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Monetary Policy Report to the Congress

Report submitted to the Congress on July 18, 1996, pursuant to the Full Employment and Balanced Growth Act of 1978[1]

MONETARY POLICY AND THE ECONOMIC OUTLOOK

The U.S. economy performed well in the first half of 1996. In early February, when the Federal Reserve prepared its last report on monetary policy, there was some concern about the strength and durability of the current economic expansion: The economy was operating at a relatively high level of resource utilization, but it was not exhibiting a great deal of forward momentum. As the year has unfolded, however, economic activity has proved quite robust. After rising only fractionally in the fourth quarter of 1995, real gross domestic product posted a solid gain over the first half of 1996, providing a considerable lift to job growth. Looking ahead, the members of the Federal Open Market Committee (FOMC) anticipate that economic activity will grow more moderately, on average, in coming quarters and that the unemployment rate will remain around the level it has averaged over the past year and a half.

Although overall consumer price inflation was boosted by higher energy prices during the first half of the year, the underlying trend of prices still appears to have been well contained. Over the past twelve months, the consumer price index excluding food and energy items has risen 2¾ percent—near the lower end of the narrow range that has prevailed since early 1994. Moreover, the deflator for personal consumption expenditures on items other than food and energy derived from data reported in the national income and product accounts (NIPA) has continued to show a slowing trend.

The combination of brisk growth and favorable underlying inflation so far this year has, of course, been welcome. Nonetheless, mounting pressures on resources are apparent in some segments of the economy—most notably in the labor market—and these pressures must be monitored closely. Allowing inflationary forces to intensify would ultimately disrupt the growth process. The Federal Reserve recognizes that its contribution to promoting the optimal performance of the economy involves containing the rate of inflation and, over time, moving toward price stability.

Monetary Policy, Financial Markets, and the Economy over the First Half of 1996

Information available around the turn of the year suggested that the economy had downshifted after posting a strong gain in the third quarter of 1995. The growth of final demand appeared to have slowed, reflecting importantly a deceleration of consumer spending. In addition, hesitant growth abroad and a strengthening in the foreign exchange value of the dollar relative to the levels prevailing at mid-1995 were seen as limiting the prospects for further growth in exports. The slowdown in the growth of final demand had given rise to inventory buildups in some industries; in turn, the production cutbacks undertaken in response to those buildups were having a further damping effect on economic activity. Meanwhile, data on prices and wages suggested that inflation performance continued to be fairly satisfactory—indeed, better than many members of the FOMC had expected as of midyear 1995. To keep the stance of monetary policy from becoming effectively more restrictive owing to the slowdown in inflation in the second half of last year and to promote sustainable growth, the Committee eased the stance of policy in December 1995 and again at the end of January 1996, bringing the federal funds rate down a half percentage point in total, to 5¼ percent.

Most participants in financial markets were unsurprised by these policy adjustments, given the economic backdrop. Moreover, they anticipated that there would be scope for additional easing steps in the coming months. Thus, between mid-December and the end of January, interest rates on Treasury securities generally moved lower, especially at short and intermediate maturities, and stock price indexes edged higher on balance. The dollar strengthened slightly on net against the currencies of the other Group of Ten (G-10) countries, reflecting, in part,

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

disappointing news about the pace of activity in Europe and consequently larger declines in interest rates there than in the United States.

The underlying trends in the economy early in the year were obscured to a degree by extraordinarily adverse weather that affected a significant part of the country. Through the course of the next few months, however, it became increasingly clear that the economy had regained vitality. Consumer spending perked up after a lackluster holiday season and was only temporarily depressed by the severe winter. Business demand for equipment proved quite strong, as did housing demand. The strengthening in sales facilitated businesses' efforts to control their inventories, and as that situation improved, industrial production rebounded smartly. Overall employment growth was brisk, and by June the unemployment rate reached its lowest level in six years.

Inflation during the first half of the year was generally well behaved. Energy prices surged, mainly in response to a run-up in the world price of oil, and bad news about grain crops raised the prospect of higher food prices down the road. However, price inflation for consumer items other than food and energy held steady or moved a bit lower. Labor costs presented a mixed picture. The increase in total hourly compensation over the first three months of the year, as measured by the employment cost index (ECI), was in line with its recent moderate trend. However, within total compensation, the wage and salary component of the ECI surged in the first quarter, and further signals of wage acceleration came from a more rapid increase in average hourly earnings in the second quarter.

Against the backdrop of stronger activity but subdued inflation trends, the Federal Reserve made no adjustments to its policy stance after January. With economic activity more clearly on the upswing, however, and prospects for a breakthrough on the federal budget seeming to fade, intermediate- and long-term interest rates reversed course in February and trended up over subsequent months. Since the end of December, the yield on the thirty-year Treasury bond has increased about 1 percentage point, on net, while the yield on the five-year note has risen about 1¼ percentage points over the same period. The rate on three-month bills has edged up only slightly. Despite the backup in bond yields, major stock-price indexes rose considerably further through the first half of the year; most of those gains were erased in late June and the first half of July, however, as company reports raised questions about the pace of earnings growth. The rise in bond yields has boosted the dollar in foreign exchange markets; since mid-April, the dollar has generally traded against an average of the currencies of the other major industrial countries about 4 percent above its level at the end of December.

During the first half of the year, credit remained easily available to most household and business applicants. Interest rate spreads on private debt over Treasury securities remained narrow. In response to the recent increase in delinquencies on credit card accounts, many banks have tightened their standards for approval of new accounts, but this appears to have only partially reversed a marked relaxation of such standards earlier this decade, and banks overall remain aggressive in the pursuit of new borrowers, especially business clients. The debt of all domestic nonfinancial sectors combined expanded at about a 4¾ percent annual pace, placing this aggregate near the middle of its monitoring range. M2 and M3 are currently near the 5 percent and 6 percent upper boundaries of their respective growth ranges, in line with the FOMC's expectation as of last February. In contrast to the experience of the early 1990s, growth in the monetary aggregates relative to nominal gross domestic product has been broadly in line with historical relationships, given the structure of interest rates.

Economic Projections for 1996 and 1997

As noted previously, the members of the Board of Governors and the Reserve Bank presidents, all of whom participate in the deliberations of the Federal Open Market Committee, generally think it likely that economic activity will return to a moderate growth path in the second half of 1996 and in 1997 after the larger gains in the first half of this year. The resulting increase in real GDP over 1996 as a whole would be in the range of 2½ percent to 2¾ percent, somewhat above the forecasts in the February report on monetary policy. For 1997, the central tendency of the forecasts spans a range of 1¾ percent to 2¼ percent. The civilian unemployment rate, which averaged around 5½ percent in the second quarter of 1996, is expected to stay near this level through the end of this year and perhaps to edge higher during 1997.

Economic activity clearly retains considerable momentum. The trend in final demand is positive, and inventories appear to be well aligned with the current pace of sales—perhaps even a bit lean. Accordingly, the members of the FOMC recognize the possibility that growth could remain elevated a while, with the potential for putting greater pressure on resources. Nonetheless, most members think that some slowing from the rapid growth pace recorded, on average, in the first half is the most likely outcome. Housing construction and other interest-sensitive activity should be restrained to some degree by the rise in long-term interest rates over the past several months. And although some of the lagging economies abroad are expected to perform better this year, there are still concerns about the solidity of that acceleration and the associated lift to U.S. exports. In addition, growth in real business fixed investment appears to be tapering off, although spending will likely remain buoyant because of the rapid rate of product innovation and dramatic price declines in the computer area. Consumer spending is also expected to grow less rapidly in coming quarters. Household wealth has been boosted substantially by the run-up in stock prices over the past year and a half, but for many households, debt burdens have risen significantly in recent years and may represent a constraint on purchases of big-ticket items.

Most members of the FOMC expect the rise in the consumer price index over the four quarters of 1996 to be in the range of 3 percent to 3¼ percent, about ¼ percentage point higher than they predicted last winter. The projected increase in the consumer price index is also somewhat larger than that recorded in 1995. However, that step-up would mainly reflect developments in the food and energy sectors, which are likely to add to overall inflation in 1996 after having damped it in 1995. Apart from these volatile sectors, inflation has remained in check so far this year despite high levels of resource utilization and reports that tightness in some parts of the labor market is placing upward pressure on wages. Assuming no further adverse shocks to food and energy prices, and in the context of the Federal Reserve's intent to keep trend inflation well contained, the Committee believes that overall CPI inflation should recede. Accordingly, the central tendency of the FOMC's forecasts shows CPI inflation dropping back to the range of 2¾ percent to 3 percent in 1997.

The Committee's inflation projections incorporate the technical improvements the Bureau of Labor Statistics is making to the CPI in 1996 and 1997; they are expected to shave a little from inflation in both years. The Committee also recognizes that the remaining biases in the CPI are not negligible and may not be stable over time. Thus, it will continue to monitor a variety of alternative measures of price change as it attempts to gauge progress toward the long-run goal of price stability.

The Administration has just released its midyear update to its economic and budgetary projections. Its forecasts for real growth and inflation in 1996 and 1997 are broadly in line with the central tendencies of the forecasts of Federal Reserve policymakers.

1. Economic projections for 1996 and 1997

Percent

Indicator	Federal Reserve governors and Reserve Bank presidents: Range	Federal Reserve governors and Reserve Bank presidents: Central tendency	Administration
	1996		
Change, fourth quarter to fourth quarter[1]			
Nominal GDP	4¾–5¼	5–5½	5.0
Real GDP	2½–3	2½–2¾	2.6
Consumer price index[2]	3–3¼	3–3¼	3.2
Average level, fourth quarter			
Civilian unemployment rate	5¼–5¾	About 5½	5.6
	1997		
Change, fourth quarter to fourth quarter[1]			
Nominal GDP	4–5½	4¼–5	5.1
Real GDP	1½–2½	1¾–2¼	2.3
Consumer price index[2]	2½–3¼	2¾–3	2.8
Average level, fourth quarter			
Civilian unemployment rate	5½–6	5½–5¾	5.7

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

2. All urban consumers.

Money and Debt Ranges for 1996 and 1997

At its meeting earlier this month, the Committee reaffirmed the ranges for 1996 growth of money and debt that it had established in February: 1 percent to 5 percent for M2, 2 percent to 6 percent for M3, and 3 percent to 7 percent for the debt of the domestic nonfinancial sectors. In addition, the Committee set provisional growth ranges for 1997 at the same levels.

In setting the ranges for M2 and M3, the Committee intended to communicate its expectation as to the growth of these monetary aggregates that would

2. Ranges for growth of monetary and debt aggregates

Percent

Aggregate	1995	1996	Provisional for 1997
M2	1–5	1–5	1–5
M3	2–6	2–6	2–6
Debt[1]	3–7	3–7	3–7

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

1. Monitoring range for debt of domestic nonfinancial sectors.

result under conditions of approximate price stability, assuming that the aggregates exhibit the same trends relative to nominal spending that prevailed for many years until the early 1990s and that seem to have reemerged after an intervening period of marked deviation. Based on that reemergence and on Committee members' expectations for the growth of nominal GDP in 1996 and 1997, the Committee anticipates that both M2 and M3 will probably finish near the upper boundaries of their respective ranges each year. The Committee expects that the debt of the domestic nonfinancial sectors will remain near the middle of its monitoring range in 1996 and 1997. In light of the rapid pace of technological change and innovation still occurring in the financial sector—and the attendant uncertainty about the future behavior of the aggregates—the Committee will continue to rely on a wide range of other information in determining its policy stance.

ECONOMIC AND FINANCIAL DEVELOPMENTS IN 1996

Economic activity has increased substantially thus far this year. Real gross domestic product grew at an annual rate of about 2¼ percent in the first quarter of 1996, and the available data point to a much larger increase in the second quarter. The increases in activity have been facilitated by generally supportive financial conditions: Although long-term interest rates have risen considerably on net since early 1996, intermediaries have continued to supply credit to most borrowers on favorable terms, and interest rate spreads on corporate securities over Treasury securities have remained narrow. In the foreign exchange markets, the dollar has appreciated, on average, against the currencies of the other major industrial countries.

Economic Developments

The Household Sector

After a sluggish performance in late 1995, spending by households has picked up noticeably this year. Consumer expenditures increased about 3½ percent at an annual rate in real terms in the first quarter and appear to have posted another sizable gain in the second quarter. In addition, according to indexes such as those compiled by the Survey Research Center at the University of Michigan and the Conference Board, consumer sentiment has generally been relatively upbeat. In the real estate market, sales of new single-family dwellings have posted an average level well above that of last year, thus encouraging builders to boost housing starts.

Outlays for durable goods have continued to be the strongest component of spending, extending the long-standing uptrend in the share of durables in total real consumption. Declining relative prices and the availability of innovative products have continued to lift demand for home electronic equipment and software products. In addition, sales of light motor vehicles, bolstered by relatively generous incentives and perhaps by the cash freed up by the surge in mortgage refinancings last winter, averaged a healthy 15 million unit annual rate in the first half of 1996.

After a lackluster performance in 1995, real outlays for nondurable goods have also risen this year; the average level of these expenditures in April and May was nearly 3 percent at an annual rate above that recorded in the fourth quarter. Meanwhile, spending on services has remained on a moderate uptrend, with short-run variations reflecting the effects of weather on household energy use.

Consumer spending has been supported by brisk gains in wage and salary income associated with the better pace of hiring this year. However, other components of before-tax income, taken together, have risen less rapidly than they did in 1995, and gains in after-tax income were restrained by larger-than-usual tax bills (final payments less refunds) this spring. Accordingly, the level of the personal saving rate in May was somewhat below that recorded in late 1995, although fragmentary data suggest that saving rose sharply in June. In any event, taking a longer perspective, spending and income have grown at roughly similar rates over the past few years, and the saving rate has generally fluctuated in a fairly narrow band between 4 percent and 5 percent since 1993—a low level historically.

The recent developments in financial markets may have had an important influence on the spending decisions of individual households. In particular, households holding large stock portfolios have enjoyed sizable increases in wealth over the past year and a half, which may be inducing them to consume greater fractions of their incomes than they would otherwise. At the same time, a growing number of households are apparently finding it difficult to meet their debt-service obligations, judging from the appreciable rise in delinquency rates on consumer loans in recent years. In addition, it is possible that job insecurity and longer-run concerns about retirement income have caused many households to raise their targets for asset accumulation. However, the relative stability of the saving rate over the past few years suggests that the net effect of these factors on overall consumption—at least to date—has been limited.

Residential construction has, on the whole, been robust this year. Private housing starts averaged nearly 1.5 million units at an annual rate through June, a pace appreciably above that in 1995. In addition, the volume of shipments of mobile homes ("manufactured housing"), which has doubled over the past five years, now stands around 350,000 units at an annual rate, the highest level since 1974.

In the single-family sector, starts and sales of new homes were surprisingly firm in the face of severe weather in early 1996, and they moved still higher in the second quarter. Moreover, the regular survey of the National Association of Homebuilders continued to indicate solid demand through early July, and the Mortgage Bankers Association reported that loan applications for home purchases remained brisk through midyear.

Relative to the lows reached in early 1996, the rate on thirty-year conventional fixed-rate home mortgages has risen nearly 1½ percentage points and has been fluctuating around 8¼ percent in recent weeks. However, a number of factors seem to have cushioned the effects of these higher mortgage rates. In particular, rates on adjustable-rate mortgages have risen only about half as much as have those on thirty-year fixed-rate loans. Also, house prices have firmed somewhat, which may have raised confidence in the investment value of residential real estate and thus contributed to the recent rise in the homeownership rate, which is now at its highest level since the early 1980s. Probably more important in this regard, however, is the trend in the affordability of housing. One simple measure of affordability is the monthly mortgage payment on a new home having a given set of attributes, divided by average monthly household income. Despite the increase in mortgage rates this year, this measure suggests that the cash-flow burden of homeownership is still only modestly above the lows of the past thirty years.

Construction of multifamily housing averaged about 300,000 units at an annual rate in the first half of 1996, a rate somewhat above that in 1995 but a fairly low one historically. Market conditions vary geographically, but the rental vacancy rate for the nation as a whole seems to have tilted back up, after generally trending down between mid-1993 and mid-1995. Also, the absorption rate, which measures the percentage of apartments that are rented within three months of their completion, edged back down in 1995 after several years of increases.

The Business Sector

Developments in the business sector were quite favorable in the first half of 1996. After decelerating in 1995, real business fixed investment rose at a 12½ percent annual rate in the first quarter of 1996, with sizable advances for both equipment and structures. And, although real investment appears to have decelerated again in the second quarter, it probably posted an appreciable gain. Over the past four years, real investment has grown around 8 percent per year, on average, and now stands at a level that implies quite substantial growth in the capital stock. The updating of capital and the increase in capital per worker are key to lifting productivity growth and living standards.

Outlays for producers' durable equipment rose at an annual rate of about 14 percent in real terms in the first quarter, after a 7½ percent rise over the course of 1995. As has been true throughout the expansion, much of the first-quarter growth was in real outlays for computers and other information-processing equipment; such investment received particular impetus from extensive price cutting in virtually all segments of the computer market and from a push to acquire the state-of-the-art equipment needed to take full advantage of popular new software and opportunities for information transfer. However, incoming orders data and recent anecdotal reports suggest that the growth in real outlays for computers may be slowing. Meanwhile, demand for other types of capital equipment, which had softened in 1995, firmed somewhat in the first quarter.

In the nonresidential construction area, real investment continued to expand in the first quarter. However, the monthly data suggest that outlays softened in the second quarter, an occurrence that is consistent with the downturn in contracts—a forward-looking indicator of construction outlays—since late 1995.

Trends within the construction sector have been divergent. In the office sector, the modest recovery that seemed to be under way appears to have waned even though vacancy rates have continued to fall and transactions prices have continued to rise. Outlays dropped noticeably in the fourth quarter of 1995 and the first quarter of 1996, and preliminary data suggest that they remained at a fairly low level in the second quarter. In contrast, spending for commercial structures other than office buildings, which has been rising briskly since 1992, continued to advance through the first quarter—although further gains may be limited by an emerging excess of retail space in some parts of the country and the recent leveling out of transactions prices. Elsewhere, outlays for industrial construction, which had moved up over 1994 and the first half of 1995, have been nearly flat over the past few quarters, while construction of hotels and motels, which account for less than 10 percent of structures outlays, has boomed.

Investment in nonfarm business inventories slowed dramatically in the fourth quarter of 1995 after running at a fairly rapid pace over much of last year, and it nearly ceased in the first quarter of 1996 as motor vehicle stocks plummeted. Automotive stocks had risen appreciably over the second half of 1995, and some reduction was in train even before a March strike at General Motors curbed production; with the strike, dealer stocks were drawn down sharply. In addition, although firms outside motor vehicles apparently made considerable progress in rectifying inventory imbalances in late 1995, many continued to restrain production in response to continued weak orders in early 1996; producers of household durables and textiles are notable examples.

Inventory investment evidently rebounded in the second quarter, mainly because motor vehicle stocks stabilized as sales and production returned to rough balance. Outside of motor vehicles, stocks accumulated moderately, on balance, in April and May. As of May, inventory–sales ratios for all major sectors were noticeably below their levels in late 1995; the decline in the ratio for retailers was especially steep.

Economic profits of all U.S. corporations continued to surge in the first quarter, extending the steep climb that began in the early 1990s. The strength in profits in recent quarters has been attributable in large part to robust earnings growth at domestic financial institutions and a rebound in profits at foreign subsidiaries of U.S. corporations. In the domestic nonfinancial corporate sector, the profit share—pretax profits divided by the sector's GDP—has been hovering around 10 percent since mid-1994, after having risen appreciably over the preceding few years; its current level is similar to the levels attained in the mid-1980s but well below the highs of the 1960s and 1970s. About half of the increase in the sector's profit share since the early 1990s has reflected a reduction in net interest expenses.

The Government Sector

Although the nation continues to grapple with the prospect of growing federal budget deficits in the years ahead, the incoming news on the budget for fiscal 1996 has been extremely favorable. The deficit in the unified budget over the first eight months of the fiscal year—the period from October to May—was only $109 billion, $27 billion less than during the comparable period of fiscal 1995. The improvement in the deficit primarily reflected exceptionally rapid growth in receipts; outlays continued to rise at about the same pace as had been recorded, on average, over the preceding four years. If present trends continue, the fiscal 1996 deficit, when measured as a percentage of nominal GDP, will be the smallest since 1979.

Federal receipts in the first eight months of fiscal 1996 were 8 percent higher than in the same period a year earlier; the rise was considerably greater than that of nominal GDP. Boosted by the upswing in business profits, corporate taxes have been increasing at double-digit rates since fiscal 1993, and that path has extended into fiscal 1996. Individual income taxes have also risen sharply this year; little information is available on the factors behind the surge in individual payments, but it may have resulted, at least in part, from capital gains realizations associated with the strong performance in financial markets last year.

In total, federal outlays in the first eight months of fiscal 1996 were 4 percent higher than during the corresponding period of fiscal 1995. Outlay growth was damped by the reductions in discretionary domestic spending implied by this year's appropriations legislation. However, expenditures for "mandatory" programs continued to rise rapidly, and net outlays for deposit insurance were less negative than in 1995 (that is, insurance premiums and the proceeds from net sales of thrift assets declined). In addition, net interest payments increased moderately, reflecting the growth in the stock of outstanding federal debt.

Federal expenditures on consumption and investment—the part of federal spending included directly in GDP—increased at an annual rate of about 6 percent in real terms in the first quarter of 1996 after declining about 13 percent in the fourth quarter of 1995. In part, real spending rose in the first quarter because the government shutdowns that occurred during the budget crisis depressed real spending less in the first quarter than in the fourth. Even so, given the enacted appropriations, the first-quarter increase was almost surely a transitory spike.

The fiscal position of states and localities has been relatively stable in the aggregate over the past few years. As measured in the NIPA, the surplus (net of social insurance funds) in the sector's operating accounts has fluctuated in the range of $30 billion to $40 billion (annual rate) since the beginning of 1994; it stood around the middle of that range in the first quarter. On the whole, these governments are in considerably better shape than they were in the early 1990s. Even so, the sector remains under pressure to balance rising demand for services—especially in education, corrections, and health care—against the public desire for tax relief.

Real expenditures on consumption and gross investment—the part of state and local spending included directly in GDP—declined somewhat in the first quarter of 1996. However, the decrease reflected primarily the effects of the unusually adverse winter weather, and spending appears to have rebounded in the second quarter. State and local employment posted a respectable gain, on net, over the first six months of the year. In addition, outlays for construction rose about 3½ percent in real terms over the year ending in the first quarter, reflecting higher spending on highways and schools; monthly construction data through May suggest that spending rose substantially in the second quarter.

Receipts of state and local governments rose about 4 percent in nominal terms over the year ending in the first quarter, about matching the rise in nominal GDP. The sector's own-source general receipts, which comprise income, corporate, and indirect business taxes, rose about 1 percentage point faster, with solid gains in all major components. Federal grants have changed little, on net, over the past four quarters.

The External Sector

The nominal trade deficit in goods and services widened from its low fourth-quarter level of $78 billion at an annual rate to $97 billion in the first quarter of 1996, slightly less than the deficit of $105 billion for 1995 as a whole. The current account deficit stood at $142 billion (annual rate) in the first quarter, about the same as the figure for 1995 as a whole. In April, the trade deficit increased from the average level for the first quarter.

After expanding very slowly during the second half of 1995, the quantity of U.S. imports of goods and services rose about 10 percent at an annual rate in the first quarter, and preliminary data for April show another sizable increase. The rebound in imports largely reflected the strengthening of U.S. economic activity. In addition, non-oil import prices have declined somewhat since last fall, after having risen sharply in late 1994 and early 1995. A turnaround in imported automotive vehicles, consumer goods, and non-oil industrial supplies, following more than six months of declines, accounted for most of the increase in imports during the first four months of 1996.

The quantity of U.S. exports of goods and services expanded at a 2 percent annual rate during the first quarter; it also appears to have expanded at about this pace in April. The somewhat subdued pace of export growth so far this year reflects, in part, a bunching of shipments, particularly of machinery, that resulted in an unusually strong increase in exports in the fourth quarter of last year.

Trends in economic activity have varied across the major foreign industrial countries so far in 1996. In Japan, economic recovery appears to have taken hold, although the underlying pace of real GDP growth is clearly less than the nearly 13 percent annual rate reported for the first quarter; the first-quarter growth rate was boosted, in part, by a temporary surge in government spending and measurement practices associated with the leap year.[2] In Canada, growth remained subdued in the first quarter as real GDP rose only 1¼ percent at an annual rate despite much stronger growth in domestic demand; indicators for the second quarter suggest some strengthening.

Economic performance so far this year in Europe has been mixed. In Germany, real GDP declined another 1½ percent at an annual rate in the first quarter, largely because severe weather caused a substantial contraction in construction spending; preliminary data suggest that construction activity rebounded in the second quarter with the return to more normal weather. In contrast, French real GDP expanded nearly 5 percent at an annual rate in the first quarter, supported by a very sizable rebound in consumption as well as leap-year effects; strikes during the fourth quarter of last year depressed economic activity and contributed to a decline in private consumption spending. Indicators for the second quarter suggest that output growth moderated from its first-quarter pace. In the United Kingdom, real GDP grew at an annual rate of 1½ percent during the first quarter, somewhat more slowly than during the second half of 1995. On the policy front, most European countries are seeking to rein in their fiscal deficits during 1996 and 1997, in part to comply with the criterion in the Maastricht Treaty that countries participating in the third stage of the European Monetary Union, now scheduled to begin on January 1, 1999, not have excessive fiscal deficits. As a reference value, the

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2. Although the statistical agencies in many countries take the number of working days in the quarter into account when seasonally adjusting data, the statistical agencies in Japan, France, and Italy among the G-10 countries do not make working-day adjustments.

treaty specifies that deficits greater than 3 percent of a country's GDP are excessive, but it also provides scope for accepting deficits above that level in some circumstances.

In Mexico, robust growth of real GDP in the first quarter extended the recovery in economic activity that began in the second half of 1995. Through June, the Mexican trade balance remained roughly stable at the level reached toward the end of last year after having improved markedly over the course of 1995. Argentina also appears to be emerging from the steep declines in output experienced during the first half of 1995, while Chile continues to enjoy steady growth. Activity in Brazil has begun to expand again in recent months, following a sharp contraction in mid-1995.

Economic growth in our major Asian trading partners (other than Japan) appears to have picked up again this year after slowing noticeably during the second half of 1995 from the extremely rapid rates recorded in 1994 and the first half of 1995. The recent pickup in activity was associated with an easing of monetary policy in some of these countries in the second half of last year and the early part of this year. In China, output appears to have expanded during the first quarter at around the 10 percent annual rate recorded in 1995, with a pickup in consumption spending compensating for weaker growth in the external sector.

Consumer price inflation generally stayed low in the major foreign industrial countries and declined or remained moderate elsewhere. In Japan, prices in the second quarter, on average, were slightly above their year-earlier levels because of the effects of yen depreciation on import prices; this upturn followed a year of deflation. In western Germany, inflation slowed through June to only about 1¼ percent. Inflation in Italy remained higher than in the other major foreign industrial countries but slowed to below 4 percent through June. In Canada, inflation also moved down further this year, to about 1½ percent in May.

Inflation trends in Latin America have been mixed. In Mexico, the twelve-month change in consumer prices diminished to about 32 percent in June, compared with a reading of 52 percent for the twelve months ending in December 1995. Consumer price inflation has also declined further in Brazil and remained low in Argentina. In contrast, prices have picked up in Venezuela in response to the depreciation of its currency associated with the adoption of a program of macroeconomic stabilization. In Asia, inflation has decreased so far in 1996 in China and remained moderate to low elsewhere.

Labor Market Developments

Labor demand was strong over the first half of 1996. Growth in nonfarm payroll employment exhibited considerable month-to-month variability but averaged a hefty 235,000 per month. In addition, the civilian unemployment rate remained low, holding in the narrow range around 5½ percent that has prevailed since late 1994.

Employment gains were fairly broadly based over the first half of the year. The services sector, which now accounts for nearly 30 percent of nonfarm employment, continued to be a mainstay of job growth, showing increases of nearly 120,000 per month, on average, over the first half. Within services, growth in employment in business services remained rapid, with large gains at computer and data processing firms as well as at temporary help agencies, and employment in health services trended up further. In addition, construction payrolls rose a brisk 30,000 per month, on average—an annual rate of about 7 percent. Elsewhere, payrolls at wholesale and retail trade establishments continued to increase at about the same pace as that in 1995, and employment in the finance, insurance, and real estate category picked up after having been nearly flat over 1994 and 1995.

Developments in manufacturing were uneven but showed some improvement in the second quarter. As 1996 started, firms were still adjusting employment to the slower path of output that had been evident since early 1995, and payrolls—especially at firms producing nondurable goods—were reduced further. In the past three months, manufacturing employment has held fairly steady, buoyed by the pickup in industrial activity, and the average factory workweek, which had contracted appreciably in 1995, trended up through June.

For the nonfarm business sector as a whole, productivity rose at an annual rate of about 2 percent in the first quarter of 1996, echoing the acceleration in output. However, productivity had posted an outright decline in the fourth quarter of 1995; all told, productivity rose about 1 percent over the year ending in the first quarter of 1996, in line with the average pace this decade. In the manufacturing sector, productivity rose 4¼ percent over the past year, although the reported increase was probably overstated because firms in this sector have been relying increasingly on workers supplied by temporary help firms, who are counted as service industry employees rather than as manufacturing employees in the establishment survey of the Bureau of Labor Statistics.

Labor force participation has remained sluggish this year. The participation rate, which measures the percentage of the working-age population that is either employed or looking for work, did retrace the dip that occurred in late 1995. But taking a longer perspective, the overall participation rate (adjusted for the redesign of the household survey in 1994) has changed little, on net, since 1989 after rising fairly steadily from the mid-1960s to the late 1980s. The flattening reflects mainly a marked deceleration in women's participation, owing both to a leveling off in the percentage of women who are in the labor force for at least part of a given year and slower growth in the average number of weeks they spend in the labor force that year. Moreover, with the average number of weeks these women spend in the labor force having risen to a level only slightly below the average for men, a significant rebound in participation does not seem very likely over the near term. The sluggishness in participation tends to restrain the growth of potential output unless it is offset by a better productivity performance or by faster growth in the working-age population—neither of which has yet been in evidence.

Despite the tightness in labor markets in recent quarters, the broad trends in hourly compensation appear to have held fairly steady. The employment cost index for private industry—a measure that includes wages and benefits—rose at an annual rate of about 3 percent over both the first three months of 1996 and over the twelve months ending in March; the ECI had also increased about 3 percent over the twelve months ending in March 1995. Compensation growth has continued to be damped by a marked deceleration in employer-paid benefits—especially payments for medical insurance, which have been restrained by the slowing in medical care costs, the switch in insurance arrangements from traditional indemnity plans to health maintenance organizations and other managed care plans, and changes in the provisions of health plans (including greater sharing of health care costs by employees). On the whole, wages also seem to have been held in check, although the most recent data may be hinting at some acceleration. Notably, the wage and salary component of the ECI rose sharply in the first quarter; although the data are volatile and the first-quarter figure likely overstates current wage trends, the twelve-month change in the series moved up to 3¼ percent, nearly ½ percentage point larger than the increases in the preceding two years. Separate data on average hourly earnings of production or nonsupervisory workers also show a recent acceleration in wages; the twelve-month change in this series moved up to about 3½ percent in June.

Price Developments

The underlying trend of prices has remained favorable this year—notably, the CPI excluding food and energy rose at an annual rate of 2¾ percent over the first six months of the year, near the lower end of the narrow range than has been evident since early 1994. Developments in food and energy markets boosted overall inflation, however, and the total CPI rose at an annual rate of 3½ percent over the first half; this pattern was the reverse of that seen in 1995, when a small drop in energy prices, combined with only a modest increase in food prices, held the rise in the total CPI to just 2½ percent. Meanwhile, the producer price index for finished goods rose about 2¾ percent over the twelve months ending in June; excluding food and energy, the PPI rose 1½ percent, a bit less than over the preceding year.

Consumer energy prices picked up around the turn of the year and rose at an annual rate of about 12 percent, on net, over the first six months of 1996. With crude oil stocks drained by strong worldwide demand for heating oil and weather-related supply disruptions in the North Sea and elsewhere, the spot price of West Texas intermediate (WTI) soared from around $18 per barrel, on average, in the second half of 1995 to a high of around $25 per barrel in mid-April; the WTI price has since retraced much of that run up. Reflecting the surge in crude oil prices, retail prices of refined petroleum products rose sharply through May, on balance. However, they fell markedly in June, and private surveys of gasoline prices imply a further decrease in early July.

Retail food prices rose at an annual rate of about 4 percent over the first six months of 1996, somewhat above the pace of the preceding few years. At the farm level, prices of grains and other commodities rose to exceptionally high levels as adverse crop conditions in some parts of the country exacerbated an already tight stock situation. For some foods—notably, dairy products, cereals and bakery products, poultry, and pork—the pass-through tends to occur relatively rapidly, and retail prices of such items have already risen appreciably. Beef prices fell through May as producers sold off herds in response to higher feed costs and poor range conditions; they turned around in June and will likely rise further over the next several quarters as the selloff of breeding stock will eventually lead to tighter supplies.

Price increases for consumer goods other than food and energy slowed to 1 percent at an annual rate over the first half of 1996, after averaging about 1½ percent per year over the preceding three years. Increases in goods prices have been restrained, in part, by the uptrend in the dollar since mid-1995, which has helped to damp import prices. In addition, with the operating rate in the manufacturing sector having fallen to about its long-term average, pressure from the materials side has been limited. Indeed, the PPI for intermediate materials (excluding food and energy) actually fell a bit over the past twelve months, after having risen 7½ percent over the preceding year. Looking ahead, however, the latest report from the National Association of Purchasing Managers suggests that vendor performance deteriorated markedly in June, a development that could portend some firming of prices of materials and supplies over the near term.

Prices of non-energy services rose 3¾ percent at an annual rate over the first half, about the same as the rise over 1995 as a whole. Airfares accelerated significantly in the first half. However, shelter costs increased less rapidly than they had in 1995, and prices of medical care continued to decelerate; over the six months ending in June, the CPI for medical care services rose at an annual rate of only about 3¼ percent, roughly 1 percentage point below the 1995 pace. Moreover, there is some evidence that the CPI may be understating the recent slowing in medical care inflation, in part because it does not fully capture the discounts negotiated between medical providers and insurers, including managed care plans. The price measure used to deflate consumer expenditures on medical care in the NIPA better reflects such factors; it rose less than 2 percent over the year ending in the first quarter of 1996 after having risen 4½ percent over the preceding year.

Judging from the various surveys of consumers and forecasters, expectations of near-term CPI inflation deteriorated slightly in the first half of 1996. Notably, although both the University of Michigan and the Conference Board had reported a noticeable drop in their one-year-ahead measures in the second half of 1995, that improvement was not sustained in 1996; the recent monthly readings have bounced around, but the June results from both surveys were similar to those recorded, on average, in the first half of 1995. In contrast, longer-run inflation expectations, which have presumably been less affected by the recent news in food and energy markets, have held fairly steady. Smoothing through the monthly data, the University of Michigan's measure of expected CPI inflation over the next five to ten years has not changed much since late 1994, and the survey of professional forecasters conducted by the Federal Reserve Bank of Philadelphia during the second quarter of 1996 produced the same expectation for the succeeding ten years as that in the survey taken in the fourth quarter of 1995.

Financial Developments

Credit

Financial conditions in the first half of 1996 supported the pickup in the growth of spending. For the most part, lenders continued to pursue credit applicants aggressively as reflected, for example, in narrow spreads of interest rates on corporate securities over those on Treasury securities. The debt of domestic nonfinancial sectors increased about 4¾ percent at an annual rate from the fourth quarter of 1995 through May of this year, a pace that was a bit slower than last year but still sufficient to place the level of this aggregate in the middle of its monitoring range for 1996.

The Government Sector. Federal debt outstanding increased about 4 percent at an annual rate over the first half of 1996, a shade below the average rate of increase last year. The impasse over the debt ceiling disrupted the timing and size of some Treasury auctions but did not alter the longer-term trajectory of federal debt.

The pattern of net borrowing by state and local governments in the past several years has been heavily influenced by their efforts to retire debt issued at relatively high interest rates in the mid-1980s. They have pursued these efforts through a strategy of advance refunding: In the early 1990s, when bond yields were seen as especially favorable, state and local governments issued new debt, even before call provisions on the older bonds could be exercised, and placed the proceeds in escrow accounts. As it became possible to do so, the issuing governments began calling the older debt, using the contents of the escrow accounts to complete the transactions. Reflecting these retirements, the amount of state and local government debt outstanding declined about 4 percent per year in 1994 and 1995. This process is still in train but evidently on a smaller scale; available information suggests that state and local government debt outstanding declined only marginally during the first half of this year.

The Household Sector. The pace of borrowing by households appears to have moderated somewhat from the elevated rates of 1994 and 1995, but it remains substantial. In particular, consumer credit expanded at a 9½ percent annual rate from the fourth quarter of 1995 through May of this year, a rate that was down from 14½ percent over the four quarters of 1995. Mortgage debt actually expanded somewhat more rapidly during the first quarter than in 1995 (7¾ percent at an annual rate versus 6½ percent), and available indicators suggest that growth during the second quarter dropped back only to about last year's pace. The recent backup in mortgage rates, which only began in February, has had little effect on borrowing thus far and might even have increased it temporarily by accelerating transactions.

The rapid growth in household debt during the past few years has resulted in a sizable increase in the estimated ratio of scheduled payments of principal and interest to disposable personal income. This measure of debt-servicing burden has trended up over the past two years, and as of the first quarter of 1996, was approaching—but still short of—the levels attained toward the end of the last business cycle expansion.

Several other recent indicators suggest that some households are experiencing financial strains. For example, the Consolidated Report of Condition and Income shows that the delinquency rate on credit-card receivables at commercial banks has increased significantly in recent quarters, retracing about one-third of the improvement that took place during the first few years of the current economic expansion. The delinquency rate on auto loans at the finance companies affiliated with the major manufacturers moved up sharply beginning about two years ago and since late last year has hovered around historically high levels. Anecdotal evidence suggests that the rise in both credit card and auto-loan delinquency rates reflects a strategy to liberalize lending standards as part of an overall marketing effort. The auto loan delinquency rate has also been boosted a bit by the increased prevalence of leasing. Lease customers tend to be better credit risks than the average conventional borrower, and the shift toward leasing has had the effect of skimming the more financially secure car buyers and thus degrading somewhat the remaining pool of people financing their purchases through conventional loan contracts.

The personal bankruptcy rate also surged to a new high this year. The extent to which this development reflects mounting financial difficulties of households is clouded, however, by changes in federal law (effective at the start of 1995) that may have increased the attractiveness of bankruptcy by increasing the value of assets that can be protected from liquidation in bankruptcy proceedings. The "cost" of bankruptcy to households has also been effectively lowered by the greater willingness of lenders to extend credit to riskier borrowers—even those with a previous bankruptcy on their records.

Other indicators are less suggestive of a deterioration in the financial condition of households. For example, the delinquency rate for mortgage loans sixty days or more past due at all lenders is near its lowest level in two decades, while the rate on closed-end consumer loans—despite having moved up over the past eighteen months—remains low by historical standards. Moreover, the aggregate balance sheet of the household sector clearly is in very good shape; owing in large part to the surge in equity prices over the past year and a half, the ratio of household net worth to disposable personal income moved up into record territory recently.

Apparently in response to the recent run-up in delinquency and charge-off rates on consumer loans, banks have selectively tightened their standards for consumer lending. These actions reversed steps taken earlier in the decade, when many card issuers increased the growth of their credit card receivables by offering accounts to customers who previously would have been denied credit. The belief was that more sophisticated credit-scoring techniques would control risks adequately, but it appears that some "adverse selection" occurred and that the uptick in delinquencies has been larger than at least some banks had planned. About 20 percent of the respondents in the Federal Reserve's most recent survey of senior loan officers reported having tightened standards for approving applications for credit cards, and 10 percent reported tightening standards for other consumer loans. Notwithstanding the recent tightening of standards, supply conditions for loans from banks to consumers still appear accommodative.

The Business Sector. The debt of nonfinancial businesses also appears to have expanded somewhat less rapidly during the first half of 1996 than it did last year. In part, the moderation in borrowing can be traced to the behavior of the financing gap for incorporated nonfinancial enterprises—the excess of their capital expenditures (including inventory investment) over their internally generated funds. During 1995, this gap narrowed quite substantially, reflecting strong profits and a marked reduction in inventory investment. Available indications are that the gap has remained small this year.

External funding for business spending has been in plentiful supply thus far this year. One piece of evidence on this point is that interest rate spreads on investment-grade bonds have edged down slightly since the beginning of the year. Additionally, spreads on high-yield bonds have declined markedly and are as low as they have been in at least a decade. Also, supply conditions for loans from banks to businesses continue to look quite favorable. According to the Federal Reserve's most recent survey of bank lending officers, standards for approval of commercial and industrial loans were about unchanged from January to May of this year, and terms on such loans were eased on net. Surveys by the National Federation of Independent Business indicate that small businesses have not faced difficulty getting credit, and stories abound of new small-business lending programs of banks.

Gross offerings of long-term bonds by nonfinancial corporations have been running about in line with last year's pace. However, the mix of issuers has shifted somewhat, reflecting the changing structure of rates. Late last year and early this year, investment-grade corporations were issuing a hefty volume of bonds to pay down commercial paper and to refinance existing long-term debt. As the rates on investment-grade bonds increased this year, issuance of such debt dropped off. Rates on high-yield bonds moved up less, however, and issuers of those bonds continued to offer new debt at a rapid pace.

Gross issuance of equity shares by nonfinancial corporations has been exceedingly strong this year. Indeed, total offerings in each of the three months of the second quarter set successive monthly records. This activity has been fueled by initial public offerings and other equity issuance by relatively young companies. Share retirements by nonfinancial corporations have also been very heavy. Announced stock buybacks by such firms in both the first and second quarters ran at $28 billion per quarter—the fastest pace since the late 1980s. On net, available information suggests that nonfinancial corporations retired even more equity during the first half of 1996 than they had in 1995.

Share retirements and merger activity have generated much less issuance of debt recently than they did in the 1980s. Recent share repurchases have been undertaken mostly by companies seeking to return the excess cash on their balance sheets to stockholders. And recent mergers and acquisitions have mainly been accomplished through stock swaps between companies in similar lines of business, rather than the leveraged transactions commonplace in the 1980s. In line with the limited extent of debt financing, the mergers executed thus far in 1996 have resulted in little net change in bond ratings—again in marked contrast to the experience of the 1980s.

