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Table of Contents

Recent Developments in Corporate Finance

This article was prepared by Leland E. Crabbe, Margaret H. Pickering, and Stephen D. Prowse of the Board's Division of Research and Statistics. Brian H. Levey provided research assistance.

Recent years have seen dramatic changes in the financial structure of U.S. nonfinancial corporations, in corporate securities markets, and in corporate financing techniques. Many of these changes have been associated with the wave of mergers, acquisitions, and other corporate restructurings during the last half of the 1980s. In particular, the outstanding debt of the nonfinancial corporate sector soared as corporations borrowed heavily to finance retirements of equity resulting from restructuring activity. Furthermore, a substantial portion of this step-up in borrowing involved low-grade debt. At the same time, investors became more receptive to these bonds, responding to the promise of attractive yields and recognizing the opportunities for diversification of their portfolios. This shift not only provided funds for mergers and restructurings, but also enabled more firms that were less well-known to tap public debt markets.

With the repayment of the debt from many mergers hinging on subsequent sales of assets, acquirers turned to new sources of temporary financing from commercial and investment banks and made innovative use of bonds with deferred interest payments and variable coupon rates. Because bondholders were dissatisfied with losses occasioned by downgradings in the wake of unanticipated restructurings, many corporations included protection against this special risk in their new bond issues to reduce borrowing costs.

With the rise in debt, many measures of corporate financial condition deteriorated: Interest expenses claimed a significantly higher share of corporate cash flow; downgradings of debt accelerated; and bond default rates, while still relatively low, began to climb. In contrast, debt–equity ratios based on market values increased very little, as higher stock prices offset much of the growth in corporate indebtedness. Nonetheless, the nonfinancial corporate sector appears, on balance, to be more exposed to potential financial problems than it was in 1984. In this environment, banks and other investors have become more cautious in extending credit to finance highly leveraged mergers and acquisitions, a shift that has contributed to an increase in the use of equity financing and to a slowing in merger activity.

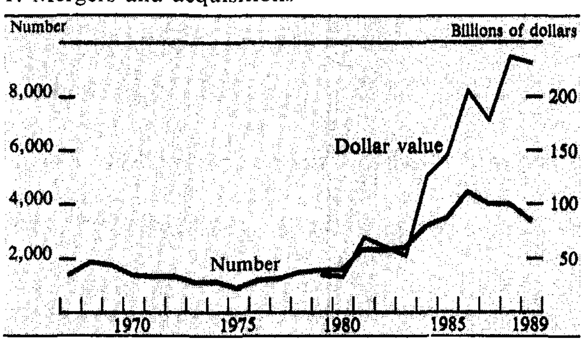
While the changes associated with the restructurings captured the public's attention, significant developments were occurring elsewhere during the last half of the decade. The differences between debt and equity as sources of funds to finance corporate activity narrowed significantly with the expansion in the use of financial instruments having features of both. Interest rate swaps and other methods for hedging interest rate risk also blurred the traditional distinction between short-term and long-term debt. Nonfinancial corporations relied more heavily on bonds, commercial paper, and loans from foreign banks for new funding and less on credit extended by domestic banks. For investment-grade nonfinancial corporations, medium-term notes became a growing source of funds. Issuance of privately placed debt was robust over the last half of the 1980s, despite growth in the public junk bond market, which many believed might supplant the private market. Moreover, in a recent ruling the Securities and Exchange Commission removed restrictions on secondary trading of private placements by larger institutional investors. The ruling likely will spur continued growth in the private market fed by increases in the participation by foreign issuers and, perhaps, by domestic issuers drawn from the public market.

Restructurings and Corporate Financial Developments

Merger and acquisition activity, which was instrumental in shaping corporate financial patterns, was strong throughout the decade (chart 1). The number of transactions rose moderately through 1983 and then accelerated between 1984 and 1986. Although the number fell over the remainder of the decade, it remained high by past standards. More important, the dollar value of the transactions continued to climb rapidly until 1989, easing only briefly in 1987, after the October stock market break. Acquisitions of U.S. firms by foreign companies since 1987 have added significantly to the volume of merger activity. Divestitures rose at a strong pace throughout the 1980s, accounting in the last five years for nearly one-third of the dollar value of all mergers and acquisitions.

Many explanations have been offered for the dramatic expansion of mergers and acquisitions. One is the search for the fullest potential of the firm's assets through a transfer of corporate control to new management teams. Another focuses on the tax benefits of higher leverage, the capture of tax-loss carryovers, and an increase in the asset basis used for depreciation allowances and other purposes (although the Tax Reform Act of 1986 and subsequent legislation essentially eliminated the last two incentives). A third explanation views the restructurings as vehicles for transferring wealth from bondholders, workers, and other corporate stakeholders to shareholders. A fourth ascribes the merger boom to highly sophisticated investors who doubted that the equity values of many firms fully reflected the appreciation in their assets during the inflation of the 1970s and early 1980s. These investors were aided by legal advisers and financial intermediaries who increased investors' awareness of the potential gains and developed financial instruments to facilitate the transactions. A final explanation points to a less restrictive antitrust enforcement policy that permitted most of the proposed mergers and acquisitions to go unchallenged. Although it is early to draw firm conclusions, preliminary research has suggested that several of these factors played a role in the restructuring boom.

1. Mergers and acquisitions



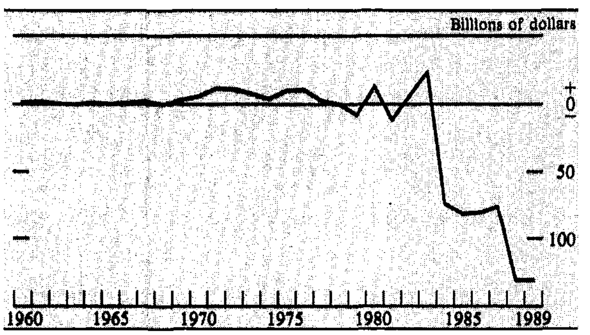
The data reflect transactions of $1 million or more of all corporations, including financial firms. Partial acquisitions and divestitures are included. The dollar value is not available before 1979.
Source. *Mergers & Acquisitions*, various issues.

Corporate Balance Sheets and Profitability

Whatever their cause, corporate restructurings have resulted in an unprecedented retirement of outstanding equity shares, which far outstripped the moderate level of new equity issuance (chart 2). Overall, retirements of nonfinancial corporate stock have exceeded new issues by about $600 billion since 1983, in sharp contrast to the rest of the postwar period, when retirements of shares exceeded new issues in only a handful of years, and then by very small amounts. Even the stock market break in 1987 had little effect on retirements because a pickup in stock repurchases by many corporations largely offset the brief pause in merger activity.

Unlike the mergers of the 1960s, which were financed largely by an exchange of securities,

2. Net equity financing of nonfinancial corporations



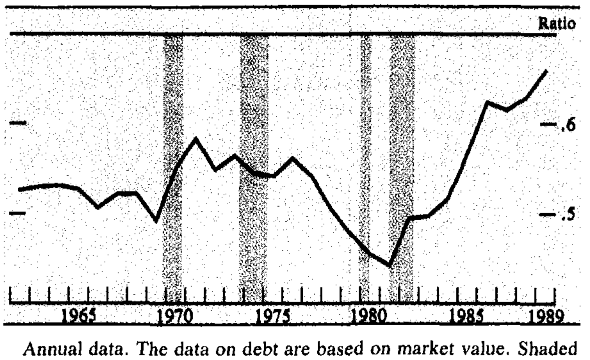
Annual data. Net equity financing is gross equity issuance less retirements. Gross issues include public offerings and private placements for cash, stock issued for stock dividends, dividend reinvestment programs, and employee participation programs, and stock issues arising from the exercise of warrants and conversion privileges. Retirements include equity retired through leveraged buyouts, other mergers and acquisitions, and share repurchases.

acquisitions in the 1980s relied heavily on borrowed funds to pay cash to selling shareholders. Leveraged buyouts (LBOs), the most highly leveraged acquisitions, mushroomed from less than $5 billion in 1983 to more than $60 billion in 1989, the year that included the $25 billion RJR–Nabisco transaction. LBOs served to transfer assets from publicly held corporations to closely held partnerships and private corporations. Some were structured with as little as 10 percent equity, provided largely by buyout pools that takeover specialists assembled. To finance the remainder, the new firm effectively pledged the assets of the acquired company as collateral for new debt obligations. The LBO firms then sought to lower the debt burden through improved cash flow and sales of some operations. Many of these divestitures were themselves structured as LBOs.

In addition to financing LBOs and other mergers and acquisitions, debt commonly was used to finance defensive measures such as leveraged recapitalizations undertaken to discourage unsolicited or "hostile" takeovers. As a result of all these restructuring activities, the indebtedness of nonfinancial corporations grew rapidly, as illustrated by the sharp increase in the ratio of the market value of debt to the gross domestic product of nonfinancial corporations (chart 3).

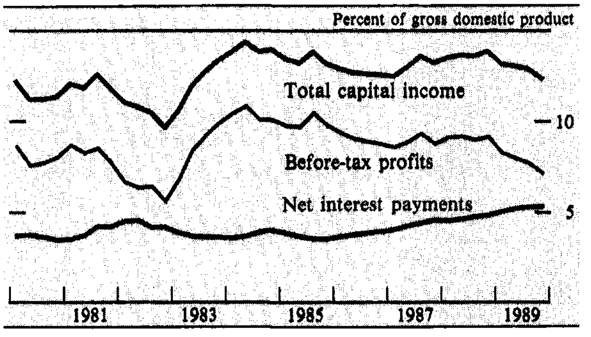
The rapid buildup of debt in the nonfinancial corporate sector was accompanied by rising net interest payments that absorbed a growing share of corporate gross product (chart 4). The interest share expanded even though interest rates were lower, on balance, during the last half of the

3. Ratio of corporate credit market debt to corporate gross domestic product of nonfinancial corporations



Annual data. The data on debt are based on market value. Shaded areas indicate business recessions.

4. Domestic profits, net interest payments, and capital income of nonfinancial corporations



Quarterly data. Total capital income is before-tax profits plus net interest payments.

1980s, and that expansion was one factor acting to depress corporate profitability. Before-tax profits slipped from roughly 9 percent of corporate output in 1987 to about 7¾ percent in 1989. Over the same period, net interest payments rose from about 4¼ percent to more than 5 percent of corporate gross product, accounting for more than half of the drop in the profits share.

Cyclical developments also played a part in the shrinkage of the share of before-tax profits. The slowing of gains in output and productivity toward the end of the decade, along with faster gains in compensation, squeezed corporate profits, especially in 1989. Moreover, in the face of foreign competition, businesses were forced to exercise restraint in passing rising production costs through to prices, further damping corporate profits originating from domestic operations.

The Tax Reform Act of 1986 had important effects on after-tax profitability. The average corporate tax rate on nonfinancial corporations—the ratio of federal, state, and local tax accruals to economic profits—rose from 31 percent in 1985 to 44 percent in 1989. Although the act reduced the maximum marginal rate of corporate taxation and permitted more accelerated depreciation for tax purposes, the elimination of the investment tax credit and of the preferential taxation of long-term capital gains more than offset these benefits. The increase in the corporate tax rate has meant that, over the past five years, before-tax profits have shown more strength, on balance, than after-tax profits. Combined with the loss of some nondebt tax shields, the increase in the effective corporate tax rate also may have strengthened the incentive to use debt finance, even for firms not directly involved in restructuring activity.

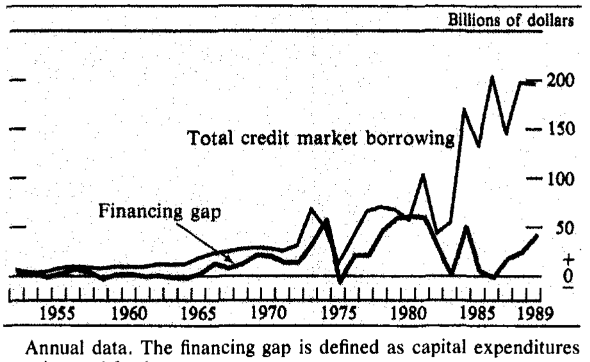
The use of debt to retire equity boosted corporate borrowing beyond that required to finance capital outlays. The financing gap, the difference between capital expenditures and internal funds, represents the extent to which corporations must draw on external sources of funds—credit market borrowing, new equity issuance, or asset liquidations—to finance capital expenditures. Although credit market borrowing exceeded corporations' needs for external funds for most of the postwar period, changes in total borrowing generally reflected changes in the financing gap. However, this pattern changed dramatically after 1983 (chart 5). The financing gap showed little trend between 1982 and 1989, while borrowing increased sharply, reflecting the surge in merger activity.

Merger Financing and the Junk Bond Market

Although the merger and buyout activity of the past decade contributed significantly to the radical transformation of the junk bond market, part of the early growth of that market was related to developments in private placements. Before the 1980s, few new speculative-grade bonds (bonds rated below Baa3 by Moody's Investors Service or below BBB- by Standard and Poor's Corporation) were publicly offered because most investors shied away from their higher risk of default. Higher-risk borrowers, typically small and medium-sized companies, tended instead to rely on loans from commercial banks and on private placements, primarily with life insurance companies. When policy loans began to absorb the investible assets of life insurance companies in the late 1970s and early 1980s, these institutions turned from the private placement market toward more liquid investments. Consequently, many of these higher-risk companies were forced to seek new sources of credit. In response, securities firms, led by Drexel Burnham Lambert, began actively promoting public offerings of high-yield bonds in the early 1980s. At the same time, institutional investors in the public market became convinced that the bonds' higher yields more than compensated for their greater risks, especially when the bonds were held in a diversified portfolio. The economic expansion also provided a favorable environment by seeming to mitigate risk.

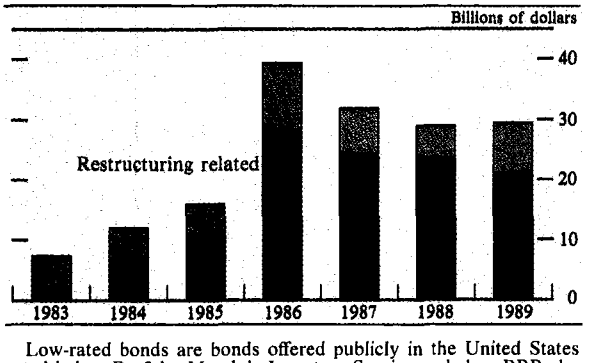
These developments interacted with the growth of financing needs arising from mergers and restructurings to spur a dramatic increase in the issuance of junk bonds. Between 1983 and 1989, nonfinancial corporations issued $160 billion of junk bonds to the public; that sum accounted for more than 35 percent of public bond offerings by the sector. About two-thirds of the high-yield bonds offered during this period were associated with restructurings—leveraged buyouts, other mergers and acquisitions, divestitures, stock repurchases, leveraged recapitalizations, or other restructuring activities (chart 6). In most cases, junk bonds provided permanent

5. Total credit market borrowing and financing gap of nonfinancial corporations



Annual data. The financing gap is defined as capital expenditures less internal funds.

6. New public issues of low-rated bonds by nonfinancial corporations



Low-rated bonds are bonds offered publicly in the United States rated below Baa3 by Moody's Investors Service or below BBB- by Standard and Poor's Corporation, or with no known rating. Restructuring issues are those associated with leveraged buyouts, other mergers and acquisitions, divestitures, stock repurchases, leveraged recapitalizations, and other restructuring activities.

financing for cash buyouts, which replaced part or all of the funds supplied initially by commercial or investment banks.

As the high-yield market matured, new instruments that offered issuers greater leeway in managing the timing of their interest payments were introduced. These instruments grew out of the need to minimize interest payments until cash flow improved or until debt loads could be reduced with the proceeds from sales of assets. The deferred-cash-payment bond and the reset note were commonly used for these purposes.

Deferred-Cash-Payment Bonds. Several types of bonds enable borrowers to postpone the cash payment of interest. Payment-in-kind (PIK) bonds give the issuer the option of issuing more debt in lieu of a cash coupon payment over the first years of the bond's life. These bonds typically have a stated maturity of about ten years, and a payment-in-kind period of about five years. After this period, the issuer must make the coupon payment in cash. Original-issue-discount (OID) bonds also delay cash interest payments. These bonds, which are issued at a large discount from par, include zero coupon bonds and bonds with coupon rates set well below market yields at the time of issuance. After an initial period, the coupon rate is raised. Because securities with deferred cash payment typically have a subordinated standing in the issuer's capital structure and shorter call protection than conventional debt, their yields to maturity tend to be at least 200 basis points above those on conventional debt. Moreover, the returns on deferred-cash-payment bonds usually are more volatile than those on straight debt, reflecting their junior standing and longer duration.

During the years 1987–89, PIK and OID bonds accounted for more than 15 percent of new funds raised in the junk bond market (table 1). Until recently, issuers of PIK bonds were allowed to deduct coupon payments on the additional debt as an interest expense, even though no cash outlay was made. Similarly, issuers of OID bonds were allowed to deduct the accrued interest as an expense. As a result of legislation passed in 1989, however, no interest deductions are allowed on that portion of the accrued interest that is 6 percentage points above the yield on comparable Treasury securities; and the interest expense corresponding to the yield that is between 5 and 6 percentage points above comparable Treasury securities can be deducted only at maturity. The legislation has greatly reduced the attractiveness of issuing debt with delayed cash payments.

1. OID and PIK bonds as percentages of gross issuance of junk bonds, 1985–89

Year	Type of bond		
	Zero coupon	Deferred coupon	Payment in kind
1985	4.57	...	...
1986	.94	3.06	2.30
1987	.96	7.16	4.39
1988	1.29	14.66	4.49
1989	2.00	9.22	4.08

Reset Notes. Reset notes have characteristics of both floating- and fixed-rate debt. The coupon rate is fixed for an initial period, usually one to three years, after which it is reset to make the bond trade at a predetermined, or reset, price, usually 100 to 102 percent of par value. The coupon rate would be raised if the market price were less than the reset price and lowered if the market price were greater than the reset price.

The reset feature appeals particularly to firms that anticipate improvements in their credit quality before the reset date, for they will be able to benefit from lower borrowing costs. The appeal may be especially great to companies that have experienced a downgrading in credit rating as a result of a buyout but expect debt paydowns from asset sales to lead to an upgrade.

From the investor's viewpoint, the reset feature offers some protection against a deterioration in an issuer's credit quality. This protection is, however, limited to modest declines in credit quality because if the issuer faces severe financial distress, there may be no affordable coupon rate that makes the note trade at its reset price. Moreover, even if its financial condition is not deteriorating, the company may have to raise the coupon rate if the reset date falls in a period of heightened concerns about credit quality. To lessen the risk that reset notes will exacerbate financial stress, many issuers place caps on the coupon rate. More than two-thirds of the notes yet to be reset have caps, generally ranging from

100 to 400 basis points above the original coupon rate. Since this type of security first appeared in the U.S. public market in 1985, more than fifty reset notes, with an aggregate face value of about \$13½ billion, have been issued in the junk bond market. The dollar volume accounts for about 7½ percent of public issuance of junk bonds during this period. By year-end 1989, about a dozen of these publicly issued reset notes had been either called or reset. In addition to issuance in the public market, at least \$2¾ billion was placed privately between 1987 and 1989.

Corporate Credit Quality

The increase in the use of debt finance has been associated with a deterioration in many indicators of corporate financial health. Interest payments in the aggregate have claimed an increasing proportion of the cash flow of nonfinancial corporations since 1983 (chart 7). Furthermore, the number of firms whose interest expense exceeded cash flow rose significantly between 1983 and 1988, despite favorable economic conditions and falling interest rates. In these circumstances, concerns have arisen about the ability of highly leveraged firms to service their debt, especially in light of the slowing of the economy in 1989.

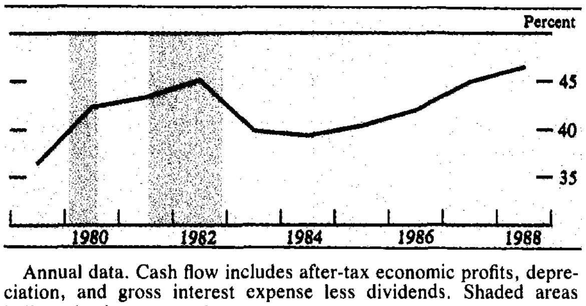
The secular erosion in corporate credit quality accelerated in the last half of the 1980s, an erosion evidenced by the increase in downgradings of corporate bonds relative to upgradings. The growth in new issues by lower-rated firms, which are more prone to downgradings, has meant that more frequent changes in credit ratings are likely. Nonetheless, the general deterioration in creditworthiness is noteworthy because it occurred while the economy was expanding.

As a result of these changes in ratings, the median rating that Standard and Poor's assigned to industrial bonds dropped from an investment-grade A in the early 1980s to a below-investment-grade BB at the close of the decade (chart 8). One-third of the estimated \$600 billion of rated nonfinancial corporate bonds outstanding at the end of 1989 was rated as noninvestment grade. In the early 1980s, before the recent wave of restructurings, these low-grade bonds accounted for less than one-tenth of the total outstanding.

Some of the growth in below-investment-grade debt stemmed from the downgrading of outstanding debt to speculative grade because of events related to restructuring. More important, that growth was boosted by new debt issues of these downgraded companies. Furthermore, in the late 1980s, many new issues carried ratings at the lower end of the credit spectrum—B and Caa on Moody's scale. In the past these ratings generally appeared only when corporations on the edge of default were downgraded. The relative importance of the other component of speculative issuers, those companies downgraded to noninvestment grade because of a long-term decline in business fundamentals, has changed little over the past ten years.

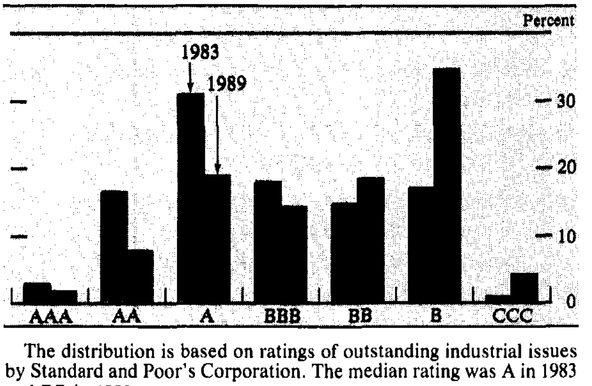
Default rates on corporate bonds of below-investment grade, while still low, have risen, from 1.4 percent of outstanding bonds in 1987 to 4 percent in 1989 (table 2). Moreover, many market analysts expect much higher default rates over the next few years, both because the overall

7. Ratio of gross interest payments to cash flow of nonfinancial corporations



Annual data. Cash flow includes after-tax economic profits, depreciation, and gross interest expense less dividends. Shaded areas indicate business recessions.

8. Distribution of bonds by rating, 1983 and 1989



The distribution is based on ratings of outstanding industrial issues by Standard and Poor's Corporation. The median rating was A in 1983 and BB in 1989.

2. Outstanding amount and default rate of low-rated corporate bonds, 1980–89

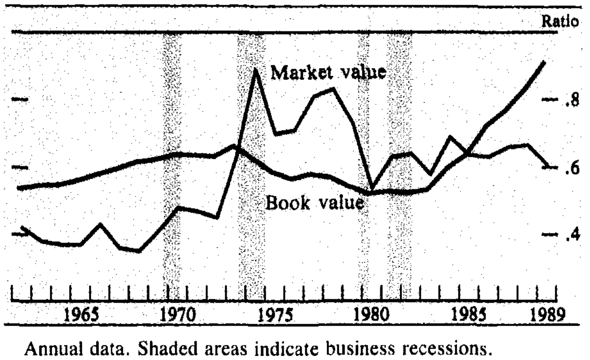
Year	Outstanding amount (par value, billions of dollars)[1]	Default rate (percent)
1980	15.13	1.48
1981	17.36	.16
1982	18.54	3.11
1983	28.23	1.07
1984	41.70	.82
1985	59.08	1.68
1986	92.98	3.39
1987	136.95	1.35[2]
1988	159.22	2.48
1989	201.00	4.03

1. Par value of straight debt. Financial issues are included.
2. Excludes Texaco default of $1.8 billion; with Texaco, the rate was 5.5 percent.
SOURCE. Edward Altman, New York University.

quality of the noninvestment-grade bonds has declined and because defaults tend to rise as bonds age. Indeed, several recent studies have found cumulative default rates for particular cohorts of bonds to be as high as 30 percent over the first ten years after issue.

Other measures of the condition of corporate balance sheets suggest that stockholders have not been overly concerned with the growing indebtedness of corporations. In particular, the ratio of debt to equity, both measured at market values, has increased only slightly since 1982, as rising equity prices have largely countered the rise in corporate indebtedness (chart 9). Nevertheless, the deterioration in other indicators of corporate financial condition, especially the ratio of interest expense to cash flow, indicates that the financial health of the business sector may be vulnerable to a significant slowing in economic activity.

9. Ratio of debt to equity of nonfinancial corporations



Annual data. Shaded areas indicate business recessions.

Event Risk

About one-fourth of the reductions of ratings in the past five years were related to restructurings. The downgradings were concentrated in the industrial sector, where leverage-increasing events occasioned downgradings for about 40 percent of outstanding bonds. According to Moody's Investors Service, these downgradings inflicted losses of nearly $14 billion on bondholders between 1984 and 1988.

As a result, investors in industrial bonds became increasingly sensitive to event risk—the risk that an unforeseen, major change in a firm's capital structure will lead to a large decline in the market value of the firm's outstanding bonds. To compensate investors for event risk, yields on investment-grade industrial bonds rose relative to yields on high-grade utility bonds. After the RJR–Nabisco buyout proposal in late 1988 dispelled the notion that bonds of very large industrial corporations were free of event risk, investors stepped up their demands for stronger bond covenants for protection against that risk, and several issuers have found it worthwhile to comply. The terms of the covenants have varied from issue to issue, but they have had common features. For example, most covenants written since late 1988 have specified that bondholders may sell their bonds back to the issuer at par if two events occur: a major change in the issuing firm's capital structure and a downgrading of the bond by the major rating agencies from investment grade to speculative grade. In 1989, nearly half of the new offerings of long-term bonds by investment-grade industrial firms included event-risk covenants. Estimates suggest that industrial firms have saved about ¼ percentage point on borrowing costs by including this protection.

Recent Developments in Merger and Restructuring Activity

Early in 1989, the hectic pace of debt-financed restructuring began to subside. The amount of stock-for-stock exchanges in merger transactions rebounded in 1989 from the extremely low levels of 1987 and 1988. This rebound largely reflected the increase in emphasis last year on friendly strategic corporate acquisitions in which the new, combined company issued new common shares to stockholders of the two original companies. Then, late in the year, the deepening difficulties in the market for below-investment-grade bonds further encouraged combination offers of cash and securities, particularly preferred stock, to shareholders of the acquired company.

The acquisition market was jolted last fall when a few companies involved in highly leveraged transactions failed to perform up to expectations, defaulted on bond issues, and sought bankruptcy protection. Others, seeking to prevent default, have reached agreement with bondholders to reschedule debt or are attempting to do so. These "distressed" exchanges typically replace existing debt with securities carrying a longer maturity, lower interest rate, some substitution of equity, or a combination of these features; and they must be approved by a predetermined share of bondholders specified in the original bond's covenant. Whereas such exchanges are still few, these unravelings of acquisitions and the general vulnerability of highly leveraged firms to adverse economic developments have heightened concerns in the financial markets; and thus they have made investors much more cautious in extending funds to highly leveraged borrowers.

Uneasiness about rising bond defaults contributed to chaotic conditions in the market for speculative-grade bonds early this year as prices of restructuring-related issues dropped precipitously. The withdrawal of the savings and loan associations from the junk bond market and outflows from high-yield mutual funds further curtailed demand for these issues. The liquidation of Drexel Burnham Lambert early this year was another negative factor for the market to absorb, even though Drexel's participation had already dwindled.

New merger proposals dropped off noticeably during the first part of 1990 as a consequence of the virtual unavailability of funds for new financing in the low-grade bond market; the more cautious attitude of commercial banks, both domestic and foreign; and the weakening in the market for asset sales. Nevertheless, although restructuring activity is considerably less than it was in 1988 and 1989, it remains substantial. Despite the disarray in the junk bond market and investor caution, well-structured acquisition proposals, especially those aimed at enhancing a firm's competitiveness within its own lines of business, have been well received by investors.

Implications of Financial Innovations

The past several years have seen many shifts in the relative importance of various debt instruments in financing business activity (table 3). One of the most significant changes has been the increase in the importance of bonds and notes, which were responsible for roughly 58 percent of estimated total credit market debt raised in 1989, compared with 46 percent in 1983. Another has

3. Distribution of funds raised in credit markets by nonfinancial corporations, by type of instrument, 1983–89

Percent

Type of instrument	1983	1984	1985	1986	1987	1988	1989
Bank loans							
U.S. banks	32.1	28.8	22.6	24.4	3.2	15.7	14.2
Foreign banks	4.9	7.7	1.1	5.5	1.3	5.3	6.8
Commercial paper	−1.5	12.8	11.0	−4.6	1.6	5.6	10.6
Finance company loans	14.1	9.7	9.6	5.5	11.6	7.6	5.4
Bonds and notes[1]	46.5	39.3	72.8	54.7	68.0	58.3	57.7
Mortgages	−8.0	−.8	−13.5	13.9	10.7	8.3	3.1
Bankers acceptances and U.S. government loans	11.9	2.5	−3.6	.6	3.6	−.8	2.2
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Memo							
Total funds raised in credit markets (billions of dollars)	54.8	169.6	132.4	203.8	145.5	207.5	196.0

1. Includes bonds and notes issued abroad by U.S. corporations and tax-exempt bonds issued for the benefit of nonfinancial corporations.

been the steady decline in loans from domestic banks over the same period, from 32 percent of total credit market debt to 14 percent. Loans from foreign banks, on the other hand, increased, to just under 7 percent of total credit market debt raised in 1989; and the issuance of commercial paper continued its rapid expansion, interrupted only by a pause in 1986. The strong growth has been fueled by heavy inflows to money market mutual funds, which are the largest buyers of commercial paper.

The implications of these changes for the maturity structure of the corporate sector's debt are not so clear as they would have been in the past. For one thing, many of the financial developments and innovations in the past decade have eroded the traditional distinctions between short- and long-term debt, as well as those between debt and equity. Furthermore, a recent regulatory change by the Securities and Exchange Commission (which is discussed in some detail below), has blurred the traditional distinction between private and public markets for securities.

Short-Term and Long-Term Debt

Before the 1980s, it was reasonable in aggregate analysis to characterize commercial paper and bank loans as short-term debt and corporate bonds and mortgages as long-term debt. Such characterizations often were used to gauge corporate exposure to interest rate and liquidity risk, under the assumption that interest rates on short-term debt were variable whereas those on long-term debt were fixed.

Financial developments and innovations in the past decade have made this classification of debt less useful. One such development is the $1.3 trillion swap market. In an interest rate swap, an issuer of fixed-rate debt, for example, agrees with a counterparty—typically a swaps dealer—to make floating-rate payments in exchange for fixed-rate payments. Because the fixed-rate issue often has an intermediate or long-term maturity, the exchange effectively allows the fixed-rate issuer to convert its debt into an obligation with an essential feature of short-term debt. By the same token, a floating-rate issuer can convert its interest obligations to a fixed rate through a swap, thereby lengthening the duration of its debt. In a similar sense, currency swaps have blurred the distinction between debt denominated in dollars and in foreign currencies. In a currency swap, an issuer of, say, dollar-denominated bonds agrees with a dealer to make principal and interest payments in, say, French francs, and in return the dealer provides the issuer with dollar payments for the principal and interest on the issuer's bonds. The swap protects against foreign exchange risk.

Related transactions, such as caps, floors, and collars, can be used to alter the characteristics of floating- and fixed-rate debt. A cap places a maximum on the interest rate paid by a floating-rate issuer: The seller of the cap agrees to provide funds to the holder of the cap to cover the interest payments that exceed a specified rate. Similarly, a floor places a minimum on the interest rate a floating-rate issuer is required to pay. And a collar combines a cap and a floor to confine the interest rate to a given range. The tighter the range associated with the collar, the closer the floating-rate obligation comes to fixed-rate debt. By similar reasoning, an issuer of a fixed-rate security can use caps, floors, and collars to introduce elements of short-term debt into its obligation.

The introduction of extendible notes, which give the issuer the option of extending the maturity of an issue, also has eroded the differences between intermediate- and long-term securities. Some extendible issues permit the issuer to extend the maturity for one, two, or three years and permit the exercise of this option for up to seven years. On other notes, the feature is more rigid, specifying a date on which the option may be exercised to extend the maturity to a specified number of years. Frequently, the option to extend has been included in offerings of reset notes, with the coupon reset if the issuer exercises the option.

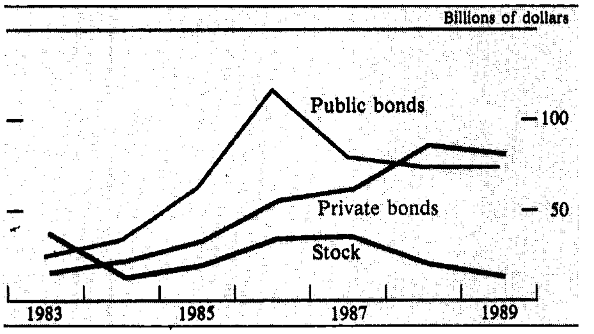
Medium-Term Notes

In the corporate bond market, the classification of bond issuance as long-term financing also has become less meaningful as the market for medium-term notes has grown. Medium-term notes are continuously offered corporate bonds that generally are sold by agents on a "best efforts" basis; they have maturities that usually range from one to five years (utility issues, however, routinely have thirty-year maturities). The market for medium-term notes, which expanded rapidly after the Securities and Exchange Commission began permitting so-called shelf registration of security offerings in 1982, was dominated at first by the finance subsidiaries of automobile companies, but by 1989 more than 200 U.S. corporations had raised funds in the market; the gross issuance in that year was $35 billion (table 4). Offerings of medium-term notes by nonfinancial firms are likely to rise further as more of these issuers establish new programs and as others draw down on established programs. Continued growth of issuance by nonfinancial corporations also appears likely to produce a lengthening in maturities.

At first, many borrowers used medium-term notes to raise relatively small amounts of funds quickly, since the market afforded a flexible means to match the maturities of intermediate-term assets. Primary issues averaged about $5 million. As the market has matured, medium-term notes have become more competitive with traditional corporate underwritings, and trades have approached $50 million to $100 million. Most issuers have investment-grade ratings: Of the $72 billion in medium-term notes outstanding at the end of 1989, only $1¼ billion had ratings below investment grade, and most of those notes were issued originally as investment-grade debt. Some recent programs by nonfinancial issuers have included covenants that protect against event risk.

Although the market for medium-term notes was structured as an extension of the commercial paper market, its recent growth may be attributable to a shift from traditional markets for intermediate-term financing, particularly the Eurobond market. (Eurobonds are bonds issued outside of the home market.) Favorable interest rates and the removal of the withholding tax on interest paid on bonds to foreign investors fostered borrowing by U.S. corporations in the Eurobond market in the mid-1980s (table 5). Since 1986, as the rate advantage in the Euromarket has diminished, U.S. corporate borrowing in that market has fallen off. Although several U.S. corporations have established global programs for issuing medium-term notes, issuance abroad has not grown so fast as domestic issuance. On the demand side, a high degree of sensitivity of foreign investors to the threat of event risk damped demand in the Euromarket for U.S. corporate issues, particularly issues of nonfinancial corporations.

10. New issues of securities by nonfinancial corporations



Debt and Equity

The difference between debt and equity as sources of corporate financing has narrowed significantly. One factor has been the expansion of the market for speculative-grade bonds. Because low-grade bonds typically have a junior standing

4. Gross issuance of medium-term notes by U.S. firms, 1983–89
Billions of dollars

Type of issuer	1983	1984	1985	1986	1987	1988	1989	Total, 1983–89
Auto finance companies	4.8	6.8	6.8	8.9	11.0	7.7	11.1	57.0
Bank holding companies	.1	.9	2.0	2.6	2.5	4.3	3.7	16.0
Business and personal finance companies	.4	1.3	2.0	2.0	3.0	4.3	7.1	20.0
Other financial companies	.2	.9	1.5	3.6	4.8	6.8	6.5	24.3
Nonfinancial companies	*	.4	1.3	3.0	3.2	8.1	6.5	22.5
Total	**5.5**	**10.2**	**13.6**	**20.0**	**24.3**	**31.3**	**34.9**	**139.8**

*Less than $50 million.

in the issuing firm's capital structure and, more important, because their high returns are particularly vulnerable to a drop in earnings, these bonds have risk and return characteristics similar to those of both common stock and debt. In addition, many new offerings of speculative-grade bonds have been convertible into equity or have included equity-like features, such as warrants. There also has been an expansion in the issuance of a kind of preferred stock that gives the issuer the option to exchange it for debt. Most of this exchangeable preferred stock has been placed directly with shareholders as part of leveraged restructurings. Many of the issuing firms have exercised the exchange option.

Innovations in the use of variable-rate preferred stock likewise have served to narrow the difference between debt and equity. Because corporations are allowed to deduct 70 percent of the dividend income they receive from unaffiliated corporations, fully taxed corporate investors, given all else, favor preferred stock over debt investments. Variable-rate preferred stock combines this tax advantage with a floating dividend rate that makes the stock a substitute for commercial paper. The dividend rate is commonly adjusted several times a year either by a remarketing agent or through a Dutch auction, in which bids are ranked from lowest to highest and the highest bid that clears the issue will be the price paid for the bids by all winning bidders regardless of their initial bid. The rate is often capped at 110 percent of the AA-rated commercial paper rate. The caps lend variable-rate preferred stock an equity feature, inasmuch as buyers of these securities bear the risk of a price decline should the cap become effective.

Private Placements

The private market, in which corporate securities are placed directly with institutional investors, has grown steadily since the early 1980s, and in 1988 and 1989, the volume of privately placed bonds exceeded that of publicly offered bonds (chart 10). While the extraordinary expansion in the public market for non-investment-grade debt is partly an outgrowth of the private placement market, the public market has not supplanted the private one. Life insurance companies and pension funds have found in the private market an attractive outlet for their growing pool of investible funds. The wave of corporate restructurings spurred this growth, as many firms involved in restructuring tapped the private market for part of their financing.

5. Gross bond issuance by U.S. firms in foreign markets, 1983–89[1]

Billions of dollars

Year	All corporations	Nonfinancial corporations	Financial corporations
1983	8.3	4.1	4.2
1984	22.6	10.1	12.5
1985	37.8	14.9	22.9
1986	42.8	18.0	24.8
1987	24.3	11.3	13.0
1988	23.2	8.8	14.3
1989	22.8	5.7	17.0
Total, 1983–89	**181.8**	**72.9**	**108.7**

1. *Details may not sum to totals because of rounding*

Annual data.

The lines between public and private markets have faded because major lending institutions and corporations participate in both markets. The difference between private and public offerings is expected to narrow even further now that the Securities and Exchange Commission has adopted Rule 144A. The rule exempts U.S. and foreign corporations from registration requirements for bonds and stock sold to institutional investors with investment assets of $100 million or more (and, in the case of banks and thrift institutions, net worth of at least $25 million). Perhaps more important, the rule permits the resale of these private securities to qualified institutions at any time. Before the new rule was promulgated, private securities generally could not be resold for two years, although some carried registration rights that permitted their subsequent unrestricted resale in the public market. The National Association of Securities Dealers' screen-based trading system, called Portal, is designed to increase liquidity in the marketplace for primary and secondary market sales of 144A securities. The additional liquidity in the private market is likely to attract new buyers and issuers, both domestic and foreign. It also may draw in mutual funds, pension funds, and other lenders who have faced restrictions or limitations on their holdings of nonregistered securities.

Mortgage Refinancing

This article was prepared by Glenn B. Canner and Charles A. Luckett of the Board's Division of Research and Statistics, and Thomas A. Durkin of the Office of the Secretary, with research assistance from Ian W. Burns and Wayne C. Cook.

In recent years, homeowners have raised substantial amounts of funds for various purposes by liquidizing some of the equity in their homes. One means of doing so, and the main topic of this article, has been to refinance an existing mortgage for an amount greater than the outstanding mortgage balance plus closing costs.

In an earlier article, we discussed the prevalence and use of home equity loans as another means of converting home equity to liquid form.[1] That report distinguished two types of such loans: "traditional home equity loans," which are closed-end loans that typically require repayment of interest and principal in equal monthly installments, and the newer "home equity lines of credit," which are revolving accounts that permit borrowing from time to time at the discretion of the account holder up to the amount of the credit line. Using either type of home equity loan, homeowners are able to borrow against the accumulated equity in their residential property to finance the purchase of goods and services or to repay other debts.[2]

This article focuses on mortgage refinancing, particularly as it is used to tap accumulated home equity. To the extent possible, this report draws comparisons between those who increase their net borrowing by refinancing and those who do so through the use of home equity loans. Most of the material regarding refinancings presented here is drawn from a consumer survey sponsored by the Federal Reserve Board during mid-1989. (For a description of the survey, see the appendix.) Comparative information on the use of home equity loans comes from a consumer survey conducted in 1988.[3]

The Economics of Refinancing

Most discussions of the decision to refinance a home mortgage have concentrated on the case in which the existing principal is refinanced but no new borrowing is undertaken.[4] A homeowner faces the question of whether to refinance whenever current mortgage interest rates drop below the rate on the homeowner's existing mortgage. To determine the attractiveness of refinancing, homeowners must weigh the prospective after-tax savings from lower interest costs against the costs of the refinancing transaction itself, including any mortgage fees (points), application and appraisal fees, and other costs associated with obtaining a new mortgage, as well as any prepayment penalty on the old mortgage. Because savings on interest accumulate gradually over time as scheduled payments are made, the amounts saved with each payment must be discounted to their present value by some appropriate rate, and their sum compared with the total cost of the refinancing. If the discounted present value of the stream of prospective after-tax savings in interest payments exceeds the after-tax refinanc-

1. Glenn B. Canner, Charles A. Luckett, Thomas A. Durkin, "Home Equity Lending," *Federal Reserve Bulletin*, vol. 75 (May 1989) pp. 333–44.

2. Of course, a fourth method of extracting equity is to sell the property and either purchase a lower-priced home or rent.

3. See Canner, Luckett, and Durkin, "Home Equity Lending."

4. For examples, see John Marquardt and Walt Woerheide, "Mortgage Refinancing: A Better Decision Rule and the Impact of Tax Reform," *Journal of Retail Banking*, vol. 10, (Fall 1988), pp. 23–31; Jeremy J. Siegel, "The Mortgage Refinancing Decision," *Housing Finance Review*, vol. 3 (January 1984), pp. 91–97; Arefaine G-Yohannes, "Mortgage Refinancing," *Journal of Consumer Affairs*, vol. 22 (Summer 1988), pp. 85–95.

ing costs, a homeowner might opt to refinance. However, several other considerations generally complicate the decision.

Cost Motivations Affecting the Decision

One consideration is the possibility that the homeowner might sell the property before the mortgage maturity date, thus reducing the total (and present value) of expected future interest savings. If the property were sold relatively soon after a refinancing, the savings in interest costs that had accumulated by that time would probably not offset the transaction costs associated with obtaining the new loan, unless the reduction in rate were unusually large.[5] This uncertainty about length of residence is one reason that most rules-of-thumb about whether to refinance incorporate the dictum that the costs of refinancing be recoverable within two years.

Uncertainty about the future course of interest rates also affects the refinancing decision. Seemingly, a homeowner should refinance whenever mortgage interest rates drop enough to generate a positive net saving on interest costs within a reasonable period of time. However, the timing of this decision is important because, if interest rates continue to fall, the homeowner will reap even larger savings by waiting to refinance. Thus, the decision to refinance depends on the homeowner's expectations about future interest rates weighed against the amount of savings available from an immediate refinancing, guided by the homeowner's willingness to forgo a known gain for the possibility of a larger one.[6] Generally speaking, if a rise in rates and a fall in rates of the same amount were viewed as equally likely, and the savings currently available from refinancing were relatively modest, the typical homeowner with a fixed-rate mortgage would probably choose to wait. The most that could be lost in the event of rising rates would be the relatively small savings currently available—a large rise in rates would have no more adverse effect than a small rise in rates. But a large drop in rates in the future would allow a large reduction in interest costs, so that the possible benefits of waiting to refinance would outweigh the possible costs. The situation is different if the homeowner has an adjustable-rate mortgage; in that case, the prospect of rising rates creates a greater incentive to refinance because it is possible for the rate on the existing mortgage to adjust to some level above the current one.

Before the 1980s, virtually all refinancings involved the payoff of one fixed-rate mortgage with the adoption of a new fixed-rate mortgage. But the growth of adjustable-rate financing in the past decade has multiplied the possible configurations a refinancing can have: A homeowner can also move from a fixed-rate loan to an adjustable one, from an adjustable to a fixed, or from one adjustable-rate loan to another.

The decision to refinance with an adjustable- or with a fixed-rate mortgage involves many of the same factors considered in the creation of the original home-purchase mortgage. Adjustable-rate mortgages (ARMs) are typically offered with initial rates lower than those available on fixed-rate loans—sometimes with deeply discounted rates for the first year or two.[7] But, because the

5. The closing costs associated with a refinancing are generally treated as a front-end, lump-sum cost. Although these closing costs are frequently added to the balance owed on the new loan, the present value of the payments associated with financing the closing costs is essentially equal to a lump-sum payment if the discount rate applied is equal to the interest rate on the new loan. A small difference between the two amounts may exist, however, owing to tax effects. If the closing costs on a refinancing are financed, the interest paid on those borrowed funds is fully tax deductible. On the other hand, if a lump-sum payment of closing costs is made, only the portion of the closing costs that constitutes points (prepaid interest) is tax-deductible, and it must be amortized over the life of the loan.

6. The option of a rapid sequence of refinancings as rates decline is generally not feasible because prepayment penalties and mortgage fees make it too costly.

7. On most ARMs, the interest rate is set in reference to some "index" rate determined by market forces, such as the yield on one-year Treasury securities. A markup over the index rate, the "margin," is also specified in the contract. The mortgage rate, calculated as the index rate plus the margin, is reset from time to time, frequently at one-year intervals. Rate adjustments are usually subject to certain limitations: Most ARMs contain "caps" on how much the rate may rise in a year and over the life of a loan; annual caps of 2 percentage points and lifetime caps of 5 percentage points are common. The initial rate on an ARM is virtually always lower than the rate on a fixed-rate loan of comparable maturity and loan-to-value ratio. The lower rate reflects the fact that much of the "interest rate risk" of long-term loan contracts is shifted from the lender to the borrower in an ARM transaction. The borrower needs the incentive of a

rate is adjustable, the borrower is exposed to increasing interest expense should rates rise, subject to the allowed frequency of adjustment and the limitations of any annual and lifetime caps on the mortgage rate. Expectations regarding future rates may thus play a key role in the homebuyer's opting for a fixed- or adjustable-rate loan initially or in a refinancing. In general, when rates are at the low end of the homebuyer's expectations, it makes sense to obtain fixed-rate financing, "locking in" the comparatively low rate. If rates are expected to rise sharply in the future, a homeowner with an ARM, as noted above, may choose to refinance into a fixed-rate loan (FRM), even when the new (fixed) rate is close to or above the rate currently in force on the ARM.

Expected length of residence may also be a crucial factor in deciding whether to refinance with an adjustable- or with a fixed-rate loan. As noted earlier, homeowners who expect to move very soon would probably not benefit from refinancing. However, those who plan to move within two years or so might find it optimal to refinance with an initially discounted ARM, since the brunt of an upward adjustment to higher market interest rates might not take effect until the move was imminent. Some homeowners might attempt a strategy of refinancing at regular intervals into initially discounted ARMs, assuming that such instruments continue to be offered.

Other Reasons to Refinance

Mortgage debtors may also elect to refinance for reasons other than obtaining lower interest costs on the existing principal. For example, liquidity-constrained homeowners might wish to reduce the size of their monthly payments, even if lower rates are not available. This reduction in monthly payments could be accomplished by refinancing for a longer term than the remaining life of the existing mortgage.

Another reason to refinance, as noted, is to raise additional funds. In the household survey, nearly 60 percent of those who refinanced also borrowed additional funds. Many of these households obtained a lower rate than that on their old mortgage, but some accepted the same or a higher rate. The decision to raise new funds through refinancing hinges on the size of the existing loan relative to the amount of new funds sought, the comparative rates on the existing and prospective substitute loans, and the rates and terms available through alternative means of financing. If they can qualify for a refinancing, most homeowners, depending on the amount needed, will also be able to obtain funds using a home equity loan, a personal loan, or a credit card account. In most cases, a first mortgage carries the most attractive available rate, so that refinancing is often the best choice for raising a large amount of new funds. On the other hand, if the existing mortgage carries a very low rate and is large relative to the new funds required, a refinancing might best be avoided. The homeowner would probably not benefit by giving up the attractive old rate. Nonrate considerations also affect the decision. A home equity credit line, for instance, provides more flexibility for subsequent borrowing and might be more appropriate for handling repetitive credit needs, such as tuition expenses, even when rate comparisons seemed to favor a refinancing.

RESULTS OF THE BOARD'S CONSUMER SURVEY

To obtain information about mortgage refinancing, the Federal Reserve Board sponsored a survey of households in 1989. In total, the survey included a nationally representative sample of 1,514 families. The following sections present the results of the survey.

Prevalence of Refinancing

Nationwide, the consumer surveys show that roughly 67 percent of all households own their homes, a figure consistent with Census Bureau statistics. The majority of these homeowners have an outstanding mortgage obligation on their

lower initial cost to accept the risk of a higher future cost. Sometimes, as a stronger inducement for the borrower to choose an ARM, the lender reduces the initial rate even below the level implied by the index-plus-margin formula; these initially discounted rates are popularly known as "teaser rates." In the past two years, roughly 60 percent of ARMs originated carried an initial rate discount.

1. Holdings of first mortgages and refinancing activity, by region, 1989

Percentage distribution

Debt status of homeowners	All regions	West	North Central	North-east	South
Mortgage status					
No mortgage	46	34	49	44	49
First mortgage or land contract	54	66	51	56	51
Total	**100**	**100**	**100**	**100**	**100**
Refinancing activity					
Percentage of mortgage debt holders who refinanced first mortgage or land contract	20	26	20	27	13
MEMO:					
Percentage of mortgage debt holders who held a home equity loan	15	14	12	26	11

NOTE. All statistics in this and the following tables are based on weighted observations.

SOURCES. For refinancing, see Surveys of Consumer Attitudes, June, July, September 1989, Survey Research Center, University of Michigan. For home equity loans, see Survey of Consumer Attitudes, July–December 1988, Survey Research Center, University of Michigan.

primary residence (table 1). However, there is considerable regional variation in the holding of such debt. For example, two-thirds of the home-owning families in the Western region of the country have mortgage debt, while only half of those in the South and in the North Central region have such an obligation. There is also considerable variation across regions in the proportion of mortgage debt holders who have refinanced their home loans. Nationally, one-fifth of all mortgage debt holders have refinanced their first mortgage. However, the proportion of mortgage debt holders who have refinanced ranges from a low of 13 percent in the South to slightly more than 25 percent in the Northeast and Western regions.

The overall proportion of mortgage debt holders who have refinanced their primary mortgage has increased markedly over the past decade or so. Results from the 1977 Survey of Consumer Credit indicate that as of 1977 only 8 percent of homeowners with first mortgage debt had refinanced, well below the current figure of 20 percent.[8] This change in the prevalence of refinancing activity over time undoubtedly reflects the greater swings in interest rates in the period since 1977, which have presented more opportunities for homeowners to benefit from refinancing, and also reflects the availability of more home equity, created in substantial part by rapidly rising house prices during the late 1970s and portions of the 1980s.

The effects of interest rate levels on the volume of refinancing are illustrated in table 2, which shows the percentage distribution of refinancing by the year of the refinancing for the families surveyed in 1989. Relatively few homeowners refinanced during the early 1980s, when mortgage rates were well into double-digit figures. However, refinancing activity picked up in the mid-1980s and was especially strong in 1986 and 1987, when interest rates were substantially lower than in previous years. Aggregate data on refinancing activity, which are available only for thrift institutions and for loans guaranteed by the Veterans Administration, show a similar pattern (chart 1). In both cases, refinancing accounted for a much larger portion of loan originations in 1986 and 1987 than in other years. In 1986, for example, nearly

8. Thomas A. Durkin and Gregory E. Elliehausen, *1977 Consumer Credit Survey* (Board of Governors of the Federal Reserve System, 1978) p. 92.

2. Year in which first mortgage was refinanced and prevailing interest rates on conventional home mortgage loans

Year in which refinancing occurred	Percentage of all refinanced loans in survey[1]	Interest rate (percent)[2]
Before 1980	8	...
1980	5	12.25
1981	0	14.16
1982	1	14.47
1983	2	12.20
1984	4	11.87
1985	10	11.12
1986	23	9.82
1987	27	8.94
1988	12	8.81
1989[3]	9	9.76
Total	**100**	...

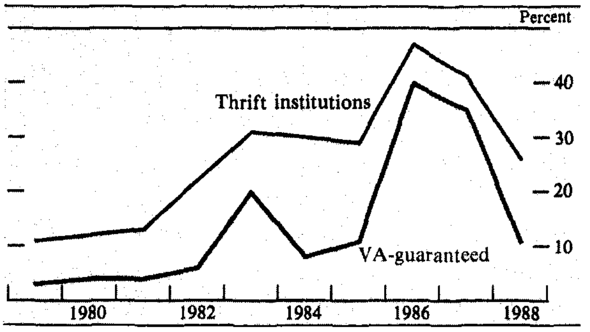
1. Refinancing activity in years before 1986 may be understated somewhat in this table. Some homeowners may have refinanced a loan more than once; however, only the most current refinancing activity is reported. Multiple refinancing is most likely to have occurred with respect to loans originated in 1981 or 1982 and refinanced in the 1983–85 period, when mortgage rates dropped well below those in effect in the early 1980s, then subsequently refinanced a second time in 1986 or 1987, when mortgage rates dropped sharply again.

2. Average contract rate on conventional mortgages for new homes.

3. Through September 1989.

SOURCES. For the distribution of refinancings, see Surveys of Consumer Attitudes, June, July, September 1989, Survey Research Center, University of Michigan. For prevailing interest rates, see *Federal Reserve Bulletin*, table 1.53, p. A37, selected years.

1. Refinancing as a proportion of total dollar amount of mortgage loan originations



half of all mortgage loan originations (measured in dollars) at thrift institutions were refinancings.

As noted, roughly 20 percent of all mortgage debt holders have refinanced their first mortgage loan. However, the proportion of total first mortgage debt outstanding accounted for by these refinanced loans is about 23 percent. The share accounted for by refinancing is larger in terms of the amount of total debt because many of the refinancings involved additional borrowing, and most of the refinanced mortgages were more recent in origin, and therefore larger, than the average of all loans outstanding. The evidence suggests that refinanced loans include a heavy concentration of loans replacing ones originated in the early 1980s, while the total stock of mortgage debt includes many loans made earlier when house prices were lower.

Sources of Refinancing and Home Equity Loans

Homeowners have refinanced mortgage debts through a wide range of financial institutions, although commercial banks and savings institutions (savings and loan associations and savings banks) have been the predominant sources of funds (table 3). Other creditors, such as mortgage and finance companies, also have a significant market share, together accounting for about one-quarter of the refinancings. This division of the market is similar to that for traditional home equity loans. In contrast, finance companies and other nondepository sources of

3. Sources of refinancing and home equity loans
Percentage distribution, by type of loan

Source	Refinancings	Home equity lines of credit	Traditional home equity loans
Commercial banks	34	54	33
Savings institutions[1]	40	31	27
Credit unions	3	11	8
Other creditors[2]	24	4	32
Total	**100**	**100**	**100**

1. Includes savings and loan associations and savings banks.
2. Incudes finance companies, brokerage firms, mortgage companies, previous owner, contractor or developer, employer, government agency, relative, friend, or other private party.

SOURCES. For refinancings, see Surveys of Consumer Attitudes, June, July, September 1989, Survey Research Center, University of Michigan. For home equity loans, see Surveys of Consumer Attitudes, July–December 1988, Survey Research Center, University of Michigan.

credit play a much smaller role in the market for home equity lines of credit.[9]

Reasons for Refinancing

As discussed earlier, consumers who refinance may do so for two very different reasons, although in some instances both reasons may be motivating factors. For some mortgage debt holders, the sole motive to refinance is to reduce the payment burden of the existing debt, either by obtaining a lower interest rate or by extending the term of the loan.[10] For other homeowners, the decision to refinance reflects primarily a desire to extract accumulated home equity in order to finance the purchase of goods and services, including additional real estate, or to repay other debts.[11] Of course, some homeowners who refinance and liquidize equity may also be influ-

9. See Canner, Luckett, and Durkin, "Home Equity Lending" table 1, p. 335.

10. In addition, some consumers may elect to refinance an adjustable-rate mortgage with a fixed-rate loan, even without a lower rate, in order to eliminate the risk of future increases in payments.

11. In a recent paper, Manchester and Poterba found a negative correlation between the occurrence of a refinancing and changes in net worth. This suggests that, on average, a portion of equity liquidized during refinancings is used for consumption rather than investment purposes (reinvesting liquidized equity would leave net worth unchanged), although it could reflect portfolio adjustments made in response to declines in the value of other assets. See Joyce M. Manchester and James M. Poterba, "Second Mortgages and Household Saving," *Regional Science and Urban Economics*, vol. 19 (May 1989), pp. 325–46.

enced by the opportunity to obtain more attractive rates than the ones on their existing mortgage loans.[12] Consumer responses to the Board-sponsored surveys are consistent with these broad motivational distinctions. Eighty percent of those who refinanced but did not simultaneously liquidize equity mentioned more attractive credit terms (mainly lower interest rates) as their motive to refinance. On the other hand, fewer than half of those who liquidized equity cited better terms as a motive to refinance. Thus, it appears that the majority of those who liquidize equity in the course of refinancing are motivated primarily by the opportunity to extract equity from their homes rather than by the opportunity to obtain better financial terms on their new versus old mortgage loan.

Comparisons with the results of Board-sponsored consumer surveys in 1988 suggest that those who refinance to mobilize equity use their "extra" borrowed funds in much the same manner as those who have obtained home equity loans (table 4). For both groups the two most frequent uses of borrowed funds are to finance home improvements and to repay other debts. The latter motivation has likely become particularly important in recent years because the Tax Reform Act of 1986 has largely eliminated the deductibility of interest paid on nonmortgage consumer credit. The purchase of real estate is another fairly common use of both home equity loans and extra funds obtained during a refinancing.

Adjustable- and Fixed-Rate Refinancing

Among the refinancing transactions studied in the survey, slightly more than 80 percent of the original loans had fixed rates (table 5), roughly the same proportion of FRMs as among all mortgages surveyed. Sixty-five percent of all refinancings involved payoff of one FRM with another FRM, and 13 percent of the cases involved a switch from an ARM to an FRM. The large number of refinancers that opted for fixed-rate financing is not surprising insofar as borrowers tend to refinance when rates are perceived as low, and the inclination is to lock in low rates with fixed-rate loans. Still, 17 percent of those who refinanced switched from a fixed-rate loan to an adjustable one. These "fixed-to-adjustable" refinancers seemed to divide into two main groups. About half had relatively small balances remaining on their original mortgages, often with a very low interest rate, and they borrowed substantial amounts of new funds. In these cases, the primary objective was clearly to raise new funds. Refinancing an existing mortgage was apparently the cheapest way to do it, notwith-

4. Uses of liquidized equity, by type of loan

Proportion of debtors citing use[1]

Use	Home equity lines of credit: Initial draw	Home equity lines of credit: All other draws[2]	Traditional home equity loan	Refinancing resulting in liquidized equity
Home improvement	38	58	45	46
Repayment of other debts	40	28	35	36
Education	11	20	1	3
Real estate	10	2	16	17
Auto, truck	7	30	5	5
Medical	3	16	0	2
Business	4	7	6	8
Vacation	1	11	0	2
Other[3]	11	23	5	7

1. Proportions add to more than 100 percent because multiple uses could be cited for a single loan or drawdown and because a number of draws could be cited for one line of credit.
2. One-third of account users made no drawdown after the original one.
3. Includes purchases of furniture or appliances, tax payments, personal financial investments, and purchases of boats or other recreational vehicles.
SOURCES. For refinancings, see Surveys of Consumer Attitudes, June, July, September 1989, Survey Research Center, University of Michigan. For home equity loans, see Surveys of Consumer Attitudes, July–December 1988, Survey Research Center, University of Michigan.

5. Percentage of refinanced loans with fixed and with adjustable rates, 1989

Type of refinanced loan	Type of original loan: Adjustable rate	Fixed rate	Total
Adjustable rate	5.4	16.9	22.3
Fixed rate	13.0	64.7	77.7
Total	**18.4**	**81.6**	**100.0**

SOURCE. Surveys of Consumer Attitudes, June, July, September 1989, Survey Research Center, University of Michigan.

12. In some cases homeowners need to refinance to repay the balance due on a short-term mortgage. Such loans, commonly referred to as balloon mortgages, typically incorporate periodic payments based on a relatively long amortization period, but with a lump-sum principal payment due in the near term, typically five years. Such loans are the standard method of financing home purchases in Canada but are relatively rare in the United States.

standing the sacrifice of the low rate on the old balance. The other half refinanced fairly large balances, in most cases with cost reduction as a key objective. Many of these refinancers were apparently attracted by big initial rate discounts: Their refinancings were generally recent (in 1986 or later), and the initial rate after the refinancing was substantially below the current rate, although interest rates generally have not risen much since 1986. Interestingly, the current rate in most of these cases was still at least somewhat below the rate on the original fixed-rate loan.

Amount Borrowed When Liquidizing Equity

On average, consumers who liquidize equity during refinancings borrow about 25 percent of their accumulated equity. For some refinancers, the amount of extra funds borrowed can be quite large. For those who borrowed additional funds during refinancings between 1986 and September 1989, 15 percent obtained more than $25,000 (table 6). The mean and median amounts of extra funds borrowed were $25,145 and $15,941 respectively. These amounts were about the same as for homeowners who borrowed through traditional home equity loans during a similar time period. The mean and median for the latter were $22,534 and $15,905 respectively.

6. Amount of home equity liquidized in a refinancing, 1986–September 1989

Percentage distribution, except as noted

Amount of liquidized equity (current dollars)[1]	Percentage of total refinanced loans
None	51
1–9,999	19
10,000–24,999	15
25,000 or more	15
Total	**100**
MEMO:	
Mean (dollars)	25,145
Median (dollars)	15,941

1. Amount borrowed during refinancing that exceeds repayment of old mortgage plus closing costs. Includes only those homeowners who refinanced in the period 1986 through September 1989 and who borrowed more than necessary to repay old mortgage plus closing costs.

SOURCE. Surveys of Consumer Attitudes, June, July, September 1989, Survey Research Center, University of Michigan.

7. Percentage of refinancers who liquidized equity, by region, 1989

Refinancing status[1]	All regions	West	North Central	North-east	South
Mortgage holders with a refinanced loan					
No equity liquidized	43	31	51	29	68
Equity liquidized	57	69	49	71	32
Total	**100**	**100**	**100**	**100**	**100**

1. Equity is liquidized when homeowners refinance mortgage debt and borrow more than is necessary to repay the balance on the old mortgage plus closing costs on the new loan.

SOURCES. Surveys of Consumer Attitudes, June, July, September 1989, Survey Research Center, University of Michigan.

Regional Pattern of Equity Extraction

As noted above, nationwide, nearly 60 percent of those who refinanced their first mortgage liquidized some equity (table 7). The sample size is too small to draw strong conclusions about regional patterns, but the limited evidence suggests that borrowing additional funds through refinancing may have been more common in the Western and Northeastern regions of the country. If so, this regional pattern would be similar to the one that holds for the use of home equity credit: The proportion of mortgage debt holders with a home equity loan in the Northeast is more than twice that pertaining in the South or in the North Central region. Use of home equity loans is also higher in the West than in these latter two regions, although by a much smaller margin.

These regional variations in refinancing activity appear mainly to reflect underlying differences in the levels of home equity in the different sections of the country. Among the regions, both the Western and Northeastern areas have had relatively rapid appreciation in house prices over the past several years, although prices in the Northeast have softened recently. From the beginning of 1985 to the time of the survey in 1989, average prices on sales of existing homes rose 43 percent in the Northeast and 27 percent in the West, as compared with 14 percent in the South and 20 percent in the North Central region.[13]

13. "Home Sales," *Monthly Reports* (1985–89), National Association of Realtors, Economics and Research Division, Washington, D.C.

Summary and Concluding Observations

The two major reasons that homeowners refinance the mortgages on their homes are to reduce their debt-servicing costs by obtaining a lower interest rate or to raise additional funds by increasing the principal owed. These reasons are by no means mutually exclusive, of course; those who raise new funds may be motivated by an opportunity to lower the interest rate as well. In the survey discussed here, about 60 percent of the refinancers interviewed had borrowed additional funds in the process of refinancing.

Homeowners contemplating new borrowings have several alternatives to consider besides refinancing an existing mortgage. They can also tap the equity in their homes by taking out a traditional closed-end second mortgage or by obtaining a revolving home equity line of credit. Survey data indicate that these latter alternatives have been the more frequently chosen means of extracting equity in recent years. In one survey, 7 percent of all homeowners had a refinanced mortgage that involved the raising of additional funds; in another survey, about 11 percent of homeowners had a home equity loan of one type or the other. Whatever the means of borrowing against home equity, the surveys indicate that the principal uses of the additional funds are the same: namely, to finance home improvements and to repay other debts. Also, the additional amounts borrowed through refinancing, roughly $25,000 on average, appear similar in size to the amounts owed on traditional home equity loans, and somewhat larger than the average balances owed on equity-secured lines of credit.

The ability to borrow against accumulated home equity provides homeowners with a means to reduce liquidity constraints on their consumption patterns; that is, it enables them to tailor expenditures to current needs in light of expectations about their income and asset holdings over the long term. The generally lower cost of borrowing against home equity compared with other types of financing suggests some positive effect of its availability on total consumption. However, insofar as most research has found consumption to be determined principally by income, the availability of home equity credit likely affects the timing of a household's consumption more than its total over a lifetime.

Overall refinancing activity in coming years will depend in an important way on movements in interest rates, as it always has. Unless mortgage interest rates drop substantially or exhibit wider swings in the next few years than they have since the mid-1980s, the incentive to refinance as a cost-reducing measure will probably be muted in the near to medium term. However, refinancing to raise new funds, as well as borrowing through home equity loans, could be expected to grow proportionately with general economic activity. Although more sluggish increases in real estate values recently may damp consumer appetites for liquidizing equity and may influence creditors to lend more cautiously, the amount of untapped equity in the country remains substantial and growing.

Appendix: Survey of Consumer Attitudes

To obtain information on the prevalence of residential mortgage refinancings by homeowners and the extent to which refinancings are used to liquidize accumulated equity, the Federal Reserve Board sponsored questions that were included in the Survey of Consumer Attitudes for the months of June, July, and September 1989. The Survey Research Center at the University of Michigan conducted the surveys. Interviews were conducted by telephone, with telephone numbers chosen from a cluster sample of residential numbers. The sample was chosen to be broadly representative of the four main regions—Northeast, North Central, South, and West—in proportion to their populations (Alaska and Hawaii were not included). For each telephone number drawn, an adult from the family was randomly selected as the respondent. The survey defines the family as any group of persons living together who are related by marriage, blood, or adoption, and any individual living alone or with persons to whom the individual is not related.

Together the surveys sampled 1,514 families, 1,050 of whom were homeowners. Among the homeowners, roughly 54 percent had an outstanding mortgage or land contract. Overall, 114 homeowners reported that their outstanding first mortgage was a refinanced loan. The survey data have been weighted to be representative of the population, thereby correcting for differences among families in the probability of their being selected as survey respondents. All statistics in the tables are based on weighted observations. Estimates of population characteristics derived from samples are subject to errors based on the degree to which the sample differs from the general population. Table A.1 indicates the sampling errors for proportions derived from samples of different sizes.

A.1 Approximate sampling errors of survey results, by size of sample[1]

Survey result (percent)	Size of sample			
	100	300	1,400	3,000
50	10.5	6.2	3.2	2.5
30 or 70	9.6	5.7	2.9	2.3
20 or 80	8.4	4.9	2.6	2.0
10 or 90	6.3	3.7	1.9	1.5
5 or 95	4.6	2.7	1.4	1.1

1. Ninety-five percent confidence level, 1.96 standard errors.

Industrial Production and Capacity Utilization

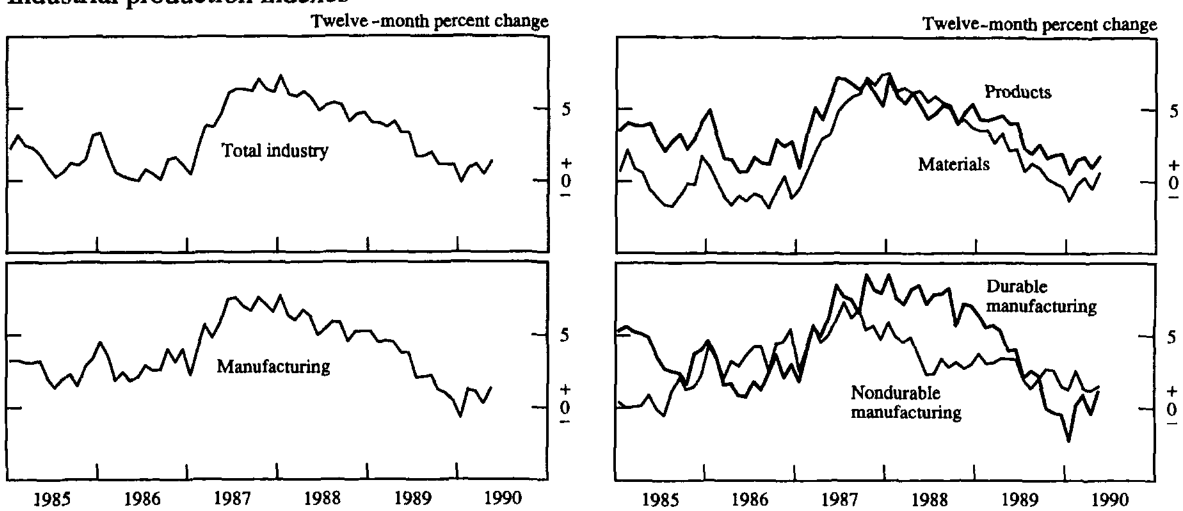
Released for publication June 15

Industrial production rose 0.6 percent in May after no change in April; industrial capacity utilization increased 0.3 percentage point in May to 83.6 percent.

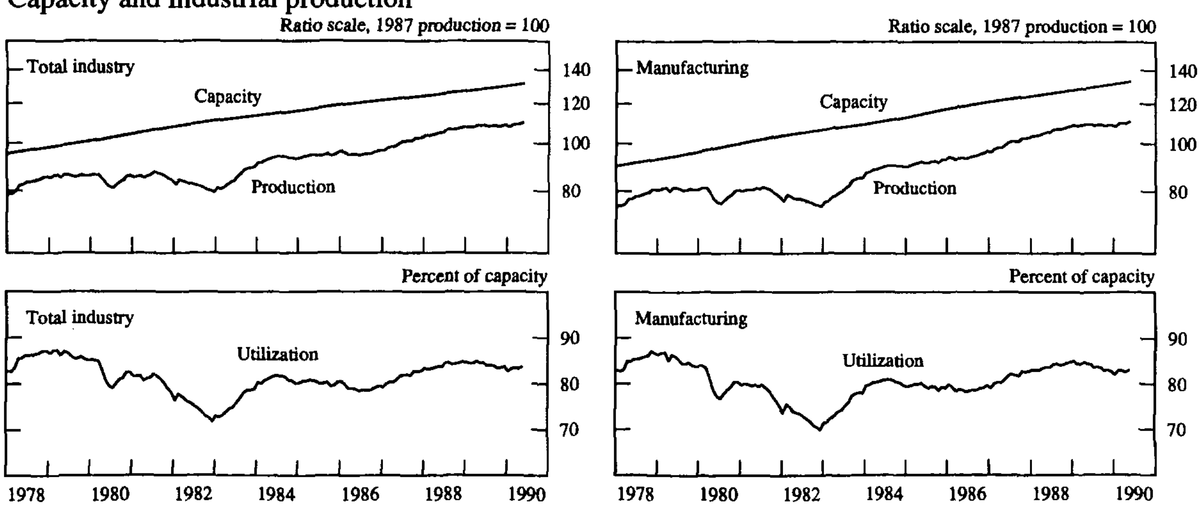
A rebound from last month's sharp decline in motor vehicle production accounted for much of the May increase in industrial production. Excluding motor vehicles and parts, industrial production increased 0.2 percent in May and 0.4 percent in April. During the past year, total industrial production has risen 1.3 percent to 109.7 percent of its 1987 annual average.

In market groups, the increase in production of motor vehicles and related parts in May boosted significantly the indexes for durable consumer goods, business equipment, and durable goods

Industrial production indexes



Capacity and industrial production



All series are seasonally adjusted. Latest series: May.

Industrial production	1987 = 100				Percentage change from preceding month				Percentage change, May 1989 to May 1990
	1990				1990				
	Feb.^{r}	Mar.^{r}	Apr.^{r}	May^p	Feb.^{r}	Mar.^{r}	Apr.^{r}	May^p	
Total index	**108.5**	**109.0**	**109.0**	**109.7**	**.9**	**.5**	**.0**	**.6**	**1.3**
Previous estimates	108.5	109.1	108.7	...	.9	.5	−.4	...	...
Major market groups									
Products, total	***109.7***	***110.8***	***110.6***	***111.6***	***1.1***	***1.0***	***−.1***	***.9***	***1.9***
Consumer goods	107.0	107.6	107.4	108.0	.9	.6	−.2	.5	1.1
Business equipment	120.1	122.3	121.9	123.9	1.7	1.8	−.3	1.7	3.1
Construction supplies	108.2	106.9	106.6	106.5	.3	−1.3	−.3	−.1	.5
Materials	107.1	107.2	107.5	108.0	.8	.1	.3	.5	.6
Major industry groups									
Manufacturing	109.6	109.9	109.7	110.6	1.4	.2	−.2	.8	1.3
Durable	110.7	111.9	111.2	112.6	2.0	1.0	−.6	1.3	1.1
Nondurable	108.3	107.3	107.8	107.9	.7	−.9	.4	.2	1.5
Mining	101.0	100.8	102.5	102.5	−.7	−.2	1.7	−.0	1.4
Utilities	104.0	107.7	108.5	107.3	−2.6	3.6	.7	−1.1	1.0

Capacity utilization	Percent of capacity								Capacity growth, May 1989 to May 1990
	Average, 1967–89	Low, 1982	High, 1988–89	1989	1990				
				May	Feb.	Mar.	Apr.	May^p	
Total industry	**82.2**	**71.8**	**85.0**	**84.6**	**83.2**	**83.4**	**83.3**	**83.6**	**2.5**
Manufacturing	81.5	70.0	85.1	84.5	83.0	82.9	82.6	83.0	3.0
Advanced processing	81.1	71.4	83.6	83.4	81.7	82.0	81.5	82.1	3.3
Primary processing	82.3	66.8	89.0	87.0	86.1	85.2	85.1	85.2	2.4
Mining	87.3	80.6	87.2	86.3	87.3	87.2	88.9	88.9	−1.7
Utilities	86.8	76.2	92.3	84.8	82.5	85.4	85.9	84.9	.9

^{r}Revised. ^{p}Preliminary. NOTE. Indexes are seasonally adjusted.

materials. Excluding autos and trucks, production of consumer goods was about unchanged in May and has been flat, on balance, since last fall. Business equipment, excluding motor vehicles, rose 1 percent in May, reflecting widespread gains; since February, output in this sector has risen sharply owing mainly to advances in information processing and industrial equipment. Production of construction supplies edged down in May, continuing its recent weakness. Among materials, output of nondurables grew little in May and has risen only slightly since January; production of energy materials fell 0.8 percent as electricity generation and crude oil extraction declined.

In industry groups, production in manufacturing increased 0.8 percent in May, bringing the factory operating rate up 0.4 percentage point to 83.0 percent. Output at mines was unchanged while utilities production fell 1.1 percent.

Within manufacturing, capacity utilization for advanced processing industries rose 0.6 percentage point in May, principally as a result of the rebound in motor vehicle production, while the rate for primary processing industries was little changed. Aside from motor vehicles and parts, sizable output gains in May also occurred in nonferrous metals, fabricated metals products (reflecting, in part, increased auto body stampings), instruments, miscellaneous manufactures, and rubber and plastic products. However, for most of these industries, their recent improvements have only brought their utilization rates back to levels reached since late last year; the operating rate for miscellaneous manufactures has increased in every month since January to reach its highest rate since March 1972. At the same time, however, output for lumber and clay, glass, and stone products—both construction-related industries—has weakened significantly since the start of the year, and their operating rates have dropped several percentage points.

Statements to the Congress

Statement by John P. LaWare, Member, Board of Governors of the Federal Reserve System, before the Committee on Small Business, U.S. House of Representatives, June 6, 1990.

I am pleased to be here on behalf of the Board of Governors to discuss credit availability to small businesses. The Board recognizes the important role played by small firms and commercial enterprises in providing jobs and fostering economic growth. We also recognize the responsibilities of commercial banks as major suppliers of credit to the business sector and, in particular, to many small businesses that lack the diversified funding sources or to larger ones. One of the Federal Reserve's principal objectives in its capacity as a bank supervisory agency is to promote a sound, competitive, and innovative banking system—a system that can effectively provide credit and other important banking services within the context of a strong and stable economy.

In my remarks today, I would like first to review what the relevant data suggest about the availability of credit in the economy. Then, I will address the supervisory role and objectives of the Federal Reserve and briefly discuss concerns that the supervisory or examination process, itself, may be contributing to reduced credit for certain sectors or regions of the country. At the outset, I would point out that a slowdown in lending in certain markets seems entirely warranted given current economic conditions and the need for some lenders to strengthen underwriting standards in light of higher levels of loan losses.

General Availability of Credit

Historically, commercial banks have played a key role in financing economic growth, and, obviously, they still do. In this regard, there has been much concern of late about the availability of bank credit, especially for particular sectors and regions. As I will discuss in a moment, there are clearly pockets of slowing business activity that are affecting both large and small firms. In response, banks have tightened terms and cut back lending in those sectors. The effects are most dramatic for commercial real estate and merger-related types of transactions, and it seems likely that activity in both of these areas is being affected to some extent.

Tighter terms also are evident in lending to small- and medium-sized businesses. Still, there is little evidence of a widespread overreaction to changing conditions—an overreaction that could materially worsen the situation for these firms. Growth of bank credit has slowed in recent months, but on balance it appears that the economy's credit needs are being met.

Let me review the evidence more closely. Aggregate statistics show that the flow of credit through banks to businesses and households slowed during the first five months of this year from the pace in 1989. Weak real estate markets, especially in the construction and commercial areas, have contributed to this decline. The softness reflects a combination of factors related to overbuilding, high prices in some areas, a perceived slowing of the economy, and specific market conditions. In some overbuilt areas—notably New England and the Southwest—the quality of mortgage credit has deteriorated markedly as reflected in high delinquency rates and rising loan charge-offs.

In this environment, banks should be taking a more cautious approach, and recent surveys indicate that they are. Most commonly, banks have strengthened their lending criteria, for example, by lowering their maximum loan to value ratios on construction loans, requiring more collateral, and imposing stricter covenants on loans. Many banks also have curtailed lending on income-producing properties; about 80 percent of the respondents to a recent Federal Reserve survey of senior lending officers indicated that they had tightened lending for commercial office buildings.

In contrast to their actions in commercial real estate lending, banks appear not to have pulled back from the single family housing market. While slowing some in response to higher interest rates, the growth of residential mortgage credit seems to have been reasonably maintained. Existing home sales this year are not much changed from last year's average, and spreads between home mortgage rates and other market rates, such as those on government bonds, are currently narrow by historical standards, despite the contraction in residential lending at thrift institutions. The development of the mortgage-backed securities market has undoubtedly eased much of the pressure that we might otherwise have felt in this market because of the problems of the thrift institutions by making it possible for other investors to readily fill the void.

In other areas, the most notable cutbacks have been in lending either to finance mergers and acquisitions or to defend against them. This decline reflects greater caution on the part of lenders as well as a reassessment by corporations of the benefits of restructuring in view of the problems in certain sectors and the recent difficulties of some highly leveraged borrowers. I view that slowdown as appropriate in these circumstances.

Other business lending—that is, lending unrelated to real estate or mergers—also has slowed since year-end. However, our survey suggests that this decline is related mostly to reduced credit demands, presumably caused by a slower economy. Those banks that indicated they were taking steps to tighten credit most often cited as reasons their concerns about the general economy or the prospects for particular industries, followed by concerns with the quality of their loan portfolios. Regulatory pressures were also mentioned, but less frequently.

A recent survey of small businesses conducted by the National Federation of Independent Businesses (NFIB) found less borrowing by small firms, but it supported the view that during the first quarter these firms had no unusual difficulty obtaining the credit they sought. Complaints about credit stringency in the NFIB survey remain well below the number registered during 1980–81. These results seem broadly consistent with our own survey, in which most banks reported "somewhat" rather than "much" tighter lending terms.

There are some notable exceptions to this picture. In New England, commercial bank loans fell in the first quarter more than 1.0 percent, after having adjusted for loan sales and charge-offs. This decline followed an extended period of rapid growth and lends credence to the many anecdotal stories of credit restraint in that area.

On balance, aggregate measures of credit flows, while slowing, do not show evidence of a significant change in credit availability. We recognize, however, that to the extent that terms and conditions of lending have changed, they would be expected to show through to aggregate measures of credit flows with a lag. The Federal Reserve, of course, will continue to monitor the credit markets carefully.

SUPERVISORY ROLE

It is important to point out here that the tightening of credit standards that has occurred so far is appropriate from the point of view of macroeconomic stability, as well as from a supervisory perspective, if the purpose is to correct for past deficiencies or to accommodate a slower, more sustainable pace of economic growth. Nevertheless, some people have argued that the activities of bank examiners have contributed to a tightening of credit. The Federal Reserve would, of course, be concerned if the examination process resulted in an unwarranted decline in lending to creditworthy borrowers or for projects that are economically or financially sound. To address that point, I would now like to discuss briefly the Federal Reserve's supervisory activities and objectives.

The Federal Reserve has long had the view that frequent on-site examinations based on an evaluation of asset quality are central to a strong supervisory process. That approach is founded on the knowledge that credit losses have almost always been the principal cause of commercial bank failures. Accordingly, a key function of the examiners is to evaluate credits and ensure that assets are reflected in the financial statements of the banks at appropriate values. Without performing that review, examiners cannot evaluate the underlying adequacy of a bank's capital or the real profitability and solvency of its business. Such a review is also necessary to identify problems in a timely fashion and to encourage appropriate corrective actions before the problems reach a more serious stage.

When evaluating credits, examiners consider the adequacy of a borrower's cash flow, the value of any collateral, the existence of guarantees, and a variety of other factors, importantly including changes in market conditions. They review credit files containing appraisals and customer financial statements and make judgments about the nature of any expected loss. Much depends on the skill of the examiner, the information available to the bank, and the procedures used to evaluate market conditions. Loans that involve specific weaknesses or deficiencies that could jeopardize repayment or loans that involve the distinct possibility of loss are subject to examiner criticism. Such loans would generally include those that are based upon cash flow projections or collateral values not supported by current market conditions.

Examiners also evaluate loan administration and underwriting standards and internal risk control systems of the banks. Our experience suggests that these standards and controls have declined at some institutions or at least have not kept pace with the rising risks associated with certain lending activities. One of the goals of supervision is to encourage such institutions to take appropriate steps to strengthen their internal procedures. In the context of commercial lending, such steps might include requiring higher levels of borrower net worth, obtaining additional collateral or guarantees, applying more intense scrutiny to the creditworthiness of prospective borrowers, and placing greater emphasis on the adequacy of the borrower's net income and cash flow.

In carrying out their responsibilities, examiners do not attempt to allocate credit or tell bankers not to lend. That is not an examiner's role, nor is it the role of the regulatory agencies. Bankers, themselves, must determine what loans to make in recognition of their responsibilities to operate prudently while meeting legitimate credit needs of their communities.

Regulatory reviews should not cause bankers to stop lending to creditworthy borrowers or to refuse to work in a constructive fashion with borrowers who are attempting to strengthen their financial positions. Banks should frequently reassess their lending and credit review procedures, especially when economic conditions change, to ensure that their lending decisions are sound. However, they must also work with their customers to resolve problems and to permit new and emerging companies to grow. Doing so is in their own long-term interest and that of their communities.

During recent months, the media have carried numerous stories about problems that small to medium-sized businesses have had lately in getting or renewing their loans. Some companies have reported that they were required to provide more collateral than they had to in the past or were turned away altogether. Others have claimed that their banks dishonored prior commitments to lend, leaving construction projects unfinished.

While such cases no doubt exist, as a former banker, I do not believe that bankers *normally* deny loans to customers that they believe are creditworthy. It is certainly not good banking to do so. Most banks simply spend too much time and money building customer relationships to do that. Rather, as our survey evidence confirms, banks have tightened credit standards in view of softening real estate markets, a less favorable economic outlook for certain sectors, increased business risks, and, in some cases, rising levels of problem loans and loan losses. Undoubtedly, concerns about potential regulatory actions, or perceptions about the impact of examinations on other institutions, also have played a role in fostering a more cautious attitude toward extending credit in certain situations. Nevertheless, as I have suggested, I believe that strengthened lending standards are a reasonable and appropriate response to the economic and business conditions facing many banking organizations.

While the Federal Reserve has not changed its examination standards, examiners must apply these standards, using their own experiences and skills, in the current environment. We must recognize that an examiner's assessment of loans involves a measure of judgment and that this judgment may sometimes differ from that of bank management. Nevertheless, bankers and examiners have the common objective of ensuring that problem credits are identified and that underwriting and lending standards are prudent. Banks are subject to losses; that goes with lending funds. They have the responsibility, though, to use their funds wisely to serve their communities appropriately, protect the safety of customer deposits, and minimize undue risks to the deposit insurance system.

Current problems in real estate markets may be traced, in part, to earlier trends in credit flows. Until recently, real estate in most parts of the country has enjoyed strong growth and strong support from commercial banks. In the past four years, for example, commercial bank lending secured by nonfarm–nonresidential properties (in large part commercial office buildings) increased 123 percent, and total real estate loans virtually doubled. By comparison, total bank loans grew only 34 percent and bank assets less than that.

This increased real estate lending, combined with the lending activities of the savings and loan associations, has led to excessive office capacity in many markets throughout the country. In 1980, for example, downtown office vacancy rates in major cities averaged less than 4 percent nationwide. Currently, the average is more than 16 percent. In parts of the Northeast and Southwest, vacancy rates are much higher than that. Many banks that previously financed only the construction phase now find themselves providing medium-term financing after construction is completed because long-term investors cannot be found.

We should also recognize that several institutions need to strengthen their capital positions. That includes some banks in New England, where examinations have revealed large losses and other asset problems. Faced with a generally weak market for issuing new securities, banks there, and elsewhere, have decided to meet their capital requirements, at least partly, by curtailing new lending and selling assets.

Although reduced lending may disproportionately affect small firms with no resort to money markets or businesses without a proved credit history, it is important that regulators continue to maintain and enforce their standards, including minimum capital requirements. The thrift situation demonstrates all too vividly the adverse consequences that can flow from institutions assuming significant risks without an adequate commitment of owner or shareholder resources. Only well-managed and well-capitalized institutions will be in a position to weather market cycles and meet the long-term credit needs of their customers. Ultimately, we serve neither the banks nor the taxpayers if we fail to identify problems on a timely basis or permit undercapitalized banks to grow.

Conclusion

In closing, I would stress that the Federal Reserve is mindful of concerns about the availability of credit and has been watching for evidence that would validate these concerns. Lending terms have tightened in selected areas or for certain types of borrowers, but, as yet, we continue to see little indication of a process that is out of proportion with changes in underlying business conditions.

In our examination and regulation of banks, we are working to avoid actions that would prevent creditworthy borrowers from receiving loans. At the same time, we have a responsibility to foster prudent lending policies and adequate capital bases to promote stability in financial markets and to protect the taxpayer, whose credit ultimately backs insured deposits. Only in that context can we be certain of the continued vitality of our banking organizations, whose lending activities are essential to the further advance of the economy. □

Additional statement follows.

Statement by Wayne D. Angell, and Edward W. Kelley, Jr., Members, Board of Governors of the Federal Reserve System, before the Subcommittee on Domestic Monetary Policy of the Committee on Banking, Finance and Urban Affairs of the U.S. House of Representatives, June 14, 1990.

It is a pleasure for Governor Kelley and me to visit with this subcommittee today. This is the fourth time that I have had the opportunity to discuss and review the Federal Reserve System's expenses and budget with you. Today, as we look at the Federal Reserve System's budget for 1990, Governor Kelley will discuss the Board's budget and major initiatives, and my comments will focus on the Reserve Bank budgets as well as major System initiatives.

The Board has recently made available to the public and to this subcommittee copies of our publication entitled *Annual Report: Budget Review, 1989–90* presenting detailed information about spending plans for 1990. The attached tables have been updated for 1989 actual experience, and, therefore, some variations exist from data in that document.[1]

In January 1990 the Board decided to reduce the approved budgets of the Federal Reserve System $4.4 million to achieve a degree of restraint in the Federal Reserve comparable to the restraint imposed on the federal government by Gramm–Rudman–Hollings. Because the budgets were approved before making the Gramm–Rudman–Hollings cuts, the Board and the Reserve Banks are responsible for meeting this overall target but were not asked to detail the reductions.

While the Federal Reserve has been concerned historically about controlling costs, the Monetary Control Act of 1980 has provided additional motivation to control costs. As a matter of law, services provided to depository institutions must meet a clear market test. Specifically, all expenses (including overhead and the imputed cost of capital and taxes) involved in providing "priced" services are covered by charges to users. The markets for these correspondent banking services, in which we operate in providing those services, are highly competitive, thereby providing a strong and direct incentive to maintain our efficiency. Given these internal and external restraints on costs, the Federal Reserve System's expenses are projected to increase by an average annual rate of 5.1 percent from 1986 through 1990. This increase includes expenses for Supervision and Regulation initiatives, Expedited Funds Availability (EFA) legislation requirements, contingency planning initiatives, and several major initiatives for the U.S. Treasury Department. I would add that it is difficult to judge the degree of restraint in an organization's budget based solely on the growth rate of expenses. Our objective is to provide services at prices that promote efficiency and to perform those responsibilities given to us by the Congress in an effective manner.

For 1990, the Federal Reserve System has budgeted operating expenses of $1.5 billion, an increase of 5.0 percent over 1989 actual expenses. Before getting to the substance of our 1990 budget, I would remind the subcommittee of two aspects of Federal Reserve System operations that affect our budget in unusual ways. First, 41 percent of System expenses arise from services provided to depository institutions for which, by law, we charge fees adequate to cover all costs. Since additional costs of these services are more than recovered by additional revenues, any increases in costs result in increased earnings returned to the U.S. Treasury Department. Second, many fiscal agency operations are provided to the Treasury Department and other agencies on a reimbursable basis. Altogether, 59 percent of our total expenses are either recovered through pricing or are reimbursable. On a net basis the cost to the public of operating the Federal Reserve System is $621 million of the total $1.5 billion budget.

Historical Overview

It may be helpful to put the budget for 1990 in perspective by sketching the most recent ten-year history of System expenses. Between 1979 and 1989, Federal Reserve System expenses increased at an average annual rate of 6.8 percent;

1. The attachments to this statement are available on request from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

System employment increased at an average annual rate of 0.2 percent; and volume increased 32 percent over the ten-year period. Unit cost did increase in the early eighties as Federal Reserve Bank volumes adjusted to pricing after implementation of the Monetary Control Act. However, after the transition to pricing was completed in 1983, the composite unit cost for all functions has actually declined 0.2 percent at an annual rate, even while improvements have been made in the quality of services.

For priced services, a decline in unit cost has been particularly noticeable in the electronic payments areas. Volume growth has averaged more than 6 percent per year for funds transfers and more than 25 percent for automated clearinghouse (ACH) transactions. In commercial check processing, on the other hand, when there has been a significant effort to improve the quality of service through increased availability and improved deposit deadlines, there has been an increase in unit cost of 2.5 percent per year since 1983. In the most recent year-over-year comparison (1989 over 1988) unit cost of check processing rose 6.6 percent due primarily to implementing provisions of the Expedited Funds Availability legislation (EFA).

For nonpriced cash operations—involving the distribution of currency and coin—the decline in unit cost has also been noticeable; since 1983 the average decline has been 3.0 percent per year. Currency paying and receiving volume has increased an average rate of 6.7 percent annually since 1979. In fiscal agency operations, also nonpriced, there has been an increase in unit cost of 2.1 percent per year since 1983, reflecting new operations. Also in the nonpriced area, the Federal Reserve System has managed several initiatives for the Treasury to improve long-term efficiency in Treasury securities and savings bonds. Through 1989 the Federal Reserve has added 175 staff members and spent $42 million on these Treasury initiatives.

As for the impact of EFA on our cost structure, in 1989 we have seen an overall unit cost increase of 2.3 percent, compared with that during 1988. This increase was primarily due to the implementation of the Expedited Funds Availability legislation. This legislation required banks to provide prompt availability for check deposits and gave the Federal Reserve the authority to make improvements in the payments system to speed the collection and return of checks. Thus, the Board's Regulation CC mandated expeditious return of unpaid checks to reduce banks' risks in providing the prompt availability required by the act. To facilitate banks' compliance, the Reserve Banks implemented new returned check services for which they had to add about 600 employees throughout 1988 and 1989 and spend more than $60 million.

It is difficult to measure productivity improvements in the supervision and regulation area, but these activities have required significant increases in resources over the past ten years. Supervision and regulation has added 786 staff members and increased expenditures $127.2 million since 1979. These resources have been employed to strengthen the ability of the Reserve Banks to identify and address problems in the banking organizations under their jurisdiction. Obviously, the problems that the Reserve Banks have had to deal with in the past several years have increased greatly, as reflected in the record number of bank failures and problem banks, as well as in the increasingly complex issues that they have had to face in reviewing and processing regulatory applications and in developing supervisory policies to deal with new and changing banking risks.

In presenting our spending plans for 1990, I would like to mention that both the Reserve Bank budgets and the Board's budget must be approved by the Board of Governors. Reserve Bank budgets are first approved by the Banks' Boards of Directors and then reviewed by the Committee on Federal Reserve Activities before submission to the Board of Governors. Governor Kelley oversees the Board's budget, and I will turn to him for that discussion.

INTRODUCTION

I am pleased to appear before this subcommittee again this year. In the past we have discussed our budget process and the comprehensive planning process that the Board has in place to ensure that we identify and accomplish key objectives in an effective and efficient manner. The *Annual Re-*

port: Budget Review, 1989–90 describes these processes, discusses the Board's record of sound budget management, and provides trend data. Therefore, I will confine my testimony to the 1990 budget unless the committee has questions.

The 1990 budget posed difficult challenges. Problems in the thrift industry, which culminated in passage of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA), placed substantial new pressures on our supervision and regulation program. As a result, the banking supervision program had a large increase in terms of funding. Staff increases in supervision, however, were offset by decreases elsewhere throughout the Board. Full implementation of our new compensation system also contributed to the rate of increase in the budget being above normal levels. Finally, there was a major increase in the level of resources devoted to our Inspector General Program.

THE BOARD OPERATING BUDGET

The 1990 Board operating budget is composed of two components: regular operations and the Office of the Inspector General (OIG). The regular operations budget of $102.9 million represented an increase of 7.9 percent. The OIG budget of $1.7 million represented an increase of $0.8 million, or 114 percent, for operations and $0.2 million for facilities.

The initial regular operations budget submissions totaled $105,550,300. During the budget reviews, reductions of $2,380,400 lowered the approved budget to $103,169,900. Voluntary implementation of Gramm–Rudman–Hollings reductions paralleling those of other agencies further reduced the budget to $102,865,200, an increase of 7.9 percent over 1989 expenses. This increase is larger than in recent years. Growing supervisory responsibilities, including the changes brought about by the FIRREA and the implementation of our new compensation program, contributed to the increase in the 1990 budget level.

Division budget submissions minimized expenses, reallocated resources to higher priority work, and included new initiatives only as necessary to meet Board objectives. The approved budget contained sufficient funding to meet the major Board objectives in each program area and included the following: (1) funding and positions to support major increases in the work load tied to the supervision and regulation area discussed earlier; (2) resources for the continued development of the National Information Center; (3) continued investments in productivity enhancements, including office automation and an electronic Records Management initiative; and (4) funds to maintain a safe and effective working environment.

In terms of people employed, ten new positions were created to support the new and additional work requirements associated with the supervision and regulation function. This increase was offset by a reduction of eleven positions elsewhere in the budget.

BUDGET HIGHLIGHTS

Supervision and Regulation

This budget supports necessary enhancements in our ability to respond effectively to the continuing regulatory and supervisory issues caused by problems in the financial industry and to meet new obligations posed by the FIRREA legislation aimed at correcting those problems. The budget addressed these requirements in several ways.

The enactment of the Financial Institutions Reform, Recovery, and Enforcement Act and the underlying problems that required that legislation caused additional expense of $550,000. The added expense was for ten new positions, offset elsewhere in the budget, and accelerated hiring to meet the expanded work load in the areas of policy, financial analysis, and enforcement. We are also working with other agencies, through the Federal Financial Institutions Examination Council, to implement new reporting requirements of the Home Mortgage Disclosure Act and, among other things, to expand the coverage of the act to include mortgage lenders not affiliated with lending institutions. The number of records maintained will grow tenfold from 600,000 to 6,000,000 as a result of this expanded coverage.

Besides the resources added in supervision and regulation, Board resources were reallocated in the other operational areas to meet requirements of the FIRREA legislation. Our research divisions anticipated substantial work on issues relating to deposit insurance, monitoring the savings and loan industry, and support to the Chairman in his responsibilities as a member of the Oversight Board. This incremental staff effort is estimated at six work years for 1990. To repeat, the work is being accomplished by reallocating resources; no new positions were added.

Our legal staff is encountering a major work load increase in litigation and enforcement. Two of three new attorney positions added in 1989 support FIRREA-related work. Again, no new positions were added in the 1990 budget.

Other Board program areas are also feeling the effects of the FIRREA legislation. For instance, senior staff members in several areas are providing substantial start-up assistance to the real estate appraisal subcommittee of the FFIEC.

The National Information Center (NIC) is a major Systemwide standard automation project providing important support to the supervision and regulation operational area. It was established in 1988 to provide the Board and Reserve Banks with a single-source, high-quality database from which information about financial institutions will be drawn to monitor safety and soundness, process applications, and maintain accuracy of published data series. The growth of interstate banking, the acquisitions of financial institutions tied to the resolution of bank and savings and loan failures, and the growing complexity of the interrelationships between financial institutions make the establishment of a central database critical to the System's supervision and regulation function.

A significant commitment of existing resources continues in a number of the Board's divisions in support for this project. The 1990 budget requirement for data processing resources (at the Board only) is $1.6 million. This amount is slightly higher than the level of data processing resources committed in 1989. The NIC project is now scheduled to be implemented in mid-1991.

