. The level of output of nondurables was just slightly higher than in December; the food and petroleum industries showed the most notable improvements, while the output of apparel fell. The output of mining rose 1.5 percent, with a rebound in coal mining accounting for nearly half of the gain. The output at utilities fell 1.2 percent, its third successive monthly decline.

Capacity utilization in manufacturing rose 0.9 percentage point, to 82.1 percent, the same as it was in October. Utilization in the advanced-processing industries rose 1.0 percentage point, to 80.6 percent, its highest level since last September. Among the primary-processing industries, utilization rose 0.8 percentage point, to 85.7 percent, the same as it was in December. The rate of factory utilization increased for all major manufacturing industries except chemicals. The operating rate in mining advanced 1.3 percentage points, to 88.1 percent, while the rate at utilities declined 1.1 percentage points, to 89.6 percent. □

Statements to the Congress

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Subcommittee on Domestic and International Monetary Policy, Committee on Banking and Financial Services, U.S. House of Representatives, February 20, 1996

I appreciate the opportunity to appear before this committee to present the Federal Reserve's semiannual report on monetary policy.[1]

The U.S. economy performed reasonably well in 1995. One and three-quarter million new jobs were added to payrolls over the year, and the unemployment rate was at the lowest sustained level in five years. Despite the relatively high level of resource utilization, inflation remained well contained, with the consumer price index (CPI) rising less than 3 percent—the fifth year running at 3 percent or below. A reduction in inflation expectations, together with anticipation of significant progress toward eliminating federal budget deficits, was reflected in financial markets, where long-term interest rates dropped sharply and stock prices rose dramatically over the year.

This outcome was influenced, in part, by monetary policy actions taken by the Federal Reserve in recent years. Responding to evidence that inflationary pressures were building, we progressively raised short-term interest rates over 1994 and early 1995. Rates had been purposely held at quite low, stimulative levels in 1993. We moved in 1994 to levels more consistent with *sustainable* growth. Our intent was to be preemptive—to head off an incipient increase in inflationary pressures and to forestall the emergence of imbalances that so often in the past have undermined economic expansions.

As we entered the spring of 1995, it became increasingly evident that our policy was likely to succeed. Although various price indexes were rising a bit more rapidly, there were indications that pressures would not continue to intensify and might even reverse to a degree. Moderating overall demand growth left businesses with excess inventories. In response, firms initiated production cutbacks to prevent serious inventory imbalances, and the growth of economic activity slowed substantially. With inflation pressures apparently receding, the previous degree of restraint in monetary policy was no longer deemed necessary, and the Federal Open Market Committee (FOMC) consequently implemented a small reduction in reserve market pressures last July.

During the summer and early fall, aggregate demand growth strengthened. As a result, business stocks of raw materials and finished goods appeared somewhat better aligned with sales. In sum, the economy, as hoped, appeared to have moved onto a trajectory that could be maintained—one less steep than in 1994, when the rate of growth was clearly unsustainable, but one that nevertheless would imply continued significant growth in employment and incomes.

Importantly, the performance of the economy seemed to be consistent with maintaining low inflation. Despite the step-up in growth and the relatively high levels of resource utilization, measured inflation abated a little, and many of the signs that had been pointing toward greater price pressures gradually disappeared. Expectations of both near- and longer-term inflation fell substantially over the second half of the year, as gauged by survey results as well as by the downward movements in longer-term interest rates. The fall in bond rates was also encouraged by improving prospects for significant progress in reducing the federal budget deficit. The declines in actual and expected inflation meant that maintaining the existing nominal federal funds rate would raise real short-term interest rates, implying a slight effective firming in the stance of monetary policy. Such a shift would have been particularly inappropriate because economic growth near the end of the year seemed to be slowing, and some FOMC members were concerned about the risks of prolonged sluggishness. Consequently, the Committee decided in December that a further reduction in the funds rate was warranted.

Information becoming available in late December and January raised additional questions about the prospective pace of expansion. The situation was difficult to judge, partly because economic statistics were more sparse than usual, mainly because of the government shutdowns. In addition, harsh weather in January disrupted both data flows and patterns of

1. See "Monetary Policy Report to the Congress," in this issue.

economic activity. But several indicators—including initial claims for unemployment insurance, purchasing managers' surveys, and consumer confidence measures—appeared to signal some softening in the economy. Consonant with this pattern, some Reserve Bank presidents reported that they seemed to be detecting anecdotal indications of weakness in the expansion within their Districts with somewhat greater frequency than previously. Moreover, growth in several of our major trading partners seemed to be lagging, which could tend to moderate demand for exports.

A number of factors have prompted the recent tendency toward renewed weakness. Some are clearly quite transitory—related, for example, to bad weather or to the federal government shutdown. Others may be somewhat more significant but still temporary. The constraint on government spending while permanent budget authorizations are being negotiated is one. Another may be a temporary reduction in output in some industries as businesses have further adjusted inventories to disappointing sales. As I noted last July, the change in the pace of inventory investment when the economy shifts gears can be substantial. Inventory investment surged in 1994 and into the early months of 1995 but proceeded to fall markedly throughout the rest of the year. This has placed significant downward pressure on output, which should lift as inventory adjustments subside. But for the moment, the pressures remain in the motor vehicle industry and elsewhere.

Ultimately, of course, it is the path of final demand after the temporary influences work themselves out that determines the trajectory of the economy. There are some factors, such as high consumer debt levels, that may be working to restrain spending. But as I shall be detailing shortly, a number of fundamentals point to an economy basically on track for sustained growth, so any weakness is likely to be temporary. Nonetheless, the Committee decided in late January that the evidence suggested sufficient risk of subpar performance going forward to warrant another slight easing of the stance of monetary policy. Given the subdued trends in costs and wages, the odds that such a move would boost inflation pressures seemed low.

In assessing the likely course of the economy and the appropriate stance of policy, one question is the significance, if any, of the age of the business expansion. Some analysts, viewing recent weakness, have observed that the expansion is approaching the start of its sixth year and is now one of the longer peacetime spans of growth in the past half century. Economic expansions, however, do not necessarily die of old age. Although the factors governing each individual business cycle are not always clear, expansions usually end because serious imbalances eventually develop.

When aggregate demand exceeds the economy's potential, for example, inflationary pressures pick up. The inevitable increase in market interest rates, as inflation expectations rise and price pressures intensify, depresses final demand. Lagging demand, in turn, sets off an inventory correction that frequently triggers a downturn in the economy. As I noted, we acted in 1994 to forestall such a process. Monetary policy began to tighten in advance of the buildup of inflationary pressures, and at least to date, these pressures appear to have been held in check.

Capital expenditures by households and firms can also contribute significantly to the development of cycle-ending imbalances. The levels of stocks of such real assets have effects on output very similar to those of business inventories. In typical cycles, capital expenditures tend to grow rapidly in the early stages of recovery: Pent-up demands coming out of a recession by consumers and businesses are satisfied by rapid growth of spending on capital assets. There is a limit, however, on, say, how many cars people choose to own or how many square feet of floor space retailers need to service customers. Spending on such assets generally tends to grow more slowly after the pent-up demand is met. As with business inventories, the downshifting of spending on consumer durable goods or business plant and equipment may not occur smoothly. The dynamics of expanding output and rising profit expectations often create a degree of exuberance, which, as in much of human nature, tends on occasion to excess—in this case, in the form of a temporary overaccumulation of assets. The ensuing correction in demand for such assets triggers production adjustments that can significantly mute growth for a time or even cause a downturn if the imbalances are large enough.

The current extent of any asset overhang is difficult to determine. The growth of demand for durables and some categories of capital goods has evidently slowed, but the available evidence does not suggest a degree of saturation in capital assets that would tip the economy into a downturn.

Moreover, financial conditions are likely to be generally supportive of spending. The low level of long-term interest rates should have an especially favorable effect. Low rates increase the affordability of housing for consumers and foster investment in productive plant and equipment by businesses. The decline in interest rates has also contributed to a pronounced rise in stock prices. The spread of mutual fund investments has meant that the gain in wealth as financial asset prices have risen has been shared by an ever-wider segment of households. These developments should tend to counter, in part, the depressing effects on spending of rising debt burdens. In addition, with the condition of most financial institutions strong, lenders are likely to remain willing to extend credit to firms and households on favorable terms. We have seen some move by lenders toward tighter standards, but these actions are a modest correction after a marked swing toward ease and should not constrain the availability of funds to creditworthy borrowers.

Against this backdrop, Federal Reserve policymakers expect that the most likely outcome for 1996 as a whole is further moderate growth. On the new chain-weighted basis, the central tendency of the forecasts of Board members and Reserve Bank presidents is for real gross domestic product to expand 2 percent to 2¼ percent on a fourth-quarter-to-fourth-quarter basis, similar to the Administration's outlook. With output expanding roughly in line with standard estimates of the increase in the productive capacity of the economy, the unemployment rate is expected to remain around recent levels, as is also forecast by the Administration.

The Federal Open Market Committee expects a continuation of reasonably good inflation performance in 1996. The success during 1995 in keeping the increase in the consumer price index below 3 percent in the fifth year of an expansion illustrates that an extended period of growth with low inflation is possible. And most on the Committee anticipate consumer price inflation at or somewhat below 3 percent in 1996. Although well-known biases in the CPI, as well as the more favorable price performance of business equipment, which is not included in that index, indicate that the true rate of inflation for the whole economy would be significantly lower than 3 percent, the Committee recognized that its expectations for inflation do not imply that price stability has as yet been reached. Nonetheless, keeping inflation from rising significantly during economic expansions will permit a gradual ratcheting down of inflation over the course of successive business cycles that will eventually result in the achievement of price stability.

To emphasize its continued commitment to price stability, the Committee chose to reaffirm the relatively low ranges for money growth in 1996 that it had selected on a provisional basis last July. These ranges are identical to those employed in 1995—1 percent to 5 percent for M2 and 2 percent to 6 percent for M3. The Committee also reaffirmed the 3 percent to 7 percent range for debt. Patterns of money growth and velocity have been erratic in recent years, but should the monetary aggregates at some point reestablish their previous trend relationships with nominal income, average growth near the center of these ranges should be consistent with the eventual achievement of price stability.

Determining whether further changes to the stance of monetary policy will be necessary in the months ahead to foster progress toward our goals will be a continuing challenge. In formulating monetary policy, while we have in mind a forecast of the most likely outcome, we must also evaluate the consequences of other possible developments. Thus, it is sometimes the case that we take out monetary policy "insurance" when we perceive an imbalance in the net costs or benefits of coming out on one side or the other of the most probable scenario. For example, in our most recent actions, we saw a decline in the federal funds rate as not increasing inflationary risks unacceptably, while addressing the downside risks to the most likely forecast. In assessing the costs and benefits of adjustments to the stance of policy, members of the Committee recognize that policy affects the economy and inflation with a lag and thus needs to be formulated with a focus on the future. Over the past year, we have kept firmly in mind our goals of containing inflation in the near term and moving over time toward price stability, and they will continue to guide us in the period ahead.

Structural forces may be assisting us in this regard. Increases in producers' costs and in output prices proved to be a little lower last year than many had anticipated. Although it is too soon to draw any definitive conclusions, this experience provides some tentative evidence that basic, ongoing changes in the structure of the economy may be helping to hold down price pressures. These changes stem from the introduction of new technologies into a wide variety of production processes throughout the economy. Successive generations of these new technologies are being quickly embodied in the nation's capital stock, and older technologies are, at a somewhat slower pace, being phased out. As a consequence, the nation's capital stock is turning over at an increasingly rapid pace, not primarily because of physical deterioration but reflecting technological and economic obsolescence.

The more rapid advance of information and communications technology and the associated acceleration in the turnover of the capital stock are being mirrored in a brisk restructuring of firms. In line with their adoption of new organizational structures and technologies, many enterprises are finding that their needs for various forms of labor are evolving just as quickly. In some cases, the job skills that were adequate only five years ago are no longer as relevant. Partly for that reason, most corporate restructurings have involved a significant number of permanent dismissals.

The phenomenon of restructuring can be especially unfortunate for those workers directly caught up in the process. Many dedicated, long-term workers in all types of U.S. businesses—including long-established, stable, and profitable firms—have been let go.

An important consequence of the layoffs and dismissals associated with restructuring activity is a significant and widely reported increase in the sense of job insecurity. Concern about employment has been manifested in unusually low levels of indicators of labor unrest. Work stoppages, for example, were at a fifty-year low last year. And contract negotiators for labor unions have sought to obtain greater job security for their members through very long-term labor contracts, including some with virtually unprecedented lengths of five or six years.

Of particular relevance to the inflation outlook, the sense of job insecurity is having a pronounced effect in damping labor costs. For example, the increase in the employment cost index for compensation in the private sector, which includes both wage and salary payments and benefit costs, slowed further in 1995, to 2¾ percent, despite labor market conditions that, by historical standards, were fairly tight. With productivity also expanding, the increase in unit labor costs was even lower. In manufacturing, such costs have actually been falling in recent years. While the link between labor costs, which account for two-thirds of consolidated business sector costs, and prices is not rigid, these very limited increases in labor expenses nonetheless constitute a significant restraint on inflation.

In addition to its effect on labor costs, the more rapid pace of technological change is reducing business costs through other channels. Initially most important, the downsizing of products resulting from semiconductor technologies, together with the increasing proportion of national output accounted for by high-tech products, has reduced costs of transporting the average unit of gross domestic product. Quite simply, small products can be moved more quickly and at lower cost.

More recently, dramatic advances in telecommunications technologies have lowered the costs of production for a variety of products by further slashing the information component of those costs. Increasingly, the physical distance between communications endpoints is becoming less relevant in determining the difficulty and cost of transporting information. Once fiber-optic and satellite technologies are in place, the added resource cost of another 200 miles or 2,000 miles is often quite trivial. As a consequence, the movement of inputs and outputs across geographic distance is progressively becoming a smaller component of overall business expenses, particularly as intellectual—and therefore immaterial—products become proportionately more important in the economy. This enables an average business firm to broaden markets and sales far beyond its original domicile. Accordingly, fixed costs are spread more widely. For the world market as a whole, the specialization of labor is enhanced to the benefit of standards of living of all market participants.

To be sure, advancing technology, with its profound implications for the nature of the economy, is nothing new, and the pace of improvement has never been even. But it is possible that we may be in the midst of a quickening of the process. It is possible that the rate at which earlier computer technologies are being applied to new production processes is still increasing. This would explain the recent decline in the growth of unit costs. Nonetheless, we have to be careful in projecting a further acceleration in the application of technology indefinitely into the future, as would be required for technological change to depress the rate of increase in unit business costs even more. Similarly, suppressed wage cost growth as a consequence of job insecurity can be carried only so far. At some point in the future, the tradeoff of subdued wage growth for job security has to come to an end. While it is difficult to judge the time frame on such adjustments, the risks to cost and price inflation going forward are not entirely skewed to the downside, especially with the economy so recently operating at high levels of resource utilization.

In light of the quickened pace of technological change, the question arises whether the U.S. economy can expand more rapidly on an ongoing basis than the 2 percent to 2¼ percent range for measured GDP forecasted for 1996 by government agencies and most private forecasters without adding to inflationary pressures, which, in turn, would undermine growth. The Federal Reserve would certainly welcome faster growth—provided that it is sustainable.

The particular rate of maximum sustainable growth in an economy as complex and ever-changing as ours is difficult to pin down. Fortunately, the Federal Reserve does not need to have a firm judgment on such an estimate, for persistent deviations of actual growth from that of capacity potential will soon send signals that a policy adjustment is needed. Should the nation's true growth potential exceed actual growth, for example, the disparity and lessened strain would be signaled in shorter lead times on the delivery of materials, declining overtime, and ebbing inflationary pressures. Conversely, actual growth in excess of the economy's true potential would soon result in tightened markets and other distortions that, as history amply demonstrates, would propel the economy into recession. Consequently, we must be cautious in reaching conclusions that growth in productivity and hence of potential output has as yet risen to match the evident step-up in technological advance.

The hypothesis that advancing technology has enhanced productivity growth would be more persuasive if national data on productivity increases showed a distinct improvement. To a degree, the lack of any marked pickup may be a shortcoming of the statistics rather than a refutation of the hypothesis. Faulty data could be arising, in part, because business purchases are increasingly concentrated in items that are expensed but which market prices suggest should be capitalized. Growing disparities between book capital and its valuation in equity markets may, in part, reflect widening effects of this misclassification. If this problem is indeed growing, we may be underestimating the growth of our GDP and productivity.

This classification problem compounds other difficulties with measuring output in the increasingly important service sector. The output of services—and the productivity of labor in that sector—is particularly hard to measure. In part, the statisticians have simply thrown up their hands, gauging output in some service industries just in terms of labor input. By construction, such a procedure will miss improvements in productivity caused by other inputs. In manufacturing, where output is more tangible and therefore easier to assess, measured productivity has been rising briskly, suggesting that technological advances are indeed having some effect.

Nonetheless, there is still a nagging inconsistency: The evidence of significant restructurings and improvements in technology and real costs within business establishments does not seem to be fully reflected in our national productivity measurements. It is possible that some of the frenetic pace of business restructuring is mere wheel spinning—changing production inputs without increasing output—rather than real increases in productivity. One cause of the wheel spinning, if that is what it is, may be that it takes some time for firms to adapt in such a way that major new technology is translated into increased output.

In an intriguing parallel, electric motors in the late nineteenth century were well known as a technology but were initially integrated into production systems that were designed for steam-driven power plants. It was not until the gradual conversion of previously vertical factories into horizontal facilities, mainly in the 1920s, that firms were able to take full advantage of the synergies implicit in the electric dynamo, thus achieving dramatic productivity increases. Analogously, existing production systems today to some degree cannot be easily integrated with new information and communication technologies. Some existing equipment is not capable of control by computer, for example. Thus, it may be that the full advantage of even the current generation of information and communication equipment will be exploited over a span of quite a few years and only after a considerably updated stock of physical capital has been put in place.

While the Federal Reserve does not need to establish targets—and definitely not limits—for long-term growth, it is helpful in coming to shorter-run policy insights to have some judgments about the growth in potential GDP in the past and what it is likely to be in the future. Judgments of potential, quite naturally, are based on experience. Through the four quarters of 1994, for example, real GDP, pressed by strong demand, rose 3½ percent. If that were the true rate of increase in the economy's long-run potential, then we would have expected no change in rates of resource utilization. Instead, industrial capacity utilization rose nearly 3 percentage points, and the unemployment rate dropped 1 percentage point. Moreover, we began to see signs of strains on facilities; deliveries of materials slowed appreciably, and factory overtime rose sharply. These signs of developing pressures on capacity suggest that the growth rate in economic potential in 1994 was below 3½ percent. In general, as we get close to presumed potential, we are required to step up our surveillance for inflationary pressures.

Estimates of potential growth necessarily recognize that expansion in the economy over time comes essentially from three factors—growth in population, increases in labor force participation, and gains in average labor productivity. Of these factors, the first two are determined basically by demographic and social factors and seem unlikely to change dramatically over the next few years. Thus, the source of any significant pickup of output growth would need to be a more rapid pace of productivity growth. Here, the uncertainty of the pace of conversion of rapid technological advance into productivity gains is crucial to the determination.

To be fully effective in achieving potential productivity improvements, technological innovations also require a considerable amount of human investment on the part of workers who have to deal with these devices on a day-to-day basis. On this score, we still may not have progressed very far. Many workers still possess only rudimentary skills in manipulating advanced information technology. In these circumstances, firms and employees alike need to recognize that obtaining the potential rewards of the new technologies in the years ahead will require a renewed commitment to effective education and training, especially on-the-job training. This is especially the case if we are to prevent the disruptions to lives and the nation's capacity to produce that arise from mismatches between jobs and workers. We need to improve the preparation for the job market our schools do, but even better schools are unlikely to be able to provide adequate skills to support a lifetime of work. Indeed, the need to ensure that our labor force has the ongoing education and training necessary to compete in an increasingly sophisticated world economy is a critical task for the years ahead.

Our nation faces many important and difficult challenges in economic policy. Nonetheless, we have made significant and fundamental gains in macroeconomic performance in recent years that enhance the prospects for maximum sustainable economic growth. Inflation, as measured by the consumer price index, has been gradually reduced from a peak of more than 13 percent in 1979 to 2½ percent last year. Lower rates of inflation have brought a variety of benefits to the economy, including lower long-term interest rates, a sense of greater economic stability, an improved environment for household and business planning, and more robust investment in capital expenditures. The years ahead should see further progress against inflation and the eventual achievement of price stability.

We have also made considerable progress on the fiscal front. Over the past ten years and especially since 1993, our elected political leaders, through sometimes prolonged and even painful negotiations, have been successful in reaching several agreements that have significantly narrowed the budget deficit. But more remains to be done. As I have emphasized many times, lower budget deficits are the surest and most direct way to increase national saving. Higher national saving would help to reduce real interest rates further, promoting more rapid accumulation of productive capital embodying recent technological advances. Agreement is widely shared that attaining a higher national saving rate quite soon is crucial, particularly in view of the anticipated shift in the nation's demographics in the first few decades of the next century.

Lower inflation and reduced budget deficits will by no means solve all of the economic problems we face. But the achievement of price stability and federal budget balance or surplus will provide the best possible macroeconomic climate in which the nation can address other economic challenges.

Chairman Greenspan presented identical testimony before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, February 21, 1996.

Statement by Theodore E. Allison, Assistant to the Board, Board of Governors of the Federal Reserve System, before the Subcommittee on General Oversight and Investigations of the Committee on Banking and Financial Services, U.S. House of Representatives, February 27, 1996

Thank you for providing the Federal Reserve Board an opportunity to present information on the security of U.S. currency. I am Theodore E. Allison, Assistant to the Board with responsibility for the security of Federal Reserve notes.

In my statement today, I will provide evidence that the currency of the United States is safe—that is, relatively free from counterfeits—both domestically and internationally. To do so, I will show that the Federal Reserve receives from circulation a sufficient quantity of currency notes to always have an up-to-date and reasonably accurate view of the notes in circulation. I will outline the equipment and procedures used to verify the genuineness of the notes processed by the Federal Reserve Banks. We are confident that these procedures permit thorough identification of counterfeits and thus prevent the reissuing of counterfeits. Finally, I will report the level of counterfeit notes that we detect, which is very low.

I recommend for the subcommittee's further consideration an important statement on this subject presented by the Honorable Edward W. Kelley, Jr., Member of the Board of Governors, to the House Banking Committee on July 13, 1994, setting forth the Federal Reserve's support for design improvements in the currency notes.[1] That statement describes, among other things, the enormous con-

1. The attachment to this statement is available from Publications Services, Mail Stop 127, Board of Governors of the Federal Reserve System, Washington DC 20551.

fidence and esteem with which our currency is regarded throughout the world and the importance of maintaining that confidence and esteem. I would suggest that a copy of Governor Kelley's statement be included along with mine in the record.

Despite the relatively low level of counterfeiting of Federal Reserve notes at this time, counterfeiting is a serious crime. If it were to take place in much higher volumes, it might undermine confidence in the genuine currency and might, in extreme circumstances, also threaten the nation's economic stability. For this reason, the Federal Reserve has developed procedures for ensuring that all notes paid out by the Reserve Banks are genuine.

The Federal Reserve's confidence in the safety of U.S. currency notes in circulation has two foundations. The first is the large proportion of outstanding notes that the Reserve Banks receive from circulation each year and are therefore able to examine. The second is the ability of note-counting equipment at Reserve Banks to distinguish genuine notes accurately.

Depository institutions in the United States make frequent deposits with the Federal Reserve of currency notes that will not be needed to meet their customers' requirements, for credit to the depository institution's reserve account at the Reserve Bank. (Similarly, depository institutions withdraw currency notes from the Federal Reserve, for a charge to their reserve account, when their stocks fall to insufficient levels.)

During 1995, the Federal Reserve received from circulation 22 billion currency notes having a value of $344 billion. The amount outstanding was 17 billion notes with a value of about $390 billion, in circulation worldwide, at year-end. The Federal Reserve received the currency notes estimated to be circulating within the United States, on average, more than twice during the year, so that the Reserve Banks receive and examine a number of notes equal to about 20 percent of the domestic circulation each month. Consequently, the Federal Reserve has an up-to-date, and quite clear, picture of the notes in circulation in the United States. Moreover, if there were an increase in the passing of counterfeit notes in the future, the Federal Reserve would be able to detect it promptly.

Importantly, given the concerns of this subcommittee, about $1 in every seven that were held outside the United States was sent back through a depository institution to the Federal Reserve. This amount represents a significant sample of the U.S. currency notes held abroad and also gives the Federal Reserve a fairly good picture of the notes in circulation outside the country.

Because $100 notes circulate somewhat more slowly than notes of other denominations, Reserve Banks have a somewhat less frequent opportunity to inspect them. Nevertheless, the data show that for $100 notes, as for other denominations, the Federal Reserve has a fairly good picture of the outstanding circulation, both at home and abroad.

Having established that we have a fairly clear and current view on the outstanding circulation, I will turn now to the Federal Reserve's tools and procedures for examining incoming receipts of currency notes.

Each of the 22 billion notes received by the Federal Reserve each year is individually inspected by a highly automated and highly sophisticated counting-and-verification machine. The machines count the notes and examine each one for genuineness, correct denomination, and fitness (essentially, cleanliness and absence of tears). At the end of the line, shredders in the machines destroy all genuine notes that are not fit to be issued again.

The machine examination of each $100 note and $50 note for genuineness involves three independent levels of scrutiny.[2] To be regarded by the machine as a genuine note that is potentially suitable to be recirculated, the note must successfully pass all three levels. We have great confidence in the security features in the notes to which the sensors in the machines are keyed. We have a similarly very high level of confidence in the accuracy and reliability of the sensors. Moreover, to reduce to a practical minimum the probability of falsely accepting a counterfeit note as genuine, we set the decision criteria in the processing machines to be very suspicious of possible counterfeits.

Every note that is separated out by a machine as possibly not genuine is then put back through a second, slower-speed processing machine equipped with the same sensors for a second check for genuineness. If the second machine also separates out a note as a possible counterfeit, the note is inspected by a Federal Reserve technician. These individuals are highly trained, both by the Reserve Bank itself and periodically by the Secret Service, and they have the final word as to genuineness. Any note that is identified by the technician as counterfeit is set aside to be forwarded to the Secret Service. The combination of our highly sophisticated processing machines, our practice of operating the machines at a high level of

2. This statement describes the procedures for genuineness examination of $100 notes and $50 notes. Procedures for other denominations are similar but not identical.

suspicion, and our highly capable technicians enable us to detect virtually all counterfeits that we receive.

So far, it has been established both that the Federal Reserve has an up-to-date and reasonably clear view on the outstanding circulation, at home and abroad, and that we have the tools and procedures to identify virtually all counterfeit notes in the deposits that we receive.

The remaining issue is, what fraction of counterfeits do we see in our incoming deposits and, as a consequence, what may we say about the safety of the outstanding circulation? The answers are reassuring.

Counterfeits in $100 deposits at the Federal Reserve during 1995 amounted to three-quarters of 1 percent of 1 percent (.0075%). That is, we found on average seventy-five counterfeits in every 1 million notes processed. In value, the total was $6.9 million in receipts of $93 billion.

Deposits of $100 notes at the Federal Reserve that were understood to have originated outside the United States had a lower proportion, about fifty-five counterfeits in every million notes processed.

Counterfeits in $50 deposits at the Federal Reserve during the year amounted to eight per million of the $50 notes processed. For $20 notes, $10 notes, and $5 notes, the proportions were seven per million, sixteen per million, and two per million respectively. The grand total was $8.8 million of counterfeits in incoming receipts of $344 billion.

Depository institutions, exchange houses, and retailers, both domestic and foreign, also detect counterfeit notes. Based on Secret Service statistics, the total value of counterfeit notes detected in the United States was about $32 million in 1995, an amount that, at about 12 cents per capita, was still relatively low.

The Federal Reserve does not believe that counterfeiting is an inconsequential matter. Counterfeiting at any level is unacceptable. Counterfeits successfully passed on the public represent real losses to real individuals and firms. The existence of this level of successful passing demonstrates that the dollar is a frequent target of would-be counterfeiters and that constant vigilance is essential, both by law enforcement personnel and by the general public who handle $1 notes.

There is considerable evidence from the Federal Reserve's note-processing activity, however, that the successful passing of counterfeits, within the United States and abroad, is so small as to be insignificant from a macroeconomic perspective and has no discernible effect on public confidence in U.S. currency.

Statement by Edward W. Kelley, Jr., Member, Board of Governors of the Federal Reserve System, before the Committee on Banking and Financial Services, U.S. House of Representatives, February 28, 1996

I am pleased to appear before the banking committee on behalf of the Federal Reserve to discuss the impact of crime on the stability of the banking system and the Federal Reserve's efforts to assist banks and law enforcement officials in countering criminal activity. As a bank supervisory agency, the Federal Reserve Board places a high priority on providing assistance in deterring, detecting, and reporting criminal activities directed at banking organizations, and we appreciate the committee's interest in this important area.

Your letter of invitation asked me to address the threat that criminal activity poses to the banking system, and I would like to turn initially to that issue. Although all bank losses that result from criminal activity are unacceptable, it is important to put the risks associated with criminal activities affecting banks in the appropriate context. As of September 30, 1995, the more than 10,000 insured commercial banks in the United States had total aggregate assets of about $4.2 trillion, combined capital of approximately $350 billion, and earnings of $37 billion for the first three quarters of 1995.

In view of the current financial strength of the U.S. banking system and estimates of the extent of banks' losses resulting from criminal misconduct, which include the banking industry's 1994 estimates of approximately $800 million in losses associated with check fraud and $700 million from credit card fraud, we believe that losses from criminal activities do not pose a systemic risk to the banking system. Also, we have no information that suggests that any individual U.S. banking organization has been overtaken or substantially threatened by criminal organizations or activities.

Although we see no systemic threat to the banking system, we obviously are concerned about the risks to the reputation and integrity of our nation's banks arising from criminal elements using the banking system for illicit purposes. These risks are best illustrated by money laundering, estimates of which range between $300 billion and $500 billion annually. Although no amount of money laundering is acceptable, there is no evidence that the flow of these funds through U.S. banks on its own poses a systemic risk. However, if left unchecked, the use of our banking system by criminal elements could undermine the reputation of banks or weaken the public's confidence in banks as safekeepers of their funds. For this reason, and to support our law enforcement agencies in their efforts to combat crime, the Federal Reserve's efforts to attack the money laundering problem continue to be one of our highest bank supervisory priorities.

FEDERAL RESERVE ROLE

As a banking supervisor, the Federal Reserve has an important role in ensuring that criminal activity does not pose a systemic threat and, as important, in improving the ability of individual banking organizations in the United States and abroad to protect themselves from illicit activities. Because bank systems and bank employees are the first and strongest line of defense against financial crimes, the Federal Reserve places a high priority on ensuring that banking organizations have appropriate controls in place to protect themselves and their customers from criminal activities. The Federal Reserve places an equally high priority on supporting efforts by U.S. law enforcement agencies to apprehend criminal enterprises before they can cause harm to consumers and banking organizations.

A banking organization's best protection against illicit activities is its own policies and procedures designed to identify and then reject potentially illegal or damaging transactions. For this reason, the Federal Reserve and other regulators have implemented various directives for banks to establish internal controls and procedures designed to detect unusual or suspicious transactions that, if unchecked, could lead to fraud, money laundering, or other types of criminal misconduct.

To understand and properly evaluate the effectiveness of a banking organization's controls and procedures, we have developed extensive examination procedures and manuals, and our bank examiners are provided with comprehensive training and with timely information to assist them in identifying suspicious or unusual transactions. I need to emphasize, however, that we do not expect our examiners to act as police. The Federal Reserve is a bank supervisory agency, not a criminal law enforcement authority; we see our role as auxiliary to the legitimate law enforcement duties of criminal justice agencies. Our examiners do not, nor should they, possess the necessary tools required to fully investigate and prosecute criminal conduct. This is a function ably handled by our law enforcement colleagues.

In recent years, however, the Federal Reserve determined that in some instances it is necessary to go beyond the scope of an ordinary bank examination to determine if violations of law or regulation have occurred. For this reason, in 1993 the Special Investigations and Examinations Unit was created in the Board's Division of Banking Supervision and Regulation. This unit's function, in part, continues to be that of taking information developed during the course of an examination and conducting a specialized investigation or examination to determine what, if any, laws have been violated through activity conducted at a bank. The unit notifies the appropriate law enforcement agency when apparent criminal violations are detected and works hand in hand with them whenever necessary.

KNOWING YOUR CUSTOMER AND SUSPICIOUS-TRANSACTION REPORTING

The Federal Reserve believes that the most prudent method for banking organizations to protect themselves from allowing criminal transactions to be conducted at, or through, their institutions is to adopt what has become known as "Know Your Customer" policies and procedures. Safety and soundness considerations dictate that banking organizations have adequate policies and procedures in this area, including procedures to ensure compliance with the rules and regulations designed to assist in the detection of criminal activity; decrease illegal activity through increased awareness by employees; protect the reputation of a banking organization; and promote good, as opposed to unsavory, customer relationships.

"Know Your Customer" procedures, which are applied to all facets of a banking operation, allow the organization to identify its customers and the transactions that they conduct on a regular basis, be alert to transactions that may be irregular or abnormal for a particular customer, determine whether there is an apparent valid or lawful purpose for the transactions, and report to the appropriate authorities those transactions that appear to be suspicious or criminal in nature. One of the more significant components of "Know Your Customer" procedures is the ability of banking organizations to identify and report suspicious or potentially criminal activities. For the past ten years, the Federal Reserve and the other federal bank supervisory agencies have required banking organizations to report suspected criminal activities to us, as well as to various federal law enforcement agencies. In 1995, more than 70,000 criminal referrals were filed.

To reduce the burden on financial institutions while increasing the usefulness of the information provided on suspected criminal conduct, the Federal Reserve, together with the other federal bank supervisory agencies and the Department of the Treasury, revised the criminal referral process in several significant respects. First, effective on April 1 of this year, the new process combines the current criminal referral rules of the bank supervisory agencies with the Treasury Department's suspicious-activity reporting requirements related to money laundering offenses. Second, a uniform interagency reporting form has been developed for purposes of referrals to all agencies. Third, we have provided for the filing of the uniform form in one location as opposed to the current requirement of filing six or seven copies, and banks will have the ability to use computer software, to be distributed by us, to assist in the preparation and magnetic filing of the reports.

Another important improvement is the statutory protection recently afforded banking organizations that report suspicious or criminal conduct, which provides banking organizations and their employees with immunity from civil liability for reporting known or suspected criminal offenses or suspicious activities. This protection, long sought by the banking community and supported by the Federal Reserve, gives great comfort to banking organizations that they will not be held liable for providing timely and useful information to law enforcement authorities.

Federal Reserve Information Assistance

Over the years the Federal Reserve has also taken the initiative to provide timely and useful information to banking organizations with regard to ongoing criminal conduct or potential schemes that may have an adverse impact on them. In the past few years, the Federal Reserve and the other federal banking supervisory agencies have issued bulletins on such matters as "Prime Bank Fraud" schemes and credit card fraud. Such notices to the banking industry are intended to alert banks of the potential dangers of such schemes and practices.

From time to time, the Federal Reserve has also developed and issued policy statements with regard to activities occurring in banking organizations that we have determined could pose a threat to the integrity of a bank. One such example was the Federal Reserve's development and issuance of a policy statement on "payable through accounts" in 1994. The purpose of the policy statement was to ensure that banks that engage in payable-through activity—which basically involves the use of a checking account at a bank in the United States by an individual who resides outside of this country—have appropriate procedures in place to ensure that no illicit activities are being conducted through these accounts.

Also, in accordance with section 404 of the Money Laundering Suppression Act of 1994, the Federal Reserve has been working with the Treasury to establish a process whereby the federal law enforcement community will provide, on a regular basis, information with regard to new or emerging money laundering schemes, which will then be disseminated to financial institutions.

Anti–Money Laundering Efforts

The Federal Reserve continues to be a leader among the federal banking supervisory agencies in addressing money laundering-related matters. The staff of the Federal Reserve has been in the forefront of the battle to deter money laundering through banking organizations by, among other things, developing anti–money laundering guidelines, conducting money laundering investigations, providing expertise for law enforcement initiatives, and providing training to various government agencies.

Training provided by the Federal Reserve staff to law enforcement agencies has included programs at the FBI Academy and the Treasury's Federal Law Enforcement Training Center. Additionally, the Federal Reserve staff has provided training in anti–money laundering procedures to foreign governments, such as Russia, Poland, Hungary, the Czech Republic, Brazil, Ecuador, Argentina, and several other countries in the Middle East and the Far East.

In accordance with section 404 of the Money Laundering Suppression Act of 1994, the Federal Reserve chaired a working group that has developed enhanced examination procedures to identify appropriate anti–money laundering procedures initiated by banking organizations. Along with these enhanced money laundering procedures, the Federal Reserve will very shortly release newly revised Bank Secrecy Act examination procedures that will allow examiners to determine more efficiently and effectively compliance with the Bank Secrecy Act.

Coordination Activities

The Federal Reserve routinely coordinates with federal law enforcement agencies with regard to potential criminal matters, including anti money laundering activities. The scope of this coordination ranges from our work on the criminal referral process to specific, case-by-case assistance to law enforcement agencies resulting from examinations of banking organizations.

The Federal Reserve is a founding member and active participant in the well-regarded interagency Bank Fraud Working Group, which consists of representatives of thirteen federal law enforcement and bank supervisory agencies. Among other things, this group, which has been meeting on a monthly basis since the mid-1980s, has coordinated the dissemination of relevant and timely information on such matters of mutual interest or concern as Asian gangs' use of check fraud and check counterfeiting; West African advance fee schemes and credit card fraud; and asset forfeiture of criminally derived funds.

The Federal Reserve is also an active participant in the Financial Action Task Force (FATF), which was established by the Group of Seven countries. The Board staff has contributed significantly to the FATF's mission of educating countries around the world in anti–money laundering and fraud prevention efforts.

Offshore Corporations and Banks

As a result of our staff's work with law enforcement authorities, we recognize that crime is an international activity that is increasingly making use of offshore corporations and banks. These are two separate problems that we address in different manners.

With regard to offshore corporations, because the Federal Reserve cannot control a sovereign nation's laws governing the establishment of corporations in its territory, we can only address the activities of these companies when they seek to do business in the United States through banks we supervise. In this regard, our principal tool is the "Know Your Customer" policy. As I said before, every domestic and foreign banking organization supervised by the Federal Reserve should have adequate policies in this area. This means, for example, that if a state member bank or a U.S. branch of a foreign bank maintains a deposit relationship with a corporate entity, wherever it is chartered, it should take steps to identify its business and the nature of its routine transactions to evaluate better whether it is engaging in any suspicious activities. While no federal bank regulator or law enforcement agency can monitor every transaction undertaken by every corporation doing business with a U.S. financial institution, we can, and we routinely do, measure the internal controls and risk management systems implemented by the banks to make certain that the banks are, in fact, adhering to their policies and are aware of the business of their customers, including any that may use offshore corporations.

With regard to foreign banks, the Board, since it was given the power by the Congress in 1991, carefully scrutinizes any foreign bank seeking to do business in the United States. This includes making certain that the bank is subject to comprehensive consolidated supervision in its home country, reviewing the bank's global anti–money laundering procedures, and conducting background checks with U.S. law enforcement and other agencies. In addition, as I mentioned, we thoroughly review the operations of these banks in the United States to make certain their activities here fully comply with U.S. laws and regulations. The Federal Reserve is also working in a number of areas to improve the bank supervisory standards in other banking centers and to make certain that there is adequate cooperation among supervisors so that gaps do not occur in the consolidated supervision of international banking organizations.

Conclusion

In conclusion, we have undertaken extensive efforts and have used significant resources to combat illegal activities involving domestic and international banking organizations. I believe that the Federal Reserve has made significant contributions to the federal government's law enforcement endeavors. Because we have a vital interest in protecting the banking system from criminal elements, we will be continuing our cooperative efforts with other bank supervisors and the criminal justice agencies to develop and implement programs to better detect criminal misconduct involving banks. □

Announcements

Election of Alan Greenspan as Chairman Pro Tempore of the Board of Governors of the Federal Reserve System

The Federal Reserve Board on March 1, 1996, elected Alan Greenspan as Chairman Pro Tempore pending Senate confirmation of his appointment to a third term as Chairman. The action was effective beginning Sunday, March 3.

On February 22, President Clinton announced his intent to nominate Dr. Greenspan to a third term as Chairman. His current term expired on March 2. The designation as Chairman Pro Tempore will permit Dr. Greenspan to continue to carry out the duties of the Chairman while the confirmation process is under way.

Regulation K: Final Rule

The Federal Reserve Board on February 16, 1996, announced a final rule setting out the criteria for evaluating continued operation of a foreign bank in the United States. The rule applies in cases in which the foreign bank is not subject to comprehensive supervision or regulation on a consolidated basis by its home-country supervisor. The final rule, which amends Regulation K (International Banking Operations), was effective March 25, 1996.

The Board will take these criteria into account in reaching a view regarding whether a foreign bank that the Board has determined is not subject to comprehensive, consolidated, home-country supervision should be permitted to continue its U.S. operations with or without supervisory constraints or whether such U.S. operations should be terminated.

Adjustment of Dollar Amount Triggering Additional Disclosure Requirements under Regulation Z

The Federal Reserve Board published on February 1, 1996, an adjustment of the dollar amount that triggers additional disclosure requirements under Regulation Z (Truth in Lending) for mortgage loans that bear fees above a certain amount.

The Home Ownership and Equity Protection Act of 1994 bars credit terms such as balloon payments and requires additional disclosures when total points and fees payable by the consumer exceed $400 or 8 percent of the total loan amount, whichever is larger. The Board must adjust this amount each year based on the percent change in the consumer price index as of June 1. Accordingly, the Board has adjusted the dollar amount from $400 to $412.

Proposed Action

The Federal Reserve Board on February 16, 1996, requested comment on a proposed revision to Regulation K with respect to the management of offshore offices by U.S. branches and agencies of foreign banks. Comments were requested by March 25, 1996.

Federal Reserve Regulatory Service *Available on Diskette for Personal Computers*

The *Federal Reserve Regulatory Service* (FRRS) is available on diskette for use on personal computers. Created using Folio VIEWS® search-and-retrieval software, this electronic service allows users to construct searches that are as simple or as complex as they need. The software enables users to do the following:

- Search for any word, phrase, or combination of words and phrases
- Search the complete text or only main headings
- Limit searches to a specific portion of the FRRS (for example, to a statute, a regulation, or one section of a statute or regulation)
- Condense the results of a search to make it easier to review.

The electronic version, like the print version, is updated once a month. Monthly diskettes are simply loaded to update the text on the floppy drive.

Besides an on-screen user's manual and a command-specific help system, a printed user's guide will explain the basic features of the software and how best to use them in researching the FRRS. A telephone number will also be provided for technical assistance.

Other features of this service include the following:

- Cross-references and indexes with hypertext links that take the user directly to referenced text in the FRRS
- Pop-up footnotes
- The capability of printing text or transferring it to a diskette for word processing
- Mouse compatability (will operate as a DOS application under Windows).

The electronic FRRS requires the following:

- IBM-compatible PC, DOS 3.0 or higher
- Drive capable of handling 3.5-inch high-density floppy disks
- Available disk space of 17 megabytes
- Available RAM of 512K
- EGA or VGA board to view graphics
- Color monitor (recommended but not required).

For a standalone PC, the annual subscription fee is $300. For network subscriptions, the annual fee is $300 for one concurrent user, $750 for a maximum of ten concurrent users, $2,000 for a maximum of fifty concurrent users, and $3,000 for a maximum of one hundred concurrent users. Subscribers outside the United States should add $50 to cover additional airmail costs. Each network subscriber will receive a single set of diskettes and a corresponding number of user's guides. Additional user's guides may be purchased for $5 each.

Orders should be sent to Publications Services, Mail Stop 127, Board of Governors of the Federal Reserve System, Washington, DC 20551. All subscription requests must be accompanied by a check or money order payable to the Board of Governors of the Federal Reserve System or charged to VISA or MasterCard. Charge customers only may fax their orders to (202) 728-5886.

REVISIONS TO THE MONEY STOCK DATA

Measures of the money stock were revised in February of this year to incorporate the result of the annual benchmark and seasonal factor review, as well as a minor redefinition of M2. Data in tables 1.10 and 1.21 in the statistical appendix to the *Bulletin* reflect these changes beginning with this issue.

The revisions had no effect on the annual growth rate of M2 over 1995, but they raised the annual growth rates of M1 and M3 by 0.1 percentage point over the past year. For earlier years, revisions to the annual growth rates of M2 ranged between −0.5 and +0.4 percentage point, while the annual growth rates of M1 and M3 were revised by smaller amounts.

Redefinition

A minor redefinition of M2 was implemented with this year's benchmark. Overnight wholesale repurchase agreements and overnight Eurodollars have been removed from M2. They are now included in the non-M2 component of M3. These overnight components are quite volatile and difficult to measure accurately. Their movements no longer exhibit the negative correlation with demand deposits that had been observed in 1980, when they were originally included in M2. The redefinition does not affect the quarterly and annual behavior of M2 nor its relationship to interest rates and income. The redefinition, which has no effect on M1 or M3, lowered M2 in all years since 1969 by amounts that cumulated to $118 billion in 1995.

Benchmark Revisions

The benchmark incorporated minor revisions to data reported on the weekly and quarterly deposit reports, and it took account of deposit data from Call Reports for banks and thrift institutions that were not weekly or quarterly deposit reporters. The benchmark also incorporated historical data for a number of money market mutual funds that began reporting for the first time during 1995, raising the levels of M2 and M3 over the year by amounts that cumulated to $1 billion and $9 billion respectively.

Seasonal Review Revisions

In a process similar to that used in previous years, seasonal factors for the monetary aggregates were revised using the X-11 ARIMA procedure applied to the benchmarked data through December 1995. However, this year, seasonal factors were constructed for total repurchase agreements and total Eurodollar deposits, both of which are now entirely in the non-M2 component of M3. Furthermore, the non-M1 component of M2 and the non-M2 component of M3 have been seasonally adjusted by summing their seasonally adjusted components; previously, both the non-M1 component of M2 and the non-M2 component of M3 were each seasonally adjusted as a whole.

Complete historical data are available in printed form from the Money and Reserves Projection Section, Mail Stop 72, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551 (202) 452-3062. The historical data are also available on floppy diskette for a fee of $25 per diskette from Publications Services, Mail Stop 127, Board of Governors of the Federal Reserve System, Washington, DC 20551 (202) 452-3245. Revised monthly historical data for M1, M2, M3, and total nonfinancial debt are also available from the Economic Bulletin Board of the U.S. Department of Commerce. Call (202) 482-1986 for information on how to gain access to the Economic Bulletin Board.

Tables on seasonal factors follow.

1. Monthly seasonal factors used to construct M1, January 1995–March 1997

Year and month		Currency	Nonbank travelers checks	Demand deposits	Other checkable deposits[1]	
					Total	At banks
1995	January	.9950	.9568	1.0140	1.0165	1.0242
	February	.9943	.9541	.9773	.9953	1.0012
	March	.9973	.9656	.9767	1.0008	1.0024
	April	1.0015	.9723	1.0000	1.0210	1.0196
	May	1.0008	.9867	.9763	.9901	.9868
	June	1.0032	1.0274	.9905	.9956	.9921
	July	1.0049	1.0668	1.0009	.9921	.9874
	August	1.0016	1.0745	.9936	.9892	.9878
	September	.9995	1.0495	.9975	.9943	.9938
	October	.9978	1.0124	1.0077	.9916	.9901
	November	1.0002	.9750	1.0197	1.0000	.9995
	December	1.0080	.9584	1.0466	1.0144	1.0168
1996	January	.9948	.9557	1.0141	1.0166	1.0243
	February	.9935	.9527	.9771	.9949	1.0006
	March	.9974	.9648	.9765	1.0004	1.0016
	April	.9995	.9740	.9994	1.0209	1.0195
	May	1.0013	.9884	.9752	.9894	.9860
	June	1.0030	1.0285	.9907	.9955	.9919
	July	1.0031	1.0674	1.0015	.9924	.9876
	August	1.0023	1.0753	.9941	.9893	.9880
	September	.9984	1.0495	.9980	.9948	.9943
	October	.9965	1.0109	1.0076	.9915	.9901
	November	1.0005	.9744	1.0193	1.0001	.9999
	December	1.0057	.9581	1.0465	1.0147	1.0171
1997	January	.9952	.9551	1.0140	1.0163	1.0241
	February	.9934	.9522	.9771	.9948	1.0003
	March	.9969	.9649	.9767	1.0003	1.0011

1. Seasonally adjusted other checkable deposits at thrift institutions are derived as the difference between total other checkable deposits, seasonally adjusted, and seasonally adjusted other checkable deposits at commercial banks.

2. Monthly seasonal factors used to construct M2 and M3, January 1995–March 1997

Year and month		Savings and MMDA deposits[1]	Small-denomination time deposits[1]	Large-denomination time deposits[1]	Money market mutual funds		RPs	Eurodollars
					In M2	In M3 only		
1995	January	.9952	.9967	.9922	1.0037	1.0315	.9916	.9995
	February	.9939	.9984	.9952	1.0078	1.0263	.9845	.9999
	March	.9981	1.0015	.9953	1.0111	1.0032	.9913	1.0102
	April	.9993	1.0028	.9928	1.0104	.9886	.9954	.9872
	May	.9981	1.0029	1.0068	.9967	.9915	.9994	.9862
	June	1.0022	1.0031	1.0025	.9933	.9792	1.0202	.9909
	July	1.0027	1.0039	.9957	.9980	.9876	1.0028	.9897
	August	1.0033	1.0023	1.0028	1.0018	.9994	1.0056	1.0011
	September	1.0023	1.0004	1.0023	.9918	.9834	1.0045	1.0026
	October	1.0019	.9989	1.0069	.9905	.9915	1.0104	1.0110
	November	1.0040	.9951	1.0085	.9960	1.0103	.9992	1.0179
	December	1.0000	.9932	.9997	1.0006	1.0097	.9919	1.0082
1996	January	.9953	.9960	.9920	1.0043	1.0330	.9930	.9986
	February	.9935	.9983	.9956	1.0069	1.0232	.9851	.9964
	March	.9976	1.0020	.9957	1.0092	1.0015	.9904	1.0042
	April	.9988	1.0034	.9923	1.0099	.9888	.9966	.9856
	May	.9976	1.0037	1.0064	.9961	.9899	1.0016	.9873
	June	1.0020	1.0036	1.0021	.9929	.9802	1.0199	.9921
	July	1.0029	1.0042	.9955	.9991	.9894	1.0031	.9936
	August	1.0036	1.0024	1.0022	1.0028	.9988	1.0054	1.0043
	September	1.0027	1.0001	1.0020	.9924	.9823	1.0051	1.0050
	October	1.0022	.9985	1.0077	.9902	.9933	1.0096	1.0121
	November	1.0041	.9948	1.0090	.9959	1.0101	.9976	1.0166
	December	.9999	.9928	.9997	1.0007	1.0096	.9907	1.0051
1997	January	.9953	.9958	.9918	1.0043	1.0344	.9938	.9993
	February	.9934	.9983	.9957	1.0070	1.0220	.9866	.9941
	March	.9974	1.0024	.9963	1.0083	1.0007	.9896	1.0014

1. Seasonal factors are applied to deposits data at both commercial banks and thrift institutions.

3. Weekly seasonal factors used to construct M1, December 4, 1995–March 31, 1997

Week ending			Currency	Nonbank travelers checks	Demand deposits	Other checkable deposits[1]	
						Total	At banks
1995	December	4	.9981	.9573	1.0284	1.0132	1.0099
		11	1.0048	.9578	1.0395	1.0198	1.0187
		18	1.0054	.9583	1.0391	1.0130	1.0171
		25	1.0173	9588	1.0449	1.0073	1.0148
1996–	January	1	1.0067	.9593	1.0814	1.0161	1.0219
		8	1.0029	.9583	1.0592	1.0497	1.0558
		15	.9969	.9566	1.0310	1.0293	1.0386
		22	.9931	.9549	.9945	1.0078	1.0187
		29	.9866	.9533	.9666	.9827	.9888
	February	5	.9927	.9522	.9880	1.0073	1.0129
		12	.9966	.9524	.9787	1.0010	1.0061
		19	.9952	.9527	.9795	.9895	.9957
		26	.9893	.9530	.9652	.9813	.9882
	March	4	.9947	.9539	.9771	1.0085	1.0111
		11	1.0000	.9590	.9786	1.0081	1.0104
		18	.9976	.9642	.9766	.9969	.9987
		25	.9950	.9693	.9587	.9876	.9887
	April	1	.9956	.9745	.9922	.9981	.9971
		8	1.0053	.9754	1.0066	1.0361	1.0295
		15	1.0035	.9744	1.0178	1.0380	1.0383
		22	.9977	.9735	.9960	1.0259	1.0265
		29	.9926	.9726	.9803	.9901	.9901
	May	6	1.0025	.9751	.9865	1.0055	1.0018
		13	1.0031	.9822	.9796	.9959	.9919
		20	1.0003	.9893	.9756	.9864	.9800
		27	1.0002	.9964	.9537	.9717	.9703
	June	3	1.0010	1.0035	.9898	.9950	.9942
		10	1.0072	1.0149	.9994	1.0160	1.0084
		17	1.0035	1.0262	.9938	1.0024	.9986
		24	.9991	1.0375	.9682	.9772	.9760
	July	1	1.0015	1.0488	1.0018	.9806	.9780
		8	1.0102	1.0569	1.0247	1.0166	1.0095
		15	1.0057	1.0637	1.0181	.9997	.9942
		22	1.0010	1.0705	.9909	.9824	.9794
		29	.9976	1.0773	.9730	.9733	.9694
	August	5	1.0040	1.0813	1.0058	1.0039	.9984
		12	1.0063	1.0783	1.0016	.9983	.9940
		19	1.0021	1.0753	1.0034	.9847	.9846
		26	.9970	1.0722	.9718	.9710	.9741
	September	2	1.0009	1.0692	.9874	.9913	.9904
		9	1.0055	1.0613	1.0138	1.0202	1.0157
		16	.9999	1.0525	1.0091	1.0048	1.0032
		23	.9946	1.0437	.9801	.9810	.9818
		30	.9918	1.0350	.9922	.9722	.9761
	October	7	.9999	1.0262	1.0198	1.0080	1.0042
		14	.9992	1.0174	1.0198	1.0000	.9939
		21	.9954	1.0087	1.0073	.9887	.9871
		28	.9931	.9999	.9827	.9711	.9764
	November	4	.9993	.9912	1.0144	1.0011	.9995
		11	1.0046	.9831	1.0162	1.0078	1.0067
		18	1.0001	.9750	1.0290	.9993	.9999
		25	.9989	.9669	1.0070	.9861	.9898
	December	2	.9952	.9587	1.0308	1.0038	.9994
		9	1.0008	.9577	1.0368	1.0243	1.0228
		16	1.0030	.9580	1.0417	1.0119	1.0135
		23	1.0122	.9582	1.0430	1.0099	1.0158
		30	1.0098	.9584	1.0625	1.0097	1.0153
1997–	January	6	1.0021	.9579	1.0797	1.0519	1.0569
		13	.9984	.9564	1.0341	1.0393	1.0451
		20	.9948	.9549	1.0031	1.0151	1.0266
		27	.9896	.9535	.9681	.9795	.9891
	February	3	.9916	.9520	.9835	.9935	.9996
		10	.9962	.9521	.9821	1.0109	1.0133
		17	.9953	.9522	.9832	.9928	.9976
		24	.9895	.9523	.9646	.9814	.9896
	March	3	.9930	.9524	.9745	.9944	1.0016
		10	1.0006	.9579	.9859	1.0172	1.0197
		17	.9973	.9635	.9836	1.0017	1.0028
		24	.9947	.9691	.9621	.9913	.9908
		31	.9954	.9748	.9740	.9896	.9874

1. Seasonally adjusted other checkable deposits at thrift institutions are derived as the difference between total other checkable deposits, seasonally adjusted, and seasonally adjusted other checkable deposits at commercial banks.

4. Weekly seasonal factors used to construct M2 and M3, December 4, 1995–March 31, 1997

Week ending	Savings and MMDA deposits[1]	Small-denomination time deposits[1]	Large-denomination time deposits[1]	Money market mutual funds: In M2	Money market mutual funds: In M3 only	RPs	Eurodollars
1995–December 4	1.0035	.9937	1.0047	1.0002	1.0066	.9949	1.0133
11	1.0049	.9933	1.0047	1.0067	1.0085	.9906	1.0020
18	1.0014	.9926	1.0011	1.0062	1.0132	.9932	1.0033
25	.9958	.9925	.9976	.9989	1.0072	.9866	1.0083
1996–January 1	.9951	.9941	.9915	.9887	1.0095	.9962	1.0177
8	1.0008	.9952	.9898	.9919	.9978	.9906	1.0022
15	.9979	.9958	.9929	1.0055	1.0372	.9938	.9987
22	.9921	.9962	.9925	1.0120	1.0419	.9915	.9912
29	.9872	.9966	.9914	1.0093	1.0577	.9986	1.0034
February 5	.9922	.9975	.9915	1.0068	1.0372	.9833	.9857
12	.9959	.9980	.9967	1.0086	1.0318	.9873	.9886
19	.9939	.9982	.9966	1.0053	1.0181	.9848	.9969
26	.9913	.9985	.9963	1.0073	1.0207	.9858	1.0083
March 4	.9947	.9999	.9956	1.0067	1.0063	.9819	1.0028
11	.9981	1.0013	.9984	1.0092	1.0046	.9860	.9964
18	.9984	1.0020	.9962	1.0098	1.0032	.9909	1.0040
25	.9966	1.0026	.9966	1.0118	1.0055	.9971	1.0078
April 1	.9989	1.0036	.9908	1.0071	.9941	.9927	1.0101
8	1.0074	1.0038	.9914	1.0125	.9925	.9965	.9838
15	1.0041	1.0034	.9894	1.0142	.9950	.9943	.9810
22	.9947	1.0031	.9928	1.0123	.9859	.9978	.9827
29	.9898	1.0030	.9946	1.0035	.9852	.9986	.9935
May 6	.9952	1.0037	1.0001	.9963	.9828	.9965	.9713
13	.9993	1.0038	1.0060	.9952	.9879	.9970	.9725
20	.9980	1.0037	1.0063	.9951	.9933	1.0012	.9880
27	.9956	1.0035	1.0116	.9990	.9975	1.0043	1.0101
June 3	1.0010	1.0036	1.0079	.9931	.9838	1.0132	.9962
10	1.0066	1.0037	1.0082	.9954	.9835	1.0175	.9833
17	1.0048	1.0033	1.0054	.9945	.9833	1.0276	.9901
24	.9988	1.0030	.9991	.9922	.9784	1.0199	.9931
July 1	.9975	1.0045	.9918	.9880	.9701	1.0173	1.0014
8	1.0059	1.0053	.9912	.9889	.9756	.9995	.9761
15	1.0056	1.0046	.9952	1.0014	.9893	1.0016	.9861
22	1.0019	1.0038	.9963	1.0025	.9951	1.0028	.9965
29	.9987	1.0032	.9985	1.0040	.9979	1.0074	1.0116
August 5	1.0037	1.0033	.9999	1.0023	.9923	.9997	1.0044
12	1.0063	1.0031	1.0011	1.0042	.9988	1.0075	1.0026
19	1.0044	1.0025	1.0012	1.0027	.9973	1.0033	.9978
26	1.0008	1.0017	1.0053	1.0054	1.0064	1.0088	1.0094
September 2	1.0025	1.0014	1.0032	.9983	.9949	1.0064	1.0088
9	1.0078	1.0011	1.0022	.9942	.9858	1.0022	.9943
16	1.0065	1.0000	1.0018	.9949	.9886	1.0084	1.0003
23	.9996	.9991	1.0012	.9926	.9789	1.0045	1.0017
30	.9971	.9997	1.0022	.9871	.9721	1.0051	1.0226
October 7	1.0046	1.0008	1.0089	.9867	.9850	.9980	1.0073
14	1.0053	.9994	1.0073	.9922	.9850	1.0105	1.0050
21	1.0014	.9981	1.0065	.9913	.9969	1.0098	1.0101
28	.9974	.9967	1.0080	.9914	1.0004	1.0197	1.0254
November 4	1.0024	.9962	1.0081	.9905	1.0040	1.0102	1.0140
11	1.0070	.9958	1.0119	.9936	1.0068	1.0001	1.0082
18	1.0061	.9948	1.0087	.9946	1.0038	.9952	1.0130
25	1.0018	.9939	1.0091	1.0013	1.0161	.9907	1.0264
December 2	1.0018	.9935	1.0060	.9976	1.0164	.9969	1.0214
9	1.0053	.9931	1.0043	1.0018	1.0034	.9911	.9953
16	1.0032	.9923	1.0039	1.0060	1.0125	.9940	.9998
23	.9960	.9921	1.0002	1.0024	1.0085	.9813	1.0023
30	.9943	.9931	.9904	.9953	1.0117	.9946	1.0183
1997–January 6	1.0014	.9948	.9871	.9854	.9961	.9906	1.0059
13	1.0009	.9956	.9926	1.0040	1.0329	.9947	1.0007
20	.9947	.9959	.9934	1.0101	1.0427	.9933	.9937
27	.9881	.9961	.9940	1.0125	1.0564	.9980	1.0020
February 3	.9899	.9967	.9912	1.0075	1.0414	.9902	.9921
10	.9954	.9975	.9945	1.0083	1.0321	.9827	.9827
17	.9947	.9982	.9959	1.0055	1.0189	.9911	.9945
24	.9918	.9989	.9978	1.0067	1.0174	.9865	1.0024
March 3	.9931	1.0001	.9972	1.0068	1.0091	.9829	1.0004
10	*.9986*	*1.0015*	*.9996*	*1.0084*	*1.0015*	.9840	.9909
17	.9994	1.0022	.9979	1.0092	1.0059	.9905	1.0021
24	.9967	1.0029	.9962	1.0102	.9996	.9936	1.0052
31	.9966	1.0040	.9912	1.0060	.9973	.9934	1.0079

1. Seasonal factors are applied to deposits data at both commercial banks and thrift institutions.

Legal Developments

FINAL RULE—AMENDMENT TO REGULATION A

The Board of Governors is amending 12 C.F.R. Part 201, its Regulation A (Extensions of Credit by Federal Reserve Banks; Change in Discount Rate) to reflect its approval of a decrease in the basic discount rate at each Federal Reserve Bank. The Board acted on requests submitted by the Boards of Directors of the twelve Federal Reserve Banks.

Effective February 5, 1996, 12 C.F.R. Part 201 is amended as follows:

Part 201—Extensions of Credit by Federal Reserve Banks (Regulation A)

1. The authority citation for 12 C.F.R. Part 201 continues to read as follows:

Authority: 12 U.S.C. 343 *et seq.*, 347a, 347b, 347c, 347d, 348 *et seq.*, 357, 374, 374a and 461.

2. Section 201.51 is revised to read as follows:

Section 201.51—Adjustment credit for depository institutions.

The rates for adjustment credit provided to depository institutions under section 201.3(a) are:

Federal Reserve Bank	*Rate*	*Effective*
Boston	5.00	February 1, 1996
New York	5.00	January 31, 1996
Philadelphia	5.00	January 31, 1996
Cleveland	5.00	January 31, 1996
Richmond	5.00	February 1, 1996
Atlanta	5.00	January 31, 1996
Chicago	5.00	February 1, 1996
St. Louis	5.00	February 5, 1996
Minneapolis	5.00	January 31, 1996
Kansas City	5.00	February 1, 1996
Dallas	5.00	January 31, 1996
San Francisco	5.00	January 31, 1996

FINAL RULE—AMENDMENTS TO REGULATIONS H, K, AND Y

The Board of Governors is amending 12 C.F.R. Parts 208, 211, and 225, its Regulations H, K, and Y (Membership of State Banking Institutions in the Federal Reserve System; International Banking Operations; Bank Holding Companies and Change in Control; Reports of Suspicious Activity Under the Bank Secrecy Act), on the reporting of known or suspected criminal and suspicious activities by the domestic and foreign banking organizations supervised by the Board. This final rule streamlines reporting requirements by providing that such an organization file a new Suspicious Activity Report ("SAR") with the Board and the appropriate federal law enforcement agencies by sending a SAR to the Financial Crimes Enforcement Network of the Department of the Treasury to report a known or suspected criminal offense or a transaction that it suspects involves money laundering or violates the Bank Secrecy Act.

Effective April 1, 1996, 12 C.F.R. Parts 208, 211, and 225 are amended as follows:

Part 208—Membership of State Banking Institutions in the Federal Reserve System (Regulation H)

1. The authority citation for 12 C.F.R. Part 208 continues to read as follows:

Authority: 12 U.S.C. 36, 248(a), 248(c), 321–338a, 371d, 461, 481-486, 601, 611, 1814, 1823(j), 1828(o), 1831o, 1831p-1, 3105, 3310, 3331-3351, and 3906-3909; 15 U.S.C. 78b, 78l(b), 78l(g), 78l(i), 78o-4(c)(5), 78q, 78q-1 and 78w; 31 U.S.C. 5318; 42 U.S.C. 4102a, 4104a, 4104b, 4106, and 4128.

2. Section 208.20 and its heading are revised to read as follows:

Section 208.20—Suspicious Activity Reports.

(a) *Purpose*. This section ensures that a state member bank files a Suspicious Activity Report when it detects a known or suspected violation of Federal law, or a suspicious transaction related to a money laundering activity or a violation of the Bank Secrecy Act. This section applies to all state member banks.

(b) *Definitions*. For the purposes of this section:

(1) *FinCEN* means the Financial Crimes Enforcement Network of the Department of the Treasury.

(2) *Institution-affiliated party* means any institution-affiliated party as that term is defined in 12 U.S.C. 1786(r), or 1813(u) and 1818(b)(3),(4) or (5).

(3) *SAR* means a Suspicious Activity Report on the form prescribed by the Board.

(c) *SARs required*. A state member bank shall file a SAR with the appropriate Federal law enforcement agencies and the Department of the Treasury in accordance with the form's instructions by sending a completed SAR to FinCEN in the following circumstances:

(1) *Insider abuse involving any amount.* Whenever the state member bank detects any known or suspected Federal criminal violation, or pattern of criminal violations, committed or attempted against the bank or involving a transaction or transactions conducted through the bank, where the bank believes that it was either an actual or potential victim of a criminal violation, or series of criminal violations, or that the bank was used to facilitate a criminal transaction, and the bank has a substantial basis for identifying one of its directors, officers, employees, agents or other institution-affiliated parties as having committed or aided in the commission of a criminal act regardless of the amount involved in the violation.

(2) *Violations aggregating $5,000 or more where a suspect can be identified.* Whenever the state member bank detects any known or suspected Federal criminal violation, or pattern of criminal violations, committed or attempted against the bank or involving a transaction or transactions conducted through the bank and involving or aggregating $5,000 or more in funds or other assets, where the bank believes that it was either an actual or potential victim of a criminal violation, or series of criminal violations, or that the bank was used to facilitate a criminal transaction, and the bank has a substantial basis for identifying a possible suspect or group of suspects. If it is determined prior to filing this report that the identified suspect or group of suspects has used an "alias," then information regarding the true identity of the suspect or group of suspects, as well as alias identifiers, such as drivers' license or social security numbers, addresses and telephone numbers, must be reported.

(3) *Violations aggregating $25,000 or more regardless of a potential suspect.* Whenever the state member bank detects any known or suspected Federal criminal violation, or pattern of criminal violations, committed or attempted against the bank or involving a transaction or transactions conducted through the bank and involving or aggregating $25,000 or more in funds or other assets, where the bank believes that it was either an actual or potential victim of a criminal violation, or series of criminal violations, or that the bank was used to facilitate a criminal transaction, even though there is no substantial basis for identifying a possible suspect or group of suspects.

(4) *Transactions aggregating $5,000 or more that involve potential money laundering or violations of the Bank Secrecy Act.* Any transaction (which for purposes of this paragraph (c)(4) means a deposit, withdrawal, transfer between accounts, exchange of currency, loan, extension of credit, purchase or sale of any stock, bond, certificate of deposit, or other monetary instrument or investment security, or any other payment, transfer, or delivery by, through, or to a financial institution, by whatever means effected) conducted or attempted by, at or through the state member bank and involving or aggregating $5,000 or more in funds or other assets, if the bank knows, suspects, or has reason to suspect that:

(i) The transaction involves funds derived from illegal activities or is intended or conducted in order to hide or disguise funds or assets derived from illegal activities (including, without limitation, the ownership, nature, source, location, or control of such funds or assets) as part of a plan to violate or evade any law or regulation or to avoid any transaction reporting requirement under federal law;

(ii) The transaction is designed to evade any regulations promulgated under the Bank Secrecy Act; or

(iii) The transaction has no business or apparent lawful purpose or is not the sort in which the particular customer would normally be expected to engage, and the bank knows of no reasonable explanation for the transaction after examining the available facts, including the background and possible purpose of the transaction.

(d) *Time for reporting.* A state member bank is required to file a SAR no later than 30 calendar days after the date of initial detection of facts that may constitute a basis for filing a SAR. If no suspect was identified on the date of detection of the incident requiring the filing, a state member bank may delay filing a SAR for an additional 30 calendar days to identify a suspect. In no case shall reporting be delayed more than 60 calendar days after the date of initial detection of a reportable transaction. In situations involving violations requiring immediate attention, such as when a reportable violation is on-going, the financial institution shall immediately notify, by telephone, an appropriate law enforcement authority and the Board in addition to filing a timely SAR.

(e) *Reports to state and local authorities.* State member banks are encouraged to file a copy of the SAR with state and local law enforcement agencies where appropriate.

(f) *Exceptions.* (1) A state member bank need not file a SAR for a robbery or burglary committed or attempted that is reported to appropriate law enforcement authorities.

(2) A state member bank need not file a SAR for lost, missing, counterfeit, or stolen securities if it files a report pursuant to the reporting requirements of 17 C.F.R. 240.17f-1.

(g) *Retention of records.* A state member bank shall maintain a copy of any SAR filed and the original or business record equivalent of any supporting documentation for a period of five years from the date of the filing of the SAR. Supporting documentation shall be identified and maintained by the bank as such, and shall be deemed to have been filed with the SAR. A state member bank must make all supporting documentation available to appropriate law enforcement agencies upon request.

(h) *Notification to board of directors.* The management of a state member bank shall promptly notify its board of directors, or a committee thereof, of any report filed pursuant to this section.

(i) *Compliance.* Failure to file a SAR in accordance with

this section and the instructions may subject the state member bank, its directors, officers, employees, agents, or other institution- affiliated parties to supervisory action.
(j) *Confidentiality of SARs.* SARs are confidential. Any state member bank subpoenaed or otherwise requested to disclose a SAR or the information contained in a SAR shall decline to produce the SAR or to provide any information that would disclose that a SAR has been prepared or filed citing this section, applicable law (*e.g.*, 31 U.S.C. 5318(g)), or both, and notify the Board.
(k) *Safe Harbor.* The safe harbor provisions of 31 U.S.C. 5318(g), which exempts any state member bank that makes a disclosure of any possible violation of law or regulation from liability under any law or regulation of the United States, or any constitution, law or regulation of any state or political subdivision, covers all reports of suspected or known criminal violations and suspicious activities to law enforcement and financial institution supervisory authorities, including supporting documentation, regardless of whether such reports are filed pursuant to this section or are filed on a voluntary basis.

Part 211—International Banking Operations (Regulation K)

1. The authority citation for 12 C.F.R. Part 211 continues to read as follows:

Authority: 12 U.S.C. 221 *et seq.*, 1818, 1841 *et seq.*, 3101 *et seq.*, 3901 *et seq.*

Sections 211.8 and 211.24.

2. In sections 211.8 and 211.24(f), remove the words "criminal referral form" and add, in their place, the words "suspicious activity report".

Part 225—Bank Holding Companies and Change in Bank Control (Regulation Y)

1. The authority citation for 12 C.F.R. Part 225 continues to read as follows:

Authority: 12 U.S.C. 1817(j)(13), 1818, 1831i, 1831p-1, 1843(c)(8), 1844(b), 1972(l), 3106, 3108, 3310, 3331-3351, 3907, and 3909.

Section 225.4—[Amended].

2. In section 225.4, the heading of paragraph (f) is revised to read "*Suspicious Activity Report.*".

3. In section 225.4(f), remove the words "criminal referral form" and add, in their place, the words "suspicious activity report".

Final Rule—Amendment to Regulation K

The Board of Governors is amending 12 C.F.R. Part 211, its Regulation K (International Banking Operations). Section 202(e)(7) of the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA" or "Act") provides that the Board, in consultation with the Treasury, develop and publish criteria to be used in evaluating the operations of any foreign bank in the United States that the Board has determined is not subject to comprehensive supervision or regulation on a consolidated basis. This final rule amends Regulation K on International Banking Operations to set out such criteria pursuant to section 202(e)(7) of FDICIA.

Effective March 25, 1996, 12 C.F.R. Part 211 is amended as follows:

Part 211—International Banking Operations (Regulation K)

1. The authority citation for Part 211 continues to read as follows:

Authority: 12 U.S.C. 221 *et seq.*, 1818, 1841 *et seq.*, 3101 *et seq.*, 3901 *et seq.*

2. A new section 211.30 is added to Subpart B to read as follows:

Section 211.30—Criteria for evaluating the U.S. operations of foreign banks not subject to consolidated supervision.

(a) *General.* Pursuant to the Foreign Bank Supervision Enhancement Act, Pub.L. 102-242, 105 Stat. 2286 (1991), the Board shall develop and publish criteria to be used in evaluating the operations of any foreign bank in the United States that the Board has determined is not subject to comprehensive supervision or regulation on a consolidated basis.
(b) *Criteria.* Following a determination by the Board that, having taken into account the standards set forth in section 211.24(c)(1) of this subpart, a foreign bank is not subject to comprehensive, consolidated supervision by its home country supervisor, the Board shall consider the following criteria in determining whether the foreign bank's U.S. operations should be permitted to continue and, if so, whether any supervisory constraints should be placed upon the bank in connection with those operations:
(1) The proportion of the foreign bank's total assets and total liabilities that are located or booked in its home country, as well as the distribution and location of its assets and liabilities that are located or booked elsewhere;
(2) The extent to which the operations and assets of the foreign bank and any affiliates are subject to supervision by its home country supervisor;

(3) Whether the appropriate authorities in the home country of such foreign bank are actively working to establish arrangements for the comprehensive, consolidated supervision of such bank and whether demonstrable progress is being made;
(4) Whether the foreign bank has effective and reliable systems of internal controls and management information and reporting, which enable its management properly to oversee its worldwide operations;
(5) Whether the foreign bank's home country supervisor has any objection to the bank continuing to operate in the United States;
(6) Whether the foreign bank's home country supervisor and the home country supervisor of any parent of the foreign bank share material information regarding the operations of the foreign bank with other supervisory authorities;
(7) The relationship of the U.S. operations to the other operations of the foreign bank, including whether the foreign bank maintains funds in its U.S. offices that are in excess of amounts due to its U.S. offices from the foreign bank's non-U.S. offices;
(8) The soundness of the foreign bank's overall financial condition;
(9) The managerial resources of the foreign bank, including the competence, experience, and integrity of the officers and directors and the integrity of its principal shareholders;
(10) The scope and frequency of external audits of the foreign bank;
(11) The operating record of the foreign bank generally and its role in the banking system in its home country;
(12) The foreign bank's record of compliance with relevant laws, as well as the adequacy of its money laundering controls and procedures, in respect of its worldwide operations;
(13) The operating record of the U.S. offices of the foreign bank;
(14) The views and recommendations of the Office of the Comptroller of the Currency or the state banking regulators in those states in which the foreign bank has operations, as appropriate;
(15) Whether the foreign bank, if requested, has provided the Board with adequate assurances that such information will be made available on the operations or activities of the foreign bank and any of its affiliates as the Board deems necessary to determine and enforce compliance with the International Banking Act, the Bank Holding Company Act, and other applicable federal banking statutes; and
(16) Any other information relevant to the safety and soundness of the U.S. operations of the foreign bank.

(c) *Restrictions on U.S. operations.*
(1) *Terms of agreement.* Any foreign bank that the Board determines is not subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor may be required to enter into an agreement to conduct its U.S. operations subject to such restrictions as the Board, having considered the criteria set forth in paragraph (b) of this section, determines to be appropriate in order to assure the safety and soundness of its U.S. operations.
(2) *Failure to enter into or comply with agreement.* A foreign bank that is required by the Board to enter into an agreement pursuant to paragraph (c)(1) of this section and either fails to do so or fails to comply with the terms of such agreement may be subject to enforcement action in order to assure safe and sound banking operations under 12 U.S.C. 1818, or to termination or a recommendation for termination of its U.S. operations under section 211.25(a) and (e) of this subpart and section (7)(e) of the IBA (12 U.S.C. 3105(e)).

Orders Issued Under Bank Holding Company Act

Orders Issued Under Section 3 of the Bank Holding Company Act

Mille Lacs Bancorporation, Inc.
Onamia, Minnesota

Order Approving the Formation of a Bank Holding Company

Mille Lacs Bancorporation, Inc. ("Applicant"), has applied under section 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(1) *et seq.*) ("BHC Act") to become a bank holding company by acquiring all the voting shares of Mille Lacs Bancshares, Inc. ("Bancshares"), and thereby indirectly acquire First State Bank of Onamia ("Bank"), all of Onamia, Minnesota.[1]

Notice of the application, affording interested persons an opportunity to submit comments, has been published (60 *Federal Register* 46,596 (1995)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the BHC Act.

Applicant is a nonoperating corporation formed for the purpose of acquiring Bancshares. Based on all the facts of record, the Board believes that consummation of the proposal would not result in any significantly adverse effects on competition or the concentration of banking resources in any relevant banking market. Accordingly, the Board concludes that competitive considerations are consistent with approval.

As part of this proposal, the Mille Lacs Band of Ojibwe Indians ("the Band"), a federally recognized Native American tribe with approximately 2,800 enrolled members,

1. Immediately after consummation, Applicant would merge Bancshares out of existence. Bank has received preliminary approval from the Office of the Comptroller of the Currency to convert from a bank chartered under the laws of Minnesota to a national banking association, subject to and contingent on the successful completion of Applicant's acquisition of Bancshares.

would acquire directly up to 100 percent of the shares of Applicant. The Band's ownership of more than 25 percent of the voting shares of Applicant raises the issue of whether the Band would be considered a "company" within the meaning of the BHC Act and, therefore, a bank holding company.

Section 2(b) of the BHC Act defines "company" as "any corporation, partnership, business trust, association, or similar organization . . . , but shall not include any corporation the majority of the shares of which are owned by the United States or by any state."[2] The list of types of entities that are within the definition of "company" does not include a reference to any type of sovereign government, indicating that Congress did not intend the definition to include sovereign governments. While the definition specifically excludes a company the majority of which is owned by the United States or by any state, it does not specifically exclude the sovereign government owner of a company. This suggests that Congress believed that an exclusion for sovereign governments was not necessary because sovereign governments were not included within the definition.

On this basis, the Board has determined that foreign governments are not companies for purposes of the BHC Act.[3] Native American tribes are unique, domestic sovereign entities that possess extensive self-government powers and have many of the attributes of a sovereign government.[4] The Supreme Court has characterized Native American tribes as "domestic, dependent nations"[5] and, thus, "much more than private, voluntary organizations."[6]

The Band is a federally recognized Native American tribal government organized under the Indian Reorganization Act of 1934,[7] which is governed by both a constitution and by-laws adopted by the Band's Legislative Branch. For these reasons, the Board concludes that the Band should be considered a sovereign government, and, therefore, excluded from the BHC Act's definition of "company."[8] In this case, the Band would hold Applicant's shares communally for the benefit of the Band's members.[9] Based on these and all the facts of record, the Board concludes that the Band would not become a bank holding company on consummation of its proposal to acquire more than 25 percent of the voting shares of Applicant.

The Band would own and control Bank through Applicant, a registered bank holding company. The Band, its affiliates, Applicant, and Bank have made a number of commitments to ensure that the activities of Applicant and Bank would be consistent with the purposes of the BHC Act and other federal banking laws. The commitments separate the Bank's lending activities from certain commercial activities of the Band, recognize that the Band and its affiliates are subject to limitations imposed by sections 23A and 23B of the Federal Reserve Act and the Board's Regulation O (Loans to Insiders), and provide the Board with adequate assurances that the Band and its affiliates will make available the information on their operations and activities that is necessary for the Board to determine and enforce compliance with applicable federal banking laws. The Band also has recognized the jurisdiction of the Board to enforce compliance with the banking laws and agreed to the jurisdiction of the federal courts for purposes of enforcement of the banking laws. The Band also has made several commitments to assure the Board of the safe and sound operation of Bank and Applicant. In light of these commitments, and based on all facts of record, the Board concludes that the future prospects of Bank and Applicant, and all other supervisory factors the Board must consider under section 3 of the BHC Act, are consistent with approval.

Financial and managerial considerations are also consistent with approval, as are considerations relating to the convenience and needs of the community to be served and other supervisory factors the Board is required to consider under section 3 of the BHC Act also are consistent with approval.