Depository Intermediation. The growth of credit provided by depository institutions slowed sharply in the fourth quarter of last year and first quarter of this year, and commercial bank credit—a component of total depository credit for which more recent data are available—slowed further in the second quarter. The share of thrift institutions in total depository credit has continued to decline in recent quarters. This long-standing trend may have been given additional impetus last summer by the opening up of a differential between the premium rates paid by banks and thrifts for their deposit insurance; this differential has reduced the cost of funds for banks relative to the cost of funds for thrift institutions.

The reduction and subsequent elimination of the deposit insurance premium for financially sound banks probably played a role in shifting bank funding toward deposits. During the first half of 1996, banks increased their deposit liabilities more rapidly than their nondeposit liabilities—a contrast from the preceding few years when banks relied disproportionately for their funding on nondeposit sources, including borrowing from their foreign offices.

The Monetary Aggregates

The increased reliance on deposit sources of funding by banks has helped support the growth of the broad money aggregates of late. Between the fourth quarter of last year and June of this year, M3 expanded at an annual rate of about 6 percent, putting it at the upper boundary of its annual growth cone. As in 1995, the growth in M3 this year was led by those components not included in M2. In the aggregate, these components increased about 11 percent at an annual rate between the fourth quarter of last year and June of this year, only moderately below the 1995 average pace of 14½ percent. Institution-only money-market mutual funds increased about 18 percent at an annual rate over this period. This component of the money stock increased especially rapidly during the first three months of the year. Often, the yields on these funds lag changes in short-term market interest rates, making them particularly attractive investments when short-term market rates are declining, as they were around the turn of the year when the Federal Reserve eased policy.

M2 increased 4¾ percent at an annual rate between the fourth quarter of 1995 and June of this year, leaving it near the upper boundary of its growth range. For many years before the early 1990s, the velocity of M2 (defined as the ratio of nominal GDP to M2) moved roughly in tandem with the opportunity cost of holding M2—that is, the interest earnings forgone by holding M2 assets rather than market instruments such as Treasury bills. This relationship implied that M2 tended to move in proportion to nominal GDP, except as it was influenced by changes in the opportunity cost of holding it. When the opportunity cost rose, owners of M2 tended to economize on their holdings, driving up the velocity of M2.

Beginning around the early 1990s, however, this historical relationship began to break down. Indeed, in 1991 and 1992, the velocity of M2 rose sharply even as the opportunity cost of holding M2 declined. A number of reasons for this development have been adduced, including the unusually steeply sloped yield curve and very low level of short-term interest rates, which helped to attract the public out of liquid balances and into more readily available long-term mutual funds; the credit crunch at banks and the resolution of troubled thrift institutions, which reduced the aggressiveness with which these institutions sought retail deposits; and household balance-sheet restructuring, which entailed in part repayment of loans out of liquid money balances. The divergent movement of the velocity of M2 and its opportunity cost continued until the end of 1992. More recently, the variables have once again been moving essentially in parallel. In light of the rapid ongoing pace of innovation and technological change in financial services, however, it is impossible to know whether the new parallel movement of velocity and the opportunity cost will persist.

M1 declined about 1¾ percent at an annual rate during the first half of 1996, just as it had done over the four quarters of 1995. The recent sluggish behavior of M1 reflects the ongoing spread of so-called sweep programs, under which idle reservable deposits are "swept" into money-market-deposit accounts (MMDAs). (The appendix provides additional information on sweep accounts.) Estimates based on initial amounts swept suggest that M1 would have expanded at about a 7 percent annual rate during the first half of 1996 in the absence of these programs. Another factor contributing to the recent weakness in M1 has been the growth of currency, which has been sluggish by the standards of the early 1990s. Foreign demand for currency apparently has tailed off somewhat. In large part, the slackening in net foreign demand owes to substantial reflows from Argentina and Mexico, where earlier worst-case fears about the stability of the financial system have not been realized. Reflows from Western Europe and Asia have also been significant, but net shipments to the former Soviet Union remain sizable. On the whole, demand for the new $100 bill has been substantial, but this has not had any detectable effect on the stock of currency outstanding.

The sluggish growth of currency has held down expansion of the monetary base to only about 2 percent at an annual rate thus far this year. The other restraint on the growth of the base has been the turnaround in the behavior of required reserves. After surging at double-digit rates in 1992 and 1993, required reserves have been on a downward trend, and at an increasing rate. Thus far this year, required reserves have contracted about 7½ percent at an annual rate. The emergence of this trend is perhaps the most direct consequence of the spread of sweep programs. Absent such programs, required reserves probably would have increased about 10 percent over the same period, owing to strong growth in demand deposits. Continued spread of sweep programs could affect the federal funds market, perhaps leading to greater volatility like that experienced in early 1991 following the elimination of reserve requirements on nontransactions deposits. Thus far, such instabilities have not been realized, but the Federal Reserve is monitoring the situation carefully.

Interest Rates, Equity Prices, and Exchange Rates

Interest Rates. Interest rates on Treasury securities rose over the first half of 1996, with the most pronounced increases occurring for intermediate-term securities. Between the end of December 1995 and the middle of July, the rate on three-month bills increased somewhat less than ¼ percentage point, the rate on five-year notes rose about 1¼ percentage points, and the rate on thirty-year bonds rose about 1 percentage point. Despite these increases, nominal Treasury rates overall continued to be relatively low by the standards of the past twenty years.

The spread between interest rates on investment-grade private bonds and those on comparable-maturity Treasury securities remained narrow during the first half of the year. In particular, the average spread on Baa-rated industrial bonds over thirty-year Treasury bonds continued to fluctuate near where it has been for the past several years and well below the levels typical of the 1980s. The spread on investment-grade utility bonds continued to drift upward, but this appeared to reflect the market's increasing perception that some firms in that industry might become riskier as a result of deregulation and new competitive pressures. The rate spread on high-yield bonds over the comparable Treasury notes narrowed sharply, reversing the upward drift of 1995, and returning this measure to the low end of its range over the past decade. The continuing low level of spreads on most investment-grade securities, as well as the marked decline of the spread on high-yield securities, appeared to reflect in part market participants' increasing confidence in the durability of the economic expansion and consequent optimism about the creditworthiness of corporate borrowers.

Equity Prices. Share prices have fallen in recent weeks, most notably those of "high-tech" companies whose ability to maintain steep earnings trajectories has come into question. On net, though, broad indexes of equity prices have held steady or moved up slightly since the end of 1995. As of July 16, the S&P 500 composite index of stock prices had increased 2 percent thus far this year, while the NASDAQ index had returned to its beginning-of-year level. Even this performance has been impressive, given that it occurred in the face of appreciable upward movement in long-term interest rates.

Exchange Rates. Since mid-April, the weighted-average value of the dollar in terms of the other G-10 currencies has generally been about 4 percent above its level at the end of December, although the dollar has moved down somewhat in mid-July. When compared with an index of currencies from a somewhat broader group of U.S. trading partners, the dollar has appreciated 3 percent since December after adjustment for changes in relative consumer prices. The dollar has risen on balance about 4 percent in terms of the German mark and about 6 percent in terms of the Japanese yen.

The dollar has been supported by perceptions of a disparity in the performance of the U.S. economy relative to that of many of our major trading partners and the resulting expectations for the course of relative interest rates. Specifically, while data suggesting robust growth in the United States caused interest rates to rise, questions remained about the strength of expansions in a number of other industrial countries, particularly in Europe. Average long-term (ten-year) interest rates in the other G-10 countries have risen only slightly, about 20 basis points, since the end of December. With U.S. rates rising substantially more than that, the appreciation of the dollar over this period is consistent with the shift in the long-term interest differential in favor of the dollar. In addition, the dollar was lifted to an extent against the yen by data early in the year showing that the Japanese external surpluses were narrowing.

Despite a weak output performance, long-term interest rates in Germany have risen about 50 basis points, with much of that increase coming during the first quarter. Long-term interest rates have actually fallen since the end of last year in some European countries, such as France and Italy, where political and economic policy uncertainties have been reduced. In Japan, long-term interest rates have risen about 30 basis points, on balance. Short-term market interest rates abroad are generally lower than they were at the end of last year. German short-term market rates are down nearly 50 basis points, while rates in France are down more than 100 basis points and those in the United Kingdom are down 70 basis points. Official lending rates have been reduced by the central banks in Germany, France, the United Kingdom, and several other European countries in 1996. In Japan, short-term market interest rates remain near the historically low levels reached during the second half of 1995 as the Bank of Japan's official rates have been unchanged. Stock markets in the foreign G-10 countries have risen 3 percent to 15 percent since the end of December, except in the United Kingdom, where stock prices, on balance, are about unchanged.

The Mexican peso traded during the first half of 1996 in a range somewhat stronger than that which prevailed at the end of 1995. Mexican twenty-eight-day treasury bill (cetes) rates have declined from nearly 50 percent in December to around 30 percent as the rate of inflation has fallen. The economic positions of Mexican households and firms have improved since early 1995, but problems in the financial system remain, as evidenced by increasing amounts of nonperforming loans at banks. Stock prices have risen, on balance, about 5 percent in peso terms since December, buoyed by the interest rate declines and evidence of recovery in the Mexican economy.

The pace at which private foreigners acquired U.S. assets increased markedly in the first quarter. Although private net purchases of U.S. Treasury securities were small, there were large increases in the private holdings of U.S. government agency bonds and U.S. corporate bonds, as U.S. corporations issued heavily in the Eurobond market. In addition, direct investment capital inflows surged to almost $30 billion in the first quarter, reflecting a pickup in foreign acquisitions of U.S. firms. Together, these gross inflows totaled nearly $80 billion, roughly twice the U.S. current account deficit for the quarter. U.S. net purchases of foreign stocks and bonds were also sizable in the first quarter, with net purchases of foreign stocks from Japan particularly large. U.S. direct investment abroad slowed somewhat between the fourth quarter of 1995 and the first quarter of 1996 but remained near the record pace for all of last year. In April and May, private foreign interest in

U.S. securities continued to be strong while U.S. investor interest in foreign stocks cooled somewhat from the strong first-quarter pace.

Foreign official holdings in the United States increased about $52 billion in the first quarter of 1996 after a record $110 billion rise in 1995. These increases reflected both intervention to support the foreign exchange value of the dollar by certain industrial countries and substantial reserve accumulation by several developing countries. Data for April and May indicated continued increases in official holdings in the United States but on a much more modest scale.

APPENDIX: SWEEPS OF RETAIL TRANSACTION DEPOSITS

In January 1994, depository institutions began implementing sweep programs for retail customers.[3] In such programs, balances in household transaction accounts (typically NOW accounts, but also some demand deposits, both of which are included in M1) are swept into savings deposits, which are part of the non-M1 portion of M2. Such sweeps shift deposits from reservable (transactions) accounts to nonreservable (savings) accounts without impairing depositors' ability to access the funds for transactions purposes. Depositories have an incentive to establish these programs because reserves held at the Federal Reserve earn no interest. Retail sweep programs reduce reported reserves, the monetary base, and M1. They have no effect on M2, because both transactions and savings accounts are in M2.

Retail sweep programs have been established either as daily sweeps or as weekend sweeps. Under a daily sweep, a depositor's transaction balances above a target level are shifted each night into a special savings account created for the purpose. If debits threaten to reduce the remaining transaction account balances below zero, enough funds are transferred back from the savings account to reestablish the target level of transaction balances. Because only six transfers are allowed out of a savings account within a statement month, on the sixth transfer, the entire savings balance is returned to the transaction account. Alternatively, in a weekend sweep program, all affected transaction account balances are swept into the special purpose savings account over the weekend and then returned on Monday. Some "weekend sweep" programs undertake sweeps on certain holidays as well.

No information is available on the current amounts of transaction balances that are being swept into savings accounts. The Federal Reserve has obtained data from depositories only on the initial amounts swept on the date each program was established. The table, which is updated and made available to the public on an ongoing basis, shows that the initial amounts swept under programs implemented through May 1996 have cumulated to $98 billion. With a marginal reserve requirement of 10 percent on most of these balances, the cumulative reduction of required reserves attributable to the initial amounts swept has been nearly $10 billion.

3. Sweep accounts for business customers of banks became widespread in the mid-1970s. They involve sweeps of demand deposits into repurchase agreements or other money market instruments whose minimum sizes are too large to accommodate households.

3. Sweeps of transaction deposits into savings accounts

Billions of dollars

Period	Monthly averages of initial amounts	Cumulative total
1994		
January	5.3	5.3
February	2.2	7.5
March	.0	7.5
April	.0	7.5
May	.0	7.5
June	.0	7.5
July	.0	7.5
August	.0	7.5
September	1.5	9.0
October	.6	9.6
November	.3	9.9
December	.0	9.9
1995		
January	.0	9.9
February	.0	9.9
March	.0	9.9
April	.0	9.9
May	5.0	14.9
June	7.3	22.2
July	.6	22.8
August	4.6	27.4
September	5.9	33.3
October	7.7	41.0
November	4.3	45.3
December	9.2	54.5
1996		
January	13.7	68.2
February	7.0	75.2
March	6.4	81.6
April	7.8	89.4
May	8.4	97.8

NOTE. Figures are the estimated total of transaction account balances initially swept into savings accounts owing to the introduction of new sweep programs. Monthly totals are averages of daily data.

Regular monthly updates of initial amounts swept may be obtained by email by sending an email address along with a phone number to *sweeps_frb@frb.gov*. Those without access to email may request data by calling (202) 872-7577.

(Table 4 appears on the following page.)

4. Growth of money and debt

Percent

Period	M1	M2	M3	Domestic nonfinancial debt
Year[1]				
1980	7.5	8.7	9.6	9.5
1981	5.4 (2.5[2])	9.0	12.4	10.2
1982	8.8	8.8	9.7	9.8
1983	10.3	11.8	9.5	11.9
1984	5.4	8.1	10.8	14.6
1985	12.0	8.6	7.7	14.4
1986	15.5	9.2	9.0	13.3
1987	6.3	4.2	5.9	10.0
1988	4.3	5.7	6.3	8.8
1989	.6	5.2	4.0	7.9
1990	4.1	4.1	1.8	6.8
1991	7.9	3.1	1.2	4.6
1992	14.3	1.8	.6	4.7
1993	10.5	1.4	1.0	5.2
1994	2.4	.6	1.6	5.2
1995	−1.8	4.0	5.9	5.6
Quarter (annual rate)[3]				
1995:1	−.1	1.0	4.5	5.4
2	−.5	3.8	6.3	7.1
3	−1.5	6.9	7.9	4.9
4	−5.1	4.1	4.5	4.7
1996:1	−2.7	5.9	7.2	4.7
2	−.5	4.1	5.3	n.a.

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

2. Adjusted for shifts to NOW accounts in 1981.

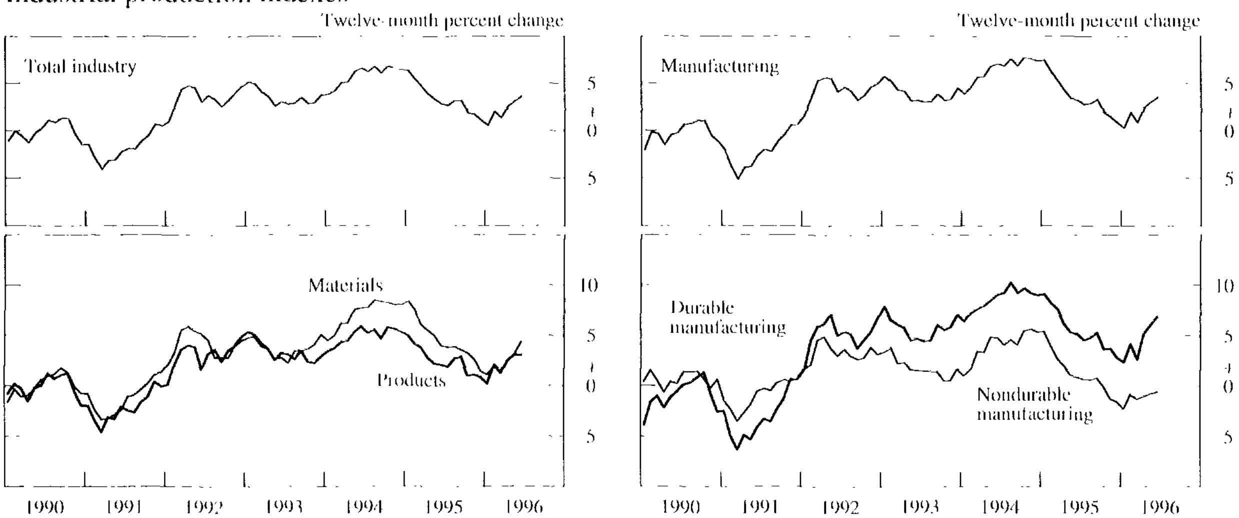
3. From average for preceding quarter to average for quarter indicated.

Industrial Production and Capacity Utilization for June 1996

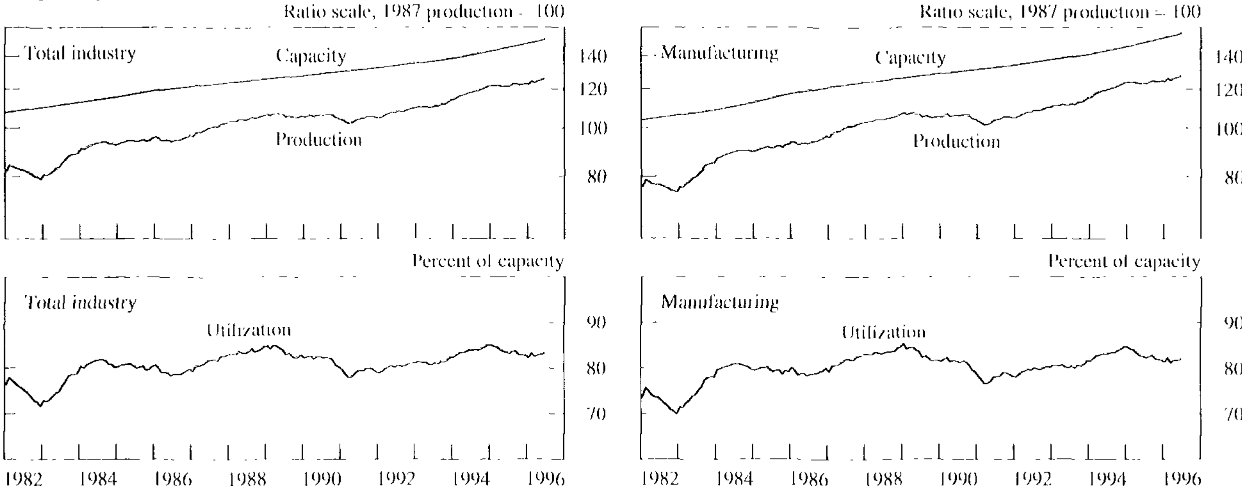
Released for publication July 16

Industrial production increased 0.5 percent in June after a downward revised gain of 0.5 percent in May. The output of consumer durables, business equipment, construction supplies, and materials advanced nearly 1 percent or more. After a relatively hot May, however, the production of nondurable consumer goods fell as electricity output slackened. At 125.7 percent of its 1987 average, total industrial production in June was 3.5 percent higher than it was in June 1995. For the second quarter, industrial production increased at a seasonally adjusted annual rate of 5.6 percent, up from 3.0 percent in the first quarter; the recovery in the output of motor vehicles and parts after the General Motors strike in March accounted for the acceleration.

Industrial production indexes



Capacity and industrial production



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

Industrial production and capacity utilization, June 1996

Category	Industrial production, index, 1987=100								
	1996				Percentage change				
					1996[1]				June 1995 to June 1996
	Mar.[r]	Apr.[r]	May[r]	June[p]	Mar.[r]	Apr.[r]	May[r]	June[p]	
Total	**123.6**	**124.5**	**125.1**	**125.7**	**.5**	**.7**	**.5**	**.5**	**3.5**
Previous estimate	123.6	124.4	125.3	...	.5	.7	.7	...	...
Major market groups									
Products, total[2]	120.0	120.7	121.1	121.5	.6	.6	.3	.3	3.0
Consumer goods	115.3	115.8	116.1	116.2	1.1	.5	.2	.0	1.2
Business equipment	162.7	166.4	166.5	168.3	-1.3	2.3	1	1.0	8.5
Construction supplies	111.5	109.5	110.6	111.5	2.0	1.7	.9	.9	4.0
Materials	129.1	130.2	131.2	132.3	-.2	.9	.8	.8	4.3
Major industry groups									
Manufacturing	125.2	126.5	126.9	127.6	.9	1.1	.3	.6	3.5
Durable	135.6	138.4	139.0	140.4	1.4	2.0	.4	1.0	6.8
Nondurable	113.6	113.4	113.6	113.6	-.2	.2	.1	.1	-.6
Mining	101.1	100.5	101.0	102.5	3.2	-.5	.5	1.5	1.5
Utilities	128.0	126.0	129.2	127.6	1.1	-1.6	2.6	1.3	5.4
	Capacity utilization, percent								MEMO Capacity, percentage change, June 1995 to June 1996
	Average, 1967-95	Low, 1982	High, 1988-89	1995	1996				
				June	Mar.[r]	Apr.[r]	May[r]	June[p]	
Total	**82.1**	**71.8**	**84.9**	**83.5**	**82.6**	**82.9**	**83.1**	**83.2**	**3.9**
Previous estimate	...	...	...	...	82.6	82.9	83.2	...	...
Manufacturing	81.4	70.0	85.2	82.7	81.3	81.8	81.8	82.0	4.4
Advanced processing	80.7	71.4	83.5	80.8	79.6	80.4	80.2	80.4	5.1
Primary processing	82.6	66.8	89.0	87.0	85.3	85.3	85.6	85.7	2.6
Mining	87.4	80.6	86.5	90.2	90.3	89.9	90.3	91.7	-.1
Utilities	86.9	76.2	92.6	89.7	94.0	92.4	94.6	93.3	1.3

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

Industrial capacity utilization rose 0.1 percentage point in June, to 83.2 percent.

When analyzed by market group, the data show that the output of consumer goods was unchanged in June, with a 1.6 percent increase in the production of durable consumer goods offset by a 0.4 percent decrease in the output of the much larger consumer nondurables category. The increase in the output of durables resulted from roughly equal gains in automotive products and other durable goods; most of the increase in the latter reflected a jump in the output of appliances. About half of the decline in the production of consumer nondurables resulted from the drop in the residential use of electricity. The output of paper products, gasoline, and food also decreased.

The production of business equipment rose 1.0 percent, bolstered by sizable gains in both information processing equipment and transit equipment. The 1.7 percent increase in the output of information processing equipment was led by another large gain in the output of office and computing equipment, but the output of other components of this group, including communications equipment, copiers, and measuring instruments also advanced strongly. Increases in auto and light truck assemblies and in aircraft manufacturing boosted the output of transit equipment, although cuts in heavy and medium truck assemblies partly offset those gains. The production of industrial equipment was unchanged for a second month, and the output of other equipment edged up; production in both groups has fallen off after having peaked in February. The output of defense and space equipment, pushed down by a strike at an aircraft manufacturer, more than reversed its 0.7 percent increase in May.

The output of construction supplies rose 0.9 percent for a second month. The production of durable goods materials grew 1 percent, with strength throughout the components of this group, including semiconductors, computer parts, basic metals, and the parts used to make motor vehicles. The output of nondurable materials edged up; a drop in paper partly offset gains in textiles, chemicals, and containers. The production of energy materials rose, despite the drop in electricity output, because of gains in natural gas and crude oil extraction, as well as an increase in coal mining.

When analyzed by industry group, the data show that manufacturing output advanced 0.6 percent after a gain of half that size in May. Gains were widespread among industries in durable manufacturing; the only easing was in the output of furniture and fixtures, which had increased 2.2 percent in May. Production increased more than 1 percent for computers, electrical machinery, steel, and motor vehicles and parts. The output of nondurables rose 0.1 percent, the same amount as in May. Although output advanced in most of the industries within nondurable manufacturing, the declines in the output of foods and paper and products offset most of the gains. After an increase in May, the production in mining rose 1.5 percent; the output at utilities fell a similar amount.

The strength in durables and the weakness in nondurables continue their patterns of the past year or more; the output of durables has risen 6.8 percent since June 1995, and the production of nondurables has declined 0.6 percent over the same period. Utilities have also shown solid gains during the past year, rising 5.4 percent. Utility output grew about 1¾ percent per year, on average, between 1977 and 1995.

The factory operating rate advanced 0.2 percentage point in June, to 82.0 percent, the same level as in the fourth quarter of 1995. Utilization rates increased for both advanced- and primary-processing industries, with most industries showing increases in operating rates. The rate for iron and steel rose more than 1 percentage point, while the rates for leather and products, tobacco, motor vehicles and parts, and textile mill products rose more than ½ percentage point. The largest decrease in utilization came in paper and products, where the operating rate fell 0.9 percentage point. The utilization rate for mining increased 1.4 percentage points; although the rate for utilities fell 1.3 percentage points, it remains more than 6 percentage points above its 1967–95 average.

This release and the history for all series published here are available on the Internet at the Board of Governors' World Wide Web site, http://www.bog.frb.fed.us.

1996 Revision Announcement

During the fourth quarter of 1996, the Federal Reserve will publish a revision of its measures of industrial production, capacity utilization, and industrial use of electric power. The revision of IP and capacity will both incorporate updated source data for recent years and feature a change in the method of aggregating the indexes. From 1977 onward, the value-added proportions used to weight individual series will be updated annually rather than quinquennially. In addition, the production and capacity indexes will be rebased so that 1992 actual output equals 100.

The aggregate IP indexes will be constructed with a superlative index formulation similar to that introduced by the Bureau of Economic Analysis in its December 1995 revision of the National Income and Product Accounts. At present, the aggregate IP indexes are computed as linked Laspeyres indexes, with the weights updated every five years. Because of the rapid fall in the relative price of computing power, that periodic updating of weights is too infrequent to provide reliable estimates of current changes in output and capacity. With the publication of the revision, we will update our value-added proportions annually and use a Fisher index-number methodology. This new superlative index formulation will be applied to all aggregates of IP, capacity, and gross value of product.

The regular updating of source data for IP will include the introduction of annual data from the *1994 Annual Survey of Manufactures* of the Bureau of the Census.

The statistics on the industrial use of electric power will be revised back to 1972. These revisions stem from three basic sources. First, the new figures incorporate more complete reports received from utilities for the past few years. Second, an updated panel of reporters on cogeneration will be fully integrated into our survey of electric power use. Third, the levels of the monthly electric power series for manufacturing industries will be benchmarked to indexes derived from data published in the Census Bureau's annual surveys and censuses of manufactures. These indexes will also be revised so that 1992 electric power usage equals 100.

The revised data will be available at the Board's World Wide Web site. The data will also be available on diskettes from the Board of Governors of the Federal Reserve System, Publication Services, 202-452-3245. The revised data will also be available through the Economic Bulletin Board of the Department of Commerce; for information call 202-482-1986. In addition to the data currently provided, the time series of implicit prices necessary for a user to aggregate IP and capacity under the new methodology will be provided. For information on the plans for these revisions, call 202-452-3151.

Statements to the Congress

Statement by Griffith L. Garwood, Director, Division of Consumer and Community Affairs, Board of Governors of the Federal Reserve System, before the Subcommittee on Financial Institutions and Consumer Credit of the Committee on Banking and Financial Services, U.S. House of Representatives, June 19, 1996

The Board of Governors of the Federal Reserve System appreciates this opportunity to comment on issues concerning the coverage of electronic benefit transfer (EBT) programs under the Electronic Fund Transfer Act (EFTA) and the Board's Regulation E. Under amendments to Regulation E adopted by the Board in February 1994, EBT programs are subject to modified Regulation E requirements scheduled to take effect on a mandatory basis on March 1, 1997.

This hearing will examine the potential impact of applying Regulation E to these programs, particularly the potential costs of compliance with the rules that limit a recipient's liability for unauthorized transfers. I will discuss coverage of EBT programs under the EFTA, which the Board is responsible for implementing; address the states' concern that the costs of complying with Regulation E could impede the development of EBT programs; and make some comments about legislative proposals.

Government agencies have developed EBT programs in which recipients use plastic cards and personal identification numbers (PINs) to access food stamp benefits at point-of-sale (POS) terminals in food stores and cash benefits at either automated teller machines (ATMs) or at POS terminals. The Board supports the nationwide effort to provide public benefits—such as social security, food stamps, and Aid to Families with Dependent Children—to citizens electronically.

The electronic transfer of benefits offers numerous advantages over paper-based delivery systems, both for recipients and for program agencies. For recipients, these advantages include faster access to benefits, greater convenience in terms of times and locations for obtaining benefits, improved security because funds may be accessed as needed, lower costs because recipients avoid check-cashing fees, and greater privacy and dignity. For agencies, EBT programs offer a single, integrated system that can more efficiently deliver benefits for both state and federal programs by reducing the cost of benefit delivery, facilitating the management of program funds, and helping to reduce fraud.

As EBT programs developed in the early 1990s, the Board considered whether, and in what manner, Regulation E ought to apply. The objective was to provide legal certainty so that agencies could make informed decisions about developing or expanding programs. The EFTA, enacted in 1978, provides the basic framework that establishes the rights and responsibilities of participants in electronic payment systems. The Congress directed the Board to prescribe regulations implementing the law and to demonstrate—to the extent practicable—that the consumer protection of the regulation outweighs the compliance costs necessary to provide this protection.

Transfers covered by the act and Regulation E include transfers initiated through ATMs, point-of-sale terminals, telephone bill-payment systems, or home banking programs. The act and regulation restrict the unsolicited issuance of ATM cards and other access devices. They provide for disclosure of the terms and conditions of an EFT service, limitations on consumer liability for unauthorized transfers, error resolution, and documentation of transfers through terminal receipts and periodic statements.

Under the EFTA, the Board has a broad mandate to determine coverage when electronic services are offered by entities other than traditional financial institutions. Section 904(d) of the act provides that if EFT services are made available to consumers by a person other than a financial institution holding a consumer's account, the Board shall ensure that the act's provisions are made applicable to such persons and services. It was under this mandate that the Board considered whether, and how, government agencies that offer EBT programs should be required to comply.

The legislative history of the EFTA provided guidance on the Board's authority to determine if particular services should be covered by the act. Under section 904(c), rules issued by the Board "may contain such classifications, differentiations, or other provisions—as in the judgment of the Board are necessary or proper to effectuate the purposes of this title, [or] to prevent circumvention or evasion thereof. . . ." In discussing section 904(c), a Senate Banking Committee report stated that "since no one can foresee EFT developments in the future, regulations would keep pace with new services and assure that the act's basic protections continue to apply."[1]

In February 1993, the Board proposed amendments to Regulation E providing modified coverage of EBT programs. In February 1994, the Board adopted final amendments. In adopting the amendments, the Board noted that the act's legislative history, the language of the act and regulation, and the strong similarity of EBT systems to other EFT services supported coverage of EBT programs under the act and regulation. From a public viewpoint, an EBT program functions much like a checking account with direct deposit of government benefits and ATM and POS services available to access the benefits.

The Board considered the arguments presented by governments and agencies on why Regulation E ought *not* to apply. Agencies suggested, for example, that it was inappropriate for Regulation E to apply because government agencies differ from private-sector financial institutions in a number of ways related to how compliance costs can be borne. Despite these arguments, the Board determined that all consumers using EFT services are entitled to receive substantially the same protections under the EFTA and Regulation E and that this includes recipients of government benefits. Thus, the Board's rules provide benefit recipients much the same rights that are available to other users of electronic payment mechanisms and apply to government agencies requirements that are largely equivalent to those that govern private-sector EFT services. In essence, the Board rejected the idea of treating benefit recipients differently from other citizens by denying them the rights and protections of the Electronic Fund Transfer Act.

To facilitate compliance, the Board made certain modifications to Regulation E as it would apply to EBT. Under the rules that go into effect next March, modified requirements apply to EBT programs that recognize their special characteristics. First, an agency must disclose a recipient's liability for unauthorized transfers, the types of transfers the recipient may make, a notice about error resolution procedures, and certain fees that may be imposed; generally, EBT programs provide training for benefit recipients that includes written disclosures. Second, an agency must document EFTs through receipts at ATMs and POS terminals; EBT programs generally use existing payment systems or dedicated terminals, and both provide receipts. To address the cost concerns of program agencies, the Board provided an exception from the periodic statement requirement under certain circumstances. Instead of sending monthly statements, EBT programs may provide account balance information by telephone or at a terminal and a written account history upon request. The purpose of this modification was to eliminate paper. The attached chart summarizes the applicable provisions.[2]

To enable states that are interested in EBT to test and implement their programs, the Board delayed the date of mandatory compliance with the final rule to March 1, 1997. The Board approved the delay in response to a request made by the Federal EBT Task Force and endorsed by the Vice President. The task force—which represents all the major federal agencies with benefit programs—has been working toward a nationwide system for the electronic delivery of government benefits. The task force asked for the three-year delay so that, in cooperation with the states, the agencies could take the necessary measures for implementing EBT programs in compliance with Regulation E.

The Board was, and remains, aware of the states' concern that the costs of complying with Regulation E could impede the development of EBT programs. Before adopting the final rule, the Board specifically solicited comment on the operational and cost impacts of coverage, particularly in the areas of liability for unauthorized transfers and error resolution. In its proposal, the Board stated that any comments opposing application of Regulation E on the basis of cost should be supported by substantial and persuasive data. While many states submitted cost estimates in response to the proposal, the Board was not persuaded that a case had been made for exempting programs from Regulation E.

Today, many states continue to assert that the application of Regulation E would make EBT prohibitively expensive, primarily because of the rules that limit the recipient's liability for unauthorized transfers. Generally, Regulation E limits liability to $50 if the recipient notifies the agency within two business days of learning of the loss or theft of the card. States express concern that potential losses from fraud and misuse could force them to discontinue EBT pro-

1. *Fair Fund Transfer Act*, Senate Report 95-915, 95 Cong. 2 Sess. (GPO, 1978).

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

grams when compliance with Regulation E becomes mandatory next March.

Without minimizing the states' concern, it is important not to overstate the risks. Regulation E does not mandate an automatic replacement of benefits when a claim of lost or stolen funds is made by a consumer. The agency will investigate the claim, consider the available evidence, and make a determination about whether a transfer was unauthorized or was made by the recipient or by someone to whom the recipient furnished access. If it turns out that a recipient has given a family member or someone else access to benefits, the recipient is fully liable for transfers. And although an agency may not routinely reject a claim because the recipient has filed a claim previously, the agency could factor in previous claims and losses by the recipient in deciding whether to honor a claim of unauthorized use.

The Board recognizes that there are legitimate concerns about the need to control for fraudulent claims. But there are means that an agency may adopt to help minimize fraudulent claims that do not conflict with Regulation E, means that exist today in the paper-based system. For example: the agency could put recipients on restricted issuance (such as crediting the recipient's benefits biweekly, rather than monthly); restrict the sites at which the recipient could receive benefits; or appoint a representative payee. The agency could also place the recipient on a paper back-up system. Although these limitations may be desirable only in certain circumstances, such measures are possible approaches for dealing with recipients who misuse the EBT system.

Since 1994, states have had an opportunity to develop effective management controls and operating rules to control the cost of compliance with Regulation E. This has provided a chance to find other practical solutions to the liability exposure. In addition, the Department of Agriculture has carried out test programs that should provide useful data about the actual costs of coverage.

The Board is aware of the various bills that would exempt EBT programs from the EFTA. The "Personal Responsibility and Work Opportunity Act of 1995," H.R.4, which was passed by the Congress and vetoed by the President, would have exempted EBT programs that distribute needs-tested benefits and are established or administered by states or localities. Other bills remain under consideration.

Whether these legislative proposals to exempt EBT programs from the EFTA are wise is obviously a decision for the Congress should it choose to amend the law, and the Board would not object to such action. However, the Board offers one observation. If an exemption is granted, limited to a particular category of EBT programs (such as needs-tested programs administered at the state and local level) without applying to EBT programs across the board, varying rules for different government benefit programs would result. This could make it very difficult to implement the multipurpose, one-card, unified national delivery system envisioned by the Congress and by the federal government. Either the federal and state programs would have to issue separate cards or they would have to explain to recipients how and why different rules apply depending on the source of the funds.

In conclusion, the Board believes that coverage of EBT programs by the EFTA and Regulation E is appropriate under the law as it currently exists. The EFTA provides that all consumers using electronic fund transfer services have certain rights and responsibilities in connection with the transfer of their funds. Thus, the rule extends to benefit recipients the same rights that are available to other users of electronic payment services. The rule applies to government agencies requirements and responsibilities equivalent to those that apply to private-sector EFT services. Therefore all citizens, regardless of the source of their electronic transactions, are covered by essentially the same rules.

The Board also believes that it should be possible to implement EBT programs in conformity with Regulation E and EFTA and at the same time maintain the integrity of the programs and their accountability for public funds. But to the extent that it is necessary to balance the consumer protection afforded by the EFTA against concern about the potential effect of the law's compliance costs on the nationwide delivery of EBT, the Congress may wish to reexamine the scope of the law's coverage. Today's hearing provides a very useful forum for that examination, and we appreciate the opportunity to participate.

Statement by Edward W. Kelley, Jr., Member of the Board of Governors of the Federal Reserve System, before the Subcommittee on Capital Markets, Securities and Government-Sponsored Enterprises, Committee on Banking and Financial Services, U.S. House of Representatives, June 26, 1996

It is a pleasure to appear before this subcommittee to discuss the supervision of bank sales practices on behalf of the Federal Reserve. The recent publication of various survey results has focused attention on the performance of the banking and securities industries in educating customers about the critical differences between FDIC-insured deposits and uninsured investment products sold on bank premises.

The Board has a long history of concerns about possible customer confusion between insured deposit instruments and uninsured investment products sold on bank premises. We have worked and continue to work diligently to minimize customer confusion through a number of supervisory and educational initiatives. These initiatives include coordination among the banking agencies to formulate clear and comprehensive guidelines governing the conduct of sales programs for nondeposit investment products offered on bank premises; the development of detailed examination procedures covering all aspects of sales of nondeposit products; and the development and implementation of an ambitious, multifaceted education program for consumers and for banks. We also have developed a productive relationship with the National Association of Securities Dealers (NASD) that includes the coordination of examinations of bank-affiliated broker–dealers and the sharing of examination information in appropriate circumstances. Finally, the banking agencies and the securities self-regulatory organizations have been working together to extend the same professional qualification standards found in the securities industry to bank sales personnel.

Before discussing these matters in more detail, I believe it would be helpful to discuss briefly the continuing growth of the banking industry's sale of mutual funds and other nondeposit investment products that has occurred since early 1994, when the Board last testified on this subject.

MUTUAL FUND SALES

It is estimated that there were $3.1 trillion of mutual funds outstanding as of April 1996, up about 50 percent from year-end 1994. Of this amount, bank proprietary funds accounted for about $420 billion, about 60 percent of which were money market funds. As you can see, the banking industry's share of total mutual funds outstanding is relatively small, particularly when money market funds are excluded.

With respect to sales volume, excluding money market funds, banks sold about $32 billion of equity and debt funds in 1995, up from $29 billion in 1994. These uninsured investment products—whose prices are most susceptible to changes in interest rates and other market factors—generate the most concern that customers understand they could lose the principal that they invested. Over the years, the banking agencies have consistently sought to protect and educate customers who might incorrectly believe that such investments are insured deposit instruments.

INTERAGENCY STATEMENT

In February 1994, the banking agencies jointly issued an Interagency Statement on the Retail Sales of Nondeposit Investment Products. The interagency statement calls for banks selling such products on their premises to intensify their disclosure efforts to advise retail customers that the investments are not deposits insured by the FDIC, are not guaranteed by the bank, and are subject to the risk of loss of principal. These three disclosures are quite similar to those that have been required by the Federal Reserve since 1972, when it issued interpretations of Regulation Y pertaining to bank holding company sales of uninsured investment instruments such as commercial paper. Banks were required to provide disclosures that were intended to enhance customer awareness and minimize the mistaken notion that an investment product purchased on bank premises was the same as an insured deposit.

The interagency statement also formalized the agencies' expectation that sales of investment products would take place in an area of the lobby distinctly separate from teller windows and other locations where deposits could be made. Moreover, advertisements and account statements that contain information about both insured deposits and uninsured investment products must separate the information and provide the three disclosures I mentioned earlier. Appropriate standards for training, compensation, suitability, and supervision also were discussed.

Finally, the interagency statement addressed the relationship between banks and third parties that sell investment products on bank premises—by far the most typical scenario, because approximately 87 percent of all sales on bank premises occur through broker–dealers.

Examination Procedures

Shortly after issuing the interagency statement, the Federal Reserve developed detailed examination procedures for use in state member banks that sell mutual funds to retail customers. The procedures are intended to enhance the supervision of these activities and to ensure bank compliance with the guidelines contained in the interagency statement. The procedures focus on the adequacy of disclosure, the physical separation of securities sales from deposit-taking activities, and other procedures intended to avoid customer confusion and ensure customer protection.

In the two years since implementation, our examiners have found that banks generally have procedures in place that comply with the guidelines in the interagency statement. In some cases, examiners have identified material deficiencies in sales programs and instructed that they be corrected. Although the Federal Reserve is prepared to initiate an enforcement action against any bank found to operate a sales program in a manner not consistent with principles of safety and soundness, in each case in which problems were discovered the bank responded promptly. In some cases this included a temporary suspension of sale activities until deficiencies were corrected. We have also found many banks to be proactive in their efforts to operate investment sales programs in a safe and sound manner, and our staff answers frequent inquiries concerning compliance with the requirements of the interagency statement.

NASD Coordination

In January 1995, the banking agencies entered into an Agreement in Principle with the NASD to coordinate the supervision and examination of bank-affiliated broker–dealers between the NASD and the banking agencies. In the interest of functional supervision and to avoid duplicative efforts to supervise and examine entities subject to the legal jurisdiction of both the NASD and the banking agencies, arrangements were made to share examination schedules, coordinate examinations, and share pertinent findings relevant to the retail securities sales activities of such firms.

Pursuant to the agreement, the Federal Reserve has worked closely with the NASD on several occasions to address supervisory issues arising from the examination of a state member bank and an affiliated broker–dealer that conducts retail sales activities on the bank's premises. While the Federal Reserve has addressed the issues with the bank to seek corrective action in response to the problems, the NASD has addressed the matter with the affiliated broker–dealer, thereby ensuring that all parties to the business activity are responding to the supervisors' collective concerns.

Most important, we have established effective lines of communication and a cooperative working relationship with the NASD. We think that this relationship has made our supervisory programs more effective.