Compensation

In earlier testimony and letters to this committee, Chairmen Volcker and Greenspan indicated concerns over the adequacy of our compensation system to attract and retain the type of staff required for the Board to fulfill its mission. Last year I testified that our compensation system was being revised and that there would be some significant costs as we tried to reduce the gap that had developed between staff salaries and those in the market. In 1990, the first full year of the Board's new compenstion program, the budget provided approximately $3.5 million for the full, one-time cost of transition to the new salary schedule. We had anticipated phasing the increase to lessen its impact on any one budget year; however, events in the marketplace, including substantial increases at the other financial regulatory agencies, caused us to accelerate our schedule. The budget also provided $4.2 million to fund the increase in salary rates caused by increases in salaries in the marketplace during the previous year.

Inspector General

The Office of the Inspector General (OIG) was created by the Board in July 1987. Its reporting relationships, duties, and responsibilities were formalized by the Inspector General Act Amendments of 1988.

A review by the Inspector General of how his office is carrying out those duties and responsibilities led to the development of a five-year strategic plan. The plan proposes a phase-in of broader audit and investigation coverage of the Board's mission areas as well as attention to the legal requirement to review new and existing laws and regulations for their impact on the economy and efficiency of Board programs and operations.

To implement the findings of the review, a significant increase was approved for the budget of the Office of the Inspector General. The approved 1990 OIG budget is $1.7 million, an increment of $0.8 million for the mission activities of the office and $0.2 million for office space. The mission increment provides $0.4 million for six new positions. It also covers a substantial increase in travel for the IG staff and shifts the burden of travel costs for staff borrowed for reviews of Board operations to the Board from the Reserve Banks. The increment also provides for a higher level of contract support.

Contingency Processing Center (CPC)

In 1989 the Board transferred the management of the CPC, the System's backup data processing facility, to the Federal Reserve Bank of Richmond. This transfer was done to recognize a substantial increase in the Reserve Banks' utilization of the CPC for operational requirements, with corresponding requirements for equipment upgrades, while the Board's requirements for a backup capability and relocation site remained stable. The change in requirements substantially reduced the Board's share of the overall cost of the CPC. Positions added when the Board established the CPC in 1985 were deleted from the Board's budget concurrent with the transfer of management to Richmond. Although this action was not implemented as part of the 1990 budget, since it occurred in the middle of 1989, it resulted in a reduction in Board expenses in both 1989 and 1990. The total change was a reduction of approximately $1.7 million in the Board's expenses.

BUDGET BY OPERATIONAL AREA

The Board's activities fall into four broadly defined operational areas: (1) monetary and economic policy, (2) supervision and regulation of financial institutions, (3) services to financial institutions and the public, and (4) System policy direction and oversight. I would like to take a minute to discuss the budget for each of these operational areas. Since each area was affected by general factors, such as the compensation program and the higher costs for health insurance, I will focus only on the unique factors affecting each.

Monetary and Economic Policy

This function is expected to cost $53.6 million in 1990, an increase of 6.9 percent from 1989 expenses. Besides maintaining the quality of economic forecasts and analysis, the budget reallocates resources to support FIRREA, continue development of the National Information Center, and process the data from the Survey of Consumer Finances conducted in 1989.

Supervision and Regulation

This function is expected to cost $26.8 million in 1990, an increase of 14.1 percent. This increase is the largest by operational area and reflects the seriousness of the issues facing the financial regulators. The main causes of the increase are new positions and the NIC.

Services to Financial Institutions and the Public

This area is the smallest operational one of the Board. It is composed entirely of the System's payments functions. The 1990 budget of $2.7 million is an increase of approximately $250,000, or 10.2 percent over 1989 expenses. An important factor in the increase is the establishment of a payments risk program in mid-1989. The program coordinates the analysis of risks associated with national and international payment and settlement systems.

System Policy Direction and Oversight

This function will cost $19.7 million, an increase of 3.0 percent. Resources in lower priority areas of this category were reallocated to higher priority work in the other operational areas, thus this rate of increase was the lowest one at the Board.

BUDGET BY OBJECT CLASS

Excluding the budget of the Office of the Inspector General, the 1990 budget was $7.6 million, or 7.9 percent more than 1989 expenses. The increase for salaries, $7.8 million or 12.8 percent, was the major factor in the increase. The net effect of all object classes other than salaries was a decline of $0.2 million.

Personnel Costs

The increase in salaries was closely related to the new compensation program. As mentioned earlier, $3.5 million was for the accelerated transition into the new system while an additional $4.2 million was to make up for the changes that occurred in the market during 1989. The remaining increase in salaries of $0.1 million was caused by technical factors such as promotions.

Insurance and retirement costs rose $0.6 million and $0.2 million respectively. The former rose because of increases in health insurance rates, while the latter rose because of the higher salary levels and increases in the tax rate and taxable wage base for social security.

Goods and Services

The overall cost of goods and services declined $1.0 million in 1990. The main reasons were the change in the cost sharing formula for the CPC and the completion of the Survey of Consumer Finances.

POSITIONS

The 1990 budget authorizes 1,555 positions, a reduction of one position from 1989.

Ten new positions were added in the budget while eleven were abolished. The ten new positions support the function of supervision and regulation, eight of which are related to work stemming from FIRREA, while two positions will support implementation of the National Information Center. The eleven positions that have been abolished include eight positions at the CPC. Three additional positions will be eliminated during the 1990 budget year.

TRENDS

The regular operations budget increase in 1990 of 7.9 percent is larger than the compound annual rate of increase of 5.7 percent from 1980 to 1990. The pressures in the supervision and regulation area and unique 1990 costs of the new compensation program account for the size of the increase. Without the reduced expense associated with the change in utilization and cost sharing for the Contingency Processing Center, the increase in 1990 would have been larger.

The 1,555 positions approved in the 1990 regular operations budget is forty-eight fewer than the number of positions at the end of 1980. Implementation of the provisions of the Monetary Control Act and other significant legislation had increased the number of positions to 1,653 in 1984. Automation and other efforts to control expenses and improve productivity have assisted us in reducing to the current level, which did not increase over 1989 in spite of FIRREA and other pressures associated with the supervision and regulation area.

CAPITAL BUDGET

The approved capital budget was $4.0 million, which is comparable to the expenditure of $3.9 million in 1989. The largest category of expenditure is $1.6 million for important workstation, network, office automation, and records management investments. Facilities investments of $1.3 million provide funds for a new roof for the Martin Building, a replacement fire intrusion and detection system, and miscellaneous energy conservation investments. Central automation initiatives costing $0.7 million provide a system to connect distributed workstations to the mainframe, additional disk space to support the NIC and growth on the research departmental computers, and mainframe software. The remainder of the capital budget provides $0.4 million for miscellaneous small capital expenditures.

CONCLUSION

The 1990 budget was 7.9 percent higher than 1989 expenses and this increase is the largest increment since 1982; it is also larger than the average annual rate of increase of 5.7 percent over the last ten years. The large increase stems from the convergence of two unrelated actions: full implementation of our compensation program and passage of FIRREA.

This budget added positions in critical areas but eliminated them elsewhere. Excluding the Office of the Inspector General, the number of positions is 126 below the peak reached in 1984 when the Board was still reacting to the changes brought about the Monetary Control Act, International Banking Act, and Financial Institutions Deregulation and Interest Rate Control Acts, and to a deteriorating situation at that time in the banking industry.

I would be happy to address any questions you may have after Governor Angell concludes our joint testimony.

RESERVE BANK BUDGETS

The Reserve Bank expense increase—both priced and nonpriced—was budgeted at 5.8 percent, which fell well below the 1990 budget objective of 6.1 percent. Again, the Banks' approved 1990 budget was further reduced $4.1 million in January 1990, with the restraint imposed on the federal government by Gramm–Rudman–Hollings. With this cut in place and using actual 1989 expenses instead of estimated 1989 expenses as the base, the anticipated expense increase for 1990 is now only 4.8 percent. Seven major initiatives account for almost half of the budgeted increase in Reserve Bank expenses.

A particularly noteworthy initiative in 1990 is the enhancement of fiscal agency services for the U.S. Treasury and the U.S. Department of Agriculture's Food and Nutrition Service. The effort of the U.S. Treasury involves an expenditure of $4.1 million for the nationwide expansion of a Regional Delivery System, which consolidates issuance of over-the-counter savings bonds. Systemwide implementation of the project, which began as a pilot program at the Federal Reserve Bank of Cleveland, will continue through 1993. A staff increase of 116 is expected in 1990, and a total staff increase of 350 is projected by the time the project is fully implemented. Although this initiative results in additional short-term expenses for the Federal Reserve Banks, the costs are more than offset by savings at government agencies and commercial banks.

The second 1990 fiscal agency initiative is implementation of changes requested by the Food and Nutrition Service in processing food coupons. These changes, first tested at the Memphis and Dallas offices, will add $0.6 million and increase staff members by twenty-two in 1990. Expenses for both savings bond and food coupon initiatives are fully reimbursable.

Other initiatives include improvements to facilities, many of which are aging and no longer have efficient support systems or the space to allow an efficient flow of work. Each year steady progress is made toward achieving the type of space needed for modern central bank operations.

Reserve Bank operations in today's environment require more reliable and secure computer systems, more use of office automation, extended communication networks, and the most efficient high-speed sorters and counters for checks and currency. The initiatives classified under "automation," "check operations," "currency processing," and "contingency back-up," all result from this requirement.

Also, the Reserve Banks require added resources for supervision and regulation due to current conditions in the banking industry and the greater complexity of examinations generally.

Besides these major initiatives, it may be helpful to look at 1990 budgeted expenses on the basis of our four service lines.

Expenses for services to financial institutions and the public, which include both priced and nonpriced services, are budgeted at $947.0 million and account for two-thirds of total expenses. Expenses are increasing $30.7 million, or 3.3 percent, over 1989. Staffing is budgeted at 9,335, down 87, or 0.9 percent, primarily because of reductions of fifty-two in commercial check processing, and thirty in services rendered others. The reduction in services rendered others is associated with an anticipated reduction in staff assistance provided to other agencies to address problems in the savings and loan industry. Expenses of priced services are budgeted at $622.1 million, an increase of 2.3 percent. Expenses of nonpriced services are budgeted to increase 5.4 percent.

Commercial check processing is by far the largest service ($477.8 million), comprising half the budgeted expenses of this operational area and employing 5,814 persons. The anticipated increase in expenses is $7.6 million, or 1.6 percent over 1989. Staffing levels for 1990 include a reduction of fifty-two persons resulting from the stabilization of work loads in the commercial check, check adjustment, and check return item areas. Commercial check volume is budgeted to increase 1.5 percent; the volume of return items is expected to be stable during 1990.

Expenses for the currency service are expected to increase $9.9 million, or 7.9 percent. Unit cost is expected to increase 2.6 percent. The net staffing levels will decrease by thirteen, primarily because of a staff reduction of ten in Boston resulting from a change in operating controls and a staff reduction of thirteen in New York related to a shift from medium-speed to high-speed currency processing. Volume will continue to increase in the currency areas. Other initiatives affecting this service are automation efforts in various Districts and a project to develop a second generation of high-speed currency processing equipment.

Expenses for the automated clearinghouse (ACH) service are budgeted to increase $3.8 million, or 5.1 percent, with a minimal change in staffing. There is a shift in expense growth from government ACH to commercial ACH that corresponds to the faster growth of the latter. Total ACH volume is projected to increase 14 percent in 1990. The major initiative affecting this service is Fedline II, which is the standard intelligent terminal software for access to Federal Reserve services.

Expenses associated with public programs are budgeted to increase $3.7 million, or 8.7 percent. The staff level will increase by seventeen. The increases result from a greater involvement in regional and public forums, provision of outreach programs, and additional efforts in the automation of mailing and subscription lists.

Expenses for supervision and regulation, budgeted at $214.5 million for 1990, are expected to increase $19.4 million, or 9.9 percent, over 1989. This service line now constitutes 15.1 percent of total System expenses, compared with 13.6 percent in 1985. The budgeted staff level is 2,258, an increase of 61, or 2.8 percent, over 1989.

The increase in expense reflects the additional staff and increases in compensation, travel, training, and automation. Most Districts project an increase in the number and complexity of examinations in 1990. Also, the number of supervised institutions is increasing in some Districts. Examinations deferred during 1989 because of the reallocation of resources to assist other agencies with the savings and loan crisis will be rescheduled for 1990. Another factor contributing to the expense increase is the program on daylight overdraft pricing.

Expenses for services to the U.S. Treasury and other government agencies are budgeted at $158.6 million, an increase of $13.1 million, or 9.0 percent, from 1989, and represent approximately 11 percent of the Reserve Banks' total operating costs. Staffing levels are budgeted to increase 119, or 6.7 percent. The major initiatives, as discussed earlier, driving the increases in both expenses and staff levels are the nationwide expansion of the Regional Delivery System, which consolidates issuance of over-the-counter savings bonds at one office within each District, and the nationwide expansion of changes in the requirements for processing food coupons.

By the end of 1993, the Regional Delivery System is scheduled to replace the existing network of issuing agents. Under the system, applications for savings bonds are accepted at various financial institutions and forwarded to the Federal Reserve, where the inscription data for the bond are entered into a computer database, transmittals are balanced, accounting entries made, and the bonds are printed and mailed to the customers. During 1990 the program will expand to cover all or parts of eight Districts.

The changes in the processing of food coupons requested by the Food and Nutrition Service of the U.S. Department of Agriculture require Federal Reserve Banks to verify that the value of redemption certificates and the value of food coupons match in each deposit. Financial institutions are also required to encode the redemption certificates to allow their processing on check equipment and the transmittal of the data to the Minneapolis data center of the Food and Nutrition Service via FRCS-80, the Federal Reserve's data communications system. These procedures were successfully tested in the Dallas and Memphis territories for the six months ending March 1989.

Expenses in 1990 for the conduct of monetary and economic policy at the Federal Reserve Banks total $98.9 million and account for 7.0 percent of their budgets. The increase of $5.3 million, or 5.7 percent, from 1989 expenses reflects staff increases, salary administration actions, and additional equipment and data processing costs associated with automation initiatives. Employment at 786 is an increase of three over 1989. The 1989 employment is below the approved budget for 1989 because of the Banks' inability to fill all positions authorized. The number of authorized positions is the same for both 1989 and 1990.

A brief review of Reserve Bank expenses on an object of expense basis also might be useful to the subcommittee.

Operating expenses for personnel comprise officer and employee salaries, other compensation to personnel, and retirement and other benefits. Total personnel costs account for 63.8 percent of Reserve Bank expenses and are expected to increase 6.3 percent in 1990.

Salaries and other personnel expenses account for nearly 52 percent of 1990 budgeted expenses and are expected to be $36.5 million, or 5.2 percent, above 1989 expenses. Salaries are budgeted to increase $41.3 million, or 6.1 percent, and will be partially offset by a decline in other personnel expenses of $4.8 million, or 32.2 percent. The decrease in other personnel expenses results from a declining use of personnel agencies. Merit pay increases of $34.7 million, or 5.0 percent, are the primary reasons for salary expense growth. Also contributing to additional salary expenses are promotions, reclassifications, structure adjustments, and staffing level increases. These increases are partially offset by short-term position vacancies and reduced overtime.

Expenses for retirement and other benefits, which account for 11.8 percent of Reserve Bank budgets, are anticipated to increase $17.0 million, or 11.3 percent, in 1990. This increase is the result of continued escalation in hospital and medical costs and a rise in the social security tax.

Nonpersonnel expenses account for 36.2 percent of Reserve Bank expenses and are projected to increase 3.0 percent in 1990. Equipment expenses are expected to increase 9.2 percent and to account for 12.2 percent of total costs in 1990. Most of the increase is for depreciation, resulting from acquisitions to expand data processing and data communications capability to handle increased work loads, and the full-year effect of equipment purchased in 1989.

Shipping costs (primarily for checks) account for 6.0 percent of the 1990 budget and are projected to increase 2.8 percent in 1990. The increase is primarily the result of rate increases by contract carriers and carriers supporting the Interdistrict Transportation System. Partially offsetting the 1990 increase is the reduction in postage expense due to a lower projected volume in the fiscal area.

Building expenses, which account for 9.2 percent of total expenses, are expected to increase 8.8 percent in 1990. The newly renovated Chicago office, an Atlanta addition and renovation, and the full-year effects of the new Charlotte Branch contribute to higher costs for property depreciation and utilities. These projects, along with a Dallas building project, are expected to increase real estate taxes $5.5 million, or 23.6 percent. The decline of $1.2 million in other building expenses is the result of the completion of renovations at the New York Bank.

Recoveries are expected to increase $2.9 million, or 8.4 percent, in 1990, primarily because of new leases with outside organizations in the New York and Chicago offices.

By their nature, capital outlays vary greatly from year to year. Outlays for buildings and for data processing and communications equipment continue to dominate Reserve Bank capital budgets.

Special Budget Emphasis

I would like to mention briefly several initiatives intended to provide long-range benefits to the Federal Reserve System, the banking industry, and the public at large. Because spending on such projects is relatively high and short-term, the Federal Reserve System accounts for it separately from its operating expenses but includes it in its total budget. The budget for "Special Projects" in 1990 is $6.7 million, or $0.8 million less than expenses in 1989. About

35 percent of the $6.7 million will be recovered through prices.

A major inefficiency of the present check system is that settlement depends on presentment of physical checks. The process could be made more efficient by a transition to collection based on transmission of an electronic image. We expect that, in the future, checks will undergo a transition from paper delivery to electronic delivery. In mid-1985 the System began testing of digital image technologies to produce high quality images of check documents in a sustained high-speed check processing environment. The primary applications chosen for the testing were truncation of government checks and the processing of return items. Both these check processes provide rigorous tests for image technology in that they require the storage of large amounts of data and require a high level of quality in the retrieved image. Total expenses in 1990 associated with this project are estimated to be $1.6 million.

In 1990, the project will complete the testing of a prototype system integrated with existing high-speed check processors at two Federal Reserve Bank sites. Given the positive results to date, the project will continue to focus on government checks and return items. A request for a proposal will be issued in late 1990 for a pilot test involving government check processing.

In 1988, the Federal Reserve initiated a special project for the development of an optical counterfeit-detection system (OCDS). During 1989 and continuing in 1990 the project will be expanded to include other means of authentication. The 1990 special project budget includes $3.2 million in support of these developmental efforts.

In 1990, the Federal Reserve will request proposals from vendors to share the costs of continued development and testing a prototype OCDS. This effort and several others, both long-term and short-term, are designed to produce conterfeit detection devices to be placed on the Federal Reserve's high-speed currency processing equipment.

A study by the Federal Reserve has indicated that the System will need to extend the number of hours and improve the reliability of electronic payments services to control risk better in the payments system. The study also indicated that users of electronic payments will need more flexibility in the range of services offered as well as cost effectiveness.

The Federal Reserve is evaluating the use of nonstop, fault-tolerant equipment, known as the electronic payments processor (EPP), for processing electronic payments, including funds and securities transfers and ACH transactions. This approach is of the type frequently used by commercial banks for transaction processing. The Federal Reserve should complete its evaluation of this approach by September 1990 at a 1990 cost of $1.9 million.

The Federal Reserve knows that a rigorous budget process is only one part of financial management. We are equally concerned about other areas of financial integrity. The structure of the Federal Reserve System provides for appropriate segregation of responsibilities; a reasonable accounting control over assets, liabilities, revenues, and expenses; and an organizational structure that establishes responsibilities for audit and oversight of the objectives and goals of the Federal Reserve System.

It is the policy of the Federal Reserve System that the Board and each Reserve Bank maintain a system of internal controls that is designed to ensure that objectives of each are achieved and that they each operate in compliance with all prescribed rules, regulations, and policies. The management of each is responsible for maintaining adequate internal financial, custody, and data security controls over all aspects of their respective operations.

To ensure that these controls are operating in an effective manner at the Federal Reserve Banks, the following procedures have been set in place:

(1) An internal audit function at each Reserve Bank is responsible for assessing practices and procedures for soundness and conformity with regulations in accordance with professional auditing standards.

(2) The Board of Governors' examiners conduct financial, operational, and procedural reviews at each of the Banks.

(3) A CPA firm reviews the procedures and practices of the Board's examination program.

(4) The Board specialists review the effective-

ness of each Reserve Bank's internal audit function.

We believe that these measures, although not fail-safe, offer excellent protection against financial impropriety.

We thank you for this opportunity to address the subcommittee on the Federal Reserve System budget. The existing budget processes are working well in controlling costs, while at the same time encouraging quality improvements. We welcome your comments and would be pleased to address any questions you may have on our budget. □

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, June 21, 1990.

Mr. Chairman and members of the Banking Committee, I welcome this opportunity to discuss the issue of credit availability—whether it has changed and, if so, why—and its effects on the health of the economy. We at the Federal Reserve have for some time been monitoring various indicators of credit supply and have been assessing implications for the economic expansion. To date, we have found that lenders have tightened their standards in certain sectors and locales but that there has not, so far at least, been a broad-based squeeze on credit, and lenders are generally not retreating from lending opportunities. Nonetheless, significant problems cannot be ruled out in the period ahead, and we will continue to devote close attention to credit conditions.

The topic of credit availability is intertwined with the issue of the asset quality of depository institutions. Let me preface my remarks today by emphasizing the necessity of a stable, efficient financial system, including sound depository institutions, for satisfactory economic performance. Healthy commercial banks and thrift institutions promote growth by providing a ready source of loans, especially to households and smaller businesses that lack direct access to credit markets. By exercising sound credit judgments, deposit intermediaries direct funds to productive uses, and by offering secure, liquid deposits to the public, they encourage thrift.

Doubts about the soundness of depositories can disturb this process. When depositors and investors become reluctant to entrust their funds to these institutions, access to depository credit can be curtailed or become more expensive. Vigilant, consistent supervision, strong capital positions, as well as actions by lenders to avoid excessive exposure when new risks appear, are all essential to retaining public trust in our depository system.

The efforts of our examiners reflect this dictum. When examiners visit a bank, they determine whether it has adequate systems in place to measure and control its risk exposure. In addition, they ascertain whether borrowers have sufficient collateral and cash flow, given local market conditions, to service their loans. Our standards in these areas have not been tightened, though they may, because of deteriorating conditions in certain markets, be catching more doubtful loans than before. This process may cause difficult, short-run adjustments in those markets, but these adjustments must be viewed as reactions to changing circumstances and a correction of earlier overenthusiasm on the part of lenders. Ultimately this process should prove to be a positive force for the economy by preserving the health of our commercial banking system.

Of course, anecdotal reports suggest that some bankers and their regulators have become overly cautious and have thereby exacerbated the very problems that they have been trying to avoid. It is difficult to get hard evidence to assess the extent of this problem, but I suspect that, since many loan extensions of recent years are now nonperforming, it is inconceivable that bankers and their regulators would not currently have turned cautious, either consciously or subconsciously. To believe otherwise presumes a change in human nature. Although some increased caution unquestionably is prudent in current circumstances, the issue is whether, owing to an overreaction on the part of some lenders or regulators, creditworthy borrowers are being denied funds. Potentially, such unwarranted caution can put downward pressures on asset values, stunt investment or spending more generally, and curtail employment.

To date, however, whatever overreaction may have occurred does not appear to have been widespread, and access to credit has not been reduced to an extent that has had a significant damping influence on the American economy overall. On balance, the economy appears to be growing at a subdued pace so far this year, in line with the recent slower growth of our labor force, thus keeping the unemployment rate around 5¼ percent. In several sectors conditions have been difficult to read, owing to distortions such as last winter's unusual weather. But, available indicators suggest that overall activity remains on a slow uptrend.

Indeed, moderate growth is inevitable at this stage of the expansion given that we no longer have considerable slack in resources to be taken up. Late last year, indications that a slowdown was in train led to concerns that the weakness would cumulate to a recession. Now those concerns seem to have less basis. One reason is that producers and distributors apparently trimmed their inventories rather promptly this winter, most notably in the auto industry, but elsewhere as well. With this period of adjustment complete, factory output in recent months has picked up a bit, and, at this stage, inventories appear to present no impediment to further growth in production.

Some sectors of the economy, however, are stronger than others, and pertinent to the topic of these hearings, particular weakness is apparent in some real estate markets. In the residential market, unusually favorable weather early this year temporarily boosted housing starts, but more recent monthly numbers appear to reveal some underlying softness in this market. The most substantial adjustments have been under way for some time in the commercial real estate and construction industry. Construction of office buildings and other commercial structures is down from last year's pace. There are, of course, regional differences to the real estate slowdown. Nonetheless, in the aggregate, the statistics clearly indicate considerable softness. And forward-looking measures, such as contract awards and building permits, suggest that this weakness is likely to continue a while.

The cause of this weakness almost surely rests in the excesses of earlier years. Developers and their equity partners built housing and commercial structures at a more rapid pace than could be supported by economic fundamentals. The overbuilding was supported in part by the ready availability of credit from thrift institutions and banks that, in hindsight, partly reflected lax lending standards and, unfortunately, insufficient attention by supervisors. Speculation, fed by visions of ever-rising prices, also led to new construction that simply outpaced demand in many markets. When properties were completed, there were not enough buyers willing to pay prices that covered construction costs or tenants willing to pay enough rent to cover mortgage payments and operating costs. The most obvious signs of this overshoot are the high vacancy rates for office buildings, rental apartments, and condominiums. For example, the average office vacancy rate for downtown areas increased from near 5 percent at the start of the 1980s to more than 16 percent by the end of the decade, and has reached 25 percent to 30 percent in some parts of New England and the Southwest. Residential markets also have been affected, though less severely, with prices leveling off and even falling in some markets, in sales of new homes at their lowest rate since 1982.

Paralleling the softness in activity, lending by depository institutions for real estate purposes has slowed this year. In large measure, this slowing reflects the absolute contraction of the assets of thrift institutions, which, historically, specialized in this market. And, while banks' real estate lending has slowed only slightly, they have been unwilling to fill all of the void left by thrift institutions. Both banks and thrift institutions appear to be reacting to the worsened prospects for real estate projects and, particularly for thrift institutions, a more stringent regulatory environment.

In the case of savings and loan associations, provisions of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) legislation limited the amount a thrift institution could lend to one borrower. This limitation reportedly had a marked effect on construction financing in many markets, and some developers have been forced to find new sources of credit. Commercial banks also have pulled back from commercial real estate lending. Data for all commercial banks show a small contraction in credit for construction and land development in the first quarter of 1990, and a reduced rate of expansion in mortgages on existing commercial properties. In the several surveys of senior bank lending officers we have conducted this year, a large majority consistently have indicated that they were very reluctant to extend credit in these areas.

A falloff in credit demand and deteriorating conditions in the real estate sector appear to lie behind much of banks' reduced lending. In one survey taken last January, almost all banks that had pulled back from construction lending did so because of a less favorable economic outlook. In addition, half of them cited problems with such credits in their own portfolios as a factor. These concerns are substantiated in an increased delinquency rate for real estate loans, which, in the first quarter, reached its highest level since 1984. Only a minority of bankers have reported to us that increased regulatory pressure or tighter capital requirements caused them to curb their supply of credit.

In contrast to the situation with commercial real estate, credit market conditions appear more resilient in the market for residential property. This market was the main one of the savings and loan industry, and residential mortgage credit has accounted for the bulk of their asset reductions. Nevertheless, there are no indications that permanent financing for the purchase of an existing home has become more difficult to obtain. Interest rates charged on home loans have not risen on balance relative to other long-term rates, and lenders generally have not tightened downpayment requirements. A recent trade association survey of mortgage bankers concluded that ample funds were available for home buying, and, indeed, the volume of existing home sales, which is sensitive to credit availability, so far this year has held close to the pace of last year.

The continued flow of credit in residential mortgage markets probably owes to the many alternatives to depository credit. The securitization of home mortgages has become a routine financial transaction, with about $1 trillion in mortgage debt held in that form. Buyers of these securities, such as pension funds, insurance companies, and mutual funds, have stepped up to acquire assets shed by thrift institutions and to fund new lending. Commercial banks have been avid purchasers as well, even while they have slowed the pace of their direct residential mortgage lending.

Outside the real estate sector, one area where banks unquestionably have made credit less available is the financing of corporate mergers and restructuring. Banking regulators have specifically instructed banks to review their procedures in this area, and a majority of bank lending officers surveyed in January reported that they had tightened their standards for loans to highly leveraged borrowers. This sector is one in which the decisions of banks can be corroborated by financial markets more generally. As you well know, the market for junk bonds slumped badly earlier this year, and new issuance has slowed to a trickle.

A pullback from lending to highly leveraged borrowers has contributed to recent sluggish growth in commercial lending, though it is not the only factor. In last month's survey, senior lending officers reported weakness in commercial lending to all sizes of borrowers. In the case of larger borrowers, reduced demands for credit were cited by survey respondents as the primary reasons for the slower pace of lending, while more stringent credit standards and tighter loan terms were quoted more frequently than reduced demand for smaller borrowers. Recent surveys of small businesses do reveal some near-term reduction in credit availability. However, small businesses consistently report difficulties in obtaining loans, and credit conditions have not become appreciably tighter relative to a year ago.

Greater caution with regard to commercial lending probably is warranted in the current economic environment. The decade of the 1980s was a period of rapid leveraging of many corporations, and the resulting debt burdens probably made some deterioration of credit quality all but inevitable. Indeed, banks are reporting increased delinquency rates on commercial lending.

Nonetheless, with the exception, perhaps, of the troublesome situation in the New England region, credit availability more broadly appears not to be significantly impaired. Banks reportedly remain ready to make loans to larger and more creditworthy commercial borrowers, and they consistently have reported increases in their willingness to extend credit to consumers. Moreover, it is worth noting that while banks are principal suppliers of credit to certain classes of borrowers, they supply less than a quarter of total net borrowing in the broader economy. Other credit conduits generally show little or no stress. For example, the volume of issuance in most securities markets, smoothing through the volatility, generally has been well maintained. In addition, spreads of interest rates on private over government issues in these markets have remained quite narrow. If reluctance by banks and thrift institutions to make loans were inhibiting the overall flow of credit in the economy, it should be visible in conditions in credit markets, including higher yield spreads.

The pace of aggregate credit flows upholds this impression. Credit growth has eased, but debt still appears to be growing about as fast as gross national product, a relationship typical of the three decades before the 1980s. In part, at least, the economy may be seeing the cessation of the unusually heavy borrowing pace of the 1980s, certainly a salutary development to the extent that it promises lower leverage and healthier balance sheets.

Of course, the link between current debt growth and economic activity is a loose one. Indeed, it is plausible to expect that impaired credit availability would have lagged effects on debt and spending, as first commitments are cut back, then actual lending, and finally consumption and investment. Naturally we are alert to this possibility and are complementing our attention to debt and credit flows with close scrutiny of a full panoply of related indicators.

The monetary aggregates are among such indicators, containing, as they often do, portents of future spending trends. Both M2 and M3 have slowed to relatively low growth rates this year, more so than we had anticipated last February. The massive redirection of credit flows that has accompanied the government's program to close insolvent savings and loan institutions appears to have depressed growth of M2 as well as M3, somewhat degrading the value of both aggregates as indicators. On net, commercial banks are taking up relatively little of the lending forgone by the shrinking thrift industry; the resultant cutback in total lending by depository institutions has slashed their needs for funds, showing through directly to M3. Even at the M2 level, the reduced need for funds by both commercial banks and thrift institutions appears great enough to have reduced the aggressiveness with which these institutions have pursued deposits. Terms offered on deposits have become less generous, and depositors have been turning to alternative financial assets. At least some of the recent weakness of M2 has come from this channel. However, there is still some unexplained weakness in M2 and M3 that will require continuing scrutiny.

SUMMARY

All things considered, continued modest economic growth remains the most likely outcome, and looking at the economy as a whole, enough credit appears to be available to fuel this growth. Certain sectors or individual borrowers appear to be having trouble obtaining credit, but these specific difficulties are largely consistent with lenders' and regulators' reactions to shifting risks. We are attentive to the possibility that this more cautious stance in the granting of credit could cumulate to threaten the economic expansion and are closely monitoring the evolving complex interrelationships between credit availability and economic expansion. □

Statement by William Taylor, Staff Director, Division of Banking Supervision and Regulation, Board of Governors of the Federal Reserve System, in Houston, Texas, before the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, June 22, 1990.

I welcome the opportunity to appear before this committee to discuss the condition of Texas banks and their ability to meet the existing and potential credit demands of the Texas economy. In my remarks today, I will review briefly the financial problems experienced by Texas banks during the 1980s, discuss the current financial condition of Texas banks, address the question of whether these banks have the ability to play a significant role in financing economic recovery in the state, and finally, offer some general observations regarding the asset disposition policies and practices of the Resolution Trust Corporation (RTC).

BACKGROUND

At the beginning of the 1980s, Texas banking institutions were considered by most observers to be among the strongest in the nation. In general, they reported good earnings and capital positions, and little in the way of unusual or severe asset quality problems. Their prospects looked bright. The world in 1979 had just experienced the second "oil shock," sending the price of oil, which had been hovering around $10.00 a barrel, to as high as $40.00. This development, combined with widely held expectations that prices would continue to rise, induced a sharp acceleration in the demand for exploration and production of domestic oil. Texas banks financed a major portion of the growth in energy and energy-related activities that initially added to the general prosperity in the state's economy.

As we all know, this situation soon reversed itself. In 1982, oil markets became glutted, and the price of oil, instead of soaring to new heights, dropped to less than $30.00 a barrel. This collapse triggered a major retrenchment in energy and energy-related business and translated into high loss rates on the more speculative bank energy loans.

In response to these losses and to declining demands for credit to finance energy-related activities, Texas banking institutions pulled back from energy lending and began to channel loanable funds to other sectors that still looked relatively attractive, primarily the then-booming real estate sector. Real estate lending at Texas banks grew sharply, climbing from $13.5 billion outstanding at year-end 1981 to $46.5 billion by the end of 1986. This situation, too, came to an end in the mid-1980s as oil prices dropped sharply again—falling to as low as $10.00 before heading back up to the $15.00 to $20.00 range—and economic activity slowed.

As a result of these developments, real estate markets in the major cities of the state grew progressively weaker. Prices for both residential and commercial properties declined, and unsold inventories increased sharply. The oversupply in the commercial sector was considerable. Downtown office vacancy rates in Houston and Dallas, which had been on the rise since late 1982, reached peak levels in mid-1987 of approximately 25 percent. The downtown Austin area was even more adversely affected, with a peak office vacancy rate of almost 40 percent in spring 1988. As a consequence of the generally deteriorated condition in the real estate sector, Texas banks have experienced heavy losses on real estate in each year since 1985.

Economic factors were not the only cause of trouble experienced by Texas banks and thrift institutions. Another very strong contributing element was the fact that loans were often predicated on overly optimistic cash flow projections, rather than on what economic and market conditions would support at the time these loans were made. The assumption was that oil and then real estate would increase in value at rates that were not necessarily tied to the current returns available in the market place. Given such a "sure thing," down payments or project equity became a thing of the past. Thus, lax underwriting standards and lending decisions contributed to the energy loan problems and the overbuilding in real estate markets. Moreover, the use of brokered deposits enabled institutions in less than satisfactory condition to raise funds to finance highly risky ventures, primarily real estate loans and investments.

A review of the causes of problems of financial institutions in the state of Texas would not be complete without reference to criminal misconduct. While it is sometimes difficult to determine the extent to which criminal misconduct has been the cause of financial institution failures, there is little doubt that in several cases criminal misconduct became a major contributing factor.

The collapse of the energy and real estate sectors created serious dislocations in the Texas banking system. The severity of those dislocations is evident in the number of Texas banks that failed in the past decade. In 1980, not a single bank in Texas failed. By contrast, in 1989, there were 133 failures—the largest number of failures for the state during the 1980s. From 1980 to 1989, 349 Texas banks, with assets of $63 billion, failed. This represents more than one-third of the 1,008 U.S. banks that failed in the decade. More striking still, failed Texas banks accounted for roughly 70 percent of the total assets of all banks that failed in the 1980s. From 1985 to the end of the decade, aggregate assets of Texas banks contracted $35 billion, or 17 percent. Bank lending during this period declined even more—$43 billion, or 35 percent.

The structure of banking in Texas was also affected by other developments. Besides outright failures, the problems of some large institutions in Texas were addressed through open bank assistance by the Federal Deposit Insurance Corporation (FDIC) assistance. Indeed, of the top ten Texas banking organizations in 1985, nine either subsequently failed, received open bank assistance, or were acquired and recapitalized by out-of-state institutions.[1] These nine institutions in 1985 represented 59 percent of total Texas banking assets.

Although the decade of the 1980s took a severe toll on the banks operating in Texas, the toll on the state's thrift industry was worse. Over the decade, the number of commercial banks in Texas declined from approximately 1,500 to approximately 1,300, or 14 percent. This decline occurred even though 682 new banks were chartered in the state during this period. Failures, of course, contributed to the drop, but mergers also contributed as banks took advantage of their new ability to branch statewide. The number of thrift institutions in the state declined during the 1980s from 318 to 197, or nearly 40 percent. Moreover, from the beginning of 1986 through year-end 1989, thrift institutions in Texas reported aggregate losses of roughly $17 billion, compared with losses of $5 billion for Texas banks over this period. The fact that thrift losses were more than triple those of banks during the last four years of the decade is striking in view of the fact that in 1986 the state's thrift industry was a little less than half the size of its banking industry in terms of aggregate assets. Finally, it should be noted that the losses experienced by thrift institutions in Texas have caused the aggregate net worth of these institutions, including those in conservatorship, to fall to a deficit of $9.4 billion at year-end 1989.

1. The nine include Interfirst, which was merged into First Republic in 1987 without federal assistance; the latter was subsequently acquired by an out-of-state organization, with federal assistance.

Current Condition of Texas Banks

The difficult conditions experienced by Texas banks in the last decade continue to have a significant effect on their performance as they enter the 1990s. Of the 89 U.S. banks that failed through June 15th of this year, 58 were located in Texas. As of year-end 1989, nonperforming asset ratios of Texas banks remain higher than the national average, with real estate loans and foreclosed real estate representing more than half of total nonperforming assets.

But while failure rates at Texas banks remain at high levels and asset quality problems have not been fully resolved, there are many indications that the outlook for recovery is favorable. In general, the loan quality of Texas banks appears to be improving. Their nonperforming asset ratios have declined materially since 1987, dropping from 11.2 percent to 6.9 percent by March 31, 1990.

Although total net income of all Texas banks was a negative $500 million in 1989, this loss is an improvement over the 1987 and 1988 losses of $2.7 billion and $2.1 billion respectively. It is also encouraging to note that, for the first quarter of 1990, the state's banks reported aggregate profits of $166 million.

Another factor indicative of improving trends at Texas banks is that the capital positions of the largest Texas banks have been strengthened. Aggregate equity capital of Texas banks, as a percentage of their total assets, increased to 5.8 percent in the first quarter of 1990, after having declined every year since 1985. The FDIC has provided in excess of $6 billion of financial assistance to close or assist Texas commercial banking organizations over the past several years. Besides this assistance, private sources and out-of-state financial institutions have injected in excess of $2 billion of equity into Texas banks.

The liquidity of Texas banks has improved in recent years. For example, liquid assets of banks in the state at the end of the first quarter stood at $76.4 billion, or 45 percent of total banking assets. While this figure exceeds the nationwide average of 32 percent, it should be viewed in relation to the very difficult problems experienced by Texas banks and the economy in the 1980s. On the liability side, Texas banks have decreased their reliance on volatile sources of funds since 1987. For example, the more stable core deposits have risen from $105 billion, or 56 percent of assets, to $115 billion, or 68 percent of assets—a level in line with the nationwide average.[2] By these measures of liquidity, Texas banks now compare favorably, or at least are consistent, with banks in the rest of the nation.

As the proportion of liquid assets to total assets of Texas banks increased, the proportion of loans to total assets decreased. Over the second half of the decade, total loans as a percentage of total assets declined to 47 percent from 60 percent. As a result of problem loan write-offs and reduced lending activity, total loans declined during this period $43 billion, or 35 percent. Commercial and industrial lending fell 42 percent, or $20 billion. Construction and land development lending by Texas banks decreased 76 percent, or $13 billion from 1985 to 1989. Commercial real estate loans fell 8 percent, or $1.1 billion. During the period, aggregate home mortgage lending by banks remained virtually unchanged and actually increased relative to total lending by banks in the state.

Although the difficult conditions experienced by Texas banks in the 1980s have resulted in a lower level of loans to total assets than the national average, the composition of Texas bank loan portfolios is not out of line with the national picture. As of March 31, 1990, nonresidential real estate loans represented 21 percent of Texas banks' loan portfolios, residential mortgages represented 14 percent, and commercial and industrial loans, 35 percent. Comparable figures of the nation's banks as a whole are 19 percent for nonresidential real estate, 17 percent for residential mortgages, and 30 percent for commercial and industrial loans.

Ability and Willingness of Texas Banks to Finance Economic Activity

The recent restructuring of bank asset portfolios to those categories generally considered inherently less risky, and the overall contraction of credit extended by Texas banks during the period, are no doubt a result of a decline in both the supply of and demand for credit. A drop-off of credit demand is a natural consequence of a slowing regional economy and widespread weakness in real estate markets. But, a tightening of supply resulting from strengthened credit standards, the need to address existing asset quality problems, and the need to restore capital positions would also appear to be important factors.

That Texas banks have strengthened credit standards should come as no surprise. Experience over the past decade has underscored the importance of sound credit analysis. This renewed sense of prudence and conservatism, when viewed in the context of the aggressive lending practices of the recent past, is a positive development—one that can build a strong base for renewed expansion with the turnaround of the Texas economy.

Against this background, questions have arisen about both the ability and willingness of Texas banks to perform their appropriate role in financing economic activity in the state. To be sure, there have been instances in which inadequately capitalized banks have been forced to curtail lending to meet regulatory capital requirements. Growth by inadequately capitalized institutions should be curtailed, and indeed must be curtailed, if we are to maintain the soundness of our banking system. Moreover, the asset quality problems of some institutions have put them in a position in which they are no longer able to satisfy fully the credit needs of their borrowers. However, it would be a mistake to conclude that the needs of creditworthy borrowers in Texas cannot be met by our banking system. There are

2. Core deposits are defined as total deposits less certificates of deposit greater than or equal to $100,000, minus brokered deposits.

adequately capitalized banks and lending institutions in Texas and elsewhere that have the capacity to make sound loans for economically viable business purposes.

I would stress that the Federal Reserve is mindful of, and sensitive to, concerns about the availability of credit and has been watching for evidence that would validate these concerns. We are aware of anecdotal evidence indicating that, in some instances, firms may have experienced a decline of credit availability to carry out their business activities. We have endeavored to be cognizant of these concerns in our supervision and regulation of banks, and we are working to avoid regulatory actions that would prevent creditworthy borrowers from receiving loans. Indeed, we feel it is in the banks' interest to make sound loans to creditworthy customers and to work in a constructive and prudent fashion with troubled borrowers who are attempting to strengthen their financial positions. At the same time, we have a responsibility to foster sound lending policies to promote stability in financial markets and to protect the taxpayer, whose credit ultimately backs insured deposits. Only in that context can we be certain of the continued vitality of our banking organizations, whose lending activities are essential to the strength of our economy. Lending terms have tightened in selected areas or for certain types of borrowers; but, as yet, we continue to see little indication of a process that is out of proportion with changes in the underlying banking conditions or the regional economy.

Effects of RTC's Asset Disposition Program

Clearly, there is a trade-off with regard to the RTC's disposition of troubled assets. One view is that if properties are forced onto the market, general real estate prices and market conditions could be adversely affected. On the other hand, if assets are held off the market, the lingering overhang, by fostering uncertainty about the effects of future asset liquidations and real estate prices, could also tend to depress prices. Moreover, not disposing of assets in a timely manner puts the government in the potentially costly position of managing and financing large real estate holdings and speculating on future real estate prices. This position can also have an adverse effect on the competitive vitality necessary for markets to function effectively. Obviously, this is not a desirable situation.

Consistent with the RTC's charge to dispose of assets on an expeditious basis, securitization and bulk sales will be essential if the RTC is to maximize recovery on its assets. Indeed, the RTC is pursuing these avenues, including ways to use the auction process creatively to dispose of large volumes of assets. The RTC is also working to ensure that its assets are fully inventoried and that information on these assets is readily available to all prospective buyers. The aim, of course, is to move assets into private hands, reduce the role of the government as a competitor with the private sector, and let markets function efficiently.

Obviously, adequate financing is important to a successful asset disposition program. The RTC recognizes this situation and recently announced that it will provide up to $1 billion in revolving short-term credit to finance its asset sales. Other steps have also been taken. For example, the RTC has reduced the downpayment necessary, under certain circumstances, to facilitate the sales of assets. Private sector financing is also important. Certainly, recent efforts, of which I am aware, by the Houston Clearing House to structure financing for the RTC's affordable housing inventory in the Houston area speak well for the local banks' desire to participate in the asset disposition process while responding to the needs of their communities.

The disposition of real estate assets by the RTC will no doubt complicate the management of bank lending activities, particularly as it relates to real estate loans. Prices in various segments of the real estate market will be affected, and managers of lending institutions will have to monitor carefully the potential impact on their institutions' loan portfolios. The result may well be that the full resolution of problems related to real estate may take longer than it otherwise would. Moreover, in their lending activities, bank lenders will have to place greater emphasis on a property's cash generating capacity under prevailing market conditions and less on the assumption or expectation of continually rising real estate prices. While creating difficulties in the short run, this adjustment process is necessary if the economy and financial institutions are to be in a position to respond adequately to future growth opportunities.

In sum, the disposition of failed thrift assets will be a difficult and challenging process that will take several years to complete. During this period, we must continue to explore all prudent and financially sound methods for advancing this process. To be sure, we must be ever mindful of the potential impact of the disposition of assets on the local economy and its financial institutions. Most important, however, we must be guided by the need to minimize the government's losses—losses that, as we all know, are ultimately borne by the U.S. taxpayer. □

Announcements

Meeting of Consumer Advisory Council

The Federal Reserve Board announced on June 15, 1990, that its Consumer Advisory Council would hold its next meeting on June 28. The Council's function is to advise the Board on the exercise of the Board's responsibilities under the Consumer Credit Protection Act and on other matters on which the Board seeks its advice.

Amendment to Implement Changes to the Community Reinvestment Act

The Federal Reserve Board, along with other financial institutions regulatory agencies, has issued a temporary rule to amend regulations to implement changes in the Community Reinvestment Act (CRA) contained in Title XII of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA).

The amendments are intended to establish and set forth requirements for the institutions supervised by the agencies with regard to the public availability of the public section of the Community Reinvestment Act Performance Evaluations and CRA examination ratings of the institutions as prepared by the agencies.

Regulations H and Y: Amendments

The Federal Reserve Board announced on June 28, 1990, approval of amendments to Regulation H (Membership of State Banking Institutions in the Federal Reserve System) and Regulation Y (Bank Holding Companies and Change in Bank Control) to implement provisions in the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) regarding real estate appraisal standards.

The amendments are designed to protect federal financial and public policy interests in real estate transactions requiring the services of an appraiser. The amendments identify which transactions require an appraiser, set forth minimum standards for performing appraisals, and distinguish those appraisals requiring the services of a state-certified appraiser from those requiring the services of a state-licensed appraiser.

The effective dates are August 9, 1990, for the appraisal standards and July 1, 1991, for the appraiser certification and licensing requirements.

Proposed Actions

The Federal Reserve Board issued for public comment on June 22, 1990, a proposal to revise Section 225.4(d) of the Board's Regulation Y (12 C.F.R. 225.4(d)) to provide a limited exemption from the tie-in prohibitions in Section 106 of the Bank Holding Company Act Amendments of 1970 (12 U.S.C. 1971–78). Comment is requested by July 30, 1990.

The Federal Reserve Board requested on July 2, 1990, public comment on a proposed amendment to Regulation Y (Banking Holding Companies and Change in Bank Control) to reduce the filing requirements under the Change in Bank Control Act. Comment is requested by August 8, 1990.

The Federal Reserve Board issued for public comment on June 19, 1990, a proposal to revise the Board's interpretive rule regarding investment advisory activities of bank holding companies to clarify that a bank holding company and its nonbank subsidiaries may act as an agent for customers in the brokerage of shares of an investment company advised by the holding company or any of its subsidiaries. Comment is requested by August 9, 1990.

Legal Developments

Final Rule — Amendment to Regulations H and Y

The Board of Governors is amending 12 C.F.R. Parts 208 and 225, its Regulations H and Y (Appraisal Standards for Federally Related Transactions). Title XI of the Federal Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA")[1] requires the Board to adopt regulations regarding the performance and utilization of appraisals by state member banks, bank holding companies, and nonbank subsidiaries of bank holding companies. Title XI and these implementing regulations are intended to protect federal financial and public policy interests in real estate-related financial transactions requiring the services of an appraiser. This regulation, and similar regulations adopted by the other financial institutions regulatory agencies[2] and the Resolution Trust Corporation ("RTC"), provide affected parties with added assurance that real estate appraisals used in connection with federally related transactions are performed in accordance with uniform standards by individuals whose competency has been demonstrated and whose professional conduct will be subject to effective supervision. Toward this end, the regulation identifies which transactions require an appraiser, sets forth minimum standards for performing appraisals, and distinguishes those appraisals requiring the services of a State certified appraiser from those requiring a State licensed appraiser.

Appraisals performed in connection with federally related transactions are to comply with the standards set forth in this regulation by August 9, 1990. State certified or licensed appraisers, as appropriate, must be used for federally related transactions by July 1, 1991, unless this deadline is extended by the Appraisal Subcommittee of the Federal Financial Institutions Examination Council for a given state pursuant to provisions of Title XI. Appraisals for real estate-related financial transactions entered into before August 9, 1990, do not have to comply with the standards of this regulation; moreover, sales of loans that were originated before August 9, 1990, will not require an appraisal to be performed in accordance with this regulation. A transaction will be deemed entered into and a loan will be deemed originated if there is a binding commitment to perform before the effective date of this regulation.

For the reasons set forth, 12 C.F.R. Parts 208 and 225 are amended as follows:

Part 208—Membership of State Banking Institutions in the Federal Reserve System

1. The authority citation for Part 208 is revised to read as follows:

Authority: Sections 9, 11(a), 11(c), 19, 21, 25, and 25(a) of the Federal Reserve Act, as amended (12 U.S.C. 321–338, 248(a), 248(c), 461, 481–486, 601, and 611, respectively); sections 4 and 13(j) of the Federal Deposit Insurance Act, as amended (12 U.S.C. 1814 and 1823(j), respectively); section 7(a) of the International Banking Act of 1978 (12 U.S.C. 3105); sections 907–910 of the International Lending Supervision Act of 1983 (12 U.S.C. 3906–3909); sections 2, 12(b), 12(g), 12(i), 15B(c)(5), 17, 17A, and 23 of the Securities Exchange Act of 1934 (15 U.S.C. 78b, 78l(b), 78l(g), 78l(i), 78o-4(c)(5), 78q, 78q-1, and 78w, respectively); section 5155 of the Revised Statutes (12 U.S.C. 36) as amended by the McFadden Act of 1927; and sections 1101–1122 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. 3310 and 3331–3351).

2. Section 208.18 is added to read as follows:

Section 208.18—Appraisal standards for federally related transactions.

The standards applicable to appraisals rendered in connection with federally related transactions entered into by state member banks are set forth in Subpart G of the Board's Regulation Y, 12 C.F.R. Part 225.

1. Pub. L. No. 101–73, 103 Stat. 183 (1989); 12 U.S.C. 3310, 3331–3351.

2. The Federal Deposit Insurance Corporation ("FDIC"), the Office of the Comptroller of the Currency ("OCC"), the Office of Thrift Supervision ("OTS"), and the National Credit Union Administration ("NCUA").

Part 225—Bank Holding Companies and Change in Bank Control

1. The authority citation for Part 225 is revised to read as follows:

Authority: 12 U.S.C. 1817(j)(13), 1818, 1831i, 1843(c)(8), 1844(b), 3106, 3108, 3907, and 3909; and sections 1101–1122 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. 3310 and 3331–3351).

2. Subpart G, consisting of sections 225.61 through 225.67, is added immediately following Subpart F to read as follows:

Subpart G—Appraisal Standards for Federally Related Transactions

Section 225.61—Authority, purpose, and scope.
Section 225.62—Definitions.
Section 225.63—Appraisals not required; transactions requiring a State certified or licensed appraiser.
Section 225.64—Appraisal standards.
Section 225.65—Appraiser independence.
Section 225.66—Professional association membership; competency.
Section 225.67—Enforcement.

Subpart G—Appraisals

Section 225.61—Authority, purpose, and scope.

(a) *Authority.* This subpart is issued by the Board of Governors of the Federal Reserve System (the "Board") under Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA") (Pub. L. No. 101–73, 103 Stat. 183 (1989)), 12 U.S.C. 3310, 3331–3351, and section 5(b) of the Bank Holding Company Act, 12 U.S.C. 1844(b).
(b) *Purpose and scope.*
(1) Title XI provides protection for federal financial and public policy interests in real estate related transactions by requiring real estate appraisals used in connection with federally related transactions to be performed in writing, in accordance with uniform standards, by appraisers whose competency has been demonstrated and whose professional conduct will be subject to effective supervision. This subpart implements the requirements of Title XI, and applies to all federally related transactions entered into by the Board or by institutions regulated by the Board ("regulated institutions").
(2) This subpart:
(i) identifies which real estate-related financial transactions require the services of an appraiser;
(ii) prescribes which categories of federally related transactions shall be appraised by a State certified appraiser and which by a State licensed appraiser; and
(iii) prescribes minimum standards for the performance of real estate appraisals in connection with federally related transactions under the jurisdiction of the Board.

Section 225.62—Definitions.

(a) "Appraisal" means a written statement independently and impartially prepared by a qualified appraiser setting forth an opinion as to the market value of an adequately described property as of a specific date(s), supported by the presentation and analysis of relevant market information.
(b) "Appraisal Foundation" means the Appraisal Foundation established on November 30, 1987, as a not-for-profit corporation under the laws of Illinois.
(c) "Appraisal Subcommittee" means the Appraisal Subcommittee of the Federal Financial Institutions Examination Council.
(d) "Complex 1-to-4 family residential property appraisal" means one in which the property to be appraised, the form of ownership, or market conditions are atypical.
(e) "Federally related transaction" means any real estate-related financial transaction entered into on or after August 9, 1990, that:
(1) the Board or any regulated institution engages in or contracts for; and
(2) requires the services of an appraiser.
(f) "Market value" means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:
(1) buyer and seller are typically motivated;
(2) both parties are well informed or well advised, and acting in what they consider their own best interests;
(3) a reasonable time is allowed for exposure in the open market;
(4) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
(5) the price represents the normal consideration for the property sold unaffected by special or creative

financing or sales concessions granted by anyone associated with the sale.

(g) "Real estate-related financial transaction" means any transaction involving:

(1) the sale, lease, purchase, investment in or exchange of real property, including interests in property, or the financing thereof; or

(2) the refinancing of real property or interests in real property; or

(3) the use of real property or interests in property as security for a loan or investment, including mortgage-backed securities.

(h) "State certified appraiser" means any individual who has satisfied the requirements for certification in a State or territory whose criteria for certification as a real estate appraiser currently meet or exceed the minimum criteria for certification issued by the Appraiser Qualifications Board of the Appraisal Foundation. No individual shall be a State certified appraiser unless such individual has achieved a passing grade upon a suitable examination administered by a State or territory that is consistent with and equivalent to the Uniform State Certification Examination issued or endorsed by the Appraiser Qualifications Board of the Appraisal Foundation. In addition, the Appraisal Subcommittee must not have issued a finding that the policies, practices, or procedures of the State or territory are inconsistent with Title XI of FIRREA. The Board may, from time to time, impose additional qualification criteria for certified appraisers performing appraisals in connection with federally related transactions within its jurisdiction.

(i) "State licensed appraiser" means any individual who has satisfied the requirements for licensing in a State or territory where the licensing procedures comply with Title XI of FIRREA and where the Appraisal Subcommittee has not issued a finding that the policies, practices, or procedures of the State or territory are inconsistent with Title XI. The Board may, from time to time, impose additional qualification criteria for licensed appraisers performing appraisals in connection with federally related transactions within the Board's jurisdiction.

(j) "Tract development" means a project of five units or more that is constructed or is to be constructed as a single development.

(k) "Transaction value" means:

(1) for loans or other extensions of credit, the amount of the loan or extension of credit;

(2) for sales, leases, purchases, and investments in or exchanges of real property, the market value of the real property interest involved; and

(3) for the pooling of loans or interests in real property for resale or purchase, the amount of the loan or the market value of the real property calculated with respect to each such loan or interest in real property.

Section 225.63—Appraisals not required; transactions requiring a State certified or licensed appraiser.

(a) *Appraisals not required.* An appraisal performed by a State certified or licensed appraiser is not required for any real estate-related financial transaction in which:

(1) the transaction value is $100,000 or less;

(2) a lien on real property has been taken as collateral solely through an abundance of caution and where the terms of the transaction as a consequence have not been made more favorable than they would have been in the absence of a lien;

(3) a lease of real estate is entered into, unless the lease is the economic equivalent of a purchase or sale of the leased real estate;

(4) there is a subsequent transaction resulting from a maturing extension of credit, provided that:

(i) the borrower has performed satisfactorily according to the original terms;

(ii) no new monies have been advanced other than as previously agreed;

(iii) the credit standing of the borrower has not deteriorated; and

(iv) there has been no obvious and material deterioration in market conditions or physical aspects of the property which would threaten the institution's collateral protection; or

(5) a regulated institution purchases a loan or interest in a loan, pooled loans, or interests in real property, including mortgage-backed securities, provided that the appraisal prepared for each pooled loan or real property interest met the requirements of this regulation, if applicable.

Any transaction for which a State certified or licensed appraiser is not required nevertheless must have an appropriate evaluation of real property collateral that is consistent with the Board's Guidelines for Real Estate Appraisal Policies and Review Procedures.

(b) *Transactions requiring a State certified appraiser.*

(1) *All transactions of $1,000,000 or more.* All federally related transactions having a transaction value of $1,000,000 or more shall require an appraisal prepared by a State certified appraiser.

(2) *Nonresidential transactions of $250,000 or more.* All federally related transactions having a transaction value of $250,000 or more, other than those involving appraisals of 1-to-4 family residential

properties, shall require an appraisal prepared by a State certified appraiser.

(3) *Complex residential transactions of $250,000 or more.* All complex 1-to-4 family residential property appraisals rendered in connection with federally related transactions shall require a State certified appraiser if the transaction value is $250,000 or more. A regulated institution may presume that appraisals of 1-to-4 family residential properties are not complex, unless the institution has readily available information that a given appraisal will be complex. The regulated institution shall be responsible for making the final determination of whether the appraisal is complex. If during the course of the appraisal a licensed appraiser identifies factors that would result in the property, form of ownership, or market conditions being considered atypical, then either:

(i) the regulated institution may ask the licensed appraiser to complete the appraisal and have a certified appraiser approve and co-sign the appraisal; or

(ii) the institution may engage a certified appraiser to complete the appraisal.

(c) *Transactions requiring either a State certified or licensed appraiser.* All appraisals for federally related transactions not requiring the services of a State certified appraiser shall be prepared by either a State certified appraiser or a State licensed appraiser.

Section 225.64—Appraisal standards.

(a) *Minimum standards.* For federally related transactions, all appraisals shall, at a minimum:

(1) conform to the Uniform Standards of Professional Appraisal Practice ("USPAP") adopted by the Appraisal Standards Board of the Appraisal Foundation, except that the Departure Provision of the USPAP shall not apply to federally related transactions;

(2) disclose any steps taken that were necessary or appropriate to comply with the Competency Provision of the USPAP;

(3) be based upon the definition of market value as set forth in section 225.62(f);

(4) (i) be written and presented in a narrative format or on forms that satisfy all the requirements of this section;

(ii) be sufficiently descriptive to enable the reader to ascertain the estimated market value and the rationale for the estimate; and

(iii) provide detail and depth of analysis that reflect the complexity of the real estate appraised;

(5) analyze and report in reasonable detail any prior sales of the property being appraised that occurred within the following time periods:

(i) for 1-to-4 family residential property, one year preceding the date when the appraisal was prepared; and

(ii) for all other property, three years preceding the date when the appraisal was prepared;

(6) analyze and report data on current revenues, expenses, and vacancies for the property if it is and will continue to be income-producing;

(7) analyze and report a reasonable marketing period for the subject property;

(8) analyze and report on current market conditions and trends that will affect projected income or the absorption period, to the extent they affect the value of the subject property;

(9) analyze and report appropriate deductions and discounts for any proposed construction, or any completed properties that are partially leased or leased at other than market rents as of the date of the appraisal, or any tract developments with unsold units;

(10) include in the certification required by the USPAP an additional statement that the appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan;

(11) contain sufficient supporting documentation with all pertinent information reported so that the appraiser's logic, reasoning, judgment, and analysis in arriving at a conclusion indicate to the reader the reasonableness of the market value reported;

(12) include a legal description of the real estate being appraised, in addition to the description required by the USPAP;

(13) identify and separately value any personal property, fixtures, or intangible items that are not real property but are included in the appraisal, and discuss the impact of their inclusion or exclusion on the estimate of market value; and

(14) follow a reasonable valuation method that addresses the direct sales comparison, income, and cost approaches to market value, reconciles those approaches, and explains the elimination of each approach not used.

(b) *Unavailability of information.* If information required or deemed pertinent to the completion of an appraisal is unavailable, that fact shall be disclosed and explained in the appraisal.

(c) *Additional standards.* Nothing contained herein shall prevent a regulated institution from requiring additional appraisal standards if deemed appropriate.

Section 225.65—Appraiser independence.

(a) *Staff appraisers.* If an appraisal is prepared by a staff appraiser, that appraiser must be independent of the lending, investment, and collection functions and not involved, except as an appraiser, in the federally related transaction, and have no direct or indirect interest, financial or otherwise, in the property. If the only qualified persons available to perform an appraisal are involved in the lending, investment, or collection functions of the regulated institution, the regulated institution shall take appropriate steps to ensure that the appraisers exercise independent judgment and that the appraisal is adequate. Such steps include, but are not limited to, prohibiting an individual from performing appraisals in connection with federally related transactions in which the appraiser is otherwise involved and prohibiting directors and officers from participating in any vote or approval involving assets on which they performed an appraisal.

(b) *Fee appraisers.* If an appraisal is prepared by a fee appraiser, the appraiser shall be engaged directly by the regulated institution or its agent, and have no direct or indirect interest, financial or otherwise, in the property or transaction. A regulated institution may accept an appraisal that was prepared by an appraiser engaged directly by another institution subject to Title XI of FIRREA, if the regulated institution that accepts the appraisal has:

(1) established procedures for review of real estate appraisals;

(2) reviewed the appraisal under the established review procedures, finding the appraisal acceptable; and

(3) documented the review in writing.

Section 225.66—Professional association membership; competency.

(a) *Membership in appraisal organizations.* A State certified appraiser or a State licensed appraiser may not be excluded from consideration for an assignment for a federally related transaction solely by virtue of membership or lack of membership in any particular appraisal organization.

(b) *Competency.* All staff and fee appraisers performing appraisals in connection with federally related transactions must be State certified or licensed, as appropriate. However, a State certified or licensed appraiser may not be considered competent solely by virtue of being certified or licensed. Any determination of competency shall be based upon the individual's experience and educational background as they relate to the particular appraisal assignment for which he or she is being considered.

Section 225.67—Enforcement.

Institutions and institution-affiliated parties, including staff appraisers and fee appraisers, may be subject to removal and/or prohibition orders, cease and desist orders, and the imposition of civil money penalties pursuant to the Federal Deposit Insurance Act, 12 U.S.C 1811 *et seq.*, as amended, or other applicable law.

ORDERS ISSUED UNDER BANK HOLDING COMPANY ACT

Orders Issued Under Section 3 of the Bank Holding Company Act

Muskingum Valley Bancshares, Inc. Beverly, Ohio

Order Approving the Acquisition of a Bank

Muskingum Valley Bancshares, Inc., Beverly, Ohio ("Muskingum"), a bank holding company within the meaning of the Bank Holding Company Act (the "BHC Act"), has applied for the Board's approval under section 3(a)(3) of the BHC Act (12 U.S.C. § 1842(a)(3)) to acquire up to 100 percent of the voting shares of The Bartlett Farmers Bank, Bartlett, Ohio ("Bartlett Bank").

Notice of the application, affording interested persons an opportunity to submit comments, has been published (55 *Federal Register* 5890 (1990)). 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.

Muskingum controls one bank, the Citizens Bank Company, Beverly, Ohio ("Citizens Bank"), and is the 134th largest commercial banking organization in Ohio, controlling approximately $33.2 million in deposits, representing less than one percent of the total deposits in commercial banks in the state.[1] Bartlett Bank is the 181st largest commercial banking organization in Ohio, controlling approximately $17.5 million in deposits, representing less than one percent of the total deposits in commercial banks in the state. Upon consummation of this proposal, Muskingum would become the 105th largest commercial banking organization in Ohio, controlling $50.7 million in deposits, representing less than one percent of the total deposits in commercial banks in the state. Consummation of this proposal would not have a significantly adverse effect on the concentration of banking resources in Ohio.

1. State banking data are as of December 31, 1989.

Muskingum and Bartlett Bank compete directly in the Marietta-Parkersburg banking market.[2] Muskingum is the eighth largest commercial banking organization in the market, controlling 3.0 percent of the deposits in commercial banks in the market. Bartlett Bank is the 13th largest commercial banking organization, controlling 1.8 percent of the total deposits in commercial banks in the market. Upon consummation, Muskingum would become the seventh largest commercial banking organization in the market, controlling 4.8 percent of total deposits in commercial banks in the market. The market is moderately concentrated, and the Herfindahl–Hirschman Index ("HHI") for the market would increase by 11 points to 1308.[3] Accordingly, consummation of this proposal would not have a significantly adverse effect on existing competition in the Marietta-Parkersburg banking market. In addition, the financial and managerial resources of Bartlett Bank, Muskingum and its subsidiary are consistent with approval of this application.

In considering the convenience and needs of the communities to be served, the Board has taken into account the record of Muskingum's subsidiary bank and Bartlett Bank under the Community Reinvestment Act ("CRA") (12 U.S.C. § 2901 *et seq.*) 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 the safe and sound operation of such institutions. 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 the institution, and to take this record into account in its evaluation of bank holding company applications.[4]

In this regard, the Board has received a comment filed by the Ohio State Legal Services Association ("Protestant") critical of the CRA performance of Citizens Bank and Bartlett Bank. Specifically, Protestant alleges that neither bank has conducted a formal assessment of its community to ascertain the banking needs of all segments and socioeconomic groups within its market area and that neither bank has special programs for low-income areas or minorities. Protestant also states that Citizens Bank and Bartlett Bank appear to have no involvement in loan programs developed by the federal government that are aimed at low- and moderate-income individuals, such as FHA, FmHA, or VA loan programs.

The Board has carefully reviewed the CRA performance record of Citizens Bank and Bartlett Bank, as well as Protestant's comments and Muskingum's response to those comments, 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").[5] The Agency CRA Statement provides guidance regarding the types of policies and procedures that the supervisory agencies believe financial institutions should have in place in order to fulfill their responsibilities under the CRA on an ongoing basis and the procedures that the supervisory agencies will use during the application process to review an institution's CRA compliance and performance.

Initially, the Board notes in this case that Citizens Bank and Bartlett Bank have each received satisfactory ratings from their primary regulators in examinations of their CRA performance. Each board of directors annually reviews the bank's CRA record and CRA policy statement. Each bank has a CRA officer. The CRA officer at Citizens Bank is a member of a wide variety of community organizations and is responsible for reporting to the board of directors about the banking needs of the community and informing those community organizations of the products and services offered by Citizens Bank. Other officers and directors of Citizens Bank are also involved in community organizations and provide similar input to the board of directors and information to the community. In addition to personal contact with its customers and prospective customers, Citizens Bank advertises in two local newspapers and on local radio and television stations to inform the community about its products and services.

The Agency CRA Statement provides that an effective CRA process must include methods to ascertain community needs on an ongoing basis through outreach efforts to local governments, businesses, community members and organizations. The appropriate methods by which an institution ascertains the needs

2. Market data are as of June 30, 1988. The Marietta-Parkersburg banking market is approximated by Washington County, Ohio, Wood County, West Virginia and portions of Athens and Morgan Counties, Ohio.

3. 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 above 1000 is considered moderately concentrated. In such markets, the Justice Department is likely to challenge a merger that increases the HHI by more than 100 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 an anticompetitive effect) unless the post-merger HHI is at least 1800 and the merger increases the HHI by at least 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank acquisitions for anticompetitive effects implicitly recognizes the competitive effects of limited purpose lenders and other non-depository financial entities.

4. 12 U.S.C. § 2903.

5. 54 *Federal Register* 13,742 (1989).

of its community depends upon a number of factors, including the size of the institution and the size, nature and needs of the community involved. The Agency CRA Statement recognizes that the specific steps taken by a small rural institution to meet its CRA responsibilities may be quite different from those required of an institution in a metropolitan area. In this case, both Citizens Bank and Bartlett Bank operate in small rural communities. The banks' management and staff are active in a broad range of community, civic, and religious organizations that help provide the banks with the information needed to develop new products and services to serve all segments of the community.

The Board recognizes that management participation in community-oriented organizations is not by itself adequate in many cases to provide banks with sufficient information to identify the credit needs of a community. In this case, however, the products and services offered by the banks demonstrate that the involvement and availability of bank personnel in their market area has provided the banks with information necessary to develop many programs that are beneficial to low- and moderate-income areas. For example, Citizens Bank offers credit cards with no annual fee, and no-interest and low-interest loans offered in conjunction with the Ohio Energy Action Corporation. During 1988 and 1989, Citizens Bank also made a significant number of guaranteed student loans. Citizens Bank also offers mortgage loans with no points and flexible down payment requirements, and special loans for exterior improvements. In addition, Citizens Bank provides senior citizens club accounts at no charge and with no minimum balance. Citizens Bank cashes all government checks with no check cashing fee and offers basic service checking accounts. In 1988–89, Citizens Bank granted extensions of credit totaling $470,000 to local nonprofit organizations.

Moreover, while Citizens Bank does not appear to offer FHA and VA loans at this time, it offers FmHA and Small Business Administration guaranteed loans. Citizens Bank also refinances loans made directly by the FmHA for housing or farm operations for borrowers whose financial situations have improved sufficiently to qualify them for bank loans. Citizens Bank is one of the few institutions in its banking market that provides such loans. During 1988 and 1989, Citizens Bank made a significant number of its real estate mortgage loans to low- and moderate-income recipients. Finally, Citizens Bank made over 44 percent of the total number of its consumer loans to low- and moderate-income recipients, which represents over 35 percent of the total dollar volume of consumer loans. Citizens Bank does not maintain a minimum loan amount requirement for consumer loans and there is no origination fee for any consumer loans.

Bartlett Bank has participated significantly in a guaranteed student loan program and actively makes small consumer loans. Over one-third of Bartlett Bank's consumer loans in 1988 were made with principal balances of less than $500. These loans were offered without a minimum balance at substantially the same terms as loans for larger amounts. In addition, upon consummation of this proposal, Muskingum has stated that it will provide guidance to enhance existing programs and services at Bartlett Bank and will implement programs and services at Bartlett Bank that have been developed and successfully offered by Citizens Bank.

For the foregoing reasons, and based upon the overall CRA record of Citizens Bank and Bartlett Bank, the compliance of their CRA statements with applicable regulations, and other facts of record, the Board concludes that convenience and needs considerations, including the record of performance under the CRA of Citizens Bank and Bartlett Bank are consistent with approval of this application.

Based on the foregoing and other facts of record, the Board has determined that the application should be, and hereby is, approved. The acquisition of Bartlett Bank shall not be consummated before the thirtieth 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 by the Federal Reserve Bank of Cleveland, acting pursuant to delegated authority.

By order of the Board of Governors, effective June 11, 1990.

Voting for this action: Vice Chairman Johnson and Governors Kelley, LaWare, and Mullins. Absent and not voting: Chairman Greenspan and Governors Seger and Angell.

JENNIFER J. JOHNSON
Associate Secretary of the Board

The Nippon Credit Bank, Ltd.
Tokyo, Japan

Order Approving Formation of a Bank Holding Company

The Nippon Credit Bank, Ltd., Tokyo, Japan ("Applicant"), has applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act (the "BHC Act") (12 U.S.C. § 1842(a)(1)), to become a bank holding company by acquiring 100 percent of the voting shares of Nippon Credit Trust Company, New York, New York ("Trust Company"), a *de novo* bank.

Notice of the application, affording an opportunity for interested persons to submit comments, has been given in accordance with section (3)(b) of the BHC Act (55 *Federal Register* 8194 (1990)). 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, with total consolidated assets equivalent to approximately $118 billion,[1] ranks as the 17th largest bank in Japan. Worldwide, Applicant ranks as the 32nd bank. Applicant engages in a variety of banking activities on a world-wide basis.

In the United States, Applicant operates a branch in New York, New York, with total assets of $5.4 billion,[2] and an agency in Los Angeles, California, with total assets of $2 billion. Applicant has selected New York as its home state under the Board's Regulation K (12 C.F.R. 211.22(b)). Trust Company will be located in Applicant's home state. Accordingly, the Board concludes that the acquisition of Trust Company by Applicant is consistent with section 5 of the International Banking Act of 1978 (12 U.S.C. § 3103).

Trust Company, a *de novo* institution, is being organized as a state-chartered, nonmember bank. It will place primary emphasis on providing wholesale banking and trust-related services in the Metropolitan New York-New Jersey banking market.[3] In view of the *de novo* status of Trust Company and based upon the facts of record, the Board concludes that the proposed transaction will have no significantly adverse effects on existing or probable future competition, and will not significantly increase the concentration of resources in any relevant market. Thus, competitive considerations are consistent with approval of the application.

Section 3(c) of the BHC Act requires the Board in every case to consider the financial resources of the applicant organization and the bank or bank holding company to be acquired. In accordance with the principles of national treatment and competitive equity, the Board has previously stated that it expects foreign banks seeking to establish or acquire banking organizations in the United States to meet the same general standards of strength, experience, and reputation as domestic banking organizations, and to be able to serve as a source of strength to their banking operations in the United States.[4] In this case, the primary capital of Applicant, as publicly reported, is well below the minimum level specified in the Board's Capital Adequacy Guidelines. After making adjustments to reflect Japanese banking and accounting practices, however, including consideration of a portion of the unrealized appreciation in Applicant's portfolio of equity securities consistent with the principles in the Basle capital framework, Applicant's capital ratio meets United States standards.

The Board also has considered several additional factors that mitigate its concern in this case. The Board has placed considerable emphasis on the fact that Applicant will establish Trust Company *de novo*, and that Trust Company will be strongly capitalized and small in relation to Applicant. The Board expects that Applicant will maintain Trust Company among the more strongly capitalized banking organizations of comparable size in the United States. The Board further notes that Applicant is in compliance with the capital and other financial requirements of Japanese banking organizations.

Based on these and other facts of record, including certain commitments made by Applicant, the Board concludes that the financial and managerial factors are consistent with approval of this application. Considerations relating to the convenience and needs of the community to be served are also consistent with approval. Based upon the foregoing and other facts of record, the Board has determined that consummation of the transaction would be in the public interest and that the application should be, and hereby is, approved. The transaction shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, and Trust Company shall be opened for business not later than six months after the effective date of this Order. The latter two periods may be extended for good cause by the Board or the Federal Reserve Bank of New York, pursuant to delegated authority.

By order of the Board of Governors, effective June 4, 1990.

Voting for this action: Chairman Greenspan and Governors Johnson, Kelley, LaWare, and Mullins. Voting against this action: Governor Seger. Absent and not voting: Governor Angell.

JENNIFER J. JOHNSON
Associate Secretary of the Board

1. Banking data and rankings are as of December 31, 1988.
2. Banking data for branch and agency are as of March 31, 1990.
3. The Metropolitan New York-New Jersey market is defined to include New York City and Long Island, New York; Putman, Sullivan, Westchester, Rockland, and Orange Counties in New York; Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, Union, and Warren Counties in New Jersey; and portions of Fairfield County in Connecticut.
4. *See, e.g., The Dai-Ichi Kangyo Bank, Limited,* 76 *Federal Reserve Bulletin* 75 (1990); *Toyo Trust and Banking Co., Ltd.*, 74 *Federal Reserve Bulletin* 623 (1988); *The Mitsubishi Bank, Limited,* 70 *Federal Reserve Bulletin* 518 (1984); *See also* Policy Statement on Supervision and Regulation of Foreign-Based Holding Companies, Federal Reserve Regulatory Service ¶ 4–835 (1979).

Dissenting Statement of Governor Seger

I dissent from the Board's action in this case. I believe that foreign banking organizations whose primary capital, based on U.S. accounting principles, is below the Board's minimum capital guidelines for U.S. banking organizations have an unfair competitive advantage in the United States over domestic banking organizations. In my view, such foreign organizations should be judged against the same financial and managerial standards, including the Board's capital adequacy guidelines, as are applied to domestic banking organizations. The majority concludes that Applicant's primary capital meets United States standards. To do so, however, the majority makes adjustments that are not available for United States banks under guidelines that have not yet become effective for U.S. or foreign banking organizations.

In addition, I am concerned that while some progress is being made in opening Japanese markets to U.S. banking organizations and other financial institutions, U.S. banking organizations, in my opinion, are still far from being afforded the full opportunity to compete in Japan.

June 4, 1990

SouthTrust Corporation
Birmingham, Alabama

SouthTrust of Florida, Inc.
St. Petersburg, Florida

Order Approving Acquisition of a Bank

SouthTrust Corporation, Birmingham, Alabama, and its subsidiary, SouthTrust of Florida, Inc., St. Petersburg, Florida (together, "SouthTrust"), both bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have applied for the Board's approval under section 3(a)(3) of BHC Act (12 U.S.C § 1842(a)(3)) to acquire 100 percent of the voting shares of SouthTrust Bank of Orlando, Winter Park, Florida, a *de novo* bank ("Bank").

Notice of the application, affording interested persons an opportunity to submit comments, has been published (54 *Federal Register* 38,437 (1989)). 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 (12 U.S.C. § 1842(c)).

SouthTrust is the 14th largest commercial banking organization in Florida, controlling total domestic deposits of approximately $650.4 million, representing less than one percent of all deposits in commercial banks in the state.[1] Bank is a *de novo* institution that will compete in the Orlando Area banking market.[2] SouthTrust does not currently operate in this market. Accordingly, the Board has concluded that consummation of this proposal would not have a significantly adverse effect on the concentration of banking resources in Florida, or have a significantly adverse effect upon competition in any relevant banking market. The financial and managerial resources and future prospects of SouthTrust and its subsidiary banks and of Bank are also considered satisfactory and consistent with approval.

In considering the convenience and needs of the communities to be served, the Board has taken into account the record of SouthTrust's subsidiary banks 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 the safe and sound operation of such institutions. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess an 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 the institution," and to take this record into account in its evaluation of bank holding company applications.[3]

In this regard, the Board has received comments filed by the Center for Human Rights, Birmingham, Alabama ("Protestant"), critical of the CRA performance of SouthTrust Corporation's lead bank, SouthTrust Bank of Alabama, N.A., Birmingham, Alabama ("SouthTrust Bank"). Specifically, the Protestant alleges that SouthTrust Bank is not meeting the need for mortgage loans in the low- to moderate-income and minority communities of Birmingham.[4]

1. Deposit data are as of December 31, 1989.

2. The Orlando Area banking market is comprised of Orange, Osceola and Seminole counties.

3. 12 U.S.C. § 2903.

4. As evidence to support this allegation, Protestant has submitted a study which appeared in *The Birmingham News* in August, 1989 suggesting that, in recent years, there has been a significant disparity in the home mortgage loans made by Birmingham lenders to high-income and white as opposed to low- and moderate-income and minority residents in Birmingham. In the "Report on Loan Discrimination" submitted to Congress by the Board on October 13, 1989 pursuant to section 1220 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (the "Report"), the Board generally reviewed various public studies of mortgage lending in Atlanta, Cleveland, Detroit and Boston. The Report noted that, while these studies appeared to indicate that disparities existed in home mortgage lending between minority and non-minority areas, they did not draw definitive conclusions about the existence or extent of racial discrimination in mortgage lending and did not account for certain factors

The Board has carefully reviewed the CRA performance record of SouthTrust and SouthTrust Bank, as well as Protestant's comments and SouthTrust's response to those comments, 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").[5] The Agency CRA Statement provides guidance regarding the types of policies and procedures that the supervisory agencies believe financial institutions should have in place in order to fulfill their responsibilities under the CRA on an ongoing basis, and the procedures that the supervisory agencies will use during the application process to review an institution's CRA compliance and performance. The Agency CRA Statement also suggests that decisions by agencies to allow financial institutions to expand will be made pursuant to an analysis of the institution's overall CRA performance, and will be based on the actual record of performance of the institution.[6]

Initially, the Board notes in this case that SouthTrust's subsidiary banks—including SouthTrust Bank—have each received satisfactory ratings from their primary regulators in the most recent examinations of their CRA performance. The Agency CRA Statement provides that, although CRA examination reports do not provide conclusive evidence of an institution's CRA record, these reports will be given great weight in the applications process.[7] In addition, SouthTrust and SouthTrust Bank have put in place various elements outlined in the Agency CRA Statement that contribute to an effective CRA program. SouthTrust has established a program for reviewing and supervising the CRA programs of its subsidiary banks. This program includes regular review of reports made by each subsidiary bank to SouthTrust concerning the bank's CRA program, and annual review of each bank's CRA statement. SouthTrust provides information to subsidiary banks regarding evolving areas of emphasis under the CRA, and suggests guidelines to assure that subsidiary banks are meeting their responsibilities to the community under the CRA. SouthTrust has also taken initiatives at the corporate level to meet its responsibilities under the CRA, including contributing as a partner in a community development corporation that refurbishes homes in low- and moderate-income and minority neighborhoods throughout Alabama.

SouthTrust Bank has established a CRA Committee, comprised of individuals representing all areas of the bank's operations, to coordinate SouthTrust Bank's efforts to meet its responsibilities under the CRA. The CRA Committee meets quarterly to review the information, opinions, and requests that it receives regarding SouthTrust Bank's products and services, and considers new bank products and services to respond to identified community credit needs.

SouthTrust Bank has endeavored to assess community credit needs through the use of various community outreach programs, including an extensive officer call program whereby SouthTrust Bank officials contact members of the community representing commercial and professional interests, as well as individuals representing churches and civic and community groups. All SouthTrust Bank branch offices distribute a questionnaire entitled "What's On Your Mind?" as a means of gathering information on consumer credit needs. SouthTrust Bank has also conducted several market surveys to pinpoint community credit needs, including a survey of minority business owners conducted in 1987. Moreover, various minority-oriented media are utilized by SouthTrust Bank to advertise its products and services.

The Board notes that there have been disparities in SouthTrust Bank's Home Mortgage Disclosure Act ("HMDA") data for the years 1987 and 1988. An analysis of this HMDA data indicates that, during 1987 and 1988, there was a significant disparity between the number of mortgage loans made by SouthTrust Bank in low- to moderate-income and minority areas and similar lending by other lenders in the Birmingham Metropolitan Statistical Area ("MSA"). The disparity in lending to low- and moderate-income individuals decreased significantly in 1989, however. In 1989, approximately 17.5 percent of SouthTrust Bank's home mortgage loans originated in low- to moderate-income areas, as compared to approximately 14.5 percent for other Birmingham lenders. Also during this period, SouthTrust Bank increased the number of mortgage loans made in the Birmingham MSA by more than 400 percent. Thus, in 1989, SouthTrust Bank substantially increased the absolute amount of home purchase loans that it made in the Birmingham MSA as well as the percentage of that amount of home purchase lending in low- and moderate-income neighborhoods. This increase in the percentage of home mortgage lending in low- and moderate-income neighborhoods represents substantial improvement in SouthTrust Bank's home mortgage lending. The record also indicates that SouthTrust Bank has made a

other than discrimination in lending that might account for these disparities—including differences in demand for mortgage loans, differences in the types of mortgage products offered by depository and nondepository institutions, and the tendency of nondepository lenders to dominate the minority mortgage loan market.

5. 54 *Federal Register* 13,742 (1989).

6. *Id.*

7. 54 *Federal Register* at 13,745.

significant percentage of its home improvement loans to low- and moderate-income areas of Birmingham, with 24 percent of its home improvement loans originating in low- to moderate-income areas in 1987, and 27 percent of these loans originating in low- to moderate-income areas in 1988.

With regard to lending in minority areas, the disparities between the amount of home mortgage lending by SouthTrust Bank and similar lending by other banks in the Birmingham MSA remained in 1989. In order to address this, however, SouthTrust Bank has implemented various programs targeted to providing credit to minorities in Birmingham. SouthTrust Bank has sponsored seminars on business ownership and home buying in minority areas in Birmingham, and is an active participant in various loan and grant programs, including the Birmingham Plan, a loan pool established by several Birmingham banks to meet minority business and home mortgage needs in the area. Financing is also provided to small minority-owned businesses through the SouthTrust Business Center. SouthTrust Bank also participates through its subsidiary, SouthTrust Mortgage Company, in the Community Home Buyer's Program, a loan program that provides financing and investment counseling to minorities and low- to moderate-income individuals who seek to buy homes for under $50,000.00.

The Office of the Comptroller of the Currency ("OCC") has identified certain aspects of SouthTrust Bank's CRA program in need of improvement. In response to the OCC's suggestions, and in an effort to strengthen its CRA program, SouthTrust and SouthTrust Bank have already begun to take steps to formalize CRA policies and procedures at all levels and to develop a self-assessment program to be utilized at all SouthTrust banks.

The Board believes that, on balance, the CRA record of SouthTrust and SouthTrust Bank is consistent with approval of this application. The Board expects SouthTrust and SouthTrust Bank to implement fully their CRA programs and to continue to improve their record of CRA performance. The Federal Reserve Bank of Atlanta will monitor the progress of SouthTrust and SouthTrust Bank and the steps that they have taken to improve their CRA program, and the Board will consider the progress of SouthTrust and SouthTrust Bank under the CRA in future applications to expand their deposit-taking operations. For the foregoing reasons, and based upon the overall CRA record of SouthTrust and SouthTrust Bank and other facts of record, the Board concludes that convenience and needs considerations, including the record of performance under the CRA of SouthTrust, SouthTrust Bank, and SouthTrust's other subsidiary banks, are consistent with approval of this application.[8]

Based on the foregoing and other facts of record, the Board has determined that the application should be, and hereby is, approved. This transaction shall not be consummated before the thirtieth 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 by the Federal Reserve Bank of Atlanta, acting pursuant to delegated authority.

By Order of the Board of Governors, effective June 25, 1990.

Voting for this action: Chairman Greenspan and Governors Johnson, Seger, Angell, Kelley, LaWare, and Mullins.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Orders Issued Under Section 4 of the Bank Holding Company Act

Banca Commerciale Italiana S.p.A.
Milan, Italy

Order Approving Application to Provide Securities Brokerage and Investment Advisory Services on a Combined Basis, Provide Corporate Finance Advisory Services, Provide Foreign Exchange Services, and Act as Riskless Principal

Banca Commerciale Italiana S.p.A., Milan, Italy ("Applicant"), a foreign bank subject to the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval 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), for its subsidiary, BCI Capital Corporation, New York, New York ("Company"), to engage in the following activities:

8. Protestant also has requested that the Board hold a public hearing or meeting to assess further facts surrounding SouthTrust Bank's CRA performance. Generally under the Board's rules, 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 U.S.C. §§ 262.3(e) and 262.25.(d).

The Board has carefully considered the Protestant's request for a public meeting or hearing in this case. In the Board's view, the parties have had ample opportunity to present their arguments in writing and to respond to one another's submissions, and have submitted substantial written comments that have been considered by the Board. In light of these facts, the Board has determined that a public meeting or hearing is not necessary to clarify the factual record in these applications, or otherwise warranted in this case. Accordingly, Protestant's request for a public meeting or hearing on this application is hereby denied.

(1) providing securities brokerage and investment advisory services on a combined basis to institutional customers, including discretionary management services;
(2) providing corporate finance advisory and related services by:
(i) acting as a financial advisor with respect to structuring, financing, and negotiating domestic and international mergers and acquisitions, joint ventures, divestitures, leveraged buyouts, capital raising vehicles, interest rate swaps, interest rate caps, interest rate collars, currency swaps, similar hedging devices, and other corporate transactions;
(ii) performing feasibility studies, principally in the context of determining the attractiveness and feasibility of particular corporate transactions;
(iii) providing valuation services; and
(iv) rendering fairness opinions in connection with corporate transactions;
(3) providing general information and statistical forecasting with respect to foreign exchange markets, advisory services designed to assist customers in monitoring, evaluating, and managing their foreign exchange exposures, and transactional and execution services with respect to foreign exchange;
(4) acting as riskless principal in buying and selling securities; and
(5) acting as riskless principal by entering into spot and forward transactions in the foreign exchange market.

Company would provide the proposed services to institutional customers throughout the United States and abroad.

Applicant has total consolidated assets equivalent to $65.2 billion. It operates branch offices in Chicago and New York and an agency in Los Angeles.[1]

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been published (55 *Federal Register* 10,494 (1990)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act. The Board received written comments opposing Board approval of the application from the Investment Company Institute ("ICI"), a trade association of the mutual fund industry.

1. Data are as of June 30, 1989.

Securities Brokerage, Riskless Principal, and Financial Advisory Services

The Board has previously determined by order that providing securities brokerage and investment advisory services on a combined basis, providing corporate finance advisory and related services, and acting as riskless principal in buying and selling securities are permissible nonbanking activities for bank holding companies under section 4(c)(8) of the BHC Act.[2] Applicant has stated that Company will engage in these activities in accordance with the conditions set forth in these Orders.[3]

Foreign Exchange Advisory and Transactional Services

The Board has recognized that commercial banks do combine the functions of giving advice on foreign exchange transactions and executing foreign exchange transactions. *See Hongkong and Shanghai Banking Corporation*, 69 *Federal Reserve Bulletin* 221, 223 (1983). Accordingly, the Board finds that the proposed combination of foreign exchange advisory and transactional services is closely related to banking.

The Board's regulations currently impose a separation between foreign exchange advisory services and execution services in foreign exchange in order to address the potential conflicts of interest from combining these two activities.[4] In this case, the potential adverse effects related to the proposed activities are limited due to the nature of Company's proposed services. Company expects its foreign exchange services to be a relatively small aspect of its overall business and to arise primarily in connection with the

2. *The Royal Bank of Canada*, 74 *Federal Reserve Bulletin* 334 (1988); *The Bank of Nova Scotia*, 74 *Federal Reserve Bulletin* 249 (1988); and *The Chase Manhattan Corporation*, 74 *Federal Reserve Bulletin* 704 (1988) (securities brokerage and investment advisory services on a combined basis); *The Fuji Bank, Limited*, 75 *Federal Reserve Bulletin* 577 (1989) (corporate finance advisory services); *Bankers Trust New York Corporation*, 75 *Federal Reserve Bulletin* 829 (1989) (*"Bankers Trust"*); and *J.P. Morgan & Company Incorporated*, 76 *Federal Reserve Bulletin* 26 (1990) (*"J.P. Morgan"*) (riskless principal activities with respect to securities).

3. The ICI has objected that, to the extent that Company proposes to broker or act as riskless principal or advise brokerage customers with respect to securities issued by investment companies advised or sponsored by Applicant or any of its affiliates, the proposed activities are inconsistent with the Glass–Steagall Act and with the Board's interpretive rule governing investment advisory services by bank holding companies. Applicant has committed, however, that Company will not broker or act as riskless principal or provide investment advice to customers regarding shares of any investment company for which an affiliate acts as an investment advisor or sponsor. For these reasons and the reasons discussed by the Board in its Order in Norwest Corporation, the Board believes that the comments made by the ICI do not warrant denial of this application. 76 *Federal Reserve Bulletin* 79 (1990).

4. 12 C.F.R. 225.25(b)(17).

securities brokerage services Company proposes to provide to its customers. Company proposes to execute foreign exchange transactions on behalf of customers as necessary to facilitate securities brokerage transactions for its international customers and to permit these customers to hedge foreign exchange risks related to positions in foreign securities. Company will not hold itself out as conducting a foreign exchange business, except in connection with its securities brokerage services.

Because Company's foreign exchange services would be provided primarily in connection with its securities brokerage services, Company does not expect to execute foreign exchange transactions on behalf of its customers for investment or speculative purposes or to advise its customers with respect to foreign exchange transactions for such purposes. Accordingly, the possibility that Company might provide biased or unsuitable advice designed to generate increased trades and thus increase its commissions is substantially reduced.

In addition, Company will limit its services to institutional customers, who will be financially sophisticated and therefore likely to be aware of alternative sources of advisory and execution services and to have the resources to compare performance and prices.[5] Company will not purchase or sell foreign exchange for its own account, will not take or maintain positions in foreign exchange, and will not hold itself out as a dealer in foreign exchange. Based on these and the other facts of record, the Board finds that the combination of the proposed foreign exchange advisory and transactional services with the execution of foreign exchange transactions as proposed in this case is not likely to result in significant conflicts of interest or other adverse effects.

Riskless Principal Activities in Foreign Exchange

Applicant has also applied to act as riskless principal in spot and forward transactions in the foreign exchange market. When a customer decides to purchase or sell foreign currency or a forward contract in a foreign currency, Company would locate a counterparty (or counterparties) willing to enter into an offsetting transaction prior to confirming the customer's order. Company then would enter into contemporaneous offsetting transactions with its customer and the counterparty. Company expects to engage in such riskless principal transactions in situations similar to those in which companies typically engage in riskless principal transactions in securities. In addition, Company would act as a riskless principal in foreign exchange if it expects to be able to enter into a transaction as principal at a better price than it could obtain for a customer as an agent.

While the Board has determined that acting as riskless principal in buying and selling securities is permissible under the BHC Act,[6] it has not to date considered riskless principal activities with respect to foreign exchange. The Board has recognized, however, that banks have long executed foreign exchange transactions for their customers.[7] As noted in *Bankers Trust,* riskless principal transactions are "essentially equivalent" to brokerage services.[8] In addition, the Board has approved the similar activity of acting as an intermediary in interest rate and currency swap transactions.[9] The Board finds, therefore, that the proposed riskless principal services in foreign exchange as proposed in this case are closely related to banking for purposes of section 4(c)(8) of the BHC Act.

Financial and Managerial Resources and Other Factors

In order to approve this application, the Board must also find that performance of the proposed activities "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." 12 U.S.C. § 1843(c)(8).

In evaluating these factors under section 4 of the BHC Act, the Board considers the financial condition and resources of the applicants and its subsidiaries and the effect of the proposal on these resources.[10] The financial and managerial resources of Applicant are consistent with approval. In addition, consummation of the proposal would provide added convenience to Applicant's customers. The Board also expects that the *de novo* entry of Applicant into the market for some of these services would increase the level of

5. *See National Westminster Bank PLC, supra.*

6. *Bankers Trust; J.P. Morgan.*

7. *See Hongkong and Shanghai Banking Corporation, supra,* and *The Nippon Credit Bank, Ltd.,* 75 *Federal Reserve Bulletin* 308 (1989).

8. Consistent with the *Bankers Trust* Order, as noted above, Company will not purchase or sell foreign exchange for its own account, nor will Company take or maintain positions in foreign exchange. Company will not hold itself out as a dealer in foreign exchange and will observe the standards of care and conduct applicable to a fiduciary with respect to its foreign exchange advisory and transactional services.

9. *The Sumitomo Bank, Limited,* 75 *Federal Reserve Bulletin* 582 (1990). An intermediary in the swap markets is a party who is willing to step between the two parties to a swap agreement and act as the principal counterparty with each of the other participants, thus taking on the credit risk of each of the participants. Upon entering into a swap with one counterparty, the intermediary enters into an equivalent and offsetting swap with another counterparty.

10. 12 C.F.R. 225.24.

competition among providers of these services. Accordingly, the Board has determined that the performance of the proposed activities by Company can reasonably be expected to produce benefits to the public.

Under the framework established in this and prior decisions, the Board believes that the proposal is not likely to result in any significant adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. Accordingly, the Board has determined that the performance of the proposed activities by Applicant can reasonably be expected to produce public benefits which would outweigh adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

Based on the above, the Board has determined to, and hereby does, approve this application subject to all of the terms and conditions set forth in this Order and in the above-noted Board Orders that relate to these activities. The Board's determination is also subject to all of the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) 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.

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, pursuant to delegated authority.

By order of the Board of Governors, effective June 22, 1990.

Voting for this action: Chairman Greenspan and Governors Johnson, Seger, Angell, Kelley, LaWare, and Mullins.

JENNIFER J. JOHNSON
Associate Secretary of the Board

The Bank of Montreal
Toronto, Ontario, Canada

Order Approving Application to Engage, to a Limited Extent, in Underwriting and Dealing in Debt and Equity Securities and to Act as Agent in the Private Placement of All Types of Securities and Act as Riskless Principal in Buying and Selling Securities

Bank of Montreal, Toronto, Ontario, Canada ("Bank of Montreal"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for 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)(3) of the Board's Regulation Y, 12 C.F.R. 225.23(a)(3), for its indirect subsidiary, Nesbitt Thomson Securities, Inc., New York, New York ("Company"), to act as agent in the private placement of all types of securities, including providing related advisory services, to buy and sell all types of securities on the order of investors as a "riskless principal", and to underwrite and deal in, on a limited basis, all types of debt securities, including, without limitation, sovereign debt securities, corporate debt, debt securities convertible into equity securities, and securities issued by a trust or other vehicle secured by or representing interests in debt obligations, including municipal revenue bonds and mortgage and consumer receivable related securities.

Bank of Montreal has also applied for approval to underwrite and deal in equity securities, including, without limitation, common stock, preferred stock, American Depositary Receipts, and other direct and indirect equity ownership interests in corporations and other entities.[1]

Bank of Montreal has total consolidated assets equivalent to $67.6 billion.[2] It owns all of the outstanding voting shares of Bankmont Financial Corp., which is the holding company for Harris Bankcorp, Chicago, Illinois. Bank of Montreal also operates branches in Chicago and New York, an agency in Houston and a representative office in Los Angeles. Bank of Montreal has previously received Board approval to engage directly and indirectly in a broad range of nonbanking activities, including engaging through Company in underwriting and dealing in commercial paper to a limited extent, acting as agent in the private placement of commercial paper to institutional customers, and providing brokerage and investment advisory services on a combined basis to institutional customers.[3] Company is and will continue to be a broker-dealer registered with the Securities and Exchange Commission and subject to the record-keeping, reporting, fiduciary standards, and other requirements of the Securities Exchange Act of 1934, the New York Stock Exchange and the National Association of Securities Dealers.

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been published (55 *Federal Register* 10,495

1. Bank of Montreal has not proposed to underwrite or deal in securities issued by open-end investment companies and, accordingly, may not do so without further application under section 4(c)(8) of the BHC Act. Bank of Montreal has proposed, however, to underwrite and deal in securities issued by closed-end investment companies.
2. Data are as of January 31, 1990.
3. *The Bank of Montreal*, 74 *Federal Reserve Bulletin* 500 (1988).