Based on the foregoing and all the facts of record, the Board has determined that this application should be, and hereby is, approved. The Board's approval is specifically conditioned on compliance by Applicant with all the commitments made in connection with this application, including those made by the Band and its affiliates. For purposes of this action, the commitments and conditions relied on by the Board in reaching this decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

2. 12 U.S.C. § 1841(b).

3. Although the Board has approved applications in which foreign government ownership of an applicant was noted, it has not applied the BHC Act to a foreign government that controls a bank or bank holding company. *See* Letter dated August 19, 1988, from William W. Wiles, Secretary of the Board, to Patricia S. Skigen; *see also Corporación Bancaria de España*, 81 *Federal Reserve Bulletin* 598 (1995); *Societe Generale*, 67 *Federal Reserve Bulletin* 453 (1981).

4. Native American tribes and the Federal government share a unique relationship while tribes retain certain attributes of sovereignty, "all aspects of Indian sovereignty are subject to defeasance by Congress." *National Farmers Union Ins. Co. v. Crow Tribe of Indians*, 471 U.S. 845, 851 n.16 (1985) (*quoting Escondido Mutual Water Co v. LaJolla Bands of Mission Indians*, 466 U.S. 765, 788 n.30 (1984)); see *United States v. Wheeler*, 435 U.S. 313, 323 (1977).

5. *Cherokee Nation v.Georgia*, 30 U.S. (5 Pet.) 1 (1831)

6. *United States v. Mazurie*, 419 U.S. 544, 557 (1975).

7. Act of June 18, 1934, ch. 576, § 16, 48 Stat. 987 (codified at 25 U.S.C. § 461 478).

8. On the other hand, if a company or similar organization that was controlled by a Native American tribe owned a U.S. bank, that organization would be, as in the case of a company controlled by a foreign government, a "company" under the BHC Act. *See* Letter dated August 19, 1988, from William W. Wiles, Secretary of the Board, to Patricia S. Skigen.

9. The stock of Applicant will be owned directly by the Band, and the Band's Executive Branch would be authorized to vote the shares under the Band's constitution and by-laws. Although the Executive Branch's members share certain attributes with trustees, in light of the unique form and structure of the Band's proposed stock holdings, the recognized sovereignty of the Band, and other facts of record, the Board believes that no regulatory purpose would be served by requiring a notice under the Change in Bank Control for changes in the Executive Branch's membership.

This transaction shall not be consummated before the fifteenth calendar day following the effective date of this order, or later than three months after the effective date of this order, unless such period is extended for good cause by the Federal Reserve Bank of Minneapolis, acting pursuant to delegated authority.

By order of the Board of Governors, effective February 28, 1996.

Voting for this action: Chairman Greenspan and Governors Lindsey, Phillips and Yellen. Absent and not voting: Governor Kelley.

WILLIAM W. WILES
Secretary of the Board

North Fork Bancorporation, Inc.
Mattituck, New York

Order Approving the Acquisition of a Bank

North Fork Bancorporation, Inc., Mattituck, New York ("North Fork"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire indirectly all the voting securities of Extebank, Stony Brook, New York.[1]

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (60 *Federal Register* 52,185 and 56,151 (1995)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in the BHC Act.

North Fork, with total consolidated assets of approximately $2.9 billion, is the 15th largest commercial banking organization in New York State, controlling approximately $2.4 billion in deposits, representing approximately 1 percent of total deposits in commercial banking organizations in the state.[2] After the transfer of the assets and liabilities related to its international and fiduciary businesses, Extebank would be the 43d largest commercial banking organization in New York State, with approximately $442 million in total assets, and would control approximately $392 million in deposits, representing less than 1 percent of total deposits of commercial banking organizations in the state. Upon consummation of the proposal, North Fork would become the 13th largest commercial banking organization in New York State, and would control approximately $2.8 billion in deposits, representing approximately 1 percent of total deposits in the state.

North Fork and Extebank compete directly in the Metropolitan New York-New Jersey banking market.[3] After consummation of this proposal, this banking market would remain unconcentrated as measured by the Herfindahl Hirschman Index ("HHI"),[4] and numerous competitors would remain in the market. Based on all the facts of record, the Board concludes that consummation of this proposal is not likely to result in significantly adverse effects on competition in the Metropolitan New York-New Jersey banking market or any other relevant banking market.

The Board also has reviewed the financial resources of the companies and banks involved in this proposal and the effect of the proposed transaction on the future prospects of these organizations. North Fork and NFB are well capitalized and would remain well capitalized following consummation of this proposal.[5] North Fork would not incur any additional debt as a result of this transaction. Based on all the facts of record, including a review of relevant examination reports and other supervisory information, the Board concludes that financial considerations, including the future prospects of North Fork and NFB, are consistent with approval.[6] The Board also has carefully reviewed the managerial resources of North Fork and NFB in light of confidential examination reports and other relevant supervisory

1. Extebank is a wholly owned subsidiary of Banco Exterior de Espana, S.A., Madrid, Spain ("Banco Exterior"). Extebank proposes to transfer all deposits and assets associated with its fiduciary and international banking businesses to Banco Exterior before consummation of this proposal. Immediately after acquiring all of the Extebank shares, North Fork would merge Extebank with and into North Fork Bank, Mattituck, New York ("NFB"), a wholly owned subsidiary of North Fork. NFB, a state nonmember bank, has received approval from the Federal Deposit Insurance Corporation ("FDIC") and the New York State Banking Board to effect this merger.

2. Asset and state deposit data are as of June 30, 1995. Market deposit data are as of June 30, 1994.

3. The Metropolitan New York-New Jersey banking market is approximated by New York City; Long Island, and Orange, Putnam, Rockland, Sullivan and Westchester Counties in New York; Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, Union, Warren and portions of Mercer Counties in New Jersey; Pike County in Pennsylvania; and portions of Fairfield and Litchfield Counties in Connecticut.

4. The HHI for the Metropolitan New York-New Jersey banking market would remain at 536 points. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post merger HHI is less than 1000 is considered to be unconcentrated. The Department of Justice has informed the Board that a bank merger or acquisition will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Department of Justice has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effect of limited-purpose lenders and other non-depository financial entities.

5. The Board received comments from Inner City Press/Community on the Move ("Protestant") contending that a dividend recently paid by Extebank to Banco Exterior may have left Extebank undercapitalized. The dividend was reviewed and approved by the FDIC and the Superintendent of the New York State Banking Department ("NYSBD") before its payment. Extebank did not become undercapitalized after payment of the dividend.

6. Protestant suggests that Extebank has not properly transferred its fiduciary business to Banco Exterior. Protestant provided no substantiation for this claim and bases the allegation solely on Protestant's contention that Extebank quickly received the customer approvals necessary to effect this transfer. The record does not support any finding of impropriety in the transfer of this business. The Board and the FDIC have sufficient supervisory authority to address any issues under the federal banking laws that may be raised if any necessary customer approvals for this transfer were not obtained.

information.[7] Based on all the facts of record, the Board concludes that managerial factors are consistent with approval of this proposal,[8] as are the other supervisory factors that the Board is required to consider under section 3 of the BHC Act.[9]

Convenience and Needs Considerations

In acting on an application to acquire a depository institution, the Board must consider the convenience and needs of the communities to be served and take into account the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate, consistent with their safe and sound operation. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess the institution's record of meeting the credit needs of its entire community, including low- to moderate-income neighborhoods, consistent with the safe and sound operation of such institution," and to take that record into account in its evaluation of bank expansion proposals.[10]

7. *Protestant contends that North Fork conducted an inadequate due* diligence review of Bayside Federal Savings Bank, Queens, New York ("Bayside"), before its acquisition of that institution in November 1994. Protestant also contends that North Fork and Extebank have taken certain improper actions in anticipation of the approval of this proposal, including the implementation by Extebank of changes in its employee retirement plans and mailing Extebank depositors information about the proposed transaction. In addition, Protestant asserts that its allegations relating to the convenience and needs factor and the recent departure of certain officers of North Fork and Extebank raise adverse managerial concerns. In reviewing the financial and managerial factors in this case, the Board has considered these comments carefully in light of all the facts of record, including relevant examination reports and supervisory information.

8. Protestant alleges that North Fork has violated certain passivity commitments it made to the Board in connection with its acquisition of voting shares of Suffolk Bancorp ("Suffolk") by publicly expressing an interest in acquiring Suffolk and by subsequently agreeing to permit Suffolk to repurchase all of its stock from North Fork. *See North Fork Bancorporation, Inc.*, 81 *Federal Reserve Bulletin* 734 (1995). The Board has carefully reviewed these allegations in light of all the facts of record, including a review by the Federal Reserve Bank of New York of North Fork's compliance with the commitments and other confidential supervisory information. Based on all the facts of record, the Board concludes that North Fork's actions have not constituted the exercise of a controlling influence over Suffolk in violation of the commitments made by North Fork or the BHC Act.

9. Protestant asserts that the amount of a particular loan transaction reflected in NFB's 1994 loan application register was unsafe and unsound based on the borrower's stated income. The loan application register provides only limited information, which is insufficient to permit the evaluation of any single loan transaction. In addition, the transaction referred to by Protestant is isolated in NFB's loan application register of over 1,000 transactions. Based on all the facts of record, the Board concludes that this single transaction does not reflect adversely on the financial or managerial resources or safety and soundness of North Fork or NFB.

10. 12 U.S.C. § 2903.

Protestant alleges, on the basis of data filed under the Home Mortgage Disclosure Act (12 U.S.C. § 2801 *et seq.*) ("HMDA"), that NFB has failed to assist in meeting the housing-related credit needs of low- to moderate-income communities in the New York State counties of Nassau, Westchester, and Rockland. In addition, Protestant criticizes NFB's record of marketing and lending to minorities in New York State and alleges that NFB has failed to lend to individuals in communities with predominantly minority populations ("minority communities") in Nassau, Queens, Manhattan, the Bronx, and Brooklyn.[11] Protestant also alleges that NFB's lending activities violate the Equal Credit Opportunity Act (15 U.S.C. § 1691 *et seq.*) and the Fair Housing Act (42 U.S.C. § 3601 *et seq.*) (together, the "fair lending laws").[12]

The Board has carefully reviewed the CRA performance record of NFB, Protestant's comments and North Fork's responses, and all other relevant facts of record in light of the CRA, relevant fair lending laws and related regulatory materials, the Board's regulations, and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").[13]

Evaluation of CRA Performance

A. Examination Record of CRA Performance

The Agency CRA Statement provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record, and that reports of these examinations will be given great weight in the applications process.[14] NFB received a "satisfactory" rating from the FDIC, its primary federal supervisor, in its most recent examination for CRA performance, as of November 28, 1994.[15] Extebank also received a "satisfactory" rating from the FDIC at its most recent CRA performance examination, as of March 13, 1995.

B. HMDA Data and Lending Activities

The Board has carefully considered Protestant's allegations about NFB's lending in low- to moderate-income communities and to minorities in New York in light of 1993, 1994,

11. These areas include the South Bronx, defined as Community Districts 1–4, East and Central Harlem in Manhattan, and the Bushwick, Bedford-Stuyvesant, Brownsville, and East New York sections of Brooklyn.

12. Protestant also submitted a letter from an anonymous party alleging that certain customers of Extebank are not in favor of the proposed transaction and that consummation of this proposal would result in the loss of services currently provided by Extebank, branch closures and job losses.

13. 54 *Federal Register* 13,742 (1989).

14. *Id.* at 13,745.

15. The NYSBD also assigned NFB a "satisfactory" rating in its most recent assessment of the bank's compliance with the CRA, as of June 30, 1994, pursuant to section 28-b of New York Banking Law.

and preliminary 1995 HMDA data for NFB.[16] The 1994 CRA performance examination by the FDIC concluded, on the basis of 1993 HMDA data, that NFB had achieved an overall satisfactory level of performance in meeting the credit needs of low- to moderate-income communities. The data for 1993, 1994, and 1995 generally indicate that NFB is assisting in meeting the housing-related credit needs of low- to moderate-income communities. For example, 1994 HMDA data indicate that approximately 24 percent of NFB's loan originations in the five counties currently within its delineated community were in low- to moderate-income census tracts.[17] This compares favorably to lenders in the aggregate, which in 1994 originated approximately 8 percent of their HMDA-reportable loans in this five-county area in low- to moderate-income census tracts.[18] In Suffolk, where the majority of NFB's branches are located, approximately 30 percent of NFB's loan originations in 1994 and 33 percent in 1993 were in low- to moderate-income census tracts.[19] In addition, a comparison of 1993 and 1994 HMDA data for NFB indicates an increase in the number of applications received from borrowers in low- to moderate-income census tracts in Nassau, Westchester, and Queens.[20]

Preliminary 1995 HMDA data filed by NFB indicate that approximately 53 percent of the bank's HMDA-reportable loan originations in the Bronx were in minority census tracts, and approximately 24 percent of its HMDA-reportable loan originations in Manhattan were in minority census tracts.[21] In comparison, lenders in the aggregate originated approximately 52 percent of their loans in the Bronx and 5 percent of their loans in Manhattan in minority census tracts, based on 1994 HMDA data.[22]

HMDA data for NFB, however, also generally indicate some disparities in the rate of loan originations, denials, and applications by racial group and income level. The Board is concerned when an institution's record indicates disparities in lending to minority applicants and believes that all banks are obligated to ensure that their lending practices are based on criteria that assure not only safe and sound banking, but also equal access to credit by creditworthy applicants regardless of race. The Board recognizes, however, that HMDA data alone provide an incomplete measure of an institution's lending in its community and have limitations that make the data an inadequate basis, absent other information, for concluding that an institution has engaged in illegal discrimination in making lending decisions.

Because of the limitations of HMDA data, the Board has carefully reviewed other information, particularly examination reports that provide an on-site evaluation of compliance by the bank with the fair lending laws. FDIC examiners found no evidence of prohibited discriminatory practices or of any practices intended to discourage applications for the types of credit set forth in the bank's CRA statement, in NFB's most recent CRA performance examination. During its most recent CRA performance assessment of NFB, the NYSBD also found no evidence of illegal discrimination or any lending policies or underwriting standards that would tend to be biased against any class of persons protected by the fair lending laws. FDIC examiners found that NFB solicits credit applications from all segments of its local community, including low- to moderate-income neighborhoods, and that NFB had achieved a reasonable penetration of all segments of its delineated community, including low- to moderate-income communities, based on a review of the bank's aggregate 1993 HMDA data.

Since 1993, NFB has initiated a number of loan programs designed to assist in meeting the housing-related credit needs of low- to moderate-income borrowers. In 1994, the bank began participating in the Federal National Mortgage Association ("FNMA") Community Homebuyer program, which provides affordable mortgages to qualifying low- to moderate-income borrowers, and permits loan-to-value ratios of up to 97 percent. Also, in 1994, NFB began its Alternate Financing for Overextension of Revolving Debt ("AFFORD") program. This portfolio mortgage product is designed specifically for low- to moderate-income borrowers, uses flexible underwriting criteria, and seeks to provide mortgages to persons who do not meet FNMA and Federal Home Loan Mortgage Corporation underwriting guidelines. NFB also developed an

16. Preliminary 1995 HMDA data filed by North Fork reflects lending through November 30, 1995.

17. The counties are Suffolk, Nassau, Westchester, Rockland, and Queens counties in New York State.

18. In 1993, approximately 29 percent of NFB's HMDA-reportable loan originations in this five-county area were for properties in low- to moderate-income census tracts. In 1993, lenders in the aggregate originated approximately 7 percent of their loans in this five-county area in low- to moderate-income census tracts, based on 1993 HMDA data.

19. Approximately 21 percent of the census tracts in Suffolk are low- to moderate-income census tracts, and lenders in the aggregate originated approximately 16 percent of their loans in Suffolk in low- to moderate-income census tracts in 1994 and 1993.

20. The 1994 FDIC performance examination encouraged the bank to increase its level of lending in low- to moderate-income areas in Nassau, Westchester, and Rockland, based on a review of the bank's 1993 HMDA data. As noted above, NFB's 1994 HMDA data indicate an increase in the number of applications received from low- to moderate-income census tracts in Nassau and Westchester, and the percentage of loan applications received by NFB in 1994 from low- to moderate-income census tracts in Westchester exceeded the percentage received by lenders in the aggregate in this county in 1994. Rockland County contains only one low- to moderate-income census tract, and this tract generated less than one-half of 1 percent of HMDA-reportable applications received by all lenders in Rockland in 1994. NFB has developed programs and entered into commitments with the NYSBD that are designed to increase the bank's lending in low- to moderate-income communities in Nassau, Westchester, and Rockland counties.

21. In this context, "minority census tracts" is defined as census tracts with a minority population exceeding 75 percent.

22. Comparisons are to aggregate 1994 data because aggregate data for 1995 are not yet available. Preliminary 1995 HMDA data for NFB indicate that approximately 62 percent of NFB's loan originations in Brooklyn were in minority census tracts. In comparison, lenders in the aggregate originated approximately 32 percent of their loans in Brooklyn in minority census tracts, based on 1994 HMDA data.

adjustable-rate mortgage product ("ARM") for first-time home buyers and low- to moderate-income borrowers that uses flexible underwriting standards, including higher debt-to-income ratios.[23] In the third quarter of 1995, NFB also received approval to offer below market-rate mortgage loans with reduced down payment requirements in conjunction with the State of New York Mortgage Agency. In 1994, NFB originated 12 loans, totalling approximately $1.2 million, under these affordable mortgage programs.[24]

NFB also is a certified Small Business Administration ("SBA") lender, and made four SBA loans for a total of more than $300,000 in 1994. Moreover, in 1993 and 1994, NFB provided approximately $750,000 in funding to the New York Business Development Corporation, which makes loans to small and medium-sized businesses in New York.

NFB has established policies and procedures designed to ensure that bank personnel do not discriminate in the lending process on a basis prohibited by the fair lending laws. All branch employees, for example, including employees hired through the acquisition of other banking organizations, are required to participate in a video-based fair lending seminar. Bank tellers also receive instructions on the requirements of the CRA, HMDA, and fair lending laws during this introductory training program. In 1994, NFB began conducting annual fair lending seminars for key branch employees. Attendance at annual seminars is mandatory for branch managers, assistant branch managers, and client service representatives, and approximately 356 employees attended the seminars conducted in 1995. In 1995, the bank's lending division conducted fair lending sessions for all lending personnel involved with the bank's consumer, commercial, and residential lending programs. Self-testing materials are distributed to employees during each training program. NFB's compliance officer also conducts annual fair lending compliance audits of the bank's lending departments, and the results of the reviews are given to the bank's management and board of directors.[25]

NFB has entered into a commitment with the NYSBD to originate $20 million in loans in low- to moderate-income census tracts in Nassau, Westchester, and Rockland counties between 1996 and 1998.[26] Pursuant to this commitment, NFB will implement a program designed to increase the bank's lending to low- to moderate-income and minority residents of these counties. NFB has committed, for example, that it will launch an advertising campaign in these counties, hire two additional loan originators for the counties, and provide commission incentives to originators of loans to low- to moderate-income and minority individuals. In addition, the bank will conduct two first-time home buyer seminars in each county during each year of the program. The bank's progress in implementing this program will be monitored by a committee consisting of the bank's senior management, including its president and chief executive officer, and the bank will submit periodic progress reports to the NYSBD.

C. Other Aspects of CRA Performance

NFB ascertains the credit needs of its delineated community primarily through a call program that maintains ongoing contact with business owners and civic, community, and religious leaders. During the first six months of 1994, NFB contacted 23 community organizations and more than 100 charitable organizations.[27] Examiners noted that NFB maintained regular contact with the Community Preservation Corporation ("CPC"), the Mount Vernon Economic Council, the Long Island Mid-Suffolk Business Association, and the Chamber of Commerce in the bank's delineated communities. In addition, examiners noted that NFB maintained frequent contacts with the Board of Realtors of Long Island to determine the housing-related credit needs of the bank's Long Island communities.

Examiners also concluded that NFB's marketing program was designed to inform all segments of its delineated community of the bank's credit products, and that the bank solicited credit applications from all segments of its local community, including low- to moderate-income neighborhoods. For example, NFB advertised its credit products in local newspapers, including free publications, and sponsored first-time home buyer seminars to inform community members of the affordable housing products offered by the bank.[28]

NYSBD examiners noted that the bank had a total of $57.5 million in commitments outstanding to small businesses, non-profit organizations that benefit low- to moderate-income individuals, minorities, and other disad-

23. Application fees on this ARM may be waived if the loan is generated at an NFB sponsored home buyer seminar.

24. During the first ten months of 1995, NFB originated an additional nine loans, totalling over $1 million, under these programs.

25. Protestant contends that the multi-family lending program of Bayside Federal Savings Bank ("Bayside"), prior to North Fork's acquisition of Bayside, illegally "redlined" predominantly minority areas in New York, and that North Fork continued these practices after acquiring Bayside. Protestant alleges that a current shareholder of North Fork ("Shareholder") participated in the discriminatory lending practices of Bayside and other financial institutions, and that Shareholder and his affiliates are involved in the multi-family lending activities of North Fork. North Fork has denied these allegations. Preliminary 1995 HMDA data filed by North Fork indicate that a substantial percentage of NFB's multi-family loan originations in the Bronx (56 percent), Brooklyn (62 percent), and Manhattan (28 percent) were for properties in census tracts with a minority population exceeding 75 percent. North Fork also states that Shareholder, who controls approximately 2.6 percent of North Fork's outstanding shares, holds no position with North Fork or NFB and does not control the multi-family lending activities of North Fork or NFB.

26. Specifically, NFB has committed to lend at least $9.7 million, $9.2 million, and $1.1 million in low- to moderate-income census tracts in Nassau, Westchester, and Rockland counties, respectively, during the three-year period ending December 31, 1998.

27. In 1993, NFB contacted more than 190 religious and charitable groups, and 37 local community groups.

28. NYSBD examiners noted that the bank held two first-time home buyer seminars in the first quarter of 1994, and an additional four seminars were scheduled for the remainder of 1994.

vantaged communities, as of May 31, 1994. NFB participated in a variety of community development activities, either through loans to community development organizations or through direct loans to nonprofit or community service organizations. For example, in 1994, NFB committed $816,000 to the revolving loan and permanent financing lending facilities of the CPC, which provides construction and permanent loans for the rehabilitation of low- to moderate-income housing and funding for the purchase and rehabilitation of foreclosed properties.[29] Furthermore, NFB provided $146,000 in permanent funding to the Greenport Affordable Housing Project in 1994 for the construction of two residential properties. In 1994, NFB also provided a $157,000 commercial mortgage and a $32,000 unsecured term note to the Selden-Centereach Community Coalition, a nonprofit foster care residence,[30] and a $600,000 revolving line of credit to A Planned Program for Life Enrichment, Inc., a nonprofit social service provider.

D. Community Delineation

Protestant alleges that NFB improperly excludes the Bronx, Brooklyn, Manhattan, and portions of Queens from its delineated local community for purposes of the CRA.[31] NFB currently operates branches in Suffolk, Nassau, Westchester, Rockland, and Queens counties, and the bank's delineation consists of those counties. NFB selected those counties for its delineated community using a methodology permitted by applicable regulations.[32] The bank's delineation was reviewed by the New York State Banking Board in connection with this proposal and found not to arbitrarily exclude low- to moderate-income communities.[33] Furthermore, NFB's most recent performance assessment by the NYSBD and performance examination by the FDIC concluded that the bank's community delineation was reasonable and did not arbitrarily exclude low- to moderate-income neighborhoods. After this performance examination and assessment, NFB acquired branches in Queens County through its acquisition of Bayside in November 1994, and NFB subsequently adjusted its local delineation to include all of Queens County.[34]

The reasonableness of an institution's delineated local community depends on a number of factors, including a careful review of the areas surrounding the locations of an institution's main office, branches and deposit-taking automated teller machines. The review of an institution's delineated community also requires consideration of whether the institution has arbitrarily excluded low- and moderate-income areas, taking into account the institution's size and financial condition. The Board believes that an assessment of an institution's delineated community can be most effectively considered in an on-site examination by the institution's primary federal supervisor. The Board also believes that an on-site examination provides a better opportunity to consider whether an institution's delineated community reflects illegal discrimination in light of all the institution's lending activities.

NFB has followed applicable regulations in establishing its community delineation. NFB's primary supervisors have reviewed this delineation during the bank's most recent CRA examinations and since the completion of the examinations and found the bank's delineation to be reasonable. In light of NFB's recent acquisitions, the Board expects NFB to review its delineated community under applicable regulations with its primary federal supervisor at its upcoming CRA examination. The Board notes that NFB has recognized in the past that an acquisition may require NFB to expand its delineated community beyond that of the acquired institution. As noted above, NFB recently expanded its local community to include all of Queens County as a result of the Bayside acquisition, and the bank has indicated that it would reassess Extebank's

29. In 1995, NFB committed approximately $1 million for CPC's financing activities.

30. The term note was used by the Coalition for partial funding of its purchase of a safe house for abused and abandoned children.

31. Protestant also asserts that North Fork should be required to submit its branch closing plans. The Board also received comments from the East Yaphank Civic Association, Yaphank, New York, contending that its community would be adversely affected if Extebank's Yaphank branch were closed. North Fork has indicated that it does not plan to close any branch in a low- to moderate-income census tract in connection with this proposal, and that no decision has been made regarding the Yaphank branch. The Board notes that branch closing decisions would be made under NFB's branch closure policy, which requires that the bank solicit the views of community leaders and customers to determine if reasonable alternatives exist to any proposed branch closure. NFB's branch closure policy also requires that the bank provide customers, the NYSBD, and the FDIC at least 90 days prior notice of any proposed branch closure.

32. NFB has 28 branches in Suffolk, seven branches in Nassau, seven branches in Queens, four branches in Westchester, and three branches in Rockland. A bank may delineate its local community by using any one of the following methods:

(1) The existing boundaries, such as those of standard metropolitan statistical areas or counties in which the bank's office or offices are located, and adjacent areas if appropriate;

(2) The local areas around each office or group of offices where it makes a substantial portion of its loans and all other areas equidistant from its offices; and

(3) Any other reasonable delineation that meets the purpose of the CRA and does not exclude low- and moderate-income neighborhoods. *See, e.g.*, 12 C.F.R. 228.3(b).

33. Protestant alleges that North Fork has violated fair lending laws by expanding its branch presence outside Suffolk County in a manner that avoids minority and low- to moderate-income communities, particularly the Bronx. North Fork acquired its branches in Westchester, Rockland, and Queens through the acquisition of other banking organizations. FDIC and NYSBD examiners found no evidence of prohibited discrimination by NFB in its delineation, branch locations or other activities. As discussed above, NFB has adopted policies designed to prevent lending discrimination on a basis prohibited by the fair lending laws.

34. The Board notes that, prior to North Fork's acquisition of Bayside, the Office of Thrift Supervision had concluded, at the most recent CRA evaluation of Bayside, as of November 1993, that Bayside's delineated community, which included all of New York City (including the Bronx, Manhattan, and Brooklyn), and Nassau, Suffolk, and Westchester counties, was unreasonably large. Bayside accordingly reduced the size of its delineation to include only portions of Queens County.

delineated local community in Manhattan after operating Extebank's Manhattan branch for a period of time.[35] NFB also has made a commitment to file with the NYSBD a comprehensive CRA plan that will include a study of its delineated community.[36]

Conclusion Regarding Convenience and Needs Considerations

The Board has carefully considered all the facts of record, including Protestant's comments, in reviewing the convenience and needs factor under the BHC Act. Based on a review of North Fork's entire record of performance, including information submitted by North Fork and Protestant, the Board concludes that North Fork's record of performance in helping to meet the credit needs of its community, including low- and moderate-income neighborhoods, is consistent with approval of these applications. The Board expects North Fork to continue to strengthen its CRA performance and will monitor North Fork's progress in considering future applications by North Fork to acquire deposit-taking facilities.[37] To permit the Board to monitor North Fork's progress, North Fork must file with the Federal Reserve Bank of New York ("Reserve Bank") the CRA plan and other information filed by NFB with the NYSBD for a period of two years from the date of this order. In addition, North Fork must file quarterly reports with the Reserve Bank on its lending in minority communities within the five counties currently in its delineated community for two years from the date of this order.

Based on the foregoing and all the facts of record, the Board has determined that these applications should be, and hereby are, approved.[38] The Board's approval is specifically conditioned on compliance by North Fork and NFB with the commitments made in connection with these applications, as well as the conditions discussed in this order. For purposes of this action, the commitments and conditions relied on in reaching this decision are deemed to be conditions imposed in writing by the Board and, as such, may be enforced in proceedings under applicable law.

These transactions shall not be consummated before the fifteenth calendar day following the effective date of this order, or later than three months after the effective date of this order, unless such period is extended for good cause by the Board or the Reserve Bank, acting pursuant to delegated authority.

By order of the Board of Governors, effective February 26, 1996.

Voting for this action: Chairman Greenspan and Governors Kelley, Lindsey, Phillips, and Yellen.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

UJB Financial Corp.
Princeton, New Jersey

United Jersey Bank
Hackensack, New Jersey

Order Approving the Acquisition and Merger of a Bank

UJB Financial Corp., Princeton, New Jersey ("UJB Financial") a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire Flemington National Bank and Trust Company, Flemington, New Jersey ("Flemington"). UJB Financial's lead bank subsidiary, United Jersey Bank, Hackensack, New Jersey ("UJB Bank"), a state member bank, also has applied pursuant to section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) (the "Bank Merger

35. North Fork has indicated that it will modify its delineated community to reflect its proposed acquisition of Extebank by adopting Extebank's current delineated area in Manhattan. FDIC examiners found Extebank's delineation of this area to be reasonable at Extebank's most recent CRA performance examination, as of March 1995.

36. A preliminary plan must be submitted to the NYSBD by March 31, 1996.

37. Protestant contends that the Board should delay consideration of this proposal and consider it in conjunction with NFB's proposed purchase of ten branches from First Nationwide Bank, FSB, Dallas, Texas ("First Nationwide"). Protestant also suggests that the Board delay consideration of this proposal until Protestant's suit against the NYSBD stemming from its approval of this proposal is resolved and the Board obtains additional information from North Fork, including information about North Fork's multi-family lending activities and its relationship with Shareholder or his affiliates. Because the First Nationwide branches would be acquired directly by NFB, a state nonmember bank, no application to the Federal Reserve System is required for that proposal. That proposal is subject to approval by the FDIC, which is the primary federal supervisor of NFB. The Board notes that Protestant has filed extensive comments on this branch acquisition with the FDIC. The Board is required under applicable law and its processing procedures to act on applications submitted under the BHC Act within specified time periods. As discussed above, the Board has carefully reviewed the record of this case, including Protestant's comments relating to North Fork's multi-family lending activities. Based on all the facts of record, the Board concludes that the record is sufficient to act on this proposal at this time, and that delay or denial of this proposal on the grounds of informational insufficiency is not warranted.

38. Protestant has requested that the Board hold a public hearing or meeting on these applications. Section 3(b) of the BHC Act does not require the Board to hold a hearing or meeting on an application unless the appropriate supervisory authority of the bank to be acquired makes a timely written recommendation of denial of the application. In this case, the Board has not received such a recommendation. Generally, under the Board's Rules of Procedure, the Board may, in its discretion, hold a public hearing or meeting on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 C.F.R. 262.3(e) and 262.25(d). Protestant has had an opportunity to present written submissions, and has submitted substantial written comments that have been considered by the Board. Protestant's request fails to demonstrate why its written submissions do not adequately present its allegations or why a public hearing or meeting is otherwise warranted in this case. Based on all the facts of record, the Board has determined that a public hearing or meeting is not necessary to clarify the factual record in these applications, and is not warranted in this case. Accordingly, Protestant's request for a public hearing or meeting is denied.

Act"), and section 9 of the Federal Reserve Act (12 U.S.C. § 321) to merge with Flemington and to establish branches at the locations set forth in the Appendix.

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (60 *Federal Register* 58,361 (1995)). As required by the Bank Merger Act, reports on the competitive effects of the merger were requested from the United States Attorney General, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation ("FDIC"). The time for filing comments has expired, and the Board has considered this proposal and all comments received in light of the factors set forth in the BHC Act, the Bank Merger Act and section 9 of the Federal Reserve Act.

UJB Financial, with total consolidated assets of $21.2 billion, controls subsidiary banks in New Jersey and Pennsylvania.[1] UJB Financial is the second largest commercial banking organization in New Jersey, controlling $15.1 billion in deposits, representing 11.9 percent of total deposits in insured depository institutions in the state.[2] Flemington is the 67th largest insured depository institution in New Jersey, controlling $253.2 million in deposits, representing less than 1 percent of total deposits in insured depository institutions in the state. Upon consummation of this proposal, UJB Financial would remain the second largest commercial banking organization in New Jersey, controlling deposits of approximately $15.4 billion, representing approximately 12.1 percent of total deposits in insured depository institutions in the state.

UJB Financial and Flemington compete in the New York-New Jersey Metropolitan banking market,[3] where UJB Financial is the sixth largest commercial banking organization, controlling $13.4 billion in deposits, representing 3.9 percent of the total deposits in insured depository institutions in the market ("market deposits").[4] Flemington is the 111th largest insured depository institution in the market, controlling $241.7 million in deposits, representing less than 1 percent of market deposits. Upon consummation of these proposals, UJB Financial would remain the sixth largest commercial banking organization in the market, controlling approximately $13.6 billion, representing approximately 4.6 percent of market deposits. The Herfindahl-Hirschman Index ("HHI") would increase by less than 1 point to 783.[5] Based on all the facts of record, the Board concludes that consummation of this proposal would not have a significantly adverse effect on competition or the concentration of banking resources in any relevant market.

The financial and managerial resources and future prospects of UJB Financial and Flemington, and their respective subsidiaries are consistent with approval of this proposal, as are the other supervisory factors the Board must consider under the BHC Act, Bank Merger Act, and the Federal Reserve Act. Considerations relating to the convenience and needs of the communities to be served are also consistent with approval.

Based on the foregoing and other facts of record, the Board has determined that the applications should be, and hereby are, approved.[6] The Board's approval is specifically conditioned on compliance with all the commitments made by UJB Financial in connection with this application. For purposes of this action, the commitments and conditions relied on in reaching this decision shall be deemed to be conditions imposed in writing by the Board and, as such, may be enforced in proceedings under applicable law.

The transactions shall not be consummated before the fifteenth calendar day following the effective date of this order, or later than three months after the effective date of this order, unless such period is extended for good cause by the Federal Reserve Bank of New York, acting pursuant to delegated authority.

1. Asset data are as of September 30, 1995. All data have been updated to reflect the Board's approval of UJB Financial's application to acquire Summit Bancorporation, Summit, New Jersey. *UJB Financial Corp.*, 82 *Federal Reserve Bulletin* 345 (1996) ("Summit Order").

2. State deposit data are as of June 30, 1995. In this context, insured depository institutions include commercial banks, savings banks, and savings associations.

3. The New York-New Jersey Metropolitan banking market includes Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, Union, and Warren Counties, and seven municipalities in Mercer County, all in New Jersey; Bronx, Dutchess, Kings, Nassau, New York, Orange, Putnam, Queens, Richmond, Rockland, Suffolk, Sullivan, Ulster, and Westchester Counties in New York; Pike County, Pennsylvania; and 22 municipalities in Fairfield and Litchfield Counties in Connecticut.

4. Market deposit data are as of June 30, 1994. Market share data are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, major competitors of commercial banks. *See Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Thus, the Board has regularly included thrift deposits in the calculation of market concentration on a 50-percent weighted basis. *See e.g.*, First Hawaiian, Inc., 77 *Federal Reserve Bulletin* 51 (1991).

5. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is less than 1000 is considered unconcentrated. The Justice Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anti-competitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Justice Department has stated that the higher than normal threshold for an increase in the HHI when screening bank mergers and acquisitions for anticompetitive effects implicitly recognizes the competitive effect of limit-purpose lenders and other non-depository financial entities.

6. The Board received comments from an individual ("Protestant") requesting that this proposal be denied or delayed until the Board can conduct an investigation and hold a hearing or public meeting on the issues raised in her comments. These comments were carefully considered by the Board in connection with the proposal by UJB Financial to acquire Summit. Based on all the facts of record, and for the reasons explained in the Summit Order, which are incorporated herein by reference, Protestant's requests relating to this proposal are denied.

By order of the Board of Governors, effective February 5, 1996.

Voting for this action: Chairman Greenspan and Governors Kelley, Lindsey, Phillips, and Yellen.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Appendix

Main Office, 56 Main Street, Flemington, New Jersey
Circle Office, 224 South Main Street, Flemington, New Jersey
Clinton Point Office, 189 Center Street, Clinton Township, New Jersey
Ringoes Office, Highway 179 and Boss Road, East Amwell Township, New Jersey
Sergeantsville Office, 775 Rte 523, Delaware Township, New Jersey
Shop Rite Office, Commerce St., Rte 202 & 31, Raritan Township, New Jersey
Three Bridges Office, 698 Broad Street, Three Bridge, New Jersey
Lambertville Office, 333 North Main St., Suite 1, Lambertville, New Jersey

UJB Financial Corp.
Princeton, New Jersey

United Jersey Bank
Hackensack, New Jersey

Order Approving the Merger of Bank Holding Companies, the Merger of Banks, and Establishment of Branches

UJB Financial Corp., Princeton, New Jersey ("UJB Financial"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 3 of the BHC Act (12 U.S.C. § 1842) to merge with Summit Bancorporation ("Summit"), and thereby indirectly acquire Summit Bank ("Summit Bank"), both in Chatham, New Jersey.[1] UJB Financial's lead subsidiary bank, United Jersey Bank, Hackensack, New Jersey ("UJB Bank"), a state member bank, also has applied pursuant to section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) (the "Bank Merger Act"), and section 9 of the Federal Reserve Act (12 U.S.C. § 321) to merge with Summit Bank, and to establish branches at the locations set forth in the Appendix.

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (60 *Federal Register* 58,627 (1995)). As required by the Bank Merger Act, reports on the competitive effects of the merger were requested from the United States Attorney General, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation ("FDIC"). The time for filing comments has expired, and the Board has considered this proposal and all comments received in light of the factors set forth in the BHC Act, the Bank Merger Act and section 9 of the Federal Reserve Act.

UJB Financial, with total consolidated assets of \$15.5 billion, controls subsidiary banks in New Jersey and Pennsylvania.[2] UJB Financial is the third largest commercial banking organization in New Jersey, controlling \$10.6 billion in deposits, representing 8.4 percent of total deposits in insured depository institutions in the state.[3] Summit is the seventh largest commercial banking organization in New Jersey, controlling \$4.5 billion in deposits, representing 3.5 percent of total deposits in insured depository institutions in the state. Upon consummation of this proposal, UJB Financial would become the second largest commercial banking organization in New Jersey, controlling deposits of \$15.1 billion, representing 11.9 percent of total deposits in insured depository institutions in the state.

UJB Financial and Summit compete in the New York-New Jersey Metropolitan banking market.[4] In the New York-New Jersey Metropolitan market, UJB Financial is the seventh largest commercial banking organization, controlling \$9 billion in deposits, representing 2.6 percent of the total deposits in insured depository institutions in the market ("market deposits").[5] Summit is the 14th largest commercial banking organization in the market, controlling \$4.4 billion in deposits, representing 1.3 percent of market deposits. On consummation of these proposals, UJB Financial would become the sixth largest commercial banking organization in the market, controlling \$13.4 billion in deposits, representing 3.9 percent of market deposits, and numerous banking institutions would remain in the market. The Herfindahl-Hirschman Index ("HHI") would

1. UJB Financial also has applied to acquire up to 19.9 percent of the voting shares of Summit through the exercise of an option granted by Summit in connection with this proposal. Upon consummation of this proposal, this option would become moot.

2. Asset data are as of September 30, 1995.

3. State deposit data are as of June 30, 1995. In this context, insured depository institutions include commercial banks, savings banks, and savings associations.

4. The New York-New Jersey Metropolitan banking market includes Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, Union, and Warren Counties, and seven municipalities in Mercer County, all in New Jersey; Bronx, Dutchess, Kings, Nassau, New York, Orange, Putnam, Queens, Richmond, Rockland, Suffolk, Sullivan, Ulster, and Westchester Counties in New York; Pike County, Pennsylvania; and 22 municipalities in Fairfield and Litchfield Counties in Connecticut.

5. Market deposit data are as of June 30, 1994. Market share data are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, major competitors of commercial banks. *See Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Thus, the Board has regularly included thrift deposits in the calculation of market concentration on a 50-percent weighted basis. *See e.g.*, *First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 51 (1991).

increase by 7 points to 782.[6] Based on all the facts of record, the Board concludes that consummation of this proposal would not have a significantly adverse effect on competition or the concentration of banking resources in any relevant market.

The financial and managerial resources[7] and future prospects of UJB Financial, Summit, and their respective subsidiaries, and other supervisory factors the Board must consider under the BHC Act, Bank Merger Act, and the Federal Reserve Act are consistent with approval of this proposal.[8] Considerations relating to the convenience and needs of the communities to be served also are consistent with approval.[9]

Based on the foregoing and other facts of record, the Board has determined that the applications should be, and hereby are, approved.[10] The Board's approval is specifically conditioned on compliance with all the commitments made by UJB Financial in connection with this application. For purposes of this action, the commitments and conditions relied on in reaching this decision shall be deemed to be conditions imposed in writing by the Board and, as such, may be enforced in proceedings under applicable law.

The transactions shall not be consummated before the fifteenth calendar day following the effective date of this order, or later than three months after the effective date of this order, unless such period is extended for good cause by the Federal Reserve Bank of New York, acting pursuant to delegated authority.

By order of the Board of Governors, effective February 5, 1996.

Voting for this action: Chairman Greenspan and Governors Kelley, Lindsey, Phillips, and Yellen.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

6. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is less than 1000 is considered unconcentrated. The Justice Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anti competitive effects) unless the post merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Justice Department has stated that the higher than normal threshold for an increase in the HHI when screening bank mergers and acquisitions for anticompetitive effects implicitly recognizes the competitive effect of limit-purpose lenders and other non-depository financial entities.

7. The Board has carefully reviewed comments from an attorney ("Protestant") based on allegations contained in several lawsuits filed by Protestant against UJB Bank, UJB Financial, and its wholly owned subsidiary Trico Mortgage Company, Inc. ("Trico"), on behalf of individual borrowers. These allegations relate to certain activities by a mortgage broker employed from 1988 to 1989 by First Central Mortgage Services, Inc. ("First Central"), an unaffiliated mortgage originator that sold mortgages to UJB Financial and other financial institutions. UJB Financial and its subsidiaries have denied these allegations and have said that they had no knowledge of these activities at the time they occurred. None of the individuals involved in these allegations is currently employed by or associated with UJB Financial or any of its subsidiaries, and there are no allegations that management of UJB Financial was involved in these matters. UJB Financial is in the process of liquidating Trico, and the amount of the mortgage transactions in dispute represents a small percentage of UJB Financial's total assets. The civil actions initiated by Protestant are in their preliminary stages and have not to date resulted in any findings of wrongdoing by UJB Financial or any of its subsidiaries or management. The Board has also considered information contained in relevant reports of examination assessing the managerial resources of UJB Financial and its subsidiaries. If a court determines, or an examination finds, that UJB Financial or any of its subsidiaries have engaged in improper activities, the Board or the primary federal supervisor of the relevant subsidiary of UJB Financial retains jurisdiction and full supervisory authority to take appropriate action.

8. Protestant maintains that UJB Financial failed to disclose the existence of pending litigation related to the events at First Central to the Board in connection with these applications and to examiners from the Federal Reserve Bank of New York ("Reserve Bank") during a recent consumer compliance examination. Protestant contends that these omissions raise supervisory issues relevant to these applications and to UJB Bank's performance rating under the Community Reinvestment Act ("CRA"). After a review of all the facts of record, including relevant reports of examination, information made available to the examiners, and information provided by UJB Financial during the processing of these applications, the Board concludes that issues related to this litigation have been fully disclosed to the Board in connection with the Reserve Bank's examination and this application.

9. Protestant also questions the record of UJB Financial under the CRA. All of UJB Financial's subsidiary banks were rated "satisfactory" or "outstanding" by their primary federal supervisors, in their most recent examinations for CRA performance, and examiners found no evidence of discriminatory or other illegal credit practices. UJB Bank received a "satisfactory" CRA performance rating as of July 1995, from the Reserve Bank. Summit Bank was also rated "satisfactory" in its most recent examination for CRA performance by its primary federal supervisor.

10. Protestant requests that the Board delay action on these applications until the Board has conducted an investigation and held a hearing or a public meeting on the issues raised in her comments. Section 3(b) of the BHC Act does not require the Board to hold a public hearing or meeting on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial of the application. The Board has not received such a recommendation from any state or federal supervisory authority in this case. Under its Rules of Procedure, the Board may, in its discretion, hold a public hearing or meeting on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 C.F.R. 262.3(e) and 262.25(d). The Board is also required under applicable law and its processing procedures to act on applications submitted under the BHC Act and the Bank Merger Act within specified time periods.

Protestant has had ample opportunity to submit her views and has, in fact, submitted materials that have been considered by the Board in acting on these applications. Protestant's request fails to demonstrate why her written submissions do not adequately present her allegations. As discussed above, the Board has carefully reviewed the record in this case, including information provided by the Protestant and UJB Financial, and contained in relevant reports of examination. Based on all the facts of record, the Board concludes that the record is sufficient to act on this proposal at this time, and that delay or denial of this proposal on the grounds of informational insufficiency or inaccuracy is not warranted. The Board also concludes that a public meeting or hearing is not necessary to clarify the factual record in these applications, or otherwise warranted in this case, and, therefore, the request for a public hearing or meeting on these applications is denied.

Appendix

401 Hackensack Avenue, Hackensack, New Jersey
80 Main Street, West Orange, New Jersey
343 Millburn Avenue, Millburn, New Jersey
250 Passaic Avenue, Fairfield, New Jersey
161 Maplewood Avenue, Maplewood, New Jersey
161 Eagle Rock Avenue, Roseland, New Jersey
1521 Springfield Avenue, Maplewood, New Jersey
One Newark Center, Newark, New Jersey
1882 Springfield Avenue, Maplewood, New Jersey
301 South Livingston Avenue, Livingston, New Jersey
263 Rte 202-31 South, Flemington, New Jersey
400 Voorhees Corner Road, Flemington, New Jersey
92 Rte 173, Clinton, New Jersey
16 Nassau Street, Princeton, New Jersey
11 State Road, Princeton, New Jersey
5001 Stelton Road, South Plainfield, New Jersey
800 Inman Avenue, Colonia, New Jersey
900 Oak Tree Road, South Plainfield, New Jersey
1876 Highway 27, Edison, New Jersey
378 Amboy Avenue, Woodbridge, New Jersey
46 Parsonage Road, Menlo Park, New Jersey
1050 Raritan Road, Clark, New Jersey
135 Jefferson Avenue, Elizabeth, New Jersey
10 Westfield Avenue, Clark/Rahway, New Jersey
Lincoln Boulevard & Broadway, Clark/Rahway, New Jersey
145 Snyder Avenue, Berkeley Heights, New Jersey
556 Morris Avenue, Ciba/Geigy, New Jersey
100 First Street, Elizabeth, New Jersey
15 South Street, New Providence, New Jersey
Village Shopping Center, New Providence, New Jersey
173 Elm Street, Westfield, New Jersey
865 Mountain Avenue, Mountainside, New Jersey
335 East Front Street, Plainfield, New Jersey
175 Morris Avenue, Springfield, New Jersey
707 New Brunswick Avenue, Pohatcong, New Jersey
Route 57 at Mill Pond, Washington, New Jersey
382 Memorial Parkway, Phillipsburg, New Jersey
711 Lacey Road, Lacey, New Jersey
785 Rte 72, Manahawkin, New Jersey
200 Rte 37 East, Toms River, New Jersey
65 Nautilus Drive, Ocean Acres, New Jersey
2114 Lakewood Road, Pleasant Plains, New Jersey
501 Arnold Avenue, Point Pleasant Beach, New Jersey
1508 Central Avenue, Barnegat Light, New Jersey
385 Adamston Road, Adamston, New Jersey
531 Main Avenue, Bay Head, New Jersey
2205 Grand Central Avenue, Lavallette, New Jersey
Manhattan Street, Jackson, New Jersey
137 Van Zile Road, Channel Plaza, New Jersey
2701 Lakewood Road, Rte 88, Ocean County, New Jersey
60 Stirling Road, Watchung Circle, New Jersey
Somerset Shopping Center, Bridgewater, New Jersey
Washington Valley Road, Martinsville, New Jersey
50 West Main Street, Somerville, New Jersey
19 West High Street, Somerville, New Jersey
619 East Main Street, Finderne, New Jersey
15 Mountain View Road, Warren-Chubb, New Jersey
One State Bank Plaza, Manville, New Jersey
Martinsville Road, West Gate/Chubb, New Jersey
3421 Rte 22 East, Branchburg, New Jersey
Lamington Road, Bedminster, New Jersey
367 Springfield Avenue, Summit, New Jersey
DeForest Avenue & Beechwood, Summit, New Jersey
467 Park Avenue, Scotch Plains, New Jersey
26 Morris Turnpike, Short Hills, New Jersey
600 Mountain Avenue, Bell Labs, New Jersey
1322 Sea Girt Avenue, Wall Township, New Jersey
634 Newman Springs Road, Lincroft, New Jersey
First Avenue at Rte 36, Atl. Highlands, New Jersey
611 Main Street, Belmar, New Jersey
99 Broad Avenue, Eatontown, New Jersey
Route 66 at Neptune Blvd, Neptune Twp, Monmouth County, New Jersey
155 Main Street, Manasquan, New Jersey
517 Prospect Avenue, Little Silver, New Jersey
405 Union Avenue, Brielle, New Jersey
1184 Rte 35, Middletown, New Jersey
Route 9 and Campbell Court, Freehold, New Jersey
30 Columbia Turnpike, Florham Park, New Jersey
1031 Valley Road, Stirling, New Jersey
117 Main Street, Madison, New Jersey
355 Madison Avenue, Morristown, New Jersey
3799 Rte 46, Parsippany, New Jersey
269 Main Street, Chatham, New Jersey
Erie Lackawana RR Station, Chatham, New Jersey
188 South Street, Morristown, New Jersey
10 Park Place, Morristown, New Jersey
38 Broadway, Denville, New Jersey
640 Shunpike Road, Chatham, New Jersey
16 Waverly Place, Madison, New Jersey
1501 Long Beach Blvd, Ship Bottom, New Jersey
1051 Rte 37 West, West Dover, New Jersey
200 Webster Avenue, Seaside Heights, New Jersey
2232 Bridge Avenue, Bridge Avenue, New Jersey
889 Fischer Boulevard, Toms River, New Jersey
401 Bay Avenue, Beach Haven, New Jersey
Rte 35 & Atlantic Ave., Manasquan Borough, Monmouth County, New Jersey
150 Chambers Bridge Road, Brick Township, Ocean County, New Jersey
2 Rte 37 West at Rte 9, Dover Township, Ocean County, New Jersey
2284 West County Line Road, Jackson Township, New Jersey
206 East Kennedy Boulevard, Lakewood Township, Ocean County, New Jersey
395 Rte 70, Lakewood Township, Ocean County, New Jersey
Columbus Blvd & Hamilton Ave., Seaside Hgts, Ocean County, New Jersey
Rte 37 & Law Road, Dover Township, Ocean County, New Jersey
111 Lacey Road, Manchester Township, Ocean County, New Jersey

Orders Issued Under Section 4 of the Bank Holding Company Act

Compagnie Financière de Paribas
Paris, France
Order Approving Notice to Provide Mobile Telephone Billing Software

Compagnie Financière de Paribas, Paris, France ("Paribas"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has given notice under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a) of the Board's Regulation Y (12 C.F.R. 225.23(a)) to engage *de novo* through a new United States subsidiary ("Company") in providing certain data processing and transmission services nationwide, under section 225.25(b)(7) of Regulation Y (12 C.F.R. 225.25(b)(7)).[1]

Paribas, through Company, would offer an integrated software program ("CABS") to operators of digital mobile telephone networks ("Operator") to perform billing and account-related services for the Operator's customer accounts. CABS would not be a part of an Operator's network operating and switching system, and it would be operated on dedicated hardware that is separate from the hardware and software that runs the network.

Notice of this proposal, affording interested persons an opportunity to submit comments, has been published (60 *Federal Register* 62,092 (1995)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.[2]

Paribas, with $282.5 billion in consolidated assets, is the fifth largest commercial banking organization in France and the 29th largest commercial banking organization in the world, and it engages in a wide range of banking and nonbanking activities outside the United States.[3] Paribas operates branches in New York, New York, and Chicago, Illinois; agencies in Los Angeles, California, and Houston, Texas; and representative offices in San Francisco, California, and Dallas, Texas. Paribas also engages through its subsidiaries in the United States in a broad range of nonbanking activities.

Proposed Activities

CABS calculates an Operator's customer bills based on data provided by the Operator's network operating system after customers' calls are completed (such as the date, time, duration, and destination of the call); additional data provided by the Operator concerning the terms of customers' service contracts (such as subscription fees, applicable discounts, and special charges); and individual account balances. Based on these data, CABS produces the billing statements that the Operator sends to its customers for payment by customers directly to the Operator.

CABS also performs general accounting services, such as making summary entries in the Operator's general ledger reflecting payments and changes in accounts receivable and payable, and recording payments automatically and making pre-authorized debits directly from customers' bank or credit card accounts. CABS also reports past due and closed accounts to the Operator. In addition, CABS can submit call data to a network clearing house and receive such data from a clearing house to ensure proper billing and account settlements for multi-network telephone calls.

To facilitate these billing functions, CABS stores basic information (such as name, address, and telephone number) necessary to identify a customer when a new account is opened.[4] CABS also stores information that identifies the services to be provided to the customer and the customer's handset. CABS transmits the latter information, and information about the payment status of each account and instructions for the issuance of personal identification numbers, to the Operator's caller and equipment verification files, for use by the Operator to limit access to the telephone network. The caller and equipment verification files are maintained by the Operator independently of CABS.

As noted previously, CABS is not part of and does not intervene in the operation of the Operator's network access or switching system.[5] CABS is operated on dedicated hardware that is separate from the hardware and software that runs the mobile telephone network itself.

Closely Related to Banking Analysis

Section 4(c)(8) of the BHC Act provides that a bank holding company may, with Board approval, engage in any activity that the Board determines to be "so closely related to banking or managing or controlling banks as to be a proper incident thereto."[6] The Board has determined that

1. Paribas owns 50.1 percent and France Telecom, the French national telephone operating company, owns 49.9 percent of Financière Sema, a French investment company that owns 41.6 percent of the voting shares of Sema Group plc, London, England ("Sema Group"). Sema Group developed the software described in this order and proposes to establish Company as a wholly owned United States subsidiary to sell the described software in the United States.

2. The Board received one comment from another banking organization supporting this proposal.

3. Asset data are as of June 30, 1995. Ranking data are as of December 31, 1994.

4. Company would play no role in soliciting or contacting new or prospective customers. These functions would be handled by the Operator or a third party.

5. Data compiled by CABS for billing purposes may be reported by CABS to the Operator for use in identifying atypical usage patterns that indicate fraudulent use. All access determinations, including those based on usage patterns and customer and equipment identification and account data, are made by the Operator.

6. 12 U.S.C. § 1843(c)(8). *See National Courier Association v. Board of Governors of the Federal Reserve System*, 516 F.2d 1229, 1237 (D.C. Cir. 1975) ("*National Courier*"). In addition, the Board may consider any other basis that may demonstrate that the proposed activity has a reasonable or close connection or relationship to banking or managing or controlling banks. *See* Board Statement Regarding Regulation Y, 49 *Federal Register* 806 (1984); *Securities Industry*

certain data processing activities are closely related to banking and, therefore, permissible for bank holding companies under section 4(c)(8) of the BHC Act. Section 225.25(b)(7) of Regulation Y permits bank holding companies to provide data processing and data transmission services, facilities (including software), or data bases, or access thereto, by any technological means, so long as the data to be processed or furnished are "financial, banking, or economic" in nature.[7] Regulation Y also provides that bank holding companies may engage in incidental activities that are necessary to carry on an activity that is closely related to banking.[8]

In 1971, when data processing services were added to Regulation Y's list of activities deemed closely related to banking, the performance of billing services was specifically included in the rule as an example of processing "banking, financial, or related economic data".[9] The Board noted at that time that banks historically had performed certain types of billing services for nonfinancial customers,[10] and commenters had suggested that billing services (like the other services specifically mentioned) were integrally related to the "basic money transfer function" of banks.[11]

In 1982, the Board amended its data processing regulation to expand the types of services that could be performed by bank holding companies and the types of data on which data processing could be performed.[12] In particular, the types of permissible data were expanded to include all "financial, banking or economic" information.[13] This change permitted bank holding companies to process all types of economic data and eliminated the requirement that economic data be "related" to other banking or financial data.

In making this change, the Board deleted the reference to specific examples of permissible data processing functions, such as performing payroll, accounts receivable, and billing services. The Board stated, however, that it intended the changes to expand the delineation of permissible data processing services and types of data that could be processed by bank holding companies. On this basis, the Board has continued to approve data processing proposals to provide billing services for nonfinancial customers.[14]

The principal function of CABS is to collect data necessary to prepare and transmit bills for Operators. In light of the foregoing, the Board has determined that the performance of these billing functions — including opening customer accounts, preparing customer account statements, initiating payments by customers and other networks, recording payments and accounts receivable and payable in the Operator's general ledger, and reporting past due and closed accounts — is an activity that is closely related to banking and constitutes the processing and transmission of banking, financial, or economic data within the meaning of Regulation Y and prior Board decisions.

As described above, CABS also would perform certain limited nonfinancial data processing and transmission services in connection with its billing functions. These services are the transmission of customer identification and account information to the Operator's verification files; and the generation or certain reports based on these data that may be used by the Operator to detect possible fraudulent use of the network. The data that CABS processes and transmits to the Operator for access and security purposes consist of data that CABS stores and uses to perform its basic billing function.

Paribas has stated that CABS would not perform these functions apart from its billing services, and that these functions would be a relatively small part of its operation.[15] In light of the foregoing, the Board has concluded that the limited role to be played by CABS in an Operator's access and security functions appears to be incidental to the primary billing and account functions that would be provided to the Operator, and therefore permissible under Regulation Y and prior Board decisions.

Other Considerations

In order to approve this proposal, the Board also must determine that the proposed activity is a proper incident to banking, that is, that the proposal "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[16] As

Association v. Board of Governors of the Federal Reserve System, 468 U.S. 207, 210–211 n.5 (1984).

7. Regulation Y also requires that the services be provided pursuant to a written agreement and places certain limitations on the facilities and hardware provided with the data processing services. In particular, the facilities must be designed, marketed, and operated for the processing and transmission of financial, banking, or economic data; hardware must be provided only in conjunction with permissible software; and general purpose hardware must not constitute more than 30 percent of the cost of any packaged offering. *See* 12 C.F.R. 225.25(b)(7). Paribas has committed that Company will comply with these requirements and limitations in providing the proposed services.

8. *See* 12 C.F.R. 225.21(a)(2); *National Courier*, 516 F.2d at 1239–41.

9. Approved data processing activities included "storing and processing other banking, financial, or related economic data, such as performing payroll, accounts receivable or payable, or billing services." 57 *Federal Reserve Bulletin* 512 (1971).

10. *See* Memorandum from Legal Division to Board of Governors (June 7, 1971) at 8.

11. *See* Supplemental Statement of the American Bankers Association (April 30, 1971), at 6–7; *see also BankAmerica Corporation*, 66 *Federal Reserve Bulletin* 511 (1980).

12. *See* 47 *Federal Register* 37,368 (August 26, 1982); Memorandum from Legal Division to Board of Governors (August 12, 1982).

13. The language of the 1982 amendment remains in the current version of Regulation Y. See 12 C.F.R. 225.25(b)(7).

14. *See, e.g., BNCCORP, INC.*, 81 *Federal Reserve Bulletin* 295, 297 (1995).

15. Paribas indicates that it is likely that less than 5 percent of the data screens generated by CABS would consist of fraud detection and other network access information.

16. 12 U.S.C. § 1843(c)(8).

part of the Board's evaluation of these factors, the Board considers the financial and managerial resources of the notificant and its subsidiaries and the effect the transaction would have on such resources.[17] The record indicates that Company's *de novo* entry would enhance competition in the market for the proposed services. In addition, the experience of Sema Group in providing the described services abroad should assist it in making improved billing and account-related services available to Operators. Moreover, there is no evidence in the record to indicate that this proposal would lead to any undue concentration of resources, conflicts of interests, unsound banking practices, or other adverse effects that would outweigh the public benefits of this proposal.[18] Accordingly, the Board has determined that the balance of the public interest factors it is required to consider under the proper incident to banking standard of section 4(c)(8) of the BHC Act is favorable and consistent with approval of this notice.

Based on all the facts of record, the Board has determined that the notice should be, and hereby is, approved. The Board's approval is specifically conditioned on compliance with the commitments made in connection with this notice and with the conditions referred to in this order. The Board's determination also is subject to all the conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(g) of Regulation Y, and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. For purposes of this action, these conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

This transaction shall not be consummated later than three months after the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of New York, acting pursuant to delegated authority.

By order of the Board of Governors, effective February 26, 1996.

Voting for this action: Chairman Greenspan and Governors Kelley, Lindsey, Phillips, and Yellen.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

17. *See* 12 C.F.R. 225.24. *See also The Fuji Bank, Limited*, 75 *Federal Reserve Bulletin* 94 (1989); *Bayerische Vereinsbank AG*, 73 *Federal Reserve Bulletin* 155 (1987). The Board notes that Paribas's capital ratios satisfy applicable risk-based standards under the Basle Accord and are considered equivalent to the capital levels that would be required of a U.S. banking organization.

18. Paribas also has made certain commitments previously relied on by the Board to address potentially adverse competitive and other effects that may be presented by joint venture proposals.

Corporación Bancaria de España, S.A. Madrid, Spain

Order Approving a Notice to Engage De Novo in Certain Securities Brokerage, Investment Advisory, "Riskless Principal," and Private Placement Activities

Corporación Bancaria de España, S.A., Madrid, Spain ("Notificant"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval pursuant to section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) to engage *de novo* through its wholly owned subsidiary, Argentaria International Securities Inc., New York, New York ("Company"), in the following securities-related activities:

(1) Providing financial and investment advisory services pursuant to section 225.25(b)(4) of Regulation Y (12 C.F.R. 225.25(b)(4));

(2) Providing full-service brokerage services pursuant to section 225.25(b)(15) of Regulation Y (12 C.F.R. 225.25(b)(15));

(3) Acting as agent in the private placement of all types of securities; and

(4) Buying and selling all types of securities on the order of investors as a "riskless principal."

Notificant proposes to engage in these activities worldwide.

Notice of this proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 1029 (1996)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

Notificant, with consolidated assets equivalent to approximately $89.5 billion, is the third largest commercial banking organization in Spain and provides a wide range of banking, financial, and related services worldwide through its various subsidiaries and affiliated companies.[1] Through its subsidiary, Banco Exterior de España, S.A., Madrid, Spain ("Banco Exterior"), Notificant controls Extebank, Stonybrook, New York, the 40th largest commercial bank in New York.[2] Banco Exterior also maintains an agency in Miami, Florida, and a branch in New York, New York.

Company intends to register as a broker-dealer with the Securities and Exchange Commission ("SEC"), and to seek admission to the National Association of Securities Dealers Inc. ("NASD"). Upon registration with the SEC and admission to the NASD, Company would be subject to the recordkeeping, reporting, fiduciary standards, and other requirements of the Securities Exchange Act of 1934 (15 U.S.C. § 78a *et seq.*), the SEC, and the NASD.

1. Asset data are as of December 31, 1994.

2. Deposit data are as of September 30, 1995.

The Board previously has determined by regulation that engaging in financial and investment advisory activities and securities brokerage activities is closely related to banking and permissible for bank holding companies under section 4(c)(8) of the BHC Act.[3] Notificant has committed that Company will conduct these activities in accordance with the limitations of sections 225.25(b)(4) and (15) of Regulation Y.

Private placement involves the placement of new issues of securities with a limited number of sophisticated purchasers in a nonpublic offering. A financial intermediary in a private placement transaction acts solely as an agent of the issuer in soliciting purchasers, and does not purchase the securities and attempt to resell them. Securities that are privately placed are not subject to the registration requirements of the Securities Act of 1933 (15 U.S.C. 77a *et seq.*) and are offered only to financially sophisticated institutions and individuals and not to the public. Notificant has committed that Company will not privately place registered securities, and will only place securities with "institutional customers" as that term is defined in section 225.2(g) of Regulation Y (12 C.F.R. 225.2(g)).

"Riskless principal" is the term used in the securities business to refer to a transaction in which a broker dealer, after receiving an order from a customer to buy (or sell) a security, purchases (or sells) the security for its own account to offset a contemporaneous sale to (or purchase from) the customer.[4] "Riskless principal" transactions are understood in the industry to include only transactions in the secondary market. Thus, under the proposal, Company would not act as a "riskless principal" in selling securities at the order of a customer that is the issuer of the securities to be sold, or in any transaction where Company has a contractual agreement to place the securities as agent of the issuer. Company also would not act as a "riskless principal" in any transaction involving a security for which it makes a market.

The Board previously has determined by order that, subject to prudential limitations that address the potential for conflicts of interests, unsound banking practices, and other adverse effects, the proposed private placement and riskless principal activities are so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act.[5] The Board also has previously determined that acting as agent in the private placement of securities, and purchasing and selling securities on the order of investors as a "riskless principal," do not constitute underwriting and dealing in securities for purposes of section 20 of the Glass Steagall Act (12 U.S.C. § 377), and that revenue derived from such activities is not subject to the 10 percent revenue limitation on underwriting and dealing in ineligible securities.[6] Notificant has committed that Company will conduct its private placement and "riskless principal" activities in a manner consistent with the limitations, methods, and procedures established by the Board in prior orders, as modified to reflect the status of Notificant as a foreign banking organization.[7]

In order to approve these notices, the Board also is required to determine that the performance of the proposed activities by Notificant can reasonably be expected to produce public benefits that would outweigh possible adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.[8] The public benefits in this case are expected to include increased competition and new services for Notificant's customers. In every case involving a nonbanking acquisition by a bank holding company under section 4 of the BHC Act, the Board considers the financial condition and resources of the applicant and its subsidiaries and the effect of the proposal on those resources that are not outweighed by public benefits in this case.[9] In this case, the Board notes that Notificant and its subsidiaries meet the relevant risk-based capital standards established under the Basle Accord, and have capital equivalent to that which would be required of a United States banking organization. In view of these and other facts of record, the Board has determined that financial factors are consistent with approval of this proposal. The managerial resources of Notificant also are consistent with approval. Under the framework established in this and prior decisions, consummation of this proposal is not likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices.

3. *See* 12 C.F.R. 225.25(b)(4) and (15).

4. *See* Securities and Exchange Commission Rule 10b 10 (17 C.F.R. 240.10b 10(a)(8)(i)).

5. *See J.P. Morgan & Company Incorporated*, 76 *Federal Reserve Bulletin* 26 (1990); *Bankers Trust New York Corporation*, 75 *Federal Reserve Bulletin* 829 (1989).

6. *Id.*

7. *See The Sumitomo Bank, Limited*, 77 *Federal Reserve Bulletin* 339 (1991); *Creditanstalt Bankverein*, 77 *Federal Reserve Bulletin* 183 (1991); *The Royal Bank of Scotland Group PLC*, 76 *Federal Reserve Bulletin* 866 (1990); *Canadian Imperial Bank of Commerce, et al.*, 76 *Federal Reserve Bulletin* 158 (1990). Among the prudential limitations detailed more fully in these orders are that Company will maintain specific records that will clearly identify all "riskless principal" transactions, and that Company will not engage in any "riskless principal" transactions for any securities carried in its inventory. When acting as a "riskless principal," Company will only engage in transactions in the secondary market, and not at the order of a customer that is the issuer of the securities to be sold; will not act as a "riskless principal" in any transaction involving a security for which it makes a market; and will not hold itself out as making a market in the securities that it buys and sells as a "riskless principal." Moreover, Company will not engage in "riskless principal" transactions on behalf of its foreign affiliates that engage in securities dealing activities outside the United States and will not act as "riskless principal" for registered investment company securities. In addition, Company will not act as a "riskless principal" with respect to any securities of investment companies that are advised by Notificant or any of its affiliates. With regard to private placement activities, Notificant has committed that Company will not privately place registered investment company securities or securities of investment companies that are advised by Notificant or any of its affiliates.

8. 12 U.S.C. § 1843(c)(8).

9. 12 C.F.R. 225.24; *The Fuji Bank, Limited*, 75 *Federal Reserve Bulletin* 94 (1989); *Bayerische Vereinsbank AG*, 73 *Federal Reserve Bulletin* 155 (1987).

Based on the foregoing and other facts of record, and subject to the commitments made by Notificant, the Board has determined that the balance of public interest factors it is required to consider under section 4(c)(8) is favorable. Accordingly, the Board has determined that this notice should be, and hereby is, approved, subject to all the terms and conditions set forth in this order, and in the regulations and orders noted above. The Board's determination also is subject to all the terms and conditions set forth in its Regulation Y, including those in sections 225.7 and 225.23(b), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as it finds necessary to assure compliance with, and to prevent evasion of, the provisions of the BHC Act, and the Board's regulations and orders issued thereunder. The Board's decision is specifically conditioned on compliance with all the commitments made in connection with this notice, including those discussed in this order and the conditions set forth in the Board regulations and orders noted above. These commitments and conditions shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decisions, and, as such, may be enforced in proceedings under applicable law.

This transaction shall not be consummated later that three months after the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of New York, acting pursuant to delegated authority.

By order of the Board of Governors, effective February 12, 1996.

Voting for this action: Chairman Greenspan and Governors Lindsey, Phillips, and Yellen. Absent and not voting: Governor Kelley.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

First Union Corporation
Charlotte, North Carolina

Order Approving Notice to Engage in Data Processing Activities

First Union Corporation, Charlotte, North Carolina ("First Union"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has given notice under section 4 of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) of its proposal to acquire up to 20 percent the voting shares of Internet, Inc., Reston, Virginia ("Internet"), and thereby continue to engage in data processing and transmission services pursuant to 12 C.F.R. 225.25(b)(7), and providing bank management consulting advice to depository institutions pursuant to 12 C.F.R. 225.25(b)(11). This application would permit First Union to retain shares of Internet it acquired through its national providing bank subsidiaries and transfer those shares to First Union.[1]

Notice of this proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 1758 (1996)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

First Union, with total consolidated assets of $129 billion, operates banks in Connecticut, Delaware, Florida, Georgia, Maryland, New Jersey, New York, North Carolina, Pennsylvania, South Carolina, Tennessee, Virginia, and the District of Columbia.[2] First Union engages in a number of banking and nonbanking activities in these states and nationwide.[3]

Section 4(c)(8) of the BHC Act provides that a bank holding company may, with Board approval, engage in any activity that the Board determines to be "so closely related to banking or managing or controlling banks as to be a proper incident thereto."[4] The Board previously has determined by regulation that, subject to the limitations established in Regulation Y, certain data processing and management consulting activities are closely related to banking for purposes of section 4(c)(8) of the BHC Act and, therefore, are permissible for bank holding companies.[5] First Union has committed that the proposed activities will be conducted in conformity with the limitations established in Regulation Y.

In order to approve this notice, the Board is required to determine that the continued performance of the proposed activities by First Union can reasonably be expected to produce benefits to the public that would outweigh possible adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.[6] The Board expects that this proposal would maintain or increase the level of competition among providers of those services. The Board also anticipates that First Union's proposed activities would result in enhanced efficiency and increased convenience for customers. Moreover, there is no evidence in the record that consummation of this proposal would result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices that are not outweighed by the benefits of this proposal. Accordingly, the Board has concluded that the balance of the public interest factors it is required to consider under the proper incident to banking standard of section 4(c)(8)

1. In January 1994, First Union received approval to acquire up to 9.4 percent of the Internet's voting shares (80 *Federal Reserve Bulletin* 263 (1994)). First Union acquired the additional shares through its subsidiary national banks (First Union National Bank of Virginia, Roanoke, Virginia, acquired 4 percent in October 1995, and First Union acquired an additional 5.7 percent, when it acquired First Fidelity Bank, N.A., Elkton, Maryland).

2. Asset data are as of December 31, 1995.

3. State deposit data are as of June 30, 1995.

4. 12 U.S.C. § 1843(c)(8).

5. 12 C.F.R. 225.25(b)(7) and (11).

6. 12 U.S.C. § 1843(c)(8).

of the BHC Act is favorable and consistent with approval of this notice.

In every case involving a nonbanking acquisition by a bank holding company under section 4 of the BHC Act, the Board also considers the financial condition and resources of the applicant and its subsidiaries and the effect of the transaction on those resources. Based on all the facts of record, the Board has concluded that the financial considerations are consistent with approval of this proposal.[7]

Based on the foregoing and all the facts of record, the Board has determined that this notice should be, and hereby is, approved. The Board's approval is specifically conditioned on compliance by First Union with all commitments made in connection with this notice and the conditions referred to in this order. The Board's determination also is subject to all the conditions in Regulation Y, including those in sections 225.7 and 225.23(b)(3) (12 C.F.R. 225.7 and 225.23(b)(3)), and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, or to prevent evasion of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder. The commitments and conditions relied on by the Board in reaching this decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and as such may be enforced in proceedings under applicable law.

This transaction shall not be consummated later than three months following the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Richmond, acting pursuant to delegated authority.

By order of the Board of Governors, effective February 26, 1996.

7. The Board has received comments from Inner City Press/Community on the Move ("Protestant") objecting to First Union's management in light of reported investigations by the Securities and Exchange Commission with regard to First Union and a passive investor, Banco Santander. Protestant's comments regarding First Union's management were carefully considered by the Board in connection with the proposal by First Union to acquire Society First Federal Savings Bank, Fort Myers, Florida ("Society FSB"). In addition, Protestant objects to this notice on the basis that First Union failed to notify the Board of its increased ownership of Internet. The Board has reviewed the circumstances surrounding the acquisition of the additional Internet shares and notes that in this application, First Union seeks approval to retain the shares of Internet. Based on these and all the other facts of record, including review of relevant reports of examination and the findings explained in the Society FSB Order, which are incorporated herein by reference, the Board believes that managerial factors are consistent with approval of this proposal. The Board also notes that Protestant's comments relating to First Union's performance under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA") are not relevant to the factors required to be considered in an application under section 4(c)(8) of the BHC Act to acquire a nondepository company because the CRA by its terms does not apply to such applications. *See The Mitsui Bank, Ltd.*, 76 *Federal Reserve Bulletin* 381 (1990). The Board, however, reviewed Protestant's allegations regarding the CRA record of First Union in connection with the review of First Union's proposal to acquire Society FSB.

Voting for this action: Chairman Greenspan, and Governors Kelley, Lindsey, Phillips, and Yellen.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

First Union Corporation
Charlotte, North Carolina

Order Approving Acquisition of a Savings Association

First Union Corporation, Charlotte, North Carolina ("First Union"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has given notice under section 4 of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) of its proposal to acquire all the voting shares of Society First Federal Savings Bank, Fort Myers, Florida ("Society FSB").[1]

Notice of this proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 1758 (1996)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

The Board has determined that the operation of a savings association by a bank holding company is closely related to banking for purposes of section 4(c)(8) of the BHC Act.[2] The Board requires savings associations acquired by bank holding companies to conform their direct and indirect activities to those permissible for bank holding companies under section 4(c)(8) of the BHC Act and Regulation Y. First Union has committed to conform all activities of Society FSB to those requirements.[3]

First Union, with total consolidated assets of $129 billion, operates banks in Connecticut, Delaware, Florida, Georgia, Maryland, New Jersey, New York, North Carolina, Pennsylvania, South Carolina, Tennessee, Virginia, and the District of Columbia.[4] First Union is the second largest commercial depository institution in Florida, controlling $26.7 billion in deposits, representing approxi-

1. Following the acquisition of Society FSB and approval by the Office of the Comptroller of the Currency ("OCC"), First Union proposes to merge Society FSB with and into its subsidiary bank, First Union National Bank of Florida, Jacksonville, Florida ("FUNB-FL").

2. *See* 12 C.F.R. 225.25(b)(9).

3. First Union has committed that all impermissible real estate activities will be divested or terminated within two years of consummation of the proposal, that no new impermissible projects or investments will be undertaken during this period, and that capital adequacy guidelines will be met, excluding specified real estate investments. First Union also has committed that any impermissible securities or insurance activities conducted by Society FSB will cease on or before consummation.

First Union also has committed to divest Society FSB's interest in Florida Informanagement Services, Inc. ("FIS"), which is a company engaged in data processing activities, within two years of consummation of this proposal, pending consideration by the Board of First Union's notice to acquire FIS.

4. Asset data are as of December 31, 1995.

mately 15.5 percent of total deposits in depository institutions in the state.[5] Society FSB is the 17th largest depository institution in Florida, controlling $1.1 billion in deposits, representing less than one percent of total deposits in depository institutions in Florida.[6] On consummation of this proposal, First Union would remain the second largest depository institution in the state, controlling deposits of $27.8 billion, representing approximately 16.2 percent of total deposits in depository institutions in the state.

Competitive Considerations

Under section 4(c)(8) of the BHC Act the Board is required to consider whether a proposal is likely to result in any significantly adverse effects, such as undue concentration of resources or unfair competition, conflicts of interests, or unsound banking practices. First Union and Society FSB compete directly in four banking markets in Florida.[7] Consummation of this proposal would not result in concentration levels in those markets that would exceed the threshold standards of market concentration as measured by the Herfindahl Hirschman Index ("HHI") under the Department of Justice merger guidelines.[8] After considering First Union's share of total deposits in depository institutions[9] in the market ("market share"), the change in concentration as measured by the HHI,[10] the number of competitors that would remain in these markets, and all other facts of record, the Board concludes that consummation of this proposal would not result in any significantly adverse effects on competition or the concentration of banking resources in any relevant banking market.

Convenience and Needs Considerations

In acting on an application to acquire a savings association under section 4 of the BHC Act, the Board reviews the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA").[11] The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate, consistent with their safe and sound operation. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of such institution," and to take that record into account in its evaluation of bank holding company applications.[12]

The Board received comments from Protestant criticizing the CRA performance record of First Union and maintaining that First Union's branch closing and fee policies present adverse considerations under the CRA.[13] In particular, Protestant contends that First Union's past practices indicate that a substantial number of Society FSB's branches would be closed to the detriment of low- and moderate-income areas. Protestant also maintains that First Union's recently announced policy to charge a fee for inquiries about balances and other information to account

5. State deposit data are as of June 30, 1995.

6. Depository institutions include commercial banks, savings banks, and savings associations.

7. These banking markets are Fort Myers, Naples, Polk County, and Punta Gorda, all in Florida. The Inner City Press/Community on the Move ("Protestant") maintains that the increase in concentration and in First Union's share of deposits that would result from this proposal would adversely affect competition in these banking markets.

8. Market data are as of June 30, 1995. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is over 1800 is considered to be highly concentrated. In such markets, the Justice Department is likely to challenge a merger that increases the HHI by more than 50 points. The Justice Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize that the competitive effects of limited-purpose lenders and other non-depository financial entities.

9. Market data before consummation are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, major competitors of commercial banks. *See Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Thus, the Board has regularly included thrift deposits in the calculation of market share on a 50 percent weighted basis. *See, e.g.*, *First Hawaiian Inc.*, 77 *Federal Reserve Bulletin* 52 (1991). Because the deposits of Society FSB would be controlled by a commercial banking organization after consummation of the proposal, they have been included at 100 percent in the calculation of the market share of First Union after consummation of this proposal. *See Norwest Corporation*, 78 *Federal Reserve Bulletin* 452 (1992); *First Banks, Inc.*, 76 *Federal Reserve Bulletin* 669, 670 n.9 (1990).

10. Upon consummation of the proposal, the HHI for the four Florida banking markets would increase as follows: in Fort Myers (379 points to 1698), in Naples (91 points to 1638), in Polk County (52 points to 1576), and in Punta Gorda (72 points to 1542). After consummation, First Union's relative size and market share in each market would be as follows: Fort Myers (the largest with 28.1 percent market share); Naples (second largest with 18.9 percent market share); Polk County (second largest with 19.3 percent market share); and Punta Gorda (fourth largest with 16.3 percent market share).

11. The Board previously has determined that the CRA by its terms generally does not apply to applications by bank holding companies to acquire nonbanking companies under section 4(c)(8) of the BHC Act. *The Mitsui Bank, Ltd.*, 76 *Federal Reserve Bulletin* 381 (1990). The Board also has stated that, unlike other companies that may be acquired by bank holding companies under section 4(c)(8) of the BHC Act, savings associations are depository institutions, as that term is defined in the CRA, and thus acquisitions of savings associations are subject to review under the express terms of the CRA. *Norwest Corporation*, 76 *Federal Reserve Bulletin* 873 (1990).

12. 12 U.S.C. § 2903.

13. Protestant also contends that a number of Society FSB employees would lose their jobs as a result of this proposal. Although First Union has not indicated the number, if any, of jobs that will be eliminated as a result of this proposal, the record indicates that in previous cases, First Union has taken several steps to minimize adverse effects on employees. These steps include outplacement services to displaced workers and giving employees priority consideration for other openings at First Union.

holders who do not maintain a minimum balance would primarily disadvantage low-income account holders in New Jersey, New York, and Connecticut.