NASD Proposed Rulemaking

In late 1994, the NASD proposed new rules governing sales of securities on bank premises by member firms. The Federal Reserve worked with NASD staff and provided extensive comments on the proposal, many of which were incorporated into its revised rule. The NASD also relied on the expertise of the many commenters as well as on the advice of a newly created committee of bank-affiliated broker–dealers and third-party providers that sell through banks. The result is that the NASD's proposed rule now is generally consistent with the interagency statement with respect to the important issues of separation and disclosure. We informally have communicated with NASD representatives on issues, such as use of confidential information, that need additional clarification. The extensive communication in connection with this rulemaking demonstrates the commitment of both the industry and the regulators to achieve consistency in rules and guidelines governing this area. Our goal is to maximize the benefits and minimize the burdens resulting from our joint jurisdiction in this area.

Banking Agencies' Proposed Rulemaking on Professional Qualifications

The staff of the banking agencies is nearing completion of a proposed rule to establish a professional qualifications program for banks selling securities to retail customers that closely follows securities industry requirements. We believe the establishment of professional qualification requirements is in the best interests of the banking industry and of consumers.

Briefly, the proposed rule would require bank employees to take and pass a securities industry professional qualification examination before beginning to sell securities to retail customers. This will ensure that bank securities representatives are appropriately trained and educated as required by the interagency statement and will enhance the ability of banks to serve their retail securities customers. Continuing education requirements, such as those required of broker–dealers and their employees, also would be imposed to ensure continued familiarity with industry practices, securities issues, and regulatory requirements. Finally, bank sales personnel would be subject to a registration process under which employment and certain disciplinary and customer complaint information could be accessed by members of the public. The banking agencies are working with the NASD to arrange for the NASD's new Central Registration Depository to maintain registration information filed with the banking agencies.

In our discussions with the trade organizations and industry participants, we have encountered strong support for the proposed rule. We will encourage the banking industry to participate by commenting on the proposal as the banking agencies work closely with the securities self-regulatory organizations to bring this proposal to fruition.

Market Trends Survey

The FDIC recently released the results of its market trends survey, which show that some banks and securities firms selling on bank premises need to improve their efforts to advise customers of the risks associated with nondeposit investment products. We agree. While there have been various consumer surveys that have shown an increasing awareness among the investing public that mutual funds and other investment products purchased at banks are not FDIC-insured, more can be done. For those investors who do not understand the risks associated with the lack of FDIC insurance, point-of-sale disclosures remain important. In this regard, the Federal Reserve is working closely with the other federal banking agencies to promote disclosure by banks through the examination process, promote greater consumer understanding through education, and promote professional qualification standards for bank sales personnel. We also will continue to work with the NASD to obtain further improvements in disclosure by broker–dealers selling securities on banks premises. As I noted earlier, approximately 87 percent of all securities sold on bank premises are through sales representatives of NASD-registered broker–dealers.

Education Initiatives

In an effort to help bank customers understand that not all products sold at banks are insured by the federal government, the Federal Reserve launched a multidimensional, national education program designed to deliver this message to consumers. In addition to the interagency statement, for the past eighteen months the Federal Reserve has been engaged in an intensive education program aimed at both retail customers and bankers. Mutual Funds: Understand the Risks, as the program is known, is quite comprehensive. It includes material for both a consumer seminar presentation and a banker compliance program; a video that can be used by bankers and other professionals in their dealings with retail customers; and compliance checklists to help bankers operate in a manner that complies with the interagency statement.

The goal of the consumer seminar program is to help retail customers understand the differences between insured deposits and uninsured investments; the goal of the banker education program is to increase compliance with the interagency statement, which in turn will help inform and protect customers. The program has been well received and has been discussed in numerous publications. The American Bankers Association has featured the program in its newsletter and has broadcast the video on its Skylink System.

To date, seventy consumer seminars and forty-seven banker training programs have been held around the country, reaching more than 7,500 consumers– including a seminar in Spanish to an audience in Puerto Rico—and nearly 1,400 bankers. Materials have been distributed to another 3,150 consumers via exhibits and town meetings sponsored by the Securities and Exchange Commission. Nearly 10,000 copies of the video, more than 7,000 copies of the compliance checklists, and approximately 1,500 copies of the consumer outreach package have been distributed. The materials have been shared with federal and state regulators and are available from the Board. Selected materials have been translated into Spanish.

These seminars and educational initiatives appear to work. A comparison of knowledge levels before and after a consumer seminar indicates that individuals seem to have a better understanding of the risks associated with nondeposit investment products: 91 percent know these products are not FDIC-insured, compared with 65 percent before the seminar; 87 percent know these products carry the risk of loss of principal, compared with 72 percent before the seminar. Bankers who attended our training sessions report that they feel better able to comply with the interagency statement, especially with respect to disclosure and the physical separation of the investment sales area from deposit-taking activities.

We intend to do more. We have completed a video public service announcement that will be distributed this summer to 145 stations in the top forty national television markets. Materials for the bankers training program are currently being updated, and we hope to initiate another round of banker education programs soon.

CONCLUSION

The continuing growth in bank sales of mutual funds and other uninsured investments necessitates a commitment on the part of the banking industry and bank supervisors to the principle that effective disclosure of risks is in the best interest of the customer and the banking organization. Banks can best ensure that their sales staffs are operating in a manner consistent with this objective if they develop comprehensive training programs and effectively monitor compliance with policies and procedures governing sales of nondeposit products. The Federal Reserve will continue to seek ways to strengthen its educational and supervisory programs to promote compliance with the guidelines in the interagency statement so that bank customers are served in a safe and sound manner consistent with principles of customer protection. □

Announcements

ALAN GREENSPAN: REAPPOINTMENT AS CHAIRMAN OF THE BOARD OF GOVERNORS

ALICE M. RIVLIN: APPOINTMENT AS A MEMBER OF THE BOARD OF GOVERNORS AND AS VICE CHAIR

LAURENCE H. MEYER: APPOINTMENT AS A MEMBER OF THE BOARD OF GOVERNORS

On February 22, 1996, President Clinton announced his intention to reappoint Alan Greenspan as Chairman of the Board of Governors and to nominate Alice M. Rivlin as a member of the Board of Governors and Vice Chair, and Laurence H. Meyer as a member of the Board of Governors. The three appointments were confirmed by the Senate on June 20, and the oaths of office were administered as follows: Dr. Greenspan on June 21, Dr. Meyer on June 24, and Dr. Rivlin on June 25. A formal swearing-in ceremony was held on June 25 for Dr. Greenspan, with Secretary of the Treasury Robert Rubin administering the oath of office.

The text of President Clinton's announcement follows:

The President. Good afternoon. As we seek to sustain economic growth there is no more important institution in our country than the Federal Reserve. Its decision can help determine whether businesses can borrow and grow, whether families can buy a home, and whether our financial system is sound. Its independence and its professionalism are an important safeguard for our economy.

Over the past three years, my administration has had a respectful and productive relationship with the Federal Reserve. During this time, we have done our job to help grow this economy, first by cutting our deficit in half, and secondly, by increasing important investments in education, technology and defense conversion.

The Fed, in turn, has done its job making independent and professional judgments on monetary policy. Together our efforts have helped to create a climate for sustained economic growth—the lowest combination of unemployment, inflation and mortgage rates in 27 years. This relationship has worked.

Today I am pleased to announce my decision, first, to reappoint Alan Greenspan as the Chairman of the Federal Reserve Board. He brings his years of experience as a prominent economist and, I might add, a leading Republican, and a career capped by eight years of service as the Chairman of the Federal Reserve. During his tenure he has inspired confidence and for good reason. He has worked with our administration to safeguard the stability of global financial markets, recognizing that today even temporary difficulties in one corner of the globe can have far-reaching effects in another. And more importantly, his decisions have helped us to work toward a period of sustained economic growth.

I'm also proud to announce my intention to nominate two distinguished economists to join Chairman Greenspan at the Fed. First, I am nominating Dr. Alice Rivlin as the Vice Chair of the Federal Reserve Board.

As a founding director of the Congressional Budget Office, a Senior Fellow at Brookings Institution, and President of the American Economics Association, she is one of our nation's foremost experts on how to keep the economy growing. And as my Director of the Office of Management and Budget, she has been my strong right arm as we have cut wasteful spending and moved toward a balanced budget.

I have come to deeply value her independence. She always calls it as she sees it. And I know from working with her for three years that her ultimate test is how the decisions we make affect the lives and future of ordinary American citizens.

Alice Rivlin has the right combination of mind and heart to serve our country well as the Vice Chair of the Federal Reserve. I will miss her, and I appreciate her willingness to take on this new responsibility.

For the position of Member of the Federal Reserve Board I am today nominating Laurence Meyer. Dr. Meyer is a professor of economics at Washington University. He is renowned as one of our nation's leading economic forecasters. This year he received the annual award as the most accurate forecaster among blue-chip economists, an award he also won in 1993. Because of that, his economic forecasts are closely listened to at both OMB and CBO. Now, that is no small feat. (Laughter.)

He consults widely for American businesses, and his judgment and experience will serve our nation well at the Federal Reserve.

If we all continue to do our part and the Federal Reserve continues to be strong, forthright, and resolute, we can create a climate for sustained growth and prosperity for the American people for years to come. I look forward to working with these nominees, and I hope the Senate will give them speedy and favorable consideration.

Thank you, Mr. Greenspan. Alice, Dr. Meyer, thank you very much.

Q. Do you have any guarantees from the Senate, Mr. President?

The President. I don't know that there are any guarantees left in this old world, but I feel quite confident that this team of people will be confirmed.

Q. Mr. President, do you think these three people will be able to engage in the kind of debate you were talking about in New York last week?

The President. I do. And I feel good about it. After all, what should our objective be? Our objective should be to achieve the maximum sustainable economic growth in our country consistent with not letting inflation get out of hand. And the Fed can't do that alone. The rest of us have to do our part, too.

I think balancing the budget is an important part of it. I think bringing the benefits of education and technology to all the members of the work force who are stuck in stagnant wages now is a very important part of it. I think creating incentives to invest in the areas where there aren't enough jobs of any kind, in the inner cities and the rural areas, is an important part of it—that's what our empowerment zone meeting today is about. And I think paying some special attention to all those people who have been downsized and trying to devise ways that will speed their reentry into the job market at appropriate levels is an important part of it.

So no one can do this job alone, but I think that the truth is that we're entering a new economy and it's a subject that ought to be open to honest debate. I was encouraged by the comments that Chairman Greenspan made in his two appearances before the Congress in the last couple of days. And I feel good about this group of distinguished Americans being in the positions for which I have nominated them.

Q. Thank you, Mr. President.

The President. Thank you.

Q. Can we ask Dr. Rivlin a question?

The President. Sure.

Q. What level of growth would you like to see, Dr. Rivlin? (Laughter.) And Dr. Meyer as well if you could.

Dr. Rivlin. A sustainable level consistent with low inflation. (Laughter.)

Q. Dr. Rivlin, could we ask, have you had a change of heart? Didn't you indicate just recently that you weren't really interested in this job?

Dr. Rivlin. Yes, I did. (Laughter.)

Q. Is the President persuasive or—

The President. I haven't lost all my powers of persuasion. (Laughter.) Battered and bloody though I may be, I can still, once in a while, make a good argument. (Laughter.)

Thank you.

The Press. Thank you.

Issuance of Investment Scheme Advisory

The Federal Reserve Board on June 11, 1996, issued an Investment Scheme Advisory alert cautioning the public about the continued proliferation of illegal "prime bank" financial instruments and scams.

This Investment Scheme Advisory updates an October 1993 interagency alert concerning fraudulent "prime bank" financial instruments and investment programs that supposedly invest in them.

The advisory also states that, contrary to statements in some of the written materials used by individuals involved with the fraudulent schemes, the Federal Reserve does not, among other things, authorize, sanction, or oversee any investment programs or plans involving "prime bank" products. The Federal Reserve also does not license traders in "prime bank" instruments or have agents abroad to sell or redeem such financial instruments.

Modification of Prudential Limitations on Riskless Principal Transactions

The Federal Reserve Board announced on June 11, 1996, the modification of the prudential limitations established by the Board for the "riskless principal" activities of bank holding companies. Bank holding companies that previously have received Board approval to conduct riskless principal transactions may engage in this activity subject to the modified framework of limitations.

Proposed Action

The Federal Reserve Board on June 27, 1996, requested public comment on a proposal to simplify and update the requirements of its Regulation D governing the reserve requirements of depository institutions. Comments should be received by August 16.

Issuance of a Report on the Combined Statement of Condition of the Federal Reserve Banks

The Federal Reserve Board issued on July 2, 1996, a report by an independent accounting firm certifying the combined statement of condition of the Federal Reserve Banks as of the end of 1995 together with related statements of income and changes in capital.

This was the first financial audit of the combined financial statements of the Reserve Banks performed by an independent accounting firm, in this case by Coopers & Lybrand. The certified financial statements and footnotes appear in this issue of the *Bulletin* on pages 780–89.

Audits of each Reserve Bank have long been conducted by each Bank's general auditor and by the Board's financial examiners. This is the first year that the System has issued independently audited combined Reserve Bank financial statements and footnotes similar to those provided in the private sector.

Other audits of the Board and Reserve Banks are conducted by the General Accounting Office and the Board's Inspector General.

PUBLICATION OF THE JUNE 1996 UPDATE OF THE *BANK HOLDING COMPANY SUPERVISION MANUAL*

The June 1996 update of the *Bank Holding Company Supervision Manual*, Supplement No. 10, has been published. The inspection guidance dealing with mortgage banking nonbank subsidiaries of bank holding companies has been substantially revised. This revision provides supervisory guidance regarding oversight by a company's board of directors and senior management; activities comprising loan production, marketing, servicing, and administration; and issues relating to mortgage-servicing rights, financial analysis, and intercompany transactions.

The update also includes inspection guidance on rating the adequacy of risk management processes and internal controls. In addition, the *Manual* includes new or revised summaries of certain nonbanking activities that have been approved by Board order—including Futures Commission Merchants, Section 20 companies, futures (and options thereon) involving financial and nonfinancial commodities, and related advisory services. The sections for Regulation O (Loans to Executive Officers, Directors, and Principal Shareholders of Member Banks) and intercompany transactions have been changed to incorporate the new definition of unimpaired capital and surplus. A more detailed list of changes is included in the revision package.

The public may obtain the *Manual* and the updates (including pricing information) from Publications Services, Mail Stop 127, Board of Governors of the Federal Reserve System, Washington, DC 20551. □

Legal Developments

FINAL RULE—AMENDMENT TO REGULATION S

The Board of Governors is amending 12 C.F.R. Part 219, Subpart A of its Regulation S (Reimbursement for Providing Financial Records; Recordkeeping Requirements for Certain Financial Records), which implements the requirement under the Right to Financial Privacy Act ("RFPA") that the Board establish the rates and conditions under which payment shall be made by a government authority to a financial institution for assembling or providing financial records pursuant to RFPA. These amendments update the fees to be charged and streamline the subpart generally.

Effective July 12, 1996, 12 C.F.R. Part 219 is amended as follows:

Part 219—Reimbursement for Providing Financial Records; Recordkeeping Requirements for Certain Financial Records (Regulation S)

Subpart A—Reimbursement to Financial Institutions for Providing Financial Records

1. The authority citation for Subpart A continues to read as follows:

Authority: 12 U.S.C. 3415

2. Subpart A is amended by revising sections 219.2 through 219.6 to read as follows:

Section 219.2—Definitions.

For the purposes of this subpart, the following definitions shall apply:

Customer means any person or authorized representative of that person who uses any service of a financial institution, or for whom a financial institution acts or has acted as a fiduciary in relation to an account maintained in the person's name. Customer does not include corporations or partnerships comprised of more than five persons.

Financial institution means any office of a bank, savings bank, card issuer as defined in section 103 of the Consumers Credit Protection Act (15 U.S.C. 1602(n)), industrial loan company, trust company, savings association, building and loan, or homestead association (including cooperative banks), credit union, or consumer finance institution, located in any State or territory of the United States, the District of Columbia, Puerto Rico, Guam, American Samoa, or the Virgin Islands.

Financial record means an original or copy of, or information known to have been derived from, any record held by a financial institution pertaining to a customer's relationship with the financial institution.

Government authority means any agency or department of the United States, or any officer, employee or agent thereof.

Person means an individual or a partnership of five or fewer individuals.

Section 219.3 Cost reimbursement.

(a) *Fees payable.* Except as provided in section 219.4, a government authority, or a court issuing an order or subpoena in connection with grand jury proceedings, seeking access to financial records pertaining to a customer shall reimburse the financial institution for reasonably necessary costs directly incurred in searching for, reproducing or transporting books, papers, records, or other data as set forth in this section. The reimbursement schedule for a financial institution is set forth in Appendix A to this section. If a financial institution has financial records that are stored at an independent storage facility that charges a fee to search for, reproduce, or transport particular records requested, these costs are considered to be directly incurred by the financial institution and may be included in the reimbursement.

(b) *Search and processing costs.* (1) Reimbursement of search and processing costs shall cover the total amount of personnel time spent in locating, retrieving, reproducing, and preparing financial records for shipment. Search and processing costs shall not cover analysis of material or legal advice.

(2) If itemized separately, search and processing costs may include the actual cost of extracting information stored by computer in the format in which it is normally produced, based on computer time and necessary supplies; however, personnel time for computer search may be paid for only at the rates specified in Appendix A to this section.

(c) *Reproduction costs.* The reimbursement rates for reproduction costs for requested documents are set forth in Appendix A to this section. Copies of photographs, films, computer tapes, and other materials not listed in Appendix A to this section are reimbursed at actual cost.

(d) *Transportation costs.* Reimbursement for transportation costs shall be for the reasonably necessary costs directly incurred to transport personnel to locate and retrieve the requested information, and to convey such material to the place of examination.

Appendix A to Section 219.3 Reimbursement Schedule

Reproduction:

Photocopy, per page	$.25
Paper copies of microfiche, per frame	$.25
Duplicate microfiche, per microfiche	$.50
Computer diskette	$5.00

Search and Processing:

Clerical/Technical, hourly rate	$11.00
Manager/Supervisory, hourly rate	$17.00

Section 219.4 Exceptions.

A financial institution is not entitled to reimbursement under this subpart for costs incurred in assembling or providing financial records or information related to:

(a) *Security interests, bankruptcy claims, debt collection.* Any financial records provided as an incident to perfecting a security interest, proving a claim in bankruptcy, or otherwise collecting on a debt owing either to the financial institution itself or in its role as a fiduciary.

(b) *Government loan programs.* Financial records that are necessary to permit the appropriate government authority to carry out its responsibilities under a government loan, loan guaranty or loan insurance program.

(c) *Nonidentifiable information.* Financial records that are not identified with or identifiable as being derived from the financial records of a particular customer.

(d) *Financial supervisory agencies.* Financial records disclosed to a financial supervisory agency in the exercise of its supervisory, regulatory, or monetary functions with respect to a financial institution.

(e) *Internal Revenue summons.* Financial records disclosed in accordance with procedures authorized by the Internal Revenue Code.

(f) *Federally required reports.* Financial records required to be reported in accordance with any federal statute or rule promulgated thereunder.

(g) *Government civil or criminal litigation.* Financial records sought by a government authority under the Federal Rules of Civil or Criminal Procedure or comparable rules of other courts in connection with litigation to which the government authority and the customer are parties.

(h) *Administrative agency subpoenas.* Financial records sought by a government authority pursuant to an administrative subpoena issued by an administrative law judge in an adjudicatory proceeding subject to 5 U.S.C. 554, and to which the government authority and the customer are parties.

(i) *Investigation of financial institution or its noncustomer.* Financial records sought by a government authority in connection with a lawful proceeding, investigation, examination, or inspection directed at the financial institution in possession of such records, or at an entity that is not a *customer* as defined in section 219.2 of this part.

(j) *General Accounting Office requests.* Financial records sought by the General Accounting Office pursuant to an authorized proceeding, investigation, examination, or audit directed at a government authority.

(k) *Federal Housing Finance Board requests.* Financial records or information sought by the Federal Housing Finance Board (FHFB) or any of the Federal home loan banks in the exercise of the FHFB's authority to extend credit to financial institutions or others.

(l) *Department of Veterans Affairs.* The disclosure of the name and address of any customer to the Department of Veterans Affairs where such disclosure is necessary to, and used solely for, the proper administration of benefits programs under laws administered by that Department.

Section 219.5 Conditions for payment.

(a) *Direct costs.* Payment shall be made only for costs that are both directly incurred and reasonably necessary to provide requested material. Search and processing, reproduction, and transportation costs shall be considered separately when determining whether the costs are reasonably necessary.

(b) *Compliance with legal process, request, or authorization.* No payment may be made to a financial institution until it satisfactorily complies with the legal process, the formal written request, or the customer authorization. When the legal process or formal written request is withdrawn, or the customer authorization is revoked, or where the customer successfully challenges disclosure to a grand jury or government authority, the financial institution shall be reimbursed for the reasonably necessary costs incurred in assembling the requested financial records prior to the time the financial institution is notified of such event.

(c) *Itemized bill or invoice.* No reimbursement is required unless a financial institution submits an itemized bill or invoice specifically detailing its search and processing, reproduction, and transportation costs. Search and processing time should be billed in 15 minute increments.

Section 219.6 Payment procedures.

(a) *Notice to submit invoice.* Promptly following a service of legal process or request, the court or government authority shall notify the financial institution that it must submit an itemized bill or invoice in order to obtain payment and shall furnish an address for this purpose.

(b) *Special notice.* If a grand jury or government authority withdraws the legal process or formal written request, or if the customer revokes the authorization, or if the legal process or request has been successfully challenged by the customer, the grand jury or government authority shall promptly notify the financial institution of these facts, and shall also notify the financial institution that it must submit an itemized bill or invoice in order to obtain payment of costs incurred prior to the time of the notice to the financial institution receives this notice.

Section 219.7 [Removed]

3. Section 219.7 is removed.

ORDERS ISSUED UNDER BANK HOLDING COMPANY ACT

Orders Issued Under Section 3 of the Bank Holding Company Act

Bank of Boston Corporation
Boston, Massachusetts

Order Approving Acquisition of a Bank Holding Company

Bank of Boston Corporation ("Bank of Boston"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire The Boston Bancorp ("Bancorp") and thereby indirectly acquire its wholly owned subsidiary, South Boston Savings Bank ("Savings Bank"), all in Boston, Massachusetts.[1]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 11,639 (1996)). 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.[2]

Bank of Boston, with consolidated assets of approximately $47.4 billion, operates subsidiary banks in Massachusetts, Connecticut, Florida, and Rhode Island, and a special purpose bank in Maine that provides cash management services. Bank of Boston is the largest commercial banking organization in Massachusetts, controlling deposits of $15.4 billion, representing approximately 15.2 percent in total deposits in commercial banks or thrift institutions ("depository institutions") in Massachusetts.[3] Bancorp is the tenth largest commercial banking organization in Massachusetts, controlling $1.4 billion of deposits, representing approximately 1.3 percent of total deposits in depository institutions in the state. On consummation of the proposal, Bank of Boston would remain the largest commercial banking organization in Massachusetts, controlling $16.8 billion of deposits, representing approximately 16.5 percent of total deposits in depository institutions in Massachusetts.

Competitive Considerations

The BHC Act prohibits the Board from approving an application under section 3 of the BHC Act if the proposal would result in a monopoly, or if the proposal would substantially lessen competition in any relevant market, unless such anticompetitive effects are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Bank of Boston and Bancorp compete directly in the Boston banking market.[4]

Bank of Boston is the second largest depository institution in the market, controlling deposits of approximately $12.2 billion, representing approximately 18.3 percent of total deposits in depository institutions in the market ("market deposits").[5] Savings Bank is the tenth largest depository institution in the market, controlling deposits of $1.4 billion, representing approximately 1 percent of market deposits. On consummation of this proposal, Bank of Boston would become the largest depository institution in the market, controlling deposits of approximately $13.6 billion, representing approximately 20.1 percent of market deposits. The market would remain moderately concentrated as measured by the Herfindahl-Hirschman Index ("HHI"), and numerous competitors would remain in the market.[6]

1. Bank of Boston proposes to acquire Bancorp by merging its wholly owned subsidiary, BancBoston Merger Co., into Bancorp with Bancorp to be the surviving company. After consummation of this proposal, Bank of Boston would merge Savings Bank with and into its wholly owned subsidiary bank, The First National Bank of Boston ("FNBB"). The Office of the Comptroller of the Currency ("OCC") has approved this merger under the Bank Merger Act (12 U.S.C. § 1828(c)). Bank of Boston also has requested Board approval to acquire options for up to 19.9 percent of Bancorp's stock.

2. The Board received comments from an individual ("Protestant") contending, without providing any supporting evidence, that acquisitions of small institutions by large bank holding companies have a number of adverse effects, including decreased competition, increased risk of failure to the banking system, increased collusion to set fees for banking products and services, and higher fees for fewer services to customers, particularly small businesses. The Board has carefully considered these comments in light of all the facts of record, including supervisory information and examination reports, in the Board's evaluation of the competitive effects of this proposal, and in its consideration of the financial and managerial resources of the companies involved, the future prospects of these companies and the effect of the proposal on the convenience and needs of the community served.

3. Asset data are as of December 31, 1995. State deposit data are as of June 30, 1995.

4. The Boston banking market is approximated by the Boston RMA and the towns of Greenville, Lyndeborough, Mason, and New Ipswich in Hillsborough County, all in New Hampshire.

5. Market share data are as of June 30, 1995, and are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See WM Bancorp*, 76 *Federal Reserve Bulletin* 788 (1990); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Thus, the Board has regularly included thrift deposits in the calculation of market share on a 50 percent weighted basis. *See, e.g., First Hawaiian Inc.*, 77 *Federal Reserve Bulletin* 52 (1991). Because the deposits of Savings Bank would be controlled by a commercial banking organization after consummation of the proposal, they have been included at 100 percent in the calculation of market shares for Bank of Boston after consummation of this proposal. *See Norwest Corporation*, 78 *Federal Reserve Bulletin* 452 (1992).

6. The HHI for the Boston banking market would increase by 55 points to 1090. 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 between 1000 and 1800 is considered to be moderately concentrated. The Justice Department has informed the

The Board sought comments from the Department of Justice ("DOJ") on the competitive effects of this proposal, and DOJ advised the Board that the proposal is not likely to have a significantly adverse effect on competition in any relevant banking market.[7] In light of all the facts of record, and for the reasons discussed above, the Board concludes that consummation of the proposal is not likely to have a significantly adverse effect on competition or on the concentration of banking services in the Boston banking market or any other relevant market.

Other BHC Act Factors

The BHC Act also requires the Board to consider the factors specified in section 3 in light of all the facts of record presented by an application. Those factors include considerations relating to the financial and managerial resources and future prospects of the institutions involved as well as other supervisory factors, and the convenience and needs of the community to be served.

The Board has carefully considered the financial and managerial resources and future prospects of Bank of Boston and Bancorp, and their respective subsidiaries, and other supervisory factors in light of all the facts of record. These facts include supervisory reports of examination assessing the financial and managerial resources of the organizations, confidential financial information provided by Bank of Boston and the relative size of the two institutions. Bank of Boston would incur no additional debt in connection with this proposal and has sufficient financial and managerial resources to effect this transaction without impairing those resources. After consummation of this proposal, moreover, all of Bank of Boston's subsidiary banks would remain well capitalized. Based on these and all the facts of record, the Board concludes that all the supervisory factors under the BHC Act weigh in favor of approving this proposal.

A. Convenience and Needs Factor

The Board has long held that consideration of the convenience and needs factor should include a review of the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). As provided in the CRA, the Board has evaluated this factor in light of examination by the primary federal supervisor of the CRA performance records of the relevant institutions. The institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed on-site evaluation of the institution's overall record of performance under the CRA by its primary federal supervisor.[8] In addition, the Board considers an institution's policies and practices for compliance with applicable fair lending laws. The Board also takes into account information on an institution's lending activities that assist in meeting the credit needs of low- and moderate-income neighborhoods, including programs and activities initiated since the most recent CRA performance examination.

Performance Examinations. All of Bank of Boston's subsidiary banks received a rating of "satisfactory" or "outstanding" in their most recent examinations for CRA performance by their primary federal supervisors. FNBB, which would survive the merger with Savings Bank, received an "outstanding" rating in its most recent examination for CRA performance by its primary supervisor, the OCC, as of December 19, 1994 ("1994 Examination").

Record of Performance by FNBB. The 1994 Examination found that FNBB had initiated a number of successful strategies to help address identified housing and small business credit needs and that the volume of residential mortgage, housing rehabilitation and small business loans originated and purchased was significant throughout the bank's community.[9] Overall, credit extensions and loan applications reflected a reasonable geographic distribution in each of the bank's communities, including low- and moderate-income areas. No evidence of prohibited discriminatory or other illegal credit practices was noted in the examination. Examiners also commended FNBB for its leadership in working with government sponsored loan programs for affordable housing and small business,[10] and its high level of participation in community development and redevelopment projects.[11]

Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognizes the competitive effect of limited purpose lenders and other nondepository financial entities.

7. Protestant presented no facts to indicate that Bank of Boston or Bancorp have colluded with any other party to set fees in violation of federal antitrust laws.

8. The Board notes that the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record and that reports of these examinations will be given great weight in the applications process. 54 *Federal Register* at 13,745.

9. Protestant asserts that consolidation of the banking industry has substantially impaired the ability of small businesses to negotiate with banks, thereby making them vulnerable to high bank fees. The record indicates that FNBB has taken steps designed to provide special services to assist small businesses with their banking needs. FNBB formed a Small Business Banking Department in 1993, for example, and introduced the "Business Focus Account" with overdraft protection and other special features. The bank also expanded its lending to small businesses through its "Credit Initiative Program" and features a simplified small business loan application.

10. FNBB participates in loan programs sponsored by the Small Business Administration ("SBA") and was the largest SBA lender in Massachusetts in 1994. FNBB also participates in other programs that promote small business lending such as the Massachusetts Business Development Corporation and the Economic Development Individual Corporation.

11. The record does not support Protestant's allegation about excessive fees. The record indicates that Bank of Boston has an established record of providing a full range of banking services in its delineated

FNBB's efforts to ascertain the credit needs of its community include contacts with community-based organizations and a review of demographic data in designing products to meet those needs. Examiners also noted that FNBB uses effective marketing strategies that include marketing and advertising programs to reach residents in low- and moderate-income areas.

Conclusion on Convenience and Needs Factor. As discussed above, the Board has carefully reviewed the relevant CRA examination information, the programs and policies implemented by the relevant institutions, comments and concerns raised by Protestant, and other facts of record in its consideration of the effect of this transaction on the convenience and needs of the community. Based on this review, the Board concludes that convenience and needs considerations are consistent with approval of this application.

Conclusion

Based on the foregoing and all other facts of record, the Board has determined that the application should be, and hereby is, approved.[12] The Board's approval is expressly conditioned on Bank of Boston's compliance with all the commitments made in connection with this application. The commitments and conditions relied on by the Board in reaching this decision shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective June 3, 1996.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

communities, including substantial lending services and offers a range of retail banking services. Examiners noted, for example, that FNBB offers a "First Step" product line with low cost services including, a low fee checking account that waives fees for individuals over 65 years of age, and under certain other circumstances. First Step also includes a basic savings account with no minimum balance, no charge for check cashing, and a monthly fee, which may be waived for individuals older than 65 or younger than 18. The record does not support the conclusion that the fees charged by Bank of Boston for checking accounts or other banking services are based in any way on a factor prohibited by law.

12. Protestant requested notification of any public meeting or hearing on this application but did not request that such a meeting or hearing be held as provided in the Board's Rules of Procedure. 12 C.F.R. 262.3(e).

The Board notes that a hearing is required under section 3(b) of the BHC Act only if the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial. No supervisory agency has recommended denial of the proposal. Generally, under the Board's Rules of Procedure, the Board may, in its discretion, hold a public hearing or meeting on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 C.F.R. 262.3(e) and 262.25(d). All interested parties have had an opportunity to present their views and Protestant has submitted comments that have been considered by the Board. On the basis of all the facts of record, the Board has determined that a public meeting or hearing is not necessary to clarify the factual record of the application, or otherwise warranted in this case.

Community Bancshares of Marysville, Inc.
Marysville, Kansas

Order Approving Acquisition of a Bank

Community Bancshares of Marysville, Inc., Marysville, Kansas ("Community"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act") has applied for the Board's approval under section 3 of the BHC Act to acquire Community State Bank, Hanover, Kansas ("Bank").[1]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 15,263 (1996)). 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.

Community is the 47th largest banking organization in Kansas controlling $101.1 million in deposits, representing less than 1 percent of total deposits in commercial banks in Kansas.[2] Bank is the 226th largest banking organization in Kansas, with $21.3 million in deposits, representing less than 1 percent of total deposits in commercial banking organizations in Kansas. On consummation of this proposal, Community would become the 35th largest banking organization in Kansas, controlling deposits of $122.4 million, representing less than 1 percent of total deposits in commercial banking organizations in the state.

1. On consummation of the proposal, Community would merge Bank into its subsidiary bank, Citizens State Bank, Marysville, Kansas ("CSB"). This transaction requires approval under the Bank Merger Act (12 U.S.C. § 1828(c)) by the Federal Deposit Insurance Corporation, the primary federal supervisor of CSB.

2. All banking data are as of June 30, 1995. Market shares data are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Thus, the Board regularly has included thrift deposits in the calculation of market share on a 50-percent weighted basis. *See, e.g., First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52 (1991).

Community and Bank compete directly in the Marshall-Washington County, Kansas, banking market.[3] In the Marshall-Washington County banking market, Community is the largest depository institution in the market, controlling deposits of $101.1 million, representing 28.7 percent of total deposits in commercial banks in the market ("market deposits"). Bank is the fourth largest depository institution in the market, controlling $21.3 million in deposits, representing 6.0 percent of total market deposits. On consummation of the proposal, Community would remain the largest depository institution in the market with $122.4 million in deposits, representing 34.7 percent of market deposits. The Herfindahl-Hirschman Index ("HHI") would increase by 347 points to 1848 as a result of the proposed transaction.[4]

The Board notes that the HHI levels are only guidelines that are used by the Board, the Department of Justice, and the other banking agencies to help identify cases in which a more detailed competitive analysis is appropriate to assure that the proposal would not have a significantly adverse effect on competition in any relevant market. A proposal that fails to pass the HHI market screen may, nonetheless, be approved because other information may indicate that the proposal would not have a significantly adverse effect on competition. In this case, the Department of Justice has reviewed the proposal and advised the Board that consummation of the proposal is not likely to have any significantly adverse competitive effects in the Marshall-Washington County banking market and any other relevant banking market.

Other facts indicate that the market concentration as measured by the HHI tends to overstate the competitive effects of this proposal in the Marshall-Washington County banking market. Thirteen commercial bank competitors and one thrift institution would remain in this sparsely populated, rural market after consummation of this proposal. Two of the commercial bank competitors would each have more than 10 percent of market deposits. Kansas law, moreover, permits Kansas banks to branch statewide.[5] Accordingly, based on all the facts of record, the Board concludes that consummation of the proposal would not result in a significantly adverse effect on competition in any relevant market.

3. The Marshall-Washington County, Kansas, banking market consists of all of Marshall and Washington Counties, in Kansas, except the town of Clifton.

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

5. Kan. Stat. Ann. § 9-1111(b) (Supp. 1995).

The Board concludes that the financial and managerial resources and future prospects of the organizations involved in the proposal are consistent with approval as are the other supervisory factors the Board must consider under section 3 of the BHC Act.[6] In addition, considerations relating to the convenience and needs of the communities to be served are consistent with approval of the application.[7]

Based on the foregoing and all the facts of record, the Board has determined that the proposal should be, and hereby is, approved. The commitments and conditions relied on by the Board in reaching this decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective June 17, 1996.

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

7. The Board carefully considered letters and a petition opposing the proposal from a number of residents in Barnes, Kansas (collectively "Protestants"), a town in the north central part of the state with a population of 150. Protestants object to Community's plans to close Bank's branch in Barnes following the merger of Bank with CSB. This branch is the only financial institution currently operating in Barnes. CSB has responded that its full-service branch in Waterville, Kansas, which is approximately six miles from Barnes, would continue to provide banking services to the residents of Barnes as part of its primary service area. This branch also offers direct-deposit and bank-by-mail services.

The Board notes that in connection with the proposal Bank has already contracted to sell the branch building in Barnes to another bank and that purchasing bank has agreed to open a branch at the Barnes location. In light of these facts, it appears that the convenience and needs of the community, including banking services to the residents of Barnes, would continue to be served after consummation of the proposal.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Croghan Bancshares, Inc., Fremont, Ohio

Order Approving the Acquisition of a Bank Holding Company, the Merger of Banks, and the Establishment of Branches

Croghan Bancshares, Inc., Fremont, Ohio, ("Croghan"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire Union Bancshares Corp. ("Union"), and thereby indirectly acquire its wholly owned subsidiary bank, Union Bank and Savings Company, ("Union Bank"), both in Bellevue, Ohio.[1] Croghan's subsidiary bank, The Croghan Colonial Bank, Fremont, Ohio ("Croghan Bank"), a state member bank, also has requested Board approval under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) (the "Bank Merger Act"), and section 9 of the Federal Reserve Act (12 U.S.C. § 321) to merge with Union Bank and establish branches at the current locations of Union Bank's branches.[2]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 15,946 (1996)) and given in accordance with the Bank Merger Act and the Board's Rules of Procedure (12 C.F.R. 262.3(b)). As required by the Bank Merger Act, reports on the competitive effects of the merger were requested from the United States Attorney General ("Department of Justice"), the Office of the Comptroller of the Currency ("OCC"), and the Federal Deposit Insurance Corporation ("FDIC"). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3(c) of the BHC Act, the Bank Merger Act, and section 9 of the Federal Reserve Act.

Croghan is the 71st largest commercial banking organization in Ohio, controlling deposits of approximately $205.9 million, representing less than 1 percent of total deposits in commercial banks or thrift institutions ("depository institutions") in Ohio.[3] Union is the 148th largest commercial banking organization in Ohio, controlling approximately $81.9 million in deposits, representing less than 1 percent of total deposits in depository institutions in the state. On consummation of the proposal, Croghan would become the 54th largest commercial banking organization in Ohio, controlling $287.8 million in deposits, representing less than 1 percent of total deposits in depository institutions in Ohio.

Competitive Considerations

Croghan and Union compete directly in the Fremont, Ohio, banking market ("Fremont banking market").[4] Croghan is the largest commercial banking organization in the Fremont banking market, controlling deposits of approximately $205.9 million, representing approximately 40.2 percent of total deposits in depository institutions in the market ("market deposits").[5] Union is the 10th largest commercial banking organization in the market, controlling deposits of approximately $7.6 million, representing 1.5 percent of market deposits. On consummation of the proposal, Croghan would remain the largest commercial banking organization in the market, controlling deposits of approximately $213.5 million, representing approximately 41.7 percent of market deposits, and the Herfindahl-Hirschman Index ("HHI") for the Fremont banking market would increase by 119 points to 2326.[6] This increase in market concentration as measured by the HHI would not exceed the Department of Justice Merger Guidelines. The Board notes, moreover, that ten competitors would remain in the Fremont banking market. Four of these competitors are among the largest commercial banking organizations in Ohio, and three of the competitors would each have more than 11 percent of market deposits. In addition, Ohio law permits statewide branching.[7] The Department of Justice has reviewed the proposal and advised the Board that consummation of the proposal would not likely have any

1. Croghan proposes to acquire Union by merging its wholly owned subsidiary, Croghan Acquisition Corp., into Union, with Union as the surviving company. Union would be dissolved after the merger of Croghan Bank and Union Bank.

2. Croghan Bank would establish branches at the following Union Bank locations: One Union Square, Bellevue; 114 N. Sandusky Street, Bellevue; and 100 S. Main Street, Clyde; and 11 Monroe Street, Monroeville, all in Ohio.

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

4. The Fremont banking market is approximated by Sandusky County, Ohio, excluding the areas of the Woodville Township and the City of Bellevue.

5. Market share data are as of June 30, 1995, and are based on a calculation in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See WM Bancorp*, 76 *Federal Reserve Bulletin* 788 (1990); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Thus, the Board has regularly included thrift deposits in the calculation of market share on a 50-percent weighted basis. *See, e.g., First Hawaiian Inc.*, 77 *Federal Reserve Bulletin* 52 (1991).

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

7. Ohio Rev. Code Ann. § 1111.03 (Anderson 1988).

significantly adverse competitive effects in the Fremont banking market or any other relevant banking market.[8]

Based on these and all of the facts of record, the Board concludes that consummation of the proposal is not likely to have a significantly adverse effect on competition or the concentration of banking services in the Fremont banking market or any other relevant market. In light of all the facts of record, the Board also concludes that the financial and managerial resources and future prospects of Croghan and Union and their respective subsidiaries are consistent with approval, as are supervisory factors the Board must consider under the BHC Act, the Bank Merger Act, and the Federal Reserve Act. In addition, considerations relating to the convenience and needs of the community to be served are consistent with approval.

For these reasons, and in light of all the other facts of record, the Board has determined that the applications should be, and hereby are, approved. The Board's approval is expressly conditioned on Croghan's compliance with all the commitments made in connection with the applications. The commitments relied on by the Board in reaching this decision shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective June 10, 1996.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

First Commerce Banks of Florida, Inc. Winter Haven, Florida

Order Approving the Acquisition of a Bank

First Commerce Banks of Florida, Inc., Winter Haven ("First Commerce"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire all the voting shares of Prime Bank of Central Florida, Titusville, both in Florida ("Prime Bank").[1]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 9459 (1996)). 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 of the BHC Act.

First Commerce is the 91st largest commercial banking organization in Florida, controlling deposits of approximately $103.9 million, representing less than 1 percent of total deposits in commercial banks in the state. Prime Bank is the 177th largest commercial banking organization in Florida, controlling deposits of approximately $46.4 million, representing less than 1 percent of total deposits in commercial banking organizations in the state. On consummation of this proposal, First Commerce would become the 63d largest commercial banking organization in Florida, controlling approximately $150.3 million in deposits, representing less than 1 percent of total deposits in commercial banking organizations in the state.[2]

Competitive Considerations

The Board is prohibited from approving an application under section 3 of the BHC Act if the proposal would result in a monopoly, or if the proposal would substantially lessen competition in any relevant market unless such anticompetitive effects are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. First Commerce and Prime Bank do not compete in any banking market. Based on all the facts of record, the Board concludes that consummation of this proposal would not result in any significantly adverse effect on competition or on the concentration of banking resources in any relevant banking market.

Other Factors under the BHC Act

A. Supervisory Factors

The BHC Act also requires the Board to consider the financial and managerial resources and future prospects of the companies and banks involved, the convenience and needs of the community to be served, and certain other supervisory factors.