(1990)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act. The Board received written comments opposing the application from the Investment Company Institute ("ICI"), a trade association of the mutual fund industry.[4]

Because Company would be affiliated through common ownership with a member bank, Company may not be "engaged principally" in underwriting or dealing in securities within the meaning of section 20 of the Banking Act of 1933 (the "Glass-Steagall Act").[5] In earlier decisions, the Board has determined that a company is not "engaged principally" in section 20 activities if revenues from underwriting and dealing in securities that banks are not authorized to underwrite and deal in directly ("ineligible securities") do not exceed 10 percent of Company's gross revenues.[6]

The Board has also found that, subject to the prudential framework of limitations established in those cases to address the potential for conflicts of interests, unsound banking practices or other adverse effects, the proposed underwriting and dealing activities were so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act.[7] Bank of Montreal has committed to conduct its ineligible underwriting and dealing activities subject to the 10 percent revenue test, and to the prudential limitations established by the Board in its *Canadian Imperial, et al.* Order.[8]

In recent decisions, the Board found that, subject to a number of prudential limitations that address the potential for conflicts of interests, unsound banking practices or other adverse effects, 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. The Board also determined in those decisions 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 therefore revenue derived from these activities is not subject to the 10 percent revenue limitation on ineligible securities underwriting and dealing.[9] Bank of Montreal has committed that Company will conduct these activities consistent with the methods and procedures, and subject to all of the prudential limitations, established by the Board in *Bankers Trust* and *J.P. Morgan*,[10] as modified to reflect Bank of Montreal's status as a foreign bank.[11]

The Board has reviewed the capitalization of Bank of Montreal and Company and finds each to be consistent with approval. With respect to the capitalization of Company, approval of the requested activities is limited to a level consistent with the projections of position size and types of securities contained in the application. The Board also notes that the size of

4. The ICI has objected to Bank of Montreal's proposal to the extent that it requests authority to underwrite and deal in securities issued by closed-end investment companies, incorporating by reference the arguments it made relating to the Board's Order in *J.P. Morgan & Co., Incorporated, et al.*, 75 *Federal Reserve Bulletin* 192 (1989) ("January 1989 Order"). The ICI contends that this activity would result in a violation of section 20 of the Glass-Steagall Act and that it does not meet the "closely related" and "proper incident to banking" standards of section 4(c)(8) of the BHC Act. The Board considered and rejected such comments in its January 1989 Order, and for the reasons stated in that order, reconfirms that these comments do not warrant denial of the proposal in this case.

The ICI has also objected to Bank of Montreal's proposal to the extent that it could be construed as seeking authority to underwrite and deal in securities issued by unit investment trusts. Bank of Montreal has not requested authority to underwrite and deal in such securities.

5. Section 20 of the Glass-Steagall Act (12 U.S.C. § 377) provides that ". . . no member bank shall be affiliated . . . with any . . . organization engaged principally in the issue, flotation, underwriting, public sale, or distribution at wholesale or retail or through syndicate participation of stocks, bonds, debentures, notes, or other securities. . . ."

6. *Canadian Imperial Bank of Commerce, The Royal Bank of Canada, Barclays PLC, Barclays Bank PLC*, 76 *Federal Reserve Bulletin* 158 (1990) (*"Canadian Imperial, et al."*); and *J.P. Morgan & Company Incorporated, et al.*, 75 *Federal Reserve Bulletin* 192 (1989), as modified by Order, dated September 21, 1989, 75 *Federal Reserve Bulletin* 751 (1989); and *Citicorp/Morgan/Bankers Trust*, 73 *Federal Reserve Bulletin* 473 (1987) (collectively, the "section 20 Orders").

7. *Canadian Imperial, et al.*, 76 *Federal Reserve Bulletin* 158 (1990).

8. The Board hereby adopts and incorporates herein by reference the reasoning and analysis from the *Canadian Imperial* Order, and from the section 20 Orders except as that reasoning was specifically modified by the *Canadian Imperial* Order. Compliance with the revenue limits shall be calculated in the manner set forth in *J.P. Morgan & Company, Incorporated, et al.*, 75 *Federal Reserve Bulletin* 192, 196–197 (1989).

9. *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"*).

10. With regard to its proposed riskless principal activities, Bank of Montreal has committed that Company will not:

1) act as 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 the Company has a contractual agreement to place the securities as agent of the issuer;
2) act as a riskless principal in any transaction involving a security for which it makes a market;
3) engage in any riskless principal transaction for any security carried in its inventory;
4) hold itself out as making a market in the securities it buys and sells as riskless principal, nor enter quotes for specific securities in the NASDAQ or any other dealer quotation system in connection with riskless principal transactions; or
5) engage in riskless principal transactions on behalf of its foreign affiliates that engage in securities dealing activities outside the United States. Company will maintain specific records that clearly identify all riskless principal transactions.

11. The Board has previously approved applications by foreign banking organizations to engage in private placement activities in this manner. *See, e.g., The Toronto-Dominion Bank*, 76 *Federal Reserve Bulletin* 573 (1990).

Company's activities will be relatively small. In sum, the record shows that under the framework established in this and prior decisions, consummation of this proposal is not likely to result in any significant adverse effects, including undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices.

Consummation of this proposal would provide greater efficiencies and added convenience to Bank of Montreal's customers by allowing the provision of a wider range of services by a single entity. Accordingly, the Board has determined that the performance of the proposed activities by Bank of Montreal can reasonably be expected to produce benefits to the public.

Accordingly, and for the reasons set forth in the section 20 Orders, the Board concludes that Bank of Montreal's proposal to engage through Company in the requested activities is consistent with the Glass–Steagall Act and is so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act, provided Bank of Montreal limits Company's activities as provided in the *Canadian Imperial, J.P. Morgan* and *Bankers Trust* Orders. The application is hereby approved, subject to all the terms and conditions of those Orders. The Board's approval of this proposal extends only to activities conducted within the limitations of the *Canadian Imperial* Order, including the Board's reservation of authority to establish additional limitations to ensure that the subsidiary's activities are consistent with safety and soundness, conflict of interest, and other relevant considerations under the BHC Act. Underwriting and dealing in any manner other than as approved in that Order is not within the scope of the Board's approval and is not authorized for Company.

Included among these conditions is that Bank of Montreal may not commence the proposed debt or equity securities underwriting and dealing activities until the Board has determined that Bank of Montreal and Company have established policies and procedures to ensure compliance with the requirements of this Order, including computer, audit and accounting systems, internal risk management controls and the necessary operational and managerial infrastructure. In this regard, the Board will review whether Bank of Montreal may commence underwriting and dealing in equity securities based on a determination by the Board that it has established the managerial and operational infrastructure and other policies and procedures necessary to comply with the requirements of this Order.

The Board's determination is subject to all of the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) 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.

By order of the Board of Governors, effective June 18, 1990.

Voting for this action: Chairman Greenspan and Governors Johnson, Seger, Angell, Kelley, LaWare, and Mullins.

JENNIFER J. JOHNSON
Associate Secretary of the Board

The Bank of Tokyo, Ltd.
Tokyo, Japan

Order Approving Application to Engage in Certain Securities-Related, Foreign Exchange, and Investment and Financial Advisory Activities

The Bank of Tokyo, Ltd., Tokyo, Japan ("Applicant"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for 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)(2) of the Board's Regulation Y (12 C.F.R. 225.23(a)(2)) to engage, through its wholly owned subsidiary, BOT Securities, Inc., New York, New York ("BOTS"), in the following activities:

(1) providing brokerage services and investment advisory services to institutional customers[1] on a combined basis;

(2) furnishing general economic information and advice, general economic statistical forecasting services and industry studies to institutional customers;

1. An institutional customer is defined by Applicant to be:
(1) a bank (acting in an individual or fiduciary capacity), a savings and loan association, an insurance company, a registered investment company under the Investment Company Act of 1940, or a corporation, partnership, proprietorship, organization or institutional entity that regularly invests in the types of securities as to which investment advice is given, regularly engages in transactions in securities or has a net worth exceeding $1,000,000;
(2) an employee benefit plan with assets exceeding $1,000,000 or whose investment decisions are made by a bank, insurance company or investment adviser registered under the Investment Advisers Act of 1940;
(3) a natural person whose individual net worth (or joint net worth with his or her spouse) at the time of receipt of the investment advice or brokerage services exceeds $1,000,000;
(4) a broker-dealer or option trader registered under the Securities Exchange Act, or other securities professional, or
(5) an entity all of the equity owners of which are institutional customers.

(3) providing advice in connection with certain domestic and international financial transactions, including interest rate swaps, interest rate caps and floors, loan syndications and similar transactions, to financial and nonfinancial institutions;
(4) trading for its own account in certain foreign exchange spot, forward, futures, and options transactions;
(5) providing general information and statistical forecasting with respect to foreign exchange markets; and
(6) providing financial advice to the Japanese national and municipal governments and their agencies such as with respect to the issuance of their securities in the United States.

BOTS currently engages in underwriting and dealing in government obligations throughout the United States pursuant to section 225.25(b)(16) of Regulation Y (12 C.F.R. 225.25(b)(16)).

Notice of the application, affording interested persons an opportunity to submit comments, has been duly published (55 *Federal Register* 14,860 (1990)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.[2]

Applicant, with consolidated assets equivalent to approximately $171.4 billion, is the 18th largest banking organization in the world.[3] Applicant owns a bank in California and a bank in New York. Applicant acquired bank subsidiaries in New York and California prior to the enactment in 1956 of the Douglas Amendment's interstate banking restrictions and, therefore, may retain these companies under the Douglas Amendment and section 5(b) of International Banking Act (12 U.S.C. § 3103(b)).[4] Applicant also operates agencies in New York, Miami, San Francisco, Los Angeles, and Honolulu; branches in Portland and Seattle; and representative offices in Chicago, Washington, D.C., Houston, and Atlanta.

Brokerage, Investment Advisory and Financial Advisory Activities

Applicant proposes to provide investment advisory and brokerage activities on a combined basis ("full-service brokerage") as well as separately.[5] The Board has previously determined by order that full-service brokerage is a permissible nonbanking activity for bank holding companies under section 4(c)(8) of the BHC Act. *PNC Financial Corp.*, 75 *Federal Reserve Bulletin* 396 (1989); *Bankers Trust New York Corporation*, 74 *Federal Reserve Bulletin* 695 (1988) (*"Bankers Trust"*). Applicant proposes to engage in full-service brokerage in accordance with all of the conditions set forth in these Orders. Applicant also proposes that officers of Applicant be permitted to serve as directors of BOTS and that one officer of a U.S. branch or agency of Applicant be permitted to serve as a director of BOTS.[6] The individual from the U.S. branch or agency will not represent BOTS in its dealings with customers, but the individual will permit Applicant to supervise effectively the operations of BOTS. Accordingly, this interlock would not increase the likelihood of customer association of BOTS with any of Applicant's U.S. branches or agencies. The Board notes that BOTS is not engaged in underwriting and dealing in securities other than U.S. government obligations as noted above. In light of these facts, Applicant's proposal in this respect is consistent with previous Board orders. *See The Bank of Nova Scotia*, 74 *Federal Reserve Bulletin* 249; *National Westminster Bank PLC*, 72 *Federal Reserve Bulletin* 584 (1986). *See also Canadian Imperial Bank of Commerce, The Royal Bank of Canada, Barclays PLC, Barclays Bank PLC*, 76 *Federal Reserve Bulletin* 158 (1990).

The Board has previously determined by regulation that furnishing general economic information and advice, general economic statistical forecasting services and industry studies to institutional customers is a permissible nonbanking activity for bank holding com-

2. The Investment Company Institute ("ICI") has protested this application to the extent that it would permit BOTS to broker or advise customers regarding securities issued by investment companies sponsored or advised by Applicant or any of its bank or nonbank affiliates. Applicant has committed that BOTS will not provide investment advice to its brokerage customers regarding shares of investment companies that are sponsored or advised by Applicant or any of its affiliates. Applicant has also committed that BOTS will not provide brokerage services to its customers regarding shares of investment companies that are sponsored or advised by Applicant or any of its nonbank affiliates. Applicant has proposed, however, that BOTS broker shares of investment companies sponsored or advised by Applicant's bank affiliates in accordance with all of the conditions set forth in *Norwest Corporation*, 76 *Federal Reserve Bulletin* 79 (1990) (*"Norwest"*). As the Board noted in *Norwest*, the prohibitions contained in the Board's interpretive rule on investment adviser activities (12 C.F.R. 225.125) would not prevent a bank holding company subsidiary from brokering shares of investment companies that are advised by a bank affiliate of the brokerage subsidiary and not by the parent bank holding company or any of its direct or indirect nonbank subsidiaries. For the reasons set forth in *Norwest*, the Board does not believe that the potential conflicts of interest that the Glass–Steagall Act and the Board's interpretive rule were intended to prevent would be present should BOTS broker such securities.

3. Banking data are as of March 31, 1988.

4. *See The Bank of Tokyo, Ltd.*, 74 *Federal Reserve Bulletin* 685 (1988).

5. The Board has previously determined by regulation that the separate provision of securities brokerage services and of investment advisory services is closely related to banking for purposes of the BHC Act. 12 C.F.R. 225.25(b)(4) and (15).

6. Deposits in the U.S. branches and agencies of Applicant are not insured by the FDIC.

panies under section 4(c)(8) of the BHC Act and the Board's Regulation Y. 12 C.F.R. 225.25(b)(4). In addition, the Board has previously determined by order that providing advice in connection with certain domestic and international financial transactions, including interest rate swaps, interest rate caps and floors, loan syndications and similar transactions, to financial and nonfinancial institutions is a permissible nonbanking activity for bank holding companies under section 4(c)(8) of the BHC Act. *Signet Banking Corporation,* 73 *Federal Reserve Bulletin* 59 (1987); *Canadian Imperial Bank of Commerce,* 74 *Federal Reserve Bulletin* 571 (1988). Applicant has proposed to engage in these activities in accordance with all of the requirements established by the Board in its regulations and the orders governing these activities.

Foreign Exchange Trading

Applicant proposes to engage in foreign exchange forward, futures, options, and options on futures transactions for its own account other than for hedging purposes. The Board has previously found that these activities are closely related to banking for purposes of section 4(c)(8) of the BHC Act. *The Hongkong and Shanghai Banking Corporation ("Hongkong"),* 75 *Federal Reserve Bulletin* 217 (1989). In that case, the Board also found that the special expertise of the applicant as a primary dealer equipped the applicant particularly well to establish and maintain the operational, accounting and control systems necessary to monitor and conduct prudently the proposed trading activities. The Board also relied on the significant experience of the applicant in that case in conducting foreign exchange trading activities.

In evaluating whether the public benefits of the proposal outweigh potential adverse effects in this case, the Board has taken into account Applicant's experience in trading in foreign exchange markets, including the futures and options markets. Applicant contends that, as Japan's sole specialized foreign exchange bank, its special resources, experience, and expertise in the area of foreign exchange trading will make BOTS particularly well-suited to engage in the proposed activity. In this regard, the board of directors of BOTS will adopt, and periodically review and revise, written policies, position limits, internal review procedures and financial controls regarding BOTS's foreign exchange activities. Management will review these activities on a regular basis and the internal audit department will review contract positions regularly to ensure conformity with established policies and position limits.

The proposed activities would similarly be monitored in connection with the overall risk management and monitoring of BOTS's primary business activities. Applicant has indicated that the proposed foreign exchange activities would bear a reasonable relationship to the size of BOTS's government securities portfolio, that revenues to be generated from these activities are expected to represent only a small percentage of BOTS's gross revenues, and that the trading of foreign exchange products will comprise only a small portion of BOTS's total trading volume. Moreover, as a broker-dealer in U.S. government securities, BOTS is subject to regular review and reporting requirements by the Securities and Exchange Commission.

Applicant will not engage in pit arbitrage activities.[7] Floor traders who will execute BOTS's transactions will not have any discretion to engage in transactions other than those directed by BOTS's staff. BOTS's staff will have limited trading authority based upon established position limits as determined by senior management. Moreover, BOTS will not engage in market-making or specialist activities, and, as noted, above, will trade in foreign currency only within specified and regularly monitored limits.[8] The Board believes that these controls and limitations should minimize the potential adverse effects involved in the proposed activity.

Advice on Foreign Exchange Markets

BOTS has also proposed to provide, on a limited basis, general information and statistical forecasting to institutional customers with respect to foreign exchange markets in connection with its activities as a broker in U.S. government securities. For example, BOTS proposes periodically to distribute to institutional investors likely to participate in the U.S. government securities market research reports that include a discussion of trends and prospects in the foreign exchange markets. In addition, BOTS proposes to provide general advice on trends in the foreign exchange markets in response to specific requests from customers for such advice in connection with the purchase or sale by the customers of U.S. government securities.

The Board has previously determined by regulation that the activity of providing general information and statistical forecasting with respect to foreign exchange markets is closely related to banking. *See* 12 C.F.R. 225.25(b)(17).

The combination of the proposed advisory services and the foreign exchange trading activities discussed

7. *See Citicorp/Citicorp Futures Corporation,* 68 *Federal Reserve Bulletin* 776 (1982).

8. *Compagnie Financiere de Suez and Banque Indosuez,* 72 *Federal Reserve Bulletin* 141 (1986).

above raises the potential for conflicts of interest.[9] In order to address these potential adverse effects, BOTS proposes to provide foreign exchange advice only to institutional customers and only as an adjunct to the U.S. government securities brokerage activities of BOTS. BOTS proposes to disclose its role as a principal in foreign exchange to any customers seeking advice from BOTS on foreign exchange matters.[10] BOTS will not execute transactions in foreign exchange for its customers and BOTS does not propose to hold itself out to the public generally as a source of advice on foreign exchange transactions.

The Board believes that these limitations and commitments substantially address the potential conflicts of interests that may result from the proposal by BOTS to combine the activities of trading in foreign exchange for its own account and providing limited advice to customers on foreign exchange transactions.

Financial Advice to Japanese Governments and Agencies

Applicant has also applied to provide financial advice to the Japanese national and municipal governments and their agencies. The Board has not previously authorized bank holding companies to provide financial advice to Japanese governments and agencies pursuant to section 4(c)(8) of the BHC Act. The Board has by regulation, however, determined that providing financial advice to domestic state and local governments, such as advice regarding the issuance of their securities, is closely related to banking for purposes of section 4(c)(8) of the BHC Act and, therefore, permissible for bank holding companies. 12 C.F.R. 225.25(b)(4)(v). In addition, the Board has by order previously approved providing financial advice to the Canadian federal, provincial and municipal governments and their agencies,[11] and has authorized foreign subsidiaries of domestic bank holding companies to provide financial advisory services to foreign governmental entities. 12 C.F.R. 211.5(d)(8).

BOTS proposes to provide financial advisory services of the type permitted by the Board's regulations to domestic governments. Applicant contends that it has long provided financial advice to the Japanese national and municipal governments with respect to the issuance of these governments' securities outside of the United States. Applicant further contends that the provision of such financial advice by BOTS, including advice in connection with the issuance in the United States of securities of these governments, will provide these governments with valuable market information from a daily participant in the market, thereby enhancing competition and promoting efficiency. There is no evidence in the record that the conduct of this activity would result in any adverse effects.

In light of these facts and prior decisions, the Board finds that the proposed advisory services to Japanese governments and their agencies are closely related to banking for purposes of section 4(c)(8) of the BHC Act.

Financial Factors, Managerial Resources and Other Considerations

In order to approve this application, the Board is required to determine that the performance of the proposed activities by Applicant "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." 12 U.S.C. § 1843(c)(8).

In evaluating these factors 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 these resources.[12] In this case, the primary capital ratio of Applicant, as publicly reported, is below the minimum level specified in the Board's Capital Adequacy Guidelines. After making adjustments to reflect Japanese banking and accounting practices, however, including consideration of a portion of the unrealized appreciation in Applicant's portfolio of equity securities consistent with the principles of the Basle capital framework, Applicant's capital ratio meets United States standards.

The Board also has considered additional factors that mitigate its concern in this case. The Board notes that Applicant is in compliance with the capital and other financial requirements for banking organizations in Japan. In addition, the Board notes that the capital of Applicant currently accords with the minimum

9. The Board's regulations authorize a bank holding company to provide investment advice regarding foreign exchange transactions only where the bank holding company does not trade in foreign exchange for its own account. 12 C.F.R. 225.25(b)(17)(i).

10. In particular, BOTS intends to inform its institutional customers of its role as a principal in foreign exchange trading in two ways. First, it will send out a special disclosure statement to each customer at the commencement of the customer relationship (or at the time of commencing foreign exchange trading) informing the customer that, as a general matter, BOTS might hold a principal's position in certain of the foreign exchange markets as to which advice is being provided. Second, at the time BOTS provides advice relating to the foreign exchange markets, the customer will be informed that BOTS may hold a principal's position in the relevant foreign exchange markets.

11. *The Bank of Nova Scotia*, 74 *Federal Reserve Bulletin* 249 (1988).

12. 12 C.F.R. 225.24; *The Fuji Bank Limited*, 75 *Federal Reserve Bulletin* 94 (1989); *Bayerische Vereinsbank AG*, 73 *Federal Reserve Bulletin* 155, 156 (1987).

requirements established by the Basle Committee capital framework for year-end 1990. Based on these and other facts of record, the Board concludes that financial and managerial considerations are consistent with approval of the application.

Consummation of the proposal as a whole would provide added convenience to Applicant's and BOTS's customers. In addition, the Board expects that the *de novo* entry of BOTS into the market for the proposed services would increase the level of competition among providers of these services. Consummation of this proposal subject to the terms and conditions discussed in this order is not likely to result in any significantly adverse effects. Accordingly, the Board has determined that the performance of the proposed activities by Applicant can reasonably be expected to produce public benefits that would outweigh potential adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

Based on the foregoing and other facts of record, and subject to the commitments made by Applicant, 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 the application should be, and hereby is, approved. This determination is subject to all of the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b), and to the Board's authority to require modification or termination of the activities of a holding company 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. 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 San Francisco, pursuant to delegated authority.

By order of the Board of Governors, effective June 4, 1990.

Voting for this action: Chairman Greenspan and Governors Johnson, Kelley, LaWare, and Mullins. Voting against this action: Governor Seger. Absent and not voting: Governor Angell.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Dissenting Statement of Governor Seger

I dissent from the Board's action in this case. I believe that foreign banking organizations whose primary capital, based on U.S. accounting principles, is below the Board's minimum capital guidelines for U.S. banking organizations have an unfair competitive advantage in the United States over domestic banking organizations. In my view, such foreign organizations should be judged against the same financial and managerial standards, including the Board's capital adequacy guidelines, as are applied to domestic banking organizations. The majority concludes that Applicant's primary capital meets United States standards. To do so, however, the majority makes adjustments that are not available for United States banks under guidelines that have not yet become effective for U.S. or foreign banking organizations.

In addition, I am concerned that while some progress is being made in opening Japanese markets to U.S. banking organizations and other financial institutions, U.S. banking organizations, in my opinion, are still far from being afforded the full opportunity to compete in Japan.

June 4, 1990

The Chase Manhattan Corporation
New York, New York

Order Approving Application to Act as Agent in the Private Placement of All Types of Securities and Engage in Riskless Principal Activities

The Chase Manhattan Corporation, New York, New York ("Applicant"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval 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), for its subsidiary, Chase Securities, Inc., New York, New York ("Company"), to act as agent in the private placement of all types of securities, including providing related advisory services, and to buy and sell all types of securities on the order of investors as a "riskless principal".

Applicant, with consolidated assets of $107.4 billion, is the second largest banking organization in the nation.[1] It operates seven subsidiary banks and engages in a broad range of permissible nonbanking activities in the United States, including engaging through Company to a limited extent in underwriting and dealing in certain types of securities.[2] Company is

1. Data are as of December 31, 1989.

2. *J.P. Morgan & Co. Incorporated, The Chase Manhattan Corporation, Bankers Trust New York Corporation, Citicorp and Security Pacific Corporation,* 75 *Federal Reserve Bulletin* 192 (1989); *The Chase Manhattan Corporation,* 74 *Federal Reserve Bulletin* 391 (1988); *Chemical New York Corporation, The Chase Manhattan Corporation, Bankers Trust New York Corporation, Citicorp, Manufacturers Hanover Corporation and Security Pacific Corporation,* 73

and will continue to be a broker-dealer registered with the Securities and Exchange Commission and subject to the record-keeping, reporting, fiduciary standards, and other requirements of the Securities Exchange Act of 1934 and the National Association of Securities Dealers.

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been published (54 *Federal Register* 31,249 (1989)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act. The Board received written comments opposing Board approval of the application from the Securities Industry Association ("SIA"), a trade association of the investment banking industry, and the Investment Company Institute ("ICI"), a trade association of the mutual fund industry.[3] The Board received written comments in favor of Board approval of the application from the Bank Capital Markets Association, a trade association of commercial banks and their affiliates.

The Board 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, and that revenue derived from these activities is not subject to the 10 percent revenue limitation on ineligible securities underwriting and dealing.[4] Additionally, the Board found that subject to the prudential limitations established in those cases to 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 section 4(c)(8) of the BHC Act.[5] Applicant 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 approved by the Board in the *J.P. Morgan* Order.[6]

The financial and managerial resources of Applicant are consistent with approval. In addition, consummation of the proposal would provide added convenience to Applicant's customers. The Board also expects that the *de novo* entry of Applicant into the market for these services would increase the level of competition among providers of these services. Under the framework established in this and prior decisions, consummation of this proposal is not likely to result in any significant adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. Accordingly, the Board has determined that the performance of the proposed activities by Applicant can reasonably be expected to produce public benefits that would outweigh adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

Based on the above, the Board has determined to approve Applicant's application subject to all of the terms and conditions set forth in this Order and in the above-noted Board Orders that relate to these activities.

The Board's determination is subject to all of the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) 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.

This transaction shall not be consummated later than three months after the effective date of this

Federal Reserve Bulletin 731 (1987); *The Chase Manhattan Corporation*, 73 *Federal Reserve Bulletin* 607 (1987).

3. The ICI has objected to the proposal to the extent that it would allow Applicant to privately place ineligible securities issued by its affiliates or representing interests in, or secured by, obligations originated or sponsored by its affiliates. For the reasons set forth in the *Order Approving Modifications to Section 20 Orders*, 75 *Federal Reserve Bulletin* 751 (1989), and in *Bankers Trust New York Corporation*, 75 *Federal Reserve Bulletin* 829 (1989), and subject to the limitations set forth in those Orders, the Board believes that Company may, consistent with the Glass–Steagall Act, privately place such securities. Applicant has committed that Company will comply with the limitations set forth in the above-mentioned Orders with respect to this activity.

The ICI has also objected to Applicant's proposal to the extent that it could be construed to seek approval for Company to privately place as agent securities of investment companies that are sponsored or advised by Applicant or any of its affiliates. Applicant has not requested approval to privately place as agent such securities.

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

5. The SIA argues that the fact that Applicant is proposing that Company privately place all types of securities, as opposed to only high grade commercial paper notes, is significant in assessing the applicability of the Glass–Steagall Act prohibitions in this case. *Securities Industry Association v. Board of Governors*, 807 F.2d 1052 (D.C. Cir. 1986), *cert. denied*, 483 U.S. 1005 (1987). The Board has fully considered and rejected this argument in *Bankers Trust*, where the Board found that the fact that a bank holding company wishes to privately place *all* types of securities in a manner similar to that used in placing high grade commercial paper would not, by itself, change the activity into underwriting and dealing activities that would be prohibited under the Glass–Steagall Act.

6. Company will place securities with investors who qualify as "institutional customers" as that term was defined in *The Chase Manhattan Corporation*, 74 *Federal Reserve Bulletin* 704 (1988).

Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of New York, pursuant to delegated authority.

By order of the Board of Governors, effective June 11, 1990.

Voting for this action: Vice Chairman Johnson and Governors Kelley, LaWare, and Mullins. Absent and not voting: Chairman Greenspan, and Governors Seger and Angell.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Chemical Banking Corporation New York, New York

Order Approving Application to Solicit, Execute and Clear Financially-Related Index Futures Contracts and Options on Futures Contracts on Major Commodity Exchanges and to Provide Investment Advice Thereon

Chemical Banking Corporation, New York, New York ("Chemical"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied pursuant to section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a)(3) of the Board's Regulation Y (12 C.F.R. 225.23(a)(3)), to engage *de novo* through Chemical Futures, Inc., New York, New York ("Chemical Futures"), in soliciting, executing, and clearing certain futures contracts and options on futures contracts on major commodity exchanges and providing investment advice on these contracts, and to engage through Chemical Futures Management, Inc., New York, New York ("Chemical Management"), in providing investment advice on these contracts.

Notice of the application, affording interested persons an opportunity to submit comments has been duly published (55 *Federal Register* 3103 (1990)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

Chemical, with total consolidated assets of $74.2 billion, is the third largest banking organization in New York.[1] Chemical operates banking subsidiaries in New York, New Jersey, Delaware, and Texas, and engages through certain other subsidiaries in a variety of nonbanking activities.

Chemical Futures is a wholly owned nonbanking subsidiary of Chemical registered with the Commodity Futures Trading Commission as a futures commission merchant ("FCM"). Chemical Futures engages in the solicitation, execution and clearance of futures contracts and options on futures contracts for a variety of financial commodities and instruments pursuant to section 225.25(b)(18) of the Board's Regulation Y. Chemical Futures also provides advisory services to non-affiliated persons with respect to such futures contracts pursuant to section 225.25(b)(19) of the Board's Regulation Y. Chemical, has applied to expand *de novo* both Chemical Futures execution and investment advisory services to include futures contracts and options on futures contracts on certain stock indexes traded on major commodity exchanges set forth in the attached Appendix. Chemical Management is a newly-formed nonoperating subsidiary of Chemical currently seeking registration as a commodity trading advisor ("CTA") to the Commodity Futures Trading Commission. Chemical Management proposes to provide investment advice on futures contracts and options on futures contracts on stock indexes on major commodities exchanges described in the attached Appendix.

The Board has by Order previously approved the execution and clearance of futures contracts and options on futures contracts on all of the stock indexes proposed by Chemical in this case.[2] Chemical Futures is currently conducting FCM activities on similar indexes and its prior experience indicates that it would have the expertise to provide the proposed services. Accordingly, the Board believes that, in the manner proposed, and subject to the conditions set forth in Regulation Y, the proposed execution and clearance activities are closely related to banking.

The Board has by Order also previously permitted bank holding companies to provide investment advisory services as an FCM or CTA with respect to the purchase and sale of most of these indexes.[3] Chemical has committed to limit its investment advisory services for Chemical Futures as an FCM, and Chemical Futures and Chemical Management as CTAs, so as to be consistent with the limits in Regulation Y that are placed on the provision of similar advisory services. Furthermore, both CTAs and FCMs are subject to regulation under the Commodity Exchange Act and the regulations of the Commodity Futures Trading Commission in order to prevent potential abuses by a registered advisor. Under these circumstances, and in

1. All financial data are as of March 31, 1990.

2. *Chemical New York Corporation*, 74 *Federal Reserve Bulletin* 393 (1988).

3. *See The Long-Term Credit Bank of Japan, Limited*, 74 *Federal Reserve Bulletin* 573 (1988); *Citicorp*, 73 *Federal Reserve Bulletin* 220 (1987); *Manufacturers Hanover Corporation*, 72 *Federal Reserve Bulletin* 144 (1986); *Bankers Trust New York Corporation*, 71 *Federal Reserve Bulletin* 111 (1985); *Manufacturers Hanover Corporation*, 70 *Federal Reserve Bulletin* 369 (1984).

light of the Board's approval of all of the indexes for purposes of execution and clearance activities, the Board believes that the proposed investment advisory activity is closely related to banking.

In order to approve this application, the Board is also required to determine that the performance of the proposed activities by Chemical "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." 12 U.S.C. § 1843(c)(8).

The Board expects that the *de novo* entry of Chemical into the market for these services would increase the level of competition among providers of these services already in operation and provide greater convenience to Chemical's customers. Accordingly, the Board concludes that the performance of the proposed activities by Chemical can reasonably be expected to provide benefits to the public.

The Board also has considered the potential for adverse effects that may be associated with this proposal. There is no evidence in the record that consummation of the proposed FCM and CTA activities would result in any adverse effects such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. In addition, the Board has taken into account and has relied on the regulatory framework established pursuant to law by the CFTC for the trading of futures, as well as the conditions set forth in section 225.25(b)(18) of Regulation Y with respect to executing and clearing futures contracts and in section 225.25(b)(19) of Regulation Y with respect to the provision of investment advice as a FCM or CTA as to futures contracts or options thereon.

The financial and managerial resources and future prospects of Chemical are considered consistent with approval. Based on consideration of all the relevant facts, the Board concludes that the balance of the public interest factors that it is required to consider under section 4(c)(8) is favorable. Accordingly, based on all the facts of record, and subject to the conditions in this Order, the Board has determined that the proposed application should be, and hereby is, approved.

This determination is subject to all of the conditions set forth in Regulation Y, including sections 225.4(d) and 225.23(b)(3)(12 C.F.R. 225.4(d) and 225.23(b)(3)), 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 assure compliance with, or to prevent evasion of, the provisions and purposes of the BHC Act and the Board's regulations and orders thereunder.

The transaction shall be made not 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, pursuant to delegated authority.

By order of the Board of Governors, effective June 11, 1990.

Voting for this action: Vice Chairman Johnson and Governors Kelley, LaWare, and Mullins. Absent and not voting: Chairman Greenspan and Governors Seger and Angell.

JENNIFER J. JOHNSON
Associate Secretary of the Board

APPENDIX

Index and Options Provisions

Chicago Mercantile Exchange

— Standard & Poor's 100 Stock Price Index futures contract;[1]
— Standard & Poor's 500 Stock Price Index futures contract (the "S&P 500");[2]
— options on the S&P 500;[3]
— Standard & Poor's Over-the-Counter 250 Stock Index futures contract;[4]
— the Major Market Index futures contract;[5]

Chicago Board of Trade

— the Major Market Index Maxi Stock Index futures contract;[6]
— the Major Market Index Mini Stock Index futures contract;[7]
— the GNMA Cash Settled futures contract;[8]
— the NASD Financial Index futures contract;[9]

1. *The Long-Term Credit Bank of Japan, Limited*, 74 *Federal Reserve Bulletin* (1988) (execution, clearance and advice) [hereinafter "*Long-Term Credit*"]; *Citicorp*, 73 *Federal Reserve Bulletin* 220 (1987) (advice); *J.P. Morgan & Co., Incorporated*, 71 *Federal Reserve Bulletin* 251 (1985) (execution and clearance) [hereinafter "*J.P. Morgan*"].
2. *Long-Term Credit, supra; J.P. Morgan, supra; Citicorp, supra.*
3. *Long-Term Credit, supra; J.P. Morgan, supra; Citicorp, supra.*
4. *Saban, S.A.*, 73 *Federal Reserve Bulletin* 224 (1987) (execution and clearance) [hereinafter "*Saban*"].
5. *Long-Term Credit, supra; J.P. Morgan, supra; Northern Trust Corporation*, 74 *Federal Reserve Bulletin* 333 (1988) (execution and clearance) [hereinafter "*Northern Trust I*"].
6. *Saban, supra.*
7. *Saban, supra.*
8. *Saban, supra.*
9. *Chase Manhattan Corporation*, 72 *Federal Reserve Bulletin* 203 (1986) (execution and clearance) [hereinafter "*Chase*"].

New York Futures Exchange (a subsidiary of the New York Stock Exchange)

— the New York Stock Exchange Composite Index futures contract (the "NYSE Composite");[10]

— options on the NYSE Composite;[11]

Kansas City Board of Trade

— the Value Line Average Stock Index futures contract;[12]
— the Value Line Futures (Maxi) Index futures contract;[13]
— the Value Line Futures (Mini) futures contract;[14]

London International Financial Futures Exchange

— the Financial Times Stock Index Futures contract;[15]

Singapore International Monetary Exchange

— the Nikkei Stock Average futures contract;[16]

Philadelphia Board of Trade

— the National Over-the-Counter Index futures contract.[17]

10. *Northern Trust I, supra.*
11. *Northern Trust I, supra.*
12. *Manufacturers Hanover Corporation*, 72 *Federal Reserve Bulletin* 144 (1986) (execution and clearance).
13. *Saban, supra.*
14. *Saban, supra.*
15. *BankAmerica Corporation*, 75 *Federal Reserve Bulletin* 78 (1989) (execution and clearance) [hereinafter "*BankAmerica*"].
16. *BankAmerica, supra.*
17. *Chase, supra.*

Chemical Banking Corporation New York, New York

Order Approving Application to Conduct Private Placements as Agent of All Types of Securities and Engage in Full Service Brokerage Activities

Chemical Banking Corporation, New York, New York, ("Chemical"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval 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), for its subsidiary, Chemical Securities, Inc., New York, New York ("Company"), to provide investment advisory and brokerage services on a combined basis to institutional and retail customers ("full-service brokerage activities"), to act as agent in the private placement of all types of securities, including providing related advisory services, and to purchase and sell all types of securities on the order of investors as a "riskless principal".

Chemical, with consolidated assets of $75.8 billion, is the third largest banking organization in the nation.[1] It operates 38 subsidiary banks and engages directly and through subsidiaries in a variety of nonbanking activities, including engaging through Company in underwriting and dealing in, to a limited extent, certain securities.[2]

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been published (54 *Federal Register* 41,163 (1989)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act. The Board received written comments opposing the application from the Securities Industry Association ("SIA"), a trade association of the investment banking industry, and the Investment Company Institute ("ICI"), a trade association of the mutual fund industry.[3]

The Board has previously determined by Order that full-service brokerage activities are permissible nonbanking activities for bank holding companies under section 4(c)(8) of the BHC Act. *PNC Financial Corp.*, 75 *Federal Reserve Bulletin* 396 (1989); *Bank of New*

1. Data are as of September 30, 1989.
2. *See Chemical Banking Corporation*, 73 *Federal Reserve Bulletin* 616, 731 (1987), and 12 C.F.R. 225.25(b)(16). Company also engages in investment advisory and securities brokerage activities on a separate basis pursuant to sections 225.25(b)(4) and (15) of the Board's Regulation Y. 12 C.F.R. 225.25(b)(4) and (15).
3. The ICI has objected to Chemical's proposal to the extent that Company would privately place, broker, or recommend shares of investment companies that are sponsored or advised by Chemical or its affiliates. Chemical has committed not to recommend such shares, and has not applied to privately place such shares. Chemical proposes, however, that Company be permitted to act as broker for shares of investment companies that are advised by a bank affiliate of Company or an operating subsidiary of a bank affiliate of Company. As the Board has previously noted in *Norwest Corporation*, 76 *Federal Reserve Bulletin* 79 (1990) and *Fleet/Norstar Financial Group, Inc.*, 76 *Federal Reserve Bulletin* 459 (1990). The prohibitions contained in the Board's interpretive rule on investment adviser activities (12 C.F.R. 225.125) would not prevent a bank holding company subsidiary from acting as broker with respect to shares of investment companies that are advised solely by a bank affiliate of the brokerage subsidiary, and are not advised by the parent holding company or any of its direct or indirect nonbank subsidiaries. For the reasons set forth in those Orders, the Board does not believe that the potential conflicts of interest that the Glass–Steagall Act and the Board's interpretive rule were intended to prevent would be present should Company broker shares of investment companies that are advised directly by a bank affiliate of Company or an operating subsidiary of a bank affiliate of Company.

England Corporation, 74 *Federal Reserve Bulletin* 700 (1988). Chemical has stated that Company will engage in these activities in accordance with all of the conditions set forth in these Orders.

The Board has also found that, subject to certain prudential limitations to 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 section 4(c)(8) of the BHC Act. In addition, the Board 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, and that revenue derived from these activities is not subject to the 10 percent revenue limitation on ineligible securities underwriting and dealing.[4] Chemical 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 the *Bankers Trust* Order as modified by the *J.P. Morgan* Order.[5]

Chemical has proposed to have its affiliated banks extend credit to an issuer whose debt securities have been placed by the section 20 subsidiary where the proceeds would be used to pay the principal amount of the securities at maturity. Chemical has committed that these extensions of credit will conform to the limitations set forth in the Board's decision in *J.P. Morgan*, including the requirement that a period of at least three years elapse from the time of the placement of the securities to the decision to extend credit, that Chemical maintain adequate documentation of these transactions and decisions, and that the extensions of credit meet prudent and objective standards as well as the standards set out in section 23B of the Federal Reserve Act.[6] The Federal Reserve Bank of New York will closely review loan documentation of bank affiliates to ensure that an independent and thorough credit evaluation has been undertaken with respect to the participation of the bank in these credit extensions to issuers of securities privately placed by an agent affiliated with the bank.

Chemical also has proposed to have Company place securities with its parent holding company or with a nonbank subsidiary of the parent company consistent with the Board's ruling in *J.P. Morgan*. In this regard, Chemical will establish both individual and aggregate limits on the investment by affiliates of the section 20 subsidiary, in any particular issue of securities that is placed by the section 20 subsidiary and will establish appropriate internal policies, procedures, and limitations regarding the amount of securities of any particular issue placed by Company that may be purchased by Chemical and each of its nonbanking subsidiaries, individually and in the aggregate.[7] These policies and procedures, as well as the purchases themselves, will be reviewed by the Federal Reserve Bank of New York.

The record shows that under the framework established in this and prior decisions, consummation of this proposal is not likely to result in any significant adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices. Consummation of the proposal would provide added convenience to Chemical's customers. In addition, the Board expects that the *de novo* entry of Chemical into the market for these services would increase the level of competition among providers of these services. Accordingly, the Board has determined that the performance of the proposed activities by Chemical can reasonably be expected to produce public benefits which would outweigh adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

Based on the above, the Board has determined to approve Chemical's application subject to all of the terms and conditions set forth in the above-noted provisions of Regulation Y that relate to these activities, and subject as well to all of the terms and conditions set forth in the above-noted Board Orders that relate to these activities. The Board's determination is subject to all of the conditions set forth in the

4. *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*").

5. The SIA argues that the fact that Chemical is proposing that Company privately place all types of securities, as opposed to only high grade commercial paper notes, is significant in assessing the applicability of the Glass–Steagall Act prohibitions in this case. *Securities Industry Association v. Board of Governors*, 807 F.2d 1052 (D.C. Cir. 1986), *cert. denied*, 483 U.S. 1005 (1987) ("*Bankers Trust II*"). The Board has fully considered and rejected this argument in *Bankers Trust*, where the Board found that the fact that a bank holding company wishes to privately place *all* types of securities in a manner similar to that used in placing high grade commercial paper, would not, by itself, change the activity into underwriting and dealing activities that would be prohibited under the Glass–Steagall Act.

6. 12 U.S.C. § 371c-1.

7. The limit established shall not exceed 50 percent of the issue being placed. Additionally, in the development of these policies and procedures, Chemical will incorporate, with respect to placements of securities, the limitations established by the Board in condition 12 of its Order regarding aggregate exposure of the holding company on a consolidated basis to any single customer whose securities are underwritten or dealt in by Company. *J.P. Morgan & Co. Incorporated, The Chase Manhattan Corporation, Bankers Trust New York Corporation, Citicorp and Security Pacific Corporation*, 75 *Federal Reserve Bulletin* 192 (1989).

Board's Regulation Y, including those in sections 225.4(d) 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. 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, pursuant to delegated authority.

By order of the Board of Governors, effective June 11, 1990.

Voting for this action: Vice Chairman Johnson and Governors Kelley, LaWare, and Mullins. Absent and not voting: Chairman Greenspan and Governors Seger and Angell.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Citicorp
New York, New York

Order Approving Application to Execute and Clear Futures Contracts on the Tokyo International Financial Futures Exchange and to Provide Futures Advisory Services

Citicorp, New York, New York ("Citicorp"), a bank holding company within the meaning of the Bank Holding Company Act (the "BHC Act"), has applied, 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, Citicorp Futures Corporation, New York, New York ("CFC"), in the provision of execution, clearance, and investment advisory services on futures contracts traded on the Tokyo International Financial Futures Exchange ("TIFFE"). The contracts proposed to be traded on the TIFFE are Euroyen futures contracts, Eurodollar futures contracts, and Yen/Dollar futures contracts. Citicorp proposes to offer these services worldwide.

Notice of the application, affording interested persons an opportunity to submit comments, has been duly published (54 *Federal Register* 38,437 (1989)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

Citicorp, with total assets of $230.6 billion,[1] is the largest banking organization in the United States. It operates nine banking subsidiaries and engages, directly and through subsidiaries, in a variety of nonbanking activities. CFC is a futures commission merchant ("FCM") registered with the Commodity Futures Trading Commission ("CFTC") that engages in the execution and clearance of futures contracts and provides advisory services with respect to these futures.[2]

In order to approve this application, the Board is required to determine whether the proposed activity is so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act. In determining whether an activity is a "proper incident" to banking, the Board must consider whether the activity can reasonably be expected to produce benefits to the public that outweigh possible adverse effects. This consideration also requires an evaluation of the financial and managerial aspects associated with the proposal. 12 C.F.R. 225.24.

FCM activities with respect to the Yen/Dollar futures contracts are permissible under Regulation Y as futures contracts on foreign exchange. 12 C.F.R. 225.25(b)(18) and (b)(19). FCM activities with respect to the Euroyen and Eurodollar Futures, which are futures contracts based on the Tokyo Interbank offered rates for three-month Euroyen and Eurodollar deposits, have not been previously approved by the Board under section 4(c)(8) of the BHC Act.[3] The Euroyen and Eurodollar futures contracts, while not futures contracts on money market instruments themselves, are futures contracts based on the yield on money market instruments. Like futures contracts based on stock and bond indices, the Euroyen and Eurodollar futures contracts are settled in cash and are designed to allow customers to hedge the market risk associated with holding financial assets, including the underlying money market instruments. As is the case with futures contracts based on bond indices, the pricing of Euroyen and Eurodollar futures contracts is determined by reference to interest rates.[4]

1. Data are as of December 31, 1989.
2. *Citicorp*, 73 *Federal Reserve Bulletin* 220 (1987) ("*Citicorp*").
3. The Board has approved a subsidiary of a bank to conduct activities on the TIFFE under Regulation K (12 C.F.R. 211). *See* Board Letter, dated April 2, 1990.
4. In addition, the Board has approved the application of a bank holding company to act as a broker and principal with respect to interest rate swaps and swap derivative products and to act as an investment advisor with respect to such instruments. *The Sumitomo Bank, Limited*, 75 *Federal Reserve Bulletin* 582 (1989). Interest rate swaps are similar in function to the futures contracts for which Citicorp proposes to provide FCM services.

Execution and Clearance Services

The execution and clearance services for Euroyen and Eurodollar futures contracts are analogous to execution and clearance services on financial futures contracts previously approved by the Board under section 4(c)(8) of the BHC Act. For example, the Board has previously determined, by regulation, that the provision of FCM services with respect to money market instruments is closely related to banking.[5] The Board also has approved the execution and clearance of futures contracts based on major stock and bond indices.[6] In addition, the Board has authorized a subsidiary of an Edge corporation to execute and clear interest rate futures contracts based on money market instruments, pursuant to section 25(a) of the Federal Reserve Act (12 U.S.C. § 611) and Regulation K (12 C.F.R. 211.5).[7]

Thus, for the reasons specified above and in the Board's previous determinations regarding FCM execution and clearance services the Board concludes that, subject to the conditions set forth in section 225.25(b)(18) of the Board's Regulation Y, Citicorp's proposal to provide, through CFC, execution and clearance services with respect to the specified futures contracts traded on the TIFFE is closely related to banking.

Futures Advisory Services

Citicorp has proposed that CFC provide investment advice, separately and in conjunction with execution and clearance services, on the Euroyen and Eurodollar futures contracts. The Board has previously determined that providing investment advice as an FCM, and the combination of advisory services with execution and clearance services for financially sophisticated customers with respect to financially related futures contracts, such as money market instruments, is closely related to banking, and, subject to conditions to address possible risk or conflicts, is a proper incident to banking.[8] In addition, the Board has approved as closely related to banking the combination of advisory services and execution and clearance of futures transactions for futures and options that are not specifically listed in the Board's Regulation Y.[9] The futures advisory services that Citicorp proposes to provide are identical to the advisory services previously approved by the Board by regulation and Order with respect to other financially related futures contracts.

Thus, for the reasons specified above and in the Board's previous determinations regarding FCM advisory services, the Board concludes that, subject to the conditions set forth in section 225.25(b)(19) of the Board's Regulation Y, Citicorp's proposal to provide, through CFC, advisory services with respect to the specified futures contracts traded on the TIFFE is closely related to banking.

In order to approve this application, the Board also is required to determine that the performance of the proposed activity by Citicorp "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects . . ." 12 U.S.C. § 1843. The record indicates that consummation of Citicorp's proposal can reasonably be expected to provide benefits to the public. Citicorp's performance of these activities would provide added convenience to those clients of Citicorp and its subsidiaries that trade in the futures markets for these instruments. In addition, the Board expects that the *de novo* entry of Citicorp into the market for these services would increase the level of competition among providers of these services already in operation. Accordingly, the Board concludes that the performance of the proposed activities by Citicorp can reasonably be expected to provide benefits to the public.

The Board has considered the potential for adverse effects that may be associated with this proposal. The Board has previously determined that the combination of investment advisory services and the execution and clearance of futures contracts would not give rise to adverse effects.[10] The Board found that the provision of investment advisory services on futures contracts that an FCM may execute and clear would not entail risks or conflicts of interest different from those considered and addressed by the Board in its approval of FCM execution and clearing services. In making its determination, the Board relied upon the regulatory framework established by the CFTC for the trading of

5. 12 C.F.R. 225.25(b)(18).

6. *J.P. Morgan & Co., Incorporated,* 71 *Federal Reserve Bulletin* 251 (1985) ("*J.P. Morgan* "); *Bankers Trust New York Corporation,* 71 *Federal Reserve Bulletin* 801 (1985) ("*Bankers Trust*").

7. *Citicorp Overseas Investment Corporation,* 68 *Federal Reserve Bulletin* 671 (1982) ("*Citicorp Overseas*").

8. 12 C.F.R. 225.25(b)(19). Section 225.25(b)(19) of the Board's Regulation Y (12 C.F.R. 225.25(b)(19)) limits an FCM that is providing investment advice related to futures contracts it is executing and clearing to providing such advice to financial institutions and other financially sophisticated customers that have significant dealings or holdings in the underlying commodities, securities, or instruments.

9. *Northern Trust Corporation,* 74 *Federal Reserve Bulletin* 333 (1988); *Bankers Trust New York Corporation,* 71 *Federal Reserve Bulletin* 111 (1985); and *Citicorp.* In *Citicorp,* the Board decided that the proposed combination of futures advisory and execution and clearance services would not result in an alteration of the functional nature and scope of the two component services or their close relationship to banking.

10. 12 C.F.R. 225.25(b)(19); *Bankers Trust New York Corporation,* 71 *Federal Reserve Bulletin* 111 (1985); and *Citicorp.*

futures contracts, and the conditions set forth in Regulation Y with respect to the execution and clearance of futures contracts, including the requirement that advice be limited to financially sophisticated customers that have significant dealings or holdings in the underlying commodities, securities or instruments.

Citicorp will be subject to the Board's regulations concerning FCM activities,[11] which require, among other things, that the activity be conducted through a separate subsidiary,[12] be subject to the regulatory framework established pursuant to law by the CFTC for the trading of futures, and be limited to financial institutions and other financially sophisticated customers that have significant dealings or holdings in the underlying commodities, securities, or instruments. In addition, while Citicorp intends to price its investment advisory services as part of a package of services, it also will make its futures advisory services available on a separate fee basis to customers who wish to receive only advisory services.

For these reasons, the Board concludes that the limitations proposed by Citicorp and required by the Board's regulations would be sufficient to prevent any significant conflicts of interest or unsound banking practices.

The financial and managerial resources of Citicorp are considered consistent with approval. Based upon consideration of all the relevant facts, the Board concludes that the balance of the public interest factors that the Board is required to consider under section 4(c)(8) of the BHC Act is favorable. Accordingly, based on all facts of record, and subject to the commitments made by Citicorp and the conditions set forth in this Order, the Board has determined that the proposed application should be, and hereby is, approved.

This determination is also subject to all of the conditions set forth in the Board's Regulation Y, including sections 225.4(d) and 225.23, and to the Board's authority to require such modifications or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the BHC Act and the Board's regulations and Orders issued thereunder, or to prevent evasion thereof.

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

By order of the Board of Governors, effective June 11, 1990.

Voting for this action: Vice Chairman Johnson, and Governors Kelley and LaWare. Abstaining from this action: Governor Mullins. Absent and not voting: Chairman Greenspan, and Governors Seger and Angell.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Citicorp
New York, New York

Order Approving Application to Act as Agent in the Private Placement of All Types of Securities and Engage in Riskless Principal and Other Securities-Related Activities

Citicorp, New York, New York, a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval 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), for its subsidiary, Citicorp Securities Markets, Inc., New York, New York ("CSMI"), to:

(1) act as agent in the private placement of all types of securities, including providing related advisory services; and

(2) purchase and sell all types of securities on the order of investors as a "riskless principal".

Citicorp has also applied for prior approval to engage through its subsidiary, Newbridge Securities, Inc., New York, New York, and CSMI (together "Companies") in:

(1) providing investment advisory and brokerage services on a combined basis to institutional customers;

(2) providing financial and transaction advice, including:

(i) advice in connection with mergers and acquisitions, divestitures, financing transactions, valuations and fairness opinions in connection with merger, acquisition and similar transactions, and tender offer evaluations for unaffiliated financial and nonfinancial institutions;

11. 12 C.F.R. 225.25(b)(18) and (19).

12. Citicorp has entered into a Letter of Undertaking with the TIFFE whereby Citicorp guarantees that CFC will have funds, in the aggregate, of 5 billion yen. This represents Citicorp's maximum aggregate exposure and represents the minimum initial requirements of TIFFE exchange members. The Letter does not constitute an unconditional guarantee of the obligations of CFC and would not require Citicorp to assume the obligations of CFC. Accordingly, the Board has determined that the proposal is consistent with the Board's regulations and previous decisions governing the conduct of the proposed activities.

(ii) advice regarding the structuring of and arranging for loan syndications and similar transactions; and

(iii) advice regarding the structuring of and arranging swaps, caps, and similar transactions relating to factors such as interest rates, currency exchange rates, prices, and economic and financial indices; and

(3) providing foreign exchange advisory and transactional services.

Citicorp, with consolidated assets of $230.6 billion, is the largest banking organization in the nation. It operates ten subsidiary banks.[1] Citicorp has previously received Board approval under section 4(c)(8) of the BHC Act for CSMI to underwrite and deal in, on a limited basis, all types of debt securities and, subject to further review, all types of equity securities.[2] Citicorp has also received Board approval to underwrite and deal in, on a limited basis, 1–4 family mortgage-backed securities, municipal revenue bonds, commercial paper, and consumer-receivable-related securities[3] and underwrite and deal in securities eligible to be underwritten and dealt in by state member banks.[4] CSMI is and will continue to be a broker-dealer registered with the Securities and Exchange Commission and subject to the record-keeping, reporting, fiduciary standards, and other requirements of the Securities Exchange Act of 1934 and the National Association of Securities Dealers.

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been published (55 *Federal Register* 4909 (1990)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act. The Board received written comments opposing Board approval of the application from the Investment Company Institute ("ICI"), a trade association of the mutual fund industry. The Board has previously determined by regulation that foreign exchange advisory and transactional services are permissible nonbanking activities for bank holding companies under section 4(c)(8) of the BHC Act and the Board's Regulation Y. 12 C.F.R. 225.25(b)(17). Citicorp has proposed to engage in these activities in accordance with all of the conditions set forth in Regulation Y.

The Board has previously determined by order that providing financial and transaction advice as proposed by Citicorp is a permissible nonbanking activity for bank holding companies under section 4(c)(8) of the BHC Act. Citicorp has committed that it will conduct these activities pursuant to the Board's Orders in *Signet Banking Corporation*, 73 *Federal Reserve Bulletin* 59 (1987); *Canadian Imperial Bank of Commerce*, 74 *Federal Reserve Bulletin* 571 (1988); and *The Nippon Credit Bank, Ltd.*, 75 *Federal Reserve Bulletin* 308 (1989).

The Board has also 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, and that revenue derived from these activities is not subject to the 10 percent revenue limitation on ineligible securities underwriting and dealing.[5] Additionally, the Board found that subject to the prudential limitations established in those cases to 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 section 4(c)(8) of the BHC Act. Citicorp has committed that CSMI will conduct its private placement and riskless principal activities using the same methods and procedures and subject to the same prudential limitations approved by the Board in the *J.P. Morgan* Order.[6]

Finally, the Board has previously determined by order that providing securities brokerage services in combination with investment advisory services to institutional customers is a permissible nonbanking activity for bank holding companies under section 4(c)(8) of the BHC Act. Citicorp has stated that Companies will engage in this activity in accordance with all of the conditions set forth in *Bankers Trust New York Corporation*, 74 *Federal Reserve Bulletin* 695 (1988).

The ICI has objected that, to the extent that Companies propose to broker securities issued by investment companies advised by Citicorp or any of its bank or nonbank affiliates, the proposed activities are inconsistent with the Glass–Steagall Act, the Bank Holding Company Act, and the Board's interpretive rule gov-

1. Data are as of December 31, 1989.
2. 75 *Federal Reserve Bulletin* 192 (1989).
3. 73 *Federal Reserve Bulletin* 473, 618, 731 (1987).
4. 68 *Federal Reserve Bulletin* 249 (1982).

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

6. The ICI has also objected to Citicorp's proposal to the extent that it could be construed to seek approval for CSMI to privately place as agent, or to engage in riskless principal transactions with respect to, securities of investment companies that are sponsored or advised by Citicorp or any of its affiliates. Citicorp has not requested approval to privately place as agent or act as riskless principal with respect to such securities.

erning investment advisory services by bank holding companies. Companies propose to act as broker for shares of investment companies that are advised by bank affiliates of Companies ("Banks"). The Board's interpretive rule prevents a bank holding company from engaging directly or indirectly in the sale or distribution of securities of any investment company for which it acts as investment adviser. 12 C.F.R. 225.125(h).

As the Board has previously noted, the Board's interpretive rule does not apply in this situation because Banks, and not Citicorp or one of its direct or indirect nonbank subsidiaries, would be advising the investment companies in question.[7] Furthermore, the practices at which the prohibition against sale or distribution of shares of investment companies being advised are directed are not present here. The main purpose of the prohibition was to assure that the holding company does not become involved in underwriting and dealing in the shares of investment companies it advises.[8] In this case, as in *Norwest*, Companies propose to act only as agent for customers desiring to purchase or sell investment company securities, and therefore would not underwrite or deal in those securities.[9]

Moreover, Citicorp has committed that Companies will not provide investment advice to brokerage customers regarding shares of investment companies that are advised by Citicorp or any of its affiliates, including Banks. Citicorp has also committed that Companies will disclose to their brokerage customers who purchase such shares that these investment companies are sponsored by third parties independent of Banks and their affiliates. The disclosure statement will also state that such shares or interests are not endorsed or guaranteed by, and do not constitute obligations of, Banks or their affiliates. Finally, this statement will state that the investment company shares are not insured by the Federal Deposit Insurance Corporation. Accordingly, the Board does not believe that the potential conflicts of interest that the Glass–Steagall Act and the Board's interpretive rule were intended to prevent would be present should Companies broker shares of investment companies that are advised directly by Banks.

The Board noted in *Norwest* that it issued its regulation and interpretive rule in 1972, and that subsequent developments, such as court decisions in *Schwab* and in other cases, suggest the need for reexamination of some of the views expressed at that time. As a result, the Board is considering seeking public comment regarding a proposed revision of the interpretive rule.

The financial and managerial resources of Citicorp are consistent with approval. In addition, consummation of the proposal would provide added convenience to Citicorp's customers. The Board also expects that the *de novo* entry of Citicorp into the market for some of these services would increase the level of competition among providers of these services. Under the framework established in this and prior decisions, consummation of this proposal is not likely to result in any significant adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. Accordingly, the Board has determined that the performance of the proposed activities by Citicorp can reasonably be expected to produce public benefits which would outweigh adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

Based on the above, the Board has determined to approve Citicorp's application subject to all of the terms and conditions set forth in the above-noted provisions of Regulation Y that relate to these activities, and subject as well to all of the terms and conditions set forth in this Order and in the above-noted Board Orders that relate to these activities.

The Board's determination is subject to all of the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) 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.

7. *See Norwest Corporation*, 76 *Federal Reserve Bulletin* 79 (1990) ("*Norwest*"). As the Board explained in *Norwest*, by its terms, the Board's interpretive rule does not apply where an investment company is advised by a subsidiary bank, rather than by a parent bank holding company or a nonbank subsidiary. The interpretive rule was issued in connection with the Board's adoption of a regulation pursuant to its authority under section 4(c)(8) of the BHC Act to approve nonbanking activities for bank holding companies and their nonbanking subsidiaries. Section 4(c)(8) does not empower the Board to authorize activities for banks. The Supreme Court has recognized that the authority of national banks and state banks to engage in investment advisory activities does not derive from the Board's regulation, and that the Board's interpretive rule applies only to the investment advisory activities of bank holding companies and their nonbank subsidiaries. *Board of Governors of Federal Reserve System v. Investment Company Institute*, 450 U.S. 46, 59 n.25 (1981). Indeed, the Office of the Comptroller of the Currency has issued an interpretive letter authorizing national banks and their subsidiaries to broker and recommend securities of investment companies for which such national banks or their subsidiaries serve as investment adviser. *See* OCC Interpretive Letter No. 403 (December 9, 1987), *reprinted in* Fed. Banking L. Rep. (CCH) para. 85,627, at 77,962.

8. 450 U.S. at 62, 66.

9. It is settled that buying and selling securities as a broker on the order and for the account of customers does not constitute underwriting or dealing in securities for purposes of section 20 of the Glass–Steagall Act (12 U.S.C. § 377), which regulates the activities of affiliates of member banks. *Securities Industry Association v. Board of Governors*, 468 U.S. 207, 216–21 (1984) ("*Schwab*").

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, pursuant to delegated authority.

By order of the Board of Governors, effective June 11, 1990.

Voting for this action: Vice Chairman Johnson and Governors Kelley and LaWare. Abstaining from this action: Governor Mullins. Absent and not voting: Chairman Greenspan, and Governors Seger and Angell.

JENNIFER J. JOHNSON
Associate Secretary of the Board

First Banks, Inc.
St. Louis, Missouri

Order Approving Application to Acquire a Savings Association

First Banks, Inc., St. Louis, Missouri ("First Banks"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied pursuant to 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 Clayton Savings and Loan Association, Clayton, Missouri ("Clayton"), a savings association, pursuant to section 225.25(b)(9) of the Board's Regulation Y (12 C.F.R. 225.25(b)(9)).[1] In connection with this proposed acquisition, First Banks has also applied pursuant to section 4(c)(8) of the BHC Act to engage through Clayton and subsidiaries of Clayton in the following activities: making, acquiring, or servicing loans; acting as principal, agent, or broker for credit-related life, accident and health, and involuntary unemployment insurance; and providing securities brokerage services.

Notice of the application, affording interested persons an opportunity to submit comments, has been published (55 *Federal Register* 10,498 and 21,097 (1990)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

Section 601 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub. L. No. 101–73, § 601, 101 Stat. 183, 408 (as codified at 12 U.S.C. § 1843(i)), permits the Board to approve an application by a bank holding company to acquire a savings association under section 4(c)(8) of the BHC Act. Pursuant to this authority, the Board has determined by regulation that the operation of a savings association is closely related to banking and permissible for bank holding companies. 12 C.F.R. 225.25(b)(9). In making this determination, the Board required that savings associations acquired by bank holding companies conform their direct and indirect activities to those activities permissible for bank holding companies under section 4 of the BHC Act. First Banks has committed to conform all activities of Clayton to the requirements of section 4(c)(8) of the BHC Act and Regulation Y.[2]

The Board has previously determined by regulation that mortgage lending, credit-related life, accident and health, and involuntary unemployment insurance, and discount securities brokerage are closely related to banking and permissible for bank holding companies. 12 C.F.R. 225.25(b)(1), (b)(8)(i), and (b)(15). First Banks and Clayton propose to conduct these activities pursuant to the requirements of the Board's regulations.[3]

In order to approve this application, the Board also is required by section 4(c)(8) of the BHC Act to determine that the ownership and operation of Clayton by First Banks "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices." 12 U.S.C. § 1843(c)(8).

First Banks operates one banking subsidiary in Missouri and four banking subsidiaries in Illinois. First Banks is the 11th largest commercial banking organization in Missouri, controlling deposits of $485.7 million, representing 1.1 percent of the total commercial bank deposits in the state.[4] Clayton is the 17th largest savings association in Missouri, with total deposits of

1. Clayton currently operates as a mutual savings association. Prior to the acquisition, Clayton will convert from mutual to stock form.

2. First Banks has committed to divest Clayton's investments in impermissible joint venture real estate projects within two years of the date of consummation of this proposal and that during this two-year period it will make no additional investments in these or other real estate development projects. In addition, First Banks has committed to divest all insurance activities not permitted for bank holding companies under section 4(c)(8)(A) of the BHC Act and section 225.25(b)(8)(i) of Regulation Y within two years of the date of consummation, and, during this period, to limit insurance activities, including annuities, to renewals of existing policies and activities permitted under these sections. First Banks will conform all other activities of Clayton to activities permissible under section 4(c)(8) upon consummation of the proposal.

3. 12 C.F.R. 225.25(b)(1), (b)(8)(i), and (b)(15). Clayton engages in the origination and sale of residential and commercial mortgage loans through a wholly owned subsidiary, C.F. Service, Inc. ("CFS"). Clayton will engage in credit-related insurance activities and securities brokerage activities through C.F. Agency, Inc., a wholly owned subsidiary of CFS.

4. All deposit data are as of June 30, 1989, and are adjusted to reflect known mergers and acquisitions consummated or approved.

$275.4 million, representing 1.4 percent of the total thrift deposits in the state. After consummation of the proposed acquisition, First Banks would become the 18th largest banking organization in Missouri with aggregate deposits of $761.1 million, representing 1.2 percent of total deposits in the state. In the Board's view, consummation of this proposal would not have a significantly adverse effect upon the concentration of resources of depository institutions in Missouri.

First Banks and Clayton compete directly in the Washington, St. Louis, and Hermann banking markets, all located in Missouri. The proposed acquisition would have a *de minimis* effect on competition in the Washington and St. Louis banking markets. While the Washington, Missouri, banking market[5] would remain highly concentrated after consummation of the proposal, the Herfindahl–Hirschman Index ("HHI") would increase only six points, to a level of 1835, as a result of the acquisition.[6] Upon consummation, the St. Louis, Missouri, banking market would remain unconcentrated with a post-acquisition HHI of 859.[7]

In the Hermann, Missouri, banking market,[8] First Banks is the second largest of eight depository institutions, controlling $33.1 million in deposits, representing 23.3 percent of total deposits. Clayton is the seventh largest depository institution, controlling $10.6 million in deposits, representing 3.7 percent of market deposits. Upon consummation of the proposal, First Banks would become the largest depository institution in the market with $43.7 million in deposits, representing 29.7 percent of market deposits.[9] The Hermann banking market is considered to be highly concentrated, with the four largest depository institutions controlling 83.3 percent of the total deposits in the market. The HHI for the market is 1871 and would increase by 230 points, to a level of 2101, as a result of this acquisition.

While consummation of this proposal would eliminate some existing competition in the Hermann banking market, the Board believes that a number of factors mitigate the potential anticompetitive effects of this proposal. The Hermann market is a rural area with a population of approximately 10,000. After consummation, a total of seven depository institutions including the largest thrift institution in Missouri would continue to compete in the Hermann market. The Hermann banking market has become less concentrated in recent years with a 262-point decrease in the HHI over the period 1984–89. The Board also has taken into consideration that Clayton currently has a limited impact on competition in the Hermann market. Clayton operates a single branch in this market and offers only limited services at that location. The Hermann branch office of Clayton is used primarily as a deposit-gathering office, and business, consumer, and mortgage loans are not offered directly at this location. Moreover, Clayton has not been an active competitor in the market because of its impaired financial condition. In light of this and other facts of record, the Board concludes that the acquisition would not have a significantly adverse effect on competition in the Hermann, St. Louis, or Washington banking markets.

First Banks and Clayton compete to a very limited extent in mortgage banking, credit-related insurance, and discount brokerage service activities. Based on the facts of record, the Board has determined that consummation of this proposal would not adversely affect competition for these nonbanking services in any relevant market.

The financial and managerial resources and future prospects of First Banks and its bank subsidiaries and of Clayton are consistent with approval. In assessing the financial factors, the Board believes that bank holding companies must maintain adequate capital at savings associations that they propose to acquire. Upon consummation, First Banks and its bank subsidiaries would meet applicable capital requirements, and First Banks would cause Clayton to meet all applicable capital requirements. In this regard, First Banks has committed that Clayton will have Tier 1 capital, ex-

5. The Washington, Missouri, banking market is approximated by Franklin County, except for Pacific and Boeuf townships, and by the community of Dutzow in Warren County.

6. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (1984), a market in which the post-merger HHI is between 1000 and 1800 is considered moderately concentrated. In such markets, the Justice Department is unlikely to challenge a merger if the increase in the HHI is less than 100 points. Any market in which the post-merger HHI is over 1800 is considered highly concentrated, and the Justice Department is likely to challenge a merger that increases the HHI by more than 50 points unless other factors indicate that the merger will not substantially lessen competition. 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 at least 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 entities.

7. The St. Louis, Missouri, banking market is approximated by the St. Louis Ranally Metro Area, adjusted to include all of Jefferson and St. Charles Counties, Missouri; Pin Oak and Hamel townships in Madison County, Illinois; and Smithton, Englemann, Lebanon, and Mascoutah townships in St. Clair County, Illinois.

8. The Hermann, Missouri, banking market is approximated by northeastern Osage County, southern Montgomery County, northern Gasconade County and northwestern Franklin County.

9. The pre-consummation market share statistics are based on calculations in which the deposits of Clayton and all other thrifts are included at 50 percent. Upon consummation of the proposal, Clayton would be affiliated with a commercial banking organization, thus, on a *pro forma* basis, the deposits of Clayton are included at 100 percent, while the deposits of other savings associations continue to be included at 50 percent.

clusive of all intangible assets, of at least 3 percent of its total assets. The Board expects that Clayton will meet all present and future minimum capital ratios adopted for savings associations by the Office of Thrift Supervision or the Federal Deposit Insurance Corporation. There is no evidence in the record to indicate that consummation of this proposal would result in any other significantly adverse effects, such as undue concentration of resources, unfair competition, conflicts of interest, or unsound banking practices.

Based on the foregoing and all the facts of record, 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 of First Banks' application to acquire Clayton and its nonbanking subsidiaries. Accordingly, the Board has determined that the proposed application pursuant to section 4(c)(8) of the BHC Act should be, and hereby is, approved. This determination is subject to all of the conditions set forth in the Board's Regulation Y, including sections 225.4(d) and 225.23, 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, or to prevent evasion of, the provisions and purposes of the BHC Act and the Board's regulations and Orders issued thereunder. 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 St. Louis, pursuant to delegated authority.

By order of the Board of Governors, effective June 25, 1990.

Voting for this action: Chairman Greenspan and Governors Johnson, Seger, Angell, Kelley, LaWare, and Mullins.

JENNIFER J. JOHNSON
Associate Secretary of the Board

First Financial Corporation
Wellington, Kansas

Order Approving Application to Engage in Community Development Activities

First Financial Corporation, Wellington, Kansas ("First Financial"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval 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), to acquire all of the voting shares of a *de novo* subsidiary, Wellington Area Test Farm, Inc., Wellington, Kansas ("WATF"), and through WATF engage in community development activities pursuant to section 225.25(b)(6) of Regulation Y (12 C.F.R. 225.25(b)(6)). WATF proposes to acquire a 55-acre tract of agricultural land for the purpose of engaging in these activities. This acquisition would be a one-time purchase of real property, which would be used in performing the following activities:

(1) Testing varieties of wheat and alternative crops;
(2) Testing equipment and methods of farming;
(3) Testing alternative uses of chemicals for farming;
(4) Providing agricultural research opportunities for students; and
(5) Conducting agricultural workshops.[1]

Notice of the application, affording interested persons an opportunity to submit comments, has been published (55 *Federal Register* 21,245 (1990)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

First Financial, with approximately $4.2 million in assets, is the 106th largest commercial banking organization in Kansas.[2] It operates one subsidiary bank, First National Bank, Wellington, Kansas.

The Board previously has recognized the benefit of allowing bank holding companies to participate in community development activities based on their unique role in the community. Section 225.25(b)(6) permits bank holding companies to make debt and equity investments in community development corporations or projects.[3] The Board also has determined that the provision of advisory and related services to programs designed to promote community development is permissible for bank holding companies. *See First American Corporation*, 75 *Federal Reserve Bulletin* 576 (1989); *Shorebank Corporation*, 74 *Federal Reserve Bulletin* 140 (1988). In this regard, the Board has not defined the full scope of investments that may be made through community development corporations in order to provide bank holding companies flexibility in approaching community problems. 12 C.F.R. 225.127.

First Financial's proposal is designed to lessen the community's dependence on wheat, while providing training to the area's farmers and financial counseling

1. WATF also proposes to provide financial planning counselling to farmers.
2. Asset and ranking data are as of December 31, 1989.
3. *See* 12 C.F.R. 225.127 ("Bank holding companies possess a unique combination of financial and managerial resources making them particularly suited for a meaningful and substantial role in remedying our social ills.").

to families. WATF will conduct its activities in Wellington, Kansas, a primarily agricultural community with wheat farming as the main source of income for its residents. The acquisition of the tract of land would be a one-time investment by First Financial, and would not be for the purpose of real estate development.

The proposed activity is consistent with past interpretations of community development activities under Regulation Y. The community welfare of agricultural communities such as Wellington is directly benefitted by agricultural research and training. By investing in WATF's efforts to develop techniques to grow new crops, First Financial would be providing a broader base of income for local farmers and thereby would be contributing to the creation and retention of jobs. In addition, First Financial's investment is likely to benefit the community by creating new agricultural methods to grow crops that currently provide the major source of income.

These benefits may reasonably be expected to outweigh possible adverse effects. First Financial's role is limited to purchasing the land; the comparatively small nature of the investment[4] is unlikely to pose any significant risk to the safety or soundness of First Financial. The activities would be conducted in a subsidiary of the bank holding company, mainly by individuals who are not employed by First Financial or its bank subsidiary; any involvement by bank employees would be on a strictly voluntary basis.

Financial and managerial factors are consistent with approval. Consummation of this proposal is not likely to result in any significant adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices.

Based on the foregoing and all the facts of record, the Board has determined that the balance of the public interest factors it is required to consider under section 4(c)(8) is favorable. Accordingly, the Board has determined that the application should be, and hereby is, approved. This determination is subject to all the conditions set forth in the Board's Regulation Y, including sections 225.4(d) and 225.23(b), 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 activity shall be commenced no 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 Kansas City, acting pursuant to delegated authority.

By order of the Board of Governors, effective June 25, 1990.

Voting for this action: Chairman Greenspan and Governors Johnson, Seger, Angell, Kelley, LaWare, and Mullins.

JENNIFER J. JOHNSON
Associate Secretary of the Board

4. First Financial, with total assets of $4.2 million as of December 31, 1989, will invest $34,000 in the proposal.

Fleet/Norstar Financial Group, Inc. Providence, Rhode Island

Order Approving Application to Conduct Private Placements as Agent of All Types of Securities and Engage in Investment Advisory and Full Service Brokerage Activities

Fleet/Norstar Financial Group, Inc., Providence, Rhode Island, and its wholly owned subsidiary, Fleet/Norstar New York, Inc., Albany, New York (together "Fleet/Norstar"), bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have applied for the Board's approval 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), for their subsidiary, Adams McEntee Fleet Norstar Securities, Inc., New York, New York ("Company"), to provide investment advisory and brokerage services on a combined basis to institutional and retail customers ("full-service brokerage activities"), act as agent in the private placement of all types of securities, including providing related advisory services, and purchase and sell all types of securities on the order of investors as a "riskless principal".

Fleet/Norstar, with consolidated assets of $33.4 billion, is the 16th largest banking organization in the nation.[1] It operates eight subsidiary banks and engages directly and through subsidiaries in a variety of nonbanking activities, including engaging through Company in underwriting and dealing in, to a limited extent, certain securities.[2]

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been published (54 *Federal Register* 48,681 (1989)). The time for filing comments has expired, and

1. Data are as of December 31, 1989.
2. *See Fleet/Norstar Financial Group, Inc.*, 74 *Federal Reserve Bulletin* 819 (1988), and 12 C.F.R. 225.25(b)(16). Company also engages in securities brokerage activities pursuant to section 225.25(b)(15) of the Board's Regulation Y. 12 C.F.R. 225.25(b)(15).

the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act. The Board received written comments opposing the application from the Securities Industry Association ("SIA"), a trade association of the investment banking industry, and the Investment Company Institute ("ICI"), a trade association of the mutual fund industry.[3]

The Board has previously determined by Order that full-service brokerage activities are permissible nonbanking activities for bank holding companies under section 4(c)(8) of the BHC Act. *PNC Financial Corp.*, 75 *Federal Reserve Bulletin* 396 (1989); *Bank of New England Corporation*, 74 *Federal Reserve Bulletin* 700 (1988). Fleet/Norstar has stated that Company will engage in these activities in accordance with all of the conditions set forth in these Orders. Company will engage in investment advisory activities pursuant to the Board's Regulation Y. 12 C.F.R. 225.25(b)(4).

The Board has also found that, subject to certain prudential limitations to 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 section 4(c)(8) of the BHC Act. In addition, the Board 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, and that revenue derived from these activities is not subject to the 10 percent revenue limitation on ineligible securities underwriting and dealing.[4] Fleet/Norstar 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 the *Bankers Trust* Order as modified by the *J.P. Morgan* Order.[5]

Fleet/Norstar has proposed to have its affiliated banks extend credit to an issuer whose debt securities have been placed by the section 20 subsidiary where the proceeds would be used to pay the principal amount of the securities at maturity. Fleet/Norstar has committed that these extensions of credit will conform to the limitations set forth in the Board's decision in *J.P. Morgan*, including the requirement that a period of at least three years elapse from the time of the placement of the securities to the decision to extend credit, that Fleet/Norstar maintain adequate documentation of these transactions and decisions, and that the extensions of credit meet prudent and objective standards as well as the standards set out in section 23B of the Federal Reserve Act.[6] The Federal Reserve Bank of Boston will closely review loan documentation of bank affiliates to ensure that an independent and thorough credit evaluation has been undertaken with respect to the participation of the bank in these credit extensions to issuers of securities privately placed by an agent affiliated with the bank.

Fleet/Norstar also has proposed to have Company place securities with its parent holding company or with a nonbank subsidiary of the parent company consistent with the Board's ruling in *J.P. Morgan*. In this regard, Fleet/Norstar will establish both individual and aggregate limits on the investment by affiliates of the section 20 subsidiary in any particular issue of securities that is placed by the section 20 subsidiary and will establish appropriate internal policies, procedures, and limitations regarding the amount of securities of any particular issue placed by Company that may be purchased by Fleet/Norstar and each of its nonbanking subsidiaries, individually

3. The ICI has objected to Fleet/Norstar's proposal to the extent that Company would privately place, broker, or recommend shares of investment companies that are sponsored or advised by Fleet/Norstar or its affiliates. Fleet/Norstar has committed not to recommend such shares, and has confirmed that it is not seeking authority to privately place such shares. Fleet/Norstar proposes, however, that Company be permitted to act as broker for shares of investment companies that are advised by a national bank affiliate of Company or an operating subsidiary of a national bank affiliate of Company. As the Board has previously noted in *Norwest Corporation*, 76 *Federal Reserve Bulletin* 79 (1990) and *Fleet/Norstar Financial Group, Inc.*, 76 *Federal Reserve Bulletin* 459 (1990). The prohibitions contained in the Board's interpretive rule on investment adviser activities (12 C.F.R. 225.125) would not prevent a bank holding company subsidiary from acting as broker with respect to shares of investment companies that are advised solely by a national bank affiliate of the brokerage subsidiary, and are not advised by the parent holding company or any of its direct or indirect nonbank subsidiaries. For the reasons set forth in those Orders, the Board does not believe that the potential conflicts of interest that the Glass-Steagall Act and the Board's interpretive rule were intended to prevent would be present should Company broker shares of investment companies that are advised directly by a national bank affiliate of Company or an operating subsidiary of a national bank affiliate of Company.

4. *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*").

5. The SIA argues that the fact that Fleet/Norstar is proposing that Company privately place all types of securities, as opposed to only high grade commercial paper notes, is significant in assessing the applicability of the Glass-Steagall Act prohibitions in this case. *Securities Industry Association v. Board of Governors*, 807 F.2d 1052 (D.C. Cir. 1986), *cert. denied*, 483 U.S. 1005 (1987) ("*Bankers Trust II*"). The Board has fully considered and rejected this argument in *Bankers Trust*, where the Board found that the fact that a bank holding company wishes to privately place *all* types of securities in a manner similar to that used in placing high grade commercial paper, would not, by itself, change the activity into underwriting and dealing activities that would be prohibited under the Glass-Steagall Act.

6. 12 U.S.C. § 371c-1.

and in the aggregate.[7] These policies and procedures, as well as the purchases themselves, will be reviewed by the Federal Reserve Bank of Boston.

The record shows that under the framework established in this and prior decisions, consummation of this proposal is not likely to result in any significant adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices. Consummation of the proposal would provide added convenience to Fleet/Norstar's customers. In addition, the Board expects that the *de novo* entry of Fleet/Norstar into the market for these services would increase the level of competition among providers of these services. Accordingly, the Board has determined that the performance of the proposed activities by Fleet/Norstar can reasonably be expected to produce public benefits which would outweigh adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

Based on the above, the Board has determined to approve Fleet/Norstar's application subject to all of the terms and conditions set forth in the above-noted provisions of Regulation Y that relate to these activities, and subject as well to all of the terms and conditions set forth in the above-noted Board Orders that relate to these activities. The Board's determination is subject to all of the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) 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. 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 Boston, pursuant to delegated authority.

By order of the Board of Governors, effective June 18, 1990.

Voting for this action: Chairman Greenspan and Governors Johnson, Seger, Angell, Kelley, LaWare, and Mullins.

JENNIFER J. JOHNSON
Associate Secretary of the Board

7. The limit established shall not exceed 50 percent of the issue being placed. Additionally, in the development of these policies and procedures, Fleet/Norstar will incorporate, with respect to placements of securities, the limitations established by the Board in condition 12 of its Order regarding aggregate exposure of the holding company on a consolidated basis to any single customer whose securities are underwritten or dealt in by Company. *J.P. Morgan & Co. Incorporated, The Chase Manhattan Corporation, Bankers Trust New York Corporation, Citicorp and Security Pacific Corporation, 75 Federal Reserve Bulletin* 192 (1989).

Manufacturers Hanover Corporation New York, New York

Order Approving Application to Act as Agent in the Private Placement of All Types of Securities and Act as Riskless Principal in Buying and Selling Securities

Manufacturers Hanover Corporation, New York, New York, ("Manufacturers"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval 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), for its subsidiary, Manufacturers Hanover Securities Corporation, New York, New York ("Company"), to act as agent in the private placement of all types of securities, including providing related advisory services, and to purchase and sell all types of securities on the order of investors as a "riskless principal".

Manufacturers, with consolidated assets of $60.5 billion, is the eighth largest banking organization in the nation.[1] It operates two subsidiary banks and engages directly and through subsidiaries in a variety of nonbanking activities, including engaging through Company in underwriting and dealing in, to a limited extent, certain securities.[2]

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been published (54 *Federal Register* 48,941 (1989)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act. The Board received written comments with respect to the application from the Investment Company Institute ("ICI"), a trade association of the mutual fund industry.

The Board has previously found that, subject to certain 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 section 4(c)(8) of the BHC Act.[3] The Board has also previously determined that acting as agent in

1. Data are as of December 31, 1989.

2. *See Manufacturers Hanover Corporation*, 73 *Federal Reserve Bulletin* 731 (1987); and *Manufacturers Hanover Corporation*, 73 *Federal Reserve Bulletin* 620 (1987).

3. The ICI has objected to Manufacturers's proposal to the extent that it could be construed to seek approval for Company to privately place securities of investment companies that are advised by Manufacturers or any of its subsidiaries. Manufacturers has not requested approval to place such securities.

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 therefore revenue derived from these activities is not subject to the 10 percent revenue limitation on ineligible securities underwriting and dealing.[4] Manufacturers 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 the *Bankers Trust* Order as modified by the *J.P. Morgan* Order.

Manufacturers has proposed to have its affiliated banks extend credit to an issuer whose debt securities have been placed by the section 20 subsidiary where the proceeds would be used to pay the principal amount of the securities at maturity. Manufacturers has committed that these extensions of credit will conform to the limitations set forth in the Board's decision in *J.P. Morgan*, including the requirement that a period of at least three years elapse from the time of the placement of the securities to the decision to extend credit, that Manufacturers maintain adequate documentation of these transactions and decisions, and that the extensions of credit meet prudent and objective standards as well as the standards set out in section 23B of the Federal Reserve Act.[5] The Federal Reserve Bank of New York will closely review loan documentation of bank affiliates to ensure that an independent and thorough credit evaluation has been undertaken with respect to the participation of the bank in these credit extensions to issuers of securities privately placed by an agent affiliated with the bank.

Manufacturers also has proposed to have Company place securities with its parent holding company or with a nonbank subsidiary of the parent company consistent with the Board's ruling in *J.P. Morgan*. In this regard, Manufacturers will establish both individual and aggregate limits on the investment by affiliates of the section 20 subsidiary, in any particular issue of securities that is placed by the section 20 subsidiary and will establish appropriate internal policies, procedures, and limitations regarding the amount of securities of any particular issue placed by Company that may be purchased by Manufacturers and each of its nonbanking subsidiaries, individually and in the aggregate.[6] These policies and procedures, as well as the purchases themselves, will be reviewed by the Federal Reserve Bank of New York.

The record shows that under the framework established in this and prior decisions, consummation of this proposal is not likely to result in any significant adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices. Consummation of the proposal would provide added convenience to Manufacturers's customers. In addition, the Board expects that the *de novo* entry of Manufacturers into the market for these services would increase the level of competition among providers of these services. Accordingly, the Board has determined that the performance of the proposed activities by Manufacturers can reasonably be expected to produce public benefits which would outweigh adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

Based on the above, the Board has determined to approve Manufacturers's application subject to all of the terms and conditions set forth in the above-noted provisions of Regulation Y that relate to these activities, and subject as well to all of the terms and conditions set forth in the above-noted Board Orders that relate to these activities. The Board's determination is subject to all of the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) 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. 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, pursuant to delegated authority.

By order of the Board of Governors, effective June 11, 1990.

Voting for this action: Vice Chairman Johnson and Governors Kelley, LaWare, and Mullins. Absent and not voting: Chairman Greenspan and Governors Seger and Angell.

JENNIFER J. JOHNSON
Associate Secretary of the Board

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

5. 12 U.S.C. § 371c-1.

6. The limit established shall not exceed 50 percent of the issue being placed. Additionally, in the development of these policies and procedures, Manufacturers will incorporate, with respect to placements of securities, the limitations established by the Board in condition 12 of its Order regarding aggregate exposure of the holding company on a consolidated basis to any single customer whose securities are underwritten or dealt in by Company. *J.P. Morgan & Co. Incorporated, The Chase Manhattan Corporation, Bankers Trust New York Corporation, Citicorp and Security Pacific Corporation*, 75 *Federal Reserve Bulletin* 192 (1989).

Metrocorp, Inc.
East Moline, Illinois

Metro Armored Courier, Inc.
East Moline, Illinois

Order Determining Armored Car Services to be Closely Related to Banking

Metrocorp, Inc., East Moline, Illinois ("Metrocorp"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied, pursuant to section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a)(3) of the Board's Regulation Y (12 C.F.R. 225.23(a)(3)), for permission to engage in armored car activities through a subsidiary to be known as Metro Armored Courier, Inc., East Moline, Illinois ("MAC"). Metrocorp proposes to engage, through MAC, in the following activities:

(i) fully-insured transportation of cash, negotiable instruments, securities, and valuables; collecting currency and checks from commercial customers and nonbank financial institutions and transporting and depositing these collections at financial institutions; and delivering cash, negotiable instruments, securities, and valuables to commercial customers and nonbank financial institutions;
(ii) providing related services such as interbank transfers, coin wrapping, change delivery, mail delivery, and payroll check cashing; and
(iii) providing incidental courier services as permitted under section 225.25(b)(10) of Regulation Y.

These activities would be performed in the Quad City market, comprising Rock Island County, Illinois and Scott County, Iowa. With the exception of the proposed incidental courier services, these activities have not previously been approved by the Board for bank holding companies.

Notice of Metrocorp's application, affording interested persons the opportunity to submit comments, was duly published (53 *Federal Register* 50,292 (1988)). Following publication of notice of the application, the National Armored Car Association ("Protestant") submitted comments in opposition to the application, and asked that the Board order a formal hearing.

On May 10, 1989, the Board published an Order requiring a public formal administrative hearing on Metrocorp's proposal (54 *Federal Register* 20,200 (1989)). The Hearing Order observed that Protestant contends both that the proposed activities are not closely related to banking, and that the proposed activity would not be a proper incident to banking, would not result in any significant public benefits, and would result in undue concentration of resources, decreased or unfair competition, conflicts of interest, and unsound banking practices. Protestant further argues that the proposal violates state branching laws and might result in Metrocorp's subsidiary bank violating the restrictions on payment of interest on demand deposits set forth in the Board's Regulation Q. Accordingly, the Board directed that the issues to be considered at the hearing were whether the proposed armored car services are "so closely related to banking or managing or controlling banks as to be a proper incident thereto," within the meaning of section 225.4(a) of Regulation Y and section 4(c)(8) of the BHC Act, and whether the proposed activities can reasonably be expected to produce benefits to the public that outweigh the possible adverse effects. In addition, the Board requested evidence on the risks involved in conducting the activity, the availability of insurance against such risks, and the issue of state branching restrictions.

A formal public administrative hearing, conducted in accordance with the Board's Rules of Practice for Hearings (12 C.F.R. Part 263), was held on June 16 and July 11, 1989, before an Administrative Law Judge ("ALJ") appointed at the request of the Board. At the hearing, the ALJ granted motions to intervene in opposition to the application by Brink's, Inc., Federal Armored Express, Inc., and Independent Armored Car Operators Association (collectively, the "Intervenors"). A substantial record on the application was developed through the submission of exhibits and testimony and through the participation of Protestant, Metrocorp, and the Intervenors.

In a Recommended Decision dated January 23, 1990, the ALJ concluded that the proposed armored car activities were not "closely related to banking" within the meaning of section 4(c)(8) of the BHC Act, and recommended that the Board deny the application. In light of his conclusion, the ALJ did not reach the questions of whether such activities were a "proper incident" to banking or would violate state branching laws. Both Metrocorp and Board Counsel filed timely exceptions to the Recommended Decision, and the Protestant and Intervenors timely filed a response to those exceptions.

Having carefully considered the entire record of the proceeding, including the transcript, exhibits, written testimony, rulings, and briefs filed in connection with the hearing, the Recommended Decision filed by the ALJ, together with the exceptions thereto and the response to the exceptions, the Board has determined that the ALJ erred in concluding that armored car services are not "closely related to banking" under the relevant statute, case law and prior Board determinations. Accordingly, the Board now states its findings on the facts and its conclusions drawn therefrom and issues its Order.

Findings

At the time of the application in November 1988, Metrocorp owned 100 percent of the common stock of Metrobank, a state bank located in East Moline, Illinois, and 62.26 percent of Colona Avenue State Bank, also in East Moline.[1] Metrocorp holds total deposits of $149 million.[2] Metrobank operates a number of automatic teller machines throughout the Illinois side of the Quad Cities market area.

In February 1983, Metrobank purchased and placed into service an armored van to service its expanding network of ATMs. The van made daily stops at each ATM location, collecting deposits, replenishing cash supplies, and performing maintenance. These activities did not fully utilize the capacity of the van, so Metrobank began providing for-hire service of cash delivery and pick-up for several credit unions and other commercial accounts. In May 1984, the Illinois Commissioner of Banks and Trust Companies informed Metrobank that its activities for third parties were inconsistent with the Illinois Banking Act, presumably because they constituted branch banking, and the for-hire activities ceased.[3] Although the bank's ATM network has grown since that time, the armored van is in service only about 60 percent of the time.

In order to better utilize its armored van, Metrocorp proposes to transfer ownership of the armored van, at an appraised market value, to a *de novo* subsidiary, MAC, and to make armored car services available to the public on an explicit-fee basis.[4] In its application, Metrocorp made certain commitments aimed at minimizing possible conflicts of interest and anti-competitive practices, similar to those required of bank holding company-owned courier services. *See* 12 C.F.R. 225.129. Included among those commitments was a representation that the armored car subsidiary would operate as a separate profit center, and would not be subsidized in any way by the bank holding company or its banking subsidiaries.

1. Since the application was filed, the two subsidiary banks have merged, and Colona was established as a branch of Metrobank.

2. Data are as of December 31, 1989.

3. The State Commissioner of Banks and Trust Companies determined that the provision of armored car services for the bank's own operations was not prohibited by law. Application at 64.

4. Metrocorp has committed to limit MAC's ATM maintenance activities to affiliates.

Closely Related to Banking

Section 4(c)(8) of the BHC Act permits a bank holding company to engage, directly or through a subsidiary, in activities that the Board, after due notice and opportunity for a hearing, has determined by order or regulation to be "so closely related to banking or managing or controlling banks as to be a proper incident thereto." Congress delegated to the Board "the power to determine *how* closely related a particular activity must be to meet the closely related test, subject only to limited judicial review."[5]

Nonetheless, the Board and the courts have previously recognized the utility of certain guidelines first set forth in the *National Courier* case.[6] Under *National Courier*, an activity may be found to be closely related to banking if it is demonstrated that:

(1) banks generally have in fact provided the proposed services;

(2) banks generally provide services that are operationally or functionally so similar to the proposed services as to equip them particularly well to provide the proposed service; or

(3) banks generally provide services that are so integrally related to the proposed service as to require their provision in a specialized form.

These tests are disjunctive, not cumulative; demonstration of any one of them may suffice to show the required relationship.[7] In addition, the Board will consider any other factor that an applicant may advance to demonstrate "a reasonable or close connection or relationship of the activity to banking." 49 *Federal Register* 806 (1984).

The ALJ found that none of the *National Courier* criteria was demonstrated by the record. The Board concludes, however, that both the second and third tests have been met on the present record. The ALJ's conclusion relies on certain operational distinctions between the proposed armored car services to third parties and the services banks traditionally perform for

5. *Securities Industry Ass'n v. Board of Governors of the Federal Reserve System*, 900 F.2d 360, 365 (D.C. Cir. 1990) (emphasis in original).

6. *National Courier Ass'n v. Board of Governors of the Federal Reserve System*, 516 F.2d 1229 (D.C. Cir. 1975) ("*National Courier*"). The *National Courier* guidelines have been followed by other courts of appeals and approved by the Supreme Court. *See, e.g.*, *Securities Industry Association v. Board of Governors of the Federal Reserve System*, 468 U.S. 207, 210 n.5 (1984); *NCNB Corp. v. Board of Governors of the Federal Reserve System*, 599 F.2d 609 (4th Cir. 1979); *Alabama Association of Insurance Agents v. Board of Governors of the Federal Reserve System*, 533 F.2d 224, 241 (5th Cir. 1976), *modified on other grounds*, 588 F.2d 729 (1977), *cert. denied*, 435 U.S. 904 (1978).

7. *Association of Data Processing Organizations, Inc. v. Board of Governors of the Federal Reserve System*, 745 F.2d 677, 686 (D.C. Cir. 1984).

themselves. Even accepting the ALJ's factual findings, the Board concludes that the slight operational distinctions he cites are not significant.

The Applicant did not rely on the first *National Courier* test to support its application. Although Board Counsel argued that this test was met due to the substantial evidence of banks engaged in armored car services in-house or for their own customers, the ALJ found that the evidence did not support a finding that banks "have been or are transporting currency and valuables by armored car for the general public." Recommended Decision at 26.

Protestant and Intervenors argue that there is a distinction between armored car services provided in-house or at reduced or no cost to bank customers, and such services provided on a for-hire basis to the general public. The evidence in the record does not provide sufficient information to permit a conclusion that banks have provided for-hire services for the general public, as the Applicant proposes to do. For this reason, the evidence relating to the provision of armored car services by banks and bank holding companies is more appropriately viewed under the second *National Courier* test. The second *National Courier* test requires a showing that banks generally provide services that are "operationally and functionally so similar" to the proposed service as to equip them particularly well to provide that service.[8] The record is replete with evidence of banks and bank holding companies providing armored car services at least for themselves and their customers. Several witnesses providing statements in opposition to the application reported personal knowledge of numerous of banks or bank holding companies offering armored car services.[9] Even the comment letter of the Protestant indicated that banks have provided these services at times.[10] Moreover, several court cases have dealt with branching issues in connection with the provision of armored car services by banks or bank holding company subsidiaries, affording further indication that such services have historically been provided by banks.[11] In addition, the Board, the Office of the Comptroller of the Currency and several states have explicitly authorized banks to provide armored car services to their customers subject to certain contractual conditions.[12]

Although there may be some distinctions between such services and the proposed full-service, for-hire armored car services, the nature of the customers served and the economic basis of the services provided do not fundamentally alter the functions involved. Thus, it is clear that the services provided by the Applicant and other banks and bank holding companies to themselves and their customers are sufficiently "operationally and functionally similar" to the proposed service as to equip banking organizations particularly well to provide the proposed service. As discussed below, such internal services include the same need for secure and timely transportation of cash as is required when providing armored car services to unaffiliated parties, and so, in the Board's view, equip bank holding companies well to provide such services.

In addition, Protestant and Intervenors did not dispute that banks generally handle large amounts of currency under tight security, as do armored car services; that banks have extensive experience in safeguarding valuables and handling large currency transactions and transfers; and that banks' increasing experience with servicing automatic teller machines requires the safe transportation of currency.

Moreover, bank holding companies are permitted to provide courier services for unaffiliated parties pursuant to existing provisions of Regulation Y, 12 C.F.R. 225.25(b)(10). Such services, like armored car services, constitute a specialized form of transportation of commercially important documents used in banking and finance. The only essential difference between the two services relates to the intrinsic value of the material transported, as courier services operated by bank holding companies may not transport cash. Clearly, the increased value of the material transported by an armored car service requires additional security measures, additional insurance, and somewhat different equipment. But the services themselves — transporting commercially important and time-sensitive documents in a secure manner — are certainly functionally and operationally similar.

The ALJ concluded that for-hire armored car transportation was not functionally or operationally similar

8. *See National Courier*, 516 F.2d at 1238.

9. *See, e.g.*, Statement of Herman J. Koehler, III, Hearing Exhibit ("HE") 7, at 2–3, identifying fourteen banks in the New York/New Jersey area alone that have engaged in armored car operations in the past 10 years; Statement of Charles S. Allen, Jr., HE 6, at 9, recalling "numerous" banks in New Jersey with their own armored car companies, either as part of the bank, a subsidiary of the bank, or a subsidiary of the holding company; Statement of William L. Cole, National Armored Car Association, HE 4, at 2–3; Statement of Peter F. Wright, HE 14, at 1.

10. Comments of the National Armored Car Association, January 27, 1989, at 9.

11. *See, e.g.*, *First National Bank in Plant City v. Dickinson*, 396 U.S. 122 (1969); *Jackson v. First National Bank of Gainesville*, 430 F.2d 1200 (5th Cir. 1970); *Browne v. Clarke*, 878 F.2d 627 (2d Cir. 1989).