The Board has carefully reviewed the CRA performance records of First Union, its subsidiary banks, and Society FSB, and all the comments received on this application, responses to those comments submitted by First Union, and all other relevant facts of record in light of the CRA, the Board's regulations, and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").[14]

The Board recently reviewed the CRA performance record of First Union in light of similar issues raised by Protestant and other commenters in the context of another application.[15] In evaluating that proposal, the Board carefully considered First Union's CRA performance record and, in particular, the record of its lead subsidiary bank, First Union National Bank of North Carolina, Charlotte, North Carolina ("FUNB-NC").

FUNB-NC received an "outstanding" rating from its primary federal supervisor, the OCC, at its most recent publicly available examination for CRA performance in April 1994, and First Union's remaining seven subsidiary banks,[16] received "satisfactory" ratings from the OCC in the most recent examinations of their CRA performance, including its subsidiary bank in Florida, First Union National Bank of Florida, Jacksonville, Florida ("FUNB-FL).[17] Examiners also found that all of First Union's banks were in compliance with applicable antidiscrimination laws and regulations and that none of the banks engaged in practices that would discourage individuals from applying for credit.[18]

The 1994 CRA performance examinations for both FUNB-NC and FUNB-FL found that geographic distribution of credit throughout the delineated communities of both banks were reasonable and that management of both banks developed policies and procedures to identify and address customer needs, including adjusting its normal business hours. First Union's CRA plans and related lending activities were developed locally by its subsidiary banks to incorporate the unique credit needs of particular communities. For example, First Union has several specialized lending programs designed to improve its lending to low- and moderate-income communities. In particular, the 1994 FUNB-NC Examination found that the bank offered the Affordable Home Mortgage Loan, a specialized product that offered flexible terms, such as higher-than-normal debt-to-income requirements and lower down payments.

FUNB-NC also participated, directly or through First Union Mortgage, in government-insured loan programs, including programs sponsored by the Small Business Administration, the Farmers Home Administration, Federal Housing Administration, and the Veterans Administration. First Union's subsidiary banks also engaged in other small business lending activity. For example, in July 1993, FUNB-NC introduced a program for small business owners to borrow amounts up to $100,000. All of First Union's subsidiary banks also participated and invested in local community development projects. In light of these and other facts discussed in detail in the *First Union/First Fidelity Order*, which are incorporated by reference, the Board concluded that the CRA performance record of First Union was consistent with approval of the applications under the BHC Act.

Protestant alleges that First Union's fees in general and its recently announced phone and teller fees, illegally discriminate against low- and moderate-income individuals.[19] The Board notes that First Union offers a full range of credit products and banking services that assist in meeting the credit and banking needs of low- and moderate-income individuals, including products to provide loans in small amounts to low- and moderate-income individuals, no-minimum-balance checking accounts for low- and moderate-income customers that allow ten free posted checks per statement period, and overdraft protection for small business owners. First Union has also stated that it would not impose fees for "chargeable inquiries," such as inquiries about account balances and information on outstanding checks on customer accounts not maintaining a minimum balance in urban communities with low- and moderate-income census tracts served by the former First Fidelity banks in New Jersey, New York, and Connecticut, including the Bronx. There is no evidence in the record of this application that the fees charged by First Union are based on any factor that would be prohibited under law.

14. 54 *Federal Register* 13,742 (1989).

15. *See First Union Corporation*, 81 *Federal Reserve Bulletin* 1143 (1995) ("*First Union/First Fidelity Order*").

16. The OCC conducted a joint CRA examination of all of First Union's subsidiary banks in April 1994.

17. In May 1995, Society FSB also received a "satisfactory" CRA performance rating from the Office of Thrift Supervision, its primary federal supervisor.

18. The OCC's examiners noted that First Union and its bank subsidiaries had implemented a comprehensive program to promote compliance with fair lending laws and regulations and to promote consistent treatment of all credit applicants. Examiners also noted that First Union's compliance efforts were periodically assessed through internal reviews by its management.

19. Protestant also contends that the allegations of "price discrimination," which were reviewed in the *First Union/First Fidelity Order*, should be reconsidered in this application because First Union would increase its market share in Florida. Those allegations were based on information provided by a commenter on the First Union/First Fidelity application, that alleged that customers outside First Union's home state of North Carolina, particularly in Florida, paid higher fees for certain services than First Union's North Carolina customers. The Board reviewed this matter carefully in the *First Union/First Fidelity Order* and adopts the reasons and findings on this matter explained in the *First Union/First Fidelity Order*. The Board has also considered the facts of record developed in this case, including the fact that there is no evidence of discrimination on an illegal basis and that there are numerous other depository institution competitors. As explained above, the Board concludes that First Union would not, as a result of this acquisition, gain a dominant position in any Florida banking market that could support anticompetitive pricing by First Union. The Board also notes that the Department of Justice has full statutory authority to investigate and redress any illegal pricing practices that Protestant can substantiate.

While the Board has recognized that banks help serve the banking needs of their communities by making basic banking services available at a nominal or no charge, the CRA does not require that banks limit fees for services.

First Union has indicated that any branches of Society that are closed would be subject to its branch closing policy, which was carefully reviewed in the *First Union/First Fidelity Order*. First Union's subsidiary banks have adopted a branch closing policy that provides for objective determinations of branches to be closed, consideration of alternative solutions, examination of options to minimize potential adverse effects and inconvenience on the communities, and sufficient advance notice to communities. The policy also specifies that if an action affects a low- and moderate-income community, additional analyses, community contacts and/or review of needs ascertainment calls are appropriate. Each subsidiary bank's branch closing policy was reviewed as part of its CRA performance evaluation by the OCC and found to be satisfactory.[20]

The Board has carefully reviewed all the facts of record in considering the CRA performance records of First Union and Society FSB. Based on these facts, including information provided by the Protestant and First Union and the facts and review in the *First Union/First Fidelity Order*, which are incorporated by reference in this order, the Board concludes that considerations relating to the CRA are consistent with approval.

Other Considerations

The Board also concludes that the financial and managerial resources of First Union and Society FSB are consistent with approval of this proposal.[21]

The record also indicates that consummation of this proposal would result in a broader financial network through which First Union could serve its customers in Florida. In addition, former Society FSB customers would have increased services, including special lending and leasing programs, corporate banking products, trust services, and investment management services, and access to First Union's extensive banking network in Florida. The Board also finds that consummation of this proposal is not likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices that would outweigh the public benefits of this proposal. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval.

Based on the foregoing and all the facts of record, the Board has determined that this notice should be, and hereby is, approved. The Board's approval is specifically conditioned on compliance by First Union with all commitments made in connection with this notice. The Board's determination is also subject to all the conditions in Regulation Y, including those in sections 225.7 and 225.23(b)(3) (12 C.F.R. 225.7 and 225.23(b)(3)) and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, or to prevent evasion of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder. The commitments and conditions relied on by the Board in reaching this decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and as such may be enforced in proceedings under applicable law.

The transaction shall not be consummated later than three months following the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Richmond, acting pursuant to delegated authority.

By order of the Board of Governors, effective February 26, 1996.

Voting for this action: Chairman Greenspan, and Governors Kelley, Lindsey, Phillips, and Yellen.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

HSBC Holdings plc
London, England

HSBC Holdings BV
Amsterdam, The Netherlands

Order Approving a Notice to Engage in Underwriting and Dealing in Bank-Ineligible Securities on a Limited Basis, and Certain Other Nonbanking Activities

20. Protestant has requested that the Board deny this application as informationally incomplete or, in the alternative, delay this proposal until First Union provides information regarding Society FSB branches that would be closed. As explained above, the Board has evaluated First Union's branch closing policy and believes that the policy is adequate. The Board is required under applicable law and its processing procedures to act on applications submitted under the BHC Act within a specified time. Based on all the facts of record, including reports of examination and other information from regulatory agencies, the Board concludes that the record is sufficient to act on this proposal at this time, and that delay or denial of this proposal on the grounds of informational insufficiency is not warranted.

21. Protestant maintains, based on several media sources, that investigations by the Securities and Exchange Commission ("SEC") into insider trading violations by Banco Santander, a passive investor in First Union, and into alleged violations of standard practices in the sale of mutual funds by a brokerage subsidiary of First Union's subsidiary national bank warrant denial or delay of this application until the Board can conduct its own investigation of the alleged matters currently under consideration by the SEC. Based on all the facts of record, including confidential information from the relevant supervisory agencies, the Board does not believe that the reports cited by the Protestant warrant denial of this proposal. The Board and the OCC, the primary supervisor of First Union's subsidiary banks, also retain sufficient supervisory authority to address any improper practices that are substantiated.

HSBC Holdings plc, London, England, and HSBC Holdings BV, Amsterdam, The Netherlands (together, "Notificants"), bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a) of the Board's Regulation Y (12 C.F.R. 225.23(a)) to engage *de novo* in the following activities through their wholly owned subsidiary, HSBC Securities, Inc., New York, New York ("HSBC Securities"):[1]

(1) Underwriting and dealing in, to a limited extent, all types of debt and equity securities, other than ownership interests in open-end investment companies;

(2) Trading futures, options on futures, and options based on U.S. government securities, certificates of deposit and other money market instruments that are permissible investments for national banks, and non U.S. sovereign debt securities; and

(3) Acting as agent in the syndication of loans.

Notificants propose to conduct these activities worldwide.

Notice of this proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 1936 (1996)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

Notificants, with consolidated assets equivalent to approximately $344 billion, provide a wide range of banking, financial, and related services worldwide through various subsidiaries and affiliated companies.[2] Notificants own Marine Midland Bank, Buffalo, New York, which has deposits of approximately $16.6 billion. In addition, Notificants' Hong Kong banking subsidiaries, The Hongkong and Shanghai Banking Corporation Limited and Hang Seng Bank Limited, maintain branches in Los Angeles and San Francisco, California; Chicago, Illinois; New York, New York; Portland, Oregon; and Seattle, Washington; and an agency in Houston, Texas. Midland Bank plc, London, England, a banking subsidiary of Notificants, maintains a branch in New York, New York.

HSBC Securities is a broker dealer registered with the Securities and Exchange Commission ("SEC") and is a member of the National Association of Securities Dealers ("NASD"). Accordingly, HSBC Securities is subject to the recordkeeping, reporting, fiduciary standards, and other requirements of the Securities Exchange Act of 1934 (15 U.S.C. 78a *et seq.*), the SEC, and the NASD.

The Board previously has determined by regulation and order that the proposed lending and derivatives trading activities are closely related to banking and permissible for bank holding companies under section 4(c)(8) of the BHC Act.[3] Notificants have stated that HSBC Securities would conduct these activities in accordance with the limitations previously imposed by the Board.

Underwriting and Dealing in Bank-Ineligible Securities

The Board also has determined that, subject to the prudential framework of limitations established in previous decisions to address the potential for conflicts of interests, unsound banking practices, or other adverse effects ("section 20 firewalls"), the proposed activities of underwriting and dealing in bank-ineligible securities are so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act.[4] Notificants have committed that HSBC Securities will conduct the proposed underwriting and dealing activities using the same methods and procedures and subject to the prudential limitations established by the Board in the Section 20 Orders.

The Board also has determined that the conduct of these securities underwriting and dealing activities is consistent with section 20 of the Glass Steagall Act (12 U.S.C. § 377), provided that the company engaged in the activities derives no more than 10 percent of its total gross revenue from underwriting and dealing in bank-ineligible securities over any two-year period.[5] Notificants have committed that

1. Notificants recently merged their wholly owned subsidiary, James Capel, Inc., New York, New York, into HSBC Securities. HSBC Securities is currently engaged in a number of nonbanking activities, including securities brokerage, underwriting and dealing in bank-eligible securities, and trading foreign exchange for nonhedging purposes. *See HSBC Holdings plc*, 81 *Federal Reserve Bulletin* 728 (1995); *The Hong Kong Shanghai Banking Corporation*, 72 *Federal Reserve Bulletin* 345 (1986); *The Hong Kong Shanghai Banking Corporation*, 75 *Federal Reserve Bulletin* 217 (1989).

2. Asset data are as of June 30, 1995, and use exchange rates then in effect. Deposit data are as of December 31, 1995.

3. *See* 12 C.F.R. 225.25(b)(1); *Swiss Bank Corporation*, 81 *Federal Reserve Bulletin* 182 (1995).

4. *See Canadian Imperial Bank of Commerce, et al.*, 76 *Federal Reserve Bulletin* 158 (1990); *J.P. Morgan & Co. Incorporated, et al.*, 75 *Federal Reserve Bulletin* 192 (1989), *aff'd sub nom Securities Industries Ass'n v. Board of Governors of the Federal Reserve System*, 900 F.2d 360 (D.C. Cir. 1990); *Citicorp, et al.*, 73 *Federal Reserve Bulletin* 473 (1987), *aff'd sub nom. Securities Industry Ass'n v. Board of Governors of the Federal Reserve System*, 839 F.2d 47 (2d Cir. 1988), *cert. denied*, 486 U.S. 1059 (1988) (collectively, "Section 20 Orders").

5. *See* Section 20 Orders. Compliance with the 10-percent revenue limitation shall be calculated in accordance with the method stated in the Section 20 Orders, as modified by the *Order Approving Modifications to the Section 20 Orders*, 75 *Federal Reserve Bulletin* 751 (1989); the *Order Approving Modifications to the Section 20 Orders*, 79 *Federal Reserve Bulletin* 226 (1993); and the *Supplement to Order Approving Modifications to Section 20 Orders*, 79 *Federal Reserve Bulletin* 360 (1993) (collectively, "Modification Orders"). The Board notes that Notificants have not adopted the Board's alternative indexed-revenue test to measure compliance with the 10-percent limitation on bank-ineligible securities activities, and, absent such election, will continue to employ the Board's original 10-percent revenue test. The Board also notes that HSBC Securities may engage in activities that are necessary incidents to the proposed underwriting and dealing activities, provided they are treated as part of the bank ineligible securities activities, unless HSBC Securities receives specific approval under section 4(c)(8) of the BHC Act to conduct the activities independently. Until such approval is obtained, any revenues from the incidental activities must be counted as ineligible revenues subject to the 10 percent revenue limitation.

HSBC Securities will conduct its underwriting and dealing activities in bank-ineligible securities subject to the 10-percent revenue test.

Financial Factors, Managerial Resources, and Other Considerations

In order to approve this notice, the Board also must determine that the proposed activities "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[6] In evaluating these factors under section 4(c)(8) of the BHC Act, the Board considers the financial and managerial resources of the notificant and its subsidiaries and the effect the transaction would have on such resources.[7] The Board notes that Notificants' capital ratios satisfy applicable risk-based standards established under the Basle Accord, and are considered equivalent to the capital levels that would be required of a U.S. banking organization. The Board also has reviewed the capitalization of Notificants and HSBC Securities in accordance with the standards set forth in the Section 20 Orders. Based on all the facts of record, including Notificants' projections of the volume of underwriting and dealing in bank-ineligible securities that would be performed by HSBC Securities, the Board concludes the capitalization of Notificants and HSBC Securities is consistent with approval. On the basis of all the facts of record, including the foregoing, the Board has concluded that financial and managerial considerations are consistent with approval of this notice.

Notificants and HSBC Securities have substantial experience in trading bank-eligible securities and derivative products. HSBC Securities, as a primary dealer, currently engages in a significant volume of dealing in U.S. government securities for its own account, and has broad experience in trading and monitoring bank-eligible securities positions. HSBC Securities has gained substantial experience in trading derivative products based on bank-eligible securities in connection with its primary dealer activities. Moreover, Notificants have extensive, worldwide experience in trading futures, options, and options on futures contracts based on financial instruments.

The Board has reviewed the risk management policies, procedures, systems and controls to be used by HSBC Securities in conducting and monitoring the proposed activities. These policies and risk management systems should help in minimizing the likelihood of significant losses that could result from the activities that are the subject of this notice.

For example, HSBC Securities has instituted internal controls to restrict the credit risk, market risk, and operations risk associated with futures and options trading. Notificants would establish credit exposure limits for HSBC Securities. The Credit Manager of HSBC Securities would manage and monitor the company's exposure to credit risk.[8]

Market risk at HSBC Securities is controlled by imposing exposure limits for each business unit and for the portfolio as a whole. The HSBC Securities board of directors formally adopts market sensitivity limits and stop loss limitations for the company, which are set forth in HSBC Securities's Market Risk Limit Mandate. Each trading desk is subject to specific exposure limits, and trading desk managers set trading limits that restrict each trader's authority to open or close positions.

Operations risk is mitigated by comprehensive review and monitoring procedures, including independent verification of trade data and compliance with trading limits, as well as the hiring of experienced operations staff and the implementation of detailed recordkeeping procedures and systems. Monitoring and enforcement of HSBC Securities's risk management policies and procedures would be facilitated by computer systems that would report all positions on a real-time basis.

Senior management and internal auditing personnel would be closely involved with monitoring the conduct of the proposed derivatives trading activities. HSBC Securities's Risk Management Unit would oversee directly all the proposed trading activities. Trading managers would be responsible for monitoring intra-day compliance with established trading limits and the Risk Management Unit and senior management would review daily reports of HSBC Securities's positions.

As a registered broker-dealer, HSBC Securities would be required to comply with the SEC's net capital rule.[9] Notificants anticipate that HSBC Securities's position in derivative instruments would be small in comparison with its primary dealer operations.

6. 12 U.S.C. § 1843(c)(8).

7. *See* 12 C.F.R. 225.24. *See also The Fuji Bank, Limited*, 75 *Federal Reserve Bulletin* 94 (1989); *Bayerische Vereinsbank AG*, 73 *Federal Reserve Bulletin* 155 (1987).

8. Exchange-traded derivatives transactions of HSBC Securities would be executed and cleared by HSBC Futures, Inc., New York, New York ("HSBC Futures"). HSBC Futures also provides futures-related services to unaffiliated parties. In order to minimize any potential conflicts of interests that could result from the related activities of HSBC Securities and HSBC Futures, Notificants have committed that HSBC Futures will disclose to its customers its affiliate relationship with HSBC Securities, and the fact that HSBC Securities trades futures, options, and options on futures contracts for its own account. This disclosure will occur both at the beginning of the customer relationship and upon confirmation of any order. In addition, Notificants have committed that HSBC Futures will not share non-public customer information with HSBC Securities without the express written consent of the customer, and that in any case in which HSBC Futures knowingly executes a transaction to which HSBC Securities is a party, it will make prior disclosure of that fact to its customer and obtain the customer's prior consent to the arrangement. *See The Dai-Ichi Kangyo Bank, Limited*, 80 *Federal Reserve Bulletin* 148 (1994).

9. *See* 15 C.F.R. 240.15c3-1.

Under the framework established in this and prior decisions, consummation of this proposal is not likely to result in significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices.[10] The Board also expects that HSBC Securities's engaging in the proposed activities de novo would enhance market competition and provide greater convenience to HSBC Securities's customers. On the basis of the foregoing and all the other facts of record, the Board has concluded that the balance of public interest factors it is required to consider under section 4(c)(8) of the BHC Act is favorable, and, therefore, that the proposed activities constitute a proper incident to banking within the meaning of the BHC Act.

Accordingly, and for the reasons set forth in this order and in the Section 20 Orders, the Board has concluded that Notificants' proposal to engage through HSBC Securities in the proposed activities is consistent with the Glass-Steagall Act, and that the proposed activities are so closely related to banking as to be proper incidents thereto within the meaning of section 4(c)(8) of the BHC Act, provided that Notificants limit HSBC Securities's activities as specified in this order and the Section 20 Orders, as modified by the Modification Orders.

On the basis of the record, the Board has determined to, and hereby does, approve this notice subject to all the terms and conditions discussed in this order and in the Section 20 Orders as modified by the Modification Orders. The Board's approval of this proposal extends only to activities conducted within the limitations of those orders and this order, including the Board's reservation of authority to establish additional limitations to ensure that HSBC Securities's activities are consistent with safety and soundness, conflicts of interests, and other relevant considerations under the BHC Act. Underwriting and dealing in any manner other than as approved in this order and the Section 20 Orders (as modified by the Modification Orders) is not authorized for HSBC Securities.

The Federal Reserve Bank of New York has reviewed the operational and managerial infrastructure of HSBC Securities, including its computer, audit, and accounting systems, and internal risk management procedures and controls. The Reserve Bank has determined that HSBC Securities has established an operational and managerial infrastructure for underwriting and dealing in all types of debt and equity securities that is adequate to ensure compliance with the requirements of this order and the Section 20 Orders. On the basis of the Reserve Bank's review and all the facts of record, including the steps taken and the policies and procedures implemented by Notificants and by HSBC Securities in connection with this notice and in response to the infrastructure review, the Board has determined that HSBC Securities has in place the managerial and operational infrastructure and other policies and procedures necessary to comply with the requirements of the Section 20 Orders and this order. Accordingly, HSBC Securities may commence underwriting and dealing in all types of debt and equity securities as permitted by and subject to the conditions of this order.

The Board's determination is also subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(g), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. The Board's decision is specifically conditioned on compliance with all the commitments made in connection with this notice, including the commitments discussed in this order and the conditions set forth in the above-noted Board regulations and orders. These commitments and conditions shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decisions, and may be enforced in proceedings under applicable law.

This transaction shall not be consummated later than three months after the effective date of this order unless such period is extended for good cause by the Board or by the Federal Reserve Bank of New York, acting pursuant to delegated authority.

By order of the Board of Governors, effective February 15, 1996.

Voting for this action: Chairman Greenspan and Governors Kelley, Lindsey, Phillips, and Yellen.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

10. The Board notes that in order to address potential conflicts of interests arising from HSBC Securities's conduct of full service brokerage activities together with underwriting and dealing in bank-ineligible securities, Notificants have committed that HSBC Securities will inform its customers at the commencement of the relationship that, as a general matter, HSBC Securities may be a principal or may be engaged in underwriting with respect to, or may purchase from an affiliate, those securities for which brokerage and advisory services are provided. In addition, at the time any brokerage order is taken, the customer will be informed (usually orally) whether HSBC Securities is acting as agent or principal with respect to a security. Confirmations sent to customers also will state whether HSBC Securities is acting as agent or principal. *See PNC Financial Corp.*, 75 *Federal Reserve Bulletin* 396 (1989).

KeyCorp
Cleveland, Ohio

Order Approving a Notice to Engage in Certain Nonbanking Activities

Key Corp, Cleveland, Ohio ("Notificant"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has given notice under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) of its intention to establish a *de novo* subsidiary, Key Capital Markets, Inc., Cleveland, Ohio ("Company"), and thereby engage in the following nonbanking activities:

(1) Underwriting and dealing in, to a limited extent, certain municipal revenue bonds (including certain unrated municipal revenue bonds), 1–4 family mortgage-related securities, consumer receivable-related securities, and commercial paper ("bank-ineligible securities");
(2) Acting as agent in the private placement of all types of securities, and buying and selling all types of securities on the order of customers as a "riskless principal";
(3) Trading for its own account, for purposes other than hedging, in futures, options, and options on futures contracts based on bank-eligible securities and certificates of deposits or other money market instruments eligible for investment by national banks;
(4) Providing investment and financial advisory services, pursuant to section 225.25(b)(4) of Regulation Y (12 C.F.R. 225.25(b)(4));
(5) Providing discount and full service securities brokerage services, pursuant to section 225.25(b)(15) of Regulation Y (12 C.F.R. 225.25(b)(15));
(6) Underwriting and dealing in obligations of the United States and other obligations that state member banks may underwrite and deal in under 12 U.S.C. §§ 335 and 24(7) ("bank-eligible securities"), pursuant to section 225.25(b)(16) of Regulation Y (12 C.F.R. 225.25(b)(16)); and
(7) Providing foreign exchange advisory and transactional services, pursuant to section 225.25(b)(17) of Regulation Y (12 C.F.R. 225.25(b)(17)).

Notice of this proposal, affording interested persons an opportunity to submit comments, has been published (60 *Federal Register* 67,136 (1995)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

Notificant, with total consolidated assets of approximately $68 billion, is the eighth largest banking organization in the United States.[1] Notificant operates banking subsidiaries in Alaska, Colorado, Idaho, Indiana, Maine, Michigan, New York, Ohio, Oregon, Utah, and Washington and engages, through other subsidiaries, in various permissible nonbanking activities. Company has applied to register as a broker-dealer with the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934 (15 U.S.C. § 78a *et seq.*) and has sought membership in the National Association of Securities Dealers, Inc. ("NASD"). On registration with the SEC and admission to the NASD, Company would be subject to the recordkeeping and reporting obligations, fiduciary standards, and other requirements of the Securities Exchange Act of 1934, the SEC, and the NASD.

Activities Approved by Regulation

As noted above, Company's proposed investment and financial advisory, securities brokerage, bank-eligible securities underwriting and dealing, and foreign exchange advisory and transactional service activities have been determined by regulation to be activities that are closely related to banking for purposes of section 4(c)(8) of the BHC Act.[2] Notificant has committed that Company will conduct these activities in accordance with the limitations set forth in Regulation Y and the Board's orders relating to these activities.[3]

Underwriting and Dealing in Bank-Ineligible Securities

The Board has determined that, subject to the prudential framework of limitations established in previous decisions to address the potential for conflicts of interests, unsound banking practices, or other adverse effects, the proposed activities of underwriting and dealing in bank-ineligible securities are so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act.[4] Notificant has committed that Company will conduct the proposed underwriting and dealing activities in bank-ineligible securities using the same methods and procedures and subject to the same prudential limitations established by the Board in the Section 20 Orders.

1. Asset and ranking data are as of September 30, 1995.

2. *See* 12 C.F.R. 225.25(b)(4), (b)(15), (b)(16), and (b)(17).

3. The Board notes that in order to address potential conflicts of interests arising from Company's conduct of full-service brokerage activities along with underwriting and dealing in bank-ineligible securities, Notificant has committed that Company will inform its full-service brokerage customers at the commencement of the relationship that, as a general matter, Company may be a principal or may be engaged in underwriting with respect to, or may purchase from an affiliate, those securities for which brokerage and advisory services are provided. In addition, at the time any brokerage order is taken, the customer will be informed (usually orally) whether the Company is acting as agent or principal with respect to a security. Confirmations sent to customers also will state whether the Company is acting as agent or principal. *See PNC Financial Corp.*, 75 *Federal Reserve Bulletin* 396 (1989).

4. *See Citicorp, et al.*, 73 *Federal Reserve Bulletin* 473 (1987), *aff'd sub nom. Securities Industry Ass'n v. Board of Governors of the Federal Reserve System*, 839 F.2d 47 (2d Cir.), *cert. denied*, 486 U.S. 1059 (1988), as modified by *Order Approving Modifications to Section 20 Orders*, 75 *Federal Reserve Bulletin* 751 (1989) (collectively, "Section 20 Orders"). Notificant proposes that Company underwrite and deal in, to a limited extent, "private ownership" industrial development bonds that are issued for the provision of the following governmental services: water facilities, sewer facilities, solid waste disposal facilities, electric energy and gas facilities, and local district heating or cooling facilities (collectively, "traditional governmental services"). All "private ownership" bonds that Company proposes to underwrite and deal in would qualify as "exempt facility bonds" under the Internal Revenue Code. *See* 26 U.S.C. § 142. The Board previously has concluded that underwriting and dealing in "private ownership" industrial development bonds issued for traditional government services is a permissible activity under section 4(c)(8) of the BHC Act if conducted subject to the conditions and prudential limitations set forth in the Section 20 Orders. *See Bank South Corporation*, 81 *Federal Reserve Bulletin* 1116 (1995).

Notificant has requested that the Board permit limited director and officer interlocks between Company and the bank and thrift subsidiaries of Notificant, or the subsidiaries of such banks and thrifts ("affiliated banks"). Notificant proposes to have two director interlocks between Company and affiliated banks. The directors would not be officers of the affiliated banks, nor would they have authority to conduct the day-to-day business of affiliated banks or to handle individual transactions. In addition, the interlocking directors would represent less than a majority of the board of Company and the affiliated banks. Notificant also has requested the Board to permit one officer interlock between Company and its affiliated banks. This officer would be an attorney or other officer of a nonbanking subsidiary of Notificant who would serve as assistant secretary of Company and its affiliated banks. Notificant has indicated that this interlock is sought primarily to facilitate the provision of corporate legal and recordkeeping services to Company. The officer would provide only legal counsel and corporate recordkeeping services to Company, and would not serve as a management official of or have policy making responsibilities for Company, nor would the officer have any sales responsibilities or have any contact with customers of Company or the general public.

The Board previously has permitted the type of limited director and officer interlocks proposed by Notificant.[5] In view of the limitations and commitments proposed by Notificant, the Board believes that Company would remain operationally distinct from its affiliated banks and that the proposed interlocks are not likely to result in conflicts of interests, unsound banking practices, or other adverse effects. Accordingly, the Board has concluded that Notificant's proposed interlocks should be permitted. The Board expects Notificant to ensure that the framework established pursuant to the Section 20 Orders will be maintained in all other respects.[6]

The Board also has determined that the conduct of the securities underwriting and dealing activities proposed by Notificant is consistent with section 20 of the Glass-Steagall Act (12 U.S.C. § 377), provided that the company engaged in the underwriting and dealing activities derives no more than 10 percent of its total gross revenue from underwriting and dealing in bank-ineligible securities over any two-year period.[7] Notificant has committed that Company will conduct its underwriting and dealing activities in bank-ineligible securities subject to the 10-percent revenue test established by the Board in previous orders.[8]

Private Placement and "Riskless Principal" Activities

Private placement involves the placement of new issues of securities with a limited number of sophisticated purchasers in a nonpublic offering. A financial intermediary in a private placement transaction acts solely as an agent of the issuer in soliciting purchasers and does not purchase the securities and attempt to resell them. Securities that are privately placed are not subject to the registration requirements of the Securities Act of 1933 and are offered only to financially sophisticated institutions and individuals and not to the public. Company would not privately place registered securities and would place securities only with customers that qualify as accredited investors.

"Riskless principal" is the term used in the securities business to refer to a transaction in which a broker-dealer, after receiving an order to buy (or sell) a security for a customer, purchases (or sells) the security for its own account to offset a contemporaneous sale to (or purchase from) the customer.[9] Riskless principal transactions are understood in the industry to include only transactions in the secondary market. Thus, Company would not act as a riskless principal in selling securities at the order of a customer that is the issuer of the securities to be sold or in any transaction where Company has a contractual agreement to place the securities as agent of the issuer. Company also would not act as a riskless principal in any transaction involving a security for which it makes a market.

The Board has determined by order that, subject to prudential limitations that address the potential for conflicts of interests, unsound banking practices, or other adverse effects, the proposed private placement and riskless principal activities are so closely related to banking as to be a proper incident thereto within the meaning of

5. *See National City Corporation*, 80 *Federal Reserve Bulletin* 346 (1994).

6. In connection with its proposal to underwrite and deal in unrated municipal revenue bonds, including unrated public ownership and "private ownership" industrial development bonds, Notificant has committed that Company will not underwrite any unrated municipal revenue bond until Company conducts an independent credit review and determines that the securities are of investment grade quality. Notificant also has committed that no single issue of unrated municipal revenue bonds, including unrated public ownership and "private ownership" industrial development bonds, underwritten by Company would exceed $7.5 million, and has provided other commitments previously relied upon by the Board in authorizing a section 20 company to underwrite and deal in, to a limited extent, unrated municipal revenue bonds. *See Letter Interpreting Section 20 Orders*, 81 *Federal Reserve Bulletin* 198 (1995).

7. *See* Section 20 Orders. Compliance with the 10-percent revenue limitation shall be calculated in accordance with the method stated in *J.P. Morgan & Co. Incorporated*, 75 *Federal Reserve Bulletin* 192 (1989), as modified by the *Order Approving Modifications to the Section 20 Orders*, 75 *Federal Reserve Bulletin* 751 (1989); the *Order Approving Modifications to the Section 20 Orders*, 79 *Federal Reserve Bulletin* 226 (1993); and the *Supplement to Order Approving Modifications to Section 20 Orders*, 79 *Federal Reserve Bulletin* 360 (1993). The Board notes that Notificant has not adopted the Board's alternative indexed-revenue test to measure compliance with the 10-percent limitation on bank-ineligible securities activities, and, absent such election, Notificant would continue to employ the Board's original 10-percent revenue test.

8. Company also may engage in activities that are necessary incidents to the proposed underwriting and dealing activities, provided that they are treated as part of the bank-ineligible securities activities, unless Company has received specific approval under section 4(c)(8) of the BHC Act to conduct the activities independently. Until such approval is obtained, any revenues from the incidental activities must be counted as ineligible revenues subject to the 10 percent revenue limitation.

9. *See* SEC Rule 10b-10(a)(8)(i) (17 C.F.R. 240.10b-10(a)(8)(i)).

section 4(c)(8) of the BHC Act.[10] The Board also has determined that acting as agent in the private placement of securities and purchasing and selling securities on the order of investors as a riskless principal do not constitute underwriting and dealing in securities for purposes of section 20 of the Glass Steagall Act, and that revenue derived from these activities is not subject to the 10-percent revenue limitation on bank-ineligible securities underwriting and dealing.[11]

Notificant has committed that Company will conduct its private placement and riskless principal activities using the same methods and procedures, and subject to the same prudential limitations established by the Board in *Bankers Trust* and *J.P. Morgan*,[12] including the comprehensive framework of restrictions imposed by the Board in connection with underwriting and dealing in bank-ineligible securities, which were designed to avoid potential conflicts of interests, unsound banking practices, and other adverse effects.[13]

Trading Futures and Options on Bank Eligible Instruments

The Board also previously has determined that purchasing and selling, for purposes other than hedging, exchange-traded and over-the-counter futures, options, and options on futures based on bank-eligible securities and certificates of deposit or other money market instruments eligible for investment by national banks is closely related to banking.[14]

Proper Incident to Banking Standard and Other Considerations

Under the proper incident to banking standard of section 4(c)(8) of the BHC Act, in order to approve this notice, the Board must determine that the performance of the proposed activities by Notificant can reasonably be expected to produce public benefits that would outweigh possible adverse effects. As part of the Board's evaluation of these factors, the Board considers the financial and managerial resources of the notificant and its subsidiaries and the effect the transaction would have on such resources.[15] Based on all the facts of record, the Board concludes that financial and managerial considerations are consistent with approval of this notice.

As noted above, Notificant has committed that Company will conduct its bank-ineligible securities underwriting and dealing activities in accordance with the prudential framework established by the Board in its Section 20 Orders. Under the framework and conditions established in this order and the Section 20 Orders, the Board concludes that Company's proposed underwriting and dealing in, to a limited extent, bank-ineligible securities is not likely to result in significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices. Moreover, the Board expects that the *de novo* entry of Company into the market for the proposed services would provide added convenience to Notificant's customers and would increase the level of competition among existing providers of these services.

With respect to trading activities, Notificant, through its bank subsidiaries, has gained substantial experience in trading and monitoring positions in bank-eligible securities. In connection with these activities, Notificant has developed expertise in trading derivative instruments related to bank-eligible securities and money market instruments and has established comprehensive operational, accounting, and control systems to limit and monitor the risks associated with trading derivative products based on bank-eligible securities and money market instruments. The Board has carefully reviewed the operational, accounting, and risk management policies and systems used by Notificant and its subsidiaries in connection with their trading activities. These policies and systems are designed to mitigate the credit risk, market risk, and operations risk that

10. *See J.P. Morgan & Company Incorporated*, 76 *Federal Reserve Bulletin* 26 (1990) ("*J.P. Morgan*"); *Bankers Trust New York Corporation*, 75 *Federal Reserve Bulletin* 829 (1989) ("*Bankers Trust*").

11. *See Bankers Trust.*

12. Among the prudential limitations discussed more fully in *Bankers Trust* and *J.P. Morgan* are that Company will maintain specific records that will clearly identify all riskless principal transactions, and that Company will not engage in any riskless principal transactions for any securities carried in its inventory. When acting as a riskless principal, Company will not hold itself out as making a market in the securities that it buys and sells as a riskless principal. In addition, Company will not act as a riskless principal for open-end investment company securities or with respect to any securities of investment companies that are advised by Notificant or any of its affiliates. With regard to private placement activities, Notificant has committed that Company will not privately place registered investment company securities or securities of investment companies that are sponsored or advised by Notificant or any of its affiliates.

13. In previous orders approving riskless principal activities, the Board has relied on commitments by bank holding companies to refrain from entering quotes for specific securities in the NASDAQ or any other dealer quotation system in connection with riskless principal transactions. *See Bankers Trust.* Notificant proposes that Company, in acting as a riskless principal, be permitted to enter bid or ask quotations, or publish "offering wanted" or "bid wanted" notices, on trading systems other than an exchange or the NASDAQ.

In order to ensure that Company would not hold itself out as a market maker with respect to securities for which it acts as riskless principal, Notificant has committed that Company will not enter price quotations on different sides of the market for a particular security during the same two business day period. In other words, Company would not enter an "ask" quote for two business days after entering a "bid" quote with respect to the same security, and vice versa. The Board previously has determined that these activities are permissible and do not constitute underwriting and dealing in securities for purposes of the Glass Steagall Act. *See BankAmerica Corporation*, 79 *Federal Reserve Bulletin* 1163 (1993); *Dauphin Deposit Corporation*, 77 *Federal Reserve Bulletin* 672 (1991).

14. *See Swiss Bank Corporation*, 81 *Federal Reserve Bulletin* 185 (1995); *Swiss Bank Corporation*, 77 *Federal Reserve Bulletin* 759 (1991) ("1991 Swiss Bank Order").

15. *See* 12 C.F.R. 225.24; *see also The Fuji Bank, Limited*, 75 *Federal Reserve Bulletin* 94 (1989); *Bayerische Vereinsbank AG*, 73 *Federal Reserve Bulletin* 155 (1987).

arise from the proposed trading activities and are similar to the policies and systems relied on by the Board in approving such activities for section 20 companies.[16]

Notificant has indicated that Company would implement the procedures and systems currently in place at Notificant's bank subsidiaries for conducting and monitoring Company's proposed trading activities in bank-eligible securities and related derivative instruments.[17] The Board also notes that Notificant proposes to transfer to Company personnel who have substantial experience in operating Notificant's risk management systems. Based on these representations and all other facts of record, the Board has determined that the performance of the proposed activities by Notificant can reasonably be expected to produce public benefits that outweigh possible adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.[18]

Based on all the facts of record, and subject to the commitments made by Notificant, as well as the terms and conditions set forth in this order and in the Board orders noted above, the Board has determined that the notice should be, and hereby is, approved. Approval of this proposal is specifically conditioned on compliance by Notificant and Company with the commitments made in connection with this notice and the conditions referenced in this order and the above-cited Board regulations and orders. The Board's determination also is subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(g) (12 C.F.R. 225.7 and 225.23(g)) and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. In approving this proposal, the Board has relied on all the facts of record and all the representations and commitments made by Notificant. These commitments and conditions shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decisions, and may be enforced in proceedings under applicable law.

This transaction shall not be consummated later than three months after the effective date of this order, unless such period is extended for good cause by the Board or the Federal Reserve Bank of Cleveland, acting pursuant to delegated authority.

By order of the Board of Governors, effective February 20, 1996.

Voting for this action: Chairman Greenspan and Governors Kelley, Lindsey, and Phillips. Absent and not voting: Governor Yellen.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

16. *See Swiss Bank Corporation*, 81 *Federal Reserve Bulletin* 185 (1995); *The Dai-Ichi Kangyo Bank, Limited*, 80 *Federal Reserve Bulletin* 148 (1994); 1991 Swiss Bank Order.

17. Notificant has committed that Company will not become a specialist or market-maker with respect to eligible derivative instruments. The Board notes that Company would use the instruments listed in the 1991 Swiss Bank Order to hedge the market risk resulting from its proposed derivative activities, and that Company, as a registered broker-dealer, would be required to comply with the SEC's minimum net capital rules. *See* 15 C.F.R. 240.15c3-1.

18. Society Asset Management, Inc. ("SAMI"), an indirect wholly owned subsidiary of Notificant's subsidiary bank, Society National Bank, Cleveland, Ohio, engages in providing investment advice on certain of the derivative instruments proposed to be traded in by Company. In order to minimize any potential conflicts of interests that could result from the related activities of Company and SAMI, Notificant has committed that SAMI will disclose to its customers that it is affiliated with Company, and that Company trades futures, options, and options on futures for its own account. This disclosure will occur both at the commencement of the customer relationship and upon confirmation of any order. In addition, Notificant has committed that SAMI will not share nonpublic customer information with Company without the express written consent of the customer, and that in any case in which SAMI knowingly executes a transaction to which Company is a party, it will make prior disclosure of that fact to its customer and obtain the customer's prior consent to the arrangement. These commitments are similar to commitments relied on by the Board in similar previous cases. *See The Dai-Ichi Kangyo Bank, Limited*, 80 *Federal Reserve Bulletin* 148 (1994).

The Royal Bank of Canada
Montreal, Quebec, Canada

Order Approving a Notice to Engage in Data Processing Activities

The Royal Bank of Canada, Montreal, Quebec, Canada ("RBOC"), a foreign banking organization that is subject to the provisions of the Bank Holding Company Act ("BHC Act"), has requested approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a) of the Board's Regulation Y (12 C.F.R. 225.23(a)) to acquire 20 percent of the voting shares of MECA Software, L.L.C., Fairfield, Connecticut ("Company"). As a result of this proposal, RBOC would engage through Company in the development, production, and provision of home banking, personal financial management, and other computer software pursuant to section 225.25(b)(7) of Regulation Y (12 C.F.R. 225.25(b)(7)) throughout the United States and Canada.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 168 (1996)). The time for filing comments has expired, and the Board has considered this proposal and all comments received, in light of the factors set forth in section 4(c)(8) of the BHC Act.

RBOC, with total consolidated assets equivalent to approximately $136.5 billion, operates a branch in New York, New York; a representative office in Chicago, Illinois; and agencies in Los Angeles, California, and Miami, Florida.[1] RBOC also engages through subsidiaries in permissible nonbanking activities in the United States.

1. Asset data are as of October 31, 1995, and are based on exchange rates then in effect.

Company is currently jointly owned by national bank subsidiaries of BankAmerica Corporation, San Francisco, California, and NationsBank Corporation, Charlotte, North Carolina.[2]

Proposed Activities

Company currently develops, produces, markets, and supports computer software products that enable individuals to organize their personal finances. Company's principal software product is *Managing Your Money*, a computer program that permits customers to conduct basic banking transactions and personal financial management using their personal computers.[3] Following consummation of this proposal, Company would continue to market *Managing Your Money* and other financial software to financial institutions and other customers. In addition, Company would continue to provide customized financial and banking computer software to financial institutions to permit them to offer home banking and personal finance services to their customers.

The Board previously has determined that processing financial, banking, and economic data is closely related to banking and therefore permissible for bank holding companies under section 4(c)(8) of the BHC Act.[4] The Board believes that the development, production, and sale of computer software, such as *Managing Your Money*, to process financial, banking, or economic data, is closely related to banking under section 4(c)(8) of the BHC Act and encompassed within the activities permissible under the Board's data processing regulation. RBOC has committed that Company will conduct these data processing activities in accordance with the requirements set forth in Regulation Y.[5]

Company also previously developed several nonfinancial software products, including games, a computer security program, a medical reference library, and a program providing basic legal forms. RBOC indicates that Company does not dedicate any employees or resources exclusively to the development or marketing of nonfinancial software, and that revenues from the separate sale of nonfinancial software accounted for approximately 7 percent of Company's 1994 revenues. RBOC also indicates that Company has no intention to develop any new nonfinancial software or to upgrade, enhance, or promote its current nonfinancial programs, and that this portion of Company's business is expected to diminish over time. In view of the limited nature of this activity in this case, the Board concludes that RBOC may proceed to acquire the proposed 20 percent interest in Company.

In order to approve this notice, the Board also must determine that the proposed activities are a proper incident to banking, that is, that the performance of the proposed activities by RBOC through Company "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[6]

As part of its review of these factors in every case involving a nonbanking acquisition by a bank holding company under section 4 of the BHC Act, the Board considers the financial and managerial resources of the notificant and its subsidiaries, and the company to be acquired, and the effect of the proposed transaction on those resources.[7] Based on all the facts of record, the Board has concluded that financial and managerial considerations are consistent with approval of this proposal.

The Board expects that the proposed capital investment by RBOC in Company would improve Company's ability to compete in the financial software market. RBOC's participation in Company also would likely result in an expansion of Company's customer base and thereby help establish Company as a viable competitor in the industry. The Board also anticipates that Company's proposed activities, which should be enhanced as a result of this proposal, would result in a wider range of services and products, greater efficiency, and increased convenience for customers of RBOC and other financial institutions.

There is no evidence in the record that consummation of this proposal would result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices that are not outweighed by the public benefits of this proposal. RBOC does not currently provide these products and services and the Board notes

2. OCC Interpretative Letter No. 677, *reprinted in* [1994–1995 transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,625. National bank subsidiaries of Fleet Financial Group, Inc., Providence, Rhode Island, and First Bank Systems, Inc., Minneapolis, Minnesota, have applied to the Office of the Comptroller of the Currency to acquire an interest in Company.

3. For example, *Managing Your Money* enables customers to pay bills, view and reconcile checking account registers, gain access to their checking and savings account statements, transfer funds between accounts, receive stock quotations, and engage in tax and financial planning.

4. In particular, section 225.25(b)(7) of Regulation Y permits bank holding companies to provide data processing and data transmission services, facilities (including software), data bases, or access to such services, facilities, or data bases by any technological means, so long as the data to be processed or furnished are "financial, banking, or economic" in nature. *See* 12 C.F.R. 225.25(b)(7).

5. Regulation Y also requires that the services be provided pursuant to a written agreement and places certain limitations on the facilities and hardware provided with the data processing services. In particular, the facilities must be designed, marketed and operated for the processing and transmission of financial, banking, or economic data; hardware must be provided only in conjunction with permissible software; and general purpose hardware must not constitute more than 30 percent of the cost of any packaged offering. RBOC has committed that Company will provide the proposed services pursuant to a written agreement and will provide facilities and hardware within the limitations established by Regulation Y.

6. 12 U.S.C. § 1843(c)(8).

7. *See* 12 C.F.R. 225.24. *See also The Fuji Bank, Limited*, 75 *Federal Reserve Bulletin* 94 (1989); and *Bayerische Vereinsbank, AG*, 73 *Federal Reserve Bulletin* 155 (1987).

that there is no evidence that the proposed transaction would decrease the level of existing or potential competition among providers of these services.

On the basis of the foregoing and all the facts of record, the Board has concluded that the balance of the public interest factors it is required to consider under the proper incident to banking standard of section 4(c)(8) of the BHC Act is favorable, and consistent with approval of this notice.

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the notice should be, and hereby is, approved. Approval of this proposal is specifically conditioned on compliance by RBOC with the commitments made in connection with this notice and with the conditions referred to in this order. The Board's determination also is subject to all the conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(g) of Regulation Y (12 C.F.R. 225.7 and 225.23(g)), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. For purposes of this action, these commitments and conditions shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

This transaction shall not be consummated later than three months after the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of New York, acting pursuant to delegated authority.

By order of the Board of Governors, effective February 6, 1996.

Voting for this action: Chairman Greenspan and Governors Kelley, Lindsey, Phillips, and Yellen.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

The Sumitomo Bank, Limited Osaka, Japan

Order Approving a Notice to Engage in Trust Company Activities

The Sumitomo Bank, Limited, Osaka, Japan ("Sumitomo"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has given notice under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) of its proposal to acquire, through its subsidiary, the Sumitomo Bank of New York Trust Company, New York, New York ("Sumitomo Trust"), the trust business of Daiwa Bank Trust Company, New York, New York ("Daiwa Trust"), a wholly owned subsidiary of The Daiwa Bank, Limited, Osaka, Japan ("Daiwa"), and the custody business of the New York branch of Daiwa and thereby engage in trust company activities pursuant to section 225.25(b)(3) of Regulation Y (12 C.F.R. 225.25(b)(3)).

Notice of this proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 352 (1996)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

Sumitomo, with total consolidated assets equivalent to approximately $541 billion, is the fourth largest banking organization in Japan and the world.[1] In the United States, in addition to Sumitomo Trust, a limited purpose trust company, Sumitomo operates The Sumitomo Bank of California, San Francisco, California, and owns a 13.6 percent interest in CPB Inc., Honolulu, Hawaii ("CPB").[2] Sumitomo operates branches in Los Angeles and San Francisco, California; Chicago, Illinois; and New York, New York. Sumitomo also operates agencies in Atlanta, Georgia, and Houston, Texas; and a representative office in Seattle, Washington. Sumitomo also engages directly and through subsidiaries in other permissible nonbanking activities in the United States and abroad.

The Board previously has determined by regulation that, subject to the limitations established in Regulation Y, engaging in trust related and custodial activities is closely related to banking within the meaning of the BHC Act and, therefore, is permissible for bank holding companies.[3] Sumitomo has committed that these proposed activities will be conducted in conformity with the limitations established in Regulation Y.

In order to approve this notice, the Board is required to determine that the performance of the proposed activities by Sumitomo can reasonably be expected to produce benefits to the public that would outweigh possible adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.[4]

The Board expects that this proposal would provide gains in efficiency, added convenience to Sumitomo customers, and another source of trust services for Daiwa's former customers.[5] Moreover, consummation of this proposal is not likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or

1. Asset data are as of September 30, 1995.
2. CPB controls 100 percent of the voting shares of Central Pacific Bank, Honolulu, Hawaii.
3. *See* 12 C.F.R. 225.25(b)(3).
4. 12 U.S.C. § 1843(c)(8).
5. On November 1, 1995, Daiwa and Daiwa Trust entered into consent orders with the Board and other federal and state authorities to terminate the banking operations of Daiwa and Daiwa Trust in the United States by February 2, 1996.

unsound banking practices. Accordingly, the Board has concluded that the performance of the proposed activities by Sumitomo can reasonably be expected to produce public benefits that would outweigh any adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.[6]

In every case involving a nonbanking acquisition by a bank holding company under section 4 of the BHC Act, the Board considers the financial condition and resources of the notificant and its subsidiaries and the effect of the transaction on these resources.[7] The Board notes that Sumitomo meets the relevant risk-based capital standards established under the Basle Accord, and has capital equivalent to that which would be required of a United States banking organization. In view of these and other facts of record, the Board has determined that the financial factors are consistent with approval of the notice. The managerial resources of Sumitomo and its subsidiaries also are consistent with approval.

Based on the foregoing and all the facts of record, the Board has determined that the notice should be, and hereby is, approved. The Board's determination is subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(b), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions of the BHC Act, and the Board's regulations and orders issued thereunder. The Board's decision also is specifically conditioned on compliance with all the commitments made in connection with this notice, including, but not limited to, commitments made with respect to retention and maintenance of documents, and the conditions set forth in this order and in the Board's regulations as noted above. These commitments and conditions shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decisions and, as such, may be enforced in proceedings under applicable law.

This transaction shall not be consummated later than three months following the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of San Francisco, acting pursuant to delegated authority.

By order of the Board of Governors, effective February 2, 1996.

Voting for this action: Chairman Greenspan, Vice Chairman Blinder, and Governors Kelley, Lindsey, Phillips, and Yellen.

WILLIAM W. WILES
Secretary of the Board

6. The Board received comments from the Inner City Press/Community on the Move ("ICP") on this proposal. ICP urges the Board to scrutinize closely the transaction in light of the Board's consent order terminating the operations of Daiwa and to pay particular attention to compliance by Sumitomo and Daiwa with the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). ICP argues that the proposal by Sumitomo to acquire only the nonbanking operations of Daiwa Trust through a nonbank company will eliminate a financial institution that currently is subject to the CRA in favor of one that is not subject to the CRA. In addition, ICP argues that the Board should carefully evaluate whether the possibility that Sumitomo might merge with Daiwa could result in a circumvention of the Board's termination order.

The Board has carefully reviewed this transaction, including Sumitomo's compliance record, in light of all the facts of record and the standards that apply under the BHC Act. The Board does not believe that ICP's concern that the transaction would result in the elimination of an institution that is subject to the CRA justifies denial of this proposal. The CRA does not provide any basis for the Board to require that Daiwa and Daiwa Trust transfer their trust and custody operations to an institution that is subject to the CRA.

The Board believes there is no evidence in the record to show that the proposal would circumvent the regulators' termination order. Sumitomo, which would acquire the trust operations of Daiwa and Daiwa Trust, is a separate commercial bank that currently has an established trust and banking business in the United States. ICP provides no evidence that, if Sumitomo were to acquire all of Daiwa's operations in the future, the proposed acquisition of the United States operations of Daiwa by Sumitomo at this time would in fact permit Daiwa to continue to operate in the United States in contravention of the Board's termination order. If Sumitomo or any other organization were to acquire or merge with Daiwa in the future, the Board would retain jurisdiction to review the facts surrounding such a transaction and monitor and enforce its termination order with Daiwa.

7. *See* 12 C.F.R. 225.24; *Fuji Bank, Limited*, 75 *Federal Reserve Bulletin* 94 (1989); *Bayerische Vereinsbank AG*, 73 *Federal Reserve Bulletin* 155 (1987).

ORDERS ISSUED UNDER BANK MERGER ACT

The Fifth Third Bank
Cincinnati, Ohio

The Fifth Third Bank of Columbus
Columbus, Ohio

Order Approving the Merger of Banks and Establishment of Branches

The Fifth Third Bank, Cincinnati, Ohio ("Fifth Third-Cincinnati"), and The Fifth Third Bank of Columbus, Columbus, Ohio ("Fifth Third-Columbus") (collectively, "Fifth Third"), both state member banks, have applied under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) (the "Bank Merger Act") to acquire certain assets and assume certain liabilities of 25 branches of NBD Bank, Columbus, Ohio ("NBD"). Fifth Third also has applied under section 9 of the Federal Reserve Act (12 U.S.C. § 321) to establish branches at the current locations of 14 of the NBD branches.[1]

Notice of the proposals, affording interested persons an opportunity to submit comments, has been given in accordance with the Bank Merger Act and the Board's Rules of

1. The locations of the branches that each bank proposes to acquire are listed in the Appendix, which includes 11 branches to be acquired and merged into existing branches of Fifth Third.

Procedure (12 C.F.R. 262.3(b)).[2] As required by the Bank Merger Act, reports on the competitive effects of the merger were requested from the United States Attorney General, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation ("FDIC"). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in the Bank Merger Act and the Federal Reserve Act.

Fifth Third Bancorp, Cincinnati, Ohio ("Bancorp"), controls six banks and one thrift institution in Ohio, including Fifth Third-Cincinnati and Fifth Third-Columbus. Bancorp is the fourth largest commercial banking or thrift organization in Ohio, controlling deposits of $8.5 billion, representing approximately 6.5 percent of total deposits in depository institutions in Ohio.[3] The branches of NBD that Fifth Third-Cincinnati and Fifth Third-Columbus propose to acquire control deposits of $529 million, representing less than 1 percent of total deposits in depository institutions in Ohio. On consummation of the proposed transaction, Bancorp would remain the fourth largest commercial banking or thrift organization in Ohio, controlling deposits of $9 billion, representing approximately 6.9 percent of total deposits in depository institutions in the state.

Fifth Third-Cincinnati and NBD compete directly in the Dayton, Ohio banking market, and Fifth Third-Columbus and NBD compete directly in the Columbus, Ohio banking market.[4] On consummation of this proposal, these banking markets would remain moderately concentrated as measured by the Herfindahl Hirschman Index ("HHI").[5] In light of the competition offered by other depository institutions in the market, the number of competitors that would remain in the market after consummation of the proposal, the relatively small increase in concentration as measured by the HHI,[6] and all other facts of record, the Board concludes that consummation of the proposal would not result in a significantly adverse effect on competition in any relevant banking market.

Convenience and Needs Considerations

In acting on an application under the Bank Merger Act, the Board must consider the convenience and needs of the communities to be served and take into account the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate, consistent with their safe and sound operation. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess the institution's record of meeting the credit needs of its entire community, including low- and moderate income neighborhoods, consistent with the safe and sound operation of such institution," and to take that record into account in its evaluation of bank expansion proposals.[7]

Protestant generally contends that Fifth Third has failed to meet the credit needs of commercial borrowers in Dayton, Ohio, and that NBD illegally discriminates against making loans on commercial properties in certain areas in Dayton.[8] The Board has carefully reviewed the CRA performance records of Fifth Third and NBD; Protestant's comments and applicants' responses to those comments; and all other relevant facts of record in light of the CRA,

2. The Board received comments from an individual ("Protestant") who maintains that notice of this proposal should have been provided to all customers of the affected institutions in their monthly account statements and to the public through an electronic on-line data base. Protestant also believes that access to applications filed with the Federal Reserve System should be made available through an on-line data base similar to the access provided by the Government Printing Office for the Congressional Record, the *Federal Register*, and other publications distributed by the Superintendent of Documents, pursuant to the Government Printing Office Electronic Information Access Enhancement Act of 1993, P.L. 103-40, 107 Stat. 112 (June 8, 1993) ("Access Act").

The Board's Rules of Procedure (12 C.F.R. 262.3(b)(3)) require an applicant state member bank to publish notice at least three times in a newspaper of general circulation in the community in which the head office of each of the banks to be a party to the merger is located and to provide a public comment period of at least 30 days after publication of the first notice. Applicants have complied with these publication requirements. In addition, copies of the nonconfidential portion of applications filed with the System, which are not subject to the Access Act, are provided by the Federal Reserve Banks or the Board upon request, and a copy of all nonconfidential portions of these applications has been provided to Protestant. Based on all the facts of record, the Board concludes that notice and copies of this proposal have been provided in accordance with the Board's rules, and that the public, including Protestant, was adequately informed of the proposal.

3. Deposit data are as of June 30, 1995. In this context, depository institutions include commercial banks, savings banks, and savings associations.

4. The Dayton banking market is approximated by Greene, Miami, and Montgomery Counties; Bethel and Mad River Townships in Clark County; and Clear Creek, Wayne, and Massie Townships in Warren County, all in Ohio. The Columbus banking market is approximated by Franklin, Delaware, Fairfield, Licking, Madison, Pickaway, and Union Counties, Perry Township in Hocking County, and Thorn Township in Perry County, all in Ohio.

5. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is less than 1000 is considered unconcentrated, and a market in which the post-merger HHI is between 1000 and 1800 is considered moderately concentrated. The Justice Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effect of limited-purpose lenders and other non-depository financial institutions.

6. The HHI would increase by 21 points to 1550 in the Columbus banking market, and by 76 points to 1494 in the Dayton banking market.

7. 12 U.S.C. § 2903.

8. Protestant cites the denial of his loan application by NBD as evidence of illegal discrimination against commercial borrowers. Fifth Third responds that financial considerations were not consistent with approval of the loan request. Protestant's allegations relating to his loan denial have been referred to NBD's primary federal supervisor, the FDIC, for consideration.

the Board's regulations, and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").[9]

The Agency CRA Statement provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record and that reports of these examinations will be given great weight in the applications process.[10] Fifth Third-Cincinnati and Fifth Third-Columbus both received "outstanding" ratings from the Federal Reserve Bank of Cleveland and the FDIC, respectively, in their most recent examinations for CRA performance, as of December 1994 and February 1994. NBD also received an "outstanding" CRA rating from the FDIC in its most recent examination for CRA performance, as of May 1994. Examiners found no evidence of practices intended to discourage loan applications at any of these institutions and found all of the banks to be in compliance with federal fair lending laws.

The Board also notes that it reviewed Fifth Third-Cincinnati's record of CRA performance, particularly its small business lending activities in low- and moderate-income areas in Ohio, in light of substantially similar comments submitted by Protestant in connection with a recent application filed by the bank.[11] The bank's small business lending activities include Small Business Administration lending programs, officer call programs, and a second review program. The bank also participates in Ohio's Mini-Loan Program, and has provided funding and technical assistance to the Dayton Minority Business Development Center. Based on all the facts of record, including for the reasons explained in the Fifth Third Order, which are incorporated herein by reference, the Board believes that considerations relating to the convenience and needs of the communities to be served, including the CRA performance records of the banks involved, are consistent with approval.

Other Considerations

The Board also concludes that the financial and managerial resources and future prospects of Fifth Third are consistent with approval, as are the other factors required to be considered under the Bank Merger Act and the Federal Reserve Act.[12]

Based on the foregoing and all the facts of record, the Board has determined that these proposals should be, and hereby are, approved.[13] The Board's approval is specifically conditioned on compliance by Fifth Third with all commitments made in connection with these proposals. The commitments and conditions relied on by the Board are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

These transactions may not be consummated before the fifteenth calendar day after the effective date of this order, or later than three months after the effective date of this order, unless such period is extended by the Board or by the Federal Reserve Bank of Cleveland, acting pursuant to delegated authority.

By order of the Board of Governors, effective February 7, 1996.

Voting for this action: Chairman Greenspan and Governors Kelley, Lindsey, and Phillips. Absent and not voting: Governor Yellen.

BARBARA R. LOWREY
Associate Secretary of the Board

Appendix

Branch offices of NBD to be acquired by Fifth Third-Cincinnati:

100 West Second Street, Dayton, Ohio*
5130 Salem Avenue, Trotwood, Ohio*
896 E. National Road, Vandalia, Ohio*
2829 Miamisburg-Centerville, Miamisburg, Ohio*
2601 Far Hills Avenue, Oakwood, Ohio
1 E. Central Avenue, West Carrollton, Ohio
4884 Airway Road, Dayton, Ohio
3245 E. Patterson Road, Beavercreek, Ohio*

Branch offices of NBD to be acquired by Fifth Third-Columbus:

6500 Tussing Road, Reynoldsburg, Ohio*
2757 Festival Lane, Dublin, Ohio*

9. 54 *Federal Register* 13,742 (1989).

10. *Id.* at 13,745.

11. *See The Fifth Third Bank*, 81 *Federal Reserve Bulletin* 976 (1995) ("Fifth Third Order") (Order dated August 23, 1995, approving the acquisition of certain branches from PNC Bank, Ohio, N.A., Cincinnati, Ohio, "PNC"). Protestant asserts that, in connection with this acquisition, Fifth Third-Cincinnati lost materials related to his loan application, which was denied later by PNC. Applicants state that files on loans that had been denied were not acquired in this proposal. As noted in the Fifth Third Order, Protestant's comments on his denied loan application have been referred to PNC's primary federal supervisor, the Office of the Comptroller of the Currency, for consideration.

12. Protestant reiterates his allegations that fees were improperly assessed by Fifth Third against an account maintained by Protestant's company. Based on all the facts of record, including supervisory information, and for the reasons stated in the Fifth Third Order, these allegations do not warrant denial of this proposal.

13. Protestant maintains that applicants should be required to provide additional information related to their CRA performance, other business activities, and compliance with the Board's Regulations C and CC. The Board is required under applicable law and its application processing regulations to act on applications submitted under the Bank Merger Act and the Federal Reserve Act within specified time periods. As discussed above, the Board has carefully reviewed the record in this case, including information provided by Protestant, the applicants, and by relevant reports of examination. Based on all the facts of record, the Board concludes that delay or denial of this proposal on the grounds of informational insufficiency is not warranted.

*Branch offices of NBD to be merged into Fifth Third upon consummation of the proposed transaction.

1330 Morse Road, Columbus, Ohio*
175 S. 3rd Street, Columbus, Ohio*
6300 Frantz Road, Dublin, Ohio*
1851 W. Henderson Road, Upper Arlington, Ohio
1756 W. Lane Avenue, Columbus, Ohio
54 W. Wilson Bridge Road, Worthington, Ohio
2500 Dublin-Granville Road, Columbus, Ohio
3407 Cleveland Avenue, Columbus, Ohio
45 Huber Village Boulevard, Westerville, Ohio
3460 S. High Street, Columbus, Ohio
3870 E. Livingston Avenue, Columbus, Ohio
2450 E. Main Street, Bexley, Ohio
7070 E. Main Street, Reynoldsburg, Ohio*
2680 W. Broad Street, Columbus, Ohio*
5727 Emporium Square, Columbus, Ohio*

Orders Issued Under International Banking Act

The Sumitomo Bank, Limited
Osaka, Japan

Order Approving Establishment of Representative Offices

The Sumitomo Bank, Limited, Osaka, Japan ("Bank"), a foreign bank within the meaning of the International Banking Act ("IBA"), has applied under section 10(a) of the IBA (12 U.S.C. § 3107(a)) to establish representative offices in the following locations: Los Angeles and San Francisco, California; Miami and Tampa, Florida; Atlanta, Georgia; Baltimore, Maryland; Boston, Massachusetts; Minneapolis, Minnesota; St. Louis, Missouri; New York, New York; Philadelphia and Pittsburgh, Pennsylvania; and Dallas and Houston, Texas. The Foreign Bank Supervision Enhancement Act of 1991, which amended the IBA, provides that a foreign bank must obtain the approval of the Board to establish representative offices in the United States.

Notice of the applications, affording interested persons an opportunity to submit comments, has been published in a newspaper of general circulation with regard to each representative office.[1] The time for filing comments has expired, and the Board has considered the applications and all comments received.[2]

Bank, with total consolidated assets equivalent to approximately $541 billion,[3] is the fourth largest banking organization in Japan and the world. In the United States, Bank currently operates subsidiary banks in San Francisco, California and Honolulu, Hawaii; a limited purpose trust company in New York, New York; branches in Los Angeles and San Francisco, California; Chicago, Illinois; and New York, New York; agencies in Atlanta, Georgia; and Houston, Texas; and a representative office in Seattle, Washington. Bank also engages directly and through subsidiaries in other permissible nonbanking activities in the United States and abroad.

The proposed representative offices would assume the existing business of certain offices of The Daiwa Bank, Limited.[4] The proposed representative offices would engage in traditional representative functions, including loan production and researching potential markets. The proposed representative offices would not accept any deposits or make any loans, and would limit their operations to those consistent with the Board's regulations.[5]

In acting on applications to establish representative offices, the IBA and Regulation K provide that the Board shall take into account whether the foreign bank engages directly in the business of banking outside of the United States and has furnished the Board with the information it needs to assess the application adequately. The Board also shall take into account whether the foreign bank and any foreign bank parent is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor (12 U.S.C. § 3105(d)(2); 12 C.F.R. 211.24).[6] The Board may also take into account additional

1. Notices were published in the following communities where Bank proposes to establish representative offices: Los Angeles, California (*The Los Angeles Times*, December 15, 1995); San Francisco, California (*The San Francisco Chronicle*, December 15, 1995); Miami, Florida (*The Miami Herald*, December 15, 1995); Tampa, Florida (*The Tampa Tribune*, December 15, 1995); Atlanta, Georgia (*The Atlanta Journal and Constitution*, December 15, 1995); Baltimore, Maryland (*The Baltimore Sun*, December 14, 1995); Boston, Massachusetts (*The Boston Globe*, December 15, 1995); Minneapolis, Minnesota (*The Star Tribune*, December 15, 1995); St. Louis, Missouri (*The St. Louis Post-Dispatch*, December 15, 1995); New York, New York (*The New York Times*, December 15, 1995); Philadelphia, Pennsylvania (*The Philadelphia Inquirer*, December 15, 1995); Pittsburgh, Pennsylvania (*The Pittsburgh Post Gazette*, December 15, 1995); Dallas, Texas (*The Daily Commercial Record*, December 15, 1995); and Houston, Texas (*The Houston Chronicle*, December 15, 1995).

2. For discussion of the comment received from the Inner City Press/Community on the Move, see the Board's Order dated February 2, 1996, approving the notice by Bank to engage in trust company activities.

3. All financial data are as of September 30, 1995.

4. On November 1, 1995, The Daiwa Bank, Limited entered into a Consent Order with the Board and other Federal and state authorities to terminate its banking operations in the United States by February 2, 1996.

5. 12 C.F.R. 211.24(d)(1).

6. In assessing this standard, the Board considers, among other factors, the extent to which the home country supervisors:

(i) Ensure that the bank has adequate procedures for monitoring and controlling its activities worldwide;

(ii) Obtain information on the condition of the bank and its subsidiaries and offices through regular examination reports, audit reports, or otherwise;

(iii) Obtain information on the dealings with and relationship between the bank and its affiliates, both foreign and domestic;

(iv) Receive from the bank financial reports that are consolidated on a worldwide basis, or comparable information that permits analysis of the bank's financial condition on a worldwide consolidated basis; and

(v) Evaluate prudential standards, such as capital adequacy and risk asset exposure, on a worldwide basis.

These are indicia of comprehensive, consolidated supervision. No single factor is essential and other elements may inform the Board's determination.

standards as set forth in the IBA and Regulation K (12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)).

In this case, with respect to the issue of supervision by home country authorities, the Board has considered the following information. Bank is subject to the regulatory and supervisory authority of the Japanese Ministry of Finance ("MOF") and the Bank of Japan. The Board previously has determined in connection with an application involving another Japanese bank that the bank was subject to comprehensive, consolidated home country supervision.[7] In this case, Bank is supervised on substantially the same terms and conditions as the other Japanese bank. Moreover, the MOF recently announced plans to enhance its bank supervision in a number of areas, including strengthening on-site inspections; establishing more comprehensive guidelines for internal audits, controls, and risk management; increasing enforcement tools for distressed banking institutions; and promoting closer information exchanges with foreign supervisory authorities. Based on all the facts of record, the Board has determined that Bank is subject to comprehensive supervision on a consolidated basis by its home country supervisors.

The Board also notes that Bank engages directly in the business of banking outside the United States through its banking operations in Japan and elsewhere. Bank has provided the Board with the information necessary to assess the application adequately.

The Board also has taken into account the additional standards set forth in section 7 of the IBA and Regulation K (*See* 12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)). In this regard, the Japanese Ministry of Finance has consented to the establishment of the proposed representative offices.

Taking into consideration Bank's record of operations in its home country, its overall financial resources, and its standing with its home country supervisors, the Board also has determined that financial and managerial factors are consistent with approval of the proposed representative offices. Bank appears to have the experience and capacity to support the proposed representative offices and has established controls and procedures for the proposed representative offices to ensure compliance with U.S. law.

Finally, with respect to access to information about Bank's operations, Bank has committed to make available to the Board such information on the operations of Bank and its affiliates that the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act of 1956, as amended, and other applicable Federal law. To the extent that the provision of such information may be prohibited by law, Bank has committed to cooperate with the Board in obtaining any consents or waivers that might be required from third parties for disclosure. In light of these commitments and other facts of record, and subject to the condition described below, the Board concludes that Bank has provided adequate assurances of access to any necessary information the Board may request.

On the basis of all the facts of record, and subject to the commitments made by Bank, as well as the terms and conditions set forth in this order, the Board has determined that Bank's applications to establish representative offices should be, and hereby are, approved. Should any restrictions on access to information on the operations or activities of Bank and any of its affiliates subsequently interfere with the Board's ability to determine the compliance by Bank or its affiliates with applicable federal statutes, the Board may require termination of any of Bank's or its affiliates' direct or indirect activities in the United States. Approval of these applications is also specifically conditioned on compliance by Bank with all commitments made in connection with these applications, including but not limited to commitments made with respect to retention and maintenance of documents, and with the conditions in this order.[8] The commitments and conditions referred to above are conditions imposed in writing by the Board in connection with its decision, and may be enforced in proceedings under 12 U.S.C. § 1818 against Bank, its offices, and its affiliates.

By order of the Board of Governors, effective February 2, 1996.

Voting for this action: Chairman Greenspan, Vice Chairman Blinder, and Governors Kelley, Lindsey, Phillips, and Yellen.

WILLIAM W. WILES
Secretary of the Board

Union Bank of Switzerland
Zurich, Switzerland

Order Approving Establishment of a Branch

Union Bank of Switzerland ("Bank"), Zurich, Switzerland, a foreign bank within the meaning of the International Banking Act ("IBA"), has applied under section 7(d) of the IBA (12 U.S.C. § 3105(d)) to establish a state-licensed limited branch in New York, New York. The Foreign Bank Supervision Enhancement Act of 1991 ("FBSEA"), which amended the IBA, provides that a foreign bank must obtain the approval of the Board to establish a branch in the United States.

Notice of the application, affording interested persons an opportunity to submit comments, has been published in a newspaper of general circulation in New York, New York (*The New York Times*, November 17, 1995). The time for

7. *Bank of Tokyo*, 81 *Federal Reserve Bulletin* 279 (1995).

8. The Board's authority to approve the establishment of the proposed offices parallels the continuing authority of state banking regulators to license offices of a foreign bank. The Board's approval of these applications does not supplant the authority of the relevant state banking regulators to license the proposed offices of Bank in accordance with any terms or conditions that such state banking regulators may impose.

filing comments has expired, and all comments have been considered.

Bank, with total consolidated assets of approximately \$306.6 billion,[1] is the largest bank in Switzerland, and it engages in a wide range of banking activities worldwide directly and through subsidiaries.[2] As of December 31, 1995, shares of Bank representing approximately 10.7 percent of total voting rights were held by BK Vision AG, BZ Stiftung, and Stillhalter Vision AG, which are members of the BZ Group. No other shareholder holds more than 5 percent of total voting rights.

In the United States, Bank operates branches in New York, New York; Chicago, Illinois; and Los Angeles, California; an agency in Houston, Texas; and a representative office in San Francisco, California. Bank also operates UBS Securities, Inc., New York, New York, a subsidiary engaged in securities activities that are grandfathered under the IBA; UBS Finance (Delaware) Inc., Wilmington, Delaware, a commercial paper issuing subsidiary; and several other subsidiaries in the United States.

Bank's primary purpose for establishing the proposed limited branch is to provide private banking and asset management services in the U.S. market. Bank already provides similar services at its existing New York branch. As a limited branch, the proposed branch would be prohibited from accepting deposits from sources other than those permitted under section 5 of the IBA and section 25A of the Federal Reserve Act.[3] Bank would continue to be a qualifying foreign banking organization within the meaning of Regulation K after establishing the proposed branch. 12 C.F.R. 211.23(b).

Bank has received approvals from the Swiss Federal Banking Commission ("SFBC") and the New York State Banking Department of its proposal to establish the proposed branch.

In order to approve an application by a foreign bank to establish a branch in the United States, the IBA and Regulation K require the Board to determine that the foreign bank applicant engages directly in the business of banking outside of the United States, and has furnished to the Board the information it needs to adequately assess the application. The Board also must determine that the foreign bank is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor (12 U.S.C. § 3105(d)(2)). The Board may also take into account additional standards as set forth in the IBA (12 U.S.C. § 3105(d)(3)-(4)) and Regulation K (12 C.F.R. 211.24(c)).

Bank engages directly in the business of banking outside of the United States through its commercial banking operations in Switzerland and several other countries. Bank also has provided the Board with the information necessary to assess the application through submissions that address the relevant issues.

Regulation K provides that a foreign bank will be considered to be subject to comprehensive supervision or regulation on a consolidated basis if the Board determines that the bank is supervised and regulated in such a manner that its home country supervisor receives sufficient information on the foreign bank's worldwide operations, including the relationship of the foreign bank to any affiliate, to assess the overall financial condition of the foreign bank and its compliance with law and regulation (12 C.F.R. 211.24(c)(1)).[4] In making its determination under this standard, the Board has considered the following information.

Bank is supervised and regulated by the SFBC. The SFBC is responsible for the prudential supervision and regulation of credit institutions. The Board has previously determined, in connection with an application involving another Swiss bank, Coutts & Co., AG ("Coutts"), that Coutts was subject to home country supervision on a consolidated basis.[5] Bank is supervised by the SFBC on the same terms and conditions as Coutts. Bank also has provided additional information regarding the supervision and regulation of Bank's activities by entities other than the SFBC. Based on all the facts of record, the Board has determined that Bank is subject to comprehensive supervision and regulation on a consolidated basis by its home country supervisors.

The Board has also taken into account the additional standards set forth in section 7 of the IBA (*See* 12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)). Bank has provided the Board with the information necessary to assess the application through submissions that address the relevant issues. As noted above, Bank has received the consent of the SFBC to establish the proposed state-licensed branch.

Switzerland is a signatory to the Basle risk-based capital standards, and Swiss risk-based capital standards meet

1. Asset data are as of June 30, 1995.

2. The principal subsidiaries of Bank are engaged in the securities and banking business.

3. Bank's home state is California. Under section 5 of the IBA, a foreign bank may establish a branch outside its home state that limits its deposit-taking to that of an Edge corporation operating under section 25A of the Federal Reserve Act.

4. In assessing this standard, the Board considers, among other factors, the extent to which the home country supervisors:

(i) Ensure that the bank has adequate procedures for monitoring and controlling its activities worldwide;

(ii) Obtain information on the condition of the bank and its subsidiaries and offices through regular examination reports, audit reports, or otherwise;

(iii) Obtain information on the dealings with and relationship between the bank and its affiliates, both foreign and domestic;

(iv) Receive from the bank financial reports that are consolidated on a worldwide basis, or comparable information that permits analysis of the bank's financial condition on a worldwide consolidated basis;

(v) Evaluate prudential standards, such as capital adequacy and risk asset exposure, on a worldwide basis.

These are indicia of comprehensive, consolidated supervision. No single factor is essential, and other elements may inform the Board's determination.

5. *See Coutts & Co., AG*, 79 *Federal Reserve Bulletin* 636 (1993).

those established by the Basle Capital Accord and the European Union. Bank's capital is in excess of the minimum levels that would be required by the Basle Capital Accord and is considered equivalent to capital that would be required of a U.S. banking organization. Managerial and other financial resources of Bank also are considered consistent with approval, and Bank appears to have the experience and capacity to support the proposed branch. Bank has established controls and procedures for the proposed branch in order to ensure compliance with U.S. law, as well as controls and procedures for its worldwide operations in general.

Finally, the Board has reviewed the restrictions on disclosure in relevant jurisdictions in which Bank operates and has communicated with relevant government authorities about access to information. Bank has committed that it will make available to the Board such information on the operations of Bank and any affiliate of Bank that the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act of 1956, as amended, and other applicable federal law. To the extent that the provision of such information is prohibited or impeded by law, Bank has committed to cooperate with the Board to obtain any necessary consents or waivers that might be required from third parties in connection with disclosure of certain information. In addition, subject to certain conditions, the SFBC may share information on Bank's operations with other supervisors, including the Board. In light of these commitments and other facts of record, and subject to the condition described below, the Board concludes that Bank has provided adequate assurances of access to any necessary information the Board may request.

On the basis of all the facts of record, and subject to the commitments made by Bank, as well as the terms and conditions set forth in this order, the Board has determined that Bank's application to establish a state-licensed limited branch should be, and hereby is, approved. Should any restrictions on access to information on the operations or activities of Bank and its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by Bank or its affiliates with applicable federal statutes, the Board may require termination of any of the Bank's direct or indirect activities in the United States. Approval of this application is also specifically conditioned on Bank's compliance with the commitments made in connection with this application, and with the conditions in this order.[6] The commitments and conditions referred to above are conditions imposed in writing by the Board in connection with its decision, and may be enforced in proceedings under 12 U.S.C. § 1818 or 12 U.S.C. § 1847 against Bank, its office, and its affiliates.

By order of the Board of Governors, effective February 28, 1996.

Voting for this action: Chairman Greenspan and Governors Lindsey, Phillips and Yellen. Absent and not voting: Governor Kelley.

WILLIAM W. WILES
Secretary of the Board

6. The Board's authority to approve the establishment of the proposed branch parallels the continuing authority of the State of New York to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the State of New York, and its agent, the New York State Banking Department, to license the proposed branch of Bank in accordance with any terms or conditions that the State of New York may impose.