The Board has carefully considered the financial and managerial resources and future prospects of First Commerce, its subsidiary bank, and Prime Bank, as well as other supervisory factors in light of all the facts of record. These facts include supervisory reports of examination assessing the financial and managerial resources of the organizations and confidential financial information pro-

8. The OCC and FDIC also have not objected to the proposal.

1. First Commerce proposes to merge Prime Bank into Prime Successor Bank, an interim Florida state chartered bank, with Prime Successor Bank surviving the merger. Prime Successor Bank would be renamed Prime Bank of Central Florida. The Florida Department of Banking and Finance approved the merger of Prime Bank with Prime Successor Bank on May 29, 1996, conditioned on the receipt of all required approvals and compliance with other filing requirements under Florida law.

2. State deposit data are as of December 31, 1995.

vided by First Commerce. Based on these and all other facts of record, the Board concludes that all the supervisory factors under the BHC Act, including financial and managerial resources, weigh in favor of approving this proposal.

B. Convenience and Needs Factor

The Board long has held that consideration of the convenience and needs factor includes a review of the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). As provided in the CRA, the Board has evaluated this factor in light of examinations by the primary federal supervisor of the CRA performance records of the relevant institutions.

The Board also has carefully considered comments from The Fair Housing Continuum, Inc., Cocoa, Florida ("Protestant"), contending that Prime Bank does not adequately ascertain, or assist in meeting, the credit needs of communities with predominately low- to moderate-income ("LMI") and minority residents.[3] Protestant also alleges, on the basis of data filed under the Home Mortgage Disclosure Act (12 U.S.C. § 2801 *et seq.*) ("HMDA"), that Prime Bank illegally discriminates in its mortgage lending.[4] In addition, Protestant alleges that Prime Bank opens branches only in neighborhoods with predominately nonminority residents.

First Commerce states that it intends to continue Prime Bank's current CRA program and would review and monitor this program after consummation of the proposal. First Commerce believes that Prime Bank will benefit from the collective resources of First Commerce, including additional lending resources and CRA experience, and has stated that it is committed to assuring that all of its subsidiary banks maintain satisfactory or outstanding CRA ratings.

An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed on-site evaluation of the institution's overall record of performance under the CRA by the institution's primary federal supervisor.[5] In addition, the Board considers an institution's policies and practices for compliance with applicable fair lending laws. The Board also takes into account information on an institution's lending activities that assist in meeting the credit needs of LMI neighborhoods, including programs and activities initiated since the institution's most recent CRA performance examination.

Performance Examinations. First Commerce's subsidiary bank, First Commerce Bank of Polk County, Winter Haven, Florida ("First Commerce Bank"), received a "satisfactory" rating from its primary federal supervisor, the Federal Deposit Insurance Corporation ("FDIC"), in its most recent examination for CRA performance as of October 1995 ("First Commerce Bank Examination").[6] Prime Bank also received a "satisfactory" rating from the FDIC at its most recent examination for CRA performance as of April 1994 ("Prime Bank Examination").

Performance Record of First Commerce Bank. The First Commerce Bank Examination stated that the bank's community delineation was reasonable and did not exclude any LMI neighborhoods. Examiners found that First Commerce Bank solicited loan applications from all segments of the community and that First Commerce Bank had not engaged in illegal credit practices or practices that discouraged applications for any type of credit. Examiners also found that extensions of credit, applications, withdrawals, and denials were sufficiently distributed throughout First Commerce Bank's delineated community. In addition, examiners noted that employees of First Commerce Bank received training regarding fair lending and antidiscrimination laws, and that the board of directors reviewed geocoding data to ensure that applications were received from all areas of First Commerce Bank's delineated community. Examiners also noted that First Commerce Bank advertised in newspapers and other publications that are distributed throughout the community. First Commerce Bank's branch offices were considered by examiners to be readily accessible to all members of the community.

3. Protestant also maintains that Prime Bank initiates but does not complete community development projects, and has not completed two projects involving the City of Titusville and one involving Habitat for Humanity ("Habitat"). Prime Bank has provided documentation from the City of Titusville that confirmed Prime Bank's participation in its housing incentive plan. This submission stated that the delays in implementing a new home buyers program were not related to any action or lack of action by Prime Bank. Prime Bank also noted that it presented several real estate proposals to Habitat that were declined for reasons involving zoning issues or because Habitat had surplus real estate inventory at the time.

4. Protestant has filed a housing discrimination complaint with the Department of Housing and Urban Development ("HUD"), alleging that Prime Bank engaged in lending practices that discriminate on the basis of race and national origin. This complaint is in the initial stages of investigation by HUD and no finding of illegal discrimination has been made against Prime Bank. Moreover, under the Fair Housing Act (42 U.S.C. § 3601 *et seq.*), HUD has jurisdiction to determine whether Prime Bank is in compliance with fair lending laws and to adjudicate Protestant's complaint. The Board previously has noted that its limited jurisdiction under the specific statutory factors set forth in the BHC Act does not authorize the Board to adjudicate disputes between a commenter and an applicant or target institution that arise under a statute administered and enforced by another agency. On the other hand, substantiated improper actions may be considered by the Board in light of all facts of record of an application under the factors in the BHC Act or in the context of the Board's supervisory authority over its regulated banking organizations. *See Norwest Corporation*, 82 *Federal Reserve Bulletin* 580 (1996).

5. The Board notes that the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record and that reports of these examinations will be given great weight in the applications process. 54 *Federal Register* 13,742, 13,745 (1989).

6. First Commerce received approval from the Federal Reserve Bank of Atlanta to acquire First Mercantile National Bank, Longwood, Florida, in May 1996. First Mercantile National Bank received a "satisfactory" rating from the Office of the Comptroller of the Currency in its most recent examination for CRA performance as of September 1993.

First Commerce Bank engages in several lending and community development programs to help meet the credit needs of its community, including LMI neighborhoods. For example, First Commerce Bank extended four loans in connection with the Affordable Housing Program of the City of Winter Haven, and also extended an interest-free line of credit to the Habitat for Humanity, which assists in the construction of affordable housing for low-income families throughout First Commerce Bank's community. Examiners also found that First Commerce Bank's officers and directors were involved in a variety of community organizations, including the Auburndale Redevelopment Committee, the Lakeland Housing Authority, and the Minority Lending Advisory Council.

Performance Record of Prime Bank. Prime Bank is a small banking organization with assets of $53 million and deposits of less than $50 million. Accordingly, it is unable to originate a large number of mortgages for its own portfolio. Prime Bank, however, originates and processes mortgages through a number of government loan programs that are designed to increase credit availability in its community, including loans for LMI residents, such as the Federal Housing Administration ("FHA"), Veterans Administration ("VA"), and the Farmers Home Administration programs.[7] The Prime Bank Examination noted Prime Bank's participation in the Brevard County Housing Authority Bond Program ("Bond Program"), which is designed to benefit first-time LMI home buyers. As part of the Bond Program, Prime Bank originates VA and FHA loans. The record indicates that from 1991 through 1994, Prime Bank originated FHA and VA loans totalling more than $9 million for the Bond Program. Prime Bank states that, in 1995, it originated approximately $2.5 million in Bond Program loans, most of which were FHA and VA loans. Examiners also found that Prime Bank is actively involved in local community development and redevelopment projects. For example, Prime Bank has agreed to provide home purchase financing for a new subdivision development that will provide housing for 32 low-income families.

The Prime Bank Examination found that the bank maintained contact with government officials and community leaders in an effort to determine the credit needs within Prime Bank's community. In addition, examiners noted that Prime Bank had ongoing contact with community development organizations. The Prime Bank Examination also concluded that Prime Bank effectively advertised its residential loans and other credit products throughout the local community, including LMI neighborhoods.[8] In addition, examiners noted that Prime Bank's branch offices are centrally located and reasonably accessible to all segments of the delineated community.

The Board has carefully reviewed HMDA data for Prime Bank in light of Protestant's comments.[9] These data indicate that the number and percentage of applications from and loans to individuals in LMI census tracts increased between 1993 and 1995. In addition, Prime Bank's percentage of applications from and loans to African-American applicants increased during this same period and is comparable to or exceeds the representation of African Americans in Prime Bank's service community. The percentage of loans that Prime Bank made to LMI applicants also increased from 1994 to 1995. Moreover, the Prime Bank Examination found that the bank's 1993 HMDA data disclosed a reasonable penetration of the various census tracts that comprise its delineated community, including LMI neighborhoods.

The HMDA data, however, also reflect disparities in the rate of denials by racial group. The Board is concerned when the record of an institution indicates disparities in lending to minority applicants, and believes that all banks are obligated to ensure that their lending practices are based on criteria that assure not only safe and sound lending, but also equal access to credit by creditworthy applicants regardless of race. The Board recognizes, however, that HMDA data alone provide an incomplete measure of an institution's lending in its community because these data cover only a few categories of housing-related lending and provide limited information about the covered loans.[10] HMDA data, therefore, have limitations that make the data an inadequate basis, absent other information, for concluding that an institution has engaged in illegal discrimination in lending.

The Prime Bank Examination, which, as noted, included a review of Prime Bank's 1993 HMDA data, found no evidence of illegal discrimination or other prohibited credit practices. In addition, examiners noted that Prime Bank's loan policies and procedures revealed no practices designed to discourage applications for credit, and found no substantive violations of fair lending laws or HMDA reporting requirements. Moreover, Prime Bank indicates that it has established a loan review program to assure that

7. Prime Bank also is a Federal National Mortgage Association approved lender and servicer.

8. Prime Bank advertises its banking products in local newspapers and on local radio. Prime Bank also has sponsored several continuing education seminars for local realtors on conventional loans, FHA, VA, and other loan programs designed to meet the credit needs of LMI individuals.

9. Protestant contends that Prime Bank defines its service area to exclude potential minority borrowers. The Board believes that an assessment of an institution's delineated community can be most effectively considered in an on-site examination by the institution's primary federal supervisor and that such an examination provides a better opportunity to consider whether an institution's delineated community reflects illegal discrimination in light of all the institution's lending activities. *See North Fork Bancorporation*, 82 *Federal Reserve Bulletin* 338 (1996). The Prime Bank Examination found that Prime Bank's delineated community was reasonable and did not arbitrarily exclude any areas, particularly LMI areas.

10. For example, these data do not provide a basis for an independent assessment of whether an applicant who was denied credit was in fact creditworthy. Credit history problems and excessive debt levels relative to income, reasons most frequently cited for a credit denial, are not available from HMDA data.

applicants receive equal treatment and are not denied credit on a prohibited basis.

Conclusion Regarding Convenience and Needs Factor. As discussed above, the Board has carefully reviewed the relevant CRA examination information, the programs implemented by the relevant institutions, the policies in place to ensure fair lending, relevant HMDA and other lending data, comments and concerns raised by Protestant, and other facts of record in its consideration of the effect of this transaction on the convenience and needs of the community. Based on this review, the Board concludes that convenience and needs considerations, including the records of performance of First Commerce and Prime Bank, are consistent with approval of this application.

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the application should be, and hereby is, approved.[11] The Board's approval of the proposal is conditioned on compliance by First Commerce with the commitments made in connection with this application. The commitments and conditions relied on by the Board in reaching this decision shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

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

11. Protestant requests that the Board hold a public hearing or meeting on this proposal to permit oral presentations on the application and Protestant's comments. Section 3(b) of the BHC Act does not require the Board to hold a public hearing or meeting on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial. In this case, neither the FDIC nor any state supervisory authority has recommended denial.

Under the Board's rules, the Board may, in its discretion, hold a public hearing or meeting on an application to clarify factual issues and to provide an opportunity for testimony, if appropriate. 12 C.F.R. 262.3(e) and 262.25(d). The Board has carefully considered Protestant's request in light of all the facts of record. Protestant has had ample opportunity to submit its views, and has, in fact, made written submissions that have been considered by the Board in acting on this application. Protestant does not indicate what, if any, additional views would be expressed at a public hearing or meeting, or why Protestant's written submissions do not adequately present its views. Based on all the facts of record, the Board has determined that a public hearing or meeting is not necessary to clarify the factual record in this application, or otherwise warranted in this case. Accordingly, Protestant's request for a public hearing or meeting on this application is hereby denied.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Flathead Holding Company of Bigfork
Bigfork, Montana

Order Approving Acquisition of Shares of a Bank

Flathead Holding Company of Bigfork, Bigfork ("Flathead"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire up to 23.4 percent of the voting shares of BankWest, N.A., Kalispell, both in Montana ("BankWest").

Notice of this proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 15,483 (1996)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

Flathead is affiliated with Mountain Bank System, Inc., Whitefish, Montana ("MBS"), through common ownership.[1] Together, Flathead and MBS are the 14th largest depository institution in Montana, controlling approximately $108 million in deposits, representing approximately 1.5 percent of total deposits in depository institutions in the state.[2] BankWest, with total consolidated assets of approximately $40.9 million, is the 48th largest depository institution in Montana, controlling approximately $32.5 million in deposits, representing less than 1 percent of total deposits in depository institutions in the state. On consummation of this proposal, Flathead and MBS collectively would become the 12th largest depository institution in Montana, controlling deposits of $140 million, representing approximately 2 percent of the total deposits in depository institutions in the state.

Flathead proposes to acquire less than 25 percent of the voting shares of BankWest, which is not a normal acquisition for a bank holding company. Nonetheless, the requirement in section 3(a)(3) of the BHC Act that the Board's approval be obtained before a bank holding company acquires more than 5 percent of the voting shares of a bank suggests that Congress contemplated the acquisition by bank holding companies of between 5 and 25 percent of the voting shares of a bank or a bank holding company.[3] The Board has indicated that acquisitions of less than a

1. MBS controls Mountain Bank, Whitefish ("Mountain Bank"), and Valley Bank of Belgrade, Belgrade, both in Montana.

2. Asset and deposit data are as of March 31, 1996. In this context, depository institutions include commercial banks, savings banks, and savings associations.

3. Asset and deposit data are as of March 31, 1996. In this context, depository institutions include commercial banks, savings banks, and savings associations.

25-percent voting interest may nevertheless permit a bank holding company to exercise a controlling influence over the management and policies of another bank holding company.[4]

On consummation of the proposal, Flathead would be the largest shareholder of BankWest and would have the ability to elect at least one member to BankWest's board of directors. Flathead has indicated, moreover, that it might, from time to time, exercise a controlling influence over the management or polices of BankWest if, in its view, circumstances would warrant such action. Based on all the facts of record, the Board concludes that Flathead would have the ability to exercise a controlling influence over the management or policies of BankWest and thereby would control BankWest for purposes of the BHC Act.[5]

Competitive Considerations

The BHC Act provides that the Board may not approve a proposal submitted under section 3 of the Act if the proposal would result in a monopoly or if the effect of the proposal may be substantially to lessen competition in any relevant market unless the Board finds that the anticompetitive effects of the proposed transaction are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. In evaluating the competitive effects of this proposal, the Board has carefully considered BankWest's contentions that consummation of this proposal would result in significantly adverse effects on competition for banking services, particularly for small business loans, and that the relevant geographic banking market is smaller than the market defined by the Federal Reserve Bank of Minneapolis ("Reserve Bank").

A. Relevant Product Market

The Board has long held that the product market for evaluating bank mergers and acquisitions is the cluster of products and services offered by banking institutions,[6] and the Supreme Court has emphasized that it is the cluster of products and services that, as a matter of trade reality, makes banking a distinct line of commerce.[7] According to the Court, this clustering facilitates the convenient access to these products and services and vests the cluster with economic significance beyond the individual products and services that constitute the cluster.[8] Other courts have followed this position.[9] In addition, a study conducted by Board staff supports the conclusion that customers continue to seek to obtain this cluster of services.[10] After carefully considering all the facts of record in light of relevant Board and judicial precedents, the Board concludes that the appropriate product market in this case is the cluster of banking products and services.

B. Definition of Relevant Banking Market

The Board and the courts have found that the relevant banking market for analyzing the competitive effect of a proposal must reflect commercial and banking realities and should consist of the local area where the banks involved offer their services and where local customers can practicably turn for alternatives.[11] Flathead and MBS compete directly with BankWest in the Kalispell banking market, an area that is approximated by Flathead and Lincoln Counties and the Bigfork-Swan River and Polson Divisions of Lake County, all in Montana ("Kalispell Banking Market"). In reaching this conclusion, the Board has carefully considered BankWest's argument that the relevant geographic market for this proposal should be limited to Flathead County.

Kalispell, with a population of 11,917, is a regional trade center in Flathead County.[12] In 1992, the Board considered whether Lincoln County and Flathead County are in the same banking market. The Board noted at that time that a number of considerations indicated an economic integra-

4. *See McLeod Bancshares, Inc.*, 73 *Federal Reserve Bulletin* 724 (1987); *Hudson Financial Associates*, 72 *Federal Reserve Bulletin* 150 (1986).

5. Flathead has acknowledged that, if the Board deems Flathead to control BankWest, Flathead must serve as a source of financial and managerial strength to BankWest and would be subject to cross-guarantee liability provisions of the Federal Deposit Insurance Corporation Act in connection with any default by or insurance fund assistance to BankWest. *See* 12 C.F.R. 225.4(a); 12 U.S.C. § 1815(e)(1).

6. *See Chase Manhattan Corporation*, 81 *Federal Reserve Bulletin* 883 (1995); *The Bank of New York Company, Inc.*, 74 *Federal Reserve Bulletin* 257, 261 (1988).

7. *United States v. Philadelphia National Bank*, 374 U.S. 321, 357 (1963) ("*U.S. v. Philadelphia National*"). *Accord United States v. Connecticut National Bank*, 418 U.S. 656 (1974); *United States v. Phillipsburg National Bank*, 399 U.S. 350 (1969) ("*U.S. v. Phillipsburg*").

8. *U.S. v. Phillipsburg*, 399 U.S. at 361.

9. *See United States v. Central State Bank*, 621 F.Supp. 1276 (W.D. Mich. 1985), *aff'd per curiam*, 817 F.2d 22 (6th Cir. 1987).

10. *See* Gregory E. Elliehausen and John D. Walken, *Banking Markets and the Use of Financial Services by Small and Medium-Sized Businesses*, 76 *Federal Reserve Bulletin* 726 (1990). For a discussion of this study, *see First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52 (1991).

11. Protestant maintains that the relevant geographic market for analyzing the competitive effects of this proposal should be limited to the areas included in the delineated service areas of the subsidiary banks of Flathead and its affiliate, MBS. The Board believes that a bank's delineated community under the Community Reinvestment Act does not necessarily represent the appropriate geographic market for analyzing the competitive effects of a proposal. The geographic market for analyzing competitive effects takes into account the presence of other banks, access by the bank's customers to competitors of and reasonable substitutes for the bank, and economic or demographic factors that contribute to competition. *See St. Joseph Valley Bank*, 68 *Federal Reserve Bulletin* 673 (1982). The key question to be considered in making this selection "is not where the parties to the merger do business or even where they compete, but where, within the area of competitive overlap, the effect of the merger on competition will be direct and immediate." *U.S. v. Philadelphia National*, 374 U.S. at 357; *U.S. v. Phillipsburg*, 399 U.S. at 364–65.

12. Population data are based on 1990 data from the United States Department of Commerce, Bureau of the Census ("Census Bureau").

tion of Kalispell and the rest of Flathead County with Lincoln County and the northern part of Lake County, both of which are adjacent to Flathead County, and supported the conclusion that Lincoln County and the northern part of Lake County are part of the Kalispell Banking Market.[13] Kalispell has continued to develop as a regional trade center and the number of health care and commercial facilities in Kalispell that are available to residents in the region has increased.[14] A recent survey by the Reserve Bank indicates that merchants in Kalispell regularly advertise in newspapers with substantial circulation in Lincoln County and northern Lake County. Commuting data also support the inclusion of northern Lake County in the Kalispell Banking Market.[15]

Banking data also indicate that the relevant banking market should include Lincoln County. For example, approximately 18 percent of the loan accounts in Flathead's affiliate bank, Mountain Bank, and approximately 9.4 percent of Mountain Bank's deposit accounts were held by Lincoln County residents.[16] In addition, recent interviews conducted by Reserve Bank staff with members of the Chambers of Commerce in the towns of Libby and Eureka in Lincoln County indicated that depository institutions in those towns ensure that interest rates for deposits and loans are competitive with the rates for depository institutions in Flathead County. These interviews also indicated that small business owners in Lincoln County considered Flathead County banks as feasible alternatives to banks in Libby and Eureka.

Based on all the facts of record, and for the reasons stated, the Board concludes that the relevant banking market within which to evaluate the competitive effects of this proposal is the Kalispell Banking Market, which includes Flathead County, Lincoln County, and the northern part of Lake County.

C. Competitive Effects in the Kalispell Banking Market

Flathead and MBS collectively are the fourth largest depository institution in the Kalispell Banking Market, controlling deposits of approximately $85 million, representing approximately 11.4 percent of the total deposits in depository institutions in the market ("market deposits").[17] Bank West is the eighth largest depository institution in the market, controlling deposits of approximately $32.5 million, representing approximately 4.4 percent of market deposits. On consummation of this proposal, Flathead and MBS would become the second largest depository institution in the Kalispell Banking Market, controlling deposits of approximately $117 million, representing approximately 15.8 percent of market deposits. The market, as measured by the Herfindahl-Hirschman Index ("HHI"), would remain moderately concentrated, and the HHI would increase by 100 points to 1474 as a result of this transaction.[18] This increase would not exceed the threshold standards in the Department of Justice Merger Guidelines ("Merger Guidelines"). In addition, ten depository institution competitors would remain in the Kalispell Banking Market.

The Department of Justice has reviewed the proposal and advised the Board that consummation of the proposal would not likely have any significantly adverse competitive effects in the Kalispell Banking Market or any other relevant banking market.[19] In light of all the facts of record, the Board concludes that consummation of the proposal would not result in any significantly adverse effects on competition or the concentration of banking resources in the Kalispell Banking Market, or any other relevant banking market.[20]

13. These considerations included Kalispell's designation as a "second level trading center" by the Bureau of Business and Economic Research at the University of Montana in Missoula ("Bureau of Business"), the availability of hospitals and the region's only airport in Kalispell, the number of stores in Kalispell and Lincoln County residents shopping in Kalispell, and the limited number of banking facilities in Lincoln County. *See Glacier Bancorp, Inc.*, 78 *Federal Reserve Bulletin* 713 (1992). These factors also were applicable to the northern part of Lake County and supported its inclusion in the Kalispell Banking Market.

14. The Bureau of Business has indicated that Kalispell has become a more influential regional trade center since 1992. In addition, Kalispell's population has grown approximately 16 percent between 1990 and 1994, including a 6 percent increase from 1992 to 1994.

15. 1990 data from the Census Bureau indicate that 18.6 percent of the Lake County workforce commutes to jobs in Flathead County.

16. Flathead also has indicated that residents of Lake County hold a significant number of loan and deposit accounts at its subsidiary bank, Flathead Bank of Bigfork, Bigfork, Montana, which is located approximately 2.5 miles from the border of Lake County.

17. Market share data are as of March 31, 1996. These data are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board has previously indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984).

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

19. The Office of the Comptroller of the Currency ("OCC") and the Federal Deposit Insurance Corporation ("FDIC") also have not objected to the proposal.

20. The Board also notes that, if Flathead County alone were considered to be the relevant banking market, the HHI increase (175 points to 1860) based on the cluster of banking services would not exceed the threshold limits in the Merger Guidelines. In addition, the threshold limits in the Merger Guidelines would not be exceeded by

Other Factors

The Board has carefully reviewed the financial and managerial resources and future prospects of Flathead, MBS and BankWest, and their subsidiary banks, in light of all the facts of record, including comments from BankWest and relevant supervisory reports of examination.[21] The Board notes that Flathead and its affiliated banks and BankWest are in satisfactory financial condition and would remain so after consummation of the proposal. In addition, reports of examination assessing the managerial resources of Flathead and MBS indicate this factor is consistent with approval.

Based on all the facts of record, including comments received and supervisory information, and for the reasons discussed above, the Board concludes that considerations related to the financial and managerial resources and future prospects of Flathead, MBS, and BankWest, and their subsidiary banks, are consistent with approval, as are other supervisory factors the Board must consider.[22] Considerations relating to the convenience and needs of the communities to be served also are consistent with approval of this application.

Conclusion

Based on all the facts of record, the Board has determined that this application should be, and hereby is, approved.[23] The Board's approval is specifically conditioned on compliance by Flathead with all the commitments made in connection with this application. For the purpose of this action, the commitments and conditions relied on by the Board in reaching its decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

The proposed acquisition of BankWest's voting shares shall not be consummated before the fifteenth calendar day following the effective date of this order, and 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 Reserve Bank, acting pursuant to delegated authority.

By order of the Board of Governors, effective June 24, 1996.

Voting for this action: Chairman Greenspan and Governors Kelley, Lindsey, Phillips, and Yellen. Abstaining from this action: Governor Meyer.

WILLIAM W. WILES
Secretary of the Board

this proposal in the Kalispell Banking Market if small business loans were considered as a separate product market. Thus, assuming that the relevant banking market is Flathead County alone and the relevant banking product is small business loans — assumptions that the Board rejects for the reasons discussed above — the Board does not believe this transaction would have a significantly adverse effect on competition in light of all the facts of record. For example, five commercial banking organization competitors would remain in Flathead County to serve a relatively small population. Four of those competitors each would hold more than 10 percent of the small business loans outstanding in Flathead County. In addition, the presence of Kalispell in this area makes Flathead County an attractive market for entry, and Montana banks are permitted to branch statewide without limitation.

21. BankWest contends that this proposal would weaken Flathead's financial condition and render Flathead unable to serve as a source of financial strength to BankWest. BankWest also maintains that an Order of Prohibition by the FDIC against a principal shareholder of Flathead and Mountain Bank presents adverse considerations. The shareholder's voting shares in both organizations have been transferred to independent trustees with the approval of the FDIC and the Federal Reserve System in order to prevent the shareholder from participating directly or indirectly in the management or control of these organizations. Recent inspection and examination reports indicate that the shareholder has not exercised or attempted to exercise a controlling influence over the management and policies of Flathead or Mountain Bank.

22. BankWest contends that this proposal would violate the Depository Institution Management Interlocks Act (12 U.S.C. § 3201) ("Interlocks Act") because Flathead would be able to elect at least one director to the bank's board of directors and an affiliate bank is located in the same community as BankWest. Under the Interlocks Act and the Board's Regulation L (12 C.F.R. 212 *et seq.*), the prohibition against interlocking management officials for banks located in the same community does not apply to institutions that are affiliates. As noted above, Flathead would be considered to control BankWest after consummation of the proposal, thereby making Flathead and BankWest affiliates. Accordingly, a management official interlock between Flathead and BankWest would not be prohibited under the Interlocks Act. Another commenter has objected to Flathead's direct solicitation of BankWest shareholders to purchase shares instead of directing such offers to the bank's board of directors. There is no legal or regulatory prohibition under applicable law against direct offers to purchase shares of a bank or bank holding company, as long as there are no material misstatements or omissions.

23. BankWest also has requested a formal hearing in connection with this proposal to permit the bank the opportunity to present evidence, to challenge the representations made by Flathead, and to obtain information from Flathead on the disputed issues in this case, including information on the principal shareholder's shares held by the voting trust and the effects of the proposal in the relevant product and geographic markets. Section 3(b) of the BHC Act does not require the Board to hold a public hearing on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial of the application. In this case, the Board has not received such a recommendation from the OCC, BankWest's primary federal supervisor.

Under its 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 C.F.R. 262.3(e) and 262.25(d). The Board has carefully considered BankWest's request in light of all the facts of record. In the Board's view, BankWest has had ample opportunity to submit its views, and has in fact submitted materials that have been considered by the Board in acting on this application. BankWest's request fails to demonstrate why its substantial written submissions do not adequately present its allegations or why a public hearing or meeting is otherwise warranted in this case. After a careful review of all the facts of record, moreover, the Board has concluded that BankWest disputes the weight that should be accorded to, and the conclusions that may be drawn from, the facts of record or disputes facts that are not material to the Board's decision. For these reasons, and based on all the facts of record, the Board has determined that a public hearing or meeting is not necessary to clarify the factual record in the application, and is not warranted in this case. Accordingly, BankWest's request for a public hearing or meeting is denied.

R&G Financial Corporation
Hato Rey, Puerto Rico

Order Approving the Formation of a Bank Holding Company

R&G Financial Corporation, Hato Rey ("Applicant"), has applied for the Board's approval under section 3 of the Bank Holding Company Act (12 U.S.C. § 1842) ("BHC Act") to become a bank holding company by acquiring 88.1 percent of the voting shares of R G Premier Bank of Puerto Rico, Hato Rey ("Bank"), both in Puerto Rico. Applicant also has requested the Board's consent under section 4(c)(13) of the BHC Act and section 211.5(c) of the Board's Regulation K (12 C.F.R. 211.5(c)) to acquire all the voting shares of R&G Mortgage Corporation, Hato Rey, Puerto Rico ("Company"), and thereby engage in home mortgage lending and servicing activities in Puerto Rico.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 15,070 (1996)). 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.

Bank is the 12th largest commercial banking organization in Puerto Rico, controlling total deposits of $479.6 million, representing 2.2 percent of total deposits in commercial banks in the commonwealth.[1] The proposal represents a reorganization of his ownership interest by the principal shareholder of Bank and would not result in the acquisition of any additional banking assets. Based on all the facts of record, the Board concludes that the proposal would not result in any significantly adverse effects on competition or concentration of banking resources in any relevant banking market.

The BHC Act also requires the Board to consider the financial and managerial resources and future prospects of Applicant, Bank, and Company, the convenience and needs of the community to be served, and certain other supervisory factors.[2] The Board has carefully considered all these factors in light of all the facts of record, including reports of examination and other supervisory information from the bank's primary federal supervisor. Based on these and other facts of record, the Board concludes that all the factors the Board is required to consider under section 3 of the BHC Act are consistent with approval of the proposal.

Applicant also has applied under section 4(c)(13) of the BHC Act and section 211.5(c) of Regulation K for the Board's prior consent to acquire all the voting shares of Company. Company engages in home mortgage lending and servicing activities in Puerto Rico and, under section 4(c)(13) and Regulation K, is deemed to operate outside the United States. The Board has considered all the factors specified in section 4(c)(13) and Regulation K and, based on all the facts of record, finds these factors to be consistent with approval.[3]

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

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

By order of the Board of Governors, effective June 17, 1996.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

1. Deposit data are as of June 30, 1995.
2. *See* 12 U.S.C. § 1842(c)(2) and (3).
3. *See* 12 C.F.R. 211.5(c). Although these activities also are permissible under the Board's Regulation Y (12 C.F.R. 225.25(b)(1)), Applicant is not required to obtain approval under Regulation Y because the Board is approving this acquisition under Regulation K. *See* 12 C.F.R. 225.22(g).

Union Planters Corporation
Memphis, Tennessee

Order Approving the Acquisition of a Bank

Union Planters Corporation, Memphis, Tennessee ("Applicant"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire all the voting shares of Eastern National Bank, Miami, Florida ("Bank").[1]

Notice of this proposal, affording interested persons an opportunity to submit comments, has been published (60 *Federal Register* 56,151 (1995)).[2] The time for filing

1. Applicant proposes to merge its *de novo* subsidiary bank, Eastern Interim National Bank, Miami, Florida, with and into Bank. The Office of the Comptroller of the Currency ("OCC") has approved this merger pursuant to section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)). Bank's name would be changed to Union Planters Bank of Florida, N.A., Miami, Florida.

2. Comments from the Mid-South Peace and Justice Center, Memphis, Tennessee ("Protestant"), maintain that two typographical errors in the newspaper notice published in Memphis require republication. The name of Bank and the street address of Applicant were misspelled

comments has expired and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

Applicant, with total consolidated assets of $11.3 billion, operates subsidiary banks in Arkansas, Kentucky, Louisiana, Missouri, Mississippi, and Tennessee, and thrifts in Alabama and Tennessee.[3] Applicant is the fourth largest commercial banking organization in Tennessee, controlling deposits of $4.8 billion, representing approximately 9.2 percent of the total deposits in commercial banking organizations in Tennessee. Bank, with total consolidated assets of $266.9 million, is the 35th largest commercial banking organization in Florida, controlling deposits of $233.8 million, representing less than 1 percent of total deposits in commercial banking organizations in Florida.

Interstate Analysis

Section 3(d) of the BHC Act, as amended by Section 101 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, allows the Board to approve a proposal by a bank holding company to acquire control of a bank located in a state other than the home state of such bank holding company, if certain conditions are met. For purposes of the BHC Act, the home state of Applicant is Tennessee, and Applicant would acquire a bank in Florida.[4] The conditions for an interstate acquisition under section 3(d) are met in this case.[5] In view of all the facts of record, the Board is permitted to approve this proposal under section 3(d) of the BHC Act.

Competitive Considerations

The BHC Act prohibits the Board from approving an application under section 3 of the BHC Act if the proposal would result in a monopoly, or if the proposal would substantially lessen competition in any relevant banking market, unless such anticompetitive effects are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Applicant and Bank do not compete directly in any relevant banking market. Based on all the facts of record, the Board concludes that consummation of this proposal would not result in any significantly adverse effects on competition or on the concentration of banking resources in any relevant banking market.

Other Factors under the BHC Act

The BHC Act also requires the Board to consider the financial and managerial resources and future prospects of the companies and banks involved, the convenience and needs of the community to be served, and certain other supervisory factors.

A. Supervisory Factors

The Board has carefully considered the financial and managerial resources and future prospects of Applicant, its subsidiaries, and Bank, as well as other supervisory factors in light of all the facts of record.[6] These facts include supervisory reports of examination assessing the financial and managerial resources of the organizations and confidential financial information provided by Applicant.[7]

in this notice. As required by the Board's Rules of Procedure and Regulation Y, notice of the proposal was published correctly in the *Federal Register* and in a newspaper of general circulation in Miami, Florida, where Bank is located. *See* 12 C.F.R. 262.3(b) and 225.14(b). In light of the minor nature of the errors, the fact that the names of Applicant and Bank were correctly spelled in the newspaper notices published in the respective cities where these institutions are located and in the *Federal Register*, and the fact that the misspellings did not mask the identity or location of Applicant or Bank, the Board concludes that notice was sufficient to provide interested parties the opportunity to comment on the proposal, as evidenced by Protestant's submissions, and that republication of the notice in Memphis is not warranted in light of all the facts of record.

3. Asset and deposit data are as of December 31, 1995.

4. 12 U.S.C. § 1842(d). Pub. L. No. 103-328, 108 Stat. 2338 (1994). A bank holding company's home state is that state in which the operations of the bank holding company's banking subsidiaries were principally conducted on July 1, 1966, or the date on which the company became a bank holding company, whichever is later.

5. 12 U.S.C. §§ 1842(d)(1)(A) and (B) and 1842(d)(2)(A) and (B). Applicant's subsidiary banks are adequately capitalized and adequately managed. Bank has been in existence and continuously operated for the minimum periods of time required under Florida law. In addition, on consummation of this proposal, Applicant and its affiliates would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States and less than 30 percent of the total amount of deposits of insured depository institutions in Florida.

6. The Venezuelan Superintendent of Banks and Other Financial Institutions ("Superintendent") has requested the Board to delay the sale or transfer of shares of Bank to Applicant until alleged claims regarding ownership of Bank's stock arising from prior stock transfers can be resolved. The Superintendent has taken no legal action in or outside the United States to adjudicate its alleged claims regarding the ownership of Bank's stock, and no such claims have been substantiated to date. In reviewing applications under section 3 of the BHC Act, the Board is limited to considering the specific factors set forth in the BHC Act, and the Board has carefully considered the effects of this proposal under the factors specified in the BHC Act. *See Western Bancshares, Inc. v. Board of Governors*, 480 F.2d 749 (10th Cir. 1973). For example, the Board has reviewed the potential impact of such claims on the financial resources of Applicant. The limited jurisdiction granted to the Board to review applications under the BHC Act does not authorize the Board to adjudicate such claims. Moreover, processing of this application has been delayed beyond the time periods provided under the procedures in Regulation Y, and Applicant has informed the Board that the contract to purchase Bank terminates on June 30th unless Applicant receives Board action and all appropriate waiting periods have expired. Based on all the facts of record, and for the reasons discussed above, the Board concludes that the record is sufficient to act on the proposal and that a delay is not warranted under the facts presented.

7. Protestant also contends that an action filed under the Racketeer Influenced and Corrupt Organizations Act (18 U.S.C. § 1961) in connection with the sale of securitized automobile receivables by three nonbank subsidiaries of Applicant on behalf of a third party raises adverse managerial considerations. In 1991, a federal jury in

Based on all the facts of record, the Board concludes that all the supervisory factors under the BHC Act, including financial and managerial resources, weigh in favor of approving this proposal.

B. Convenience and Needs Factor

The Board has long held that consideration of the convenience and needs factor includes a review of the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). As provided in the CRA, the Board has evaluated this factor in light of examinations by the primary federal supervisor of the CRA performance records of the relevant institutions.

The Board also has carefully considered comments from Protestant criticizing Applicant's record of performance under the CRA in meeting the credit needs of minority individuals and low- and moderate-income communities in Memphis, Tennessee, and contending that Applicant's management is insensitive to such credit needs. In addition, Protestant alleges that data filed under the Home Mortgage Disclosure Act ("HMDA") (12 U.S.C. § 2801) indicate that Applicant's lead bank, Union Planters National Bank, Memphis, Tennessee ("UPNB"), illegally discriminates in its lending activities and compares unfavorably to other banks operating in the Memphis community.[8] Protestant also generally references comments it submitted in connection with prior applications, which include criticisms regarding Applicant's record of providing services at its branches and Applicant's branch closing policies.

An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed on-site evaluation of the institution's overall record of performance under the CRA by its primary federal supervisor.[9] In addition, the Board considers an institution's policies and practices for compliance with applicable fair lending laws. The Board also takes into account information on an institution's lending activities that assist in meeting the credit needs of low- and moderate-income neighborhoods, including programs and activities initiated since its most recent CRA performance examination.

Performance Examinations. All of Applicant's subsidiary banks and thrifts that have been examined for CRA performance received "outstanding" or "satisfactory" ratings from their primary federal supervisors in their most recent examinations. In particular, UPNB received a "satisfactory" CRA performance rating from its primary federal supervisor, the OCC, at its most recent examination as of October 1994 ("1994 Examination"). The 1994 Examination found no evidence of prohibited discrimination or other illegal credit practices. Moreover, examiners found no evidence of practices intended to discourage applications for the types of credit listed in the bank's CRA statements.[10] Bank received a "satisfactory" rating for CRA performance from the OCC as of September 1994.

Previous Review of CRA Record. The Board has reviewed Applicant's CRA performance record in light of substantially similar comments submitted by Protestant in connection with two recent applications filed by Applicant.[11] In these cases, the Board carefully considered UPNB's CRA performance record, including HMDA data, lending activities, marketing and outreach activities,[12] services provided at branches, and branch closing policies. For the reasons discussed in detail in the *Capital Order* and the *First State Order*, which are hereby incorporated by reference, the Board concluded that the convenience and needs factor, including the CRA performance record of Applicant, was consistent with approval of acquisitions under the BHC Act.

Conclusion on Convenience and Needs Factor. In this case, the Board has carefully considered the entire record in its review of the convenience and needs factor under the BHC Act. Based on all the facts of record, including information provided by Protestant and Applicant, CRA performance examinations and other information from Applicant's primary federal supervisors, and the previous reviews of Applicant's CRA record described in the *Capital Order* and the *First State Order*, the Board concludes

this action found that Applicant's subsidiaries were civilly liable, under RICO, for losses that a savings association sustained after purchasing these instruments from the subsidiaries in 1988 and 1989. Applicant's subsidiaries settled the case and have ceased engaging in this activity. Moreover, corrective actions and operational controls to ensure compliance with relevant laws have been implemented by Applicant and found to be sufficient after review in subsequent examinations by the Federal Reserve Bank of St. Louis.

8. Protestant also contends that Applicant should present a plan to community groups for redevelopment of low- and moderate-income neighborhoods in Memphis.

9. The Board notes that the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record and that reports of these examinations will be given great weight in the applications process. 54 *Federal Register* 13,742, 13,745 (1989).

10. Protestant notes that several individuals have described instances in which Applicant's subsidiary banks may have illegally denied credit to minority borrowers. The Board has referred these comments to the appropriate federal supervisor of the institutions, which has sufficient regulatory authority to address these situations if the individuals can substantiate their allegations to the agency.

11. *See Union Planters Corporation*, 82 *Federal Reserve Bulletin* 78 (1996) ("*Capital Order*"); and *Union Planters Corporation*, 81 *Federal Reserve Bulletin* 800 (1995) ("*First State Order*").

12. Protestant contends that the absence of African-American loan officers in Applicant's newspaper advertisements indicates a focus on affluent, nonminority customers and an insensitivity to the credit needs of the African American community. Applicant responds that it advertises credit products in newspapers and radio stations owned by minorities that focus on communities with predominantly minority residents throughout the Memphis community, and uses minority actors in numerous newspaper and television advertisements. In addition, the 1994 Examination found that UPNB's marketing program is effective and designed to inform all segments of its delineated community of the availability of credit products and services, and that UPNB advertises its credit products and services throughout its delineated community.

that the efforts of Applicant and Bank to help meet the credit needs of all segments of the communities served, including low- and moderate-income neighborhoods and minority residents, are consistent with approval.[13] In this light, the Board concludes that convenience and needs considerations, including the CRA performance records of the companies and banks involved in this proposal, are consistent with approval.

Conclusion

Based on the foregoing and all other facts of record, the Board has determined that the application should be, and hereby is, approved.[14] The Board's approval is specifically conditioned on compliance by Applicant with all commitments made in connection with this application as well as the conditions discussed in this order and in the above-referenced orders. For purposes of this action, these commitments and conditions will both be considered conditions imposed in writing and, as such, may be enforced in proceedings under applicable law.

The acquisition shall not be consummated before the fifteenth 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 St. Louis, acting pursuant to delegated authority.

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

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

13. Protestant's comments also reiterate allegations regarding the ineffective enforcement of the CRA by federal supervisors and certain management misconduct at a Mississippi state bank acquired by Applicant in 1994. These matters were considered in the *Capital Order* and the *First State Order*. The Board also has referred Protestant's comments regarding the state bank to the Federal Deposit Insurance Corporation, the primary federal supervisor of the bank, for investigation and appropriate supervisory action if these allegations can be substantiated.

14. Protestant alleges that the election of only one African American director to UPNB's board of directors indicates illegal employment discrimination. Applicant responds that this director, who successfully manages one of the largest churches in Memphis and is influential throughout the community, was elected to provide additional insight and diversity to UPNB's board of directors. Applicant and UPNB are required under the regulations of the Department of Labor to file annual reports with the Equal Employment Opportunity Commission ("EEOC"), and the EEOC has jurisdiction to investigate and determine whether companies are in compliance with federal equal employment laws. The Board has noted that unsubstantiated allegations of improper actions under a statute administered by another federal agency is beyond the scope of the Board's review under the factors specified in the BHC Act. On the other hand, substantiated improper actions may be considered by the Board in light of all the facts of record of an application under the BHC Act's factors or in the context of the Board's general supervisory authority over its regulated banking organizations. *See Norwest Corporation*, 82 *Federal Reserve Bulletin* 580 (1996).