12. *See, e.g.*, 12 C.F.R. 208.110 (permitting State member banks to provide messenger services by armored car to their banking customers at no cost to the customers, subject to an agreement that the messenger is the agent of the customer); 12 C.F.R. 7.7490; Ark. Stat. Ann. § 23–32–701 (Michie 1987); Fla. Stat. Ann. § 658.26 (West 1984); N.J. Stat. Ann. § 17:9A-25.5 (West 1984).

to services provided by banks, because of certain alleged unique aspects of for-hire armored car transportation. Those aspects, as identified by the ALJ, were that the provision of armored car services to the general public "requires the acquisition, maintenance, and secure storage of unique and highly expensive vehicles in sufficient number to assure the public of safe and continuous service, the employment and training of adequate personnel qualified to handle such equipment and provide the necessary service, and the efficient and economical planning and provision of such service to the public in a manner that will secure not only the money and valuables transported but also will provide security to the public using the highways, streets and facilities to, from, and over which the armored car services move."[13]

In the Board's view, these operational factors do not provide a reasonable basis for finding that the proposed for-hire services are not closely related to banking, because the record shows that these aspects of armored car service are not unique to for-hire services. All armored car transportation, whether limited to a bank's own internal needs or available to the general public, requires special vehicles, trained personnel, efficient and economical planning, and provision of safe and secure services. The evidence suggests that the banks and bank holding companies that have provided armored car services in the past have addressed these issues successfully. Certainly these factors have been addressed by Metrocorp in its current in-house armored car operation, and these aspects of the operation would not change significantly if the service were to be made available to unaffiliated customers.

With respect to the vehicular requirements, the record demonstrates that MAC plans to purchase and use the vehicle currently used by Metrobank in its armored car operation, and that the vehicle has been adequate for that purpose.[14] Metrocorp has stated its intention to acquire a second vehicle so that its present one will be available as a back-up, and its financial projections indicate an ability to do so. Neither the vehicle itself nor its storage have been the subject of criticism by the independent consultants who have reviewed Metrobank's armored car service periodically.[15] With respect to storage, though there were suggestions that armored car firms such as Brink's provide secure storage for the armored vehicles themselves, nothing in the record indicated a need for such measures. With respect to storage for customers' valuables, Metrocorp intends to lease any necessary vault space from Metrobank. Thus, the record indicates that Metrocorp has the present ability to provide safe and reliable vehicles for its proposed armored car operations.

The record also reflects that Metrocorp's personnel practices are consistent with a finding that providing armored car services to the general public is functionally very similar to services currently provided by banks. All of Metrobank's armored car employees are present or former police officers.[16] Their training is supplemented by periodic specialized training by professional consultants.[17] There appears to be no reason why these employees, who have successfully operated Metrobank's internal armored car service without loss since its inception, cannot provide similar services to unaffiliated customers.

Finally, the record evidence relating to Metrobank's operations supports the conclusion that banking organizations generally, and Metrocorp in particular, have the ability to operate efficiently and economically in planning their services. Currently, the Metrobank armored car travels approximately 70 miles a day, making 14 stops along the way, in approximately five hours.[18] This indicates an ability to plan for and coordinate armored car service along a route with many stops. Metrocorp believes that a number of additional businesses along its existing route may be potential customers for its services, which would add substantially to its revenues while leaving fixed costs approximately the same, resulting in economies of scale.[19] With regard to safety, Metrobank has demonstrated that it can operate its armored car service internally over a substantial period of time safely and without loss.[20] Metrocorp has also obtained all-risk insurance of a type standard in the industry, and has its insurance coverage reviewed annually by independent consultants to ensure sufficient coverage.[21] Metrocorp has committed to limit the value of the goods its armored car carries at any one time to its insurance limits, and to obtain additional insurance if necessary in the event of expansion.[22]

13. Recommended Decision at 26.

14. Metrobank has suffered no losses from its armored car activities since their inception in 1983. Hearing Transcript at 116 (testimony of Ben H. Ryan, Jr.).

15. An independent consultant made certain suggestions regarding the vehicle in 1988; these suggestions were carried out in full. HE 9; Hearing Transcript at 358–60 (testimony of Gary Anderson).

16. Protestant's argument that bank personnel are trained to act passively in the event of attack is clearly not applicable to these individuals.

17. Hearing Transcript at 117 (testimony of Ben H. Ryan, Jr.).

18. Application at 11; Financial Supplement at 11.

19. Financial Supplement at 8–11.

20. Hearing Transcript at 116 (testimony of Ryan) (no losses in the six years of operation by Metrobank).

21. Letter to Metrocorp from Financial Insurance Service, Inc., dated February 10, 1989 ("The policy currently in effect for your Armored Car Transit Liability is comparable to policies written for regular Armored Car Services."); Rebuttal Statement of Ben H. Ryan, Jr., HE 8, at 2.

22. Hearing Transcript at 134 (testimony of Ryan).

The ALJ specifically found that "pickup for pickup, delivery for delivery, or pound for pound it is not shown that armored car services for banks differ significantly from armored car service for any other customers of the armored carriers."[23] Since the record clearly demonstrates that banks provide armored car services for their own operations, this finding compels the legal conclusion that banks provide services that are operationally and functionally so similar to for-hire armored car activities as to equip banks well to perform those services, and thus that the proposed services are closely related to banking under the second *National Courier* test.[24]

As an alternative to this test, the third *National Courier* test requires an applicant to show "the dependence of banks on a specialized form of the proposed services."[25] The ALJ interpreted this test to require the applicant to show "that in its operations generally it requires a specialized form of *armored car services,* a form of armored car service that differs significantly from the service ordinarily provided to other commercial and industrial and other entities that regularly receive armored car service."[26] This standard is too narrow, and is inconsistent with *National Courier* itself. There, the applicant was able to demonstrate the need for a specialized form of *transportation* service, the transportation of cash letters.[27] The court there was not concerned with whether courier services provided to bank customers differed from those services provided to other commercial customers.

Here, too, the record amply demonstrates that banks are highly dependent upon the specialized transportation services provided by armored cars transporting cash and valuables in a highly secure environment. Metrocorp is proposing to engage, through its subsidiary, in just these *specialized* transportation services; it does not propose to start a general moving or trucking service.[28] Thus, the record supports a determination that the third *National Courier* test is also met.

For the above reasons, the Board concludes that the provision of armored car services to the general public on a for-hire basis is an activity that is "closely related to banking or managing or controlling banks" within the meaning of section 4(c)(8) of the BHC Act, 12 U.S.C. § 1843(c)(8).

Additional Issues

The determination that an activity is closely related to banking is, of course, only the first step in a two-step process of approving that activity for a bank holding company.[29] In addition, the Board must find that the activity is a "proper incident" thereto, a determination that requires the Board to consider whether performance of an activity by a bank holding company affiliate 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, or unsound banking practices.[30] The Board's original Hearing Order instructed the ALJ to consider these issues,[31] and a substantial portion of the record is devoted to matters relevant to the "proper incident" test. In addition, the Hearing Order instructed the ALJ to examine the state branching issues raised by the application.[32] Nonetheless, in light of his determination of the "closely related" issue, the ALJ declined to make any factual or legal determinations concerning the proper incident test or the state branching laws.

Under the Board's regulations made applicable to this case,[33] an administrative law judge is required to provide a recommended decision with regard to these unresolved issues prior to final determination by the Board. 12 C.F.R. 263.11. Thus a final disposition of Metrocorp's application is not possible at this juncture. The Board therefore remands the case to the ALJ for a recommended decision on the "proper incident" standard and other unresolved issues. In view of the passage of time since the application was filed, and certain deficiencies existing in the current record, the ALJ should specifically address and, to the extent

23. Recommended Decision at 27.

24. It should be noted that in *National Courier* itself, the court upheld the Board's finding that banks generally have provided the service based on the fact that three bank holding companies had provided the service. 516 F.2d at 1237.

25. 516 F.2d at 1238.

26. Recommended Decision at 27 (emphasis added).

27. 516 F.2d at 1238. *See also, AmeriTrust Corporation,* 72 *Federal Reserve Bulletin* 794 (1986) (approving check printing as a closely related activity on the ground that "[t]he printing of checks . . . is a specialized field of printing . . . .").

28. Metrocorp's application indicates its intention to provide "related services such as interbank transfers, coin wrapping, change delivery, mail delivery, [and] payroll check cashing" in addition to the transportation of cash, negotiable instruments, and other valuables. Application at 5. The present record contains no showing that these services are "incidental" to armored car services. *Cf. National Courier,* 516 F.2d at 1240 (disapproving bank courier handling of nonfinancial material).

29. *See Securities Industry Ass'n v. Board of Governors of the Federal Reserve System,* 468 U.S. 207, 210 (1984); *Alabama Ass'n of Insurance Agents v. Board of Governors of the Federal Reserve System,* 533 F.2d 224, 235 (5th Cir. 1976), *cert. denied,* 435 U.S. 904 (1978); *National Courier,* 516 F.2d at 1232-1233.

30. 12 U.S.C. § 1843(c)(8).

31. 54 *Federal Register* 20,200 (May 10, 1989).

32. *Id.*

33. *See* 12 C.F.R. 262.4 (1990).

necessary, reopen the record, certain issues relevant to the "proper incident" test.[34]

By order of the Board of Governors, effective June 18, 1990.

Voting for this action: Chairman Greenspan and Governors Johnson, Seger, Angell, Kelley, LaWare, and Mullins.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Standard Chartered PLC London, England

Order Approving Application to Purchase and Sell Platinum Coins

Standard Chartered PLC, London, England ("Standard Chartered"), a foreign bank subject to the provisions of the Bank Holding Company Act, (the "BHC Act"), has applied, pursuant to section 4(c)(8) of the BHC Act, for the Board's approval to engage, through its wholly owned subsidiary, Mocatta Metals Corporation, New York, New York ("Mocatta"), in the purchase and sale of platinum coins issued by the Canadian and Australian governments as legal tender.

Notice of the application, affording interested persons an opportunity to submit comments, has been duly published (55 *Federal Register* 19,788 (1990)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

Standard Chartered, with approximately $39.4 billion in total consolidated assets, is the fifth largest banking organization in England.[1] Standard Chartered is subject to section 4 of the BHC Act by virtue of its several agencies and branches in the United States. Mocatta is currently engaged in the purchase and sale of gold and silver bullion and coin and related activities.[2]

Mocatta would acquire platinum coins issued by the Canadian and Australian governments solely for the purpose of effecting their distribution. Although Mocatta would maintain an inventory of the coins, Mocatta would not purchase the coins for investment or speculation for its own account. Mocatta may enter into forward contracts with its customers to sell the coins at fixed prices, although it does not expect to do so on a regular basis.[3] Mocatta would not offer its customers investment advice concerning the purchase or sale of these coins.

The Board has not previously approved the proposed activities under section 4(c)(8) of the BHC Act. In order to approve an application submitted pursuant to section 4(c)(8) of the BHC Act, the Board is required to determine that the proposed activity is "so closely related to banking as to be a proper incident thereto." 12 U.S.C. § 1843(c)(8). In considering whether a proposed new activity would be a proper incident to banking, the Board is required to determine that the performance of the proposed activity can reasonably be expected to produce benefits to the public that outweigh possible adverse effects. *Id.*

In determining whether an activity is closely related to banking for purposes of section 4(c)(8) of the BHC Act, the Board has considered a number of alternative factors, including whether banks generally have, in fact, provided the proposed activity; banks generally provide services that are operationally or functionally so similar to the proposed activity as to equip them particularly well to provide the proposed activity; or banks generally provide services that are so integrally related to the proposed activity as to require their provision in a specialized form.[4]

In considering the activity proposed in this case, the Board notes that the Office of the Comptroller of the Currency has authorized national banks to purchase

34. The areas in which additional information is necessary include:
(1) the effect, if any, on current operations of the merger of Metrobank and its sister bank, Colona Avenue State Bank;
(2) the reasons for Metrobank's decline in earnings, and the effect such decline might have on the application;
(3) the insurance MAC would have to cover items stored overnight in Metrobank's vault;
(4) the current all-risk insurance policy and the most recent independent consultant's review of Metrobank's armored car service;
(5) further information on pricing in order to comply with the Applicant's commitment not to subsidize the operations of MAC (the present pricing information suggests that the Applicant's bank subsidiary would pay more per pick-up than new customers on the existing route);
(6) projections that include marketing and advertising expenses, if any;
(7) a precise breakdown of the services MAC will purchase from Metrobank and the projected costs of these services; and
(8) updated information concerning the second armored car Applicant plans to purchase, including cost and source of funds for the purchase.

1. Banking data are as of December 31, 1989.

2. *See Standard and Chartered Banking Group Limited*, 38 *Federal Register* 27,552 (1973) ("Standard Chartered"). In this Order the Board determined that dealing in platinum was not closely related to banking.

3. Standard Chartered has stated that to the extent Mocatta enters into contracts to deliver coins it has not yet received, it would hedge its exposure to rising platinum prices, and the contracts would provide an appropriate remedy in the event of a curtailment of the issuing countries' production or delivery of the coins.

4. *National Courier Association v. Board of Governors*, 516 F.2d 1229, 1237 (D.C. Cir. 1975). The Board may also consider any other factor that an applicant may advance to demonstrate a reasonable or close connection or relationship to banking. 49 *Federal Register* 794, 806 (1984); *Securities Industry Ass'n v. Board of Governors*, 468 U.S. 207, 210–211 n. 5 (1984).

and sell platinum coins.[5] In addition, the proposed services with respect to platinum coins that are legal tender are operationally and functionally similar to purchasing and selling gold and silver coins, which the Board has determined is closely related to banking and a proper incident thereto.[6] For these reasons, the Board concludes that the proposed activities of purchasing and selling platinum coins that function as legal tender is closely related to banking for purposes of section 4(c)(8) of the BHC Act.[7]

In order to approve this application, the Board is also required to determine that the performance of the proposed activities by Standard Chartered "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." 12 U.S.C. § 1843(c)(8).

Consummation of the proposal may be expected to result in increased convenience resulting from the offering of additional services to customers. In addition, the Board expects that the entry of Standard Chartered into the market for these services will increase the level of competition among providers of these services.

Standard Chartered has proposed to conduct the activities in this case within limitations and with procedural safeguards designed to mitigate potential adverse effects from the activities. In particular, Mocatta would implement inventory controls designed to limit its investment in the coins,[8] and would engage in hedging transactions to reduce the risk of holding the coins in inventory. Standard Chartered has committed that Mocatta will not engage in spot, forward, futures, and options contracts transactions on platinum or purchase physical platinum; it would, however, do so for hedging purposes only and as an incident to its purchases and sales of the platinum coins.[9]

5. *See* Letter dated July 29, 1987, from William J. Stolte, Chief National Bank Examiner, Office of the Comptroller of the Currency.

6. *Westpac Banking Corporation*, 73 *Federal Reserve Bulletin* 61 (1987).

7. As part of its application, Standard Chartered has proposed to purchase and sell physical platinum and spot, forward, futures, and options contracts based on platinum to hedge its activities in platinum coins. The Board has not determined that these activities, if conducted independently of the purchase and sale of platinum coins, are closely related to banking. However, within the limits discussed below, the Board believes that these activities are incidental to the proposed activities in platinum coins.

8. Standard Chartered has stated that it expects to maintain an inventory adequate to meet customer demand for approximately one month.

9. *See Westpac*.

There is no evidence in the record that consummation of the proposal would result in any adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. Based on the foregoing and other facts of record, the Board has determined that the public benefits associated with this proposal can reasonably be expected to outweigh possible adverse effects, and that the balance of the public interest factors that the Board is required to consider under section 4(c)(8) of the BHC Act is favorable.

Accordingly, based on all facts of record in this case, the Board has determined that, subject to the commitments made by Standard Chartered, this application, should be, and hereby is, approved. This determination is subject to all of the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b), and to the Board's authority to require modification or termination of the activities of the 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.

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 San Francisco, pursuant to delegated authority.

By order of Board of Governors, effective June 25, 1990.

Voting for this action: Chairman Greenspan and Governors Johnson, Seger, Angell, Kelley, LaWare, and Mullins.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Stichting Amro
Amsterdam, The Netherlands

Amsterdam-Rotterdam Bank N.V.
Amsterdam, The Netherlands

Proposal to Underwrite and Deal in Certain Securities to a Limited Extent, and Engage in Certain Other Securities and Financial Advisory Services

Stichting Amro and its subsidiary, Amsterdam-Rotterdam Bank N.V. ("Amro"), both of Amsterdam, The Netherlands (together, "Applicants"), foreign banking organizations subject to the Bank Holding Company Act ("BHC Act"), have applied for the Board's approval 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), to engage, through its subsidiary, Amro Securities, Inc., New York, New York ("Company"), in the following activities:

(1) underwriting and dealing in, to a limited extent, municipal revenue bonds, 1–4 family mortgage-related securities, commercial paper and consumer-receivable-related securities ("bank-ineligible securities") and obligations of the United States, general obligations of states and their political subdivisions, and other obligations that state member banks of the Federal Reserve System may be authorized to underwrite and deal in under 12 U.S.C. §§ 24 and 335, including bankers acceptances and certificates of deposit ("bank-eligible securities");[1]

(2) acting as agent in the private placement of all types of securities;

(3) providing investment advisory and securities brokerage services on a combined basis to institutional and retail customers ("full-service brokerage activities");

(4) buying and selling securities on the order of investors as riskless principal;

(5) exercising discretion in buying and selling securities on behalf of institutional customers, and providing discretionary management of short-term monies for a small number of corporate or other institutional clients ("discretionary investment activities"); and

(6) providing for institutional customers;

(i) advice in connection with the structuring of and arranging for interest rate and currency "swaps," interest rate caps and similar transactions, and

(ii) advice in connection with merger, acquisition/divestiture and financing transactions and valuations and fairness opinions in connection with merger, acquisition and similar transactions (collectively referred to as "financial and transaction advice").

Notice of the applications, affording interested persons an opportunity to submit comments, has been duly published (55 *Federal Register* 18,176 (1990)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

Amro, with consolidated assets equivalent to approximately $92.9 billion, is the second largest banking organization in The Netherlands.[2] In the United States, Applicants maintain a branch in New York and representative offices in Chicago, Houston, and Los Angeles. Accordingly, Applicants are subject to the nonbanking restrictions of section 4 of the BHC Act as a bank holding company pursuant to section 8 of the International Banking Act of 1978. 12 U.S.C. § 3106.

Each of the activities that Applicants propose to conduct has previously been found by the Board to be closely related to banking and permissible for bank holding companies. Applicants have proposed to conduct these activities in accordance with the Board's regulations and orders governing these activities.

Securities Underwriting and Dealing Activities

The Board has found that a bank holding company or its subsidiary may underwrite and deal in bank-eligible securities pursuant to section 4(c)(8) of the BHC Act and section 225.25(b)(16) of Regulation Y (12 C.F.R. 225.25(b)(16). The Board has also found that, subject to the prudential framework of limitations established in previous cases to address the potential for conflicts of interests, unsound banking practices or other adverse effects, the proposed bank-ineligible securities underwriting and dealing 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. The conduct of these bank-ineligible securities underwriting and dealing activities has also been determined by the Board to be consistent with section 20 of the Glass–Steagall Act provided the underwriting subsidiary derives no more than 10 percent of its total gross revenue from underwriting and dealing in the bank-ineligible securities over any two-year period.[3] The Board subsequently modified that prudential framework in the case of a foreign banking organization to take into account principles of national treatment and the Board's policy not to extend U.S. bank supervi-

1. Applicants seek approval for Company to engage in the following activities which the Board has found to be incidental to underwriting and dealing in bank-eligible securities: engaging in repurchase and reverse repurchase transactions, securities borrowing and lending transactions, and the provision of dealing, settling, accounting, record keeping and other ancillary services to those counterparties with which it deals that do not maintain accounts with clearing agencies. *See The Long-Term Credit Bank of Japan, Limited*, 74 *Federal Reserve Bulletin* 573 (1988).

2. Data are as of December 31, 1989.

3. *Citicorp, J.P. Morgan and Co. Incorporated and Bankers Trust New York Corporation*, 73 *Federal Reserve Bulletin* 473 (1987) ("*Citicorp/Morgan/Bankers Trust*"), *aff'd sub nom., Securities Industry Association v. Board of Governors of the Federal Reserve System*, 839 F.2d 47 (2d Cir. 1988), *cert. denied*, 108 S.Ct 2830 (1988) ("*SIA v. Board*"); and *Chemical New York Corporation, The Chase Manhattan Corporation, Bankers Trust New York Corporation, Citicorp, Manufacturers Hanover Corporation and Security Pacific Corporation*, 73 *Federal Reserve Bulletin* 731 (1987) ("*Chemical*"); as modified by *Order Approving Modifications to Section 20 Orders*, 75 *Federal Reserve Bulletin* 751 (1989) ("*Modification Order*").

sory standards extraterritorially. *The Sanwa Bank, Limited*, 76 *Federal Reserve Bulletin* 568 (1990). ("*Sanwa*"). Applicants have committed that Company will conduct its underwriting and dealing activities with respect to bank-ineligible securities subject to the 10 percent revenue test and the prudential limitations as established by the Board in its *Sanwa* Order.[4]

Private Placement and Riskless Principal Activities

The Board has found that, subject to the prudential limitations established in previous cases to address the potential for conflicts of interest, 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 section 4(c)(8) of the BHC Act.[5] The Board has also previously determined that acting as agent in the private placement of securities does 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 ineligible securities underwriting and dealing.[6]

Applicants have committed that Company will conduct its private placement and riskless principal activities using the same method and procedures and subject to the prudential limitations established by the Board in the *Bankers Trust* and *J.P. Morgan II* Orders, as modified to reflect Applicants' status as a foreign bank, consistent with the framework adopted in *The Royal Bank of Canada*, 76 *Federal Reserve Bulletin* 567 (1990), *Toronto Dominion*, and in *Canadian Imperial Bank of Commerce/The Royal Bank of Canada/Barclays PLC*, 76 *Federal Reserve Bulletin* 158 (1990).

In this regard, Company will maintain specific records that will clearly identify all riskless principal transactions, and Company and its subsidiaries would not engage in any riskless principal transactions for any securities carried in its inventory. When acting as a riskless principal, Company and its subsidiaries would 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, and would not hold themselves out as making a market in the securities that they buy and sell as riskless principal. Moreover, Company and its subsidiaries would not engage in riskless principal transactions with Applicants or any of Applicants' affiliates, including foreign affiliates that engage in securities dealing activities overseas.

Company may place securities with nonbank affiliates, including non-U.S. offices of Applicants. In previous cases, the Board has recognized that the potential for certain conflicts of interest may be increased if affiliates were to purchase the entire issue of securities placed by Company or a substantial portion of such an issue.[7] The Board therefore believes that it is appropriate to require that affiliates of Company limit their investment, both individually and in the aggregate, in any particular issue of securities that is placed by Company. The Board expects that aggregate placements by Company with affiliates shall not exceed 50 percent of the issue being placed. In addition, Applicants shall establish appropriate internal policies, procedures, and limitations regarding the amount of securities of any particular issue placed by Company that may be purchased by Applicants' U.S. nonbanking subsidiaries, individually and in the aggregate.[8] These policies and procedures, as well as the purchases themselves, will be reviewed by the Federal Reserve Bank of New York. The Reserve Bank shall also review within six months all policies and procedures relating to Company's conduct of private placement activities.

Full-Service Brokerage Activities

The Board has also previously determined by Order that combined investment advisory and securities brokerage services are closely related to banking and permissible for bank holding companies, subject to certain limitations.[9] For the reasons stated in these Orders, the Board confirms that engaging in full-service brokerage activities within the limits described in the Board's Orders is closely related to banking for purposes of the BHC Act. Applicants propose that

4. The Board notes that lending by U.S. branches and agencies of foreign banks to affiliates is not restricted by section 23A of the Federal Reserve Act. In view of the limited nature of these activities, the Board does not believe that the record at this time would require extending the restrictions of section 23A to Applicants' U.S. branches and agencies, none of which is insured by the FDIC. The Board, however, reserves the right to require that Applicants' U.S. branches and agencies adhere to the restrictions of section 23A should circumstances change to make such requirement appropriate. *See The Toronto Dominion Bank*, 76 *Federal Reserve Bulletin* 573 (1990).

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

6. *Id.*

7. *J.P. Morgan II.*

8. In the development of these policies and procedures, Applicants should incorporate, with respect to placements of securities, appropriate policies, procedures, and limitations regarding exposure of Applicants' U.S. offices and subsidiaries on a consolidated basis to any single customer whose securities are placed by Company.

9. *See PNC Financial Corp.*, 75 *Federal Reserve Bulletin* 396 (1989); *Bank of New England Corporation*, 74 *Federal Reserve Bulletin* 700 (1988).

Company and its subsidiaries conduct these activities subject to the requirements of the Board's regulations and previous Board Orders.

Other Securities Related Activities

The Board has previously determined by Order that engaging in discretionary investment activities, and providing financial and transaction advice to institutional customers are permissible nonbanking activities for bank holding companies under section 4(c)(8) of the BHC Act.[10] Applicants have stated that Company will engage in these activities in accordance with the conditions set forth in these Orders.

Financial Factors, Managerial Resources and Other Considerations

In order to approve this application, the Board is required to determine that the performance of the proposed activities by Applicants "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." 12 U.S.C. § 1843(c)(8).

In evaluating these factors under section 4 of the BHC Act, the Board considers the financial condition and resources of the Applicants and its subsidiaries and the effect of the proposal on these resources.[11] In this case, the Board notes that the stated primary capital ratio of Amro meets the minimum capital guidelines for United States multinational bank holding companies. Further, Amro meets the 1990 interim risk-based guidelines, and its core capital exceeds the 1992 minimum standard adopted by the Basle Committee. In view of these and other facts of record, the Board has determined that financial factors are consistent with approval of the applications.

Consummation of the proposal would provide added convenience to Applicants' customers. In addition, the Board expects that the *de novo* entry of Applicants into the market for these services would increase the level of competition among providers of these services. Under the framework established in this and prior decisions, consummation of this proposal is not likely to result in any significant undue concentration of resources, decreased or unfair competition, conflicts of interests, unsound banking practices, or other adverse effects. Accordingly, the Board has determined that the performance of the proposed activities by Applicants can reasonably be expected to produce public benefits which would outweigh adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

Based on the above, the Board has determined to, and hereby does, approve the applications subject to all of the terms and conditions set forth in this Order, and in the above-noted Board Orders that relate to these activities. The Board's determination is also subject to all of the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) 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.

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, pursuant to delegated authority.

By order of the Board of Governors, effective June 4, 1990.

Voting for this action: Chairman Greenspan and Governors Johnson, Seger, Kelley, LaWare, and Mullins. Absent and not voting: Governor Angell.

JENNIFER J. JOHNSON
Associate Secretary of the Board

SunTrust Banks, Inc.
Atlanta, Georgia

Order Approving Application to Acquire a Savings Association

SunTrust Banks, Inc., Atlanta, Georgia, and its subsidiary, Trust Company of Georgia, Atlanta, Georgia (collectively, "Applicant"), both bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have applied for the Board's approval 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), to acquire Albany First Federal Savings and Loan Association, Albany, Georgia ("Albany First"), a savings association, pursuant to section 225.25(b)(9) of the Board's Regulation Y (12 C.F.R. 225.25 (b)(9)).

10. *J.P. Morgan & Co. Incorporated*, 73 *Federal Reserve Bulletin* 810 (1987); *Sovran Financial Corporation*, 73 *Federal Reserve Bulletin* 744 (1987) (investment discretion); *Signet Banking Corporation*, 73 *Federal Reserve Bulletin* 59 (1987) (financial and transaction advice).

11. 12 C.F.R. 225.24; *The Fuji Bank Limited*, 75 *Federal Reserve Bulletin* 94 (1989); *Bayerische Vereinsbank AG*, 73 *Federal Reserve Bulletin* 155, 156 (1987).

Applicant has also requested Board approval of its proposal under section 5(d)(3) of the Federal Deposit Insurance Act ("FDI Act"), as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Pub. L. No. 101-73, § 206, 103 Stat. 183, 199 (1989)) ("FIRREA"), to merge Albany First into one of Applicant's existing subsidiary banks, Trust Company Bank of South Georgia, N.A., Albany, Georgia ("TCB"), after Applicant acquires the shares of Albany First.[1]

Notice of the application, affording interested persons an opportunity to submit comments, has been published (55 *Federal Register* 8195 and 19,666 (1990)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

Section 601 of FIRREA (as codified at 12 U.S.C. § 1843(i)) permits the Board to approve an application by a bank holding company to acquire a savings association under section 4(c)(8) of the BHC Act. Pursuant to this authority, the Board has determined that the operation of a savings association is closely related to banking and permissible for bank holding companies. 12 C.F.R. 225.25(b)(9). In making this determination, the Board required that savings associations acquired by bank holding companies conform their direct and indirect activities to those activities permissible for bank holding companies under section 4 of the BHC Act. Applicant has committed to conform all activities of Albany First to the requirements of section 4 and Regulation Y.[2]

In order to approve the application, the Board also is required by section 4(c)(8) of the BHC Act to determine that the ownership and operation of First Albany by Applicant "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices." 12 U.S.C. § 1843(c)(8).

Applicant operates 18 banking subsidiaries in Georgia, 21 banking subsidiaries in Florida, and 14 banking subsidiaries in Tennessee. Applicant is the second largest commercial banking organization in Georgia, with deposits of $6.6 billion, representing 14.4 percent of the total deposits in commercial banks in the state.[3] Applicant also engages through several subsidiaries in permissible nonbanking activities. Albany First is the 18th largest thrift institution in Georgia and operates nine offices in Georgia. Albany First has total deposits of $178.6 million, representing 1.2 percent of the total deposits in thrift institutions in the state.

After the proposed acquisition is consummated, Applicant would remain the second largest commercial banking organization in Georgia, controlling 14.7 percent of total deposits in commercial banking organizations in Georgia. In the Board's view, consummation of this proposal would not have a significantly adverse effect upon the concentration of banking organizations in Georgia.

Applicant and Albany First compete directly in the Albany banking market.[4] In the Albany market, Applicant is the third largest of eight depository institutions, controlling $126.7 million in deposits, representing approximately 18.8 percent of total deposits in the market. Albany First is the fourth largest depository institution in the market, controlling $69.1 million in deposits, representing approximately 10.3 percent of total deposits in the market. Upon consummation of this proposal, Applicant would become the largest depository institution in the Albany market, controlling $195.8 million in deposits, representing approximately 35.7 percent of market deposits.[5] The Albany banking market is considered to be highly concentrated, with the four largest depository institutions controlling 77.3 percent of the market deposits. The Herfindahl-Hirschman Index ("HHI"), which is currently 1800, would increase by 575 points, to a level of 2375, after consummation of the proposal.[6]

1. 12 U.S.C. § 1815(d)(3). Section 5(d)(3) of the FDI Act (the "Oakar Amendment") permits the merger of a savings association owned by a bank holding company into a subsidiary bank owned by the same bank holding company under certain circumstances. In this case, the merger of Albany First, which is a mutual savings association, into TCB will be facilitated by the intermediate conversion of Albany First into a federally chartered stock savings association and thereafter into a state-chartered savings association.

2. Upon consummation of this proposal, Applicant would not engage in any activities not permissible for bank holding companies under section 4 of the BHC Act. Applicant has also committed to divest within two years certain real estate assets currently owned by Albany First and its subsidiaries that may not be retained by a bank holding company under the BHC Act.

3. All deposit data are as of June 30, 1989.

4. The Albany, Georgia, banking market includes all of Dougherty and Lee Counties plus the southern half of Worth County.

5. The pre-consummation market share statistics are based on calculations in which the deposits of Albany First and all other thrifts are included at 50 percent. Upon consummation of the proposal, Albany First would be merged with a commercial banking organization, thus on a *pro forma* basis, the deposits of Albany First are included at 100 percent, while the deposits of other savings associations continue to be included at 50 percent.

6. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (1984), a market in which the post-merger HHI is over 1800 is considered highly concentrated, and the Justice Department is likely to challenge a merger that increases the HHI by more than 50 points unless other factors indicate that the merger will not substantially lessen competition. 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 at least 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recog-

Although this proposal would eliminate some existing competition in the Albany banking market, the Board believes that a number of factors mitigate the potential anticompetitive effects of this proposal. Five commercial banking organizations and two thrift institutions would continue to compete in the market following consummation, and these remaining competitors would include two of Georgia's six largest bank holding companies other than Applicant. In addition, the strength of Albany First as a competitor in the market has diminished in recent years, reducing the competitive impact of the acquisition. Albany First has experienced a decrease in market share over the past several years and recently has closed one of its five offices in the market. Furthermore, Albany First currently does not meet regulatory capital requirements, which limits its ability to compete. In reaching its decision, the Board also notes that the Albany market, which is the smallest Metropolitan Statistical Area ("MSA") in Georgia, is considered reasonably attractive for entry. Although it is not growing as rapidly as other Georgia MSAs, the Albany market is relatively large with approximately $800 million in deposits. A large Georgia bank holding company entered the market by acquisition in 1986, and a new national bank recently has received preliminary charter approval. In light of these facts, the Board has concluded that consummation of the proposal is not likely to have a significantly adverse effect on competition in the Albany banking market. There is no evidence in the record to indicate that approval of this proposal would result in any significant adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices.

The financial and managerial resources and future prospects of Applicant and its bank subsidiaries, and Albany First are consistent with approval. Upon consummation, Applicant and its bank subsidiaries would meet applicable capital requirements.

In light of the above considerations, and based on all the facts of record, 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 of Applicant's application to acquire Albany First. Accordingly, the Board has determined that the proposed application pursuant to section 4(c)(8) of the BHC Act should be, and hereby is, approved. This determination is also subject to all of the conditions set forth in the Board's Regulation Y, including sections 225.4(d) and 225.23, and to the Board's authority to require such modifications or termination of the activities of a bank 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.

nize the competitive effects of limited-purpose lenders and other non-depository financial entities.

In considering the request by Applicant for approval of the merger of Albany First into TCB pursuant to section 5(d)(3) of the FDI Act, the record in this case shows that:

(1) The aggregate amount of the total assets of all depository institution subsidiaries of Applicant is $31 billion, an amount which is not less than 200 percent of the total assets of Albany First, which currently has approximately $180 million in total assets;

(2) Applicant and all of its bank subsidiaries currently meet all applicable capital standards and, upon consummation of the proposed transactions, will continue to meet all applicable capital standards;

(3) The transaction is not in substance the acquisition of a Bank Insurance Fund member bank by a Savings Association Insurance Fund member;

(4) Albany First had tangible capital of less than 4 percent during the quarter preceding its acquisition by Applicant;

(5) The transaction, which involves the merger of Albany First, a savings association located in Georgia, into a bank subsidiary of Applicant, a bank holding company whose banking subsidiaries' operations are principally conducted in Florida, would comply with the requirements of section 3(d) of the BHC Act if Albany First were a state bank which Applicant was applying to acquire.

Based on the foregoing and all of the other facts of record, the Board has determined that the proposed application under section 5(d)(3) of the FDI Act should be, and hereby is, approved. This approval is subject to Applicant's obtaining the required approvals of the appropriate federal and state banking agencies for the proposed merger.

The transactions approved in this Order shall be made not 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 Atlanta, pursuant to delegated authority.

By order of the Board of Governors, effective June 25, 1990.

Voting for this action: Chairman Greenspan and Governors Johnson, Seger, Angell, Kelley, LaWare, and Mullins.

JENNNIFER J. JOHNSON
Associate Secretary of the Board

Orders Issued Under the Financial Institutions Reform, Recovery, and Enforcement Act

June 28, 1990

Daniel C. McKay, II
Vedder, Price, Kaufman & Kammholz
222 North LaSalle Street
Suite 2600
Chicago, Illinois 60601

Dear Mr. McKay:

Ambank Financial Services, Inc., Rock Island, Illinois ("Ambank"), proposes that its bank subsidiary, American Bank of Rock Island, Rock Island, Illinois, purchase the assets and assume the liabilities of Interim American Savings Association, F.A., Rock Island, Illinois, its savings association subsidiary, ("Interim American Savings"). Ambank has requested Board approval of this transaction pursuant to section 5(d)(3) of the Federal Deposit Insurance Act ("FDI Act") as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Pub. L. No. 101-73, § 206, 103 Stat. 183, 199 (1989)). Interim American Savings has been established to acquire certain assets and assume deposit liabilities of Blackhawk Savings and Loan Association, F.A., Rock Island, Illinois ("Blackhawk").

The record in this case shows that:

(1) The aggregate amount of the total assets of all depository institution subsidiaries of Ambank is $115.0 million, an amount which is not less than 200 percent of the total assets of Interim American Savings, which currently has $54.2 million in total assets;

(2) Ambank and all of its bank subsidiaries currently meet all applicable capital standards and, upon consummation of the proposed transactions, will continue to meet all applicable capital standards;

(3) The transaction is not in substance the acquisition of a Bank Insurance Fund member bank by a Savings Association Insurance Fund member;

(4) Blackhawk, the predecessor to Interim American Savings, had tangible capital of less than 4 percent during the quarter preceding its acquisition by Ambank;

(5) The transaction, which involves the purchase of assets and assumption of liabilities of Interim American Savings, a savings association located in Illinois, by a bank subsidiary of Ambank, a bank holding company whose banking subsidiaries' operations are principally conducted in Illinois, would comply with the requirements of section 3(d) of the Bank Holding Company Act if Interim American Savings were a state bank which Ambank was applying to acquire.

Based on the foregoing and all of the other facts of record, the Staff Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board, acting pursuant to authority delegated by the Board of Governors, hereby approve your request to engage in the proposed transaction under section 5(d)(3) of the FDI Act. This approval is subject to Ambank obtaining the required approval of the appropriate Federal banking agency for the proposed merger under the Bank Merger Act.

Very truly yours,

William W. Wiles
Secretary of the Board

cc: Federal Reserve Bank of Chicago

June 19, 1990

William H. Allen, Jr.
Chairman of the Board
Atico Financial Corporation
200 Southeast First Street
Miami, Florida 33131

Dear Mr. Allen:

Atico Financial Corporation, Miami, Florida ("Atico"), proposes that its savings association subsidiary, Atico Savings Bank, Miami, Florida ("Atico Savings"), merge into its bank subsidiary, Intercontinental Bank, Miami, Florida ("Intercontinental"). Atico has requested Board approval of this transaction pursuant to section 5(d)(3) of the Federal Deposit Insurance Act ("FDI Act") as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Pub. L. No. 101-73, § 206, 103 Stat. 183, 199 (1989)). In 1987 the Board approved the acquisition of Intercontinental by Atico which at that time was a unitary savings and loan holding company. *See Atico Financial Corporation*, 73 *Federal Reserve Bulletin* 717 (1987).

The record in this case shows that:

(1) The aggregate amount of the total assets of all depository institution subsidiaries of Atico is $648 million, an amount which is not less than 200 percent of the total assets of Atico Savings, which currently has $287 million in total assets;

(2) Atico and all of its bank subsidiaries currently meet all applicable capital standards and, upon consummation of the proposed transactions, will continue to meet all applicable capital standards;

(3) The transaction is not in substance the acquisi-

tion of a Bank Insurance Fund member bank by a Savings Association Insurance Fund member;
(4) Atico Savings had tangible capital of less than 4 percent during the quarter preceding its acquisition by Atico;
(5) The transaction involves the merger of a savings association located in Florida into a bank subsidiary of Atico that is also located in Florida. Atico is a bank holding company whose banking subsidiary's operations are principally conducted in Florida. Accordingly, the transaction would comply with the requirements of section 3(d) of the Bank Holding Company Act if Atico Savings were a state bank which Atico was applying to acquire.

Based on the foregoing and all of the other facts of record, the Staff Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board, acting pursuant to authority delegated by the Board of Governors, hereby approve your request to engage in the proposed transaction under section 5(d)(3) of the FDI Act. Atico has advised us that it has obtained approval from the Federal Deposit Insurance Corporation for the proposed merger under the Bank Merger Act.

Very truly yours,

William W. Wiles
Secretary of the Board

cc: Federal Reserve Bank of Atlanta

June 15, 1990

Mr. Timothy F. Cox
Piper & Marbury
1100 Charles Center South
36 South Charles Street
Baltimore, Maryland 21201-3010

Dear Mr. Cox:

Baltimore Bancorp, Baltimore, Maryland ("Bancorp"), proposes that its bank subsidiary, The Bank of Baltimore, Baltimore, Maryland ("Bank"), merge with its savings association subsidiary, Municipal Savings Bank, F.S.B., Towson, Maryland ("Municipal"). Bancorp has requested Board approval of this transaction pursuant to section 5(d)(3) of the Federal Deposit Insurance Act ("FDI Act") as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Pub. L. No. 101-73, § 206, 103 Stat. 183, 199 (1989)).[1]

The record in this case shows that:
(1) The aggregate amount of the total assets of all depository institution subsidiaries of Bancorp is $3.3 billion, an amount which is not less than 200 percent of the total assets of Municipal, which currently has $102.6 million in total assets;
(2) Bancorp and all of its bank subsidiaries currently meet all applicable capital standards and, upon consummation of the proposed transactions, will continue to meet all applicable capital standards;
(3) The transaction is not in substance the acquisition of a Bank Insurance Fund member bank by a Savings Association Insurance Fund member;
(4) Municipal had tangible capital of less than 4 percent during the quarter preceding its acquisition by Bancorp;
(5) The transaction, which involves the merger of Municipal, a savings association located in Maryland, into a bank subsidiary of Bancorp, a bank holding company whose banking subsidiaries' operations are principally conducted in Maryland, would comply with the requirements of section 3(d) of the Bank Holding Company Act if Municipal were a state bank which Bancorp was applying to acquire.

Based on the foregoing and all of the other facts of record,[2] the Staff Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board, acting pursuant to authority delegated by the Board of Governors, hereby approve your request to engage in the proposed transaction under section 5(d)(3) of the FDI Act. This approval is subject to Bancorp obtaining the required approval

1. 12 U.S.C. § 1815(d)(3). Section 5(d)(3) of the FDI Act ("the Oakar Amendment") permits the merger of a savings association owned by a bank holding company into a subsidiary bank owned by the same bank holding company. In this case, the merger of Municipal, which is a federally-chartered savings association, into Bank will be facilitated by the intermediate conversion of Municipal into a state-chartered savings association and then into a state-chartered trust company ("the interim bank"). The interim bank is chartered solely to accommodate the requirements of the appropriate merger statutes under Maryland law and will cease to exist immediately upon consummation of the underlying transaction without ever having conducted any banking business. Under the circumstances, the structure of the proposal does not appear to cause an otherwise qualifying transaction to fall outside of the bounds of the Oakar Amendment. *See Marshall & Ilsley Corporation*, 76 *Federal Reserve Bulletin* 556 (1990).

2. Municipal has a wholly owned subsidiary, Towson Service Corporation, Towson, Maryland ("Towson"), which is engaged in impermissible real estate development activities through equity interests in joint ventures. Prior to the merger of Municipal into Bank, Bancorp will acquire all of the stock of Towson and all loans made by Municipal to the Towson joint ventures. Bancorp remains subject to a previous requirement to divest these nonconforming assets by October 31, 1990.

of the appropriate Federal banking agency for the proposed merger under the Bank Merger Act.

Very truly yours,

William W. Wiles
Secretary of the Board

cc: Federal Reserve Bank of Richmond

June 15, 1990

Steven T. Schuler
Chief Financial Officer and
Vice President/Treasurer/Secretary
Brenton Banks, Inc.
400 Locust Street, Suite 300
Des Moines, Iowa 50304

Dear Mr. Schuler:

Brenton Banks, Inc., Des Moines, Iowa ("Brenton"), proposes that its bank subsidiary, Brenton Bank of Palo Alto County, Emmetsburg, Iowa, purchase the assets and assume the liabilities of Palo Alto County State Savings and Loan Association, Emmetsburg, Iowa, its savings association subsidiary, ("Palo Alto Savings"). Brenton has requested Board approval of this transaction pursuant to section 5(d)(3) of the Federal Deposit Insurance Act ("FDI Act") as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Pub. L. No. 101-73, § 206, 103 Stat. 183, 199 (1989)). Palo Alto Savings has been established to acquire certain assets and assume deposit liabilities of the Emmetsburg branch of First Federal Savings & Loan Association of Estherville, Estherville, Iowa ("First Federal"). The record in this case shows that:

(1) The aggregate amount of the total assets of all depository institution subsidiaries of Brenton is $985.0 million, an amount which is not less than 200 percent of the total assets of Palo Alto Savings, which currently has $9.9 million in total assets;
(2) Brenton and all of its bank subsidiaries currently meet all applicable capital standards and, upon consummation of the proposed transactions, will continue to meet all applicable capital standards;
(3) The transaction is not in substance the acquisition of a Bank Insurance Fund member bank by a Savings Association Insurance Fund member;
(4) First Federal, the predecessor to Palo Alto Savings, had tangible capital of less than 4 percent during the quarter preceding its acquisition by Brenton;
(5) The transaction, which involves the purchase of assets and assumption of liabilities of Palo Alto Savings, a savings association located in Iowa, by a bank subsidiary of Brenton, a bank holding company whose banking subsidiaries' operations are principally conducted in Iowa, would comply with the requirements of section 3(d) of the Bank Holding Company Act if Palo Alto Savings were a state bank which Brenton was applying to acquire.

Based on the foregoing and all of the other facts of record, the Staff Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board, acting pursuant to authority delegated by the Board of Governors, hereby approve your request to engage in the proposed transaction under section 5(d)(3) of the FDI Act. This approval is subject to Brenton obtaining the required approval of the appropriate Federal banking agency for the proposed merger under the Bank Merger Act.

Very truly yours,

William W. Wiles
Secretary of the Board

cc: Federal Reserve Bank of Chicago

June 15, 1990

Craig N. Landrum, Esq.
Heidelberg & Woodliff
Post Office Box 23040
Jackson, Mississippi 39225

Dear Mr. Landrum:

Citizens Financial Corporation, Belzoni, Mississippi ("Citizens"), proposes that its bank subsidiary, Citizens Bank and Trust Company, Belzoni, Mississippi, purchase the assets and assume the liabilities of Citizens Bank for Savings, F.S.B., Yazoo City, Mississippi, its savings association subsidiary, ("Citizens Savings"). Citizens has requested Board approval of this transaction pursuant to section 5(d)(3) of the Federal Deposit Insurance Act ("FDI Act") as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Pub. L. No. 101-73, § 206, 103 Stat. 183, 199 (1989)). Citizens Savings has been established to acquire certain assets and assume deposit liabilities of the Yazoo City branch of Unifirst Bank for Savings, FS&LA, Jackson, Mississippi ("Unifirst").

The record in this case shows that:

(1) The aggregate amount of the total assets of all depository institution subsidiaries of Citizens is

$118.4 million, an amount which is not less than 200 percent of the total assets of Citizens Savings, which currently has $30.0 million in total assets;
(2) Citizens and all of its bank subsidiaries currently meet all applicable capital standards and, upon consummation of the proposed transactions, will continue to meet all applicable capital standards;
(3) The transaction is not in substance the acquisition of a Bank Insurance Fund member bank by a Savings Association Insurance Fund member;
(4) Unifirst, the predecessor to Citizens Savings, had tangible capital of less than 4 percent during the quarter preceding its acquisition by Citizens;
(5) The transaction, which involves the purchase of assets and assumption of liabilities of Citizens Savings, a savings association located in Mississippi, by a bank subsidiary of Citizens, a bank holding company whose banking subsidiaries' operations are principally conducted in Mississippi, would comply with the requirements of section 3(d) of the Bank Holding Company Act if Citizens Savings were a state bank which Citizens was applying to acquire.

Based on the foregoing and all of the other facts of record, the Staff Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board, acting pursuant to authority delegated by the Board of Governors, hereby approve your request to engage in the proposed transaction under section 5(d)(3) of the FDI Act. This approval is subject to Citizens obtaining the required approval of the appropriate Federal banking agency for the proposed merger under the Bank Merger Act.

Very truly yours,

William W. Wiles
Secretary of the Board

cc: Federal Reserve Bank of St. Louis

June 21, 1990

Kenneth W. McAllister
General Counsel
First Wachovia Corporation
301 North Main Street
Winston-Salem, North Carolina 27150

Dear Mr. McAllister:

First Wachovia Corporation, Winston-Salem, North Carolina ("First Wachovia"), proposes that its bank subsidiary, The First National Bank of Atlanta, Atlanta, Georgia, purchase the assets and assume the liabilities of FAB, FSB, Atlanta, Georgia, its savings association subsidiary, ("FAB"). First Wachovia has requested Board approval of this transaction pursuant to section 5(d)(3) of the Federal Deposit Insurance Act ("FDI Act") as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Pub. L. No. 101–73, § 206, 103 Stat. 183, 199 (1989)). FAB has been established to acquire certain assets and assume deposit liabilities of Great Southern Federal Savings and Loan Association Savannah, Georgia ("Great Southern").

The record in this case shows that:
(1) The aggregate amount of the total assets of all depository institution subsidiaries of First Wachovia is $23.9 billion, an amount which is not less than 200 percent of the total assets of FAB, which currently has $472.4 million in total assets;
(2) First Wachovia and all of its bank subsidiaries currently meet all applicable capital standards and, upon consummation of the proposed transactions, will continue to meet all applicable capital standards;
(3) The transaction is not in substance the acquisition of a Bank Insurance Fund member bank by a Savings Association Insurance Fund member;
(4) Great Southern, the predecessor to FAB, had tangible capital of less than 4 percent during the quarter preceding its acquisition by First Wachovia;
(5) The transaction, which involves the purchase of assets and assumption of liabilities of FAB, a savings association located in Georgia, by a bank subsidiary of First Wachovia, a bank holding company whose banking subsidiaries' operations are principally conducted in North Carolina, would comply with the requirements of section 3(d) of the Bank Holding Company Act if FAB were a state bank which First Wachovia was applying to acquire.

Based on the foregoing and all of the other facts of record, the Staff Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board, acting pursuant to authority delegated by the Board of Governors, hereby approve your request to engage in the proposed transaction under section 5(d)(3) of the FDI Act. This approval is subject to First Wachovia obtaining the required approval of the appropriate Federal banking agency for the proposed merger under the Bank Merger Act.

Very truly yours,

William W. Wiles
Secretary of the Board

cc: Federal Reserve Bank of Richmond

June 22, 1990

Bruce A. Hocking
Coopers & Lybrand
700 Cornhusker Plaza
Lincoln, Nebraska 68508

Dear Mr. Hocking:

First York Ban Corp., York, Nebraska ("First York"), proposes that its bank subsidiary, The First National Bank of York, York, Nebraska, purchase the assets and assume the liabilities of First York Federal Savings Association, York, Nebraska, its savings association subsidiary, ("First York Savings"). First York has requested Board approval of this transaction pursuant to section 5(d)(3) of the Federal Deposit Insurance Act ("FDI Act") as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Pub. L. No. 101–73, § 206, 103 Stat. 183, 199 (1989)). First York Savings has been established to acquire certain assets and assume deposit liabilities of the First Federal Savings Association of York, York, Nebraska ("First Federal").

The record in this case shows that:

(1) The aggregate amount of the total assets of all depository institution subsidiaries of First York is $134.6 million, an amount which is not less than 200 percent of the total assets of First York Savings, which currently has $48.0 million in total assets;

(2) First York and all of its bank subsidiaries currently meet all applicable capital standards and, upon consummation of the proposed transactions, will continue to meet all applicable capital standards;

(3) The transaction is not in substance the acquisition of a Bank Insurance Fund member bank by a Savings Association Insurance Fund member;

(4) First Federal, the predecessor to First York Savings, had tangible capital of less than 4 percent during the quarter preceding its acquisition by First York;

(5) The transaction, which involves the purchase of assets and assumption of liabilities of First York Savings, a savings association located in Nebraska, by a bank subsidiary of First York, a bank holding company whose banking subsidiaries' operations are principally conducted in Nebraska, would comply with the requirements of section 3(d) of the Bank Holding Company Act if First York Savings were a state bank which First York was applying to acquire.

Based on the foregoing and all of the other facts of record, the Staff Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board, acting pursuant to authority delegated by the Board of Governors, hereby approve your request to engage in the proposed transaction under section 5(d)(3) of the FDI Act. This approval is subject to First York obtaining the required approval of the appropriate Federal banking agency for the proposed merger under the Bank Merger Act.

Very truly yours,

William W. Wiles
Secretary of the Board

cc: Federal Reserve Bank of Kansas City

June 21, 1990

Ronald L. Baldwin
Executive Vice President
Fourth Financial Corporation
100 N. Broadway
Wichita, Kansas 67202

Dear Mr. Baldwin:

Fourth Financial Corporation, Wichita, Kansas ("Fourth Financial"), proposes that its bank subsidiary, Bank IV Olathe, N.A., Olathe, Kansas, purchase the assets and assume the liabilities of IV Anchor Savings, F.S.B., Kansas City, Kansas, its savings association subsidiary, ("IV Anchor Savings"). Fourth Financial has requested Board approval of this transaction pursuant to section 5(d)(3) of the Federal Deposit Insurance Act ("FDI Act") as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Pub. L. No. 101–73, § 206, 103 Stat. 183, 199 (1989)). IV Anchor Savings has been established to acquire certain assets and assume deposit liabilities of Anchor Federal Savings and Loan Association, Kansas City, Kansas ("Anchor").

The record in this case shows that:

(1) The aggregate amount of the total assets of all depository institution subsidiaries of Fourth Financial is $3.3 billion, an amount which is not less than 200 percent of the total assets of IV Anchor Savings, which currently has $694.0 million in total assets;

(2) Fourth Financial and all of its bank subsidiaries currently meet all applicable capital standards and, upon consummation of the proposed transactions,

will continue to meet all applicable capital standards;
(3) The transaction is not in substance the acquisition of a Bank Insurance Fund member bank by a Savings Association Insurance Fund member;
(4) Anchor, the predecessor to IV Anchor Savings, had tangible capital of less than 4 percent during the quarter preceding its acquisition by Fourth Financial;
(5) The transaction, which involves the purchase of assets and assumption of liabilities of IV Anchor Savings, a savings association located in Kansas, by a bank subsidiary of Fourth Financial, a bank holding company whose banking subsidiaries' operations are principally conducted in Kansas, would comply with the requirements of section 3(d) of the Bank Holding Company Act if IV Anchor Savings were a state bank which Fourth Financial was applying to acquire.

Based on the foregoing and all of the other facts of record, the Staff Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board, acting pursuant to authority delegated by the Board of Governors, hereby approve your request to engage in the proposed transaction under section 5(d)(3) of the FDI Act. This approval is subject to Fourth Financial obtaining the required approval of the appropriate Federal banking agency for the proposed merger under the Bank Merger Act.

Very truly yours,

William W. Wiles
Secretary of the Board

cc: Federal Reserve Bank of Kansas City

June 28, 1990

Howard O. Hagen
Dickinson, Throckmorton, Parker
Mannheimer & Raife
1600 Hub Tower
699 Walnut Street
Des Moines, Iowa 50309

Dear Mr. Hagen:

Ida Grove Bancshares, Inc., Ida Grove, Iowa ("Ida Grove"), proposes that its bank subsidiary, Ida County State Bank, Ida Grove, Iowa, purchase the assets and assume the liabilities of FD Savings Bank, Fort Dodge, Iowa, its savings association subsidiary, ("FD Savings"). Ida Grove has requested Board approval of this transaction pursuant to section 5(d)(3) of the Federal Deposit Insurance Act ("FDI Act") as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Pub. L. No. 101–73, § 206, 103 Stat. 183, 199 (1989)). FD Savings has been established to acquire certain assets and assume deposit liabilities of Sun Federal Savings Association, Fort Dodge, Iowa ("Sun Savings").

The record in this case shows that:
(1) The aggregate amount of the total assets of all depository institution subsidiaries of Ida Grove is $79.4 million, an amount which is not less than 200 percent of the total assets of FD Savings, which currently has $17.5 million in total assets;
(2) Ida Grove and all of its bank subsidiaries currently meet all applicable capital standards and, upon consummation of the proposed transactions, will continue to meet all applicable capital standards;
(3) The transaction is not in substance the acquisition of a Bank Insurance Fund member bank by a Savings Association Insurance Fund member;
(4) Sun Savings, the predecessor to FD Savings, had tangible capital of less than 4 percent during the quarter preceding its acquisition by Ida Grove;
(5) The transaction, which involves the purchase of assets and assumption of liabilities of FD Savings, a savings association located in Iowa, by a bank subsidiary of Ida Grove, a bank holding company whose banking subsidiaries' operations are principally conducted in Iowa, would comply with the requirements of section 3(d) of the Bank Holding Company Act if FD Savings were a state bank which Ida Grove was applying to acquire.

Based on the foregoing and all of the other facts of record, the Staff Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board, acting pursuant to authority delegated by the Board of Governors, hereby approve your request to engage in the proposed transaction under section 5(d)(3) of the FDI Act. This approval is subject to Ida Grove obtaining the required approval of the appropriate Federal banking agency for the proposed merger under the Bank Merger Act.

Very truly yours,

William W. Wiles
Secretary of the Board

cc: Federal Reserve Bank of Chicago

June 28, 1990

Dennis E. Nixon
President
International Bancshares Corporation
1200 San Bernardo
Laredo, Texas 78040

Dear Mr. Nixon:

International Bancshares Corporation, Laredo, Texas ("IBC"), proposes that its bank subsidiary, International Bank of Commerce, Laredo, Texas, purchase the assets and assume the liabilities of New Valley Federal Savings Association, McAllen, Texas, its savings association subsidiary, ("New Valley"). IBC has requested Board approval of this transaction pursuant to section 5(d)(3) of the Federal Deposit Insurance Act ("FDI Act") as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Pub. L. No. 101-73, § 206, 103 Stat. 183, 199 (1989)). New Valley has been established to acquire certain assets and assume deposit liabilities of Valley Federal Savings Association, McAllen, Texas ("Valley Federal"). The record in this case shows that:

(1) The aggregate amount of the total assets of all depository institution subsidiaries of IBC is $1.2 billion, an amount which is not less than 200 percent of the total assets of New Valley, which currently has $527.7 million in total assets;
(2) IBC and all of its bank subsidiaries currently meet all applicable capital standards and, upon consummation of the proposed transactions, will continue to meet all applicable capital standards;
(3) The transaction is not in substance the acquisition of a Bank Insurance Fund member bank by a Savings Association Insurance Fund member;
(4) Valley Federal, the predecessor to New Valley, had tangible capital of less than 4 percent during the quarter preceding its acquisition by IBC;
(5) The transaction, which involves the purchase of assets and assumption of liabilities of New Valley, a savings association located in Texas, by a bank subsidiary of IBC, a bank holding company whose banking subsidiaries' operations are principally conducted in Texas, would comply with the requirements of section 3(d) of the Bank Holding Company Act if New Valley were a state bank which IBC was applying to acquire.

Based on the foregoing and all of the other facts of record, the Staff Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board, acting pursuant to authority delegated by the Board of Governors, hereby approve your request to engage in the proposed transaction under section 5(d)(3) of the FDI Act. This approval is subject to IBC obtaining the required approval of the appropriate Federal banking agency for the proposed merger under the Bank Merger Act.

Very truly yours,

William W. Wiles
Secretary of the Board

cc: Federal Reserve Bank of Dallas

June 22, 1990

Jan Robey Alonzo
Thompson & Mitchell
One Mercantile Center
Suite 3400
St. Louis, Missouri 63101

Dear Ms. Alonzo:

Magna Group, Inc., Belleville, Illinois ("Magna"), proposes that its bank subsidiary, Magna Bank of Springfield, Springfield, Illinois, purchase the assets and assume the liabilities of Magna Springfield Interim Federal Savings and Loan Association, Springfield, Illinois, its savings association subsidiary, ("Magna Savings"). Magna has requested Board approval of this transaction pursuant to section 5(d)(3) of the Federal Deposit Insurance Act ("FDI Act") as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Pub. L. No. 101-73, § 206, 103 Stat. 183, 199 (1989)). Magna Savings has been established to acquire certain assets and assume deposit liabilities of the Citizens Savings and Loan Association, F.A., Springfield, Illinois ("Citizens").

The record in this case shows that:

(1) The aggregate amount of the total assets of all depository institution subsidiaries of Magna is $2.3 billion, an amount which is not less than 200 percent of the total assets of Magna Savings, which currently has $71.4 million in total assets;
(2) Magna and all of its bank subsidiaries currently meet all applicable capital standards and, upon consummation of the proposed transactions, will continue to meet all applicable capital standards;
(3) The transaction is not in substance the acquisition of a Bank Insurance Fund member bank by a Savings Association Insurance Fund member;

(4) Citizens, the predecessor to Magna Savings, had tangible capital of less than 4 percent during the quarter preceding its acquisition by Magna;

(5) The transaction, which involves the purchase of assets and assumption of liabilities of Magna Savings, a savings association located in Illinois, by a bank subsidiary of Magna, a bank holding company whose banking subsidiaries' operations are principally conducted in Illinois, would comply with the requirements of section 3(d) of the Bank Holding Company Act if Magna Savings were a state bank which Magna was applying to acquire.

Based on the foregoing and all of the other facts of record, the Staff Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board, acting pursuant to authority delegated by the Board of Governors, hereby approve your request to engage in the proposed transaction under section 5(d)(3) of the FDI Act. This approval is subject to Magna obtaining the required approval of the appropriate Federal banking agency for the proposed merger under the Bank Merger Act.

Very truly yours,

William W. Wiles
Secretary of the Board

cc: Federal Reserve Bank of St. Louis

June 15, 1990

Carl J. Chaney, Esq.
Heidelberg & Woodliff
Post Office Box 23040
Jackson, Mississippi 39225

Dear Mr. Chaney:

Merchants Capital Corporation, Vicksburg, Mississippi ("Merchants"), proposes that its bank subsidiary, Merchants National Bank, Vicksburg, Mississippi, purchase the assets and assume the liabilities of Merchants Bank for Savings, F.S.B., Vicksburg, Mississippi, its savings association subsidiary, ("Merchants Savings"). Merchants has requested Board approval of this transaction pursuant to section 5(d)(3) of the Federal Deposit Insurance Act ("FDI Act") as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Pub. L. No. 101-73, § 206, 103 Stat. 183, 199 (1989)). Merchants Savings has been established to acquire certain assets and assume deposit liabilities of the Vicksburg branches of Unifirst Bank for Savings, FS&LA, Jackson, Mississippi ("Unifirst").

The record in this case shows that:

(1) The aggregate amount of the total assets of all depository institution subsidiaries of Merchants is $154.7 million, an amount which is not less than 200 percent of the total assets of Merchants Savings, which currently has $31.9 million in total assets;

(2) Merchants and all of its bank subsidiaries currently meet all applicable capital standards and, upon consummation of the proposed transactions, will continue to meet all applicable capital standards;

(3) The transaction is not in substance the acquisition of a Bank Insurance Fund member bank by a Savings Association Insurance Fund member;

(4) Unifirst, the predecessor to Merchants Savings, had tangible capital of less than 4 percent during the quarter preceding its acquisition by Merchants;

(5) The transaction, which involves the purchase of assets and assumption of liabilities of Merchants Savings, a savings association located in Mississippi, by a bank subsidiary of Merchants, a bank holding company whose banking subsidiaries' operations are principally conducted in Mississippi, would comply with the requirements of section 3(d) of the Bank Holding Company Act if Merchants Savings were a state bank which Merchants was applying to acquire.

Based on the foregoing and all of the other facts of record, the Staff Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board, acting pursuant to authority delegated by the Board of Governors, hereby approve your request to engage in the proposed transaction under section 5(d)(3) of the FDI Act. This approval is subject to Merchants obtaining the required approval of the appropriate Federal banking agency for the proposed merger under the Bank Merger Act.

Very truly yours,

William W. Wiles
Secretary of the Board

cc: Federal Reserve Bank of Atlanta

June 22, 1990

Carol B. Shaw
Kirkland & Ellis
1999 Broadway, Suite 4000
Denver, Colorado 80202

Dear Ms. Shaw:

Mountain Financial Holding Company, Woodland Park, Colorado ("Mountain Financial"), proposes that its bank subsidiary, Mountain National Bank, Woodland Park, Colorado, purchase the assets and assume the liabilities of Mountain (Interim) Federal Savings Bank, Woodland Park, Colorado, its savings association subsidiary, ("Mountain Savings"). Mountain Financial has requested Board approval of this transaction pursuant to section 5(d)(3) of the Federal Deposit Insurance Act ("FDI Act") as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Pub. L. No. 101–73, § 206, 103 Stat. 183, 199 (1989)). Mountain Savings has been established to acquire certain assets and assume deposit liabilities of Rocky Mountain Savings, F.S.B., Woodland Park, Colorado ("Rocky Mountain").

The record in this case shows that:

(1) The aggregate amount of the total assets of all depository institution subsidiaries of Mountain Financial is $36.6 million, an amount which is not less than 200 percent of the total assets of Mountain Savings, which currently has $17.6 million in total assets;

(2) Mountain Financial and all of its bank subsidiaries currently meet all applicable capital standards and, upon consummation of the proposed transactions, will continue to meet all applicable capital standards;

(3) The transaction is not in substance the acquisition of a Bank Insurance Fund member bank by a Savings Association Insurance Fund member;

(4) Rocky Mountain, the predecessor to Mountain Savings, had tangible capital of less than 4 percent during the quarter preceding its acquisition by Mountain Financial;

(5) The transaction, which involves the purchase of assets and assumption of liabilities of Mountain Savings, a savings association located in Colorado, by a bank subsidiary of Mountain Financial, a bank holding company whose banking subsidiaries' operations are principally conducted in Colorado, would comply with the requirements of section 3(d) of the Bank Holding Company Act if Mountain Savings were a state bank which Mountain Financial was applying to acquire.

Based on the foregoing and all of the other facts of record, the Staff Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board, acting pursuant to authority delegated by the Board of Governors, hereby approve your request to engage in the proposed transaction under section 5(d)(3) of the FDI Act. This approval is subject to Mountain Financial obtaining the required approval of the appropriate Federal banking agency for the proposed merger under the Bank Merger Act.

Very truly yours,

William W. Wiles
Secretary of the Board

cc: Federal Reserve Bank of Kansas City

June 8, 1990

Paul J. Polking
Executive Vice President and General Counsel
NCNB Corporation
One NCNB Plaza
Charlotte, North Carolina 28255

Dear Mr. Polking:

NCNB Corporation, Charlotte, North Carolina ("NCNB"), proposes that its bank subsidiary, NCNB Texas National Bank, Dallas, Texas, purchase the assets and assume the liabilities of Interim Eight NCNB Texas, F.S.B., Tyler, Texas, its savings association subsidiary, ("Interim Eight NCNB"). NCNB has requested Board approval of this transaction pursuant to section 5(d)(3) of the Federal Deposit Insurance Act ("FDI Act") as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Pub. L. No. 101–73, § 206, 103 Stat. 183, 199 (1989)). Interim Four NCNB has been established to acquire certain assets and assume deposit liabilities of East Texas Savings and Loan Association, F.A., Tyler, Texas ("East Texas").

The record in this case shows that:

(1) The aggregate amount of the total assets of all depository institution subsidiaries of NCNB is $63.0 billion, an amount which is not less than 200 percent of the total assets of Interim Eight NCNB, which currently has $319.6 million in total assets;

(2) NCNB and all of its bank subsidiaries currently meet all applicable capital standards and, upon consummation of the proposed transactions, will continue to meet all applicable capital standards;

(3) The transaction is not in substance the acquisition of a Bank Insurance Fund member bank by a Savings Association Insurance Fund member;

(4) East Texas, the predecessor to Interim Eight NCNB, had tangible capital of less than 4 percent

during the quarter preceding its acquisition by NCNB;

(5) The transaction, which involves the purchase of assets and assumption of liabilities of Interim Eight NCNB, a savings association located in Texas, by a bank subsidiary of NCNB, a bank holding company whose banking subsidiaries' operations are principally conducted in North Carolina, would comply with the requirements of section 3(d) of the Bank Holding Company Act if Interim Eight NCNB were a state bank which NCNB was applying to acquire.

Based on the foregoing and all of the other facts of record, the Staff Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board, acting pursuant to authority delegated by the Board of Governors, hereby approve your request to engage in the proposed transaction under section 5(d)(3) of the FDI Act. This approval is subject to NCNB obtaining the required approval of the appropriate Federal banking agency for the proposed merger under the Bank Merger Act.

Very truly yours,

William W. Wiles
Secretary of the Board

cc: Federal Reserve Bank of Richmond

June 15, 1990

Carl J. Chaney, Esq.
Heidelberg & Woodliff
Post Office Box 23040
Jackson, Mississippi 39225

Dear Mr. Chaney:

Newton County Bancorporation, Inc., Newton, Mississippi ("Newton"), proposes that its bank subsidiary, Newton County Bank, Newton, Mississippi, purchase the assets and assume the liabilities of Newton County Bank for Savings, F.S.B., Newton, Mississippi, its savings association subsidiary, ("Newton Savings"). Newton has requested Board approval of this transaction pursuant to section 5(d)(3) of the Federal Deposit Insurance Act ("FDI Act") as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Pub. L. No. 101–73, § 206, 103 Stat. 183, 199 (1989)). Newton Savings has been established to acquire certain assets and assume deposit liabilities of the Newton branch of Unifirst Bank for Savings, FS&LA, Jackson, Mississippi ("Unifirst").

The record in this case shows that:

(1) The aggregate amount of the total assets of all depository institution subsidiaries of Newton is $88.5 million, an amount which is not less than 200 percent of the total assets of Newton Savings, which currently has $11.1 million in total assets;

(2) Newton and all of its bank subsidiaries currently meet all applicable capital standards and, upon consummation of the proposed transactions, will continue to meet all applicable capital standards;

(3) The transaction is not in substance the acquisition of a Bank Insurance Fund member bank by a Savings Association Insurance Fund member;

(4) Unifirst, the predecessor to Newton Savings, had tangible capital of less than 4 percent during the quarter preceding its acquisition by Newton;

(5) The transaction, which involves the purchase of assets and assumption of liabilities of Newton Savings, a savings association located in Mississippi, by a bank subsidiary of Newton, a bank holding company whose banking subsidiaries' operations are principally conducted in Mississippi, would comply with the requirements of section 3(d) of the Bank Holding Company Act if Newton Savings were a state bank which Newton was applying to acquire.

Based on the foregoing and all of the other facts of record, the Staff Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board, acting pursuant to authority delegated by the Board of Governors, hereby approve your request to engage in the proposed transaction under section 5(d)(3) of the FDI Act. This approval is subject to Newton obtaining the required approval of the appropriate Federal banking agency for the proposed merger under the Bank Merger Act.

Very truly yours,

William W. Wiles
Secretary of the Board

cc: Federal Reserve Bank of Atlanta

June 15, 1990

Carl J. Chaney, Esq.
Heidelberg & Woodliff
Post Office Box 23040
Jackson, Mississippi 39225

Dear Mr. Chaney:

Port Gibson Capital Corporation, Port Gibson, Mississippi ("Port Gibson"), proposes that its bank subsidiary, Port Gibson Bank, Port Gibson, Mississippi, purchase the assets and assume the liabilities of Port Gibson Bank for Savings, F.S.B., Port Gibson, Mississippi, its savings association subsidiary, ("Port Gibson Savings"). Port Gibson has requested Board approval of this transaction pursuant to section 5(d)(3) of the Federal Deposit Insurance Act ("FDI Act") as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Pub. L. No. 101–73, § 206, 103 Stat. 183, 199 (1989)). Port Gibson Savings has been established to acquire certain assets and assume deposit liabilities of the Port Gibson branch of Unifirst Bank for Savings, FS&LA, Jackson, Mississippi ("Unifirst").

The record in this case shows that:

(1) The aggregate amount of the total assets of all depository institution subsidiaries of Port Gibson is $50.2 million, an amount which is not less than 200 percent of the total assets of Port Gibson Savings, which currently has $7.8 million in total assets;

(2) Port Gibson and all of its bank subsidiaries currently meet all applicable capital standards and, upon consummation of the proposed transactions, will continue to meet all applicable capital standards;

(3) The transaction is not in substance the acquisition of a Bank Insurance Fund member bank by a Savings Association Insurance Fund member;

(4) Unifirst, the predecessor to Port Gibson Savings, had tangible capital of less than 4 percent during the quarter preceding its acquisition by Port Gibson;

(5) The transaction, which involves the purchase of assets and assumption of liabilities of Port Gibson Savings, a savings association located in Mississippi, by a bank subsidiary of Port Gibson, a bank holding company whose banking subsidiaries' operations are principally conducted in Mississippi, would comply with the requirements of section 3(d) of the Bank Holding Company Act if Port Gibson Savings were a state bank which Port Gibson was applying to acquire.

Based on the foregoing and all of the other facts of record, the Staff Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board, acting pursuant to authority delegated by the Board of Governors, hereby approve your request to engage in the proposed transaction under section 5(d)(3) of the FDI Act. This approval is subject to Port Gibson obtaining the required approval of the appropriate Federal banking agency for the proposed merger under the Bank Merger Act.

Very truly yours,

William W. Wiles
Secretary of the Board

cc: Federal Reserve Bank of Atlanta

June 18, 1990

Frits R. Pronk
President
SCB Bancorp, Inc.
1501 East Eldorado Street
Decatur, Illinois 62521

Dear Mr. Pronk:

SCB Bancorp, Inc., Decatur, Illinois ("SCB"), proposes that its bank subsidiary, Soy Capital Bank and Trust Company, Decatur, Illinois, purchase the assets and assume the liabilities of First Federal Savings and Loan Association of Macon County, Decatur, Illinois, its savings association subsidiary, ("First Federal"). SCB has requested Board approval of this transaction pursuant to section 5(d)(3) of the Federal Deposit Insurance Act ("FDI Act") as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Pub. L. No. 101–73, § 206, 103 Stat. 183, 199 (1989)).

The record in this case shows that:

(1) The aggregate amount of the total assets of all depository institution subsidiaries of SCB is $166 million, an amount which is not less than 200 percent of the total assets of First Federal, which currently has $64 million in total assets;

(2) SCB and all of its bank subsidiaries currently meet all applicable capital standards and, upon consummation of the proposed transaction, will continue to meet all applicable capital standards;

(3) The transaction is not in substance the acquisition of a Bank Insurance Fund member bank by a Savings Association Insurance Fund member;

(4) First Federal had tangible capital of less than 4 percent during the quarter preceding its acquisition by SCB;

(5) The transaction, which involves the purchase of assets and assumption of liabilities of First Federal, a savings association located in Illinois, by a bank subsidiary of SCB, a bank holding company whose banking subsidiaries' operations are principally conducted in Illinois, would comply with the requirements of section 3(d) of the Bank Holding Company Act if First Federal were a state bank which SCB was applying to acquire.

Based on the foregoing and all of the other facts of record, the Staff Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board, acting pursuant to authority delegated by the Board of Governors, hereby approve your request to engage in the proposed transaction under section 5(d)(3) of the FDI Act. This approval is subject to SCB obtaining the required approval of the appropriate

Federal banking agency for the proposed merger under the Bank Merger Act.

Very truly yours,

William W. Wiles
Secretary of the Board

cc: Federal Reserve Bank of Chicago

June 15, 1990

Warren Nunn
President
Security Bancorp of Tennessee, Inc.
101 W. Main Street
Halls, Tennessee 38040

Dear Mr. Nunn:

Security Bancorp of Tennessee, Inc., Halls, Tennessee ("Security"), proposes that its bank subsidiary, Security Bank, Newbern, Tennessee, purchase the assets and assume the liabilities of Security Thrift Association, Trenton, Tennessee, its savings association subsidiary, ("Security Thrift"). Security has requested Board approval of this transaction pursuant to section 5(d)(3) of the Federal Deposit Insurance Act ("FDI Act") as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Pub. L. No. 101–73, § 206, 103 Stat. 183, 199 (1989)). Security Thrift has been established to acquire certain assets and assume deposit liabilities of Century Federal Savings Bank, Trenton, Tennessee ("Century").

The record in this case shows that:

(1) The aggregate amount of the total assets of all depository institution subsidiaries of Security is $143.0 million, an amount which is not less than 200 percent of the total assets of Security Thrift, which currently has $64.0 million in total assets;

(2) Security and all of its bank subsidiaries currently meet all applicable capital standards and, upon consummation of the proposed transactions, will continue to meet all applicable capital standards;

(3) The transaction is not in substance the acquisition of a Bank Insurance Fund member bank by a Savings Association Insurance Fund member;

(4) Century, the predecessor to Security Thrift, had tangible capital of less than 4 percent during the quarter preceding its acquisition by Security;

(5) The transaction, which involves the purchase of assets and assumption of liabilities of Security Thrift, a savings association located in Tennessee, by a bank subsidiary of Security, a bank holding company whose banking subsidiaries' operations are principally conducted in Tennessee, would comply with the requirements of section 3(d) of the Bank Holding Company Act if Security Thrift were a state bank which Security was applying to acquire.

Based on the foregoing and all of the other facts of record, the Staff Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board, acting pursuant to authority delegated by the Board of Governors, hereby approve your request to engage in the proposed transaction under section 5(d)(3) of the FDI Act. This approval is subject to Security obtaining the required approval of the appropriate Federal banking agency for the proposed merger under the Bank Merger Act.

Very truly yours,

William W. Wiles
Secretary of the Board

cc: Federal Reserve Bank of St. Louis

June 29, 1990

James E. Scott
Associate General Counsel
and Assistant Secretary
Security Pacific Corporation
333 South Hope Street
Los Angeles, California 90071

Dear Mr. Scott:

Security Pacific Corporation, Los Angeles, California ("Security Pacific"), proposes that its bank subsidiary, Security Pacific Bank Washington, N.A., Seattle, Washington, purchase the assets and assume the liabilities of Gibraltar Interim Savings Bank, its savings association subsidiary, ("Gibraltar Savings"). Security Pacific has requested Board approval of this transaction pursuant to section 5(d)(3) of the Federal Deposit Insurance Act ("FDI Act") as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Pub. L. No. 101–73, § 206, 103 Stat. 183, 199 (1989)). Gibraltar Savings has been established to acquire certain assets and assume deposit liabilities of Gibraltar Savings, F.S.B., Bellevue, Washington ("Gibraltar").

The record in this case shows that:

(1) The aggregate amount of the total assets of all depository institution subsidiaries of Security Pacific is $74.4 billion, an amount which is not less than 200 percent of the total assets of Gibraltar Savings, which currently has $548.0 million in total assets;

(2) Security Pacific and all of its bank subsidiaries currently meet all applicable capital standards and,

upon consummation of the proposed transactions, will continue to meet all applicable capital standards;
(3) The transaction is not in substance the acquisition of a Bank Insurance Fund member bank by a Savings Association Insurance Fund member;
(4) Gibraltar, the predecessor to Gibraltar Savings, had tangible capital of less than 4 percent during the quarter preceding its acquisition by Security Pacific;
(5) The transaction, which involves the purchase of assets and assumption of liabilities of Gibraltar Savings, a savings association located in California, by a bank subsidiary of Security Pacific, a bank holding company whose banking subsidiaries' operations are principally conducted in California, would comply with the requirements of section 3(d) of the Bank Holding Company Act if Gibraltar Savings were a state bank which Security Pacific was applying to acquire.

Based on the foregoing and all of the other facts of record, the Staff Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board, acting pursuant to authority delegated by the Board of Governors, hereby approve your request to engage in the proposed transaction under section 5(d)(3) of the FDI Act. This approval is subject to Security Pacific obtaining the required approval of the appropriate Federal banking agency for the proposed merger under the Bank Merger Act.

Very truly yours,

William W. Wiles
Secretary of the Board

cc: Federal Reserve Bank of San Francisco
Pamela Allen, FDIC

June 29, 1990

James E. Scott
Associate General Counsel
and Assistant Secretary
Security Pacific Corporation
333 South Hope Street
Los Angeles, California 90071

Dear Mr. Scott:

Security Pacific Corporation, Los Angeles, California ("Security Pacific"), proposes that its bank subsidiary, Security Pacific National Bank, Los Angeles, California, purchase the assets and assume the liabilities of Gibraltar Federal Interim Savings and Loan Association, Los Angeles, California, its savings association subsidiary, ("Gibraltar Interim"). Security Pacific has requested Board approval of this transaction pursuant to section 5(d)(3) of the Federal Deposit Insurance Act ("FDI Act") as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Pub. L. No. 101–73, § 206, 103 Stat. 183, 199 (1989)). Gibraltar Interim has been established to acquire certain assets and assume deposit liabilities of Gibraltar Federal Savings and Loan Association, F.A., Simi Valley, California ("Gibraltar").

The record in this case shows that:
(1) The aggregate amount of the total assets of all depository institution subsidiaries of Security Pacific is $74.4 billion, an amount which is not less than 200 percent of the total assets of Gibraltar Interim, which currently has $5.3 billion in total assets;
(2) Security Pacific and all of its bank subsidiaries currently meet all applicable capital standards and, upon consummation of the proposed transactions, will continue to meet all applicable capital standards;
(3) The transaction is not in substance the acquisition of a Bank Insurance Fund member bank by a Savings Association Insurance Fund member;
(4) Gibraltar, the predecessor to Gibraltar Interim, had tangible capital of less than 4 percent during the quarter preceding its acquisition by Security Pacific;
(5) The transaction, which involves the purchase of assets and assumption of liabilities of Gibraltar Interim, a savings association located in California, by a bank subsidiary of Security Pacific, a bank holding company whose banking subsidiaries' operations are principally conducted in California, would comply with the requirements of section 3(d) of the Bank Holding Company Act if Gibraltar Interim were a state bank which Security Pacific was applying to acquire.

Based on the foregoing and all of the other facts of record, the Staff Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board, acting pursuant to authority delegated by the Board of Governors, hereby approve your request to engage in the proposed transaction under section 5(d)(3) of the FDI Act. This approval is subject to Security Pacific obtaining the required approval of the appropriate Federal banking agency for the proposed merger under the Bank Merger Act.

Very truly yours,

William W. Wiles
Secretary of the Board

cc: Federal Reserve Bank of San Francisco
Pamela Allen, FDIC

June 28, 1990

Fortis M. Lawder, Esq.
Peper, Martin, Jensen, Maichel & Hetlage
720 Olive Street, Suite 2400
St. Louis, Missouri 63101

Dear Mr. Lawder:

Southside Bancshares Corporation, St. Louis, Missouri ("Southside"), proposes that its bank subsidiary, South Side National Bank in St. Louis, St. Louis, Missouri, purchase the assets and assume the liabilities of Grand & Gravois Federal Savings and Loan Association, St. Louis, Missouri ("Grand & Gravois"), its savings association subsidiary. Southside has requested Board approval of this transaction pursuant to section 5(d)(3) of the Federal Deposit Insurance Act ("FDI Act") as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Pub. L. No. 101–73, § 206, 103 Stat. 183, 199 (1989)). Grand & Gravois has been established to acquire certain assets and assume deposit liabilities of St. Louis County Savings Association, F.A., Ferguson, Missouri ("County Savings").

The record in this case shows that:

(1) The aggregate amount of the total assets of all depository institution subsidiaries of Southside is $504.6 million, an amount which is not less than 200 percent of the total assets of Grand & Gravois, which currently has $84.0 million in total assets;

(2) Southside and all of its bank subsidiaries currently meet all applicable capital standards and, upon consummation of the proposed transaction, will continue to meet all applicable capital standards;

(3) The transaction is not in substance the acquisition of a Bank Insurance Fund member bank by a Savings Association Insurance Fund member;

(4) County Savings, the predecessor to Grand & Gravois, had tangible capital of less than 4 percent during the quarter preceding its acquisition by Southside;

(5) The transaction, which involves the purchase of assets and assumption of liabilities of Grand & Gravois, a savings association located in Missouri, by a bank subsidiary of Southside, a bank holding company whose banking subsidiaries' operations are principally conducted in Missouri, would comply with the requirements of section 3(d) of the Bank Holding Company Act if Grand & Gravois were a state bank which Southside was applying to acquire.

Based on the foregoing and all of the other facts of record, the Staff Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board, acting pursuant to authority delegated by the Board of Governors, hereby approve your request to engage in the proposed transaction under section 5(d)(3) of the FDI Act. This approval is subject to Southside obtaining the required approval of the appropriate Federal banking agency for the proposed merger under the Bank Merger Act.

Very truly yours,

William W. Wiles
Secretary of the Board

cc: Federal Reserve Bank of St. Louis

June 15, 1990

Leigh B. Allen, III, Esq.
Brunini, Grantham, Grower & Hewes
248 East Capitol Street, Suite 1400
Jackson, Mississippi 39201

Dear Mr. Allen:

Trustmark Corporation, Jackson, Mississippi ("Trustmark"), proposes that its bank subsidiary, Trustmark National Bank, Jackson, Mississippi, purchase the assets and assume the liabilities of Trustmark Interim, F.S.B., Jackson, Mississippi, its savings association subsidiary, ("Trustmark Interim"). Trustmark has requested Board approval of this transaction pursuant to section 5(d)(3) of the Federal Deposit Insurance Act ("FDI Act") as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Pub. L. No. 101–73, § 206, 103 Stat. 183, 199 (1989)). Trustmark Interim has been established to acquire certain assets and assume deposit liabilities of the Jackson, Hattiesburg, Meridian, and Louisville, Mississippi, branches of Unifirst Bank for Savings, FS&LA, Jackson, Mississippi ("Unifirst").

The record in this case shows that:

(1) The aggregate amount of the total assets of all depository institution subsidiaries of Trustmark is $3.1 billion, an amount which is not less than 200 percent of the total assets of Trustmark Interim, which currently has $238.9 million in total assets;

(2) Trustmark and all of its bank subsidiaries currently meet all applicable capital standards and, upon consummation of the proposed transactions, will continue to meet all applicable capital standards;

(3) The transaction is not in substance the acquisition of a Bank Insurance Fund member bank by a Savings Association Insurance Fund member;

(4) Unifirst, the predecessor to Trustmark Interim, had tangible capital of less than 4 percent during the quarter preceding its acquisition by Trustmark;
(5) The transaction, which involves the purchase of assets and assumption of liabilities of Trustmark Interim, a savings association located in Mississippi, by a bank subsidiary of Trustmark, a bank holding company whose banking subsidiaries' operations are principally conducted in Mississippi, would comply with the requirements of section 3(d) of the Bank Holding Company Act if Trustmark Interim were a state bank which Trustmark was applying to acquire.

Based on the foregoing and all of the other facts of record, the Staff Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board, acting pursuant to authority delegated by the Board of Governors, hereby approve your request to engage in the proposed transaction under section 5(d)(3) of the FDI Act. This approval is subject to Trustmark obtaining the required approval of the appropriate Federal banking agency for the proposed merger under the Bank Merger Act.

Very truly yours,

William W. Wiles
Secretary of the Board

cc: Federal Reserve Bank of Atlanta

Order Issued Under Section 106 of the Bank Holding Company Act Amendments of 1970

Norwest Corporation
Minneapolis, Minnesota

NCNB Corporation
Charlotte, North Carolina

Order Approving Exemption from Anti-Tying Provisions in Section 106 of the Bank Holding Company Act Amendments of 1970

Norwest Corporation, Minneapolis, Minnesota ("Norwest"), and NCNB Corporation, Charlotte, North Carolina ("NCNB"), both bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have requested that the Board grant a limited exemption from the anti-tying provisions in Section 106 of the BHC Act Amendments of 1970 (12 U.S.C. §§ 1971–78) ("Section 106"). This exemption would permit the credit card bank subsidiaries of Norwest and NCNB to offer a credit card at lower cost in conjunction with traditional banking services provided by their affiliated banks.

Notices of these requests, affording interested persons an opportunity to submit comments, have been published (54 *Federal Register* 36,901 and 53,750 (1989)). The time for filing comments has expired, and the Board has considered these requests and all comments received in light of the Board's authority to grant exemptions to Section 106's tie-in prohibitions.

Norwest, with consolidated assets of $24.7 billion, is the 31st largest banking organization in the nation. It operates 30 subsidiary banks and engages directly and indirectly in a variety of permissible nonbanking activities.[1] NCNB is the eighth largest banking organization in the nation with consolidated assets of $63.7 billion. It operates eight subsidiary banks and also engages in permissible nonbanking activities.

Norwest and NCNB each propose to consolidate their systemwide credit card operations into card-issuing banks. These banks will provide credit cards on advantageous terms to customers of their affiliated banks. Section 106 would prohibit the credit card bank from offering this price reduction to customers of affiliated banks without an exemption from the Board.

Under the proposals, Norwest and NCNB would vary the consideration (including interest rates and fees) charged on a credit card issued by one of their banks if the cardholder also obtained one or more traditional banking services (defined in the statute as a loan, discount, deposit or trust service) from any of their other subsidiary banks. For example, a depositor maintaining a minimum deposit balance at any of their affiliate banks might be eligible for a credit card with no membership fee. Regardless of the combination of banking services offered, the variation of consideration would occur on the credit card and would be conditioned upon also obtaining traditional banking services from a subsidiary bank of the cardissuing bank's parent holding company. All products offered in combination would be available to consumers for separate purchase. Norwest and NCNB maintain that granting an exemption would permit consumers to benefit from cost-savings realized through consolidation and generally increased competition in the credit card market.

A total of 21 comments were received with 19 commenters in favor of granting the proposed exemption. The Independent Bankers of Minnesota association has opposed Norwest's proposal, maintaining that it would permit Norwest to compete unfairly with

1. Data are as of March 31, 1990.

smaller banks within a regional credit card market and would be inconsistent with Section 106 by permitting Norwest to import higher interest rates allowed by the home state of its credit-card bank.[2] Insurance industry trade groups have commented that such an exemption would permit an evasion of Section 106 and is contrary to the legislative history produced in Congressional considerations of tie-in prohibitions.[3] For the reasons stated below, the Board believes that the proposals would not lead to anticompetitive practices and therefore would not be inconsistent with the legislative purpose of Section 106.

Statutory Framework

Section 106 generally prohibits a bank from tying reduced consideration for credit or other service to the requirement that a customer also obtain some additional service from the bank or a holding company affiliate of the bank. Tying occurs when the customer is forced or induced to purchase a product that the customer does not want (the tied product) in order to obtain a product that the customer desires (the tying product). There is an exception to this tying prohibition that permits a bank to reduce the consideration for credit or other service if the customer obtains some other "traditional banking service" from that bank.[4]

This exception does not apply, however, where the credit from one bank is tied to an additional service from an affiliate.[5] Thus, while Section 106 permits a bank to tie its own traditional banking services, it does not permit the bank to tie one of its services to a traditional banking service offered by a holding company affiliate. In other words, without an exemption under Section 106, a bank holding company is prohibited from offering a reduced-rate credit card at one of its banks on condition that a customer also obtain a traditional banking service from one of its other subsidiary banks.

Legislative History and Purpose for Exemptions

Section 106 provides that the Board may, by regulation or order, "permit such exceptions . . . as it considers will not be contrary to the purpose" of this section. The Senate banking committee's report explains that Section 106 was added to the House proposal in order to prevent the anticompetitive effects of tying arrangements: "The purpose of this provision is to prohibit anticompetitive practices which require bank customers to accept or provide some other service or product or refrain from dealing with other parties in order to obtain the bank product or service they desire."[6]

The underlying Congressional concern addressed by Section 106 was fair competition and its provisions were "intended to provide specific statutory assurance that the use of the economic power of a bank will not lead to a lessening of competition or unfair competitive practices."[7] The Conference Report explains that tie-ins may produce anticompetitive results because customers, forced to accept other products or services along with the product which the customer seeks, "no longer purchase a product or service on its own economic merit."[8] In this regard, Section 106's prohibitions exceeded applicable antitrust standards and imposed a *per se* prohibition against tie-ins involving credit.[9]

2. This group also requested a hearing on the Norwest proposal. However, Section 106 does not provide for an opportunity to have a hearing on requests for exemptions. Furthermore, commenters have been given the opportunity to submit, and have submitted, written facts and arguments to the Board regarding these requests. These materials have not provided any basis to believe that the material facts before the Board are incomplete or insufficient to permit the Board to evaluate the application under Section 106 or that further investigation would serve to develop new or useful material facts. Accordingly, the request for a hearing is denied.

3. The Board has received comments opposing these requests from the National Association of Life Underwriters; National Association of Professional Insurance Agents; National Association of Surety Bond Producers; Independent Insurance Agents of America, Inc.; National Association of Casualty & Surety Agents; New York Association of Life Underwriters; Professional Insurance Agents of New York; and Independent Insurance Agents of New York, Inc.

4. Section 106(1)(A) (12 U.S.C. § 1972(1)(A)) provides that a "bank shall not in any manner extend credit . . . or fix or vary the consideration for any of the foregoing, on the condition or requirement . . . that the customer shall obtain some additional credit, property, or service from such bank other than a loan, discount, deposit, or trust service." As noted, for purposes of Section 106, a traditional banking service is defined as "a loan, discount, deposit, or trust service."

5. Section 106(1)(B) (12 U.S.C. § 1972(1)(B)) provides that a "bank shall not in any manner extend credit . . . or fix or vary the consideration for any of the foregoing, on condition or requirement . . . that the customer shall obtain some additional credit, property, or service from a bank holding company of such bank or from any other subsidiary of such bank holding company."

6. S. Rep. No. 1084, 91st Cong., 2d Sess. 17 (1970) ("Senate Report"). Senator Sparkman, Chairman of the Senate banking committee, explained that although Section 106 had been modified on the Senate floor to include an exemption for traditional banking products (*see* 116 Cong. Rec. 32,124–33 for debate on this amendment), this explanation should continue to be the basis for interpreting the tie-in prohibitions. 116 Cong. Rec. 42,426.

7. Senate Report at 16.

8. Rep. No. 91-1747, 91st Cong., 2d Sess. 18 (1970).

9. In commenting on the effects of Section 106, the Justice Department noted that "the proposed new section would go beyond [*Fortner Enterprises, Inc. v. United States Steel Corp.*, 394 U.S. 495 (1968)], which did not go so far as to hold tie-ins involving credit illegal per se." Senate Report at 48. Accordingly, it has been held that impermissible tying arrangements under Section 106 are unlawful even without a showing of adverse effects on competition or the degree of bank control over the tying product. *See Gage v. First Federal Savings and Loan Ass'n of Hutchinson, Kansas*, 717 F. Supp. 745 (D.Kan. 1989); *Parsons Steel, Inc. v. First Alabama Bank of Montgomery*, 679 F.2d 242 (11th Cir. 1982).

The legislative history also indicates that the Board should exercise its exemptive authority selectively. The Senate Report states that "the committee expects that by such regulation or order the Board will continue to allow appropriate traditional banking practices."[10] The Supplementary Views of Senator Brooke filed with the Senate Report noted that "adequate discretion is vested in the Federal Reserve Board to provide exceptions where such are founded on sound economic analysis."[11]

In determining whether the proposed exemption would be inconsistent with Section 106's legislative history, it is appropriate to consider the competitiveness of the relevant credit card market. In the Board's view, unless it is likely that the seller's market power in the credit card market for the tying product is high enough to force a consumer to also purchase on uncompetitive terms a traditional banking service in the tied product market, the proposed tie-in between credit cards and traditional banking services would not appear to produce anticompetitive effects.

The relevant market for credit cards is national in scope[12] and, with nearly 5,000 card-issuers, relatively unconcentrated. Norwest accounts for less than one percent of total credit card balances outstanding and NCNB holds only one percent.[13] These relatively small market shares and the presence of many other competitors providing credit cards in the tying product market indicate that Norwest and NCNB could not exercise sufficient market power to impair competition in the tied product market for the traditional banking services. In addition, as noted, both companies will continue to offer credit cards and traditional banking services separately,[14] and given the competitive nature of the credit card market, Norwest and NCNB will be required to offer these separately available credit cards at competitive prices. Accordingly, the Board believes that the requested exemptions are not contrary to the purpose of Section 106, and that granting the exemption is consistent with the legislative authorization to permit exemptions for traditional banking services on the basis of economic analysis.

In this regard, the Board notes that subsequent Congressional actions in other contexts regarding antitying provisions tend to support granting an exception in this case. For example, Federal thrifts are permitted to tie traditional banking services obtained from the thrift's affiliates.[15] In the Competitive Equality Banking Act of 1987, which applied the tie-in restrictions to nonbank banks, Congress indicated that "the antitying restrictions [of Section 106] would not be violated by tying one of these traditional banking services offered by a grandfathered nonbank bank to another traditional banking service offered by an affiliate."[16] While this excerpt does not accurately reflect the terms of Section 106, it lends support for granting the proposed exemption, given the lack of any economic evidence of anticompetitive effects.

In light of the fact of the specific nature of the exemption, however, the Board reserves the right to modify or terminate these exemptions in the event that the Board determines that the tying arrangement is resulting in anticompetitive practices and thus would be inconsistent with the purpose of Section 106.

Based on the above, and all facts of record, the Board has determined to grant an exception to permit banks owned by Norwest and NCNB to vary the consideration (including interest rates and fees) charged in connection with extensions of credit pursuant to a credit card offered by the bank (including a credit card bank) on the basis of the condition or requirement that a customer also obtain a loan, discount, deposit, or trust service from another bank that is a subsidiary of the card-issuing bank's parent holding company, provided that the products so offered are separately available for purchase by a customer. This approval is subject to Board's authority to modify or terminate the exemption as set forth above and to all of the conditions that may be imposed by the Board in Regulation Y.

By order of the Board of Governors, effective June 20, 1990.

Voting for this action: Chairman Greenspan and Governors Johnson, Seger, Angell, Kelley, LaWare, and Mullins.

JENNIFER J. JOHNSON
Associate Secretary of the Board

10. Senate Report at 17.
11. Senate Report at 46.
12. *First Chicago Corporation*, 73 *Federal Reserve Bulletin* 600 (1987); *RepublicBank Corporation*, 73 *Federal Reserve Bulletin* 510 (1987).
13. Market data are as of December 31, 1988. Among the top 100 card-issuers, Norwest owns the 48th and 89th largest competitors, while NCNB owns the 43rd, 46th and 95th largest issuers. The top 100 card-issuing institutions account for approximately 80 percent of total industry outstandings and Citicorp, the largest single issuer, accounts for 18 percent of all credit card balances outstanding.
14. Under antitrust precedent, concerns over tying arrangements are substantially reduced where the buyer is free to take either product by itself even though the seller may also offer the two items as a unit at a single price. *Northern Pacific R. Co. v. United States*, 356 U.S. 1, 6, n.4. (1958).
15. 12 U.S.C. § 1464(q)(1). During the consideration of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, unsuccessful amendments to similarly exempt traditional banking services offered by subsidiaries of bank holding companies from Section 106's tying prohibition were offered in both House and Senate banking committees.
16. Conference Report, Rep. No. 261, 100th Cong., 1st Sess. 128–29 (1987).

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
First Commercial Corporation, Little Rock, Arkansas	First Commercial Bank N.A. of Memphis, Memphis, Tennessee	June 8, 1990

Section 4

Applicant(s)	Bank(s)	Effective date
Arkansas Bank and Trust Company, Hot Springs, Arkansas Benton State Bank, Benton Arkansas	Arkansas Trust Savings Bank, Hot Springs, Arkansas Benton Savings Bank, Hot Springs Village, Arkansas	June 22, 1990
First Commercial Corporation, Little Rock, Arkansas	Arkansas Trust Savings Bank, Hot Springs, Arkansas Benton Savings Bank, Hot Springs Village, Arkansas	June 22, 1990
First Commercial Corporation, Little Rock, Arkansas	Landmark Savings Bank, F.S.B., Hot Springs, Arkansas	June 22, 1990
First Wachovia Corporation, Winston-Salem, North Carolina	FAB, FSB, Atlanta, Georgia	June 22, 1990
Meridian Bancorp, Inc., Reading, Pennsylvania	Keystone Mortgage Corporation, Indianapolis, Indiana	June 21, 1990
Park National Corporation, Newark, Ohio	Mutual Federal Savings Bank, Zanesville, Ohio	June 14, 1990

Applications Approved Under Bank Merger 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.