INDEX OF ORDERS ISSUED OR ACTIONS TAKEN BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM (October 1, 1995–December 31, 1995)

Applicant	Merged or Acquired Bank or Activity	Date of Approval	*Bulletin* Volume and Page
1st United Bancorp, Boca Raton, Florida	The American Bancorporation of the South, Merritt Island, Florida The American Bank of the South, Merritt Island, Florida	December 11, 1995	82, 151
Banc One Corporation, Columbus, Ohio	Premier Acquisition Corporation, Columbus, Ohio Premier Bancorp, Inc., Baton Rouge, Louisiana Premier Bank, N.A., Baton Rouge, Louisiana	November 29, 1995	82, 88
Banco Santander, S.A., Madrid, Spain FFB Participaçoes e Serviços, S.A., Funchal, Portugal	First Union Corporation, Charlotte, North Carolina	October 26, 1995	81, 1139

Index of Orders—Continued

Applicant	Merged or Acquired Bank or Activity	Date of Approval	*Bulletin* Volume and Page
Bank South Corporation, Atlanta, Georgia	Bank South Securities Corporation, Atlanta, Georgia	October 24, 1995	81, 1116
Barclays PLC, London, England Barclays Bank PLC, London, England	Wells Fargo Investment Advisors, San Francisco, California The Nikko Building U.S.A., Inc., San Francisco, California Wells Fargo Institutional Trust Company, N.A., San Francisco, California Wells Fargo Nikko Investment Advisors, San Francisco, California Wells Fargo Nikko Investment Advisors International, San Francisco, California Wells Fargo Foreign Funds Advisors, San Francisco, California 401(k) MasterWorks Division of Wells Fargo Bank, N.A., San Francisco, California	December 21, 1995	82, 158
The Berens Corporation, Houston, Texas Berens Delaware, Inc., Wilmington, Delaware	First National Bank of Dayton, Dayton, Texas Berens Credit Corporation, Houston, Texas	December 6, 1995	82, 166
Boatmen's Bancshares, Inc., St. Louis, Missouri	Fourth Financial Corporation, Wichita, Kansas Bank IV, N.A., Wichita, Kansas Bank IV Oklahoma, N.A., Tulsa, Oklahoma	December 21, 1995	82, 167
Chemical International Finance Limited, New York, New York	Chemical Bank Norge, A.S., Oslo, Norway	October 2, 1995	81, 1160
Citibank Overseas Investment Corporation, New Castle, Delaware	Citibank Espana, S.A., Madrid, Spain	October 4, 1995	81, 1161
Crédit Communal de Belgique S.A., Brussels, Belgium	To establish a state-licensed branch in New York, New York	November 20, 1995	82, 104
Deutsche Bank AG, Frankfurt, Germany	Deutsche Bank Sharps Pixley, Inc., New York, New York Deutsche Sharps Pixley Metals, Inc., New York, New York	December 13, 1995	82, 161
First American Corporation, Nashville, Tennessee	First City Bancorp, Murfreesboro, Tennessee First City Bank, Murfreesboro, Tennessee Citizens Bank, Smithville, Tennessee	December 11, 1995	82, 153

Index of Orders—Continued

Applicant	Merged or Acquired Bank or Activity	Date of Approval	*Bulletin* Volume and Page
Firstar Corporation, Milwaukee, Wisconsin Firstar Corporation of Iowa, Des Moines, Iowa	Harvest Financial Corp., Dubuque, Iowa Harvest Savings Bank, a Federal Savings Bank, Dubuque, Iowa	December 11, 1995	82, 162
First Bank System, Inc., Minneapolis, Minnesota	FirsTier Financial, Inc., Omaha, Nebraska	December 18, 1995	82, 169
First Union Corporation, Charlotte, North Carolina First Union Corporation of New Jersey, Newark, New Jersey	First Fidelity Bancorporation, Newark, New Jersey First Fidelity Bancorporation, Philadelphia, Pennsylvania First Fidelity Bank, N.A., Elkton, Maryland First Fidelity Bank, Stamford, Connecticut First Fidelity Bank, Delaware, Wilmington, Delaware	October 26, 1995	81, 1143
First National of Nebraska, Inc., Omaha, Nebraska	First Technology Solutions, Inc., Omaha, Nebraska	November 27, 1995	82, 82
First Union Corporation, Charlotte, North Carolina RS Financial Corporation, Raleigh, North Carolina	Raleigh Federal Savings Bank, Raleigh, North Carolina	October 26, 1995	81, 1118
Fleet Bank, Albany, New York	Shawmut Bank New York, Schenectady, New York	November 14, 1995	82, 50
Fleet Bank-NH, Nashua, New Hampshire	Shawmut Bank NH, Manchester, New Hampshire	November 14, 1995	82, 50
Fleet Financial Group, Providence, Rhode Island	Shawmut National Corporation, Hartford, Connecticut, Shawmut National Corporation, Boston, Massachusetts	November 14, 1995	82, 50
Keystone Financial, Inc., Harrisburg, Pennsylvania	Martindale Andres & Company, Inc., West Conshohocken, Pennsylvania	November 6, 1995	82, 84
Mercantile Bancorporation Inc., St. Louis, Missouri	Security Bank of Conway, F.S.B., Conway, Arkansas	November 29, 1995	82, 86
National Australia Bank Limited, Melbourne, Australia National Equities Limited, Melbourne, Australia National Australia Group Limited, London, England National Americas Holding Limited, London, England MNC Acquisition Co., Melbourne, Australia	Michigan National Corporation, Farmington Hills, Michigan Michigan National Bank, Farmington Hills, Michigan	October 16, 1995	81, 1153
NationsBank Corporation, Charlotte, North Carolina	CSF Holdings, Inc., Miami, Florida Citizens Federal Bank, a Federal Savings Bank, Miami, Florida	October 17, 1995	81, 1121

Index of Orders - Continued

Applicant	Merged or Acquired Bank or Activity	Date of Approval	*Bulletin* Volume and Page
NationsBank Corporation, Charlotte, North Carolina	Bank South Corporation, Atlanta, Georgia Bank South, Atlanta, Georgia	December 18, 1995	82, 172
NationsBank Corporation, Charlotte, North Carolina NB Holdings, Inc., Charlotte, North Carolina	Intercontinental Bank, Miami, Florida	October 17, 1995	81, 1105
NationsBank Corporation, Charlotte, North Carolina NB Holdings, Inc., Charlotte, North Carolina	North Florida Bank Corporation. Madison, Florida Bank of Madison County, National Association, Madison, Florida	December 6, 1995	82, 154
NBD Bancorp, Inc., Detroit, Michigan	First Chicago Corporation, Chicago, Illinois American National Corporation, Chicago, Illinois First National Bank of Chicago, Chicago, Illinois American National Bank & Trust Company, Chicago, Illinois FCC National Bank, Wilmington, Delaware	November 7, 1995	82, 93
Norwest Corporation, Minneapolis, Minnesota	Canton Bancshares, Inc., Canton, Illinois Canton State Bank, Canton, Illinois	December 18, 1995	82, 156
Norwest Corporation, Minneapolis, Minnesota	The Foothill Group, Inc., Los Angeles, California	October 17, 1995	81, 1128
Norwest Corporation, Minneapolis, Minnesota Norwest Financial Services, Inc., Des Moines, Iowa	Orlandi Valuta, Los Angeles, California Orlandi Valuta Nacional, Boulder City, Nevada	October 17, 1995	81, 1130
Premier Bancorp, Inc., Baton Rouge, Louisiana	HNB Corporation, Homer, Louisiana Homer National Bank, Homer, Louisiana	November 9, 1995	82, 75
The Shorebank Corporation, Chicago, Illinois	Indecorp, Inc., Chicago, Illinois Independence Bank, Chicago, Illinois Drexel National Bank, Chicago, Illinois	October 16, 1995	81, 1107
Signet Bank/Virginia, Richmond, Virginia	Signet Bank/Maryland, Baltimore, Maryland	October 2, 1995	81, 1157
SouthTrust Corporation, Birmingham, Alabama	SouthTrust Securities, Inc., Birmingham, Alabama	October 30, 1995	81, 1132

Index of Orders—Continued

Applicant	Merged or Acquired Bank or Activity	Date of Approval	*Bulletin* Volume and Page
Stichting Prioriteit ABN AMRO Holding, Amsterdam, The Netherlands Stichting Administratiekantoor ABN AMRO Holding, Amsterdam, The Netherlands ABN AMRO Holding N.V., Amsterdam, The Netherlands ABN AMRO Bank N.V., Amsterdam, The Netherlands	Alfred Berg, Inc., New York, New York	October 30, 1995	81, 1134
SunTrust Banks, Inc., Atlanta, Georgia	SunTrust Capital Markets, Inc., Atlanta, Georgia	October 16, 1995	81, 1137
UB&T Financial Corporation, Dallas, Texas UB&T Delaware Financial Corporation, Dover, Delaware	United Bank & Trust, N.A., Dallas, Texas Southeast Bancshares, Inc., Dallas, Texas Commercial National Bank, Dallas, Texas	October 23, 1995	81, 1112
Union Planters Corporation, Memphis, Tennessee	Capital Bancorporation, Inc., Cape Girardeau, Missouri Maryland Avenue Bancorporation, Clayton, Missouri Century State Bancshares, Jackson, Missouri	November 20, 1995	82, 78
U.S. Bancorp, Portland, Oregon	West One Bancorp, Boise, Idaho	December 11, 1995	82, 177
Wellington State Bank, Wellington, Texas	Bank of America Texas, N.A., Irving, Texas	December 6, 1995	82, 183
Wells Fargo & Company, San Francisco, California	Wells Fargo Equity Capital, Inc., San Francisco, California	December 13, 1995	82, 165

APPLICATIONS APPROVED UNDER BANK HOLDING COMPANY ACT

By the Secretary of the Board

Recent applications have been approved by the Secretary of the Board as listed below. Copies are available upon request to the Freedom of Information Office, Office of the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Section 3

Applicant(s)	Bank(s)	Effective Date
Whitney Holding Corporation, New Orleans, Louisiana	First Citizens BancStock, Inc., Morgan City, Louisiana First National Bank in St. Mary Parish, Morgan City, Louisiana	February 9, 1996

Section 4

Applicant(s)	Bank(s)	Effective Date
Old National Bancorp, Evansville, Indiana	Advantage Financial Services, Inc., Indianapolis, Indiana	February 13, 1996

APPLICATIONS APPROVED UNDER BANK HOLDING COMPANY ACT
By Federal Reserve Banks

Recent applications have been approved by the Federal Reserve Banks as listed below. Copies are available upon request to the Reserve Banks.

Section 3

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Ameribanc, Inc., St. Louis, Missouri	MidAmerican Corporation, Roeland Park, Kansas MidAmerican Insurance Agency, Inc., Roeland Park, Kansas	Kansas City	January 25, 1996
Associated Banc-Corp., Green Bay, Wisconsin	Associated Banc-Shares, Inc., Madison, Wisconsin Greater Columbia Bancshares, Inc., Portage, Wisconsin The First National Bank of Portage, Portage, Wisconsin	Chicago	February 8, 1996
Banc One Corporation, Columbus, Ohio KeyCorp, Cleveland, Ohio National City Corporation, Cleveland, Ohio PNC Bank Corp, Pittsburgh, Pennsylvania	Electronic Payment Services, Inc., Wilmington, Delaware	Cleveland	February 13, 1996
Bancshares of Nichols Hills, Inc., Ponca City, Oklahoma	Bank of Nichols Hills, Oklahoma City, Oklahoma	Kansas City	February 16, 1996
Baxter Bancshares, Inc., Baxter Springs, Kansas	The Baxter State Bank, Baxter Springs, Kansas People's National Bank, Seneca, Missouri	Kansas City	February 15, 1996
Citi-Bancshares, Inc., Leesburg, Florida	Citizens First Bancshares, Inc., Ocala, Florida	Atlanta	February 15, 1996
Durden Bankshares, Inc., Twin City, Georgia	Durden Banking Company, Inc., Twin City, Georgia	Atlanta	February 20, 1996
Evans Bancshares, Inc., Evansdale, Iowa	Olmsted National Bank, Rochester, Minnesota	Chicago	February 16, 1996
FABP Bancshares, Inc., Pensacola, Florida	First American Bank of Pensacola, National Association, Pensacola, Florida	Atlanta	February 16, 1996
The First Bancshares, Inc., Hattiesburg, Mississippi	The First National Bank of Mississippi, Hattiesburg, Mississippi	Atlanta	February 8, 1996

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
FirstBank Holding Company of Colorado, Lakewood, Colorado FirstBank Holding Company of Colorado Employee Stock Ownership Plan, Lakewood, Colorado	Bank of Douglas County, Castle Rock, Colorado	Kansas City	February 2, 1996
First Decatur Bancshares, Inc., Decatur, Illinois	First Shelby Financial Group, Inc., Shelbyville, Illinois First Trust Bank, Shelbyville, Illinois	Chicago	January 30, 1996
FirstMerit Corporation, Akron, Ohio	FirstMerit Bank, N.A., Clearwater, Florida	Cleveland	February 12, 1996
First National Bancshares, Inc., Edmond, Oklahoma	First National Bank of Edmond, Edmond, Oklahoma	Kansas City	February 21, 1996
FNB Bankshares, Inc., Milnor, North Dakota	First National Bank, Lisbon, North Dakota	Minneapolis	February 7, 1996
Hamburg Financial, Inc., Hamburg, Iowa	Thurman State Corporation, Lincoln, Nebraska United National Bank of Iowa, Sidney, Iowa	Chicago	February 5, 1996
James River Bankshares, Inc., Suffolk, Virginia	Bank of Isle of Wight, Smithfield, Virginia	Richmond	February 8, 1996
Lindsey Bancshares, Inc., Harrisonville, Missouri	Harrisonville Bancshares, Inc., Harrisonville, Missouri	Kansas City	February 15, 1996
Marine Bancorp, Inc., Springfield, Illinois	Marine Bank, Springfield, Springfield, Illinois	St. Louis	February 1, 1996
Magna Group, Inc., St. Louis, Missouri	River Bend Bancshares, Inc., East Alton, Illinois	St. Louis	February 6, 1996
Mercantile Bancorporation, Inc., St. Louis, Missouri	Mercantile Bank of Jackson County, In Organization, Kansas City, Missouri	Kansas City	January 25, 1996
Middlefork Financial Group, Inc., Hyden, Kentucky	Farmers & Traders Bank of Campton, Campton, Kentucky	Cleveland	January 29, 1996
Norwest Corporation, Minneapolis, Minnesota	Henrietta Bancshares, Inc., Henrietta, Texas Henrietta Delaware Financial Corporation, Dover, Delaware The First National Bank of Henrietta, Henrietta, Texas First State Bank of Hubbard, Hubbard, Texas	Minneapolis	February 6, 1996
Peoples Bancshares, Inc., Kansas City, Missouri	Lindsey Bancshares, Inc., Harrisonville, Missouri	Kansas City	February 15, 1996
Pioneer Bancshares, Inc., Ponca City, Oklahoma Pioneer Bancshares, Inc., Employee Stock Ownership Plan, Ponca City, Oklahoma	Bancshares of Nichols Hills, Inc., Ponca City, Oklahoma	Kansas City	February 16, 1996
Platte Valley Bancshares, Inc., Kansas City, Missouri	Lindsey Bancshares, Inc., Harrisonville, Missouri	Kansas City	February 15, 1996

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Regions Merger Subsidiary, Inc., Gainesville, Georgia	First National Bancorp, Gainesville, Georgia	Atlanta	January 26, 1996
Sabine Bancshares, Inc., Many, Louisiana	First Community Bancshares, Inc., Winnfield, Louisiana Winn Bancshares, Inc., Winnfield, Louisiana	Dallas	February 1, 1996
Storm Lake Security Bancorporation, Storm Lake, Iowa	Security Trust & Savings Bank, Storm Lake, Iowa	Chicago	January 31, 1996
Sunset Bancorp, Inc., Sunset, Louisiana	Bank of Sunset and Trust Company, Sunset, Louisiana	Atlanta	January 26, 1996
Valley Bancorp, Inc., Phoenix, Arizona	Valley Bank of Arizona, Phoenix, Arizona	San Francisco	February 6, 1996
ValliCorp Holdings, Inc., Fresno, California	Commerce Bank of San Luis Obispo, National Association, San Luis Obispo, California CoBank Financial Corporation, San Luis Obispo, California	San Francisco	February 20, 1996
Wells River Bancorp, Inc., Wellsville, Ohio	Perpetual Savings Bank, Wellsville, Ohio	Cleveland	February 2, 1996

Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Banque Nationale de Paris, Paris, France BancWest Corporation, San Francisco, California	Northbay Financial Corporation, Petaluma, California Northbay Savings Bank, F.S.B., Petaluma, California	San Francisco	February 16, 1996
Firstbank of Illinois Co., Springfield, Illinois	MidCountry Financial, Inc., Highland, Illinois	Chicago	January 30, 1996
Mountain Bank Systems, Inc., Whitefish, Montana	Mountain Financial, Inc., Eureka, Montana	Minneapolis	February 13, 1996
Ohio Valley Banc Corp., Gallipolis, Ohio	Loan Central, Inc., Gallipolis, Ohio	Cleveland	January 26, 1996
Pinellas Bancshares Corporation, St. Petersburg, Florida	Eickhoff, Pieper & Willoughby, Inc., Tampa, Florida	Atlanta	January 26, 1996
Regions Financial Corporation, Birmingham, Alabama Regions Merger Subsidiary, Inc., Gainesville, Georgia	First National Bancorp, Gainesville, Georgia FF Bancorp, Inc., New Smyrna Beach, Florida First Federal Savings Bank of New Smyrna Beach, New Smyrna Beach, Florida First Federal Savings Bank of Citrus County, Inverness, Florida	Atlanta	January 26, 1996
Summit Bancorp, Akron, Ohio	Summit Banc Investments Corporation, Akron, Ohio	Cleveland	February 15, 1996
Texas Community Bancshares, Inc., Dallas, Texas First Lakewood, Inc., Dover, Delaware	Fiduciary Consulting Services, LLC, Dallas, Texas	Dallas	February 16, 1996

Section 4 Continued

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Texas Community Bancshares, Inc., Dallas, Texas First Lakewood, Inc., Dover, Delaware	Texas Community Financial Services, Inc., Dallas, Texas	Dallas	January 31, 1996
Traxshares, Inc., Le Center, Minnesota	To engage *de novo* in making loans for its own account	Minneapolis	February 1, 1996
Wells Fargo & Company, San Francisco, California	To engage *de novo* in the activities of installing, owning, operating, and maintaining automatic teller machines in the State of Oregon	San Francisco	February 14, 1996

Sections 3 and 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Reliance Bancshares, Inc., Milwaukee, Wisconsin	Reliance Savings Bank, Milwaukee, Wisconsin	Chicago	February 16, 1996
Whitaker Bank Corporation of Kentucky, Lexington, Kentucky	Mount Sterling National Holding Corporation, Mount Sterling, Kentucky	Cleveland	February 2, 1996

Applications Approved Under Bank Merger Act By Federal Reserve Banks

Recent applications have been approved by the Federal Reserve Banks as listed below. Copies are available upon request to the Reserve Banks.

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Bank of Isle of Wight, Smithfield, Virginia	BIW Acquisition Bank, Suffolk, Virginia	Richmond	February 8, 1996
ValliWide Bank, Fresno, California	Commerce Bank of San Luis Obispo, National Association, San Luis Obispo, California	San Francisco	February 20, 1996
Vectra Bank, Denver, Colorado	Vectra Bank of Boulder, Boulder, Colorado	Kansas City	February 1, 1996

Pending Cases Involving the Board of Governors

This list of pending cases does not include suits against the Federal Reserve Banks in which the Board of Governors is not named a party.

Henderson v. Board of Governors, No. 96-1054 (D.C. Cir., filed February 16, 1996). Petition for review of a Board order dated January 17, 1996, approving the merger of First Citizens BancShares, Inc., Raleigh, North Carolina, with Allied Bank Capital, Inc., Sanford, North Carolina. On February 16, the petitioners moved for a stay of the Board's order. The Board opposed the motion on February 26, 1996.

Research Triangle Institute v. Board of Governors, No. 1:96CV00102 (M.D.N.C., filed February 12, 1996). Contract dispute.

In re: Subpoena Duces Tecum, Misc. No. 96-MS-(TPJ) (D. D.C., filed February 7, 1996). Motion to enforce a subpoena issued to the Board seeking, among other things, bank examination material. The Board's opposition was filed on February 20, 1996.

Inner City Press/Community on the Move v. Board of Governors, No. 96-4008 (2nd Cir., filed January 19, 1996). Petition for review of a Board order dated January 5, 1996, approving the applications and notices by Chemical Banking Corporation to merge with The Chase Manhattan Corporation, both of New York, New York, and by Chemical

Bank to merge with The Chase Manhattan Bank, N.A., both of New York, New York.

Hotchkiss v. Board of Governors, No. 3:96CV7033 (N.D. Ohio, filed January 19, 1996). Appeal of order of bankruptcy court granting Board's motion for summary judgment in adversary proceeding challenging dischargeability of Board consent order. The Board's brief is due April 1, 1996.

Menick v. Greenspan, No. 95 CV 01916 (D. D.C., filed October 10, 1995). Complaint alleging sex, age, and handicap discrimination in employment.

Kuntz v. Board of Governors, No. 95-1495 (D.C. Cir., filed September 21, 1995). Petition for review of Board order dated August 23, 1995, approving the applications of The Fifth Third Bank, Cincinnati, Ohio, to acquire certain assets and assume certain liabilities of 12 branches of PNC Bank, Ohio, N.A., Cincinnati, Ohio, and to establish certain branches. The Board's motion to dismiss was filed on October 26, 1995.

Lee v. Board of Governors, No. 94-4134 (2nd Cir., filed August 22, 1995). Petition for review of Board orders dated July 24, 1995, approving certain steps of a corporate reorganization of U.S. Trust Corporation, New York, New York, and the acquisition of U.S. Trust by Chase Manhattan Corporation, New York, New York. On September 12, 1995, the court denied petitioners' motion for an emergency stay of the Board's orders.

Jones v. Board of Governors, No. 95-1359 (D.C. Cir., filed July 17, 1995). Petition for review of a Board order dated June 19, 1995, approving the application by First Commerce Corporation, New Orleans, Louisiana, to acquire Lakeside Bancshares, Lake Charles, Louisiana. On November 15, 1995, the court granted the Board's motion to dismiss. On December 26, 1995, the petitioner filed a request for reconsideration. The motion was denied on February 26, 1996.

Beckman v. Greenspan, No. 95-35473 (9th Cir., filed May 4, 1995). Appeal of dismissal of action against Board and others seeking damages for alleged violations of constitutional and common law rights. The appellants' brief was filed on June 23, 1995; the Board's brief was filed on July 12, 1995.

Board of Governors v. Scott, Misc. No. 95-127 (LFO/PJA) (D. D.C., filed April 14, 1995). Application to enforce an administrative investigatory subpoena for documents and testimony. On August 3, 1995, the magistrate judge issued an order granting in part and denying in part the Board's application. On September 18, 1995, the intervenor moved for reconsideration of a portion of the magistrate's ruling.

Money Station, Inc. v. Board of Governors, No. 95-1182 (D.C. Cir., filed March 30, 1995). Petition for review of a Board order dated March 1, 1995, approving notices by Bank One Corporation, Columbus, Ohio; CoreStates Financial Corp., Philadelphia, Pennsylvania; PNC Bank Corp., Pittsburgh, Pennsylvania; and KeyCorp, Cleveland, Ohio, to acquire certain data processing assets of National City Corporation, Cleveland, Ohio, through a joint venture subsidiary. Oral argument was heard on February 2, 1996.

Jones v. Board of Governors, No. 95-1142 (D.C. Cir., filed March 3, 1995). Petition for review of a Board order dated February 2, 1995, approving the applications by First Commerce Corporation, New Orleans, Louisiana, to merge with City Bancorp, Inc., New Iberia, Louisiana, and First Bankshares, Inc., Slidell, Louisiana. Oral argument was heard on February 27, 1996.

In re Subpoena Duces Tecum, Misc. No. 95-06 (D.D.C., filed January 6, 1995). Action to enforce subpoena seeking predecisional supervisory documents sought in connection with an action by Bank of New England Corporation's trustee in bankruptcy against the Federal Deposit Insurance Corporation. The Board filed its opposition on January 20, 1995. Oral argument on the motion was held July 14, 1995.

Board of Governors v. Pharaon, No. 91-CIV-6250 (S.D. New York, filed September 17, 1991). Action to freeze assets of individual pending administrative adjudication of civil money penalty assessment by the Board. On September 17, 1991, the court issued an order temporarily restraining the transfer or disposition of the individual's assets.

Final Enforcement Orders Issued by the Board of Governors

Steen Ronlov
Lakewood, Colorado

The Federal Reserve Board announced on February 2, 1996, the issuance of an Order of Prohibition against Steen Ronlov, a former institution-affiliated party of the Jefferson Bank and Trust, Lakewood, Colorado, a former state member bank.

Mitchell A. Vasquez
New York, New York

The Federal Reserve Board announced on February 29, 1996, the issuance of a Combined Cease and Desist Order and Assessment of a Civil Money Penalty against Mitchell A. Vasquez, a former employee of BT Securities Corporation, New York, a subsidiary of Bankers Trust New York Corporation, New York, New York.

Financial and Business Statistics

Guide to Tabular Presentation

Symbols and Abbreviations

c	Corrected
e	Estimated
n.a.	Not available
n.e.c.	Not elsewhere classified
p	Preliminary
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)
*	Amounts insignificant in terms of the last decimal place shown in the table (for example, less than 500,000 when the smallest unit given is millions)
0	Calculated to be zero
...	Cell not applicable
ATS	Automatic transfer service
BIF	Bank insurance fund
CD	Certificate of deposit
CMO	Collateralized mortgage obligation
FFB	Federal Financing Bank
FHA	Federal Housing Administration
FHLBB	Federal Home Loan Bank Board
FHLMC	Federal Home Loan Mortgage Corporation
FmHA	Farmers Home Administration
FNMA	Federal National Mortgage Association
FSLIC	Federal Savings and Loan Insurance Corporation
G-7	Group of Seven
G-10	Group of Ten
GNMA	Government National Mortgage Association
GDP	Gross domestic product
HUD	Department of Housing and Urban Development
IMF	International Monetary Fund
IO	Interest only
IPCs	Individuals, partnerships, and corporations
IRA	Individual retirement account
MMDA	Money market deposit account
MSA	Metropolitan statistical area
NOW	Negotiable order of withdrawal
OCD	Other checkable deposit
OPEC	Organization of Petroleum Exporting Countries
OTS	Office of Thrift Supervision
PO	Principal only
REIT	Real estate investment trust
REMIC	Real estate mortgage investment conduit
RP	Repurchase agreement
RTC	Resolution Trust Corporation
SAIF	Savings Association Insurance Fund
SCO	Securitized credit obligation
SDR	Special drawing right
SIC	Standard Industrial Classification
VA	Department of Veterans Affairs

General Information

In many of the tables, components do not sum to totals because of rounding.

Minus signs are used to indicate (1) a decrease, (2) a negative figure, or (3) an outflow.

"U.S. government securities" may include guaranteed issues of U.S. government agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct obligations of the Treasury. "State and local government" also includes municipalities, special districts, and other political subdivisions.

1.10 RESERVES, MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES

Percent annual rate of change, seasonally adjusted[1]

Monetary or credit aggregate	1995[2]				1995[2]				1996
	Q1	Q2	Q3	Q4	Sept.	Oct.	Nov.	Dec.	Jan.
Reserves of depository institutions[3]									
1 Total	3.7	8.0	1.2	7.2	3.1	11.4	11.7	1.4	15.7
2 Required	4.0	7.0	2.3	8.0	2.3	14.4	8.9	5.9	20.6
3 Nonborrowed	2.4	8.6	2.2	6.7	3.0	10.8	10.8	.3	11.1
4 Monetary base[3]	6.0	5.7	1.7	2.7	2.4	2.9	1.2	5.2	.4
Concepts of money, liquid assets, and debt[4]									
5 M1	.1	.4	1.5	5.1	3.8	8.8	3.0	4.5	6.1
6 M2	1.4	4.3	7.0	4.0	4.4	2.3	3.7	5.6	5.2
7 M3	4.8	6.7	8.0	4.4	5.5	3.9	2.7	3.7	7.8
8 L	6.3	7.6	9.0	5.9	9.9	5.7	1.5	5.8	n.a.
9 Debt	5.3	7.0	4.6	4.0	3.4	3.6	5.5	3.0	n.a.
Nontransaction components									
10 In M2[5]	2.2	6.6	11.0	8.1	8.2	7.5	6.6	10.1	10.1
11 In M3 only[6]	19.8	16.9	12.1	5.9	9.7	9.8	9	3.8	18.4
Time and savings deposits									
Commercial banks									
12 Savings, including MMDAs	12.7	6.5	9.0	13.1	11.7	12.2	10.2	23.2	29.7
13 Small time[7]	24.5	20.4	11.0	3.9	4.0	3.1	4.6	1.7	4.4
14 Large time[8,9]	11.8	13.6	13.2	20.2	12.6	32.7	20.4	7.0	4.9
Thrift institutions									
15 Savings, including MMDAs	20.1	14.5	7.3	2.8	1.0	.3	6.3	2.7	2.7
16 Small time[7]	19.7	23.5	4.3	4.7	4.7	4.4	6.1	3.7	9.3
17 Large time[8]	22.6	16.7	14.1	8.2	6.5	11.4	4.8	4.8	16.0
Money market mutual funds									
18 Retail	11.7	19.0	36.5	16.8	18.6	12.8	14.0	13.8	9.9
19 Institution only	17.6	30.5	27.6	9.2	17.6	10.3	2.1	12.9	17.0
Repurchase agreements and Eurodollars									
20 Repurchase agreements[10]	31.7	7.8	5.3	13.5	2.5	15.6	25.4	46.6	33.7
21 Eurodollars[10]	26.0	18.6	9.4	13.6	7.7	20.5	39.1	5.4	44.6
Debt components[4]									
22 Federal	5.1	5.4	4.6	2.1	.8	2.9	4.4	2.4	n.a.
23 Nonfederal	5.4	7.5	4.6	4.7	4.4	3.8	5.9	4.9	n.a.

1. Unless otherwise noted, rates of change are calculated from average amounts outstanding during preceding month or quarter.
2. Figures incorporate adjustments for discontinuities, or "breaks," associated with regulatory changes in reserve requirements. (See also table 1.20.)
3. The seasonally adjusted, break-adjusted monetary base consists of (1) seasonally adjusted, break-adjusted total reserves (line 1), plus (2) the seasonally adjusted currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all weekly reporters whose vault cash exceeds their required reserves) the seasonally adjusted, break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.
4. Composition of the money stock measures and debt is as follows:
M1: (1) currency outside the U.S. Treasury, Federal Reserve Banks, and the vaults of depository institutions, (2) travelers checks of nonbank issuers, (3) demand deposits at all commercial banks other than those owed to depository institutions, the U.S. government, and foreign banks and official institutions, less cash items in the process of collection and Federal Reserve float, and (4) other checkable deposits (OCDs), consisting of negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at depository institutions, credit union share draft accounts, and demand deposits at thrift institutions. Seasonally adjusted M1 is computed by summing currency, travelers checks, demand deposits, and OCDs, each seasonally adjusted separately.
M2: M1 plus (1) savings (including MMDAs), (2) small denomination time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and (3) balances in retail money market mutual funds (money funds with minimum initial investments of less than $50,000). Excludes individual retirement accounts (IRAs) and Keogh balances at depository institutions and money market funds. Seasonally adjusted M2 is calculated by summing savings deposits, small denomination time deposits, and retail money fund balances, each seasonally adjusted separately, and adding this result to seasonally adjusted M1.
M3: M2 plus (1) large denomination time deposits (in amounts of $100,000 or more), (2) balances in institutional money funds (money funds with minimum initial investments of $50,000 or more), (3) RP liabilities (overnight and term) issued by all depository institutions, and (4) Eurodollars (overnight and term) held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Seasonally adjusted M3 is calculated by summing large time deposits, institutional money fund balances, RP liabilities, and Eurodollars, each seasonally adjusted separately, and adding this result to seasonally adjusted M2.
L: M3 plus the nonbank public holdings of U.S. savings bonds, short term Treasury securities, commercial paper, and bankers acceptances, net of money market fund holdings of these assets. Seasonally adjusted L is computed by summing U.S. savings bonds, short term Treasury securities, commercial paper, and bankers acceptances, each seasonally adjusted separately, and then adding this result to M3.
Debt: The debt aggregate is the outstanding credit market debt of the domestic nonfinancial sectors—the federal sector (U.S. government, not including government-sponsored enterprises or federally related mortgage pools) and the nonfederal sectors (state and local governments, households and nonprofit organizations, nonfinancial corporate and nonfarm noncorporate businesses, and farms). Nonfederal debt consists of mortgages, tax-exempt and corporate bonds, consumer credit, bank loans, commercial paper, and other loans. The data, which are derived from the Federal Reserve Board's flow of funds accounts, are break-adjusted (that is, discontinuities in the data have been smoothed into the series) and month-averaged (that is, the data have been derived by averaging adjacent month-end levels).
5. Sum of (1) savings deposits (including MMDAs), (2) small time deposits, and (3) retail money fund balances, each seasonally adjusted separately.
6. Sum of (1) large time deposits, (2) institutional money fund balances, (3) RP liabilities (overnight and term) issued by depository institutions, and (4) Eurodollars (overnight and term) of U.S. addressees, each seasonally adjusted separately.
7. Small time deposits—including retail RPs—are those issued in amounts of less than $100,000. All IRA and Keogh account balances at commercial banks and thrift institutions are subtracted from small time deposits.
8. Large time deposits are those issued in amounts of $100,000 or more, excluding those booked at international banking facilities.
9. Large time deposits at commercial banks less those held by money market funds, depository institutions, the U.S. government, and foreign banks and official institutions.
10. Includes both overnight and term.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT[1]

Millions of dollars

Factor	Average of daily figures			Average of daily figures for week ending on date indicated						
	1995		1996	1995		1996				
	Nov.	Dec.	Jan.	Dec. 20	Dec. 27	Jan. 3	Jan. 10	Jan. 17	Jan. 24	Jan. 31
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	413,165	420,757[r]	416,469	421,941	424,004[r]	428,549	421,502	416,530	412,457	409,556
U.S. government securities[2]										
2 Bought outright—System account	373,648	378,548	376,397	378,879	378,595	378,555	378,425	377,756	374,412	373,871
3 Held under repurchase agreements	3,249	5,626	1,810	4,848	7,997	11,794	2,556	548	0	0
Federal agency obligations										
4 Bought outright	2,796	2,654	2,634	2,637	2,636	2,634	2,634	2,634	2,634	2,634
5 Held under repurchase agreements	320	343	590	0	979	885	1,572	643	0	0
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	166	139	76	516	44	324	4	33	12	10
8 Seasonal credit	67	40	5	43	43	24	4	3	4	5
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	901	1,176[r]	2,461	2,769	895[r]	1,082	3,950	2,475	2,837	653
11 Other Federal Reserve assets	32,018	32,231	32,496	32,249	32,815	33,252	32,358	32,439	32,558	32,382
12 Gold stock	11,050	11,050	11,051	11,050	11,050	11,050	11,050	11,050	11,050	11,052
13 Special drawing rights certificate account	10,168	10,168	10,168	10,168	10,168	10,168	10,168	10,168	10,168	10,168
14 Treasury currency outstanding	23,893[r]	23,958[r]	24,020	23,960[r]	23,974[r]	23,988	24,002	24,016	24,030	24,034
ABSORBING RESERVE FUNDS										
15 Currency in circulation	413,038[r]	419,587[r]	417,877	418,824[r]	422,532[r]	424,346	421,507	419,161	415,696	412,334
16 Treasury cash holdings	287	271	247	271	270	262	217	225	271	271
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	5,410	6,762	6,298	8,633	7,169	6,306	5,313	5,548	7,218	6,963
18 Foreign	203	204	191	210	172	297	182	174	174	207
19 Service-related balances and adjustments	5,108	5,487[r]	5,997	5,250	5,558[r]	6,349	5,672	5,428	6,421	6,317
20 Other	326	366	333	304	296	741	232	287	310	344
21 Other Federal Reserve liabilities and capital	13,006	12,847	12,741	13,164	13,070	12,463	12,593	12,940	12,877	12,701
22 Reserve balances with Federal Reserve Banks[3]	19,897	20,410[r]	18,024	20,465	20,130[r]	22,992	21,005	18,000	14,739	15,685

Factor	End-of-month figures			Wednesday figures						
	Nov.	Dec.	Jan.	Dec. 20	Dec. 27	Jan. 3	Jan. 10	Jan. 17	Jan. 24	Jan. 31
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	412,867	428,440[r]	413,137	429,336	425,020[r]	435,257	415,603	426,583	408,770	413,137
U.S. government securities[2]										
2 Bought outright—System account	373,819	378,197	378,208	378,439	381,141	378,749	376,543	377,701	372,514	378,208
3 Held under repurchase agreements	6,983	12,762	0	8,235	6,724	11,745	0	1,500	0	0
Federal agency obligations										
4 Bought outright	2,692	2,634	2,634	2,637	2,634	2,634	2,634	2,634	2,634	2,634
5 Held under repurchase agreements	0	1,100	0	0	0	1,592	0	3,000	0	0
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	5	111	10	3,432	22	289	5	142	13	10
8 Seasonal credit	50	24	5	45	41	10	4	3	4	5
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	1,817	107[r]	929	4,125	1,642[r]	7,240	4,190	9,237	930	929
11 Other Federal Reserve assets	31,136	33,504	31,350	32,424	32,815	32,998	32,228	32,367	32,675	31,350
12 Gold stock	11,050	11,050	11,052	11,050	11,050	11,050	11,050	11,050	11,052	11,052
13 Special drawing rights certificate account	10,168	10,168	10,168	10,168	10,168	10,168	10,168	10,168	10,168	10,168
14 Treasury currency outstanding	23,932[r]	23,988[r]	24,044	23,960[r]	23,974[r]	23,988	24,002	24,016	24,030	24,044
ABSORBING RESERVE FUNDS										
15 Currency in circulation	416,719[r]	424,230[r]	412,629	421,304[r]	424,680[r]	424,595	420,591	418,643	414,422	412,629
16 Treasury cash holdings	276	270	273	270	270	217	218	270	272	273
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	5,703	5,979	8,210	11,383	5,779	4,787	5,796	7,859	7,089	8,210
18 Foreign	194	386	165	220	178	165	177	166	173	165
19 Service-related balances and adjustments	5,239	6,349[r]	6,317	5,250	5,558[r]	6,349	5,672	5,428	6,421	6,317
20 Other	282	932	406	308	279	257	236	306	313	406
21 Other Federal Reserve liabilities and capital	12,697	12,342	11,832	12,959	12,838	12,459	12,557	12,678	12,633	11,832
22 Reserve balances with Federal Reserve Banks[3]	16,908	23,159[r]	18,569	22,820	20,630[r]	31,634	15,577	26,466	12,697	18,569

1. Amounts of cash held as reserves are shown in table 1.12, line 2.
2. Includes securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale–purchase transactions.
3. Excludes required clearing balances and adjustments to compensate for float.

1.12 RESERVES AND BORROWINGS Depository Institutions[1]

Millions of dollars

Reserve classification	1993 Dec	1994 Dec.	1995 Dec	1995 July	1995 Aug	1995 Sept	1995 Oct	1995 Nov.	1995 Dec	1996 Jan
	Prorated monthly averages of biweekly averages									
1 Reserve balances with Reserve Banks[2]	29,374	24,658	20,440[r]	20,840	20,565	20,519	20,055	20,066	20,440[r]	17,766
2 Total vault cash[3]	36,818	40,378[r]	42,117	40,530[r]	40,186[r]	40,652[r]	40,564[r]	40,576[r]	42,117	44,790
3 Applied vault cash[4]	33,484	36,682	37,460[r]	36,550	36,255	36,640	36,345	36,332	37,460[r]	39,172
4 Surplus vault cash[5]	3,334	3,696[r]	4,657[r]	3,980[r]	3,932[r]	4,012[r]	4,219[r]	4,244	4,657[r]	5,619
5 Total reserves[6]	62,858	61,340	57,900[r]	57,390	56,819	57,159	56,400	56,397	57,900[r]	56,937
6 Required reserves	61,795	60,172	56,622	56,300	55,832	56,209	55,319	55,454	56,622	55,451
7 Excess reserve balances at Reserve Banks[7]	1,063	1,168	1,278	1,090	988	950	1,081	943	1,278	1,486
8 Total borrowings at Reserve Banks[8]	82	209	257	371	282	278	245	204	257	38
9 Seasonal borrowings	31	100	40	231	258	252	199	73	40	7
10 Extended credit[9]	0	0	0	0	0	0	0	0	0	0

Reserve classification	1995 Sept 27	1995 Oct. 11	1995 Oct 25	1995 Nov 8	1995 Nov 22	1995 Dec. 6	1995 Dec 20	1996 Jan 3[r]	1996 Jan. 17	1996 Jan. 31
	Biweekly averages of daily figures for two week periods ending on dates indicated									
1 Reserve balances with Reserve Banks[2]	20,182	19,886	20,496	19,334	20,270	20,438	19,563	21,558	19,658	15,060
2 Total vault cash[3]	40,631[r]	41,156[r]	39,859[r]	41,126[r]	40,218	40,653	42,943	41,865	44,166	46,042
3 Applied vault cash[4]	36,556	36,805	35,770	36,846	36,071	36,274	38,053	37,353	39,104	39,629
4 Surplus vault cash[5]	4,075[r]	4,352[r]	4,090[r]	4,280[r]	4,148	4,379	4,890	4,513	5,062	6,413
5 Total reserves[6]	56,738	56,690	56,265	56,180	56,341	56,712	57,615	58,910	58,762	54,689
6 Required reserves	55,781	55,312	55,406	55,129	55,544	55,623	56,508	57,313	57,143	53,361
7 Excess reserve balances at Reserve Banks[7]	957	1,378	860	1,052	797	1,089	1,107	1,597	1,619	1,329
8 Total borrowings at Reserve Banks[8]	274	338	227	121	236	233	300	218	22	16
9 Seasonal borrowings	261	240	204	116	63	51	41	34	4	5
10 Extended credit[9]	0	0	0	0	0	0	0	0	0	0

1. Data in this table also appear in the Board's H.3 (502) weekly statistical release. For ordering address, see inside front cover. Data are not break-adjusted or seasonally adjusted.
2. Excludes required clearing balances and adjustments to compensate for float and includes other off-balance-sheet "as-of" adjustments.
3. Total "lagged" vault cash held by depository institutions subject to reserve requirements. Dates refer to the maintenance periods during which the vault cash may be used to satisfy reserve requirements. The maintenance period for weekly reporters ends sixteen days after the lagged computation period during which the vault cash is held. Before Nov. 25, 1992, the maintenance period ended thirty days after the lagged computation period.
4. All vault cash held during the lagged computation period by "bound" institutions (that is, those whose required reserves exceed their vault cash) plus the amount of vault cash applied during the maintenance period by "nonbound" institutions (that is, those whose vault cash exceeds their required reserves) to satisfy current reserve requirements.
5. Total vault cash (line 2) less applied vault cash (line 3).
6. Reserve balances with Federal Reserve Banks (line 1) plus applied vault cash (line 3).
7. Total reserves (line 5) less required reserves (line 6).
8. Also includes adjustment credit.
9. Consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as with traditional short-term adjustment credit, the money market effect of extended credit is similar to that of nonborrowed reserves.

1.13 SELECTED BORROWINGS IN IMMEDIATELY AVAILABLE FUNDS Large Banks[1]

Millions of dollars, averages of daily figures

	Source and maturity	1995, week ending Monday				1996, week ending Monday				
		Dec. 4	Dec. 11	Dec. 18	Dec. 25	Jan. 1	Jan. 8	Jan. 15	Jan. 22	Jan. 29
	Federal funds purchased, repurchase agreements, and other selected borrowings									
	From commercial banks in the United States									
1	For one day or under continuing contract	92,013	91,010	95,899	93,042	87,495	94,378	90,305	85,691	78,477
2	For all other maturities	14,382	14,208	14,699[r]	16,230[r]	17,781	14,765	14,524	13,759	14,068
	From other depository institutions, foreign banks and official institutions, and U.S. government agencies									
3	For one day or under continuing contract	22,676	22,680	20,692	20,590	20,342	23,127	23,688	24,098	19,658
4	For all other maturities	19,903	20,178	19,985	21,315	21,663	19,427	19,529	19,155	19,908
	Repurchase agreements on U.S. government and federal agency securities									
	Brokers and nonbank dealers in securities									
5	For one day or under continuing contract	19,435	16,784	18,413	16,121	17,233	20,104	20,047	19,938	18,932
6	For all other maturities	25,700	27,003	24,221	25,024	22,925	25,774	27,454	26,854	28,083
	All other customers									
7	For one day or under continuing contract	44,887	42,598	43,097	41,224	41,272	45,524	43,602	43,700	41,234
8	For all other maturities	16,251	16,079	16,103	17,141	18,286	16,154	16,790	15,799	15,225
	MEMO									
	Federal funds loans and resale agreements in immediately available funds in maturities of one day or under continuing contract									
9	To commercial banks in the United States	60,904	58,461	63,983	67,332	64,799	68,303	64,929	65,987	60,616
10	To all other specified customers[2]	30,909	28,636	32,478	30,494	30,267	34,492	37,095	32,429	29,037

1. Banks with assets of $4 billion or more as of Dec. 31, 1988.
Data in this table also appear in the Board's H.5 (507) weekly statistical release. For ordering address, see inside front cover.

2. Brokers and nonbank dealers in securities, other depository institutions, foreign banks and official institutions, and U.S. government agencies.

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per year

Current and previous levels

Federal Reserve Bank	Adjustment credit[1]			Seasonal credit[2]			Extended credit[3]		
	On 3/8/96	Effective date	Previous rate	On 3/8/96	Effective date	Previous rate	On 3/8/96	Effective date	Previous rate
Boston	5.00	2/1/96	5.25	5.20	2/29/96	5.15	5.70	2/29/96	5.65
New York		1/31/96							
Philadelphia		1/31/96							
Cleveland		1/31/96							
Richmond		2/1/96							
Atlanta		1/31/96							
Chicago		2/1/96							
St. Louis		2/5/96							
Minneapolis		1/31/96							
Kansas City		2/1/96							
Dallas		1/31/96							
San Francisco	5.00	1/31/96	5.25	5.20	2/29/96	5.15	5.70	2/29/96	5.65

Range of rates for adjustment credit in recent years[4]

Effective date	Range (or level)- All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1977	6	6
1978 Jan 9	6-6.5	6.5
20	6.5	6.5
May 11	6.5-7	7
12	7	7
July 3	7-7.25	7.25
10	7.25	7.25
Aug. 21	7.75	7.75
Sept. 22	8	8
Oct 16	8-8.5	8.5
20	8.5	8.5
Nov. 1	8.5-9.5	9.5
3	9.5	9.5
1979- July 20	10	10
Aug. 17	10-10.5	10.5
20	10.5	10.5
Sept 19	10.5-11	11
21	11	11
Oct. 8	11-12	12
10	12	12
1980 Feb. 15	12-13	13
19	13	13
May 29	12-13	13
30	12	12
June 13	11-12	11
16	11	11
July 28	10-11	10
29	10	10
Sept. 26	11	11
Nov. 17	12	12
Dec 5	12-13	13
8	13	13
1981 May 5	13-14	14
8	14	14

Effective date	Range (or level) All F.R. Banks	F.R. Bank of N.Y.
1981 -Nov. 2	13-14	13
6	13	13
Dec. 4	12	12
1982 July 20	11.5-12	11.5
23	11.5	11.5
Aug. 2	11-11.5	11
3	11	11
16	10.5	10.5
27	10-10.5	10
30	10	10
Oct. 12	9.5-10	9.5
13	9.5	9.5
Nov. 22	9-9.5	9
26	9	9
Dec 14	8.5-9	9
15	8.5-9	8.5
17	8.5	8.5
1984 -Apr. 9	8.5-9	9
13	9	9
Nov. 21	8.5-9	8.5
26	8.5	8.5
Dec. 24	8	8
1985 - May 20	7.5-8	7.5
24	7.5	7.5
1986 Mar. 7	7-7.5	7
10	7	7
Apr. 21	6.5-7	6.5
23	6.5	6.5
July 11	6	6
Aug. 21	5.5-6	5.5
22	5.5	5.5
1987 Sept. 4	5.5-6	6
11	6	6

Effective date	Range (or level) All F.R. Banks	F.R. Bank of N.Y.
1988 - Aug. 9	6-6.5	6.5
11	6.5	6.5
1989 - Feb. 24	6.5-7	7
27	7	7
1990 -Dec. 19	6.5	6.5
1991 -Feb. 1	6-6.5	6
4	6	6
Apr 30	5.5-6	5.5
May 2	5.5	5.5
Sept. 13	5-5.5	5
17	5	5
Nov. 6	4.5-5	4.5
7	4.5	4.5
Dec. 20	3.5-4.5	3.5
24	3.5	3.5
1992 July 2	3-3.5	3
7	3	3
1994- May 17	3-3.5	3.5
18	3.5	3.5
Aug 16	3.5-4	4
18	4	4
Nov. 15	4-4.75	4.75
17	4.75	4.75
1995 - Feb. 1	4.75-5.25	5.25
9	5.25	5.25
1996 -Jan. 31	5.00-5.25	5.00
Feb. 5	5.00	5.00
In effect Mar. 8, 1996	5.00	5.00

1. Available on a short-term basis to help depository institutions meet temporary needs for funds that cannot be met through reasonable alternative sources. The highest rate established for loans to depository institutions may be charged on adjustment credit loans of unusual size that result from a major operating problem at the borrower's facility.

2. Available to help relatively small depository institutions meet regular seasonal needs for funds that arise from a clear pattern of intrayearly movements in their deposits and loans and that cannot be met through special industry lenders. The discount rate on seasonal credit takes into account rates charged by market sources of funds and ordinarily is reestablished on the first business day of each two-week reserve maintenance period; however, it is never less than the discount rate applicable to adjustment credit.

3. May be made available to depository institutions when similar assistance is not reasonably available from other sources, including special industry lenders. Such credit may be provided when exceptional circumstances (including sustained deposit drains, impaired access to money market funds, or sudden deterioration in loan repayment performance) or practices involve only a particular institution, or to meet the needs of institutions experiencing difficulties adjusting to changing market conditions over a longer period (particularly at times of deposit disintermediation). The discount rate applicable to adjustment credit ordinarily is charged on extended-credit loans outstanding less than thirty days; however, at the discretion of the Federal Reserve Bank, this time period may be shortened. Beyond this initial period, a flexible rate somewhat above rates charged on market sources of funds is charged. The rate ordinarily is reestablished on the first business day of each two-week reserve maintenance period, but it is never less than the discount rate applicable to adjustment credit plus 50 basis points.

4. For earlier data, see the following publications of the Board of Governors: *Banking and Monetary Statistics, 1914-1941*, and *1941-1970*, and the *Annual Statistical Digest, 1970-1979*.

In 1980 and 1981, the Federal Reserve applied a surcharge to short-term adjustment-credit borrowings by institutions with deposits of $500 million or more that had borrowed in successive weeks or in more than four weeks in a calendar quarter. A 3 percent surcharge was in effect from Mar. 17, 1980, through May 7, 1980. A surcharge of 2 percent was reimposed on Nov. 17, 1980; the surcharge was subsequently raised to 3 percent on Dec. 5, 1980, and to 4 percent on May 5, 1981. The surcharge was reduced to 3 percent effective Sept. 22, 1981, and to 2 percent effective Oct. 12, 1981. As of Oct. 1, 1981, the formula for applying the surcharge was changed from a calendar quarter to a moving thirteen-week period. The surcharge was eliminated on Nov. 17, 1981.

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

	Type of deposit	Requirement	
		Percentage of deposits	Effective date
	Net transaction accounts[2]		
1	$0 million–$52.0 million[3]	3	12/19/95
2	More than $52.0 million[4]	10	12/19/95
3	Nonpersonal time deposits[5]	0	12/27/90
4	Eurocurrency liabilities[6]	0	12/27/90

1. Required reserves must be held in the form of deposits with Federal Reserve Banks or vault cash. Nonmember institutions may maintain reserve balances with a Federal Reserve Bank indirectly, on a pass-through basis, with certain approved institutions. For previous reserve requirements, see earlier editions of the *Annual Report* or the *Federal Reserve Bulletin*. Under the Monetary Control Act of 1980, depository institutions include commercial banks, mutual savings banks, savings and loan associations, credit unions, agencies and branches of foreign banks, and Edge Act corporations.

2. Transaction accounts include all deposits against which the account holder is permitted to make withdrawals by negotiable or transferable instruments, payment orders of withdrawal, and telephone and preauthorized transfers for the purpose of making payments to third persons or others. However, money market deposit accounts (MMDAs) and similar accounts subject to the rules that permit no more than six preauthorized, automatic, or other transfers per month, of which no more than three may be checks, are savings deposits, not transaction accounts.

3. The Monetary Control Act of 1980 requires that the amount of transaction accounts against which the 3 percent reserve requirement applies be modified annually by 80 percent of the percentage change in transaction accounts held by all depository institutions, determined as of June 30 of each year. Effective Dec. 19, 1995, the amount was decreased from $54.0 million to $52.0 million.

Under the Garn–St Germain Depository Institutions Act of 1982, the Board adjusts the amount of reservable liabilities subject to a zero percent reserve requirement each year for the succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is made in the event of a decrease. Effective Dec. 19, 1995, the exemption was raised from $4.2 million to $4.3 million. The exemption applies only to accounts that would be subject to a 3 percent reserve requirement.

4. The reserve requirement was reduced from 12 percent to 10 percent on Apr. 2, 1992, for institutions that report weekly, and on Apr. 16, 1992, for institutions that report quarterly.

5. For institutions that report weekly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years was reduced from 3 percent to 1½ percent for the maintenance period that began Dec. 13, 1990, and to zero for the maintenance period that began Dec. 27, 1990. The reserve requirement on nonpersonal time deposits with an original maturity of 1½ years or more has been zero since Oct. 6, 1983.

For institutions that report quarterly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years was reduced from 3 percent to zero on Jan. 17, 1991.

6. The reserve requirement on Eurocurrency liabilities was reduced from 3 percent to zero in the same manner and on the same dates as was the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years (see note 5).

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

Type of transaction and maturity	1993	1994	1995	1995 June	July	Aug.	Sept.	Oct.	Nov.	Dec.
U.S. TREASURY SECURITIES										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	17,717	17,484	10,932	4,470	0	433	409	1,350	4,271	0
2 Gross sales	0	0	0	0	0	0	0	0	0	0
3 Exchanges	332,229	376,277	398,487	42,983	25,213	39,195	30,333	29,397	39,057	31,535
4 Redemptions	0	0	900	0	0	0	0	900	0	0
Others within one year										
5 Gross purchases	1,223	1,238	390	0	0	0	0	0	0	390
6 Gross sales	0	0	0	0	0	0	0	0	0	0
7 Maturity shifts	31,368	0	0	2,177	2,063	7,805	0	1,745	6,108	0
8 Exchanges	−36,582	−21,444	0	−1,392	−562	−5,599	0	−2,049	−4,937	0
9 Redemptions	0	0	0	0	300	0	485	0	0	0
One to five years										
10 Gross purchases	10,350	9,168	4,966	0	0	0	100	0	0	2,317
11 Gross sales	0	0	0	0	0	0	0	0	0	0
12 Maturity shifts	−27,140	−6,004	0	−2,177	−2,063	−3,379	0	−1,745	−5,292	0
13 Exchanges	0	17,801	0	1,392	562	4,905	0	2,049	3,237	0
Five to ten years										
14 Gross purchases	4,168	3,818	1,239	0	0	0	0	0	400	0
15 Gross sales	0	0	0	0	0	0	0	0	0	0
16 Maturity shifts	0	−3,145	0	0	0	−319	0	0	−816	0
17 Exchanges	0	2,903	0	0	0	1,800	0	0	1,700	0
More than ten years										
18 Gross purchases	3,457	3,606	3,122	0	0	0	100	0	0	1,884
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shifts	0	−918	0	0	0	−525	0	0	0	0
21 Exchanges	0	775	0	0	0	1,100	0	0	0	0
All maturities										
22 Gross purchases	36,915	35,314	20,649	4,470	0	433	609	1,350	4,671	4,591
23 Gross sales	0	0	0	0	0	0	0	0	0	0
24 Redemptions	767	2,337	2,376	0	0	0	0	1,385	0	0
Matched transactions										
25 Gross purchases	1,475,941	1,700,836	2,197,736	170,083	166,674	179,571	195,830	216,755	226,340	227,858
26 Gross sales	1,475,085	1,701,309	2,202,030	171,959	163,490	185,711	198,587	213,161	228,419	228,071
Repurchase agreements										
27 Gross purchases	475,447	309,276	331,694	40,989	8,527	4,130	43,286	28,825	44,569	34,325
28 Gross sales	470,723	311,898	328,497	28,196	24,851	1,075	39,896	32,980	39,876	28,546
29 Net change in U.S. Treasury securities	41,729	29,882	17,175	15,387	−13,141	−2,651	1,241	−597	7,285	10,157
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
30 Gross purchases	0	0	0	0	0	0	0	0	0	0
31 Gross sales	0	0	0	0	0	0	0	0	0	0
32 Redemptions	774	1,002	1,303	262	333	122	46	83	120	58
Repurchase agreements										
33 Gross purchases	35,063	52,696	36,851	1,941	711	1,610	1,434	3,740	3,763	2,888
34 Gross sales	34,669	52,696	36,776	2,180	1,172	1,510	1,459	3,605	3,973	1,788
35 Net change in federal agency obligations	−380	−1,002	−1,228	−501	−794	−22	−71	52	−330	1,042
36 Total net change in System Open Market Account	**41,348**	**28,880**	**15,948**	**14,886**	**−13,935**	**−2,673**	**1,170**	**−545**	**6,955**	**11,199**

1. Sales, redemptions, and negative figures reduce holdings of the System Open Market Account; all other figures increase such holdings.

1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements[1]

Millions of dollars

Account	Wednesday 1996 Jan. 3	Jan. 10	Jan. 17	Jan. 24	Jan. 31	End of month 1995 Nov. 30	Dec. 31	1996 Jan. 31
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,050	11,050	11,050	11,052	11,052	11,050	11,050	11,052
2 Special drawing rights certificate account	10,168	10,168	10,168	10,168	10,168	10,168	10,168	10,168
3 Coin	412	417	447	492	513	442	424	513
Loans								
4 To depository institutions	299	8	145	17	15	55	135	15
5 Other	0	0	0	0	0	0	0	0
6 Acceptances held under repurchase agreements	0	0	0	0	0	0	0	0
Federal agency obligations								
7 Bought outright	2,634	2,634	2,634	2,634	2,634	2,692	2,634	2,634
8 Held under repurchase agreements	1,592	0	3,000	0	0	0	1,100	0
9 **Total U.S. Treasury securities**	**390,494**	**376,543**	**379,201**	**372,514**	**378,208**	**380,802**	**390,959**	**378,208**
10 Bought outright[2]	378,749	376,543	377,701	372,514	378,208	373,819	378,197	378,208
11 Bills	183,667	181,461	183,847	178,660	184,355	183,328	183,116	184,355
12 Notes	151,013	151,013	149,785	149,785	149,785	147,881	151,013	149,785
13 Bonds	44,069	44,069	44,069	44,069	44,069	42,610	44,069	44,069
14 Held under repurchase agreements	11,745	0	1,500	0	0	6,983	12,762	0
15 **Total loans and securities**	**395,019**	**379,185**	**384,980**	**375,165**	**380,857**	**383,549**	**394,829**	**380,857**
16 Items in process of collection	15,725	10,434	18,912	5,797	6,374	4,319	4,769	6,374
17 Bank premises	1,125	1,130	1,135	1,135	1,134	1,146	1,126	1,134
Other assets								
18 Denominated in foreign currencies[3]	21,102	21,113	21,124	21,134	19,798	21,049	21,099	19,798
19 All other[4]	10,756	10,098	10,130	10,406	10,447	8,860	11,258	10,447
20 ***Total assets***	**465,357**	**443,596**	**457,945**	**435,350**	**440,344**	**440,582**	**454,723**	**440,344**
LIABILITIES								
21 Federal Reserve notes	401,236	397,224	395,344	391,156	389,371	393,505	400,935	389,371
22 **Total deposits**	**43,525**	**28,565**	**40,266**	**26,473**	**33,903**	**30,549**	**36,908**	**33,903**
23 Depository institutions	38,316	22,356	31,936	18,898	25,122	24,369	29,611	25,122
24 U.S. Treasury—General account	4,787	5,796	7,859	7,089	8,210	5,703	5,979	8,210
25 Foreign—Official accounts	165	177	166	173	165	194	386	165
26 Other	257	236	306	313	406	282	932	406
27 Deferred credit items	8,137	5,250	9,656	5,087	5,239	3,832	4,538	5,239
28 Other liabilities and accrued dividends[5]	4,328	4,141	4,280	4,192	4,181	4,645	4,409	4,181
29 ***Total liabilities***	**457,225**	**435,180**	**449,547**	**426,910**	**432,693**	**432,531**	**446,790**	**432,693**
CAPITAL ACCOUNTS								
30 Capital paid in	3,976	3,983	3,988	3,991	3,996	3,958	3,966	3,996
31 Surplus	3,964	3,966	3,966	3,966	3,654	3,671	3,966	3,654
32 Other capital accounts	192	466	444	483	1	422	0	1
33 ***Total liabilities and capital accounts***	**465,357**	**443,596**	**457,945**	**435,350**	**440,344**	**440,582**	**454,723**	**440,344**
MEMO								
34 Marketable U.S. Treasury securities held in custody for foreign and international accounts	502,958	504,929	506,981	503,921	509,014	506,035	500,174	509,044
	Federal Reserve note statement							
35 Federal Reserve notes outstanding (issued to Banks)	480,013	480,114	480,715	484,906	489,867	477,946	481,044	489,867
36 LESS: Held by Federal Reserve Banks	78,778	82,890	85,371	93,750	100,496	84,441	80,109	100,496
37 Federal Reserve notes, net	401,236	397,224	395,344	391,156	389,371	393,505	400,935	389,371
Collateral held against notes, net								
38 Gold certificate account	11,050	11,050	11,050	11,052	11,052	11,050	11,050	11,052
39 Special drawing rights certificate account	10,168	10,168	10,168	10,168	10,168	10,168	10,168	10,168
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities	380,018	376,006	374,126	369,936	368,150	372,286	379,717	368,150
42 **Total collateral**	**401,236**	**397,224**	**395,344**	**391,156**	**389,371**	**393,505**	**400,935**	**389,371**

1. Some of the data in this table also appear in the Board's H.4.1 (503) weekly statistical release. For ordering address, see inside front cover.
2. Includes securities loaned—fully guaranteed by U.S. Treasury securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale–purchase transactions.
3. Valued monthly at market exchange rates.
4. Includes special investment account at the Federal Reserve Bank of Chicago in Treasury bills maturing within ninety days.
5. Includes exchange-translation account reflecting the monthly revaluation at market exchange rates of foreign exchange commitments.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holding

Millions of dollars

Type of holding and maturity	Wednesday					End of month		
	1996					1995		1996
	Jan. 3	Jan. 10	Jan. 17	Jan. 24	Jan. 31	Nov. 30	Dec. 31	Jan. 31
1 **Total loans**	**299**	**8**	**145**	**17**	**15**	**55**	**87**	**15**
2 Within fifteen days[1]	297	6	144	16	15	29	85	15
3 Sixteen days to ninety days	2	2	1	1		26	2	
4 **Total U.S. Treasury securities**	**390,494**	**376,543**	**379,201**	**372,514**	**378,208**	**373,819**	**378,197**	**378,208**
5 Within fifteen days[1]	26,631	14,549	11,546	14,402	20,294	5,924	7,580	20,294
6 Sixteen days to ninety days	88,402	90,887	92,858	83,280	84,103	87,792	93,738	84,103
7 Ninety one days to one year	121,568	117,234	121,502	121,537	119,461	130,641	123,217	119,461
8 One year to five years	85,503	85,503	84,904	84,904	85,961	82,956	85,273	85,961
9 Five years to ten years	31,469	31,469	31,469	31,469	31,469	30,876	31,469	31,469
10 More than ten years	36,921	36,921	36,921	36,921	36,921	35,630	36,921	36,921
11 **Total federal agency obligations**	**4,226**	**2,664**	**5,634**	**2,634**	**2,634**	**2,692**	**2,634**	**2,634**
12 Within fifteen days[1]	1,592	0	3,141	141	141	372	240	141
13 Sixteen days to ninety days	1,754	754	613	613	660	384	474	660
14 Ninety one days to one year	487	647	647	664	617	531	527	617
15 One year to five years	841	681	681	664	664	853	841	664
16 Five years to ten years	527	527	527	527	527	527	527	527
17 More than ten years	25	25	25	25	25	25	25	25

1. Holdings under repurchase agreements are classified as maturing within fifteen days in accordance with maximum maturity of the agreements.

NOTE. Total acceptances data have been deleted from this table because data are no longer available

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE[1]

Billions of dollars, averages of daily figures

Item	1992 Dec.	1993 Dec.	1994 Dec.	1995 Dec.	1995 June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1996 Jan.
	Seasonally adjusted											
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]												
1 Total reserves[3]	54.35	60.50	59.34	56.33[r]	57.35	57.66	57.52	57.37	56.82	56.27	56.33[r]	55.60
2 Nonborrowed reserves[4]	54.23	60.42	59.13	56.08	57.08	57.28	57.23	57.09	56.58	56.07	56.08	55.56
3 Nonborrowed reserves plus extended credit[5]	54.23	60.42	59.13	56.08	57.08	57.28	57.23	57.09	56.58	56.07	56.08	55.56
4 Required reserves	53.20	59.44	58.17	55.06	56.39	56.57	56.53	56.42	55.74	55.33	55.06	54.11
5 Monetary base[6]	351.27[r]	386.90[r]	418.74[r]	435.02[r]	429.26[r]	429.79[r]	430.78[r]	431.65[r]	432.70[r]	433.15[r]	435.02[r]	435.17
	Not seasonally adjusted											
6 Total reserves[7]	56.06	62.37	61.13	58.01	57.13	57.49	56.93	57.29	56.54	56.56	58.01	56.96
7 Nonborrowed reserves	55.93	62.29	60.92	57.76	56.85	57.12	56.65	57.01	56.30	56.35	57.76	56.93
8 Nonborrowed reserves plus extended credit[5]	55.93	62.29	60.92	57.76	56.85	57.12	56.65	57.01	56.30	56.35	57.76	56.93
9 Required reserves[8]	54.90	61.31	59.96	56.74	56.16	56.40	55.95	56.34	55.46	55.62	56.74	55.48
10 Monetary base[9]	354.55	390.59	422.51	439.01[r]	430.26	431.30	431.08	431.62	431.58[r]	433.21[r]	439.01[r]	435.98
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[10]												
11 Total reserves[11]	56.54	62.86	61.34	57.90	57.04	57.39	56.82	57.16	56.40	56.40	57.90	56.94
12 Nonborrowed reserves	56.42	62.78	61.13	57.64	56.77	57.02	56.54	56.88	56.15	56.19	57.64	56.90
13 Nonborrowed reserves plus extended credit[5]	56.42	62.78	61.13	57.64	56.77	57.02	56.54	56.88	56.15	56.19	57.64	56.90
14 Required reserves	55.39	61.80	60.17	56.62	56.08	56.30	55.83	56.21	55.32	55.45	56.62	55.45
15 Monetary base[12]	360.90	397.62	427.25	444.44[r]	434.57	435.56	435.59	436.20	436.34[r]	438.19[r]	444.44[r]	441.92
16 Excess reserves[13]	1.16	1.06	1.17	1.28	.96	1.09	.99	.95	1.08	.94	1.28	1.49
17 Borrowings from the Federal Reserve	.12	.08	.21	.26	.27	.37	.28	.28	.25	.20	.26	.04

1. Latest monthly and biweekly figures are available from the Board's H.3 (502) weekly statistical release. Historical data starting in 1959 and estimates of the effect on required reserves of changes in reserve requirements are available from the Money and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

2. *Figures reflect adjustments for discontinuities, or "breaks," associated with regulatory* changes in reserve requirements. (See also table 1.10.)

3. Seasonally adjusted, break adjusted total reserves equal seasonally adjusted, break-adjusted required reserves (line 4) plus excess reserves (line 16).

4. Seasonally adjusted, break adjusted nonborrowed reserves equal seasonally adjusted, break-adjusted total reserves (line 1) less total borrowings of depository institutions from the Federal Reserve (line 17).

5. Extended credit consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as with traditional short-term adjustment credit, the money market effect of extended credit is similar to that of nonborrowed reserves.

6. The seasonally adjusted, break-adjusted monetary base consists of (1) seasonally adjusted, break-adjusted total reserves (line 1), plus (2) the seasonally adjusted currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the seasonally adjusted, break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

7. Break-adjusted total reserves equal break-adjusted required reserves (line 9) plus excess reserves (line 16).

8. To adjust required reserves for discontinuities that are due to regulatory changes in reserve requirements, a multiplicative procedure is used to estimate what required reserves would have been in past periods had current reserve requirements been in effect. Break-adjusted required reserves include required reserves against transactions deposits and nonpersonal time and savings deposits (but not reservable nondeposit liabilities).

9. The break-adjusted monetary base equals (1) break-adjusted total reserves (line 6), plus (2) the (unadjusted) currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

10. Reflects actual reserve requirements, including those on nondeposit liabilities, with no adjustments to eliminate the effects of discontinuities associated with regulatory changes in reserve requirements.

11. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements.

12. The monetary base, not break-adjusted and not seasonally adjusted, consists of (1) total reserves (line 11), plus (2) required clearing balances and adjustments to compensate for float at Federal Reserve Banks, plus (3) the currency component of the money stock, plus (4) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the difference between current vault cash and the amount applied to satisfy current reserve requirements. Since the introduction of contemporaneous reserve requirements in February 1984, currency and vault cash figures have been measured over the computation periods ending on Mondays.

13. Unadjusted total reserves (line 11) less unadjusted required reserves (line 14).

1.21 MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES[1]

Billions of dollars, averages of daily figures

Item	1992[r] Dec.	1993[r] Dec.	1994[r] Dec.	1995[r] Dec.	1995[r] Oct.	1995[r] Nov.	1995[r] Dec.	1996 Jan.
	Seasonally adjusted							
Measures[2]								
1 M1	1,024.4	1,128.6	1,148.7	1,124.8	1,131.8	1,129.0	1,124.8	1,119.1
2 M2	3,438.7	3,494.1	3,509.4	3,670.2	3,642.1	3,653.2	3,670.2	3,686.0
3 M3	4,187.3	4,249.6	4,319.4	4,582.0	4,557.5	4,567.9	4,582.0	4,611.8
4 L	5,075.8	5,164.5	5,303.4	5,695.1	5,660.6	5,667.9	5,695.1	n.a.
5 Debt	11,881.7	12,516.4	13,153.2	13,841.8	13,745.0	13,807.8	13,841.8	n.a.
M1 components								
6 Currency[3]	292.9	322.4	354.9	373.2	370.8	371.6	373.2	373.6
7 Travelers checks[4]	8.1	7.9	8.5	8.9	8.8	8.9	8.9	8.9
8 Demand deposits[5]	339.1	384.3	382.4	389.8	388.1	388.2	389.8	393.5
9 Other checkable deposits[6]	384.2	414.0	402.9	353.0	364.1	360.3	353.0	343.1
Nontransaction components								
10 In M2[7]	2,414.3	2,365.4	2,360.7	2,545.4	2,510.3	2,524.2	2,545.4	2,566.9
11 In M3 only[8]	748.6	755.6	809.9	911.8	915.4	914.7	911.8	925.8
Commercial banks								
12 Savings deposits, including MMDAs	754.1	785.0	751.9	775.0	753.9	760.3	775.0	794.2
13 Small time deposits[9]	509.3	470.4	505.4	576.2	573.2	575.4	576.2	578.3
14 Large time deposits[10, 11]	286.6	272.3	298.7	343.5	335.8	341.5	343.5	344.9
Thrift institutions								
15 Savings deposits, including MMDAs	433.0	433.8	397.0	359.5	362.2	360.3	359.5	358.7
16 Small time deposits[9]	361.9	317.6	318.2	359.5	356.6	358.4	359.5	356.7
17 Large time deposits[10]	67.1	61.5	64.8	75.1	74.5	74.8	75.1	76.1
Money market mutual funds								
18 Retail	356.0	358.7	388.1	475.1	464.3	469.7	475.1	479.0
19 Institution-only	199.8	197.9	183.7	226.4	223.6	224.0	226.4	229.6
Repurchase agreements and Eurodollars								
20 Repurchase agreements[12]	128.1	157.5	180.4	178.1	189.3	185.3	178.1	183.1
21 Eurodollars[12]	66.9	66.3	82.3	88.7	92.1	89.1	88.7	92.0
Debt components								
22 Federal debt	3,068.6	3,328.3	3,497.6	3,638.4	3,632.6	3,615.8	3,638.4	n.a.
23 Nonfederal debt	8,813.1	9,188.1	9,655.6	10,203.4	10,112.3	10,162.1	10,203.4	n.a.
	Not seasonally adjusted							
Measures[2]								
24 M1	1,046.0	1,153.7	1,174.2	1,150.7	1,131.0	1,136.5	1,150.7	1,128.0
25 M2	3,455.1	3,514.1	3,529.8	3,689.9	3,638.1	3,658.8	3,689.9	3,687.8
26 M3	4,205.3	4,271.3	4,341.1	4,603.0	4,557.3	4,580.8	4,603.0	4,616.4
27 L	5,103.1	5,194.2	5,332.9	5,724.7	5,650.1	5,681.2	5,724.7	n.a.
28 Debt	11,883.2	12,509.3	13,145.8	13,828.6	13,703.7	13,771.3	13,828.6	n.a.
M1 components								
29 Currency[3]	295.0	324.8	357.5	376.1	370.0	371.7	376.1	371.7
30 Travelers checks[4]	7.8	7.6	8.1	8.5	8.9	8.7	8.5	8.5
31 Demand deposits[5]	354.4	401.8	400.1	408.0	391.1	395.8	408.0	399.0
32 Other checkable deposits[6]	388.9	419.4	408.4	358.0	361.0	360.3	358.0	348.8
Nontransaction components								
33 In M2[7]	2,409.1	2,360.4	2,355.6	2,539.2	2,507.0	2,522.3	2,539.2	2,559.8
34 In M3 only[8]	750.2	757.1	811.4	913.2	919.3	922.0	913.2	928.6
Commercial banks								
35 Savings deposits, including MMDAs	752.9	784.3	751.6	775.0	755.4	763.1	775.0	790.4
36 Small time deposits[9]	507.8	468.2	502.5	572.3	572.6	572.6	572.3	576.0
37 Large time deposits[10, 11]	286.2	272.1	298.5	343.4	338.1	344.3	343.4	342.2
Thrift institutions								
38 Savings deposits, including MMDAs	432.4	433.4	396.9	359.5	362.9	361.7	359.5	357.0
39 Small time deposits[9]	360.9	316.1	316.4	357.1	356.2	356.7	357.1	355.2
40 Large time deposits[10]	67.0	61.5	64.8	75.1	75.0	75.5	75.1	75.5
Money market mutual funds								
41 Retail	355.1	358.3	388.2	475.3	459.9	467.8	475.3	481.1
42 Institution only	201.1	199.4	185.5	228.6	221.8	226.3	228.6	237.2
Repurchase agreements and Eurodollars								
43 Repurchase agreements[12]	127.2	156.6	179.2	176.7	191.2	185.1	176.7	181.8
44 Eurodollars[13]	68.7	67.6	83.4	89.4	93.2	90.7	89.4	91.9
Debt components								
45 Federal debt	3,069.8	3,329.5	3,499.0	3,639.8	3,610.1	3,635.9	3,639.8	n.a.
46 Nonfederal debt	8,813.4	9,179.8	9,636.8	10,188.8	10,093.6	10,135.4	10,188.8	n.a.

Footnotes appear on following page

NOTES TO TABLE 1.21

1. Latest monthly and weekly figures are available from the Board's H.6 (508) weekly statistical release. Historical data starting in 1959 are available from the Money and Reserves *Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve* System, Washington, DC 20551.

2. Composition of the money stock measures and debt is as follows:

M1: (1) currency outside the U.S. Treasury, Federal Reserve Banks, and the vaults of depository institutions, (2) travelers checks of nonbank issuers, (3) demand deposits at all commercial banks other than those owed to depository institutions, the U.S. government, and *foreign banks and official institutions, less cash items in the process of collection and Federal* Reserve float, and (4) other checkable deposits (OCDs), consisting of negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at depository institutions, credit union share draft accounts, and demand deposits at thrift institutions. Seasonally adjusted M1 is computed by summing currency, travelers checks, demand deposits, and OCDs, each seasonally adjusted separately.

M2: M1 plus (1) savings deposits (including MMDAs), (2) small-denomination time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and (3) balances in retail money market mutual funds (money funds with minimum initial investments of less than $50,000). Excludes individual retirement accounts (IRAs) and Keogh balances at depository institutions and money market funds. Seasonally adjusted M2 is calculated by summing savings deposits, small denomination time deposits, and retail money fund balances, each seasonally adjusted separately, and adding this result to seasonally adjusted M1.

M3: M2 plus (1) large-denomination time deposits (in amounts of $100,000 or more) issued by all depository institutions, (2) balances in institutional money funds (money funds with minimum initial investments of $50,000 or more), (3) RP liabilities (overnight and term) issued by all depository institutions, and (4) Eurodollars (overnight and term) held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Seasonally adjusted M3 is calculated by summing large time deposits, institutional money fund balances, RP liabilities, and Eurodollars, each seasonally adjusted separately, and adding this result to seasonally adjusted M2.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, net of money market fund holdings of these assets. Seasonally adjusted L is computed by summing U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, each seasonally adjusted separately, *and then adding this result to* M3.

Debt: The debt aggregate is the outstanding credit market debt of the domestic nonfinancial sectors—the federal sector (U.S. government, not including government sponsored enterprises or federally related mortgage pools) and the nonfederal sectors (state and local governments, households and nonprofit organizations, nonfinancial corporate and nonfarm noncorporate businesses, and farms). Nonfederal debt consists of mortgages, tax exempt and *corporate bonds, consumer credit, bank loans, commercial paper, and other loans. The data,* which are derived from the Federal Reserve Board's flow of funds accounts, are break-adjusted (that is, discontinuities in the data have been smoothed into the series) and month-averaged (that is, the data have been derived by averaging adjacent month end levels).

3. Currency outside the U.S. Treasury, Federal Reserve Banks, and vaults of depository institutions.

4. Outstanding amount of U.S. dollar-denominated travelers checks of nonbank issuers. Travelers checks issued by depository institutions are included in demand deposits.

5. Demand deposits at commercial banks and foreign-related institutions other than those owed to depository institutions, the U.S. government, and foreign banks and official institutions, less cash items in the process of collection and Federal Reserve float.

6. Consists of NOW and ATS account balances at all depository institutions, credit union share draft account balances, and demand deposits at thrift institutions.

7. Sum of (1) savings deposits (including MMDAs), (2) small time deposits, and (3) retail money fund balances.

8. Sum of (1) large time deposits, (2) institutional money fund balances, (3) RP liabilities (overnight and term) issued by depository institutions, and (4) Eurodollars (overnight and term) of U.S. addressees.

9. Small time deposits—including retail RPs—are those issued in amounts of less than $100,000. All IRAs and Keogh accounts at commercial banks and thrift institutions are subtracted from small time deposits.

10. Large time deposits are those issued in amounts of $100,000 or more, excluding those booked at international banking facilities.

11. Large time deposits at commercial banks less those held by money market funds, depository institutions, the U.S. government, and foreign banks and official institutions.

12. Includes both overnight and term.

1.22 DEPOSIT INTEREST RATES AND AMOUNTS OUTSTANDING Commercial and BIF-insured saving banks[1]

Item	1993 Dec.	1994 Dec.	1995 May	1995 June	1995 July	1995 Aug.	1995 Sept.	1995 Oct.	1995 Nov.	1995 Dec.[1]	1996 Jan.
	Interest rates (annual effective yields)[2]										
INSURED COMMERCIAL BANKS											
1 Negotiable order of withdrawal accounts	1.86	1.96	2.00	1.97	1.93	1.93	1.94	1.93	1.95	1.92	1.92
2 Savings deposits[3]	2.46	2.92	3.19	3.17	3.13	3.12	3.14	3.11	3.13	3.10	3.01
Interest-bearing time deposits with balances of less than $100,000, by maturity											
3 7 to 91 days	2.65	3.79	4.25	4.20	4.17	4.10	4.10	4.11	4.12	4.11	3.97
4 92 to 182 days	2.91	4.44	4.93	4.81	4.77	4.77	4.75	4.75	4.74	4.69	4.58
5 183 days to 1 year	3.13	5.12	5.49	5.27	5.18	5.15	5.14	5.15	5.12	5.03	4.92
6 More than 1 year to 2½ years	3.55	5.74	5.82	5.53	5.38	5.39	5.32	5.31	5.27	5.18	5.04
7 More than 2½ years	4.28	6.30	6.11	5.79	5.62	5.63	5.60	5.56	5.49	5.41	5.26
BIF-INSURED SAVINGS BANKS[4]											
8 Negotiable order of withdrawal accounts	1.87	1.94	1.97	1.98	1.97	1.98	1.98	1.97	1.94	1.91	1.84
9 Savings deposits[3]	2.63	2.87	2.93	2.97	2.97	2.96	2.96	2.97	2.99	2.99	2.96
Interest-bearing time deposits with balances of less than $100,000, by maturity											
10 7 to 91 days	2.81	3.80	4.27	4.24	4.28	4.34	4.29	4.34	4.45	4.44	4.39
11 92 to 182 days	3.02	4.89	5.34	5.22	5.16	5.12	5.08	5.06	5.02	4.95	4.87
12 183 days to 1 year	3.31	5.52	5.82	5.61	5.47	5.45	5.35	5.32	5.28	5.19	5.07
13 More than 1 year to 2½ years	3.67	6.09	6.09	5.78	5.62	5.60	5.51	5.50	5.46	5.32	5.22
14 More than 2½ years	4.62	6.43	6.33	5.99	5.82	5.78	5.74	5.69	5.64	5.47	5.34
	Amounts outstanding (millions of dollars)										
INSURED COMMERCIAL BANKS											
15 Negotiable order of withdrawal accounts	305,237	304,896	275,446	276,406	274,140	267,644	253,174	258,411	259,259	252,434	250,508
16 Savings deposits[3]	767,035	737,068	715,843	721,498	726,697	735,930	744,839	747,943	767,431	793,168	785,837
17 Personal	598,276	580,438	561,875	566,220	570,299	575,204	584,239	587,235	599,787	628,372	626,183
18 Nonpersonal	168,759	156,630	153,968	155,279	156,398	160,726	160,600	160,707	167,644	164,796	159,654
Interest-bearing time deposits with balances of less than $100,000, by maturity											
19 7 to 91 days	29,362	32,265	31,655	32,258	33,142	30,937	29,804	29,940	31,083	32,807	33,846
20 92 to 182 days	109,050	96,650	93,084	92,364	91,975	90,796	92,220	94,418	97,401	96,902	98,494
21 183 days to 1 year	145,386	163,062	185,983	189,110	189,011	189,565	189,338	188,859	188,043	187,828	188,948
22 More than 1 year to 2½ years	139,781	164,395	195,557	198,805	202,467	204,453	203,548	206,993	211,169	211,388	215,161
23 More than 2½ years	180,461	192,712	194,400	195,689	195,623	201,306	200,182	200,201	202,357	203,227	204,178
24 IRA and Keogh plan deposits	144,011	144,097	149,496	149,488	150,426	150,648	149,570	151,094	151,869	152,390	153,056
BIF-INSURED SAVINGS BANKS[4]											
25 Negotiable order of withdrawal accounts	11,191	11,175	10,967	11,237	11,147	10,999	11,408	11,317	11,613	12,727	11,950
26 Savings deposits[3]	80,376	70,082	67,349	66,952	66,409	66,478	69,752	69,636	70,265	71,402	69,619
27 Personal	77,263	67,159	64,127	63,736	63,194	63,149	66,403	66,193	66,688	67,919	66,095
28 Nonpersonal	3,113	2,923	3,222	3,216	3,215	3,329	3,349	3,443	3,577	3,482	3,524
Interest-bearing time deposits with balances of less than $100,000, by maturity											
29 7 to 91 days	2,746	2,144	1,804	1,555	1,769	1,856	1,739	1,768	1,903	2,115	2,074
30 92 to 182 days	12,974	11,361	11,323	10,939	11,030	11,079	11,258	11,231	11,848	12,754	13,046
31 183 days to 1 year	17,469	18,391	21,491	21,545	21,969	22,294	24,837	25,036	25,887	27,072	27,907
32 More than 1 year to 2½ years	16,589	17,787	23,996	24,413	24,876	25,029	27,825	27,755	28,247	28,966	28,124
33 More than 2½ years	20,501	21,293	22,548	22,733	22,713	22,563	23,351	23,470	23,574	24,247	23,923
34 IRA and Keogh plan accounts	19,791	19,008	20,200	20,196	20,286	20,333	21,913	21,784	21,758	21,949	22,089

1. BIF, Bank Insurance Fund. Data in this table also appear in the Board's H.6 (508) Special Supplementary Table monthly statistical release. For ordering address, see inside front cover. Estimates are based on data collected by the Federal Reserve System from a stratified random sample of about 425 commercial banks and 75 savings banks on the last day of each month. Data are not seasonally adjusted and include IRA and Keogh deposits and foreign currency-denominated deposits. Data exclude retail repurchase agreements and deposits held in U.S. branches and agencies of foreign banks.