Orders Issued Under Section 4 of the Bank Holding Company Act

The Bank of New York Company, Inc.
New York, New York

Order Approving a Notice to Engage in Certain Nonbanking Activities

The Bank of New York Company, Inc., New York, New York ("BNY"), a bank holding company within the meaning of the Bank Holding Company ("BHC") Act, has requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) to engage *de novo* in the following nonbanking activities through its indirect wholly owned subsidiary, BNY Capital Markets, Inc., New York, New York ("Company"):

(1) Making, acquiring and servicing loans and other extensions of credit, pursuant to section 225.25(b)(1) of Regulation Y (12 C.F.R. 225.25(b)(1));
(2) Providing investment and financial advisory services, pursuant to section 225.25(b)(4) of Regulation Y (12 C.F.R. 225.25(b)(4));
(3) Providing discount and full-service securities brokerage services, pursuant to section 225.25(b)(15) of Regulation Y (12 C.F.R. 225.25(b)(15));
(4) Underwriting and dealing in obligations of the United States, general obligations of states and their political subdivisions, and other obligations in which state member banks may underwrite and deal under 12 U.S.C. §§ 335 and 24(7) ("bank-eligible securities"), pursuant to section 225.25(b)(16) of Regulation Y (12 C.F.R. 225.25(b)(16));
(5) Underwriting and dealing in, to a limited extent, certain municipal revenue bonds (including certain unrated and "private ownership" municipal revenue bonds), 1-4 family mortgage-related securities, consumer receivable-related securities, and commercial paper (collectively, "bank-ineligible securities"); and
(6) Acting as agent in the private placement of all types of securities, and buying and selling all types of securities on the order of customers as a "riskless principal."

Company currently is a subsidiary of BNY's principal bank subsidiary, The Bank of New York, New York, New York ("Bank of New York").[1] Company would engage in the proposed activities worldwide following a reorganization in which Company would become a subsidiary of BNY's wholly owned nonbank subsidiary, BNY Capital Markets Holdings, Inc., New York, New York.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 19,627 (1996)). The time for filing comments has expired, and the Board has considered the

1. Company currently engages in limited private placement and financial advisory activities.

notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

BNY, with total consolidated assets of approximately $54 billion, is the 14th largest banking organization in the United States.[2] BNY operates commercial bank subsidiaries in New York, New Jersey, and Connecticut, and engages, through other subsidiaries, in various permissible nonbanking activities. Company is registered as a broker-dealer with the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934 (15 U.S.C. § 78a *et seq.*) and is a member of the National Association of Securities Dealers, Inc. ("NASD"). Accordingly, Company is subject to the recordkeeping and reporting obligations, fiduciary standards, and other requirements of the Securities Exchange Act of 1934, the SEC, and the NASD.

Activities Approved by Regulation

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

Underwriting and Dealing in Bank Ineligible Securities

The Board has determined that — subject to the prudential framework of limitations established in previous decisions to address the potential for conflicts of interests, unsound banking practices, or other adverse effects — the proposed activities of underwriting and dealing in bank-ineligible securities are so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act.[5] BNY has committed that Company will conduct these underwriting and dealing activities using the same methods and procedures and subject to the same prudential limitations established by the Board in the Section 20 Orders.[6]

The Board has also previously concluded that underwriting and dealing in "private ownership" industrial development bonds that qualify as "exempt facility bonds" under section 142 of the Internal Revenue Code ("Code")[7] is a permissible activity under section 4(c)(8) of the BHC Act.[8] BNY will conduct this activity according to the prudential limitations set forth in the Section 20 Orders.[9]

BNY proposes to have two director interlocks between Company and its affiliated banks. The interlocking directors would not be officers of the affiliated banks and would represent less than a majority of the board of directors of Company and the affiliated banks. The directors also would not have authority to conduct the day to day business of the affiliated banks or to handle individual transactions. The Board previously has permitted the type of limited

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

3. *See* 12 C.F.R. 225.25(b)(1), (b)(4), (b)(15) and (b)(16).

4. To address the potential conflicts of interests arising from Company's conduct of both full-service brokerage activities and bank-ineligible securities underwriting and dealing activities, BNY has committed that Company will inform its brokerage customers at the commencement of the relationship that, as a general matter, Company may be a principal or may be engaged in underwriting with respect to, or may purchase from an affiliate, those securities for which brokerage and advisory services are provided. In addition, at the time any brokerage order is taken, Company will inform brokerage customers (usually orally) whether Company is acting as agent or principal with respect to a security. Confirmations sent to customers also will state whether Company is acting as agent or principal. *See PNC Financial Corporation*, 75 *Federal Reserve Bulletin* 396 (1989); *Bankers Trust New York Co.*, 74 *Federal Reserve Bulletin* 695 (1988).

5. *See Citicorp*, 73 *Federal Reserve Bulletin* 473 (1987) ("*Citicorp*"), *aff'd sub nom. Securities Industry Ass'n v. Board of Governors of the Federal Reserve System*, 839 F.2d 47 (2d Cir.), *cert. denied*, 486 U.S. 1059 (1988), as modified by *Order Approving Modifications to Section 20 Orders*, 75 *Federal Reserve Bulletin* 751 (1989) (collectively, "Section 20 Orders").

6. BNY has requested that the Board permit The Bank of New York Capital Markets Ltd. United Kingdom ("BNY UK"), a foreign subsidiary of the Bank of New York established under section 25(a) of the Federal Reserve Act (12 U.S.C. § 615(c)), to market the structured finance and loan syndication services of Company to overseas issuers and investors. The Board previously has permitted Regulation K subsidiaries of domestic banks, subject to certain conditions, to market the services and securities of their section 20 affiliates. *See BankAmerica Corporation*, 80 *Federal Reserve Bulletin* 1104 (1994); Letter from Jennifer J. Johnson, Deputy Secretary of the Board, to Marjorie E. Gross, Chemical Banking Corp. (Mar. 29, 1995). BNY has committed that BNY UK will engage in these activities subject to the conditions and restrictions previously relied on by the Board in approving such cross marketing activities.

7. *See* 26 U.S.C. § 142.

8. *See Bank South Corporation*, 81 *Federal Reserve Bulletin* 1116 (1995) ("*Bank South*"). In addition to the private ownership bonds discussed in *Bank South*, BNY proposes that Company be permitted to underwrite and deal in, to a limited extent, private ownership bonds that are issued for the following traditional government services: airports, docks and wharves, mass commuting facilities, and high-speed intercity rail facilities, all of which qualify as "exempt facility bonds" under the Code. Under the Code, exempt facility bonds are issued to finance the acquisition or construction of facilities that provide certain types of traditional government services.

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

director interlocks proposed by BNY.[10] The Board expects BNY to ensure that the framework established pursuant to the Section 20 Orders will be maintained in all other respects.

The Board has determined that the conduct of the securities underwriting and dealing activities proposed by BNY is consistent with section 20 of the Glass Steagall Act (12 U.S.C. § 377), provided that the company engaged in the underwriting and dealing activities derives no more than 10 percent of its total gross revenue from underwriting and dealing in bank-ineligible securities over any two year period.[11] BNY has committed that Company will conduct its bank-ineligible securities underwriting and dealing activities subject to the 10 percent revenue test established by the Board in previous orders.[12]

Private Placement Activities

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

The Board has determined by order that, subject to prudential limitations that address the potential for conflicts of interests, unsound banking practices, or other adverse effects, the proposed private placement 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.[13] The Board also has 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 consequently not subject to the 10-percent revenue limitation on bank-ineligible securities underwriting and dealing.[14]

BNY has committed that Company will conduct its private placement activities using the same methods and procedures, and subject to the same prudential limitations established by the Board in *Bankers Trust* and *J.P. Morgan*, including the comprehensive framework of restrictions imposed by the Board in connection with underwriting and dealing in bank-ineligible securities, which were designed to avoid potential conflicts of interests, unsound banking practices, and other adverse effects.[15]

Riskless Principal Activities

"Riskless principal" is the term used in the securities business to refer to a transaction in which a broker-dealer, after receiving an order to buy (or sell) a security for a customer, purchases (or sells) the security for its own account to offset a contemporaneous sale to (or purchase from) the customer.[16] A broker-dealer acting as a riskless principal is not obligated to buy (or sell) a security for its customer until after the broker-dealer executes the offsetting purchase (or sale) for its own account. The Board previously has concluded that, subject to certain conditions, riskless principal activities do not constitute the underwriting, public sale, or distribution of securities for purposes of the Glass Steagall Act.[17] BNY has committed that Company would comply with these conditions, as listed in Appendix A. As a SEC registered broker-dealer, Company also will conduct its riskless principal activities in accordance with federal securities laws and regulations. In *Bankers Trust*, the Board also determined that riskless principal activities are closely related to banking within the meaning of section 4(c)(8) of the BHC Act.

In order to approve this notice, the Board must consider whether the activities proposed are a proper incident to banking, that is whether the activities proposed "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 interest, or unsound banking prac-

10. *See Bank South Corporation*, 79 *Federal Reserve Bulletin* 346 (1993).

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

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

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

14. *See Bankers Trust.*

15. Among the prudential limitations discussed more fully in *Bankers Trust* and *J.P. Morgan*, BNY has committed that Company will not privately place registered investment company securities or securities of investment companies that are sponsored or advised by BNY or any of its affiliates. In addition, Company will make no general solicitation or general advertising for securities it places.

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

17. *J.P. Morgan, Bankers Trust.*

ties."[18] In reaching the conclusion that riskless principal activities were a proper incident to banking in *Bankers Trust*, the Board relied on commitments that the applicant in that case would conduct its riskless principal activities subject to many of the prudential limitations established by the Board with respect to bank-ineligible securities underwriting and dealing ("Underwriting Conditions").[19]

BNY proposes in this case that Company be permitted to act as a riskless principal without subjecting this activity to the Underwriting Conditions. The Board sought public comment on BNY's proposal seeking relief from the Underwriting Conditions in connection with the conduct of its riskless principal activities. *See* 61 *Federal Register* 19,627 (1996). The Board received no comments on this aspect of the proposal.

In *Bankers Trust*, the Board concluded that riskless principal transactions conducted in accordance with the conditions proposed by BNY do not constitute securities underwriting or dealing and are essentially equivalent to brokerage transactions.[20] Because securities brokerage transactions do not raise the potential for conflicts of interest, unsound banking practices or other adverse effects that may be presented by bank ineligible securities underwriting and dealing activities, the Board has not required bank holding companies to conduct securities brokerage activities in compliance with the Underwriting Conditions.[21] For the reasons set forth below and based on the Board's experience in supervising riskless principal activities, the Board concludes that riskless principal transactions conducted in accordance with the conditions discussed in this order also do not present the types of concerns that the Underwriting Conditions are designed to address.

The Underwriting Conditions seek to prevent the conflicts of interest and other potential adverse effects that may arise because an underwriting subsidiary bears principal and reputational risks with respect to the bank-ineligible securities in which it underwrites and deals and to prevent the transfer of the risks associated with the underwriting subsidiary's bank-ineligible securities activities to its affiliated banks and thrifts. Because an underwriting subsidiary is engaged in bank-ineligible securities activities, the Underwriting Conditions also seek to separate, both operationally and in the public's mind, the underwriting subsidiary from its bank and thrift affiliates. In addition, the Underwriting Conditions seek to prevent unfair competition in bank-ineligible securities activities by prohibiting the lending affiliates of an underwriting subsidiary from disclosing confidential customer information to the underwriting subsidiary (and vice-versa) without the customer's consent.[22]

As noted above, riskless principal activities have been carefully defined to distinguish these activities from securities underwriting and dealing activities. These definitional limitations ensure that Company's riskless principal transactions will be customer driven and that Company will not bear principal or reputational risk with respect to the securities that it purchases (or sells) as a riskless principal.[23] Accordingly, BNY and its affiliates would not face the type of conflicts of interests sought to be addressed by the Underwriting Conditions. In addition, because banks themselves may engage in riskless principal activities,[24] it does not appear necessary to retain limitations that separate operationally the riskless principal activities of a subsidiary from its bank or thrift affiliates.

BNY proposes to conduct Company's riskless principal activities in accordance with the limitations established by the Board for the full-service securities brokerage activities of bank holding companies. These limitations require that Company make certain disclosures to its customers[25] and prohibit Company and its affiliates from sharing any confidential information concerning their respective customers without the consent of the customer.[26]

Based on its experience in monitoring and examining riskless principal activities conducted by bank holding companies since 1989, the Board has determined that riskless principal activities, when conducted in accordance with the federal securities laws and the definitional limitations and customer disclosure requirements in Appendix A, are not securities underwriting or dealing activities and are not likely to give rise to the potential adverse effects that the Underwriting Conditions are designed to address. For these reasons, and based on all the facts of record, including the commitments made by BNY, the Board has determined to grant BNY's request to conduct riskless principal activities without applying the Underwriting Conditions listed in Appendix B to the conduct of that activity.[27] This does not affect the applicability of the Underwriting Conditions to the private placement, or the underwriting, dealing, and other bank-ineligible securities activities conducted by Company.

18. 12 U.S.C. § 1843(c)(8).

19. *Bankers Trust* at 834.

20. *See Bankers Trust* at 834. The SEC also has stated that riskless principal transactions are functionally equivalent to agency transactions. *See* Exchange Act Rel. No. 33,743, *reprinted in* [1993-1994 Transfer Binder] Fed. Sec. L. Rep. (CCH) ¶ 85,326 (March 9, 1994); Exchange Act Rel. No. 21,708, *reprinted in* [1984-1985 Transfer Binder] Fed. Sec. L. Rep. (CCH) ¶ 83,734 (Feb. 4, 1985).

21. *See* 12 C.F.R. 225.25(b)(15); *see also BankAmerica Corporation*, 69 *Federal Reserve Bulletin* 105 (1983).

22. *See Citicorp* at 500.

23. Although Company's customer (or counterparty) may fail to pay for securities purchased or fail to deliver securities sold in a riskless principal transaction, the Board previously has determined that this risk, which is similar to the risk incurred in brokerage transactions, does not transform a riskless principal transaction into a transaction for Company's own account. *See Bankers Trust* at 833.

24. *See* OCC Interp. Ltr. No. 626, *reprinted* in [1993-1994 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,508 (July 7, 1993).

25. *See* 12 C.F.R. 225.25(b)(15)(ii). These limitations are included in Appendix A.

26. *Id.*

27. The Board has today determined to grant relief from these conditions to other bank holding companies conducting riskless principal activities. *See Order Revising the Limitations Applicable to Riskless Principal Activities*, 82 *Federal Reserve Bulletin* 759 (1996).

Other Considerations Regarding the Proper Incident to Banking Standard

As part of the Board's evaluation of the proper incident to banking factors, the Board considers the financial and managerial resources of the notificant and its subsidiaries and the effect the transaction would have on such resources.[28] Based on all the facts of record, the Board concludes that financial and managerial considerations are consistent with approval of the notice.

As noted above, BNY has committed that Company will conduct its bank-ineligible securities underwriting and dealing activities in accordance with the prudential framework established by the Board's Section 20 Orders. Under the framework and conditions established in this order and the Section 20 Orders, the Board concludes that Company's proposed limited conduct of bank-ineligible securities underwriting and dealing activities is not likely to result in significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices. Similarly, the Board finds no evidence that Company's private placement and other activities — conducted under the framework and conditions established in this order — would likely result in any significantly adverse effects. The Board expects, moreover, that the *de novo* entry of Company into the market for the proposed services would provide added convenience to BNY's customers, would lead to improved methods of meeting customer financing needs, and would increase the level of competition among existing providers of these services. The Board also expects that Company's performance of the private placement and financial advisory activities, in which BNY currently engages to a limited extent, will lead to greater efficiencies within the BNY corporate system and thereby permit BNY to provide better services to its customers. Accordingly, the Board has determined that the performance of the proposed activities by BNY can reasonably be expected to produce public benefits that outweigh possible adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

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

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

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

By order of the Board of Governors, effective June 10, 1996.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Appendix A

BNY has committed that Company would comply with the following conditions with respect to its riskless principal activities:

(1) Company will engage in riskless principal transactions only in the secondary market.
(2) Company will not act as riskless principal in selling bank-ineligible securities at the order of a customer that is the issuer of the securities or in any transaction where Company has a contractual agreement to place the securities as agent of the issuer.
(3) Company will not engage in any riskless principal transaction for any bank-ineligible security carried in its inventory.
(4) Company will not engage in riskless principal transactions on behalf of any U.S. affiliate that engages in bank-ineligible securities underwriting and dealing, or any foreign affiliate that engages in securities dealing activities outside the United States.
(5) Company will not act as a riskless principal in any transaction involving a bank-ineligible security for which Company or an affiliate makes a market.
(6) Neither Company nor its affiliates will hold themselves out as making a market in the bank-ineligible securities that Company buys and sells as riskless principal, nor enter quotes for specific bank-ineligible securities in any dealer quotation system in connection with Company's riskless principal transactions; except that Company and its affiliates may enter bid or ask quotations, or publish "offering wanted" or "bid wanted" notices on trading systems other than NASDAQ or an exchange, if Company or the affiliate

does not enter price quotations on different sides of the market for a particular security for two business days. (That is, Company or its affiliate must wait at least two business days after entering a "bid" quotation on a security before entering an "ask" quotation with respect to the same security, and vice-versa.)
(7) Company will not act as riskless principal for registered investment company securities or for any securities of investment companies that are advised by BNY or any of its affiliates.
(8) Company will maintain specific records, including records time-stamped in accordance with SEC requirements, that clearly identify all riskless principal transactions.
(9) Because BNY proposes to provide riskless principal services in combination with investment advisory services, Company will prominently disclose in writing to its customers that:

(a) Company is solely responsible for its contractual obligations and commitments;
(b) Company is not a bank and is separate from any affiliated bank; and
(c) The securities sold, offered, or recommended by Company are not insured by the FDIC and are not obligations of, or endorsed or guaranteed in any way by, any bank (unless this is the case).

These disclosures must be made before Company provides any riskless principal or advisory services to a customer, and the disclosure in clause (a) also must be made by Company in its customer account statements. The disclosures may be provided orally so long as written disclosures are provided to the customer immediately thereafter. In addition, Company and its affiliates will not share any confidential information concerning their respective customers without the consent of the customer. *See* 12 C.F.R. 225.25(b)(15)(ii).

Appendix B

BNY hereby is relieved from the following Underwriting Conditions with respect to Company's riskless principal activities:

(1) Neither BNY nor any subsidiary shall directly or indirectly extend credit, issue or enter into a stand-by letter of credit, asset purchase agreement, indemnity, guarantee, insurance or other facility that might be viewed as enhancing the creditworthiness or marketability of ineligible securities purchased (or sold) as a riskless principal by Company.
(2) Neither BNY nor any subsidiary (other than Company) shall knowingly extend credit to a customer directly or indirectly secured by, or for the purpose of purchasing, any ineligible security that Company purchases (or sells) as a riskless principal.
(3) Neither BNY nor any of its subsidiaries may, directly or indirectly, extend credit to issuers of ineligible securities purchased (or sold) as riskless principal by Company for the purpose of the payment of principal, interest or dividends on such securities, except that BNY and its subsidiaries may extend credit to an issuer of securities purchased (or sold) as riskless principal by Company for purposes of paying the principal on the securities, provided that at least three years has elapsed since the date of Company's purchase (or sale) and the credit extension meets prudent and objective credit standards.
(4) BNY shall adopt appropriate procedures, including maintenance of necessary documentary records, to assure that any extension of credit by it or any of its subsidiaries to issuers of ineligible securities purchased (or sold) as riskless principal by Company are on an arm's length basis for purposes other than payment of principal, interest or dividends on the issuer's ineligible securities being purchased (or sold) as riskless principal by Company.
(5) The requirements relating to credit extensions to issuers noted in paragraphs 1–4 above also shall apply to extensions of credit to parties that are the major users of projects that are financed by industrial revenue bonds.
(6) BNY's affiliated banks and thrifts may not express an opinion on the value or the advisability of the purchase or sale of ineligible securities that are purchased (or sold) as riskless principal by Company unless the bank or thrift affiliate notifies the customer that Company is purchasing (or selling) the security.
(7) Neither BNY nor its bank, thrift or trust or investment advisory subsidiaries shall purchase, as a trustee or in any other fiduciary capacity, for accounts over which they have investment discretion, ineligible securities that are purchased (or sold) as riskless principal by Company unless such purchase is specifically authorized under the instrument creating the fiduciary relationship, by court order, or by the law of the jurisdiction under which the trust is administered.
(8) Neither BNY nor any of its subsidiaries shall purchase as principal ineligible securities that are sold as a riskless principal by Company.[1]
(9) Company may only purchase (or sell) as riskless principal ineligible securities issued by (or representing interests in, or secured by, obligations of) affiliates if the securities are:

(a) Rated by an unaffiliated, nationally recognized statistical rating organization;

1. As noted above, BNY has committed that Company will conduct its riskless principal activities in accordance with the limitations set forth in Appendix A. These limitations prohibit Company from engaging in riskless principal transactions on behalf of any foreign affiliate that engages in securities dealing activities outside the United States, or any U.S. affiliate that engages in bank ineligible securities underwriting and dealing. In addition, these limitations prohibit Company from purchasing or selling as riskless principal any bank ineligible security that Company holds in its inventory. Because BNY proposes to engage in riskless principal through its section 20 affiliate, the structural limitations contained in the Underwriting Conditions continue to apply to that subsidiary.

(b) Issued or guaranteed by FNMA, FHLMC, or GNMA (or represent interests in securities issued or guaranteed by FNMA, FHLMC, or GNMA); or

(c) Purchased from or sold to sophisticated institutions.

Caisse Nationale de Credit Agricole, S.A. Paris, France

Order Approving a Notice to Engage in Various Nonbanking Activities Through a Joint Venture

Caisse Nationale de Credit Agricole, S.A., Paris, France ("CNCA"), a foreign banking organization subject to the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) to engage through CALFP (US), Inc., New York, New York ("Company"), a joint venture, in the following nonbanking activities:

(1) Providing securities brokerage services pursuant to section 225.25(b)(15) of Regulation Y;

(2) Providing investment advisory services pursuant to section 225.25(b)(4) of Regulation Y;

(3) Providing foreign exchange advisory and transactional services pursuant to section 225.25(b)(17) of Regulation Y;

(4) Acting as agent in the private placement of securities, and providing related advisory services;

(5) Acting as riskless principal in the purchase and sale of all types of securities on behalf of customers;

(6) Acting as broker and agent and providing advisory services with respect to interest rate and currency swaps and swap derivative products, and swaps, swap derivative products and over-the-counter options linked to certain commodities, stock, bond or commodity indices, a hybrid of interest rates and such commodities or indices, a specially tailored basket of securities selected by the parties, or particular equity securities; and

(7) Providing advisory services, including discretionary portfolio management services, with respect to futures and options on futures on financial and nonfinancial commodities.

Company would only provide these services to institutional customers, as defined in section 225.2(g) of Regulation Y (12 C.F.R. 225.2(g)), and has proposed to conduct these activities worldwide.

Company is an indirect subsidiary of Credit Agricole Lazard Financial Products Bank, London, England ("CALFP Bank"), and Credit Agricole Lazard Financial Products Limited, London, England ("CALFP Holding").[1] CNCA owns 75 percent of the capital of CALFP Holding, and Three Houses Investment Company, Limited, London, England ("Three Houses"), owns the remaining 25 percent.[2] Three Houses is controlled by Lazard Freres & Co., L.L.C., New York, New York; Lazard Freres et Cie, Paris, France; and Lazard Brothers & Co., Limited, London, England (collectively, "Lazard Freres"). Lazard Freres provides a wide array of advisory and brokerage services, and underwrites and deals in all types of debt and equity securities.

Notice of this proposal, affording interested persons an opportunity to submit comments, has been published (60 *Federal Register* 62,092 and 63,527 (1995)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

CNCA, with total consolidated assets equivalent to approximately $334.2 billion, is the 15th largest banking organization in the world, and the largest banking organization in France.[3] In the United States, CNCA operates branches in Chicago, Illinois, and New York, New York; and maintains representative offices in San Francisco, California, and Houston, Texas. CNCA also engages directly and through subsidiaries in permissible nonbanking activities in the United States and abroad.

Company is, and will continue to be, a broker-dealer registered with the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934 (15 U.S.C. § 78a *et seq.*), and is a member of the National Association of Securities Dealers, Inc. ("NASD"). Accordingly, Company is subject to the record-keeping and reporting obligations, fiduciary standards, and other requirements of the Securities Exchange Act of 1934, the SEC, and the NASD.[4]

Private Placement and Riskless Principal Activities

The Board previously has determined that the proposed private placement[5] and riskless principal[6] activities are so

1. CALFP Holding is the parent company of CALFP Bank, a U.K. company licensed as a bank in the United Kingdom. CALFP Bank intends to hold its investment in Company through a U.K. holding company whose sole function would be to hold the shares of Company.

2. CNCA and Three Houses have equal voting rights in CALFP Holding. Three Houses has an option to acquire additional voting shares of CALFP Holding that could raise its interest in CALFP Holding to 50 percent.

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

4. CNCA does not expect Company to conduct its business in such a way as to require it to register as a commodity trading advisor ("CTA") under the Commodity Exchange Act (7 U.S.C. § 1 *et seq.*), or as an investment adviser under the Investment Advisers Act of 1940 (15 U.S.C. § 80b-1 *et seq.*).

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

6. "Riskless principal" is the term used in the securities business to refer to a transaction in which a broker-dealer, after receiving an order to buy (or sell) a security from a customer, purchases (or sells) the

closely related to banking within the meaning of section 4(c)(8) of the BHC Act, provided that the activities are conducted within the prudential framework of limitations established in previous decisions to address the potential for conflicts of interests, unsound banking practices, and other adverse effects.[7] The Board also previously has determined that acting as agent in the private placement of securities, and purchasing and selling securities on the order of customers as riskless principal, do not constitute underwriting or dealing in securities for purposes of section 20 of the Glass Steagall Act, when conducted in the manner established by prior orders, and, accordingly, that revenues derived from these activities are not subject to the 10-percent revenue limitation on bank-ineligible securities underwriting and dealing activities.[8] CNCA 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, as were established by the Board in *J.P. Morgan* and *Bankers Trust*.[9] These methods, procedures, and prudential limitations include the comprehensive restrictions designed to avoid potential conflicts of interests, unsound banking practices, and other adverse effects imposed by the Board in cases involving underwriting and dealing in bank ineligible securities.

Other Activities

The Board previously has determined that a bank holding company may act as broker or agent and provide advisory services with respect to various swap transactions, including commodity and index swaps based on a specially tailored basket of securities selected by the parties.[10] The Board also previously has determined by regulation or order that a bank holding company may provide securities brokerage services, investment advisory services, foreign exchange advisory and transactional services, and advisory services with respect to futures and options on futures on financial and nonfinancial commodities.[11] CNCA has committed that Company will conduct its activities in accordance with the limitations set forth in Regulation Y, the Board's orders, and related interpretations.

Proper Incident to Banking Standard

In order to approve this proposal, the Board also must determine that the proposed activities are a proper incident to banking, that is, that the proposal "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[12]

As part of its review of these factors, the Board considers the financial and managerial resources of the notificant and its subsidiaries and the effect the transaction would have on such resources.[13] The Board notes that CNCA's capital ratios satisfy applicable risk-based capital standards established under the Basle Accord, and are considered equivalent to the capital levels that would be required of a U.S. banking organization. Based on all the facts of record, the Board concludes that financial and managerial considerations are consistent with approval of this proposal.

The Board previously has expressed concern that joint ventures not lead to a matrix of relationships between

security for its own account to offset a contemporaneous sale to (or purchase from) the customer. *See* Securities and Exchange Commission Rule 10b 10, 17 C.F.R. 249.10b-10(a)(8)(i). Riskless principal transactions are understood in the industry to include only transactions in the secondary market.

7. 12 U.S.C. § 1843(c)(8). *See J.P. Morgan & Company Incorporated*, 76 *Federal Reserve Bulletin* 26 (1990) ("*J.P. Morgan*"); and *Bankers Trust New York Corporation*, 75 *Federal Reserve Bulletin* 829 (1989) ("*Bankers Trust*").

8. *See Bankers Trust* at 831-833. The term "bank-ineligible securities" refers to all types of debt and equity securities that a bank may not underwrite or deal in directly under the Glass Steagall Act (12 U.S.C. §§ 24(7) and 335).

9. Among the prudential limitations detailed more fully in *J.P. Morgan* and *Bankers Trust* are that Company will maintain specific records that will clearly identify all riskless principal transactions, and that Company will not engage in any riskless principal transactions for any securities carried in its inventory. When acting as a riskless principal, Company will engage only in transactions in the secondary market, and not at the order of a customer that is the issuer of the securities to be sold; will not act as riskless principal in any transaction involving a security for which it makes a market; and will not hold itself out as making a market in the securities that it buys and sells as a riskless principal. Moreover, Company will not engage in riskless principal transactions on behalf of any foreign affiliates that engage in securities dealing activities outside the United States, and will not act as riskless principal for registered open-end investment company securities. In addition, Company will not act as a riskless principal with respect to any securities of investment companies that are advised by CNCA or any of its affiliates. With respect to private placement activities, CNCA has committed that Company will not privately place registered investment company securities or securities of investment companies that are sponsored or advised by CNCA or any of its affiliates.

10. *See Swiss Bank Corporation*, 81 *Federal Reserve Bulletin* 185, 190 (1995). CNCA proposes that Company also act as broker or agent with respect to swaps and swap derivative products linked to particular equity securities. Company would not own or take possession of any of the underlying securities, nor would it act as act as principal or counter party in any such transaction. The Board believes that this activity is operationally and functionally similar to the swaps activities previously approved by the Board and, therefore, the activity is permissible for bank holding companies.

11. 12 C.F.R. 225.25(b)(4), (15), and (17); *Credit Suisse*, 81 *Federal Reserve Bulletin* 803 (1996) (providing futures related discretionary portfolio management services), *J.P. Morgan & Company Incorporated*, 80 *Federal Reserve Bulletin* 151 (1994) (providing futures related advisory services with respect to contracts on nonfinancial commodities); and *Security Pacific Corporation*, 14 *Federal Reserve Bulletin* 820 (1988) (providing futures related advisory services without registering as a CTA).

12. 12 U.S.C. § 1843(c)(8).

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

co-venturers that could break down the legally mandated separation of banking and commerce.[14] The Board has stated that this concern is particularly acute where the joint venture involves a relationship between a bank holding company and a securities firm, and the potential exists for the mingling of permissible and impermissible securities activities.[15] In this case, CNCA would engage in the proposed activities in a manner consistent with previously approved joint venture proposals and has made a number of commitments similar to those the Board has relied on in prior joint venture cases intended to separate the activities of a bank holding company and the joint venture from the impermissible activities of a securities co-venturer.[16] These include a commitment that CNCA and Lazard Freres conduct their business on an arm's length, non-preferential basis with no solicitation of business for, nor referral of customers to, each other, and that CNCA not invest in, or nominate directors of, Lazard Freres in the United States.

For the reasons discussed above, and in reliance on all the commitments made in connection with this proposal and the conditions discussed in this order, the Board believes that the proposal is not likely to result in decreased or unfair competition, conflicts of interests, unsound banking practices, undue concentration of resources, or other adverse effects. The Board expects, moreover, that the entry of Company into the market for the proposed services would provide added convenience to CNCA's customers, and would increase the level of competition among existing providers of these services. Accordingly, the Board has determined that the performance of the proposed activities by Company can reasonably be expected to produce public benefits that outweigh possible adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

Conclusion

Based on the foregoing and all the facts of record, including the commitments discussed above and all commitments made in connection with this proposal, the Board has determined to, and hereby does, approve this proposal subject to all the terms and conditions set forth in this order, and in the above-referenced regulations and orders that relate to the proposed activities. The Board's determination also is subject to all the terms and conditions set forth in the Board's Regulation Y, including those in sections 225.7 and 225.23(g) (12 C.F.R. 225.7 and 225.23(g)), and to the Board's authority to require 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, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. The Board's decision is specifically conditioned on compliance with all the commitments made in connection with this proposal, including the commitments discussed in this order and in the above-noted Board regulations and orders. These commitments and conditions shall both be deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective June 10, 1996.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Union Planters Corporation
Memphis, Tennessee

Order Approving the Acquisition of a Savings Association

Union Planters Corporation, Memphis, Tennessee ("Applicant"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) to acquire all the voting shares of Franklin Financial Group, Inc., and thereby acquire Franklin Federal Savings Bank ("FFSB"), both of Morristown, Tennessee, and engage in the operation of a savings association pursuant to section 225.25(b)(9) of Regulation Y (12 C.F.R. 225.25(b)(9)).[1]

Notice of this proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 18,145 (1996)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

Applicant, with total consolidated assets of $11.3 billion, operates subsidiary banks in Alabama, Arkansas, Ken-

14. *See, e.g., The Maybaco Company and Equitable Bancorporation*, 69 *Federal Reserve Bulletin* 375 (1983).

15. *See Amsterdam-Rotterdam Bank, N.V.*, 70 *Federal Reserve Bulletin* 835 (1984); *The Chuo Trust and Banking Company, Limited*, 78 *Federal Reserve Bulletin* 446 (1992) ("*Chuo Trust*").

16. *See Banque Nationale de Paris*, 80 *Federal Reserve Bulletin* 638 (1994); *Chuo Trust*.

1. Applicant also would acquire the subsidiaries of FFSB:
(1) Colonial Loan Association, Morristown, Tennessee, and thereby make, acquire, and service loans pursuant to section 225.25(b)(1) of Regulation Y (12 C.F.R. 225.25(b)(1)); and
(2) Franklin Insurance Group, Inc., Morristown, Tennessee, and thereby act as agent in the sale of insurance directly related to extensions of credit pursuant to section 225.25(b)(8)(i) and (ii) of Regulation Y (12 C.F.R. 225.25(b)(8)(i) and (ii)).

tucky, Louisiana, Mississippi, Florida, and Tennessee.[2] Applicant is the third largest commercial banking organization in Tennessee, controlling $4.9 billion in deposits, representing approximately 8.9 percent of total deposits in depository institutions in the state.[3] FFSB, with total consolidated assets of $125 million is the 74th largest depository institution in Tennessee, controlling $108 million in deposits, representing less than 1 percent of total deposits in depository institutions in the state. On consummation of the transaction, Applicant would remain the third largest commercial banking organization in Tennessee, controlling deposits of $5.0 billion, representing approximately 9.1 percent of total deposits in depository institutions in the state.

Proposed Activities

The Board has determined that the operation of a savings association by a bank holding company is closely related to banking for purposes of section 4(c)(8) of the BHC Act.[4] The Board requires savings associations acquired by bank holding companies to conform their direct and indirect activities to those that are permissible for bank holding companies under section 4(c)(8) of the BHC Act and Regulation Y. Applicant has committed to conform all activities of FFSB to those requirements.[5] The Board also has determined by regulation that the proposed lending and credit-related insurance activities are closely related to banking within the meaning of section 4(c)(8) of the BHC Act.[6] Applicant has committed to conduct these activities subject to the limitations in Regulation Y.

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

Record of Performance under the Community Reinvestment Act

In acting on a proposal to acquire a savings association under section 4(c)(8) of the BHC Act, the Board reviews the records of the relevant depository institutions under the Community Reinvestment Act (*12 U.S.C. § 2901 et seq.*) ("CRA").[10] As provided in the CRA, the Board has evaluated this factor in light of examinations by the primary federal supervisor of the CRA performance of the relevant institutions.

The Board also has carefully considered comments from The Mid-South Peace and Justice Center, Memphis, Tennessee ("Protestant"), criticizing the record of performance of Applicant under the CRA in meeting the credit needs of minority individuals and low- and moderate-income communities in Memphis, Tennessee, and contending that Applicant's management is insensitive to such

2. All data are as of June 30, 1995, and are adjusted to reflect acquisitions by Applicant consummated through January 26, 1996.

3. In this context, depository institutions include commercial banks, savings banks, and savings associations.

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

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

6. *See* 12 C.F.R. 225.25(b)(1) and (b)(8)(i) and (ii).

7. The Morristown, Tennessee, banking market is approximated by Hamblen and Grainger Counties, minus the town of Blaine in Grainger County, and the towns of Baneberry, Jefferson City, Jefferson Estates, Leadvale, Talbot, and White Pine in Jefferson County, all in Tennessee.

8. On consummation of the proposal, the HHI would increase 249 points to 1418. 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 between 1000 and 1800 is considered moderately concentrated. The Justice Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effect of limited-purpose lenders and other non-depository financial entities.

9. Market share data before consummation are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See WM Bancorp*, 76 *Federal Reserve Bulletin* 743 (1984). Because the deposits of FFSB would be transferred to a commercial bank under this proposal, those deposits are included at 100 percent in the calculation of Applicant's *pro forma* market share. *See Norwest Corporation*, 78 *Federal Reserve Bulletin* 452 (1992); *First Bank, Inc.*, 76 *Federal Reserve Bulletin* 669, 670 n.9 (1990).

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

credit needs.[11] The Board has reviewed Applicant's CRA performance record in light of substantially similar comments that were submitted by Protestant in connection with recent applications filed by Applicant.[12]

An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed on-site evaluation of the institution's overall record of performance under the CRA by its primary federal supervisor.[13] In addition, the Board considers an institution's policies and practices for compliance with applicable fair lending laws. The Board also takes into account information on an institution's lending activities that assist in meeting the credit needs of low- and moderate-income neighborhoods, including programs and activities initiated since its most recent CRA performance examination.

All of Applicant's subsidiary banks and thrifts that have been examined for CRA performance received "outstanding" or "satisfactory" ratings from their primary federal supervisors in their most recent examinations. Applicant's lead bank, Union Planters National Bank, Memphis, Tennessee ("UPNB"), received a "satisfactory" CRA performance rating from its primary federal supervisor, the Office of the Comptroller of the Currency ("OCC"), at its most recent examination as of October 1994 ("1994 Examination").[14] The 1994 Examination found no evidence of prohibited discrimination or other illegal credit practices.[15] Moreover, examiners found no evidence of practices intended to discourage applications for the types of credit listed in the bank's CRA statements. FFSB also received a "satisfactory" rating for CRA performance from its primary federal supervisor, the Office of Thrift Supervision, as of October 1994.

The Board has reviewed Applicant's CRA performance record in light of all the facts of record, including information provided by Protestant and Applicant, CRA performance examinations and other information from Applicant's primary federal supervisors, and the previous reviews of Applicant's CRA record that have included consideration of HMDA data, lending activities, marketing and outreach activities, services provided at branches, and branch closing policies, as more fully described in the *Union Planters Orders* and incorporated herein by reference. Based on all the facts of record, the Board concludes that the efforts of Applicant and FFSB to help meet the credit needs of all segments of the communities served, including low- and moderate-income neighborhoods and minority residents, are consistent with approval.[16]

Other Considerations

In order to approve this proposal, the Board also must determine that the proposed activities are a proper incident to banking, that is, that the proposal "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[17]

11. Protestant cites the failure by Applicant to close its offices in observance of Martin Luther King Day as an example of management's insensitivity to African Americans. Applicant states that its holiday closing policy is designed to coincide with the holidays on which essentially all of its customers are closed for business, namely New Year's Day, Independence Day, Thanksgiving Day, and Christmas Day, and to provide banking services to its customers on all other nationally recognized holidays. Applicant's employees may be approved to take two additional holidays under this policy.

12. *See Union Planters Corporation*, 82 *Federal Reserve Bulletin* 745 (1996) (acquisition of Eastern National Bank) ("*Eastern National Order*"); *Union Planters Corporation*, 82 *Federal Reserve Bulletin* 78 (1996); and *Union Planters Corporation*, 81 *Federal Reserve Bulletin* 800 (1995) (collectively, "the *Union Planters Orders*").

13. The Board notes that the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record and that reports of these examinations will be given great weight in the applications process. 54 *Federal Register* 13,742, 13,745 (1989).

14. Protestant requests that the Board review the 1995 data filed by UPNB under the Home Mortgage Disclosure Act (12 U.S.C. § 2801) ("HMDA"). HMDA data for 1995 are preliminary and have not been released to the public by the banking agencies. However, these data indicate decreases in the denial ratios for applications received from low- and moderate-income census tracts compared to high income census tracts, and for applications received from African Americans compared to nonminorities, from 1994 to 1995.

15. Protestant indicates, based on the experience of an unidentified housing developer, that delays in processing mortgage loan applications from low- and moderate-income customers at the Whitehaven branch of UPNB may have been racially motivated. The Board has referred these comments to the primary federal supervisor of the bank, the OCC, for review and consideration.

16. Protestant reiterates allegations of certain management misconduct at a Mississippi state bank that was acquired by Applicant in 1994. Protestant requests the Board to delay action on all proposals by Union Planters until these matters are resolved. The Board has previously considered these allegations and referred the matter to the primary federal supervisor of the state bank involved, the Federal Deposit Insurance Corporation, for review and consideration. Based on all the facts of record, and in light of applicable processing time frames prescribed by the BHC Act and the Board's Regulation Y, the Board believes that the record is sufficient to act on this proposal and that delay of consideration of this application is not warranted.

17. 12 U.S.C. § 1843(c)(8). Protestant contends that allegations in pending lawsuits filed against Applicant raise adverse considerations for the convenience and needs of the public if Applicant is permitted to engage in the sale of credit-related insurance as agent. These allegations involve the forced placement of collateral insurance, a provision in the loan agreement that allows a lender to obtain insurance for its collateral at the borrower's expense if coverage lapses. Protestant maintains, for example, that Applicant should not be permitted to extend credit and simultaneously sell credit-related insurance.

Applicant states that the pending lawsuits in Mississippi are based principally on activities conducted by a state-chartered bank before it was acquired by Applicant. These activities have been terminated. Applicant also denies that any improper activities have occurred, and there has been no adjudication of wrongdoing by Applicant in the pending actions. The Board notes, moreover, that Applicant may not require a borrower to purchase credit related insurance from Applicant as a condition or requirement of obtaining an extension of credit from any affiliate of Applicant under applicable anti-tying restrictions. *See* 12 U.S.C. §§ 1972 and 1464(q); 12 C.F.R. 225.7.