Applicant(s)	Bank(s)	Effective date
Arkansas Bank and Trust Company, Hot Springs, Arkansas	Arkansas Trust Savings Bank, Hot Springs, Arkansas	June 22, 1990

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
50th State Bancorporation, Honolulu, Hawaii	50th State Bank, Honolulu, Hawaii	San Francisco	May 25, 1990
Arrow Bank Corporation, Glens Falls, New York	United Vermont Bancorporation, Rutland, Vermont	New York	May 25, 1990
Cass Commercial Corporation, St. Louis, Missouri	Cass Bank of St. Louis, St. Louis, Missouri	St. Louis	May 29, 1990
Central Banc, Inc., Geneseo, Illinois	Central Trust & Savings Bank of Geneseo, Geneseo, Illinois	Chicago	June 8, 1990
Century Bancshares, Inc., Minneapolis, Minnesota	Century Bank, National Association, Eden Prairie, Minnesota	Minneapolis	June 1, 1990
CNB Financial Corporation, Kansas City, Kansas	First Bank and Trust, Concordia, Kansas First National Bank of Glasco, Glasco, Kansas	Kansas City	May 29, 1990
Commonwealth Bancshares Corporation, Williamsport, Pennsylvania	The First Bank of Greater Pittston, Pittston, Pennsylvania	Philadelphia	June 13, 1990
Community Financial Bancorp, Inc., Philadelphia, Pennsylvania	Chestnut Hill National Bank, Philadelphia, Pennsylvania	Philadelphia	June 13, 1990
Cumberland Savings Bancshares, Inc., Carthage, Tennessee	Cumberland Savings Bank, Carthage, Tennessee	Atlanta	June 18, 1990
Dassel Investment Company, Minneapolis, Minnesota	Hutchinson Bancorp, Inc., Minneapolis, Minnesota	Minneapolis	June 13, 1990
Enterprise Financial Corporation, Orlando, Florida	Enterprise National Bank of Tampa, Tampa, Florida The Enterprise Bank, N.A., Winter Park, Florida	Atlanta	June 6, 1990
Evergreen Bancshares, Inc., Tallahassee, Florida	Guaranty National Bank of Tallahassee, Tallahassee, Florida	Atlanta	June 6, 1990
First American Bank Corporation, Elk Grove Village, Illinois Northern Illinois Bancorp, Inc., Joliet, Illinois	Meadowview Bancorp, Inc., Kankakee, Illinois	Chicago	May 25, 1990

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective date
Firstar Corporation, Milwaukee, Wisconsin Firstar Corporation of Minnesota, Milwaukee, Wisconsin	First Western Company, St. Louis Park, Minnesota	Chicago	May 30, 1990
Firstar Corporation, Milwaukee, Wisconsin F.W.S.F. Corporation, Milwaukee, Wisconsin	Elkhorn Bankshares Corporation, Elkhorn, Wisconsin	Chicago	May 30, 1990
First Charlotte Financial Corporation, Charlotte, North Carolina	First Charlotte Bank and Trust Company, Charlotte, North Carolina	Richmond	June 8, 1990
First Fidelity Bancorp, Inc., Fairmont, West Virginia	FirstBank Shinnston, Shinnston, West Virginia	Richmond	June 5, 1990
First Grayson Bancorp, Inc., Grayson, Kentucky	The First National Bank of Grayson, Grayson, Kentucky	Cleveland	June 6, 1990
First Midwest Bancorp, Inc., Naperville, Illinois	Plainfield National Bank, Plainfield, Illinois	Chicago	May 24, 1990
First of Fort Morgan, Inc., Fort Morgan, Colorado	First Community Bancshares, Inc., Fort Morgan, Colorado	Kansas City	May 31, 1990
John Warner Financial Corporation, Clinton, Illinois	The John Warner Bank, Clinton, Illinois	Chicago	June 1, 1990
Key Centurion Bancshares, Inc., Charleston, West Virginia	The Farmers and Citizens State Bank, Clendenin, West Virginia	Richmond	June 15, 1990
Manning Financial Services, Inc., Manning, Iowa	The First National Bank of Manning, Manning, Iowa	Chicago	May 25, 1990
Montgomery County Bancshares, Inc., Little Rock, Arkansas	Junction City Holding Company, Junction City, Arkansas	St. Louis	June 5, 1990
NBN Corporation, Newport, Tennessee	First Peoples Bancorp, Inc., Jefferson City, Tennessee	Atlanta	June 15, 1990
Newfield Bancorp, Inc., Newfield, New Jersey	First National Bank in Newfield, Newfield, New Jersey	Philadelphia	June 4, 1990
NI Bancshares Corporation, Sycamore, Illinois	The National Bank & Trust Company of Sycamore, Sycamore, Illinois	Chicago	June 11, 1990
Palm Desert Investments, Palm Desert, California	Palm Desert National Bank, Palm Desert, California	San Francisco	May 25, 1990

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective date
The Peoples Bank Employee Stock Ownership Plan, Marion, Kentucky	The Peoples Bank, Marion, Kentucky	St. Louis	May 23, 1990
Prairie Capital, Inc., Augusta, Kansas	Haysville Bancshares, Inc., Haysville, Kansas	Kansas City	May 25, 1990
Prime Banc Corp., Dieterich, Illinois	The First National Bank of Dieterich, Dieterich, Illinois	St. Louis	May 31, 1990
Readlyn Bancshares, Inc., St. Paul, Minnesota	Tripoli Bancshares, Inc., St. Paul, Minnesota	Chicago	May 25, 1990
Resource Bancshares Corporation, Columbia, South Carolina	Kingsley Bank, Orange Park, Florida	Richmond	May 29, 1990
Second National Financial Corporation, Culpeper, Virginia	Second National Bank, Culpeper, Virginia	Richmond	May 30, 1990
T.C.N.B., Inc., Fort Pierce, Florida	Treasure Coast National Bank, Fort Pierce, Florida	Atlanta	June 13, 1990
Valley Bancshares, Inc., Russellville, Alabama	Valley State Bank, Russellville, Alabama	Atlanta	June 11, 1990

Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective date
The Industrial Bank of Japan, Limited, Tokyo, Japan	D'Accord Group, Inc., San Francisco, California	New York	May 25, 1990
Norton Bankshares, Inc., Norton, Kansas	Rouse Insurance Agency, Norton, Kansas	Kansas City	June 5, 1990
Univest Corporation, Souderton, Pennsylvania	Pennview Savings Association, Souderton, Pennsylvania	Philadelphia	June 8, 1990

Sections 3 and 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective date
Premier Bankshares Corporation, Tazewell, Virginia	Shawsville Bancorp, Inc., Shawsville, Virginia	Richmond	June 11, 1990

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 Commerce, Hamtramck, Michigan	The State Bank of Fraser, Fraser, Michigan	Chicago	June 16, 1990
First Business Bank of Arizona, Phoenix, Arizona	VCC Acquisition Bank, Phoenix, Arizona	San Francisco	June 1, 1990
Marine Bank of Monticello, Monticello, Illinois	Citizens Federal Bank, Miami, Florida	Chicago	May 25, 1990
Northern Neck State Bank, Warsaw, Virginia	Perpetual Savings Bank, F.S.B., McLean, Virginia	Richmond	June 19, 1990
Trust Company Bank, Atlanta, Georgia	Trust Company Bank of Douglas County, Douglasville, Georgia	Atlanta	June 12, 1990

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.

Laufman v. State of California, et al., No. CIVS-89-1755 EJM-EM (E.D. California, filed April 2, 1990). Action to require bank regulatory agencies to examine or bring enforcement action against bank.

May v. Board of Governors, No. 90-1316 (D. D.C., filed June 5, 1990). Action under Freedom of Information and Privacy Acts.

California Association of Life Underwriters v. Board of Governors, No. 90-70123 (9th Circuit, filed March 15, 1990). Petition for review of Board order approving acquisition of bank subsidiary to engage in insurance activities pursuant to state law. Petitioner's motion to dismiss the petition filed on June 21, 1990.

Burke v. Board of Governors, No. 90-9505 (10th Circuit, filed February 27, 1990). Petition for review of Board orders assessing civil money penalties and issuing orders of prohibition.

BancTEXAS Group, Inc. v. Board of Governors, No. CA 3-90-0236-R (N.D. Texas, filed February 2, 1990). Suit for preliminary injunction enjoining the Board from enforcing a temporary order to cease and desist requiring injection of capital into plaintiff's subsidiary banks under the Board's source of strength doctrine. District court granted preliminary injunction on June 5, 1990, in light of 5th Circuit's decision in *MCorp v. Board of Governors*.

Rutledge v. Board of Governors, No. CV90-L-0137S (N.D. Alabama, filed January 27, 1990). Tort suit challenging Board and Reserve Bank supervisory actions. The Board's motion to dismiss or for summary judgment held in abeyance pending completion of discovery.

Woodward v. Board of Governors, No. 90-3031 (11th Cir., filed January 16, 1990); *Kaimowitz v. Board of Governors*, No. 90-3067 (11th Cir., filed January 23, 1990). Petitions for review of Board order dated December 22, 1989, approving application by First Union Corporation to acquire Florida National Banks. Petitioners object to approval on Community Reinvestment Act grounds. The court denied their motion for a stay of the Board's order on January 26, 1990, and on June 26 granted the Board's motion to dismiss the *Woodward* case.

Securities Industry Association v. Board of Governors, No. 89-1730 (D.C. Cir., filed November 29, 1989). Petition for review of Board order approving application under section 4(c)(8) to engage in private placement and riskless principal activities. The case has been held in abeyance pending the outcome of *Securities Industry Association v. Board of Governors*, No. 89–1127 (D.C. Circuit).

Babcock and Brown Holdings, Inc. v. Board of Governors, No. 89–70518 (9th Cir., filed November 22, 1989). Petition for review of Board determination that a company would control a proposed insured bank for purposes of the Bank Holding Company Act. Awaiting scheduling of oral argument.

Consumers Union of U.S., Inc. v. Board of Governors, No. 89–3008 (D.D.C., filed November 1, 1989). Challenge to various aspects of amendments to Regulation Z implementing the Home Equity Loan Consumer Protection Act. On May 2, 1990, the court upheld the Board's regulatory action. On June 27, Consumers Union filed a notice of appeal in the D.C. Circuit.

Synovus Financial Corp. v. Board of Governors, No. 89-1394 (D.C. Cir., filed June 21, 1989). Petition for review of Board order permitting relocation of a bank holding company's national bank subsidiary from Alabama to Georgia. Oral argument scheduled for October 11, 1990.

MCorp v. Board of Governors, No. 89–2816 (5th Cir., filed May 2, 1989). Appeal of preliminary injunction against the Board enjoining pending and future enforcement actions against a bank holding company now in bankruptcy. On May 15, 1990, the Fifth Circuit vacated the district court's order enjoining the Board from proceeding with enforcement actions based on section 23A of the Federal Reserve Act, but upheld the district court's order enjoining such actions based on the Board's source-of-strength doctrine. Board's petition for rehearing filed on June 27, 1990.

Independent Insurance Agents of America v. Board of Governors, No. 89-4030 (2d Cir., filed March 9, 1989). Petition for review of Board order ruling that the non-banking restrictions of section 4 of the Bank Holding Company Act apply only to non-bank subsidiaries of bank holding companies. The Board's order was upheld on November 29, 1989. Petition for *certiorari* filed on April 18, 1990.

Securities Industry Association v. Board of Governors, No. 89–1127 (D.C. Cir., filed February 16, 1989). Petition for review of Board order permitting five bank holding companies to engage to a limited extent in additional securities underwriting and dealing activities. Board's order upheld on April 10, 1990.

MCorp v. Board of Governors, No. CA3–88–2693 (N.D. Tex., filed October 10, 1988). Application for injunction to set aside temporary cease and desist orders. Stayed pending outcome of *MCorp v. Board of Governors* in Fifth Circuit.

White v. Board of Governors, No. CU-S-88-623-RDF (D. Nev., filed July 29, 1988). Age discrimination complaint. Board's motion to dismiss or for summary judgment pending.

Cohen v. Board of Governors, No. 88–1061 (D.N.J., filed March 7, 1988). Action seeking disclosure of documents under the Freedom of Information Act.

Lewis v. Board of Governors, Nos. 87–3455, 87–3545 (11th Cir., filed June 25, August 3, 1987). Petitions for review of Board orders approving applications of non-Florida bank holding companies to expand activities of Florida trust company subsidiaries. Matter stayed pending Supreme Court review of *Continental Illinois Corp. v. Lewis*, 827 F.2d 1517 (11th Cir. 1987), *vacated and remanded*, 110 S. Ct. 1249 (1990).

Financial and Business Statistics

NOTE. *The following tables may have some discontinuities in historical data for some series beginning with the December 1989 issue: 1.12, 1.33, 1.44, 1.52, 1.57–1.60, 2.10, 2.12, 2.13, 3.10, 3.11, 3.15–3.20, 3.22–3.25, 3.27, 3.28, and 4.30. For a more detailed explanation of the changes, see the announcement on page 16 of the January 1990* BULLETIN.

CONTENTS

Domestic Financial Statistics

1.10 RESERVES, MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES

Annual rates of change, seasonally adjusted in percent[1]

Monetary and credit aggregates	1989			1990	1990				
	Q2	Q3	Q4	Q1	Jan.	Feb.	Mar.	Apr.	May
Reserves of depository institutions[2]									
1 Total	-8.5	.6	5.1	2.4	-2.7	6.4	1.6	-.4	-9.8
2 Required	-7.7	.5	5.0	2.5	-4.7	7.1	4.2	-1.2	-11.3
3 Nonborrowed	-10.0	8.6	7.2	-3.9	-6.2	-13.9	-12.1	9.8	-4.1
4 Monetary base[3]	1.8	3.2	4.0	8.5	10.8	9.2	8.7	7.1	3.5
Concepts of money, liquid assets, and debt[4]									
5 M1	-4.4	1.8	5.1	4.8	.0	10.0	5.1	3.9	-2.8
6 M2	1.6	6.9	7.0	6.0	3.1	8.6	5.1	1.9	-2.9
7 M3	3.2	3.9	1.8	2.6	.9	4.2	.8	1.0	-2.6
8 L	5.0	4.2	2.8	2.8	.4	2.4	4.5	-.1	n.a.
9 Debt	7.8	7.3	8.2	7.0	6.1	8.0	7.5	6.0	n.a.
Nontransaction components									
10 In M2[5]	3.7	8.7	7.7	6.4	4.1	8.1	5.1	1.4	-3.0
11 In M3 only[6]	9.1	-6.8	-17.1	-10.7	-7.6	-13.2	-16.7	-3.0	-1.2
Time and savings deposits									
Commercial banks									
12 Savings	-11.6	.4	7.2	9.5	8.3	12.6	10.0	2.5	-1.9
13 MMDA	-10.8	5.2	12.3	9.1	3.1	12.3	10.4	10.7	10.3
14 Small-denomination time[7]	25.9	11.9	11.3	7.8	6.4	7.5	5.6	9.4	21.5
15 Large-denomination time[8,9]	16.3	2.9	2.7	-1.6	-.9	-5.4	-9.3	-5.1	5.5
Thrift institutions									
16 Savings	-14.8	-5.2	.2	1.3	-.5	7.6	-3.2	4.3	-2.2
17 MMDA	-30.6	-6.2	4.7	5.7	2.7	8.2	21.6	7.1	-16.7
18 Small-denomination time	10.7	8.7	-2.5	-4.3	-5.1	-9.0	.2	-7.7	-16.5
19 Large-denomination time[8]	7.5	-10.7	-28.6	-24.9	-29.8	-22.0	-23.2	-34.2	-40.3
Debt components[4]									
20 Federal	23.0	37.6	29.1	18.8	21.9	24.1	1.8	-.7	-20.0
21 Nonfederal									

1. Unless otherwise noted, rates of change are calculated from average amounts outstanding in preceding month or quarter.

2. Figures incorporate adjustments for discontinuities associated with the implementation of the Monetary Control Act and other regulatory changes to reserve requirements. To adjust for discontinuities due to changes in reserve requirements on reservable nondeposit liabilities, the sum of such required reserves is subtracted from the actual series. Similarly, in adjusting for discontinuities in the monetary base, required clearing balances and adjustments to compensate for float also are subtracted from the actual series.

3. The monetary base not adjusted for discontinuities consists of total reserves plus required clearing balances and adjustments to compensate for float at Federal Reserve Banks plus the currency component of the money stock less the amount of vault cash holdings of thrift institutions that is included in the currency component of the money stock plus, for institutions not having required reserve balances, the excess of current vault cash over the amount applied to satisfy current reserve requirements. After the introduction of contemporaneous reserve requirements (CRR), currency and vault cash figures are measured over the weekly computation period ending Monday.

Before CRR, all components of the monetary base other than excess reserves are seasonally adjusted as a whole, rather than by component, and excess reserves are added on a not seasonally adjusted basis. After CRR, the seasonally adjusted series consists of seasonally adjusted total reserves, which include excess reserves on a not seasonally adjusted basis, plus the seasonally adjusted currency component of the money stock plus the remaining items seasonally adjusted as a whole.

4. Composition of the money stock measures and debt is as follows:

M1: (1) currency outside the 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 due 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 (OCD) 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.

M2: M1 plus overnight (and continuing contract) repurchase agreements (RPs) issued by all depository institutions and overnight Eurodollars issued to U.S. residents by foreign branches of U.S. banks worldwide, Money Market Deposit Accounts (MMDAs), savings and small-denomination time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and balances in both taxable and tax-exempt general purpose and broker-dealer money market mutual funds. Excludes individual retirement accounts (IRA) and Keogh balances at depository institutions and money market funds. Also excludes all balances held by U.S. commercial banks, money market funds (general purpose and broker-dealer), foreign governments and commercial banks, and the U.S. government.

M3: M2 plus large-denomination time deposits and term RP liabilities (in amounts of $100,000 or more) issued by commercial banks and thrift institutions, term Eurodollars held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada, and balances in both taxable and tax-exempt, institution-only money market mutual funds. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Also subtracted is the estimated amount of overnight RPs and Eurodollars held by institution-only money market mutual funds.

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 mutual fund holdings of these assets.

Debt: Debt of domestic nonfinancial sectors consists of outstanding credit market debt of the U.S. government, state and local governments, and private nonfinancial sectors. Private debt consists of corporate bonds, mortgages, consumer credit (including bank loans), other bank loans, commercial paper, bankers acceptances, and other debt instruments. The source of data on domestic nonfinancial debt is the Federal Reserve Board's flow of funds accounts. Debt data are based on monthly averages. Growth rates for debt reflect adjustments for discontinuities over time in the levels of debt presented in other tables.

5. Sum of overnight RPs and Eurodollars, money market fund balances (general purpose and broker-dealer), MMDAs, and savings and small time deposits less the estimated amount of demand deposits and vault cash held by thrift institutions to service their time and savings deposit liabilities.

6. Sum of large time deposits, term RPs, and Eurodollars of U.S. residents, money market fund balances (institution-only), less a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market mutual funds.

7. Small-denomination time deposits—including retail RPs—are those issued in amounts of less than $100,000. All IRA and Keogh accounts at commercial banks and thrifts are subtracted from small time deposits.

8. Large-denomination time deposits are those issued in amounts of $100,000 or more, excluding those booked at international banking facilities.

9. Large-denomination time deposits at commercial banks less those held by money market mutual funds, depository institutions, and foreign banks and official institutions.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT

Millions of dollars

Factors	Monthly averages of daily figures			Weekly averages of daily figures for week ending						
	1990			1990						
	Mar.	Apr.	May	Apr. 18	Apr. 25	May 2	May 9	May 16	May 23	May 30
SUPPLYING RESERVE FUNDS										
1 **Reserve Bank credit**	**268,483**	**272,853**	**273,073**	**275,557**	**272,437**	**272,424**	**273,138**	**274,097**	**271,336**	**273,318**
U.S. government securities[1, 2]										
2 Bought outright-system account	219,148	223,445	224,344	223,679	224,307	223,996	224,571	224,357	223,075	224,942
3 Held under repurchase agreements	306	361	185	1,346	0	0	0	819	0	0
Federal agency obligations[2]										
4 Bought outright	6,524	6,504	6,446	6,524	6,492	6,446	6,446	6,446	6,446	6,446
5 Held under repurchase agreements	0	156	156	596	0	0	0	691	0	0
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions[2]										
7 Adjustment credit	83	111	205	190	96	101	67	98	62	634
8 Seasonal credit	78	119	248	106	135	181	220	221	265	290
9 Extended credit	1,982	1,424	852	1,454	1,090	707	582	763	1,036	1,159
10 Float	431	659	720	1,579	94	377	576	601	1,237	432
11 Other Federal Reserve assets	39,852	40,073	39,917	40,083	40,224	40,615	40,677	40,099	39,214	39,416
12 Gold stock	11,059	11,060	11,063	11,060	11,060	11,060	11,060	11,061	11,065	11,065
13 Special drawing rights certificate account	8,518	8,518	8,518	8,518	8,518	8,518	8,518	8,518	8,518	8,518
14 Treasury currency outstanding	19,802	19,878	19,949	19,877	19,896	19,915	19,929	19,943	19,957	19,971
ABSORBING RESERVE FUNDS										
15 Currency in circulation	256,791	260,024	262,394	260,952	260,313	259,956	261,281	262,218	262,427	263,790
16 Treasury cash holdings	524	549	572	543	557	561	573	570	572	577
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	5,349	4,351	5,054	4,981	4,022	4,543	4,841	5,037	5,274	4,562
18 Foreign	215	230	214	216	219	230	197	220	213	215
19 Service-related balances and adjustments	2,161	1,905	2,038	1,989	2,021	2,344	1,994	2,018	2,031	1,992
20 Other	339	316	334	258	326	437	244	264	269	575
21 Other Federal Reserve liabilities and capital	8,997	9,033	9,468	9,285	9,162	9,377	9,558	9,497	9,327	9,386
22 Reserve balances with Federal Reserve Banks[3]	33,486	35,903	32,529	36,789	35,291	34,470	33,958	33,794	30,764	31,774

Factors	End-of-month figures			Wednesday figures						
	1990			1990						
	Mar.	Apr.	May	Apr. 18	Apr. 25	May 2	May 9	May 16	May 23	May 30
SUPPLYING RESERVE FUNDS										
23 **Reserve Bank credit**	**268,705**	**273,008**	**275,183**	**279,425**	**271,245**	**273,449**	**272,972**	**275,253**	**271,714**	**272,240**
U.S. government securities[1, 2]										
24 Bought outright-system account	217,899	224,468	227,455	224,073	223,944	224,207	224,110	223,872	224,092	224,463
25 Held under repurchase agreements	1,423	0	0	4,957	0	0	0	3,013	0	0
Federal agency obligations[2]										
26 Bought outright	6,524	6,446	6,446	6,524	6,446	6,446	6,446	6,446	6,446	6,446
27 Held under repurchase agreements	510	0	0	2,191	0	0	0	2,077	0	0
28 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions[2]										
29 Adjustment credit	154	97	94	1,094	113	84	94	36	64	75
30 Seasonal credit	92	183	289	119	145	215	214	230	900	291
31 Extended credit	1,917	732	717	24	183	233	312	716	274	1,009
32 Float	262	277	316	276	−24	1,368	874	953	662	441
33 Other Federal Reserve assets	39,925	40,805	39,866	40,167	40,437	40,896	40,922	37,908	39,277	39,514
34 Gold stock	11,060	11,060	11,065	11,060	11,060	11,060	11,060	11,062	11,065	11,065
35 Special drawing rights certificate account	8,518	8,518	8,518	8,518	8,518	8,518	8,518	8,518	8,518	8,518
36 Treasury currency outstanding	19,839	19,915	19,985	19,877	19,896	19,915	19,929	19,943	19,957	19,971
ABSORBING RESERVE FUNDS										
37 Currency in circulation	257,675	259,890	265,336	260,892	259,961	260,592	261,989	262,573	262,855	264,828
38 Treasury cash holdings	540	561	579	557	561	561	573	572	575	581
Deposits, other than reserve balances, with Federal Reserve Banks										
39 Treasury	4,832	5,205	4,426	5,208	4,125	8,230	6,172	3,817	5,740	4,420
40 Foreign	300	402	309	171	266	221	186	215	200	207
41 Service-related balances and adjustments	2,119	2,344	2,242	1,989	2,021	2,344	1,994	2,018	2,031	1,992
42 Other	304	352	303	265	714	274	232	318	214	377
43 Other Federal Reserve liabilities and capital	8,455	9,866	9,928	9,141	8,948	9,382	9,115	9,203	9,209	9,206
44 Reserve balances with Federal Reserve Banks[3]	33,897	33,881	31,628	40,657	34,124	31,339	32,219	36,059	30,430	30,183

1. *Includes* securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and *excludes* any securities sold and scheduled to be bought back under matched sale-purchase transactions.
2. Beginning with the May 1990 *Bulletin*, this table has been revised to correspond with the H.4.1 statistical release.
3. Excludes required clearing balances and adjustments to compensate for float.

NOTE. For amounts of currency and coin held as reserves, see table 1.12. Components may not add to totals because of rounding.

1.12 RESERVES AND BORROWINGS Depository Institutions[1]

Millions of dollars

Reserve classification	1987 Dec.	1988 Dec.	1989 Dec.	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.	1990 Apr.r	1990 May
	Monthly averages[9]									
1 Reserve balances with Reserve Banks[2]	37,691	37,837	35,436	33,941	35,436	34,090	30,929	33,407	35,409	32,770
2 Total vault cash[3]	26,675	28,204	29,812	29,549	29,812	31,301	32,489	29,581	29,281	29,811
3 Vault[4]	24,449	25,909	27,374	27,048	27,374	28,841	29,693	27,251	27,103	27,461
4 Surplus[5]	2,226	2,295	2,439	2,502	2,439	2,461	2,795	2,330	2,178	2,350
5 Total reserves[6]	62,141	63,746	62,810	60,989	62,810	62,931	60,623	60,658	62,512	60,231
6 *Required reserves*	61,094	62,699	61,888	60,044	61,888	61,914	59,634	59,797	61,615	59,269
7 Excess reserve balances at Reserve Banks[7]	1,046	1,047	922	945	922	1,016	989	861	897	962
8 Total borrowings at Reserve Banks	777	1,716	265	349	265	440	1,448	2,124	1,628	1,335
9 Seasonal borrowings at Reserve Banks	93	130	84	134	84	47	51	78	122	244
10 Extended credit at Reserve Banks[8]	483	1,244	20	21	20	26	535	1,950	1,403	875

Reserve classification	Feb. 7	Feb. 21	Mar. 7	Mar. 21	Apr. 4	Apr. 18	May 2r	May 16	May 30	June 13
	Biweekly averages of daily figures for weeks ending 1990									
11 Reserve balances with Reserve Banks[2]	29,799	30,597	32,724	33,730	33,433	36,421	34,887	33,855	31,269	34,373
12 Total vault cash[3]	34,175	32,780	30,220	29,259	29,585	28,931	29,588	28,862	30,851	28,985
13 Vault[4]	31,156	29,956	27,706	27,004	27,278	26,920	27,259	26,730	28,268	26,801
14 Surplus[5]	3,019	2,824	2,514	2,255	2,307	2,011	2,330	2,132	2,583	2,185
15 Total reserves[6]	60,955	60,553	60,430	60,734	60,711	63,341	62,145	60,584	59,537	61,174
16 Required reserves	59,735	59,585	59,633	59,997	59,633	62,675	61,040	59,657	58,526	60,714
17 Excess reserve balances at Reserve Banks[7]	1,220	968	797	737	1,078	665	1,105	927	1,011	460
18 Total borrowings at Reserve Banks	865	1,480	1,967	2,179	2,157	1,882	1,155	976	1,723	1,291
19 Seasonal borrowings at Reserve Banks	44	50	60	75	96	100	158	221	278	282
20 Extended credit at Reserve Banks[8]	33	133	1,841	1,995	1,965	1,676	899	673	1,098	559

1. These data also appear in the Board's H.3 (502) release. For address, see inside front cover.
2. Excludes required clearing balances and adjustments to compensate for float.
3. Dates refer to the maintenance periods in which the vault cash can be used to satisfy reserve requirements. Under contemporaneous reserve requirements, maintenance periods end 30 days after the lagged computation periods in which the balances are held.
4. Equal to all vault cash held during the lagged computation period by institutions having required reserve balances at Federal Reserve Banks plus the amount of vault cash equal to required reserves during the maintenance period at institutions having no required reserve balances.
5. Total vault cash at institutions having no required reserve balances less the amount of vault cash equal to their required reserves during the maintenance period.
6. Total reserves not adjusted for discontinuities consist of reserve balances with Federal Reserve Banks, which exclude required clearing balances and adjustments to compensate for float, plus vault cash used to satisfy reserve requirements. Such vault cash consists of all vault cash held during the lagged computation period by institutions having required reserve balances at Federal Reserve Banks plus the amount of vault cash equal to required reserves during the maintenance period at institutions having no required reserve balances.
7. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements less required reserves.
8. 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 there is with traditional short-term adjustment credit, the money market impact of extended credit is similar to that of nonborrowed reserves.
9. Data are prorated monthly averages of biweekly averages.

1.13 SELECTED BORROWINGS IN IMMEDIATELY AVAILABLE FUNDS Large Member Banks[1]

Averages of daily figures, in millions of dollars

	Maturity and source	1990 week ending Monday[2]								
		Apr. 23	Apr. 30	May 7	May 14	May 21	May 28	June 4	June 11	June 18
	Federal funds purchased, repurchase agreements, and other selected borrowing in immediately available funds									
	From commercial banks in the United States									
1	For one day or under continuing contract	86,678	78,751	81,480	79,570	79,518	77,536	85,413	88,698	89,848
2	For all other maturities	18,617	19,973	19,964	19,456	19,360	19,784	18,706	19,734	21,135
	From other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies									
3	For one day or under continuing contract	43,192	37,104	37,896	37,113	37,650	38,536	37,418	40,495	40,424
4	For all other maturities	17,427	17,418	17,678	19,029	18,536	18,494	18,065	17,758	17,495
	Repurchase agreements on U.S. government and federal agency securities in immediately available funds									
	Brokers and nonbank dealers in securities									
5	For one day or under continuing contract	14,654	15,196	15,504	15,722	16,796	13,950	13,898	13,874	13,354
6	For all other maturities	19,304	20,002	20,252	19,812	19,758	19,978	20,438	20,695	20,503
	All other customers									
7	For one day or under continuing contract	31,622	31,928	31,590	31,489	32,431	32,122	33,987	32,321	32,506
8	For all other maturities	11,972	12,514	11,917	12,668	12,583	13,421	13,263	14,130	13,964
	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	48,432	47,869	48,122	45,068	45,328	44,999	49,490	44,708	61,783
10	To all other specified customers[3]	14,411	14,427	14,969	13,537	13,661	12,317	15,168	13,419	14,314

1. Banks with assets of $1 billion or more as of Dec. 31, 1977.
These data also appear in the Board's H.5 (507) release. For address, see inside front cover.
2. Beginning with the August Bulletin data appearing are the most current available. To obtain data from May 1, 1989, through April 16, 1990, contact the Division of Applications Development and Statistical Services, Financial Statement Reports Section, (202) 452-3349.
3. Brokers and nonbank dealers in securities; other depository institutions; foreign banks and official institutions; and United States government agencies.

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per year

Current and previous levels

Federal Reserve Bank	Adjustment credit and Seasonal credit[1]			Extended credit[2]						
				First 30 days of borrowing			After 30 days of borrowing[3]			
	On 6/14/90	Effective date	Previous rate	On 6/14/90	Effective date	Previous rate	On 6/14/90	Effective date	Previous rate	Effective date
Boston	7	2/24/89	6½	7	2/24/89	6½	8.75	6/14/90	8.75	5/31/90
New York		2/24/89			2/24/89			6/14/90		5/31/90
Philadelphia		2/24/89			2/24/89			6/14/90		5/31/90
Cleveland		2/24/89			2/24/89			6/14/90		5/31/90
Richmond		2/24/89			2/24/89			6/14/90		5/31/90
Atlanta		2/24/89			2/24/89			6/14/90		5/31/90
Chicago		2/24/89			2/24/89			6/14/90		5/31/90
St. Louis		2/24/89			2/24/89			6/14/90		5/31/90
Minneapolis		2/24/89			2/24/89			6/14/90		5/31/90
Kansas City		2/24/89			2/24/89			6/14/90		5/31/90
Dallas		2/27/89			2/27/89			6/14/90		5/31/90
San Francisco	7	2/24/89	6½	7	2/24/89	6½	8.75	6/14/90	8.75	5/31/90

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.	Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.	Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1977	6	6	1980—July 28	10–11	10	1984—Apr. 9	8½–9	9
1978—Jan. 9	6–6½	6½	29	10	10	13	9	9
20	6½	6½	Sept. 26	11	11	Nov. 21	8½–9	8½
May 11	6½–7	7	Nov. 17	12	12	26	8½	8½
12	7	7	Dec. 5	12–13	13	Dec. 24	8	8
July 3	7–7¼	7¼						
10	7¼	7¼	1981—May 5	13–14	14	1985—May 20	7½–8	7½
Aug. 21	7¾	7¾	8	14	14	24	7½	7½
Sept. 22	8	8	Nov. 2	13–14	13			
Oct. 16	8–8½	8½	6	13	13	1986—Mar. 7	7–7½	7
20	8½	8½	Dec. 4	12	12	10	7	7
Nov. 1	8½–9½	9½				Apr. 21	6½–7	6½
3	9½	9½	1982—July 20	11½–12	11½	July 11	6	6
			23	11½	11½	Aug. 21	5½–6	5½
1979—July 20	10	10	Aug. 2	11–11½	11	22	5½	5½
Aug. 17	10–10½	10½	3	11	11			
20	10½	10½	16	10½	10½	1987—Sept. 4	5½–6	6
Sept. 19	10½–11	11	27	10–10½	10	11	6	6
21	11	11	30	10	10			
Oct. 8	11–12	12	Oct. 12	9½–10	9½	1988—Aug. 9	6–6½	6½
10	12	12	13	9½	9½	11	6½	6½
			Nov. 22	9–9½	9			
1980—Feb. 15	12–13	13	26	9	9	1989—Feb. 24	6½–7	7
19	13	13	Dec. 14	8½–9	9	27	7	7
May 29	12–13	13	15	8½–9	8½			
30	12	12	17	8½	8½	In effect June 14, 1990	7	7
June 13	11–12	11						
16	11	11						

1. Adjustment credit is available on a short-term basis to help depository institutions meet temporary needs for funds that cannot be met through reasonable alternative sources. After May 19, 1986, 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.

Seasonal credit is available to help smaller depository institutions meet regular, seasonal needs for funds that cannot be met through special industry lenders and that arise from a combination of expected patterns of movement in their deposits and loans. A temporary simplified seasonal program was established on Mar. 8, 1985, and the interest rate was a fixed rate ½ percent above the rate on adjustment credit. The program was reestablished for 1986 and 1987 but was not renewed for 1988.

2. Extended credit is available to depository institutions, when similar assistance is not reasonably available from other sources, when exceptional circumstances or practices involve only a particular institution or when an institution is experiencing difficulties adjusting to changing market conditions over a longer period of time.

3. For extended-credit loans outstanding more than 30 days, a flexible rate somewhat above rates on market sources of funds ordinarily will be charged, but in no case will the rate charged be less than the basic discount rate plus 50 basis points. The flexible rate is reestablished on the first business day of each two-week reserve maintenance period. At the discretion of the Federal Reserve Bank, the time period for which the basic discount rate is applied may be shortened.

4. For earlier data, see the following publications of the Board of Governors: *Banking and Monetary Statistics, 1914–1941*, and *1941–1970*; *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. There was no surcharge until Nov. 17, 1980, when a 2 percent surcharge was adopted; 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 13-week period. The surcharge was eliminated on Nov. 17, 1981.

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Percent of deposits

Type of deposit, and deposit interval[2]	Depository institution requirements after implementation of the Monetary Control Act	
	Percent of deposits	Effective date
Net transaction accounts[3,4]		
$0 million–$40.4 million	3	12/19/89
More than $40.4 million	12	12/19/89
Nonpersonal time deposits[5]		
By original maturity		
Less than 1½ years	3	10/6/83
1½ years or more	0	10/6/83
Eurocurrency liabilities		
All types	3	11/13/80

1. Reserve requirements in effect on Dec. 31, 1989. 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 provisions of the Monetary Control Act, depository institutions include commercial banks, mutual savings banks, savings and loan associations, credit unions, agencies and branches of foreign banks, and Edge corporations.

2. The Garn–St Germain Depository Institutions Act of 1982 (Public Law 97–320) requires that $2 million of reservable liabilities (transaction accounts, nonpersonal time deposits, and Eurocurrency liabilities) of each depository institution be subject to a zero percent reserve requirement. The Board is to adjust the amount of reservable liabilities subject to this 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 to be made in the event of a decrease. On Dec. 20, 1988, the exemption was raised from $3.2 million to $3.4 million. In determining the reserve requirements of depository institutions, the exemption shall apply in the following order: (1) net NOW accounts (NOW accounts less allowable deductions); (2) net other transaction accounts; and (3) nonpersonal time deposits or Eurocurrency liabilities starting with those with the highest reserve ratio. With respect to NOW accounts and other transaction accounts, the exemption applies only to such accounts that would be subject to a 3 percent reserve requirement.

3. Transaction accounts include all deposits on which the account holder is permitted to make withdrawals by negotiable or transferable instruments, payment orders of withdrawal, and telephone and preauthorized transfers in excess of three per month for the purpose of making payments to third persons or others. However, 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 can be checks, are not transaction accounts (such accounts are savings deposits subject to time deposit reserve requirements).

4. 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 each year. Effective Dec. 19, 1989 for institutions reporting quarterly and Dec. 26, 1989 for institutions reporting weekly, the amount was decreased from $41.5 million to $40.4 million.

5. In general, nonpersonal time deposits are time deposits, including savings deposits, that are not transaction accounts and in which a beneficial interest is held by a depositor that is not a natural person. Also included are certain transferable time deposits held by natural persons and certain obligations issued to depository institution offices located outside the United States. For details, see section 204.2 of Regulation D.

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

Type of transaction	1987	1988	1989	1989			1990			
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
U.S. TREASURY SECURITIES										
Outright transactions (*excluding matched transactions*)										
Treasury bills										
1 Gross purchases	18,983	8,223	14,284	219	8,794	1,883	423	108	543	5,796
2 Gross sales	6,051	587	12,818	1,633	0	0	1,489	3,384	0	0
3 Exchange	0	0	0	0	0	0	0	0	0	0
4 Redemptions	9,029	2,200	12,730	1,400	3,530	0	1,000	400	0	0
Others within 1 year										
5 Gross purchases	3,659	2,176	327	0	155	0	0	0	100	0
6 Gross sales	300	0	0	0	0	0	0	0	0	0
7 Maturity shift	21,504	23,854	28,848	852	3,915	1,268	1,201	2,845	1,876	993
8 Exchange	−20,388	−24,588	−25,783	−2,678	−5,502	0	−2,489	−5,418	0	−4,304
9 Redemptions	70	0	500	500	0	0	0	0	0	0
1 to 5 years										
10 Gross purchases	10,231	5,485	1,436	0	0	0	0	0	100	100
11 Gross sales	452	800	490	24	0	0	0	0	0	0
12 Maturity shift	−17,975	−17,720	−25,534	−758	−2,869	−1,268	−1,163	−1,713	−1,876	−739
13 Exchange	18,938	22,515	23,250	2,552	4,902	0	2,373	4,743	0	4,081
5 to 10 years										
14 Gross purchases	2,441	1,579	287	0	0	0	0	0	0	0
15 Gross sales	0	175	29	0	0	0	0	0	0	0
16 Maturity shift	−3,529	−5,946	−2,231	−95	−1,046	0	−38	−451	0	−254
17 Exchange	950	1,797	1,934	126	400	0	116	450	0	223
Over 10 years										
18 Gross purchases	1,858	1,398	284	0	0	0	0	0	0	0
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shift	0	−188	−1,086	0	0	0	0	−681	0	0
21 Exchange	500	275	600	0	200	0	0	226	0	0
All maturities										
22 Gross purchases	37,170	18,863	16,617	219	8,949	1,883	423	108	743	5,896
23 Gross sales	6,803	1,562	13,337	1,657	0	0	1,489	3,384	0	0
24 Redemptions	9,099	2,200	13,230	1,900	3,530	0	1,000	400	0	0
Matched transactions										
25 Gross sales	950,923	1,168,484	1,323,480	111,430	105,696	103,077	127,729	116,220	99,104	97,970
26 Gross purchases	950,935	1,168,142	1,326,542	111,893	105,243	104,827	121,411	120,637	97,128	98,643
Repurchase agreements[2]										
27 Gross purchases	314,621	152,613	129,518	0	15,350	22,737	16,185	0	8,050	6,409
28 Gross sales	324,666	151,497	132,688	0	15,350	21,145	17,777	0	6,627	7,832
29 Net change in U.S. government securities	11,234	15,872	−10,055	−2,875	4,966	5,225	−9,976	741	190	5,146
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	276	587	442	30	0	0	0	0	0	78
Repurchase agreements[2]										
33 Gross purchases	80,353	57,259	38,835	0	1,247	2,992	1,741	0	1,966	2,595
34 Gross sales	81,350	56,471	40,411	0	1,247	2,467	2,266	0	1,457	3,104
35 Net change in federal agency obligations	−1,274	198	−2,018	−30	0	525	−525	0	509	−587
36 Total net change in System Open Market Account	**9,961**	**16,070**	**−12,073**	**−2,905**	**4,966**	**5,750**	**−10,501**	**741**	**699**	**4,559**

1. Sales, redemptions, and negative figures reduce holdings of the System Open Market Account; all other figures increase such holdings. Details may not add to totals because of rounding.

2. In July 1984 the Open Market Trading Desk discontinued accepting bankers acceptances in repurchase agreements.

1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements[1]

Millions of dollars

Account	Wednesday 1990					End of month 1990		
	May 2	May 9	May 16	May 23	May 30	Mar.	Apr.	May
Consolidated condition statement								
ASSETS								
1 Gold certificate account	11,060	11,060	11,062	11,065	11,065	11,060	11,060	11,065
2 Special drawing rights certificate account	8,518	8,518	8,518	8,518	8,518	8,518	8,518	8,518
3 Coin	523	516	509	504	473	568	532	468
Loans								
4 To depository institutions	532	619	982	1,237	1,375	1,779	2,163	1,100
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	6,446	6,446	6,446	6,446	6,446	6,524	6,446	6,446
8 Held under repurchase agreements	0	0	2,077	0	0	510	0	0
U.S. Treasury securities								
Bought outright								
9 Bills	101,712	101,616	101,378	101,597	101,968	95,504	101,973	104,960
10 Notes	91,539	91,539	91,732	91,732	91,732	91,440	91,540	91,732
11 Bonds	30,955	30,955	30,763	30,763	30,763	30,955	30,955	30,763
12 Total bought outright[2]	224,207	224,110	223,872	224,092	224,463	217,899	224,468	227,455
13 Held under repurchase agreements	0	0	3,013	0	0	1,423	0	0
14 Total U.S. Treasury securities	224,217	224,110	226,886	224,092	224,463	219,322	224,468	227,455
15 **Total loans and securities**	**231,185**	**231,176**	**236,392**	**231,776**	**232,284**	**228,518**	**231,926**	**235,001**
16 Items in process of collection	8,172	6,167	7,202	5,718	8,450	6,549	4,499	6,661
17 Bank premises	795	796	797	795	795	793	795	795
Other assets								
18 Denominated in foreign currencies[3]	33,983	34,031	34,033	34,098	34,098	33,452	33,982	34,574
19 All other[4]	5,896	6,214	4,082	4,274	4,573	5,679	5,958	4,563
20 **Total assets**	**300,133**	**298,478**	**302,594**	**296,748**	**300,256**	**295,137**	**297,270**	**301,646**
LIABILITIES								
21 Federal Reserve notes	241,761	243,150	243,710	243,978	245,910	238,944	241,068	246,398
Deposits								
22 To depository institutions	33,283	34,287	39,157	32,213	32,694	36,129	36,076	34,094
23 U.S. Treasury—General account	8,230	6,172	3,817	5,740	4,420	4,832	5,205	4,426
24 Foreign—Official accounts	221	186	215	200	207	300	402	309
25 Other	274	232	318	214	377	304	352	303
26 **Total deposits**	**42,007**	**40,876**	**43,507**	**38,367**	**37,699**	**41,565**	**42,036**	**39,132**
27 Deferred credit items	6,983	5,337	6,174	5,194	7,441	6,173	4,301	6,188
28 Other liabilities and accrued dividends[5]	4,029	4,040	4,182	4,115	4,131	3,969	4,199	4,365
29 **Total liabilities**	**294,780**	**293,403**	**297,574**	**291,654**	**295,181**	**290,651**	**291,603**	**296,083**
CAPITAL ACCOUNTS								
30 Capital paid in	2,321	2,329	2,332	2,338	2,339	2,313	2,327	2,339
31 Surplus	2,243	2,243	2,243	2,243	2,243	2,139	2,243	2,243
32 Other capital accounts	789	503	445	513	493	34	1,098	981
33 **Total liabilities and capital accounts**	**300,133**	**298,478**	**302,594**	**296,748**	**300,256**	**295,137**	**297,270**	**301,646**
34 MEMO: Marketable U.S. Treasury securities held in custody for foreign and international accounts	223,360	223,171	223,637	229,273	227,961	254,767	224,256	225,879
Federal Reserve note statement								
35 Federal Reserve notes outstanding issued to bank	283,347	284,307	284,789	285,538	285,846	278,709	283,191	285,819
36 LESS: Held by bank	41,586	41,157	41,079	41,561	39,936	39,765	42,123	39,421
37 Federal Reserve notes, net	241,761	243,150	243,710	243,978	245,910	238,944	241,068	246,398
Collateral held against notes net:								
38 Gold certificate account	11,060	11,060	11,062	11,065	11,065	11,060	11,060	11,065
39 Special drawing rights certificate account	8,518	8,518	8,518	8,518	8,518	8,518	8,518	8,518
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities	222,183	223,572	224,130	224,395	226,327	219,366	221,490	227,815
42 **Total collateral**	**241,761**	**243,150**	**243,710**	**243,978**	**245,910**	**238,944**	**241,068**	**247,398**

1. Some of these data also appear in the Board's H.4.1 (503) release. For address, see inside front cover. Components may not add to totals because of rounding.
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 90 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 and maturity groupings	Wednesday					End of month		
	1990					1990		
	May 2	May 9	May 16	May 23	May 30	Mar. 30	Apr. 30	May 31
1 Loans—Total	532	619	982	1,237	1,375	2,039	1,012	1,100
2 Within 15 days	390	471	887	1,213	1,339	2,024	951	1,014
3 16 days to 90 days	142	148	96	24	37	15	62	86
4 91 days to 1 year	0	0	0	0	0	0	0	0
5 Acceptances—Total	0	0	0	0	0	0	0	0
6 Within 15 days	0	0	0	0	0	0	0	0
7 16 days to 90 days	0	0	0	0	0	0	0	0
8 91 days to 1 year	0	0	0	0	0	0	0	0
9 U.S. Treasury securities—Total	224,207	224,110	226,886	224,092	224,463	217,899	230,468	227,455
10 Within 15 days[1]	10,715	11,993	11,069	10,475	10,737	6,281	6,566	5,371
11 16 days to 90 days	48,768	49,128	48,365	49,183	49,193	50,149	57,700	50,466
12 91 days to 1 year	67,751	66,016	71,738	68,720	68,820	66,030	69,228	76,167
13 Over 1 year to 5 years	58,146	58,146	57,695	57,695	57,695	56,581	58,146	57,432
14 Over 5 years to 10 years	12,576	12,576	11,617	11,617	11,617	12,607	12,576	11,617
15 Over 10 years	26,252	26,252	26,402	26,402	26,402	26,252	26,252	26,402
16 Federal agency obligations—Total	6,446	6,446	8,524	6,446	6,446	6,524	6,446	6,446
17 Within 15 days[1]	55	55	2,137	326	266	175	160	266
18 16 days to 90 days	678	793	733	467	564	574	678	564
19 91 days to 1 year	1,546	1,431	1,431	1,431	1,416	1,426	1,441	1,416
20 Over 1 year to 5 years	2,892	2,892	2,917	2,917	2,895	3,098	2,892	2,895
21 Over 5 years to 10 years	1,087	1,087	1,117	1,117	1,117	1,062	1,087	1,117
22 Over 10 years	188	188	188	188	188	188	188	188

1. Holdings under repurchase agreements are classified as maturing within 15 days in accordance with maximum maturity of the agreements.

NOTE: Components may not add to totals because of rounding.

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE[1]

Billions of dollars, averages of daily figures

Item	1986 Dec.	1987 Dec.	1988 Dec.	1989 Dec.	1989 Oct.	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.	1990 Apr.[r]	1990 May
	Seasonally adjusted											
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]												
1 **Total reserves[3]**	**58.02**	**58.59**	**60.59**	**60.03**	**59.64**	**59.65**	**60.03**	**59.90**	**60.22**	**60.30**	**60.28**	**59.78**
2 Nonborrowed reserves	57.20	57.82	58.88	59.77	59.08	59.30	59.77	59.46	58.77	58.17	58.65	58.45
3 Nonborrowed reserves plus extended credit[4]	57.50	58.30	60.12	59.79	59.11	59.32	59.79	59.48	59.30	60.12	60.05	59.32
4 Required reserves	56.65	57.55	59.55	59.11	58.62	58.70	59.11	58.88	59.23	59.44	59.38	58.82
5 Monetary base[5]	241.43	258.06	275.24	284.95	282.79	283.22	284.95	287.51	289.71	291.82	293.54	294.40
	Not seasonally adjusted											
6 **Total reserves[3]**	**59.46**	**60.07**	**62.22**	**61.67**	**59.27**	**59.87**	**61.67**	**61.58**	**59.20**	**59.23**	**61.05**	**58.74**
7 Nonborrowed reserves	58.64	59.30	60.50	61.40	58.72	59.52	61.40	61.14	57.75	57.11	59.42	57.41
8 Nonborrowed reserves plus extended credit[4]	58.94	59.78	61.75	61.42	58.74	59.54	61.42	61.17	58.29	59.06	60.82	58.28
9 Required reserves	58.09	59.03	61.17	60.75	58.25	58.92	60.75	60.56	58.21	58.37	60.15	57.78
10 Monetary base[5]	245.17	262.00	279.54	289.45	281.34	284.11	289.45	288.67	286.50	288.86	293.35	293.52
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[6]												
11 **Total reserves[3]**	**59.56**	**62.14**	**63.75**	**62.81**	**60.40**	**60.99**	**62.81**	**62.93**	**60.62**	**60.66**	**62.51**	**60.23**
12 Nonborrowed reserves	58.73	61.36	62.03	62.54	59.84	60.64	62.54	62.49	59.17	58.53	60.88	58.90
13 Nonborrowed reserves plus extended credit[4]	59.04	61.85	63.27	62.56	59.86	60.66	62.56	62.52	59.71	60.49	62.29	59.77
14 Required reserves	58.19	61.09	62.70	61.89	59.38	60.04	61.89	61.91	59.63	59.80	61.62	59.27
15 Monetary base[5]	247.62	266.06	283.00	292.55	284.33	287.19	292.55	292.13	290.02	292.38	296.87	297.03

1. Latest monthly and biweekly figures are available from the Board's H.3(502) statistical release. Historical data and estimates of the impact on required reserves of changes in reserve requirements are available from the Monetary and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

2. Figures incorporate adjustments for discontinuities associated with the implementation of the Monetary Control Act and other regulatory changes to reserve requirements. To adjust for discontinuities due to changes in reserve requirements on reservable nondeposit liabilities, the sum of such required reserves is subtracted from the actual series. Similarly, in adjusting for discontinuities in the monetary base, required clearing balances and adjustments to compensate for float also are subtracted from the actual series.

3. Total reserves not adjusted for discontinuities consist of reserve balances with Federal Reserve Banks, which exclude required clearing balances and adjustments to compensate for float, plus vault cash held during the lagged computation period by institutions having required reserve balances at Federal Reserve Banks plus the amount of vault cash equal to required reserves during the maintenance period at institutions having no required reserve balances.

4. Extended credit consists of borrowing at the discount window under the terms and conditions established for the extended credit program to helpdepository institutions deal with sustained liquidity pressures. Because there isnot the same need to repay such borrowing promptly as there is with traditional short-term adjustment credit, the money market impact of extended credit is similar to that of nonborrowed reserves.

5. The monetary base not adjusted for discontinuities consists of total reserves plus required clearing balances and adjustments to compensate for float at Federal Reserve Banks and the currency component of the money stock plus, for institutions not having required reserve balances, the excess of current vault cash over the amount applied to satisfy current reserve requirements. Currency and vault cash figures are measured over the weekly computation period ending Monday.

The seasonally adjusted monetary base consists of seasonally adjusted total reserves, which include excess reserves on a not seasonally adjusted basis, plus the seasonally adjusted currency component of the money stock and the remaining items seasonally adjusted as a whole.

6. Reflects actual reserve requirements, including those on nondeposit liabilities, with no adjustments to eliminate the effects of discontinuities associated with implementation of the Monetary Control Act or other regulatory changes to reserve requirements.

1.21 MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES[1]

Billions of dollars, averages of daily figures

Item[2]	1986 Dec.	1987 Dec.	1988 Dec.	1989 Dec.	1990 Feb.	1990 Mar.	1990 Apr.	1990 May
				Seasonally adjusted				
1 M1	724.7	750.4	787.5	794.8	801.4	804.8	807.4	805.5
2 M2	2,814.2	2,913.2	3,072.4	3,221.0	3,252.4	3,266.2	3,271.5r	3,263.6
3 M3	3,494.5	3,678.7	3,918.4	4,041.7	4,058.9r	4,061.6r	4,064.9r	4,056.1
4 L	4,135.5	4,338.9	4,676.0	4,867.8r	4,879.5	4,897.7r	4,897.2	n.a.
5 Debt	7,588.3	8,307.5	9,062.0	9,777.6r	9,892.8r	9,954.3r	10,004.3	n.a.
M1 components								
6 Currency[3]	180.6	196.7	211.8	221.9	226.6	228.4	230.1	231.6
7 Travelers checks[4]	6.5	7.0	7.5	7.4	7.6	7.6	7.6	7.7
8 Demand deposits[5]	302.1	287.0	287.0	279.7	280.2	279.3	277.8	274.6
9 Other checkable deposits[6]	235.5	259.7	281.3	285.7	287.0	289.5	291.8	291.5
Nontransactions components								
10 In M2[7]	2,089.6	2,162.8	2,284.9	2,426.2	2,451.0	2,461.4	2,464.2r	2,458.1
11 In M3 only[8]	680.3	765.5	845.9	820.7	806.5r	795.3r	793.3r	792.5
Money market deposit accounts								
12 Commercial banks	377.7	356.4	350.2	351.5	356.0	359.1	362.3	365.4
13 Thrift institutions	193.3	167.4	150.1	132.2	133.4	135.8	136.6	134.7
Savings deposits								
14 Commercial Banks	155.8	178.3	192.0	188.5	191.8	193.4	193.8	193.5
15 Thrift institutions	214.3	236.6	235.9	220.5	221.8	221.2	222.0	221.6
Small-denomination time deposits[9]								
16 Commercial Banks	366.3	388.1	447.5	528.6	534.7	537.2	541.4	551.1
17 Thrift institutions	489.9	529.7	583.5	613.7	606.5	606.6	602.7r	594.4
Money market mutual funds								
18 General purpose and broker-dealer	208.7	222.0	240.9	312.4	324.5	325.0	324.8	319.4
19 Institution-only	83.8	89.0	87.1	102.3	103.7	105.4	106.8	107.3
Large-denomination time deposits[10]								
20 Commercial Banks[11]	289.8	326.9	368.2	401.5	399.4r	396.3	394.6r	396.4
21 Thrift institutions	150.0	161.9	172.9	156.8	150.1	147.2	143.0	138.2
Debt components								
22 Federal debt	1,805.8	1,957.4	2,113.5	2,265.7r	2,297.3r	2,325.9r	2,342.3	n.a.
23 Nonfederal debt	5,782.5	6,350.1	6,948.5	7,511.9r	7,595.5r	7,628.3r	7,662.0	n.a.
				Not seasonally adjusted				
24 M1	740.5	766.4	804.5	812.1	788.0	795.7	817.3	796.5
25 M2	2,826.5	2,925.6	3,085.2	3,233.9	3,240.4	3,261.0	3,282.8r	3,248.6
26 M3	3,508.8	3,692.7	3,932.5	4,055.8	4,047.5r	4,060.2r	4,071.6r	4,040.5
27 L	4,151.5	4,355.2	4,692.7	4,885.3r	4,874.6	4,895.6r	4,900.7	n.a.
28 Debt	7,572.0	8,289.0	9,047.3	9,762.2r	9,862.6r	9,915.6r	9,962.5	n.a.
M1 components								
29 Currency[3]	183.0	199.3	214.8	225.3	224.2	227.0	229.5	231.7
30 Travelers checks[4]	6.0	6.5	6.9	6.9	7.2	7.3	7.3	7.5
31 Demand deposits[5]	314.0	298.6	298.9	291.6	271.4	271.6	279.8	268.6
32 Other checkable deposits[6]	237.5	262.0	283.8	288.4	285.2	289.7	300.8r	288.8
Nontransactions components								
33 M2[7]	2,086.0	2,159.2	2,280.8	2,421.8	2,452.4	2,465.4r	2,465.4r	2,452.1
34 M3 only[8]	682.3	767.0	847.3	821.9	807.1r	799.2r	788.8r	791.8
Money market deposit accounts								
35 Commercial Banks	379.8	359.0	353.2	355.0	357.7	360.8	362.5	361.1
36 Thrift institutions	192.9	167.5	150.6	132.8	133.3	136.1	135.9	133.8
Savings deposits								
37 Commercial Banks	154.4	176.9	190.6	187.2	190.5	193.2	194.3	194.1
38 Thrift institutions	212.7	234.9	234.2	219.0	219.5	220.9	222.4	221.9
Small-denomination time deposits[9]								
39 Commercial Banks	366.1	387.3	446.0	526.4	535.2	538.3	541.7	550.0
40 Thrift institutions	489.8	529.1	582.4	612.3	608.7	605.9	602.4r	592.7
Money market mutual funds								
41 General purpose and broker-dealer	208.0	221.5	240.5	312.2	326.1	329.5	328.4	318.7
42 Institution-only	84.4	89.6	87.6	102.9	107.0	106.8	105.8	106.7
Large-denomination time deposits[10]								
43 Commercial Banks[11]	289.2	325.8	366.9	399.8	399.1	399.2r	394.6r	396.9
44 Thrift institutions	150.7	162.9	174.2	158.3	150.5	146.4r	141.6r	137.4
Debt components								
45 Federal debt	1,803.9	1,955.6	2,111.8	2,264.1r	2,293.1r	2,317.3r	2,329.1	n.a.
46 Nonfederal debt	5,768.1	6,333.4	6,935.5	7,498.1r	7,569.5r	7,598.3r	7,633.4	n.a.

For notes see following page.

NOTES TO TABLE 1.21

1. Latest monthly and weekly figures are available from the Board's H.6 (508) release. Historical data are available from the Monetary and Reserves Projection section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

2. Composition of the money stock measures and debt is as follows:

M1: (1) currency outside the 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 due 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 (OCD) 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.

M2: M1 plus overnight (and continuing contract) repurchase agreements (RPs) issued by all depository institutions and overnight Eurodollars issued to U.S. residents by foreign branches of U.S. banks worldwide, money market deposit accounts (MMDAs), savings and small-denomination time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and balances in both taxable and tax-exempt general purpose and broker–dealer money market mutual funds. Excludes individual retirement accounts (IRA) and Keogh balances at depository institutions and money market funds. Also excludes all balances held by U.S. commercial banks, money market funds (general purpose and broker–dealer), foreign governments and commercial banks, and the U.S. government.

M3: M2 plus large-denomination time deposits and term RP liabilities (in amounts of $100,000 or more) issued by all depository institutions, term Eurodollars held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada, and balances in both taxable and tax-exempt, institution-only money market mutual funds. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Also subtracted is the estimated amount of overnight RPs and Eurodollars held by institution-only money market mutual funds.

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 mutual fund holdings of these assets.

Debt: Debt of domestic nonfinancial sectors consists of outstanding credit market debt of the U.S. government, state and local governments, and private nonfinancial sectors. Private debt consists of corporate bonds, mortgages, consumer credit (including bank loans), other bank loans, commercial paper, bankers acceptances, and other debt instruments. Data are derived from the Federal Reserve Board's flow of funds accounts. Debt data are based on monthly averages.

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 due 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 balances at all depository institutions, credit union share draft balances, and demand deposits at thrift institutions.

7. Sum of overnight RPs and overnight Eurodollars, money market fund balances (general purpose and broker-dealer), MMDAs, and savings and small time deposits.

8. Sum of large time deposits, term RPs, and term Eurodollars of U.S. residents, money market fund balances (institution-only), less a consolidated adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds.

9. Small-denomination time deposits—including retail RPs—are those issued in amounts of less than $100,000. All individual retirement accounts (IRA) and Keogh accounts at commercial banks and thrifts are subtracted from small time deposits.

10. Large-denomination time deposits are those issued in amounts of $100,000 or more, excluding those booked at international banking facilities.

11. Large-denomination time deposits at commercial banks less those held by money market mutual funds, depository institutions, and foreign banks and official institutions.

1.22 BANK DEBITS AND DEPOSIT TURNOVER[1]

Debits are shown in billions of dollars, turnover as ratio of debits to deposits. Monthly data are at annual rates.

Bank group, or type of customer	1987	1988	1989	1989 Oct.	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.
DEBITS TO	Seasonally adjusted								
Demand deposits[3]									
1 All insured banks	217,116.2	226,888.4	272,793.1	293,424.9	296,768.7	280,074.4	286,425.2	299,450.2	285,111.5
2 Major New York City banks	104,496.3	107,547.3	121,727.5	136,039.0	130,440.2	131,681.3	123,744.6	132,031.4	132,470.3
3 Other banks	112,619.8	119,341.2	150,898.9	155,385.9	166,328.5	148,393.1	162,680.5	167,418.8	152,641.2
4 ATS-NOW accounts[4]	2,402.7	2,757.7	3,501.8	3,911.9	3,855.2	3,727.5	3,910.4	4,115.7	4,075.7
5 Savings deposits[5]	526.5	583.0	636.6	665.4	610.3	615.8	609.2	587.3	617.6
DEPOSIT TURNOVER									
Demand deposits[3]									
6 All insured banks	612.1	641.2	781.0	826.4	855.7	797.7	820.0	851.4	813.3
7 Major New York City banks	2,670.6	2,903.5	3,401.6	3,486.5	3,499.8	3,578.1	3,422.4	3,677.3	3,760.2
8 Other banks	357.0	376.8	481.5	492.5	537.3	472.1	519.5	530.1	484.0
9 ATS-NOW accounts[4]	13.8	14.7	18.3	20.1	19.7	18.9	19.8	20.6	20.2
10 Savings deposits[5]	3.1	3.1	3.5	3.6	3.3	3.3	3.3	3.1	3.2
DEBITS TO	Not seasonally adjusted								
Demand deposits[3]									
11 All insured banks	217,125.1	227,010.7	271,957.3	292,750.0	285,372.8	283,603.3	303,668.0	270,852.7	291,868.6
12 Major New York City banks	104,518.8	107,565.0	122,241.8	138,964.6	129,905.5	129,690.0	131,796.0	119,305.2	137,029.5
13 Other banks	112,606.2	119,445.7	149,715.5	153,785.5	155,467.3	153,913.3	171,872.0	151,547.5	154,839.2
14 ATS-NOW accounts[4]	2,404.8	2,754.7	3,496.5	3,891.4	3,611.5	3,904.0	4,263.7	3,721.3	4,030.4
15 MMDA[6]	1,954.2	2,430.1	2,790.8	2,651.5	2,569.1	2,880.5	3,075.9	2,551.2	2,714.9
16 Savings deposits[5]	526.8	578.0	635.8	690.4	555.9	630.1	629.3	518.7	594.2
DEPOSIT TURNOVER									
Demand deposits[3]									
17 All insured banks	612.3	641.7	779.0	829.6	815.6	769.3	847.9	791.8	850.4
18 Major New York City banks	2,674.9	2,901.4	3,415.4	3,594.8	3,548.5	3,250.4	3,433.3	3,314.9	3,836.2
19 Other banks	356.9	377.1	477.8	489.4	496.3	468.1	537.5	495.2	503.6
20 ATS-NOW accounts[4]	13.8	14.7	18.3	20.3	18.5	19.5	21.1	18.7	20.0
21 MMDA[6]	5.3	6.9	8.3	7.8	7.4	8.2	8.7	7.2	7.6
22 Savings deposits[5]	3.1	3.1	3.5	3.8	3.0	3.4	3.4	2.8	3.1

1. Historical tables containing revised data for earlier periods may be obtained from the Monetary and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

These data also appear on the Board's G.6 (406) release. For 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. Accounts authorized for negotiable orders of withdrawal (NOW) and accounts authorized for automatic transfer to demand deposits (ATS). ATS data are available beginning December 1978.

5. Excludes ATS and NOW accounts, MMDA and special club accounts, such as Christmas and vacation clubs.

6. Money market deposit accounts.

1.23 LOANS AND SECURITIES All Commercial Banks[1]

Billions of dollars; averages of Wednesday figures

Category	1989							1990				
	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.r	May
	Seasonally adjusted											
1 **Total loans and securities**[2]	**2,496.0**	**2,512.4**	**2,527.4**	**2,538.9**	**2,563.3**	**2,579.0**	**2,582.6**	**2,585.8**	**2,603.8**	**2,623.8**	**2,635.0**	**2,644.7**
2 U.S. government securities	373.7	374.0	375.5	378.1	389.9	394.8	394.4	402.4	412.2	418.9	422.7	428.3
3 Other securities	187.3	186.3	183.8	183.1	180.9	179.3	180.3	180.2	180.1	180.2	180.8	179.2
4 Total loans and leases[2]	1,935.0	1,952.1	1,968.2	1,977.7	1,992.5	2,004.9	2,007.9	2,003.2	2,011.6	2,024.7	2,031.6	2,037.2
5 Commercial and industrial	627.1	631.8	636.1	637.7	641.9	645.9	642.9	639.0	637.9	642.8	648.2	647.8
6 Bankers acceptances held[3]	8.2	7.9	8.1	8.4	8.8	8.1	7.6	7.4	8.0	8.3	8.4	8.4
7 Other commercial and industrial	618.9	623.9	628.0	629.3	633.2	637.8	635.3	631.6	629.8	634.5r	639.8	639.4
8 U.S. addressees[4]	613.2	619.8	624.3	625.4	628.9	632.7	629.8	623.9	623.9r	628.2r	633.7	634.7
9 Non-U.S. addressees[4]	5.8	4.0	3.7	3.9	4.2	5.1	5.5	7.7	5.9r	6.3r	6.1	4.7
10 Real estate	713.0	720.1	727.7	735.8	742.6	749.2	756.4	759.6	768.1	774.4	779.4	787.5
11 Individual	363.8	365.8	367.5	370.3	372.6	374.6	375.9	377.9	378.9	379.2	377.8	379.2
12 Security	40.6	40.1	39.0	39.7	41.2	41.5	39.6	39.2	39.7	37.2r	36.6	35.4
13 Nonbank financial institutions	30.5	31.3	31.5	31.8	32.8r	33.3	32.7	32.3	33.0	34.1	34.2	33.9
14 Agricultural	30.0	30.0	29.9	29.6	29.6	29.9	30.3	30.9	31.0	31.3r	31.3	30.9
15 State and political subdivisions	42.8	42.5	42.2	41.7	41.3	40.8	40.1	38.6	38.9	38.4	38.2	37.9
16 Foreign banks	7.9	7.9	8.1	7.5	8.5	8.0	8.6	7.9	7.8	8.4	9.0	8.8
17 Foreign official institutions	4.4	4.3r	4.1	4.2	3.9	3.6	3.6r	3.2r	3.1	3.0	3.2	3.2
18 Lease financing receivables	30.2	30.7	31.0	31.3	31.7	31.6	31.4	31.6	31.6	31.8	31.6	31.8
19 All other loans	44.8	47.7r	51.0	48.0	46.3r	46.4	46.5	42.9	41.5	44.1r	42.2	40.8
	Not seasonally adjusted											
20 **Total loans and securities**[2]	**2,496.3**	**2,507.0**	**2,521.1**	**2,537.5**	**2,563.6**	**2,581.0**	**2,590.6**	**2,591.5**	**2,606.2**	**2,618.1**	**2,635.3**	**2,644.3**
21 U.S. government securities	371.3	372.1	376.1	377.2	387.3	394.9	395.6	404.1	416.7	420.4	422.5	427.3
22 Other securities	186.5	184.7	183.8	183.3	181.8	180.5	181.2	180.7	179.9	179.8	180.2	178.6
23 Total loans and leases[2]	1,938.5	1,950.2	1,961.2	1,977.0	1,994.5	2,005.6	2,013.8	2,006.7	2,009.5	2,017.9	2,032.6	2,038.4
24 Commercial and industrial	629.6	631.9	633.4	633.7	639.3	643.1	642.8	637.5	638.5	644.5r	652.5	651.9
25 Bankers acceptances held[3]	8.0	7.6	8.1	8.4	8.9	8.2	7.7	7.5	8.1	8.2	8.2	8.3
26 Other commercial and industrial	621.6	624.3	625.3	625.3	630.4	634.9	635.1	630.0	630.4	636.3r	644.3	643.7
27 U.S. addressees[4]	616.0	618.6	619.8	619.8	624.7	629.4	629.8	625.0	625.6r	631.5r	639.5	638.9
28 Non-U.S. addressees[4]	5.6	5.7	5.5	5.5	5.6	5.5	5.3	5.0	4.9r	4.8r	4.8	4.8
29 Real estate	712.9	720.7	729.2	737.8	743.9	750.9	757.1	759.7	765.5	771.7	777.5	786.4
30 Individual	362.1	364.3	367.7	372.1	373.7	376.0	380.3	381.5	378.1	376.0	375.0	376.7
31 Security	42.9	40.2	38.4	38.8	40.1	40.3	38.6	37.5	39.2	38.1r	39.0	35.9
32 Nonbank financial institutions	30.8	31.4	31.3	31.4	32.5r	33.6	33.8	33.0	32.6	33.3	34.0	33.8
33 Agricultural	30.3	30.7	30.7	30.5	30.4	30.2	30.2	30.3	30.1	30.1	30.4	30.6
34 State and political subdivisions	42.6	42.1	41.9	41.6	41.2	40.6	39.7	39.5	39.3	38.6	38.2	37.8
35 Foreign banks	8.1	8.0	8.1	7.8	8.8	8.1	8.4	8.0	7.7	7.9	8.5	8.8
36 Foreign official institutions	4.4	4.3r	4.1	4.2	3.9	3.6	3.6r	3.2r	3.1	3.0	3.2	3.2
37 Lease financing receivables	30.2	30.4	30.9	31.2	31.6	31.6	31.5	32.0	31.8	31.7	31.7	31.8
38 All other loans	44.7	46.2r	45.6	47.8	49.1r	47.5	47.8r	44.5r	43.6	43.1r	42.6	41.4

1. Data have been revised because of benchmarking and seasonal adjustment revisions beginning January 1973. These data also appear in the Board's G.7 (407) release. For address, see inside front cover.
2. Excludes loans to commercial banks in the United States.
3. Includes nonfinancial commercial paper held.
4. United States includes the 50 states and the District of Columbia.

1.24 MAJOR NONDEPOSIT FUNDS OF COMMERCIAL BANKS[1]

Monthly averages, billions of dollars

Source	1989							1990				
	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[r]	May
Seasonally adjusted												
1 Total nondeposit funds[2]	235.8	238.8	238.6	246.2	253.5	255.1[r]	255.5[r]	256.2[r]	265.4[r]	268.8[r]	266.1	266.2
2 Net balances due to related foreign offices[3]	8.2	11.4	9.7	11.1	10.2	8.6	7.4	10.9	14.6	17.2	16.5	24.3
3 Borrowings from other than commercial banks in United States[4]	227.5	227.4	228.9	235.0	243.3	246.4	248.1[r]	245.3[r]	250.8[r]	251.6[r]	249.5	241.9
4 Domestically chartered banks	185.4	182.8	183.9	189.1	195.3	196.9[r]	198.6[r]	194.7[r]	198.9[r]	195.7[r]	190.9	185.0
5 Foreign-related banks	42.2	44.6	44.9	46.0	48.0	49.6	49.5	50.7	51.9	56.0	58.7	56.9
Not seasonally adjusted												
6 Total nondeposit funds[2]	239.8	234.4	238.1	242.8	248.8	254.0[r]	249.0[r]	252.8[r]	268.6[r]	274.6[r]	268.8	274.6
7 Net balances due to related foreign offices[3]	8.9	9.2	10.1	11.7	9.6	9.7	9.7	10.5	14.2	16.0	14.3	26.2
8 Domestically chartered banks	−18.3	−16.4	−15.5	−14.3	−15.0	−15.5	−19.2	−14.5	−11.1	−11.5	−10.7	−1.5
9 Foreign-related banks	27.2	25.6	25.6	26.0	24.6	25.2	28.9	25.0	25.3	27.6[r]	24.9	27.6
10 Borrowings from other than commercial banks in United States[4]	230.9	225.2	228.0	231.1	239.1	244.3[r]	239.3[r]	242.3[r]	254.3[r]	258.6[r]	254.6	248.5
11 Domestically chartered banks	187.0	180.2	183.5	186.1	192.3	197.1[r]	192.2	190.7[r]	200.8[r]	201.4[r]	194.9	190.7
12 Federal funds and security RP borrowings[5]	183.2	177.2	180.5	183.1	189.3	194.6	189.7[r]	188.1[r]	197.1[r]	197.0[r]	191.2	187.3
13 Other[6]	3.8	3.1	3.0	3.0	3.0	2.4	2.5	2.7	3.7	4.5	3.7	3.4
14 Foreign-related banks[6]	44.0	45.0	44.5	45.0	46.8	47.2	47.1	51.5	53.5	57.2	59.7	57.8
MEMO												
Gross large time deposits[7]												
15 Seasonally adjusted	460.0	463.4	462.0	460.0	461.4	464.0	464.3	462.7	460.6	457.3	455.1	454.6
16 Not seasonally adjusted	459.4	461.1	462.6	461.5	462.6	464.4	462.7	460.4	460.3	460.1	455.1	455.1
U.S. Treasury demand balances at commercial banks[8]												
17 Seasonally adjusted	25.7	22.4	22.3	22.8	21.5	20.4	21.1	20.2	17.8	19.2	21.2	18.6
18 Not seasonally adjusted	26.2	23.0	15.8	24.9	20.6	14.7	19.6	23.2	22.0	16.7	20.0	25.2

1. Data have been revised because of benchmarking and seasonal adjustment revisions beginning January 1973. Commercial banks are those in the 50 states and the District of Columbia with national or state charters plus agencies and branches of foreign banks, New York investment companies majority owned by foreign banks, and Edge Act corporations owned by domestically chartered and foreign banks.

These data also appear in the Board's *G.10 (411)* release. For address, see inside front cover.

2. Includes federal funds, RPs, and other borrowing from nonbanks and net balances due to related foreign offices.

3. Reflects net positions of U.S. chartered banks, Edge Act corporations, and U.S. branches and agencies of foreign banks with related foreign offices plus net positions with own IBFs.

4. Other borrowings are borrowings through any instrument, such as a promissory note or due bill, given for the purpose of borrowing money for the banking business. This includes borrowings from Federal Reserve Banks and from foreign banks, term federal funds, loan RPs, and sales of participations in pooled loans.

5. Based on daily average data reported weekly by approximately 120 large banks and quarterly or annual data reported by other banks.

6. Figures are partly daily averages and partly averages of Wednesday data.

7. Time deposits in denominations of $100,000 or more. Estimated averages of daily data.

8. U.S. Treasury demand deposits and Treasury tax-and-loan notes at commercial banks. Averages of daily data.

1.25 ASSETS AND LIABILITIES OF COMMERCIAL BANKING INSTITUTIONS Last-Wednesday-of-Month Series[1]

Billions of dollars

Account	1989						1990				
	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[r]	May
ALL COMMERCIAL BANKING INSTITUTIONS[2]											
1 Loans and securities	2,679.0	2,694.2	2,700.5	2,734.8	2,771.2	2,779.0	2,789.0	2,797.6	2,806.9	2,823.6	2,831.1
2 Investment securities	538.2	542.8	541.4	544.7	548.3	549.0	561.2	568.0	573.5	578.6	586.9
3 U.S. government securities	359.6	364.7	365.1	370.0	374.4	374.1	387.5	395.3	401.8	408.2	416.6
4 Other	178.6	178.1	176.3	174.7	173.9	174.9	173.8	172.7	171.7	170.5	170.2
5 Trading account assets	19.8	18.7	18.3	26.6	27.6	23.4	31.9	30.4	26.0	23.9	21.3
6 Total loans	2,120.9	2,132.7	2,140.8	2,163.6	2,195.3	2,206.5	2,195.8	2,199.2	2,207.4	2,221.1	2,222.9
7 Interbank loans	168.6	170.4	165.4	171.8	187.6	190.5	189.0	187.3	189.7	187.7	186.0
8 Loans excluding interbank	1,952.4	1,962.3	1,975.3	1,991.8	2,007.7	2,016.0	2,006.8	2,011.9	2,017.7	2,033.4	2,036.9
9 Commercial and industrial	636.6	632.4	632.1	638.9	643.0	644.3	636.4	640.6	643.8	652.2	650.2
10 Real estate	722.4	732.6	739.6	745.0	753.6	758.3	761.3	767.2	774.3	779.5	789.7
11 Individual	364.9	369.6	373.8	374.3	376.8	382.4	381.4	378.0	374.7	376.4	377.0
12 All other	228.4	227.8	229.9	233.6	234.2	231.1	227.6	226.2	224.9	225.3	220.1
13 Total cash assets	210.5	210.6	218.5	212.0	234.2	258.0	222.0	228.5	217.0	216.6	244.7
14 Reserves with Federal Reserve Banks	30.6	28.8	31.8	28.5	38.7	42.8	24.5	29.3	31.8	31.3	27.5
15 Cash in vault	27.4	28.4	27.9	27.8	30.7	31.5	28.0	27.9	27.8	28.6	29.9
16 Cash items in process of collection	75.4	77.5	82.6	77.5	84.2	98.9	89.8	91.5	80.0	80.1	100.7
17 Demand balances at U.S. depository institutions	28.1	29.1	28.5	28.3	28.5	32.1	29.6	31.0	27.5	26.5	32.2
18 Other cash assets	49.1	46.9	47.6	49.9	52.2	52.7	50.1	48.9	49.8	50.1	54.4
19 Other assets	213.4	209.8	214.1	210.3	207.1	212.7	219.3	214.0	209.9	206.9	202.7
20 Total assets/total liabilities and capital	**3,102.9**	**3,114.6**	**3,133.1**	**3,157.2**	**3,212.5**	**3,249.6**	**3,230.3**	**3,240.1**	**3,233.7**	**3,247.0**	**3,278.5**
21 Deposits	2,154.2	2,169.0	2,177.0	2,196.0	2,223.2	2,267.6	2,243.3	2,257.8	2,246.6	2,252.3	2,288.1
22 Transaction deposits	577.4	581.4	586.5	585.8	600.4	641.5	611.3	615.9	593.9	600.5	617.7
23 Savings deposits	512.0	516.9	518.6	525.6	535.6	538.2	540.5	545.8	551.1	548.1	553.7
24 Time deposits	1,064.9	1,070.7	1,072.0	1,084.6	1,087.2	1,087.8	1,091.5	1,096.1	1,101.6	1,103.8	1,116.6
25 Borrowings	513.8	507.6	519.8	529.7	546.0	534.3	556.1	546.0	548.3	562.8	543.1
26 Other liabilities	226.3	227.4	226.0	225.2	236.0	239.8	223.8	227.4	228.1	220.0	235.3
27 Residual (assets less liabilities)	208.7	210.6	210.3	206.3	207.4	208.0	207.1	208.9	210.7	211.9	212.0
MEMO											
28 U.S. government securities (including trading account)	372.8	376.9	377.2	389.6	394.8	390.7	412.6	418.6	419.5	423.4	429.7
29 Other securities (including trading account)	185.2	184.6	182.5	181.7	181.1	181.8	180.6	179.7	180.0	179.1	178.4
DOMESTICALLY CHARTERED COMMERCIAL BANKS[3]											
30 Loans and securities	2,452.5	2,467.5	2,477.6	2,511.0	2,531.2	2,540.4	2,552.7	2,559.7	2,562.4	2,573.1	2,576.6
31 Investment securities	514.7	519.9	519.1	521.3	522.6	523.3	534.2	540.6	544.6	548.2	554.2
32 U.S. government securities	348.6	354.4	355.4	359.4	362.6	363.3	374.7	382.1	387.4	393.7	399.7
33 Other	166.1	165.5	163.7	161.9	160.0	160.1	159.5	158.5	157.2	154.5	154.6
34 Trading account assets	19.8	18.7	18.3	26.6	27.6	23.4	31.9	30.4	26.0	23.9	21.3
35 Total loans	1,918.0	1,928.8	1,940.2	1,963.2	1,981.0	1,993.7	1,986.5	1,988.7	1,991.7	2,001.0	2,001.0
36 Interbank loans	130.5	132.3	130.7	140.7	148.4	152.8	151.4	149.8	148.6	149.4	145.2
37 Loans excluding interbank	1,787.5	1,796.5	1,809.5	1,822.5	1,832.5	1,840.9	1,835.1	1,838.9	1,843.1	1,851.6	1,855.9
38 Commercial and industrial	516.0	512.4	511.3	515.7	516.9	516.9	513.4	517.7	518.9	523.3	519.6
39 Real estate	696.8	706.2	713.0	718.0	725.0	729.7	731.6	736.5	743.1	746.7	756.7
40 Individual	364.9	369.6	373.8	374.3	376.8	382.4	381.4	378.0	374.7	376.4	377.0
41 All other	209.9	208.3	211.4	214.4	213.9	211.9	208.7	206.8	206.4	205.2	202.6
42 Total cash assets	187.3	188.9	194.9	188.7	206.7	231.7	198.2	203.1	191.1	191.5	214.7
43 Reserves with Federal Reserve Banks	29.6	27.0	29.5	26.7	37.9	41.7	22.7	27.5	29.8	29.8	26.6
44 Cash in vault	27.3	28.4	27.9	27.8	30.6	31.5	28.0	27.8	27.8	28.5	29.9
45 Cash items in process of collection	74.5	76.6	81.3	76.3	82.3	97.5	88.3	90.2	78.5	78.7	99.2
46 Demand balances at U.S. depository institutions	26.4	27.4	26.8	26.4	26.6	30.2	27.7	28.9	25.9	24.8	30.3
47 Other cash assets	29.5	29.5	29.3	31.6	29.3	30.8	31.4	28.6	29.1	29.6	28.7
48 Other assets	136.5	136.2	140.1	131.0	137.1	140.9	143.2	139.6	136.4	135.0	137.5
49 Total assets/liabilities and capital	**2,776.2**	**2,792.6**	**2,812.5**	**2,830.8**	**2,875.0**	**2,913.0**	**2,894.0**	**2,902.4**	**2,889.9**	**2,899.5**	**2,928.8**
50 Deposits	2,073.2	2,088.9	2,095.8	2,113.8	2,140.8	2,184.3	2,160.7	2,175.6	2,165.0	2,170.0	2,205.9
51 Transaction deposits	568.0	572.6	576.6	576.1	590.5	631.3	600.8	605.7	584.2	590.8	607.8
52 Savings deposits	509.3	514.3	515.8	523.0	532.8	535.4	537.7	542.9	548.2	545.1	550.8
53 Time deposits	995.9	1,002.0	1,003.4	1,014.7	1,017.5	1,017.7	1,022.2	1,027.0	1,032.6	1,034.1	1,047.3
54 Borrowings	381.8	376.7	392.4	395.1	406.8	400.6	407.3	397.3	395.9	402.8	389.1
55 Other liabilities	116.2	120.0	117.5	119.2	123.6	123.7	122.5	124.2	122.0	118.4	125.4
56 Residual (assets less liabilities)	205.1	207.0	206.7	202.7	203.7	204.4	203.4	205.3	207.1	208.3	208.4
MEMO											
57 Real estate loans, revolving	45.5	46.8	47.6	48.0	48.6	49.3	50.4	50.8	51.2	52.4	53.3
58 Real estate loans, other	651.2	659.4	665.4	670.1	676.4	680.4	681.1	685.7	691.9	694.3	703.4

1. Back data are available from the Banking and Monetary Statistics section, Board of Governors of the Federal Reserve System, Washington, D.C., 20551. These data also appear in the Board's weekly H.8 (510) release.

Figures are partly estimated. They include all bank-premises subsidiaries and other significant majority-owned domestic subsidiaries. Loan and securities data for domestically chartered commercial banks are estimates for the last Wednesday of the month based on a sample of weekly reporting banks and quarter-end condition report data. Data for other banking institutions are estimates made for the last Wednesday of the month based on a weekly reporting sample of foreign-related institutions and quarter-end condition reports.

2. Commercial banking institutions include insured domestically chartered commercial banks, branches and agencies of foreign banks, Edge Act and Agreement corporations, and New York State foreign investment corporations.

3. Insured domestically chartered commercial banks include all member banks and insured nonmember banks.

1.26 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS[1]

Millions of dollars, Wednesday figures

Account	1990								
	Apr. 4[r]	Apr. 11[r]	Apr. 18[r]	Apr. 25[r]	May 2	May 9	May 16	May 23	May 30
1 Cash and balances due from depository institutions	116,221	110,377	120,274	106,676	116,610	103,214	114,424	104,169	123,104
2 **Total loans, leases, and securities, net**	**1,289,056**	**1,282,007**	**1,303,301**	**1,287,810**	**1,300,829**	**1,284,252**	**1,287,516**	**1,284,059**	**1,287,529**
3 U.S. Treasury and government agency	171,642	171,798	172,457	171,139	172,040	170,266	171,909	173,915	172,737
4 Trading account	19,080	18,419	18,704	15,196	15,035	13,301	15,399	14,548	13,120
5 Investment account	152,563	153,378	153,753	155,942	157,004	156,966	156,510	159,367	159,617
6 Mortgage-backed securities[2]	78,937	79,074	78,214	78,412	79,217	79,298	78,846	82,168	82,442
All other maturing in									
7 One year or less	22,742	22,910	23,162	24,603	24,357	24,241	23,848	23,267	22,966
8 Over one through five years	32,763	33,039	34,074	34,600	34,411	34,401	34,638	34,763	34,817
9 Over five years	18,120	18,355	18,302	18,327	19,020	19,026	19,176	19,169	19,392
10 Other securities	64,397	64,236	63,925	63,736	63,497	63,439	63,652	63,435	63,387
11 Trading account	701	714	833	762	785	800	746	744	727
12 Investment account	63,696	63,521	63,092	62,974	62,712	62,638	62,905	62,691	62,660
13 States and political subdivisions, by maturity	35,088	35,025	34,782	34,625	34,362	34,364	34,359	34,241	34,077
14 One year or less	4,216	4,159	4,010	4,010	3,922	3,873	3,914	3,939	3,945
15 Over one year	30,872	30,866	30,772	30,615	30,439	30,492	30,446	30,302	30,132
16 Other bonds, corporate stocks, and securities	28,608	28,496	28,310	28,349	28,350	28,274	28,546	28,450	28,583
17 Other trading account assets	8,357	8,458	8,720	7,903	8,115	8,353	7,545	7,014	7,468
18 Federal funds sold[3]	77,410	71,211	83,437	74,790	80,955	68,869	70,063	67,680	70,306
19 To commercial banks	58,185	51,666	62,284	53,777	57,231	49,367	48,974	48,555	51,496
20 To nonbank brokers and dealers in securities	14,378	15,319	15,274	15,361	16,738	13,604	14,834	13,905	13,390
21 To others	4,847	4,226	5,880	5,652	6,986	5,898	6,256	5,220	5,419
22 Other loans and leases, gross	1,008,562	1,007,839	1,016,212	1,011,671	1,017,738	1,014,973	1,016,078	1,013,754	1,015,111
23 Other loans, gross	981,912	981,176	989,502	984,989	990,864	988,143	989,231	986,750	988,142
24 Commercial and industrial	324,483	324,344	327,115	325,340	327,040	326,368	325,343	323,504	322,750
25 Bankers acceptances and commercial paper	1,625	1,529	1,649	1,560	1,558	1,584	1,555	1,582	1,604
26 All other	322,858	322,816	325,466	323,780	325,481	324,783	323,788	321,922	321,147
27 U.S. addressees	321,294	321,304	324,022	322,325	323,975	323,406	322,268	320,528	319,774
28 Non-U.S. addressees	1,564	1,512	1,444	1,455	1,506	1,378	1,519	1,393	1,372
29 Real estate loans	364,444	365,708	365,331	366,487	367,333	368,368	369,139	371,036	371,681
30 Revolving, home equity	28,315	28,584	28,772	29,036	29,030	29,100	29,283	29,413	29,594
31 All other	336,129	337,124	336,559	337,451	338,303	339,269	339,856	341,623	342,086
32 To individuals for personal expenditures	173,137	173,488	174,185	174,187	174,375	174,156	174,612	174,889	174,689
33 To depository and financial institutions	50,662	50,650	52,632	51,300	53,466	51,818	52,460	51,503	52,405
34 Commercial banks in the United States	23,707	24,173	24,808	25,210	25,874	24,863	25,572	24,900	24,552
35 Banks in foreign countries	4,271	3,580	4,873	3,933	4,675	3,948	3,972	4,278	5,220
36 Nonbank depository and other financial institutions	22,683	22,897	22,952	22,157	22,917	23,007	22,916	22,326	22,633
37 For purchasing and carrying securities	15,696	14,549	16,495	14,934	14,358	14,389	14,044	13,382	13,526
38 To finance agricultural production	5,511	5,542	5,618	5,671	5,763	5,750	5,812	5,863	5,875
39 To states and political subdivisions	24,071	24,047	24,136	23,991	23,911	23,886	23,812	23,748	23,716
40 To foreign governments and official institutions	1,599	1,505	1,426	1,583	1,412	1,538	1,614	1,472	1,495
41 All other	22,308	21,342	22,562	21,496	23,205	21,869	22,396	21,353	22,005
42 Lease financing receivables	26,650	26,664	26,710	26,681	26,874	26,830	26,847	27,004	26,969
43 LESS: Unearned income	4,605	4,626	4,628	4,564	4,529	4,535	4,544	4,571	4,552
44 Loan and lease reserve[4]	36,707	36,909	36,822	36,865	36,986	37,114	37,186	37,168	36,927
45 Other loans and leases, net	967,250	966,305	974,762	970,242	976,223	973,324	974,348	972,015	973,632
46 All other assets	137,969	135,596	134,237	129,471	132,958	132,646	130,829	129,743	130,928
47 **Total assets**	**1,543,246**	**1,527,980**	**1,557,812**	**1,523,958**	**1,550,397**	**1,520,111**	**1,532,769**	**1,517,972**	**1,541,562**
48 Demand deposits	234,581	227,756	235,360	218,245	233,251	213,629	228,601	213,174	234,528
49 Individuals, partnerships, and corporations	185,123	182,437	184,786	173,269	183,472	172,465	181,560	169,632	183,220
50 States and political subdivisions	5,842	6,153	6,375	6,477	7,218	5,511	6,079	5,688	6,086
51 U.S. government	6,301	3,799	7,137	4,007	2,766	1,638	3,689	3,157	1,472
52 Depository institutions in the United States	21,148	20,126	20,080	19,247	21,956	18,462	21,836	18,736	23,897
53 Banks in foreign countries	6,631	5,661	6,413	5,601	6,446	5,924	6,146	6,089	7,385
54 Foreign governments and official institutions	728	595	784	606	960	1,210	892	720	818
55 Certified and officers' checks	8,809	8,985	9,785	9,039	10,433	8,420	8,399	9,153	11,652
56 Transaction balances other than demand deposits	86,100	86,074	89,232	83,580	82,643	81,068	80,655	79,545	80,102
57 Nontransaction balances	734,729	734,595	729,732	730,357	732,057	734,480	736,049	740,458	741,181
58 Individuals, partnerships, and corporations	695,540	695,241	690,771	691,280	693,089	695,248	697,202	701,305	702,186
59 States and political subdivisions	30,335	30,479	29,963	30,091	30,030	30,280	30,265	30,392	30,275
60 U.S. government	868	856	849	849	856	814	825	818	809
61 Depository institutions in the United States	7,432	7,473	7,615	7,591	7,539	7,606	7,217	7,411	7,381
62 Foreign governments, official institutions, and banks	555	546	534	545	542	531	540	531	529
63 Liabilities for borrowed money	294,553	289,776	314,383	300,183	308,672	295,353	292,650	288,407	288,196
64 Borrowings from Federal Reserve Banks	1,607	1,592	1,056	176	215	360	565	720	797
65 Treasury tax-and-loan notes	583	397	26,316	27,184	26,816	22,164	10,838	9,374	7,672
66 All other liabilities for borrowed money[5]	292,363	287,787	287,011	272,823	281,641	272,829	281,247	278,313	279,727
67 Other liabilities and subordinated notes and debentures	90,398	86,612	86,666	88,932	91,267	92,631	92,057	93,433	94,903
68 **Total liabilities**	**1,440,362**	**1,424,813**	**1,455,374**	**1,421,298**	**1,447,890**	**1,417,162**	**1,430,012**	**1,415,017**	**1,438,910**
69 Residual (total assets minus total liabilities)[6]	102,884	103,167	102,438	102,660	102,507	102,949	102,757	102,954	102,652
MEMO									
70 Total loans and leases (gross) and investments adjusted[7]	1,248,476	1,247,703	1,257,659	1,250,252	1,259,239	1,251,670	1,254,702	1,252,343	1,252,960
71 Total loans and leases (gross) adjusted[7]	1,004,080	1,003,212	1,012,558	1,007,474	1,015,588	1,009,612	1,011,596	1,007,979	1,009,368
72 Time deposits in amounts of $100,000 or more	216,997	216,049	213,937	214,186	214,144	215,362	215,084	215,613	215,305
73 U.S. Treasury securities maturing in one year or less	23,280	22,723	22,751	20,308	19,826	19,593	19,879	19,467	18,950
74 Loans sold outright to affiliates—total[8]	279	278	270	275	281	278	281	275	284
75 Commercial and industrial	144	142	134	133	138	135	138	156	145
76 Other	134	136	136	142	142	143	142	119	140
77 Nontransaction savings deposits (including MMDAs)	283,343	283,179	279,390	277,934	278,475	279,016	280,516	280,714	280,979

1. Beginning Jan. 6, 1988, the "Large bank" reporting group was revised somewhat, eliminating some former reporters with less than $2 billion of assets and adding some new reporters with assets greater than $3 billion.
2. Includes U.S. government-issued or guaranteed certificates of participation in pools of residential mortgages.
3. Includes securities purchased under agreements to resell.
4. Includes allocated transfer risk reserve.
5. Includes federal funds purchased and securities sold under agreements to repurchase; for information on these liabilities at banks with assets of $1 billion or more on Dec. 31, 1977, see table 1.13.
6. This is not a measure of equity capital for use in capital-adequacy analysis or for other analytic uses.
7. Exclusive of loans and federal funds transactions with domestic commercial banks.
8. Loans sold are those sold outright to 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.