2. As of October 31, 1994, interest rate data for NOW accounts and savings deposits reflect a series break caused by a change in the survey used to collect these data.

3. Includes personal and nonpersonal money market deposits.

4. Includes both mutual and federal savings banks.

1.23 BANK DEBITS AND DEPOSIT TURNOVER[1]

Debits are in billions of dollars; turnover is ratio of debits to deposits; monthly data are at annual rates

Bank group, or type of deposit	1992[2]	1993[2]	1994[2]	1995 June	1995 July	1995 Aug.	1995 Sept.	1995 Oct.[r]	1995 Nov.
DEBITS	Seasonally adjusted								
Demand deposits[3]									
1 All insured banks	313,128.1	334,784.1	369,029.1	413,335.1	391,053.7	407,389.4	397,843.6	413,944.4	409,491.8
2 Major New York City banks	165,447.7	171,224.3	191,168.8	203,342.3	197,712.2	206,835.9	207,576.7	210,336.4	204,483.4
3 Other banks	147,680.4	163,559.7	177,860.3	209,992.8	193,341.5	200,553.5	190,266.9	203,608.0	205,008.4
4 Other checkable deposits[4]	3,780.3	3,481.5	3,798.6	4,142.3	3,593.7	4,236.1	4,366.8	4,690.6	4,891.5
5 Savings deposits (including MMDAs)[5]	3,309.1	3,497.4	3,766.3	4,326.8	3,986.7	4,745.4	4,898.4	5,328.5	5,702.9
DEPOSIT TURNOVER									
Demand deposits[3]									
6 All insured banks	825.9	785.9	817.4	901.8	849.3	887.9	858.0	907.7	905.8
7 Major New York City banks	4,795.3	4,198.1	4,481.5	4,718.9	4,624.7	4,970.9	5,018.0	5,269.7	5,222.2
8 Other banks	428.7	424.6	435.1	505.7	462.9	480.7	450.5	489.3	496.5
9 Other checkable deposits[4]	14.4	11.9	12.6	15.1	12.9	15.5	16.3	18.0	19.1
10 Savings deposits (including MMDAs)[5]	4.7	4.6	4.9	6.0	5.5	6.5	6.6	7.1	7.6
DEBITS	Not seasonally adjusted								
Demand deposits[3]									
11 All insured banks	313,344.9	334,899.2	369,121.8	425,855.1	390,226.6	421,875.3	395,203.2	413,565.0	398,249.2
12 Major New York City banks	165,595.0	171,283.5	191,226.0	209,349.5	196,873.1	213,958.6	207,994.2	212,506.0	202,744.5
13 Other banks	147,749.9	163,615.7	177,895.7	216,505.6	193,353.5	207,916.7	187,209.0	201,059.0	195,504.7
14 Other checkable deposits[4]	3,783.6	3,481.7	3,795.6	4,261.6	3,525.4	4,203.3	4,431.9	4,565.7	4,566.5
15 Savings deposits (including MMDAs)[5]	3,310.0	3,498.3	3,764.4	4,432.7	4,054.1	4,750.1	4,849.1	5,075.0	5,411.1
DEPOSIT TURNOVER									
Demand deposits[3]									
16 All insured banks	826.1	786.1	818.2	941.3	848.2	936.7	856.4	895.5	860.8
17 Major New York City banks	4,803.5	4,197.9	4,490.3	4,972.0	4,657.5	5,343.0	5,069.5	5,292.2	5,046.6
18 Other banks	428.8	424.8	435.3	527.7	462.8	506.7	445.3	476.8	462.7
19 Other checkable deposits[4]	14.4	11.9	12.6	15.7	12.9	15.6	16.7	17.7	17.8
20 Savings deposits (including MMDAs)[5]	4.7	4.6	4.9	6.1	5.6	6.5	6.6	6.8	7.2

1. Historical tables containing revised data for earlier periods can be obtained from the Publications Section, Division of Support Services, Board of Governors of the Federal Reserve System, Washington, DC 20551.

Data in this table also appear in the Board's G.6 (406) monthly statistical release. For ordering address, see inside front cover.

2. Annual averages of monthly figures.

3. Represents accounts of individuals, partnerships, and corporations and of states and political subdivisions.

4. As of January 1994, other checkable deposits (OCDs), previously defined as automatic transfer to demand deposits (ATSs) and negotiable order of withdrawal (NOW) accounts, were expanded to include telephone and preauthorized transfer accounts. This change redefined OCDs for debits data to be consistent with OCDs for deposits data.

5. Money market deposit accounts.

1.26 ASSETS AND LIABILITIES OF COMMERCIAL BANKS[1]

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1995	1995[r]						1996	1996			
	Jan.	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Jan. 10	Jan. 17	Jan. 24	Jan. 31
ALL COMMERCIAL BANKING INSTITUTIONS	Seasonally adjusted											
Assets												
1 Bank credit	3,354.8	3,526.2	3,541.3	3,564.1	3,576.2	3,586.2	3,595.8	3,621.9	3,622.2	3,618.2	3,627.2	3,622.7
2 Securities in bank credit	950.1	975.9	978.1	982.2	985.1	986.8	989.1	988.6	983.1	986.6	991.7	994.3
3 U.S. government securities	729.3	703.9	708.5	708.4	713.9	715.8	712.7	704.5	706.2	702.4	703.4	704.3
4 Other securities	220.8	272.0	269.6	273.8	271.2	271.1	276.4	284.1	276.9	284.2	288.3	290.0
5 Loans and leases in bank credit[2]	2,404.6	2,550.3	2,563.2	2,581.9	2,591.1	2,599.4	2,606.7	2,633.2	2,639.1	2,631.6	2,635.4	2,628.4
6 Commercial and industrial	656.7	697.8	701.9	708.5	710.7	715.0	718.3	725.1	722.9	725.0	726.9	726.8
7 Real estate	1,013.8	1,062.3	1,068.1	1,072.1	1,075.5	1,076.8	1,077.0	1,083.6	1,083.6	1,084.0	1,083.9	1,085.1
8 Revolving home equity	75.7	78.0	78.2	78.4	78.4	78.8	79.2	79.7	79.6	79.7	79.7	79.8
9 Other	938.0	984.3	989.8	993.7	997.1	997.9	997.9	1,003.9	1,004.0	1,004.4	1,004.2	1,005.3
10 Consumer	457.2	481.1	485.7	489.5	489.3	491.2	493.3	497.7	498.0	499.0	497.2	497.0
11 Security[3]	73.3	87.1	84.3	86.6	86.6	86.2	82.7	83.9	87.8	81.4	84.9	79.1
12 Other	203.6	222.1	223.2	225.2	229.1	230.2	235.4	242.8	246.7	242.2	242.6	240.5
13 Interbank loans[4]	177.0	192.8	189.4	192.1	193.0	193.9	193.7	200.3	201.3	203.3	198.7	195.2
14 Cash assets[5]	218.8	213.8	211.6	214.9	222.2	216.0	223.5	232.9	234.5	245.2	216.0	232.5
15 Other assets[6]	225.7	223.7	223.2	225.6	226.2	226.9	233.4	231.1	230.9	234.1	230.1	228.1
16 **Total assets[7]**	**3,919.4**	**4,099.5**	**4,108.6**	**4,139.9**	**4,160.9**	**4,166.5**	**4,189.9**	**4,229.3**	**4,231.7**	**4,243.8**	**4,215.2**	**4,221.7**
Liabilities												
17 Deposits	2,540.0	2,609.0	2,616.9	2,629.6	2,642.5	2,638.1	2,653.2	2,680.0	2,688.1	2,687.2	2,663.4	2,682.3
18 Transaction	805.7	792.0	783.3	781.1	777.8	766.1	770.8	779.9	785.3	785.5	767.0	783.4
19 Nontransaction	1,734.3	1,817.0	1,833.6	1,848.5	1,864.7	1,872.0	1,882.4	1,900.1	1,902.8	1,901.7	1,896.4	1,898.8
20 Large time	366.4	402.4	409.5	415.8	423.6	423.1	421.8	421.9	424.2	421.3	419.0	423.5
21 Other	1,367.9	1,414.6	1,424.1	1,432.7	1,441.1	1,448.8	1,460.5	1,478.1	1,478.5	1,480.4	1,477.4	1,475.4
22 Borrowings	645.9	685.8	687.8	687.3	682.3	672.6	687.7	701.5	695.7	702.8	704.6	700.0
23 From banks in the U.S.	181.5	195.6	194.3	197.9	197.8	195.9	194.6	204.4	205.7	207.8	202.0	200.4
24 From nonbanks in the U.S.	464.4	490.2	493.5	489.5	484.5	476.7	493.2	497.1	490.0	495.0	502.6	499.6
25 Net due to related foreign offices	244.9	235.7	244.7	252.0	257.6	264.0	263.6	270.2	265.0	278.5	268.6	267.3
26 Other liabilities[8]	166.1	210.6	212.4	219.0	219.1	220.0	227.4	220.6	213.2	219.7	224.5	225.4
27 **Total liabilities**	**3,596.9**	**3,741.0**	**3,761.9**	**3,787.9**	**3,801.5**	**3,794.8**	**3,831.8**	**3,872.4**	**3,862.0**	**3,888.2**	**3,861.2**	**3,874.9**
28 Residual (assets less liabilities)[9]	322.5	358.4	346.7	352.0	359.4	371.8	358.1	356.9	369.8	355.6	354.0	346.8
	Not seasonally adjusted											
Assets												
29 Bank credit	3,348.2	3,518.9	3,540.0	3,568.9	3,577.9	3,592.6	3,603.3	3,612.4	3,616.4	3,613.1	3,603.5	3,611.0
30 Securities in bank credit	940.6	972.6	981.7	985.2	986.8	985.8	979.5	976.3	972.8	975.1	975.7	981.8
31 U.S. government securities	723.7	701.9	711.4	710.1	712.1	714.1	708.0	699.0	699.4	698.7	697.8	699.8
32 Other securities	216.9	270.8	270.4	275.2	274.7	271.7	271.5	277.3	273.4	276.4	277.9	282.0
33 Loans and leases in bank credit[2]	2,407.6	2,546.3	2,558.2	2,583.7	2,591.1	2,606.9	2,623.9	2,636.2	2,643.6	2,638.0	2,627.8	2,629.2
34 Commercial and industrial	653.9	698.6	698.7	703.9	706.7	713.3	716.5	722.1	719.5	721.7	722.3	724.6
35 Real estate	1,013.4	1,062.2	1,067.7	1,074.0	1,078.6	1,082.4	1,081.8	1,083.4	1,085.0	1,084.6	1,082.1	1,083.2
36 Revolving home equity	75.6	78.1	78.5	78.9	79.1	79.3	79.2	79.6	79.5	79.5	79.6	79.6
37 Other	937.8	984.1	989.3	995.1	999.6	1,003.1	1,002.6	1,003.9	1,005.4	1,005.1	1,002.5	1,003.6
38 Consumer	461.5	478.6	485.9	490.8	489.9	492.1	499.1	502.3	504.0	503.5	500.6	499.7
39 Security[3]	75.3	84.3	82.1	86.3	85.2	87.5	86.5	85.6	87.7	85.1	84.4	83.1
40 Other	203.5	222.7	223.8	228.7	230.7	231.5	240.1	242.6	247.4	243.1	238.4	238.6
41 Interbank loans[4]	185.1	189.6	184.6	187.9	192.2	197.2	206.0	209.1	211.9	216.6	199.2	201.5
42 Cash assets[5]	225.5	211.7	202.6	215.8	223.2	220.1	238.1	240.3	229.3	272.2	213.7	228.2
43 Other assets[6]	226.4	224.0	225.1	226.7	226.6	226.5	233.1	231.7	230.1	234.3	227.7	232.6
44 **Total assets[7]**	**3,928.8**	**4,087.5**	**4,095.3**	**4,142.3**	**4,163.4**	**4,179.6**	**4,223.8**	**4,237.0**	**4,231.0**	**4,279.7**	**4,187.7**	**4,216.8**
Liabilities												
45 Deposits	2,547.7	2,601.6	2,603.8	2,628.4	2,642.5	2,654.0	2,684.3	2,686.7	2,698.7	2,718.3	2,633.9	2,667.4
46 Transaction	818.1	784.2	769.0	779.8	778.0	779.7	805.9	791.6	797.3	820.1	745.6	775.7
47 Nontransaction	1,729.6	1,817.4	1,834.8	1,848.6	1,864.5	1,874.3	1,878.3	1,895.1	1,901.4	1,898.2	1,888.3	1,891.8
48 Large time	363.9	400.5	408.7	414.9	422.0	424.2	420.8	419.0	419.9	418.2	417.7	421.5
49 Other	1,365.6	1,416.9	1,426.1	1,433.7	1,442.5	1,450.2	1,457.5	1,476.1	1,481.5	1,480.1	1,470.7	1,470.2
50 Borrowings	636.8	695.4	686.2	693.5	688.0	681.6	692.1	688.7	686.0	694.9	682.5	684.1
51 From banks in the U.S.	187.4	193.7	188.3	190.2	192.9	198.0	207.4	211.3	214.3	219.1	201.6	202.7
52 From nonbanks in the U.S.	449.4	501.7	497.9	503.3	495.1	483.6	484.8	477.4	471.8	475.8	480.9	481.4
53 Net due to related foreign offices	251.3	234.0	243.0	247.6	258.7	262.9	264.1	277.3	270.3	283.2	282.8	272.2
54 Other liabilities[8]	167.3	209.8	212.3	219.2	218.4	222.0	222.7	222.3	215.4	221.1	225.9	229.2
55 **Total liabilities**	**3,603.1**	**3,740.8**	**3,745.3**	**3,788.7**	**3,807.6**	**3,820.5**	**3,863.2**	**3,875.0**	**3,870.5**	**3,917.5**	**3,825.0**	**3,852.9**
56 Residual (assets less liabilities)[9]	325.7	346.7	350.0	353.6	355.8	359.1	360.6	362.1	360.5	362.1	362.6	363.9

Footnotes appear on last page.

1.26 ASSETS AND LIABILITIES OF COMMERCIAL BANKS[1]—Continued

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1995	1995[r]						1996	1996			
	Jan.	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Jan. 10	Jan. 17	Jan. 24	Jan. 31
DOMESTICALLY CHARTERED COMMERCIAL BANKS	Seasonally adjusted											
Assets												
57 Bank credit	3,001.4	3,109.9	3,121.6	3,139.0	3,148.9	3,160.0	3,171.7	3,192.6	3,191.7	3,190.5	3,196.2	3,192.8
58 Securities in bank credit	867.4	849.3	848.2	852.7	853.1	855.2	856.1	855.7	852.4	854.9	858.1	857.7
59 U.S. government securities	669.1	639.8	641.5	642.7	647.4	648.1	645.0	641.2	641.8	639.0	640.8	642.0
60 Other securities	198.3	209.5	206.7	210.0	205.8	207.0	211.2	214.5	210.6	215.9	217.4	215.7
61 Loans and leases in bank credit[2]	2,133.9	2,260.6	2,273.3	2,286.3	2,295.8	2,304.9	2,315.5	2,336.8	2,339.2	2,335.6	2,338.1	2,335.2
62 Commercial and industrial	491.5	522.8	525.4	528.5	531.4	534.5	534.7	539.9	538.6	539.4	540.4	541.6
63 Real estate	973.2	1,024.4	1,030.8	1,035.2	1,038.2	1,040.1	1,041.3	1,048.9	1,048.6	1,049.1	1,049.4	1,051.0
64 Revolving home equity	75.7	78.0	78.2	78.4	78.4	78.8	79.2	79.7	79.6	79.7	79.7	79.8
65 Other	897.5	946.4	952.6	956.8	959.8	961.3	962.2	969.2	969.0	969.5	969.7	971.2
66 Consumer	457.2	481.1	485.7	489.5	489.3	491.2	493.3	497.7	498.0	499.0	497.2	497.0
67 Security[3]	46.0	51.9	51.0	51.7	51.6	53.6	56.4	55.7	56.5	54.1	56.7	53.2
68 Other	165.9	180.4	180.4	181.5	185.3	185.4	189.9	194.5	197.5	193.9	194.5	192.3
69 Interbank loans[4]	153.0	171.3	165.4	168.1	167.2	168.8	173.9	182.6	181.4	184.4	182.2	179.0
70 Cash assets[5]	191.6	187.0	184.4	187.9	194.0	185.8	193.0	201.3	203.0	213.9	183.4	201.0
71 Other assets[6]	172.5	171.7	170.9	171.6	172.8	173.7	178.2	176.0	177.4	178.7	173.7	172.4
72 **Total assets**[7]	**3,461.7**	**3,582.9**	**3,585.4**	**3,609.9**	**3,626.3**	**3,631.8**	**3,660.3**	**3,695.5**	**3,696.4**	**3,710.5**	**3,678.8**	**3,688.5**
Liabilities												
73 Deposits	2,388.3	2,445.1	2,448.4	2,458.9	2,469.8	2,471.3	2,488.5	2,519.5	2,522.4	2,527.7	2,506.4	2,523.6
74 Transaction	795.7	782.6	774.0	772.1	768.7	756.6	760.8	769.8	774.6	775.7	757.2	773.1
75 Nontransaction	1,592.6	1,662.5	1,674.4	1,686.8	1,701.1	1,714.7	1,727.7	1,749.7	1,747.8	1,752.1	1,749.3	1,750.5
76 Large time	227.4	248.2	250.3	255.0	260.9	267.4	269.8	271.6	270.4	271.9	271.5	273.1
77 Other	1,365.2	1,414.3	1,424.1	1,431.8	1,440.1	1,447.3	1,458.0	1,478.1	1,477.4	1,480.2	1,477.8	1,477.4
78 Borrowings	542.5	567.2	567.2	569.6	567.0	565.1	577.2	590.3	584.4	591.3	592.5	590.3
79 From banks in the U.S.	164.6	176.5	175.9	178.8	178.1	176.1	176.0	182.7	185.5	184.9	179.1	179.3
80 From nonbanks in the U.S.	378.0	390.7	391.3	390.7	388.9	389.0	401.1	407.6	398.9	406.4	413.3	411.0
81 Net due to related foreign offices	90.1	82.9	90.8	92.2	92.6	89.8	91.4	93.3	88.3	98.8	92.2	88.8
82 Other liabilities[8]	122.7	137.2	136.9	141.6	141.2	142.8	146.7	144.4	140.0	145.2	146.7	145.6
83 **Total liabilities**	**3,143.7**	**3,232.3**	**3,243.3**	**3,262.3**	**3,270.6**	**3,268.9**	**3,303.8**	**3,347.5**	**3,335.1**	**3,363.0**	**3,337.8**	**3,348.4**
84 Residual (assets less liabilities)[9]	318.1	350.6	342.1	347.6	355.6	362.9	356.5	348.0	361.3	347.5	341.0	340.2
	Not seasonally adjusted											
Assets												
85 Bank credit	2,990.1	3,102.3	3,118.8	3,142.8	3,153.6	3,169.7	3,177.4	3,180.6	3,183.3	3,181.3	3,173.1	3,178.3
86 Securities in bank credit	856.8	845.4	850.3	854.7	854.2	856.0	849.5	844.5	842.8	843.9	841.5	845.8
87 U.S. government securities	661.6	637.9	643.5	644.9	646.3	647.2	641.1	633.9	633.8	633.2	633.1	634.8
88 Other securities	195.2	207.5	206.8	209.8	207.8	208.8	208.4	210.6	209.1	210.7	211.4	211.0
89 Loans and leases in bank credit[2]	2,133.3	2,256.9	2,268.5	2,288.1	2,299.4	2,313.7	2,327.9	2,336.1	2,340.4	2,337.4	2,328.6	2,332.4
90 Commercial and industrial	488.6	522.7	521.5	524.5	528.9	533.5	532.6	536.7	534.5	536.1	536.2	539.5
91 Real estate	972.9	1,024.3	1,030.4	1,036.9	1,041.4	1,045.6	1,046.1	1,048.8	1,050.1	1,049.8	1,047.7	1,049.1
92 Revolving home equity	75.6	78.1	78.4	78.9	79.0	79.3	79.2	79.5	79.5	79.5	79.5	79.6
93 Other	897.4	946.3	952.0	958.1	962.3	966.3	966.9	969.3	970.5	970.3	968.1	969.5
94 Consumer	461.5	478.6	485.9	490.8	489.9	492.1	499.1	502.3	504.0	503.5	500.6	499.7
95 Security[3]	44.9	50.5	49.9	51.6	51.9	55.5	57.1	54.1	54.0	53.2	53.3	53.6
96 Other	165.4	180.8	180.8	184.2	187.4	187.1	193.1	194.1	197.8	194.8	190.7	190.5
97 Interbank loans[4]	159.7	168.2	161.3	163.0	164.6	172.8	184.9	190.4	191.9	197.2	180.7	184.3
98 Cash assets[5]	198.7	184.4	174.8	187.9	194.6	190.2	207.9	209.1	198.2	241.0	181.7	197.3
99 Other assets[6]	173.3	172.6	171.6	172.6	173.5	172.3	177.5	176.9	176.3	179.9	171.9	176.8
100 **Total assets**[7]	**3,465.4**	**3,570.8**	**3,569.6**	**3,609.2**	**3,629.7**	**3,648.4**	**3,691.0**	**3,700.4**	**3,693.2**	**3,742.9**	**3,651.0**	**3,680.3**
Liabilities												
101 Deposits	2,395.3	2,439.4	2,436.7	2,457.9	2,471.4	2,486.2	2,518.7	2,525.3	2,533.9	2,558.2	2,474.6	2,506.7
102 Transaction	808.0	774.8	759.7	770.2	768.8	770.0	795.6	781.4	786.8	810.0	735.8	765.3
103 Nontransaction	1,587.3	1,664.6	1,677.0	1,687.7	1,702.7	1,716.2	1,723.1	1,743.9	1,747.2	1,748.3	1,738.8	1,741.4
104 Large time	225.2	248.3	251.4	254.6	260.7	267.2	265.4	268.9	267.5	269.5	269.5	271.2
105 Other	1,362.0	1,416.3	1,425.6	1,433.0	1,442.0	1,449.0	1,457.7	1,475.0	1,479.7	1,478.8	1,469.3	1,470.2
106 Borrowings	536.8	571.6	564.1	573.2	574.7	576.1	583.3	580.8	578.0	585.8	575.3	577.9
107 From banks in the U.S.	170.0	173.6	170.0	171.0	174.6	178.5	187.7	189.5	193.3	195.9	180.9	180.6
108 From nonbanks in the U.S.	366.7	398.0	394.0	402.2	400.2	397.6	395.6	391.4	384.7	389.8	394.5	397.3
109 Net due to related foreign offices	89.9	81.8	89.1	88.7	92.0	88.4	89.3	93.0	85.6	96.7	97.4	96.0
110 Other liabilities[8]	123.3	137.0	135.8	141.7	141.6	144.4	144.8	145.1	141.0	145.9	146.9	141.6
111 **Total liabilities**	**3,145.3**	**3,229.8**	**3,225.6**	**3,261.6**	**3,279.7**	**3,295.1**	**3,336.2**	**3,344.2**	**3,338.4**	**3,386.6**	**3,294.2**	**3,322.2**
112 Residual (assets less liabilities)[9]	320.1	341.0	344.0	347.6	350.0	353.4	354.8	356.3	354.8	356.3	356.8	358.1

Footnotes appear on following page.

Footnotes appear on following page.

NOTES TO TABLE 1.26

1. Covers the following types of institutions in the fifty states and the District of Columbia: domestically chartered commercial banks that submit a weekly report of condition (large domestic); other domestically chartered commercial banks (small domestic); branches and agencies of foreign banks; New York State investment companies, and Edge Act and agreement corporations (foreign-related institutions). Excludes international banking facilities. Data are Wednesday values, or pro rata averages of Wednesday values. Large domestic banks constitute a universe; data for small domestic banks and foreign-related institutions are estimates based on weekly samples and on quarter-end condition reports. Data are adjusted for breaks caused by reclassifications of assets and liabilities.

2. Excludes federal funds sold to, reverse repurchase agreements with, and loans to commercial banks in the United States.

3. Consists of reserve repurchase agreements with broker–dealers and loans to purchase and carry securities.

4. Consists of federal funds sold to, reverse repurchase agreements with, and loans to commercial banks in the United States.

5. Includes vault cash, cash items in process of collection, demand balances due from depository institutions in the United States, balances due from Federal Reserve Banks, and other cash assets.

6. Excludes the due-from position with related foreign offices, which is included in lines 25, 53, 81, and 109.

7. Excludes unearned income, reserves for losses on loans and leases, and reserves for transfer risk. Loans are reported gross of these items.

8. Excludes the due-to position with related foreign offices, which is included in lines 25, 53, 81, and 109.

9. This balancing item is not intended as a measure of equity capital for use in capital adequacy analysis.

NOTE. Data have been benchmarked to the September 1995 Call Report; they also reflect new seasonal factors.

1.27 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS

Millions of dollars, Wednesday figures

Account	1995				1996				
	Dec. 6	Dec. 13	Dec. 20	Dec. 27	Jan. 3	Jan. 10	Jan. 17	Jan. 24	Jan. 31
ASSETS									
1 Cash and balances due from depository institutions	120,350	120,285[r]	132,782	135,731	160,189	125,982	157,574	114,680	124,466
2 U.S. Treasury and government securities	295,845[r]	293,978[r]	293,621[r]	287,030[r]	287,313	285,647	286,376	283,857	285,431
3 Trading account	24,677[r]	24,564[r]	25,260[r]	24,106[r]	25,123	25,614	26,136	22,866	23,713
4 Investment account	271,169	269,413	268,361	262,924	262,190	260,033	260,240	260,991	261,717
5 Mortgage-backed securities[1]	108,656[r]	107,348[r]	107,863[r]	106,580[r]	109,253	109,422	110,128	110,486	111,662
All others, by maturity									
6 One year or less	43,437	43,358	47,111[r]	44,425	41,356	39,877	39,607	39,031	38,404
7 One year through five years	67,731[r]	68,185[r]	63,794[r]	63,310[r]	63,494	62,864	63,092	63,578	63,467
8 More than five years	51,345[r]	50,521[r]	49,594[r]	48,609[r]	48,088	47,870	47,412	47,896	48,185
9 Other securities	125,071[r]	123,914[r]	122,374[r]	122,753[r]	126,712	124,219	125,452	125,849	125,312
10 Trading account	1,617	1,562	1,955	1,780	2,022	1,693	1,572	1,579	1,544
11 Investment account	65,353	65,261	64,489	64,541	64,916	66,311	66,107	66,067	65,380
12 State and local government, by maturity	19,459	19,320	19,281	19,236	19,036	19,036	19,034	19,038	18,997
13 One year or less	4,893	4,839	4,797	4,768	4,473	4,455	4,441	4,442	4,424
14 More than one year	14,566	14,480	14,485	14,469	14,563	14,581	14,594	14,596	14,573
15 Other bonds, corporate stocks, and securities	45,894	45,942	45,207	45,304	45,880	47,275	47,072	47,029	46,382
16 Other trading account assets	58,102[r]	57,090[r]	55,930[r]	56,432[r]	59,774	56,216	57,773	58,202	58,388
17 Federal funds sold[2]	107,412	102,984	118,032	110,392	129,208	113,626	119,105	110,323	110,591
18 To commercial banks in the United States	70,763	67,252	80,700	75,328	89,162	75,639	83,482	73,330	74,148
19 To nonbank brokers and dealers in securities	32,068	30,350	32,102	30,039	33,045	30,551	29,494	30,575	29,894
20 To others[3]	4,581	5,382	5,230	5,025	7,001	7,437	6,128	6,418	6,549
21 Other loans and leases, gross	1,266,093[r]	1,267,937[r]	1,280,818[r]	1,285,900[r]	1,296,495	1,292,137	1,292,323	1,281,905	1,285,560
22 Commercial and industrial	346,883[r]	345,045[r]	348,165[r]	348,306[r]	351,660	348,203	349,183	349,477	352,561
23 Bankers acceptances and commercial paper	1,397	1,408	1,303	1,361	1,402	1,372	1,366	1,404	1,318
24 All other	345,486[r]	343,637[r]	346,862[r]	346,945[r]	350,258	346,832	347,817	348,073	351,242
25 U.S. addressees	342,889[r]	341,018[r]	344,228[r]	344,352[r]	347,574	344,149	345,096	345,327	348,472
26 Non-U.S. addressees	2,598	2,619	2,634	2,592[r]	2,684	2,683	2,721	2,746	2,770
27 Real estate loans	503,917[r]	503,270[r]	502,152[r]	500,807[r]	503,704	508,009	507,755	505,832	506,327
28 Revolving, home equity	47,573[r]	47,706[r]	47,771[r]	47,838[r]	47,971	47,982	48,033	48,019	48,000
29 All other	456,344[r]	455,564[r]	454,381[r]	452,969[r]	455,734	460,028	459,722	457,813	458,327
30 To individuals for personal expenditures	246,755[r]	248,985[r]	252,212[r]	255,865[r]	255,780	255,999	255,095	252,221	251,132
31 To depository and financial institutions	66,361[r]	66,672[r]	67,814[r]	73,288[r]	74,024	72,529	72,985	71,046	69,537
32 Commercial banks in the United States	37,792[r]	38,293[r]	38,825[r]	44,399[r]	44,798	43,943	44,792	42,887	41,267
33 Banks in foreign countries	3,078	2,877	4,075	3,560	3,691	2,983	3,108	3,701	3,153
34 Nonbank depository and other financial institutions	25,491	25,501	24,914	25,329	25,536	25,603	25,085	24,458	25,117
35 For purchasing and carrying securities	16,006	16,599	20,609	18,950	18,335	15,716	16,165	15,425	17,495
36 To finance agricultural production	6,454[r]	6,489[r]	6,483[r]	6,532[r]	6,892	6,700	6,594	6,579	6,522
37 To states and political subdivisions	10,769	10,936	10,807	10,672	10,492	10,549	10,554	10,713	10,606
38 To foreign governments and official institutions	1,021	1,131	1,091	1,121	1,136	1,364	1,196	1,182	1,159
39 All other loans	28,060	28,799[r]	31,221	29,664	32,557	30,777	30,364	26,975	27,530
40 Lease-financing receivables	39,867	40,011	40,262	40,694[r]	41,915	42,289	42,431	42,455	42,691
41 LESS: Unearned income	1,736	1,732	1,731	1,757[r]	1,729	1,764	1,732	1,736	1,735
42 Loan and lease reserve[3]	33,686[r]	33,704[r]	33,620	33,462	33,591	33,457	33,455	33,288	33,277
43 Other loans and leases, net	1,230,671[r]	1,232,501[r]	1,245,468[r]	1,250,681[r]	1,261,175	1,256,916	1,257,135	1,246,880	1,250,548
44 All other assets	142,038[r]	139,979[r]	145,076[r]	141,504[r]	143,573	141,847	142,533	138,716	142,061
45 **Total assets**	**2,021,387**	**2,013,640[r]**	**2,057,352**	**2,048,090[r]**	**2,108,169**	**2,048,237**	**2,088,176**	**2,020,305**	**2,038,409**

Footnotes appear on the following page.

1.27 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS—Continued

Millions of dollars, Wednesday figures

	Account	1995				1996				
		Dec. 6	Dec. 13	Dec. 20	Dec. 27	Jan. 3	Jan. 10	Jan. 17	Jan. 24	Jan. 31
	LIABILITIES									
46	Deposits	1,204,606	1,201,626r	1,213,783	1,218,774r	1,265,024	1,229,595	1,249,088	1,191,403	1,211,570
47	Demand deposits	311,726	312,540r	327,561	335,375	358,957	323,010	341,290	299,095	316,255
48	Individuals, partnerships, and corporations	262,860	263,308r	270,614	280,300	299,667	272,983	282,675	251,544	265,977
49	Other holders	48,866	49,232	56,947	55,075	59,290	50,027	58,615	47,551	50,278
50	States and political subdivisions	8,204	8,635	9,874	10,388	10,314	8,330	9,010	9,167	10,164
51	U.S. government	1,806	1,878	2,356	1,895	2,738	2,235	3,528	2,384	2,382
52	Depository institutions in the United States	20,880	19,885	22,719	23,659	28,236	23,228	28,776	20,075	21,496
53	Banks in foreign countries	5,134	5,166	4,986	5,837	5,213	5,615	5,171	5,204	5,615
54	Foreign governments and official institutions	818	625	675	596	649	914	619	565	709
55	Certified and officers' checks	12,023	13,043	16,337	12,700	12,140	9,706	11,511	10,157	9,911
56	Transaction balances other than demand deposits[4]	96,862	95,104	96,214	95,598	95,501	93,267	93,456	87,023	88,848
57	Nontransaction balances	796,017	793,982	790,009	787,801r	810,566	813,318	814,342	805,286	806,467
58	Individuals, partnerships, and corporations	773,224r	771,594r	768,096r	765,886r	787,318	789,721	791,014	781,919	782,628
59	Other holders	22,793r	22,388r	21,913r	21,915r	23,248	23,597	23,328	23,366	23,839
60	States and political subdivisions	20,393r	20,064r	19,667r	19,518r	21,038	21,176	20,747	20,581	20,905
61	U.S. government	594	628	554	623	649	647	747	772	829
62	Depository institutions in the United States	1,512	1,404	1,393	1,474	1,198	1,415	1,475	1,669	1,835
63	Foreign governments, official institutions, and banks	294	293	300	300	364	359	358	344	270
64	Liabilities for borrowed money[5]	407,442r	401,459r	435,442r	419,136r	428,120	413,913	418,726	406,710	409,504
65	Borrowings from Federal Reserve Banks	0	0	3,405	0	170	0	130	0	0
66	Treasury tax and loan notes	3,232	5,028	30,895	17,121r	5,393	4,444	10,501	23,060	21,405
67	Other liabilities for borrowed money[6]	404,210r	396,431r	401,142r	402,014r	422,557	409,469	408,095	383,650	388,099
68	Other liabilities (including subordinated notes and debentures)	216,566r	217,677r	215,603r	219,014r	222,939	211,286	226,170	227,098	221,315
69	**Total liabilities**	**1,828,613**	**1,820,762r**	**1,864,829**	**1,856,923r**	**1,916,083**	**1,854,794**	**1,893,983**	**1,825,211**	**1,842,390**
70	Residual (total assets less total liabilities)[7]	192,774	192,878	192,524	191,167	192,086	193,443	194,193	195,094	196,019
	MEMO									
71	Total loans and leases, gross, adjusted, plus securities[8]	1,685,866r	1,683,267r	1,695,319r	1,686,348r	1,705,768	1,696,047	1,694,982	1,685,716	1,691,478
72	Time deposits in amounts of $100,000 or more	116,043	116,040	114,751	112,085r	113,989	116,464	118,011	117,244	118,296
73	Loans sold outright to affiliates[9]	1,328	1,318	1,309	1,294	1,286	1,246	1,237	1,226	1,215
74	Commercial and industrial	279	279	279	277	277	277	277	276	275
75	Other	1,049	1,038	1,030	1,017	1,009	970	960	950	940
76	Foreign branch credit extended to U.S. residents[10]	26,125	26,120	26,414	27,092	26,955	27,812	27,364	27,143	27,814
77	Net owed to related institutions abroad	77,108	79,467	82,925	88,067r	91,518	80,409	91,151	91,295	83,845

1. Includes certificates of participation, issued or guaranteed by agencies of the U.S. government, in pools of residential mortgages.
2. Includes securities purchased under agreements to resell.
3. Includes allocated transfer risk reserve.
4. Includes negotiable order of withdrawal (NOWs) and automatic transfer service (ATS) accounts, and telephone and preauthorized transfers of savings deposits.
5. Includes borrowings only from other than directly related institutions.
6. Includes federal funds purchased and securities sold under agreements to repurchase.
7. This balancing item is not intended as a measure of equity capital for use in capital-adequacy analysis.
8. Excludes loans to and federal funds transactions with commercial banks in the United States.
9. Affiliates include a bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company.
10. Credit extended by foreign branches of domestically chartered weekly reporting banks to nonbank U.S. residents. Consists mainly of commercial and industrial loans, but includes an unknown amount of credit extended to other than nonfinancial businesses.

1.28 LARGE WEEKLY REPORTING U.S. BRANCHES AND AGENCIES OF FOREIGN BANKS
Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1995				1996				
	Dec. 6	Dec. 13	Dec. 20	Dec. 27	Jan. 3	Jan. 10	Jan. 17	Jan. 24	Jan. 31
ASSETS									
1 Cash and balances due from depository institutions	17,596	17,445	18,439	18,852	18,596	18,650	18,805	19,282	18,636
2 U.S. Treasury and government agency securities	44,123	44,605	44,127	42,680	42,284	42,760	42,772	42,214	42,544
3 Other securities	40,228	40,464	39,537	39,985	40,604	40,854	43,387	43,857	46,968
4 Federal funds sold[1]	27,315	27,534	25,573	29,623	27,848	32,484	31,089	29,905	27,917
5 To commercial banks in the United States	8,761	9,952	7,415	11,597	7,933	8,993	8,890	8,091	7,602
6 To others[2]	18,554	17,582	18,158	18,026	19,915	23,491	22,199	21,814	20,314
7 Other loans and leases, gross	180,857	180,452	182,299	182,989	183,954	182,012	181,623	180,999	181,613
8 Commercial and industrial	116,785	116,560	117,064	117,715	117,927	117,610	118,359	118,615	118,802
9 Bankers acceptances and commercial paper	4,602	4,542	4,358	4,548	4,559	4,753	4,920	5,035	5,134
10 All other	112,183	112,018	112,706	113,166	113,368	112,856	113,439	113,580	113,668
11 U.S. addressees	107,087	106,909	107,399	107,448	107,679	107,167	107,713	107,626	107,765
12 Non-U.S. addressees	5,095	5,110	5,307	5,718	5,689	5,689	5,725	5,954	5,903
13 Loans secured by real estate	22,202	22,027	22,057	22,016	21,759	21,510	21,502	21,253	21,165
14 Loans to depository and financial institutions	30,231	29,724	29,708	30,290	30,590	30,330	30,089	29,737	30,063
15 Commercial banks in the United States	3,239	3,118	3,117	2,746	2,752	2,618	2,387	2,630	2,444
16 Banks in foreign countries	3,145	2,994	3,129	3,254	3,209	3,235	3,003	2,844	2,819
17 Nonbank financial institutions	23,846	23,612	23,462	24,290	24,629	24,478	24,699	24,262	24,800
18 For purchasing and carrying securities	5,611	6,152	7,458	6,417	6,807	5,267	5,033	4,732	4,888
19 To foreign governments and official institutions	467	452	455	452	633	650	642	643	587
20 All other	4,150[r]	4,131[r]	4,146[r]	4,551[r]	4,654	4,957	4,476	4,491	4,557
21 Other assets (claims on nonrelated parties)	43,138	45,088	40,703	39,567	40,739	40,274	38,941	39,981	40,230
22 **Total assets**[3]	**380,121**	**381,261**	**378,404**	**380,079**	**379,852**	**382,644**	**384,586**	**383,607**	**386,938**
LIABILITIES									
23 Deposits or credit balances owed to other than directly related institutions	104,370	105,439	107,409	105,326	102,209	102,853	101,358	100,494	100,709
24 Demand deposits[4]	4,059	4,380	4,398	5,094	4,541	4,556	4,354	4,134	4,483
25 Individuals, partnerships, and corporations	3,145	3,190	3,620	4,016	3,653	3,809	3,584	3,118	3,416
26 Other	914	1,190	777	1,079	888	747	770	1,015	1,067
27 Nontransaction accounts	100,311	101,059	103,011	100,231	97,668	98,297	97,004	96,360	96,226
28 Individuals, partnerships, and corporations	72,925	74,155	74,527	71,569	69,031	69,258	67,936	66,080	65,759
29 Other	27,386	26,904	28,484	28,663	28,637	29,039	29,067	30,280	30,466
30 Borrowings from other than directly related institutions	72,197	73,498	74,531	72,072	74,151	73,765	73,802	72,761	71,685
31 Federal funds purchased[5]	45,535	44,606	45,723	44,607	48,649	50,333	48,196	47,355	47,553
32 From commercial banks in the United States	8,425	9,166	9,760	9,503	10,481	10,122	10,882	9,604	11,188
33 From others	37,110	35,440	35,963	35,104	38,168	40,212	37,314	37,751	36,365
34 Other liabilities for borrowed money	26,662	28,892	28,808	27,466	25,502	23,431	25,606	25,406	24,132
35 To commercial banks in the United States	4,446	4,551	4,498	4,587	4,212	3,786	4,396	4,090	4,013
36 To others	22,217	24,341	24,310	22,878	21,290	19,646	21,210	21,316	20,119
37 Other liabilities to nonrelated parties	65,823	66,092	60,434	59,897	59,171	58,626	60,148	62,936	64,696
38 **Total liabilities**[6]	**380,121**	**381,261**	**378,404**	**380,079**	**379,852**	**382,644**	**384,586**	**383,607**	**386,938**
MEMO									
39 Total loans (gross) and securities, adjusted[7]	280,522	279,985	281,004	280,935	284,005	286,499	287,593	286,254	288,996
40 Net owed to related institutions abroad	110,865	110,559	108,304	116,402	118,495	121,790	121,309	120,048	120,818

1. Includes securities purchased under agreements to resell.
2. Includes transactions with nonbank brokers and dealers in securities.
3. For U.S. branches and agencies of foreign banks having a net "due from" position, includes net due from related institutions abroad.
4. Includes other transaction deposits.
5. Includes securities sold under agreements to repurchase.
6. For U.S. branches and agencies of foreign banks having a net "due to" position, includes net owed to related institutions abroad.
7. Excludes loans to and federal funds transactions with commercial banks in the United States.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Item	Year ending December					1995					
	1991	1992	1993	1994	1995	July	Aug.	Sept.	Oct.	Nov.	Dec.
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**528,832**	**545,619**	**555,075**	**595,382**	**671,577**	**657,938**	**660,719**	**669,686**	**673,392**	**671,081**	**671,577**
Financial companies[1]											
2 Dealer-placed paper[2], total	212,999	226,456	218,947	223,038	273,978	262,695	261,904	268,838	271,299	277,337	273,978
3 Directly placed paper[3], total	182,463	171,605	180,389	207,701	208,136	215,473	215,361	213,883	215,214	214,420	208,136
4 Nonfinancial companies[4]	133,370	147,558	155,739	164,643	189,463	179,770	183,454	186,965	186,879	179,324	189,463
	Bankers dollar acceptances (not seasonally adjusted)[5]										
5 **Total**	**43,770**	**38,194**	**32,348**	**29,835**							
By holder											
6 Accepting banks	11,017	10,555	12,421	11,783							
7 Own bills	9,347	9,097	10,707	10,462							
8 Bills bought from other banks	1,670	1,458	1,714	1,321							
Federal Reserve Banks[6]											
9 Foreign correspondents	1,739	1,276	725	410	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 Others	31,014	26,364	19,202	17,642							
By basis											
11 Imports into United States	12,843	12,209	10,217	10,062							
12 Exports from United States	10,351	8,096	7,293	6,355							
13 All other	20,577	17,890	14,838	13,417							

1. Institutions engaged primarily in commercial, savings, and mortgage banking; sales, personal, and mortgage financing; factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.
2. Includes all financial-company paper sold by dealers in the open market.
3. As reported by financial companies that place their paper directly with investors.
4. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.
5. Data on bankers dollar acceptances are gathered from approximately 100 institutions. The reporting group is revised every January. Beginning January 1995, data for Bankers dollar acceptances will be reported annually in September.
6. In 1977 the Federal Reserve discontinued operations in bankers dollar acceptances for its own account.

1.33 PRIME RATE CHARGED BY BANKS Short-Term Business Loans[1]

Percent per year

Date of change	Rate	Period	Average rate	Period	Average rate	Period	Average rate
1993—Jan. 1	6.00	1993	6.00	1994—Jan.	6.00	1995—Jan.	8.50
		1994	7.15	Feb.	6.00	Feb.	9.00
1994—Mar. 24	6.25	1995	8.83	Mar.	6.06	Mar.	9.00
Apr. 19	6.75			Apr.	6.45	Apr.	9.00
May 17	7.25	1993—Jan.	6.00	May	6.99	May	9.00
Aug. 16	7.75	Feb.	6.00	June	7.25	June	9.00
Nov. 15	8.50	Mar.	6.00	July	7.25	July	8.80
		Apr.	6.00	Aug.	7.51	Aug.	8.75
1995—Feb. 1	9.00	May	6.00	Sept.	7.75	Sept.	8.75
July 7	8.75	June	6.00	Oct.	7.75	Oct.	8.75
Dec. 20	8.50	July	6.00	Nov.	8.15	Nov.	8.75
		Aug.	6.00	Dec.	8.50	Dec.	8.65
1996—Feb. 1	8.25	Sept.	6.00				
		Oct.	6.00			1996—Jan.	8.50
		Nov.	6.00			Feb.	8.25
		Dec.	6.00				

1. The prime rate is one of several base rates that banks use to price short-term business loans. The table shows the date on which a new rate came to be the predominant one quoted by a majority of the twenty-five largest banks by asset size, based on the most recent Call Report. Data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

1.35 INTEREST RATES Money and Capital Markets

Percent per year; figures are averages of business day data unless otherwise noted

Item	1993	1994	1995	1995			1996	1995, week ending	1996, week ending			
				Oct.	Nov.	Dec.	Jan.	Dec. 29	Jan. 5	Jan. 12	Jan. 19	Jan. 26
MONEY MARKET INSTRUMENTS												
1 Federal funds[1,2,3]	3.02	4.21	5.83	5.76	5.80	5.60	5.56	5.48	5.35	5.53	5.61	5.44
2 Discount window borrowing[2,4]	3.00	3.60	5.21	5.25	5.25	5.25	5.24	5.25	5.25	5.25	5.25	5.25
Commercial paper[3,5,6]												
3 1-month	3.17	4.43	5.93	5.81	5.80	5.84	5.56	5.83	5.63	5.59	5.57	5.51
4 3-month	3.22	4.66	5.93	5.82	5.74	5.64	5.40	5.61	5.49	5.45	5.40	5.35
5 6-month	3.30	4.93	5.93	5.71	5.59	5.43	5.23	5.39	5.32	5.29	5.23	5.17
Finance paper, directly placed[3,5,7]												
6 1-month	3.12	4.33	5.81	5.71	5.69	5.70	5.44	5.60	5.50	5.47	5.44	5.40
7 3-month	3.16	4.53	5.78	5.66	5.59	5.47	5.25	5.39	5.34	5.32	5.26	5.19
8 6-month	3.15	4.56	5.68	5.51	5.35	5.20	5.01	5.12	5.10	5.06	5.01	4.95
Bankers acceptances[3,5,8]												
9 3-month	3.13	4.56	5.81	5.71	5.64	5.52	5.31	5.46	5.37	5.36	5.32	5.28
10 6-month	3.21	4.83	5.80	5.61	5.47	5.34	5.14	5.28	5.21	5.20	5.14	5.10
Certificates of deposit, secondary market[3,9]												
11 1-month	3.11	4.38	5.87	5.75	5.75	5.75	5.47	5.64	5.53	5.52	5.48	5.44
12 3-month	3.17	4.63	5.92	5.79	5.74	5.62	5.39	5.53	5.44	5.45	5.39	5.36
13 6-month	3.28	4.96	5.98	5.76	5.64	5.49	5.28	5.42	5.35	5.35	5.28	5.23
14 Eurodollar deposits, 3-month[3,10]	3.18	4.63	5.93	5.81	5.75	5.64	5.40	5.56	5.49	5.47	5.39	5.34
U.S. Treasury bills												
Secondary market[3,5]												
15 3-month	3.00	4.25	5.49	5.28	5.36	5.14	5.00	4.89	5.02	5.03	4.98	4.97
16 6-month	3.12	4.64	5.56	5.32	5.27	5.13	4.92	4.98	5.00	4.98	4.85	4.90
17 1-year	3.29	5.02	5.60	5.28	5.14	5.03	4.82	4.94	4.91	4.89	4.77	4.79
Auction average[3,5,11]												
18 3-month	3.02	4.29	5.51	5.30	5.35	5.16	5.02	4.91	5.04	5.03	5.02	4.99
19 6-month	3.14	4.66	5.59	5.34	5.29	5.15	4.97	5.04	5.03	5.02	4.93	4.88
20 1-year	3.33	5.02	5.69	5.30	5.15	5.06	4.89	n.a.	n.a.	4.89	n.a.	n.a.
U.S. TREASURY NOTES AND BONDS												
Constant maturities[12]												
21 1-year	3.43	5.32	5.94	5.59	5.43	5.31	5.09	5.21	5.18	5.17	5.03	5.05
22 2-year	4.05	5.94	6.15	5.70	5.48	5.32	5.11	5.22	5.18	5.20	5.04	5.09
23 3-year	4.44	6.27	6.25	5.77	5.57	5.39	5.20	5.29	5.26	5.29	5.13	5.18
24 5-year	5.14	6.69	6.38	5.86	5.69	5.51	5.36	5.44	5.39	5.44	5.30	5.35
25 7-year	5.54	6.91	6.50	5.97	5.83	5.63	5.54	5.56	5.54	5.62	5.47	5.53
26 10-year	5.87	7.09	6.57	6.04	5.93	5.71	5.65	5.64	5.63	5.74	5.58	5.65
27 20-year	6.29	7.49	6.95	6.45	6.33	6.12	6.11	6.06	6.06	6.18	6.06	6.11
28 30-year	6.59	7.37	6.88	6.37	6.26	6.06	6.05	6.00	6.00	6.12	6.01	6.06
Composite												
29 More than 10 years (long-term)	6.45	7.41	6.93	6.43	6.31	6.11	6.07	6.04	6.03	6.14	6.03	6.08
STATE AND LOCAL NOTES AND BONDS												
Moody's series[13]												
30 Aaa	5.38	5.77	5.80	5.74	5.63	5.40	5.27	5.29	5.22	5.25	5.30	5.30
31 Baa	5.83	6.17	6.10	5.95	5.79	5.66	5.59	5.00	5.59	5.45	5.69	5.61
32 *Bond Buyer* series[14]	5.60	6.18	5.95	5.80	5.64	5.45	5.43	5.44	5.37	5.50	5.40	5.46
CORPORATE BONDS												
33 Seasoned issues, all industries[15]	7.54	8.26	7.83	7.39	7.30	7.11	7.10	7.05	7.05	7.15	7.08	7.10
Rating group												
34 Aaa	7.22	7.97	7.59	7.12	7.02	6.82	6.80	6.76	6.75	6.86	6.80	6.81
35 Aa	7.40	8.15	7.72	7.27	7.18	6.99	6.99	6.93	6.94	7.02	6.96	7.00
36 A	7.58	8.28	7.83	7.39	7.32	7.13	7.12	7.07	7.07	7.18	7.11	7.13
37 Baa	7.93	8.63	8.20	7.75	7.68	7.49	7.47	7.43	7.42	7.52	7.45	7.47
38 A-rated, recently offered utility bonds[16]	7.46	8.29	7.86	7.36	7.30	7.10	7.09	6.98	7.08	7.17	7.00	7.11
MEMO												
Dividend–price ratio[17]												
39 Common stocks	2.78	2.82	2.56	2.41	2.37	2.30	2.31	2.31	2.28	2.37	2.35	2.30

1. The daily effective federal funds rate is a weighted average of rates on trades through New York brokers.
2. Weekly figures are averages of seven calendar days ending on Wednesday of the current week; monthly figures include each calendar day in the month.
3. Annualized using a 360-day year for bank interest.
4. Rate for the Federal Reserve Bank of New York.
5. Quoted on a discount basis.
6. An average of offering rates on commercial paper placed by several leading dealers for firms whose bond rating is AA or the equivalent.
7. An average of offering rates on paper directly placed by finance companies.
8. Representative closing yields for acceptances of the highest-rated money center banks.
9. An average of dealer offering rates on nationally traded certificates of deposit.
10. Bid rates for Eurodollar deposits at approximately 11:00 a.m. London time. Data are for indication purposes only.
11. Auction date for daily data; weekly and monthly averages computed on an issue-date basis.
12. Yields on actively traded issues adjusted to constant maturities. Source: U.S. Department of the Treasury.
13. General obligation bonds based on Thursday figures; Moody's Investors Service.
14. State and local government general obligation bonds maturing in twenty years are used in compiling this index. The twenty-bond index has a rating roughly equivalent to Moodys' A1 rating. Based on Thursday figures.
15. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
16. Compilation of the Federal Reserve. This series is an estimate of the yield on recently offered, A-rated utility bonds with a thirty-year maturity and five years of call protection. Weekly data are based on Friday quotations.
17. Standard & Poor's corporate series. Common stock ratio is based on the 500 stocks in the price index.

NOTE. Some of the data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

1.36 STOCK MARKET Selected Statistics

Indicator	1993	1994	1995	1995 May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1996 Jan.
	Prices and trading volume (averages of daily figures)											
Common stock prices (indexes)												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	249.71	254.16	291.18	281.81	289.52	298.18	300.05	310.41	311.78	317.58	327.90	329.22
2 Industrial	300.10	315.32	367.40	357.01	366.75	379.13	379.79	390.42	389.63	398.66	412.11	413.05
3 Transportation	242.68	247.17	270.14	254.70	256.80	279.15	285.63	295.54	291.16	300.06	303.53	300.43
4 Utility	114.55	104.96	114.61	106.02	108.12	109.59	111.06	114.67	123.59	119.49	173.95	127.09
5 Finance	216.55	209.75	238.48	228.45	236.26	240.49	245.27	260.72	265.12	266.12	273.36	274.96
6 Standard & Poor's Corporation (1941–43 = 10)[1]	451.63	460.42	541.72	523.83	539.35	557.37	559.11	578.77	582.92	595.53	614.57	614.42
7 American Stock Exchange (Aug. 31, 1973 = 50)[2]	438.77	449.49	498.13	487.03	492.60	513.25	526.86	547.64	530.26	529.93	538.01	540.48
Volume of trading (thousands of shares)												
8 New York Stock Exchange	263,374	290,652	345,729r	341,905	345,547	363,780	309,879	352,184	365,108r	360,199	384,310	416,048
9 American Stock Exchange	18,188	17,951	20,387	19,266	24,622	23,283	21,825	25,422	17,865	16,724	21,085	21,069
	Customer financing (millions of dollars, end-of-period balances)											
10 Margin credit at broker–dealers[3]	**60,310**	**61,160**	**76,680**	**64,070**	**66,340**	**67,600**	**71,440**	**77,076**	**75,005**	**77,875**	**76,680**	**73,530**
Free credit balances at brokers[4]												
11 Margin accounts[5]	12,360	14,095	16,250	13,403	13,710	13,830	13,900	14,806	14,753	15,590	16,250	14,950
12 Cash accounts	27,715	28,870	34,340	27,464	29,860	28,600	29,190	29,796	29,908	30,340	34,340	32,465
	Margin requirements (percent of market value and effective date)[6]											
	Mar. 11, 1968		June 8, 1968		May 6, 1970		Dec. 6, 1971		Nov. 24, 1972		Jan. 3, 1974	
13 Margin stocks	70		80		65		55		65		50	
14 Convertible bonds	50		60		50		50		50		50	
15 Short sales	70		80		65		55		65		50	

1. In July 1976 a financial group, composed of banks and insurance companies, was added to the group of stocks on which the index is based. The index is now based on 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.
2. On July 5, 1983, the American Stock Exchange rebased its index, effectively cutting previous readings in half.
3. Since July 1983, under the revised Regulation T, margin credit at broker–dealers has included credit extended against stocks, convertible bonds, stocks acquired through the exercise of subscription rights, corporate bonds, and government securities. Separate reporting of data for margin stocks, convertible bonds, and subscription issues was discontinued in April 1984.
4. Free credit balances are amounts in accounts with no unfulfilled commitments to brokers and are subject to withdrawal by customers on demand.
5. Series initiated in June 1984.
6. Margin requirements, stated in regulations adopted by the Board of Governors pursuant to the Securities Exchange Act of 1934, limit the amount of credit that can be used to purchase and carry "margin securities" (as defined in the regulations) when such credit is collateralized by securities. Margin requirements on securities other than options are the difference between the market value (100 percent) and the maximum loan value of collateral as prescribed by the Board. Regulation T was adopted effective Oct. 15, 1934; Regulation U, effective May 1, 1936; Regulation G, effective Mar. 11, 1968; and Regulation X, effective Nov. 1, 1971.

On Jan. 1, 1977, the Board of Governors for the first time established in Regulation T the initial margin required for writing options on securities, setting it at 30 percent of the current market value of the stock underlying the option. On Sept. 30, 1985, the Board changed the required initial margin, allowing it to be the same as the option maintenance margin required by the appropriate exchange or self-regulatory organization; such maintenance margin rules must be approved by the Securities and Exchange Commission. Effective Jan. 31, 1986, the SEC approved new maintenance margin rules, permitting margins to be the price of the option plus 15 percent of the market value of the stock underlying the option.

Effective June 8, 1988, margins were set to be the price of the option plus 20 percent of the market value of the stock underlying the option (or 15 percent in the case of stock-index options).

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year			Calendar year					
	1993	1994	1995	1995					1996
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
U.S. budget[1]									
1 Receipts, total	1,153,226	1,257,451[r]	1,350,576	96,560	143,219	95,593	90,008	138,271	142,922
2 On-budget	841,292	922,425[r]	999,496	69,265	112,510	72,200	63,651	110,322	110,615
3 Off-budget	311,934	335,026	351,080	27,295	30,709	23,393	26,357	27,949	32,307
4 Outlays, total	1,408,532	1,460,553[r]	1,514,389	130,411	135,933	118,352	128,458	132,984	123,647
5 On-budget	1,141,945	1,181,181[r]	1,225,724	104,135	105,098	92,151	101,767	121,753	98,057
6 Off-budget	266,587	279,372	288,665	26,276	30,836	26,200	26,691	11,232	25,591
7 Surplus or deficit (−), total	−255,306	−203,370	−163,813	−33,851	7,286	−22,758	−38,450	5,286	19,274
8 On-budget	−300,653	258,756[r]	−226,228	−34,870	7,412	−19,951	−38,116	−11,431	12,558
9 Off-budget	45,347	55,654	62,415	1,019	−126	−2,807	−334	16,717	6,716
Source of financing (total)									
10 Borrowing from the public	248,594	184,696[r]	171,288	16,071	−6,618	13,353	38,339	−18,358	−4,747
11 Operating cash (decrease, or increase (−))	6,283	16,564	−2,007	30,776	−19,820	16,755	−4,911	5,610	−16,959
12 Other[2]	429	1,842[r]	−5,468	−12,996	19,152	−7,350	5,022	7,462	2,432
MEMO									
13 Treasury operating balance (level, end of period)	52,506	35,942	37,949	18,129	37,949	21,194	26,105	20,495	37,454
14 Federal Reserve Banks	17,289	6,848	8,620	4,767	8,620	7,018	5,703	5,979	8,210
15 Tax and loan accounts	35,217	29,094	29,329	13,363	29,329	14,176	20,402	14,515	29,243

1. Since 1990, off-budget items have been the social security trust funds (federal old-age survivors insurance and federal disability insurance) and the U.S. Postal Service.

2. Includes special drawing rights (SDRs); reserve position on the U.S. quota in the International Monetary Fund (IMF); loans to the IMF; other cash and monetary assets; accrued interest payable to the public; allocations of SDRs; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seigniorage; increment on gold; net gain or loss for U.S. currency valuation adjustment; net gain or loss for IMF loan-valuation adjustment; and profit on sale of gold.

SOURCE. U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*; and U.S. Office of Management and Budget, *Budget of the U.S. Government*.

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS[1]

Millions of dollars

Source or type	Fiscal year 1994	Fiscal year 1995	Calendar year 1994 H1	1994 H2	1995 H1	1995 H2	1995 Nov.	1995 Dec.	1996 Jan.
RECEIPTS									
1 **All sources**	**1,257,453**	**1,350,576**	**652,234**	**625,557**	**710,542**	**656,400**	**90,008**	**138,271**	**142,922**
2 Individual income taxes, net	543,055	590,157	275,052	273,474	307,498	292,393	39,524	53,179	86,192
3 Withheld	459,699	499,898	225,387	240,062	251,398	256,918	39,945	50,597	55,351
4 Presidential Election Campaign Fund	70	69	63	10	58	9	1	0	1
5 Nonwithheld	160,047	175,815	117,937	42,031	132,006	43,100	1,991	3,227	31,159
6 Refunds	76,761	85,624	68,325	9,207	75,958	10,058	2,414	646	319
Corporation income taxes									
7 Gross receipts	154,205	174,422	80,536	78,392	92,132	88,302	3,056	38,954	6,381
8 Refunds	13,820	17,334	6,933	7,331	10,399	7,518	1,362	932	1,223
9 Social insurance taxes and contributions, net	461,475	484,474	248,301	220,141	261,837	224,269	38,199	37,762	42,197
10 Employment taxes and contributions[2]	428,810	451,046	228,714	206,613	228,663	211,323	34,919	37,123	40,742
11 Self-employment taxes and contributions[3]	24,433	27,127	20,762	4,135	23,429	3,557	91	333	2,188
12 Unemployment insurance	28,004	28,878	17,301	11,177	18,001	10,702	2,940	223	1,081
13 Other net receipts[4]	4,661	4,550	2,284	2,349	2,267	2,247	340	416	374
14 Excise taxes	55,225	57,485	26,444	30,062	27,452	30,014	5,154	4,870	4,241
15 Customs deposits	20,099	19,300	9,500	11,042	8,847	9,849	1,593	1,439	1,482
16 Estate and gift taxes	15,225	14,764	8,197	7,071	7,424	7,718	1,349	1,383	1,288
17 Miscellaneous receipts[5]	21,988	27,306	11,170	13,305	15,749	11,374	2,496	1,618	2,364
OUTLAYS									
18 **All types**	**1,460,553**	**1,514,428**	**710,620**	**752,151**	**760,824**	**752,505**	**128,458**	**132,984**	**123,647**
19 National defense	281,563	272,179	133,844	141,885	135,930[r]	132,954	21,234	25,376	20,243
20 International affairs	17,083	16,448	5,800	11,889	4,726[r]	6,994	1,616	431	1,089
21 General science, space, and technology	16,227	17,563	8,502	7,604	8,611	8,810	1,474	1,274	1,536
22 Energy	5,219	5,146	2,237	2,923	2,358	2,203	489	−163	115
23 Natural resources and environment	21,064	23,328	10,111	11,911	10,273	12,633	2,245	1,711	1,869
24 Agriculture	15,057	9,763	7,451	7,623	4,040[r]	3,062	2,291	708	336
25 Commerce and housing credit	−5,122	−18,740	−4,962	−4,270	−13,937[r]	−4,412	−1,465	−451	−2,014
26 Transportation	38,134	38,555	16,739	21,835	18,192	19,931	3,284	3,117	3,094
27 Community and regional development	10,454	11,000	4,571	6,283	4,857[r]	6,085	1,087	912	1,009
28 Education, training, employment, and social services	46,307	52,706	19,262	27,450	25,738	24,820	4,185	3,623	5,418
29 Health	106,836	114,760	53,195	54,147	58,759	57,013	10,189	8,567	8,665
30 Social security and Medicare	464,312	495,700[r]	232,777	236,817	251,975	251,387[r]	41,947	43,299	42,786
31 Income security	214,036	220,214	109,080	101,806	117,639	104,214	18,134	19,738	17,188
32 Veterans benefits and services	37,642	37,935	16,686	19,761	19,268[r]	18,684	3,280	4,435	2,165
33 Administration of justice	15,238	16,255	7,718	7,753	8,062	8,113	1,258	1,233	1,806
34 General government	11,316	13,856	5,084	7,355	5,797	7,623	717	1,924	391
35 Net interest[6]	202,957	232,175	99,844	109,434	116,170	119,350	19,058	19,934	20,765
36 Undistributed offsetting receipts[7]	−37,772	−44,455	−17,308	−20,066	−17,632	−26,994	−2,565	−2,683	−2,812

1. Functional details do not sum to total outlays for calendar year data because revisions to monthly totals have not been distributed among functions. Fiscal year total for outlays does not correspond to calendar year data because revisions from the *Budget* have not been fully distributed across months.
2. Old-age, disability, and hospital insurance, and railroad retirement accounts.
3. Old-age, disability, and hospital insurance.
4. Federal employee retirement contributions and civil service retirement and disability fund.
5. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.
6. Includes interest received by trust funds.
7. Rents and royalties for the outer continental shelf, U.S. government contributions for employee retirement, and certain asset sales.

SOURCE. U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*; and U.S. Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 1996*.

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars, end of month

Item	1993	1994				1995			
	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31
1 **Federal debt outstanding**	**4,562**	**4,602**	**4,673**	**4,721**	**4,827**	**4,891**	**4,978**	**5,001**	**5,017**
2 Public debt securities	4,536	4,576	4,646	4,693	4,800	4,864	4,951	4,974	4,989
3 Held by public	3,382	3,434	3,443	3,480	3,543	3,610	3,635	3,653	n.a.
4 Held by agencies	1,154	1,142	1,203	1,213	1,257	1,255	1,317	1,321	n.a.
5 Agency securities	27	26	28	29	27	27	27	27	28
6 Held by public	27	26	27	29	27	26	27	27	n.a.
7 Held by agencies	0	0	0	0	0	0	0	0	n.a.
8 **Debt subject to statutory limit**	**4,446**	**4,491**	**4,559**	**4,605**	**4,711**	**4,775**	**4,861**	**4,885**	**4,900**
9 Public debt securities	4,445	4,491	4,559	4,605	4,711	4,774	4,861	4,885	4,900
10 Other debt[1]	0	0	0	0	0	0	0	0	0
MEMO									
11 Statutory debt limit	4,900	4,900	4,900	4,900	4,900	4,900	4,900	4,900	4,900

1. Consists of guaranteed debt of U.S. Treasury and other federal agencies, specified participation certificates, notes to international lending organizations, and District of Columbia stadium bonds.

SOURCES. U.S. Department of the Treasury, *Monthly Statement of the Public Debt of the United States* and *Treasury Bulletin*.

1.41 GROSS PUBLIC DEBT OF U.S. TREASURY Types and Ownership

Billions of dollars, end of period

Type and holder	1992	1993	1994	1995	1995			
					Q1	Q2	Q3	Q4
1 **Total gross public debt**	**4,177.0**	**4,535.7**	**4,800.2**	**4,988.7**	**4,864.1**	**4,951.4**	**4,974.0**	**4,988.7**
By type								
2 Interest-bearing	4,173.9	4,532.3	4,769.2	4,964.4	4,860.5	4,947.8	4,950.6	4,964.4
3 Marketable	2,754.1	2,989.5	3,126.0	3,307.2	3,227.3	3,252.6	3,260.5	3,307.2
4 Bills	657.7	714.6	733.8	760.7	756.5	748.3	742.5	760.7
5 Notes	1,608.9	1,764.0	1,867.0	2,010.3	1,938.2	1,974.7	1,980.3	2,010.3
6 Bonds	472.5	495.9	510.3	521.2	517.7	514.7	522.6	521.2
7 Nonmarketable[1]	1,419.8	1,542.9	1,643.1	1,657.2	1,633.2	1,695.2	1,690.2	1,657.2
8 State and local government series	153.5	149.5	132.6	104.5	122.9	121.2	113.4	104.5
9 Foreign issues[2]	37.4	43.5	42.5	40.8	41.8	41.4	41.0	40.8
10 Government	37.4	43.5	42.5	40.8	41.8	41.4	41.0	40.8
11 Public	.0	.0	.0	.0	.0	.0	.0	.0
12 Savings bonds and notes	155.0	169.4	177.8	181.9	178.8	180.1	181.2	181.9
13 Government account series[3]	1,043.5	1,150.0	1,259.8	1,299.6	1,259.2	1,322.0	1,324.3	1,299.6
14 Non-interest-bearing	3.1	3.4	31.0	24.3	3.6	3.6	23.3	24.3
By holder[4]								
15 U.S. Treasury and other federal agencies and trust funds	1,047.8	1,153.5	1,257.1		1,254.7	1,316.6	1,320.8	
16 Federal Reserve Banks	302.5	334.2	374.1		369.3	389.0	374.1	
17 Private investors	2,839.9	3,047.7	3,168.0		3,239.2	3,245.0	3,279.5	
18 Commercial banks	294.4	322.2	290.6		307.5	297.7	295.0	
19 Money market funds	79.7	80.8	67.6		67.7	58.7	64.2	
20 Insurance companies	197.5	234.5	242.8		249.2	253.5	255.0	
21 Other companies	192.5	213.0	226.5	n.a.	230.3	227.7	224.1	n.a.
22 State and local treasuries	476.7	508.9	440.8		402.7	375.8	370.0	
Individuals								
23 Savings bonds	157.3	171.9	180.5		181.4	182.6	183.5	
24 Other securities	131.9	137.9	150.7		161.4	161.6	162.4	
25 Foreign and international[5]	549.7	623.0	688.6		729.0	784.1	847.8	
26 Other miscellaneous investors[6]	760.2	755.4	879.9		910.0	903.4	877.5	

1. Includes (not shown separately) securities issued to the Rural Electrification Administration, depository bonds, retirement plan bonds, and individual retirement bonds.
2. Nonmarketable series denominated in dollars, and series denominated in foreign currency held by foreigners.
3. Held almost entirely by U.S. Treasury and other federal agencies and trust funds.
4. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.
5. Consists of investments of foreign balances and international accounts in the United States.
6. Includes savings and loan associations, nonprofit institutions, credit unions, mutual savings banks, corporate pension trust funds, dealers and brokers, certain U.S. Treasury deposit accounts, and federally sponsored agencies.

SOURCES. U.S. Treasury Department, data by type of security, *Monthly Statement of the Public Debt of the United States*; data by holder, *Treasury Bulletin*.

1.42 U.S. GOVERNMENT SECURITIES DEALERS Transactions[1]

Millions of dollars, daily averages

Item	1995[r]			1995, week ending				1996, week ending				
	Oct.	Nov.	Dec.	Dec. 6	Dec. 13	Dec. 20	Dec. 27	Jan. 3	Jan. 10	Jan. 17	Jan. 24	Jan. 31
OUTRIGHT TRANSACTIONS[2]												
By type of security												
1 U.S. Treasury bills	45,200	57,014	54,313	52,604	59,422	63,364	41,678	47,601	52,037	50,869	56,486	56,939
Coupon securities, by maturity												
2 Five years or less	91,621	94,461	84,303	98,063	93,082	94,515	57,488	62,937	80,614	100,864	126,171	121,484
3 More than five years	49,845	50,029	43,615	63,752	45,811	45,429	22,243	36,055	53,920	54,687	59,142	58,119
4 Federal agency	24,426	26,013	26,368	26,334	23,038	27,843	27,813	28,180	26,535	28,897	29,975	26,477
5 Mortgage-backed	29,520	34,071	33,205	46,112	49,166	29,672	12,273	18,185	53,361	46,897	28,581	28,703
By type of counterparty												
With interdealer broker												
6 U.S. Treasury	108,427	114,669	104,651	121,087	118,376	115,336	68,973	82,108	109,151	119,761	141,748	139,201
7 Federal agency	711	775	672	860	649	724	470	623	631	750	1,328	1,200
8 Mortgage-backed	11,425	12,428	12,863	16,360	19,343	12,312	5,091	6,594	16,778	16,481	10,475	9,989
With other												
9 U.S. Treasury	78,238	86,835	77,580	93,332	79,940	87,972	52,436	64,485	77,421	86,659	100,050	97,341
10 Federal agency	23,715	25,238	25,696	25,474	22,389	27,118	27,343	27,557	25,904	28,147	28,647	25,278
11 Mortgage-backed	18,095	21,643	20,342	29,752	29,823	17,360	7,182	11,591	36,584	30,416	18,107	18,714
FUTURES TRANSACTIONS[3]												
By type of deliverable security												
12 U.S. Treasury bills	617	764	603	903	907	390	345	294	459	297	405	678
Coupon securities, by maturity												
13 Five years or less	1,583	2,154	2,045	3,682	1,798	2,082	835	1,715	1,159	1,344	2,254	1,513
14 More than five years	14,720	14,536	12,577	17,398	14,199	14,180	5,150	9,722	15,565	14,384	14,646	14,583
15 Federal agency	0	0	0	0	0	0	0	0	0	0	0	0
16 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0	0
OPTIONS TRANSACTIONS[4]												
By type of underlying security												
17 U.S. Treasury bills	0	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity												
18 Five years or less	2,111	1,655	1,098	985	1,227	1,272	918	928	1,472	2,793	2,046	1,688
19 More than five years	4,709	4,668	3,898	5,771	3,175	4,366	2,881	2,828	3,853	3,832	4,862	4,345
20 Federal agency	0	0	0	0	0	0	0	0	0	0	0	0
21 Mortgage-backed	971	1,099	862	1,229	618	537	1,161	954	989	919	821	685

1. Transactions are market purchases and sales of securities as reported to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Monthly averages are based on the number of trading days in the month. Transactions are assumed evenly distributed among the trading days of the report week. Immediate, forward, and futures transactions are reported at principal value, which does not include accrued interest; options transactions are reported at the face value of the underlying securities.

Dealers report cumulative transactions for each week ending Wednesday.

2. Outright transactions include immediate and forward transactions. Immediate delivery refers to purchases or sales of securities (other than mortgage-backed federal agency securities) for which delivery is scheduled in five business days or less and "when-issued" securities that settle on the issue date of offering. Transactions for immediate delivery of mortgage-backed agency securities include purchases and sales for which delivery is scheduled in thirty business days or less. Stripped securities are reported at market value by maturity of coupon or corpus.

Forward transactions are agreements made in the over-the-counter market that specify delayed delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.

3. Futures transactions are standardized agreements arranged on an exchange. All futures transactions are included regardless of time to delivery.

4. Options transactions are purchases or sales of put and call options, whether arranged on an organized exchange or in the over-the-counter market, and include options on futures contracts on U.S. Treasury and federal agency securities.

NOTE. "n.a." indicates that data are not published because of insufficient activity.

Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending July 6, 1994.

1.43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing[1]

Millions of dollars

Item	1995			1995, week ending				1996, week ending			
	Oct.	Nov.	Dec.	Dec. 6	Dec. 13	Dec. 20	Dec. 27	Jan. 3	Jan. 10	Jan. 17	Jan. 24
	Positions[2]										
NET OUTRIGHT POSITIONS[3]											
By type of security											
1 U.S. Treasury bills	−64	11,391	16,960	20,027	28,476	13,812	11,313	7,601	14,302	14,043	6,551
Coupon securities, by maturity											
2 Five years or less	14,476	12,423	21,659	25,979	18,846	20,330	20,901	23,756	18,612	17,387	25,287
3 More than five years	−15,124	−9,732	−11,698	−10,167	−10,082	−13,002	−13,109	−12,069	−11,958	−14,101	−15,848
4 Federal agency	24,009	21,768	22,446	20,212	21,058	21,540	24,992	25,356	24,789	24,991	23,637
5 Mortgage-backed	36,240	35,869	39,509	39,964	39,497	39,062	39,516	39,621	37,124	37,785	40,213
NET FUTURES POSITIONS[4]											
By type of deliverable security											
6 U.S. Treasury bills	−3,462	−5,175	−2,484	−4,142	−1,899	−1,973	−2,212	−2,393	−3,001	−3,147	−2,505
Coupon securities, by maturity											
7 Five years or less	−930	−4,508	−4,338	−3,263	−4,088	−5,242	−4,596	−4,351	−3,176	−3,158	−1,144
8 More than five years	−13,744	−17,358	−17,662	−19,050	−18,305	−17,328	−17,830	−14,745	−10,127	−13,600	−14,908
9 Federal agency	0	0	0	0	0	0	0	0	0	0	0
10 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0
NET OPTIONS POSITIONS											
By type of deliverable security											
11 U.S. Treasury bills	n.a.	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity											
12 Five years or less	3,044	479	−1,439	−1,120	−1,550	−1,158	−2,101	−1,058	−1,443	−147	−273
13 More than five years	−427	3,629	7,216	6,800	6,173	6,978	7,980	8,748	4,854	8,286	8,149
14 Federal agency	0	0	0	0	0	0	0	0	0	0	0
15 Mortgage-backed	1,591	1,199	−90	−9	−427	−752	440	608	1,219	209	498
	Financing[5]										
Reverse repurchase agreements											
16 Overnight and continuing	228,244	249,011	240,460	235,317	247,871	243,019	230,890	247,477	248,451	253,892	243,761
17 Term	420,502	404,181	389,626	398,590	409,436	382,918	380,824	368,655	396,047	403,107	446,293
Securities borrowed											
18 Overnight and continuing	162,865	152,800	154,078	153,410	152,319	149,905	154,473	164,769	175,912	173,330	168,665
19 Term	65,506	64,611	62,835	64,263	63,508	62,352	63,822	58,637	60,169	59,834	60,040
Securities received as pledge											
20 Overnight and continuing	2,377	2,005	4,132	3,683	4,118	3,988	4,343	4,712	5,002	2,461	2,286
21 Term	43	56	69	89	88	21	106	28	39	79	47
Repurchase agreements											
22 Overnight and continuing	509,729	522,501	535,088	538,239	537,813	546,540	519,030	533,654	556,821	549,853	543,788
23 Term	356,662[r]	370,772[r]	355,266	352,087	378,976	349,504	348,698	340,117	351,104	366,579	405,734
Securities loaned											
24 Overnight and continuing	5,715	6,001	5,543	5,726	5,607	5,175	5,402	6,051	6,155	5,524	5,678
25 Term	2,710	2,794	1,916	2,572	2,610	1,560	1,265	1,479	1,657	1,534	1,564
Securities pledged											
26 Overnight and continuing	30,091	28,087	34,010	29,342	33,127	33,274	38,743	35,559	35,999	34,854	33,846
27 Term	3,958	4,577	5,518	5,543	5,639	5,508	5,744	4,892	5,250	5,301	5,488
Collateralized loans											
28 Overnight and continuing	16,631	17,639	12,694	17,223	15,213	10,960	7,316	n.a.	n.a.	n.a.	n.a.
29 Term	2,367	2,092	1,989	1,964	2,010	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
MEMO: Matched book[6]											
Securities in											
30 Overnight and continuing	232,058	244,861	240,188	234,682	240,410	243,757	232,213	255,769	258,116	271,371	253,080
31 Term	410,727	401,682	391,284	402,536	412,825	385,012	379,807	367,770	397,677	401,084	441,503
Securities out											
32 Overnight and continuing	321,797	313,847	311,005	310,366	317,969	315,510	300,351	310,539	339,072	328,967	330,979
33 Term	302,123	318,594	309,089	308,691	330,882	303,412	300,465	296,576	304,557	321,064	347,962

1. Data for positions and financing are obtained from reports submitted to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Weekly figures are close-of-business Wednesday data. Positions for calendar days of the report week are assumed to be constant. Monthly averages are based on the number of calendar days in the month.