As part of its review of these factors, the Board has considered the financial and managerial resources of Applicant, FFSB, and their respective subsidiaries and the effect the transaction would have on such resources.[18] Based on all the facts of record, the Board concludes that financial and managerial considerations are consistent with approval of this proposal.[19]

For the reasons discussed above, and in reliance on all the commitments made in connection with this proposal, and the conditions discussed in this order, the Board concludes that the proposal is not likely to result in decreased or unfair competition, conflicts of interests, unsound banking practices, undue concentration of resources, or other adverse effects. The Board expects, moreover, that the acquisition of FFSB by Applicant would provide added convenience to FFSB's customers. In particular, FFSB would be able to offer its customers additional products and services that are currently offered by Applicant and its subsidiaries, including discount brokerage services, investment products, credit card services, trust services, and management advice. Accordingly, the Board has determined that this proposal can reasonably be expected to produce public benefits that outweigh any adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

Conclusion

Based on all the facts of record, including commitments made to the Board by Applicant in connection with this proposal, the Board has determined that this proposal should be, and hereby is, approved. The Board's approval is specifically conditioned on compliance by Applicant with all commitments made in connection with this proposal and on Applicant receiving all necessary federal and state approvals.

The Board's determination is subject to all the conditions in the Board's Regulation Y, including those in sections 225.7 and 225.23(g)(3) (12 C.F.R. 225.7 and 225.23(g)(3)), and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, or to prevent evasion of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder. The commitments and conditions relied on by the Board in reaching this decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective June 10, 1996.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Order Revising the Limitations Applicable to Riskless Principal Activities

In 1989, the Board first authorized a bank holding company to engage in buying and selling all types of securities on the order of customers as a "riskless principal."[1] "Riskless principal" is the term used in the securities business to refer to a transaction in which a broker dealer, after receiving an order to buy (or sell) a security for a customer, purchases (or sells) the security for its own account to offset a contemporaneous sale to (or purchase from) the customer. A broker-dealer acting as a riskless principal is not obligated to buy (or sell) a security for its customer until after the broker-dealer executes the offsetting purchase (or sale) for its own account.

The Board has carefully defined riskless principal activities and has imposed several limitations designed to distinguish riskless principal activities from securities underwriting and dealing.[2] In *Bankers Trust*, the Board concluded that riskless principal activities conducted in accordance with these limitations do not constitute the underwriting, public sale, or distribution of securities for purposes of section 20 of the Glass Steagall Act (12 U.S.C. § 377). The Board also concluded that riskless principal activities are closely related to banking for purposes of section 4(c)(8) of the Bank Holding Company ("BHC") Act (12 U.S.C. § 1843(c)(8)). In determining that the conduct of riskless principal activities is a proper incident to banking, the Board relied on the applicant's commitment to conduct its riskless principal activities in accordance with many of the prudential limitations ("Underwriting Conditions") established by the Board in connection with approvals authorizing bank holding companies to underwrite

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

19. Protestant contends that a suspension in processing Applicant's application to acquire Eastern National Bank, Miami, Florida ("Bank"), raises adverse managerial considerations about the extent of the due diligence review of the transaction by Applicant. As discussed in the *Eastern National Order*, the Venezuelan Superintendent of Banks and other Financial Institutions requested the Board to delay action on the proposal by Applicant to acquire Bank until alleged claims against the selling parties regarding ownership of Bank's stock could be resolved. For the reasons discussed fully in the *Eastern National Order*, the Board found the statutory factors related to the acquisition of Bank, in that case, to be satisfied and approved the proposal.

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

2. These limitations are set forth in Appendix A.

and deal in securities in which state member banks may not underwrite or deal ("bank-ineligible securities").

In connection with a proposal considered today by a bank holding company to engage in riskless principal activities, the Board has reviewed the continued appropriateness of applying the Underwriting Conditions to the conduct of riskless principal activities. In that case, the Board determined, based on its experience in monitoring and examining the conduct of riskless principal activities by bank holding companies, that the Underwriting Conditions were not necessary to address identifiable adverse effects. Accordingly, the Board permitted the bank holding company to engage in riskless principal transactions through a nonbank subsidiary without conducting this activity in accordance with the Underwriting Conditions.[3] The riskless principal activities must be conducted in accordance with the limitations set forth in Appendix A, which are designed to distinguish riskless principal activities from securities underwriting and dealing activities.

In reaching its decision, the Board noted that riskless principal transactions are essentially equivalent to securities brokerage transactions and must be conducted in compliance with the federal securities laws.[4] Bank holding companies are not required to conduct securities brokerage activities in accordance with the Underwriting Conditions. The Board concluded that the definitional limitations set forth in Appendix A would ensure that riskless principal transactions would be customer-driven and that the bank holding company would not bear principal or reputational risk with respect to the securities that it would purchase (or sell) as a riskless principal.[5] To ensure that customers are informed, the bank holding company agreed that, if it provides riskless principal services in combination with advisory services, it would provide its customers the disclosures established by the Board for the full-service brokerage activities of bank holding companies.[6]

In light of the Board's decision today in the application by The Bank of New York Company, Inc., the Board has determined to grant identical relief to other bank holding companies previously approved to conduct riskless principal activities pursuant to section 4(c)(8) of the BHC Act. Accordingly, for the reasons discussed in this order and in the *BNY Order*, the Board hereby determines that bank holding companies that have been authorized by the Board to engage in riskless principal activities pursuant to section 4(c)(8) of the BHC Act may conduct these activities without applying the Underwriting Conditions set forth in Appendix B to the conduct of these activities, provided that the bank holding company continues to comply with the limitations set forth in Appendix A. This action does not relieve bank holding companies that conduct riskless principal activities through subsidiaries that also engage in bank-ineligible securities underwriting and dealing activities or private placement activities from complying with the Underwriting Conditions or any other condition established by the Board with respect to those activities, including conditions that limit a subsidiary's relationships with its affiliates. In addition, this action does not grant relief from any other conditions or commitments.

By order of the Board of Governors, effective June 10, 1996.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Appendix A

(1) The bank holding company subsidiary authorized to engage in riskless principal activities ("Company") may engage in riskless principal transactions only in the secondary market.
(2) Company may not act as riskless principal in selling bank-ineligible securities at the order of a customer that is the issuer of the securities or in any transaction where Company has a contractual agreement to place the securities as agent of the issuer.
(3) Company may not engage in any riskless principal transaction for any bank-ineligible security carried in its inventory.
(4) Company may not engage in riskless principal transactions on behalf of any U.S. affiliate that engages in bank-ineligible securities underwriting and dealing, or any foreign affiliate that engages in securities dealing activities outside the United States.
(5) Company may not act as a riskless principal in any transaction involving a bank-ineligible security for which Company or an affiliate makes a market.
(6) Neither Company nor its affiliates may hold themselves out as making a market in the bank-ineligible securities that Company buys and sells as riskless principal, nor enter quotes for specific bank-ineligible securities in any dealer quotation system in connection with Company's riskless principal transactions; except that Company and its affiliates may enter bid or ask quotations, or publish "offering wanted" or "bid wanted" notices on trading systems other than NASDAQ or an exchange, if Company or the affiliate does not enter price quotations on different sides of the market for a particular security for two business days. (That is, Company or its affiliate must wait at least two business days after entering a "bid" quotation on a security before entering an "ask" quotation with respect to the same security, and vice-versa.)

3. *See The Bank of New York Company, Inc.*, 82 *Federal Reserve Bulletin* 748 (1996) ("*BNY Order*"). Notice of the bank holding company's proposal was published in the *Federal Register* in accordance with the Board's rules. *See* 61 *Federal Register* 19,627 (May 2, 1996). The Board received no comments on the proposal.

4. *See Bankers Trust*

5. The Board also noted that banks may engage in riskless principal transactions on behalf of their customers. *See* OCC Interp. Ltr. No. 626, *reprinted in* [1993-1994 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,508 (July 7, 1993).

6. *See* 12 C.F.R. 225.25(b)(15)(ii).

(7) Company may not act as riskless principal for registered investment company securities or for any securities of investment companies that are advised by the bank holding company or any of its affiliates.
(8) Company will maintain specific records, including records time-stamped in accordance with SEC requirements, that clearly identify all riskless principal transactions.
(9) If the bank holding company provides riskless principal services in combination with investment advisory services, the bank holding company will prominently disclose in writing to its customers that:

(a) The bank holding company is solely responsible for its contractual obligations and commitments;
(b) The bank holding company is not a bank and is separate from any affiliated bank; and
(c) The securities sold, offered, or recommended by the bank holding company are not insured by the FDIC and are not obligations of, or endorsed or guaranteed in any way by, any bank (unless this is the case).

These disclosures must be made before the bank holding company provides any riskless principal or advisory services to a customer, and the disclosure in clause (a) also must be made by the bank holding company in its customer account statements. The disclosures may be provided orally so long as written disclosures are provided to the customer immediately thereafter. In addition, Company and its affiliates will not share any confidential information concerning their respective customers without the consent of the customer. *See* 12 C.F.R. 225.25(b)(15)(ii).

Appendix B

Bank holding companies are hereby relieved from the following Underwriting Conditions in connection with the conduct of riskless principal activities:

(1) Neither the bank holding company nor any subsidiary shall directly or indirectly extend credit, issue or enter into a stand-by letter of credit, asset purchase agreement, indemnity, guarantee, insurance or other facility that might be viewed as enhancing the creditworthiness or marketability of ineligible securities purchased (or sold) as a riskless principal by Riskless Principal Subsidiary.[1]
(2) Neither the bank holding company nor any subsidiary (other than the Riskless Principal Subsidiary) shall knowingly extend credit to a customer directly or indirectly secured by, or for the purpose of purchasing, any ineligible security that the Riskless Principal Subsidiary purchases (or sells) as a riskless principal.
(3) Neither the bank holding company nor any of its subsidiaries may, directly or indirectly, extend credit to issuers of ineligible securities purchased (or sold) as riskless principal by the Riskless Principal Subsidiary for the purpose of the payment of principal, interest or dividends on such securities, except that the bank holding company and its subsidiaries may extend credit to an issuer of securities purchased (or sold) as riskless principal by the Riskless Principal Subsidiary for purposes of paying the principal on the securities, provided that at least 3 years has elapsed since the date of the Riskless Principal Subsidiary's purchase (or sale) and the credit extension meets prudent and objective credit standards.
(4) The bank holding company shall adopt appropriate procedures, including maintenance of necessary documentary records, to assure that any extension of credit by it or any of its subsidiaries to issuers of ineligible securities purchased (or sold) as riskless principal by Riskless Principal Subsidiary are on an arm's length basis for purposes other than payment of principal, interest or dividends on the issuer's ineligible securities being purchased (or sold) as riskless principal by Riskless Principal Subsidiary.
(5) The requirements relating to credit extensions to issuers noted in paragraphs 1-4 above also shall apply to extensions of credit to parties that are the major users of projects that are financed by industrial revenue bonds.
(6) The bank holding company's affiliated banks and thrifts may not express an opinion on the value or the advisability of the purchase or sale of ineligible securities that are purchased (or sold) as riskless principal by Riskless Principal Subsidiary unless the bank or thrift affiliate notifies the customer that Riskless Principal Subsidiary is purchasing (or selling) the security.
(7) Neither the bank holding company nor its bank, thrift or trust or investment advisory subsidiaries shall purchase, as a trustee or in any other fiduciary capacity, for accounts over which they have investment discretion, ineligible securities that are purchased (or sold) as riskless principal by Riskless Principal Subsidiary unless such purchase is specifically authorized under the instrument creating the fiduciary relationship, by court order, or by the law of the jurisdiction under which the trust is administered.
(8) Neither the bank holding company nor any of its subsidiaries shall purchase as principal ineligible securities that are sold as a riskless principal by Riskless Principal Subsidiary.[2]
(9) The Riskless Principal Subsidiary may only purchase (or sell) as riskless principal ineligible securities issued

1. "Riskless Principal Subsidiary" refers to any nonbank subsidiary of a bank holding company authorized to engage in riskless principal activities under section 4(c)(8) of the BHC Act.

2. As noted above, a bank holding company may rely on the relief provided by this order only if the bank holding company conducts its riskless principal activities in accordance with the limitations set forth in Appendix A. These limitations prohibit a bank holding company subsidiary from engaging in riskless principal transactions on behalf of any foreign affiliate that engages in securities dealing activities outside the United States, or any U.S. affiliate that engages in bank-ineligible securities underwriting and dealing. In addition, these limitations prohibit a bank holding company subsidiary from purchasing or selling as riskless principal any bank-ineligible security that the subsidiary holds in its inventory.

by (or representing interests in, or secured by, obligations of) affiliates if the securities are:
(a) Rated by an unaffiliated, nationally recognized statistical rating organization;
(b) Issued or guaranteed by FNMA, FHLMC, or GNMA (or represent interests in securities issued or guaranteed by FNMA, FHLMC, or GNMA); or
(c) Purchased from or sold to sophisticated institutions.

The following limitations on the conduct of riskless principal activities are relieved only with respect to those bank holding company subsidiaries that engage in riskless principal and securities brokerage activities, but that do not engage in bank-ineligible securities underwriting and dealing or private placement activities.[3]
(10) There will be no officer, director, or employee interlocks between Riskless Principal Subsidiary and any of the bank holding company's bank or thrift subsidiaries. The Riskless Principal Subsidiary will have separate offices from any affiliated bank or thrift.
(11) The Riskless Principal Subsidiary will provide each of its customers with a special disclosure statement describing the difference between the Riskless Principal Subsidiary and its bank and thrift affiliates and pointing out that an affiliated bank or thrift could be a lender to an issuer and referring the customer to the disclosure documents for details. Riskless Principal Subsidiary also should disclose any material lending relationship between the issuer and a bank or lending affiliate of Company as required under the securities laws.[4]
(12) No bank or thrift affiliate of a Riskless Principal Subsidiary will act as agent for, or engage in marketing activities on behalf of, the Riskless Principal Subsidiary. In this regard, prospectuses and sales literature relating to securities being purchased (or sold) by Riskless Principal Subsidiary as riskless principal may not be distributed by a bank or thrift affiliate, nor should any such literature be made available to the public at any offices of any such affiliate, unless specifically requested by a customer.
(13) The bank holding company shall assure that no bank or thrift subsidiary shall, directly or indirectly, extend credit in any manner to a Riskless Principal Subsidiary or a subsidiary thereof; or issue a guarantee, acceptance, or letter of credit, including an endorsement or standby letter of credit, for the benefit of Riskless Principal Subsidiary or a subsidiary thereof.
(14) No bank or thrift affiliate of bank holding company shall, directly or indirectly, for its own account, purchase financial assets of Riskless Principal Subsidiary or a subsidiary thereof or sell such assets to Riskless Principal Subsidiary or any subsidiary thereof. This limitation shall not apply to the purchase and sale of U.S. Treasury securities or direct obligations of the Canadian federal government that are not subject to repurchase or reverse repurchase agreements between Riskless Principal Subsidiary and its bank and thrift affiliates.

3. As discussed above, this order does not relieve a bank holding company authorized to engage in bank ineligible securities underwriting and dealing or private placement activities from any of the conditions established by the Board with respect to the conduct of those activities, including any of the limitations that apply generally to the subsidiary conducting those activities.

4. The disclosures required to be made in the conduct of riskless principal activities are listed in Appendix A

Orders Issued Under Sections 3 and 4 of the Bank Holding Company Act

Firstar Corporation
Milwaukee, Wisconsin

Firstar Corporation of Minnesota
Bloomington, Minnesota

Order Approving the Acquisition of Bank Holding Companies

Firstar Corporation, Milwaukee, Wisconsin ("FCM"), and its wholly owned subsidiary, Firstar Corporation of Minnesota, Bloomington, Minnesota (together, "Firstar"), both bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire Jacob Schmidt Company ("Jacob"), and its subsidiary, American Bancorporation, Inc. ("American"),[1] both in St. Paul, and thereby indirectly acquire American's subsidiary banks: American Bank, N.A. and American Commercial Bank, both in St. Paul; American Bank Lake City, Lake City; and American Bank Moorhead, Moorhead, all in Minnesota.[2] In addition, Firstar has requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a) of the Board's Regulation Y (12 C.F.R. 225.23(a)) to acquire all the voting shares of American's wholly owned nonbank subsidiaries.[3]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 13,496 (1996)). The time for filing

1. Jacob currently owns approximately 51 percent of the voting shares of American. Firstar has entered into agreements to purchase the remaining voting share interest in American from the other shareholders.

2. The Office of the Comptroller of the Currency ("OCC") has approved Firstar's application under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c) (the Bank Merger Act), to merge American Bank and Commercial Bank with and into Firstar Bank of Minnesota, N.A., Minneapolis, Minnesota. Firstar intends to sell Lake City Bank and Moorhead Bank.

3. Firstar would acquire American Credit Corporation, St. Paul, Minnesota, and thereby engage in asset based lending pursuant to section 225.25(b)(1)(iv) of Regulation Y (12 C.F.R. 225.25(b)(1)(iv)). In addition, Firstar would acquire Lake City Agency, Inc., Lake City, Minnesota, which engages in insurance agency activities pursuant to section 225.25(b)(8)(iv) of Regulation Y (12 C.F.R. 225.25(b)(8)(iv)). Firstar also would acquire two inactive nonbank subsidiaries of American, First Agency of Barnesville, Barnesville, and Glasser-American Mortgage Company, St. Paul, both in Minnesota, and has committed not to engage in activities through these subsidiaries without the prior approval of the Federal Reserve System.

comments has expired, and the Board has considered this proposal and all comments received in light of the factors set forth in sections 3 and 4(c)(8) of the BHC Act.

Firstar, with total consolidated assets of $19.2 billion, operates subsidiary banks in Arizona, Illinois, Iowa, Minnesota, and Wisconsin.[4] Firstar is the third largest banking or thrift organization ("depository institution") in Minnesota, controlling deposits of approximately $1.6 billion, representing approximately 3.2 percent of total deposits in depository institutions in the state.[5] American is the sixth largest depository institution in Minnesota, controlling deposits of $953 million, representing approximately 1.9 percent of total deposits in depository institutions in the state. On consummation of this proposal, Firstar would remain the third largest depository institution in Minnesota, controlling deposits of $2.5 billion, representing approximately 5.1 percent of total deposits in depository institutions in the state.

Interstate Analysis

Section 3(d) of the BHC Act, as amended by Section 101 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, allows the Board to approve an application by a bank holding company to acquire control of a bank located in a state other than the home state of such a bank holding company, if certain conditions are met. For purposes of the BHC Act, the home state of Firstar is Wisconsin, and Firstar would acquire banks in Minnesota.[6] The conditions for an interstate acquisition under section 3(d) are met in this case.[7] In view of all the facts of record, the Board is permitted to approve this proposal under section 3(d) of the BHC Act.

Competitive Considerations

Firstar and American compete directly in the Minneapolis-St. Paul, Minnesota banking market ("Minneapolis-St. Paul banking market").[8]

Firstar operates the third largest depository institution in the market, and controls deposits of approximately $1.6 billion, representing approximately 5.9 percent of total deposits in depository institutions in the market ("market deposits").[9] American operates the fifth largest depository institution in the market, and controls deposits of approximately $778.5 million, representing approximately 2.9 percent of market deposits.

On consummation of this proposal, Firstar would remain the third largest depository institution in the market, controlling deposits of $2.4 billion, representing approximately 8.8 percent of market deposits. The change in market concentration, as measured by the Herfindahl-Hirschman Index ("HHI"), would not exceed the threshold levels in the Department of Justice merger guidelines.[10] In addition, numerous competitors would remain in this market. Based on all the facts of record, the Board concludes that consummation of this proposal would not result in any significantly adverse effect on competition or concentration of banking resources in the Minneapolis-St.Paul banking market or any other relevant banking market.

Other Factors Under the BHC Act

The BHC Act also requires the Board to consider the convenience and needs of the community to be served, the financial and managerial resources and future prospects of the companies and banks involved, and certain other supervisory factors.

In its consideration of the convenience and needs factor, the Board has carefully reviewed comments from the Fair Lending Coalition, Inc. ("Protestant"), which maintain that the closing of the Teutonia Avenue branch in Milwaukee by Firstar Bank Milwaukee, N.A., Milwaukee, Wisconsin ("Milwaukee Bank") in April 1996, adversely af-

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

5. State deposit data are as of December 31, 1995.

6. Pub. L. No. 103-328, 108 Stat. 2338 (1994). A bank holding company's home state is that state in which the operations of the bank holding company's banking subsidiaries were principally conducted on July 1, 1966, or the date on which the company became a bank holding company, whichever is later.

7. *See* 12 U.S.C. §§ 1842(d)(1)(A) and (B) and 1842(d)(2)(A) and (B). Firstar is adequately capitalized and adequately managed. American's banks have been in existence and continuously operated for the minimum period of time required under Minnesota law. In addition, upon consummation of this proposal, Firstar and its affiliates would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States and less than 30 percent of the total amount of deposits in Minnesota, as required by law.

8. The Minneapolis-St. Paul banking market is approximated by all of Anoka, Hennepin, Ramsey, Washington, Carver, Scott, and Dakota Counties in Minnesota; Lent, Chisago Lake, Shafer, Wyoming and Franconia townships in Chisago County, Minnesota; Blue Hill, Orrock, Livonia, and Big Lake Townships and the City of Elk River in Sherburn County, Minnesota; Monticello, Otsego, Buffalo, Frankfort, Rockford, and Franklin Townships in Wright County, Minnesota; Lanesburgh Township in Le Sueur County, Minnesota; and the Town of Hudson in St. Croix County, Wisconsin.

9. Market data are as of December 31, 1995. Market share data are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See WM Bancorp*, 76 *Federal Reserve Bulletin* 788 (1990); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Thus, the Board has regularly included thrift deposits in the calculation of market share on a 50-percent weighted basis. *See*, *First Hawaiian Inc.*, 77 *Federal Reserve Bulletin* 52 (1991).

10. On consummation of this proposal, the HHI would increase by 34 points to a level of 1866. 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 1800 is considered to be highly concentrated. The Justice Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effect of limited-purpose lenders and other non-depository financial entities.

fected access to banking services for African Americans and elderly persons residing in this low- to moderate-income area. Protestant also requests that the Board investigate whether the branch closing fostered racial and economic segregation in Milwaukee. The Board has considered these comments carefully in light of the limited scope of the Board's authority under the BHC Act and the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA") and all the facts of record, including the bank's "outstanding" rating at its most recent examination for performance under the CRA, as of October 1995, by its primary federal supervisor, the OCC ("OCC examination"), and the branch closing information filed by Milwaukee Bank with the OCC under the Joint Agency Policy Statement on Branch Closings and section 42 of the Federal Deposit Insurance Act (12 U.S.C. § 1831r-1) ("FDIC Act").

The OCC examination found that the branch closing policy for Milwaukee Bank was satisfactory and noted no materially adverse effects from branch closings in low- to moderate-income neighborhoods during the examination period. The branch closing policy required the bank to study the economic impact of any proposed branch closing on the community served by the branch, to solicit input from the community, and to consider whether alternative financial facilities were available to the affected customers before deciding to close the Teutonia Avenue branch. Firstar has indicated, moreover, that this branch was closed because the bank's lease was not renewed. Marketing studies conducted by Firstar over a five-month period showed that 80 percent of the customers that used the Teutonia Avenue branch also used one or more of the bank's other branches, and 64 percent of the branch's customers that responded to a telephone survey stated that another branch of Firstar could conveniently serve their banking needs. Firstar has three branches, and seven other depository institution maintain branches, within three miles of the Teutonia Avenue branch.

Firstar does not propose to close any branches of the depository institution subsidiaries of American in connection with this proposal. Based on all the facts of record, including the comments by Protestant, and for the reasons discussed above, the Board concludes that convenience and needs considerations are consistent with approval. For these reasons, the Board also concludes that the facts of record do not support Protestant's request to delay action on this application in order to conduct a special investigation.

In light of all the facts of record, the Board also concludes that the financial and managerial resources and future prospects of Firstar and Jacob, and their respective subsidiaries, are consistent with approval, as are the other supervisory factors the Board must consider under section 3 of the BHC Act.

Firstar also has requested Board approval, pursuant to section 4(c)(8) of the BHC Act, to acquire the nonbanking subsidiaries of American. The Board previously has determined by regulation or order that these activities are closely related to banking for purposes of section 4(c)(8) of the BHC Act. Firstar has committed that it will conduct these activities in accordance with the Board's regulations and orders approving these activities for bank holding companies.

In order to approve this proposal, the Board also must determine that the performance of the proposed nonbanking 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 every case 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 transaction on these resources.[11] Based on all the facts of record, the Board has concluded that financial and managerial considerations are consistent with approval.

The Board also concludes that this proposal would enable Firstar to provide greater convenience and improved service to Firstar's customers and to customers of American's nonbanking subsidiaries. The record in this case indicates that there are numerous providers of these nonbanking services, and there is no evidence in the record to indicate that consummation of this proposal is likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices that would outweigh the public benefits of this proposal. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval of the notice to acquire American's nonbanking subsidiaries.

Conclusion

Based on the foregoing, including the commitments made to the Board by Firstar in connection with this application and notice, and in light of all the facts of record, the Board has determined that the application and notice should be, and hereby are, approved.[12] The Board's approval is specif-

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

12. Protestant requests that the Board hold a public hearing or public meeting on the adverse effects of closing the Teutonia Avenue branch. Section 3(b) of the BHC Act does not require the Board to hold a public hearing or meeting on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial of the application. In this case, the Board has not received such a recommendation from any state or federal supervisory authority. Under its 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 C.F.R. 262.3(e) and 262.25(d). The Board has carefully considered Protestant's request in light of all the facts of record. In the Board's view, Protestant has had ample opportunity to submit its views, and has, in fact, submitted materials that have been considered by the Board in acting on this application. Protestant's request fails to demonstrate why its substantial written submissions do not adequately present its allegations or

ically conditioned on compliance by Firstar with all the commitments made in connection with the proposal. The Board's determinations on the proposed nonbanking activities also are subject to all the conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(b)(3) of Regulation Y (12 C.F.R. 225.7 and 225.23(b)(3)), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. For purposes of this action, the commitments and conditions relied on by the Board in reaching this decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

The acquisition of American's subsidiary banks shall not be consummated before the fifteenth calendar day following the effective date of this order, and this proposal 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 Chicago, acting pursuant to delegated authority.

By order of the Board of Governors, effective June 24, 1996.

Voting for this action: Chairman Greenspan and Governors Kelley, Lindsey, Phillips, and Yellen. Abstaining from this action: Governor Meyer.

WILLIAM W. WILES
Secretary of the Board

why a public hearing or meeting is otherwise warranted in this case. Protestant participated in several meetings that were held by Firstar on the closing of the Teutonia Avenue branch. In addition, section 42 of the FDIC Act also provides a mechanism for interested persons to request a public meeting regarding a branch closing at the time the closing is announced and Protestant did not avail himself of this opportunity. After a careful review of all the facts of record, the Board has concluded that Protestant disputes the weight that should be accorded to, and the conclusions that may be drawn from, the facts of record, or disputes facts that are not material to the Board's decision. For these reasons, and based on all the facts of record, the Board has determined that a public hearing or meeting is not necessary to clarify the factual record in the application, and is not warranted in this case. Accordingly, Protestant's request for a public hearing or meeting is denied.

ORDERS ISSUED UNDER BANK MERGER ACT

West One Bank, Idaho
Boise, Idaho

Order Approving the Merger of Banks and Establishment of Bank Branches

West One Bank, Idaho, Boise ("West One"), a state member bank, has requested the Board's approval under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) (the "Bank Merger Act") to merge with U. S. Bank of Idaho, National Association, Coeur D'Alene, both in Idaho ("U.S. Bank"), with West One surviving the merger. West One also has requested the Board's approval under section 9 of the Federal Reserve Act (12 U.S.C. § 321) to establish branches at the current locations of the U.S. Bank branches.[1]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been given in accordance with the Bank Merger Act and the Board's Rules of Procedure (12 C.F.R. 262.3(b)). As required by the Bank Merger Act, reports on the competitive effects of the merger were requested from the United States Attorney General, the Office of the Comptroller of the Currency ("OCC"), and the Federal Deposit Insurance Corporation. The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in the Bank Merger Act and section 9 of the Federal Reserve Act.

West One and U.S. Bank are wholly owned subsidiaries of U. S. Bancorp, Portland, Oregon ("U.S. Bancorp"). U.S. Bancorp, with total consolidated assets of $31.9 billion, is the largest commercial banking organization in Idaho, controlling deposits of approximately $3.4 billion, representing 37.8 percent of the total deposits in commercial banking organizations in Idaho.[2]

The Bank Merger Act prohibits the Board from approving a proposal under the Act if the proposal would result in a monopoly or if the proposal would substantially lessen competition in any relevant banking market unless such anticompetitive effects are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. The proposal represents a corporate reorganization of U.S. Bancorp's existing banking operations in Idaho. Based on all the facts of record, consummation of the proposal would not have any significantly adverse effects on competition or the concentration of banking resources in any relevant banking market.

The Bank Merger Act also requires the Board to consider the financial and managerial resources and future prospects of the banks involved. The Board has carefully reviewed these factors in light of all the facts of record, including comments received from several individuals ("Commenters"), and relevant reports of examination and other supervisory information from federal supervisory agencies. Based on all the facts of record, the Board concludes that these factors are consistent with approval of the proposal.[3] Considerations relating to the convenience

1. The locations of the branches that West One proposes to establish are listed in the Appendix.

2. Asset data are as of December 31, 1995. Deposit data are as of June 30, 1995.

3. Commenters maintain that their pending legal actions against West One have not been properly disclosed in the proposal or to shareholders, and that their claims adversely affect the financial resources of the bank. These lawsuits are based on allegations that relate to Commenters' loan transactions with West One that resulted in

and needs of the community, also required to be reviewed under the Bank Merger Act, are consistent with approval.

The Board also has considered the factors it is required to consider when reviewing a proposal to establish branches under section 9 of the Federal Reserve Act (12 U.S.C. § 321 *et seq.*), and has determined that those factors are consistent with approval of the establishment of West One branches at the present sites of the U.S. Bank branch offices.

Based on the foregoing and all the facts of record, the Board has determined that these applications should be, and hereby are, approved.[4] The Board's approval of the proposal is conditioned on compliance with the commitments made in connection with these applications. For purposes of this action, the commitments and conditions relied on in reaching this decision are both conditions imposed in writing by the Board and, as such, may be enforced in proceedings under applicable law.

The merger of U.S. Bank and West One may not be consummated before the fifteenth calendar day following the effective date of this order, and this proposal may not be consummated later than three months after the effective date of this order, unless such period is extended by the Board or by the Federal Reserve Bank of San Francisco, acting pursuant to delegated authority.

By order of the Board of Governors, effective June 17, 1996.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Appendix

Locations of branches of U.S. Bank to be established by West One:

Coeur D'Alene
301 North 3rd Street
Coeur D'Alene, Idaho 83816

Eight & Bannock Branch
802 West Bannock
Boise, Idaho 83702

Bryden Avenue Financial
(Supermarket location)
332 Thain Road
Lewiston, Idaho 83501

Silver Lake Mall Branch
123 West Hanley Avenue
Coeur D'Alene, Idaho 83814

Meridian Branch
132 East Fairview
Meridian, Idaho 83642

Post Falls Branch
709 East Seltice Way
Post Falls, Idaho 83854

Caldwell Branch
2615 East Cleveland Blvd.
Caldwell, Idaho 83602

Appleway Financial Market
West 225 Apple Way
Coeur D'Alene, Idaho 83814

Westpark Towne Plaza Branch
675 North Milwaukee Avenue
Boise, Idaho 83704

Vista Avenue Branch
1103 Vista Avenue
Boise, Idaho 93705

foreclosure proceedings by the bank more than ten years ago. The Board notes that Commenters litigated their claims in courts that had the authority to provide Commenters with appropriate remedies, if improper actions could have been substantiated. Trial and appellate courts have not granted relief to Commenters. U.S. Bancorp, the only shareholder of West One, is aware of these legal actions. The Board has considered the effect of these claims on the financial resources of West One in light of reports of examination and other information about the financial strength of the bank and its parent holding company.

One Commenter also contends that from 1984 through 1987, West One misreported its allowance for loan and lease losses. West One was a nationally chartered institution before it became a state member bank in 1992. The Board has consulted with the OCC, the primary federal supervisor of West One at that time, and has provided a copy of Commenter's allegations to the OCC. In addition, the Board has considered West One's record for accuracy in its reports since it became a state member bank. The Board also notes that the same allegations of misreporting by West One were considered by the Securities and Exchange Commission ("SEC") in connection with U.S. Bancorp's acquisition of West One Bancorp in 1995, and the SEC determined that the allegations did not warrant investigation under the securities laws.

4. Commenters have requested that the Board hold a public hearing or meeting on issues raised by their comments. Neither the Bank Merger Act nor section 9 of the Federal Reserve Act provide for public hearings or meetings on an application. Under the Board's Rules of Procedure, however, the Board may, in its discretion, hold a public hearing or meeting on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 C.F.R. 262.3(e). The Board notes that Commenters have had ample opportunity to submit their views and have, in fact, submitted comments on these applications. The requests fail to demonstrate why the written submissions do not adequately present commenters' allegations or why a public hearing or meeting is otherwise warranted in the case. For these reasons, and based on all the facts of record, the Board has determined that a public hearing or meeting is not necessary to clarify the factual record in the proposal and are not warranted in this case. Accordingly, Commenters' request for a public hearing or meeting is denied.

Commenters have also requested that the Board delay acting on the proposal until their allegations are investigated. Based on all the facts of record, and for the reasons previously discussed, the Board concludes that a delay is not warranted and that the record is sufficient to act on the proposal.

Colverdale McMillan Branch
12195 West McMillan Road
Boise, Idaho 83704

ORDERS ISSUED UNDER FEDERAL RESERVE ACT

Iowa State Bank
Hull, Iowa

Order Approving Establishment of a Branch

Iowa State Bank, Hull, Iowa ("Bank"), a state member bank, has requested the Board's approval under section 9 of the Federal Reserve Act (12 U.S.C. § 321 *et seq.*) to establish a branch at 1101 Main Street, Hull, Iowa.[1]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published in accordance with the Board's Rules of Procedure. 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 9 of the Federal Reserve Act.

Bank, with total assets of $33.9 million,[2] is a wholly owned subsidiary of Vogel Bancshares, Inc., Orange City, Iowa ("Vogel Bancshares"). Bank operates in the Sioux County, Iowa, banking market, which includes the towns of Hull and Sheldon.[3]

The Board has carefully reviewed the factors it is required to consider in proposals to establish a branch under the Federal Reserve Act.[4] Based on all the facts of record, the Board concludes that these factors, including the financial condition of Bank, the general character of its management, and the proposed exercise of corporate powers, are consistent with approval and the purposes of section 9 of the Federal Reserve Act.[5] The Board also concludes that Bank's efforts to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, are consistent with approval.[6]

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

The Hull office shall be in operation as a branch no later than one year after the effective date of this order, unless such period is extended for good cause shown by the Board or by the Federal Reserve Bank of Chicago, acting pursuant to delegated authority.

By order of the Board of Governors, effective June 24, 1996.

Voting for this action: Chairman Greenspan and Governors Kelley, Lindsey, Phillips and Yellen. Abstaining from this action: Governor Meyer.

WILLIAM W. WILES
Secretary of the Board

1. Bank proposes to relocate its main office from Hull to Sheldon, Iowa, 16 miles away, and to retain the Main Street location in Hull as a full-service branch. The Iowa Superintendent of Banking has approved the proposed relocation to Sheldon and the establishment of a branch in Hull.

2. Asset data are as of March 31, 1996.

3. The banking market is approximated by Sioux County and Floyd, Carroll, Baker, and Caledonia townships in O'Brien County, Iowa.

4. *See* 12 U.S.C. § 322.

5. The Board has carefully considered comments from two banks in Sheldon contending that the town is unable to support an additional competitor and that Bank's proposal would adversely affect the safety and soundness of the commercial banks that currently serve the town. The Board notes that there is no evidence of record to indicate that this proposal would have an adverse effect on the safety and soundness of Bank or Vogel Bancshares. In addition, the number of competitors in the Sioux County banking market would remain the same, and the residents of Sheldon would have the benefit of an additional provider of banking services. The increase in competition under these circumstances is a positive aspect of the proposal. Based on all the facts of record, the Board concludes that these comments do not raise adverse considerations under the statutory factors the Board is required to consider under the Federal Reserve Act.

6. Bank received a "satisfactory" rating from the Federal Reserve Bank of Chicago under the Community Reinvestment Act in its most recent examination, as of July 25, 1995.

Korea Long Term Credit Bank
Seoul, Korea

Order Approving Establishment of a Branch

Korea Long Term Credit Bank, Seoul, Korea ("Bank"), a foreign bank within the meaning of the International Banking Act (the "IBA"), has applied under section 7(d) of the IBA (12 U.S.C. § 3105(d)) to establish a state-licensed branch in New York, New York. The Foreign Bank Supervision Enhancement Act of 1991 ("FBSEA"), which amended the IBA, provides that a foreign bank must obtain the approval of the Board to establish a branch in the United States.

Notice of the application, affording interested persons an opportunity to submit comments, has been published in a newspaper of general circulation in New York, New York (*The New York Times*, February 28, 1996). The time for filing comments has expired, and all comments have been considered.

Bank, with assets of $27.5 billion,[1] is primarily engaged in wholesale banking, providing a broad range of financial services to private business enterprises. Shares of Bank are widely held, and no individual shareholder owns more than 10 percent of any class of the voting securities of Bank. In Korea, Bank operates 34 branches and has seven nonbank subsidiaries involved in activities such as investment bank

1. Data are as of December 31, 1995, unless otherwise noted.

ing, credit card operations, consumer lending, factoring, equipment rental, and investment management and advisory services. Bank's foreign operations include bank subsidiaries in London and Hong Kong, branches in Tokyo and the Cayman Islands, and representative offices in Hong Kong, Singapore, New York, and China.

Bank proposes to upgrade its New York representative office to a state licensed branch that would engage in a variety of activities, including trade finance, lending, deposit-taking, and fund management. Bank does not engage directly or indirectly in any nonbanking activities in the United States and would be a qualifying banking organization within the meaning of Regulation K (12 C.F.R. 211.23) after establishing the proposed branch.

Bank has received preliminary approval from Korea's Ministry of Finance and Economy (the "Ministry") to establish the proposed branch, subject to approval of the branch by the relevant U.S. authorities.

In order to approve an application by a foreign bank to establish a branch in the United States, the IBA and Regulation K require the Board to determine that the foreign bank applicant engages directly in the business of banking outside of the United States and has furnished to the Board the information it needs to assess the application adequately. The Board must also determine that the foreign bank is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor (12 U.S.C. § 3105(d)(2); 12 C.F.R. 211.24(c)(1)). The Board may also take into account additional standards set forth in the IBA and Regulation K (12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)).

Bank engages directly in the business of banking outside of the United States through its banking operations in Korea. Bank also has provided the Board with the information necessary to assess the application through submissions that address the relevant issues.

Regulation K provides that a foreign bank will be considered to be subject to comprehensive supervision or regulation on a consolidated basis if the Board determines that the bank is supervised and regulated in such a manner that its home country supervisor receives sufficient information on the bank's worldwide operations, including the relationship of the bank to any affiliates, to assess the overall financial condition of the bank and its compliance with law and regulation.[2] In making its determination under this standard, the Board has considered the following information.

Bank is licensed in Korea under the Long Term Credit Bank Law of 1980 and is currently the only long-term credit bank in Korea. The Long Term Credit Bank Law grants the Ministry primary supervisory authority over long-term credit banks and sole authority in Korea to grant a license to, or to authorize the establishment of a branch of, a long-term credit bank. The Ministry cooperates with the Office of Bank Supervision and Examination of the Bank of Korea (the "OBSE") in supervising Bank, in recognition of the OBSE's expertise in banking supervisory matters arising from its responsibilities in relation to commercial banks.[3]

Bank is required to submit a number of periodic reports to the Ministry and the OBSE, and the Ministry may request any other information concerning Bank's business that it deems appropriate. Bank must provide the Ministry with annual consolidated financial statements covering its worldwide operations. Other required reports include annual risk-based capital reports, semi-annual bank-only financial statements, quarterly statements on foreign exchange dealings, and monthly reports covering topics such as classification of unsecured loans, funding, and investment and trust activities. The Ministry reviews the reports submitted directly by Bank or indirectly through the OBSE and is kept apprised of Bank's operations through regular and frequent contacts with Bank's senior management.

In addition, the Ministry conducts regular and special on-site examinations of Bank, often in conjunction with the OBSE. The Ministry's general examination policy is to conduct on-site examinations of Bank once a year, although the Ministry may waive the on-site examination for a given year. Each annual on-site examination includes the head office and approximately 10 percent of Bank's randomly selected branches. These examinations generally cover matters such as capital adequacy, asset quality, compliance with applicable law, and the adequacy of internal controls and record-keeping practices. Whenever it is deemed necessary, the Ministry also conducts special on-site examinations of Bank regarding specific matters or specific branch offices.

The Ministry's supervisory authority extends to all nonbank business conducted by Bank through its domestic subsidiaries. Several of these subsidiaries also are subject

2. In assessing this standard, the Board considers, among other factors, the extent to which the home country supervisors:

(i) Ensure that the bank has adequate procedures for monitoring and controlling its activities worldwide;

(ii) Obtain information on the condition of the bank and its subsidiaries and offices through regular examination reports, audit reports, or otherwise;

(iii) Obtain information on the dealings with and relationship between the bank and its affiliates, both foreign and domestic;

(iv) Receive from the bank financial reports that are consolidated on a worldwide basis, or comparable information that permits analysis of the bank's financial condition on a worldwide consolidated basis; and

(v) Evaluate prudential standards, such as capital adequacy and risk asset exposure, on a worldwide basis.

These are indicia of comprehensive, consolidated supervision; no single factor is essential and other elements may inform the Board's determination.

3. Commercial banks are licensed in Korea under the General Banking Act rather than the Long Term Credit Bank Law and are subject to the primary supervisory authority of the OBSE. The Board has previously determined, in connection with applications by Korean commercial banks, that these banks were subject to home country supervision on a comprehensive, consolidated basis. *See Donghwa Bank*, 81 *Federal Reserve Bulletin* 744 (1995); *Cho Hung Bank*, 81 *Federal Reserve Bulletin* 475 (1995); *KorAm Bank*, 80 *Federal Reserve Bulletin* 184 (1994).

to regulation by other Korean governmental agencies. In addition, Bank is prohibited by law from making a loan in an amount equal to or greater than 25 percent or more of its capital and surplus to any single person or entity. The Ministry monitors Bank's proposals regarding loans to affiliates.

Under Korea's Foreign Exchange Control Law, Bank's international operations are supervised by the OBSE pursuant to authority delegated to it by the Ministry. The Ministry may obtain supervisory information from the other Korean supervisory authorities, which directly oversee Bank's domestic affiliates.

The Ministry has various enforcement powers over Bank. The Ministry may suspend all or part of Bank's business if it finds that Bank has violated any provision of applicable Korean law or has engaged in acts contrary to the public interest. In addition, an officer or director of Bank who knowingly submits false information in reports to the Ministry or who hinders the Ministry's supervision of Bank may be subject to fine or imprisonment.