1.28 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS IN NEW YORK CITY[1]

Millions of dollars, Wednesday figures

Account	1990								
	Apr. 4	Apr. 11	Apr. 18	Apr. 25	May 2	May 9	May 16	May 23	May 30
1 Cash balances due from depository institutions	21,790r	21,737r	23,768	19,682	22,051	21,671	22,491	22,815	28,161
2 **Total loans, leases, and securities, net**[2]	**216,377r**	**211,702r**	**218,353**	**216,381**	**221,559**	**217,093**	**218,306**	**216,033**	**218,334**
Securities									
3 U.S. Treasury and government agency[3]	0	0	0	0	0	0	0	0	0
4 Trading account[3]	0	0	0	0	0	0	0	0	0
5 Investment account	20,099	20,153	20,076	22,216	22,358	22,406	22,213	22,306	22,311
6 Mortgage-backed securities[4]	12,195	12,193	12,177	12,463	12,502	12,501	12,561	12,537	12,528
All other maturing in									
7 One year or less	1,849	1,861	1,806	3,813	3,734	3,779	3,723	3,734	3,718
8 Over one through five years	3,413	3,458	3,501	3,348	3,396	3,401	3,204	3,348	3,325
9 Over five years	2,642	2,642	2,592	2,593	2,725	2,725	2,725	2,687	2,740
10 Other securities[3]	0	0	0	0	0	0	0	0	0
11 Trading account[3]	0	0	0	0	0	0	0	0	0
12 Investment account	14,188	14,088	14,052	14,028	13,957	13,953	13,972	13,821	13,744
13 States and political subdivisions, by maturity	6,968	6,892	6,893	6,880	6,760	6,770	6,755	6,619	6,536
14 One year or less	728	655	662	649	535	544	549	556	557
15 Over one year	6,240	6,237	6,231	6,231	6,225	6,226	6,206	6,062	5,980
16 Other bonds, corporate stocks, and securities	7,220	7,197	7,159	7,148	7,197	7,183	7,217	7,202	7,207
17 Other trading account assets[3]	0	0	0	0	0	0	0	0	0
Loans and leases									
18 Federal funds sold[5]	18,057	16,158	18,834	17,311	21,389	17,412	17,400	16,805	18,194
19 To commercial banks	10,113	8,326	11,176	9,498	11,322	9,300	8,318	8,924	10,594
20 To nonbank brokers and dealers in securities	5,612r	5,608r	4,535	4,510	5,761	4,881	5,420	4,897	4,770
21 To others	2,332r	2,224r	3,123	3,303	4,306	3,231	3,662	2,984	2,829
22 Other loans and leases, gross	182,361r	179,810r	183,759	181,190	182,012	181,489	182,921	181,313	182,236
23 Other loans, gross	176,823r	174,293r	178,254	175,672	176,507	175,993	177,443	175,674	176,608
24 Commercial and industrial	58,732r	58,290r	59,149	58,472	59,221	58,962	59,854	58,605	58,487
25 Bankers acceptances and commercial paper	108	98	142	104	109	149	105	125	112
26 All other	58,623r	58,192r	59,007	58,367	59,112	58,814	59,749	58,480	58,376
27 U.S. addressees	57,885r	57,476r	58,332	57,714	58,448	58,236	59,104	57,878	57,819
28 Non-U.S. addressees	738	716	674	654	664	577	645	602	557
29 Real estate loans	62,156	62,746	62,441	62,537	62,571	62,754	62,740	62,931	62,798
30 Revolving, home equity	4,001	4,017	4,026	4,038	4,051	4,050	4,055	4,061	4,064
31 All other	58,155	58,729	58,415	58,499	58,520	58,704	58,685	58,870	58,733
32 To individuals for personal expenditures	19,859	19,876	20,009	20,013	19,966	19,878	19,976	20,090	19,986
33 To depository and financial institutions	19,918	18,576	20,103	19,129	19,738	19,446	19,461	19,512	20,419
34 Commercial banks in the United States	8,624	7,848	7,959	8,094	7,866	8,002	8,042	7,823	7,908
35 Banks in foreign countries	3,376	2,684	3,955	3,035	3,530	3,093	3,076	3,452	4,232
36 Nonbank depository and other financial institutions	7,918	8,043	8,189	7,999	8,342	8,350	8,343	8,238	8,278
37 For purchasing and carrying securities	5,592	4,762	6,166	5,394	4,720	5,063	4,792	4,132	4,222
38 To finance agricultural production	114	120	126	122	125	118	140	138	138
39 To states and political subdivisions	5,199	5,187	5,184	5,163	5,173	5,168	5,188	5,154	5,125
40 To foreign governments and official institutions	298	221	198	358	209	325	391	255	294
41 All other	4,954	4,514	4,878	4,484	4,783	4,280	4,900	4,857	5,140
42 Lease financing receivables	5,539r	5,517r	5,505	5,518	5,506	5,495	5,479	5,639	5,628
43 LESS: Unearned income	1,814	1,833	1,835	1,831	1,808	1,819	1,827	1,826	1,812
44 Loan and lease reserve	16,514r	16,675r	16,532	16,534	16,350	16,348	16,373	16,386	16,341
45 Other loans and leases, net[6]	164,033r	161,302r	165,392	162,825	163,855	163,322	164,721	163,101	164,084
46 All other assets[7]	58,653r	57,249r	57,869	56,226	58,219	54,713	54,663	52,029	52,032
47 **Total assets**	**296,820r**	**290,687r**	**299,990**	**292,289**	**301,830**	**293,477**	**295,460**	**290,878**	**298,526**
Deposits									
48 Demand deposits	50,381	46,556	49,706	44,977	49,661	45,136	48,617	46,740	52,878
49 Individuals, partnerships, and corporations	35,969r	33,184	34,577	31,875	34,156	31,489	33,551	31,800	35,220
50 States and political subdivisions	645	573	626	508	743	548	633	477	567
51 U.S. government	1,258	659	1,262	699	343	244	741	582	217
52 Depository institutions in the United States	4,092	3,988	4,127	3,992	4,317	3,670	5,103	4,642	4,793
53 Banks in foreign countries	5,326	4,522	5,224	4,274	5,187	4,772	4,844	4,851	5,999
54 Foreign governments and official institutions	590	455	630	474	804	1,061	740	567	637
55 Certified and officers' checks	2,501	3,174	3,261	3,155	4,110	3,352	3,004	3,820	5,445
56 Transaction balances other than demand deposits (ATS, NOW, Super NOW, telephone transfers)	9,276	9,463	10,052	9,453	8,969	8,742	8,634	8,547	8,642
57 Nontransaction balances	116,346r	115,689r	114,708	116,312	117,048	116,745	117,135	116,797	116,943
58 Individuals, partnerships, and corporations	107,887r	107,264r	106,313	107,879	108,765	108,362	108,750	108,378	108,588
59 States and political subdivisions	6,240	6,210	6,195	6,255	6,201	6,280	6,270	6,296	6,234
60 U.S. government	41	38	33	34	36	36	38	42	35
61 Depository institutions in the United States	1,937	1,933	1,932	1,903	1,803	1,823	1,832	1,842	1,844
62 Foreign governments, official institutions, and banks	242	243	235	241	244	245	244	239	242
63 Liabilities for borrowed money	67,730r	64,628r	70,408	64,778	68,223	62,772	62,012	58,746	60,522
64 Borrowings from Federal Reserve Banks	0	0	975	0	0	0	0	0	0
65 Treasury tax-and-loan notes	53	36	5,807	6,042	5,837	4,787	2,138	1,775	1,488
66 All other liabilities for borrowed money[8]	67,677r	64,592r	63,626	58,736	62,386	57,984	59,874	56,972	59,034
67 Other liabilities and subordinated notes and debentures	28,088r	29,574r	30,516	32,037	33,292	35,375	34,495	35,567	35,378
68 **Total liabilities**	**271,821r**	**265,910r**	**275,390**	**267,557**	**277,192**	**268,771**	**270,893**	**266,398**	**274,364**
69 Residual (total assets minus total liabilities)[9]	24,999r	24,777r	24,600	24,732	24,637	24,707	24,567	24,480	24,162
MEMO									
70 Total loans and leases (gross) and investments adjusted[2,10]	215,968r	214,035r	217,586	217,153	220,529	217,958	220,146	217,498	217,984
71 Total loans and leases (gross) adjusted[10]	181,681r	179,793r	183,459	180,909	184,214	181,598	183,961	181,371	181,928
72 Time deposits in amounts of $100,000 or more	40,184	39,588	39,436	39,430	39,841	39,507	39,708	39,622	39,663
73 U.S. Treasury securities maturing in one year or less	2,184	2,416	2,533	2,339	1,994	1,871	1,853	1,806	1,887

1. These data also appear in the Board's H.4.2 (504) release. For address, see inside front cover.
2. Excludes trading account securities.
3. Not available due to confidentiality.
4. Includes U.S. government-issued or guaranteed certificates of participation in pools of residential mortgages.
5. Includes securities purchased under agreements to resell.
6. Includes allocated transfer risk reserve.
7. Includes trading account securities.
8. Includes federal funds purchased and securities sold under agreements to repurchase.
9. Not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.
10. Exclusive of loans and federal funds transactions with domestic commercial banks.

1.30 LARGE WEEKLY REPORTING U.S. BRANCHES AND AGENCIES OF FOREIGN BANKS[1] Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1990								
	Apr. 4	Apr. 11	Apr. 18	Apr. 25	May 2	May 9	May 16	May 23	May 30
1 Cash and due from depository institutions	13,688	13,018	13,567	12,650	14,055	13,096	14,084	13,302	15,056
2 Total loans and securities	148,523r	146,953r	148,983r	150,509r	152,114	151,163	152,408	151,526	154,351
3 U.S. Treasury and government agency securities	10,741	10,072	10,277	10,929	11,493	10,142	10,112	13,342	13,849
4 Other securities	7,466	7,463	7,309	7,233	7,269	7,356	7,127	6,953	6,933
5 Federal funds sold[2]	5,593	4,468	4,789	6,383	7,475	7,479	8,578	5,658	7,917
6 To commercial banks in the United States	4,080	3,032	3,417	5,034	5,972	6,276	7,307	4,352	6,688
7 To others	1,513	1,436	1,372	1,349	1,503	1,203	1,271	1,306	1,229
8 Other loans, gross	124,723r	124,950r	126,608r	125,964r	125,877	126,186	126,591	125,573	125,652
9 Commercial and industrial	75,169	75,338	76,597	75,245	75,835	76,116	75,565	75,734	76,099
10 Bankers acceptances and commercial paper	1,996	1,955	2,424	2,356	2,302	2,344	2,285	2,327	2,323
11 All other	73,173	73,383	74,173	72,889	73,533	73,772	73,280	73,407	73,776
12 U.S. addressees	71,726	71,952	72,673	71,483	72,088	72,339	71,834	71,947	72,306
13 Non-U.S. addressees	1,447	1,431	1,500	1,406	1,445	1,433	1,446	1,460	1,470
14 Loans secured by real estate[3]	20,858	20,834	21,189	21,801	21,890	21,924	22,139	22,118	22,207
15 To financial institutions	25,546r	25,398r	25,197r	25,984r	25,241	25,536	25,715	24,898	24,580
16 Commercial banks in the United States	19,340	19,011	18,387	19,081	18,235	18,289	18,565	18,270	18,211
17 Banks in foreign countries	1,572	1,769	1,980	2,174	2,281	2,524	2,367	1,913	1,668
18 Nonbank financial institutions	4,634r	4,618r	4,830r	4,729r	4,725	4,723	4,783	4,715	4,701
19 To foreign governments and official institutions	221	224	221	223	220	210	218	188	185
20 For purchasing and carrying securities	1,681	1,641	2,066	1,376	1,319	1,042	1,336	1,237	1,231
21 All other[3]	1,248	1,515	1,338	1,335	1,372	1,358	1,618	1,398	1,350
22 Other assets (claims on nonrelated parties)	33,563	33,782	33,154	33,697	33,922	33,984	32,702	33,341	33,166
23 Net due from related institutions	16,025r	14,970r	16,491r	14,204r	15,690	13,269	10,206	11,270	10,396
24 Total assets	211,799	208,722	212,195	211,061	215,780	211,510	209,401	209,439	212,971
25 Deposits or credit balances due to other than directly related institutions	49,173	49,653	49,984r	50,142	51,577	50,955	50,245	50,373	50,224
26 Transaction accounts and credit balances[4]	3,789	4,150	4,058r	3,923r	4,247	4,052	4,053	3,996	3,871
27 Individuals, partnerships, and corporations	2,612	2,450	2,617r	2,758r	2,930	2,707	2,656	2,718	2,684
28 Other	1,177	1,700	1,441	1,165	1,317	1,345	1,397	1,278	1,187
29 Nontransaction accounts[5]	45,384	45,503	45,926	46,219r	47,330	46,903	46,192	46,377	46,353
30 Individuals, partnerships, and corporations	38,429	38,561	38,560	39,197r	39,616	39,429	39,165	38,890	38,870
31 Other	6,955	6,942	7,366	7,022	7,714	7,474	7,027	7,487	7,483
32 Borrowings from other than directly related institutions	104,705	100,691	103,069	102,252	101,464	102,282	97,141	96,808	97,032
33 Federal funds purchased[6]	49,750	45,137	49,622	43,352	43,714	43,043	39,019	38,843	39,523
34 From commercial banks in the United States	23,261	19,152	23,081	20,390	19,920	19,116	16,915	18,073	18,934
35 From others	26,489	25,985	26,541	22,962	23,794	23,927	22,104	20,770	20,589
36 Other liabilities for borrowed money	54,955	55,554	53,447	58,900	57,750	59,239	58,122	57,965	57,509
37 To commercial banks in the United States	32,487	32,009	31,288	32,635	31,501	31,927	32,984	32,000	32,297
38 To others	22,468	23,545	22,159	26,265	26,249	27,312	25,138	25,965	25,212
39 Other liabilities to nonrelated parties	33,037	33,143	32,300	32,781	33,324	33,021	32,066	36,175	37,360
40 Net due to related institutions	24,882	25,234	26,843r	25,886	29,416	25,253	29,947	26,083	28,353
41 Total liabilities	211,799	208,722	212,195	211,061	215,780	211,510	209,401	209,439	212,971
MEMO									
42 Total loans (gross) and securities adjusted[7]	125,103r	124,910r	127,179r	126,394r	127,907	126,598	126,536	128,904	129,452
43 Total loans (gross) adjusted[7]	106,896r	107,375r	109,593r	108,232r	109,145	109,100	109,297	108,609	108,670

1. Effective Jan. 4, 1989, the reporting panel includes a new group of large U.S. branches and agencies of foreign banks. Earlier data included 65 U.S. branches and agencies of foreign banks that included those branches and agencies with assets of $750 million or more on June 30, 1980, plus those branches and agencies that had reached the $750 million asset level on Dec. 31, 1984. These data also appear in the Board's H.4.2 (504) release. For address, see inside front cover.
2. Includes securities purchased under agreements to resell.
3. Effective Jan. 4, 1989, loans secured by real estate are being reported as a separate component of Other loans, gross. Formerly, these loans were included in "All other", line 21.
4. Includes credit balances, demand deposits, and other checkable deposits.
5. Includes savings deposits, money market deposit accounts, and time deposits.
6. Includes securities sold under agreements to repurchase.
7. Exclusive of loans to and federal funds sold to commercial banks in the United States.

1.31 GROSS DEMAND DEPOSITS Individuals, Partnerships, and Corporations[1]

Billions of dollars, estimated daily-average balances, not seasonally adjusted

Type of holder	1984 Dec.	1985 Dec.	1986 Dec.	1987 Dec.	1988 Dec.	1989 Mar.	1989 June	1989 Sept.	1989 Dec.	1990 Mar.
	Commercial banks									
1 **All holders—Individuals, partnerships, and corporations**	**302.7**	**321.0**	**363.6**	**343.5**	**354.7**	**330.4**	**329.3**	**337.3**	**352.2**	**328.7[r]**
2 Financial business	31.7	32.3	41.4	36.3	38.6	36.3	33.0	33.7	33.8	34.1[r]
3 Nonfinancial business	166.3	178.5	202.0	191.9	201.2	182.2	185.9	190.4	202.5	183.3[r]
4 Consumer	81.5	85.5	91.1	90.0	88.3	87.4	86.6	87.9	90.3	86.6[r]
5 Foreign	3.6	3.5	3.3	3.4	3.7	3.7	2.9	2.9	3.1	3.0[r]
6 Other	19.7	21.2	25.8	21.9	22.8	20.7	21.0	22.4	22.5	21.7[r]
	Weekly reporting banks									
7 **All holders—Individuals, partnerships, and corporations**	**157.1**	**168.6**	**195.1**	**183.8**	**198.3**	**181.9**	**182.2**	**186.6**	**196.7**	**183.7[r]**
8 Financial business	25.3	25.9	32.5	28.6	30.5	27.2	25.4	26.3	27.6	25.6[r]
9 Nonfinancial business	87.1	94.5	106.4	100.0	108.7	98.6	99.8	101.6	108.8	100.1[r]
10 Consumer	30.5	33.2	37.5	39.1	42.6	41.1	42.4	43.0	44.1	42.4[r]
11 Foreign	3.4	3.1	3.3	3.3	3.6	3.3	2.9	2.8	3.0	2.8
12 Other	10.9	12.0	15.4	12.7	12.9	11.7	11.7	12.9	13.2	12.8[r]

1. Figures include cash items in process of collection. Estimates of gross deposits are based on reports supplied by a sample of commercial banks. Types of depositors in each category are described in the June 1971 *Bulletin*, p. 466. Figures may not add to totals because of rounding.

2. Beginning in March 1984, these data reflect a change in the panel of weekly reporting banks, and are not comparable to earlier data. Estimates in billions of dollars for December 1983 based on the new weekly reporting panel are: financial business, 24.4; nonfinancial business, 80.9; consumer, 30.1; foreign, 3.1; other 9.5.

Beginning March 1985, financial business deposits and, by implication, total gross demand deposits have been redefined to exclude demand deposits due to thrift institutions. Historical data have not been revised. The estimated volume of such deposits for December 1984 is $5.0 billion at all insured commercial banks and $3.0 billion at weekly reporting banks.

Historical data back to March 1985 have been revised to account for corrections of bank reporting errors. Historical data before March 1985 have not been revised, and may contain reporting errors. Data for all commercial banks for March 1985 were revised as follows (in billions of dollars): all holders, −.3; financial business, −.8; nonfinancial business, −.4; consumer, .9; foreign, .1; other, −.1. Data for weekly reporting banks for March 1985 were revised as follows (in billions of dollars): all holders, −.1; financial business, −.7; nonfinancial business, −.5; consumer, 1.1; foreign, .1; other, −.2.

3. Beginning March 1988, these data reflect a change in the panel of weekly reporting banks, and are not comparable to earlier data. Estimates in billions of dollars for December 1987 based on the new weekly reporting panel are: financial business, 29.4; nonfinancial business, 105.1; consumer, 41.1; foreign, 3.4; other, 13.1.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Instrument	1985 Dec.	1986 Dec.	1987 Dec.	1988 Dec.	1989 Dec.	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.	1990 Apr.
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**298,779**	**329,991**	**358,056**	**457,297**	**529,055**	**521,634**	**529,055**	**533,137**	**540,148**	**546,786**	**544,481**
Financial companies[1]											
Dealer-placed paper[2]											
2 Total	78,443	101,072	102,844	160,094	187,084	183,284	187,084	183,401	185,391	184,097	185,107
3 Bank-related (not seasonally adjusted)[3]	1,602	2,265	1,428	1,248	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Directly placed paper[4]											
4 Total	135,320	151,820	173,980	194,537	212,210	212,215	212,210	214,996	215,650	215,501	213,843
5 Bank-related (not seasonally adjusted)[3]	44,778	40,860	43,173	43,155	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
6 Nonfinancial companies[5]	85,016	77,099	81,232	102,666	129,761	126,135	129,761	134,740	139,107	147,188	145,531
	Bankers dollar acceptances (not seasonally adjusted)[6]										
7 **Total**	**68,413**	**64,974**	**70,565**	**66,631**	**62,972**	**63,802**	**62,972**	**60,019**	**57,852**	**55,865**	**53,945**
Holder											
8 Accepting banks	11,197	13,423	10,943	9,086	9,433	9,923	9,433	9,954	10,351	9,574	9,069
9 Own bills	9,471	11,707	9,464	8,022	8,510	8,548	8,510	8,467	8,907	8,386	7,719
10 Bills bought	1,726	1,716	1,479	1,064	924	1,375	924	1,488	1,444	1,188	1,350
Federal Reserve Banks											
11 Own account	0	0	0	0	0	0	0	0	0	0	0
12 Foreign correspondents	937	1,317	965	1,493	1,066	1,034	1,066	1,069	1,123	1,180	1,141
13 Others	56,279	50,234	58,658	56,052	52,473	52,846	52,473	48,996	46,379	45,111	43,735
Basis											
14 Imports into United States	15,147	14,670	16,483	14,984	15,651	15,691	15,651	15,100	14,522	14,418	13,413
15 Exports from United States	13,204	12,960	15,227	14,410	13,683	14,385	13,683	13,437	12,567	12,161	12,610
16 All other	40,062	37,344	38,855	37,237	33,638	33,726	33,638	31,482	30,764	29,286	27,922

1. Institutions engaged primarily in activities such as, but not limited to, 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. Beginning January 1989, bank-related series have been discontinued.
4. As reported by financial companies that place their paper directly with investors.
5. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.
6. Beginning January 1988, the number of respondents in the bankers acceptance survey were reduced from 155 to 111 institutions—those with $100 million or more in total acceptances. The panel is revised every January and currently has about 100 respondents. The current reporting group accounts for over 90 percent of total acceptances activity.

1.33 PRIME RATE CHARGED BY BANKS on Short-Term Business Loans

Percent per year

Date of change	Rate	Period	Average rate	Period	Average rate	Period	Average rate
1987— Apr. 1	7.75	1987	8.21	1988— Jan.	8.75	1989— July	10.98
May 1	8.00	1988	9.32	Feb.	8.51	Aug.	10.50
15	8.25	1989	10.87	Mar.	8.50	Sept.	10.50
Sept.4	8.75			Apr.	8.50	Oct.	10.50
Oct. 7	9.25	1987— Jan.	7.50	May	8.84	Nov.	10.50
22	9.00	Feb.	7.50	June	9.00	Dec.	10.50
Nov. 5	8.75	Mar.	7.50	July	9.29		
		Apr.	7.75	Aug.	9.84	1990— Jan.	10.11
1988— Feb. 2	8.50	May	8.14	Sept.	10.00	Feb.	10.00
May 11	9.00	June	8.25	Oct.	10.00	Mar.	10.00
July 14	9.50	July	8.25	Nov.	10.05	Apr.	10.00
Aug. 11	10.00	Aug.	8.25	Dec.	10.50	May	10.00
Nov. 28	10.50	Sept.	8.70			June	10.00
		Oct.	9.07	1989— Jan.	10.50		
1989— Feb. 10	11.00	Nov.	8.78	Feb.	10.93		
24	11.50	Dec.	8.75	Mar.	11.50		
June 5	11.00			Apr.	11.50		
July 31	10.50			May	11.50		
				June	11.07		
1990— Jan. 8	10.00						

NOTE. These data also appear in the Board's H.15 (519) and G.13 (415) releases. For address, see inside front cover.

1.35 INTEREST RATES Money and Capital Markets

Averages, percent per year; weekly, monthly and annual figures are averages of business day data unless otherwise noted.

	Instrument	1987	1988	1989	1990 Feb.	Mar.	Apr.	May	Apr. 27	May 4	May 11	May 18	May 25
	Money Market Rates												
1	Federal funds[1,2]	6.66	7.57	9.21	8.24	8.28	8.26	8.18	8.24	8.12	8.20	8.16	8.22
2	Discount window borrowing[1,2,3]	5.66	6.20	6.93	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
	Commercial paper[4,5]												
3	1-month	6.74	7.58	9.11	8.22	8.32	8.32	8.24	8.35	8.36	8.26	8.21	8.19
4	3-month	6.82	7.66	8.99	8.14	8.28	8.30	8.25	8.37	8.42	8.26	8.20	8.17
5	6-month	6.85	7.68	8.80	8.04	8.23	8.29	8.23	8.38	8.45	8.25	8.16	8.15
	Finance paper, directly placed[4,5]												
6	1-month	6.61	7.44	8.99	8.13	8.23	8.23	8.14	8.27	8.27	8.16	8.10	8.08
7	3-month	6.54	7.38	8.72	7.97	8.04	8.13	8.12	8.20	8.23	8.15	8.08	8.07
8	6-month	6.37	7.14	8.16	7.40	7.49	7.74	8.04	7.96	8.12	8.06	8.00	8.00
	Bankers acceptances[5,6]												
9	3-month	6.75	7.56	8.87	8.03	8.15	8.21	8.12	8.30	8.29	8.13	8.09	8.06
10	6-month	6.78	7.60	8.67	7.91	8.11	8.18	8.08	8.32	8.32	8.10	8.01	8.00
	Certificates of deposit, secondary market[7]												
11	1-month	6.75	7.59	9.11	8.19	8.30	8.32	8.25	8.38	8.38	8.26	8.22	8.20
12	3-month	6.87	7.73	9.09	8.22	8.35	8.42	8.35	8.53	8.56	8.37	8.29	8.29
13	6-month	7.01	7.91	9.08	8.26	8.48	8.57	8.48	8.72	8.74	8.51	8.40	8.38
14	Eurodollar deposits, 3-month[8]	7.07	7.85	9.16	8.24	8.37	8.44	8.35	8.49	8.59	8.48	8.30	8.30
	U.S. Treasury bills[5]												
	Secondary market[9]												
15	3-month	5.78	6.67	8.11	7.74	7.90	7.77	7.74	7.78	7.85	7.74	7.67	7.71
16	6-month	6.03	6.91	8.03	7.70	7.85	7.84	7.76	7.94	7.97	7.75	7.68	7.73
17	1-year	6.33	7.13	7.92	7.55	7.76	7.80	7.73	7.94	7.94	7.75	7.66	7.64
	Auction average[10]												
18	3-month	5.82	6.69	8.12	7.76	7.87	7.78	7.78	7.78	7.91	7.79	7.67	7.74
19	6-month	6.05	6.92	8.04	7.72	7.83	7.82	7.82	7.91	8.03	7.84	7.68	7.79
20	1-year	6.33	7.17	7.91	7.42	7.76	7.72	8.05	n.a.	n.a.	8.05	n.a.	n.a.
	Capital Market Rates												
	U.S. Treasury notes and bonds[11]												
	Constant maturities[12]												
21	1-year	6.77	7.65	8.53	8.11	8.35	8.40	8.32	8.57	8.56	8.36	8.24	8.22
22	2-year	7.42	8.10	8.57	8.37	8.63	8.72	8.64	8.95	8.94	8.68	8.56	8.54
23	3-year	7.68	8.26	8.55	8.39	8.63	8.78	8.69	9.02	9.01	8.73	8.60	8.58
24	5-year	7.94	8.47	8.50	8.42	8.60	8.77	8.74	9.01	9.01	8.79	8.67	8.64
25	7-year	8.23	8.71	8.52	8.48	8.65	8.81	8.78	9.04	9.03	8.83	8.71	8.70
26	10-year	8.39	8.85	8.49	8.47	8.59	8.79	8.76	9.02	9.02	8.81	8.68	8.66
27	30-year	8.59	8.96	8.45	8.50	8.56	8.76	8.73	9.00	8.98	8.80	8.64	8.63
	Composite[13]												
28	Over 10 years (long-term)	8.64	8.98	8.58	8.66	8.74	8.92	8.90	9.15	9.14	8.96	8.81	8.80
	State and local notes and bonds												
	Moody's series[14]												
29	Aaa	7.14	7.36	7.00	7.05	6.98	7.04	6.97	7.19	7.19	7.15	7.15	6.80
30	Baa	8.17	7.83	7.40	7.24	7.41	7.43	7.37	7.40	7.50	7.75	7.50	7.13
31	*Bond Buyer* series[15]	7.63	7.68	7.23	7.22	7.29	7.39	7.35	7.51	7.54	7.39	7.29	7.26
	Corporate bonds												
	Seasoned issues[16]												
32	All industries	9.91	10.18	9.66	9.64	9.73	9.82	9.87	9.95	10.00	9.94	9.82	9.79
33	Aaa	9.38	9.71	9.26	9.22	9.37	9.46	9.47	9.59	9.62	9.54	9.39	9.39
34	Aa	9.68	9.94	9.46	9.45	9.51	9.64	9.70	9.77	9.81	9.77	9.67	9.64
35	A	9.99	10.24	9.74	9.75	9.82	9.89	9.89	9.98	10.03	9.95	9.85	9.80
36	Baa	10.58	10.83	10.18	10.14	10.21	10.30	10.41	10.45	10.54	10.49	10.36	10.34
37	A-rated, recently offered utility bonds[17]	9.96	10.20	9.79	9.84	9.92	10.09	10.04	10.32	10.16	10.02	10.02	9.98
	Memo: Dividend/price ratio[18]												
38	Preferred stocks	8.37	9.23	9.05	8.90	9.02	9.05	9.04	9.04	9.10	9.05	9.02	9.02
39	Common stocks	3.08	3.64	3.45	3.54	3.49	3.51	3.44	3.59	3.58	3.51	3.40	3.37

1. Weekly, monthly and annual figures are averages of all calendar days, where the rate for a weekend or holiday is taken to be the rate prevailing on the preceding business day. The daily rate is the average of the rates on a given day weighted by the volume of transactions at these rates.
2. Weekly figures are averages for statement week ending Wednesday.
3. Rate for the Federal Reserve Bank of New York.
4. Unweighted average of offering rates quoted by at least five dealers (in the case of commercial paper), or finance companies (in the case of finance paper). Before November 1979, maturities for data shown are 30–59 days, 90–119 days, and 120–179 days for commercial paper; and 30–59 days, 90–119 days, and 150–179 days for finance paper.
5. Yields are quoted on a bank-discount basis, rather than in an investment yield basis (which would give a higher figure).
6. Dealer closing offered rates for top-rated banks. Most representative rate (which may be, but need not be, the average of the rates quoted by the dealers).
7. Unweighted average of offered rates quoted by at least five dealers early in the day.
8. Calendar week average. For indication purposes only.
9. Unweighted average of closing bid rates quoted by at least five dealers.
10. Rates are recorded in the week in which bills are issued. Beginning with the Treasury bill auction held on Apr. 18, 1983, bidders were required to state the percentage yield (on a bank discount basis) that they would accept to two decimal places. Thus, average issuing rates in bill auctions will be reported using two rather than three decimal places.
11. Yields are based on closing bid prices quoted by at least five dealers.
12. Yields adjusted to constant maturities by the U.S. Treasury. That is, yields are read from a yield curve at fixed maturities. Based on only recently issued, actively traded securities.
13. Averages (to maturity or call) for all outstanding bonds neither due nor callable in less than 10 years, including one very low yielding "flower" bond.
14. General obligations based on Thursday figures; Moody's Investors Service.
15. General obligations only, with 20 years to maturity, issued by 20 state and local governmental units of mixed quality. Based on figures for Thursday.
16. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
17. Compilation of the Federal Reserve. This series is an estimate of the yield on recently-offered, A-rated utility bonds with a 30-year maturity and 5 years of call protection. Weekly data are based on Friday quotations.
18. Standard and Poor's corporate series. Preferred stock ratio based on a sample of ten issues: four public utilities, four industrials, one financial, and one transportation. Common stock ratios on the 500 stocks in the price index.

Note. These data also appear in the Board's H.15 (519) and G.13 (415) releases. For address, see inside front cover.

1.36 STOCK MARKET Selected Statistics

Indicator	1987	1988	1989	1989 Sept.	1989 Oct.	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.	1990 Apr.	1990 May
	Prices and trading (averages of daily figures)											
Common stock prices												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	161.78	149.97	180.13	193.02	192.49	188.50	192.67	187.96	182.55	186.26	185.61	191.35
2 Industrial	195.31	180.83	228.04	230.86	229.40	224.38	230.12	225.79	220.60	226.14	226.86	234.85
3 Transportation	140.52	134.09	174.90	202.02	190.36	174.26	177.25	173.67	166.69	175.08	173.54	173.53
4 Utility	74.29	72.22	94.33	93.44	94.67	94.95	99.73	95.69	92.15	92.99	91.92	93.29
5 Finance	146.48	127.41	162.01	165.51	166.55	160.89	155.63	150.11	142.68	143.14	138.57	142.94
6 Standard & Poor's Corporation (1941–43 = 10)[1]	287.00	265.88	323.05	347.33	347.40	340.22	348.57	339.97	330.45	338.47	338.18	350.25
7 American Stock Exchange (Aug. 31, 1973 = 50)[2]	316.78	295.08	356.67	382.75	383.63	371.92	373.87	367.40	355.30	360.77	353.32	353.82
Volume of trading (thousands of shares)												
8 New York Stock Exchange	188,922	161,386	165,568	151,752	182,394	144,389	160,671	172,420	155,960	149,240	140,062	163,486
9 American Stock Exchange	13,832	9,955	13,124	12,631	13,853	12,001	13,298	14,831	13,735	15,133	13,961	14,005
	Customer financing (end-of-period balances, in millions of dollars)											
10 Margin credit at broker-dealers[3]	**31,990**	**32,740**	**34,320**	**35,020**	**35,110**	**34,630**	**34,320**	**32,640**	**31,480**	**30,760**	**31,060**	**31,600**
Free credit balances at brokers[4]												
11 Margin-account[5]	4,750	5,660	7,040	5,680	6,000	5,815	7,040	6,755	6,575	6,525	6,465	6,215
12 Cash-account	15,640	16,595	18,505	15,310	16,340	16,345	18,505	17,370	16,200	16,510	15,375	15,470

Indicator	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. Effective July 1976, includes a new financial group, banks and insurance companies. With this change the index includes 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.
2. Beginning July 5, 1983, the American Stock Exchange rebased its index effectively cutting previous readings in half.
3. Beginning July 1983, under the revised Regulation T, margin credit at broker-dealers includes credit extended against stocks, convertible bonds, stocks acquired through 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 in accounts with no unfulfilled commitments to the brokers and are subject to withdrawal by customers on demand.
5. New series beginning June 1984.
6. These regulations, adopted by the Board of Governors pursuant to the Securities Exchange Act of 1934, limit the amount of credit 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.

1.37 SELECTED FINANCIAL INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1987	1988	1989							1990		
			June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
	SAIF-insured institutions											
1 **Assets**	**1,250,855**	**1,350,500**	**1,336,143**	**1,329,503**	**1,315,921**	**1,298,904**	**1,286,827**	**1,277,314**	**1,250,068**	**1,237,627**		
2 Mortgages	721,593	764,513	763,328	762,206	760,786	755,428	748,800	745,093	734,422	727,636		
3 Mortgage-backed securities	201,828	214,587	211,325	204,365	195,309	188,493	181,641	176,552	170,725	169,482		
4 Contra-assets to mortgage assets[1]	42,344	37,950	28,148	27,659	27,433	27,131	25,972	25,001	25,397	23,408		
5 Commercial loans	23,163	33,889	33,072	33,206	33,035	32,936	32,572	32,327	32,162	31,941		
6 Consumer loans	57,902	61,922	60,768	61,079	60,958	60,405	59,727	59,396	58,728	56,940		
7 Contra-assets to nonmortgage loans[2]	3,467	3,056	3,190	3,199	3,163	3,127	3,106	3,199	3,482	1,866	n.a.	n.a.
8 Cash and investment securities	169,717	186,986	175,222	175,135	171,564	169,478	172,582	172,302	165,849	160,600		
9 Other[3]	122,462	129,610	123,766	124,370	124,864	122,421	120,584	119,845	117,061	116,301		
10 **Liabilities and net worth**	***1,250,855***	***1,350,500***	***1,336,143***	***1,329,503***	***1,315,921***	***1,298,904***	***1,286,827***	***1,277,314***	***1,250,068***	***1,237,627***		
11 Savings capital	932,616	971,700	960,073	963,158	960,344	958,901	948,500	946,655	945,649	933,794		
12 Borrowed money	249,917	299,400	312,093	301,571	289,634	281,473	275,978	268,462	252,193	253,519		
13 FHLBB	116,363	134,168	144,217	141,875	138,331	133,633	130,514	127,671	124,578	121,697		
14 Other	133,554	165,232	167,876	159,696	151,303	147,840	145,464	140,791	127,615	131,822		
15 Other	21,941	24,216	29,892	31,886	33,811	29,952	30,965	31,992	27,462	26,742		
16 Net worth	n.a.	n.a.	34,084	32,888	32,131	28,578	31,384	30,205	24,763	23,563		
	SAIF-insured federal savings banks											
17 **Assets**	**284,270**	**425,966**	**495,688**	**506,988**	**504,233**	**500,937**	**502,484**	**499,995**	**498,522**			
18 Mortgages	161,926	230,734	276,603	285,061	285,557	283,162	283,652	282,510	283,844			
19 Mortgage-backed securities	45,826	64,957	73,940	74,379	72,124	72,478	72,332	71,204	70,499			
20 Contra-assets to mortgage assets[1]	9,100	13,140	13,647	13,974	13,872	13,801	13,506	13,216	13,548			
21 Commercial loans	6,504	16,731	18,083	18,346	18,233	18,256	18,299	18,172	18,143			
22 Consumer loans	17,696	24,222	28,156	28,993	28,987	28,762	28,322	28,079	28,212			
23 Contra-assets to nonmortgage loans[2]	678	889	1,027	1,022	1,026	1,073	1,048	1,082	1,193			
24 Finance leases plus interest	591	880	1,083	1,089	1,076	1,092	1,085	1,092	1,101			
25 Cash and investment	35,347	61,029	65,736	65,979	65,040	64,073	65,193	65,191	64,538	n.a.	n.a.	n.a.
26 Other	24,069	35,412	39,619	40,352	40,542	40,659	40,799	40,852	39,981			
27 **Liabilities and net worth**	**284,270**	**425,966**	**495,688**	**506,988**	**504,233**	**500,937**	**502,484**	**499,995**	**498,522**			
28 Savings capital	203,196	298,197	342,146	352,547	352,158	353,474	355,923	355,874	360,547			
29 Borrowed money	60,716	99,286	121,893	121,194	117,973	115,627	114,231	111,369	108,448			
30 FHLBB	29,617	46,265	58,505	59,781	59,189	57,941	57,793	56,842	57,032			
31 Other	31,099	53,021	63,388	61,413	58,784	57,686	56,438	54,527	51,416			
32 Other	5,324	8,075	9,822	10,696	11,443	9,904	10,317	10,749	9,041			
33 Net worth	15,034	20,218	25,688	26,253	26,381	25,952	25,983	25,958	22,716			

1.37—Continued

Account	1987	1988	1989 June	1989 July	1989 Aug.	1989 Sept.	1989 Oct.	1989 Nov	1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.
	Credit unions[4]											
34 **Total assets/liabilities and capital**	n.a.	**174,593**	**180,664**	**179,029**	**180,035**	**181,812**	**181,527**	**182,856**	**183,688**	**183,301**	**186,119**	**192,718**
35 Federal	n.a.	114,566	117,632	117,475	117,463	118,746	118,887	119,682	120,666	120,489	122,885	126,690
36 State	n.a.	60,027	63,032	61,554	62,572	63,066	62,640	63,174	63,022	62,812	63,234	66,028
37 Loans outstanding	n.a.	113,191	119,101	119,720	120,577	122,522	122,997	122,899	122,608	122,332	121,968	121,660
38 Federal	n.a.	73,766	77,729	78,472	78,946	80,548	80,570	80,601	80,272	80,041	79,715	79,407
39 State	n.a.	39,425	41,372	41,248	41,631	41,874	42,427	42,298	42,336	42,291	42,253	42,253
40 Savings	n.a.	159,010	164,415	162,405	162,754	164,050	164,695	165,533	167,371	166,629	168,609	175,942
41 Federal	n.a.	104,431	106,984	106,266	106,038	106,633	107,588	108,319	109,653	109,818	111,246	115,714
42 State	n.a.	54,579	57,431	56,139	56,716	57,417	57,107	57,214	57,718	56,811	57,363	60,228
	Life insurance companies											
43 **Assets**	**1,044,459**	**1,157,140**	**1,232,195**	**1,247,341**	**1,257,045**	**1,266,773**	**1,276,181**	**1,289,467**	**1,303,691**	n.a.	n.a.	n.a.
Securities												
44 Government	84,426	84,051	84,564	84,438	83,225	82,867	83,727	83,609	84,381	n.a.	n.a.	n.a.
45 United States[5]	57,078	58,564	57,817	57,698	56,978	56,684	57,726	57,290	58,169	n.a.	n.a.	n.a.
46 State and local	10,681	9,136	9,036	9,061	9,002	9,037	9,019	9,280	9,191	n.a.	n.a.	n.a.
47 Foreign[6]	16,667	16,351	17,711	17,679	17,245	17,146	16,982	17,039	17,021	n.a.	n.a.	n.a.
48 Business	569,199	660,416	714,398	726,599	735,441	742,537	748,075	758,803	777,415	n.a.	n.a.	n.a.
49 Bonds	472,684	556,043	601,786	606,686	614,585	621,856	628,695	637,690	642,445	n.a.	n.a.	n.a.
50 Stocks	96,515	104,373	112,612	119,913	120,856	120,681	119,380	121,113	134,970	n.a.	n.a.	n.a.
51 Mortgages	203,545	232,863	237,444	237,865	238,944	240,189	242,391	243,728	246,345	n.a.	n.a.	n.a.
52 Real estate	34,172	37,371	38,190	38,622	38,822	38,942	39,343	39,339	39,368	n.a.	n.a.	n.a.
53 Policy loans	53,626	54,236	55,746	55,812	56,077	56,403	56,727	56,916	57,141	n.a.	n.a.	n.a.
54 Other assets	89,586	93,358	101,853	104,005	104,536	105,835	105,918	107,072	110,284	n.a.	n.a.	n.a.

1. Contra-assets are credit-balance accounts that must be subtracted from the corresponding gross asset categories to yield net asset levels. Contra-assets to mortgage loans, contracts, and pass-through securities include loans in process, unearned discounts and deferred loan fees, valuation allowances for mortgages "held for sale," and specific reserves and other valuation allowances.

2. Contra-assets are credit-balance accounts that must be subtracted from the corresponding gross asset categories to yield net asset levels. Contra-assets to nonmortgage loans include loans in process, unearned discounts and deferred loan fees, and specific reserves and valuation allowances.

3. Holding of stock in Federal Home Loan Bank and Finance leases plus interest are included in "Other" (line 9).

4. Data include all federally insured credit unions, both federal and state chartered, serving natural persons.

5. Direct and guaranteed obligations. Excludes federal agency issues not guaranteed, which are shown in the table under "Business" securities.

6. Issues of foreign governments and their subdivisions and bonds of the International Bank for Reconstruction and Development.

NOTE. *SAIF-insured institutions:* Estimates by the OTS for all institutions insured by the SAIF and based on the OTS thrift Financial Report.

SAIF-insured federal savings banks: Estimates by the OTS for federal savings banks insured by the SAIF and based on the OTS thrift Financial Report.

Credit unions: Estimates by the National Credit Union Administration for federally chartered and federally insured state-chartered credit unions serving natural persons.

Life insurance companies: Estimates of the American Council of Life Insurance for all life insurance companies in the United States. Annual figures are annual-statement asset values, with bonds carried on an amortized basis and stocks at year-end market value. Adjustments for interest due and accrued and for differences between market and book values are not made on each item separately but are included, in total, in "other assets."

As of June 1989 Savings bank data are no longer available.

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1987	Fiscal year 1988	Fiscal year 1989^r	Calendar year 1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.	1990 Apr.	1990 May
U.S. budget[1]									
1 Receipts, total	854,143	908,166	990,701	89,130	99,538	65,170	64,819	139,624	69,212
2 On-budget	640,741	666,675	727,035	69,052	74,243	44,133	38,989	106,775	45,514
3 Off-budget	213,402	241,491	263,666	20,077	25,295	21,037	25,829	32,849	23,697
4 Outlays, total	1,003,830	1,063,318	1,142,576	103,903	91,271	100,434	118,155	97,866	111,764
5 On-budget	809,998	860,626	931,355	92,306	72,956	80,872	97,631	79,750	91,814
6 Off-budget	193,832	202,691	211,221	11,598	18,315	19,563	20,524	18,116	19,950
7 Surplus, or deficit (−), total	−149,687	−155,151	−151,875	−14,774	8,267	−35,264	−53,336	41,759	−42,552
8 On-budget	−169,257	−193,951	−204,320	−23,253	1,286	−36,738	−58,642	27,025	−46,299
9 Off-budget	19,570	38,800	52,445	8,480	6,980	1,474	5,306	14,733	3,747
Source of financing (total)									
10 Borrowing from the public	151,717	166,139	140,811	6,821	15,841	18,221	56,090	−5,935	23,380
11 Operating cash (decrease, or increase (−))	−5,052	−7,963	3,425	−5,221	−18,116	25,462	1,123	−20,830	25,594
12 Other[2]	3,022	−3,025	7,639	13,174	−5,992	−8,419	−3,876	−14,994	−6,422
MEMO									
13 Treasury operating balance (level, end of period)	36,436	44,398	40,973	26,935	45,051	19,589	18,466	39,296	13,702
14 Federal Reserve Banks	9,120	13,024	13,452	6,217	13,153	6,613	4,832	5,205	4,426
15 Tax and loan accounts	27,316	31,375	27,521	20,718	31,899	12,976	13,634	34,091	9,276

1. In accordance with the Balanced Budget and Emergency Deficit Control Act of 1985, all former off-budget entries are now presented on-budget. The Federal Financing Bank (FFB) activities are now shown as separate accounts under the agencies that use the FFB to finance their programs. The act has also moved two social security trust funds (Federal old-age survivors insurance and Federal disability insurance trust funds) off-budget.

2. Includes SDRs; reserve position on the U.S. quota in the IMF; loans to international monetary fund; other cash and monetary assets; accrued interest payable to the public; allocations of special drawing rights; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seigniorage; increment on gold; net gain/loss for U.S. currency valuation adjustment; net gain/loss for IMF valuation adjustment; and profit on the sale of gold.

SOURCE. *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government* and the *Budget of the U.S. Government*.

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS[1]

Millions of dollars

Source or type	Fiscal year 1988	Fiscal year 1989	Calendar year						
			1988		1989		1990		
			H1	H2	H1	H2	Mar.	Apr.	May
RECEIPTS									
1 **All sources**	**908,166**	**990,701**	**475,724**	**449,330**	**527,574**	**470,329**	**64,819**	**139,624**	**69,212**
2 Individual income taxes, net	401,181	445,690	207,659	200,300	233,572	218,661	13,174	74,375	21,467
3 Withheld	341,435	361,386	169,300	179,600	174,230	193,296	31,323	27,855	32,548
4 Presidential Election Campaign Fund	33	32	28	4	28	3	9	6	6
5 Nonwithheld	132,199	154,839	101,614	29,880	121,563	33,303	5,455	62,629	7,235
6 Refunds	72,487	70,567	63,283	9,186	62,251	7,943	23,614	16,115	18,322
Corporation income taxes									
7 Gross receipts	109,683	117,015	58,002	56,409	61,585	52,269	14,477	15,424	2,461
8 Refunds	15,487	13,723	8,706	7,250	7,259	6,842	1,823	2,049	904
9 Social insurance taxes and contributions, net	334,335	359,416	181,058	157,603	200,127	162,574	32,961	43,821	37,450
10 Employment taxes and contributions[2]	305,093	332,859	164,412	144,983	184,569	152,407	32,376	41,090	29,869
11 Self-employment taxes and contributions[3]	17,691	18,504	14,839	3,032	16,371	1,947	1,213	10,685	1,472
12 Unemployment insurance	24,584	22,011	14,363	10,359	13,279	7,909	173	2,377	7,155
13 Other net receipts[4]	4,659	4,547	2,284	2,262	2,277	2,260	412	354	426
14 Excise taxes	35,604	34,386	16,440	19,299	16,814	16,844	2,814	3,181	3,743
15 Customs deposits	15,411	16,334	7,522	8,107	7,918	8,667	1,397	1,273	1,371
16 Estate and gift taxes	7,594	8,745	3,863	4,054	4,583	4,451	769	2,307	1,045
17 Miscellaneous receipts[5]	19,909	22,839	9,950	10,809	10,235	13,703	1,050	1,291	2,579
OUTLAYS									
18 **All types**	**1,063,318**	**1,142,576[r]**	**512,856**	**552,737**	**565,406[r]**	**587,343[r]**	**118,155**	**97,866[r]**	**111,764**
19 National defense	290,361	303,551	143,080	150,496	148,098	149,613	29,516	22,155	26,339
20 International affairs	10,471	9,596	7,150	2,636	6,569[r]	6,017[r]	1,568	1,026	1,204
21 General science, space, and technology	10,841	12,891	5,361	5,852	6,238	7,091	1,244	1,247	1,106
22 Energy	2,297	3,745	555	1,966	2,221	1,397	486	269	396
23 Natural resources and environment	14,625	16,084	6,776	9,072	7,022	9,183	1,200	1,211	1,536
24 Agriculture	17,210	16,948	7,872	6,911	9,619	4,132	1,875	2,089	1,254
25 Commerce and housing credit	18,828	27,810	5,951	19,836	4,129	22,200	7,328	3,890	8,937
26 Transportation	27,272	27,623	12,700	14,922	12,953[r]	14,982	2,103	2,272[r]	2,452
27 Community and regional development	5,294	5,755	2,765	2,690	1,833	4,879	797	534	681
28 Education, training, employment, and social services	31,938	35,697	15,451	16,162	18,083	18,663	3,135	3,266	3,127
29 Health	44,490	48,391	22,643	23,360	24,078	25,339	4,809	5,210	5,098
30 Social security and medicare	297,828	317,506	135,322	149,017	162,195	162,322	29,032	28,536	29,372
31 Income security	129,332	136,765	65,555	64,978	70,937	67,950	16,069	12,714	13,031
32 Veterans benefits and services	29,406	30,066	13,241	15,797	14,891	14,864	3,857	1,316	2,608
33 Administration of justice	8,436	9,396	4,369	4,361	4,801	4,963	738	861	895
34 General government	9,518	8,940	4,337	5,137	3,858	4,759[r]	984	395[r]	670
35 General-purpose fiscal assistance	1,816	n.a.	448	0	0	n.a.	n.a.	n.a.	n.a.
36 Net interest[6]	151,748	169,314	76,098	78,317	86,009	87,927	15,853	14,542[r]	16,062
37 Undistributed offsetting receipts[7]	−36,967	−37,212	−17,766	−18,771	−18,131	−18,935	−2,437	−3,668	−3,002

1. Functional details do not add 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. Net interest function includes interest received by trust funds.
7. Consists of rents and royalties on the outer continental shelf and U.S. government contributions for employee retirement.

SOURCES. U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*, and the U.S. Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 1990*.

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

Item	1988				1989				1990
	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31
1 **Federal debt outstanding**	**2,493.2**	**2,555.1**	**2,614.6**	**2,707.3**	**2,763.6**	**2,824.0**	**2,881.1**	**2,975.5**	**3,081.9**
2 Public debt securities	2,487.6	2,547.7	2,602.2	2,684.4	2,740.9	2,799.9	2,857.4	2,953.0	3,052.0
3 Held by public	1,996.7	2,013.4	2,051.7	2,095.2	2,133.4	2,142.1	2,180.7	2,245.2	n.a.
4 Held by agencies	490.8	534.2	550.4	589.2	607.5	657.8	676.7	707.8	n.a.
5 Agency securities	5.6	7.4	12.4	22.9	22.7	24.0	23.7	22.5	n.a.
6 Held by public	5.1	7.0	12.2	22.6	22.3	23.6	23.5	22.4	n.a.
7 Held by agencies	.6	.5	.2	.3	.4	.5	.1	.1	n.a.
8 **Debt subject to statutory limit**	**2,472.6**	**2,532.2**	**2,586.9**	**2,669.1**	**2,725.6**	**2,784.6**	**2,829.8**	**2,921.7**	**2,988.9**
9 Public debt securities	2,472.1	2,532.1	2,586.7	2,668.9	2,725.5	2,784.3	2,829.5	2,921.4	2,988.6
10 Other debt[1]	.5	.1	.1	.2	.2	.2	.3	.3	.3
11 MEMO: Statutory debt limit	2,800.0	2,800.0	2,800.0	2,800.0	2,800.0	2,800.0	2,870.0	3,122.7	3,122.7

1. Includes guaranteed debt of Treasury and other federal agencies, specified participation certificates, notes to international lending organizations, and District of Columbia stadium bonds.

SOURCES. *Treasury Bulletin* and *Monthly Statement of the Public Debt of the United States*.

1.41 GROSS PUBLIC DEBT OF U.S. TREASURY Types and Ownership

Billions of dollars, end of period

Type and holder	1986	1987	1988	1989	1989			1990
					Q2	Q3	Q4	Q1
1 **Total gross public debt**	**2,214.8**	**2,431.7**	**2,684.4**	**2,953.0**	**2,799.9**	**2,857.4**	**2,953.0**	**3,052.0**
By type								
2 Interest-bearing debt	2,212.0	2,428.9	2,663.1	2,931.8	2,797.4	2,836.3	2,931.8	3,029.5
3 Marketable	1,619.0	1,724.7	1,821.3	1,945.4	1,877.3	1,892.8	1,945.4	1,995.3
4 Bills	426.7	389.5	414.0	430.6	397.1	406.6	430.6	453.1
5 Notes	927.5	1,037.9	1,083.6	1,151.5	1,137.2	1,133.2	1,151.5	1,169.4
6 Bonds	249.8	282.5	308.9	348.2	328.0	338.0	348.2	357.9
7 Nonmarketable[1]	593.1	704.2	841.8	986.4	920.1	943.5	986.4	1,034.2
8 State and local government series	110.5	139.3	151.5	163.3	156.0	158.6	163.3	163.5
9 Foreign issues[2]	4.7	4.0	6.6	6.8	6.2	6.8	6.8	37.1
10 Government	4.7	4.0	6.6	6.8	6.2	6.8	6.8	37.1
11 Public	.0	.0	.0	.0	.0	.0	.0	.0
12 Savings bonds and notes	90.6	99.2	107.6	115.7	112.3	114.0	115.7	118.0
13 Government account series[3]	386.9	461.3	575.6	695.6	645.2	663.7	695.6	705.1
14 Non-interest-bearing debt	2.8	2.8	21.3	21.2	2.5	21.1	21.2	22.4
By holder[4]								
15 U.S. government agencies and trust funds	403.1	477.6	589.2	707.8	657.8	676.7	707.8	
16 Federal Reserve Banks	211.3	222.6	238.4	228.4	231.8	220.6	228.4	
17 Private investors	1,602.0	1,745.2	1,852.8	2,011.0	1,905.4	1,954.0	2,011.0	
18 Commercial banks	203.5	201.5	193.8	190.0	199.2	181.5	190.0	
19 Money market funds	28.0	14.6	11.8	14.4	11.3	12.9	14.4	
20 Insurance companies	105.6	104.9	107.3	n.a.	106.3	107.7	n.a.	
21 Other companies	68.8	84.6	87.1	93.8	92.1	93.5	93.8	n.a.
22 State and local Treasurys	262.8	284.6	313.6	n.a.	322.1	325.2	n.a.	
Individuals								
23 Savings bonds	92.3	101.1	109.6	117.7	114.0	115.7	117.7	
24 Other securities	70.4	70.2	76.4	91.5	92.5	92.1	91.5	
25 Foreign and international[5]	263.4	299.7	362.1	392.9	367.9	393.5	392.9	
26 Other miscellaneous investors[6]	506.6	584.0	591.1	n.a.	600.0	631.9	n.a.	

1. Includes (not shown separately): Securities issued to the Rural Electrification Administration; depository bonds, retirement plan bonds, and individual retirement bonds.
2. Nonmarketable dollar-denominated and foreign currency-denominated series held by foreigners.
3. Held almost entirely by U.S. Treasury agencies and trust funds.
4. Data for Federal Reserve Banks and U.S. Treasury agencies and trust funds are actual holdings; data for other groups are Treasury estimates.
5. Consists of investments of foreign and international accounts. Excludes non-interest-bearing notes issued to the International Monetary Fund.
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. Data by type of security, U.S. Treasury Department, *Monthly Statement of the Public Debt of the United States;* data by holder and the *Treasury Bulletin*.

1.42 U.S. GOVERNMENT SECURITIES DEALERS Transactions[1]

Par value; averages of daily figures, in millions of dollars

	Item	1987	1988	1989	1990 Mar.	1990 Apr.	1990 May	1990 Apr. 25	1990 May 2	1990 May 9	1990 May 16	1990 May 23	1990 May 30
	Immediate delivery[2]												
1	**U.S. Treasury securities**	**110,050**	**101,623**	**112,722**	**105,335**	**106,861**	**114,598**	**112,403**	**109,052**	**122,511**	**135,970**	**101,402**	**94,997**
	By maturity												
2	Bills	37,924	29,387	30,737	30,659	32,972	30,736	33,150	34,151	29,973	31,710	26,540	28,684
3	Other within 1 year	3,271	3,426	3,183	2,121	2,687	2,810	3,069	3,894	2,350	3,249	1,925	2,278
4	1–5 years	27,918	27,777	33,664	31,177	30,178	37,007	33,784	32,316	41,190	43,486	37,805	27,806
5	5–10 years	24,014	24,939	28,680	25,090	26,199	26,077	27,823	25,113	30,716	28,406	20,926	24,148
6	Over 10 years	16,923	16,093	16,458	16,289	14,824	17,968	14,578	13,579	18,282	29,119	14,206	12,081
	By type of customer												
7	U.S. government securities dealers	2,936	2,761	3,286	3,802	3,354	3,837	3,370	3,053	4,520	4,134	3,576	2,692
8	U.S. government securities brokers	61,539	59,844	66,419	60,271	59,623	65,489	63,823	61,741	70,573	77,242	58,716	54,314
9	All others[3]	45,575	39,019	43,016	41,262	43,884	45,272	45,211	44,259	47,419	54,595	39,110	37,991
10	Federal agency securities	18,084	15,903	18,626	19,146	19,763	17,993	18,575	19,874	22,034	20,340	13,303	14,998
11	Certificates of deposit	4,112	3,369	2,798	1,518	1,728	1,437	1,796	1,906	1,618	1,483	1,100	1,350
12	Bankers acceptances	2,965	2,316	2,222	1,382	1,532	1,391	1,672	1,369	1,407	1,533	1,253	1,306
13	Commercial paper	17,135	22,927	31,805	37,018	39,797	36,605	39,623	41,373	35,938	34,787	36,112	37,516
	Futures contracts[4]												
14	Treasury bills	3,233	2,627	2,525	2,078	2,607	2,022	2,772	2,317	2,573	2,015	1,431	1,563
15	Treasury coupons	8,963	9,695	9,602	11,826	9,799	10,772	9,669	10,385	10,000	14,325	10,481	8,550
16	Federal agency securities	5	1	8	10	12	12	29	14	17	14	20	0
	Forward transactions[5]												
17	U.S. Treasury securities	2,029	2,095	2,127	1,260	1,845	2,449	1,845	2,791	3,611	1,904	2,218	1,170
18	Federal agency securities	9,290	8,008	9,483	9,598	10,071	12,826	7,948	10,197	15,570	16,672	11,360	8,360

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.

Averages for transactions are based on the number of trading days in the period. The figures exclude allotments of, and exchanges for, new U.S. Treasury securities, redemptions of called or matured securities, purchases or sales of securities under repurchase agreement, reverse repurchase (resale), or similar contracts.

2. Data for immediate transactions do not include forward transactions.

3. Includes, among others, all other dealers and brokers in commodities and securities, nondealer departments of commercial banks, foreign banking agencies, and the Federal Reserve System.

4. Futures contracts are standardized agreements arranged on an organized exchange in which parties commit to purchase or sell securities for delivery at a future date.

5. Forward transactions are agreements arranged in the over-the-counter market in which securities are purchased (sold) for delivery after 5 business days from the date of the transaction for Treasury securities (Treasury bills, notes, and bonds) or after 30 days for mortgage-backed agency issues.

1.43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing[1]

Averages of daily figures, in millions of dollars

Item	1987	1988	1989	1990 Mar.	1990 Apr.	1990 May	1990 May 2	1990 May 9	1990 May 16	1990 May 23	1990 May 30
						Positions					
Net immediate[2]											
1 **U.S. Treasury securities**	**−6,216**	**−22,765**	**−5,940**	**2,200**	**−6,494r**	**−14,453**	**−21,155**	**−19,596**	**−11,016**	**−14,044**	**−10,765**
2 Bills	4,317	2,238	7,835	16,162	9,823r	2,713	268	2,817	3,257	3,232	1,072
3 Other within 1 year	1,557	−2,236	−1,528	−884	837	190	137	468	44	118	210
4 1–5 years	649	−3,020	2,338	5,304	4,171	1,673	3,395	2,133	1,711	−776	3,806
5 5–10 years	−6,564	−9,663	−8,133	−5,894	−5,891	−3,728	−6,490	−6,587	−2,623	−3,065	−1,393
6 Over 10 years	−6,174	−10,084	−6,452	−12,488	−15,434	−15,302	−18,464	−18,427	−13,406	−13,554	−14,459
7 Federal agency securities	31,911	28,230	31,913	37,064	34,928	36,214	32,902	35,622	41,385	37,279	32,745
8 Certificates of deposit	8,188	7,300	6,674	4,581	3,577	3,509	3,452	3,410	3,595	3,628	3,440
9 Bankers acceptances	3,660	2,486	2,089	1,459	1,277	1,081	862	1,036	1,223	1,083	1,021
10 Commercial paper	7,496	6,152	8,242	7,285	7,492	7,410	8,199	8,213	8,274	6,096	6,265
Futures positions											
11 Treasury bills	−3,373	−2,210	−4,599	−8,417	−7,017	−8,091	−6,890	−7,514	−9,298	−8,769	−7,556
12 Treasury coupons	5,988	6,224	−2,918	−5,561	−4,738	−5,604	−1,166	−2,679	−7,137	−7,545	−6,939
13 Federal agency securities	−95	0	14	45	22	22	59	27	−6	45	5
Forward positions											
14 U.S. Treasury securities	−1,211	346	−545	−1,723	−1,189	−305	−1,108	−2,023	−174	1,265	297
15 Federal agency securities	−18,817	−16,348	−16,878	−16,271	−12,143	−14,888	−10,678	−13,405	−19,459	−16,195	−12,750
						Financing[3]					
Reverse repurchase agreements[4]											
16 Overnight and continuing	126,709	136,327	157,955	157,137	160,104r	0	168,835	160,333	170,416	157,808	155,850
17 Term	148,288	177,477	225,126	205,804	220,483r	0	230,402	234,686	210,400	217,021	211,400
Repurchase agreements[5]											
18 Overnight and continuing	170,763	172,695	219,083	226,475	227,829r	0	222,817	213,149	231,162	213,123	214,737
19 Term	121,270	137,056	179,557	167,324	175,175r	0	185,024	193,262	175,398	185,774	174,829

1. Data for dealer positions and sources of financing are obtained from reports submitted to the Federal Reserve Bank of New York by the U.S. Treasury securities dealers on its published list of primary dealers.

Data for positions are averages of daily figures, in terms of par value, based on the number of trading days in the period. Positions are net amounts and are shown on a commitment basis. Data for financing are in terms of actual amounts borrowed or lent and are based on Wednesday figures.

2. Immediate positions are net amounts (in terms of par values) of securities owned by nonbank dealer firms and dealer departments of commercial banks on a commitment, that is, trade-date basis, including any such securities that have been sold under agreements to repurchase (RPs). The maturities of some repurchase agreements are sufficiently long, however, to suggest that the securities involved are not available for trading purposes. Immediate positions include reverses to maturity, which are securities that were sold after having been obtained under reverse repurchase agreements that mature on the same day as the securities. Data for immediate positions do not include forward positions.

3. Figures cover financing involving U.S. Treasury and federal agency securities, negotiable CDs, bankers acceptances, and commercial paper.

4. Includes all reverse repurchase agreements, including those that have been arranged to make delivery on short sales and those for which the securities obtained have been used as collateral on borrowings, that is, matched agreements.

5. Includes both repurchase agreements undertaken to finance positions and "matched book" repurchase agreements.

NOTE. Data on positions for the period May 1 to Sept. 30, 1986, are partially estimated.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1985	1986	1987	1988	1989	1990			
					Dec.	Jan.	Feb.	Mar.	Apr.
1 **Federal and federally sponsored agencies**	**293,905**	**307,361**	**341,386**	**381,498**	**411,805**	**414,414**	**420,309**	**420,246**	**0**
2 Federal agencies	36,390	36,958	37,981	35,668	35,664	34,995	42,974	42,492r	42,526
3 Defense Department[1]	71	33	13	8	7	7	7	7	7
4 Export-Import Bank[2,3]	15,678	14,211	11,978	11,033	10,985	10,985	10,985	11,017r	11,017
5 Federal Housing Administration[4]	115	138	183	150	328	239	280	318	352
6 Government National Mortgage Association participation certificates[5]	2,165	2,165	1,615	0	0	0	0	0	0
7 Postal Service[6]	1,940	3,104	6,103	6,142	6,445	6,445	6,445	6,445	6,445
8 Tennessee Valley Authority	16,347	17,222	18,089	18,335	17,899	17,319	25,257	24,705	24,705
9 United States Railway Association[6]	74	85	0	0	0	0	0	0	0
10 Federally sponsored agencies[7]	257,515	270,553	303,405	345,830	376,141	0	377,335	377,755	0
11 Federal Home Loan Banks	74,447	88,758	115,727	135,836	136,087	133,699	132,975	131,526	127,401
12 Federal Home Loan Mortgage Corporation	11,926	13,589	17,645	22,797	26,148	25,298	25,017	26,152	0
13 Federal National Mortgage Association	93,896	93,563	97,057	105,459	116,064	115,164	116,207	116,815	117,357
14 Farm Credit Banks[8]	68,851	62,478	55,275	53,127	54,864	55,809	53,790	53,732	53,700
15 Student Loan Marketing Association[9]	8,395	12,171	16,503	22,073	28,705	30,908	30,806	30,988	0
16 Financing Corporation[10]	0	0	1,200	5,850	8,170	8,170	8,170	8,170	8,170
17 Farm Credit Financial Assistance Corporation[11]	0	0	0	690	847	847	847	847	847
18 Resolution Funding Corporation[12]	0	0	0	0	4,522	9,524	9,524	9,524	13,026
MEMO									
19 **Federal Financing Bank debt[13]**	**153,373**	**157,510**	**152,417**	**142,850**	**134,873**	**134,263**	**133,567**	**135,448**	**136,957**
Lending to federal and federally sponsored agencies									
20 Export-Import Bank[3]	15,670	14,205	11,972	11,027	10,979	10,979	10,979	11,011r	11,011
21 Postal Service[6]	1,690	2,854	5,853	5,892	6,195	6,195	6,195	6,195	6,195
22 Student Loan Marketing Association	5,000	4,970	4,940	4,910	4,880	4,880	4,880	4,880	4,880
23 Tennessee Valley Authority	14,622	15,797	16,709	16,955	16,519	15,939	15,877	15,325	15,325
24 United States Railway Association[6]	74	85	0	0	0	0	0	0	0
Other Lending[14]									
25 Farmers Home Administration	64,234	65,374	59,674	58,496	53,311	53,461	52,831	52,726	51,916
26 Rural Electrification Administration	20,654	21,680	21,191	19,246	19,265	19,212	19,219	19,221	19,191
27 Other	31,429	32,545	32,078	26,324	23,724	23,597	23,586	26,090r	28,439

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. Off-budget Aug. 17, 1974, through Sept. 30, 1976; on-budget thereafter.
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 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration; Department of Health, Education, and Welfare; Department of Housing and Urban Development; Small Business Administration; and the Veterans Administration.
6. Off-budget.
7. Includes outstanding noncontingent liabilities: notes, bonds, and debentures. Some data are estimated.
8. Excludes borrowing by the Farm Credit Financial Assistance Corporation, shown in line 17.
9. Before late 1981, the Association obtained financing through the Federal Financing Bank (FFB). Borrowing excludes that obtained from the FFB, which is shown on line 21.
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. Includes FFB purchases of agency assets and guaranteed loans; the latter contain loans guaranteed by numerous agencies with the guarantees of any particular agency being generally small. The Farmers Home Administration item consists exclusively of agency assets, while the Rural Electrification Administration entry contains both agency assets and guaranteed loans.
14. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Since FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table in order to avoid double counting.

1.45 NEW SECURITY ISSUES Tax-Exempt State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1987	1988	1989	1989 Oct.	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.	1990 Apr.	1990 May
1 **All issues, new and refunding**[1]	**102,407**	**114,522**	**113,646**	**9,075**	**9,564**	**13,636**	**6,694**	**6,329**	**9,880**	**8,582r**	**9,147**
Type of issue											
2 General obligation	30,589	30,312	35,774	3,273	3,328	2,158	2,675	3,010	3,199	3,386r	2,381
3 Revenue	71,818	84,210	77,873	5,802	6,237	11,478	4,019	3,319	6,681	5,196r	7,384
Type of issuer											
4 State	10,102	8,830	11,819	1,330	930	911	712	1,196	707	1,387	4,032
5 Special district and statutory authority[2]	65,460	74,409	71,022	4,770	5,473	9,391	4,744	3,277	6,247	4,366	2,676
6 Municipalities, counties, and townships	26,845	31,193	30,805	2,975	3,161	3,334	1,238	1,856	2,926	2,243	2,539
7 **Issues for new capital, total**	**56,789**	**79,665**	**84,062**	**7,266**	**7,777**	**10,195**	**6,263**	**5,635**	**6,667**	**7,744r**	**9,055**
Use of proceeds											
8 Education	9,524	15,021	15,133	1,006	1,058	1,495	1,374	1,420	1,018	1,054	1,694
9 Transportation	3,677	6,825	6,870	280	675	645	98	511	1,158	1,215	1,375
10 Utilities and conservation	7,912	8,496	11,427	718	1,137	2,219	1,747	718	502	991	n.a.
11 Social welfare	11,106	19,027	16,703	1,803	1,441	2,518	1,017	432	1,425	226	1,232
12 Industrial aid	7,474	5,624	5,036	345	444	1,119	200	115	432	232	681
13 Other purposes	18,020	24,672	28,894	3,114	3,022	2,199	1,827	2,439	2,132	2,426	2,155

1. Par amounts of long-term issues based on date of sale.
2. Includes school districts beginning 1986.

SOURCES. Securities Data/Bond Buyer Municipal Data Base beginning 1986. Public Securities Association for earlier data.

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue or issuer, or use	1987	1988	1989	1989 Sept.	1989 Oct.	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.	1990 Apr.
1 **All issues**[1]	**392,339**	**409,925**	**347,732r**	**14,704**	**24,893**	**20,706**	**21,584**	**15,084r**	**13,680r**	**21,188r**	**15,056**
2 **Bonds**[2]	**325,838**	**352,124**	**201,827**	**12,431**	**21,213**	**16,466**	**17,639**	**12,806r**	**10,761r**	**17,394r**	**13,300**
Type of offering											
3 Public, domestic	209,455	201,246	179,069	11,211	20,085	14,383	16,013	10,754r	9,899r	15,500	12,300
4 Private placement, domestic[3]	92,070	127,700	114,629	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5 Sold abroad	24,306r	23,178	22,758	1,220	1,128	2,083	1,626	2,052	907r	1,894r	1,000
Industry group											
6 Manufacturing	61,266	70,595	75,916r	2,247	3,646	3,551	4,193	2,036	2,389	3,089r	3,445
7 Commercial and miscellaneous	49,773	62,038r	49,270r	1,393	1,830	1,253	347	655	131	253	617
8 Transportation	11,974	10,076	10,050r	30	906	312	1,083	35	53	386	194
9 Public utility	23,004	19,318	16,576r	1,059	1,748	1,022	1,098	1,043	1,057	317	435
10 Communication	7,340	5,951	8,328r	308	632	812	577	23	35	704	500
11 Real estate and financial	172,474	184,146r	156,319r	7,395	12,452	9,516	10,342	9,016r	7,096r	12,645r	8,109
12 **Stocks**[2]	**66,508**	**57,802**	**32,225**	**2,273**	**3,680**	**4,240**	**3,945**	**2,278**	**2,919**	**3,794**	**1,756**
Type											
13 Preferred	10,123	6,544	6,194	519	570	160	626	50	167	1,028	193
14 Common	43,225	35,911	26,030	1,754	3,110	4,080	3,319	2,228	2,752	2,767	1,564
15 Private placement[3]	13,157	15,346	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Industry group											
16 Manufacturing	13,880	7,608	5,081	193	190	378	279	835	431	521	253
17 Commercial and miscellaneous	12,888	8,449	4,428	155	728	498	1,045	248	1,017	552	666
18 Transportation	2,439	1,535	532	0	50	0	0	0	0	0	0
19 Public utility	4,322	1,898	2,297	709	465	211	244	106	582	533	219
20 Communication	1,458	515	471	0	0	0	0	0	0	0	0
21 Real estate and financial	31,521	37,798	19,250	1,195	2,214	3,153	2,377	1,090	889	2,188	619

1. Figures which represent gross proceeds of issues maturing in more than one year, are principal amount or number of units multiplied by offering price. Excludes 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 include only public offerings.
3. Data are not available on a monthly basis. Before 1987, annual totals include underwritten issues only.

SOURCES. IDD Information Services, Inc., the Board of Governors of the Federal Reserve System, and before 1989, the U.S. Securities and Exchange Commission.

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

Item	1988	1989	1989				1990			
			Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
INVESTMENT COMPANIES[1]										
1 **Sales of own shares**[2]	**271,237**	**306,445**	**23,911**	**23,872**	**24,673**	**30,982**	**35,620**	**26,118**	**28,817**	**29,800**
2 Redemptions of own shares[3]	267,451	272,165	21,499	21,702	19,573	24,967	27,331	20,978	23,777	27,307
3 Net sales	3,786	34,280	2,412	2,170	5,100	6,015	8,289	5,140	5,040	2,493
4 **Assets**[4]	**472,297**	**553,871**	**539,814**	**534,922**	**549,892**	**553,871**	**535,165**	**542,725**	**549,638**	**542,061**
5 Cash position[5]	45,090	44,780	47,163	46,146	47,875	44,780	48,865	51,356	50,454	55,236
6 Other	427,207	509,091	492,651	488,776	502,017	509,091	486,300	491,369	499,184	486,998

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 investment income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.
3. Excludes share redemption resulting from conversions from one fund to another in the same group.
4. Market value at end of period, less current liabilities.
5. Also includes all U.S. government securities and other short-term debt securities.

NOTE. Investment Company Institute data based on reports of members, which comprise substantially all open-end investment companies registered with the Securities and Exchange Commission. Data reflect newly formed companies after their initial offering of securities.

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Account	1987	1988	1989	1988			1989				1990
				Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1[r]
1 Corporate profits with inventory valuation and capital consumption adjustment	298.7	328.6	301.3	325.3	330.9	340.2	316.3	307.8	295.2	285.9	289.7
2 Profits before tax	266.7	306.8	290.6	305.3	314.4	318.8	318.0	296.0	275.0	273.7	283.3
3 *Profits tax liability*	124.7	137.9	129.7	138.4	141.2	143.2	144.4	134.9	122.6	116.9	124.8
4 Profits after tax	142.0	168.9	160.9	166.9	173.2	175.6	173.6	161.1	152.4	156.7	158.5
5 Dividends	98.7	110.4	122.1	108.6	112.2	115.2	118.5	120.9	123.3	125.6	128.1
6 Undistributed profits	43.3	58.5	38.9	58.3	61.1	60.4	55.1	40.2	29.1	31.1	30.4
7 Inventory valuation	−18.9	−25.0	n.a.	28.8	−30.4	−20.1	−38.3	−21.0	n.a.	n.a.	n.a.
8 Capital consumption adjustment	50.9	46.8	29.3	48.9	46.9	41.5	36.6	32.3	26.5	21.9	17.5

SOURCE. *Survey of Current Business* (Department of Commerce).

1.50 TOTAL NONFARM BUSINESS EXPENDITURES on New Plant and Equipment ▲

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Industry	1988	1989	1990	1988	1989				1990		
				Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
1 **Total nonfarm business**	**430.76**	**475.52**	**507.23**	**442.11**	**459.47**	**470.86**	**484.93**	**486.80**	**500.29**	**506.84**	**511.59**
Manufacturing											
2 Durable goods industries	78.30	83.68	85.71	80.56	81.26	82.97	85.66	84.84	88.04	83.97	84.99
3 Nondurable goods industries	88.01	100.86	105.18	92.76	93.96	98.57	102.00	108.92	104.32	105.56	105.33
Nonmanufacturing											
4 Mining	12.66	12.52	13.40	12.38	12.15	12.70	12.59	12.65	12.86	13.77	14.02
Transportation											
5 Railroad	7.06	8.12	8.14	7.45	8.02	7.37	8.16	8.94	8.58	7.99	7.78
6 Air	7.28	8.91	12.39	7.69	7.04	9.49	12.48	6.61	11.10	12.11	15.09
7 Other	7.00	7.56	7.68	6.89	8.07	7.40	7.89	6.87	8.39	7.01	7.61
Public utilities											
8 Electric	32.03	34.20	34.87	33.69	33.69	35.34	33.73	34.04	31.94	36.75	35.52
9 Gas and other	14.64	16.52	17.65	15.04	17.12	16.67	15.84	16.46	17.59	17.79	18.44
10 Commercial and other[2]	183.76	203.14	222.22	185.65	198.15	200.36	206.59	207.46	217.46	221.89	222.82

▲Trade and services are no longer being reported separately. They are included in Commercial and other, line 10.
1. Anticipated by business.
2. "Other" consists of construction; wholesale and retail trade; finance and insurance; personal and business services; and communication.

SOURCE. *Survey of Current Business* (Department of Commerce).

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities[1]

Billions of dollars, end of period

Account	1985	1986	1987	1988		1989				1990
				Q3	Q4	Q1	Q2	Q3	Q4	Q1
ASSETS										
Accounts receivable, gross[2]										
1 Consumer	111.9	134.7	141.1	146.3	146.2	139.1	143.9	146.3	140.8	137.9
2 Business	157.5	173.4	207.4	223.3	236.5	243.3	250.9	246.8	256.0	262.9
3 Real estate	28.0	32.6	39.5	43.1	43.5	45.1	47.1	48.7	48.9	52.1
4 Total	297.4	340.6	388.1	412.7	426.2	427.5	441.9	441.8	445.8	452.8
Less:										
5 Reserves for unearned income	39.2	41.5	45.3	48.4	50.0	51.0	52.2	52.9	52.0	51.9
6 Reserves for losses	4.9	5.8	6.8	7.1	7.3	7.4	7.5	7.7	7.7	7.9
7 Accounts receivable, net	253.3	293.3	336.0	357.3	368.9	369.2	382.2	381.3	386.1	393.0
8 All other	45.3	58.6	58.3	68.7	72.4	75.1	81.4	85.2	91.6	92.5
9 **Total assets**	**298.6**	**351.9**	**394.2**	**426.0**	**441.3**	**444.3**	**463.6**	**466.4**	**477.6**	**485.5**
LIABILITIES										
10 Bank loans	18.0	18.6	16.4	11.9	15.4	11.3	12.1	12.2	14.5	13.9
11 Commercial paper	99.2	117.8	128.4	129.4	142.0	147.8	149.0	147.2	149.5	152.9
Debt										
12 Other short-term	12.7	17.5	28.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
13 Long-term	94.4	117.5	137.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
14 Due to parent	n.a.	n.a.	n.a.	51.5	50.6	56.9	59.8	60.3	63.8	70.5
15 Not elsewhere classified	n.a.	n.a.	n.a.	139.3	137.9	133.6	140.5	145.1	147.8	145.7
16 All other liabilities	41.5	44.1	52.8	58.9	59.8	58.1	63.5	61.8	62.6	61.7
17 Capital, surplus, and undivided profits	32.8	36.4	31.5	34.9	35.6	36.6	38.8	39.8	39.4	40.7
18 **Total liabilities and capital**	**298.6**	**351.9**	**394.2**	**426.0**	**441.3**	**444.3**	**463.6**	**466.4**	**477.6**	**485.5**

1. Components may not add to totals because of rounding.

2. Excludes pools of securitized assets.

1.52 DOMESTIC FINANCE COMPANIES Business Credit Outstanding and Net Change[1]

Millions of dollars, seasonally adjusted

Type	1987	1988	1989	1989		1990			
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
1 **Total**	**205,992**	**234,578**	**258,504**	**255,999**	**258,504**	**259,467**	**259,015**	**261,662r**	**262,379**
Retail financing of installment sales									
2 Automotive	36,139	36,957	39,139	39,053	39,139	39,252	39,125	39,264	39,550
3 Equipment	25,075	28,199	29,674	29,477	29,674	29,690	29,483	29,789	30,115
4 Pools of securitized assets[2]	n.a.	n.a.	698	739	698	720	681	704	662
Wholesale									
5 Automotive	30,070	32,357	33,074	32,660	33,074	30,463	29,491	29,963	29,672
6 Equipment	5,578	5,954	6,896	7,027	6,896	9,183	9,155	9,408	9,372
7 All other	8,329	9,312	9,918	9,963	9,918	9,943	9,877	10,030	9,961
8 Pools of securitized assets[2]	n.a.	n.a.	0	0	0	0	0	0	0
Leasing									
9 Automotive	22,097	24,875	27,074	27,461	27,074	26,978	27,161	28,325	28,528
10 Equipment	43,493	57,658	68,112	65,988	68,112	68,904	69,335	68,755	69,473
11 Pools of securitized assets[2]	n.a.	n.a.	1,247	1,093	1,247	1,242	1,377	1,433r	1,646
12 Loans on commercial accounts receivable and factored commercial accounts receivable	18,170	18,103	19,081	18,996	19,081	18,975	19,155	19,426	18,716
13 All other business credit	17,042	21,162	23,590	23,543	23,590	24,118	24,176	24,565	24,685
	Net change (during period)								
14 **Total**	**33,866**	**22,434**	**22,580**	**273**	**2,504**	**−1,255**	**−452**	**2,647r**	**717**
Retail financing of installment sales									
15 Automotive	9,925	819	2,182	−133	87	112	−127	140	286
16 Equipment	2,056	1,386	1,475	9	197	16	−207	306	327
17 Pools of securitized assets[2]	n.a.	n.a.	−26	24	−41	22	−39	23	−42
Wholesale									
18 Automotive	7,158	2,288	716	−1,488	414	−2,611	−972	472	−291
19 Equipment	250	377	940	182	−131	68	−28	254	−37
20 All other	1,293	983	605	−19	−45	26	−66	153	−69
21 Pools of securitized assets[2]	n.a.	n.a.	0	0	0	0	0	0	0
Leasing									
22 Automotive	2,174	2,777	2,201	174	−387	−97	183	1,164	203
23 Equipment	5,271	9,752	9,187	1,153	2,124	792	431	−580	718
24 Pools of securitized assets[2]	n.a.	n.a.	526	−106	154	−5	135	56r	213
25 Loans on commercial accounts receivable and factored commercial accounts receivable	2,245	−65	979	−136	86	−107	180	272	−711
26 All other business credit	3,498	4,119	3,796	614	46	528	59	388	120

1. These data also appear in the Board's G.20 (422) release. For address, see inside front cover.

2. Data on pools of securitized assets are not seasonally adjusted.

1.53 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

Item	1987	1988	1989	1989		1990				
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Conventional mortgages on new homes										
Terms[1]										
1 Purchase price (thousands of dollars)	137.0	150.0	159.6	152.8	162.7	148.5	148.9	138.2	155.5	162.1
2 Amount of loan (thousands of dollars)	100.5	110.5	117.0	110.4	119.9	107.3	109.0	100.9	114.6	119.7
3 Loan/price ratio (percent)	75.2	75.5	74.5	73.0	74.4	73.4	74.6	74.7	75.4	75.0
4 Maturity (years)	27.8	28.0	28.1	27.1	27.9	27.1	27.4	26.6	26.6	28.1
5 Fees and charges (percent of loan amount)[2]	2.26	2.19	2.06	1.81	2.18	1.85	1.87	1.96	2.00	2.41
6 Contract rate (percent per year)	8.94	8.81	9.76	9.78	9.70	9.59	9.56	9.70	9.83	9.87
Yield (percent per year)										
7 OTS series[3]	9.31	9.18	10.11	10.09	10.07	9.91	9.88	10.03	10.17	10.28
8 HUD series[4]	10.17	10.30	10.21	9.72	9.72	10.00	10.12	10.20	10.46	10.19
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (HUD series)[5]	10.16	10.49	10.24	9.69	9.72	10.01	10.22	10.30	10.75	10.23
10 GNMA securities[6]	9.44	9.83	9.71	9.07	9.07	9.24	9.44	9.53	9.77	9.77
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	95,030	101,329	104,974	109,076	110,721	111,329	111,628	112,353	112,463	112,791
12 FHA/VA-insured	21,660	19,762	19,640	19,953	20,283	20,471	20,614	20,688	20,707	20,723
13 Conventional	73,370	81,567	85,335	89,123	90,438	90,858	91,014	91,665	91,756	92,068
Mortgage transactions (during period)										
14 Purchases	20,531	23,110	22,518	2,376	2,982	2,214	1,537	1,945	1,705	1,630
Mortgage commitments[7]										
15 Contracted (during period)	25,415	23,435	27,409	2,536	2,495	1,787	3,216	3,789	5,700	n.a.
16 Outstanding (end of period)	4,886	2,148	6,037	6,645	6,037	5,619	4,977	6,765	10,534	n.a.
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	12,802	15,105	20,105	21,809	21,852	20,361	20,112	19,823	n.a.	n.a.
18 FHA/VA	686	620	590	588	584	578	572	561	n.a.	n.a.
19 Conventional	12,116	14,485	19,516	21,221	21,269	19,782	19,540	19,261	n.a.	n.a.
Mortgage transactions (during period)										
20 Purchases	76,845	44,077	78,588	7,653	8,718	6,423	5,676	6,301	n.a.	n.a.
21 Sales	75,082	39,780	73,446	7,058	8,526	7,764	5,796	6,121	5,356	4,575
Mortgage commitments[9]										
22 Contracted (during period)	71,467	66,026	88,519	10,949	7,820	8,020	5,922	6,119	n.a.	n.a.

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups; compiled by the Federal Home Loan Bank 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 rates on loans closed, assuming prepayment at the end of 10 years.
4. Average contract rates on new commitments for conventional first mortgages; from Department of Housing and Urban Development.
5. Average gross yields on 30-year, minimum-downpayment, Federal Housing Administration-insured first mortgages for immediate delivery in the private secondary market. Based on transactions on first day of subsequent month. Large monthly movements in average yields may reflect market adjustments to changes in maximum permissable contract rates.
6. Average net yields to investors on Government National Mortgage Association guaranteed, mortgage-backed, fully modified pass-through securities, assuming prepayment in 12 years on pools of 30-year FHA/VA mortgages carrying the prevailing ceiling rate. Monthly figures are averages of Friday figures from the *Wall Street Journal*.
7. Includes some multifamily and nonprofit hospital loan commitments in addition to 1- to 4-family loan commitments accepted in FNMA's free market auction system, and through the FNMA-GNMA tandem plans.
8. Includes participation as well as whole loans.
9. Includes conventional and government-underwritten loans. FHLMC's mortgage commitments and mortgage transactions include activity under mortgage/securities swap programs, while the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING[1]

Millions of dollars, end of period

	Type of holder, and type of property	1987	1988	1989	1988	1989			
					Q4	Q1	Q2	Q3	Q4
1	**All holders**	**2,977,293**	**3,268,285**	**3,524,474**	**3,268,285**	**3,328,824**	**3,391,259**	**3,454,053**	**3,524,474**
2	1- to 4-family	1,959,607	2,189,475	2,384,076	2,189,475	2,230,006	2,281,317	2,331,366	2,384,076
3	Multifamily	273,954	290,355	306,652	290,355	296,139	297,860	302,121	306,652
4	Commercial	654,863	701,652	747,277	701,652	716,695	725,341	733,988	747,277
5	Farm	88,869	86,803	86,468	86,803	85,984	86,741	86,578	86,468
6	Selected financial institutions	1,664,211	1,831,446	1,919,269	1,831,446	1,859,663	1,884,903	1,901,728	1,919,269
7	Commercial banks[2]	591,369	669,160	756,786	669,160	688,662	715,049	737,979	756,786
8	1- to 4-family	276,270	314,283	358,652	314,283	324,681	338,872	349,739	358,652
9	Multifamily	33,330	34,131	36,994	34,131	34,172	34,954	36,075	36,994
10	Commercial	267,340	305,242	343,841	305,242	313,941	324,878	335,296	343,841
11	Farm	14,429	15,504	17,299	15,504	15,868	16,345	16,869	17,299
12	Savings institutions[3]	860,467	929,647	921,410	929,647	936,091	933,694	927,982	921,410
13	1- to 4-family	602,408	678,263	675,891	678,263	682,658	684,828	680,572	675,891
14	Multifamily	106,359	111,302	108,534	111,302	112,507	110,009	109,353	108,534
15	Commercial	150,943	139,416	136,343	139,416	140,255	138,201	137,406	136,343
16	Farm	757	666	641	666	671	656	651	641
17	Life insurance companies	212,375	232,639	241,073	232,639	234,910	236,160	235,767	241,073
18	1- to 4-family	13,226	15,284	13,531	15,284	12,690	12,745	13,045	13,531
19	Multifamily	22,524	23,562	26,646	23,562	24,636	25,103	25,913	26,646
20	Commercial	166,722	184,124	191,369	184,124	188,073	188,756	187,208	191,369
21	Farm	9,903	9,669	9,527	9,669	9,511	9,556	9,601	9,527
22	Finance companies[4]	40,349	43,521	50,728	43,521	45,389	47,251	48,906	50,728
23	Federal and related agencies	192,721	200,570	212,370	200,570	199,847	201,909	206,673	212,370
24	Government National Mortgage Association	444	26	24	26	26	24	23	24
25	1- to 4-family	25	26	24	26	26	24	23	24
26	Multifamily	419	0	0	0	0	0	0	0
27	Farmers Home Administration[5]	43,051	42,018	42,080	42,018	41,780	40,711	41,117	42,080
28	1- to 4-family	18,169	18,347	19,091	18,347	18,347	18,391	18,405	19,091
29	Multifamily	8,044	8,513	9,168	8,513	8,615	8,778	8,916	9,168
30	Commercial	6,603	5,343	4,463	5,343	5,101	3,885	4,366	4,463
31	Farm	10,235	9,815	9,358	9,815	9,717	9,657	9,430	9,358
32	Federal Housing and Veterans Administration	5,574	5,973	6,220	5,973	6,075	6,424	6,023	6,220
33	1- to 4-family	2,557	2,672	3,009	2,672	2,550	2,827	2,900	3,009
34	Multifamily	3,017	3,301	3,211	3,301	3,525	3,597	3,123	3,211
35	Federal National Mortgage Association	96,649	103,013	110,970	103,013	101,991	103,309	107,052	110,970
36	1- to 4-family	89,666	95,833	102,863	95,833	94,727	95,714	99,168	102,863
37	Multifamily	6,983	7,180	8,107	7,180	7,264	7,595	7,884	8,107
38	Federal Land Banks	34,131	32,115	30,788	32,115	31,261	31,467	30,943	30,788
39	1- to 4-family	2,008	1,890	1,889	1,890	1,839	1,851	1,821	1,889
40	Farm	32,123	30,225	28,899	30,225	29,422	29,616	29,122	28,899
41	Federal Home Loan Mortgage Corporation	12,872	17,425	22,289	17,425	18,714	19,974	21,515	22,289
42	1- to 4-family	11,430	15,077	19,182	15,077	16,192	17,305	18,493	19,182
43	Multifamily	1,442	2,348	3,107	2,348	2,522	2,669	3,022	3,107
44	Mortgage pools or trusts[6]	718,297	810,887	931,619	810,887	839,684	861,827	898,388	931,619
45	Government National Mortgage Association	317,555	340,527	374,650	340,527	348,622	353,154	361,291	374,650
46	1- to 4-family	309,806	331,257	362,865	331,257	337,563	341,951	349,830	362,865
47	Multifamily	7,749	9,270	11,785	9,270	11,059	11,203	11,461	11,785
48	Federal Home Loan Mortgage Corporation	212,634	226,406	266,407	226,406	234,695	242,789	256,896	266,407
49	1- to 4-family	205,977	219,988	259,443	219,988	228,389	236,404	250,123	259,443
50	Multifamily	6,657	6,418	6,965	6,418	6,306	6,385	6,773	6,965
51	Federal National Mortgage Association	139,960	178,250	216,600	178,250	188,071	196,501	208,894	216,600
52	1- to 4-family	137,988	172,331	207,765	172,331	181,352	188,774	200,302	207,765
53	Multifamily	1,972	5,919	8,835	5,919	6,719	7,727	8,592	8,835
54	Farmers Home Administration[5]	245	104	79	104	96	85	78	79
55	1- to 4-family	121	26	23	26	24	23	22	23
56	Multifamily	0	0	0	0	0	0	0	0
57	Commercial	63	38	22	38	34	26	22	22
58	Farm	61	40	34	40	38	36	34	34
59	Individuals and others[7]	402,064	425,382	461,216	425,382	429,630	442,620	447,264	461,216
60	1- to 4-family	242,053	258,598	285,966	258,598	260,768	272,310	275,694	285,966
61	Multifamily	75,458	78,411	83,299	78,411	78,814	79,840	81,009	83,299
62	Commercial	63,192	67,489	71,239	67,489	69,291	69,595	69,690	71,239
63	Farm	21,361	20,884	20,711	20,884	20,757	20,875	20,871	20,711

1. Based on data from various institutional and governmental sources, with some quarters estimated in part by the Federal Reserve. Multifamily debt refers to loans on structures of five or more units.
2. Includes loans held by nondeposit trust companies but not bank trust departments.
3. Includes savings banks and savings and loan associations. Beginning 1987:1, data reported by FSLIC-insured institutions include loans in process and other contra assets (credit balance accounts that must be subtracted from the corresponding gross asset categories to yield net asset levels).
4. Assumed to be entirely 1- to 4-family loans.
5. FmHA-guaranteed securities sold to the Federal Financing Bank were reallocated from FmHA mortgage pools to FmHA mortgage holdings in 1986:4, because of accounting changes by the Farmers Home Administration.
6. Outstanding principal balances of mortgage pools backing securities insured or guaranteed by the agency indicated. Includes private pools which are not shown as a separate line item.
7. 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 other U.S. agencies.

1.55 CONSUMER INSTALLMENT CREDIT[1] Total Outstanding, and Net Change, seasonally adjusted

Millions of dollars, amounts outstanding, end of period

Holder, and type of credit	1988	1989	1989					1990			
			Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.[r]	Apr.
	Seasonally adjusted										
1 **Total**	**664,701**	**716,624**	**703,518**	**705,703**	**710,133**	**713,903**	**716,624**	**717,829[r]**	**717,869[r]**	**720,278**	**720,862**
2 Automobile	284,556	290,770	289,961	288,839	290,210	290,972	290,770	290,904[r]	289,629[r]	291,445	288,942
3 Revolving	174,057	197,110	189,185	190,378	191,734	194,679	197,110	199,146[r]	199,927[r]	201,625	203,984
4 Mobile home	25,201	22,343	22,734	22,661	22,621	22,197	22,343	22,604[r]	22,633[r]	22,710	22,702
5 Other	180,887	206,401	201,638	203,825	205,568	206,055	206,401	205,175[r]	205,680[r]	204,499	205,234
	Not seasonally adjusted										
6 **Total**	**674,719**	**727,561**	**705,908**	**708,370**	**711,295**	**715,145**	**727,561**	**721,026[r]**	**717,062[r]**	**712,970**	**715,827**
By major holder											
7 Commercial banks	324,792	343,865	330,488	332,502	335,657	337,285	343,865	342,266	339,418	334,508	337,760
8 Finance companies	146,212	140,832	145,033	146,296	143,293	142,802	140,832	140,740	139,115	137,857	138,174
9 Credit unions	88,340	90,875	91,017	91,285	91,291	90,965	90,875	90,452	90,127	89,723	89,760
10 Retailers[2]	48,302	42,638	37,942	37,400	37,045	37,906	42,638	39,959	37,904	37,677	37,207
11 Savings institutions	63,399	57,228	60,243	59,556	58,720	58,236	57,228	55,425[r]	54,771[r]	54,095	53,606
12 Gasoline companies	3,674	3,935	4,255	4,052	3,947	3,853	3,935	4,013	3,803	3,792	3,928
13 Pools of securitized assets[2]	n.a.	48,188	36,930	37,279	41,342	44,098	48,188	48,171	51,924	55,318	55,392
By major type of credit[3]											
14 Automobile	284,328	290,421	292,948	293,114	293,664	292,543	290,421	288,984[r]	288,036[r]	287,044	286,226
15 Commercial banks	123,392	126,613	126,571	126,972	128,213	128,111	126,613	127,075	127,149	126,676	126,453
16 Finance companies	97,245	82,721	89,968	90,217	86,655	85,725	82,721	81,918	80,227	79,523	79,295
17 Pools of securitized assets[2]	n.a.	18,191	12,072	11,785	15,024	15,376	18,191	17,827	18,931	19,595	19,406
18 Revolving	183,909	208,188	187,917	188,684	189,913	194,640	208,188	203,288[r]	200,147[r]	199,306	201,801
19 Commercial banks	123,020	130,956	118,083	119,413	120,484	122,728	130,956	128,384	124,821	121,614	124,282
20 Retailers	43,697	37,967	33,503	32,961	32,618	33,432	37,967	35,359	33,378	33,169	32,721
21 Gasoline companies	3,674	3,935	4,255	4,052	3,947	3,853	3,935	4,013	3,803	3,792	3,928
22 Pools of securitized assets[2]	n.a.	22,977	19,327	19,731	20,371	22,186	22,977	23,450	26,204	28,937	29,174
23 Mobile home	25,143	22,283	22,800	22,808	22,849	22,319	22,283	22,717[r]	22,726[r]	22,428	22,484
24 Commercial banks	9,025	9,155	9,046	9,121	9,130	9,144	9,155	9,109	9,162	9,144	9,231
25 Finance companies	7,191	4,716	5,119	5,106	5,205	4,682	4,716	5,411	5,410	5,178	5,168
26 Other	181,339	206,669	202,243	203,764	204,869	205,643	206,669	206,037[r]	206,153[r]	204,192	205,316
27 Commercial banks	69,355	77,141	76,788	76,996	77,830	77,302	77,141	77,698	78,286	77,074	77,794
28 Finance companies	41,776	53,395	49,946	50,973	51,433	52,395	53,395	53,411	53,478	53,156	53,711
29 Retailers	4,605	4,671	4,439	4,439	4,427	4,474	4,671	4,600	4,526	4,508	4,486
30 Pools of securitized assets[2]	n.a.	7,020	5,531	5,763	5,947	6,536	7,020	6,894	6,789	6,786	6,812

1. The Board's series cover 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.

These data also appear in the Board's G.19 (421) release. For address, see inside front cover.

2. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.