2. Securities positions are reported at market value.

3. Net outright positions include immediate and forward positions. Net immediate positions include securities purchased or sold (other than mortgage-backed agency securities) that have been delivered or are scheduled to be delivered in five business days or less and "when-issued" securities that settle on the issue date of offering. Net immediate positions for mortgage-backed agency securities include securities purchased or sold that have been delivered or are scheduled to be delivered in thirty business days or less.

Forward positions reflect agreements made in the over-the-counter market that specify delayed delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.

4. Futures positions reflect standardized agreements arranged on an exchange. All futures positions are included regardless of time to delivery.

5. Overnight financing refers to agreements made on one business day that mature on the next business day; continuing contracts are agreements that remain in effect for more than one business day but have no specific maturity and can be terminated without advance notice by either party; term agreements have a fixed maturity of more than one business day. Financing data are reported in terms of actual funds paid or received, including accrued interest.

6. Matched-book data reflect financial intermediation activity in which the borrowing and lending transactions are matched. Matched-book data are included in the financing breakdowns given above. The reverse repurchase and repurchase numbers are not always equal because of the "matching" of securities of different values or different types of collateralization.

NOTE. "n.a." indicates that data are not published because of insufficient activity.

Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending July 6, 1994.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1991	1992	1993	1994	1995				
					July	Aug.	Sept.	Oct.	Nov.
1 **Federal and federally sponsored agencies**	**442,772**	**483,970**	**570,711**	**738,928**	**788,323**	**801,819**	**811,182**	n.a.	n.a.
2 Federal agencies	41,035	41,829	45,193	39,186	39,403	39,581	38,030	38,273	39,207
3 Defense Department[1]	7	7	6	6	6	6	6	6	6
4 Export-Import Bank[2,3]	9,809	7,208	5,315	3,455	2,652	2,652	2,512	2,512	2,512
5 Federal Housing Administration[4]	397	374	255	116	84	83	87	88	93
6 Government National Mortgage Association certificates of participation[5]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
7 Postal Service[6]	8,421	10,660	9,732	8,073	8,615	8,615	7,265	7,265	7,265
8 Tennessee Valley Authority	22,401	23,580	29,885	27,536	28,046	28,225	28,160	28,366	29,331
9 United States Railway Association[6]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 Federally sponsored agencies[7]	401,737	442,141	523,452	699,742	748,920	762,238	773,152	n.a.	n.a.
11 Federal Home Loan Banks	107,543	114,733	139,512	205,817	223,100	228,299	236,851	234,192	239,034
12 Federal Home Loan Mortgage Corporation	30,262	29,631	49,993	93,279	111,427	112,341	111,610	115,626	115,603
13 Federal National Mortgage Association	133,937	166,300	201,112	257,230	268,458	275,271	277,192	280,582	289,768
14 Farm Credit Banks[8]	52,199	51,910	53,123	53,175	54,635	54,979	55,800	56,529	56,694
15 Student Loan Marketing Association[9]	38,319	39,650	39,784	50,335	51,325	51,323	51,672	51,906	50,535
16 Financing Corporation[10]	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170
17 Farm Credit Financial Assistance Corporation[11]	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261
18 Resolution Funding Corporation[12]	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996
MEMO									
19 **Federal Financing Bank debt**[13]	**185,576**	**154,994**	**128,187**	**103,817**	**88,892**	**86,776**	**84,297**	**82,622**	**81,693**
Lending to federal and federally sponsored agencies									
20 Export-Import Bank[3]	9,803	7,202	5,309	3,449	2,646	2,646	2,506	2,506	2,506
21 Postal Service[6]	8,201	10,440	9,732	8,073	8,615	8,615	7,265	7,265	7,265
22 Student Loan Marketing Association	4,820	4,790	4,760	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
23 Tennessee Valley Authority	10,725	6,975	6,325	3,200	3,200	3,200	3,200	3,200	3,200
24 United States Railway Association[6]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other lending[14]									
25 Farmers Home Administration	48,534	42,979	38,619	33,719	28,419	27,384	26,845	26,210	21,015
26 Rural Electrification Administration	18,562	18,172	17,578	17,392	17,274	17,276	17,276	17,045	17,141
27 Other	84,931	64,436	45,864	37,984	28,738	27,655	27,205	26,396	30,566

1. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.
2. Includes participation certificates reclassified as debt beginning Oct. 1, 1976.
3. On-budget since Sept. 30, 1976.
4. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.
5. Certificates of participation issued before fiscal year 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration, the Department of Health, Education, and Welfare, the Department of Housing and Urban Development, the Small Business Administration, and the Veterans Administration.
6. Off-budget.
7. Includes outstanding noncontingent liabilities: notes, bonds, and debentures. Includes Federal Agricultural Mortgage Corporation; therefore details do not sum to total. Some data are estimated.
8. Excludes borrowing by the Farm Credit Financial Assistance Corporation, which is shown on line 17.
9. Before late 1982, the association obtained financing through the Federal Financing Bank (FFB). Borrowing excludes that obtained from the FFB, which is shown on line 22.
10. The Financing Corporation, established in August 1987 to recapitalize the Federal Savings and Loan Insurance Corporation, undertook its first borrowing in October 1987.
11. The Farm Credit Financial Assistance Corporation, established in January 1988 to provide assistance to the Farm Credit System, undertook its first borrowing in July 1988.
12. The Resolution Funding Corporation, established by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, undertook its first borrowing in October 1989.
13. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Because FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table to avoid double counting.
14. Includes FFB purchases of agency assets and guaranteed loans; the latter are loans guaranteed by numerous agencies, with the amounts guaranteed by any one agency generally being small. The Farmers Home Administration entry consists exclusively of agency assets, whereas the Rural Electrification Administration entry consists of both agency assets and guaranteed loans.

1.45 NEW SECURITY ISSUES Tax-Exempt State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1993	1994	1995	1995							1996
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
1 **All issues, new and refunding**[1]	**279,945**	**153,950**	**146,204**	**17,230**	**11,575**	**12,450**	**9,698**	**13,336**	**16,580**	**17,220**	**10,351**
By type of issue											
2 General obligation	90,599	54,404	56,265	5,755	3,529	4,519	3,635	6,252	6,084	5,680	
3 Revenue	189,346	99,546	88,197	12,201	6,248	7,789	6,129	7,322	10,496	11,540	
By type of issuer											
4 State	27,999	19,186	14,762	1,329	645	617	1,510	1,825	1,491	951	
5 Special district or statutory authority[2]	178,714	95,896	92,470	11,382	7,399	7,491	5,821	7,831	10,477	11,920	
6 Municipality, county, or township	73,232	38,868	37,230	5,245	1,733	4,200	2,433	3,918	4,612	4,349	
7 **Issues for new capital**	**91,434**	**105,972**	**102,823**	**13,083**	**8,740**	**6,685**	**6,339**	**7,828**	**11,439**	**11,929**	n.a.
By use of proceeds											
8 Education	16,831	21,267	23,963	2,494	1,924	1,180	1,929	1,725	3,250	2,463	
9 Transportation	9,167	10,836	12,596	3,127	1,926	869	446	631	1,452	1,174	
10 Utilities and conservation	12,014	10,192	11,125	1,235	485	1,504	563	1,794	756	1,741	
11 Social welfare	13,837	20,289	19,380	2,062	1,333	1,421	1,228	1,587	2,253	1,604	
12 Industrial aid	6,862	8,161	6,032	411	500	201	627	203	404	1,269	
13 Other purposes	32,723	35,227	31,339	4,467	2,216	1,967	2,050	2,114	3,324	3,678	

1. Par amounts of long-term issues based on date of sale.
2. Includes school districts.

SOURCES. Securities Data Company beginning January 1993; *Investment Dealer's Digest* before then.

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue, offering, or issuer	1993	1994	1995	1995[r]							
				May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1 **All issues**[1]	**769,088**	**582,569**	n.a.	**55,145**	**57,054**	**36,437**	**50,052**	**56,980**	**53,850**	**56,115**	**40,452**
2 **Bonds**[2]	**646,634**	**497,414**	n.a.	**48,807**	**49,293**	**31,833**	**43,800**	**49,655**	**45,197**	**48,506**	**34,836**
By type of offering											
3 Public, domestic	487,029	365,115	487,071	40,280	43,106	25,617	34,465	43,137	36,792	43,232	32,112
4 Private placement, domestic[3]	121,226	76,061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5 Sold abroad	38,379	56,238	79,384	8,528	6,186	6,216	9,335	6,518	8,406	5,274	2,723
By industry group											
6 Manufacturing	88,160	43,423	42,439	2,359	6,808	4,456	4,057	3,284	3,497	4,092	3,305
7 Commercial and miscellaneous	58,559	40,652	37,001	6,085	4,528	1,403	2,480	2,607	3,532	4,178	3,099
8 Transportation	10,816	6,867	5,727	1,005	657	10	133	908	187	225	1,240
9 Public utility	56,330	13,298	12,270	2,530	2,675	540	640	911	1,241	782	685
10 Communication	31,950	13,340	18,158	1,767	1,745	1,520	1,240	2,829	2,389	3,333	648
11 Real estate and financial	400,820	379,834	371,475	35,061	32,880	23,904	35,249	39,115	34,352	35,897	25,858
12 **Stocks**[2]	**122,454**	**85,155**	n.a.	**6,338**	**7,761**	**4,604**	**6,252**	**7,353**	**8,646**	**7,768**	**5,502**
By type of offering											
13 Public preferred	18,897	12,527	11,048	1,548	742	768	1,261	1,035	836	2,210	890
14 Common	82,657	47,828	57,228	4,702	7,019	3,836	4,991	6,318	7,810	5,558	4,612
15 Private placement[3]	20,900	24,800		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By industry group											
16 Manufacturing	22,271	17,798		2,370	2,345	1,306	2,254	2,389	1,801	2,200	678
17 Commercial and miscellaneous	25,761	15,713	n.a.	1,134	2,749	1,969	1,533	2,791	4,628	2,969	2,631
18 Transportation	2,237	2,203		101	0	0	87	32	39	97	148
19 Public utility	7,050	2,214		185	209	133	91	190	60	336	322
20 Communication	3,439	494		0	0	64	0	47	0	0	0
21 Real estate and financial	61,004	46,733		2,536	2,458	1,132	2,287	1,905	2,118	2,166	1,724

1. Figures represent gross proceeds of issues maturing in more than one year; they are the principal amount or number of units calculated by multiplying by the offering price. Figures exclude secondary offerings, employee stock plans, investment companies other than closed-end, intracorporate transactions, equities sold abroad, and Yankee bonds. Stock data include ownership securities issued by limited partnerships.
2. Monthly data cover only public offerings.
3. Monthly data are not available.

SOURCES. Beginning July 1993, Securities Data Company and the Board of Governors of the Federal Reserve System.

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Assets[1]

Millions of dollars

Item	1993	1994	1995 May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1 **Sales of own shares**[2]	**851,885**	**841,286**	**70,798**	**74,749**	**76,081**	**72,113**	**68,694**	**72,730**	**70,499**	**99,059**
2 Redemptions of own shares	567,881	699,823	57,033	61,932	56,344	57,610	54,473	56,174	52,727	67,885
3 Net sales[3]	284,004	141,463	13,765	12,817	19,736	14,503	14,221	16,556	17,772	31,173
4 **Assets**[4]	**1,510,209**	**1,550,490**	**1,769,287**	**1,808,753**	**1,880,754**	**1,908,525**	**1,962,817**	**1,963,496**	**2,032,958**	**2,070,527**
5 Cash[5]	100,209	121,296	128,375	122,461	126,340	127,173	127,446	133,653	141,489	142,852
6 Other	1,409,838	1,429,195	1,640,913	1,686,292	1,754,415	1,781,352	1,835,371	1,829,843	1,891,470	1,927,675

1. Data on sales and redemptions exclude money market mutual funds but include limited-maturity municipal bond funds. Data on asset positions exclude both money market mutual funds and limited-maturity municipal bond funds.
2. Includes reinvestment of net income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.
3. Excludes sales and redemptions resulting from transfers of shares into or out of money market mutual funds within the same fund family.
4. Market value at end of period, less current liabilities.
5. Includes all U.S. Treasury securities and other short-term debt securities.

SOURCE. Investment Company Institute. Data based on reports of membership, which comprises substantially all open-end investment companies registered with the Securities and Exchange Commission. Data reflect underwritings of newly formed companies after their initial offering of securities.

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data at seasonally adjusted annual rates

Account	1993	1994	1995	1994 Q1	1994 Q2	1994 Q3	1994 Q4	1995 Q1	1995 Q2	1995 Q3	1995 Q4
1 Profits with inventory valuation and capital consumption adjustment	464.5	526.5	n.a.	455.9	531.5	549.8	568.9	559.6	561.1	614.9[r]	n.a.
2 Profits before taxes	464.3	528.2	n.a.	471.7	523.2	547.5	570.4	594.1	588.4	609.6	n.a.
3 Profits-tax liability	163.8	195.3	n.a.	171.4	192.8	203.4	213.5	217.3	214.2	224.5	n.a.
4 Profits after taxes	300.5	332.9	n.a.	300.3	330.4	344.1	356.8	376.8	374.1	385.1	n.a.
5 Dividends	197.3	211.0	227.4	204.4	208.8	212.5	218.5	221.7	224.6	228.5	234.7
6 Undistributed profits	103.3	121.9	n.a.	95.9	121.7	131.6	138.3	155.1	149.6	156.6	n.a.
7 Inventory valuation	−6.6	−13.3	−27.6	−3.9	−9.8	−16.5	−22.8	−51.9	−42.3	−9.3[r]	−6.8
8 Capital consumption adjustment	6.7	11.6	15.9	−11.8	18.1	18.8	21.3	17.4	15.0	14.6	16.5

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities[1]

Billions of dollars, end of period; not seasonally adjusted

Account	1992	1993	1994	1994				1995		
				Q1	Q2	Q3	Q4	Q1	Q2	Q3
ASSETS										
1 Accounts receivable, gross[2]	491.8	482.8	551.0	494.5	511.3	524.1	551.0	568.5	586.9	594.7
2 Consumer	118.3	116.5	134.8	120.1	124.3	130.3	134.8	135.8	141.7	146.2
3 Business	301.3	294.6	337.6	302.3	313.2	317.2	337.6	351.9	361.8	362.4
4 Real estate	72.2	71.7	78.5	72.1	73.8	76.6	78.5	80.8	83.4	86.1
5 LESS: Reserves for unearned income	53.2	50.7	55.0	51.2	51.9	51.1	55.0	58.9	62.1	61.2
6 Reserves for losses	16.2	11.2	12.4	11.6	12.1	12.1	12.4	12.9	13.7	13.8
7 Accounts receivable, net	422.4	420.9	483.5	431.7	447.3	460.9	483.5	496.7	511.1	519.7
8 All other	142.5	170.9	183.4	171.2	174.6	177.2	183.4	194.6	198.1	198.1
9 **Total assets**	**564.9**	**591.8**	**666.9**	**602.9**	**621.9**	**638.1**	**666.9**	**691.4**	**709.2**	**717.8**
LIABILITIES AND CAPITAL										
10 Bank loans	37.6	25.3	21.2	24.2	23.3	21.6	21.2	21.0	21.5	21.8
11 Commercial paper	156.4	159.2	184.6	165.9	171.2	171.0	184.6	181.3	181.3	178.0
Debt										
12 Owed to parent	39.5	42.7	51.0	41.1	44.7	50.0	51.0	52.5	57.5	59.0
13 Not elsewhere classified	196.3	206.0	235.0	211.7	219.6	228.2	235.0	254.4	264.4	272.1
14 All other liabilities	68.0	87.1	99.5	90.5	89.9	95.0	99.5	102.5	102.1	101.7
15 Capital, surplus, and undivided profits	67.1	71.4	75.7	69.5	73.2	72.3	75.7	79.7	82.5	84.4
16 **Total liabilities and capital**	**564.9**	**591.8**	**666.9**	**602.9**	**621.9**	**638.1**	**666.9**	**691.4**	**709.2**	**717.1**

1. Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data are amounts carried on the balance sheets of finance companies; securitized pools are not shown, as they are not on the books.

2. Before deduction for unearned income and losses.

1.52 DOMESTIC FINANCE COMPANIES Consumer, Real Estate, and Business Credit[1]

Millions of dollars, amounts outstanding, end of period

Type of credit	1993	1994	1995	1995					
				July	Aug.	Sept.	Oct.	Nov.	Dec.
	Seasonally adjusted								
1 **Total**	**545,533**	**614,784**	**686,645**	**661,656**	**671,807**	**675,247**	**682,627**	**687,187**	**686,645**
2 Consumer	160,349	176,198	195,895	189,898	191,806	193,555	194,620	197,303	195,895
3 Real estate[2]	71,965	78,770	86,944	84,886	85,756	86,121	87,266	87,699	86,944
4 Business	313,219	359,816	403,805	386,872	394,245	395,571	400,741	402,185	403,805
	Not seasonally adjusted								
5 **Total**	**550,751**	**620,975**	**693,739**	**658,140**	**665,535**	**672,653**	**681,965**	**687,944**	**693,739**
6 Consumer	162,770	178,999	199,088	187,803	190,830	193,615	194,931	198,072	199,088
7 Motor vehicles	56,057	61,609	69,650	65,861	68,271	68,857	70,816	68,167	69,650
8 Other consumer[3]	60,396	73,221	80,732	76,302	77,251	77,345	77,865	78,926	80,732
9 Securitized motor vehicles[4]	36,024	31,897	33,633	32,381	31,551	31,693	30,096	34,394	33,633
10 Securitized other consumer[4]	10,293	12,272	15,073	13,259	13,757	15,720	16,154	16,585	15,073
11 Real estate[2]	71,727	78,479	86,606	84,987	86,107	86,128	87,471	87,672	86,606
12 Business	316,254	363,497	408,045	385,350	388,598	392,910	399,563	402,200	408,045
13 Motor vehicles	95,173	118,197	133,242	124,005	124,444	125,053	129,216	129,708	133,242
14 Retail[5]	18,091	21,514	25,157	22,953	23,883	25,006	25,752	24,564	25,157
15 Wholesale[6]	31,148	35,037	36,402	32,147	31,392	29,313	32,209	33,519	36,402
16 Leasing	45,934	61,646	71,683	68,905	69,169	70,734	71,255	71,625	71,683
17 Equipment	145,452	157,953	176,745	170,253	170,825	171,239	172,657	173,183	176,745
18 Retail	35,513	39,680	46,420	42,541	43,121	42,823	43,697	44,194	46,420
19 Wholesale[6]	8,001	9,678	10,254	12,111	12,278	12,210	11,581	10,889	10,254
20 Leasing	101,938	108,595	120,071	115,601	115,426	116,206	117,379	118,100	120,071
21 Other business[7]	53,997	61,495	65,363	63,869	64,941	66,111	66,238	66,678	65,363
22 Securitized business assets[4]	21,632	25,852	32,695	27,223	28,388	30,507	31,452	32,631	32,695
23 Retail	2,869	4,494	4,723	4,784	4,587	4,818	4,586	4,974	4,723
24 Wholesale	10,584	14,826	21,327	16,469	17,986	19,773	20,390	21,208	21,327
25 Leasing	8,179	6,532	6,645	5,970	5,815	5,916	6,476	6,449	6,645

1. Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data are before deductions for unearned income and losses. Data in this table also appear in the Board's G.20 (422) monthly statistical release. For ordering address, see inside front cover.

2. Includes all loans secured by liens on any type of real estate, for example, first and junior mortgages and home equity loans.

3. Includes personal cash loans, mobile home loans, and loans to purchase other types of consumer goods such as appliances, apparel, general merchandise, and recreation vehicles.

4. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.

5. Passenger car fleets and commercial land vehicles for which licenses are required.

6. Credit arising from transactions between manufacturers and dealers, that is, floor plan financing.

7. Includes loans on commercial accounts receivable, factored commercial accounts, and receivable dealer capital; small loans used primarily for business or farm purposes; and wholesale and lease paper for mobile homes, campers, and travel trailers.

1.53 MORTGAGE MARKETS Mortgages on New Homes

Millions of dollars except as noted

Item	1993	1994	1995	1995 July	1995 Aug.	1995 Sept.	1995 Oct.	1995 Nov.	1995 Dec.	1996 Jan.
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Terms[1]										
1 Purchase price (thousands of dollars)	163.1	170.4	175.8	169.4	170.4	174.8	174.3	178.6	181.7	179.2
2 Amount of loan (thousands of dollars)	123.0	130.8	134.5	130.4	130.6	131.8	133.0	136.4	140.9	135.8
3 Loan-to-price ratio (percent)	78.0	78.8	78.6	78.9	78.9	78.1	77.8	78.9	79.1	77.3
4 Maturity (years)	26.1	27.5	27.7	26.6	27.3	28.0	26.6	27.7	27.6	27.7
5 Fees and charges (percent of loan amount)[2]	1.30	1.29	1.21	1.18	1.12	1.20	1.11	1.22	1.21	1.07
Yield (percent per year)										
6 Contract rate[1]	7.03	7.26	7.65	7.58	7.56	7.50	7.39	7.27	7.20	7.15
7 Effective rate[1,3]	7.24	7.47	7.85	7.78	7.75	7.69	7.58	7.46	7.40	7.32
8 Contract rate (HUD series)[4]	7.37	8.58	8.05	7.98	7.91	7.78	7.62	7.46	7.30	7.23
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (Section 203)[5]	7.46	8.68	8.18	8.09	8.03	8.03	7.61	7.51	7.52	7.11
10 GNMA securities[6]	6.65	7.96	7.57	7.27	7.49	7.26	7.16	7.01	6.82	6.71
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	190,861	222,057	253,511	235,882	238,850	241,378	246,234	249,928	253,511	255,619
12 FHA/VA insured	23,857	27,558[r]	28,762[r]	28,655[r]	28,787[r]	28,726[r]	28,765[r]	28,901[r]	28,762[r]	28,622
13 Conventional	167,004	194,499	224,749	207,227	210,063	212,652	217,469	221,027	224,749	226,997
14 Mortgage transactions purchased (during period)	92,037	62,389	56,598	5,657	5,688	5,002	7,443	6,148	6,243	4,810
Mortgage commitments (during period)										
15 Issued[7]	92,537	54,038	56,092	4,512	6,284	6,019	6,732	6,038	4,765	5,750
16 To sell[8]	5,097	1,820	360	26	53	9	0	10	0	3
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	55,012	72,693	107,424	88,874	91,544	94,989	99,758	102,997	107,424	111,143
18 FHA/VA insured	321	276	267	250	246	281	276	271	267	270
19 Conventional	54,691	72,416	107,157	88,624	91,298	94,708	99,482	102,726	107,157	110,873
Mortgage transactions (during period)										
20 Purchases	229,242	124,697	98,470	7,316	9,594	11,458	11,092	9,989	13,108	13,357
21 Sales	208,723	117,110	85,877	6,074	8,161	10,239	9,856	9,011	11,712	11,624
22 Mortgage commitments contracted (during period)[9]	274,599	136,067	118,659	8,106	10,578	12,469	10,388	11,339	14,609	12,765

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups for purchase of newly built homes; compiled by the Federal Housing Finance Board in cooperation with the Federal Deposit Insurance Corporation.
2. Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) to obtain a loan.
3. Average effective interest rate on loans closed for purchase of newly built homes, assuming prepayment at the end of ten years.
4. Average contract rate on new commitments for conventional first mortgages; from U.S. Department of Housing and Urban Development (HUD). Based on transactions on the first day of the subsequent month.
5. Average gross yield on thirty-year, minimum-downpayment first mortgages insured by the Federal Housing Administration (FHA) for immediate delivery in the private secondary market. Based on transactions on first day of subsequent month.
6. Average net yields to investors on fully modified pass-through securities backed by mortgages and guaranteed by the Government National Mortgage Association (GNMA), assuming prepayment in twelve years on pools of thirty-year mortgages insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs.
7. Does not include standby commitments issued, but includes standby commitments converted.
8. Includes participation loans as well as whole loans.
9. Includes conventional and government-underwritten loans. The Federal Home Loan Mortgage Corporation's mortgage commitments and mortgage transactions include activity under mortgage securities swap programs, whereas the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING[1]

Millions of dollars, end of period

Type of holder and property	1991	1992	1993	1994		1995		
				Q3	Q4	Q1	Q2	Q3[p]
1 **All holders**	**3,962,607**	**4,094,067**	**4,268,983**	**4,419,367**	**4,475,242**	**4,517,245**	**4,585,646**	**4,654,573**
By type of property								
2 One- to four-family residences	2,849,780	3,037,408	3,227,633	3,375,955	3,432,165	3,466,120	3,524,669	3,583,881
3 Multifamily residences	284,412	274,234	270,796	275,956	275,304	276,445	280,602	283,767
4 Commercial	749,110	701,687	689,360	684,831	684,803	691,276	696,526	702,506
5 Farm	79,305	80,738	81,194	82,625	82,971	83,404	83,850	84,419
By type of holder								
6 Major financial institutions	1,846,726	1,769,187	1,767,835	1,786,074	1,815,810	1,841,815	1,868,175	1,895,299
7 Commercial banks[2]	876,100	894,513	940,444	981,365	1,004,280	1,024,854	1,053,048	1,072,791
8 One- to four-family	483,623	507,780	556,538	592,021	611,697	625,378	648,705	663,307
9 Multifamily	36,935	38,024	38,635	38,004	38,916	39,746	40,593	42,537
10 Commercial	337,095	328,826	324,409	328,931	331,100	336,795	340,176	343,123
11 Farm	18,447	19,882	20,862	22,408	22,567	22,936	23,575	23,823
12 Savings institutions[3]	705,367	627,972	598,330	587,545	596,199	601,777	599,745	604,616
13 One- to four-family	538,358	489,622	469,959	466,704	477,499	483,625	482,005	488,707
14 Multifamily	79,881	69,791	67,362	65,532	64,400	63,778	64,404	63,437
15 Commercial	86,741	68,235	60,704	55,017	54,011	54,085	53,054	52,182
16 Farm	388	324	305	291	289	288	282	291
17 Life insurance companies	265,258	246,702	229,061	217,165	215,332	215,184	215,382	217,892
18 One- to four-family	11,547	11,441	9,458	7,984	7,910	7,892	7,911	8,006
19 Multifamily	29,562	27,770	25,814	24,534	24,306	24,250	24,310	24,601
20 Commercial	214,105	198,269	184,305	175,168	173,539	173,142	173,565	175,643
21 Farm	10,044	9,222	9,484	9,479	9,577	9,900	9,596	9,643
22 Federal and related agencies	266,146	286,263	328,598	329,304	323,491	319,770	315,208	314,358
23 Government National Mortgage Association	19	30	22	12	6	15	7	2
24 One- to four-family	19	30	15	12	6	15	7	2
25 Multifamily	0	0	7	0	0	0	0	0
26 Farmers Home Administration[4]	41,713	41,695	41,386	41,587	41,781	41,857	41,917	41,858
27 One- to four-family	18,496	16,912	15,303	14,084	13,826	13,507	13,217	12,914
28 Multifamily	10,141	10,575	10,940	11,243	11,319	11,418	11,512	11,557
29 Commercial	4,905	5,158	5,406	5,608	5,670	5,807	5,949	6,096
30 Farm	8,171	9,050	9,739	10,652	10,966	11,124	11,239	11,291
31 Federal Housing and Veterans' Administrations	10,733	12,581	12,215	10,533	10,964	10,890	10,098	9,535
32 One- to four-family	4,036	5,153	5,364	4,321	4,753	4,715	4,838	4,918
33 Multifamily	6,697	7,428	6,851	6,212	6,211	6,175	5,260	4,617
34 Resolution Trust Corporation	45,822	32,045	17,284	15,403	10,428	9,342	6,456	4,889
35 One- to four-family	14,535	12,960	7,203	6,998	5,200	4,755	2,870	2,299
36 Multifamily	15,018	9,621	5,327	4,569	2,859	2,494	1,940	1,420
37 Commercial	16,269	9,464	4,754	3,836	2,369	2,092	1,645	1,170
38 Farm	0	0	0	0	0	0	0	0
39 Federal Deposit Insurance Corporation	0	0	14,112	9,169	7,821	6,730	6,039	5,015
40 One- to four-family	0	0	2,367	1,241	1,049	840	731	618
41 Multifamily	0	0	1,426	2,090	1,595	1,310	1,135	722
42 Commercial	0	0	10,319	5,838	5,177	4,580	4,173	3,674
43 Farm	0	0	0	0	0	0	0	0
44 Federal National Mortgage Association	112,283	137,584	166,642	177,200	178,059	177,615	178,462	182,229
45 One- to four-family	100,387	124,016	151,310	161,255	162,160	161,780	162,674	166,393
46 Multifamily	11,896	13,568	15,332	15,945	15,899	15,835	15,788	15,836
47 Federal Land Banks	28,767	28,664	28,460	28,538	28,555	28,065	28,005	28,151
48 One- to four-family	1,693	1,687	1,675	1,679	1,671	1,651	1,648	1,656
49 Farm	27,074	26,977	26,785	26,859	26,885	26,414	26,357	26,495
50 Federal Home Loan Mortgage Corporation	26,809	33,665	48,476	46,863	45,876	45,256	44,224	42,678
51 One- to four-family	24,125	31,032	45,929	44,208	43,046	42,122	40,963	39,244
52 Multifamily	2,684	2,633	2,547	2,655	2,830	3,134	3,261	3,434
53 Mortgage pools or trusts[5]	1,258,155	1,434,264	1,563,453	1,693,908	1,716,209	1,731,272	1,759,314	1,797,162
54 Government National Mortgage Association	425,295	419,516	414,066	444,976	450,934	454,401	457,101	463,654
55 One- to four-family	415,767	410,675	404,864	435,511	441,198	444,632	446,855	453,114
56 Multifamily	9,528	8,841	9,202	9,465	9,736	9,769	10,246	10,540
57 Federal Home Loan Mortgage Corporation	359,163	407,514	446,029	482,987	486,480	488,723	496,139	503,457
58 One- to four-family	351,906	401,525	441,494	479,539	483,354	485,643	493,105	500,504
59 Multifamily	7,257	5,989	4,535	3,448	3,126	3,080	3,034	2,953
60 Federal National Mortgage Association	371,984	444,979	495,525	523,512	530,343	533,262	543,669	559,585
61 One- to four-family	362,667	435,979	486,804	514,375	520,763	523,903	533,091	548,400
62 Multifamily	9,317	9,000	8,721	9,137	9,580	9,359	10,578	11,185
63 Farmers Home Administration[4]	47	38	28	20	19	14	13	12
64 One- to four-family	11	8	5	4	3	2	2	2
65 Multifamily	0	0	0	0	0	0	0	0
66 Commercial	19	17	13	9	9	7	6	5
67 Farm	17	13	10	7	7	5	5	5
68 Private mortgage conduits	101,665	162,217	207,806	242,413	248,433	254,871	262,393	270,454
69 One- to four-family	91,489	140,718	173,635	193,787	196,733	201,314	205,018	209,713
70 Multifamily	3,698	6,305	8,701	13,891	14,925	15,743	17,281	18,903
71 Commercial	6,479	15,194	25,469	34,735	36,774	37,814	40,094	41,838
72 Farm	0	0	0	0	0	0	0	0
73 Individuals and others[6]	591,580	604,353	609,097	610,080	619,732	624,388	642,949	647,754
74 One- to four-family	431,122	447,871	455,709	452,232	461,297	464,346	481,028	484,084
75 Multifamily	61,798	64,688	65,397	69,230	69,602	70,352	71,261	72,024
76 Commercial	83,496	76,524	73,982	75,689	76,153	76,955	77,864	78,774
77 Farm	15,164	15,270	14,009	12,929	12,681	12,736	12,796	12,871

1. Multifamily debt refers to loans on structures of five or more units.
2. Includes loans held by nondeposit trust companies but not loans held by bank trust departments.
3. Includes savings banks and savings and loan associations.
4. FmHA-guaranteed securities sold to the Federal Financing Bank were reallocated from FmHA mortgage pools to FmHA mortgage holdings in 1986:Q4 because of accounting changes by the Farmers Home Administration.
5. Outstanding principal balances of mortgage-backed securities insured or guaranteed by the agency indicated.
6. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and finance companies.

SOURCE. Based on data from various institutional and government sources. Separation of nonfarm mortgage debt by type of property, if not reported directly, and interpolations and extrapolations, when required for some quarters, are estimated in part by the Federal Reserve. Line 69 from Inside Mortgage Securities.

1.55 CONSUMER INSTALLMENT CREDIT[1]

Millions of dollars, amounts outstanding, end of period

Holder and type of credit	1993	1994	1995	1995 July	Aug.	Sept.	Oct.	Nov.	Dec.
	Seasonally adjusted								
1 **Total**	**790,351**	**902,853**	**1,022,925**	**979,375**	**989,695**	**993,843**	**1,005,178**	**1,015,031[r]**	**1,022,925**
2 Automobile	280,566	317,237	353,105	337,127	339,770	341,155	344,671	349,080[r]	353,105
3 Revolving	286,588	334,511	394,752	375,272	379,669	382,094	387,180	390,140	394,752
4 Other[2]	223,197	251,106	275,067	266,976	270,255	270,595	273,326	275,811	275,067
	Not seasonally adjusted								
5 **Total**	**809,440**	**925,000**	**1,048,715**	**971,965**	**990,428**	**996,525**	**1,005,423**	**1,018,963[r]**	**1,048,715**
By major holder									
6 Commercial banks	367,566	427,851	464,993	441,165	451,784	449,502	451,232	453,690	464,993
7 Finance companies	116,453	134,830	150,382	142,163	145,522	146,202	148,681	147,093	150,382
8 Credit unions	101,634	119,594	133,128	126,500	128,424	129,027	130,261	130,972	133,128
9 Savings institutions	37,855	38,468	38,500	38,907	38,634	38,894	38,500	38,500	38,500
10 Nonfinancial business[3]	55,296	60,957	57,497	56,360	55,723	54,177	54,607	53,139	57,497
11 Pools of securitized assets[4]	130,636	143,300	204,215	166,870	170,341	178,723	182,142	195,569[r]	204,215
By major type of credit[5]									
12 Automobile	281,458	318,213	354,174	336,154	341,716	344,401	347,513	350,966[r]	354,174
13 Commercial banks	122,000	141,851	151,057	146,149	148,549	148,901	150,782	149,905	151,057
14 Finance companies	56,057	61,609	69,650	65,861	68,271	68,857	70,816	68,167	69,650
15 Pools of securitized assets[4]	39,481	34,918	43,666	37,071	36,681	37,476	36,453	43,240[r]	43,666
16 Revolving	301,837	352,266	415,679	370,520	377,784	380,341	384,625	392,706	415,679
17 Commercial banks	149,920	180,183	198,076	184,245	189,163	185,572	186,463	189,405	198,076
18 Nonfinancial business[3]	50,125	55,341	51,971	50,520	48,976	48,968	49,358	47,839	51,971
19 Pools of securitized assets[4]	79,878	94,376	142,722	114,338	117,729	123,749	126,739	132,978	142,722
20 Other	226,145	254,521	278,862	264,734	269,467	271,845	273,285	275,291	278,862
21 Commercial banks	95,646	105,817	115,860	110,771	114,072	115,029	113,987	114,380	115,860
22 Finance companies	60,396	73,221	80,732	76,302	77,251	77,345	77,865	78,926	80,732
23 Nonfinancial business[3]	5,171	5,616	5,526	5,283	5,286	5,271	5,249	5,300	5,526
24 Pools of securitized assets[4]	11,277	14,006	17,827	15,461	15,931	17,498	18,950	19,351	17,827

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals that is scheduled to be repaid (or has the option of repayment) in two or more installments. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.
2. Comprises mobile home loans and all other installment loans that are not included in automobile or revolving credit, such as loans for education, boats, trailers, or vacations. These loans may be secured or unsecured.
3. Includes retailers and gasoline companies.
4. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.
5. Totals include estimates for certain holders for which only consumer credit totals are available.

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT[1]

Percent per year except as noted

Item	1993	1994	1995	1995 June	July	Aug.	Sept.	Oct.	Nov.	Dec.
INTEREST RATES										
Commercial banks[2]										
1 48-month new car	8.09	8.12	9.57	n.a.	n.a.	9.44	n.a.	n.a.	9.36	n.a.
2 24-month personal	13.47	13.19	13.94	n.a.	n.a.	13.84	n.a.	n.a.	13.80	n.a.
Credit card plan										
3 All accounts	n.a.	15.69	16.02	n.a.	n.a.	15.98	n.a.	n.a.	15.81	n.a.
4 Accounts assessed interest	n.a.	15.77	15.79	n.a.	n.a.	15.94	n.a.	n.a.	15.71	n.a.
Auto finance companies										
5 New car	9.48	9.79	11.19	11.08	11.01	10.85	10.75	10.89	10.84	10.52
6 Used car	12.79	13.49	14.48	14.63	14.35	14.23	14.12	14.06	13.98	13.83
OTHER TERMS[3]										
Maturity (months)										
7 New car	54.5	54.0	54.1	53.9	54.1	53.5	53.4	54.6	54.5	53.6
8 Used car	48.8	50.2	52.2	52.3	52.4	52.3	52.3	52.3	52.2	51.8
Loan-to-value ratio										
9 New car	91	92	92	92	92	92	92	92	92	92
10 Used car	98	99	99	99	100	99	100	99	99	99
Amount financed (dollars)										
11 New car	14,332	15,375	16,210	16,083	16,086	16,056	16,402	16,430	16,583	17,034
12 Used car	9,875	10,709	11,590	11,518	11,637	11,662	11,725	11,883	12,012	12,152

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals that is scheduled to be repaid (or has the option of repayment) in two or more installments. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.
2. Data are available for only the second month of each quarter.
3. At auto finance companies.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]

Billions of dollars; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1990	1991	1992	1993	1994	1994				1995		
						Q1	Q2	Q3	Q4	Q1	Q2	Q3
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**669.4**	**480.6**	**545.3**	**625.9**	**617.0**	**652.5**	**581.2**	**580.0**	**654.3**	**831.0**	**877.5**	**513.1**
By sector and instrument												
2 U.S. government	246.9	278.2	304.0	256.1	155.9	206.4	131.3	135.6	150.1	266.8	202.8	65.8
3 Treasury securities	238.7	292.0	303.8	248.3	155.7	207.7	126.6	132.8	155.7	268.0	201.2	65.4
4 Budget agency issues and mortgages	8.2	−13.8	.2	7.8	.2	−1.3	4.7	2.9	−5.7	−1.2	1.6	.4
5 Private	422.5	202.4	241.3	369.8	461.1	446.1	449.9	444.3	504.2	564.2	674.8	447.3
By instrument												
6 Municipal securities	49.3	87.8	30.5	74.8	−29.3	15.7	−20.7	−58.4	−53.8	−53.3	−10.6	−115.8
7 Corporate bonds	47.1	78.8	67.6	75.2	23.3	34.2	37.4	15.4	6.2	55.3	99.0	60.7
8 Mortgages	232.4	158.4	130.9	157.2	196.5	174.2	194.2	203.9	213.5	219.6	238.8	251.9
9 Home mortgages	226.3	173.6	187.6	187.9	204.5	203.3	186.2	208.8	219.8	192.5	204.2	215.3
10 Multifamily residential	1.5	−5.5	−10.4	−6.0	1.3	−.3	4.0	5.6	−4.2	2.9	15.0	11.9
11 Commercial	6.1	−10.0	−47.8	−25.0	−11.1	−29.4	1.1	−12.7	−3.4	22.5	17.8	22.4
12 Farm	−1.6	.4	1.4	.5	1.8	.6	2.9	2.2	1.4	1.7	1.8	2.3
13 Consumer credit	15.6	−14.8	7.3	58.9	121.2	65.0	129.8	124.8	165.2	93.8	158.1	109.6
14 Bank loans n.e.c.	.4	−40.9	−13.7	3.8	72.7	57.7	58.7	97.1	77.1	143.5	94.4	99.4
15 Commercial paper	9.7	−18.4	8.6	10.0	21.4	26.1	9.7	26.4	23.5	23.1	37.5	16.0
16 Other loans and advances	68.1	−48.5	10.1	−10.2	55.4	73.2	40.8	35.1	72.4	82.2	57.7	25.6
By borrowing sector												
17 Household	263.7	182.7	200.7	246.5	360.3	292.3	349.9	379.7	419.1	301.8	388.9	380.3
18 Nonfinancial business	112.2	−61.9	19.5	61.0	144.3	154.1	139.4	130.0	153.6	314.5	302.8	187.0
19 Farm	1.0	2.1	1.3	2.0	2.8	3.1	7.8	2.4	−2.0	.9	3.6	4.3
20 Nonfarm noncorporate	1.1	−11.0	−16.0	7.0	12.1	13.2	10.0	8.8	16.5	51.3	43.5	21.5
21 Corporate	110.0	−53.0	34.1	52.0	129.3	137.7	121.7	118.8	139.1	262.3	255.7	161.1
22 State and local government	46.6	81.6	21.1	62.3	−43.4	−.3	−39.5	−65.4	−68.5	−52.1	−16.9	−119.9
23 Foreign net borrowing in United States	23.9	14.8	22.6	68.8	−20.3	−100.3	−34.2	19.6	33.5	61.4	40.4	97.5
24 Bonds	21.4	15.0	15.7	81.3	7.1	−2.6	−17.4	20.8	27.7	13.5	49.9	55.0
25 Bank loans n.e.c.	−2.9	3.1	2.3	.7	1.4	6.0	−4.5	4.7	−.5	8.1	5.6	8.2
26 Commercial paper	12.3	6.4	5.2	−9.0	−27.3	−101.8	−5.2	−8.1	5.9	37.9	−11.1	30.9
27 Other loans and advances	−7.0	−9.8	−.6	−4.2	−1.6	−1.8	−7.1	2.2	.4	1.9	−4.0	3.4
28 **Total domestic plus foreign**	**693.2**	**495.4**	**568.0**	**694.7**	**596.6**	**552.2**	**547.0**	**599.5**	**687.8**	**892.4**	**918.0**	**610.6**
	Financial sectors											
29 **Total net borrowing by financial sectors**	**210.9**	**154.5**	**240.1**	**290.8**	**459.4**	**493.1**	**380.1**	**419.7**	**544.8**	**268.7**	**432.0**	**407.7**
By instrument												
30 U.S. government-related	167.4	145.7	155.8	164.2	284.3	309.4	264.5	245.7	317.5	93.0	197.7	230.1
31 Government-sponsored enterprises securities	17.1	9.2	40.3	80.6	176.9	160.0	146.6	152.1	249.0	62.9	127.2	101.5
32 Mortgage pool securities	150.3	136.6	115.6	83.6	112.1	168.5	117.9	93.6	68.5	30.0	70.5	128.6
33 Loans from U.S. government	−.1	.0	.0	.0	−4.8	−19.2	.0	.0	.0	.0	.0	.0
34 Private	43.6	8.7	84.3	126.6	175.2	183.8	115.5	174.0	227.3	175.7	234.4	177.6
35 Corporate bonds	53.5	68.8	82.8	119.8	113.4	161.1	96.4	99.5	96.5	156.5	170.2	133.0
36 Mortgages	.6	.5	.6	3.6	9.8	9.8	12.4	12.0	4.9	5.1	4.8	2.3
37 Bank loans n.e.c.	4.7	8.8	2.2	−13.0	−12.3	−12.0	−27.4	−11.7	1.9	.1	24.1	−6.8
38 Open market paper	8.6	−32.0	−.7	−6.2	41.6	35.1	4.3	41.3	85.9	38.5	34.0	43.3
39 Other loans and advances	−23.9	−37.3	−.6	22.4	22.6	−10.3	29.8	32.8	38.1	−24.5	1.3	5.9
By borrowing sector												
40 Government-sponsored enterprises	17.0	9.1	40.2	80.6	172.1	140.8	146.6	152.1	249.0	62.9	127.2	101.5
41 Federally related mortgage pools	150.3	136.6	115.6	83.6	112.1	168.5	117.9	93.6	68.5	30.0	70.5	128.6
42 Private financial sectors	43.6	8.7	84.3	126.6	175.2	183.8	115.5	174.0	227.3	175.7	234.4	177.6
43 Commercial banks	.9	−10.7	7.7	4.6	9.9	.9	10.6	23.9	4.1	6.3	18.2	9.6
44 Bank holding companies	−27.7	−2.5	2.3	8.8	10.3	3.5	10.1	11.5	16.0	13.3	23.8	25.2
45 Funding corporations	15.4	−6.5	13.2	2.9	24.2	48.8	−10.5	47.3	11.1	61.6	21.4	41.9
46 Savings institutions	−30.9	−44.7	−7.0	11.3	12.8	−5.5	5.8	14.8	36.1	−18.9	−6.8	4.9
47 Credit unions	.0	.0	.0	.2	.2	.1	.2	.5	.2	−.3	−.1	.1
48 Life insurance companies	.0	.0	.0	.2	.3	.0	.0	.0	1.3	.0	.1	−.1
49 Finance companies	23.8	17.7	−1.6	.2	50.2	63.7	63.6	16.3	57.3	83.1	57.2	6.5
50 Mortgage companies	.0	−2.4	8.0	.0	−11.5	−21.8	−18.2	−7.0	1.1	−7.4	14.8	−12.0
51 Real estate investment trusts (REITs)	.8	1.2	.3	3.4	13.7	14.5	15.3	18.8	6.3	6.9	6.4	2.2
52 Brokers and dealers	1.5	3.7	2.7	12.0	.5	−9.9	.3	−7.6	19.3	−29.5	−.1	2.1
53 Issuers of asset-backed securities (ABSs)	59.8	52.9	58.6	83.0	64.5	89.4	38.5	55.4	74.5	60.8	99.4	97.1

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]—Continued

Transaction category or sector	1990	1991	1992	1993	1994	1994				1995		
						Q1	Q2	Q3	Q4	Q1	Q2	Q3
	All sectors											
54 **Total net borrowing, all sectors**	**904.1**	**649.9**	**808.0**	**985.5**	**1,056.0**	**1,045.3**	**927.0**	**1,019.2**	**1,232.6**	**1,161.1**	**1,350.0**	**1,018.3**
55 U.S. government securities	414.4	424.0	459.8	420.3	444.9	534.9	395.8	381.3	467.5	359.8	400.5	295.9
56 Municipal securities	49.3	87.8	30.5	74.8	−29.3	15.7	−20.7	−58.4	−53.8	−53.3	−10.6	−115.8
57 Corporate and foreign bonds	122.0	162.5	166.1	276.3	143.8	192.7	116.4	135.7	130.4	225.3	319.1	248.7
58 Mortgages	233.0	158.9	131.5	160.8	206.3	184.0	206.6	215.9	218.4	224.7	243.6	254.2
59 Consumer credit	15.6	−14.8	7.3	58.9	121.2	65.0	129.8	124.8	165.2	93.8	158.1	109.6
60 Bank loans n.e.c.	2.2	−29.1	−9.3	−8.5	61.8	51.8	26.8	90.1	78.5	151.7	124.1	100.7
61 Open market paper	30.7	−44.0	13.1	−5.1	35.7	−40.7	8.8	59.6	115.3	99.5	60.4	90.2
62 Other loans and advances	37.1	−95.6	8.9	8.0	71.7	41.9	63.5	70.2	111.0	59.6	55.0	34.8
	Funds raised through mutual funds and corporate equities											
63 **Total net share issues**	**18.4**	**209.1**	**293.5**	**428.6**	**140.7**	**294.4**	**252.8**	**104.7**	**−89.1**	**5.2**	**161.2**	**193.9**
64 Mutual funds	63.0	146.9	207.7	310.2	119.6	187.2	190.2	121.8	−20.6	56.1	165.1	168.8
65 Corporate equities	−44.6	62.2	85.8	118.4	21.1	107.2	62.6	−17.1	−68.5	−50.9	−3.9	25.1
66 Nonfinancial corporations	−63.0	18.3	27.0	21.3	−44.9	−9.6	−2.0	−50.0	−118.0	−68.4	−59.6	−84.8
67 Financial corporations	11.0	13.3	28.1	36.6	23.3	48.3	18.6	9.8	16.3	4.8	18.7	27.9
68 Foreign shares purchased by U.S. residents	7.4	30.7	30.7	60.5	42.7	68.5	45.9	23.1	33.2	12.8	37.0	82.0

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.2 through F.5. For ordering address, see inside front cover.

1.58 SUMMARY OF FINANCIAL TRANSACTIONS[1]

Billions of dollars except as noted; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1990[r]	1991[r]	1992[r]	1993[r]	1994[r]	1994[r]				1995[r]		
						Q1	Q2	Q3	Q4	Q1	Q2	Q3
NET LENDING IN CREDIT MARKETS[2]												
1 **Total net lending in credit markets**	**904.1**	**649.9**	**808.0**	**985.5**	**1,056.0**	**1,045.3**	**927.0**	**1,019.2**	**1,232.6**	**1,161.1**	**1,350.0**	**1,018.3**
2 Private domestic nonfinancial sectors	223.6	96.6	90.2	49.4	262.5	284.3	344.2	167.7	253.9	6.9	−176.0	−173.8
3 Households	210.6	20.4	87.0	23.8	307.5	258.5	386.3	246.5	338.6	198.3	−118.0	63.7
4 Nonfarm noncorporate business	−3.5	−5.3	−.1	.6	.7	−.4	1.5	.7	.9	.5	−1.0	−1.0
5 Nonfinancial corporate business	−26.1	30.7	27.8	21.3	51.9	58.6	27.5	37.5	84.1	−85.0	48.6	−28.5
6 State and local governments	42.6	50.8	−24.5	3.7	−97.6	−32.4	−71.1	−117.0	−169.7	−106.9	−105.7	−208.0
7 U.S. government	33.7	10.5	−11.9	−18.4	−24.2	−46.4	−14.6	−11.3	−24.4	−13.2	−24.3	−23.4
8 Rest of the world	86.7	13.3	98.2	128.3	134.4	123.3	65.7	137.5	210.9	242.6	325.5	354.7
9 Financial sectors	560.2	529.5	631.6	826.2	683.3	684.2	531.7	725.3	792.1	924.8	1,224.8	860.8
10 Government sponsored enterprises	14.0	15.1	68.8	90.2	123.2	91.3	100.9	125.4	175.2	11.2	86.9	50.8
11 Federally related mortgage pools	150.3	136.6	115.6	83.6	112.1	168.5	117.9	93.6	68.5	30.0	70.5	128.6
12 Monetary authority	8.1	31.1	27.9	36.2	31.5	41.5	24.9	29.7	30.0	16.3	20.8	−11.1
13 Commercial banking	125.1	80.8	95.3	142.2	163.4	167.4	128.5	183.4	174.5	342.7	316.0	243.8
14 U.S. chartered banks	94.9	35.7	69.5	149.6	148.1	126.3	136.1	155.6	174.2	183.4	222.4	227.5
15 Foreign banking offices in United States	28.4	48.5	16.5	−9.8	11.2	37.3	−10.0	22.9	−5.6	158.8	83.9	24.3
16 Bank holding companies	−2.8	−1.5	5.6	.0	.9	3.1	.2	2.7	−2.4	−2.0	5.7	−9.0
17 Banks in U.S. affiliated areas	4.5	−1.9	3.7	2.4	3.3	.7	2.1	2.2	8.3	2.4	4.0	1.0
18 Funding corporations	−13.8	15.7	17.7	−5.7	−34.2	−2.4	−73.1	−37.3	−23.9	−8.4	−23.1	−12.9
19 Thrift institutions	−157.6	−146.1	−61.3	−1.7	34.9	11.8	41.5	53.8	32.4	28.2	9.1	40.9
20 Life insurance companies	107.2	86.5	78.5	100.9	66.3	69.7	26.7	89.5	79.4	132.4	131.2	77.0
21 Other insurance companies	26.4	30.0	6.7	27.7	24.9	21.8	22.3	25.3	30.4	20.7	20.4	18.6
22 Private pension funds	54.0	35.4	41.1	45.9	47.0	20.9	49.9	42.5	74.7	93.6	87.8	103.5
23 State and local government retirement funds	32.8	41.1	23.0	19.8	29.0	44.1	46.4	−11.1	36.6	62.4	3.2	52.9
24 Finance companies	29.5	−9.2	7.5	−9.0	68.2	67.9	61.2	63.1	80.4	91.8	70.1	40.3
25 Mortgage companies	.0	11.2	.1	.0	−22.9	−43.5	−36.3	−14.0	2.1	−14.8	29.7	−24.0
26 Mutual funds	36.2	80.1	126.2	159.5	−10.6	15.8	4.2	−.1	−62.4	−14.8	21.6	22.0
27 Closed-end funds	1.3	12.8	18.2	11.0	−5.5	13.2	−11.6	−13.6	−10.0	−.5	7.2	10.0
28 Money market mutual funds	77.5	32.7	4.7	20.4	30.7	−17.9	26.6	57.7	56.5	50.5	135.2	32.4
29 Real estate investment trusts (REITs)	−.7	−.7	1.1	.6	4.7	6.6	6.6	5.5	.2	2.5	3.1	2.1
30 Brokers and dealers	2.8	17.5	−1.3	14.8	−44.2	−89.3	−57.7	−21.9	−8.0	30.5	146.2	−.8
31 Asset-backed securities issuers (ABSs)	51.1	48.9	53.8	80.5	57.8	87.9	42.8	46.3	54.3	48.7	87.0	85.2
32 Bank personal trusts	15.9	10.0	8.0	9.5	7.1	8.9	10.2	7.7	1.4	1.6	1.8	1.5
RELATION OF LIABILITIES TO FINANCIAL ASSETS												
33 **Net flows through credit markets**	**904.1**	**649.9**	**808.0**	**985.5**	**1,056.0**	**1,045.3**	**927.0**	**1,019.2**	**1,232.6**	**1,161.1**	**1,350.0**	**1,018.3**
Other financial sources												
34 Official foreign exchange	2.0	−5.9	−1.6	.8	−5.8	−.2	−14.6	.2	−8.6	17.8	10.3	9.0
35 Special drawing rights certificates	1.5	.0	−2.0	.0	.0	.0	.0	.0	.0	.0	.0	8.6
36 Treasury currency	1.0	.0	.2	.4	.7	.7	.6	.8	.7	.7	.7	.8
37 Life insurance reserves	25.7	25.7	27.3	35.2	34.0	24.9	21.7	67.7	21.6	54.0	49.9	29.9
38 Pension fund reserves	241.7	196.4	236.8	244.8	244.9	237.3	217.5	234.8	290.0	307.2	280.3	252.6
39 Interbank claims	35.0	−3.4	43.5	57.9	89.6	143.8	113.5	3.1	98.1	−22.6	30.5	−16.5
40 Checkable deposits and currency	43.6	86.3	113.5	117.3	−9.7	112.6	−44.9	−66.0	−40.5	42.8	133.4	−150.3
41 Small time and savings deposits	63.7	1.5	−57.2	−70.3	−40.0	−3.7	−57.5	−51.8	−46.9	18.1	112.9	106.4
42 Large time deposits	−66.1	−58.5	−73.2	−23.5	19.6	−38.7	−3.6	84.0	36.5	116.8	69.0	110.0
43 Money market fund shares	68.6	41.6	4.5	20.2	43.3	−3.8	34.0	56.4	86.5	59.9	233.5	120.8
44 Security repurchase agreements	−24.2	−16.5	43.1	71.2	78.3	9.3	166.0	86.0	51.9	163.6	129.5	85.2
45 Foreign deposits	27.9	−26.5	−3.5	−18.5	45.8	6.6	50.6	28.1	97.9	39.2	90.6	31.0
46 Mutual fund shares	63.0	146.9	207.7	310.2	119.6	187.2	190.2	121.8	−20.6	56.1	165.1	168.8
47 Corporate equities	−44.6	62.2	85.8	118.4	21.1	107.2	62.6	−17.1	−68.5	−50.9	−3.9	25.1
48 Security credit	3.5	51.4	4.6	61.4	−.1	42.6	−20.7	−59.3	37.1	−10.7	30.8	14.0
49 Trade payables	35.5	29.7	46.0	34.4	116.3	86.6	110.7	104.5	163.5	112.6	29.3	118.6
50 Taxes payable	−4.8	−6.2	8.5	4.5	3.0	10.8	−13.1	10.1	4.3	15.5	−3.9	5.1
51 Noncorporate proprietors' equity	13.0	4.5	23.8	10.2	33.6	−24.4	53.3	63.5	42.1	42.9	45.0	61.8
52 Investment in bank personal trusts	29.7	16.1	−7.1	1.6	18.8	15.0	24.7	23.6	11.9	21.0	22.3	20.8
53 Miscellaneous	154.5	284.9	287.2	335.8	250.8	307.6	32.4	301.9	361.0	231.0	459.5	113.7
54 **Total financial sources**	**1,574.3**	**1,480.1**	**1,795.9**	**2,297.5**	**2,119.9**	**2,267.0**	**1,850.5**	**2,011.7**	**2,350.6**	**2,376.0**	**3,234.8**	**2,133.6**
Floats not included in assets (−)												
55 U.S. government checkable deposits	3.3	−13.1	.7	−1.5	−4.8	−3.1	.8	7.4	−24.4	13.2	−16.3	2.9
56 Other checkable deposits	8.5	4.5	1.6	−1.3	−2.8	−1.9	−3.5	−3.3	−2.3	−3.7	−3.9	−3.5
57 Trade credit	−8.2	30.8	13.0	15.4	35.3	100.6	54.4	33.6	−47.5	25.5	49.0	−12.9
Liabilities not identified as assets (−)												
58 Treasury currency	.2	−.6	−.2	−.2	−.2	−.2	−.2	−.2	−.2	−.2	−.4	−.3
59 Interbank claims	1.6	26.2	−4.9	4.2	−2.7	−24.8	5.4	10.1	−1.7	.8	8.2	7.9
60 Security repurchase agreements	−32.1	−9.5	.6	34.3	29.3	−25.1	103.9	−19.2	57.6	73.8	−42.0	7.4
61 Foreign deposits	25.9	−24.0	−2.8	−7.1	36.5	−3.7	56.1	38.7	54.8	47.1	82.2	1.5
62 Taxes payable	−1.7	−1.0	10.8	10.4	8.5	17.7	6.2	10.8	−.8	−8.7	31.9	11.8
63 Miscellaneous	−86.3	20.8	−1.4	23.7	−141.6	−148.1	−514.1	−57.4	153.1	−340.3	−156.9	−178.7
64 **Total identified to sectors as assets**	**1,663.2**	**1,446.0**	**1,778.6**	**2,219.5**	**2,162.6**	**2,355.6**	**2,141.5**	**1,991.2**	**2,162.0**	**2,568.5**	**3,282.8**	**2,297.6**

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.6 and F.7. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

1.59 SUMMARY OF CREDIT MARKET DEBT OUTSTANDING[1]

Billions of dollars, end of period

Transaction category or sector	1991	1992	1993	1994	1994				1995		
					Q1	Q2	Q3	Q4	Q1	Q2	Q3
	Nonfinancial sectors										
1 **Total credit market debt owed by domestic nonfinancial sectors**	**11,348.2**	**11,896.7**	**12,537.4**	**13,160.6**	**12,676.2**	**12,808.0**	**12,962.6**	**13,160.6**	**13,336.6**	**13,541.7**	**13,680.0**
By sector and instrument											
2 U.S. government	2,776.4	3,080.3	3,336.5	3,492.3	3,387.7	3,395.4	3,432.3	3,492.3	3,557.9	3,583.5	3,603.4
3 Treasury securities	2,757.8	3,061.6	3,309.9	3,465.6	3,361.4	3,368.0	3,404.1	3,465.6	3,531.5	3,556.7	3,576.5
4 Budget agency issues and mortgages	18.6	18.8	26.6	26.7	26.3	27.4	28.2	26.7	26.4	26.8	26.9
5 Private	8,571.8	8,816.3	9,200.9	9,668.3	9,288.5	9,412.6	9,530.3	9,668.3	9,778.6	9,958.2	10,076.6
By instrument											
6 Municipal securities	1,272.2	1,302.8	1,377.5	1,348.2	1,379.9	1,372.2	1,362.6	1,348.2	1,333.6	1,328.3	1,304.3
7 Corporate bonds	1,086.9	1,154.5	1,229.7	1,253.0	1,238.3	1,247.6	1,251.5	1,253.0	1,266.8	1,291.6	1,306.8
8 Mortgages	3,957.8	4,088.7	4,260.0	4,456.5	4,289.7	4,345.8	4,401.9	4,456.5	4,497.2	4,564.4	4,632.8
9 Home mortgages	2,849.8	3,037.4	3,227.6	3,432.2	3,264.6	3,318.7	3,376.0	3,432.2	3,466.1	3,524.7	3,583.9
10 Multifamily residential	282.8	272.5	267.8	269.1	267.8	268.8	270.2	269.1	269.8	273.6	276.6
11 Commercial	745.9	698.1	683.4	672.3	676.0	676.3	673.1	672.3	677.9	682.3	687.9
12 Farm	79.3	80.7	81.2	83.0	81.3	82.1	82.6	83.0	83.4	83.9	84.4
13 Consumer credit	797.2	804.6	863.5	984.7	859.6	891.6	929.4	984.7	987.9	1,026.5	1,060.8
14 Bank loans n.e.c.	686.0	672.2	676.0	748.6	686.5	705.3	724.7	748.6	781.0	808.8	828.0
15 Commercial paper	98.5	107.1	117.8	139.2	129.9	135.7	138.7	139.2	149.8	162.9	163.3
16 Other loans and advances	673.2	686.5	676.3	738.0	704.5	714.4	721.6	738.0	762.3	775.8	780.8
By borrowing sector											
17 Household	3,822.9	4,023.6	4,272.4	4,632.3	4,311.9	4,407.5	4,511.8	4,632.3	4,674.6	4,779.5	4,883.8
18 Nonfinancial business	3,674.2	3,696.8	3,770.3	3,921.1	3,819.9	3,860.8	3,885.6	3,921.1	4,003.6	4,085.1	4,124.2
19 Farm	135.0	136.3	138.3	141.2	136.7	141.5	143.1	141.2	138.9	142.8	144.9
20 Nonfarm noncorporate	1,137.3	1,122.9	1,129.9	1,142.0	1,132.9	1,135.6	1,137.4	1,142.0	1,154.5	1,165.6	1,170.6
21 Corporate	2,401.9	2,437.6	2,502.0	2,637.9	2,550.3	2,583.7	2,605.0	2,637.9	2,710.1	2,776.7	2,808.8
22 State and local government	1,074.8	1,095.9	1,158.2	1,114.8	1,156.6	1,144.2	1,132.8	1,114.8	1,100.4	1,093.5	1,068.5
23 **Foreign credit market debt held in United States**	**299.7**	**313.1**	**381.9**	**361.6**	**356.5**	**348.7**	**352.4**	**361.6**	**376.8**	**387.6**	**410.7**
24 Bonds	130.5	146.2	227.4	234.6	226.8	222.4	227.6	234.6	237.9	250.4	264.2
25 Bank loans n.e.c.	21.6	23.9	24.6	26.1	26.2	25.1	26.3	26.1	28.2	29.6	31.6
26 Commercial paper	81.8	77.7	68.7	41.4	43.3	42.0	39.9	41.4	50.9	48.1	55.8
27 Other loans and advances	65.9	65.3	61.1	59.6	60.3	59.2	58.6	59.6	59.8	59.5	59.1
28 **Total credit market debt owed by nonfinancial sectors, domestic and foreign**	**11,647.9**	**12,209.7**	**12,919.3**	**13,522.2**	**13,032.7**	**13,156.7**	**13,315.0**	**13,522.2**	**13,713.4**	**13,929.3**	**14,090.7**
	Financial sectors										
29 **Total credit market debt owed by financial sectors**	**2,769.2**	**3,024.9**	**3,321.0**	**3,785.7**	**3,447.3**	**3,545.3**	**3,648.1**	**3,785.7**	**3,854.5**	**3,965.4**	**4,065.0**
By instrument											
30 U.S. government-related	1,564.2	1,720.0	1,884.1	2,168.4	1,961.5	2,030.5	2,089.8	2,168.4	2,192.7	2,245.0	2,300.2
31 Government-sponsored enterprises securities	402.9	443.1	523.7	700.6	563.7	600.3	638.3	700.6	716.3	748.1	773.5
32 Mortgage pool securities	1,156.5	1,272.0	1,355.6	1,467.8	1,397.8	1,430.1	1,451.5	1,467.8	1,476.4	1,496.9	1,526.7
33 Loans from U.S. government	4.8	4.8	4.8	.0	.0	.0	.0	.0	.0	.0	.0
34 Private	1,205.1	1,304.9	1,436.9	1,617.3	1,485.8	1,514.9	1,558.3	1,617.3	1,661.8	1,720.3	1,764.8
35 Corporate bonds	649.1	738.2	858.0	969.0	895.9	920.0	944.8	969.0	1,008.1	1,050.6	1,083.9
36 Mortgages	4.8	5.4	8.9	18.7	11.4	14.5	17.5	18.7	20.0	21.2	21.8
37 Bank loans n.e.c.	78.4	80.5	67.6	55.3	63.4	56.3	53.4	55.3	54.2	59.9	58.3
38 Open market paper	385.7	394.3	393.5	442.8	408.8	410.3	420.5	442.8	454.1	462.8	473.6
39 Other loans and advances	87.1	86.6	108.9	131.6	106.3	113.8	122.0	131.6	125.4	125.7	127.2
By borrowing sector											
40 Government-sponsored enterprises	407.7	447.9	528.5	700.6	563.7	600.3	638.3	700.6	716.3	748.1	773.5
41 Federally related mortgage pools	1,156.5	1,272.0	1,355.6	1,467.8	1,397.8	1,430.1	1,451.5	1,467.8	1,476.4	1,496.9	1,526.7
42 Private financial sectors	1,205.1	1,304.9	1,436.9	1,617.3	1,485.8	1,514.9	1,558.3	1,617.3	1,661.8	1,720.3	1,764.8
43 Commercial banks	72.3	80.0	84.6	94.5	83.7	86.7	92.6	94.5	95.0	99.9	102.2
44 Bank holding companies	112.3	114.6	123.4	133.6	124.2	126.8	129.6	133.6	136.9	142.9	149.2
45 Funding corporations	139.1	161.6	169.9	199.3	190.7	191.5	200.6	199.3	221.1	229.9	237.4
46 Savings institutions	95.4	88.4	99.6	112.4	98.3	99.7	103.4	112.4	107.7	106.0	107.2
47 Credit unions	.0	.0	.2	.5	.3	.3	.4	.5	.4	.3	.4
48 Life insurance companies	.0	.0	.2	.6	.3	.3	.3	.6	.6	.6	.6
49 Finance companies	391.9	390.4	390.5	440.7	401.9	414.2	420.9	440.7	456.7	467.2	471.9
50 Mortgage companies	22.2	30.2	30.2	18.7	24.8	20.2	18.5	18.7	16.9	20.6	17.6
51 Real estate investment trusts (REITs)	13.6	13.9	17.4	31.1	21.0	24.8	29.5	31.1	32.8	34.4	35.0
52 Brokers and dealers	19.0	21.7	33.7	34.3	31.3	31.3	29.4	34.3	26.9	26.8	27.4
53 Issuers of asset-backed securities (ABSs)	339.3	404.2	487.2	551.6	509.5	519.2	533.0	551.6	566.8	591.7	615.9
	All sectors										
54 **Total credit market debt, domestic and foreign**	**14,417.1**	**15,234.6**	**16,240.3**	**17,307.9**	**16,480.0**	**16,702.0**	**16,963.1**	**17,307.9**	**17,567.8**	**17,894.6**	**18,155.7**
55 U.S. government securities	4,335.7	4,795.5	5,215.8	5,660.7	5,349.2	5,425.9	5,522.1	5,660.7	5,750.6	5,828.5	5,903.6
56 Municipal securities	1,272.2	1,302.8	1,377.5	1,348.2	1,379.9	1,372.2	1,362.6	1,348.2	1,333.6	1,328.3	1,304.3
57 Corporate and foreign bonds	1,866.5	2,038.9	2,315.2	2,456.5	2,360.9	2,390.0	2,423.9	2,456.5	2,512.9	2,592.6	2,654.8
58 Mortgages	3,962.6	4,094.1	4,269.0	4,475.2	4,301.1	4,360.3	4,419.4	4,475.2	4,517.2	4,585.6	4,654.6
59 Consumer credit	797.2	804.6	863.5	984.7	859.6	891.6	929.4	984.7	987.9	1,026.5	1,060.8
60 Bank loans n.e.c.	785.9	776.6	768.2	830.0	776.1	786.7	804.3	830.0	863.3	898.2	917.9
61 Open market paper	565.9	579.0	580.0	623.5	582.0	587.9	599.2	623.5	654.7	673.8	692.7
62 Other loans and advances	831.0	843.1	851.1	929.1	871.2	887.4	902.2	929.1	947.5	961.0	967.1

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.2 through L.4. For ordering address, see inside front cover.

1.60 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES[1]

Billions of dollars except as noted, end of period

Transaction category or sector	1991ʳ	1992ʳ	1993ʳ	1994ʳ	1994ʳ Q1	1994ʳ Q2	1994ʳ Q3	1994ʳ Q4	1995ʳ Q1	1995ʳ Q2	1995ʳ Q3
CREDIT MARKET DEBT OUTSTANDING[2]											
1 **Total credit market assets**	**14,417.1**	**15,234.6**	**16,240.3**	**17,307.9**	**16,480.0**	**16,702.0**	**16,963.1**	**17,307.9**	**17,567.8**	**17,894.6**	**18,155.7**
2 Private domestic nonfinancial sectors	2,591.4	2,673.7	2,729.3	3,018.0	2,780.8	2,856.2	2,910.6	3,018.0	2,985.3	2,922.4	2,897.7
3 Households	1,561.4	1,640.6	1,666.0	1,999.6	1,719.5	1,801.9	1,879.3	1,999.6	2,023.8	1,971.7	2,009.5
4 Nonfarm noncorporate business	38.3	38.1	38.8	39.5	38.7	39.1	39.3	39.5	39.6	39.4	39.1
5 Nonfinancial corporate business	230.0	257.8	283.7	335.6	291.5	298.5	306.8	335.6	307.3	319.3	311.5
6 State and local governments	761.7	737.2	740.8	643.3	731.1	716.8	685.3	643.3	614.6	592.1	537.7
7 U.S. government	246.9	235.0	230.7	206.5	219.0	215.4	212.6	206.5	203.2	197.1	191.3
8 Rest of the world	928.8	1,022.8	1,146.6	1,255.7	1,192.0	1,205.4	1,240.7	1,255.7	1,324.7	1,402.8	1,492.5
9 Financial sectors	10,650.1	11,303.1	12,133.7	12,827.7	12,288.2	12,425.0	12,599.1	12,827.7	13,054.6	13,372.3	13,574.2
10 Government-sponsored enterprises	389.0	457.8	548.0	671.2	570.2	596.0	627.5	671.2	673.3	695.8	708.5
11 Federally related mortgage pools	1,156.5	1,272.0	1,355.6	1,467.8	1,397.8	1,430.1	1,451.5	1,467.8	1,476.4	1,496.9	1,526.7
12 Monetary authority	272.5	300.4	336.7	368.2	341.5	351.6	356.8	368.2	367.1	375.7	370.6
13 Commercial banking	2,853.3	2,948.6	3,090.8	3,254.3	3,119.8	3,155.9	3,203.9	3,254.3	3,327.7	3,409.8	3,473.0
14 U.S. chartered banks	2,502.5	2,571.9	2,721.5	2,869.6	2,743.8	2,780.3	2,822.3	2,869.6	2,906.5	2,963.7	3,023.7
15 Foreign banking offices in United States	319.2	335.8	326.0	337.1	331.8	330.8	335.5	337.1	373.6	396.0	401.2
16 Bank holding companies	11.9	17.5	17.5	18.4	18.2	18.3	19.0	18.4	17.9	19.3	17.0
17 Banks in U.S. affiliated areas	19.7	23.4	25.8	29.2	26.0	26.5	27.1	29.2	29.8	30.8	31.0
18 Funding corporations	144.8	162.5	149.5	127.2	142.8	120.0	119.2	127.2	130.2	128.1	128.7
19 Thrift institutions	1,192.6	1,134.5	1,132.7	1,167.6	1,134.2	1,146.1	1,160.4	1,167.6	1,173.4	1,177.3	1,188.1
20 Life insurance companies	1,224.6	1,309.1	1,420.6	1,487.0	1,441.1	1,449.0	1,470.7	1,487.0	1,523.1	1,557.1	1,575.5
21 Other insurance companies	376.6	389.4	422.7	446.4	427.8	433.1	439.1	446.4	451.3	456.1	460.5
22 Private pension funds	530.6	571.7	617.6	664.6	622.8	635.3	645.9	664.6	688.0	709.9	735.8
23 State and local government retirement funds	394.5	417.5	437.3	466.3	447.2	459.2	454.3	466.3	480.7	482.1	493.3
24 Finance companies	488.9	496.4	482.8	551.0	494.5	511.3	524.1	551.0	568.5	586.9	594.1
25 Mortgage companies	60.3	60.5	60.4	37.5	49.5	40.4	37.0	37.5	33.8	41.2	35.2
26 Mutual funds	440.2	566.4	725.9	715.3	733.8	735.0	736.3	715.3	715.9	721.5	728.3
27 Closed-end funds	49.5	67.7	78.6	73.1	81.9	79.0	75.6	73.1	73.0	74.8	77.3
28 Money market mutual funds	403.9	408.6	429.0	459.6	434.1	433.5	437.9	459.6	480.6	508.0	505.5
29 Real estate investment trusts (REITs)	7.0	8.1	8.6	13.3	10.3	11.9	13.3	13.3	13.9	14.7	15.2
30 Brokers and dealers	124.0	122.7	137.5	93.3	115.2	100.8	95.3	93.3	101.0	137.5	137.3
31 Asset-backed securities issuers (ABSs)	317.8	377.9	458.4	516.1	480.3	491.0	502.6	516.1	528.3	550.1	571.4
32 Bank personal trusts	223.5	231.5	240.9	248.0	243.2	245.7	247.7	248.0	248.4	248.8	249.2
RELATION OF LIABILITIES TO FINANCIAL ASSETS											
33 **Total credit market debt**	**14,417.1**	**15,234.6**	**16,240.3**	**17,307.9**	**16,480.0**	**16,702.0**	**16,963.1**	**17,307.9**	**17,567.8**	**17,894.6**	**18,155.7**
Other liabilities											
34 Official foreign exchange	55.4	51.8	53.4	53.2	56.4	54.9	55.5	53.2	64.1	67.1	65.1
35 Special drawing rights certificates	10.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	10.2
36 Treasury currency	16.3	16.5	17.0	17.6	17.1	17.3	17.5	17.6	17.8	18.0	18.2
37 Life insurance reserves	405.7	433.0	468.2	502.2	474.4	479.9	496.8	502.2	515.7	528.1	535.6
38 Pension fund reserves	3,655.4	4,055.1	4,471.6	4,693.9	4,469.6	4,524.0	4,675.6	4,693.9	4,905.9	5,110.8	5,356.1
39 Interbank claims	96.4	132.6	190.8	281.4	223.4	239.6	251.9	281.4	272.1	266.3	274.5
40 Deposits at financial institutions	5,024.3	5,050.2	5,154.9	5,296.0	5,158.1	5,186.7	5,212.4	5,296.0	5,390.0	5,572.7	5,639.1
41 Checkable deposits and currency	1,020.9	1,134.4	1,251.7	1,242.0	1,220.5	1,229.9	1,205.0	1,242.0	1,193.9	1,246.3	1,200.7
42 Small time and savings deposits	2,350.7	2,293.5	2,223.2	2,183.3	2,233.9	2,214.4	2,199.1	2,183.3	2,200.1	2,222.7	2,246.9
43 Large time deposits	488.4	415.2	391.7	411.2	382.7	379.3	402.6	411.2	441.1	456.2	485.8
44 Money market fund shares	535.0	539.5	559.6	602.9	575.6	569.2	578.7	602.9	634.0	678.5	702.6
45 Security repurchase agreements	355.8	399.9	471.1	549.4	486.2	522.1	548.1	549.4	603.9	629.5	655.7
46 Foreign deposits	273.5	267.7	257.6	307.1	259.2	271.9	278.9	307.1	316.9	339.6	347.3
47 Mutual fund shares	769.5	992.5	1,375.4	1,477.3	1,414.2	1,445.4	1,515.8	1,477.3	1,552.8	1,664.4	1,793.1
48 Security credit	188.9	217.7	279.0	279.0	283.7	279.1	263.9	279.0	269.5	277.9	280.9
49 Trade payables	957.6	1,003.7	1,038.2	1,154.5	1,033.3	1,068.3	1,093.1	1,154.5	1,155.7	1,170.5	1,197.5
50 Taxes payable	71.2	79.7	84.2	87.3	89.2	82.0	86.3	87.3	93.5	88.6	91.6
51 Investment in bank personal trusts	639.3	660.6	691.3	699.4	685.4	680.0	701.1	699.4	736.3	774.6	817.0
52 Miscellaneous	4,443.8	4,791.2	5,128.9	5,379.0	5,240.0	5,232.3	5,328.2	5,379.0	5,426.2	5,502.1	5,534.0
53 **Total liabilities**	**30,751.0**	**32,727.2**	**35,201.2**	**37,236.8**	**35,632.8**	**35,999.5**	**36,669.1**	**37,236.8**	**37,975.4**	**38,943.7**	**39,768.6**
Financial assets not included in liabilities (+)											
54 Gold and special drawing rights	22.3	19.6	20.1	21.1	20.4	20.8	21.0	21.1	22.7	22.9	22.1
55 Corporate equities	4,863.6	5,462.9	6,278.5	6,293.4	6,142.6	5,965.8	6,228.7	6,293.4	6,835.8	7,393.0	8,013.8
56 Household equity in noncorporate business	2,519.4	2,451.7	2,448.6	2,548.9	2,498.8	2,531.2	2,559.7	2,548.9	2,564.6	2,584.2	2,597.6
Floats not included in assets (−)											
57 U.S. government checkable deposits	3.8	6.8	5.6	3.4	.3	.9	1.2	3.4	4.2	2.0	.4
58 Other checkable deposits	40.4	42.0	40.7	38.0	36.3	38.7	30.6	38.0	33.3	35.7	27.3
59 Trade credit	−192.1	−178.3	−156.6	−122.3	−190.8	−203.6	−203.2	−122.3	−177.9	−193.2	−203.9
Liabilities not identified as assets (−)											
60 Treasury currency	−4.7	−4.9	−5.1	−5.4	−5.2	−5.2	−5.3	−5.4	−5.4	−5.5	−5.6
61 Interbank claims	−4.2	−9.3	−4.7	−6.5	−7.7	−7.4	−3.4	−6.5	−2.7	−2.9	.1
62 Security repurchase agreements	25.9	27.5	61.8	91.1	63.6	84.5	90.3	91.1	117.6	100.5	114.3
63 Foreign deposits	222.6	217.6	218.3	258.3	217.4	231.4	241.1	258.3	270.1	290.6	291.0
64 Taxes payable	17.8	25.3	26.2	24.2	15.5	21.3	22.0	24.2	7.9	21.3	23.8
65 Miscellaneous	−700.7	−578.4	−594.6	−755.9	−546.2	−634.4	−666.2	−755.9	−821.1	−833.3	−882.7
66 **Total identified to sectors as assets**	**38,747.5**	**41,113.2**	**44,356.8**	**46,575.2**	**44,711.4**	**44,991.1**	**45,971.5**	**46,575.2**	**47,972.7**	**49,528.8**	**51,037.3**

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.6 and L.7. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

Monthly data seasonally adjusted, and indexes 1987=100, except as noted

Measure	1993	1994	1995	1995 May	1995 June	1995 July	1995 Aug.	1995 Sept.	1995 Oct.	1995 Nov.	1995 Dec.	1996 Jan.
1 **Industrial production**[1]	**111.5**	**118.1**	**121.9**	**121.3**	**121.4**	**121.5**	**122.7**	**122.8**	**122.2**^{r}	**122.4**^{r}	**122.6**^{r}	**121.9**
Market groupings												
2 Products, total	110.0	115.6	118.3	117.5	117.9	118.0	119.2	119.4	118.3^{r}	118.6^{r}	119.0	118.2
3 Final, total	112.7	118.3	121.3	120.6	121.1	121.2	122.4	122.6	121.3^{r}	121.7^{r}	121.9^{r}	121.2
4 Consumer goods	109.5	113.7	115.0	114.1	114.8	114.6	115.9	116.0	114.9^{r}	115.5	115.3^{r}	113.6
5 Equipment	117.5	125.3	131.4	130.8	131.2	131.6	132.9	133.1	131.5	131.3^{r}	132.4^{r}	133.4
6 Intermediate	101.8	107.3	109.0	108.2	108.2	108.5	109.4	109.5	109.2^{r}	109.4^{r}	110.0^{r}	109.1
7 Materials	113.8	122.0	127.4	127.2	126.8	126.8	128.1	128.1	128.1^{r}	128.3^{r}	128.2^{r}	127.6
Industry groupings												
8 Manufacturing	112.3	119.7	123.9	123.2	123.3	123.3	124.2	124.9	124.4	124.5^{r}	124.7^{r}	124.0
9 Capacity utilization, manufacturing (percent)[2]	80.6	83.3	82.9	82.8	82.6	82.3	82.6	82.8	82.1^{r}	82.0^{r}	81.8	81.0
10 Construction contracts[3]	105.1	114.2	115.8	119.0	122.0	118.0	123.0	119.0	116.0	114.0	107.0	n.a.
11 Nonagricultural employment, total[4]	108.4	111.3	114.4	114.0	114.3	114.3	114.6	114.7	114.8	115.0	115.1	114.9
12 Goods-producing, total	94.3	95.6	98.2	98.2	98.2	97.9	97.9	97.9	97.9	97.8	98.0	97.8
13 Manufacturing, total	94.8	95.1	96.9	97.1	97.0	96.6	96.6	96.4	96.3	96.2	96.4	96.0
14 Manufacturing, production workers	95.3	97.4	98.3	98.6	98.3	97.8	97.9	97.7	97.5	97.4	97.7	97.2
15 Service-producing	112.9	116.3	119.5	119.1	119.4	119.6	119.9	120.1	120.1	120.4	120.6	120.4
16 Personal income, total	141.3	148.3	157.4	155.9	157.0	157.8	157.9	158.7	159.9	160.2	n.a.	n.a.
17 Wages and salary disbursements	136.0	142.6	150.5	148.5	149.9	151.2	150.9	151.9	153.2	153.1	n.a.	n.a.
18 Manufacturing	119.3	125.0	129.3	128.5	128.8	129.0	129.3	129.6	129.5	129.6	n.a.	n.a.
19 Disposable personal income[5]	142.4	149.2	n.a.	156.5	157.4	158.2	158.3	159.0	160.2	160.6	n.a.	n.a.
20 Retail sales[5]	134.7	145.1	152.6	152.2	153.5	152.9	153.9	153.8	153.4	154.7^{r}	155.7^{r}	155.2
Prices[6]												
21 Consumer (1982–84=100)	144.5	148.2	152.4	152.2	152.5	152.5	152.9	153.2	153.7	153.6	153.5	154.4
22 Producer finished goods (1982=100)	124.7	125.5	127.9	128.1	128.2	128.2	128.1	127.9	128.5	128.6	129.0	129.5

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1995. See "A Revision to Industrial Production and Capacity Utilization, 1991–95," *Federal Reserve Bulletin*, vol. 82 (January 1996), pp. 16–25. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.