Based on all the facts of record, the Board has determined that Bank is subject to comprehensive supervision and regulation on a consolidated basis by its home country supervisors.

The Board has taken into account the additional standards set forth in section 7 of the IBA and in Regulation K. (*See* 12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)). As noted above, Bank has received preliminary authority from the Ministry to establish the state licensed branch, subject to approval of the proposed branch by the relevant U.S. authorities.

Bank must comply with risk-based capital standards adopted by Korea.[4] Bank's capital is in excess of the minimum levels that would be required by the Basle Capital Accord and is considered equivalent to capital that would be required of a U.S. banking organization. Managerial and other financial resources of Bank are also considered consistent with approval, and Bank appears to have the experience and capacity to support the proposed branch. Bank has established controls and procedures for the proposed branch in order to ensure compliance with applicable U.S. law, as well as controls and procedures for its worldwide operations generally.

Bank has committed to make available to the Board such information on the operations or activities of Bank and any of its affiliates that the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act of 1956, as amended, and other applicable federal law. The Board has reviewed the restrictions on disclosure in Korea and has communicated with the appropriate authorities regarding access to information. To the extent that the provision of such information may be prohibited or impeded by law, Bank has committed to cooperate with the Board in obtaining any consents or waivers that might be required from third parties for disclosure. In addition, subject to certain conditions, the Ministry and the OBSE may share information on Bank's operations with other supervisors, including the Board. In light of these commitments and other facts of record, and subject to the condition described below, the Board has concluded that Bank has provided adequate assurances of access to any necessary information the Board may request.

On the basis of all the facts of record, and subject to the commitments made by Bank, as well as the terms and conditions set forth in this order, the Board has determined that Bank's application to establish a state licensed branch should be, and hereby is, approved.[5] Should any restrictions on access to information on the operations or activities of Bank or any of its affiliates subsequently interfere with the Board's ability to determine the safety and soundness of Bank's U.S. operations or the compliance by Bank or any of its affiliates with applicable federal law, the Board may require termination of any of Bank's direct or indirect activities in the United States. Approval of this application also is conditioned specifically on compliance by Bank with the commitments made in connection with this application and with the conditions in this order. The commitments and conditions referred to above are conditions imposed in writing by the Board in connection with its decision and may be enforced in proceedings under 12 U.S.C. § 1818 or 12 U.S.C. § 1847 against Bank, its offices, or its affiliates.

By order of the Board of Governors, effective June 24, 1996.

Voting for this action: Chairman Greenspan and Governors Kelley, Lindsey, Phillips, and Yellen. Abstaining from this action: Governor Meyer.

WILLIAM W. WILES
Secretary of the Board

ORDERS ISSUED UNDER INTERNATIONAL BANKING ACT

National Bank of Canada
Montreal, Canada

Order Approving Establishment of Representative Offices

National Bank of Canada, Montreal, Canada ("Bank"), a foreign bank within the meaning of the International Banking Act ("IBA"), has applied under section 10(a) of the IBA (12 U.S.C. § 3107(a)) to establish representative of-

4. As of January 1, 1996, all Korean banking institutions, including Bank, have been required to maintain a capital adequacy ratio of at least 8 percent in conformance with the minimum standards required by the Basle Capital Accord. Bank is currently in full compliance with these standards.

5. The Board's authority to approve the establishment of the proposed branch parallels the continuing authority of the state of New York to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the state of New York, and its agent, the New York State Banking Department, to license the proposed branch of Bank in accordance with any terms or conditions that the state of New York may impose.

fices in Denver, Colorado; Boca Raton, Florida; Baltimore, Maryland; Boston, Massachusetts; Southfield, Michigan; Charlotte, North Carolina; Cincinnati, Ohio; Cleveland, Ohio; Pittsburgh, Pennsylvania; Memphis, Tennessee; and Richmond, Virginia. The Foreign Bank Supervision Enhancement Act of 1991 ("FBSEA"), which amended the IBA, provides that a foreign bank must obtain the approval of the Board to establish a representative office in the United States.

Notice of the application, affording interested persons an opportunity to submit comments, has been published in the following newspapers of general circulation: *The Denver Post*, February 26, 1996; *The Miami Herald*, February 26, 1996; *The Baltimore Sun*, February 26, 1996; *The Boston Globe*, February 26, 1996; *The Detroit Free Press*, February 26, 1996; *The Charlotte Observer*, February 26, 1996; *The Cincinnati Enquirer*, February 26, 1996; *The Cleveland Plain Dealer*, February 26, 1996; *The Pittsburgh Post-Gazette*, February 26, 1996; *The Memphis Commercial Appeal*, February 26, 1996; and *The Richmond Times-Dispatch*, February 26, 1996. The time for filing comments has expired, and all comments have been considered.

Bank, with total consolidated assets of approximately $36 billion,[1] is the sixth largest bank in Canada, providing wholesale and retail financial services to customers throughout Canada. The shares of Bank are publicly traded and widely held, with no shareholders owning more than 10 percent of Bank.

Bank operates 644 domestic branches and 14 international offices, including branches, representative offices and banking and financial subsidiaries in Europe, Asia, and the Caribbean. In the United States, Bank operates branches in New York, New York, and Chicago, Illinois; agencies in Atlanta, Georgia, and Los Angeles, California; representative offices in Buffalo, New York, and Dallas, Texas; and a regional administrative office in New York, New York. Bank also wholly owns a savings bank subsidiary in Pompano Beach, Florida, and a nonbanking subsidiary engaged in permissible activities.[2]

Bank's primary purpose for establishing the proposed representative offices is to market the products and services of Bank, solicit loan business for Bank, and serve as a liaison between the head office in Montreal and potential and existing customers in the states served by the representative offices. The proposed representative offices would not solicit deposits for Bank; would not have authority to make any business decisions for Bank; and would not have authority to contract in the name of Bank.

In acting on an application to establish a representative office, the IBA and Regulation K provide that the Board shall take into account whether the foreign bank engages directly in the business of banking outside of the United States and has furnished to the Board the information it needs to assess the application adequately. The Board also shall take into account whether the foreign bank and any foreign bank parent is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor (12 U.S.C. § 3105(d)(2); 12 C.F.R. 211.24).[3] The Board may also take into account additional standards as set forth in the IBA and Regulation K (12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)).

In this case, with respect to the issue of supervision by home country authorities, the Board has considered the following information. Bank is supervised and regulated by the Office of the Superintendent of Financial Institutions ("OSFI"). The OSFI is responsible for the prudential supervision and regulation of federally regulated financial institutions. The Board has previously determined, in connection with an application involving another Canadian bank, Bank of Montreal, Montreal, Canada ("BOM"), that BOM was subject to home country supervision on a consolidated basis.[4] Bank is supervised by the OSFI on the same terms and conditions as BOM. Based on all the facts of record, the Board has determined that Bank is subject to comprehensive supervision and regulation on a consolidated basis by its home country supervisors.

The Board also has taken into account the additional standards set forth in section 7 of the IBA (*See* 12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)). The OSFI has approved the establishment of the proposed representative offices.

With respect to the financial and managerial resources of Bank, taking into consideration Bank's record of operations in its home country, its overall financial resources, and its standing with its home country supervisors, the Board has also determined that financial and managerial factors are consistent with approval of the proposed representative offices. Bank appears to have the experience and capacity to support the proposed representative offices and also has established controls and procedures for the proposed representative offices to ensure compliance with U.S. law.

1. Asset data are as of October 31, 1995.

2. National Canada Finance Corporation ("NCFC"), New York, New York, which engages in asset based lending to middle market companies, operates 13 offices in the United States. The proposed representative offices would share premises with NCFC. Bank has stated that the proposed representative offices would not represent nor provide services to NCFC.

3. In assessing this standard, the Board considers, among other factors, the extent to which the home country supervisors:

(i) Ensure that the bank has adequate procedures for monitoring and controlling its activities worldwide;

(ii) Obtain information on the condition of the bank and its subsidiaries and offices through regular examination reports, audit reports, or otherwise;

(iii) Obtain information on the dealings with and relationship between the bank and its affiliates, both foreign and domestic;

(iv) Receive from the bank financial reports that are consolidated on a worldwide basis, or comparable information that permits analysis of the bank's financial condition on a worldwide consolidated basis; and

(v) Evaluate prudential standards, such as capital adequacy and risk asset exposure, on a worldwide basis.

These are indicia of comprehensive, consolidated supervision. No single factor is essential and other elements may inform the Board's determination.

4. *See Bank of Montreal*, 80 *Federal Reserve Bulletin* 925 (1994).

Finally, with respect to access to information about Bank's operations, the Board has reviewed the restrictions on disclosure in relevant jurisdictions in which Bank operates and has communicated with relevant government authorities about access to information. Bank has committed to make available to the Board such information on the operations of Bank and any affiliate of Bank that the Board deems necessary to determine and enforce compliance with the IBA, the BHC Act, as amended, and other applicable federal law. To the extent that the provision of such information may be prohibited by law, Bank has committed to cooperate with the Board to obtain any necessary consents or waivers that might be required from third parties for disclosure. In addition, subject to certain conditions, the OSFI may share information on Bank's operations with other supervisors, including the Board. In light of these commitments and other facts of record, and subject to the condition described below, the Board concludes that Bank has provided adequate assurances of access to any necessary information the Board may request.

On the basis of all the facts of record, and subject to the commitments made by Bank, as well as the terms and conditions set forth in this order, the Board has determined that Bank's application to establish the representative offices should be, and hereby is, approved. Should any restrictions on access to information on the operations or activities of Bank and its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by Bank or its affiliates with applicable federal statutes, the Board may require termination of any of the Bank's direct or indirect activities in the United States. Approval of this application is also specifically conditioned on Bank's compliance with the commitments made in connection with the application, and with the conditions in this order.[5] The commitments and conditions referred to above are conditions imposed in writing by the Board in connection with its decision, and may be enforced in proceedings under 12 U.S.C. § 1818 or 12 U.S.C. § 1847 against Bank, its offices, and its affiliates.

By order of the Board of Governors, effective June 10, 1996.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

5. The Board's authority to approve the establishment of the proposed representative office parallels the continuing authority of the various state banking departments to license offices of foreign banks. The Board's approval of this application does not supplant the authority of these states, and their agents, the state banking departments, to license the proposed representative offices of Bank in accordance with any terms or conditions that these states may impose.

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
Boatmen's Bancshares, Inc., St. Louis, Missouri	Canadian Bancshares, Inc., Canadian, Texas First State Bank of Canadian, Canadian, Texas	June 5, 1996
First Merchants Corporation, Muncie, Indiana	Union National Bancorp, Liberty, Indiana The Union County National Bank of Liberty, Liberty, Indiana	June 11, 1996
First National of Nebraska, Inc., Omaha, Nebraska First National of Colorado, Omaha, Nebraska	Boulder Bancorporation, Boulder, Colorado The Bank of Boulder, Boulder, Colorado	June 21, 1996
Horizon Bancorp, Inc., Beckley, West Virginia	Twentieth Bancorp, Inc., Huntington, West Virginia	June 28, 1996

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
Acadiana Bancshares, Inc., Lafayette, Louisiana	LBA Savings Bank, Lafayette, Louisiana	Atlanta	May 23, 1996
Associated Banc-Corp., Green Bay, Wisconsin Associated Illinois Banc-Corp., *Chicago, Illinois*	Mid-America National Bancorp, Inc., Chicago, Illinois Mid-America National Bank of Chicago, Chicago, Illinois	Chicago	May 23, 1996
Brookwood Group, L.P., Columbia, Tennessee	The Middle Tennessee Bank, Columbia, Tennessee	Atlanta	June 7, 1996
Central Wisconsin Bancorporation, Inc., Colby, Wisconsin	Owen-Curtiss State Bank, Owen, Wisconsin	Chicago	June 4, 1996
The Colonial BancGroup, Inc., Montgomery, Alabama	Commercial Bancorp of Georgia, Inc., Lawrenceville, Georgia Commercial Bank of Georgia, Lawrenceville, Georgia	Atlanta	May 23, 1996
The Colonial BancGroup, Inc., Montgomery, Alabama	Southern Banking Corporation, Orlando, Florida Southern Bank of Central Florida, Altamonte Springs, Florida	Atlanta	May 31, 1996
Columbia Bancorp, The Dalles, Oregon	Klickitat Valley Bank, Goldendale, Washington	San Francisco	May 29, 1996
Community Bankshares Incorporated, Petersburg, Virginia	Commerce Bank of Virginia, Richmond, Virginia	Richmond	June 4, 1996
Delavan Bancshares, Inc., Delavan, Wisconsin	Community Bank Delavan, Delavan, Wisconsin	Chicago	May 29, 1996
F&M Bancorporation, Kaukauna, Wisconsin	Community State Bank, Algoma, Wisconsin	Chicago	June 5, 1996
First Community Bank Holding Corporation, *Orange City, Florida*	First Community Bank, Orange City, Florida	Atlanta	June 7, 1996
First Hawaiian, Inc., Honolulu, Hawaii	ANB Financial Corporation, Kennewick, Washington	San Francisco	June 17, 1996
First National Corporation, Orangeburg, South Carolina	National Bank of York County, Rock Hill, South Carolina	Richmond	June 14, 1996
FNB Corporation, Christiansburg, Virginia	The First National Bank of Christiansburg, Christiansburg, Virginia	Richmond	May 29, 1996
Fort Brooke Bancorporation, Brandon, Florida	Fort Brooke Bank, Brandon, Florida	Atlanta	June 6, 1996
Goodenow Bancorporation, Okoboji, Iowa	Jackson Bancorporation, Inc., Fairmont, Minnesota Bank Midwest, Minnesota Iowa, N.A., Fairmont, Minnesota	Chicago	June 18, 1996
Granville Bancshares, Inc., Granville, Illinois	Sheridan State Bank, Sheridan, Illinois	Chicago	June 19, 1996

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Hills Bancorporation, Hills, Iowa	Alliance Bancorporation, Lisbon, Iowa Trimpe's, Inc., Lisbon, Iowa Lisbon Bank and Trust Company, Lisbon, Iowa	Chicago	June 6, 1996
Horizon Bancorp Employee Stock Ownership Plan, Michigan City, Indiana	Horizon Bancorp, Michigan City, Indiana	Chicago	June 14, 1996
HUBCO, Inc., Mahwah, New Jersey	Lafayette American Bank and Trust Company, Bridgeport, Connecticut	New York	June 7, 1996
Independent Bancshares, Inc., Powder Springs, Georgia	Independent Bank & Trust Company, Powder Springs, Georgia	Atlanta	May 30, 1996
Key Florida Bancorp, Inc., Bradenton, Florida	Liberty National Bank, Bradenton, Florida	Atlanta	May 30, 1996
Lindoe, Inc., Ordway, Colorado	Pueblo Bancorporation, Inc., Pueblo, Colorado	Kansas City	June 18, 1996
Newnan Holdings, Inc., Newnan, Georgia	Southside Financial Group, Inc., Fayetteville, Georgia Citizens Bank & Trust of Fayette County, Fayetteville, Georgia	Atlanta	May 23, 1996
Outsource Capital Group, Inc., Lubbock, Texas	Outsource Delaware Capital Group, Inc., Dover, Delaware First Bank & Trust Company, White Deer, Texas	Dallas	May 30, 1996
Outsource Delaware Capital Group, Inc., Dover, Delaware	First Bank & Trust Company, White Deer, Texas	Dallas	May 30, 1996
Palm Beach National Holding Company, North Palm Beach, Florida	Palm Beach National Bank and Trust Company, North Palm Beach, Florida	Atlanta	June 19, 1996
Plano Bancshares, Inc., Plano, Texas Plano Bancshares of Delaware, Inc., Dover, Delaware	First McKinney Bancshares, Inc., McKinney, Texas First Bank, McKinney, Texas	Dallas	May 30, 1996
Prairieland Employees Stock Ownership Plan, Bushnell, Illinois	Prairieland Bancorp, Inc., Bushnell, Illinois	Chicago	June 13, 1996
Premier Financial Bancorp, Inc., Georgetown, Kentucky	Farmers Deposit Bancorp, Eminence, Kentucky	Cleveland	June 6, 1996
Security Banc Corporation, Springfield, Ohio	CitNat Bancorp, Urbana, Ohio Citizens National Bank of Urbana, Urbana, Ohio	Cleveland	May 30, 1996
Southeast Texas Bancshares, Inc., Beaumont, Texas	Port Neches Bancshares, Inc., Port Neches, Texas	Dallas	May 29, 1996

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
State National Bancshares, Inc., Lubbock, Texas	State National Bancshares of Delaware, Inc., Dover, Delaware State National Bank of West Texas, Lubbock, Texas	Dallas	June 14, 1996
State National Bancshares of Delaware, Inc., Dover, Delaware	State National Bank of West Texas, Lubbock, Texas	Dallas	June 14, 1996
Stichting Prioriteit ABN AMRO Holding, Amsterdam, The Netherlands Stichting Administratiekantoor ABN AMRO Holding, Amsterdam, The Netherlands ABN AMRO Holding N.V., Amsterdam, The Netherlands ABN AMRO Bank N.V., Amsterdam, The Netherlands ABN AMRO North America, Inc., Chicago, Illinois	Comerica Bank-Illinois, Franklin Park, Illinois	Chicago	May 29, 1996
Thomson Investment Company, Inc., Savanna, Illinois	Gateway State Bank, Clinton, Iowa Savanna Bancorp, Inc., Savanna, Illinois Savanna State Bank, Savanna, Illinois	Chicago	June 6, 1996
Van Diest Investment Company, Ankeny, Iowa	East Des Moines National Bank, Des Moines, Iowa	Chicago	June 4, 1996
West Coast Bancorp, Lake Oswego, Oregon	Vancouver Bancorp, Vancouver, Washington	San Francisco	May 22, 1996
Wildcat, Inc., Cedar Rapids, Iowa	Hartford-Carlisle Savings Bank, Carlisle, Iowa	Chicago	May 31, 1996
XIT Bancshares, Inc., Littlefield, Texas	XIT Delaware, Inc., Dover, Delaware Security State Bank, Littlefield, Texas	Dallas	June 12, 1996
XIT Delaware, Inc., Dover, Delaware	Security State Bank, Littlefield, Texas	Dallas	June 12, 1996

Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Anita Bancorporation, Atlantic, Iowa	To engage in making and servicing loans	Chicago	May 29, 1996
The Bank of Nova Scotia, Toronto, Ontario, Canada	Scotia Capital Markets (USA) Inc., New York, New York	New York	June 11, 1996
Barnett Banks, Inc., Jacksonville, Florida	Barnett Community Development Corporation, Jacksonville, Florida	Atlanta	June 7, 1996
Boscobel Bancorp, Inc., Boscobel, Wisconsin	To engage in making and servicing loans	Chicago	May 23, 1996

Section 4 Continued

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Community Bancshares, Inc., Joseph, Oregon	Citizens Title and Escrow Service, Inc., Enterprise, Oregon	San Francisco	June 12, 1996
Community Bank System, Inc., Dewitt, New York	Mayer Management Co., Inc., Utica, New York	New York	June 4, 1996
D & D Bancshares, Inc., Mount Auburn, Iowa	To engage *de novo* in making and servicing loans	Chicago	May 24, 1996
HSBC Holdings plc, London, England HSBC Holdings BV, Amsterdam, The Netherlands	HSBC Futures, Inc., New York, New York	New York	June 7, 1996
Newnan Holdings, Inc., Newnan, Georgia	To engage in operating a savings association	Atlanta	May 23, 1996
Norwest Corporation, Minneapolis, Minnesota Norwest Financial Services, Inc., Des Moines, Iowa	Aman Collection Service, Inc., Aberdeen, South Dakota	Minneapolis	May 23, 1996
Norwest Corporation, Minneapolis, Minnesota	Real Estate Financial, Palm Harbor, Florida	Minneapolis	June 14, 1996
Outsource Capital Group, Inc., Lubbock, Texas Outsource Delaware Capital Group, Inc., Dover, Delaware	Outsource Lease, Inc., Lubbock, Texas Rall Mortgage Corporation, Lubbock, Texas	Dallas	May 30, 1996
Tattnall Bancshares, Inc., Reidsville, Georgia	Reidsville Insurance Agency, Inc., Reidsville, Georgia	Atlanta	June 18, 1996
VCR Bancorporation Ltd., Carlisle, Iowa	To engage *de novo* in the making and servicing of loans	Chicago	June 7, 1996

Sections 3 and 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Center Bancorp, Inc., Union, New Jersey	Union Center Interim National Bank, Union, New Jersey Lehigh Savings Bank, S.L.A., Union, New Jersey	New York	May 29, 1996
Grand Premier Financial, Inc., Wauconda, Illinois	Northern Illinois Financial Corporation, Wauconda, Illinois Premier Insurance Services, Inc., Warren, Illinois	Chicago	May 24, 1996

Applications Approved Under Bank Merger Act By Federal Reserve Banks

Recent applications have been approved by the Federal Reserve Banks as listed below. Copies are available upon request to the Reserve Banks.

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Adams Bank & Trust, Ogallala, Nebraska	Adams Savings & Loan Association of Chappell, Chappell, Nebraska	Kansas City	May 29, 1996
Baylake Bank, Sturgeon Bay, Wisconsin	The Bank, Manawa, Wisconsin	Chicago	June 12, 1996
Centura Bank, Rocky Mount, North Carolina	Essex Savings Bank, F.S.B., Virginia Beach, Virginia	Richmond	May 30, 1996
Harris Trust and Savings Bank, Chicago, Illinois	Household Bank, f.s.b., Prospect Heights, Illinois	Chicago	May 29, 1996

Pending Cases Involving the Board of Governors

This list of pending cases does not include suits against the Federal Reserve Banks in which the Board of Governors is not named a party.

Interamericas Investments, Ltd. v. Board of Governors, No. 96-60326 (5th Cir., filed May 8, 1996). Petition for review of order imposing civil money penalties and cease and desist order in enforcement case.

Kuntz v. Board of Governors, No. 96-1137 (D.C. Cir., filed April 25, 1996). Petition for review of a Board order dated March 25, 1996, approving an application by CoreStates Financial Corp., Philadelphia, Pennsylvania to acquire Meridian Bancorp, Inc., Reading, Pennsylvania. The Board's motion to dismiss was filed on June 3, 1996.

Kuntz v. Board of Governors, No. 96-1079 (D.C. Cir., filed March 7, 1996). Petition for review of a Board order dated February 7, 1996, approving applications by The Fifth Third Bank, Cincinnati, Ohio, and The Fifth Third Bank of Columbus, Columbus, Ohio, to acquire certain assets and assume certain liabilities of 25 branches of NBD Bank, Columbus, Ohio. Petitioner has moved to consolidate the case with *Kuntz v. Board of Governors*, No. 95-1495. On April 8, 1996, the Board filed a motion to dismiss the action.

Henderson v. Board of Governors, No. 96-1054 (D.C. Cir., filed February 16, 1996). Petition for review of a Board order dated January 17, 1996, approving the merger of First Citizens BancShares, Inc., Raleigh, North Carolina, with Allied Bank Capital, Inc., Sanford, North Carolina. Petitioners' motion for a stay was denied on March 7, 1996.

Research Triangle Institute v. Board of Governors, No. 1:96CV00102 (M.D.N.C., filed February 12, 1996). Contract dispute. On May 3, 1996, the Board filed a motion to dismiss the action. *In re: Subpoena Duces Tecum*, Misc. No. 96-MS-43(TPJ) (D. D.C., filed February 7, 1996). Motion to enforce a subpoena issued to the Board seeking, among other things, bank examination material. The action was dismissed by stipulation on May 16, 1996.

Inner City Press/Community on the Move v. Board of Governors, No. 96-4008 (2nd Cir., filed January 19, 1996). Petition for review of a Board order dated January 5, 1996, approving the applications and notices by Chemical Banking Corporation to merge with The Chase Manhattan Corporation, both of New York, New York, and by Chemical Bank to merge with The Chase Manhattan Bank, N.A., both of New York, New York. Petitioners' motion for an emergency stay of the transaction was denied following oral argument on March 26, 1996. The case has been consolidated for oral argument and decision with *Lee v. Board of Governors*, No. 95-4134 (2d Cir.).

Hotchkiss v. Board of Governors, No. 3:96CV7033 (N.D. Ohio, filed January 19, 1996). Appeal of order of bankruptcy court granting Board's motion for summary judgment in adversary proceeding challenging dischargeability of Board consent order. On June 21, 1996, appellant filed a notice of voluntary dismissal.

Menick v. Greenspan, No. 95-CV-01916 (D. D.C., filed October 10, 1995). Complaint alleging sex, age, and handicap discrimination in employment.

Kuntz v. Board of Governors, No. 95-1495 (D.C. Cir., filed September 21, 1995). Petition for review of Board order dated August 23, 1995, approving the applications of The Fifth Third Bank, Cincinnati, Ohio, to acquire certain assets and assume certain liabilities of 12 branches of PNC Bank, Ohio, N.A., Cincinnati, Ohio, and to establish certain branches. The Board's motion to dismiss was filed on October 26, 1995.

Lee v. Board of Governors, No. 95-4134 (2nd Cir., filed August 22, 1995). Petition for review of Board orders dated July 24, 1995, approving certain steps of a corporate reorganization of U.S. Trust Corporation, New York, New York, and the acquisition of U.S. Trust by Chase Manhattan

Corporation, New York, New York. On September 12, 1995, the court denied petitioners' motion for an emergency stay of the Board's orders. The Board's brief was filed on April 16, 1996.

Beckman v. Greenspan, No. 95-35473 (9th Cir., filed May 4, 1995). Appeal of dismissal of action against Board and others seeking damages for alleged violations of constitutional and common law rights. The appellants' brief was filed on June 23, 1995; the Board's brief was filed on July 12, 1995.

Board of Governors v. Scott, Misc. No. 95-127 (LFO/PJA) (D. D.C., filed April 14, 1995). Application to enforce an administrative investigatory subpoena for documents and testimony. On August 3, 1995, the magistrate judge issued an order granting in part and denying in part the Board's application. On September 18, 1995, the intervenor moved for reconsideration of a portion of the magistrate's ruling. On May 6, 1996, the court denied the motion for reconsideration. The intervenors' notice of appeal was filed May 31, 1996.

Money Station, Inc. v. Board of Governors, No. 95-1182 (D.C. Cir., filed March 30, 1995). Petition for review of a Board order dated March 1, 1995, approving notices by Bank One Corporation, Columbus, Ohio; CoreStates Financial Corp., Philadelphia, Pennsylvania; PNC Bank Corp., Pittsburgh, Pennsylvania; and KeyCorp, Cleveland, Ohio, to acquire certain data processing assets of National City Corporation, Cleveland, Ohio, through a joint venture subsidiary. On April 23, 1996, the court vacated the Board's order. The Board's petition for rehearing and suggestion for rehearing in banc was filed on June 7, 1996.

In re Subpoena Duces Tecum, Misc. No. 95-06 (D.D.C., filed January 6, 1995). Action to enforce subpoena seeking predecisional supervisory documents sought in connection with an action by Bank of New England Corporation's trustee in bankruptcy against the Federal Deposit Insurance Corporation. The Board filed its opposition on January 20, 1995. Oral argument on the motion was held July 14, 1995.

Board of Governors v. Pharaon, No. 91-CIV-6250 (S.D. New York, filed September 17, 1991). Action to freeze assets of individual pending administrative adjudication of civil money penalty assessment by the Board. On September 17, 1991, the court issued an order temporarily restraining the transfer or disposition of the individual's assets.

Final Enforcement Orders Issued by the Board of Governors

Gary S. Missner
New York, New York

The Federal Reserve Board announced on June 11, 1996, the issuance of a combined Cease and Desist Order and Assessment of a Civil Money Penalty against Gary S. Missner, a former employee of BT Securities Corporation, New York, New York, a subsidiary of Bankers Trust New York Corporation, New York, New York.

Termination of Enforcement Actions

The Federal Reserve Board announced on June 3, 1996, the termination of the following enforcement actions:

Bank of White Sulphur Springs
White Sulphur Springs, West Virginia

Written Agreement dated February 28, 1992, terminated May 10, 1996.

Bank Bumiputra Malaysia Berhard
Kuala Lumpur, Malaysia

Written Agreement dated April 26, 1991, terminated May 13, 1996.

Dyer F&M Bancshares
Dyer, Tennessee

Cease and Desist Order dated January 14, 1994, terminated May 3, 1996.

Membership of the Board of Governors of the Federal Reserve System, 1913–96

APPOINTIVE MEMBERS[1]

Name	Federal Reserve District	Date of initial oath of office	Other dates and information relating to membership[2]
Charles S. Hamlin	Boston	Aug. 10, 1914	Reappointed in 1916 and 1926. Served until Feb. 3, 1936.[3]
Paul M. Warburg	New York	Aug. 10, 1914	Term expired Aug. 9, 1918.
Frederic A. Delano	Chicago	Aug. 10, 1914	Resigned July 21, 1918.
W.P.G. Harding	Atlanta	Aug. 10, 1914	Term expired Aug. 9, 1922.
Adolph C. Miller	San Francisco	Aug. 10, 1914	Reappointed in 1924. Reappointed in 1934 from the Richmond District. Served until Feb. 3, 1936.[3]
Albert Strauss	New York	Oct. 26, 1918	Resigned Mar. 15, 1920.
Henry A. Moehlenpah	Chicago	Nov. 10, 1919	Term expired Aug. 9, 1920.
Edmund Platt	New York	June 8, 1920	Reappointed in 1928. Resigned Sept. 14, 1930.
David C. Wills	Cleveland	Sept. 29, 1920	Term expired Mar. 4, 1921.
John R. Mitchell	Minneapolis	May 12, 1921	Resigned May 12, 1923.
Milo D. Campbell	Chicago	Mar. 14, 1923	Died Mar. 22, 1923.
Daniel R. Crissinger	Cleveland	May 1, 1923	Resigned Sept. 15, 1927.
George R. James	St. Louis	May 14, 1923	Reappointed in 1931. Served until Feb. 3, 1936.[4]
Edward H. Cunningham	Chicago	May 14, 1923	Died Nov. 28, 1930.
Roy A. Young	Minneapolis	Oct. 4, 1927	Resigned Aug. 31, 1930.
Eugene Meyer	New York	Sept. 16, 1930	Resigned May 10, 1933.
Wayland W. Magee	Kansas City	May 18, 1931	Term expired Jan. 24, 1933.
Eugene R. Black	Atlanta	May 19, 1933	Resigned Aug. 15, 1934.
M.S. Szymczak	Chicago	June 14, 1933	Reappointed in 1936 and 1948. Resigned May 31, 1961.
J.J. Thomas	Kansas City	June 14, 1933	Served until Feb. 10, 1936.[3]
Marriner S. Eccles	San Francisco	Nov. 15, 1934	Reappointed in 1936, 1940, and 1944. Resigned July 14, 1951.
Joseph A. Broderick	New York	Feb. 3, 1936	Resigned Sept. 30, 1937.
John K. McKee	Cleveland	Feb. 3, 1936	Served until Apr. 4, 1946.[3]
Ronald Ransom	Atlanta	Feb. 3, 1936	Reappointed in 1942. Died Dec. 2, 1947.
Ralph W. Morrison	Dallas	Feb. 10, 1936	Resigned July 9, 1936.
Chester C. Davis	Richmond	June 25, 1936	Reappointed in 1940. Resigned Apr. 15, 1941.
Ernest G. Draper	New York	Mar. 30, 1938	Served until Sept. 1, 1950.[3]
Rudolph M. Evans	Richmond	Mar. 14, 1942	Served until Aug. 13, 1954.[3]
James K. Vardaman, Jr.	St. Louis	Apr. 4, 1946	Resigned Nov. 30, 1958.
Lawrence Clayton	Boston	Feb. 14, 1947	Died Dec. 4, 1949.
Thomas B. McCabe	Philadelphia	Apr. 15, 1948	Resigned Mar. 31, 1951.
Edward L. Norton	Atlanta	Sept. 1, 1950	Resigned Jan. 31, 1952.
Oliver S. Powell	Minneapolis	Sept. 1, 1950	Resigned June 30, 1952.
Wm. McC. Martin, Jr.	New York	April 2, 1951	Reappointed in 1956. Term expired Jan. 31, 1970.
A.L. Mills, Jr.	San Francisco	Feb. 18, 1952	Reappointed in 1958. Resigned Feb. 28, 1965.
J.L. Robertson	Kansas City	Feb. 18, 1952	Reappointed in 1964. Resigned Apr. 30, 1973.
C. Canby Balderston	Philadelphia	Aug. 12, 1954	Served through Feb. 28, 1966.
Paul E. Miller	Minneapolis	Aug. 13, 1954	Died Oct. 21, 1954.
Chas. N. Shepardson	Dallas	Mar. 17, 1955	Retired Apr. 30, 1967.
G.H. King, Jr.	Atlanta	Mar. 25, 1959	Reappointed in 1960. Resigned Sept. 18, 1963.
George W. Mitchell	Chicago	Aug. 31, 1961	Reappointed in 1962. Served until Feb. 13, 1976.[3]
J. Dewey Daane	Richmond	Nov. 29, 1963	Served until Mar. 8, 1974.[3]
Sherman J. Maisel	San Francisco	Apr. 30, 1965	Served through May 31, 1972.
Andrew F. Brimmer	Philadelphia	Mar. 9, 1966	Resigned Aug. 31, 1974.
William W. Sherrill	Dallas	May 1, 1967	Reappointed in 1968. Resigned Nov. 15, 1971.
Arthur F. Burns	New York	Jan. 31, 1970	Term began Feb. 1, 1970. Resigned Mar. 31, 1978.
John E. Sheehan	St. Louis	Jan. 4, 1972	Resigned June 1, 1975.
Jeffrey M. Bucher	San Francisco	June 5, 1972	Resigned Jan. 2, 1976.
Robert C. Holland	Kansas City	June 11, 1973	Resigned May 15, 1976.
Henry C. Wallich	Boston	Mar. 8, 1974	Resigned Dec. 15, 1986.
Philip E. Coldwell	Dallas	Oct. 29, 1974	Served through Feb. 29, 1980.

Name	Federal Reserve District	Date of initial oath of office	Other dates and information relating to membership[2]
Philip C. Jackson, Jr.	Atlanta	July 14, 1975	Resigned Nov. 17, 1978.
J. Charles Partee	Richmond	Jan. 5, 1976	Served until Feb. 7, 1986.[3]
Stephen S. Gardner	Philadelphia	Feb. 13, 1976	Died Nov. 19, 1978.
David M. Lilly	Minneapolis	June 1, 1976	Resigned Feb. 24, 1978.
G. William Miller	San Francisco	Mar. 8, 1978	Resigned Aug. 6, 1979.
Nancy H. Teeters	Chicago	Sept. 18, 1978	Served through June 27, 1984.
Emmett J. Rice	New York	June 20, 1979	Resigned Dec. 31, 1986.
Frederick H. Schultz	Atlanta	July 27, 1979	Served through Feb. 11, 1982.
Paul A. Volcker	Philadelphia	Aug. 6, 1979	Resigned August 11, 1987.
Lyle E. Gramley	Kansas City	May 28, 1980	Resigned Sept. 1, 1985.
Preston Martin	San Francisco	Mar. 31, 1982	Resigned April 30, 1986.
Martha R. Seger	Chicago	July 2, 1984	Resigned March 11, 1991.
Wayne D. Angell	Kansas City	Feb. 7, 1986	Served through Feb. 9, 1994.
Manuel H. Johnson	Richmond	Feb. 7, 1986	Resigned August 3, 1990.
H. Robert Heller	San Francisco	Aug. 19, 1986	Resigned July 31, 1989.
Edward W. Kelley, Jr.	Dallas	May 26, 1987	Reappointed in 1990.
Alan Greenspan	New York	Aug. 11, 1987	Reappointed in 1992.
John P. LaWare	Boston	Aug. 15, 1988	Resigned April 30, 1995.
David W. Mullins, Jr.	St. Louis	May 21, 1990	Resigned Feb. 14, 1994.
Lawrence B. Lindsey	Richmond	Nov. 26, 1991	
Susan M. Phillips	Chicago	Dec. 2, 1991	
Alan S. Blinder	Philadelphia	June 27, 1994	Term expired Jan. 31, 1996.
Janet L. Yellen	San Francisco	Aug. 12, 1994	
Laurence H. Meyer	St. Louis	June 24, 1996	
Alice M. Rivlin	Philadelphia	June 25, 1996	

Chairmen[4]

Charles S. Hamlin	Aug. 10, 1914–Aug. 9, 1916
W.P.G. Harding	Aug. 10, 1916–Aug. 9, 1922
Daniel R. Crissinger	May 1, 1923–Sept. 15, 1927
Roy A. Young	Oct. 4, 1927–Aug. 31, 1930
Eugene Meyer	Sept. 16, 1930–May 10, 1933
Eugene R. Black	May 19, 1933–Aug. 15, 1934
Marriner S. Eccles	Nov. 15, 1934–Jan. 31, 1948[5]
Thomas B. McCabe	Apr. 15, 1948–Mar. 31, 1951
Wm. McC. Martin, Jr.	Apr. 2, 1951–Jan. 31, 1970
Arthur F. Burns	Feb. 1, 1970–Jan. 31, 1978
G. William Miller	Mar. 8, 1978–Aug. 6, 1979
Paul A. Volcker	Aug. 6, 1979–Aug. 11, 1987
Alan Greenspan	Aug. 11, 1987–[6]

Vice Chairmen[4]

Frederic A. Delano	Aug. 10, 1914–Aug. 9, 1916
Paul M. Warburg	Aug. 10, 1916–Aug. 9, 1918
Albert Strauss	Oct. 26, 1918–Mar. 15, 1920
Edmund Platt	July 23, 1920–Sept. 14, 1930
J.J. Thomas	Aug. 21, 1934–Feb. 10, 1936
Ronald Ransom	Aug. 6, 1936–Dec. 2, 1947
C. Canby Balderston	Mar. 11, 1955–Feb. 28, 1966
J.L. Robertson	Mar. 1, 1966–Apr. 30, 1973
George W. Mitchell	May 1, 1973–Feb. 13, 1976
Stephen S. Gardner	Feb. 13, 1976–Nov. 19, 1978
Frederick H. Schultz	July 27, 1979–Feb. 11, 1982
Preston Martin	Mar. 31, 1982–Apr. 30, 1986
Manuel H. Johnson	Aug. 4, 1986–Aug. 3, 1990
David W. Mullins, Jr.	July 24, 1991–Feb. 14, 1994
Alan S. Blinder	June 27, 1994–Jan. 31, 1996
Alice M. Rivlin	June 25, 1996–

EX-OFFICIO MEMBERS[1]

Secretaries of the Treasury

W.G. McAdoo	Dec. 23, 1913–Dec. 15, 1918
Carter Glass	Dec. 16, 1918–Feb. 1, 1920
David F. Houston	Feb. 2, 1920–Mar. 3, 1921
Andrew W. Mellon	Mar. 4, 1921–Feb. 12, 1932
Ogden L. Mills	Feb. 12, 1932–Mar. 4, 1933
William H. Woodin	Mar. 4, 1933–Dec. 31, 1933
Henry Morgenthau Jr.	Jan. 1, 1934–Feb. 1, 1936

Comptrollers of the Currency

John Skelton Williams	Feb. 2, 1914–Mar. 2, 1921
Daniel R. Crissinger	Mar. 17, 1921–Apr. 30, 1923
Henry M. Dawes	May 1, 1923–Dec. 17, 1924
Joseph W. McIntosh	Dec. 20, 1924–Nov. 20, 1928
J.W. Pole	Nov. 21, 1928–Sept. 20, 1932
J.F.T. O'Connor	May 11, 1933–Feb. 1, 1936

1. Under the provisions of the original Federal Reserve Act, the Federal Reserve Board was composed of seven members, including five appointive members, the Secretary of the Treasury, who was ex officio chairman of the Board, and the Comptroller of the Currency. The original term of office was ten years, and the five original appointive members had terms of two, four, six, eight, and ten years respectively. In 1922 the number of appointive members was increased to six, and in 1933 the term of office was increased to twelve years. The Banking Act of 1935, approved Aug. 23, 1935, changed the name of the Federal Reserve Board to the Board of Governors of the Federal Reserve System and provided that the Board should be composed of seven appointive members; that the Secretary of the Treasury and the Comptroller of the Currency should continue to serve as members until Feb. 1, 1936; that the appointive members in office on the date of that act should continue to serve until Feb. 1, 1936, or until their successors were appointed and had qualified; and that thereafter the terms of members should be fourteen years and that the designation of Chairman and Vice Chairman of the Board should be for a term of four years.

2. Date after words "Resigned" and "Retired" denotes final day of service.

3. Successor took office on this date.

4. Chairman and Vice Chairman were designated Governor and Vice Governor before Aug. 23, 1935.

5. Served as Chairman Pro Tempore from February 3, 1948, to April 15, 1948.

6. Served as Chairman Pro Tempore from March 3, 1996, to June 20, 1996.

Combined Financial Statements of the Federal Reserve Banks

The financial statements of the Federal Reserve Banks were audited by Coopers & Lybrand, independent public accountants, for the year ended December 31, 1995

Coopers &Lybrand

Coopers & Lybrand L.L.P.

a professional services firm

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Governors of The Federal Reserve System
and the Board of Directors of The Federal Reserve Banks:

We have audited the accompanying combined statement of condition of The Federal Reserve Banks (the "Reserve Banks") as of December 31, 1995, and the related statements of income and changes in capital for the year then ended. These financial statements are the responsibility of the Reserve Banks' management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurances about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 3, the combined financial statements were prepared in conformity with the accounting principles, policies, and practices established by the Board of Governors of The Federal Reserve System. These principles, policies, and practices, which were designed to meet the specialized accounting and reporting needs of The Federal Reserve System, are set forth in the *Financial Accounting Manual for Federal Reserve Banks* and constitute a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of the Reserve Banks at December 31, 1995, and combined results of their operations for the year ended, on the basis of accounting described in Note 3.

This report is intended solely for the information and use of the Board of Governors of The Federal Reserve System and the Boards of Directors and management of The Federal Reserve Banks, and should not be used for any other purpose.

Coopers & Lybrand L.L.P.

Washington, D.C.
March 22, 1996

Federal Reserve Banks
Combined Statement of Condition
December 31, 1995

(in millions)

Assets

Gold certificates	$ 11,050
Special drawing rights certificates	10,168
Coin	425
Items in process of collection	4,769
Loans to depository institutions	135
U.S. government and federal agency securities, net	396,491
Investments denominated in foreign currencies	21,099
Accrued interest receivable	4,101
Bank premises and equipment, net	1,646
Other assets	1,271
Total assets	$451,155

Liabilities and Capital

Liabilities	
Federal Reserve notes outstanding, net	$400,935
Deposits	
Depository institutions	29,611
U.S. Treasury, general account	5,979
Other deposits	669
Deferred credit items	4,538
Interest on Federal Reserve notes due U.S. Treasury	650
Accrued benefit cost	672
Other liabilities	169
Total liabilities	443,223
Capital	
Capital paid-in	3,966
Surplus	3,966
Total capital	7,932
Total liabilities and capital	$451,155

The accompanying notes are an integral part of these financial statements.