3. Totals include estimates for certain holders for which only consumer credit totals are available.

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT[1]

Percent unless noted otherwise

Item	1987	1988	1989	1989 Oct.	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.	1990 Apr.
INTEREST RATES										
Commercial banks[2]										
1 48-month new car[3]	10.45	10.85	12.07	n.a.	11.94	n.a.	n.a.	11.80	n.a.	n.a.
2 24-month personal	14.22	14.68	15.44	n.a.	15.42	n.a.	n.a.	15.27	n.a.	n.a.
3 120-month mobile home[3]	13.38	13.54	14.11	n.a.	13.97	n.a.	n.a.	13.91	n.a.	n.a.
4 Credit card	17.92	17.78	18.02	n.a.	18.07	n.a.	n.a.	18.12	n.a.	n.a.
Auto finance companies										
5 New car	10.73	12.60	12.62	13.04	13.27	13.27	12.64	12.67	12.31	12.21
6 Used car	14.60	15.11	16.18	16.17	16.09	16.10	15.77	15.91	15.97	16.02
OTHER TERMS[4]										
Maturity (months)										
7 New car	53.5	56.2	54.2	54.4	55.1	55.1	54.7	54.7	54.3	54.2
8 Used car	45.2	46.7	46.6	45.8	45.6	45.5	45.5	46.4	46.4	46.5
Loan-to-value ratio										
9 New car	93	94	91	88	89	89	89	88	88	87
10 Used car	98	98	97.	96	96	96	95	96	95	96
Amount financed (dollars)										
11 New car	11,203	11,663	12,001	11,965	12,279	12,301	12,381	12,053	12,216	12,089
12 Used car	7,420	7,824	7,954	7,904	8,063	8,096	8,040	8,065	8,132	8,105

1. These data also appear in the Board's G.19 (421) release. For address, see inside front cover.
2. Data for midmonth of quarter only.
3. Before 1983 the maturity for new car loans was 36 months, and for mobile home loans was 84 months.
4. At auto finance companies.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Transaction category, sector	1985	1986	1987	1988	1989[r]	1988 Q3	1988 Q4	1989 Q1[r]	1989 Q2	1989 Q3[r]	1989 Q4[r]	1990 Q1
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**846.3**	**831.1**	**693.2**	**754.5**	**711.8**	**749.3**	**734.2**	**748.9**	**672.4[r]**	**684.7**	**741.1**	**771.2**
By sector and instrument												
2 U.S. government	223.6	215.0	144.9	157.5	149.8	162.5	142.1	199.9	70.9	149.0	179.4	295.8
3 Treasury securities	223.7	214.7	143.4	140.0	150.0	141.6	100.5	201.1	65.8	149.1	184.0	266.2
4 Agency issues and mortgages	−.1	.4	1.5	17.4	−.2	20.9	41.6	−1.2	5.1	−.2	−4.6	29.6
5 Private domestic nonfinancial sectors	622.7	616.1	548.3	597.1	562.0	586.8	592.2	549.0	601.5[r]	535.8	561.7	475.4
6 Debt capital instruments	451.4	460.3	458.5	454.6	412.4	458.8	432.4	412.0	429.0[r]	400.2	408.2	364.5
7 Tax-exempt obligations	135.4	22.7	34.1	34.0	25.4	34.8	34.3	29.3	23.0	35.0	14.3	37.4
8 Corporate bonds	73.8	121.3	99.9	114.1	114.3	110.9	98.4	100.4	127.9	102.5	126.6	87.9
9 Mortgages	242.2	316.3	324.5	306.5	272.6	313.1	299.7	282.3	278.2[r]	262.7	267.3	239.2
10 Home mortgages	156.8	218.7	234.9	231.0	214.9	230.9	214.0	205.6	217.7[r]	207.7	228.7	190.6
11 Multifamily residential	29.8	33.5	24.4	16.7	14.4	19.4	17.3	18.3	16.0[r]	14.7	8.5	19.7
12 Commercial	62.2	73.6	71.6	60.8	43.7	65.4	67.7	62.8	42.4[r]	40.2	29.3	30.3
13 Farm	−6.6	−9.5	−6.4	−2.1	−.3	−2.6	.7	−4.4	2.2[r]	.1	.8	−1.3
14 Other debt instruments	171.3	155.8	89.7	142.5	149.6	128.0	159.8	137.0	172.5[r]	135.6	153.4	110.9
15 Consumer credit	82.5	58.0	32.9	51.1	39.1	35.5	73.1	22.5	42.2[r]	30.5	61.1	3.4
16 Bank loans n.e.c.	38.6	66.7	10.8	38.4	45.5	7.3	66.6	15.6	35.1[r]	60.1	71.2	−3.0
17 Open market paper	14.6	−9.3	2.3	11.6	20.8	17.1	20.0	41.4	39.2	16.7	−14.3	68.8
18 Other	35.6	40.5	43.8	41.5	44.3	68.0	.1	57.4	56.0[r]	28.3	35.4	41.7
19 By borrowing sector	622.7	616.1	548.3	597.1	562.0	586.8	592.2	549.0	601.5[r]	535.8	561.7	475.4
20 State and local governments	90.9	36.2	33.6	29.8	24.6	28.1	30.6	29.7	27.6	29.5	11.7	32.8
21 Households	284.6	289.2	271.9	289.8	277.6	291.4	283.5	243.7	260.9[r]	282.7	323.3	223.6
22 Nonfinancial business	247.2	290.7	242.8	277.5	259.7	267.3	278.0	275.6	313.0[r]	223.6	226.7	219.0
23 Farm	−14.5	−16.3	−10.6	−7.5	−.4	−2.2	−11.8	1.0	−3.0[r]	−9.4	9.6	9.3
24 Nonfarm noncorporate	129.3	103.2	107.9	87.4	64.1	100.5	80.4	86.3	66.1[r]	58.1	46.1	52.8
25 Corporate	132.4	203.7	145.5	197.5	196.0	169.0	209.4	188.2	249.9[r]	174.9	171.0	156.8
26 Foreign net borrowing in United States	1.2	9.7	4.9	6.9	9.8	4.1	13.3	−2.3	.4[r]	25.6	15.5	16.8
27 Bonds	3.8	3.1	7.4	6.9	4.9	5.9	5.1	3.2	10.7	8.4	−2.5	6.6
28 Bank loans n.e.c.	−2.8	−1.0	−3.6	−1.8	−.1	.0	−5.7	4.9	1.7	−1.2	−5.8	−2.5
29 Open market paper	6.2	11.5	2.1	9.6	12.3	10.3	21.0	10.2	−6.1[r]	20.4	24.9	16.0
30 U.S. government loans	−6.0	−3.9	−1.0	−7.8	−7.4	−12.1	−7.1	−20.7	−5.9[r]	−2.0	−1.1	−3.3
31 **Total domestic plus foreign**	**847.5**	**840.9**	**698.1**	**761.4**	**721.6**	**753.3**	**747.6**	**746.6**	**672.8[r]**	**710.3**	**756.6**	**788.0**
	Financial sectors											
32 **Total net borrowing by financial sectors**	**201.3**	**318.9**	**315.0**	**246.5**	**210.8**	**216.3**	**302.5**	**387.2**	**117.0[r]**	**132.9**	**205.9**	**189.9**
By instrument												
33 U.S. government related	101.5	187.9	185.8	119.8	155.8	128.6	156.7	205.7	101.4	129.7	186.3	151.9
34 Sponsored credit agency securities	20.6	15.2	30.2	44.9	25.2	46.5	62.3	84.9	12.5	10.0	−6.5	32.0
35 Mortgage pool securities	79.9	173.1	156.4	74.9	130.5	82.1	94.4	120.8	88.9	119.6	192.8	120.0
36 Loans from U.S. government	1.1	−.4	−.8	.0	.0	.0	.0	.0	.0	.0	.0	.0
37 Private financial sectors	99.7	131.0	129.2	126.7	55.0	87.7	145.8	181.5	15.6[r]	3.3	19.6	38.0
38 Corporate bonds	50.9	82.9	78.9	51.7	37.0	32.5	43.0	54.0	31.4	24.9	37.7	37.1
39 Mortgages	.1	.1	.4	.3	.0	−.1	1.2	.3	.0	.3	−.6	−.4
40 Bank loans n.e.c.	2.6	4.0	−3.3	1.4	1.8	−5.6	−.3	3.0	.3	1.7	2.1	9.1
41 Open market paper	32.0	24.2	28.8	53.6	27.2	35.1	70.4	55.2	.9[r]	20.0	32.8	1.7
42 Loans from Federal Home Loan Banks	14.2	19.8	24.4	19.7	−11.0	25.8	31.4	69.1	−16.9	−43.7	−52.4	−9.6
By sector												
43 **Total**	**201.3**	**318.9**	**315.0**	**246.5**	**210.8**	**216.3**	**302.5**	**387.2**	**117.0[r]**	**132.9**	**205.9**	**189.9**
44 Sponsored credit agencies	21.7	14.9	29.5	44.9	25.2	46.5	62.3	84.9	12.5	10.0	−6.5	32.0
45 Mortgage pools	79.9	173.1	156.4	74.9	130.5	82.1	94.4	120.8	88.9	119.6	192.8	120.0
46 Private financial sectors	99.7	131.0	129.2	126.7	55.0	87.7	145.8	181.5	15.6[r]	3.3	19.6	38.0
47 Commercial banks	−4.9	−3.6	7.1	−3.9	−1.4	−.9	3.7	−13.4	−.9	12.3	−3.5	4.4
48 Bank affiliates	16.6	15.2	14.3	5.2	6.2	6.1	.8	6.4	6.5	16.8	−4.9	−9.6
49 Savings and loan associations	17.3	20.9	19.6	19.9	−14.1	24.1	26.3	71.3	−16.2	−48.3	−63.3	−12.4
50 Mutual savings banks	1.5	4.2	8.1	1.9	−1.4	.5	3.8	−2.8	−1.1	−3.3	1.4	−.9
51 Finance companies	57.2	54.5	40.3	67.0	46.2	40.7	63.6	80.3	30.9[r]	22.5	51.1	24.3
52 REITs	.5	1.0	.8	4.1	−1.2	−5.9	15.0	−.9	−2.2	−2.4	.5	−1.0
53 SCO Issuers	11.5	39.0	39.1	32.5	20.8	23.1	32.5	40.6	−1.4	5.7	38.2	33.3

1.57—Continued

Transaction category, sector	1985	1986	1987	1988	1989[r]	1988		1989				1990
						Q3	Q4	Q1[r]	Q2	Q3[r]	Q4[r]	Q1
	All sectors											
54 **Total net borrowing**	**1,048.8**	**1,159.8**	**1,013.2**	**1,007.9**	**932.4**	**969.7**	**1,050.1**	**1,133.8**	**789.8[r]**	**843.3**	**962.5**	**977.9**
55 U.S. government securities	324.2	403.4	331.5	277.2	305.6	291.1	298.8	405.6	172.3	278.6	365.7	447.7
56 State and local obligations	135.4	22.7	34.1	34.0	25.4	34.8	34.3	29.3	23.0	35.0	14.3	37.4
57 Corporate and foreign bonds	128.4	207.3	186.3	172.7	156.3	149.3	146.4	157.6	170.0	135.7	161.8	131.6
58 Mortgages	242.2	316.4	324.9	306.7	272.6	313.0	300.8	282.6	278.1[r]	263.0	266.7	238.9
59 Consumer credit	82.5	58.0	32.9	51.1	39.1	35.5	73.1	22.5	42.2[r]	30.5	61.1	3.4
60 Bank loans n.e.c.	38.3	69.7	3.8	38.0	47.2	1.7	60.7	23.6	37.1[r]	60.6	67.5	3.7
61 Open market paper	52.8	26.4	33.2	74.9	60.3	62.5	111.5	106.8	34.0	57.1	43.4	86.5
62 Other loans	45.0	56.1	66.5	53.4	25.9	81.7	24.4	105.9	33.1[r]	-17.3	-18.0	28.8
63 MEMO: U.S. government, cash balance	14.4	.0	-7.9	10.4	-5.9	10.6	-17.9	-22.5	43.7	-16.6	-28.2	27.3
Totals net of changes in U.S. government cash balances												
64 Net borrowing by domestic nonfinancial	831.9	831.2	701.1	744.2	717.7	738.6	752.2	771.4	628.7[r]	701.4	769.3	743.9
65 Net borrowing by U.S. government	209.3	215.0	152.8	147.1	155.7	151.8	160.0	222.4	27.2	165.6	207.7	268.5
	External corporate equity funds raised in United States											
66 **Total net share issues**	**20.1**	**90.5**	**14.3**	**-117.9**	**-60.8**	**-73.5**	**-163.5**	**-162.9**	**-48.8**	**-41.0**	**9.3**	**-7.2**
67 Mutual funds	84.4	159.0	71.6	-.7	38.3	1.5	11.9	3.6	24.0	54.8	70.8	55.9
68 All other	-64.3	-68.5	-57.3	-117.2	-99.1	-75.0	-175.4	-166.5	-72.7	-95.8	-61.5	-63.1
69 Nonfinancial corporations	-81.5	-80.8	-76.5	-130.5	-130.8	-92.0	-195.0	-180.0	-105.0	-145.0	-93.0	-78.0
70 Financial corporations	13.5	11.1	21.4	12.4	14.0	14.6	13.5	10.0	17.3	14.2	14.6	16.5
71 Foreign shares purchased in United States	3.7	1.2	-2.1	.9	17.6	2.4	6.1	3.6	15.0	35.0	16.9	-1.7

1.58 DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

Billions of dollars, except as noted; quarterly data are at seasonally adjusted annual rates.

Transaction category, or sector	1985	1986	1987	1988	1989r	1988 Q3	1988 Q4	1989 Q1r	1989 Q2r	1989 Q3r	1989 Q4r	1990 Q1
1 **Total funds advanced in credit markets to domestic nonfinancial sectors**	**846.3**	**831.1**	**693.2**	**754.5**	**711.8**	**749.3**	**734.2**	**748.9**	**672.4**	**684.7**	**741.1**	**771.2**
By public agencies and foreign												
2 Total net advances	202.0	314.0	262.8	215.5	193.8	181.2	255.8	310.8	−2.4	220.4	246.3	132.2
3 U.S. government securities	45.9	69.4	70.1	85.0	30.1	24.1	119.6	77.6	−105.9	116.5	32.3	−25.7
4 Residential mortgages	94.6	170.1	153.2	86.3	144.2	82.4	105.5	123.4	101.7	139.3	212.3	137.6
5 FHLB advances to thrifts	14.2	19.8	24.4	19.7	−11.0	25.8	31.4	69.1	−16.9	−43.7	−52.4	−9.6
6 Other loans and securities	47.3	54.7	15.1	24.4	30.4	49.0	−.7	40.7	18.7	8.3	54.1	29.8
Total advanced, by sector												
7 U.S. government	17.8	9.7	−7.9	−9.4	−1.4	4.3	−27.1	−1.1	−3.9	−12.2	11.5	8.8
8 Sponsored credit agencies	103.5	187.2	183.4	112.0	130.1	114.4	152.8	194.3	8.0	132.1	186.2	137.4
9 Monetary authorities	18.4	19.4	24.7	10.5	−7.3	15.5	18.9	5.2	−3.9	−30.7	.1	−7.7
10 Foreign	62.3	97.8	62.7	102.3	72.4	47.0	111.2	112.5	−2.6	131.1	48.5	−6.4
Agency and foreign borrowing not in line 1												
11 Sponsored credit agencies and mortgage pools	101.5	187.9	185.8	119.8	155.8	128.6	156.7	205.7	101.4	129.7	186.3	151.9
12 Foreign	1.2	9.7	4.9	6.9	9.8	4.1	13.3	−2.3	.4	25.6	15.5	16.8
Private domestic funds advanced												
13 Total net advances	747.0	714.8	621.1	665.8	683.6	700.8	648.5	641.4	776.7	619.7	696.6	807.7
14 U.S. government securities	278.2	333.9	261.4	192.2	275.4	267.0	179.3	328.0	278.2	162.2	333.4	473.4
15 State and local obligations	135.4	22.7	34.1	34.0	25.4	34.8	34.3	29.3	23.0	35.0	14.3	37.4
16 Corporate and foreign bonds	40.8	84.2	87.5	97.6	103.7	86.8	66.5	80.9	129.0	107.2	97.9	80.8
17 Residential mortgages	91.8	82.0	106.1	161.3	85.1	167.9	125.8	100.5	131.9	83.1	24.9	72.7
18 Other mortgages and loans	214.8	211.8	156.5	200.3	182.9	170.0	274.0	171.8	197.6	188.5	173.8	133.8
19 LESS: Federal Home Loan Bank advances	14.2	19.8	24.4	19.7	−11.0	25.8	31.4	69.1	−16.9	−43.7	−52.4	−9.6
Private financial intermediation												
20 Credit market funds advanced by private financial institutions	579.9	744.0	560.8	561.2	514.2	429.1	634.9	564.9	523.3	323.4	645.3	611.1
21 Commercial banking	186.0	197.5	136.8	155.3	177.1	118.4	220.5	120.6	158.6	166.6	262.5	169.9
22 Savings institutions	87.9	107.6	136.8	120.4	−92.9	156.9	94.0	34.3	−73.2	−135.9	−197.1	−63.7
23 Insurance and pension funds	154.4	174.6	210.9	198.0	183.1	152.2	190.1	257.1	162.1	122.8	190.5	196.4
24 Other finance	151.6	264.2	76.3	87.4	247.0	1.7	130.3	152.9	275.8	169.8	389.4	308.5
25 Sources of funds	579.9	744.0	560.8	561.2	514.2	429.1	634.9	564.9	523.3	323.4	645.3	611.1
26 Private domestic deposits and RPs	214.3	262.6	144.1	219.9	207.7	191.3	277.9	128.4	174.2	255.4	273.0	196.6
27 Credit market borrowing	99.7	131.0	129.2	126.7	55.0	87.7	145.8	181.5	15.6	3.3	19.6	38.0
28 Other sources	265.9	350.4	287.5	214.6	251.5	150.1	211.2	255.0	333.5	64.7	352.8	376.5
29 Foreign funds	19.7	12.9	43.7	9.3	−11.6	−41.5	45.2	−28.6	−19.4	22.7	−21.3	5.1
30 Treasury balances	10.3	1.7	−5.8	7.3	−3.4	5.6	−4.1	−21.6	26.6	−15.0	−3.6	15.9
31 Insurance and pension reserves	131.9	149.3	176.1	177.6	153.6	87.3	253.9	187.9	125.1	37.9	263.6	103.3
32 Other, net	104.1	186.5	73.6	20.4	112.9	98.8	−83.7	117.3	201.1	19.1	114.1	252.3
Private domestic nonfinancial investors												
33 Direct lending in credit markets	266.8	101.8	189.6	231.3	224.4	359.3	159.4	258.0	269.0	299.6	70.9	234.6
34 U.S. government securities	157.8	60.9	100.0	131.8	150.0	209.3	140.5	213.2	128.3	179.2	79.4	199.3
35 State and local obligations	37.7	−21.7	45.6	33.9	15.8	56.0	22.1	35.8	−9.1	35.8	.9	−1.3
36 Corporate and foreign bonds	4.2	39.3	24.1	−4.1	24.3	−6.1	−29.4	−33.0	70.8	10.6	48.6	−4.6
37 Open market paper	47.5	5.4	6.6	37.2	4.5	75.6	−1.3	44.9	18.9	53.5	−99.3	25.3
38 Other	19.6	17.9	13.3	32.6	29.8	24.5	27.4	−2.8	60.1	20.4	41.3	15.9
39 Deposits and currency	224.6	283.0	160.2	222.5	226.9	215.1	248.7	173.6	213.6	232.9	287.5	228.3
40 Currency	12.4	14.4	19.0	14.7	11.7	29.3	5.1	19.3	12.6	9.1	5.7	25.7
41 Checkable deposits	41.9	95.0	−3.0	12.4	.6	−22.3	97.8	−54.1	−93.2	−3.5	153.1	−23.9
42 Small time and savings accounts	138.5	120.6	76.0	122.8	100.5	73.1	86.1	19.9	111.2	130.0	140.8	132.3
43 Money market fund shares	8.9	38.3	27.2	22.8	84.8	−3.5	58.1	51.1	111.8	124.3	51.9	85.8
44 Large time deposits	7.4	−11.4	26.7	40.7	20.9	136.9	12.6	97.9	29.9	10.7	−55.0	5.6
45 Security RPs	17.7	20.2	17.2	21.2	1.1	7.0	23.3	13.6	14.5	−6.0	−17.8	−3.2
46 Deposits in foreign countries	−2.1	5.9	−2.8	−12.1	7.5	−5.5	−34.4	25.9	26.8	−31.6	8.8	6.0
47 **Total of credit market instruments, deposits, and currency**	**491.4**	**384.8**	**349.8**	**453.8**	**451.3**	**574.4**	**408.1**	**431.6**	**482.6**	**532.5**	**358.4**	**462.9**
48 Public holdings as percent of total	23.8	37.3	37.6	28.3	26.9	24.1	34.2	41.6	−.4	31.0	32.6	16.8
49 Private financial intermediation (in percent)	77.6	104.1	90.3	84.3	75.2	61.2	97.9	88.1	67.4	52.2	92.6	75.7
50 Total foreign funds	82.0	110.7	106.4	111.6	60.8	5.4	156.4	83.9	−22.0	153.9	27.2	−1.2
MEMO: Corporate equities not included above												
51 **Total net issues**	**20.1**	**90.5**	**14.3**	**−117.9**	**−60.8**	**−73.5**	**−163.5**	**−162.9**	**−48.8**	**−41.0**	**9.3**	**−7.2**
52 Mutual fund shares	84.4	159.0	71.6	−.7	38.3	1.5	11.9	3.6	24.0	54.8	70.8	55.9
53 Other equities	−64.3	−68.5	−57.3	−117.2	−99.1	−75.0	−175.4	−166.5	−72.7	−95.8	−61.5	−63.1
54 Acquisitions by financial institutions	45.6	53.7	21.4	.5	5.2	13.2	20.9	−1.1	−11.6	−11.8	45.3	52.8
55 Other net purchases	−25.5	36.8	−7.1	−118.4	−66.0	−86.7	−184.4	−161.8	−37.1	−29.2	−36.0	−60.0

NOTES BY LINE NUMBER.
1. Line 1 of table 1.57.
2. Sum of lines 3–6 or 7–10.
6. Includes farm and commercial mortgages.
11. Credit market funds raised by federally sponsored credit agencies, and net issues of federally related mortgage pool securities.
13. Line 1 less line 2 plus line 11 and 12. Also line 20 less line 27 plus line 33. Also sum of lines 28 and 47 less lines 40 and 46.
18. Includes farm and commercial mortgages.
26. Line 39 less lines 40 and 46.
27. Excludes equity issues and investment company shares. Includes line 19.
29. Foreign deposits at commercial banks, bank borrowings from foreign branches, and liabilities of foreign banking agencies to foreign affiliates, less claims on foreign affiliates and deposits by banking in foreign banks.
30. Demand deposits and note balances at commercial banks.
31. Excludes net investment of these reserves in corporate equities.
32. Mainly retained earnings and net miscellaneous liabilities.
33. Line 13 less line 20 plus line 27.
34–38. Lines 14–18 less amounts acquired by private finance plus amounts borrowed by private finance. Line 38 includes mortgages.
40. Mainly an offset to line 9.
47. Lines 33 plus 39, or line 13 less line 28 plus 40 and 46.
48. Line 2/line 1.
49. Line 20/line 13.
50. Sum of lines 10 and 29.
51, 53. Includes issues by financial institutions.

NOTE. Full statements for sectors and transaction types in flows and in amounts outstanding may be obtained from Flow of Funds Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

1.59 SUMMARY OF CREDIT MARKET DEBT OUTSTANDING

Billions of dollars; period-end levels.

Transaction category, sector	1985	1986	1987	1988	1988		1989				1990
					Q3	Q4	Q1[r]	Q2[r]	Q3[r]	Q4[r]	Q1
	Nonfinancial sectors										
1 **Total credit market debt owed by domestic nonfinancial sectors**	**6,795.1**	**7,631.2**	**8,335.0**	**9,080.8**	**8,856.6**	**9,080.8**	**9,240.7**	**9,415.1**	**9,591.5**	**9,806.5**	**9,987.4**
By sector and instrument											
2 U.S. government	1,600.4	1,815.4	1,960.3	2,117.8	2,063.9	2,117.8	2,155.7	2,165.7	2,204.3	2,267.6	2,359.1
3 Treasury securities	1,597.1	1,811.7	1,955.2	2,095.2	2,051.7	2,095.2	2,133.4	2,142.1	2,180.7	2,245.2	2,329.3
4 Agency issues and mortgages	3.3	3.6	5.2	22.6	12.2	22.6	22.3	23.6	23.5	22.4	29.8
5 Private domestic nonfinancial sectors	5,194.7	5,815.8	6,374.7	6,963.1	6,792.7	6,963.1	7,084.9	7,249.4	7,387.2	7,539.0	7,628.4
6 Debt capital instruments	3,485.5	3,957.5	4,428.0	4,881.8	4,763.3	4,881.8	4,971.9	5,079.8	5,186.1	5,294.2	5,372.1
7 Tax-exempt obligations	655.5	679.1	713.2	759.8	746.1	759.8	764.7	769.9	781.5	785.2	792.1
8 Corporate bonds	542.9	664.2	764.1	878.2	853.6	878.2	903.3	935.3	960.9	992.5	1,014.5
9 Mortgages	2,287.1	2,614.2	2,950.7	3,243.8	3,163.6	3,243.8	3,303.9	3,374.6	3,443.7	3,516.4	3,565.6
10 Home mortgages	1,490.2	1,720.8	1,943.1	2,173.9	2,117.8	2,173.9	2,215.1	2,271.5	2,328.9	2,388.9	2,426.0
11 Multifamily residential	213.0	246.2	270.0	286.7	281.0	286.7	290.4	294.2	297.5	301.1	305.0
12 Commercial	478.1	551.4	648.7	696.4	677.9	696.4	712.5	722.2	730.8	740.0	748.2
13 Farm	105.9	95.8	88.9	86.8	87.0	86.8	86.0	86.7	86.6	86.5	86.4
14 Other debt instruments	1,709.3	1,858.4	1,946.7	2,081.3	2,029.4	2,081.3	2,113.0	2,169.7	2,201.1	2,244.8	2,256.3
15 Consumer credit	601.8	659.8	692.7	743.7	721.2	743.7	741.7	756.7	771.0	790.6	775.4
16 Bank loans n.e.c.	592.7	656.1	664.3	702.6	687.7	702.6	715.9	729.4	743.6	758.3	757.4
17 Open market paper	72.2	62.9	73.8	85.4	80.3	85.4	96.1	110.1	113.3	107.1	123.7
18 Other	442.6	479.6	516.0	549.5	540.2	549.5	559.4	573.5	573.2	588.8	599.8
19 By borrowing sector	5,194.7	5,815.8	6,374.7	6,963.1	6,792.7	6,963.1	7,084.9	7,249.4	7,387.2	7,539.0	7,628.4
20 State and local governments	473.9	510.1	543.7	573.5	565.7	573.5	578.5	584.8	595.1	598.1	603.8
21 Households	2,295.5	2,591.8	2,864.5	3,151.7	3,068.0	3,151.7	3,200.8	3,269.3	3,348.2	3,442.3	3,472.5
22 Nonfinancial business	2,425.4	2,714.0	2,966.5	3,237.9	3,159.0	3,237.9	3,305.6	3,395.3	3,443.9	3,498.6	3,552.0
23 Farm	173.4	156.6	145.5	137.6	143.6	137.6	136.7	139.4	137.7	137.1	138.3
24 Nonfarm noncorporate	898.3	1,001.6	1,109.4	1,200.9	1,172.6	1,200.9	1,223.5	1,239.3	1,249.1	1,265.0	1,279.2
25 Corporate	1,353.6	1,555.8	1,711.6	1,899.4	1,842.9	1,899.4	1,945.5	2,016.6	2,057.2	2,096.4	2,134.5
26 Foreign credit market debt held in United States	234.7	236.4	242.9	249.8	246.1	249.8	249.5	249.7	255.2	259.4	264.1
27 Bonds	71.8	74.9	82.3	89.2	87.4	89.2	90.5	92.1	94.2	94.2	96.4
28 Bank loans n.e.c.	27.9	26.9	23.3	21.5	22.7	21.5	21.6	22.7	22.6	21.4	19.6
29 Open market paper	33.9	37.4	41.2	50.9	46.3	50.9	54.4	52.7	57.5	63.0	68.2
30 U.S. government loans	101.1	97.1	96.1	88.3	89.8	88.3	83.0	82.2	80.9	80.9	79.9
31 **Total domestic plus foreign**	**7,029.9**	**7,867.6**	**8,578.0**	**9,330.7**	**9,102.8**	**9,330.7**	**9,490.1**	**9,664.8**	**9,846.7**	**10,066.0**	**10,251.5**
	Financial sectors										
32 **Total credit market debt owed by financial sectors**	**1,213.2**	**1,563.6**	**1,885.5**	**2,084.1**	**1,996.5**	**2,084.1**	**2,191.3**	**2,229.9**	**2,262.8**	**2,327.3**	**2,351.4**
By instrument											
33 U.S. government related	632.7	844.2	1,026.5	1,098.4	1,054.6	1,098.4	1,140.8	1,166.5	1,202.6	1,254.1	1,282.5
34 Sponsored credit agency securities	257.8	273.0	303.2	348.1	328.5	348.1	364.3	369.0	370.4	373.3	376.0
35 Mortgage pool securities	368.9	565.4	718.3	745.3	721.1	745.3	771.5	792.5	827.2	875.8	901.5
36 Loans from U.S. government	6.1	5.7	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
37 Private financial sectors	580.5	719.5	859.0	985.7	941.9	985.7	1,050.5	1,063.5	1,060.2	1,073.2	1,068.9
38 Corporate bonds	204.5	287.4	366.3	418.0	406.4	418.0	458.6	466.1	472.7	483.0	491.3
39 Mortgages	2.7	2.7	3.1	3.4	3.1	3.4	3.5	3.5	3.5	3.4	3.3
40 Bank loans n.e.c.	32.1	36.1	32.8	34.2	32.9	34.2	32.2	33.8	34.1	36.0	35.4
41 Open market paper	252.4	284.6	323.8	377.4	358.0	377.4	392.5	398.3	398.8	409.1	406.1
42 Loans from Federal Home Loan Banks	88.8	108.6	133.1	152.8	141.6	152.8	163.8	161.9	151.1	141.8	132.9
43 **Total, by sector**	**1,213.2**	**1,563.6**	**1,885.5**	**2,084.1**	**1,996.5**	**2,084.1**	**2,191.3**	**2,229.9**	**2,262.8**	**2,327.3**	**2,351.4**
44 Sponsored credit agencies	263.9	278.7	308.2	353.1	333.5	353.1	369.3	374.0	375.4	378.3	381.0
45 Mortgage pools	368.9	565.4	718.3	745.3	721.1	745.3	771.5	792.5	827.2	875.8	901.5
46 Private financial sectors	580.5	719.5	859.0	985.7	941.9	985.7	1,050.5	1,063.5	1,060.2	1,073.2	1,068.9
47 Commercial banks	79.2	75.6	82.7	78.8	76.6	78.8	73.3	74.5	77.0	77.4	76.4
48 Bank affiliates	106.2	116.8	131.1	136.2	136.3	136.2	140.0	141.2	144.0	142.4	142.3
49 Savings and loan associations	98.9	119.8	139.4	159.3	148.1	159.3	170.1	167.9	155.7	145.2	134.7
50 Mutual savings banks	4.4	8.6	16.7	18.6	18.1	18.6	17.8	17.7	17.5	17.2	16.9
51 Finance companies	261.2	328.1	378.8	445.8	427.7	445.8	464.3	478.0	481.2	496.5	496.1
52 REITs	5.6	6.5	7.3	11.4	7.6	11.4	11.1	10.6	10.0	10.1	9.9
53 SCO issuers	25.0	64.0	103.1	135.7	127.5	135.7	173.8	173.5	174.9	184.4	192.8
	All sectors										
54 **Total credit market debt**	**8,243.1**	**9,431.2**	**10,463.4**	**11,414.8**	**11,099.3**	**11,414.8**	**11,681.5**	**11,894.8**	**12,109.5**	**12,393.3**	**12,602.9**
55 U.S. government securities	2,227.0	2,653.8	2,981.8	3,211.1	3,113.5	3,211.1	3,291.5	3,327.2	3,401.8	3,516.7	3,636.5
56 State and local obligations	655.5	679.1	713.2	759.8	746.1	759.8	764.7	769.9	781.5	785.2	792.1
57 Corporate and foreign bonds	819.2	1,026.4	1,212.7	1,385.4	1,347.4	1,385.4	1,452.3	1,493.5	1,527.8	1,569.6	1,602.2
58 Mortgages	2,289.8	2,617.0	2,953.8	3,247.2	3,166.7	3,247.2	3,307.4	3,378.1	3,447.3	3,519.8	3,568.9
59 Consumer credit	601.8	659.8	692.7	743.7	721.2	743.7	741.7	756.7	771.0	790.6	775.4
60 Bank loans n.e.c.	652.7	719.1	720.3	758.3	743.3	758.3	769.7	785.8	800.3	815.6	812.4
61 Open market paper	358.5	384.9	438.8	513.6	484.6	513.6	543.1	561.1	569.6	579.2	598.0
62 Other loans	638.6	691.1	750.2	795.6	776.5	795.6	811.1	822.6	810.2	816.5	817.5

1.60 SUMMARY OF CREDIT MARKET CLAIMS, BY HOLDER

Billions of dollars, except as noted; period-end levels.

Transaction category, or sector	1985	1986	1987	1988	1988 Q3	1988 Q4	1989 Q1r	1989 Q2r	1989 Q3r	1989 Q4r	1990 Q1
1 **Total funds advanced in credit markets to domestic nonfinancial sectors**	**6,795.1**	**7,631.2**	**8,335.0**	**9,080.8**	**8,856.6**	**9,080.8**	**9,240.7**	**9,415.1**	**9,591.5**	**9,806.5**	**9,987.4**
By public agencies and foreign											
2 Total held	1,460.5	1,794.7	2,044.9	2,196.5	2,130.2	2,196.5	2,252.4	2,258.2	2,315.7	2,385.3	2,400.4
3 U.S. government securities	423.8	493.2	563.3	648.3	613.3	648.3	661.2	638.7	664.7	678.5	665.0
4 Residential mortgages	518.2	712.3	862.0	900.4	873.3	900.4	927.2	951.2	990.9	1,044.6	1,074.6
5 FHLB advances to thrifts	88.8	108.6	133.1	152.8	141.6	152.8	163.8	161.9	151.1	141.8	132.9
6 Other loans and securities	429.7	480.5	486.6	495.0	502.1	495.0	500.3	506.4	509.0	520.5	527.9
7 Total held, by type of lender	1,460.5	1,794.7	2,044.9	2,196.5	2,130.2	2,196.5	2,252.4	2,258.2	2,315.7	2,385.3	2,400.4
8 U.S. government	246.7	253.3	238.0	212.7	226.3	212.7	208.3	207.9	205.3	206.3	209.5
9 Sponsored credit agencies and mortgage pools	659.8	869.8	1,048.9	1,113.0	1,071.2	1,113.0	1,151.1	1,154.6	1,192.6	1,243.1	1,266.4
10 Monetary authority	186.0	205.5	230.1	240.6	230.8	240.6	235.4	238.4	227.6	233.3	224.4
11 Foreign	367.9	466.1	527.9	630.3	601.9	630.3	657.6	657.3	690.1	702.7	700.1
Agency and foreign debt not in line 1											
12 Sponsored credit agencies and mortgage pools	632.7	844.2	1,026.5	1,098.4	1,054.6	1,098.4	1,140.8	1,166.5	1,202.6	1,254.1	1,282.5
13 Foreign	234.7	236.4	242.9	249.8	246.1	249.8	249.5	249.7	255.2	259.4	264.1
Private domestic holdings											
14 Total private holdings	6,202.1	6,917.1	7,559.5	8,232.5	8,027.2	8,232.5	8,378.5	8,573.1	8,733.6	8,934.8	9,133.6
15 U.S. government securities	1,803.2	2,160.6	2,418.5	2,562.8	2,500.3	2,562.8	2,630.3	2,688.5	2,737.2	2,838.3	2,971.6
16 State and local obligations	655.5	679.1	713.2	759.8	746.1	759.8	764.7	769.9	781.5	785.2	792.1
17 Corporate and foreign bonds	517.6	601.3	689.6	787.2	770.6	787.2	808.7	839.6	866.3	891.0	912.7
18 Residential mortgages	1,185.1	1,254.7	1,351.1	1,560.2	1,525.5	1,560.2	1,578.3	1,614.5	1,635.5	1,645.4	1,656.4
19 Other mortgages and loans	2,129.7	2,330.0	2,520.1	2,715.2	2,626.3	2,715.2	2,760.2	2,822.5	2,864.2	2,916.8	2,933.7
20 LESS: Federal Home Loan Bank advances	88.8	108.6	133.1	152.8	141.6	152.8	163.8	161.9	151.1	141.8	132.9
Private financial intermediation											
21 Credit market claims held by private financial institutions	5,283.1	6,025.7	6,604.6	7,167.5	7,002.7	7,167.5	7,306.9	7,461.0	7,546.1	7,703.9	7,833.1
22 Commercial banking	1,978.9	2,176.3	2,313.1	2,468.4	2,421.6	2,468.4	2,490.9	2,538.2	2,588.6	2,645.5	2,680.9
23 Savings institutions	1,191.2	1,297.9	1,445.5	1,567.7	1,535.2	1,567.7	1,565.5	1,556.1	1,526.2	1,478.7	1,446.9
24 Insurance and pension funds	1,369.7	1,544.3	1,755.2	1,953.3	1,901.9	1,953.3	2,007.0	2,050.9	2,085.2	2,136.4	2,173.8
25 Other finance	743.4	1,007.1	1,090.7	1,178.1	1,144.0	1,178.1	1,243.5	1,315.7	1,346.1	1,443.4	1,531.5
26 Sources of funds	5,283.1	6,025.7	6,604.6	7,167.5	7,002.7	7,167.5	7,306.9	7,461.0	7,546.1	7,703.9	7,833.1
27 Private domestic deposits and RPs	2,930.0	3,188.4	3,324.8	3,560.2	3,480.0	3,560.2	3,584.1	3,631.0	3,690.3	3,767.8	3,808.0
28 Credit market debt	580.5	719.5	859.0	985.7	941.9	985.7	1,050.5	1,063.5	1,060.2	1,073.2	1,068.9
29 Other sources	1,772.7	2,117.9	2,420.8	2,621.5	2,580.7	2,621.5	2,672.3	2,766.5	2,795.6	2,862.9	2,956.1
30 Foreign funds	5.6	18.6	62.2	71.5	52.0	71.5	61.8	50.0	55.7	59.9	57.9
31 Treasury balances	25.8	27.5	21.6	29.0	34.2	29.0	13.5	34.4	30.3	25.6	18.5
32 Insurance and pension reserves	1,289.4	1,427.9	1,597.2	1,761.8	1,722.3	1,761.8	1,811.2	1,844.9	1,863.9	1,909.2	1,943.5
33 Other, net	451.8	643.9	739.6	759.2	772.4	759.2	785.7	837.2	845.6	868.3	936.2
Private domestic nonfinancial investors											
34 Credit market claims	1,499.5	1,610.8	1,813.9	2,050.7	1,966.4	2,050.7	2,122.1	2,175.6	2,247.8	2,304.1	2,369.5
35 U.S. government securities	814.7	899.1	992.0	1,077.8	1,022.3	1,077.8	1,109.8	1,132.3	1,186.1	1,227.8	1,285.8
36 Tax-exempt obligations	231.9	211.2	256.8	303.7	289.0	303.7	307.2	308.8	316.3	319.5	313.2
37 Corporate and foreign bonds	38.0	77.8	102.2	93.9	106.1	93.9	125.7	135.4	141.0	147.5	158.3
38 Open market paper	131.0	136.4	160.7	200.9	185.8	200.9	208.0	218.0	221.4	210.6	206.5
39 Other	283.8	286.2	302.3	374.5	363.2	374.5	371.3	381.0	383.0	398.6	405.7
40 Deposits and currency	3,120.4	3,399.2	3,553.9	3,791.9	3,710.3	3,791.9	3,819.2	3,879.9	3,927.8	4,018.6	4,058.2
41 Currency	171.9	186.3	205.4	220.1	213.4	220.1	220.7	226.4	224.4	231.8	233.8
42 Checkable deposits	422.5	517.4	514.0	525.3	495.9	525.3	492.8	494.0	485.0	525.9	500.9
43 Small time and savings accounts	1,831.9	1,948.3	2,017.1	2,156.5	2,137.3	2,156.5	2,168.9	2,189.3	2,224.4	2,256.7	2,297.5
44 Money market fund shares	227.3	265.6	292.8	315.6	303.6	315.6	340.3	359.9	389.2	400.4	434.0
45 Large time deposits	339.9	328.5	355.2	395.9	384.7	395.9	412.5	417.2	421.8	416.9	409.2
46 Security RPs	108.3	128.5	145.7	166.9	158.6	166.9	169.6	170.7	169.8	167.9	166.5
47 Deposits in foreign countries	18.5	24.5	23.7	11.6	16.8	11.6	14.4	22.5	13.1	19.1	16.4
48 **Total of credit market instruments, deposits, and currency**	**4,619.9**	**5,010.0**	**5,367.8**	**5,842.6**	**5,676.7**	**5,842.6**	**5,941.3**	**6,055.5**	**6,175.6**	**6,322.7**	**6,427.7**
49 Public holdings as percent of total	20.8	22.8	23.8	23.5	23.4	23.5	23.7	23.4	23.5	23.7	23.4
50 Private financial intermediation (in percent)	85.2	87.1	87.4	87.1	87.2	87.1	87.2	87.0	86.4	86.2	85.8
51 Total foreign funds	373.5	484.7	590.2	701.8	653.8	701.8	719.4	707.3	745.9	762.6	758.0
MEMO: Corporate equities not included above											
52 **Total market value**	**2,823.9**	**3,360.6**	**3,325.0**	**3,620.3**	**3,577.6**	**3,620.3**	**3,731.8**	**4,072.4**	**4,398.9**	**4,382.4**	**4,335.2**
53 Mutual fund shares	240.2	413.5	460.1	478.3	478.1	478.3	486.3	514.8	539.7	551.9	548.5
54 Other equities	2,583.7	2,947.1	2,864.9	3,142.0	3,099.5	3,142.0	3,245.4	3,557.7	3,859.2	3,830.6	3,786.6
55 Holdings by financial institutions	800.0	972.1	1,013.8	1,186.1	1,160.0	1,186.1	1,253.4	1,366.3	1,500.5	1,505.0	1,476.4
56 Other holdings	2,023.9	2,388.4	2,311.2	2,434.2	2,417.6	2,434.2	2,478.4	2,706.2	2,898.4	2,877.4	2,858.7

NOTES BY LINE NUMBER.
1. Line 1 of table 1.59.
2. Sum of lines 3–6 or 7–10.
6. Includes farm and commercial mortgages.
12. Credit market debt of federally sponsored agencies, and net issues of federally related mortgage pool securities.
14. Line 1 less line 2 plus line 12 and 13. Also line 21 less line 28 plus line 34. Also sum of lines 29 and 48 less lines 41 and 47.
19. Includes farm and commercial mortgages.
27. Line 40 less lines 41 and 47.
28. Excludes equity issues and investment company shares. Includes line 20.
30. Foreign deposits at commercial banks plus bank borrowings from foreign affiliates, less claims on foreign affiliates and deposits by banking in foreign banks.
31. Demand deposits and note balances at commercial banks.
32. Excludes net investment of these reserves in corporate equities.
33. Mainly retained earnings and net miscellaneous liabilities.
34. *Line 14 less line 21 plus line 28.*
35–39. Lines 15–19 less amounts acquired by private finance plus amounts borrowed by private finance. Line 39 includes mortgages.
41. Mainly an offset to line 10.
48. Lines 34 plus 40, or line 14 less line 29 plus 41 and 47.
49. Line 2/line 1 and 13.
50. Line 21/line 14.
51. Sum of lines 11 and 30.
52–54. Includes issues by financial institutions.

NOTE. Full statements for sectors and transaction types in flows and in amounts outstanding may be obtained from Flow of Funds Section, Stop 95, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures[1]

1977 = 100; monthly and quarterly data are seasonally adjusted. Exceptions noted.

Measure	1987	1988	1989	1989				1990				
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
1 **Industrial production (1987 = 100)**	**100.0**	**105.4**	**108.1**	**108.2**	**107.7**	**108.1**	**108.6**	**107.5**	**108.5**	**109.0**	**109.0**	**109.7**
Market groupings												
2 Products, total (1987 = 100)	100.0	105.3	108.6	108.8	108.1	108.9	109.7	108.4	109.4	110.2	110.0	110.8
3 Final, total (1987 = 100)	100.0	105.6	109.1	109.6	108.5	109.4	110.3	108.5	109.7	110.8	110.6	111.6
4 Consumer goods (1987 = 100)	100.0	104.0	106.7	106.3	107.3	107.4	108.3	106.0	107.0	107.6	107.4	108.0
5 Equipment (1987 = 100)	100.0	107.6	112.3	113.8	110.1	112.0	112.9	111.8	113.3	114.9	114.8	116.3
6 Intermediate (1987 = 100)	100.0	104.4	106.8	106.3	106.9	107.3	107.9	108.0	108.4	108.3	108.1	108.1
7 Materials (1987 = 100)	100.0	105.6	107.4	107.4	107.1	107.0	106.9	106.2	107.1	107.2	107.5	108.0
Industry groupings												
8 Manufacturing (1987 = 100)	100.0	105.8	108.9	109.1	108.4	108.9	108.8	108.1	109.6	109.9	109.7	110.6
Capacity utilization (percent)[2]												
9 Manufacturing	81.4	83.9	83.9	83.6	82.9	83.0	82.8	82.0	83.0	82.9	82.6	83.0
10 Construction contracts (1982 = 100)[3]	164.8	166.4	170.6	185.0	180.0	167.0	166.0	158.0	154.0	157.0	147.0	155.0
11 Nonagricultural employment, total[4]	123.9	128.0	131.6	132.3	132.4	132.7	132.9	133.3	133.8	133.9	133.9	134.1
12 Goods-producing, total	101.5	103.7	105.3	105.2	105.2	105.2	104.9	104.8	105.5	105.2	104.7	104.5
13 Manufacturing, total	96.7	98.6	99.6	99.4	99.2	99.1	99.0	98.3	98.8	98.7	98.6	98.4
14 Manufacturing, production- worker	91.9	93.9	94.8	94.2	94.1	93.9	93.8	92.8	93.5	93.3	93.3	93.1
15 Service-producing	133.3	138.2	142.7	143.6	143.8	144.2	144.6	145.2	145.6	145.9	146.1	146.5
16 Personal income, total	235.0	252.8	275.4	277.9	280.0	282.5	283.9	286.4	288.5	290.8	291.6	292.4
17 Wages and salary disbursements	226.3	244.4	264.7	268.5	271.0	271.1	272.9	274.1	276.5	278.1	279.7	280.8
18 Manufacturing	183.8	196.5	207.3	208.8	211.1	209.1	209.2	208.1	210.3	212.1	211.4	213.6
19 Disposable personal income[5]	213.6	228.0	240.7	276.5	278.4	281.2	282.4	285.4	287.4	289.9	290.3	290.9
20 Retail sales[6]	113.6	118.3	124.0	245.2	241.9	243.7	242.8	249.6	249.7	248.7	246.4	244.6
Prices[7]												
21 Consumer (1982–84 = 100)	113.6	118.3	124.0	125.0	125.6	125.9	126.1	127.4	128.0	128.7	128.9	129.2
22 Producer finished goods (1982 = 100)	105.4	108.0	113.6	113.6	114.9	114.9	115.4	117.6	117.4	117.0	117.0	117.7

1. A major revision of the industrial production index and the capacity utilization rates was released in April 1990. See "Industrial Production: 1989 Developments and Historical Revision" in the *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204. The revised indexes for January through June 1985 were shown in the September *Bulletin*.
2. Ratios of indexes of production to indexes of capacity. Based on data from Federal Reserve, McGraw-Hill Economics Department, 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 in *Employment and Earnings* (U.S. Department of Labor). Series covers employees only, excluding personnel in the Armed Forces.
5. Based on data in *Survey of Current Business* (U.S. Department of Commerce).
6. Based on Bureau of Census data published in *Survey of Current Business*.
7. Data without seasonal adjustment, as published in *Monthly Labor Review*. Seasonally adjusted data for changes in the price indexes may be obtained from the Bureau of Labor Statistics, U.S. Department of Labor.

NOTE. Basic data (not index numbers) for series mentioned in notes 4, 5,and 6, and indexes for series mentioned in notes 3 and 7 may also be found in the *Survey of Current Business*.

Figures for industrial production for the last two months are preliminary and estimated, respectively.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data are seasonally adjusted. Exceptions noted.

Category	1987	1988	1989	1989			1990				
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.[r]	Apr.	May
HOUSEHOLD SURVEY DATA											
1 **Noninstitutional population**[1]	**185,010**	**186,837**	**188,601**	**189,096**	**189,238**	**189,381**	**189,506**	**189,607**	**189,717**	**189,844**	**189,983**
2 Labor force (including Armed Forces)[1]	122,122	123,893	126,077	126,373	126,709	126,762	126,610	126,825	127,017	127,061	127,159
3 Civilian labor force	119,865	121,669	123,869	124,148	124,488	124,546	124,397	124,630	124,829	124,886	125,004
Employment											
4 Nonagricultural industries[2]	109,232	111,800	114,142	114,388	114,676	114,691	114,728	114,957	115,133	114,983	115,045
5 Agriculture	3,208	3,169	3,199	3,197	3,160	3,197	3,134	3,079	3,200	3,133	3,305
Unemployment											
6 Number	7,425	6,701	6,528	6,563	6,652	6,658	6,535	6,594	6,495	6,770	6,653
7 Rate (percent of civilian labor force)	6.2	5.5	5.3	5.3	5.3	5.3	5.3	5.3	5.2	5.4	5.3
8 Not in labor force	62,888	62,944	62,524	62,723	62,529	62,619	62,896	62,782	62,700	62,783	62,824
ESTABLISHMENT SURVEY DATA											
9 **Nonagricultural payroll employment**[3]	**102,200**	**105,584**	**108,573**	**109,171**	**109,452**	**109,570**	**109,931**	**110,304**	**110,427**	**110,404**[r]	**110,568**
10 Manufacturing	19,024	19,403	19,611	19,537	19,517	19,489	19,355	19,452	19,423	19,404[r]	19,369
11 Mining	717	721	722	731	737	739	745	749	751	755	757
12 Contract construction	4,967	5,125	5,302	5,335	5,355	5,304	5,418	5,485	5,432	5,332[r]	5,313
13 Transportation and public utilities	5,372	5,548	5,703	5,729	5,753	5,834	5,850	5,865	5,875	5,871[r]	5,879
14 Trade	24,327	25,139	25,807	25,957	26,044	26,029	26,154	26,126	26,127	26,145[r]	26,157
15 Finance	6,547	6,676	6,814	6,851	6,871	6,885	6,896	6,916	6,922	6,919[r]	6,924
16 Service	24,236	25,600	26,889	27,188	27,345	27,419	27,557	27,709	27,783	27,761[r]	27,798
17 Government	17,010	17,372	17,726	17,843	17,830	17,871	17,956	18,002	18,114	18,217[r]	18,371

1. Persons 16 years of age and over. Monthly figures, which are based on sample data, relate to the calendar week that contains the 12th day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures. Based on data from *Employment and Earnings* (U.S. Department of Labor).

2. Includes self-employed, unpaid family, and domestic service workers.

3. Data include all full- and part-time employees who worked during, or received pay for, the pay period that includes the 12th day of the month, and exclude proprietors, self-employed persons, domestic servants, unpaid family workers, and members of the Armed Forces. Data are adjusted to the March 1984 benchmark and only seasonally adjusted data are available at this time. Based on data from *Employment and Earnings* (U.S. Department of Labor).

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION[1]

Seasonally adjusted

Series	1989			1990	1989			1990	1989			1990
	Q2	Q3	Q4	Q1[r]	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1[r]
	Output (1987 = 100)				Capacity (percent of 1987 output)				Utilization rate (percent)			
1 **Total industry**	**108.4**	**108.1**	**108.1**	**108.3**	**128.0**	**128.8**	**129.5**	**130.3**	**84.7**	**84.0**	**83.5**	**83.1**
2 Mining	101.1	100.8	100.6	101.1	117.2	116.7	116.1	115.7	86.2	86.4	86.9	87.4
3 Utilities	106.3	106.2	110.6	106.1	125.3	125.5	125.7	126.0	84.9	84.6	88.0	84.2
4 **Manufacturing**	**109.3**	**108.9**	**108.7**	**109.2**	**129.2**	**130.2**	**131.1**	**132.1**	**84.5**	**83.7**	**82.9**	**82.7**
5 Primary processing	106.4	106.4	106.1	106.4	122.0	122.7	123.4	124.2	87.3	86.7	85.9	85.7
6 Advanced processing	110.6	110.1	109.9	110.5	132.6	133.7	134.7	135.8	83.4	82.4	81.6	81.4

Series	Previous cycle[2]		Latest cycle[3]		1989					1990				
	High	Low	High	Low	May	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.[r]	Mar.[r]	Apr.[r]	May
	Capacity utilization rate (percent)													
7 ***Total industry***	**89.2**	**72.6**	**87.3**	**71.8**	**84.6**	**83.9**	**83.4**	**83.5**	**83.7**	**82.7**	**83.2**	**83.4**	**83.3**	**83.6**
8 Mining	94.4	88.4	96.6	80.6	86.3	87.2	87.3	87.1	86.3	87.8	87.3	87.2	88.9	88.9
9 Utilities	95.6	82.5	88.3	76.2	84.8	84.3	85.5	86.2	92.3	84.8	82.5	85.4	85.9	84.9
10 **Manufacturing**	**88.9**	**70.8**	**87.3**	**70.0**	**84.5**	**83.6**	**82.9**	**83.0**	**82.8**	**82.0**	**83.0**	**82.9**	**82.6**	**83.0**
11 Primary processing	92.2	68.9	89.7	66.8	87.0	86.1	86.6	86.1	85.2	85.7	86.1	85.2	85.1	85.2
12 Advanced processing	87.5	72.0	86.3	71.4	83.4	82.5	81.4	81.7	81.8	80.5	81.7	82.0	81.5	82.1

1. These data also appear in the Board's G.3 (402) release. For address, see inside front cover.
2. Monthly high 1973; monthly low 1975.
3. Monthly highs 1978 through 1980; monthly lows 1982.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]

Monthly data are seasonally adjusted

Groups	1987 proportion	1989 avg.	1989 May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1990 Jan.	Feb.[r]	Mar.	Apr.[p]	May[e]
			Index (1987 = 100)												
MAJOR MARKET[1]															
1 **Total index**	**100.0**	**108.1**	**108.3**	**108.4**	**107.8**	**108.2**	**108.2**	**107.7**	**108.1**	**108.6**	**107.5**	**108.5**	**109.0**	**109.0**	**109.7**
2 Products	60.8	108.6	108.9	109.1	108.2	108.5	108.8	108.1	108.9	109.7	108.4	109.4	110.2	110.0	110.8
3 Final products	46.0	109.1	109.6	109.8	108.7	109.1	109.6	108.5	109.4	110.3	108.5	109.7	110.8	110.6	111.6
4 Consumer goods	26.0	106.7	106.8	106.3	105.2	105.6	106.3	107.3	107.4	108.3	106.0	107.0	107.6	107.4	108.0
5 Durable consumer goods	5.6	107.9	109.2	108.4	105.6	105.8	107.6	106.8	105.7	106.8	99.4	106.2	111.0	107.3	110.2
6 Automotive products	2.5	106.9	109.2	106.7	101.1	103.2	104.9	102.9	102.4	104.5	85.2	99.3	109.5	102.1	108.5
7 Autos and trucks	1.5	105.7	109.6	106.2	97.1	101.1	103.1	99.7	98.4	100.1	66.3	92.7	107.7	95.7	106.0
8 Autos, consumer	.9	101.2	105.7	100.5	89.3	95.1	102.0	100.7	92.8	92.6	62.1	86.9	100.5	87.6	96.8
9 Trucks, consumer	.6	113.3	116.2	115.7	110.1	111.3	105.0	98.2	108.0	112.6	73.3	102.3	120.0	109.3	121.3
10 Auto parts and allied goods	1.0	108.7	108.5	107.4	107.0	106.3	107.4	107.6	108.2	111.2	113.6	109.4	112.1	111.8	112.4
11 Other	3.1	108.7	109.3	109.8	109.2	107.9	109.8	109.8	108.4	108.6	110.6	111.6	112.2	111.4	111.6
12 Appliances, A/C, and TV	.8	106.7	105.9	110.5	107.5	106.5	109.3	107.6	102.0	101.0	108.4	107.8	108.1	105.1	105.8
13 Carpeting and furniture	.9	101.5	104.1	102.1	101.0	98.1	100.9	101.1	100.4	102.0	103.7	104.7	105.9	106.2	105.7
14 Miscellaneous home goods	1.4	114.5	114.6	114.3	115.4	114.8	115.8	116.6	117.1	117.1	116.2	118.2	118.5	118.2	118.6
15 Nondurable consumer goods	20.4	106.4	106.2	105.8	105.1	105.6	106.0	107.4	107.8	108.7	107.8	107.2	106.7	107.5	107.4
16 Foods and tobacco	9.1	104.2	104.2	103.0	102.2	103.3	103.7	105.6	105.8	106.4	105.5	106.2	105.9	106.5	106.4
17 Clothing	2.6	101.6	101.9	102.3	101.4	100.3	101.6	101.9	100.1	99.4	100.6	99.6	97.4	98.0	98.5
18 Chemical products	3.5	109.4	110.1	109.8	109.6	110.1	107.8	110.3	111.3	110.3	112.7	112.0	111.1	113.0	113.2
19 Paper products	2.5	114.3	112.7	112.9	113.1	114.1	116.2	117.2	118.1	116.9	116.2	117.6	117.1	117.1	117.9
20 Energy	2.7	106.7	106.1	106.1	105.2	104.7	106.0	106.0	108.0	115.2	107.9	101.5	102.6	103.4	101.7
21 Fuels	.7	102.8	100.6	103.0	104.5	102.3	103.4	103.1	103.0	100.5	105.1	106.6	101.8	102.1	99.3
22 Residential utilities	2.0	108.1	108.1	107.2	105.5	105.6	106.9	107.0	109.8	120.7	109.0	99.6	102.9	103.9	102.6
23 Equipment, total	20.0	112.3	113.1	114.3	113.2	113.6	113.8	110.1	112.0	112.9	111.8	113.3	114.9	114.8	116.3
24 Business equipment	13.9	119.1	120.2	121.4	119.9	120.4	120.7	116.0	118.7	119.9	118.0	120.1	122.3	121.9	123.9
25 Information processing and related	5.6	121.7	122.5	124.0	122.7	122.0	123.7	119.9	123.5	124.0	124.0	124.7	126.1	126.9	128.4
26 Office and computing	1.9	137.2	137.6	139.1	137.1	139.3	141.8	132.8	141.0	142.7	142.7	144.3	147.2	151.4	152.6
27 Industrial	4.0	113.8	113.8	114.9	115.1	113.8	113.8	112.4	113.4	112.8	113.5	113.4	113.9	114.4	115.0
28 Transit	2.5	123.8	127.6	128.3	123.8	128.4	127.0	112.9	117.0	123.4	111.4	122.7	130.6	125.9	132.3
29 Autos and trucks	1.2	103.9	105.3	102.9	95.9	101.6	103.1	97.6	98.0	97.6	69.6	91.7	104.5	95.1	104.9
30 Other	1.9	116.5	117.4	117.4	116.4	118.6	119.1	116.3	117.8	118.5	118.7	117.4	117.7	117.6	118.4
31 Defense and space equipment	5.4	97.4	97.6	98.3	98.7	98.9	98.9	96.6	96.7	96.6	97.5	97.6	97.5	97.3	97.2
32 Oil and gas well drilling	.6	93.7	92.5	96.7	95.3	95.3	97.3	97.3	99.9	100.3	98.3	100.1	106.0	114.3	118.6
33 Manufactured homes	.2	92.3	92.8	92.8	86.5	89.5	87.5	87.9	89.4	91.6	91.6	94.3	92.9	89.7	89.4
34 Intermediate products, total	14.7	106.8	106.6	106.7	106.7	106.4	106.3	106.9	107.3	107.9	108.0	108.4	108.3	108.1	108.1
35 Construction supplies	6.0	106.1	105.9	106.2	106.5	105.5	105.2	106.3	107.0	107.4	107.9	108.2	106.9	106.6	106.5
36 Business supplies	8.7	107.3	107.1	107.0	106.8	106.9	107.0	107.3	107.5	108.2	108.0	108.5	109.2	109.2	109.2
37 Materials, total	39.2	107.4	107.3	107.6	107.3	107.8	107.4	107.1	107.0	106.9	106.2	107.1	107.2	107.5	108.0
38 Durable goods materials	19.4	111.6	111.5	112.1	111.5	112.0	112.0	110.8	110.8	110.4	109.4	110.8	110.8	110.5	112.0
39 Durable consumer parts	4.2	109.0	110.6	110.3	107.7	109.2	108.8	106.9	105.7	102.5	96.5	102.8	104.4	102.0	106.4
40 Equipment parts	7.3	114.7	114.2	115.0	115.0	115.6	115.5	114.4	115.3	115.8	116.5	117.6	117.5	117.3	118.3
41 Other	7.9	110.2	109.7	110.4	110.4	110.4	110.6	109.5	109.4	109.5	109.7	108.7	108.0	108.7	109.2
42 Basic metal materials	2.8	112.1	109.9	111.9	113.1	113.0	112.9	111.0	108.6	109.3	108.5	109.9	107.2	108.6	108.6
43 Nondurable goods materials	9.0	105.3	105.4	105.5	106.7	105.7	104.2	106.1	104.9	104.3	105.4	105.8	105.3	106.2	106.1
44 Textile materials	1.2	99.8	101.5	103.2	104.9	102.1	99.6	98.6	96.1	95.8	94.6	96.2	95.0	96.5	96.9
45 Pulp and paper materials	1.9	103.8	102.1	102.4	104.8	103.6	104.1	107.7	104.6	103.7	105.0	105.3	103.4	106.2	106.3
46 Chemical materials	3.8	106.4	106.1	106.5	108.2	107.3	104.5	106.8	105.8	103.8	105.8	107.3	107.5	107.4	107.1
47 Other	2.1	107.6	109.1	107.9	106.8	107.0	106.5	107.5	108.4	110.4	110.9	108.8	108.8	109.2	109.2
48 Energy materials	10.9	101.4	101.2	101.0	100.1	101.7	101.6	101.3	101.9	102.7	101.2	101.7	102.2	103.2	102.4
49 Primary energy	7.2	99.9	100.6	100.8	100.0	102.5	100.7	99.8	100.5	99.0	101.1	102.1	101.1	102.4	101.4
50 Converted fuel materials	3.7	104.3	102.5	101.7	100.4	100.4	103.6	104.2	104.5	110.0	101.4	100.9	104.4	104.8	104.3
51 Total excluding autos and trucks	97.3	108.2	108.3	108.6	108.2	108.4	108.4	108.0	108.4	108.9	108.6	108.9	109.1	109.4	109.8
52 Total excluding motor vehicles and parts	95.3	108.3	108.3	108.7	108.3	108.5	108.5	108.1	108.6	109.1	109.0	109.2	109.3	109.7	109.9
53 Total excluding office and computing machines	97.5	107.4	107.5	107.7	107.1	107.5	107.4	107.1	107.3	107.7	106.6	107.6	108.0	108.0	108.6
54 Consumer goods excluding autos and trucks	24.5	106.8	106.7	106.3	105.7	105.9	106.5	107.7	107.9	108.8	108.4	107.8	107.6	108.1	108.1
55 Consumer goods excluding energy	23.3	106.7	107.0	106.3	105.2	105.8	106.4	107.4	107.3	107.5	105.8	107.6	108.2	107.9	108.7
56 Business equipment excluding autos and trucks	12.7	120.6	121.7	123.2	122.3	122.3	122.4	117.8	120.7	122.1	122.8	122.9	124.0	124.5	125.7
57 Business equipment excluding office and computing equipment	12.0	116.2	117.4	118.6	117.2	117.4	117.3	113.3	115.0	116.2	114.0	116.2	118.2	117.1	119.3
58 Materials excluding energy	28.4	109.6	109.6	110.0	110.0	110.0	109.5	109.3	108.9	108.4	108.1	109.2	109.1	109.1	110.1

1. The following series in major market groups will no longer be published: consumer staples, nonfood staples, business and defense equipment, general business supplies, commercial energy products, and textile, paper, and chemical materials.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]—Continued

Groups	SIC code	1987 proportion	1989 avg.	1989 May	1989 June	1989 July	1989 Aug.	1989 Sept.	1989 Oct.	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.[r]	1990 Mar.	1990 Apr.[p]	1990 May[e]
				Index (1987 = 100)												
MAJOR INDUSTRY																
1 Total index	......	100.0	108.1	108.3	108.4	107.8	108.2	108.2	107.7	108.1	108.6	107.5	108.5	109.0	109.0	109.7
2 Manufacturing	......	84.4	108.9	109.2	109.3	108.6	109.1	109.1	108.4	108.9	108.8	108.1	109.6	109.9	109.7	110.6
3 Primary processing	......	26.7	106.4	106.1	106.3	106.8	106.6	105.8	106.6	106.2	105.3	106.2	106.9	106.0	106.1	106.4
4 Advanced processing	......	57.7	110.1	110.6	110.7	109.5	110.2	110.6	109.3	110.1	110.4	109.0	110.9	111.7	111.4	112.5
5 Durable	......	47.3	110.9	111.4	111.8	110.6	111.3	111.5	109.4	110.1	110.4	108.6	110.7	111.9	111.2	112.6
6 Lumber and products	24	2.0	103.0	102.3	103.5	102.8	102.4	102.6	103.2	104.8	106.4	106.0	104.3	105.0	102.5	102.8
7 Furniture and fixtures	25	1.4	105.3	107.9	107.0	104.9	104.5	105.7	105.6	104.4	105.1	105.1	104.8	106.0	107.3	107.5
8 Clay, glass, and stone products	32	2.5	108.0	108.2	108.0	106.2	107.8	106.5	107.7	108.2	108.6	110.0	108.0	106.7	106.2	106.0
9 Primary metals	33	3.3	109.2	107.0	108.7	108.8	111.7	109.9	108.6	104.8	102.6	105.0	107.9	105.3	106.2	106.2
10 Iron and steel	331,2	1.9	109.3	104.8	107.1	107.5	109.8	109.7	109.2	104.1	100.3	104.6	110.6	106.1	106.5	105.9
11 Raw steel	......	.1	108.5	106.9	110.2	109.7	106.8	102.9	106.4	100.6	97.6	109.9	109.0	105.9	104.9	104.5
12 Nonferrous	333–6,9	1.4	109.0	110.0	110.9	110.4	114.0	109.8	107.6	105.8	105.8	105.6	104.0	104.1	105.9	106.7
13 Fabricated metal products	34	5.4	107.2	107.9	108.3	107.6	106.5	106.0	105.9	106.9	106.3	105.1	105.6	105.4	104.7	105.7
14 Nonelectrical machinery	35	8.6	121.8	121.8	123.4	121.6	121.8	123.4	119.0	122.9	123.8	123.7	124.2	125.1	126.4	127.2
15 Office and computing machines	357	2.5	137.2	137.6	139.1	137.1	139.3	141.8	132.8	141.0	142.7	142.7	144.3	147.3	151.4	152.6
16 Electrical machinery	36	8.6	109.5	108.8	109.1	108.6	110.6	110.8	110.2	110.1	110.1	110.1	111.0	112.3	111.0	111.5
17 Transportation equipment	37	9.8	107.2	109.6	109.0	106.6	107.8	108.0	102.1	102.8	104.4	94.7	103.5	107.9	104.9	109.3
18 Motor vehicles and parts	371	4.7	104.9	107.8	105.0	99.6	102.7	103.2	99.7	99.0	98.7	76.8	94.1	103.5	95.8	104.4
19 Autos and light trucks	......	2.3	105.0	109.0	105.3	95.9	100.2	102.9	99.9	97.6	99.0	65.7	91.8	106.7	94.5	104.6
20 Aerospace and miscellaneous transportation equipment	372–6,9	5.1	109.3	111.2	112.6	113.0	112.4	112.3	104.3	106.3	109.6	111.0	111.9	111.9	113.1	113.8
21 Instruments	38	3.3	116.4	118.0	118.3	118.5	116.4	116.2	116.1	115.6	114.8	116.0	116.2	115.9	116.2	118.2
22 Miscellaneous manufactures	39	1.2	114.9	116.9	116.1	115.9	116.5	116.2	116.9	117.0	116.4	117.0	118.1	119.1	120.0	121.0
23 Nondurable	......	37.2	106.4	106.4	106.2	106.1	106.2	106.0	107.2	107.3	106.7	107.5	108.3	107.3	107.8	107.9
24 Foods	20	8.8	105.5	105.5	104.2	104.0	104.8	105.4	106.8	107.4	108.0	106.8	107.4	107.1	107.8	107.9
25 Tobacco products	21	1.0	99.7	101.7	100.4	94.2	95.0	93.3	99.7	98.8	98.5	101.3	102.3	100.0	98.0	96.0
26 Textile mill products	22	1.8	101.9	103.2	102.4	104.2	101.5	101.5	101.9	99.3	99.8	100.6	103.0	101.0	101.9	102.2
27 Apparel products	23	2.4	104.3	104.9	105.2	104.4	104.7	104.5	103.9	103.7	102.6	102.4	102.1	99.9	100.5	100.7
28 Paper and products	26	3.6	103.2	102.1	101.8	104.1	103.0	102.2	105.3	104.1	103.4	103.8	105.0	103.0	105.2	105.6
29 Printing and publishing	27	6.4	108.5	108.4	108.6	106.6	107.8	109.4	109.3	109.6	109.6	110.7	112.1	111.5	110.9	111.6
30 Chemicals and products	28	8.6	108.5	108.4	109.1	109.7	109.6	107.5	109.4	109.8	107.6	109.9	110.5	109.5	110.1	110.0
31 Petroleum products	29	1.3	106.1	104.6	106.6	108.2	107.0	108.7	106.9	109.3	104.3	108.6	112.0	109.1	109.7	107.5
32 Rubber and plastic products	30	3.0	108.9	109.8	109.0	109.0	109.0	108.5	108.8	109.1	110.1	110.7	109.1	109.8	109.6	111.4
33 Leather and products	31	.3	103.7	102.8	102.2	103.7	103.2	103.5	102.2	99.4	103.0	104.3	102.9	103.0	102.6	101.0
34 Mining	......	7.9	100.5	101.1	100.4	100.0	100.7	101.6	100.7	101.2	100.1	101.7	101.0	100.8	102.5	102.5
35 Metal	10	.3	141.4	136.1	143.3	151.7	144.3	145.4	143.2	145.9	155.5	144.8	143.4	139.6	143.8	144.8
36 Coal	11,12	1.2	105.7	104.7	100.3	101.1	103.1	109.6	109.9	108.1	103.5	114.1	111.9	112.9	114.2	114.0
37 Oil and gas extraction	13	5.7	95.5	97.0	96.3	94.9	96.3	95.9	94.3	95.5	94.0	94.4	94.1	94.5	96.1	96.1
38 Stone and earth minerals	14	.7	113.9	113.0	115.0	116.8	113.3	114.1	118.0	115.8	119.7	121.2	120.0	114.2	116.7	116.2
39 Utilities	......	7.6	107.1	106.3	106.3	106.6	106.2	105.9	107.4	108.3	116.1	106.8	104.0	107.7	108.5	107.3
40 Electric	491,3PT	6.0	108.1	107.4	107.6	108.5	108.1	107.1	109.7	109.5	116.3	108.3	107.1	110.9	111.7	110.5
41 Gas	492,3PT	1.6	103.0	102.2	101.8	99.3	99.2	101.0	99.1	103.9	115.6	101.2	92.3	95.9	96.6	95.7
42 Manufacturing excluding motor vehicles and parts	......	79.8	109.2	109.3	109.6	109.2	109.5	109.5	108.9	109.4	109.3	109.9	110.5	110.2	110.5	110.9
43 Manufacturing excluding office and computing machines	......	82.0	108.1	108.3	108.5	107.8	108.2	108.1	107.7	107.9	107.7	107.1	108.6	108.7	108.4	109.3
		Gross value (billions of 1982 dollars, annual rates)														
MAJOR MARKET																
44 Products, total	......	**1,734.8**	**1,889.8**	**1,894.8**	**1,894.4**	**1,869.0**	**1,883.7**	**1,894.3**	**1,878.3**	**1,896.9**	**1,905.5**	**1,863.6**	**1,903.3**	**1,923.7**	**1,910.3**	**1,929.0**
45 Final	......	1,350.9	1,480.1	1,485.3	1,485.6	1,459.6	1,475.3	1,486.2	1,465.6	1,482.8	1,492.5	1,447.9	1,488.3	1,508.9	1,497.0	1,511.9
46 Consumer goods	......	833.4	884.6	885.7	878.5	868.9	870.1	878.8	883.2	889.0	898.6	864.3	888.6	894.8	885.4	889.2
47 Equipment	......	517.5	595.5	599.6	607.1	590.8	605.3	607.5	582.4	593.8	594.0	583.6	599.8	614.1	611.6	622.7
48 Intermediate	......	384.0	409.6	409.5	408.8	409.3	408.4	408.1	412.7	414.1	413.0	415.7	415.0	414.8	413.3	417.1

NOTE. Mining and utilities series is no longer published.

1. These data also appear in the Board's G.12.3 (414) release. For address, see inside front cover.

A major revision of the industrial production index and the capacity utilization rates was released in July 1985. See "A Revision of the Index of Industrial Production" and accompanying tables that contain revised indexes (1977=100) through December 1984 in the *Federal Reserve Bulletin*, vol. 71 (July 1985), pp. 487–501. The revised indexes for January through June 1985 were shown in the September *Bulletin*.

2.14 HOUSING AND CONSTRUCTION

Monthly figures are at seasonally adjusted annual rates except as noted.

Item	1987	1988	1989	1989 July	1989 Aug.	1989 Sept.	1989 Oct.	1989 Nov.	1989 Dec.	1990 Jan.[r]	1990 Feb.[r]	1990 Mar.[r]	1990 Apr.
	Private residential real estate activity (thousands of units)												
NEW UNITS													
1 Permits authorized	1,535	1,456	1,339	1,281	1,334	1,310	1,362	1,364	1,416	1,739	1,297	1,232	1,108
2 1-family	1,024	994	932	910	933	946	959	984	984	985	974	912	813
3 2-or-more-family	511	462	407	371	401	364	403	380	432	754	323	320	295
4 Started	1,621	1,488	1,376	1,424	1,325	1,263	1,423	1,347	1,273	1,568	1,488	1,307	1,224
5 1-family	1,146	1,081	1,003	1,029	987	969	1,023	1,010	931	1,099	1,154	996	905
6 2-or-more-family	474	407	373	395	338	294	400	337	342	469	334	311	319
7 Under construction, end of period[1]	987	919	850	918	901	892	894	881	886	892	900	887	882
8 1-family	591	570	535	576	565	565	565	558	567	571	575	567	563
9 2-or-more-family	397	350	315	342	336	327	329	323	319	321	325	320	319
10 Completed	1,669	1,530	1,423	1,375	1,437	1,366	1,317	1,486	1,302	1,443	1,351	1,375	1,294
11 1-family	1,123	1,085	1,026	967	1,037	959	987	1,078	933	1,031	1,041	1,035	936
12 2-or-more-family	546	445	396	408	400	407	330	408	369	412	310	340	358
13 Mobile homes shipped	233	218	198	179	194	186	190	189	189	195	200	193	189
Merchant builder activity in 1-family units													
14 Number sold	672	675	650	741	719	638	636	687	633	613	606	559	530
15 Number for sale, end of period[1]	366	367	362	369	364	364	363	363	362	365	366	363	362
Price (thousands of dollars)[2]													
Median													
16 Units sold	104.7	113.3	120.4	116.0	122.9	120.0	123.0	125.0	125.2	125.0	126.9	119.9	133.4
Average													
17 Units sold	127.9	139.0	148.3	140.3	158.6	151.1	147.8	151.4	154.3	151.7	150.9	144.8	154.2
EXISTING UNITS (1-family)													
18 Number sold	3,530	3,594	3,439	3,380	3,440	3,510	3,490	3,560	3,560	3,520	3,400	3,400	3,330
Price of units sold (thousands of dollars)[2]													
19 Median	85.6	89.2	93.0	95.2	95.8	93.8	92.4	93.1	92.5	96.3	95.2	96.3	95.6
20 Average	106.2	112.5	118.0	121.0	121.6	118.3	116.7	117.9	118.1	120.0	118.3	119.5	117.8
	Value of new construction[3] (millions of dollars)												
CONSTRUCTION													
21 Total put in place	**397,721**	**409,663**	**414,273**	**410,269**	**416,279**	**416,176**	**411,544**	**416,509**	**415,135**	**425,043**	**438,482**	**435,623**	**432,369**
22 Private	320,108	328,738	330,250	328,785	331,884	329,564	328,687	327,761	321,380	334,216	342,948	344,806	344,819
23 Residential	194,656	198,101	195,385	195,165	194,393	192,765	191,428	190,313	189,452	196,659	199,302	203,322	202,740
24 Nonresidential, total	125,452	130,637	134,865	133,620	137,491	136,799	137,259	137,448	131,928	137,557	143,646	141,484	142,079
Buildings													
25 Industrial	13,707	14,931	16,756	16,424	17,526	17,927	17,856	17,997	17,296	19,323	20,892	21,018	22,491
26 Commercial	55,448	58,104	57,485	56,640	57,680	57,132	58,213	57,845	54,368	55,376	59,695	55,897	54,799
27 Other	15,464	17,278	17,366	16,768	18,455	17,962	17,332	17,813	16,248	17,511	17,034	17,579	18,218
28 Public utilities and other	40,833	40,324	43,258	43,788	43,830	43,778	43,858	43,793	44,016	45,347	46,025	46,990	46,571
29 Public	77,612	80,922	84,019	81,484	84,395	86,612	82,857	88,748	93,755	90,827	95,534	90,817	87,551
30 Military	4,327	3,579	3,504	3,194	3,779	4,916	2,076	3,664	3,552	3,325	3,206	3,556	3,234
31 Highway	25,343	28,524	27,663	26,128	27,367	27,581	26,214	28,670	32,502	29,358	34,021	29,302	26,938
32 Conservation and development	5,162	4,474	4,772	4,567	4,708	4,906	5,145	5,075	5,664	4,934	5,319	4,778	4,754
33 Other	42,780	44,345	48,080	47,595	48,541	49,209	49,422	51,339	52,037	53,210	52,988	53,181	52,625

1. Not at annual rates.
2. Not seasonally adjusted.
3. Value of new construction data in recent periods may not be strictly comparable with data in 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 Bureau in July 1976.

NOTE. Census Bureau 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 16,000 jurisdictions beginning with 1978.

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 (at annual rate)				Change from 1 month earlier					Index level May 1990
	1989 May	1990 May	1989 June	1989 Sept.	1989 Dec.	1990 Mar.	1990 Jan.	1990 Feb.	1990 Mar.	1990 Apr.	1990 May	
CONSUMER PRICES[2] (1982–84=100)												
1 **All items**	**5.4**	**4.4**	**5.3**	**2.3**	**4.9**	**8.5**	**1.1**	**.5**	**.5**	**.2**	**.2**	**129.2**
2 Food	6.8	5.1	5.6	3.6	5.5	11.4	2.0	.5	.3	−.2	.0	131.3
3 Energy items	9.8	−.7	22.7	−12.6	3.9	14.8	5.1	−.7	−.8	−.4	−.7	96.7
4 All items less food and energy	4.6	4.8	3.8	3.5	4.7	7.5	.6	.5	.7	.2	.3	134.4
5 Commodities	3.6	3.3	2.4	1.3	3.4	7.8	.4	1.0	.5	.0	.1	123.6
6 Services	5.1	5.5	4.6	4.5	5.7	7.2	.7	.4	.7	.4	.4	140.7
PRODUCER PRICES (1982=100)												
7 Finished goods	6.2	3.1	5.8	.4	5.0	6.7	1.9^r	$-.1^r$	−.2	−.3	.3	117.7
8 Consumer foods	7.1	4.8	−2.3	.7	12.4	9.5	2.3^r	$.6^r$	−.6	−.6	.6	124.8
9 Consumer energy	16.6	−5.3	34.3	−15.3	−5.3	24.0	13.7^r	-4.9^r	−2.4	−1.7	−1.0	68.0
10 Other consumer goods	4.8	3.8	6.0	2.3	4.2	3.5	$.2^r$	$.5^r$	.2	.1	.5	128.0
11 Capital equipment	4.0	3.2	4.5	4.4	2.0	3.4	.2	.2	.4	.2	.0	122.1
12 Intermediate materials[3]	5.8	.2	2.9	−.7	−.4	2.5	1.3	−.7	.0	.0	−.1	112.8
13 Excluding energy	5.6	−.2	.3	−.7	−1.0	1.3	$.1^r$	$.0^r$	.2	.1	.1	120.6
Crude materials												
14 Foods	9.7	1.6	−16.9	−2.2	19.2	8.7	$.7^r$	1.0	.3	−.8	−2.5	116.7
15 Energy	9.7	−5.4	23.6	−7.0	13.2	1.0	4.8^r	$.2^r$	−4.6	−7.8	2.1	74.1
16 Other	6.9	−1.4	−7.7	.6	−15.3	4.3	−.2	−.8	2.0	2.2	1.0	138.3

1. Not seasonally adjusted.
2. Figures for consumer prices are those for all urban consumers and reflect a rental equivalence measure of homeownership after 1982.
3. Excludes intermediate materials for food manufacturing and manufactured animal feeds.

SOURCE. Bureau of Labor Statistics.

2.16 GROSS NATIONAL PRODUCT AND INCOME

Billions of current dollars except as noted; quarterly data are at seasonally adjusted annual rates.

Account	1987	1988	1989	1989				1990
				Q1	Q2	Q3	Q4	Q1r
GROSS NATIONAL PRODUCT								
1 **Total**	**4,524.3**	**4,880.6**	**5,234.0**	**5,113.1**	**5,201.7**	**5,281.0**	**5,340.2**	**5,433.1**
By source								
2 Personal consumption expenditures	3,010.8	3,235.1	3,471.1	3,381.4	3,444.1	3,508.1	3,550.6	3,629.4
3 Durable goods	421.0	455.2	473.2	466.4	471.0	486.1	469.5	489.9
4 Nondurable goods	998.1	1,052.3	1,123.4	1,098.3	1,121.5	1,131.4	1,142.4	1,168.2
5 Services	1,591.7	1,727.6	1,874.4	1,816.7	1,851.7	1,890.6	1,938.7	1,971.2
6 Gross private domestic investment	699.9	750.3	773.4	769.6	775.0	779.1	770.1	752.9
7 Fixed investment	670.6	719.6	746.3	742.0	747.6	751.7	744.0	764.6
8 Nonresidential	444.3	487.2	511.7	503.1	512.5	519.6	511.4	526.1
9 Structures	133.8	140.3	144.9	144.7	142.4	146.2	146.4	151.3
10 Producers' durable equipment	310.5	346.8	366.7	358.5	370.1	373.4	365.0	374.8
11 Residential structures	226.4	232.4	234.6	238.8	235.1	232.1	232.6	238.5
12 Change in business inventories	29.3	30.6	27.1	27.7	27.4	27.4	26.1	−11.7
13 Nonfarm	30.5	34.2	22.2	19.1	23.6	19.8	26.4	−16.1
14 Net exports of goods and services	−112.6	−73.7	−47.1	−54.0	−50.6	−45.1	−38.8	−32.0
15 Exports	448.6	547.7	625.9	605.6	626.1	628.5	643.5	664.7
16 Imports	561.2	621.3	673.0	659.6	676.6	673.6	682.3	696.6
17 Government purchases of goods and services	926.1	968.9	1,036.6	1,016.0	1,033.2	1,038.9	1,058.3	1,082.9
18 Federal	381.6	381.3	403.2	399.0	406.0	402.7	405.1	413.7
19 State and local	544.5	587.6	633.4	617.0	627.2	636.2	653.2	669.2
By major type of product								
20 Final sales, total	4,495.0	4,850.0	5,206.9	5,085.4	5,174.3	5,253.6	5,314.2	5,444.8
21 Goods	1,785.2	1,931.9	2,072.3	2,030.9	2,079.1	2,096.3	2,082.8	2,108.6
22 Durable	777.6	863.6	909.1	894.7	905.2	930.1	906.5	924.1
23 Nondurable	1,007.6	1,068.3	1,163.2	1,136.2	1,173.9	1,166.2	1,176.3	1,184.5
24 Services	2,304.5	2,499.2	2,702.7	2,620.8	2,667.5	2,728.1	2,794.2	2,846.4
25 Structures	434.6	449.5	459.1	461.3	455.1	456.6	463.2	478.1
26 Change in business inventories	29.3	30.6	27.1	27.7	27.4	27.4	26.1	−11.7
27 Durable goods	22.0	25.0	11.9	22.0	6.0	5.2	14.2	−17.0
28 Nondurable goods	7.2	5.6	15.3	5.7	21.4	22.2	11.8	5.3
MEMO								
29 **Total GNP in 1982 dollars**	**3,853.7**	**4,024.4**	**4,144.1**	**4,106.8**	**4,132.5**	**4,162.9**	**4,174.1**	**4,193.4**
NATIONAL INCOME								
30 **Total**	**3,665.4**	**3,972.6**	**4,266.5**	**4,185.2**	**4,249.6**	**4,287.3**	**4,344.0**	**4,438.3**
31 Compensation of employees	2,690.0	2,907.6	3,144.4	3,061.7	3,118.2	3,171.9	3,225.9	3,285.5
32 Wages and salaries	2,249.4	2,429.0	2,631.1	2,560.7	2,608.8	2,654.7	2,700.1	2,745.5
33 Government and government enterprises	419.2	446.5	476.9	466.9	473.5	480.2	487.0	496.9
34 Other	1,830.1	1,982.5	2,154.2	2,093.8	2,135.3	2,174.5	2,213.1	2,248.6
35 Supplement to wages and salaries	440.7	478.6	513.3	501.0	509.4	517.2	525.8	540.0
36 Employer contributions for social insurance	227.8	249.7	265.0	259.7	263.4	266.6	270.4	278.5
37 Other labor income	212.8	228.9	248.3	241.3	246.0	250.7	255.3	261.5
38 Proprietors' income[1]	311.6	327.8	352.1	359.3	355.5	343.3	350.3	374.6
39 Business and professional[1]	270.0	288.0	305.9	300.3	304.2	307.2	311.8	322.7
40 Farm[1]	41.6	39.8	46.2	59.0	51.3	36.1	38.5	51.9
41 Rental income of persons[2]	13.4	15.7	7.9	11.8	9.8	5.4	4.8	8.1
42 Corporate profits[1]	298.7	328.6	301.3	316.3	307.8	295.2	285.9	289.7
43 Profits before tax[3]	266.7	306.8	290.6	318.0	296.0	275.0	273.7	283.3
44 Inventory valuation adjustment	−18.9	−25.0	−18.7	−38.3	−20.5	−6.3	−9.7	−11.1
45 Capital consumption adjustment	50.9	46.8	29.3	36.6	32.3	26.5	21.9	17.5
46 Net interest	351.7	392.9	460.8	436.1	458.4	471.5	477.2	480.4

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. *Survey of Current Business* (Department of Commerce).

2.17 PERSONAL INCOME AND SAVING

Billions of current dollars; quarterly data are at seasonally adjusted annual rates. Exceptions noted.

Account	1987	1988	1989	1989				1990
				Q1	Q2	Q3	Q4	Q1r
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**3,777.6**	**4,064.5**	**4,427.3**	**4,317.8**	**4,400.3**	**4,455.9**	**4,535.3**	**4,638.8**
2 Wage and salary disbursements	2,249.4	2,429.0	2,631.1	2,560.7	2,608.8	2,654.7	2,700.1	2,745.5
3 Commodity-producing industries	649.9	696.3	738.2	726.6	733.7	742.6	749.7	754.0
4 Manufacturing	490.3	524.0	552.9	546.3	549.9	555.7	559.6	560.5
5 Distributive industries	531.9	571.9	615.1	598.8	610.8	619.4	631.2	645.0
6 Service industries	648.3	714.4	801.0	768.4	790.8	812.4	832.2	849.6
7 Government and government enterprises	419.2	446.5	476.9	466.9	473.5	480.2	487.0	496.9
8 Other labor income	212.8	228.9	248.3	241.3	246.0	250.7	255.3	261.5
9 Proprietors' income[1]	311.6	327.8	352.1	359.3	355.5	343.3	350.3	374.6
10 Business and professional[1]	270.0	288.0	305.9	300.3	304.2	307.2	311.8	322.7
11 Farm[1]	41.6	39.8	46.2	59.0	51.3	36.1	38.5	51.9
12 Rental income of persons[2]	13.4	15.7	7.9	11.8	9.8	5.4	4.8	8.1
13 Dividends	92.0	102.2	112.4	109.4	111.4	113.2	115.7	118.0
14 Personal interest income	523.2	571.1	657.4	629.0	655.1	667.8	677.7	685.2
15 Transfer payments	548.2	584.7	632.3	616.4	626.8	636.4	649.7	672.5
16 Old-age survivors, disability, and health insurance benefits	282.9	300.5	325.3	316.9	322.9	327.9	333.4	345.8
17 LESS: Personal contributions for social insurance	172.9	194.9	214.2	210.0	213.0	215.4	218.2	226.6
18 EQUALS: Personal income	3,777.6	4,064.5	4,427.3	4,317.8	4,400.3	4,455.9	4,535.3	4,638.8
19 LESS: Personal tax and nontax payments	571.7	586.6	648.5	628.3	652.6	649.1	664.1	672.3
20 EQUALS: Disposable personal income	3,205.9	3,477.8	3,778.8	3,689.5	3,747.7	3,806.8	3,871.3	3,966.5
21 LESS: Personal outlays	3,104.1	3,333.1	3,574.4	3,483.8	3,547.0	3,611.7	3,655.3	3,735.0
22 EQUALS: Personal saving	101.8	144.7	204.4	205.7	200.7	195.1	216.0	231.5
MEMO								
Per capita (1982 dollars)								
23 Gross national product	15,793.9	16,332.8	16,656.4	16,566.4	16,629.8	16,711.8	16,709.8	16,746.8
24 Personal consumption expenditures	10,302.0	10,545.5	10,729.9	10,653.5	10,678.9	10,799.3	10,783.4	10,799.9
25 Disposable personal income	10,970.0	11,337.0	11,680.0	11,625.0	11,622.0	11,717.0	11,755.0	11,802.0
26 Saving rate (percent)	3.2	4.2	5.4	5.6	5.4	5.1	5.6	5.8
GROSS SAVING								
27 **Gross saving**	**553.8**	**642.4**	**701.7**	**693.5**	**695.8**	**709.9**	**707.7**	**697.0**
28 Gross private saving	663.8	738.6	806.2	792.1	793.7	809.7	829.4	830.5
29 Personal saving	101.8	144.7	204.4	205.7	200.7	195.1	216.0	231.5
30 Undistributed corporate profits[1]	75.3	80.3	49.5	53.4	52.0	49.3	43.3	36.9
31 Corporate inventory valuation adjustment	−18.9	−25.0	−18.7	−38.3	−20.5	−6.3	−9.7	−11.1
Capital consumption allowances								
32 Corporate	303.1	321.7	344.9	335.2	339.7	349.9	354.9	354.2
33 Noncorporate	183.6	191.9	207.4	197.8	201.3	215.3	215.2	208.0
34 Government surplus, or deficit (−), national income and product accounts	−110.1	−96.1	−104.6	−98.7	−97.9	−99.8	−121.8	−133.5
35 Federal	−161.4	−145.8	−148.5	−147.5	−145.4	−144.7	−156.5	−170.9
36 State and local	51.3	49.7	44.0	48.8	47.5	44.9	34.7	37.4
37 **Gross investment**	**549.0**	**632.8**	**677.3**	**669.3**	**677.5**	**684.3**	**677.8**	**671.4**
38 Gross private domestic	699.9	750.3	773.4	769.6	775.0	779.1	770.1	752.9
39 Net foreign	−150.9	−117.5	−96.2	−100.3	−97.5	−94.8	−92.2	−81.5
40 **Statistical discrepancy**	**−4.7**	**−9.6**	**−24.4**	**−24.1**	**−18.3**	**−25.5**	**−29.8**	**−25.6**

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.

SOURCE. *Survey of Current Business* (Department of Commerce).

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars; quarterly data are seasonally adjusted except as noted.[1]

Item credits or debits	1987	1988	1989	1988	1989			
				Q4	Q1	Q2	Q3	Q4
1 Balance on current account	−143,700	−126,548	−105,879	−28,677	−30,391	−31,999	−22,909	−20,571
2 Not seasonally adjusted	....	....	....	−28,191	−25,994	−31,888	−27,854	−20,142
3 Merchandise trade balance[2]	−159,500	−127,215	−113,248	−32,019	−28,355	−27,529	−28,558	−28,806
4 Merchandise exports	250,266	319,251	361,872	83,729	87,783	91,284	90,691	92,114
5 Merchandise imports	−409,766	−446,466	−475,120	−115,748	−116,138	−118,813	−119,249	−120,920
6 Military transactions, net	−2,856	−4,606	−5,662	−1,604	−1,498	−1,518	−1,175	−1,471
7 Investment income, net	22,283[r]	2,228[r]	1,029[r]	4,489[r]	−2,484[r]	−6,104[r]	2,860[r]	6,757
8 Other service transactions, net	10,585	17,702	26,279	5,475	5,433	5,981	7,449	7,425
9 Remittances, pensions, and other transfers	−4,063	−4,279	−4,028	−1,090	−1,147	−972	−975	−935
10 U.S. government grants (excluding military)	−10,149	−10,377	−10,248	−3,928	−2,340	−1,857	−2,510	−3,541
11 Change in U.S. government assets, other than official reserve assets, net (increase, −)	997	2,999	1,037	3,413	1,049	−309	502	−206
12 Change in U.S. official reserve assets (increase, −)	9,149	−3,566	−25,293	2,271	−4,000	−12,095	−5,996	−3,202
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	−509	474	−535	173	−188	68	−211	−204
15 Reserve position in International Monetary Fund	2,070	1,025	471	307	316	−159	337	−23
16 Foreign currencies	7,588	−5,064	−25,229	1,791	−4,128	−12,004	−6,122	−2,975
17 Change in U.S. private assets abroad (increase, −)	−86,363	−81,544	−101,451	−38,332	−27,939	13,210	−39,228	−47,495
18 Bank-reported claims[3]	−42,119	−54,481	−47,244	−30,916	−22,132	27,238	−20,700	−31,650
19 Nonbank-reported claims	5,201	−1,684	608	4,569	1,835	−2,954	1,727	....
20 U.S. purchase of foreign securities, net	−5,251	−7,846	−22,551	−3,047	−2,568	−5,737	−10,392	−3,854
21 U.S. direct investments abroad, net	−44,194	−17,533	−32,264	−8,938	−5,074	−5,337	−9,863	−11,991
22 Change in foreign official assets in United States (increase, +)	45,193	38,882	7,369	10,589	7,477	−5,201	12,097	−7,005
23 U.S. Treasury securities	43,238	41,683	323	11,897	4,634	−9,738	12,746	−7,319
24 Other U.S. government obligations	1,564	1,309	1,383	697	721	−97	190	569
25 Other U.S. government liabilities[4]	−2,520	−1,284	55	−232	−304	417	−385	326
26 Other U.S. liabilities reported by U.S. banks[3]	3,918	−331	3,751	−1,036	1,974	3,620	−1,097	−746
27 Other foreign official assets[5]	−1,007	−2,495	1,857	−737	452	597	643	165
28 Change in foreign private assets in United States (increase, +)	172,847	180,417	189,302	70,170	52,529	3,412	58,619	74,742
29 U.S. bank-reported liabilities[3]	89,026	68,832	57,983	32,223	13,261	−21,422	25,177	40,967
30 U.S. nonbank-reported liabilities	2,450	6,558	313	2,702	2,852	−361	−2,178	....
31 Foreign private purchases of U.S. Treasury securities, net	−7,643	20,144	29,411	5,336	8,590	2,252	12,714	5,855
32 Foreign purchases of other U.S. securities, net	42,120	26,448	40,334	6,871	8,665	9,676	10,470	11,523
33 Foreign direct investments in United States, net	46,894	58,435	61,261	23,038	19,161	13,267	12,436	16,397
34 Allocation of SDRs	0	0	0	0	0	0	0	0
35 Discrepancy	1,878	−10,641	34,914	−19,434	1,275	32,982	−3,085	3,737
36 Owing to seasonal adjustments	....	....	....	4,431	3,700	−2,825	−5,370	4,490
37 *Statistical discrepancy in recorded data before seasonal adjustment*	1,878	−10,641	34,914	−23,865	−2,425	35,807	2,285	−753
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	9,149	−3,566	−25,293	2,271	−4,000	−12,095	−5,996	−3,202
39 *Foreign official assets in United States (increase, +) excluding line 25*	47,713	40,166	7,314	10,821	7,781	−5,618	12,482	−7,331
40 *Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22 above)*	−9,956	−3,109	10,680	672	7,143	433	4,515	−1,411
41 Transfers under military grant programs (excluded from lines 4, 6, and 10 above)	53	92	47	40	12	13	8	14

1. Seasonal factors are not calculated for lines 6, 10, 12–16, 18–20, 22–34, and 38–41.
2. Data are on an international accounts (IA) basis. Differs from the Census basis data, shown in table 3.11, for reasons of coverage and timing. Military exports are excluded from merchandise data and are included in line 6.
3. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.
4. Primarily associated 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.

NOTE. *Data are from Bureau of Economic Analysis, Survey of Current Business* (Department of Commerce).

3.11 U.S. FOREIGN TRADE[1]

Millions of dollars; monthly data are seasonally adjusted.

Item	1987	1988	1989	1989			1990			
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.[r]	Apr.[p]
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments, f.a.s. value	254,073	322,426	363,983	31,474	30,627	30,843	31,940	31,818	33,494	32,307
GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses										
2 Customs value	406,241	440,952	472,977	41,915	40,739	38,522	41,261	37,916	41,856	39,247
Trade balance										
3 **Customs value**	**−152,169**	**−118,526**	**−108,994**	**−10,441**	**−10,112**	**−7,678**	**−9,321**	**−6,099**	**−8,362**	**−6,940**

1. The Census basis data differ from merchandise trade data shown in table 3.10, U.S. International Transactions Summary, for reasons of coverage and timing. On the *export side*, the largest adjustment is the exclusion of military sales (which are combined with other military transactions and reported separately in the "service account" in table 3.10, line 6). On the *import side*, additions are made for gold, ship purchases, imports of electricity from Canada, and other transactions; military payments are excluded and shown separately as indicated above. As of Jan. 1, 1987 census data are released 45 days after the end of the month; the previous month is revised to reflect late documents. Total exports and the trade balance reflect adjustments for undocumented exports to Canada.

SOURCE. FT900 "Summary of U.S. Export and Import Merchandise Trade" (Department of Commerce, Bureau of the Census).

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Type	1986	1987	1988	1989			1990			
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[p]
1 **Total**	**48,511**	**45,798**	**47,802**	**70,560**	**70,560**	**74,609**	**75,506**	**74,173**	**76,303**	**76,283**
2 Gold stock, including Exchange Stabilization Fund[1]	11,064	11,078	11,057	11,062	11,060	11,059	11,059	11,059	11,060	11,060
3 Special drawing rights[2,3]	8,395	10,283	9,637	9,473	9,751	9,951	10,041	10,216	10,092	10,103
4 Reserve position in International Monetary Fund[2]	11,730	11,349	9,745	8,722	9,047	9,048	9,173	8,985	8,727	8,687
5 Foreign currencies[4]	17,322	13,088	17,363	41,552	42,702	44,551	45,233	43,913	46,424	46,433

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. Gold stock is valued at $42.22 per fine troy ounce.
2. Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, 16 currencies were used; from January 1981, 5 currencies have been used. The U.S. SDR holdings and reserve position in the IMF also are valued on this basis beginning July 1974.
3. Includes allocations by the International Monetary Fund of SDRs as follows: $867 million on Jan. 1, 1970; $717 million on Jan. 1, 1971; $710 million on Jan. 1, 1972; $1,139 million on Jan. 1, 1979; $1,152 million on Jan. 1, 1980; and $1,093 million on Jan. 1, 1981; plus 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

Assets	1986	1987	1988	1989			1990			
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[p]
1 Deposits	287	244	347	252	307	589	251	309	300	402
Assets held in custody										
2 U.S. Treasury securities[2]	155,835	195,126	232,547	230,804	231,059	224,911	225,618	221,798	250,447	252,759
3 Earmarked gold[3]	14,048	13,919	13,636	13,460	13,458	13,456	13,458	13,458	13,458	13,458

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 payable in dollars and in foreign currencies at face value.
3. Earmarked gold and the gold stock are valued at $42.22 per fine troy ounce. Earmarked gold is gold held for foreign and international accounts and is not included in the gold stock of the United States.