2. Ratio of index of production to index of capacity. Based on data from the Federal Reserve, DRI McGraw-Hill, U.S. Department of Commerce, and other sources.

3. Index of dollar value of total construction contracts, including residential, nonresidential, and heavy engineering, from McGraw-Hill Information Systems Company, F.W. Dodge Division.

4. Based on data from U.S. Department of Labor, *Employment and Earnings*. Series covers employees only, excluding personnel in the armed forces.

5. Based on data from U.S. Department of Commerce, *Survey of Current Business*.

6. Based on data not seasonally adjusted. Seasonally adjusted data for changes in the price indexes can be obtained from the U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*.

NOTE. Basic data (not indexes) for series mentioned in notes 4 and 5, and indexes for series mentioned in notes 3 and 6, can also be found in the *Survey of Current Business*.

Figures for industrial production for the latest month are preliminary, and many figures for the three months preceding the latest month have been revised. See "Recent Developments in Industrial Capacity and Utilization," *Federal Reserve Bulletin*, vol. 76 (June 1990), pp. 411–35. See also "Industrial Production Capacity and Capacity Utilization since 1987," *Federal Reserve Bulletin*, vol. 79 (June 1993), pp. 590–605.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data seasonally adjusted

Category	1993	1994	1995	1995 June	1995 July	1995 Aug.	1995 Sept.	1995 Oct.	1995 Nov.	1995 Dec.	1996 Jan.
HOUSEHOLD SURVEY DATA[1]											
1 Civilian labor force[2]	128,040	131,056	132,304	131,869	132,519	132,211	132,591	132,648	132,442	132,284	132,837
Employment											
2 Nonagricultural industries[3]	116,232	119,651	121,460	121,034	121,550	121,417	121,867	121,944	121,734	121,598	121,615
3 Agriculture	3,074	3,409	3,440	3,451	3,409	3,362	3,273	3,455	3,276	3,306	3,548
Unemployment											
4 Number	8,734	7,996	7,404	7,384	7,559	7,431	7,451	7,249	7,432	7,380	7,674
5 Rate (percent of civilian labor force)	6.8	6.1	5.6	5.6	5.7	5.6	5.6	5.5	5.6	5.6	5.8
ESTABLISHMENT SURVEY DATA											
6 **Nonagricultural payroll employment**[4]	**110,525**	**113,423**	**116,597**	**116,547**	**116,575**	**116,838**	**116,932**	**117,000**	**117,212**	**117,373**	**117,172**
7 Manufacturing	18,003	18,064	18,406	18,428	18,353	18,357	18,322	18,301	18,272	18,316	18,244
8 Mining	611	604	579	582	577	575	573	571	567	566	565
9 Contract construction	4,642	4,916	5,244	5,230	5,226	5,233	5,262	5,287	5,295	5,302	5,315
10 Transportation and public utilities	5,787	5,842	6,194	6,192	6,195	6,217	6,206	6,217	6,240	6,251	6,242
11 Trade	25,675	26,362	27,156	27,118	27,184	27,177	27,245	27,256	27,362	27,362	27,317
12 Finance	6,712	6,789	6,948	6,930	6,938	6,947	6,957	6,977	6,991	7,001	7,009
13 Service	30,278	31,805	32,788	32,784	32,820	32,986	33,047	33,076	33,185	33,250	33,167
14 Government	18,817	19,041	19,282	19,283	19,282	19,346	19,320	19,315	19,300	19,325	19,313

1. Beginning January 1994, reflects redesign of current population survey and population controls from the 1990 census.

2. Persons sixteen years of age and older, including Resident Armed Forces. Monthly figures are based on sample data collected during the calendar week that contains the twelfth day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures.

3. Includes self-employed, unpaid family, and domestic service workers.

4. Includes all full- and part-time employees who worked during, or received pay for, the pay period that includes the twelfth day of the month; excludes proprietors, self-employed persons, household and unpaid family workers, and members of the armed forces. Data are adjusted to the March 1992 benchmark, and only seasonally adjusted data are available at this time.

SOURCE. Based on data from U.S. Department of Labor, *Employment and Earnings*.

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION[1]

Seasonally adjusted

Series	1995				1995				1995			
	Q1	Q2	Q3	Q4[r]	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4[r]
	Output (1987=100)				Capacity (percent of 1987 output)				Capacity utilization rate (percent)[2]			
1 **Total industry**	**121.8**	**121.4**	**122.3**	**122.4**	**143.7**	**145.0**	**146.4**	**147.8**	**84.8**	**83.7**	**83.6**	**82.8**
2 Manufacturing	124.0	123.3	124.1	124.5	147.2	148.7	150.3	152.0	84.3	82.9	82.6	82.0
3 Primary processing[3]	119.1	117.7	117.1	117.1	133.4	134.4	135.4	136.4	89.3	87.6	86.5	85.8
4 Advanced processing[4]	126.3	126.0	127.5	128.1	153.8	155.6	157.5	159.5	82.2	81.0	80.9	80.3
5 Durable goods	132.0	131.4	133.0	134.2	156.8	158.9	161.1	163.4	84.2	82.7	82.5	82.1
6 Lumber and products	105.3	102.9	104.6	105.9	117.4	118.0	118.6	119.2	89.7	87.2	88.2	88.8
7 Primary metals	121.2	119.1	118.2	118.7	126.9	127.5	128.0	128.6	95.6	93.4	92.3	92.3
8 Iron and steel	125.4	121.9	121.3	121.5	130.9	131.7	132.5	133.2	95.8	92.6	91.6	91.2
9 Nonferrous	115.6	115.1	113.9	114.8	121.5	121.9	122.2	122.5	95.2	94.5	93.2	93.7
10 Industrial machinery and equipment	171.9	174.4	178.9	186.4	194.8	199.6	204.5	209.7	88.2	87.4	87.5	88.9
11 Electrical machinery	167.9	171.2	178.4	182.9	191.6	197.6	203.9	210.4	87.7	86.7	87.5	86.9
12 Motor vehicles and parts	147.7	140.5	140.7	140.5	172.1	174.2	176.4	178.7	85.8	80.6	79.8	78.6
13 Aerospace and miscellaneous transportation equipment	89.6	88.7	86.9	79.3	132.2	132.2	132.1	132.1	67.8	67.1	65.8	60.0
14 Nondurable goods	115.2	114.4	114.3	113.9	136.6	137.5	138.4	139.4	84.3	83.2	82.6	81.7
15 Textile mill products	116.4	113.7	110.9	109.6	129.1	130.1	131.1	132.1	90.2	87.5	84.6	83.0
16 Paper and products	121.0	121.2	119.5	117.9	130.6	131.5	132.5	133.4	92.7	92.1	90.2	88.4
17 Chemicals and products	125.3	124.0	124.6	125.9	153.7	154.7	155.6	156.6	81.5	80.1	80.1	80.4
18 Plastics materials	127.5	122.9	118.3	...	132.1	133.8	135.4	...	96.5	91.9	87.3	...
19 Petroleum products	108.3	108.0	109.2	107.7	116.0	116.2	116.4	116.6	93.3	92.9	93.8	92.4
20 Mining	100.6	100.7	100.2	98.1	112.0	112.0	112.0	112.1	89.8	89.9	89.4	87.5
21 Utilities	118.4	120.7	124.7	123.0	134.4	134.8	135.2	135.6	88.0	89.5	92.3	90.7
22 Electric	118.9	120.4	125.0	123.7	131.7	132.1	132.5	133.0	90.3	91.1	94.3	93.0

Series	1973	1975	Previous cycle[5]		Latest cycle[6]		1995	1995					1996
	High	Low	High	Low	High	Low	Jan.	Aug.	Sept.	Oct.[r]	Nov.[r]	Dec.	Jan.[p]
	Capacity utilization rate (percent)[2]												
1 **Total industry**	**89.2**	**72.6**	**87.3**	**71.8**	**84.9**	**78.0**	**85.1**	**83.8**	**83.6**	**82.9**	**82.8**	**82.7**	**81.9**
2 Manufacturing	88.9	70.8	87.3	70.0	85.2	76.6	84.6	82.6	82.8	82.1	82.0	81.8	81.0
3 Primary processing[3]	92.2	68.9	89.7	66.8	89.0	77.9	89.7	86.1	86.8	86.0	85.9	85.6	85.0
4 Advanced processing[4]	87.5	72.0	86.3	71.4	83.5	76.1	82.5	81.2	81.1	80.5	80.3	80.1	79.3
5 Durable goods	88.8	68.5	86.9	65.0	84.0	73.7	84.4	82.6	83.0	82.0	82.2	82.1	81.4
6 Lumber and products	90.1	62.2	87.6	60.9	93.3	76.1	91.4	87.5	89.4	88.8	88.6	89.1	87.4
7 Primary metals	100.6	66.2	102.4	46.8	92.8	74.2	96.0	90.1	94.4	90.1	94.1	92.6	94.3
8 Iron and steel	105.8	66.6	110.4	38.3	95.7	72.0	96.1	88.9	95.7	86.5	95.0	92.0	95.7
9 Nonferrous	92.9	61.3	90.5	62.2	88.7	75.2	95.7	91.6	92.6	94.6	93.0	93.4	92.5
10 Industrial machinery and equipment	96.4	74.5	92.1	64.9	84.0	71.8	88.7	87.8	87.9	88.4	88.8	89.5	89.2
11 Electrical machinery	87.8	63.8	89.4	71.1	84.9	77.0	87.9	87.7	87.8	87.6	87.2	86.0	84.4
12 Motor vehicles and parts	93.4	51.1	93.0	44.5	85.1	56.6	85.9	80.6	80.9	78.5	78.7	78.7	75.3
13 Aerospace and miscellaneous transportation equipment	77.0	66.6	81.1	66.9	88.4	78.8	67.7	66.0	65.0	60.6	58.8	60.6	62.4
14 Nondurable goods	87.9	71.8	87.0	76.9	86.7	80.3	84.9	82.6	82.4	82.2	81.6	81.3	80.5
15 Textile mill products	92.0	60.4	91.7	73.8	92.1	78.8	91.0	85.7	84.1	84.3	82.7	81.8	79.7
16 Paper and products	96.9	69.0	94.2	82.0	94.8	86.7	92.9	89.6	89.2	90.0	87.1	88.0	87.0
17 Chemicals and products	87.9	69.9	85.1	70.1	85.9	79.0	82.3	80.0	80.4	81.1	80.3	79.9	79.3
18 Plastics materials	102.0	50.6	90.9	63.4	97.0	74.8	100.6	85.4	88.7	89.4	90.3	...	...
19 Petroleum products	96.7	81.1	89.5	68.2	88.5	84.6	92.9	93.2	94.5	91.8	92.2	93.3	94.2
20 Mining	94.4	88.4	96.6	80.6	86.5	86.1	89.8	89.2	89.2	87.6	87.5	87.4	87.2
21 Utilities	95.6	82.5	88.3	76.2	92.6	83.1	87.3	95.3	90.7	89.8	90.9	91.4	90.6
22 Electric	99.0	82.7	88.3	78.7	94.8	86.7	89.7	98.1	92.5	93.1	93.0	93.0	92.0

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1995. See "A Revision to Industrial Production and Capacity Utilization, 1991–95," *Federal Reserve Bulletin*, vol. 82 (January 1996), pp. 16–25. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.

2. Capacity utilization is calculated as the ratio of the Federal Reserve's seasonally adjusted index of industrial production to the corresponding index of capacity.

3. Primary processing includes textiles; lumber; paper; industrial chemicals; synthetic materials; fertilizer materials; petroleum products; rubber and plastics; stone, clay, and glass; primary metals; and fabricated metals.

4. Advanced processing includes foods; tobacco; apparel; furniture and fixtures; printing and publishing; chemical products such as drugs and toiletries; agricultural chemicals; leather and products; machinery; transportation equipment; instruments; and miscellaneous manufactures.

5. Monthly highs, 1978–80; monthly lows, 1982.

6. Monthly highs, 1988–89; monthly lows, 1990–91.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]

Monthly data seasonally adjusted

Group	1992 proportion	1995 avg.[r]	1995 Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.[r]	Nov.[r]	Dec.	1996 Jan.[p]
			Index (1987 = 100)												
MAJOR MARKETS															
1 **Total index**	**100.0**	**121.9**	**121.8**	**121.7**	**121.9**	**121.4**	**121.3**	**121.4**	**121.5**	**122.7**	**122.8**	**122.2**	**122.4**	**122.6**	**121.9**
2 Products	60.6	118.3	118.4	118.3	118.5	117.7	117.5	117.9	118.0	119.2	119.4	118.3	118.6	119.0	118.2
3 Final products	46.3	121.3	121.3	121.1	121.5	120.9	120.6	121.1	121.2	122.4	122.6	121.3	121.7	121.9	121.2
4 Consumer goods, total	28.6	115.0	115.5	114.9	115.3	114.4	114.1	114.8	114.6	115.9	116.0	114.9	115.5	115.3	113.6
5 Durable consumer goods	5.6	124.2	127.1	127.3	126.0	124.9	121.6	122.3	121.4	124.0	125.8	123.4	124.9	126.4	121.4
6 Automotive products	2.5	130.7	134.4	135.3	134.4	131.7	127.1	129.1	125.3	130.7	132.9	128.5	130.5	132.9	126.6
7 Autos and trucks	1.6	131.4	136.6	138.2	137.5	132.8	127.4	129.5	123.9	132.0	133.1	128.6	129.8	132.1	123.4
8 Autos, consumer	.9	103.1	111.4	111.5	111.2	105.5	99.4	99.2	101.0	100.6	102.6	100.2	100.2	99.5	92.0
9 Trucks, consumer	.7	181.7	180.6	185.2	183.6	180.9	177.1	183.6	163.9	188.2	187.7	179.1	182.8	190.6	179.9
10 Auto parts and allied goods	.9	127.8	128.4	127.9	126.7	128.0	125.0	126.8	126.6	126.6	130.8	126.7	130.2	133.0	131.4
11 Other	3.0	118.6	120.8	120.4	118.6	119.0	116.7	116.3	118.1	118.1	119.6	118.9	120.0	120.7	116.8
12 Appliances, televisions, and air conditioners	.7	135.6	137.9	135.0	132.2	131.6	131.2	131.4	132.2	135.8	139.4	140.1	145.3	142.7	131.4
13 Carpeting and furniture	.8	105.8	106.4	108.3	106.1	109.1	103.0	101.8	107.9	104.4	106.9	105.6	104.3	107.0	104.9
14 Miscellaneous home goods	1.5	118.3	121.3	120.7	119.7	118.8	118.1	118.0	117.4	118.0	117.8	116.9	117.6	118.6	117.0
15 Nondurable consumer goods	23.0	112.8	112.7	111.9	112.7	111.8	112.4	113.1	113.0	113.9	113.7	112.9	113.3	112.6	111.8
16 Foods and tobacco	10.3	111.3	111.5	110.1	111.5	111.2	111.5	113.1	112.8	111.8	111.6	111.1	111.3	110.5	109.7
17 Clothing	2.4	95.0	99.6	98.3	98.7	96.9	96.7	94.6	93.6	93.9	93.4	92.9	91.9	90.9	88.4
18 Chemical products	4.5	131.1	131.3	129.2	129.7	126.9	127.3	128.6	128.6	132.6	134.0	135.7	134.3	134.1	133.4
19 Paper products	2.9	106.6	106.0	106.6	105.9	106.9	106.5	106.3	107.6	106.7	107.3	106.6	108.4	106.1	105.9
20 Energy	2.9	115.8	110.9	113.1	113.9	112.2	115.8	115.8	116.1	122.3	119.0	113.1	116.8	117.6	117.7
21 Fuels	.9	108.8	107.6	108.7	110.4	108.8	108.2	108.8	108.2	108.4	111.4	107.3	108.2	108.7	109.3
22 Residential utilities	2.1	118.7	112.2	114.8	115.2	113.5	119.0	118.7	119.4	128.2	122.2	115.4	120.3	121.4	121.2
23 Equipment	17.7	131.4	130.4	131.0	131.4	131.3	130.8	131.2	131.6	132.9	133.1	131.5	131.3	132.4	133.4
24 Business equipment	13.7	155.7	153.2	154.3	155.1	155.0	154.3	155.1	155.7	157.5	158.2	156.5	156.8	158.5	160.0
25 Information processing and related	5.7	198.1	187.3	188.7	191.6	194.5	193.9	196.0	197.2	201.0	203.0	206.5	207.7	210.0	212.9
26 Computer and office equipment	1.4	373.4	324.2	334.9	343.6	356.4	362.1	363.2	371.7	379.6	390.0	402.9	417.4	430.8	441.8
27 Industrial	4.0	127.4	126.5	127.2	126.9	126.1	126.5	126.2	127.1	129.1	128.7	128.6	129.1	129.1	128.7
28 Transit	2.6	136.3	143.8	145.9	145.7	142.9	139.6	140.3	139.8	138.0	137.9	122.3	119.7	124.3	128.2
29 Autos and trucks	1.2	140.1	145.6	147.7	146.2	141.5	137.8	139.5	139.9	141.3	143.3	135.7	134.2	135.3	128.5
30 Other	1.4	123.3	127.2	127.2	126.3	123.2	122.7	122.6	122.6	122.2	123.3	120.9	121.9	122.1	121.6
31 Defense and space equipment	3.3	65.9	68.9	68.2	67.8	67.1	66.8	66.8	66.5	66.1	65.2	64.4	62.8	62.1	61.6
32 Oil and gas well drilling	.6	87.1	87.7	88.8	87.2	89.3	90.5	86.8	88.4	89.5	88.3	83.5	83.1	83.8	85.1
33 Manufactured homes	.2	152.7	153.1	144.6	145.8	146.6	148.3	149.6	148.6	155.9	158.0	158.9	161.8	164.4	...
34 Intermediate products, total	14.3	109.0	109.5	109.5	109.2	108.2	108.2	108.2	108.5	109.4	109.5	109.2	109.4	110.0	109.1
35 Construction supplies	5.3	108.2	109.7	109.5	109.2	108.0	106.6	107.2	107.3	107.0	108.4	108.3	109.2	110.6	109.1
36 Business supplies	9.0	109.6	109.5	109.6	109.3	108.5	109.4	109.1	109.5	111.0	110.3	109.9	109.7	109.8	109.2
37 Materials	39.4	127.4	127.1	127.1	127.2	127.0	127.2	126.8	126.8	128.1	128.1	128.1	128.3	128.2	127.6
38 Durable goods materials	20.8	141.5	140.0	140.2	140.3	139.8	139.8	139.7	140.2	142.3	144.1	143.9	145.2	144.7	144.3
39 Durable consumer parts	4.0	138.5	142.9	142.6	140.4	137.9	135.9	135.8	133.9	138.4	139.8	138.6	140.0	139.5	136.9
40 Equipment parts	7.5	163.1	154.0	155.4	157.3	158.9	160.3	161.7	164.4	167.1	169.1	169.4	170.9	171.5	171.3
41 Other	9.2	126.1	127.7	127.0	127.0	125.9	125.6	124.5	124.4	124.9	126.8	126.5	127.6	126.5	126.9
42 Basic metal materials	3.1	125.6	126.7	126.4	126.7	126.1	125.5	123.5	124.9	123.1	127.0	124.3	128.4	126.3	128.5
43 Nondurable goods materials	8.9	119.7	122.2	121.5	121.5	121.7	122.2	120.4	118.9	118.8	117.8	118.7	116.7	117.1	116.0
44 Textile materials	1.1	109.2	115.1	113.5	113.6	113.2	112.8	109.0	102.6	109.2	106.2	107.3	104.8	103.0	100.9
45 Paper materials	1.8	120.4	120.9	121.6	122.5	122.3	125.6	121.0	123.9	120.4	117.0	121.4	114.3	115.0	113.3
46 Chemical materials	3.9	124.4	126.4	125.7	125.6	125.6	126.2	125.2	124.4	123.1	123.3	122.9	122.7	121.9	121.4
47 Other	2.1	116.5	119.5	117.8	117.4	118.4	116.9	117.4	113.8	114.6	115.1	114.6	114.1	118.0	116.7
48 Energy materials	9.7	106.5	106.2	106.4	106.4	106.6	107.2	107.2	107.5	108.5	105.8	105.5	105.4	105.7	105.0
49 Primary energy	6.3	101.8	102.0	102.3	102.1	102.2	102.3	103.0	102.3	101.4	101.2	101.7	100.4	100.3	99.8
50 Converted fuel materials	3.3	116.0	114.3	114.5	114.9	115.5	116.9	115.5	118.1	122.8	115.0	113.1	115.3	116.5	115.5
SPECIAL AGGREGATES															
51 Total excluding autos and trucks	97.2	121.5	121.3	121.1	121.3	120.9	121.0	121.1	121.2	122.3	122.4	121.9	122.1	122.3	121.8
52 Total excluding motor vehicles and parts	95.2	120.8	120.5	120.4	120.6	120.3	120.5	120.5	120.7	121.7	121.8	121.3	121.5	121.7	121.2
53 Total excluding computer and office equipment	98.2	118.1	118.6	118.4	118.5	117.9	117.8	117.8	117.8	118.9	118.9	118.1	118.2	118.3	117.4
54 Consumer goods excluding autos and trucks	27.0	113.9	114.1	113.4	113.8	113.1	113.3	113.9	114.0	114.8	114.9	114.0	114.6	114.2	113.0
55 Consumer goods excluding energy	25.7	114.9	116.0	115.1	115.4	114.6	113.9	114.7	114.5	115.1	115.7	115.1	115.4	115.0	113.2
56 Business equipment excluding autos and trucks	12.5	157.0	153.7	154.7	155.8	156.2	155.8	156.5	157.2	158.9	159.5	158.4	158.9	160.6	163.0
57 Business equipment excluding computer and office equipment	12.2	133.0	134.3	134.6	134.8	133.7	132.5	133.2	133.2	134.4	134.3	131.6	130.7	131.4	132.2
58 Materials excluding energy	29.7	134.8	134.6	134.5	134.6	134.3	134.4	133.8	133.7	135.1	136.1	136.2	136.4	136.3	135.6

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]—Continued

Group	SIC[2] code	1992 proportion	1995 avg.[r]	1995 Jan.	1995 Feb.	1995 Mar.	1995 Apr.	1995 May	1995 June	1995 July	1995 Aug.	1995 Sept.	1995 Oct.[r]	1995 Nov.[r]	1995 Dec.	1996 Jan.[p]
				Index (1987 = 100)												
MAJOR INDUSTRIES																
59 **Total index**	...	**100.0**	**121.9**	**121.8**	**121.7**	**121.9**	**121.4**	**121.3**	**121.4**	**121.5**	**122.7**	**122.8**	**122.2**	**122.4**	**122.6**	**121.9**
60 Manufacturing	...	85.4	123.9	124.1	123.9	124.0	123.5	123.2	123.3	123.3	124.2	124.9	124.4	124.5	124.7	124.0
61 Primary processing	...	26.6	117.6	119.4	119.1	118.9	118.2	117.9	117.1	116.9	116.6	117.8	117.0	117.2	117.1	116.4
62 Advanced processing	...	58.9	126.8	126.4	126.2	126.5	126.0	125.7	126.3	126.3	127.8	128.2	127.9	128.0	128.3	127.6
63 Durable goods	...	45.0	132.5	131.8	132.1	132.2	131.6	131.1	131.5	131.5	133.2	134.4	133.5	134.3	134.8	134.2
64 Lumber and products	24	2.0	104.5	107.1	105.0	103.9	103.9	101.7	103.0	103.7	103.7	106.2	105.7	105.6	106.4	104.5
65 Furniture and fixtures	25	1.4	111.6	113.8	114.9	113.4	111.4	110.8	111.3	111.1	110.9	112.0	110.9	110.3	109.3	108.0
66 Stone, clay, and glass products	32	2.1	104.0	105.5	104.7	104.7	103.4	104.1	103.8	103.2	103.0	103.8	104.5	104.6	104.0	103.4
67 Primary metals	33	3.1	119.2	121.5	120.8	121.3	120.2	119.5	117.5	118.3	115.4	121.0	115.7	121.1	119.3	121.6
68 Iron and steel	331,2	1.7	122.4	125.5	124.9	125.8	123.5	123.0	119.2	119.3	117.7	127.0	115.1	126.5	122.8	128.0
69 Raw steel	331PT	.1	114.7	114.9	116.4	116.8	114.7	113.0	112.9	111.5	114.2	118.6	111.3	116.4	118.0	...
70 Nonferrous	333–6,9	1.4	114.7	116.2	115.3	115.4	115.7	114.8	114.9	116.5	111.9	113.2	115.8	114.0	114.5	113.5
71 Fabricated metal products	34	5.0	113.9	114.3	115.0	114.3	112.3	113.7	113.7	112.4	114.3	115.1	114.0	114.5	115.1	113.8
72 Industrial machinery and equipment	35	8.0	177.7	171.4	171.8	172.4	174.3	174.6	174.4	176.0	179.5	181.3	183.8	186.2	189.3	190.2
73 Computer and office equipment	357	1.8	373.4	324.2	334.9	343.6	356.4	362.1	363.2	371.7	379.6	390.0	402.9	417.4	430.8	441.8
74 Electrical machinery	36	7.2	174.9	166.7	167.7	169.4	169.6	171.1	173.0	175.7	178.7	180.8	182.4	183.6	182.8	181.3
75 Transportation equipment	37	9.5	113.4	117.8	118.5	118.0	115.7	113.2	113.4	111.6	114.1	114.1	109.3	108.6	110.0	108.4
76 Motor vehicles and parts	371	4.8	141.9	147.3	148.4	147.6	143.0	138.8	139.7	136.7	142.1	143.3	139.7	140.7	141.2	135.5
77 Autos and light trucks	371PT	2.5	131.3	137.1	138.6	137.9	132.9	127.3	129.2	124.3	131.6	132.8	128.4	129.6	131.5	122.7
78 Aerospace and miscellaneous transportation equipment	372–6,9	4.7	85.9	89.5	89.7	89.5	89.4	88.5	88.1	87.6	87.2	85.9	80.0	77.7	80.0	82.4
79 Instruments	38	5.4	110.7	110.8	110.5	110.9	111.2	109.6	110.9	110.2	111.4	111.3	111.4	111.2	110.8	110.7
80 Miscellaneous	39	1.3	122.7	123.5	124.1	123.3	122.7	122.3	123.1	121.4	122.4	122.9	122.2	123.3	123.6	123.0
81 Nondurable goods	...	40.5	114.3	115.6	114.8	115.1	114.6	114.4	114.3	114.3	114.3	114.4	114.3	113.8	113.5	112.6
82 Foods	20	9.4	115.3	115.9	114.2	115.0	115.1	115.9	116.1	115.3	115.5	115.5	115.4	115.2	114.9	114.7
83 Tobacco products	21	1.6	90.0	88.6	88.1	92.3	92.0	89.3	96.4	99.1	91.3	90.2	88.2	89.2	86.2	83.7
84 Textile mill products	22	1.8	112.6	117.2	115.9	116.2	117.2	113.6	110.4	109.9	112.4	110.5	111.1	109.3	108.3	105.7
85 Apparel products	23	2.2	95.8	100.6	99.8	99.3	97.4	97.5	95.5	94.8	94.5	94.5	93.3	92.5	92.5	90.3
86 Paper and products	26	3.6	119.8	121.0	121.0	121.1	121.2	122.4	119.9	121.3	118.6	118.5	119.7	116.3	117.7	116.6
87 Printing and publishing	27	6.8	99.4	100.1	100.3	99.3	99.2	99.0	98.6	99.0	100.5	99.8	98.9	99.4	98.9	98.2
88 Chemicals and products	28	9.9	124.9	126.2	124.7	125.0	123.5	124.0	124.4	124.0	124.4	125.3	126.7	125.7	125.4	124.7
89 Petroleum products	29	1.4	108.3	107.7	108.0	109.1	107.8	107.4	108.6	109.0	108.5	110.0	106.9	107.5	108.8	109.9
90 Rubber and plastic products	30	3.5	139.4	141.8	141.9	141.1	140.8	138.2	137.8	137.7	138.7	139.8	139.7	140.1	139.2	138.3
91 Leather and products	31	.3	81.3	85.4	85.1	85.8	82.7	83.0	81.2	78.7	80.8	80.5	79.7	78.3	77.0	75.6
92 Mining	...	6.9	99.9	100.6	100.8	100.3	100.6	100.5	101.0	100.7	100.0	100.0	98.2	98.1	98.0	97.7
93 Metal	10	.5	169.4	164.2	165.5	164.5	164.6	164.3	166.8	172.2	172.1	170.8	178.3	175.7	174.1	173.7
94 Coal	12	1.0	112.9	116.0	115.1	114.0	112.3	110.8	112.2	117.0	109.7	116.2	112.3	109.5	108.5	103.6
95 Oil and gas extraction	13	4.8	91.8	92.4	93.0	92.2	93.1	93.4	93.6	91.9	92.4	91.2	89.2	89.7	89.8	90.5
96 Stone and earth minerals	14	.6	112.3	113.1	111.3	114.2	112.7	111.1	111.9	113.5	111.6	113.1	112.4	111.7	112.2	111.4
97 Utilities	...	7.7	121.7	117.3	118.5	119.2	118.8	122.1	121.0	122.7	128.8	122.7	121.6	123.3	124.1	123.0
98 Electric	491,493PT	6.1	122.1	118.0	119.1	119.5	118.9	121.2	121.2	122.2	130.0	122.7	123.7	123.6	123.8	122.5
99 Gas	492,493PT	1.6	120.0	114.3	116.4	118.0	118.4	125.5	120.6	124.5	124.3	122.4	113.6	121.9	125.3	125.0
SPECIAL AGGREGATES																
100 Manufacturing excluding motor vehicles and parts	...	80.6	122.8	122.8	122.4	122.6	122.3	122.2	122.3	122.5	123.1	123.8	123.4	123.6	123.7	123.3
101 Manufacturing excluding office and computing machines	...	83.7	119.5	120.4	120.0	120.1	119.3	118.9	119.1	118.9	119.8	120.3	119.6	119.6	119.6	118.7
		Gross value (billions of 1992 dollars, annual rates)														
MAJOR MARKETS																
102 **Products, total**	...	**2,002.9**	**2,244.7**	**2,247.3**	**2,246.9**	**2,252.0**	**2,236.5**	**2,231.5**	**2,239.1**	**2,238.8**	**2,257.8**	**2,268.1**	**2,240.3**	**2,251.7**	**2,261.0**	**2,244.6**
103 Final	...	1,552.2	1,747.9	1,748.3	1,748.6	1,755.0	1,743.1	1,737.4	1,745.6	1,743.2	1,760.5	1,768.2	1,741.9	1,752.3	1,758.0	1,745.6
104 Consumer goods	...	1,033.4	1,129.6	1,134.6	1,131.1	1,135.5	1,125.2	1,122.3	1,128.4	1,124.0	1,135.7	1,141.1	1,125.1	1,135.1	1,134.9	1,118.6
105 Equipment	...	518.8	618.2	613.8	617.5	619.5	617.9	615.1	617.1	619.2	624.8	627.1	616.7	617.2	623.1	627.1
106 Intermediate	...	450.7	496.8	499.0	498.3	497.0	493.4	494.0	493.5	495.6	497.3	499.9	498.4	499.4	503.0	498.9

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1995. See "A Revision to Industrial Production and Capacity Utilization, 1991–95," *Federal Reserve Bulletin*, vol. 82 (January 1996), pp. 16–25. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76, (April 1990), pp. 187–204.

2. Standard industrial classification.

2.14 HOUSING AND CONSTRUCTION

Monthly figures at seasonally adjusted annual rates except as noted

Item	1993	1994	1995	1995 Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.[r]	Nov.	Dec.
				Private residential real estate activity (thousands of units except as noted)									
NEW UNITS													
1 Permits authorized	1,199	1,372	1,331	1,235	1,243	1,243	1,275	1,355	1,368	1,405	1,384	1,448[r]	1,478
2 One-family	987	1,068	997	911	905	930	958	1,011	1,044	1,073	1,051	1,069[r]	1,110
3 Two-family or more	213	303	335	324	338	313	317	344	324	332	333	379[r]	368
4 Started	1,288	1,457	1,351	1,241[r]	1,278[r]	1,300[r]	1,301[r]	1,450[r]	1,401[r]	1,401[r]	1,351	1,458[r]	1,385
5 One-family	1,126	1,198	1,073	992[r]	1,017[r]	1,005[r]	1,036[r]	1,125[r]	1,135[r]	1,130[r]	1,109	1,129[r]	1,116
6 Two-family or more	162	259	277	249[r]	261[r]	295[r]	265[r]	325	266	271	242	329[r]	269
7 Under construction at end of period[1]	680	762		769	763	755	756	761	773	781	785	795	
8 One-family	543	558		552	544	536	534	538	548	553	562	566	
9 Two-family or more	137	204	n.a.	217	219	219	222	223	225	228	223	229	n.a.
10 Completed	1,193	1,347		1,443	1,334	1,342	1,256	1,345	1,246	1,254	1,312	1,337	
11 One-family	1,040	1,160		1,222	1,089	1,072	1,053	1,037	1,012	998	1,032	1,043	
12 Two-family or more	153	187		221	245	270	203	308	234	256	280	294	
13 Mobile homes shipped	254	304	340	326[r]	327[r]	335[r]	333[r]	337[r]	344[r]	352[r]	354	355	352
Merchant builder activity in one-family units													
14 Number sold	666	670	n.a.	612	607	667	723	781	703	682	663	649	n.a.
15 Number for sale at end of period[1]	293	338	n.a.	347	348	347	347	344	349	352	362	375	n.a.
Price of units sold (thousands of dollars)[2]													
16 Median	126.1	130.4	n.a.	130.0	134.0	133.9	133.7	131.0	134.9	130.0	137.0	132.4	n.a.
17 Average	147.6	153.7	n.a.	153.3	157.8	158.0	160.2	154.2	162.0	156.0	155.3	155.5	n.a.
EXISTING UNITS (one-family)													
18 Number sold	3,800	3,946	3,812	3,620	3,390	3,550	3,800	3,990	4,120	4,150	4,110	4,040	3,910
Price of units sold (thousands of dollars)[2]													
19 Median	106.5	109.6	112.2	107.9	108.1	109.0	116.2	115.9	117.6	115.2	113.3	114.3	113.8
20 Average	133.1	136.4	138.4	134.5	134.2	135.4	143.3	142.2	144.4	140.5	138.7	139.7	138.6
				Value of new construction (millions of dollars)[3]									
CONSTRUCTION													
21 Total put in place	**464,504**	**506,904**	**527,169**	**523,467**	**522,094**	**514,515**	**518,934**	**528,673[r]**	**528,397[r]**	**535,106[r]**	**537,589**	**532,856**	**537,452**
22 Private	339,161	376,566	384,366	383,301	382,220	376,148	377,486	384,307[r]	385,653[r]	386,960[r]	390,111	387,824	392,311
23 Residential	210,455	238,884	236,175	237,894	234,109	231,342	228,388	231,002[r]	233,982[r]	237,618[r]	238,302	239,459	241,163
24 Nonresidential	128,706	137,682	148,191	145,407	148,111	144,806	149,098	153,305[r]	151,671[r]	149,342[r]	151,809	148,365	151,148
25 Industrial buildings	19,533	21,121	24,138	23,911	24,707	24,760	24,416	24,399[r]	24,202[r]	24,096[r]	24,940	24,579	24,050
26 Commercial buildings	42,627	48,552	55,261	55,439	55,011	51,779	55,420	57,015[r]	55,709	55,079[r]	56,576	55,842	58,888
27 Other buildings	23,626	23,912	23,993	23,062	23,948	24,319	23,447	24,525[r]	24,015[r]	23,962[r]	24,557	23,760	24,063
28 Public utilities and other	42,920	44,097	44,799	42,995	44,445	43,948	45,815	47,366[r]	47,745[r]	46,205[r]	45,736	44,184	44,147
29 Public	125,342	130,337	142,806	140,166	139,874	138,367	141,447	144,366[r]	142,744[r]	148,146[r]	147,478	145,032	145,141
30 Military	2,454	2,319	2,938	3,048	2,736	2,442	2,569	3,124[r]	3,010[r]	3,090[r]	3,164	3,169	3,194
31 Highway	37,431	39,882	42,258	40,667	41,158	38,657	40,875	44,274[r]	42,902[r]	42,942[r]	44,416	43,319	44,286
32 Conservation and development	5,978	6,228	6,425	7,139	6,273	5,531	6,117	6,603[r]	6,769[r]	6,469[r]	6,483	6,189	6,028
33 Other	79,479	81,908	91,185	89,312	89,707	91,737	91,886	90,365[r]	90,063[r]	95,645[r]	93,415	92,355	91,633

1. Not at annual rates.
2. Not seasonally adjusted.
3. Recent data on value of new construction may not be strictly comparable with data for previous periods because of changes by the Bureau of the Census in its estimating techniques. For a description of these changes, see *Construction Reports* (C-30-76-5), issued by the Census Bureau in July 1976.

SOURCE. Bureau of the Census estimates for all series except (1) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (2) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from the originating agency. Permit authorizations are those reported to the Census Bureau from 19,000 jurisdictions beginning in 1994.

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data except as noted

Item	Change from 12 months earlier		Change from 3 months earlier (annual rate)				Change from 1 month earlier					Index level, Jan. 1996[1]
	1995 Jan.	1996 Jan.	1995[r]				1995[r]				1996	
			Mar.	June	Sept.	Dec.	Sept.	Oct.	Nov.	Dec.	Jan.	
CONSUMER PRICES[2] (1982–84=100)												
1 **All items**	**2.8**	**2.7**	**3.2**	**3.5**	**1.6**	**2.4**	**.1**	**.3**	**.1**	**.2**	**.4**	**154.4**
2 Food	2.6	2.4	.3	3.6	2.7	1.9	.3	.3	.0	.1	.1	151.0
3 Energy items	2.9	.8	−1.5	5.8	−10.5	1.9	−1.3	.3	−.9	1.1	1.9	105.0
4 All items less food and energy	2.9	3.0	4.1	3.0	2.8	2.2	.2	.3	.1	.1	.3	163.4
5 Commodities	1.7	1.9	2.6	.9	2.0	1.7	.1	.2	.1	.1	.4	140.3
6 Services	3.5	3.4	4.8	4.3	3.0	2.5	.3	.3	.2	.1	.3	176.6
PRODUCER PRICES (1982=100)												
7 Finished goods	1.7	2.3	1.6	1.3	1.6	4.1	.3	.0	.4	.6	.3	129.5
8 Consumer foods	.7	2.3	−2.5	−2.5	8.8	4.4	1.2	−.2	1.1	.2	−.2	130.9
9 Consumer energy	4.1	2.5	3.6	1.5	−10.2	10.3	−.5	−.8	−.4	3.7	2.7	78.5
10 Other consumer goods	1.4	2.3	2.6	2.9	2.3	3.1	.3	.2	.3	.2	−.1	143.8
11 Capital equipment	2.0	1.8	2.7	1.8	1.8	2.7	.1	.1	.4	.1	−.1	138.3
Intermediate materials												
12 Excluding foods and feeds	5.9	1.9	9.5	3.9	−.6	−.9	−.2	−.2	−.1	.1	.1	125.3
13 Excluding energy	6.3	1.6	10.5	4.2	1.5	−3.2	.0	−.2	−.2	−.4	−.3	134.7
Crude materials												
14 Foods	−8.9	12.1	−4.6	4.0	34.8	20.4	3.5	2.1	2.9	−.3	−.4	114.6
15 Energy	−4.3	7.4	−4.5	14.6	−21.0	15.7	2.7	−.7	2.1	2.3	7.3	75.0
16 Other	17.7	−7.1	20.5	3.9	−17.6	−19.6	−1.7	−2.3	−2.1	−1.0	.0	161.7

1. Not seasonally adjusted.
2. Figures for consumer prices are for all urban consumers and reflect a rental-equivalence measure of homeownership.

SOURCE. U.S. Department of Labor, Bureau of Labor Statistics.

2.16 GROSS DOMESTIC PRODUCT AND INCOME

Billions of current dollars except as noted; quarterly data at seasonally adjusted annual rates

Account	1993	1994	1995	1994	1995			
				Q4	Q1	Q2	Q3[r]	Q4
GROSS DOMESTIC PRODUCT								
1 **Total**	**6,550.2**	**6,931.4**	**7,247.7**	**7,080.0**	**7,147.8**	**7,196.5**	**7,298.5**	**7,348.1**
By source								
2 Personal consumption expenditures	4,454.1	4,698.7	4,923.4	4,796.0	4,836.3	4,908.7	4,960.0	4,988.8
3 Durable goods	530.7	580.9	606.5	602.7	593.0	604.0	615.8	613.2
4 Nondurable goods	1,368.9	1,429.7	1,485.2	1,459.0	1,471.6	1,486.9	1,491.4	1,491.2
5 Services	2,554.6	2,688.1	2,831.7	2,734.4	2,771.7	2,817.9	2,852.8	2,884.4
6 Gross private domestic investment	871.1	1,014.4	1,067.5	1,050.1	1,072.0	1,050.3	1,074.8	1,072.7
7 Fixed investment	850.5	954.9	1,029.3	991.4	1,013.9	1,016.3	1,036.6	1,050.5
8 Nonresidential	598.8	667.2	739.9	697.9	723.6	734.4	746.3	755.3
9 Structures	171.8	180.2	200.1	188.8	194.5	197.6	202.5	205.8
10 Producers' durable equipment	427.0	487.0	539.8	509.1	529.0	536.8	543.8	549.5
11 Residential structures	251.7	287.7	289.4	293.5	290.4	281.9	290.3	295.2
12 Change in business inventories	20.6	59.5	38.1	58.7	58.1	34.0	38.2	22.2
13 Nonfarm	20.1	45.9	n.a.	55.1	60.8	36.1	41.5	24.4
14 Net exports of goods and services	−64.9	−96.4	−101.7	−99.7	−106.6	−122.4	−100.8	−76.9
15 Exports	660.0	722.0	804.5	763.6	778.6	796.9	812.5	830.1
16 Imports	724.9	818.4	906.2	863.3	885.1	919.3	913.3	907.0
17 Government consumption expenditures and gross investment	1,289.9	1,314.7	1,358.5	1,333.5	1,346.0	1,359.9	1,364.5	1,363.5
18 Federal	522.1	516.3	516.8	520.9	519.9	522.6	516.7	508.0
19 State and local	767.8	798.4	841.7	812.6	826.1	837.3	847.7	855.4
By major type of product								
20 Final sales, total	6,529.7	6,871.8	7,209.6	7,021.3	7,089.7	7,162.5	7,260.3	7,325.9
21 Goods	2,400.9	2,534.2	2,660.7	2,600.9	2,617.3	2,642.3	2,684.5	2,698.5
22 Durable	1,013.8	1,085.9	1,146.9	1,113.3	1,118.6	1,134.0	1,162.5	1,172.6
23 Nondurable	1,387.2	1,448.3	1,513.8	1,487.6	1,498.7	1,508.3	1,522.1	1,525.9
24 Services	3,581.7	3,742.4	3,921.2	3,806.3	3,852.6	3,904.5	3,943.2	3,984.6
25 Structures	547.0	595.3	627.7	614.1	619.8	615.7	632.6	642.8
26 Change in business inventories	20.6	59.5	38.1	58.7	58.1	34.0	38.2	22.2
27 Durable goods	15.7	31.9	35.3	33.1	54.4	28.5	29.2	28.9
28 Nondurable goods	4.9	27.7	2.9	25.6	3.7	5.4	9.1	−6.7
MEMO								
29 **Total GDP in chained 1992 dollars**	**6,383.8**	**6,604.2**	**6,740.8**	**6,691.3**	**6,701.6**	**6,709.4**	**6,768.3**	**6,783.8**
NATIONAL INCOME								
30 **Total**	**5,194.4**	**5,495.1**	n.a.	**5,635.0**	**5,697.7**	**5,738.9**	**5,849.2**	n.a.
31 Compensation of employees	3,809.4	4,008.3	4,209.4	4,083.7	4,141.6	4,178.9	4,235.9	4,281.1
32 Wages and salaries	3,095.2	3,255.9	3,419.7	3,320.2	3,363.0	3,393.3	3,442.3	3,480.3
33 Government and government enterprises	584.2	602.5	621.7	608.3	616.3	619.6	624.1	626.9
34 Other	2,511.0	2,653.4	2,798.0	2,711.9	2,746.6	2,773.6	2,818.2	2,853.4
35 Supplement to wages and salaries	714.2	752.4	789.7	763.6[r]	778.6	785.6	793.7	800.8
36 Employer contributions for social insurance	333.3	350.2	365.7	355.8	360.8	363.6	367.8	370.6
37 Other labor income	380.9	402.2	424.0	407.8	417.7	422.0	425.9	430.2
38 Proprietors' income[1]	420.0	450.9	477.9	469.4	472.0	474.7	479.6	485.2
39 Business and professional[1]	388.1	415.9	449.2	437.1	443.5	447.1	451.5	454.7
40 Farm[1]	32.0	35.0	28.7	32.3	28.5	27.6	28.1	30.6
41 Rental income of persons[2]	102.5	116.6	122.2	121.9	120.6	121.6	120.9	125.7
42 Corporate profits[1]	464.5	526.5	n.a.	568.9	559.6	561.1	614.9	n.a.
43 Profits before tax[3]	464.3	528.2	n.a.	570.4	594.1	588.4	609.6	n.a.
44 Inventory valuation adjustment	−6.6	−13.3	−27.6	−22.8	51.9	42.3	−9.3	−6.8
45 Capital consumption adjustment	6.7	11.6	15.9	21.3	17.4	15.0	14.6	16.5
46 Net interest	398.1	392.8	n.a.	391.1	403.9	402.6	397.8	n.a.

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.
3. For after-tax profits, dividends, and the like, see table 1.48.

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

2.17 PERSONAL INCOME AND SAVING

Billions of current dollars except as noted; quarterly data at seasonally adjusted annual rates

Account	1993	1994	1995	1994	1995			
				Q4	Q1	Q2	Q3r	Q4
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**5,479.2**	**5,750.2**	**6,101.0**	**5,893.9**	**5,995.5**	**6,061.9**	**6,135.6**	**6,210.9**
2 Wage and salary disbursements	3,090.6	3,241.1	3,419.7	3,318.5	3,361.6	3,393.3	3,442.3	3,481.8
3 Commodity-producing industries	781.3	825.0	858.7	846.0	856.2	855.0	859.9	863.8
4 Manufacturing	593.1	621.3	642.9	636.0	643.4	640.5	642.9	644.8
5 Distributive industries	698.4	739.3	787.8	762.7	768.8	778.6	795.4	808.5
6 Service industries	1,026.6	1,074.3	1,151.4	1,101.6	1,120.2	1,140.0	1,162.8	1,182.5
7 Government and government enterprises	584.2	602.5	621.7	608.3	616.3	619.6	624.1	626.9
8 Other labor income	380.9	402.2	424.0	407.8	417.7	422.0	425.9	430.2
9 Proprietors' income[1]	420.0	450.9	477.9	469.4	472.0	474.7	479.6	485.2
10 Business and professional[1]	388.1	415.9	449.2	437.1	443.5	447.1	451.5	454.7
11 Farm[1]	32.0	35.0	28.7	32.3	28.5	27.6	28.1	30.6
12 Rental income of persons[2]	102.5	116.6	122.2	121.9	120.6	121.6	120.9	125.7
13 Dividends	186.8	199.6	214.8	206.7	209.5	212.2	215.8	221.7
14 Personal interest income	647.3	661.6	714.4	678.4	701.9	713.9	717.5	724.2
15 Transfer payments	910.7	956.3	1,022.6	974.7	1,002.4	1,016.8	1,029.9	1,041.4
16 Old-age survivors, disability, and health insurance benefits	444.4	472.9	507.4	482.1	497.6	505.1	510.7	516.3
17 LESS: Personal contributions for social insurance	259.6	278.1	294.6	283.5	290.2	292.7	296.2	299.4
18 EQUALS: Personal income	5,479.2	5,750.2	6,101.0	5,893.9	5,995.5	6,061.9	6,135.6	6,210.9
19 LESS: Personal tax and nontax payments	689.9	731.4	794.6	748.1	770.0	801.5	798.4	808.3
20 EQUALS: Disposable personal income	4,789.3	5,018.8	5,306.4	5,145.8r	5,225.5	5,260.4	5,337.2	5,402.5
21 LESS: Personal outlays	4,572.9	4,826.5	5,065.7	4,927.9	4,972.2	5,049.0	5,104.6	5,137.2
22 EQUALS: Personal saving	216.4	192.4r	240.7	217.8	253.3	211.4	232.6	265.4
MEMO								
Per capita (chained 1992 dollars)								
23 Gross domestic product	24,724.2	25,332.6	34,199.9	25,568.6	25,559.1	25,540.2	25,695.9	25,696.2
24 Personal consumption expenditures	16,807.5	17,150.4	23,223.7	17,280.5	17,280.3	17,391.7	17,465.5	17,461.0
25 Disposable personal income	18,075.0	18,320.0	25,033.0	18,544.0	18,672.0	18,634.0	18,794.0	18,907.0
26 Saving rate (percent)	4.5	3.8	4.5	4.2	4.8	4.0	4.4	4.9
GROSS SAVING								
27 **Gross saving**	**938.4**	**1,055.9**	n.a.	**1,064.9r**	**1,110.5**	**1,092.3**	**1,155.7**	n.a.
28 Gross private saving	964.5	1,006.0	n.a.	1,012.8	1,039.9	1,007.3	1,076.1	n.a.
29 Personal saving	216.4	192.4r	240.7	217.8	253.3	211.4	232.6	265.4
30 Undistributed corporate profits[1]	103.4	120.2	n.a.	136.8	120.6	122.3	162.0	n.a.
31 Corporate inventory valuation adjustment	−6.6	−13.3	−27.6	−22.8	−51.9	−42.3	−9.3	−6.8
Capital consumption allowances								
32 Corporate	417.0	441.0	454.0	439.3	444.4	451.3	456.9	463.6
33 Noncorporate	223.1	237.7	225.1	217.3	220.2	222.4	224.7	233.3
34 Government surplus, or deficit (−), national income and product accounts	−159.8	−90.2	n.a.	−91.1	−74.4	−61.5	−67.7	n.a.
35 Federal	−254.7	−189.9	n.a.	−190.4	−173.3	−160.5	−161.6	n.a.
36 State and local	94.9	99.7	n.a.	99.3	99.0	99.0	93.9	n.a.
37 **Gross investment**	**993.5**	**1,087.2**	n.a.	**1,104.5**	**1,146.7**	**1,113.9**	**1,150.7**	n.a.
38 Gross private domestic investment	871.1	1,014.4	1,067.5	1,050.1	1,072.0	1,050.3	1,074.8	1,072.7
39 Net foreign investment	−88.2	−139.6	n.a.	−161.9	−144.4	−160.1	−148.9	n.a.
40 **Statistical discrepancy**	**55.1**	**31.3**	n.a.	**39.7**	**36.2**	**21.6**	**−5.0**	n.a.

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars; quarterly data seasonally adjusted except as noted[1]

Item credits or debits	1992	1993	1994	1994		1995		
				Q3	Q4	Q1	Q2	Q3[p]
1 Balance on current account	−61,548	−99,925	−151,245	−39,714	−43,277	−39,025	−43,267	−39,482
2 Merchandise trade balance[2]	−96,106	−132,618	−166,099	−44,627	−43,488	−45,050	−48,802	−43,433
3 Merchandise exports	440,352	456,823	502,485	127,384	133,926	138,061	142,850	145,315
4 Merchandise imports	−536,458	−589,441	−668,584	−172,011	−177,414	−183,111	−191,652	−188,748
5 Military transactions, net	−2,142	448	2,148	1,124	679	542	587	736
6 Other service transactions, net	58,767	57,328	57,739	14,696	15,342	15,068	14,782	15,178
7 Investment income, net	10,080	9,000	−9,272	−2,533	−4,571	−1,961	−2,614	−4,153
8 U.S. government grants	−15,083	−16,311	−15,814	−3,488	−6,245	−2,867	−2,284	−2,834
9 U.S. government pensions and other transfers	−3,735	−3,785	−4,247	−1,064	−1,063	−782	−989	−987
10 Private remittances and other transfers	−13,330	−13,988	−15,700	−3,822	−3,931	−3,975	−3,947	−3,989
11 Change in U.S. government assets other than official reserve assets, net (increase, −)	−1,661	−330	−322	−283	−931	−152	−180	136
12 Change in U.S. official reserve assets (increase, −)	3,901	−1,379	5,346	−165	2,033	−5,318	−2,722	−1,893
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	2,316	−537	−441	−111	−121	−867	−156	362
15 Reserve position in International Monetary Fund	−2,692	−44	494	273	−27	−526	−786	−991
16 Foreign currencies	4,277	−797	5,293	−327	2,181	−3,925	−1,780	−1,264
17 Change in U.S. private assets abroad (increase, −)	−68,115	−182,880	−130,875	−27,492	−56,258	−69,873	−97,340	−41,095
18 Bank-reported claims[3]	20,895	29,947	915	1,590	−16,651	−29,284	−39,982	14,851
19 Nonbank-reported claims	45	1,581	−32,621	−8,051	−12,449	−11,518	−18,499	...
20 U.S. purchases of foreign securities, net	−46,415	−141,807	−49,799	−10,976	−15,238	−6,567	−21,731	−34,251
21 U.S. direct investments abroad, net	−42,640	−72,601	−49,370	−10,055	−11,920	−22,504	−17,128	−21,695
22 Change in foreign official assets in United States (increase, +)	40,466	72,146	39,409	19,691	−421	22,308	37,836	39,479
23 U.S. Treasury securities	18,454	48,952	30,723	16,477	7,470	10,131	25,169	20,597
24 Other U.S. government obligations	3,949	4,062	6,025	2,222	1,228	1,126	1,326	518
25 Other U.S. government liabilities[4]	2,180	1,706	2,211	494	692	−154	506	194
26 Other U.S. liabilities reported by U.S. banks[3]	16,571	14,841	2,923	1,298	−9,856	10,940	7,886	18,398
27 Other foreign official assets[5]	−688	2,585	−2,473	−800	45	265	2,949	−228
28 Change in foreign private assets in United States (increase, +)	113,357	176,382	251,956	60,045	85,136	72,533	86,495	66,185
29 U.S. bank-reported liabilities[3]	15,461	20,859	114,396	19,650	34,676	−531	12,239	−19,958
30 U.S. nonbank-reported liabilities	13,573	10,489	−4,324	487	−5,242	10,113	10,527	...
31 Foreign private purchases of U.S. Treasury securities, net	36,857	24,063	33,811	5,428	25,929	29,910	30,315	36,778
32 Foreign purchases of other U.S. securities, net	29,867	79,864	58,625	14,762	10,195	15,816	20,549	30,024
33 Foreign direct investments in United States, net	17,599	41,107	49,448	19,718	19,578	17,225	12,865	19,341
34 Allocation of special drawing rights	0	0	0	0	0	0	0	0
35 Discrepancy	−26,399	35,985	−14,269	−12,082	13,718	19,527	19,178	−23,330
36 Due to seasonal adjustment	...	...	...	−6,641	782	6,183	331	−7,086
37 Before seasonal adjustment	−26,399	35,985	−14,269	−5,441	12,936	13,344	18,847	−16,244
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	3,901	−1,379	5,346	−165	2,033	−5,318	−2,722	−1,893
39 Foreign official assets in United States, excluding line 25 (increase, +)	38,286	70,440	37,198	19,197	−1,113	22,462	37,330	39,285
40 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22)	5,942	−3,717	−1,184	3,564	1,120	−322	−11	6,365

1. Seasonal factors are not calculated for lines 12–16, 18–20, 22–34, and 38–40.

2. Data are on an international accounts basis. The data differ from the Census basis data, shown in table 3.11, for reasons of coverage and timing. Military exports are excluded from merchandise trade data and are included in line 5.

3. Reporting banks include all types of depository institutions as well as some brokers and dealers.

4. Associated primarily with military sales contracts and other transactions arranged with or through foreign official agencies.

5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*.

3.11 U.S. FOREIGN TRADE[1]

Millions of dollars; monthly data seasonally adjusted

Item	1993	1994	1995	1995 June	July	Aug.	Sept.	Oct.	Nov.	Dec.[p]
1 Goods and services, balance	−74,842	−106,214	−111,042	−11,385	−11,070	−8,248	−8,245	−8,160	−6,712	−6,777
2 Merchandise	−132,618	−166,101	−174,469	−16,493	−16,226	−13,504	−13,746	−13,742	−12,176	−12,264
3 Services	57,777	59,887	63,427	5,108	5,156	5,256	5,501	5,582	5,464	5,487
4 Goods and services, exports	644,579	701,200	783,661	64,681	63,645	66,410	67,460	66,738	67,584	68,329
5 Merchandise	456,824	502,484	574,878	47,381	46,372	49,084	49,779	48,982	49,584	50,461
6 Services	187,755	198,716	208,783	17,300	17,273	17,326	17,681	17,756	18,000	17,868
7 Goods and services, imports	−719,421	−807,414	−894,703	−76,066	−74,715	−74,658	−75,705	−74,898	−74,296	−75,106
8 Merchandise	−589,442	−668,585	−749,347	−63,874	−62,598	−62,588	−63,525	−62,724	−61,760	−62,725
9 Services	−129,979	−138,829	−145,356	−12,192	−12,117	−12,070	−12,180	−12,174	−12,536	−12,381

1. Data show monthly values consistent with quarterly figures in the U.S. balance of payments accounts.

SOURCE. *FT900*, U.S. Department of Commerce, Bureau of the Census and Bureau of Economic Analysis.

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Asset	1992	1993	1994	1995 June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1996 Jan.[p]
1 **Total**	**71,323**	**73,442**	**74,335**	**90,063**	**91,534**	**86,648**	**87,152**	**86,224**	**85,755**	**85,832**	**82,717**
2 Gold stock, including Exchange Stabilization Fund[1]	11,056	11,053	11,051	11,054	11,053	11,053	11,051	11,051	11,050	11,050	11,052
3 Special drawing rights[2,3]	8,503	9,039	10,039	11,869	11,487	11,146	11,035	10,949	11,034	11,037	10,778
4 Reserve position in International Monetary Fund[2]	11,759	11,818	12,030	14,276	14,761	14,470	14,681	14,700	14,572	14,649	14,312
5 Foreign currencies[4]	40,005	41,532	41,215	52,864	54,233	49,979	50,385	49,524	49,099	49,096	46,575

1. Gold held "under earmark" at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13, line 3. Gold stock is valued at $42.22 per fine troy ounce.
2. Special drawing rights (SDRs) are valued according to a technique adopted by the International Monetary Fund (IMF) in July 1974. Values are based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, sixteen currencies were used; since January 1981, five currencies have been used. U.S. SDR holdings and reserve positions in the IMF also have been valued on this basis since July 1974.
3. Includes allocations of SDRs by the International Monetary Fund on Jan. 1 of the year indicated, as follows: 1970—$867 million; 1971—$717 million; 1972—$710 million; 1979—$1,139 million; 1980—$1,152 million; 1981—$1,093 million; plus net transactions in SDRs.
4. Valued at current market exchange rates.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS[1]

Millions of dollars, end of period

Asset	1992	1993	1994	1995 June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1996 Jan.[p]
1 **Deposits**	**205**	**386**	**250**	**167**	**190**	**165**	**201**	**275**	**194**	**386**	**165**
Held in custody											
2 U.S. Treasury securities[2]	314,481	379,394	441,866	482,506	505,613	502,737	506,572	507,075	522,950	522,170	532,776
3 Earmarked gold[3]	13,118	12,327	12,033	11,725	11,728	11,728[r]	11,728	11,709	11,702	11,702	11,702

1. Excludes deposits and U.S. Treasury securities held for international and regional organizations.
2. Marketable U.S. Treasury bills, notes, and bonds and nonmarketable U.S. Treasury securities, in each case measured at face (not market) value.
3. Held in foreign and international accounts and valued at $42.22 per fine troy ounce; not included in the gold stock of the United States.

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1993	1994	1995						
			June	July	Aug.	Sept.	Oct.	Nov.	Dec.[p]
1 **Total**[1]	**482,915**	**520,578**	**580,151**	**604,548**	**612,972**	**619,517**	**618,417**	**632,446**	**629,160**
By type									
2 Liabilities reported by banks in the United States[2]	69,721	73,031	91,573	93,801	104,791	110,051	107,870	109,232	105,643
3 U.S. Treasury bills and certificates[3]	151,100	139,570	154,517	159,654	157,516	163,093	157,987	171,366	168,534
U.S. Treasury bonds and notes									
4 Marketable	212,237	254,059	274,342	291,132	290,768	286,243	291,948	291,033	293,684
5 Nonmarketable[4]	5,652	6,109	6,245	6,288	6,329	6,366	6,407	6,449	6,491
6 U.S. securities other than U.S. Treasury securities[5]	44,205	47,809	53,474	53,673	53,568	53,764	54,205	54,366	54,808
By area									
7 Europe[1]	207,034	215,024	223,853	224,380	221,130	222,869	222,679	228,180	221,604
8 Canada	15,285	17,235	19,549	21,746	21,508	20,522	20,355	19,535	19,473
9 Latin America and Caribbean	55,898	41,492	50,327	58,126	63,383	63,424	61,335	62,060	65,826
10 Asia	197,702	236,819	278,767	290,878	297,343	303,809	305,053	311,638	310,955
11 Africa	4,052	4,179	4,427	4,309	4,433	4,684	4,761	6,086	6,296
12 Other countries	2,942	5,827	3,226	5,107	5,173	4,207	4,232	4,945	5,004

1. Includes the Bank for International Settlements.
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
3. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes current value of zero-coupon Treasury bond issues to foreign governments as follows: Mexico, beginning March 1988, 20-year maturity issue and beginning March 1990, 30-year maturity issue; Venezuela, beginning December 1990, 30-year maturity issue; Argentina, beginning April 1993, 30-year maturity issue.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.

SOURCE. Based on U.S. Department of the Treasury data and on data reported to the department by banks (including Federal Reserve Banks) and securities dealers in the United States, and on the 1989 benchmark survey of foreign portfolio investment in the United States.

3.16 LIABILITIES TO, AND CLAIMS ON, FOREIGNERS Reported by Banks in the United States[1] Payable in Foreign Currencies

Millions of dollars, end of period

Item	1991	1992	1993[r]	1994	1995		
				Dec.	Mar.	June	Sept.
1 Banks' liabilities	75,129	72,796	78,259	89,661	96,190	106,715	102,148
2 Banks' claims	73,195	62,799	62,017	60,279	72,694	77,171	69,312
3 Deposits	26,192	24,240	20,993	19,670	24,440	28,915	25,648
4 Other claims	47,003	38,559	41,024	40,609	48,254	48,256	43,664
5 Claims of banks' domestic customers[2]	3,398	4,432	12,854	10,587[r]	8,732[r]	9,890[r]	6,274[r]

1. Data on claims exclude foreign currencies held by U.S. monetary authorities.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of the domestic customers.

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]

Payable in U.S. dollars

Millions of dollars, end of period

Item	1993	1994	1995	1995 June	1995 July	1995 Aug.	1995 Sept.	1995 Oct.[r]	1995 Nov.	1995 Dec.[p]
BY HOLDER AND TYPE OF LIABILITY										
1 **Total, all foreigners**	**926,672**	**1,018,472[r]**	**1,093,270**	**1,058,071[r]**	**1,060,388[r]**	**1,076,399[r]**	**1,073,999[r]**	**1,099,123**	**1,105,061**	**1,093,270**
2 Banks' own liabilities	626,919	722,155[r]	747,355	735,824[r]	731,017[r]	745,652[r]	735,112[r]	762,614	754,816	747,355
3 Demand deposits	21,569	23,386[r]	24,353	22,252[r]	24,104[r]	21,779[r]	23,703[r]	23,159	23,114	24,353
4 Time deposits[2]	175,106	186,512[r]	192,680	195,237[r]	191,793[r]	197,099[r]	188,153[r]	202,532	193,829	192,680
5 Other[3]	111,971	116,699	138,240	123,304[r]	141,518[r]	139,305[r]	136,559[r]	146,364	153,912	138,240
6 Own foreign offices[4]	318,273	395,558	392,082	395,031	373,602	387,469	386,697[r]	390,559	383,961	392,082
7 Banks' custodial liabilities[5]	299,753	296,317	345,915	322,247	329,371	330,747	338,887	336,509	350,245	345,915
8 U.S. Treasury bills and certificates[6]	176,739	162,857	197,101	182,204	188,621	187,318	193,070	189,285	201,890	197,101
9 Other negotiable and readily transferable instruments[7]	36,289	42,532	52,247	45,112	44,514	45,175	47,279	47,905	50,220	52,247
10 Other	86,725	90,928	96,567	94,931	96,236	98,254	98,538	99,319	98,135	96,567
11 Nonmonetary international and regional organizations[8]	10,936	8,606	9,461	9,966[r]	12,185[r]	10,289[r]	13,011[r]	10,202	9,561	9,461
12 Banks' own liabilities	5,639	8,176	8,769	9,162[r]	11,114[r]	8,985[r]	12,120[r]	8,374	8,106	8,769
13 Demand deposits	15	29	21	114	43	40	24[r]	77	33	21
14 Time deposits[2]	2,780	3,298	4,311	4,579[r]	5,057[r]	4,642[r]	4,315	3,901	3,576	4,311
15 Other[3]	2,844	4,849	4,437	4,469[r]	6,014[r]	4,303[r]	7,781[r]	4,396	4,497	4,437
16 Banks' custodial liabilities[5]	5,297	430	692	804	1,071	1,304	891	1,828	1,455	692
17 U.S. Treasury bills and certificates[6]	4,275	281	350	312	551	826	354	1,342	962	350
18 Other negotiable and readily transferable instruments[7]	1,022	149	341	492	520	478	537	486	493	341
19 Other	0	0	1	0	0	0	0	0	0	1
20 Official institutions[9]	220,821	212,601	274,177	246,090	253,455	262,307	273,144	265,857	280,598	274,177
21 Banks' own liabilities	64,144	59,580	81,706	73,119	75,437	83,392	85,998	83,588	85,277	81,706
22 Demand deposits	1,600	1,564	2,101	1,398	1,429	1,547	1,362	1,646	1,690	2,101
23 Time deposits[2]	21,653	23,511	30,101	27,253	29,411	31,600	32,048	30,385	30,353	30,101
24 Other[3]	40,891	34,505	49,504	44,468	44,597	50,245	52,588	51,557	53,234	49,504
25 Banks' custodial liabilities[5]	156,677	153,021	192,471	172,971	178,018	178,915	187,146	182,269	195,321	192,471
26 U.S. Treasury bills and certificates[6]	151,100	139,570	168,534	154,517	159,654	157,516	163,093	157,987	171,366	168,534
27 Other negotiable and readily transferable instruments[7]	5,482	13,245	23,593	18,325	18,159	20,735	23,777	24,028	23,600	23,593
28 Other	95	206	344	129	205	664	276	254	355	344
29 Banks[10]	592,171	681,301	687,649	685,827[r]	665,993	684,269	670,524[r]	699,341	687,649	687,649
30 Banks' own liabilities	478,755	566,411	564,309	566,356[r]	545,391	562,829	547,916[r]	575,910	562,349	564,309
31 Unaffiliated foreign banks	160,482	170,853	172,227	171,325[r]	171,789	175,360	161,219	185,351	178,388	172,227
32 Demand deposits	9,718	10,633	11,740	10,554	12,121	10,061	11,817	11,339	11,232	11,740
33 Time deposits[2]	105,262	111,171	104,423	111,435	104,477	108,855	98,861	114,650	105,675	104,423
34 Other[3]	45,502	49,049	56,064	49,336[r]	55,191	56,444	50,541	59,362	61,481	56,064
35 Own foreign offices[4]	318,273	395,558	392,082	395,031	373,602	387,469	386,697[r]	390,559	383,961	392,082
36 Banks' custodial liabilities[5]	113,416	114,890	123,340	119,471	120,602	121,440	122,608	123,431	125,300	123,340
37 U.S. Treasury bills and certificates[6]	10,712	11,240	15,634	15,021	15,535	15,489	16,170	16,429	16,687	15,634
38 Other negotiable and readily transferable instruments[7]	17,020	14,505	13,035	11,188	10,583	10,142	9,690	9,754	13,070	13,035
39 Other	85,684	89,145	94,671	93,262	94,484	95,809	96,748	97,248	95,543	94,671
40 Other foreigners	102,744	115,964[r]	121,983	116,188[r]	128,755[r]	119,534[r]	117,320[r]	123,723	127,253	121,983
41 Banks' own liabilities	78,381	87,988[r]	92,571	87,187[r]	99,075[r]	90,446[r]	89,078[r]	94,742	99,084	92,571
42 Demand deposits	10,236	11,160[r]	10,491	10,186[r]	10,511[r]	10,131[r]	10,500[r]	10,097	10,159	10,491
43 Time deposits[2]	45,411	48,532[r]	53,845	51,970[r]	52,848[r]	52,002[r]	52,929[r]	53,596	54,225	53,845
44 Other[3]	22,734	28,296	28,235	25,031[r]	35,716[r]	28,313[r]	25,649[r]	31,049	34,700	28,235
45 Banks' custodial liabilities[5]	24,363	27,976	29,412	29,001	29,680	29,088	28,242	28,981	28,169	29,412
46 U.S. Treasury bills and certificates[6]	10,652	11,766	12,583	12,354	12,881	13,487	13,453	13,527	12,875	12,583
47 Other negotiable and readily transferable instruments[7]	12,765	14,633	15,278	15,107	15,252	13,820	13,275	13,637	13,057	15,278
48 Other	946	1,577	1,551	1,540	1,547	1,781	1,514	1,817	2,237	1,551
MEMO										
49 Negotiable time certificates of deposit in custody for foreigners	17,567	17,895	9,098	12,157	10,179	10,409	9,938	10,290	10,064	9,098

1. Reporting banks include all types of depository institutions as well as some brokers and dealers. Excludes bonds and notes of maturities longer than one year.
2. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
3. Includes borrowing under repurchase agreements.
4. For U.S. banks, includes amounts owed to own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts owed to the head office or parent foreign bank, and to foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.
5. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks for foreign customers.
6. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
7. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
8. Principally the International Bank for Reconstruction and Development, the Inter-American Development Bank, and the Asian Development Bank. Excludes "holdings of dollars" of the International Monetary Fund.
9. Foreign central banks, foreign central governments, and the Bank for International Settlements.
10. Excludes central banks, which are included in "Official institutions."

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]—Continued

Item	1993	1994	1995	1995 June	July	Aug.	Sept.	Oct.r	Nov.	Dec.p
AREA										
50 **Total, all foreigners**	**926,672**	**1,018,472r**	**1,093,270**	**1,058,071r**	**1,060,388r**	**1,076,399r**	**1,073,999r**	**1,099,123**	**1,105,061**	**1,093,270**
51 **Foreign countries**	**915,736**	**1,009,866r**	**1,083,809**	**1,048,105r**	**1,048,203r**	**1,066,110r**	**1,060,988r**	**1,088,921**	**1,095,500**	**1,083,809**
52 Europe	377,911	393,141	364,276	374,851r	377,662r	376,545r	362,080r	377,102	384,238	364,276
53 Austria	1,917	3,653	3,726	3,855	3,923	3,869	5,221	4,887	4,755	3,726
54 Belgium and Luxembourg	28,670	21,978	24,626	21,079	24,803r	24,598r	24,039r	25,192	28,357	24,626
55 Denmark	4,517	2,784	2,921	2,432	2,131	2,468	2,476	3,177	3,418	2,921
56 Finland	1,872	1,436	2,829	1,455	2,390	2,270	1,972	2,419	2,315	2,829
57 France	40,316	45,217	39,194	45,038r	42,880r	43,314r	38,112r	43,128	40,410	39,194
58 Germany	26,685	27,191	24,062	34,345	33,794r	31,257r	31,390	26,362	26,798	24,062
59 Greece	1,519	1,393	2,011	2,365	2,311	2,398	2,119	2,033	2,265	2,011
60 Italy	11,759	10,885	10,670	10,373	10,223r	10,823r	8,947r	10,251	10,759	10,670
61 Netherlands	16,096	16,033	15,211	11,449	11,743	10,685	13,107	15,609	15,541	15,211
62 Norway	2,966	2,338	1,394	1,305	1,119	2,087	1,011	1,048	1,287	1,394
63 Portugal	3,366	2,846	2,755	2,675	3,165	2,933	3,033	2,902	2,718	2,755
64 Russia	2,511	2,714	7,949	7,177	6,313	7,265	6,367	7,338	8,979	7,949
65 Spain	20,496	14,675	10,011	10,558	9,127r	10,000r	10,100	13,467	10,809	10,011
66 Sweden	2,738	3,094	3,245	3,471	2,209r	2,896r	3,167r	2,035	3,720	3,245
67 Switzerland	41,560	41,956	43,604	47,285r	42,192	41,644	41,406	42,588	41,178	43,604
68 Turkey	3,227	3,341	4,124	3,255	2,973	3,523	3,936	4,067	4,010	4,124
69 United Kingdom	133,993	163,793	139,419	141,165r	151,341	150,781	141,577	147,448	148,384	139,419
70 Yugoslavia[11]	372	245	177	220	214	146	215	210	171	177
71 Other Europe and other former U.S.S.R.[12]	33,331	27,769	26,348	25,349	24,811	23,588	23,885	22,941	28,364	26,348
72 Canada	20,235	24,727	26,139	29,458	28,898	28,296	28,872	35,358	27,730	26,139
73 Latin America and Caribbean	362,238	423,797	438,213	444,989	436,258	447,523	434,352r	439,956	436,613	438,213
74 Argentina	14,477	17,203	12,236	10,873	12,404	11,539	11,180	11,539	13,034	12,236
75 Bahamas	73,820	104,002r	94,622	97,402r	88,731r	96,017r	92,850r	96,287	87,719	94,622
76 Bermuda	8,117	8,445r	4,897	7,074r	7,092r	6,794r	5,996r	6,589	6,561	4,897
77 Brazil	5,301	9,145	23,764	18,250	21,232	26,743	27,592r	27,366	27,364	23,764
78 British West Indies	193,699	229,525	236,853	252,401	245,065	244,291	234,629	236,039	240,339	236,853
79 Chile	3,183	3,126	3,421	3,320	2,677	2,890	2,698	2,574	2,696	3,421
80 Colombia	3,171	4,615	3,658	3,276	3,432	3,349	3,257	3,399	3,443	3,658
81 Cuba	33	13	8	5	5	3	4	13	8	8
82 Ecuador	880	875	1,315	1,179	1,118	1,160	1,130	1,311	1,307	1,315
83 Guatemala	1,207	1,121	1,271	1,129	1,100	1,122	1,197	1,068	1,210	1,271
84 Jamaica	410	529	477	449	426	444	484	430	447	477
85 Mexico	28,019	12,250	24,580	19,201	21,006	22,120	22,069	20,924	21,010	24,580
86 Netherlands Antilles	4,686	5,217	4,682	4,628	6,068	4,778	5,016	5,349	5,644	4,682
87 Panama	3,582	4,551	4,260	4,314	4,641	4,998	4,682r	4,561	4,287	4,260
88 Peru	929	900	973	997	944	1,028	909	897	916	973
89 Uruguay	1,611	1,597	1,828	2,031	1,953	1,937	1,839	1,856	1,912	1,828
90 Venezuela	12,786	13,983	11,781	11,248	11,482	11,195	11,971	12,642	11,624	11,781
91 Other	6,327	6,700	7,587	7,212	6,882	7,115	6,849	7,112	7,092	7,587
92 Asia	144,527	155,642r	240,750	188,352r	192,264r	199,624r	223,057r	222,979	232,273	240,750
China										
93 People's Republic of China	4,011	10,066	33,774	10,579	11,908	13,208	22,273	22,364	29,898	33,774
94 Republic of China (Taiwan)	10,627	9,844	11,706	9,751	9,165	9,838	10,253	10,729	11,365	11,706
95 Hong Kong	17,132	17,102	20,319	23,040	25,134	24,152	21,852	21,879	20,273	20,319
96 India	1,114	2,338	3,373	2,106	2,271	2,745	2,914	3,010	3,272	3,373
97 Indonesia	1,986	1,587	2,708	2,119	1,966	2,175	2,366	2,174	2,485	2,708
98 Israel	4,435	5,157	4,071	4,573	4,599	4,723	4,209r	3,812	4,085	4,071
99 Japan	61,466	64,284r	109,192	83,370r	85,833r	89,117r	104,315r	104,566	105,546	109,192
100 Korea (South)	4,913	5,124	5,743	4,989r	5,068r	4,883r	5,460r	5,367	5,593	5,743
101 Philippines	2,035	2,714	3,090	2,539	2,653	2,793	2,786	2,844	2,889	3,090
102 Thailand	6,137	6,466	12,253	11,502	11,244	11,177	11,803	10,458	12,144	12,253
103 Middle Eastern oil-exporting countries[13]	15,822	15,489	15,582	16,851	16,474	15,779	16,895r	17,350	16,277	15,582
104 Other	14,849	15,471	18,939	16,933r	15,949	19,034	17,931	18,426	18,446	18,939
105 Africa	6,633	6,523	7,641	6,784	6,966	6,989	7,033	7,211	7,793	7,641
106 Egypt	2,208	1,879	2,136	2,144	1,840	1,924	2,127	1,948	1,907	2,136
107 Morocco	99	97	104	90	94	87	79	66	60	104
108 South Africa	451	433	739	596	1,002	746	467	934	1,206	739
109 Zaire	12	9	10	18	13	15	9	4	9	10
110 Oil-exporting countries[14]	1,303	1,343	1,797	1,418	1,364	1,667	1,792	1,544	1,826	1,797
111 Other	2,560	2,762	2,855	2,518	2,653	2,550	2,559	2,715	2,785	2,855
112 Other	4,192	6,036	6,790	3,671	6,155	7,133	5,594	6,315	6,853	6,790
113 Australia	3,308	5,142	5,648	2,944	5,473	5,459	4,777	5,007	5,758	5,648
114 Other	884	894	1,142	727	682	1,674	817	1,308	1,095	1,142
115 Nonmonetary international and regional organizations	10,936	8,606	9,461	9,966r	12,185r	10,289r	13,011r	10,202	9,561	9,461
116 International[15]	6,851	7,537	7,812	8,314r	10,496r	8,273r	11,279r	8,366	8,237	7,812
117 Latin American regional[16]	3,218	613	893	804	834	1,010	876	552	371	893
118 Other regional[17]	867	456	756	848	855	1,006	856	1,284	953	756

11. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.
12. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.
13. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
14. Comprises Algeria, Gabon, Libya, and Nigeria.
15. Principally the International Bank for Reconstruction and Development. Excludes "holdings of dollars" of the International Monetary Fund.
16. Principally the Inter-American Development Bank.
17. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Area or country	1993	1994	1995	1995 June	July	Aug.[r]	Sept.[r]	Oct.[r]	Nov.	Dec.[p]
1 **Total, all foreigners**	**488,384[r]**	**486,263[r]**	**525,963**	**521,761[r]**	**508,977[r]**	**521,107**	**515,042**	**522,609**	**533,806**	**525,963**
2 **Foreign countries**	**485,979[r]**	**481,672[r]**	**524,097**	**519,128[r]**	**507,660[r]**	**519,690**	**512,215**	**520,951**	**532,385**	**524,097**
3 Europe	123,784[r]	125,807[r]	130,424	129,976[r]	127,027[r]	127,681	116,578	131,504	131,643	130,424
4 Austria	412	692	565	581	616	685	670	880	639	565
5 Belgium and Luxembourg	6,532	6,738	7,557	5,149	8,073[r]	8,257	7,056	7,103	10,691	7,557
6 Denmark	382	1,030	404	599	443	428	410	634	602	404
7 Finland	594	691	1,055	394	967	1,001	1,221	1,916	1,097	1,055
8 France	11,822	12,768	14,742	15,363	15,443[r]	15,200	13,956	14,807	15,259	14,742
9 Germany	7,724	7,608	8,812	8,862	7,149[r]	8,731	8,691	8,081	8,431	8,812
10 Greece	691	604	441	442	445	386	385	404	378	441
11 Italy	8,834	6,043	5,364	6,736	6,070[r]	5,757	5,921	5,651	5,390	5,364
12 Netherlands	3,063	2,957	5,048	4,356	4,478	4,354	4,696	4,471	4,907	5,048
13 Norway	396	504	665	1,019	1,206	1,047	1,392	1,456	1,375	665
14 Portugal	834	938	897	1,208	987	916	986	1,036	862	897
15 Russia	2,310	949	660	508	495	506	421	696	949	660
16 Spain	3,717	3,530	2,169	3,566	3,640[r]	3,494	3,520	3,162	3,191	2,169
17 Sweden	4,254	4,098	2,057	2,940	3,580[r]	2,840	2,700	2,642	2,362	2,057
18 Switzerland	6,605	7,493	7,087	10,291	7,540	7,362	7,207	6,320	5,910	7,087
19 Turkey	1,301	874	785	713	725	768	802	830	926	785
20 United Kingdom	62,056[r]	66,858[r]	67,661	65,949[r]	63,871[r]	64,607	54,522	69,016	66,912	67,661
21 Yugoslavia[2]	473	265	147	229	230	230	234	233	237	147
22 Other Europe and other former U.S.S.R.[3]	1,784	1,167	4,308	1,071	1,069	1,112	1,788	2,166	1,525	4,308
23 Canada	18,620[r]	18,298[r]	16,017	19,750[r]	18,903[r]	17,306	18,623	17,834	17,014	16,017
24 Latin America and Caribbean	225,079[r]	224,060[r]	257,243	244,315[r]	238,847[r]	250,189	250,335	251,306	266,631	257,243
25 Argentina	4,474	5,845	6,440	6,598	6,242	6,151	6,114	6,003	6,090	6,440
26 Bahamas	63,353[r]	66,775[r]	59,236	63,931[r]	59,906[r]	61,224	62,888	55,788	60,030	59,236
27 Bermuda	8,901	8,481	5,818	8,549	6,373	8,944	6,295	5,537	8,096	5,818
28 Brazil	11,848	9,582	13,297	11,525	12,511	12,962	13,022	13,334	12,978	13,297
29 British West Indies	99,319[r]	95,766[r]	123,797	114,258[r]	114,504[r]	117,892	120,013	123,682	129,500	123,797
30 Chile	3,643	3,819	5,036	4,341	4,264	4,663	4,388	4,660	4,775	5,036
31 Colombia	3,181	4,004	4,544	4,033	4,183	4,270	4,358	4,593	4,516	4,544
32 Cuba	0	0	0	0	0	0	0	0	0	0
33 Ecuador	681	681	811	768	768	725	805	846	847	811
34 Guatemala	288	366	447	344	340	350	361	385	424	447
35 Jamaica	195	258	323	264	277	290	287	289	285	323
36 Mexico	15,720	17,728	17,985	17,285	17,152	16,832	16,486	16,656	16,804	17,985
37 Netherlands Antilles	2,683	1,580	9,228	2,881	2,730	6,313	5,602	9,233	12,048	9,228
38 Panama	2,894	2,184	3,021	2,514	2,520	2,503	2,594	2,846	3,044	3,021
39 Peru	657	997	1,818	1,360	1,333	1,368	1,464	1,501	1,577	1,818
40 Uruguay	969	503	472	377	424	424	386	441	451	472
41 Venezuela	2,910	1,831	1,656	1,611	1,650	1,596	1,480	1,826	1,678	1,656
42 Other	3,363	3,660	3,314	3,676	3,670	3,682	3,792	3,686	3,488	3,314
43 Asia	111,775	107,350	115,273	118,807[r]	117,212[r]	118,234	120,194	114,558	111,360	115,273
China										
44 People's Republic of China	2,271	836	1,023	1,143	1,206	1,163	1,316	1,241	1,069	1,023
45 Republic of China (Taiwan)	2,625	1,447	1,713	1,796	1,915	1,600	1,584	1,595	1,484	1,713
46 Hong Kong	10,828	9,162	12,890	14,934	14,756	14,520	15,677	12,539	10,710	12,890
47 India	589	994	1,846	1,210	1,732	1,905	1,944	1,924	1,823	1,846
48 Indonesia	1,527	1,470	1,675	1,443	1,516	1,620	1,596	1,623	1,580	1,675
49 Israel	826	688	736	950	749	700	712	886	728	736
50 Japan	60,032	59,428	61,303	61,050[r]	61,280[r]	63,301	63,075	61,878	60,522	61,303
51 Korea (South)	7,539	10,286	14,062	12,669	13,134	12,836	12,975	13,340	14,038	14,062
52 Philippines	1,410	662	1,350	918	598	623	725	673	789	1,350
53 Thailand	2,170	2,902	2,581	2,688	2,670	2,594	2,594	2,568	2,538	2,581
54 Middle Eastern oil-exporting countries[4]	15,115	13,743	9,629	12,571	11,948	11,403	11,723	9,963	9,604	9,629
55 Other	6,843	5,732	6,465	7,435	5,708	5,969	6,273	6,328	6,475	6,465
56 Africa	3,861	3,028	2,724	2,919	2,907	2,826	2,705	2,783	2,732	2,724
57 Egypt	196	225	209	204	193	194	202	224	268	209
58 Morocco	481	429	514	686	645	653	647	457	433	514
59 South Africa	633	671	459	563	531	544	454	604	462	459
60 Zaire	4	2	1	2	7	2	2	1	1	1
61 Oil-exporting countries[5]	1,129	842	552	657	659	614	615	586	578	552
62 Other	1,418	859	989	807	872	819	785	911	990	989
63 Other	2,860	3,129[r]	2,416	3,361	2,764	3,454	3,780	2,966	3,005	2,416
64 Australia	2,037	2,186	1,571	1,999	2,072	2,072	2,639	2,095	1,969	1,571
65 Other	823	943[r]	845	1,362	692	1,382	1,141	871	1,036	845
66 Nonmonetary international and regional organizations[6]	2,405	4,591	1,866	2,633	1,317	1,417	2,827	1,658	1,421	1,866

1. Reporting banks include all types of depository institutions as well as some brokers and dealers.
2. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.
3. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. Comprises Algeria, Gabon, Libya, and Nigeria.
6. Excludes the Bank for International Settlements, which is included in "Other Europe."

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1993[r]	1994[r]	1995	1995 June[r]	July[r]	Aug.[r]	Sept.[r]	Oct.[r]	Nov.	Dec.[p]
1 **Total**	**575,500**	**601,615**	...	**649,455**	...	...	**641,020**	...	...	...
2 Banks' claims	488,384	486,263	525,963	521,761	508,977	521,107	515,042	522,609	533,806	525,963
3 Foreign public borrowers	29,069	23,410	21,681	23,790	19,734	21,449	22,292	20,888	19,359	21,681
4 Own foreign offices[2]	285,510	283,548	303,944	301,847	293,151	297,045	298,238	303,977	308,931	303,944
5 Unaffiliated foreign banks	100,865	111,682	97,725	112,479	113,753	112,029	107,294	103,904	99,483	97,725
6 Deposits	49,892	59,230	37,344	58,793	59,798	57,718	50,764	47,106	42,904	37,344
7 Other	50,973	52,452	60,381	53,686	53,955	54,311	56,530	56,798	56,579	60,381
8 All other foreigners	72,940	67,623	102,613	83,645	82,339	90,584	87,218	93,840	106,033	102,613
9 Claims of banks' domestic customers[3]	87,116	115,352	...	127,694	...	...	125,978	...	...	...
10 Deposits	41,734	64,829	...	69,362	...	...	59,417	...	...	...
11 Negotiable and readily transferable instruments[4]	31,186	36,008	...	39,237	...	...	45,217	...	...	...
12 Outstanding collections and other claims	14,196	14,515	...	19,095	...	...	21,344	...	...	...
MEMO										
13 Customer liability on acceptances	7,850	8,377	...	8,739	...	...	8,751	...	...	...
14 Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	29,150	32,565	n.a.	35,599	34,221	35,452	34,274	32,821	30,197	n.a.

1. For banks' claims, data are monthly; for claims of banks' domestic customers, data are for quarter ending with month indicated.
Reporting banks include all types of depository institution as well as some brokers and dealers.
2. For U.S. banks, includes amounts due from own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts due from the head office or parent foreign bank, and from foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.
3. Assets held by reporting banks in the accounts of their domestic customers.
4. Principally negotiable time certificates of deposit, bankers acceptances, and commercial paper.
5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Maturity, by borrower and area[2]	1991	1992	1993[r]	1994 Dec.	1995 Mar.	1995 June	1995 Sept.[r]
1 **Total**	**195,302**	**195,119**	**202,576**	**202,705[r]**	**199,836[r]**	**219,480[r]**	**216,480**
By borrower							
2 Maturity of one year or less	162,573	163,325	172,662	176,870[r]	171,297[r]	191,090[r]	184,419
3 Foreign public borrowers	21,050	17,813	17,772	15,575	15,758	15,954	14,745
4 All other foreigners	141,523	145,512	154,890	161,295[r]	155,539[r]	175,136[r]	169,674
5 Maturity of more than one year	32,729	31,794	29,914	25,835	28,539	28,390	32,061
6 Foreign public borrowers	15,859	13,266	10,881	7,670	7,689	7,726	7,721
7 All other foreigners	16,870	18,528	19,033	18,165	20,850	20,664	24,340
By area							
Maturity of one year or less							
8 Europe	51,835	53,300	57,413	58,473[r]	54,763[r]	60,749[r]	52,374
9 Canada	6,444	6,091	7,727	7,482[r]	7,472[r]	8,219[r]	7,721
10 Latin America and Caribbean	43,597	50,376	60,490	62,477[r]	64,073[r]	71,678[r]	73,923
11 Asia	51,059	45,709	41,418	40,696	38,227	44,365	44,210
12 Africa	2,549	1,784	1,820	1,376	1,227	1,447	1,261
13 All other[3]	7,089	6,065	3,794	6,366	5,535	4,632	4,930
Maturity of more than one year							
14 Europe	3,878	5,367	5,310	3,901	4,533	3,704	4,170
15 Canada	3,595	3,287	2,581	2,521	3,622	3,110	2,815
16 Latin America and Caribbean	18,277	15,312	14,028	12,293	13,074	14,149	17,397
17 Asia	4,459	5,038	5,611	4,744	5,228	5,493	5,698
18 Africa	2,335	2,380	1,936	1,561	1,605	1,389	1,389
19 All other[3]	185	410	448	815	477	545	592

1. Reporting banks include all types of depository institutions as well as some brokers and dealers.
2. Maturity is time remaining until maturity.
3. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. and Foreign Offices of U.S. Banks[1]

Billions of dollars, end of period

Area or country	1991	1992	1993 Sept.	1993 Dec.	1994 Mar.	1994 June	1994 Sept.	1994 Dec.	1995 Mar.	1995 June	1995 Sept.
1 **Total**	**343.5**	**344.7**	**387.4**	**407.6[r]**	**478.7[r]**	**487.7[r]**	**487.2[r]**	**499.6[r]**	**539.9[r]**	**523.9[r]**	**524.5[r]**
2 G-10 countries and Switzerland	137.5	131.3	152.0	161.9[r]	180.8	175.4[r]	183.8	193.0	208.3	200.3[r]	195.3[r]
3 Belgium and Luxembourg	.0	5.6	7.1	7.4	8.0	8.6	9.6	7.0	8.3	7.3	8.5
4 France	11.3	15.3	12.3	12.0	16.6	19.1	21.2	19.7	20.1	19.3	17.5[r]
5 Germany	8.3	9.1	12.2	12.6	29.9	25.0	24.2	24.7	31.3	29.9	28.6
6 Italy	5.6	6.5	8.7	7.7	15.6	14.0	11.6	11.8	10.6	10.7	12.6
7 Netherlands	.0	2.8	3.7	4.7	4.1	3.6	3.5	3.6	3.6	4.3	3.9
8 Sweden	1.9	2.3	2.5	2.7	2.9	3.0	2.6	2.7	3.1	3.0	2.7
9 Switzerland	3.4	4.8	5.6	5.9	6.3	6.5	6.2	6.9	6.2	6.1	6.0
10 United Kingdom	68.4	59.7	73.9	84.4	70.0	65.1[r]	78.4	85.8[r]	89.9	86.7[r]	79.8[r]
11 Canada	5.8	6.3	9.7	6.9[r]	7.8	9.7	10.0	9.8	10.7	10.8	11.7
12 Japan	22.2	18.8	16.4	17.6	19.6	20.7	16.5	21.0	24.5	22.1	24.0
13 Other industrialized countries	22.8	24.0	26.0	25.6	42.2	42.6	42.5	45.3	43.9	43.2	49.7[r]
14 Austria	.6	1.2	.6	.4	1.0	1.0	1.0	1.1	.9	.7	1.2
15 Denmark	.9	.9	1.1	1.0	1.1	1.1	.9	1.2	1.6	1.1	1.6
16 Finland	.7	.7	.6	.4	1.0	.8	.8	1.0	1.1	.5	.7
17 Greece	2.6	3.0	3.2	3.2	3.8	4.6	4.3	4.5	4.9	5.0	5.1
18 Norway	1.4	1.2	2.1	1.7	1.6	1.6	1.6	2.0	2.4	1.8	2.3
19 Portugal	.6	.4	1.0	.8	1.2	1.1	1.0	1.2	1.0	1.2	1.7
20 Spain	8.3	8.9	9.3	9.9	13.2	12.6	14.0	13.6	14.1	13.3	13.3
21 Turkey	1.4	1.3	2.1	2.1	2.4	2.1	1.8	1.6	1.4	1.4	2.0
22 Other Western Europe	1.8	1.7	2.2	2.6	3.1[r]	2.8	1.0	2.7	2.5	2.6	3.0
23 South Africa	1.9	1.7	1.2	1.1	1.2	1.2	1.2	1.0	1.4	1.4	1.3
24 Australia	2.7	2.9	2.8	2.3	12.7	13.7	15.0	15.4	12.6	14.3	17.4
25 OPEC[2]	14.5	15.8	14.8	17.4	22.9	21.6	21.6	23.9	19.5	20.3	22.3
26 Ecuador	.7	.6	.5	.5	.5	.5	.4	.5	.5	.7	.7
27 Venezuela	5.4	5.2	5.4	5.1	4.7	4.5	3.9	3.7	3.5	3.5	3.0
28 Indonesia	2.7	2.7	2.8	3.3	3.4	3.2	3.3	3.8	4.0	4.1	4.4
29 Middle East countries	4.2	6.2	4.9	7.4	13.2	12.4	13.0	15.0	10.7	11.4	13.5
30 African countries	1.5	1.1	1.1	1.2	1.1	1.1	1.0	.9	.7	.6	.6
31 Non-OPEC developing countries	64.3	72.6	77.4	83.0	94.2	94.5	93.0	95.9	98.4	103.6	103.5
Latin America											
32 Argentina	4.8	6.6	7.2	7.7	8.7	9.9	10.5	11.2	11.4	12.3	10.9
33 Brazil	9.6	10.8	11.7	12.0	12.7	12.0	9.3	8.4	9.2	10.0	13.1
34 Chile	3.6	4.4	4.7	4.7	5.1	5.1	5.5	6.1	6.4	7.1	6.4
35 Colombia	1.7	1.8	2.0	2.1	2.2	2.4	2.4	2.6	2.6	2.6	2.9
36 Mexico	15.5	16.0	17.5	17.6	18.8	18.4	19.6	18.4	17.8	17.6	16.3
37 Peru	.4	.5	.3	.4	.6	.6	.6	.5	.6	.8	.7
38 Other	2.1	2.6	2.7	3.1	2.8	2.7	2.8	2.7	2.4	2.6	2.6
Asia											
China											
39 People's Republic of China	.3	.7	.5	2.0	.8	.8	1.0	1.1	1.1	1.4	1.7
40 Republic of China (Taiwan)	4.1	5.2	6.4	7.3	7.6	7.1	6.9	9.2	8.5	9.0	9.0
41 India	3.0	3.2	2.9	3.2	3.4	3.7	3.9	4.2	3.8	4.0	4.4
42 Israel	.5	.4	.4	.5	.4	.4	.4	.4	.6	.6	.5
43 Korea (South)	6.8	6.6	6.5	6.7	14.1	14.3	14.4	16.2	16.9	18.7	18.0
44 Malaysia	2.3	3.1	4.1	4.4	5.2	5.2	3.9	3.1	3.9	4.1	4.3
45 Philippines	3.7	3.6	2.6	3.1	3.4	3.2	2.9	3.3	3.0	3.6	3.3
46 Thailand	1.7	2.2	2.8	3.1	3.0	3.3	3.5	2.1	3.3	3.8	3.9
47 Other Asia	2.4	3.1	3.4	3.1	3.1	3.2	3.4	4.7	4.9	3.5	3.6
Africa											
48 Egypt	.4	.2	.2	.4	.4	.5	.3	.3	.4	.4	.4
49 Morocco	.7	.6	.6	.7	.7	.7	.7	.6	.6	.9	.9
50 Zaire	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
51 Other Africa[3]	.7	1.0	.8	.8	1.0	.9	.9	.8	.7	.6	.7
52 Eastern Europe	2.4	3.1	3.0	3.2	3.4	3.0	3.0	2.7	2.3	1.8	3.4
53 Russia[4]	.9	1.9	1.7	1.6	1.5	1.2	1.1	.8	.6	.4	.6
54 Yugoslavia[5]	.9	.6	.6	.6	.5	.5	.5	.5	.4	.3	.4
55 Other	.7	.6	.7	.9	1.4	1.4	1.5	1.4	1.2	1.0	2.3
56 Offshore banking centers	53.8	58.1	67.9	73.0[r]	78.9[r]	80.6[r]	77.2[r]	72.0[r]	85.3[r]	82.4[r]	86.4[r]
57 Bahamas	11.9	6.9	12.7	10.9[r]	13.7	13.3	13.8	10.7[r]	13.3[r]	8.4[r]	12.6[r]
58 Bermuda	2.3	6.2	5.5	8.9	8.9	6.5	6.0	8.4	8.7	8.5	6.3
59 Cayman Islands and other British West Indies	15.5	21.5	15.1	18.0[r]	17.9[r]	23.8[r]	21.5[r]	19.9	19.4	23.7[r]	23.4[r]
60 Netherlands Antilles	1.2	1.1	2.8	2.6	3.5	2.5	1.7	1.5	.9	2.5	5.5
61 Panama[6]	1.4	1.9	2.1	2.4	2.0	1.9	1.9	1.3	1.1	1.3	1.3
62 Lebanon	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
63 Hong Kong	14.3	13.9	19.1	18.7	19.7	21.8	20.3	19.9	22.4	23.1	23.7
64 Singapore	7.1	6.5	10.4	11.2	13.0	10.6	11.8	10.1	19.2	14.8[r]	13.3
65 Other[7]	.0	.0	.0	.1	.0	.0	.0	.1	.0	.0	.1
66 Miscellaneous and unallocated[8]	47.9	39.7	46.2	43.4	55.9	69.7	65.8	66.7	82.0	72.1	63.7[r]

1. The banking offices covered by these data include U.S. offices and foreign branches of U.S. banks, including U.S. banks that are subsidiaries of foreign banks. Offices not covered include U.S. agencies and branches of foreign banks. Beginning March 1994, the data include large foreign subsidiaries of U.S. banks. The data also include other types of U.S. depository institutions as well as some types of brokers and dealers. To eliminate duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution.

These data are on a gross claims basis and do not necessarily reflect the ultimate country risk or exposure of U.S. banks. More complete data on the country risk exposure of U.S. banks are available in the quarterly Country Exposure Lending Survey published by the Federal Financial Institutions Examination Council.

2. Organization of Petroleum Exporting Countries, shown individually; other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates); and Bahrain and Oman (not formally members of OPEC).
3. Excludes Liberia. Beginning March 1994 includes Namibia.
4. As of December 1992, excludes other republics of the former Soviet Union.
5. As of December 1992, excludes Croatia, Bosnia and Hercegovinia, and Slovenia.
6. Includes Canal Zone.
7. Foreign branch claims only.
8. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States

Millions of dollars, end of period

Type of liability, and area or country	1991	1992	1993	1994			1995		
				June	Sept.	Dec.	Mar.	June	Sept.[p]
1 **Total**	**44,708**	**45,511**	**50,597**	**57,193**	**59,163**	**55,656**	**51,530**	**51,236**	**48,912**
2 Payable in dollars	39,029	37,456	38,728	43,410	43,412	39,645	37,246	35,530	35,147
3 Payable in foreign currencies	5,679	8,055	11,869	13,783	15,751	16,011	14,284	15,706	13,765
By type									
4 Financial liabilities	22,518	23,841	29,226	35,256	37,973	34,301	31,118	30,545	27,476
5 Payable in dollars	18,104	16,960	18,545	23,461	24,091	20,165	18,047	16,277	15,111
6 Payable in foreign currencies	4,414	6,881	10,681	11,795	13,882	14,136	13,071	14,268	12,365
7 Commercial liabilities	22,190	21,670	21,371	21,937	21,190	21,355	20,412	20,691	21,436
8 Trade payables	9,252	9,566	8,802	9,911	9,550	10,005	9,844	10,527	10,061
9 Advance receipts and other liabilities	12,938	12,104	12,569	12,026	11,640	11,350	10,568	10,164	11,375
10 Payable in dollars	20,925	20,496	20,183	19,949	19,321	19,480	19,199	19,253	20,036
11 Payable in foreign currencies	1,265	1,174	1,188	1,988	1,869	1,875	1,213	1,438	1,400
By area or country									
Financial liabilities									
12 Europe	12,003	13,387	18,810	25,396	25,614	22,018	17,880	18,571	16,735
13 Belgium and Luxembourg	216	414	175	524	661	495	612	778	347
14 France	2,106	1,623	2,539	1,590	2,241	1,727	2,046	1,101	1,354
15 Germany	682	889	975	939	1,467	1,961	1,755	1,589	1,670
16 Netherlands	1,056	606	534	533	648	552	633	530	474
17 Switzerland	408	569	634	631	633	688	883	1,056	948
18 United Kingdom	6,528	8,610	13,332	19,962	18,649	15,858	11,103	12,486	10,876
19 Canada	292	544	859	698	618	629	1,817	893	797
20 Latin America and Caribbean	4,784	4,053	3,359	3,125	3,139	3,021	3,024	2,808	2,762
21 Bahamas	537	379	1,148	1,052	1,112	926	931	851	849
22 Bermuda	114	114	0	115	15	80	149	138	144
23 Brazil	6	19	18	18	7	207	58	58	111
24 British West Indies	3,524	2,850	1,533	1,297	1,344	1,160	1,231	1,118	1,018
25 Mexico	7	12	17	13	15	0	10	3	3
26 Venezuela	4	6	5	5	5	5	5	4	3
27 Asia	5,381	5,818	5,956	5,998	8,450	8,448	8,201	8,080	6,994
28 Japan	4,116	4,750	4,887	5,064	7,248	7,314	7,182	7,153	6,310
29 Middle Eastern oil-exporting countries[1]	13	19	23	24	31	35	27	25	25
30 Africa	6	6	133	9	133	135	156	151	149
31 Oil-exporting countries[2]	4	0	123	0	123	123	122	122	122
32 All other[3]	52	33	109	30	19	50	40	42	39
Commercial liabilities									
33 Europe	8,701	7,398	6,827	6,887	6,868	6,773	6,642	6,776	7,263
34 Belgium and Luxembourg	248	298	239	254	287	241	271	311	349
35 France	1,039	700	655	680	744	728	642	504	528
36 Germany	1,052	729	684	670	552	604	482	556	660
37 Netherlands	710	535	688	649	674	722	536	448	566
38 Switzerland	575	350	375	473	391	327	327	432	255
39 United Kingdom	2,297	2,505	2,039	2,309	2,350	2,444	2,848	2,902	3,351
40 Canada	1,014	1,002	879	1,070	1,068	1,037	1,235	1,146	1,219
41 Latin America and Caribbean	1,355	1,533	1,658	2,000	1,783	1,857	1,368	1,836	1,607
42 Bahamas	3	3	21	2	6	19	8	3	1
43 Bermuda	310	307	350	418	200	345	260	397	219
44 Brazil	219	209	214	215	147	161	96	107	143
45 British West Indies	107	33	27	24	33	23	29	12	5
46 Mexico	307	457	481	703	672	574	356	420	357
47 Venezuela	94	142	123	192	189	276	273	204	175
48 Asia	9,334	10,594	10,980	10,832	10,370	10,741	10,151	9,978	10,275
49 Japan	3,721	3,612	4,314	4,250	4,128	4,555	4,110	3,531	3,475
50 Middle Eastern oil-exporting countries[1]	1,498	1,889	1,534	1,835	1,663	1,576	1,787	1,790	1,647
51 Africa	715	568	453	510	468	428	463	481	589
52 Oil-exporting countries[2]	327	309	167	241	264	256	248	252	241
53 Other[3]	1,071	575	574	638	633	519	553	474	483

1. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Comprises Algeria, Gabon, Libya, and Nigeria.

3. Includes nonmonetary international and regional organizations.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States

Millions of dollars, end of period

Type of claim, and area or country	1991	1992	1993	1994			1995		
				June	Sept.	Dec.	Mar.	June	Sept.[p]
1 **Total**	**45,262**	**45,073**	**49,159**	**52,510**	**54,833**	**57,888**	**52,218**	**58,030**	**53,616**
2 Payable in dollars	42,564	42,281	45,161	48,003	50,460	53,805	48,425	54,145	49,935
3 Payable in foreign currencies	2,698	2,792	3,998	4,507	4,373	4,083	3,793	3,885	3,681
By type									
4 Financial claims	27,882	26,509	27,771	30,234	32,236	33,897	29,606	34,567	29,802
5 Deposits	20,080	17,695	15,717	17,824	19,118	18,507	17,115	22,021	17,889
6 Payable in dollars	19,080	16,872	15,182	17,203	18,502	18,026	16,458	21,349	17,345
7 Payable in foreign currencies	1,000	823	535	621	616	481	657	672	544
8 Other financial claims	7,802	8,814	12,054	12,410	13,118	15,390	12,491	12,546	11,913
9 Payable in dollars	6,910	7,890	10,862	11,057	11,903	14,306	11,275	11,388	10,690
10 Payable in foreign currencies	892	924	1,192	1,353	1,215	1,084	1,216	1,158	1,223
11 Commercial claims	17,380	18,564	21,388	22,276	22,597	23,991	22,612	23,463	23,814
12 Trade receivables	14,468	16,007	18,425	19,475	19,825	21,158	20,415	21,312	21,687
13 Advance payments and other claims	2,912	2,557	2,963	2,801	2,772	2,833	2,197	2,151	2,127
14 Payable in dollars	16,574	17,519	19,117	19,743	20,055	21,473	20,692	21,408	21,900
15 Payable in foreign currencies	806	1,045	2,271	2,533	2,542	2,518	1,920	2,055	1,914
By area or country									
Financial claims									
16 Europe	13,441	9,331	7,299	7,372	8,914	7,936	7,630	7,923	7,807
17 Belgium and Luxembourg	13	8	134	84	115	86	146	155	160
18 France	269	764	826	995	931	800	808	731	754
19 Germany	283	326	526	459	413	540	527	355	299
20 Netherlands	334	515	502	472	503	429	606	601	522
21 Switzerland	581	490	530	539	777	523	490	514	530
22 United Kingdom	11,534	6,252	3,585	3,673	5,023	4,649	4,040	4,787	4,895
23 Canada	2,642	1,833	2,032	3,470	3,812	3,581	3,848	3,705	3,525
24 Latin America and Caribbean	10,717	13,893	16,224	16,465	16,608	19,536	16,109	21,160	15,300
25 Bahamas	827	778	1,336	1,376	1,121	2,424	940	2,355	1,552
26 Bermuda	8	40	125	39	52	27	37	85	35
27 Brazil	351	686	654	466	411	520	528	502	851
28 British West Indies	9,056	11,747	12,699	13,390	13,694	15,228	13,531	17,013	11,769
29 Mexico	212	445	872	629	691	723	583	638	490
30 Venezuela	40	29	161	32	31	35	27	27	50
31 Asia	640	864	1,657	2,221	2,176	1,871	1,504	1,231	2,150
32 Japan	350	668	892	1,344	661	953	621	467	1,393
33 Middle Eastern oil-exporting countries[1]	5	3	3	1	19	141	4	3	4
34 Africa	57	83	99	185	197	373	141	138	188
35 Oil-exporting countries[2]	1	9	1	0	0	0	9	9	6
36 All other[3]	385	505	460	521	529	600	374	410	832
Commercial claims									
37 Europe	8,193	8,451	9,105	8,976	8,810	9,540	8,947	9,190	8,884
38 Belgium and Luxembourg	194	189	184	189	178	213	199	218	226
39 France	1,585	1,537	1,947	1,788	1,766	1,881	1,790	1,669	1,706
40 Germany	955	933	1,018	940	883	1,027	977	1,023	996
41 Netherlands	645	552	423	294	331	311	324	341	337
42 Switzerland	295	362	432	686	538	557	556	612	437
43 United Kingdom	2,086	2,094	2,377	2,445	2,505	2,556	2,388	2,459	2,501
44 Canada	1,121	1,286	1,781	1,875	1,906	1,988	2,010	2,003	2,001
45 Latin America and Caribbean	2,655	3,043	3,274	3,904	3,963	4,117	4,140	4,368	4,582
46 Bahamas	13	28	11	18	34	9	17	21	101
47 Bermuda	264	255	182	295	246	234	208	210	245
48 Brazil	427	357	460	500	471	612	695	777	745
49 British West Indies	41	40	71	67	49	83	55	83	175
50 Mexico	842	924	990	1,048	1,137	1,243	1,106	1,108	1,023
51 Venezuela	203	345	293	304	388	348	295	319	335
52 Asia	4,591	4,866	6,014	6,330	6,679	6,982	6,200	6,514	6,830
53 Japan	1,899	1,903	2,275	2,498	2,591	2,655	1,911	2,010	1,996
54 Middle Eastern oil-exporting countries[1]	620	693	704	642	617	708	689	707	778
55 Africa	430	554	493	480	447	454	468	478	546
56 Oil-exporting countries[2]	95	78	72	83	61	67	71	60	74
57 Other[3]	390	364	721	711	792	910	847	910	971

1. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Comprises Algeria, Gabon, Libya, and Nigeria.

3. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transaction, and area or country	1994	1995	1995 Jan.–Dec.	1995 June	July	Aug.	Sept.	Oct.	Nov.	Dec.[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	350,593	462,884	462,884	45,445	42,444	41,908	44,450	41,492	41,937	46,479
2 Foreign sales	348,716	451,709	451,709	43,218	40,009	39,366	44,218	42,860	39,071	44,372
3 Net purchases, or sales (−)	**1,877**	**11,175**	**11,175**	**2,227**	**2,435**	**2,542**	**232**	**−1,368**	**2,866**	**2,107**
4 Foreign countries	**1,867**	**11,380**	**11,380**	**2,235**	**2,443**	**2,565**	**295**	**−1,328**	**2,877**	**2,109**
5 Europe	6,714	4,847	4,847	−47	2,045	1,836	−1,319	1,647	954	1,028
6 France	−201	−1,099	−1,099	−79	261	17	−126	−54	−58	−382
7 Germany	2,110	−1,837	−1,837	−224	8	−104	−136	5	−131	−11
8 Netherlands	2,251	3,507	3,507	70	364	431	197	528	230	373
9 Switzerland	−30	−2,283	−2,283	−201	−20	−847	9	449	227	191
10 United Kingdom	840	8,001	8,001	240	1,445	2,330	−1,114	878	543	1,277
11 Canada	−1,160	−1,517	−1,517	−740	−425	−10	−197	−74	405	−175
12 Latin America and Caribbean	−2,111	5,814	5,814	1,651	881	1,811	752	−2,920	1,361	219
13 Middle East[1]	−1,142	−337	−337	−99	−24	−5	−77	−8	−63	148
14 Other Asia	−1,234	2,503	2,503	1,358	107	−961	1,048	61	342	883
15 Japan	1,162	−2,725	−2,725	−466	141	−1,076	−598	56	−406	1,231
16 Africa	29	2	2	15	−5	17	34	−17	−26	−1
17 Other countries	771	68	68	97	−136	−123	54	−17	−96	7
18 Nonmonetary international and regional organizations	**10**	**−205**	**−205**	**−8**	**−8**	**−23**	**−63**	**−40**	**−11**	**−2**
BONDS[2]										
19 Foreign purchases	289,586	291,938	291,938	27,939	23,911	24,742	27,212	26,367	31,642	21,686
20 Foreign sales	229,665	206,951	206,951	18,835	14,949	16,741	17,759	19,199	20,741	21,117
21 Net purchases, or sales (−)	**59,921**	**84,987**	**84,987**	**9,104**	**8,962**	**8,001**	**9,453**	**7,168**	**10,901**	**569**
22 Foreign countries	**59,036**	**85,441**	**85,441**	**9,111**	**9,129**	**7,982**	**9,431**	**7,236**	**10,948**	**541**
23 Europe	37,065	68,723	68,723	7,716	6,340	5,561	6,959	6,361	9,759	1,297
24 France	242	1,143	1,143	44	7	538	63	732	101	137
25 Germany	657	5,806	5,806	667	51	1,163	916	113	894	236
26 Netherlands	3,322	1,463	1,463	−59	557	45	203	204	219	101
27 Switzerland	1,055	494	494	−130	317	−99	343	148	101	−381
28 United Kingdom	31,642	56,128	56,128	7,006	5,063	3,775	4,511	4,542	6,999	913
29 Canada	2,958	2,569	2,569	159	169	415	349	139	20	181
30 Latin America and Caribbean	5,442	6,141	6,141	289	1,145	754	1,719	−61	1,426	−848
31 Middle East[1]	771	1,869	1,869	64	348	281	241	−246	188	187
32 Other Asia	12,153	5,659	5,659	785	1,189	919	139	1,126	−705	−293
33 Japan	5,486	2,250	2,250	293	1,026	1,008	−371	645	−899	−904
34 Africa	−7	234	234	47	−13	64	23	−223	240	86
35 Other countries	654	246	246	51	−49	−12	1	140	20	−69
36 Nonmonetary international and regional organizations	**885**	**−454**	**−454**	**−7**	**−167**	**19**	**22**	**−68**	**−47**	**28**
	Foreign securities									
37 Stocks, net purchases, or sales (−)	−48,071	−51,250	−51,250	−4,409	−8,188	−5,904	−7,959	−5,755[r]	−1,725	−7,360
38 Foreign purchases	386,106	345,164	345,164	29,123	28,582	30,867	28,712	29,382	30,307	32,032
39 Foreign sales	434,177	396,414	396,414	33,532	36,770	36,771	36,671	35,137[r]	32,032	39,392
40 Bonds, net purchases, or sales (−)	−9,224	−46,825	−46,825	−7,378	−4,079	−3,755	−5,206	−7,580[r]	−6,058	−4,063
41 Foreign purchases	848,368	892,578	892,578	96,268	67,187	72,277	83,396	76,889[r]	78,563	80,310
42 Foreign sales	857,592	939,403	939,403	103,646	71,266	76,032	88,602	84,469[r]	84,621	84,373
43 Net purchases, or sales (−), of stocks and bonds	**−57,295**	**−98,075**	**−98,075**	**−11,787**	**−12,267**	**−9,659**	**−13,165**	**−13,335[r]**	**−7,783**	**−11,423**
44 Foreign countries	**−57,815**	**−97,270**	**−97,270**	**−11,476**	**−12,048**	**−9,486**	**−13,220**	**−13,226[r]**	**−7,705**	**−11,482**
45 Europe	−3,516	−48,040	−48,040	−5,788	−7,955	−2,539	−2,928	−7,243[r]	−4,609	−6,226
46 Canada	−7,475	−7,805	−7,805	−1,427	−1,301	−851	−3,471	1,311	−434	−8
47 Latin America and Caribbean	−18,334	−6,938	−6,938	−513	−185	817	781	−3,883	−67	−786
48 Asia	−24,275	−34,097	−34,097	−2,942	−3,158	−7,250	−7,533	−2,503[r]	−2,001	−4,742
49 Japan	−17,427	−25,119	−25,119	−1,264	−3,586	−5,499	−5,360	−849[r]	−1,388	−4,031
50 Africa	−467	−475	−475	−67	−45	34	−117	5	19	−192
51 Other countries	−3,748	85	85	−739	596	303	48	−913[r]	−613	472
52 Nonmonetary international and regional organizations	**520**	**−805**	**−805**	**−311**	**−219**	**−173**	**55**	**−109**	**−78**	**59**

1. Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Includes state and local government securities and securities of U.S. government agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions[1]

Millions of dollars; net purchases, or sales (−) during period

Area or country	1994	1995	1995	1995						
			Jan.–Dec.	June	July	Aug.	Sept.	Oct.	Nov.	Dec.[p]
1 **Total estimated**	**78,801**	**133,987**	**133,987**	**22,631**	**31,871**	**26,082**	**−11,072**	**4,819**	**15,307**	**−9,458**
2 Foreign countries	78,637	133,552	133,552	22,432	31,382	26,442	−11,002	4,650	14,936	−9,016
3 Europe	38,542	50,004	50,004	2,702	13,336	9,170	6,377	−4,608	821	−1,116
4 Belgium and Luxembourg	1,098	591	591	−148	−53	580	143	−25	81	171
5 Germany	5,709	6,136	6,136	−1,866	1,039	2,995	2,568	2,831	52	452
6 Netherlands	1,254	1,891	1,891	1,078	883	−1,468	−1,915	160	833	381
7 Sweden	794	358	358	63	124	100	61	92	−30	−285
8 Switzerland	481	−472	−472	9	206	−515	818	174	−568	−664
9 United Kingdom	23,365	34,782	34,782	1,396	7,315	7,950	5,570	−5,965	1,309	−4,373
10 Other Europe and former U.S.S.R.	5,841	6,718	6,718	2,170	3,822	−472	−868	−1,875	−856	3,202
11 Canada	3,491	252	252	433	720	−825	−2,284	−1,864	−43	208
12 Latin America and Caribbean	−10,383	48,609	48,609	5,368	513	11,265	−5,299	17,453	13,496	3,762
13 Venezuela	−319	−2	−2	121	−114	−359	−524	−92	232	61
14 Other Latin America and Caribbean	−20,493	25,152	25,152	5,158	1,034	5,364	1,171	3,033	3,723	4,710
15 Netherlands Antilles	10,429	23,459	23,459	89	−407	6,260	−5,946	14,512	9,541	−1,009
16 Asia	47,317	32,319	32,319	12,605	16,490	7,322	−10,055	−6,879	−107	−11,843
17 Japan	29,793	16,863	16,863	5,585	6,658	5,430	−4,021	−10,115	1,316	−5,695
18 Africa	240	1,460	1,460	242	−1	−130	108	501	458	248
19 Other	−570	908	908	1,082	324	−360	151	47	311	−275
20 Nonmonetary international and regional organizations	164	435	435	199	489	−360	−70	169	371	−442
21 International	526	5	5	−409	311	−140	−196	2	368	−351
22 Latin American regional	−154	261	261	623	105	−10	−6	185	−43	−115
MEMO										
23 Foreign countries	78,637	133,552	133,552	22,432	31,382	26,442	−11,002	4,650	14,936	−9,016
24 Official institutions	41,822	39,625	39,625	10,871[r]	16,790[r]	−364	−4,525	5,705	−915[r]	2,651
25 Other foreign	36,815	93,927	93,927	11,561[r]	14,592[r]	26,806	−6,477	−1,055	15,851[r]	−11,667
Oil-exporting countries										
26 Middle East[2]	−38	3,075	3,075	815	3,582	1,890	−50	−624	−826	−1,085
27 Africa[3]	0	2	2	1	0	0	0	0	0	0

1. Official and private transactions in marketable U.S. Treasury securities having an original maturity of more than one year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

3. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS[1]

Percent per year, averages of daily figures

Country	Rate on Feb. 29, 1996		Country	Rate on Feb. 29, 1996	
	Percent	Month effective		Percent	Month effective
Austria	3.0	Dec. 1995	Germany	3.0	Dec. 1995
Belgium	3.0	Dec. 1995	Italy	9.0	June 1995
Canada	5.5	Feb. 1996	Japan	.5	Sept. 1995
Denmark	4.0	Jan. 1996	Netherlands	2.75	Dec. 1995
France[2]	3.90	Feb. 1996	Switzerland	1.5	Dec. 1995

1. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper or government securities for commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood that the central bank transacts the largest proportion of its credit operations.

2. Since February 1981, the rate has been that at which the Bank of France discounts Treasury bills for seven to ten days.

3.27 FOREIGN SHORT-TERM INTEREST RATES[1]

Percent per year, averages of daily figures

Type or country	1993	1994	1995	1995					1996	
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
1 Eurodollars	3.18	4.63	5.93	5.79	5.74	5.81	5.75	5.64	5.40	5.11
2 United Kingdom	5.88	5.45	6.63	6.74	6.71	6.69	6.61	6.42	6.31	6.13
3 Canada	5.14	5.57	7.14	6.62	6.66	6.66	6.02	5.91	5.58	5.22
4 Germany	7.17	5.25	4.43	4.35	4.09	4.00	3.91	3.82	3.51	3.26
5 Switzerland	4.79	4.03	2.94	2.79	2.67	2.15	1.98	1.94	1.65	1.61
6 Netherlands	6.73	5.09	4.30	4.02	3.85	3.88	3.73	3.58	3.20	3.06
7 France	8.30	5.72	6.43	5.81	5.86	6.73	5.74	5.47	4.56	4.29
8 Italy	10.09	8.45	10.43	10.45	10.36	10.74	10.65	10.58	10.05	9.99
9 Belgium	8.10	5.65	4.73	4.41	4.20	4.14	3.87	3.74	3.17	3.23
10 Japan	2.96	2.24	1.20	.82	.56	.51	.54	.52	.55	.61

1. Rates are for three-month interbank loans, with the following exceptions: Canada, finance company paper; Belgium, three-month Treasury bills; and Japan, CD rate.

3.28 FOREIGN EXCHANGE RATES[1]

Currency units per dollar except as noted

Country/currency unit	1993	1994	1995	1995 Sept.	1995 Oct.	1995 Nov.	1995 Dec.	1996 Jan.	1996 Feb.
1 Australia/dollar[2]	67.993	73.161	74.073	75.371	75.699	74.534	74.053	74.171	75.557
2 Austria/schilling	11.639	11.409	10.076	10.270	9.955	9.974	10.142	10.296	10.321
3 Belgium/franc	34.581	33.426	29.472	30.044	29.105	29.154	29.615	30.081	30.115
4 Canada/dollar	1.2902	1.3664	1.3725	1.3509	1.3458	1.3534	1.3693	1.3669	1.3752
5 China, P.R./yuan	5.7795	8.6404	8.3700	8.3374	8.3353	8.3334	8.3350	8.3384	8.3338
6 Denmark/krone	6.4863	6.3561	5.5999	5.6587	5.4912	5.4923	5.5791	5.6618	5.6749
7 Finland/markka	5.7251	5.2340	4.3763	4.3754	4.2781	4.2489	4.3361	4.4510	4.5532
8 France/franc	5.6669	5.5459	4.9864	5.0352	4.9374	4.8882	4.9565	5.0117	5.0440
9 Germany/deutsche mark	1.6545	1.6216	1.4321	1.4601	1.4143	1.4173	1.4406	1.4635	1.4669
10 Greece/drachma	229.64	242.50	231.68	235.65	232.65	234.16	238.06	240.91	242.21
11 Hong Kong/dollar	7.7357	7.7290	7.7357	7.[illegible]68	7.7317	7.7338	7.7345	7.7329	7.7323
12 India/rupee	31.291	31.394	32.418	33.[illegible]10	34.656	34.710	34.966	35.812	36.595
13 Ireland/pound[2]	146.47	149.69	160.35	[illegible].05	161.32	160.54	159.18	158.18	158.10
14 Italy/lira	1,573.41	1,611.49	1,629.45	1,61[illegible].41	1,605.69	1,592.67	1,593.88	1,584.87	1,570.00
15 Japan/yen	111.08	102.18	93.96	1[illegible].55	100.84	101.94	101.85	105.75	105.79
16 Malaysia/ringgit	2.5738	2.6237	2.5073	2.5124	2.5324	2.5389	2.5399	2.5563	2.5487
17 Netherlands/guilder	1.8585	1.8190	1.6044	1.6354	1.5846	1.5877	1.6127	1.6388	1.6424
18 New Zealand/dollar[2]	54.127	59.358	65.625	65.607	65.899	65.224	64.996	66.195	67.495
19 Norway/krone	7.1009	7.0553	6.3355	6.3943	6.2397	6.2536	6.3579	6.4275	6.4103
20 Portugal/escudo	161.08	165.93	149.88	152.11	148.94	148.68	151.03	151.90	152.49
21 Singapore/dollar	1.6158	1.5275	1.4171	1.4331	1.4231	1.4128	1.4148	1.4211	1.4115
22 South Africa/rand	3.2729	3.5526	3.6286	3.6616	3.6502	3.6499	3.6632	3.6413	3.7420
23 South Korea/won	805.75	806.93	772.82	772.04	767.20	769.78	771.31	787.13	780.12
24 Spain/peseta	127.48	133.88	124.64	125.41	122.51	121.81	122.53	123.38	123.65
25 Sri Lanka/rupee	48.211	49.170	51.047	52.547	52.539	53.199	53.808	53.874	53.716
26 Sweden/krona	7.7956	7.7161	7.1406	7.1227	6.8301	6.6088	6.6393	6.7405	6.8775
27 Switzerland/franc	1.4781	1.3667	1.1812	1.1868	1.1453	1.1437	1.1631	1.1818	1.1967
28 Taiwan/dollar	26.416	26.465	26.495	27.432	26.925	27.257	27.315	27.406	27.485
29 Thailand/baht	25.333	25.161	24.921	25.129	25.115	25.166	25.164	25.298	25.250
30 United Kingdom/pound[2]	150.16	153.19	157.85	155.90	157.79	156.25	154.05	152.88	153.60
MEMO									
31 United States/dollar[3]	93.18	91.32	84.25	85.69	84.10	84.14	85.07	86.23	86.41

1. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) monthly statistical release. For ordering address, see inside front cover.
2. Value in U.S. cents.
3. Index of weighted-average exchange value of U.S. dollar against the currencies of ten industrial countries. The weight for each of the ten countries is the 1972–76 average world trade of that country divided by the average world trade of all ten countries combined. Series revised as of August 1978 (see *Federal Reserve Bulletin*, vol. 64 (August 1978), p. 700).

Guide to Statistical Releases and Special Tables

STATISTICAL RELEASES—List Published Semiannually, with Latest Bulletin *Reference*

SPECIAL TABLES—Data Published Irregularly, with Latest Bulletin *Reference*

Index to Statistical Tables

References are to pages A3-A66 although the prefix "A" is omitted in this index

Federal Reserve Board of Governors and Official Staff

ALAN GREENSPAN, *Chairman Pro Tempore*

EDWARD W. KELLEY, JR.
LAWRENCE B. LINDSEY

OFFICE OF BOARD MEMBERS

JOSEPH R. COYNE, *Assistant to the Board*
DONALD J. WINN, *Assistant to the Board*
THEODORE E. ALLISON, *Assistant to the Board for Federal Reserve System Affairs*
LYNN S. FOX, *Deputy Congressional Liaison*
WINTHROP P. HAMBLEY, *Special Assistant to the Board*
BOB STAHLY MOORE, *Special Assistant to the Board*
DIANE E. WERNEKE, *Special Assistant to the Board*
PORTIA W. THOMPSON, *Equal Employment Opportunity Programs Adviser*

LEGAL DIVISION

J. VIRGIL MATTINGLY, JR., *General Counsel*
SCOTT G. ALVAREZ, *Associate General Counsel*
RICHARD M. ASHTON, *Associate General Counsel*
OLIVER IRELAND, *Associate General Counsel*
KATHLEEN M. O'DAY, *Associate General Counsel*
ROBERT DEV. FRIERSON, *Assistant General Counsel*
KATHERINE H. WHEATLEY, *Assistant General Counsel*

OFFICE OF THE SECRETARY

WILLIAM W. WILES, *Secretary*
JENNIFER J. JOHNSON, *Deputy Secretary*
BARBARA R. LOWREY, *Associate Secretary and Ombudsman*

DIVISION OF BANKING SUPERVISION AND REGULATION

RICHARD SPILLENKOTHEN, *Director*
STEPHEN C. SCHEMERING, *Deputy Director*
DON E. KLINE, *Associate Director*
WILLIAM A. RYBACK, *Associate Director*
HERBERT A. BIERN, *Deputy Associate Director*
ROGER T. COLE, *Deputy Associate Director*
JAMES I. GARNER, *Deputy Associate Director*
HOWARD A. AMER, *Assistant Director*
GERALD A. EDWARDS, JR., *Assistant Director*
STEPHEN M. HOFFMAN, JR., *Assistant Director*
LAURA M. HOMER, *Assistant Director*
JAMES V. HOUPT, *Assistant Director*
JACK P. JENNINGS, *Assistant Director*
MICHAEL G. MARTINSON, *Assistant Director*
RHOGER H PUGH, *Assistant Director*
SIDNEY M. SUSSAN, *Assistant Director*
MOLLY S. WASSOM, *Assistant Director*
WILLIAM SCHNEIDER, *Project Director, National Information Center*

DIVISION OF INTERNATIONAL FINANCE

EDWIN M. TRUMAN, *Staff Director*
LARRY J. PROMISEL, *Senior Associate Director*
CHARLES J. SIEGMAN, *Senior Associate Director*
DALE W. HENDERSON, *Associate Director*
DAVID H. HOWARD, *Senior Adviser*
DONALD B. ADAMS, *Assistant Director*
THOMAS A. CONNORS, *Assistant Director*
PETER HOOPER III, *Assistant Director*
KAREN H. JOHNSON, *Assistant Director*
CATHERINE L. MANN, *Assistant Director*
RALPH W. SMITH, JR., *Assistant Director*

DIVISION OF RESEARCH AND STATISTICS

MICHAEL J. PRELL, *Director*
EDWARD C. ETTIN, *Deputy Director*
DAVID J. STOCKTON, *Deputy Director*
MARTHA BETHEA, *Associate Director*
WILLIAM R. JONES, *Associate Director*
MYRON L. KWAST, *Associate Director*
PATRICK M. PARKINSON, *Associate Director*
THOMAS D. SIMPSON, *Associate Director*
LAWRENCE SLIFMAN, *Associate Director*
MARTHA S. SCANLON, *Deputy Associate Director*
PETER A. TINSLEY, *Deputy Associate Director*
FLINT BRAYTON, *Assistant Director*
DAVID S. JONES, *Assistant Director*
STEPHEN A. RHOADES, *Assistant Director*
CHARLES S. STRUCKMEYER, *Assistant Director*
ALICE PATRICIA WHITE, *Assistant Director*
JOYCE K. ZICKLER, *Assistant Director*
JOHN J. MINGO, *Senior Adviser*
GLENN B. CANNER, *Adviser*

DIVISION OF MONETARY AFFAIRS

DONALD L. KOHN, *Director*
DAVID E. LINDSEY, *Deputy Director*
BRIAN F. MADIGAN, *Associate Director*
RICHARD D. PORTER, *Deputy Associate Director*
VINCENT R. REINHART, *Assistant Director*
NORMAND R.V. BERNARD, *Special Assistant to the Board*

DIVISION OF CONSUMER AND COMMUNITY AFFAIRS

GRIFFITH L. GARWOOD, *Director*
GLENN E. LONEY, *Associate Director*
DOLORES S. SMITH, *Associate Director*
MAUREEN P. ENGLISH, *Assistant Director*
IRENE SHAWN MCNULTY, *Assistant Director*

SUSAN M. PHILLIPS
JANET L. YELLEN

OFFICE OF STAFF DIRECTOR FOR MANAGEMENT

S. DAVID FROST, *Staff Director*
SHEILA CLARK, *EEO Programs Director*

DIVISION OF HUMAN RESOURCES MANAGEMENT

DAVID L. SHANNON, *Director*
JOHN R. WEIS, *Associate Director*
ANTHONY V. DIGIOIA, *Assistant Director*
JOSEPH H. HAYES, JR., *Assistant Director*
FRED HOROWITZ, *Assistant Director*

OFFICE OF THE CONTROLLER

GEORGE E. LIVINGSTON, *Controller*
STEPHEN J. CLARK, *Assistant Controller (Programs and Budgets)*
DARRELL R. PAULEY, *Assistant Controller (Finance)*

DIVISION OF SUPPORT SERVICES

ROBERT E. FRAZIER, *Director*
GEORGE M. LOPEZ, *Assistant Director*
DAVID L. WILLIAMS, *Assistant Director*

DIVISION OF INFORMATION RESOURCES MANAGEMENT

STEPHEN R. MALPHRUS, *Director*
MARIANNE M. EMERSON, *Assistant Director*
PO KYUNG KIM, *Assistant Director*
RAYMOND H. MASSEY, *Assistant Director*
EDWARD T. MULRENIN, *Assistant Director*
DAY W. RADABAUGH, JR., *Assistant Director*
ELIZABETH B. RIGGS, *Assistant Director*
RICHARD C. STEVENS, *Assistant Director*

DIVISION OF RESERVE BANK OPERATIONS AND PAYMENT SYSTEMS

CLYDE H. FARNSWORTH, JR., *Director*
DAVID L. ROBINSON, *Deputy Director (Finance and Control)*
LOUISE L. ROSEMAN, *Associate Director*
CHARLES W. BENNETT, *Assistant Director*
JACK DENNIS, JR., *Assistant Director*
EARL G. HAMILTON, *Assistant Director*
JEFFREY C. MARQUARDT, *Assistant Director*
JOHN H. PARRISH, *Assistant Director*
FLORENCE M. YOUNG, *Assistant Director*

OFFICE OF THE INSPECTOR GENERAL

BRENT L. BOWEN, *Inspector General*
DONALD L. ROBINSON, *Assistant Inspector General*
BARRY R. SNYDER, *Assistant Inspector General*

Federal Open Market Committee and Advisory Councils

FEDERAL OPEN MARKET COMMITTEE

MEMBERS

ALAN GREENSPAN, *Chairman*

WILLIAM J. MCDONOUGH, *Vice Chairman*

EDWARD G. BOEHNE
JERRY L. JORDAN
EDWARD W. KELLEY, JR.
LAWRENCE B. LINDSEY
ROBERT D. MCTEER, JR.
SUSAN M. PHILLIPS
GARY H. STERN
JANET L. YELLEN

ALTERNATE MEMBERS

J. ALFRED BROADDUS, JR.
JACK GUYNN
MICHAEL H. MOSKOW
ROBERT T. PARRY
ERNEST T. PATRIKIS

STAFF

DONALD L. KOHN, *Secretary and Economist*
NORMAND R.V. BERNARD, *Deputy Secretary*
JOSEPH R. COYNE, *Assistant Secretary*
GARY P. GILLUM, *Assistant Secretary*
J. VIRGIL MATTINGLY, JR., *General Counsel*
THOMAS C. BAXTER, JR., *Deputy General Counsel*
MICHAEL J. PRELL, *Economist*
EDWIN M. TRUMAN, *Economist*
RICHARD W. LANG, *Associate Economist*
DAVID E. LINDSEY, *Associate Economist*
FREDERIC S. MISHKIN, *Associate Economist*
LARRY J. PROMISEL, *Associate Economist*
ARTHUR J. ROLNICK, *Associate Economist*
HARVEY ROSENBLUM, *Associate Economist*
CHARLES J. SIEGMAN, *Associate Economist*
THOMAS D. SIMPSON, *Associate Economist*
MARK S. SNIDERMAN, *Associate Economist*
DAVID J. STOCKTON, *Associate Economist*

PETER R. FISHER, *Manager, System Open Market Account*

FEDERAL ADVISORY COUNCIL

RICHARD G. TILGHMAN, *President*
FRANK V. CAHOUET, *Vice President*

WILLIAM M. CROZIER, JR., First District
WALTER V. SHIPLEY, Second District
WALTER E. DALLER, JR., Third District
FRANK V. CAHOUET, Fourth District
RICHARD G. TILGHMAN, Fifth District
CHARLES E. RICE, Sixth District
ROGER L. FITZSIMONDS, Seventh District
THOMAS H. JACOBSEN, Eighth District
RICHARD M. KOVACEVICH, Ninth District
CHARLES E. NELSON, Tenth District
CHARLES T. DOYLE, Eleventh District
WILLIAM E. B. SIART, Twelfth District

HERBERT V. PROCHNOW, *Secretary Emeritus*
JAMES ANNABLE, *Co-Secretary*
WILLIAM J. KORSVIK, *Co-Secretary*

CONSUMER ADVISORY COUNCIL

KATHARINE W. MCKEE, Durham, North Carolina, *Chairman*
JULIA M. SEWARD, Richmond, Virginia, *Vice Chairman*

RICHARD S. AMADOR, Los Angeles, California
THOMAS R. BUTLER, Riverwoods, Illinois
ROBERT A. COOK, Baltimore, Maryland
ALVIN J. COWANS, Orlando, Florida
ELIZABETH G. FLORES, Laredo, Texas
HERIBERTO FLORES, Springfield, Massachusetts
EMANUEL FREEMAN, Philadelphia, Pennsylvania
DAVID C. FYNN, Cleveland, Ohio
ROBERT G. GREER, Houston, Texas
KENNETH R. HARNEY, Chevy Chase, Maryland
GAIL K. HILLEBRAND, San Francisco, California
TERRY JORDE, Cando, North Dakota
FRANCINE JUSTA, New York, New York
EUGENE I. LEHRMANN, Madison, Wisconsin
ERROL T. LOUIS, Brooklyn, New York
WILLIAM N. LUND, Falmouth, Maine
RONALD A. PRILL, Minneapolis, Minnesota
LISA RICE-COLEMAN, Toledo, Ohio
JOHN R. RINES, Detroit, Michigan
MARGOT SAUNDERS, Washington, D.C.
ANNE B. SHLAY, Philadelphia, Pennsylvania
REGINALD J. SMITH, Kansas City, Missouri
GEORGE P. SURGEON, Arkadelphia, Arkansas
GREGORY D. SQUIRES, Milwaukee, Wisconsin
JOHN E. TAYLOR, Washington, D.C.
LORRAINE VANETTEN, Troy, Michigan
THEODORE J. WYSOCKI, JR., Chicago, Illinois
LILY K. YAO, Honolulu, Hawaii

THRIFT INSTITUTIONS ADVISORY COUNCIL

E. LEE BEARD, Hazleton, Pennsylvania, *President*
DAVID F. HOLLAND, Burlington, Massachusetts, *Vice President*

BARRY C. BURKHOLDER, Houston, Texas
MICHAEL T. CROWLEY, JR., Milwaukee, Wisconsin
GEORGE L. ENGELKE, JR., Lake Success, New York
DOUGLAS A. FERRARO, Englewood, Colorado
BEVERLY D. HARRIS, Livingston, Montana
CHARLES R. RINEHART, Irwindale, California
JOSEPH C. SCULLY, Chicago, Illinois
RONALD W. STIMPSON, Memphis, Tennessee
LARRY T. WILSON, Raleigh, North Carolina
WILLIAM W. ZUPPE, Spokane, Washington

Federal Reserve Board Publications

For ordering assistance, write PUBLICATIONS SERVICES, MS-127, Board of Governors of the Federal Reserve System, Washington, DC 20551 or telephone (202) 452-3244 or FAX (202) 728-5886. *When a charge is indicated, payment should accompany request and be made payable to the Board of Governors of the Federal Reserve System or may be ordered via Mastercard or Visa. Payment from foreign residents should be drawn on a U.S. bank.*

THE FEDERAL RESERVE SYSTEM—PURPOSES AND FUNCTIONS. 1994. 157 pp.

ANNUAL REPORT.

ANNUAL REPORT: BUDGET REVIEW, 1994–95.

FEDERAL RESERVE BULLETIN. Monthly. $25.00 per year or $2.50 each in the United States, its possessions, Canada, and Mexico. Elsewhere, $35.00 per year or $3.00 each.

ANNUAL STATISTICAL DIGEST: period covered, release date, number of pages, and price.

1981	October 1982	239 pp.	$ 6.50
1982	December 1983	266 pp.	$ 7.50
1983	October 1984	264 pp.	$11.50
1984	October 1985	254 pp.	$12.50
1985	October 1986	231 pp.	$15.00
1986	November 1987	288 pp.	$15.00
1987	October 1988	272 pp.	$15.00
1988	November 1989	256 pp.	$25.00
1980–89	March 1991	712 pp.	$25.00
1990	November 1991	185 pp.	$25.00
1991	November 1992	215 pp.	$25.00
1992	December 1993	215 pp.	$25.00
1993	December 1994	281 pp.	$25.00
1994	December 1995	190 pp.	$25.00

SELECTED INTEREST AND EXCHANGE RATES—WEEKLY SERIES OF CHARTS. Weekly. $30.00 per year or $.70 each in the United States, its possessions, Canada, and Mexico. Elsewhere, $35.00 per year or $.80 each.

THE FEDERAL RESERVE ACT and other statutory provisions affecting the Federal Reserve System, as amended through August 1990. 646 pp. $10.00.

REGULATIONS OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM.

ANNUAL PERCENTAGE RATE TABLES (Truth in Lending—Regulation Z) *Vol. I* (Regular Transactions). 1969. 100 pp. *Vol. II* (Irregular Transactions). 1969. 116 pp. Each volume $2.25.

GUIDE TO THE FLOW OF FUNDS ACCOUNTS. 672 pp. $8.50 each.

FEDERAL RESERVE REGULATORY SERVICE. Loose-leaf; updated monthly. (Requests must be prepaid.)

Consumer and Community Affairs Handbook. $75.00 per year.

Monetary Policy and Reserve Requirements Handbook. $75.00 per year.

Securities Credit Transactions Handbook. $75.00 per year.

The Payment System Handbook. $75.00 per year.

Federal Reserve Regulatory Service. Four vols. (Contains all four Handbooks plus substantial additional material.) $200.00 per year.

Rates for subscribers outside the United States are as follows and include additional air mail costs:

Federal Reserve Regulatory Service, $250.00 per year.

Each Handbook, $90.00 per year.

THE U.S. ECONOMY IN AN INTERDEPENDENT WORLD: A MULTI-COUNTRY MODEL, May 1984. 590 pp. $14.50 each.

INDUSTRIAL PRODUCTION—1986 EDITION. December 1986. 440 pp. $9.00 each.

FINANCIAL FUTURES AND OPTIONS IN THE U.S. ECONOMY. December 1986. 264 pp. $10.00 each.

FINANCIAL SECTORS IN OPEN ECONOMIES: EMPIRICAL ANALYSIS AND POLICY ISSUES. August 1990. 608 pp. $25.00 each.

EDUCATION PAMPHLETS

Short pamphlets suitable for classroom use. Multiple copies are available without charge.

Consumer Handbook on Adjustable Rate Mortgages

Consumer Handbook to Credit Protection Laws

A Guide to Business Credit for Women, Minorities, and Small Businesses

Series on the Structure of the Federal Reserve System

The Board of Governors of the Federal Reserve System

The Federal Open Market Committee

Federal Reserve Bank Board of Directors

Federal Reserve Banks

Organization and Advisory Committees

A Consumer's Guide to Mortgage Lock-Ins

A Consumer's Guide to Mortgage Settlement Costs

A Consumer's Guide to Mortgage Refinancings

Home Mortgages: Understanding the Process and Your Right to Fair Lending

How to File a Consumer Complaint

Making Deposits: When Will Your Money Be Available?

Making Sense of Savings

SHOP: The Card You Pick Can Save You Money

Welcome to the Federal Reserve

When Your Home is on the Line: What You Should Know About Home Equity Lines of Credit

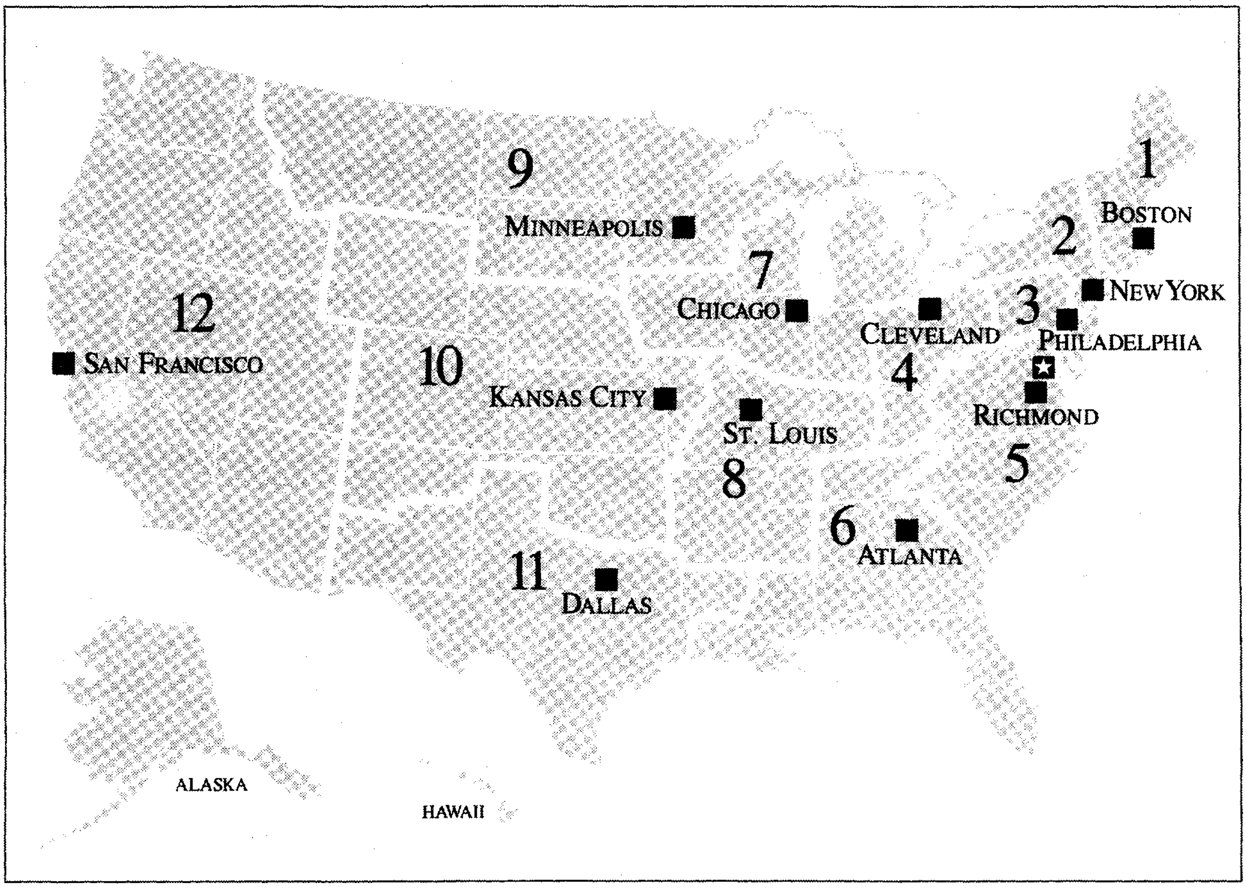
STAFF STUDIES: Only Summaries Printed in the BULLETIN

Studies and papers on economic and financial subjects that are of general interest. Requests to obtain single copies of the full text or to be added to the mailing list for the series may be sent to Publications Services.

Staff Studies 1–157 are out of print.

158. THE ADEQUACY AND CONSISTENCY OF MARGIN REQUIREMENTS IN THE MARKETS FOR STOCKS AND DERIVATIVE PRODUCTS, by Mark J. Warshawsky with the assistance of Dietrich Earnhart. September 1989. 23 pp.
159. NEW DATA ON THE PERFORMANCE OF NONBANK SUBSIDIARIES OF BANK HOLDING COMPANIES, by Nellie Liang and Donald Savage. February 1990. 12 pp.
160. BANKING MARKETS AND THE USE OF FINANCIAL SERVICES BY SMALL AND MEDIUM-SIZED BUSINESSES, by Gregory E. Elliehausen and John D. Wolken. September 1990. 35 pp.
161. A REVIEW OF CORPORATE RESTRUCTURING ACTIVITY, 1980–90, by Margaret Hastings Pickering. May 1991. 21 pp.
162. EVIDENCE ON THE SIZE OF BANKING MARKETS FROM MORTGAGE LOAN RATES IN TWENTY CITIES, by Stephen A. Rhoades. February 1992. 11 pp.
163. CLEARANCE AND SETTLEMENT IN U.S. SECURITIES MARKETS, by Patrick Parkinson, Adam Gilbert, Emily Gollob, Lauren Hargraves, Richard Mead, Jeff Stehm, and Mary Ann Taylor. March 1992. 37 pp.
164. THE 1989–92 CREDIT CRUNCH FOR REAL ESTATE, by James T. Fergus and John L. Goodman, Jr. July 1993. 20 pp.
165. THE DEMAND FOR TRADE CREDIT: AN INVESTIGATION OF MOTIVES FOR TRADE CREDIT USE BY SMALL BUSINESSES, by Gregory E. Elliehausen and John D. Wolken. September 1993. 18 pp.
166. THE ECONOMICS OF THE PRIVATE PLACEMENT MARKET, by Mark Carey, Stephen Prowse, John Rea, and Gregory Udell. January 1994. 111 pp.
167. A SUMMARY OF MERGER PERFORMANCE STUDIES IN BANKING, 1980–93, AND AN ASSESSMENT OF THE "OPERATING PERFORMANCE" AND "EVENT STUDY" METHODOLOGIES, by Stephen A. Rhoades. July 1994. 37 pp.
168. THE ECONOMICS OF THE PRIVATE EQUITY MARKET, by George W. Fenn, Nellie Liang, and Stephen Prowse. November 1995. 69 pp.
169. BANK MERGERS AND INDUSTRYWIDE STRUCTURE, 1980–94, by Stephen A. Rhoades. February 1996. 32 pp.

Maps of the Federal Reserve System



LEGEND

Both pages

■ Federal Reserve Bank city

⊡ Board of Governors of the Federal Reserve System, Washington, D.C.

Facing page

• Federal Reserve Branch city

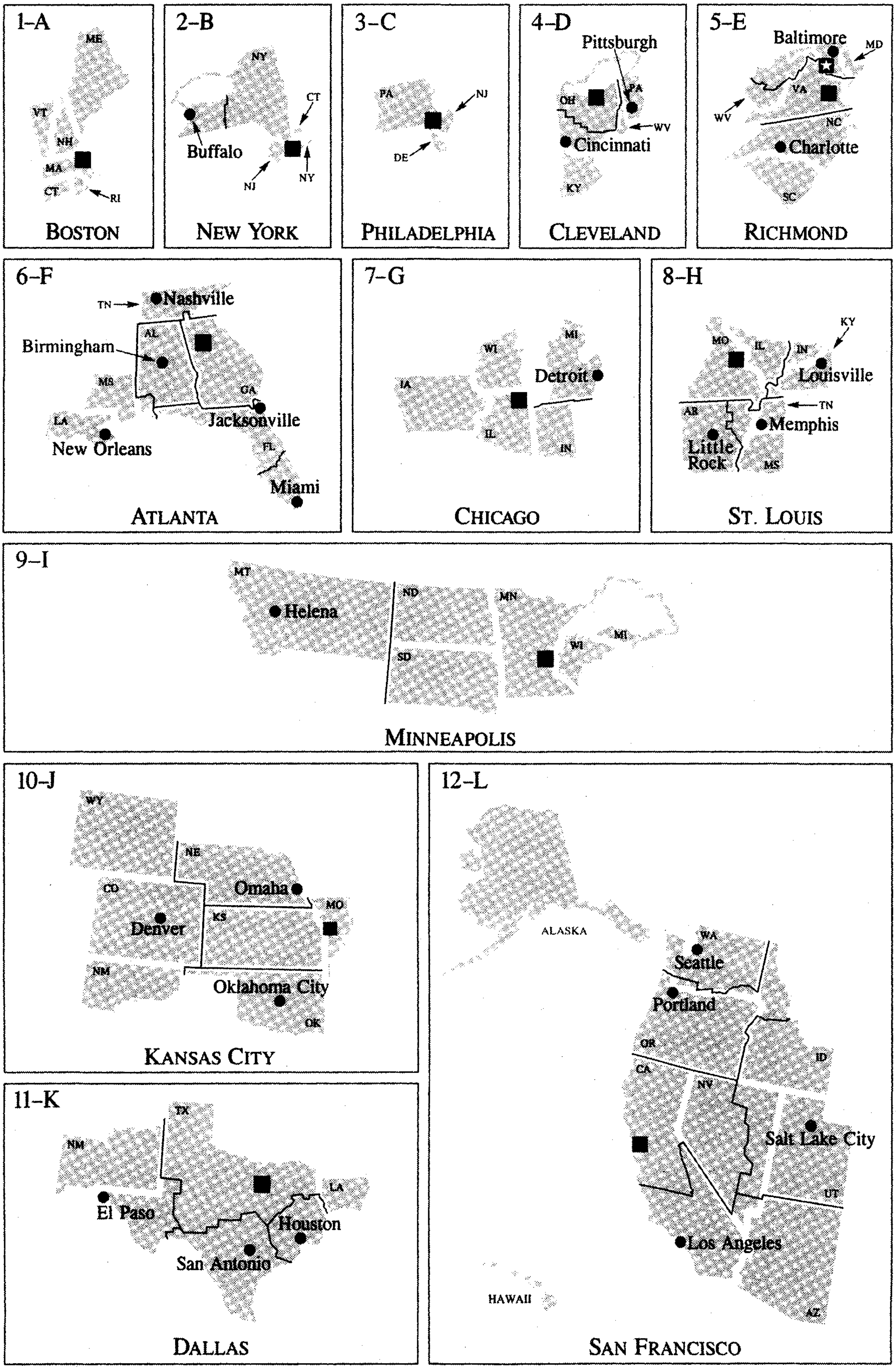
— Branch boundary

NOTE

The Federal Reserve officially identifies Districts by number and Reserve Bank city (shown on both pages) and by letter (shown on the facing page).

In the 12th District, the Seattle Branch serves Alaska, and the San Francisco Bank serves Hawaii.

The System serves commonwealths and territories as follows: the New York Bank serves the Commonwealth of Puerto Rico and the U.S. Virgin Islands; the San Francisco Bank serves American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands. The Board of Governors revised the branch boundaries of the System most recently in December 1991.


1-A
ME
VT
NH
MA
CT
RI
BOSTON
2-B
NY
Buffalo
CT
NJ
NY
NEW YORK
3-C
PA
NJ
DE
PHILADELPHIA
4-D
Pittsburgh
OH
PA
WV
Cincinnati
KY
CLEVELAND
5-E
Baltimore
MD
VA
WV
NC
Charlotte
SC
RICHMOND
6-F
TN
Nashville
Birmingham
AL
MS
GA
LA
Jacksonville
New Orleans
FL
Miami
ATLANTA
7-G
WI
MI
IA
Detroit
IL
IN
CHICAGO
8-H
KY
MO
IL
IN
Louisville
AR
TN
Memphis
Little Rock
MS
ST. LOUIS
9-I
MT
Helena
ND
MN
SD
WI
MI
MINNEAPOLIS
10-J
WY
NE
CO
Omaha
MO
Denver
KS
NM
Oklahoma City
OK
KANSAS CITY
11-K
TX
NM
LA
El Paso
Houston
San Antonio
DALLAS
12-L
ALASKA
WA
Seattle
Portland
OR
ID
CA
NV
Salt Lake City
UT
Los Angeles
HAWAII
AZ
SAN FRANCISCO

Federal Reserve Banks, Branches, and Offices

FEDERAL RESERVE BANK branch, or *facility*	Zip	Chairman / Deputy Chairman	President / First Vice President	Vice President in charge of branch
BOSTON*	02106	Jerome H. Grossman	Cathy E. Minehan	
		William C. Brainard	Paul M. Connolly	
NEW YORK*	10045	John C. Whitehead	William J. McDonough	
		Thomas W. Jones	Ernest T. Patrikis	
Buffalo	14240	Joseph J. Castiglia		Carl W. Turnipseed[1]
PHILADELPHIA	19105	Donald J. Kennedy	Edward G. Boehne	
		Joan Carter	William H. Stone, Jr.	
CLEVELAND*	44101	A. William Reynolds	Jerry L. Jordan	
		G. Watts Humphrey, Jr.	Sandra Pianalto	
Cincinnati	45201	John N. Taylor, Jr.		Charles A. Cerino[1]
Pittsburgh	15230	John T. Ryan III		Harold J. Swart[1]
RICHMOND*	23219	Claudine B. Malone	J. Alfred Broaddus, Jr.	
		Robert L. Strickland	Walter A. Varvel	
Baltimore	21203	Michael R. Watson		William J. Tignanelli[1]
Charlotte	28230	James O. Roberson		Dan M. Bechter[1]
Culpeper	22701			Julius Malinowski, Jr.[2]
ATLANTA	30303	Hugh M. Brown	Jack Guynn	
		Daniel E. Sweat, Jr.	Patrick K. Barron	James M. Mckee[1]
Birmingham	35283	Donald E. Boomershine		Fred R. Herr[1]
Jacksonville	32231	Joan D. Ruffier		James D. Hawkins[1]
Miami	33152	R. Kirk Landon		James T. Curry III
Nashville	37203	Paula Lovell		Melvyn K. Purcell
New Orleans	70161	Lucimarian Roberts		Robert J. Musso
CHICAGO*	60690	Robert M. Healey	Michael H. Moskow	
		Lester H. McKeever, Jr.	William C. Conrad	
Detroit	48231	John D. Forsyth		David R. Allardice[1]
ST. LOUIS	63166	John F. McDonnell	Thomas C. Melzer	
		Susan S. Elliott	W. LeGrande Rives	
Little Rock	72203	Janet M. Jones		Robert A. Hopkins
Louisville	40232	John A. Williams		Thomas A. Boone
Memphis	38101	John V. Myers		John P. Baumgartner
MINNEAPOLIS	55480	Jean D. Kinsey	Gary H. Stern	
		David A. Koch	Colleen K. Strand	
Helena	59601	Lane W. Basso		John D. Johnson
KANSAS CITY	64198	Herman Cain	Thomas M. Hoenig	
		A. Drue Jennings	Richard K. Rasdall	
Denver	80217	Peter I. Wold		Carl M. Gambs[1]
Oklahoma City	73125	Barry L. Eller		Mark L. Mullinix
Omaha	68102	LeRoy W. Thom		Harold L. Shewmaker
DALLAS	75201	Cece Smith	Robert D. McTeer, Jr.	
		Roger R. Hemminghaus	Tony J. Salvaggio	
El Paso	79999	Patricia Z. Holland-Branch		Sammie C. Clay
Houston	77252	Issac H Kempner III		Robert Smith, III[1]
San Antonio	78295	Carol L. Thompson		James L. Stull[1]
SAN FRANCISCO	94120	Judith M. Runstad	Robert T. Parry	
		James A. Vohs	John F. Moore	
Los Angeles	90051	Anita E. Landecker		Temporarily vacant[3]
Portland	97208	Ross R. Runkel		Raymond H. Laurence
Salt Lake City	84125	Gerald R. Sherratt		Andrea P. Wolcott
Seattle	98124	George F. Russell, Jr.		Gordon Werkema[1]

*Additional offices of these Banks are located at Lewiston, Maine 04240; Windsor Locks, Connecticut 06096; East Rutherford, New Jersey 07016; Jericho, New York 11753, Utica at Oriskany, New York 13424; Columbus, Ohio 43216; Columbia, South Carolina 29210; Charleston, West Virginia 25311; Des Moines, Iowa 50306; Indianapolis, Indiana 46204; Milwaukee, Wisconsin 53202; and Peoria, Illinois 61607.

1. Senior Vice President.
2. Assistant Vice President.
3. Executive Vice President.