3.14 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data[1]

Millions of dollars, end of period

Asset account	1986	1987	1988	1989 Oct.	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.	1990 Apr.
	All foreign countries									
1 **Total, all currencies**	**456,628**	**518,618**	**505,595**	**532,912**	**548,074**	**545,366**	**549,368**	**553,815**	**535,059r**	**535,886**
2 Claims on United States	114,563	138,034	169,111	184,327	195,913	198,835	192,688	188,700	176,095	177,104
3 Parent bank	83,492	105,845	129,856	145,200	154,825	157,092	149,285	145,156	135,171	133,573
4 Other banks in United States	13,685	16,416	14,918	14,084	15,301	17,042	17,840	18,064	15,511	17,965
5 Nonbanks	17,386	15,773	24,337	25,043	25,787	24,701	25,563	25,480	25,413	25,566
6 Claims on foreigners	312,955	342,520	299,728	300,567	302,525	300,575	307,937	313,934	308,117r	307,470
7 Other branches of parent bank	96,281	122,155	107,179	110,681	111,053	113,810	120,359	122,457r	120,488r	118,835
8 Banks	105,237	108,859	96,932	93,190	95,098	90,703	91,712	94,065r	89,837r	90,812
9 Public borrowers	23,706	21,832	17,163	16,720	16,148	16,456	15,392	15,148	15,973	16,217
10 Nonbank foreigners	87,731	89,674	78,454	79,976	80,226	79,606	80,474	82,264	81,819r	81,606
11 Other assets	29,110	38,064	36,756	48,018	49,636	45,956	48,743	51,181	50,847	51,312
12 **Total payable in U.S. dollars**	**317,487**	**350,107**	**357,573**	**369,737**	**380,282**	**382,414**	**374,984**	**375,210**	**358,543r**	**360,224**
13 Claims on United States	110,620	132,023	163,456	176,047	188,105	191,184	184,782	180,738	168,833	169,996
14 Parent bank	82,082	103,251	126,929	139,390	149,908	152,294	144,055	139,920	130,350	129,162
15 Other banks in United States	12,830	14,657	14,167	13,432	14,543	16,386	17,018	17,187	14,992	17,209
16 Nonbanks	15,708	14,115	22,360	23,225	23,654	22,504	23,709	23,631	23,491	23,625
17 Claims on foreigners	195,063	202,428	177,685	171,854	168,404	169,690	167,722	172,132	167,616r	168,419
18 Other branches of parent bank	72,197	88,284	80,736	84,224	79,585	82,949	86,114	87,403r	85,028r	84,930
19 Banks	66,421	63,707	54,884	47,274	48,966	48,396	45,385	46,582r	43,408r	43,814
20 Public borrowers	16,708	14,730	12,131	11,579	11,446	10,961	10,332	10,529	11,110	11,191
21 Nonbank foreigners	39,737	35,707	29,934	28,777	28,407	27,384	25,891	27,618	28,070r	28,484
22 Other assets	11,804	15,656	16,432	21,836	23,773	21,540	22,480	22,340	22,094	21,809
	United Kingdom									
23 **Total, all currencies**	**140,917**	**158,695**	**156,835**	**163,426**	**164,916**	**161,947**	**166,915**	**169,727**	**167,162**	**173,127**
24 Claims on United States	24,599	32,518	40,089	42,246	44,661	39,212	41,208	40,161	38,809	42,366
25 Parent bank	19,085	27,350	34,243	39,104	40,848	35,847	37,292	36,311	34,648	37,572
26 Other banks in United States	1,612	1,259	1,123	1,036	1,199	1,058	1,441	1,365	1,301	1,262
27 Nonbanks	3,902	3,909	4,723	2,106	2,614	2,307	2,475	2,485	2,860	3,532
28 Claims on foreigners	109,508	115,700	106,388	106,183	105,349	107,657	109,837	110,911	109,227	111,175
29 Other branches of parent bank	33,422	39,903	35,625	35,249	35,064	37,728	37,701	38,410	39,636	41,613
30 Banks	39,468	36,735	36,765	37,881	36,317	36,159	37,668	36,488	34,803	35,224
31 Public borrowers	4,990	4,752	4,019	3,345	3,181	3,293	3,128	3,076	3,857	3,980
32 Nonbank foreigners	31,628	34,310	29,979	29,708	30,787	30,477	31,340	32,937	30,931	30,358
33 Other assets	6,810	10,477	10,358	14,997	14,906	15,078	15,870	18,655	19,126	19,586
34 **Total payable in U.S. dollars**	**95,028**	**100,574**	**103,503**	**106,708**	**106,086**	**103,427**	**103,038**	**103,752**	**101,024**	**107,483**
35 Claims on United States	23,193	30,439	38,012	39,534	41,504	36,404	38,261	37,006	35,752	39,091
36 Parent bank	18,526	26,304	33,252	37,570	39,304	34,329	35,731	34,462	32,697	35,663
37 Other banks in United States	1,475	1,044	964	786	861	843	1,118	1,036	1,122	1,041
38 Nonbanks	3,192	3,091	3,796	1,178	1,339	1,232	1,412	1,508	1,933	2,387
39 Claims on foreigners	68,138	64,560	60,472	59,552	56,872	59,062	56,939	58,763	57,166	60,165
40 Other branches of parent bank	26,361	28,635	28,474	28,363	26,961	29,872	28,655	30,224	30,421	32,885
41 Banks	23,251	19,188	18,494	18,200	16,884	16,579	16,399	15,984	13,748	14,141
42 Public borrowers	3,677	3,313	2,840	2,553	2,404	2,371	2,321	2,266	3,074	3,131
43 Nonbank foreigners	14,849	13,424	10,664	10,436	10,623	10,240	9,564	10,289	9,923	10,008
44 Other assets	3,697	5,575	5,019	7,622	7,710	7,961	7,838	7,983	8,106	8,227
	Bahamas and Caymans									
45 **Total, all currencies**	**142,592**	**160,321**	**170,639**	**164,836**	**172,762**	**176,006**	**167,385**	**164,908**	**155,145r**	**150,767**
46 Claims on United States	78,048	85,318	105,320	109,910	118,037	124,205	117,177	114,263	105,466	102,184
47 Parent bank	54,575	60,048	73,409	75,900	82,605	87,882	79,525	76,475	70,535	65,084
48 Other banks in United States	11,156	14,277	13,145	12,059	13,185	15,071	15,403	15,827	13,564	15,902
49 Nonbanks	12,317	10,993	18,766	21,951	22,247	21,252	22,249	21,961	21,367	21,198
50 Claims on foreigners	60,005	70,162	58,393	47,214	46,391	44,168	42,610	43,162	42,393r	41,467
51 Other branches of parent bank	17,296	21,277	17,954	16,961	14,414	11,309	13,371	14,409r	13,171r	13,306
52 Banks	27,476	33,751	28,268	19,579	21,641	22,611	20,119	19,595r	19,370r	18,499
53 Public borrowers	7,051	7,428	5,830	5,289	5,340	5,217	4,764	4,753	4,684	4,490
54 Nonbank foreigners	8,182	7,706	6,341	5,385	4,996	5,031	4,356	4,405	5,168r	5,172
55 Other assets	4,539	4,841	6,926	7,712	8,334	7,633	7,598	7,483	7,286	7,116
56 **Total payable in U.S. dollars**	**136,813**	**151,434**	**163,518**	**159,643**	**167,182**	**170,780**	**160,832**	**159,484**	**150,061r**	**145,994**

1. Beginning with June 1984 data, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from $50 million to $150 million equivalent in total assets, the threshold now applicable to all reporting branches.

3.14—Continued

Liability account	1986	1987	1988	1989 Oct.	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.	1990 Apr.
					All foreign countries					
57 **Total, all currencies**	**456,628**	**518,618**	**505,595**	**532,912**	**548,074**	**545,366**	**549,368**	**553,815**	**535,059[r]**	**535,886**
58 Negotiable CDs	31,629	30,929	28,511	26,776	26,555	23,500	23,510	23,620	21,767	24,113
59 To United States	152,465	161,390	185,577	183,484	190,149	197,239	178,452	181,164	173,674[r]	168,669
60 Parent bank	83,394	87,606	114,720	123,281	128,799	138,803	117,318[r]	119,967[r]	114,169[r]	109,642
61 Other banks in United States	15,646	20,355	14,737	11,333	10,811	11,704	11,850	11,990	10,799[r]	11,782
62 Nonbanks	53,425	53,429	56,120	48,870	50,539	46,732	49,284[r]	49,207[r]	48,706[r]	47,245
63 To foreigners	253,775	304,803	270,923	294,294	302,346	296,850	315,991	317,318	309,756	313,446
64 Other branches of parent bank	95,146	124,601	111,267	114,175	115,484	119,591	126,965	126,786	124,084	120,405
65 Banks	77,809	87,274	72,842	75,601	81,200	76,452	82,042	77,449	75,017[r]	77,875
66 Official institutions	17,835	19,564	15,183	19,484	18,938	16,750	19,004	20,637	17,704[r]	20,683
67 Nonbank foreigners	62,985	73,364	71,631	85,034	86,724	84,057	87,980	92,446	92,951	94,483
68 Other liabilities	18,759	21,496	20,584	28,358	29,024	27,777	31,415	31,713	29,862	29,658
69 **Total payable in U.S. dollars**	**336,406**	**361,438**	**367,483**	**385,117**	**392,983**	**396,282**	**384,579**	**385,203**	**369,306[r]**	**368,626**
70 Negotiable CDs	28,466	26,768	24,045	22,260	22,539	19,619	18,512	18,783	17,084	19,601
71 To United States	144,483	148,442	173,190	172,305	179,927	187,286	167,754	169,669	162,606[r]	157,579
72 Parent bank	79,305	81,783	107,150	116,308	122,910	132,954	111,328[r]	113,487[r]	108,128[r]	103,252
73 Other banks in United States	14,609	18,951	13,468	10,129	9,512	10,519	10,560	10,684	9,296[r]	10,415
74 Nonbanks	50,569	47,708	52,572	45,868	47,505	43,813	45,866[r]	45,498[r]	45,182[r]	43,912
75 To foreigners	156,806	177,711	160,766	177,610	177,459	176,460	185,192	183,378	176,939	178,035
76 Other branches of parent bank	71,181	90,469	84,021	85,780	82,912	87,636	91,736	90,360	86,908	84,090
77 Banks	33,850	35,065	28,493	31,886	33,370	30,537	32,551	28,741	27,639[r]	29,207
78 Official institutions	12,371	12,409	8,224	11,446	11,713	9,873	11,063	11,740	9,248[r]	11,909
79 Nonbank foreigners	39,404	39,768	40,028	48,498	49,464	48,414	49,842	52,537	53,144	52,829
80 Other liabilities	6,651	8,517	9,482	12,942	13,058	12,917	13,121	13,373	12,677	13,411
					United Kingdom					
81 **Total, all currencies**	**140,917**	**158,695**	**156,835**	**163,426**	**164,916**	**161,947**	**166,915**	**169,727**	**167,162**	**173,127**
82 Negotiable CDs	27,781	26,988	24,528	23,152	22,837	20,056	19,791	19,656	18,266	20,535
83 To United States	24,657	23,470	36,784	34,089	33,101	36,036	31,893	32,686	32,780	33,931
84 Parent bank	14,469	13,223	27,849	25,113	25,430	29,726	23,256	23,752	22,970	23,339
85 Other banks in United States	2,649	1,536	2,037	1,859	1,096	1,256	1,545	2,115	1,827	1,841
86 Nonbanks	7,539	8,711	6,898	7,117	6,575	5,054	7,092	6,819	7,983	8,751
87 To foreigners	79,498	98,689	86,026	93,508	96,509	92,307	99,720	101,565	101,160	103,362
88 Other branches of parent bank	25,036	33,078	26,812	26,931	26,656	27,397	29,216	28,074	29,848	28,581
89 Banks	30,877	34,290	30,609	30,531	33,016	29,780	33,568	32,110	29,116[r]	31,026
90 Official institutions	6,836	11,015	7,873	10,255	9,724	8,551	9,368	10,758	9,184[r]	10,829
91 Nonbank foreigners	16,749	20,306	20,732	25,791	27,113	26,579	27,568	30,623	33,012	32,926
92 Other liabilities	8,981	9,548	9,497	12,677	12,469	13,548	15,511	15,820	14,956	15,299
93 **Total payable in U.S. dollars**	**99,707**	**102,550**	**105,907**	**110,980**	**109,116**	**108,178**	**106,676**	**106,416**	**103,544[r]**	**109,708**
94 Negotiable CDs	26,169	24,926	22,063	20,433	20,715	18,143	16,931	16,910	15,660	17,936
95 To United States	22,075	17,752	32,588	31,280	30,130	33,056	28,542	28,817	29,383[r]	30,386
96 Parent bank	14,021	12,026	26,404	24,241	24,578	28,812	22,428	22,513	22,219[r]	22,446
97 Other banks in United States	2,325	1,308	1,752	1,691	863	1,065	1,217	1,807	1,552[r]	1,553
98 Nonbanks	5,729	4,418	4,432	5,348	4,689	3,179	4,897	4,497	5,612	6,387
99 To foreigners	48,138	55,919	47,083	52,809	52,135	50,517	54,574	53,751	52,095	54,371
100 Other branches of parent bank	17,951	22,334	18,561	18,925	16,845	18,384	19,660	18,556	19,182	18,799
101 Banks	15,203	15,580	13,407	13,077	13,587	12,244	14,701	11,920	9,976[r]	11,233
102 Official institutions	4,934	7,530	4,348	6,606	6,755	5,454	5,649	6,717	5,192[r]	6,703
103 Nonbank foreigners	10,050	10,475	10,767	14,201	14,948	14,435	14,564	16,558	17,745	17,636
104 Other liabilities	3,325	3,953	4,173	6,458	6,136	6,462	6,629	6,938	6,406	7,015
					Bahamas and Caymans					
105 **Total, all currencies**	**142,592**	**160,321**	**170,639**	**164,836**	**172,762**	**176,006**	**167,385**	**164,908**	**155,145[r]**	**150,767**
106 Negotiable CDs	847	885	953	669	671	678	681	671	522	524
107 To United States	106,081	113,950	122,332	114,701	121,021	124,859	114,829	113,137	108,003[r]	101,024
108 Parent bank	49,481	53,239	62,894	66,292	70,107	75,579	65,380[r]	64,085[r]	61,528[r]	55,311
109 Other banks in United States	11,715	17,224	11,494	8,088	8,438	8,883	8,677	8,198	7,310[r]	8,544
110 Nonbanks	44,885	43,487	47,944	40,321	42,476	40,397	40,772[r]	40,854[r]	39,165[r]	37,169
111 To foreigners	34,400	43,815	45,161	46,906	47,521	47,382	48,974	48,726	44,314	46,741
112 Other branches of parent bank	12,631	19,185	23,686	23,086	23,352	23,414	24,911	25,110	20,778	22,446
113 Banks	8,617	10,769	8,336	8,985	9,137	8,823	8,439	8,059	7,983	8,617
114 Official institutions	2,719	1,504	1,074	1,003	1,131	1,097	1,528	1,290	1,078	1,247
115 Nonbank foreigners	10,433	12,357	12,065	13,832	13,901	14,048	14,096	14,267	14,475	14,431
116 Other liabilities	1,264	1,671	2,193	2,560	3,549	3,087	2,901	2,374	2,306	2,478
117 **Total payable in U.S. dollars**	**138,774**	**152,927**	**162,950**	**160,028**	**167,835**	**171,250**	**162,141**	**160,212**	**150,758[r]**	**146,259**

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1987	1988	1989			1990			
			Oct.	Nov.	Dec.	Jan.	Feb.[r]	Mar.[r]	Apr.[p]
1 **Total**[1]	**259,556**	**299,782**	**315,632**	**315,051**	**308,275**	**305,019**	**300,043**	**297,493**	**302,948**
By type									
2 Liabilities reported by banks in the United States[2]	31,838	31,519	42,615	39,090	36,458	33,889	33,646	35,208	35,502
3 U.S. Treasury bills and certificates[3]	88,829	103,722	81,466	82,474	76,985	76,157	73,099	73,039	69,454
U.S. Treasury bonds and notes									
4 Marketable	122,432	149,056	173,093	174,778	176,084	176,411	174,986	171,130	176,722
5 Nonmarketable[4]	300	523	561	564	568	572	576	580	3,596
6 U.S. securities other than U.S. Treasury securities[5]	16,157	14,962	17,897	18,145	18,180	17,990	17,736	17,536	17,674
By area									
7 Western Europe[1]	124,620	125,097	134,378	137,760	134,907	135,277	134,051	136,807	138,948
8 Canada	4,961	9,584	8,688	9,130	9,553	9,368	7,976	8,386	7,880
9 Latin America and Caribbean	8,328	10,099	10,003	9,892	8,808	7,927	8,309	9,200	9,147
10 Asia	116,098	145,608	154,130	149,745	147,038	143,962	140,924	134,700	136,514
11 Africa	1,402	1,369	910	1,019	994	834	1,020	930	861
12 Other countries[6]	4,147	7,501	6,962	6,941	6,406	7,077	7,187	6,889	6,000

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 (including those payable *in foreign currencies through 1974) and Treasury bills issued to official institutions* of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes bonds and notes payable in foreign currencies.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.
6. Includes countries in Oceania and Eastern Europe.

NOTE. Based on Treasury Department data and on data reported to the Treasury Department by banks (including Federal Reserve Banks) and securities dealers in the United States.

3.16 LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in Foreign Currencies[1]

Millions of dollars, end of period

Item	1986	1987	1988	1989			
				June	Sept.	Dec.	Mar.
1 Banks' own liabilities	29,702	55,438	74,980	69,213	72,782	66,418	62,963
2 Banks' own claims	26,180	51,271	68,983	62,874	70,929	65,136	60,973
3 Deposits	14,129	18,861	25,100	23,922	22,998	20,346	21,556
4 Other claims	12,052	32,410	43,884	38,952	47,931	44,790	39,416
5 Claims of banks' domestic customers[2]	2,507	551	364	723	2,558	3,100	1,190

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

Holder and type of liability	1987	1988	1989	1989			1990			
				Oct.	Nov.	Dec.	Jan.	Feb.[r]	Mar.[r]	Apr.[p]
1 **All foreigners**	**618,874**	**685,339**	**735,896**	**709,321**	**731,874**	**735,896**	**704,593**	**696,232**	**703,101**	**701,544**
2 Banks' own liabilities	470,070	514,532	576,515	544,913	565,702	576,515	543,382	537,986	540,610	543,744
3 Demand deposits	22,383	21,863	21,722	20,955	21,315	21,722	19,836	21,198	20,555	20,506
4 Time deposits[2]	148,374	152,164	170,472	162,531	166,044	170,472	160,677	156,906	155,193	148,742
5 Other[3]	51,677	51,366	65,758	65,085	66,130	65,758	61,331	57,869	59,955	64,846
6 Own foreign offices[4]	247,635	289,138	318,563	296,342	312,213	318,563	301,538	302,013	304,907	309,650
7 Banks' custody liabilities[5]	148,804	170,807	159,380	164,409	166,172	159,380	161,211	158,246	162,492	157,800
8 U.S. Treasury bills and certificates[6]	101,743	115,056	91,100	95,893	97,018	91,100	90,703	88,032	88,015	83,643
9 Other negotiable and readily transferable instruments[7]	16,776	16,426	19,526	19,883	19,236	19,526	18,658	18,655	21,028	20,231
10 Other	30,285	39,325	48,754	48,633	49,918	48,754	51,851	51,560	53,449	53,926
11 **Nonmonetary international and regional organizations**[8]	**4,464**	**3,224**	**4,772**	**5,833**	**5,905**	**4,772**	**4,778**	**3,766**	**4,896**	**5,629**
12 Banks' own liabilities	2,702	2,527	3,156	3,797	4,587	3,156	3,178	2,218	3,334	3,682
13 Demand deposits	124	71	96	53	62	96	36	55	156	52
14 Time deposits[2]	1,538	1,183	927	1,107	1,075	927	1,048	624	1,137	2,025
15 Other[3]	1,040	1,272	2,133	2,638	3,449	2,133	2,094	1,539	2,041	1,605
16 Banks' custody liabilities[5]	1,761	698	1,616	2,036	1,318	1,616	1,599	1,547	1,562	1,947
17 U.S. Treasury bills and certificates[6]	265	57	197	568	321	197	102	160	191	190
18 Other negotiable and readily transferable instruments[7]	1,497	641	1,417	1,454	996	1,417	1,497	1,387	1,371	1,740
19 Other	0	0	2	14	0	2	0	0	0	17
20 **Official institutions**[9]	**120,667**	**135,241**	**113,443**	**124,081**	**121,563**	**113,443**	**110,046**	**106,745**	**108,247**	**104,956**
21 Banks' own liabilities	28,703	27,109	31,070	37,538	34,119	31,070	30,342	30,455	31,366	32,724
22 Demand deposits	1,757	1,917	2,189	1,941	1,829	2,189	1,599	1,666	1,826	2,066
23 Time deposits[2]	12,843	9,767	10,530	12,101	11,237	10,530	9,358	10,658	9,704	10,448
24 Other[3]	14,103	15,425	18,351	23,496	21,053	18,351	19,385	18,132	19,836	20,210
25 Banks' custody liabilities[5]	91,965	108,132	82,373	86,542	87,444	82,373	79,704	76,289	76,881	72,231
26 U.S. Treasury bills and certificates[6]	88,829	103,722	76,985	81,466	82,474	76,985	76,157	73,099	73,039	69,454
27 Other negotiable and readily transferable instruments[7]	2,990	4,130	5,028	4,774	4,845	5,028	3,459	2,892	3,671	2,605
28 Other	146	280	361	303	125	361	88	298	171	173
29 **Banks**[10]	**414,280**	**459,523**	**514,395**	**483,498**	**507,346**	**514,395**	**491,589**	**484,295**	**489,694**	**492,734**
30 Banks' own liabilities	371,665	409,501	453,880	421,805	444,491	453,880	427,220	420,806	421,479	423,906
31 Unaffiliated foreign banks	124,030	120,362	135,317	125,463	132,278	135,317	125,682	118,793	116,572	114,256
32 Demand deposits	10,898	9,948	10,339	9,885	10,736	10,339	9,601	10,357	9,625	9,283
33 Time deposits[2]	79,717	80,189	92,278	83,983	87,444	92,278	81,519	75,500	75,784	69,012
34 Other[3]	33,415	30,226	32,701	31,594	34,099	32,701	34,562	32,936	31,163	35,961
35 Own foreign offices[4]	247,635	289,138	318,563	296,342	312,213	318,563	301,538	302,013	304,907	309,650
36 Banks' custody liabilities[5]	42,615	50,022	60,514	61,693	62,855	60,514	64,369	63,489	68,215	68,829
37 U.S. Treasury bills and certificates[6]	9,134	7,602	9,367	9,427	9,670	9,367	9,614	9,342	9,359	9,374
38 Other negotiable and readily transferable instruments[7]	5,392	5,725	5,124	5,102	4,797	5,124	5,090	4,918	7,608	7,628
39 Other	28,089	36,694	46,023	47,165	48,388	46,023	49,665	49,229	51,247	51,827
40 **Other foreigners**	**79,463**	**87,351**	**103,286**	**95,909**	**97,060**	**103,286**	**98,180**	**101,427**	**100,264**	**98,226**
41 Banks' own liabilities	67,000	75,396	88,409	81,773	82,505	88,409	82,641	84,506	84,431	83,433
42 Demand deposits	9,604	9,928	9,098	9,077	8,689	9,098	8,599	9,121	8,948	9,106
43 Time deposits[2]	54,277	61,025	66,738	65,338	66,288	66,738	68,752	70,124	68,567	67,258
44 Other[3]	3,119	4,443	12,573	7,357	7,528	12,573	5,290	5,261	6,915	7,069
45 Banks' custody liabilities[5]	12,463	11,956	14,877	14,137	14,555	14,877	15,539	16,921	15,834	14,793
46 U.S. Treasury bills and certificates[6]	3,515	3,675	4,551	4,432	4,553	4,551	4,830	5,431	5,425	4,626
47 Other negotiable and readily transferable instruments[7]	6,898	5,929	7,958	8,553	8,597	7,958	8,612	9,457	8,378	8,258
48 Other	2,050	2,351	2,368	1,152	1,405	2,368	2,098	2,033	2,031	1,909
49 MEMO: Negotiable time certificates of deposit in custody for foreigners	7,314	6,425	7,203	7,434	7,050	7,203	8,576	8,457	7,634	7,183

1. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.
2. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
3. Includes borrowing under repurchase agreements.
4. U.S. banks: includes amounts due to own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. Agencies, branches, and majority-owned subsidiaries of foreign banks: principally amounts due to head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of 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.
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, and the Inter-American and Asian Development Banks. Data exclude "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—Continued

	Area and country	1987	1988	1989	1989 Oct.	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.[r]	1990 Apr.[p]
1	**Total**	**618,874**	**685,339**	**735,896**	**709,321**	**731,874**	**735,896**	**704,593**	**696,232**	**703,101**	**701,544**
2	**Foreign countries**	**614,411**	**682,115**	**731,124**	**703,488**	**725,970**	**731,124**	**699,815**	**692,467**	**698,205**	**695,916**
3	Europe	234,641	231,912	237,292	233,250	242,602	237,292	230,730	224,369	224,465	228,574
4	Austria	920	1,155	1,232	1,201	1,475	1,232	1,422	1,817	1,764	1,923
5	Belgium-Luxembourg	9,347	10,022	10,491	10,852	10,333	10,491	11,348	11,396	11,937	9,651
6	Denmark	760	2,200	1,410	1,444	1,913	1,410	1,240	1,244	1,760	2,271
7	Finland	377	285	570	464	577	570	685	611	431	446
8	France	29,835	24,777	26,893	23,971	26,018	26,893	22,985	21,841	21,910	24,252
9	Germany	7,022	6,772	7,578	8,757	9,145	7,578	7,580	8,718	7,487	8,375
10	Greece	689	672	1,017	850	1,030	1,017	1,092	1,024	906	878
11	Italy	12,073	14,599	16,159	14,244	14,673	16,159	13,050	11,978	12,728	14,137
12	Netherlands	5,014	5,316	6,613	5,634	7,259	6,613	7,732	8,214	9,454	7,731
13	Norway	1,362	1,559	2,401	1,344	1,954	2,401	1,256	997	2,620	1,453
14	Portugal	801	903	2,407	2,293	2,251	2,407	2,381	2,285	2,384	2,351
15	Spain	2,621	5,494	4,364	5,007	4,911	4,364	5,421	4,279	4,902	4,231
16	Sweden	1,379	1,284	1,491	1,665	1,921	1,491	2,303	1,468	1,524	1,914
17	Switzerland	33,766	34,199	34,511	29,765	31,714	34,511	33,288	33,029	33,959	33,472
18	Turkey	703	1,012	1,818	1,202	1,372	1,818	1,047	886	1,039	1,432
19	United Kingdom	116,852	111,811	102,334	106,371	108,914	102,334	101,968	99,438	96,395	99,304
20	Yugoslavia	710	529	1,474	858	1,017	1,474	1,349	1,402	1,613	1,599
21	Other Western Europe[1]	9,798	8,598	13,563	16,394	15,170	13,563	13,219	12,087	10,213	11,275
22	U.S.S.R.	32	138	350	338	286	350	229	377	141	446
23	Other Eastern Europe[2]	582	591	618	597	669	618	1,138	1,278	1,299	1,434
24	Canada	30,095	21,062	18,861	16,744	18,245	18,861	19,243	21,329	18,536	19,336
25	Latin America and Caribbean	220,372	271,146	310,737	289,329	299,765	310,737	300,123	305,275	313,823	309,915
26	Argentina	5,006	7,804	7,294	8,178	7,803	7,294	7,368	7,501	8,036	8,236
27	Bahamas	74,767	86,863	99,341	93,246	96,386	99,341	95,254	94,373	97,334	89,394
28	Bermuda	2,344	2,621	2,869	2,525	2,628	2,869	2,539	2,240	2,308	2,842
29	Brazil	4,005	5,314	6,287	6,139	6,282	6,287	6,660	7,149	7,294	6,706
30	British West Indies	81,494	113,840	138,177	122,108	129,378	138,177	131,820	135,818	140,985	145,062
31	Chile	2,210	2,936	3,209	3,050	3,097	3,209	3,045	3,134	3,261	3,408
32	Colombia	4,204	4,374	4,652	5,006	4,805	4,652	4,395	4,593	4,481	4,404
33	Cuba	12	10	10	10	15	10	30	10	9	9
34	Ecuador	1,082	1,379	1,391	1,359	1,343	1,391	1,229	1,304	1,337	1,338
35	Guatemala	1,082	1,195	1,312	1,296	1,309	1,312	1,332	1,362	1,403	1,451
36	Jamaica	160	269	209	209	191	209	202	217	245	214
37	Mexico	14,480	15,185	15,398	15,285	15,012	15,398	14,767	15,803	15,269	15,051
38	Netherlands Antilles	4,975	6,420	6,300	5,973	6,287	6,300	6,189	6,475	6,411	6,460
39	Panama	7,414	4,353	4,361	4,579	4,537	4,361	4,569	4,747	4,766	4,749
40	Peru	1,275	1,671	1,982	1,924	1,944	1,982	1,921	1,969	1,836	1,703
41	Uruguay	1,582	1,898	2,283	2,235	2,335	2,283	2,418	2,400	2,513	2,575
42	Venezuela	9,048	9,147	9,466	9,609	9,855	9,466	9,841	9,630	9,871	9,643
43	Other	5,234	5,868	6,196	6,598	6,558	6,196	6,544	6,548	6,464	6,668
44	Asia	121,288	147,838	155,857	151,967	151,679	155,857	140,942	131,251	132,081	130,277
	China										
45	Mainland	1,162	1,895	1,871	1,989	1,659	1,871	1,780	1,470	1,573	1,854
46	Taiwan	21,503	26,058	19,562	22,492	21,316	19,562	19,147	17,901	15,552	15,413
47	Hong Kong	10,180	12,248	12,245	12,209	12,111	12,245	11,653	11,051	11,533	12,155
48	India	582	699	780	842	990	780	907	762	1,032	1,013
49	Indonesia	1,404	1,180	1,279	1,147	1,303	1,279	1,057	1,174	1,545	1,560
50	Israel	1,292	1,461	1,243	2,237	1,096	1,243	1,038	894	1,497	1,310
51	Japan	54,322	74,015	80,991	74,039	75,368	80,991	70,084	65,065	66,088	65,509
52	Korea	1,637	2,541	3,213	3,288	3,528	3,213	2,616	2,561	2,318	2,108
53	Philippines	1,085	1,163	1,759	1,185	1,269	1,759	1,143	1,262	1,197	1,176
54	Thailand	1,345	1,236	2,093	1,707	1,909	2,093	2,379	2,523	1,925	1,595
55	Middle-East oil-exporting countries[3]	13,988	12,083	13,362	13,485	13,610	13,362	13,258	12,551	12,443	11,627
56	Other	12,788	13,260	17,459	17,346	17,519	17,459	15,879	14,037	15,377	14,958
57	Africa	3,945	3,991	3,819	3,507	3,767	3,819	4,293	4,925	4,432	3,709
58	Egypt	1,151	911	685	581	637	685	640	722	600	594
59	Morocco	194	68	78	72	76	78	86	95	80	111
60	South Africa	202	437	205	222	293	205	255	261	277	228
61	Zaire	67	85	86	71	60	86	82	77	74	70
62	Oil-exporting countries[4]	1,014	1,017	1,120	1,048	1,120	1,120	1,671	2,259	1,839	935
63	Other	1,316	1,474	1,644	1,513	1,581	1,644	1,559	1,511	1,562	1,770
64	Other countries	4,070	6,165	4,558	8,690	9,912	4,558	4,485	5,318	4,868	4,105
65	Australia	3,327	5,293	3,866	8,072	9,141	3,866	3,806	4,598	3,987	3,404
66	All other	744	872	692	618	771	692	679	720	881	701
67	Nonmonetary international and regional organizations	4,464	3,224	4,772	5,833	5,905	4,772	4,778	3,766	4,896	5,629
68	International[5]	2,830	2,503	3,825	4,515	4,768	3,825	3,706	2,765	3,634	4,047
69	Latin American regional	1,272	589	684	919	586	684	857	655	949	1,123
70	Other regional[6]	362	133	263	400	551	263	214	345	313	458

1. Includes the Bank for International Settlements and Eastern European countries that are not listed in line 23.
2. Comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.
5. Excludes "holdings of dollars" of the International Monetary Fund.
6. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Western 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 and country	1987	1988	1989	1989 Oct.	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.[r]	1990 Apr.[p]
1 **Total**	**459,877**	**491,165**	**535,706**	**515,422**	**535,459**	**535,706**	**514,647**	**499,386[r]**	**489,877**	**489,905**
2 **Foreign countries**	**456,472**	**489,094**	**532,055**	**512,771**	**532,471**	**532,055**	**510,395**	**495,312[r]**	**486,083**	**486,004**
3 Europe	102,348	116,928	118,956	113,288	111,987	118,956	105,817	103,959[r]	104,101	104,800
4 Austria	793	483	415	575	559	415	658	429	500	592
5 Belgium–Luxembourg	9,397	8,515	6,478	7,497	6,606	6,478	6,645	7,008[r]	6,352	6,313
6 Denmark	717	483	582	513	609	582	664	635	608	750
7 Finland	1,010	1,065	1,027	1,707	1,129	1,027	1,214	1,218	1,150	1,025
8 France	13,548	13,243	16,146	16,391	16,055	16,146	15,832	16,391[r]	15,677	16,002
9 Germany	2,039	2,329	2,865	3,371	2,657	2,865	1,990	2,760[r]	2,783	2,465
10 Greece	462	433	788	650	700	788	735	773	664	622
11 Italy	7,460	7,936	6,662	5,472	5,718	6,662	4,931	5,374[r]	5,010	4,219
12 Netherlands	2,619	2,541	1,904	1,886	2,259	1,904	1,656	1,567	2,181	2,020
13 Norway	934	455	609	647	635	609	599	672	775	908
14 Portugal	477	261	376	258	275	376	309	288	273	380
15 Spain	1,853	1,823	1,930	1,733	1,840	1,930	2,766	2,038	2,240	1,725
16 Sweden	2,254	1,977	1,773	2,087	2,555	1,773	2,718	2,158	2,305	2,166
17 Switzerland	2,718	3,895	6,141	4,522	4,940	6,141	4,797	4,910[r]	4,984	4,853
18 Turkey	1,680	1,233	1,049	1,021	1,044	1,049	1,065	1,065[r]	1,125	1,126
19 United Kingdom	50,823	65,706	65,426	59,838	59,919	65,426	54,567	52,018[r]	52,870	55,380
20 Yugoslavia	1,700	1,390	1,329	1,373	1,281	1,329	1,243	1,158	1,157	1,121
21 Other Western Europe[2]	619	1,152	1,302	1,504	1,245	1,302	1,373	1,271[r]	1,183	980
22 U.S.S.R.	389	1,255	1,234	1,448	1,075	1,234	1,192	1,322	1,356	1,322
23 Other Eastern Europe[3]	852	754	921	794	883	921	864	905[r]	907	831
24 Canada	25,368	18,889	16,087	13,800	16,177	16,087	18,330	16,768[r]	15,082	15,193
25 Latin America and Caribbean	214,789	214,264	231,540	221,040	232,878	231,540	225,332	220,260[r]	212,686	202,940
26 Argentina	11,996	11,826	9,444	10,444	10,274	9,444	8,986	8,718	8,189	8,025
27 Bahamas	64,587	66,954	78,656	71,379	78,487	78,656	74,336	71,891[r]	68,695	63,927
28 Bermuda	471	483	1,315	804	841	1,315	485	401	425	443
29 Brazil	25,897	25,735	23,888	25,075	24,418	23,888	23,503	23,210[r]	21,882	21,849
30 British West Indies	50,042	55,888	68,572	63,840	69,450	68,572	70,894	70,051[r]	72,330	67,550
31 Chile	6,308	5,217	4,353	4,601	4,474	4,353	4,212	4,208[r]	4,079	3,714
32 Colombia	2,740	2,944	2,781	2,800	2,784	2,781	2,530	2,610[r]	2,720	2,649
33 Cuba	1	1	1	1	1	1	0	0	0	0
34 Ecuador	2,286	2,075	1,698	1,864	1,858	1,698	1,588	1,570	1,536	1,527
35 Guatemala[4]	144	198	197	188	190	197	213	200	208	207
36 Jamaica[4]	188	212	297	270	260	297	284	274	265	260
37 Mexico	29,532	24,637	23,563	22,751	23,292	23,563	22,136	21,400	16,982	17,435
38 Netherlands Antilles	980	1,306	1,921	1,201	1,099	1,921	1,763	1,702	1,692	1,760
39 Panama	4,744	2,521	1,740	1,834	1,792	1,740	1,748	1,688	1,730	1,743
40 Peru	1,329	1,013	771	849	836	771	750	752	733	721
41 Uruguay	963	910	928	903	915	928	932	935	926	886
42 Venezuela	10,843	10,733	9,688	10,269	10,119	9,688	9,289	8,956	8,528	8,425
43 Other Latin America and Caribbean	1,738	1,612	1,726	1,965	1,787	1,726	1,682	1,695	1,766	1,818
44 Asia	106,096	130,881	157,187	153,744	158,766	157,187	151,934	144,284[r]	145,141	154,984
China										
Mainland	968	762	634	594	610	634	620	619	599	674
46 Taiwan	4,592	4,184	2,776	2,858	2,702	2,776	2,137	1,823	2,013	1,890
47 Hong Kong	8,218	10,143	11,103	10,047	10,442	11,103	7,679	6,557	7,418	8,953
48 India	510	560	621	617	637	621	625	892[r]	721	587
49 Indonesia	580	674	651	685	655	651	641	611	604	560
50 Israel	1,363	1,136	813	1,185	758	813	748	751	737	721
51 Japan	68,658	90,149	111,066	110,425	114,498	111,066	113,327	108,351[r]	108,633	117,482
52 Korea	5,148	5,213	5,296	5,713	5,838	5,296	5,156	4,880	5,016	4,964
53 Philippines	2,071	1,876	1,344	1,549	1,498	1,344	1,297	1,163	1,204	1,221
54 Thailand	496	848	1,140	1,046	1,064	1,140	1,171	1,046	992	1,066
55 Middle East oil-exporting countries[5]	4,858	6,213	10,149	8,357	8,675	10,149	8,655	9,248	8,740	8,367
56 Other Asia	8,635	9,122	11,594	10,669	11,387	11,594	9,880	8,344	8,463	8,500
57 Africa	4,742	5,718	5,931	5,771	5,914	5,931	6,593	7,317	6,757	5,949
58 Egypt	521	507	502	475	471	502	470	493	474	491
59 Morocco	542	511	559	538	547	559	575	588	581	596
60 South Africa	1,507	1,681	1,628	1,679	1,686	1,628	1,619	1,628	1,647	1,632
61 Zaire	15	17	16	15	16	16	16	17	25	19
62 Oil-exporting countries[6]	1,003	1,523	1,689	1,554	1,641	1,689	1,667	3,099	2,523	1,705
63 Other	1,153	1,479	1,537	1,510	1,553	1,537	2,247	1,491	1,506	1,506
64 Other countries	3,129	2,413	2,354	5,129	6,750	2,354	2,390	2,724	2,316	2,138
65 Australia	2,100	1,520	1,781	4,301	6,174	1,781	1,761	1,824	1,625	1,497
66 All other	1,029	894	573	828	576	573	629	900	692	641
67 Nonmonetary international and regional organizations[7]	3,404	2,071	3,651	2,651	2,987	3,651	4,252	4,074[r]	3,794	3,900

1. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.
2. *Includes the Bank for International Settlements. Beginning April 1978,* also includes Eastern European countries not listed in line 23.
3. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
4. Included in "Other Latin America and Caribbean" through March 1978.
5. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
6. Comprises Algeria, Gabon, Libya, and Nigeria.
7. Excludes the Bank for International Settlements, which is included in "Other Western 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	1987	1988	1989	1989			1990			
				Oct.	Nov.	Dec.	Jan.	Feb.[r]	Mar.[r]	Apr.[p]
1 **Total**	**497,635**	**538,689**	**589,721**	....	....	**589,721**	....	....	**541,653**	....
2 Banks' own claims on foreigners	459,877	491,165	535,706	515,422	535,459	535,706	514,647	499,386	489,877	489,905
3 Foreign public borrowers	64,605	62,658	60,523	63,398	62,488	60,523	58,967	56,884	54,065	53,276
4 Own foreign offices[2]	224,727	257,436	297,184	277,330	297,592	297,184	292,561	283,794	274,325	274,169
5 Unaffiliated foreign banks	127,609	129,425	134,842	131,133	133,803	134,842	123,784	120,505	123,195	124,631
6 Deposits	60,687	65,898	77,900	72,220	75,629	77,900	69,752	67,161	70,074	71,829
7 Other	66,922	63,527	56,942	58,913	58,174	56,942	54,033	53,344	53,121	52,803
8 All other foreigners	42,936	41,646	43,158	43,562	41,577	43,158	39,334	38,203	38,292	37,828
9 Claims of banks' domestic customers[3]	37,758	47,524	54,014	....	....	54,014	....	....	51,776	....
10 Deposits	3,692	8,289	10,383	....	....	10,383	....	....	16,788	....
11 Negotiable and readily transferable instruments[4]	26,696	25,700	29,040	....	....	29,040	....	....	20,634	....
12 *Outstanding collections and other claims*	7,370	13,535	14,591	....	....	14,591	....	....	14,354	....
13 MEMO: Customer liability on acceptances	23,107	19,596	12,818	....	....	12,818	....	....	13,575	....
Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	40,909	45,568	45,413	45,742	47,288	45,413	44,146[r]	45,255	44,601	n.a.

1. Data for banks' own claims are given on a monthly basis, but the data for claims of banks' own domestic customers are available on a quarterly basis only. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.

2. *U.S. banks:* includes amounts due from own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. *Agencies, branches, and majority-owned subsidiaries of foreign banks:* principally amounts due from head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.

3. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the account of their domestic customers.

4. Principally negotiable time certificates of deposit and bankers acceptances.

5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad. For description of changes in data reported by nonbanks, see July 1979 *Bulletin*, p. 550.

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	1986	1987	1988	1989			
				June	Sept.	Dec.	Mar.[p]
1 **Total**	**232,295**	**235,130**	**233,184**	**231,606**	**236,265**	**238,458**	**214,278**
By borrower							
2 Maturity of 1 year or less[2]	160,555	163,997	172,634	167,663	169,192	178,065	160,164
3 Foreign public borrowers	24,842	25,889	26,562	24,295	24,054	23,687	22,516
4 All other foreigners	135,714	138,108	146,071	143,368	145,138	154,378	137,648
5 Maturity over 1 year[2]	71,740	71,133	60,550	63,944	67,072	60,392	54,114
6 Foreign public borrowers	39,103	38,625	35,291	38,605	41,806	35,967	30,401
7 All other foreigners	32,637	32,507	25,259	25,339	25,266	24,425	23,712
By area							
Maturity of 1 year or less[2]							
8 Europe	61,784	59,027	55,909	58,260	53,030	53,584	48,274
9 Canada	5,895	5,680	6,282	5,693	6,236	5,901	5,694
10 Latin America and Caribbean	56,271	56,535	57,991	50,527	52,320	53,082	46,801
11 Asia	29,457	35,919	46,224	45,448	50,358	57,932	51,205
12 Africa	2,882	2,833	3,337	3,601	3,514	3,238	3,933
13 All other[3]	4,267	4,003	2,891	4,134	3,735	4,329	4,257
Maturity of over 1 year[2]							
14 Europe	6,737	6,696	4,666	4,554	8,746	4,769	4,458
15 Canada	1,925	2,661	1,922	2,592	2,459	2,338	2,702
16 Latin America and Caribbean	56,719	53,817	47,547	50,095	48,586	45,801	38,018
17 Asia	4,043	3,830	3,613	3,823	4,223	4,139	5,608
18 Africa	1,539	1,747	2,301	2,408	2,475	2,662	2,764
19 All other[3]	777	2,381	501	472	584	684	564

1. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.

2. Remaining time to maturity.

3. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. Offices and Foreign Branches of U.S.-Chartered Banks[1,2]

Billions of dollars, end of period

Area or country	1986	1987	1988				1989				1990
			Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.[p]
1 **Total**	**386.5**	**382.4**	**370.9**	**351.9**	**354.0**	**346.3**	**345.3**	**339.2**	**345.0**	**339.9**	**335.9**
2 G-10 countries and Switzerland	156.6	159.7	156.3	150.7	148.7	152.7	145.1	144.7	145.9	153.2[r]	146.3
3 Belgium-Luxembourg	8.4	10.0	9.1	9.2	9.5	9.0	8.6	7.8	6.9	6.3	6.5
4 France	13.6	13.7	11.8	10.9	10.3	10.5	11.2	10.8	11.1	11.7	10.5
5 Germany	11.6	12.6	11.8	10.6	9.2	10.3	10.2	10.6	10.4	10.5	11.2
6 Italy	9.0	7.5	7.4	6.3	5.6	6.8	5.2	6.1	6.8	7.4	6.0
7 Netherlands	4.6	4.1	3.3	3.2	2.9	2.7	2.8	2.8	2.4	3.1	3.1
8 Sweden	2.4	2.1	2.1	1.9	1.9	1.8	2.3	1.8	2.0	2.0	2.1
9 Switzerland	5.8	5.6	5.1	5.6	5.2	5.4	5.1	5.4	6.1	7.1	6.2
10 United Kingdom	70.9	68.8	71.7	70.4	67.6	66.2	65.3	64.2	63.5	67.1[r]	63.7
11 Canada	5.2	5.5	4.7	5.3	4.9	5.0	4.0	5.1	5.9	6.1	4.8
12 Japan	25.1	29.8	29.2	27.3	31.6	34.9	30.4	30.1	30.8	31.9	32.1
13 Other developed countries	26.1	26.4	26.4	24.0	23.0	21.0	21.0	21.1	20.9	20.7	23.1
14 Austria	1.7	1.9	1.6	1.6	1.6	1.5	1.4	1.7	1.5	1.5[r]	1.5
15 Denmark	1.7	1.7	1.4	1.1	1.2	1.1	1.1	1.4	1.1	1.1	1.1
16 Finland	1.4	1.2	1.0	1.2	1.3	1.1	1.0	1.0	1.1	1.0	1.1
17 Greece	2.3	2.0	2.3	2.1	2.1	1.8	2.1	2.3	2.3	2.5	2.6
18 Norway	2.4	2.2	1.9	1.9	2.0	1.8	1.6	1.8	1.4	1.4	1.7
19 Portugal	.9	.6	.5	.4	.4	.4	.4	.6	.4	.4	.4
20 Spain	5.8	8.0	8.9	7.2	6.3	6.2	6.6	6.2	6.9	7.1	8.3
21 Turkey	2.0	2.0	2.0	1.8	1.6	1.5	1.3	1.1	1.1	1.2	1.3
22 Other Western Europe	1.5	1.6	1.9	1.7	1.9	1.3	1.1	1.1	1.0	.7	1.1
23 South Africa	3.0	2.9	2.8	2.8	2.7	2.4	2.2	2.1	2.1	2.0	2.0
24 Australia	3.4	2.4	2.0	2.2	1.8	1.8	2.4	1.9	2.1	1.6[r]	2.1
25 OPEC countries[3]	19.4	17.4	17.6	17.0	17.9	16.6	16.2	16.0	16.2	17.2	16.4
26 Ecuador	2.2	1.9	1.9	1.8	1.8	1.7	1.6	1.5	1.5	1.3	1.2
27 Venezuela	8.7	8.1	8.1	8.0	7.9	7.9	7.9	7.5	7.3	7.1	6.1
28 Indonesia	2.5	1.9	1.8	1.8	1.8	1.7	1.7	1.9	2.0	2.0	2.1
29 Middle East countries	4.3	3.6	3.9	3.5	4.6	3.4	3.3	3.4	3.5	5.0	4.4
30 African countries	1.8	1.9	1.9	1.9	1.9	1.9	1.7	1.6	1.9	1.8	2.6
31 Non-OPEC developing countries	99.6	97.8	94.4	91.8	87.2	85.3	85.4	83.1	80.8	77.9[r]	71.3
Latin America											
32 Argentina	9.5	9.5	9.6	9.5	9.3	9.0	8.4	7.9	7.6	6.4	5.5
33 Brazil	25.3	24.7	23.8	23.7	22.4	22.4	22.7	22.0	20.8	19.1	17.5
34 Chile	7.1	6.9	6.6	6.4	6.3	5.6	5.7	5.1	4.9	4.6	4.3
35 Colombia	2.1	2.0	2.0	2.2	2.1	2.1	1.9	1.7	1.6	1.8	1.8
36 Mexico	24.0	23.5	22.4	21.1	20.4	18.8	18.0	17.5	17.0	17.8	15.3
37 Peru	1.4	1.1	1.1	.9	.8	.8	.7	.6	.6	.6	.5
38 Other Latin America	3.1	2.8	2.8	2.6	2.5	2.6	2.7	2.6	2.9	2.8	2.7
Asia											
China											
39 Mainland	.4	.3	.4	.4	.2	.3	.5	.3	.3	.3	.3
40 Taiwan	4.9	8.2	6.1	4.9	3.2	3.7	4.9	5.2	5.0	4.5	3.8
41 India	1.2	1.9	2.1	2.3	2.0	2.1	2.6	2.4	2.7	3.1	3.5
42 Israel	1.5	1.0	1.0	1.0	1.0	1.2	.9	.8	.7	.7	.6
43 Korea (South)	6.7	5.0	5.7	5.9	6.0	6.1	6.1	6.6	6.5	5.9	5.3
44 Malaysia	2.1	1.5	1.5	1.5	1.7	1.6	1.7	1.6	1.7	1.7	1.8
45 Philippines	5.4	5.2	5.1	4.9	4.7	4.5	4.4	4.4	4.0	4.1	3.7
46 Thailand	.9	.7	1.0	1.1	1.2	1.1	1.0	1.0	1.3	1.3	1.1
47 Other Asia	.7	.7	.7	.8	.8	.9	.8	.8	1.0	1.0	1.2
Africa											
48 Egypt	.7	.6	.5	.6	.5	.4	.5	.6	.5	.4	.4
49 Morocco	.9	.9	.9	.9	.8	.9	.9	.9	.8	.9	.9
50 Zaire	.1	.0	.1	.1	.0	.0	.0	.0	.0	.0	.0
51 Other Africa[4]	1.6	1.3	1.2	1.2	1.2	1.1	1.1	1.1	1.0	1.0	.9
52 Eastern Europe	3.5	3.2	3.1	3.3	3.1	3.6	3.5	3.4	3.5	3.5	3.5
53 U.S.S.R.	.1	.3	.3	.4	.4	.7	.7	.6	.8	.7	.8
54 Yugoslavia	2.0	1.8	1.9	1.9	1.8	1.8	1.7	1.7	1.7	1.6[r]	1.4
55 Other	1.4	1.1	1.0	1.0	1.0	1.1	1.1	1.1	1.1	1.3[r]	1.3
56 Offshore banking centers	61.5	54.5	51.5	43.0	47.3	44.2	48.5	43.1	48.9	37.1[r]	42.0
57 Bahamas	22.4	17.3	15.9	8.9	12.9	11.0	15.8	11.0	11.1	5.8	8.9
58 Bermuda	.6	.6	.8	1.0	.9	.9	1.1	.7	1.3	1.7	.9
59 Cayman Islands and other British West Indies	12.3	13.5	11.6	10.3	11.9	12.9	12.0	10.8	15.3	9.1[r]	10.9
60 Netherlands Antilles	1.8	1.2	1.3	1.2	1.2	1.0	.9	1.0	1.1	2.3	2.6
61 Panama[5]	4.0	3.7	3.2	3.0	2.6	2.5	2.2	1.9	1.5	1.4	1.3
62 Lebanon	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
63 Hong Kong	11.1	11.2	11.3	11.6	10.5	9.6	9.6	10.4	10.7	9.7[r]	9.8
64 Singapore	9.2	7.0	7.4	6.9	7.0	6.1	6.8	7.3	7.8	7.0	7.4
65 Others[6]	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
66 Miscellaneous and unallocated[7]	19.8	23.2	21.5	22.2	26.7	22.6	25.1	27.4	28.5	30.1	33.1

1. The banking offices covered by these data are the U.S. offices and foreign branches of U.S.-owned banks and of U.S. subsidiaries of foreign-owned banks. Offices *not* covered include (1) U.S. agencies and branches of foreign banks, and (2) foreign subsidiaries of U.S. banks. To minimize 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. The data in this table combine foreign branch claims in table 3.14 (the sum of lines 7 through 10) with the claims of U.S. offices in table 3.18 (excluding those held by agencies and branches of foreign banks and those constituting claims on own foreign branches).

2. Beginning with June 1984 data, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from $50 million to $150 million equivalent in total assets, the threshold now applicable to all reporting branches.

3. This group comprises the 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).

4. Excludes Liberia.

5. Includes Canal Zone beginning December 1979.

6. Foreign branch claims only.

7. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

Type, and area or country	1986	1987	1988	1988		1989			
				Sept.	Dec.	Mar.	June	Sept.	Dec.
1 **Total**	**25,587**	**28,302**	**33,989**	**32,614**	**33,989**	**37,646**	**37,371**	**35,263**	**37,635r**
2 Payable in dollars	21,749	22,785	28,382	27,365	28,382	31,856	32,298	30,425	32,808r
3 Payable in foreign currencies	3,838	5,517	5,606	5,249	5,606	5,790	5,073	4,838	4,828
By type									
4 Financial liabilities	12,133	12,424	15,480	15,314	15,480	17,738	17,324	16,256	17,484r
5 Payable in dollars	9,609	8,643	11,593	11,700	11,593	13,658	13,465	12,428	13,591r
6 Payable in foreign currencies	2,524	3,781	3,888	3,614	3,888	4,080	3,860	3,829	3,893
7 Commercial liabilities	13,454	15,878	18,508	17,299	18,508	19,908	20,047	19,006	20,151r
8 Trade payables	6,450	7,305	6,458	6,455	6,458	7,009	6,339	6,416	7,475r
9 Advance receipts and other liabilities	7,004	8,573	12,050	10,844	12,050	12,899	13,708	12,590	12,676
10 Payable in dollars	12,140	14,142	16,790	15,665	16,790	18,197	18,834	17,997	19,217r
11 Payable in foreign currencies	1,314	1,737	1,719	1,635	1,719	1,711	1,213	1,009	934
By area or country									
Financial liabilities									
12 Europe	7,917	8,320	10,268	10,732	10,268	12,731	11,479	10,362	10,657r
13 Belgium-Luxembourg	270	213	289	339	289	320	357	308	340
14 France	661	382	344	372	344	249	278	262	243
15 Germany	368	551	749	690	749	741	838	809	734
16 Netherlands	542	866	879	996	879	933	834	853	946
17 Switzerland	646	558	1,183	707	1,183	954	978	839	578
18 United Kingdom	5,140	5,557	6,658	7,459	6,658	9,341	8,014	7,075	7,555r
19 Canada	399	360	663	431	663	616	544	599	583
20 Latin America and Caribbean	1,944	1,189	1,239	1,057	1,239	677	1,216	1,315	1,226
21 Bahamas	614	318	184	238	184	189	165	186	157
22 Bermuda	4	0	0	0	0	0	0	0	17
23 Brazil	32	25	0	0	0	0	0	0	0
24 British West Indies	1,146	778	645	812	645	471	621	698	594
25 Mexico	22	13	1	2	1	15	17	4	6
26 Venezuela	0	0	0	0	0	0	0	0	0
27 Asia	1,805	2,451	3,306	3,088	3,306	3,708	3,985	3,878	4,916
28 Japan	1,398	2,042	2,563	2,435	2,563	2,950	3,225	3,130	4,064
29 Middle East oil-exporting countries[2]	8	8	3	4	3	1	12	2	2
30 Africa	1	4	1	3	1	5	3	4	2
31 Oil-exporting countries[3]	1	1	0	1	0	3	2	2	0
32 All other[4]	67	100	2	3	2	2	97	97	100
Commercial liabilities									
33 Europe	4,446	5,516	7,344	6,681	7,344	7,944	7,865	7,985	9,119r
34 Belgium-Luxembourg	101	132	170	206	170	134	117	138	178r
35 France	352	426	455	432	455	579	549	767	874r
36 Germany	715	909	1,699	1,185	1,699	1,372	1,190	1,196	1,370r
37 Netherlands	424	423	591	647	591	670	689	549	709
38 Switzerland	385	559	417	486	417	458	458	416	621
39 United Kingdom	1,341	1,599	2,065	2,110	2,065	2,585	2,709	2,729	2,821
40 Canada	1,405	1,301	1,217	1,091	1,217	1,163	1,132	1,191	1,069r
41 Latin America and Caribbean	924	864	1,118	997	1,118	1,267	1,669	1,092	1,127r
42 Bahamas	32	18	49	19	49	35	34	27	41
43 Bermuda	156	168	286	222	286	426	388	305	308
44 Brazil	61	46	95	58	95	103	541	113	100
45 British West Indies	49	19	34	30	34	31	42	30	27
46 Mexico	217	189	179	177	179	198	182	191	243r
47 Venezuela	216	162	177	204	177	179	185	140	154
48 Asia	5,080	6,565	6,923	6,637	6,923	7,329	6,970	7,018	6,967r
49 Japan	2,042	2,578	3,097	2,763	3,097	3,059	2,712	2,649	2,773r
50 Middle East oil-exporting countries[2,5]	1,679	1,964	1,386	1,298	1,386	1,526	1,431	1,406	1,347
51 Africa	619	574	578	477	578	706	768	643	838
52 Oil-exporting countries[3]	197	135	202	106	202	272	253	246	300
53 All other[4]	980	1,057	1,328	1,415	1,328	1,499	1,643	1,078	1,031

1. For a description of the changes in the International Statistics tables, see July 1979 *Bulletin*, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.
5. Revisions include a reclassification of transactions, which also affects the totals for Asia and the grand totals.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

Type, and area or country	1986	1987	1988	1988		1989			
				Sept.	Dec.	Mar.	June	Sept.	Dec.
1 **Total**	**36,265**	**30,964**	**33,816**	**38,691**	**33,816**	**31,964**	**34,348**	**32,474**	**31,791r**
2 Payable in dollars	33,867	28,502	31,481	36,179	31,481	29,650	32,232	30,261	29,463r
3 Payable in foreign currencies	2,399	2,462	2,335	2,512	2,335	2,315	2,115	2,212	2,328r
By type									
4 Financial claims	26,273	20,363	21,882	27,597	21,882	20,045	22,051	19,644	17,523r
5 Deposits	19,916	14,894	15,887	19,367	15,887	14,865	16,986	12,985	10,485r
6 Payable in dollars	19,331	13,765	14,788	18,340	14,788	13,950	16,065	12,120	9,559r
7 Payable in foreign currencies	585	1,128	1,099	1,027	1,099	914	921	865	926
8 Other financial claims	6,357	5,470	5,996	8,230	5,996	5,181	5,065	6,659	7,038r
9 Payable in dollars	5,005	4,656	5,265	7,288	5,265	4,287	4,349	5,795	6,243r
10 Payable in foreign currencies	1,352	814	731	943	731	893	716	864	796r
11 Commercial claims	9,992	10,600	11,933	11,094	11,933	11,919	12,297	12,830	14,268r
12 Trade receivables	8,783	9,535	10,859	10,097	10,859	10,658	10,866	11,401	12,711r
13 Advance payments and other claims	1,209	1,065	1,074	998	1,074	1,261	1,430	1,429	1,557
14 Payable in dollars	9,530	10,081	11,428	10,552	11,428	11,412	11,818	12,347	13,662r
15 Payable in foreign currencies	462	519	505	543	505	507	479	483	606
By area or country									
Financial claims									
16 Europe	10,744	9,531	10,296	10,975	10,296	9,245	8,845	8,005	6,976r
17 Belgium-Luxembourg	41	7	18	57	18	22	161	166	13
18 France	138	332	226	280	226	233	198	209	181
19 Germany	116	102	138	123	138	180	218	147	194
20 Netherlands	151	350	348	363	348	384	297	292	303
21 Switzerland	185	65	217	84	217	260	71	113	90r
22 United Kingdom	9,855	8,467	8,997	9,742	8,997	7,856	7,587	6,819	5,933r
23 Canada	4,808	2,844	2,339	3,612	2,339	2,210	2,617	2,428	1,923
24 Latin America and Caribbean	9,291	7,012	8,142	11,862	8,142	7,498	9,361	8,309	7,472
25 Bahamas	2,628	1,994	1,857	4,069	1,857	2,172	1,891	1,707	1,513
26 Bermuda	6	7	19	188	19	25	125	33	7
27 Brazil	86	63	47	44	47	49	78	70	224
28 British West Indies	6,078	4,433	5,733	7,098	5,733	4,832	6,858	6,111	5,316
29 Mexico	174	172	151	133	151	117	114	105	94
30 Venezuela	21	19	21	27	21	25	31	36	20
31 Asia	1,317	879	830	1,027	830	951	1,109	801	829
32 Japan	999	605	561	737	561	627	640	440	440
33 Middle East oil-exporting countries[2]	7	8	5	5	5	8	8	7	8
34 Africa	85	65	106	95	106	89	80	75	140
35 Oil-exporting countries[3]	28	7	10	9	10	8	8	8	12
36 All other[4]	28	33	170	26	170	52	37	27	183
Commercial claims									
37 Europe	3,725	4,180	5,007	4,287	5,007	4,934	5,162	5,442	6,801
38 Belgium-Luxembourg	133	178	177	172	177	202	201	219	241r
39 France	431	650	660	517	660	758	755	820	950
40 Germany	444	562	613	615	613	647	643	672	670
41 Netherlands	164	133	208	146	208	159	409	394	490
42 Switzerland	217	185	322	183	322	249	220	217	304
43 United Kingdom	999	1,073	1,307	1,191	1,307	1,284	1,356	1,470	2,210
44 Canada	934	936	972	978	972	1,110	1,175	1,226	996
45 Latin America and Caribbean	1,857	1,930	2,234	2,104	2,234	2,110	2,089	2,120	2,161r
46 Bahamas	28	19	36	12	36	34	13	10	57
47 Bermuda	193	170	229	161	229	234	238	270	323
48 Brazil	234	226	298	234	298	277	313	232	284
49 British West Indies	39	26	21	22	21	23	29	32	36
50 Mexico	412	368	459	463	459	481	431	502	507r
51 Venezuela	237	283	226	266	226	211	228	187	148
52 Asia	2,755	2,915	2,958	3,027	2,958	3,086	3,123	3,276	3,510r
53 Japan	881	1,158	934	967	934	1,038	990	1,168	1,177r
54 Middle East oil-exporting countries[2]	563	450	445	437	445	427	430	406	508
55 Africa	500	401	434	424	434	386	402	388	419
56 Oil-exporting countries[3]	139	144	122	137	122	95	111	79	108
57 All other[4]	222	238	329	274	329	294	346	378	381

1. For a description of the changes in the International Statistics tables, see July 1979 *Bulletin*, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transactions, and area or country	1988	1989	1990	1989			1990			
			Jan.–Apr.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.[r]	Apr.[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	181,185	212,975	55,096	22,350	13,830	15,410	13,745	13,463[r]	16,430	11,457
2 Foreign sales	183,185	203,385	59,294	20,988	14,947	16,868	14,128	13,692[r]	19,117	12,356
3 Net purchases, or sales (−)	**−2,000**	**9,589**	**−4,198**	**1,363**	**−1,117**	**−1,458**	**−383**	**−229**	**−2,687**	**−899**
4 Foreign countries	**−1,825**	**9,834**	**−4,252**	**1,340**	**−1,116**	**−1,411**	**−353**	**−230**	**−2,733**	**−937**
5 Europe	−3,350	248	−1,982	−107	−1,655	−281	−183	−144	−990	−666
6 France	−281	−700	−390	−265	−296	−255	−155	−157	7	−85
7 Germany	218	−866	154	−117	−119	−41	41	3	105	6
8 Netherlands	−535	168	−33	226	−34	−9	−18	−38	48	−25
9 Switzerland	−2,243	−3,471	−1,145	−244	−509	−442	−240	−242	−441	−221
10 United Kingdom	−954	3,728	−911	−34	−718	391	−275	183	−720	−99
11 Canada	1,087	−860	−463	−140	−137	−459	−139	51	−163	−212
12 Latin America and Caribbean	1,238	3,096	−525	149	−24	−478	−111	−178	−208	−27
13 Middle East[1]	−2,474	3,530	−244	112	303	69	−27	93	−425	116
14 Other Asia	1,365	3,414	−775	1,138	342	−124	231	−30	−921	−55
15 Japan	1,922	3,348	−794	975	310	−53	166	−104	−764	−92
16 Africa	188	131	−33	−6	19	9	2	−34	1	−2
17 Other countries	121	274	−231	193	37	−147	−125	12	−27	−91
18 Nonmonetary international and regional organizations	**−176**	**−245**	**54**	**23**	**−1**	**−48**	**−30**	**1**	**46**	**38**
BONDS[2]										
19 Foreign purchases	86,381	120,466	37,363	10,930	11,133	13,702	9,463	10,297[r]	9,248	8,355
20 Foreign sales	58,417	86,291	30,986	6,803	6,656	9,313	7,809	7,714[r]	7,964	7,499
21 Net purchases, or sales (−)	**27,964**	**34,175**	**6,377**	**4,127**	**4,476**	**4,388**	**1,654**	**2,583**	**1,284**	**856**
22 Foreign countries	**28,506**	**33,822**	**6,583**	**4,074**	**4,464**	**4,336**	**2,054**	**2,556**	**1,123**	**850**
23 Europe	17,239	19,873	3,401	1,955	2,712	1,429	1,135	245	1,012	1,008
24 France	143	372	73	−41	−14	6	118	9	5	−58
25 Germany	1,344	−239	−421	113	−117	−33	−114	−253	−15	−40
26 Netherlands	1,514	850	−41	30	143	41	−43	15	−11	−2
27 Switzerland	505	−165	205	74	54	−277	157	58	−69	59
28 United Kingdom	13,084	18,488	3,871	1,679	2,328	1,954	1,132	475	1,106	1,158
29 Canada	711	1,112	1,188	175	−86	204	178	474	183	353
30 Latin America and Caribbean	1,931	3,682	2,100	247	539	492	493	883	313	411
31 Middle East[1]	−178	−179	222	140	−57	242	87	100	36	−2
32 Other Asia	8,900	9,060	−505	1,553	1,343	1,954	152	796	−461	−993
33 Japan	7,686	6,331	−189	1,263	1,045	1,728	170	1,103	−419	−1,044
34 Africa	−8	56	78	0	8	27	3	36	−8	48
35 Other countries	−89	218	100	4	4	−11	5	22	48	24
36 Nonmonetary international and regional organizations	**−542**	**353**	**−206**	**53**	**12**	**52**	**−399**	**27**	**160**	**6**
	Foreign securities									
37 *Stocks, net purchases, or sales (−)*[3]	−1,959	−12,515	−1,171	−1,558	−525	−2,150	772	−981	−90	−872
38 Foreign purchases	75,356	108,917	43,588	11,399	10,304	9,857	12,982	10,481[r]	11,765	8,360
39 Foreign sales[3]	77,315	121,433	44,759	12,958	10,829	12,007	12,210	11,461	11,855	9,233
40 Bonds, net purchases, or sales (−)	−7,434	−5,921	−4,486	−638	478	−270	556	−159	−3,053	−1,830
41 Foreign purchases	218,521	234,099	81,742	21,266	20,463	18,543	18,512	20,671	22,375	20,184
42 Foreign sales	225,955	240,020	86,228	21,904	19,986	18,812	17,955	20,830	25,429	22,015
43 Net purchases, or sales (−), of stocks and bonds	**−9,393**	**−18,436**	**−5,657**	**−2,196**	**−47**	**−2,420**	**1,329**	**−1,139[r]**	**−3,143**	**−2,702**
44 Foreign countries	**−9,873**	**−18,423**	**−4,402**	**−1,860**	**−122**	**−2,428**	**1,221**	**−1,229**	**−1,542**	**−2,852**
45 Europe	−7,864	−17,613	−801	−2,728	210	−904	1,398	−1,226	−305	−669
46 Canada	−3,747	−4,063	−3,322	924	−325	−967	−58	−144	−1,323	−1,797
47 Latin America and Caribbean	1,384	426	−72	187	−102	−269	33	161	−96	−171
48 Asia	979	2,952	156	−232	−2	−512	111	−307	693	−341
49 Africa	−54	93	−34	12	13	56	−14	9	−1	−28
50 Other countries	−571	−219	−330	−22	84	168	−249	277	−511	154
51 Nonmonetary international and regional organizations	**480**	**−13**	**−1,254**	**−336**	**75**	**8**	**108**	**89**	**−1,601**	**150**

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. As a result of the merger of a U.S. and U.K. company in July 1989, the former stockholders of the U.S. company received $5,453 million in shares of the new combined U.K. company. This transaction is not reflected in the data above.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions

Millions of dollars

Country or area	1988	1989	1990	1989			1990			
			Jan.–Apr.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[p]
	Transactions, net purchases or sales (−) during period[1]									
1 **Estimated total**[2]	**48,832**	**54,723**	**−3,455**	**−2,138**	**8,195**	**1,149**	**818**	**1,454**	**−8,793[r]**	**3,066**
2 Foreign countries[2]	48,170	52,747	−1,707	−3,392	8,311	−362	1,090	1,795	−8,597[r]	4,005
3 Europe[2]	14,319	36,016	7,068	−2,137	4,259	2,434	1,238	2,191	−2,374[r]	6,014
4 Belgium-Luxembourg	923	1,053	7	90	210	−85	144	−337	−256	456
5 Germany[2]	−5,268	7,907	1,615	137	1,666	1,735	−216	1,672	−475	634
6 Netherlands	−356	−1,137	−1,391	−1,200	54	−386	−330	−1,400	−411	749
7 Sweden	−323	886	940	140	−232	29	−71	270	−22	763
8 Switzerland[2]	−1,074	1,097	−123	−187	−780	−355	−284	−5	−251	417
9 United Kingdom	9,640	20,250	3,729	−919	3,823	1,286	150	1,627	−298[r]	2,250
10 Other Western Europe	10,786	5,982	2,282	−199	−481	209	1,845	363	−664	738
11 Eastern Europe	−10	−21	6	0	0	0	0	0	0	6
12 Canada	3,761	700	−3,953	191	375	164	−543	−2,137	−1,383	110
13 Latin America and Caribbean	713	477	2,563	−1,568	1,372	−886	−333	91	672	2,133
14 Venezuela	−109	311	−166	72	163	−36	−107	−48	38	−49
15 Other Latin America and Caribbean	1,130	−310	511	−96	576	−610	262	16	270	−36
16 Netherlands Antilles	−308	475	2,218	−1,545	634	−240	−488	123	365	2,218
17 Asia	27,603	14,000	−6,262	−131	1,646	−2,669	447	2,287	−5,119	−3,877
18 Japan	21,750	2,383	−10,043	1,330	1,085	−1,036	837	852	−5,630	−6,102
19 Africa	−13	116	−102	13	9	39	9	13	−43	−81
20 All other	1,786	1,439	−1,022	240	649	555	273	−650	−351	−294
21 Nonmonetary international and regional organizations	661	1,976	−1,747	1,254	−116	1,511	−272	−341	−196	−939
22 International	1,106	1,473	−1,291	1,158	−143	1,335	−360	−286	−92	−553
23 Latin America regional	−31	231	75	160	0	0	38	−11	−26	74
Memo										
24 Foreign countries[2]	48,170	52,747	−1,707	−3,392	8,311	−362	1,090	1,795	−8,597[r]	4,005
25 Official institutions	26,624	27,028	638	−979	1,686	1,305	328	−1,425	−3,856[r]	5,591
26 Other foreign[2]	21,546	25,720	−2,345	−2,413	6,626	−1,667	762	3,220	−4,741[r]	−1,586
Oil-exporting countries										
27 Middle East[3]	1,963	8,148	3,574	−2,183	−26	−640	916	970	1,020	668
28 Africa[4]	1	−1	−1	0	−1	0	−1	0	0	0

1. Estimated official and private transactions in marketable U.S. Treasury securities with an original maturity of more than 1 year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.
2. Includes U.S. Treasury notes publicly issued to private foreign residents denominated in foreign currencies.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Percent per year

Country	Rate on June 30, 1990		Country	Rate on June 30, 1990		Country	Rate on June 30, 1990	
	Percent	Month effective		Percent	Month effective		Percent	Month effective
Austria	6.0	June 1989	France[1]	9.5	Apr. 1990	Norway	8.0	June 1983
Belgium	10.25	Oct. 1989	Germany, Fed. Rep. of	6.0	Oct. 1989	Switzerland	6.0	Oct. 1989
Brazil	49.0	Mar. 1981	Italy	12.5	May 1990	United Kingdom[2]	....	....
Canada	13.83	June 1990	Japan	5.25	Mar. 1990	Venezuela	8.0	Oct. 1985
Denmark	10.5	Oct. 1989	Netherlands	7.0	Oct. 1989			

1. As of the end of February 1981, the rate is that at which the Bank of France discounts Treasury bills for 7 to 10 days.
2. Minimum lending rate suspended as of Aug. 20, 1981.

NOTE. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper and/or government 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 the central bank transacts the largest proportion of its credit operations.

3.27 FOREIGN SHORT-TERM INTEREST RATES

Percent per year, averages of daily figures

Country, or type	1987	1988	1989	1989	1990					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June
1 Eurodollars	7.07	7.85	9.16	8.39	8.22	8.24	8.37	8.44	8.35	8.23
2 United Kingdom	9.65	10.28	13.87	15.07	15.13	15.07	15.23	15.17	15.11	14.95
3 Canada	8.38	9.63	12.20	12.34	12.24	12.96	13.35	13.59	13.77	13.73
4 Germany	3.97	4.28	7.04	8.06	8.22	8.27	8.42	8.20	8.27	8.24
5 Switzerland	3.67	2.94	6.83	8.14	9.35	9.31	8.88	9.01	8.83	8.71
6 Netherlands	5.24	4.72	7.28	8.47	8.82	8.93	8.70	8.46	8.37	8.26
7 France	8.14	7.80	9.27	10.71	11.19	10.93	10.56	9.92	9.70	9.94
8 Italy	11.15	11.04	12.44	12.83	12.88	13.22	13.03	12.11	12.09	11.32
9 Belgium	7.01	6.69	8.65	10.03	10.48	10.54	10.39	10.19	9.90	9.63
10 Japan	3.87	3.96	4.73	5.80	6.02	6.22	6.33	6.62	6.84	6.86

NOTE. Rates are for 3-month interbank loans except for Canada, finance company paper; Belgium, 3-month Treasury bills; and Japan, Gensaki rate.

3.28 FOREIGN EXCHANGE RATES[1]

Currency units per dollar

Country/currency	1987	1988	1989	1990 Jan.	Feb.	Mar.	Apr.	May	June
1 Australia/dollar[2]	70.137	78.409	79.186	78.111	75.932	75.562	76.366	76.106	77.840
2 Austria/schilling	12.649	12.357	13.236	11.904	11.803	11.514	11.862	11.699	11.849
3 Belgium/franc	37.358	36.785	39.409	35.451	34.998	35.398	34.868	34.325	34.621
4 Canada/dollar	1.3259	1.2306	1.1842	1.1720	1.1965	1.1800	1.1641	1.1747	1.1734
5 China, P.R./yuan	3.7314	3.7314	3.7673	4.7339	4.7339	4.7339	4.7339	4.7339	4.7339
6 Denmark/krone	6.8478	6.7412	7.3210	6.5620	6.4729	6.5349	6.4305	6.3349	6.4115
7 Finland/markka	4.4037	4.1933	4.2963	4.0080	3.9642	4.0276	3.9923	3.9270	3.9582
8 France/franc	6.0122	5.9595	6.3802	5.7568	5.6897	5.7555	5.6638	5.5989	5.6646
9 Germany/deutsche mark	1.7981	1.7570	1.8808	1.6914	1.6758	1.7053	1.6863	1.6630	1.6841
10 Greece/drachma	135.47	142.00	162.60	157.68	158.04	162.44	163.77	163.82	164.87
11 Hong Kong/dollar	7.7986	7.8072	7.8008	7.8116	7.8103	7.8129	7.7966	7.7877	7.7854
12 India/rupee	12.943	13.900	16.213	16.963	16.990	17.116	17.294	17.325	17.421
13 Ireland/punt[2]	148.79	152.49	141.80	156.31	158.28	156.26	158.97	161.21[r]	159.20
14 Italy/lira	1,297.03	1,302.39	1,372.28	1,261.87	1,243.68	1,257.67	1,238.38	1,221.93	1,236.23
15 Japan/yen	144.60	128.17	138.07	144.98	145.69	153.31	158.46	154.04	153.76
16 Malaysia/ringgit	2.5186	2.6190	2.7079	2.7041	2.7137	2.7170	2.7264	2.7024	2.7104
17 Netherlands/guilder	2.0264	1.9778	2.1219	1.9073	1.8892	1.9204	1.8984	1.8704	1.8956
18 New Zealand/dollar[2]	59.328	65.560	59.354	60.220	59.156	58.471	57.883	57.293[r]	58.225
19 Norway/krone	6.7409	6.5243	6.9131	6.5462	6.4760	6.5972	6.5457	6.4477	6.4730
20 Portugal/escudo	141.20	144.27	157.53	149.17	147.71	150.59	149.29	147.08	147.96
21 Singapore/dollar	2.1059	2.0133	1.9511	1.8873	1.8641	1.8777	1.8783	1.8589	1.8474
22 South Africa/rand	2.0385	2.2770[r]	2.6214[r]	2.5532	2.5449	2.6158	2.6552	2.6468	2.6598
23 South Korea/won	825.94	734.52	674.29	686.18	692.47	700.50	708.76	711.85	718.03
24 Spain/peseta	123.54	116.53	118.44	109.71	108.27	109.37	107.00	103.98[r]	103.99
25 Sri Lanka/rupee	29.472	31.820	35.947	40.018	40.018	40.018	40.018	40.023	40.018
26 Sweden/krona	6.3469	6.1370	6.4559	6.1776	6.1250	6.1683	6.1160	6.0560	6.0923
27 Switzerland/franc	1.4918	1.4643	1.6369	1.5175	1.4879	1.5133	1.4866	1.4198	1.4255
28 Taiwan/dollar	31.753	28.636	26.407	26.081	26.118	26.361	26.369	26.961	27.401
29 Thailand/baht	25.775	25.312	25.725	25.745	25.733	25.926	26.024	25.928	25.879
30 United Kingdom/pound[2]	163.98	178.13	163.82	165.12	169.61	162.45	163.72	167.74	170.86
MEMO									
31 United States/dollar[3]	96.94	92.72	98.60	93.00	92.25	94.11	93.51	92.04	92.48

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) release. For 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 10 industrial countries. The weight for each of the 10 countries is the 1972–76 average world trade of that country divided by the average world trade of all 10 countries combined. Series revised as of August 1978 (see *Federal Reserve Bulletin*, vol. 64, August 1978, p. 700).

Guide to Tabular Presentation, Statistical Releases, and Special Tables

Guide To Tabular Presentation

Symbols and Abbreviations

c	Corrected	0	Calculated to be zero
e	Estimated	n.a.	Not available
p	Preliminary	n.e.c.	Not elsewhere classified
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)	IPCs	Individuals, partnerships, and corporations
*	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)	REITs	Real estate investment trusts
		RPs	Repurchase agreements
		SMSAs	Standard metropolitan statistical areas
		. . .	Cell not applicable

General Information

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.

In some of the tables, details do not add to totals because of rounding.

Statistical Releases—List Published Semiannually, with Latest Bulletin *Reference*

Special Tables—Published Irregularly, with Latest Bulletin *Reference*

Special table follows.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, December 31, 1989[1]

Millions of dollars

	Item	All states[2]		New York		California		Illinois	
		Total including IBF's	IBF's only[3]	Total including IBF's	IBF's only[3]	Total including IBF's	IBF's only[3]	Total including IBF's	IBF's only[3]
1	**Total assets[4]**	**579,512**	**276,560**	**428,794**	**222,011**	**78,779**	**27,531**	**44,143**	**17,046**
2	Claims on nonrelated parties	519,718	214,142	382,870	172,287	72,681	20,414	43,739	16,079
3	Cash and balances due from depository institutions	145,685	124,231	121,701	103,019	8,319	7,483	13,806	12,544
4	Cash items in process of collection and unposted debits	1,239	0	1,179	0	31	0	6	0
5	Currency and coin (U.S. and foreign)	23	n.a.	17	n.a.	2	n.a.	1	n.a.
6	Balances with depository institutions in United States	77,547	58,934	64,952	48,690	4,701	4,105	7,091	5,906
7	U.S. branches and agencies of other foreign banks (including their IBFs)	67,493	54,809	56,643	44,966	4,117	3,915	6,314	5,724
8	Other depository institutions in United States (including their IBFs)	10,054	4,125	8,309	3,724	584	190	777	183
9	Balances with banks in foreign countries and with foreign central banks	66,013	65,297	54,892	54,329	3,497	3,378	6,649	6,637
10	Foreign branches of U.S. banks	2,552	2,496	2,069	2,014	183	183	279	279
11	*Other banks in foreign countries and foreign central banks*	63,461	62,801	52,823	52,315	3,314	3,196	6,371	6,359
12	Balances with Federal Reserve Banks	862	n.a.	661	n.a.	89	n.a.	58	n.a.
13	**Total securities and loans**	**298,766**	**77,180**	**201,590**	**58,994**	**52,864**	**11,234**	**26,954**	**3,020**
14	Total securities, book value	37,676	12,262	31,969	10,144	3,760	1,496	1,162	539
15	U.S. Treasury	6,140	n.a.	5,882	n.a.	80	n.a.	116	n.a.
16	Obligations of U.S. government agencies and corporations	5,016	n.a.	4,838	n.a.	115	n.a.	0	n.a.
17	Other bonds, notes, debentures and corporate stock (including state and local securities)	26,520	12,262	21,249	10,144	3,565	1,496	1,045	539
18	Federal funds sold and securities purchased under agreements to resell	20,253	4,520	17,803	3,764	914	508	991	107
19	U.S. branches and agencies of other foreign banks	11,964	2,834	10,407	2,523	406	108	899	100
20	Commercial banks in United States	4,438	1	4,109	0	98	0	44	0
21	Other	3,851	1,685	3,287	1,241	410	400	49	7
22	Total loans, gross	261,273	64,951	169,739	48,880	49,148	9,740	25,806	2,482
23	Less: Unearned income on loans	183	33	118	30	44	1	14	1
24	Equals: Loans, net	261,090	64,918	169,621	48,849	49,104	9,739	25,792	2,481
	Total loans, gross, by category								
25	Real estate loans	30,207	272	16,741	176	7,868	90	3,254	0
26	Loans to depository institutions	61,431	31,508	43,785	20,511	10,864	7,109	4,546	2,070
27	Commercial banks in United States (including IBFs)	38,376	11,152	26,850	5,984	7,642	4,001	3,561	1,102
28	U.S. branches and agencies of other foreign banks	33,713	10,545	23,267	5,624	7,142	3,764	3,003	1,092
29	Other commercial banks in United States	4,663	607	3,583	360	500	237	558	10
30	Other depository institutions in United States (including IBFs)	209	141	166	141	42	0	0	0
31	Banks in foreign countries	22,845	20,215	16,769	14,386	3,180	3,108	985	968
32	Foreign branches of U.S. banks	586	585	498	497	65	65	18	18
33	Other banks in foreign countries	22,259	19,630	16,271	13,889	3,115	3,043	967	949
34	Other financial institutions	7,726	885	5,409	677	1,149	170	480	23
35	Commercial and industrial loans	138,218	15,966	84,552	13,706	27,279	1,640	17,119	310
36	U.S. addressees (domicile)	117,491	289	68,300	175	24,587	104	16,655	10
37	Non-U.S. addressees (domicile)	20,727	15,677	16,252	13,531	2,692	1,535	463	300
38	Acceptances of other banks	1,237	45	702	45	352	0	114	0
39	U.S. banks	279	0	141	0	85	0	4	0
40	Foreign banks	958	45	561	45	267	0	110	0
41	Loans to foreign governments and official institutions (including foreign central banks)	17,113	15,888	14,412	13,395	784	731	102	79
42	Loans for purchasing or carrying securities (secured and unsecured)	2,850	52	2,050	52	800	0	0	0
43	All other loans	2,490	335	2,087	319	52	0	192	0
44	All other assets	55,014	8,211	41,775	6,510	10,583	1,188	1,988	409
45	Customers' liability on acceptances outstanding	33,412	n.a.	24,491	n.a.	7,910	n.a.	792	n.a.
46	U.S. addressees (domicile)	22,832	n.a.	15,149	n.a.	6,865	n.a.	787	n.a.
47	Non-U.S. addressees (domicile)	10,581	n.a.	9,342	n.a.	1,045	n.a.	6	n.a.
48	Other assets including other claims on nonrelated parties	21,602	8,211	17,284	6,510	2,674	1,188	1,196	409
49	Net due from related depository institutions[5]	59,794	62,418	45,924	49,723	6,098	7,117	404	967
50	Net due from head office and other related depository institutions[5]	59,794	n.a.	45,924	n.a.	6,098	n.a.	404	n.a.
51	Net due from establishing entity, head offices, and other related depository institutions[5]	n.a.	62,418	n.a.	49,723	n.a.	7,117	n.a.	967
52	**Total liabilities[4]**	**579,512**	**276,560**	**428,794**	**222,011**	**78,779**	**27,531**	**44,143**	**17,046**
53	Liabilities to nonrelated parties	504,776	246,096	388,000	201,095	72,129	25,673	28,177	11,518

4.30—Continued

Millions of dollars

Item	All states[2]		New York		California		Illinois	
	Total including IBF's	IBF's only[3]	Total including IBF's	IBF's only[3]	Total including IBF's	IBF's only[3]	Total including IBF's	IBF's only[3]
54 Total deposits and credit balances	77,581	192,071	64,206	171,280	3,573	9,407	3,429	4,801
55 Individuals, partnerships, and corporations	62,845	16,023	51,072	9,950	2,785	434	2,897	40
56 U.S. addressees (domicile)	48,850	684	42,267	683	1,044	0	2,083	0
57 Non-U.S. addressees (domicile)	13,996	15,340	8,805	9,267	1,742	434	815	40
58 Commercial banks in United States (including IBFs)	10,398	60,068	9,211	52,057	642	5,064	514	2,639
59 U.S. branches and agencies of other foreign banks	5,069	51,526	4,560	44,872	6	4,258	482	2,125
60 Other commercial banks in United States	5,329	8,541	4,651	7,184	637	806	32	514
61 Banks in foreign countries	1,571	106,118	1,450	99,813	29	3,801	3	2,102
62 Foreign branches of U.S. banks	159	9,248	139	8,245	20	573	0	369
63 Other banks in foreign countries	1,412	96,870	1,311	91,568	9	3,229	3	1,733
64 Foreign governments and official institutions (including foreign central banks)	998	9,662	875	9,267	24	102	2	20
65 All other deposits and credit balances	1,376	200	1,284	194	58	6	2	0
66 Certified and official checks	392	n.a.	314	n.a.	35	n.a.	11	n.a.
67 Transaction accounts and credit balances (excluding IBFs)	7,336		6,212		307		223	
68 Individuals, partnerships, and corporations	4,995		4,057		260		206	
69 U.S. addressees (domicile)	3,641		3,073		217		203	
70 Non-U.S. addressees (domicile)	1,354		984		43		4	
71 Commercial banks in United States (including IBFs)	273		267		1		0	
72 U.S. branches and agencies of other foreign banks	61		60		0		0	
73 Other commercial banks in United States	211	n.a.	207	n.a.	0	n.a.	0	n.a.
74 Banks in foreign countries	1,001		931		9		3	
75 Foreign branches of U.S. banks	30		30		0		0	
76 Other banks in foreign countries	971		902		9		3	
77 Foreign governments and official institutions (including foreign central banks)	386		361		2		1	
78 All other deposits and credit balances	289		282		2		1	
79 Certified and official checks	392		314		35		11	
80 Demand deposits (included in transaction accounts and credit balances)	6,312		5,446		218		211	
81 Individuals, partnerships, and corporations	4,338		3,648		172		194	
82 U.S. addressees (domicile)	3,210		2,770		146		191	
83 Non-U.S. addressees (domicile)	1,127		878		26		4	
84 Commercial banks in United States (including IBFs)	132		127		0		0	
85 U.S. branches and agencies of other foreign banks	60		59		0		0	
86 Other commercial banks in United States	71	n.a.	67	n.a.	0	n.a.	0	n.a.
87 Banks in foreign countries	881		817		9		3	
88 Foreign branches of U.S. banks	30		30		0		0	
89 Other banks in foreign countries	851		788		9		3	
90 Foreign governments and official institutions (including foreign central banks)	330		305		2		1	
91 All other deposits and credit balances	239		234		0		1	
92 Certified and official checks	392		314		35		11	
93 Non-transaction accounts (including MMDAs, excluding IBFs)	70,245		57,994		3,266		3,206	
94 Individuals, partnerships, and corporations	57,850		47,016		2,525		2,691	
95 U.S. addressees (domicile)	45,208		39,194		826		1,880	
96 Non-U.S. addressees (domicile)	12,642		7,822		1,699		811	
97 Commercial banks in United States (including IBFs)	10,126		8,944		642		514	
98 U.S. branches and agencies of other foreign banks	5,008		4,500		6		482	
99 Other commercial banks in United States	5,118	n.a.	4,444	n.a.	636	n.a.	32	n.a.
100 Banks in foreign countries	570		519		20		0	
101 Foreign branches of U.S. banks	130		110		20		0	
102 Other banks in foreign countries	441		409		0		0	
103 Foreign governments and official institutions (including foreign central banks)	612		514		22		1	
104 All other deposits and credit balances	1,087		1,002		56		1	
105 IBF deposit liabilities		192,071		171,280		9,407		4,801
106 Individuals, partnerships, and corporations		16,023		9,950		434		40
107 U.S. addressees (domicile)		684		683		0		0
108 Non-U.S. addressees (domicile)		15,340		9,267		434		40
109 Commercial banks in United States (including IBFs)		60,068		52,057		5,064		2,639
110 U.S. branches and agencies of other foreign banks		51,526		44,872		4,258		2,125
111 Other commercial banks in United States	n.a.	8,541	n.a.	7,184	n.a.	806	n.a.	514
112 Banks in foreign countries		106,118		99,813		3,801		2,102
113 Foreign branches of U.S. banks		9,248		8,245		573		369
114 Other banks in foreign countries		96,870		91,568		3,229		1,733
115 Foreign governments and official institutions (including foreign central banks)		9,662		9,267		102		20
116 All other deposits and credit balances		200		194		6		0

For notes see end of table.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, December 31, 1989[1]—Continued

Millions of dollars

Item	All states[2]		New York		California		Illinois	
	Total including IBF's	IBF's only[3]	Total including IBF's	IBF's only[3]	Total including IBF's	IBF's only[3]	Total including IBF's	IBF's only[3]
117 Federal funds purchased and securities sold under agreements to repurchase	51,661	6,264	37,175	3,697	10,064	2,129	3,825	365
118 U.S. branches and agencies of other foreign banks	12,247	1,827	6,977	362	4,054	1,284	971	181
119 Other commercial banks in United States	14,380	563	8,529	490	3,669	48	1,996	25
120 Other	25,033	3,874	21,670	2,845	2,341	797	859	159
121 Other borrowed money	129,838	40,295	75,441	20,076	38,207	13,133	14,019	6,052
122 Owed to nonrelated commercial banks in United States (including IBFs)	80,314	15,272	42,743	4,687	28,195	7,961	7,969	2,030
123 Owed to U.S. offices of nonrelated U.S. banks	35,529	2,050	22,046	832	9,456	874	3,551	174
124 Owed to U.S. branches and agencies of nonrelated foreign banks	44,785	13,222	20,698	3,855	18,739	7,087	4,418	1,856
125 Owed to nonrelated banks in foreign countries	23,842	23,119	14,105	13,490	5,217	5,167	4,057	4,022
126 Owed to foreign branches of nonrelated U.S. banks	2,724	2,678	1,151	1,104	989	989	498	498
127 Owed to foreign offices of nonrelated foreign banks	21,118	20,441	12,955	12,386	4,228	4,178	3,559	3,524
128 Owed to others	25,682	1,903	18,592	1,898	4,795	5	1,993	0
129 All other liabilites	53,625	7,466	39,897	6,042	10,878	1,004	2,102	300
130 Branch or agency liability on acceptances executed and outstanding	34,688	n.a.	24,528	n.a.	8,485	n.a.	1,222	n.a.
131 Other liabilities to nonrelated parties	18,937	7,466	15,369	6,042	2,394	1,004	880	300
132 Net due to related depository institutions[5]	74,737	30,464	40,794	20,916	6,649	1,858	15,966	5,528
133 Net due to head office and other related depository institutions[5]	74,737	n.a.	40,794	n.a.	6,649	n.a.	15,966	n.a.
134 Net due to establishing entity, head office, and other related depository institutions[5]	n.a.	30,464	n.a.	20,916	n.a.	1,858	n.a.	5,528
MEMO								
135 Non-interest bearing balances with commercial banks in United States	2,170	1	1,905	1	98	0	80	0
136 Holding of commercial paper included in total loans	909		670		217		15	
137 Holding of own acceptances included in commercial and industrial loans	2,142		1,365		501		113	
138 Commercial and industrial loans with remaining maturity of one year or less	73,121		42,921		14,876		9,418	
139 Predetermined interest rates	41,600	n.a.	22,912	n.a.	9,861	n.a.	5,461	n.a.
140 Floating interest rates	31,522		20,009		5,016		3,957	
141 Commercial and industrial loans with remaining maturity of more than one year	65,096		41,631		12,403		7,700	
142 Predetermined interest rates	24,836		17,577		4,158		2,447	
143 Floating interest rates	40,260		24,054		8,245		5,253	

4.30—Continued

Millions of dollars

Item	All states[2]		New York		California		Illinois	
	Total including IBFs	IBFs only[3]	Total including IBFs	IBFs only[3]	Total including IBFs	IBFs only[3]	Total including IBFs	IBFs only[3]
144 Components of total nontransaction accounts, included in total deposits and credit balances of nontransactional accounts, including IBFs	84,892	↑	72,766	↑	3,358	↑	3,340	↑
145 Time CDs in denominations of $100,000 or more	48,973	↑	40,632	↑	2,146	↑	1,812	↑
146 Other time deposits in denominations of $100,000 or more	13,758	n.a.	11,920	n.a.	648	n.a.	1,082	n.a.
147 Time CDs in denominations of $100,000 or more with remaining maturity of more than 12 months	22,161	↓	20,214	↓	563	↓	446	↓

Item	All states[2]		New York		California		Illinois	
	Total including IBFs	IBFs only[3]	Total including IBFs	IBFs only[3]	Total including IBFs	IBFs only[3]	Total including IBFs	IBFs only[3]
148 Market value of securities held	37,262	11,489	31,882	9,583	3,482	1,284	1,160	539
149 Immediately available funds with a maturity greater than one day included in other borrowed money	72,624	n.a.	42,766	n.a.	24,366	n.a.	4,431	n.a.
150 Number of reports filed[6]	548	0	255	0	128	0	55	0

1. Data are aggregates of categories reported on the quarterly form FFIEC 002, "Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks." Details may not add to totals because of rounding. This form was first used for reporting data as of June 30, 1980, and was revised as of December 31, 1985. From November 1972 through May 1980, U.S. branches and agencies of foreign banks had filed a monthly FR 886a report. Aggregate data from that report were available through the Federal Reserve statistical release G.11, last issued on July 10, 1980. Data in this table and in the G.11 tables are not strictly comparable because of differences in reporting panels and in definitions of balance sheet items.

2. Includes the District of Columbia.

3. Effective December 1981, the Federal Reserve Board amended Regulations D and Q to permit banking offices located in the United States to operate International Banking Facilities (IBFs). As of December 31, 1985 data for IBFs are reported in a separate column. These data are either included in or excluded from the total columns as indicated in the headings. The notation "n.a." indicates that no IBF data re reported for that item, either because the item is not an eligible IBF asset or liability or because that level of detail is not reported for IBFs. From December 1981 through September 1985, IBF data were included in all applicable items reported.

4. Total assets and total liabilities include *net* balances, if any, due from or due to related banking institutions in the United States and in foreign countries (see footnote 5). On the former monthly branch and agencyu report, available through the G.11 statistical release, *gross* balances were included in total assets and total liabilities. Therefopre, total asset and total liability figures in this table are not comparable to those in the G.11 tables.

5. "Related banking institutions" includes the foreign head office and other U.S. and foreign branches and agencies of the bank, the bank's parent holding company, and majority-owned banking subsidiaries of the bank and of its parent holding company (including subsidiaries owned both directly and indirectly).

6. In some cases two or more offices of a foreign bank within the same metropolitan area file a consolidated report.

NOTE. Revised data for December 1988, mislabeled December 1989 ~~were inadvertently published in the June 1990 *Bulletin*.~~

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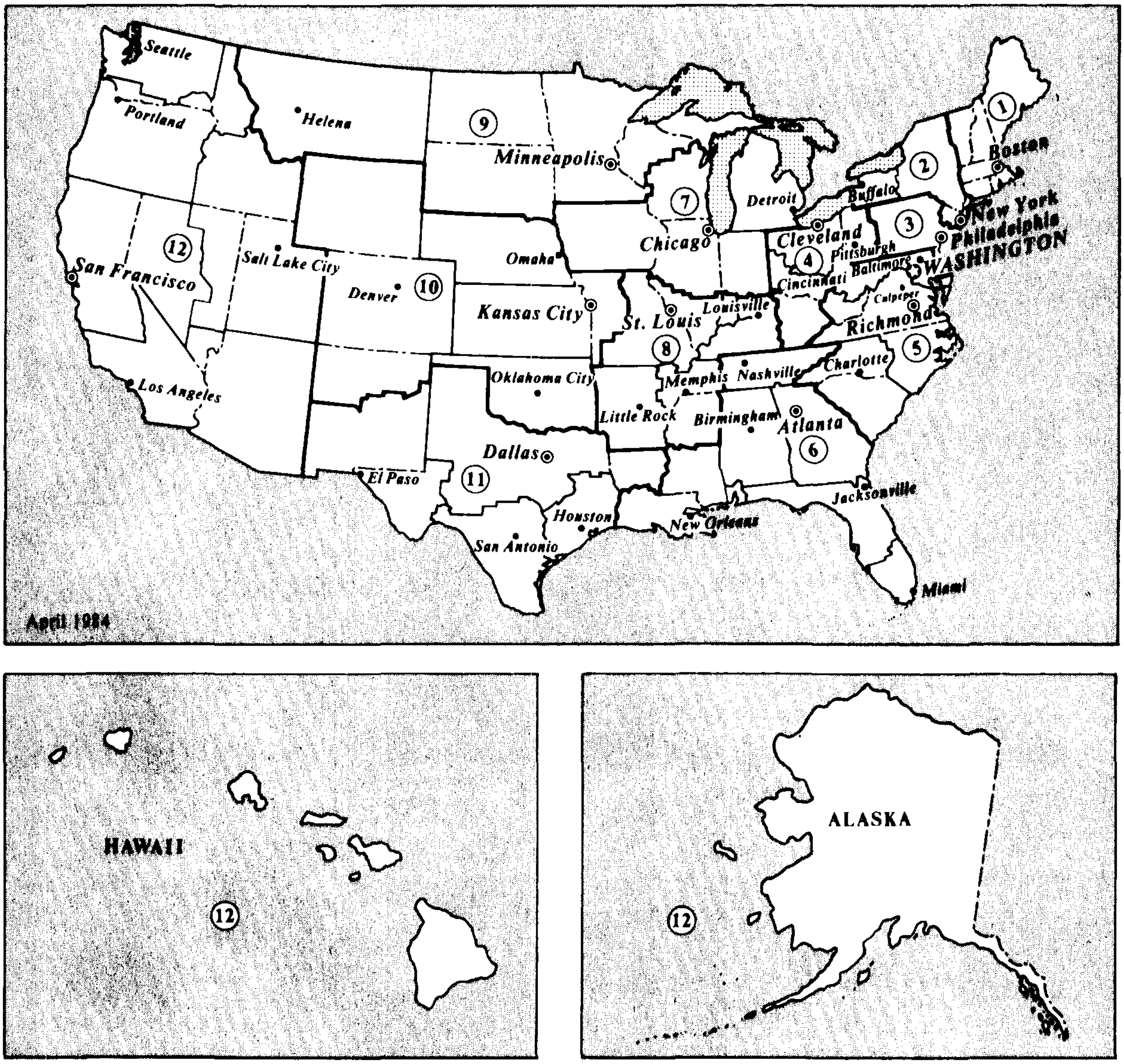

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