FEDERAL RESERVE BANKS
COMBINED STATEMENT OF INCOME
for the year ended December 31, 1995

(in millions)

Interest income	
Interest on U.S. government securities	$23,826
Interest on foreign currencies	784
Interest on loans to depository institutions	11
Total interest income	24,621
Other operating income	
Income from services	739
Reimbursable services to government agencies	221
Foreign currency gains, net	1,005
Government securities gains, net	6
Other income	56
Total other operating income	2,027
Operating expenses	
Salaries and other benefits	1,226
Occupancy expense	165
Equipment expense	243
Cost of unreimbursed Treasury services	38
Assessments by Board of Governors	532
Other expenses	452
Total operating expenses	2,656
Income before cumulative effect of accounting change	23,992
Cumulative effect of change in accounting principle	(89)
Net income prior to distribution	$23,903
Distribution of net income	
Dividends paid to member banks	$ 231
Transferred to surplus	283
Payments to U.S. Treasury	23,389
	$23,903

The accompanying notes are an integral part of these financial statements.

FEDERAL RESERVE BANKS
COMBINED STATEMENT OF CHANGES IN CAPITAL
for the year ended December 31, 1995

(in millions)

	Capital paid-in	Surplus	Total capital
Balance at December 31, 1994 (73.67 million shares)	$3,683	$3,683	$7,366
Net income transferred to surplus	...	283	283
Net change in capital stock issued (5.66 million shares)	283	...	283
Balance at December 31, 1995 (79.33 million shares)	$3,966	$3,966	$7,932

The accompanying notes are an integral part of these financial statements.

NOTES TO COMBINED FINANCIAL STATEMENTS OF THE FEDERAL RESERVE BANKS, DECEMBER 31, 1995

(1) ORGANIZATION AND BASIS OF PRESENTATION

The twelve Federal Reserve Banks (Reserve Banks) are part of the Federal Reserve System (System) created by Congress under the Federal Reserve Act of 1913 (Federal Reserve Act) which established the central bank of the United States. The Reserve Banks are federal instrumentalities chartered by the federal government and possess a unique set of governmental, corporate, and central bank characteristics. Other major elements of the System are the Board of Governors of the Federal Reserve System (Board of Governors), the Federal Open Market Committee, and the Federal Advisory Council. The Reserve Banks are not subject to federal or state income taxes.

Although the Reserve Banks are chartered as independent organizations overseen by the Board of Governors, the Reserve Banks work jointly to carry out their statutory responsibilities. The majority of the assets, liabilities, and income of the Reserve Banks is derived from central bank activities and responsibilities with regard to monetary policy and currency. For this reason, the accompanying combined set of financial statements for the twelve independent Reserve Banks is prepared, adjusted to eliminate interdistrict accounts and transactions.

Corporate Structure

The Reserve Banks serve twelve Federal Reserve Districts nation wide. In accordance with the Federal Reserve Act, each Reserve Bank has a corporate structure with supervision and control exercised by a Board of Directors chosen partly by nomination and election by member banks and partly by the Board of Governors. Banks that are members of the System include all national banks and any state-chartered bank that elects to become a member.

Board of Directors

The Federal Reserve Act specifies the composition of Reserve Bank boards of directors. Each board is composed of nine members serving three-year terms: three directors, including those designated as Chairman and Deputy Chairman, are appointed by the Board of Governors; and six directors are elected by member banks. Of the six elected by member banks, three represent the public and three represent member banks. Member banks are divided into three classes according to size. Member banks in each class elect one director representing member banks and one representing the public. In any election of directors, each member bank receives one vote, regardless of the number of shares of Reserve Bank stock it holds.

(2) OPERATIONS AND SERVICES

The System performs a variety of services and operations. Functions include formulating and conducting monetary policy; participating actively in the payments mechanism, including large-dollar transfers of funds, automated clearing house operations, and check processing; distribution of coin and currency; fiscal agency functions for the U.S. Treasury and certain federal agencies; serving as the federal government's bank; providing short-term loans to depository institutions; serving the consumer and the community by providing educational materials and information regarding consumer laws; supervising bank holding companies and state member banks; and administering other regulations of the Board of Governors. The Board of Governors' operating costs are funded through assessments on the Reserve Banks.

(3) Significant Accounting Policies

In carrying out various responsibilities as the nation's central bank, the Reserve Banks participate in activities that result in income, particularly interest income from securities held in the System Open Market Account (SOMA). The income is incidental to the Reserve Banks' public responsibilities and does not motivate activities or policy decisions. Specialized accounting principles for entities with the unique powers and responsibilities of the nation's central bank have not been formulated by the Financial Accounting Standards Board. The Board of Governors has developed specialized accounting principles and practices that it believes are appropriate for the significantly different nature and function of a central bank as compared to the private sector. These accounting principles and practices are generally documented in the *Financial Accounting Manual for Federal Reserve Banks* (the *Financial Accounting Manual*), which is published by the Board of Governors. All Reserve Banks are required to adopt and apply accounting policies and practices that are consistent with the *Financial Accounting Manual*. The financial statements have been prepared in accordance with the *Financial Accounting Manual*. Differences exist between the policies of the System and generally accepted accounting principles (GAAP). The primary difference is the presentation of all security holdings at amortized cost rather than at the fair value presentation requirements of GAAP. Accounting policies and practices for U.S. government and federal agency securities and investments denominated in foreign currencies are further described in note 3(D). In addition, the Board of Governors and the Reserve Banks have elected not to include a Statement of Cash Flows, as the liquidity and cash position of the Reserve Banks are not of primary concern to the shareholders and other users of these financial statements. Other information regarding the Reserve Banks' activities is provided, or may be derived from, the Statements of Condition, Income, and Changes in Capital. Therefore, a Statement of Cash Flows would not provide any additional useful information. There are no other significant differences between the policies outlined in the *Financial Accounting Manual* and GAAP. The preparation of financial statements in conformity with the *Financial Accounting Manual* requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. Unique accounts and significant accounting policies are explained below.

(A) *Gold Certificates*

The Secretary of the Treasury is authorized to issue gold certificates to the System to monetize gold held by the U.S. Treasury. Payment for the gold certificates by the Reserve Banks is made by crediting equivalent amounts in dollars into the account established for the U.S. Treasury. These gold certificates held by the Reserve Banks are required to be backed by the gold of the U.S. Treasury. The U.S. Treasury may reacquire the gold certificates at any time, and the Reserve Banks must deliver them to the U.S. Treasury. At such time, the U.S. Treasury's account is charged and the Reserve Banks' gold certificate account is lowered. The value of gold for purposes of backing the gold certificates is set by law at $42⅔ a fine troy ounce.

(B) *Special Drawing Rights Certificates*

Special drawing rights (SDRs) are issued by the International Monetary Fund (the Fund) to its members in proportion to each member's quota in the Fund at the time of issuance. SDRs serve as a supplement to international monetary reserves and may be transferred from one national monetary authority to another. Under the law providing for U.S. participation in the SDR system, the Secretary of the U.S. Treasury is authorized to issue SDR certificates, somewhat like gold certificates, to the Reserve Banks. At such time, equivalent amounts in dollars are credited to the account established for the U.S. Treasury, and Reserve Banks' SDR certificate account is increased. The Reserve Banks are required to purchase SDRs, at the direction of the U.S. Treasury, for the purpose of financing SDR certificate acquisitions or for financing exchange stabilization operations.

(C) *Loans to Depository Institutions*

The Depository Institutions Deregulation and Monetary Control Act of 1980 provides that all depository institutions that maintain reservable transaction accounts or nonpersonal time deposits, as defined in Regulation D issued by the Board of Governors, have borrowing privileges at the discretion of the Reserve Banks. Borrowers execute certain lending agreements and deposit sufficient collateral before credit is extended. Loans are evaluated for collectibility, and currently all are considered collectible and fully collateralized. If any loans were deemed to be uncollectible, an appropriate reserve would be established. Interest is recorded on the accrual method and is charged at the discount rate established at least every fourteen days by the Boards of Directors of the Reserve Banks, subject to review by the Board of Governors. However, Reserve Banks retain the option to impose a surcharge above that rate in certain circumstances.

(D) *U.S. Government and Federal Agency Securities and Investments Denominated in Foreign Currencies*

The Federal Open Market Committee (FOMC) is composed of members of the Board of Governors, the president of the Federal Reserve Bank of New York (FRBNY), and, on a rotating basis, four other Reserve Bank presidents. The FOMC has designated the FRBNY to execute open market transactions on its behalf. The FOMC establishes policy regarding open market operations, oversees these operations, and issues authorizations and directives to the FRBNY for its execution of transactions. Authorized transaction types include direct purchases and sales of securities, matched sale-purchase transactions, and the purchase of securities under agreements for repurchase. These transactions are conducted in U.S. government and federal agency securities.

Specifically, the FRBNY provides or absorbs reserve deposits of depository institutions by purchasing or selling government securities respectively in the open market. While the application of current market prices to the securities currently held by the Reserve Banks may result in values substantially above or below their carrying values, these unrealized changes in value would have no necessary effect on the quantity of reserves available to the banking system or on the prospects for future Reserve Bank earnings or capital.

In addition to conducting outright sales and purchases of securities, FRBNY is also authorized by the FOMC to enter into matched sale-purchase transactions. These are generally overnight transactions in which FRBNY sells a security and buys it back the next day at the rate specified at the commencement of the transaction. These transactions are accounted for as separate sale and purchase transactions. At December 31, 1995, matched sale purchase transactions involving U.S. government securities with a par value of $12.3 billion were outstanding.

In addition to authorizing and directing operations in the domestic securities market, the FOMC authorizes and directs the FRBNY to execute operations in foreign exchange markets for major currencies and to invest the resulting balances, to the extent possible, in assets with maturities of twelve months or less. Balances and changes in balances arise from transactions to counter disorderly conditions in exchange markets and other needs specified by the FOMC in carrying out the System's central bank responsibilities.

The above activities result in income for the Reserve Banks. Although the resulting portfolio generates interest income and the transactions can result in gains or losses when holdings are sold prior to maturity, decisions regarding the securities and foreign currencies, including their purchase and sale, are motivated by monetary policy objectives rather than profit. Accordingly, earnings and any gains or losses resulting from the sales of such currencies and securities are incidental to the open market operations and do not motivate its activities or policy decisions.

In order to ensure the effective conduct of open market operations, the FOMC authorizes the Reserve Banks to lend U.S. government securities held in SOMA to U.S. government securities dealers and to banks participating in U.S. government securities clearing arrangements conducted through a Reserve Bank, under such instructions as the FOMC may specify from time to time. At December 31, 1995, U.S. government securities with a par value of $1.1 billion were loaned. These securities-lending transactions are fully collateralized by other U.S. government securities. It is the FOMC's policy to take possession of the collateral in amounts in excess of the market values of the securities loaned. The market values of the collateral and the securities loaned are monitored by the Reserve Banks on a daily basis, with additional collateral obtained as necessary. The securities lent continue to be carried in SOMA. Income earned by the Reserve Banks on securities lending transactions is reported as "Other income."

In accordance with the Federal Reserve Act, and as further explained in note 3(F), all domestic securities and investments denominated in foreign currencies are available as collateral for net Federal Reserve notes outstanding. At December 31, 1995, securities with a par value of $379.7 billion were pledged as collateral.

(E) *Bank Premises and Equipment*

Bank premises and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on a straight line basis over estimated useful lives of assets ranging from two to fifty years. New assets, major alterations, renovations, and improvements are capitalized at cost as additions to the asset accounts. Maintenance, repairs, and minor replacements are charged to operations in the year incurred.

(F) *Federal Reserve Notes*

Federal Reserve notes are the circulating currency of the United States. These notes are issued through the various Federal Reserve agents to the Reserve Banks upon deposit with such agents of certain classes of collateral security, typically U.S. government securities. These notes are identified as issued to a specific Reserve Bank. The Federal Reserve Act provides that the collateral security tendered by the Reserve Bank to the Federal Reserve agent must be equal to the sum of the notes applied for by such Reserve Bank. The collateral value is equal to the par value of the securities tendered. The Board of Governors may, at any time, call upon a Reserve Bank for additional security to adequately collateralize the Federal Reserve notes. To satisfy the obligation to provide sufficient collateral for its outstanding Federal Reserve notes, the Reserve Banks have entered into an agreement that provides that certain assets of the Reserve Banks are jointly pledged as collateral for the Federal Reserve notes of all Reserve Banks. In the event that this collateral is insufficient, the Act provides that Federal Reserve notes become a first and paramount lien on all the assets of the Reserve Banks. Finally, as obligations of the United States, Federal Reserve notes are backed by the full faith and credit of the U.S. government. The Federal Reserve notes outstanding, net account represents Federal Reserve notes reduced by cash held in the vaults of the Reserve Banks.

(G) *Capital Paid-In*

The Federal Reserve Act requires that each member bank subscribe to the capital stock of the Reserve Bank in an amount equal to 6 percent of the capital and surplus of the member bank. As a member bank's capital and surplus changes, its holdings of the Reserve Bank's stock must be adjusted. Member banks are those state-chartered banks that choose to join the System and all national banks. Currently, only one-half of the subscription is paid-in and the remainder is subject to call. These shares are nonvoting with a par value of $100. They may not be transferred or hypothecated.

By law, each member bank is entitled to receive an annual dividend of 6 percent on the paid-in capital stock. This cumulative dividend is paid semiannually. A member bank is liable for Reserve Bank liabilities up to twice the par value of stock subscribed by it.

(H) *Surplus*

The Board of Governors requires Reserve Banks to maintain a surplus equal to the amount of capital paid-in as of December 31 of the prior year. This amount is intended to provide additional capital and reduce the possibility that the Reserve Banks would be required to call on member banks for additional capital. Reserve Banks are required by the Board of Governors to transfer to the U.S. Treasury excess earnings, after providing for the costs of operations, payment of dividends, and reservation of an amount necessary to equate surplus with capital paid-in, as payment of interest on Federal Reserve notes outstanding. In the event of losses, payments to the U.S. Treasury are suspended until such losses are recovered through subsequent earnings. Weekly payments to the U.S. Treasury vary significantly.

(I) *Cost of Unreimbursed Treasury Services*

Reserve Banks are required by the Federal Reserve Act to serve as fiscal agents and depositories of the United States. By statute, the Department of the Treasury is permitted, but not required, to pay for these services. The costs of providing fiscal agency and depository services to the Treasury Department that have been billed but will not be paid are reported as the "Cost of unreimbursed Treasury services."

(J) *Accounting Change*

Effective January 1, 1995, the *Financial Accounting Manual* was changed to require that Reserve Banks use the accrual method of accounting to recognize the obligation to provide benefits to former or inactive employees consistent with Statement of Financial Accounting Standards (SFAS) No. 112, "Employers' Accounting for Postemployment Benefits." Prior to 1995, the Reserve Banks recognized costs for postemployment benefits when paid. The cumulative effect of this change in accounting for benefits was recognized by the Reserve Banks as a one-time charge to expense of $54.8 million. Additionally, the Reserve Banks recognized an increase in 1995 operating expenses of approximately $4.7 million, net of a one-time credit of $1.5 million that reflects the effect of a special early retirement benefit offered by one District during 1995.

Effective January 1, 1995, the Reserve Banks also began accruing a liability for employees' rights to receive compensation for future absences consistent with SFAS No. 43, "Accounting for Compensated Absences." Prior to 1995, the Reserve Banks recognized these costs when paid. The cumulative effect of this change in accounting for compensated absences was recognized by the Reserve Banks as a one-time charge to expense of $19.3 million. Ongoing operating expenses for the year ended December 31, 1995, were not materially affected by the change in accounting for these costs.

Effective January 1, 1995, the Reserve Banks began recognizing impairment losses consistent with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." Prior to 1995, the Reserve Banks did not recognize impairment losses. The cumulative effect of this change in accounting for impairment losses was recognized as a one-time charge to expense of $14.5 million. The impairment loss represented the impairment in value of certain bank buildings. Fair value of the buildings was based on management's estimate of market value. The impairment recognized was a result of management's intention to relocate and resulted from structural defects and asbestos. An additional impairment loss was recognized during 1995, as discussed in note 6.

(4) U.S. Government and Federal Agency Securities

Securities bought outright and held under repurchase agreements are held in the SOMA at the FRBNY. These securities are recorded at cost on a settlement-date basis, adjusted for the amortization of premiums and accretion of discounts. Interest income is recorded on the accrual method and is reported as "Interest on U.S. government securities." Gains and losses resulting from sales of securities are determined by the specific identification method and are reported as "Government securities gains, net."

Securities held at December 31, 1995, that were bought outright were as follows (in thousands):

Par value	
Federal agency	$ 2,633,995
U.S. Treasury	
Bills	183,115,712
Notes	151,013,150
Bonds	44,068,604
Total par value	380,831,461
Unamortized premiums	4,508,183
Unaccreted discounts	(3,477,093)
	$381,862,551

Securities held under repurchase agreements at December 31, 1995, were as follows (in thousands):

Par value	
Federal agency	$ 1,100,000
U.S. Treasury	12,762,000
Total par value	13,862,000
Unamortized premiums	902,643
Unaccreted discounts	(136,641)
	$14,628,002

The maturities of investment securities held at December 31, 1995, that were bought outright were as follows (in thousands):

Maturities of securities held	Par value: U.S. government securities	Par value: Federal agency obligations
Within 15 days	$ 7,580,018	$ 240,000
16 days to 90 days	93,738,368	474,000
91 days to 1 year	123,216,569	527,295
Over 1 year to 5 years	85,272,558	840,950
Over 5 years to 10 years	31,469,096	526,750
Over 10 years	36,920,857	25,000
Total	$378,197,466	$2,633,995

The maturities of all repurchase agreements are fifteen days or less.

(5) Investments Denominated in Foreign Currencies

The FRBNY, on behalf of the Reserve Banks, holds foreign currency deposits and government debt instruments denominated in foreign currencies with foreign central banks and the Bank for International Settlements. Investments denominated in foreign currencies are limited to maturities of one year or less and are accounted for at cost on a settlement date basis, adjusted for amortization of premiums and accretion of discounts. Foreign currency-denominated assets of the Reserve Banks are revalued monthly at current market exchange rates in order to report these assets in U.S. dollars, with any gains or losses reported as "Foreign currency gains, net." Interest income is recorded on the accrual basis and is reported as "Interest on foreign currencies." These investments are guaranteed as to principal and interest by the foreign governments or are contracts with the central banks or the Bank for International Settlements.

During 1995, the FRBNY was authorized to hold balances of, and to have outstanding spot and forward contracts to receive or to deliver, the following foreign currencies:

Austrian schillings	Italian lire
Belgian francs	Japanese yen
Canadian dollars	Mexican pesos
Danish kroner	Netherlands guilders
Pounds sterling	Norwegian kroner
French francs	Swedish kroner
German marks	Swiss francs

In addition, at the direction of the FOMC, the FRBNY is authorized to maintain reciprocal currency arrangements (F/X swaps) for SOMA for periods up to a maximum of twelve months with the following foreign central banks:

Foreign central bank	Amount of arrangement (millions of dollars equivalent)
Austrian National Bank	$ 250
National Bank of Belgium	1,000
Bank of Canada	2,000
National Bank of Denmark	250
Bank of England	3,000
Bank of France	2,000
German Federal Bank	6,000
Bank of Italy	3,000
Bank of Japan	5,000
Bank of Mexico	6,000[1]
Netherlands Bank	500
Bank of Norway	250
Bank of Sweden	300
Swiss National Bank	4,000
Bank for International Settlements:	
Dollars against Swiss francs	600
Dollars against authorized European currencies other than Swiss francs	1,250

[1] The swap arrangement with the Bank of Mexico consisted of a regular $3 billion line and a special temporary $3 billion line. The special line expired on January 31, 1996. As of December 31, 1995, the Bank of Mexico had $650 million outstanding under its facility; however, this amount was repaid in January 1996.

In connection with its foreign currency activities, the FRBNY, on behalf of the Reserve Banks, enters into contracts that may involve off-balance-sheet market risk and credit risk because they may represent contractual commitments involving future settlement. The credit risk is controlled through credit approvals, limits, and daily monitoring procedures.

Foreign exchange contracts are contractual agreements between two parties to exchange specified currencies, at a specified price, on a specified date. Spot foreign contracts normally settle two days after the trade date, whereas the settlement date on forward contracts is negotiated between the contracting parties but will extend beyond two days from the trade date. FRBNY generally enters into spot contracts, with any forward contracts generally limited to the second leg of a swap/warehousing transaction. As of December 31, 1995, the Reserve Banks had no open foreign exchange contracts except as noted below.

An F/X swap arrangement is a renewable, short-term reciprocal currency arrangement, generally for up to one year, between two parties, the FRBNY, on behalf of the Reserve Banks, and an authorized foreign central bank, who agree to exchange their currencies up to a prearranged maximum amount and for an agreed upon period of time. These arrangements give the Federal Reserve temporary access to the foreign currencies that it needs for intervention operations to support the dollar or give the partner foreign central bank temporary access to dollars it needs to support its own currencies. Drawings under the F/X swap arrangements can be initiated by either the FRBNY or the partner foreign central banks. The F/X swaps are structured so that the party initiating the transaction (the drawer) bears the exchange rate risk upon maturity. The FRBNY will generally invest the foreign currency received under an F/X swap in interest-bearing instruments. As of December 31, 1995, there was an open F/X swap of $650 million, which was drawn at the direction of a foreign central bank. Interest income on the resulting foreign currency holdings is accrued and reported as "Interest on foreign currencies." Unrealized gains and losses on revaluation of the resulting currency holdings are reported as a component of "Other assets," since there is no exchange rate risk to FRBNY at maturity of the F/X swap.

The FOMC has an agreement to "warehouse" foreign currencies for the U.S. Treasury and the Exchange Stabilization Fund (ESF). This is an arrangement under which the FOMC agrees to exchange, at the request of the Treasury, U.S. dollars for foreign currencies held by the Treasury or ESF over a limited period of time. The purpose of the warehousing facility is to supplement the U.S. dollar resources of the Treasury and ESF for financing purchases of foreign currencies and related international operations. As of December 31, 1995, this facility was $20 billion, with nothing outstanding.

(6) Bank Premises and Equipment

A summary of bank premises and equipment at December 31, 1995, is as follows (in millions):

Bank premises	
Land	$ 167
Buildings	883
Building machinery and equipment	231
Construction in progress	129
	1,410
Less accumulated depreciation	284
Bank premises, net	$1,126
Furniture and equipment	$1,192
Less accumulated depreciation	672
Furniture and equipment, net	$ 520
Bank premises and equipment, net	$1,646

Depreciation expense for the year ended December 31, 1995 was $180 million.

Bank premises and equipment include the following amounts for leases that have been capitalized (in millions):

Bank premises and equipment	$92.5
Accumulated depreciation	29.0
Capitalized leases, net	$63.5

Certain of the Reserve Banks lease unused space to outside tenants. Those leases have terms ranging from one to fifteen years. Rental income from such leases was $16 million in 1995. Future minimum lease payments under agreements existing at December 31, 1995, were (in thousands):

1996	$12,953
1997	11,846
1998	10,366
1999	9,225
2000	8,953
Thereafter	19,227
	$72,570

During 1995, one Reserve Bank recognized impairment losses of $16.3 million on the value of bank buildings. Fair value of the buildings was based on appraised value. The impairment was recognized as a result of management's intention to relocate and resulted from a general decline in real estate values in the area in which the buildings were located. This loss is included on the Statement of Income as a component of "Other expenses."

(7) Commitments

At December 31, 1995, the Reserve Banks were obligated under noncancelable leases for premises and equipment with terms, including renewal options, ranging from one to approximately twenty-eight years. These leases provide for increased rentals based upon increases in real estate taxes, operating costs, or selected price indices.

Rental expense under operating leases for certain operating facilities, warehouses, data processing, and office equipment (including taxes, insurance, and maintenance when included in rent), net of sublease rentals, was $64 million in 1995. Certain of the Reserve Banks' leases have options to renew.

Future minimum rental payments under capital leases and noncancelable operating leases, net of sublease rentals with terms of one year or more, at December 31, 1995, were (in thousands):

	Operating	Capital
1996	$18,121	$ 4,681
1997	8,087	3,878
1998	16,518	1,337
1999	14,987	122
2000	14,375	...
Thereafter	23,924	...
	$96,012	$10,018
Amounts representing interest		653
Present value of net minimum lease payments		$ 9,365

The Reserve Banks had the following other material commitments and long-term obligations at December 31, 1995:

Contractual commitments and long-term obligations totaling $258.2 million through 1999 for the land, construction, relocation, and other costs related to new buildings. As of December 31, 1995, $70.1 million of this amount was recognized.

Contractual commitments totaling $81.3 million through 1996 for the purchase of high-speed currency processing machines.

(8) Retirement and Thrift Plans

Substantially all of the Reserve Banks' employees participate in the Retirement Plan for Employees of the System. The System's plan is a defined benefit plan which covers employees of the Reserve Banks, the Board of Governors, and the Plan Administrative Office. Benefits are based on length of service and level of compensation. FRBNY acts as the plan sponsor. The prepaid pension cost is reported as a component of Other assets. The prepaid pension cost includes amounts related to Board of Governors participation in the plan.

Contributions to the System's plan are actuarially determined and fully funded by participating employers at amounts prescribed by the Plan Administrator (with the exception of a mandatory contribution of 7 percent of salary by employees of the Board of Governors). No separate accounting is maintained of assets contributed by the participating employers, and net pension costs for the period is the required contribution for the period.

Following is a reconciliation between the plan's funded status and amounts included in the Reserve Banks' balance sheet at December 31, 1995 (in millions):

Accumulated benefit obligation	
Vested	$ 1,679
Nonvested	91
Total	$ 1,770
Plan assets at fair value, primarily listed stocks and bonds	$ 3,628
Less: Actuarial present value of projected benefit obligation	(2,130)
Plan assets in excess of projected benefit obligation	1,498
Less: Unrecognized net transition obligation	272
Unrecognized net gain	606
Unrecognized prior service cost	(156)
Prepaid pension cost	$ 776

Costs were projected using a 7 percent discount rate. The rate of compensation increase used was 5 percent per year and a 9 percent long-term rate of return on plan assets was assumed.

The components of the net pension credit for 1995 are shown below (in millions):

Service costs—benefits earned during the year	$ 49
Interest cost on projected benefit obligation	133
Actual return on plan assets	(842)
Net amortization and deferral	537
Cost of special termination benefits	4
Net pension (credit)	$(119)

The net periodic cost for 1995 is based on a discount rate of 8.75 percent, average compensation increase rate of 5.5 percent, and expected long-term rate of return on assets of 9 percent.

Employees of the Reserve Banks may also participate in the Federal Reserve System's Thrift Plan. Under the Thrift Plan, employees may contribute a percentage of their salaries up to a maximum 19 percent limit as prescribed by the Internal Revenue Service. Matching contributions by the Reserve Banks are based on a fixed percentage of each employee's basic contributions. Currently, the Reserve Banks match 80 percent of the first 6 percent of salary contributed by the employee. The Reserve Banks' Thrift Plan contributions totaled $38 million in 1995.

(9) Postretirement and Postemployment Benefits Other Than Pensions

In addition to the Reserve Banks' defined benefit retirement plan, employees who have met certain age and length-of-service requirements are eligible for both medical benefits and life insurance coverage during retirement. The retiree medical plan is contributory and provides benefits to retirees, their covered dependents, and beneficiaries. The life insurance plan is noncontributory and covers retirees only.

The Reserve Banks fund benefits payable under the medical and life insurance plans as due. The Reserve Banks use a January 1 measurement date. The following is a reconciliation between the plan's funded status and the amounts recognized in the Reserve Banks' combined balance sheet as of December 31, 1995, (in millions):

Accumulated postretirement benefit obligation	
Retirees and covered spouses	$303.0
Actives eligible to retire	54.8
Other actives and disabled	238.5
Total accumulated postretirement benefit obligation	596.3
Unamortized net transition obligation	0.0
Unrecognized net loss	(61.7)
Unrecognized prior service cost	77.4
Accrued postretirement benefit cost	$612.0

Costs for the Reserve Banks were projected using a 7 percent discount rate and the following health care cost trend rates. The initial trend rate for medical costs for 1996 is 10 percent for retirees over sixty-five and for retirees under sixty-five with the ultimate trend rate decreasing to 5.5 percent by 2004. Changing the assumed health care cost trend rates by 1 percentage point in each year would change the accumulated postretirement benefit obligation at December 31, 1995, by approximately $111.5 million, and the aggregate service and interest cost components of net periodic postretirement benefit cost recognized as of December 31 by approximately $12.0 million.

The following is a summary of the components of net periodic postretirement cost for the year ended December 31, 1995 (in millions):

Service cost	$13.0
Interest cost of accumulated benefit obligation	42.5
Net amortization and deferral	(5.1)
Cost of special termination benefits	.6
Net periodic cost	$51.0

The Reserve Banks began using the accrual method of accounting to recognize the obligation to provide benefits to former or inactive employees, consistent with SFAS 112, "Employers Accounting for Postemployment Benefits," effective January 1, 1995. Benefits include medical and dental insurance, survivor income, disability income, and those workers' compensation expenses self-insured by individual Reserve Banks. Costs were projected using the same discount and health care trend rates as were used for projecting postretirement costs. The accrued postemployment benefit costs recognized by the Reserve Banks at December 31, 1995, were $59.6 million. This cost is included as a component of Accrued benefit cost on the Statement of Condition. Net periodic costs of $13.6 million were included in 1995 operating expenses.

(10) Contingencies

The Reserve Banks are involved in certain legal actions and claims arising in the ordinary course of business. Although it is difficult to predict the ultimate outcome of these actions, in management's opinion, based on discussions with counsel, the aforementioned litigation and claims will be resolved without material adverse effect on the financial position of the Reserve Banks or results of operations.

Financial and Business Statistics

Guide to Tabular Presentation

Symbols and Abbreviations

c	Corrected
e	Estimated
n.a.	Not available
n.e.c.	Not elsewhere classified
p	*Preliminary*
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)
*	Amounts insignificant in terms of the last decimal place shown in the table (for example, less than 500,000 when the smallest unit given is millions)
0	Calculated to be zero
. . .	Cell not applicable
ATS	Automatic transfer service
BIF	Bank insurance fund
CD	Certificate of deposit
CMO	Collateralized mortgage obligation
FFB	Federal Financing Bank
FHA	Federal Housing Administration
FHLBB	Federal Home Loan Bank Board
FHLMC	*Federal Home Loan Mortgage Corporation*
FmHA	Farmers Home Administration
FNMA	Federal National Mortgage Association
FSLIC	Federal Savings and Loan Insurance Corporation
G-7	Group of Seven
G-10	Group of Ten
GNMA	Government National Mortgage Association
GDP	Gross domestic product
HUD	Department of Housing and Urban Development
IMF	International Monetary Fund
IO	Interest only
IPCs	Individuals, partnerships, and corporations
IRA	Individual retirement account
MMDA	Money market deposit account
MSA	Metropolitan statistical area
NOW	Negotiable order of withdrawal
OCD	Other checkable deposit
OPEC	Organization of Petroleum Exporting Countries
OTS	Office of Thrift Supervision
PO	*Principal only*
REIT	Real estate investment trust
REMIC	Real estate mortgage investment conduit
RP	Repurchase agreement
RTC	Resolution Trust Corporation
SAIF	Savings Association Insurance Fund
SCO	Securitized credit obligation
SDR	Special drawing right
SIC	Standard Industrial Classification
VA	Department of Veterans Affairs

General Information

In many of the tables, components do not sum to totals because of rounding.

Minus signs are used to indicate (1) a decrease, (2) a negative figure, or (3) an outflow.

"U.S. government securities" may include guaranteed issues of U.S. government agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct obligations of the Treasury. "State and local government" also includes municipalities, special districts, and other political subdivisions.

1.10 RESERVES, MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES

Percent annual rate of change, seasonally adjusted[1]

Monetary or credit aggregate	1995 Q2	1995 Q3	1995 Q4	1996 Q1	1996 Jan.	1996 Feb.	1996 Mar.	1996 Apr.	1996 May
Reserves of depository institutions[2]									
1 Total	-7.5	-1.5	-6.9	-7.9	-16.1	-16.4	19.2	-11.7	-20.5
2 Required	-6.6	-2.5	-7.7	-8.5	-21.0	-2.7	13.2	-11.6	-15.4
3 Nonborrowed	-8.2	-2.4	-6.4	-6.5	-11.5	-16.3	19.6	-13.2	-21.3
4 Monetary base[3]	5.8	1.7	2.7	1.5	.4	-4.1	8.8	-.7	1.0
Concepts of money, liquid assets, and debt[4]									
5 M1	-.4	-1.5	-5.1	-2.7	-6.1	-2.0	10.0	-3.1	-6.6
6 M2	3.8	6.9	4.1[r]	5.9[r]	4.8	5.4[r]	11.7[r]	2.0[r]	-1.6
7 M3	6.3	8.0	4.5[r]	7.2[r]	7.4[r]	10.0[r]	11.0[r]	1.8[r]	3.5
8 L	7.3	9.1	5.9	5.1[r]	4.0[r]	4.4[r]	12.5	4.5	n.a.
9 Debt	7.0	4.6	4.5	5.4[r]	5.3[r]	7.1[r]	4.3[r]	4.8	n.a.
Nontransaction components									
10 In M2[5]	5.8	10.9	8.3[r]	9.7[r]	9.7	8.6[r]	12.4[r]	4.2[r]	.6
11 In M3 only[6]	16.9	12.1	6.3	12.5[r]	17.9[r]	28.5[r]	8.3[r]	.9[r]	23.1
Time and savings deposits									
Commercial banks									
12 Savings, including MMDAs	-6.5	9.0	13.1	22.6	28.2	16.5	25.2	8.8	4.1
13 Small time[7]	20.4	11.0	4.8[r]	2.5[r]	5.0[r]	-1.2[r]	-4.5[r]	-3.5[r]	-2.3
14 Large time[8,9]	13.6	13.0[r]	19.4	8.8	-6.3	19.7	27.4[r]	8.5[r]	19.2
Thrift institutions									
15 Savings, including MMDAs	-14.5	-7.3	-2.8	-.3	-3.0	6.0	5.7	14.3	4.9
16 Small time[7]	23.5	4.1[r]	5.0[r]	-2.4[r]	-8.7[r]	.3[r]	-8.7[r]	-1.7[r]	-2.7
17 Large time[8]	16.7	13.7	8.0	6.2	16.0	1.6	-9.5	1.6	-9.5
Money market mutual funds									
18 Retail	14.2	36.9	16.5	14.7	9.0	15.6	32.6	2.7	-3.2
19 Institution-only	30.5	27.6	10.3	27.9	18.0	69.2	21.6	-13.0	-10.3
Repurchase agreements and Eurodollars									
20 Repurchase agreements[10]	7.4	-5.0	-14.6	1.3	45.9	11.7	-13.5	-7.8[r]	91.9
21 Eurodollars[10]	18.6	9.4	-6.7	15.7[r]	56.6[r]	11.3[r]	-34.9[r]	25.6[r]	16.3
Debt components[4]									
22 Federal	5.4	4.6	2.3	2.7[r]	-2.0[r]	7.6[r]	11.2[r]	3.0	n.a.
23 Nonfederal	7.6	4.7	5.3	6.3[r]	7.9[r]	7.0[r]	1.9[r]	5.5	n.a.

1. Unless otherwise noted, rates of change are calculated from average amounts outstanding during preceding month or quarter.

2. Figures incorporate adjustments for discontinuities, or "breaks," associated with regulatory changes in reserve requirements. (See also table 1.20.)

3. The seasonally adjusted, break-adjusted monetary base consists of (1) seasonally adjusted, break-adjusted total reserves (line 1), plus (2) the seasonally adjusted currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all weekly reporters whose vault cash exceeds their required reserves) the seasonally adjusted, break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

4. Composition of the money stock measures and debt is as follows:

M1: (1) currency outside the U.S. Treasury, Federal Reserve Banks, and the vaults of depository institutions, (2) travelers checks of nonbank issuers, (3) demand deposits at all commercial banks other than those owed to depository institutions, the U.S. government, and foreign banks and official institutions, less cash items in the process of collection and Federal Reserve float, and (4) other checkable deposits (OCDs), consisting of negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at depository institutions, credit union share draft accounts, and demand deposits at thrift institutions. Seasonally adjusted M1 is computed by summing currency, travelers checks, demand deposits, and OCDs, each seasonally adjusted separately.

M2: M1 plus (1) savings (including MMDAs), (2) small-denomination time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and (3) balances in retail money market mutual funds (money funds with minimum initial investments of less than $50,000). Excludes individual retirement accounts (IRAs) and Keogh balances at depository institutions and money market funds. Seasonally adjusted M2 is calculated by summing savings deposits, small-denomination time deposits, and retail money fund balances, each seasonally adjusted separately, and adding this result to seasonally adjusted M1.

M3: M2 plus (1) large-denomination time deposits (in amounts of $100,000 or more), (2) balances in institutional money funds (money funds with minimum initial investments of $50,000 or more), (3) RP liabilities (overnight and term) issued by all depository institutions, and (4) Eurodollars (overnight and term) held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Seasonally adjusted M3 is calculated by summing large time deposits, institutional money fund balances, RP liabilities, and Eurodollars, each seasonally adjusted separately, and adding this result to seasonally adjusted M2.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, net of money market fund holdings of these assets. Seasonally adjusted L is computed by summing U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, each seasonally adjusted separately, and then adding this result to M3.

Debt: The debt aggregate is the outstanding credit market debt of the domestic nonfinancial sectors—the federal sector (U.S. government, not including government-sponsored enterprises or federally related mortgage pools) and the nonfederal sectors (state and local governments, households and nonprofit organizations, nonfinancial corporate and nonfarm noncorporate businesses, and farms). Nonfederal debt consists of mortgages, tax-exempt and corporate bonds, consumer credit, bank loans, commercial paper, and other loans. The data, which are derived from the Federal Reserve Board's flow of funds accounts, are break-adjusted (that is, discontinuities in the data have been smoothed into the series) and month-averaged (that is, the data have been derived by averaging adjacent month-end levels).

5. Sum of (1) savings deposits (including MMDAs), (2) small time deposits, and (3) retail money fund balances, each seasonally adjusted separately.

6. Sum of (1) large time deposits, (2) institutional money fund balances, (3) RP liabilities (overnight and term) issued by depository institutions, and (4) Eurodollars (overnight and term) of U.S. addressees, each seasonally adjusted separately.

7. Small time deposits—including retail RPs—are those issued in amounts of less than $100,000. All IRA and Keogh account balances at commercial banks and thrift institutions are subtracted from small time deposits.

8. Large time deposits are those issued in amounts of $100,000 or more, excluding those booked at international banking facilities.

9. Large time deposits at commercial banks less those held by money market funds, depository institutions, the U.S. government, and foreign banks and official institutions.

10. Includes both overnight and term.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT[1]

Millions of dollars

Factor	Average of daily figures			Average of daily figures for week ending on date indicated						
	1996			1996						
	Mar.	Apr.	May	Apr. 17	Apr. 24	May 1	May 8	May 15	May 22	May 29
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	414,343	418,391	416,807	420,131	421,821	414,701	417,534	415,263	416,944	416,368
U.S. government securities[2]										
2 Bought outright—System account	377,309	378,891	380,178	379,270	380,152	379,507	380,618	379,272	380,634	380,439
3 Held under repurchase agreements	2,398	4,566	1,983	5,830	6,126	529	1,405	727	2,315	2,176
Federal agency obligations										
4 Bought outright	2,559	2,492	2,442	2,491	2,491	2,444	2,444	2,444	2,444	2,439
5 Held under repurchase agreements	417	180	503	22	266	179	99	2	876	686
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	10	57	24	4	179	21	22	27	26	25
8 Seasonal credit	10	33	106	24	36	64	78	92	113	133
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	614	315	517	397	140	−10	932	867	393	157
11 Other Federal Reserve assets	31,025	31,857	31,054	32,094	32,431	31,968	31,937	31,832	30,143	30,313
12 Gold stock	11,053	11,052	11,051	11,053	11,052	11,052	11,051	11,051	11,051	11,051
13 Special drawing rights certificate account	10,168	10,168	10,168	10,168	10,168	10,168	10,168	10,168	10,168	10,168
14 Treasury currency outstanding	24,221	24,281	24,343	24,278	24,292	24,306	24,320	24,334	24,348	24,362
ABSORBING RESERVE FUNDS										
15 Currency in circulation	415,770	418,246	419,977	419,308	417,635	416,902	418,248	419,385	419,663	422,105
16 Treasury cash holdings	297	312	276	319	319	292	306	265	265	264
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	5,610	7,318	5,714	7,655	8,251	8,709	6,537	5,673	5,127	5,175
18 Foreign	186	187	196	189	180	177	189	185	224	196
19 Service-related balances and adjustments	5,992	5,938	6,188	5,800	6,053	6,055	6,001	6,037	6,006	6,714
20 Other	394	370	362	363	366	381	368	381	365	348
21 Other Federal Reserve liabilities and capital	13,022	12,813	12,885	12,950	12,898	12,664	12,705	12,930	12,929	12,971
22 Reserve balances with Federal Reserve Banks[3]	18,515	18,709	16,771	19,047	21,632	15,048	18,721	15,961	17,932	14,178
	End-of-month figures			Wednesday figures						
	Mar.	Apr.	May	Apr. 17	Apr. 24	May 1	May 8	May 15	May 22	May 29
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	415,996	416,892	420,961	428,785	436,292	419,101	427,165	418,328	423,609	419,895
U.S. government securities[2]										
2 Bought outright—System account	377,056	381,806	381,346	379,827	380,316	379,571	380,121	380,134	380,661	381,789
3 Held under repurchase agreements	3,896	0	5,704	13,412	17,544	3,701	6,392	5,089	7,903	3,365
Federal agency obligations										
4 Bought outright	2,526	2,444	2,428	2,491	2,491	2,444	2,444	2,444	2,444	2,428
5 Held under repurchase agreements	1,000	0	1,350	152	1,820	1,250	620	15	1,867	850
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	34	21	8	1	78	21	21	23	18	22
8 Seasonal credit	9	71	148	34	51	71	80	103	124	139
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	28	821	−341	336	302	−17	5,190	573	62	650
11 Other Federal Reserve assets	31,447	31,728	30,318	32,532	33,691	32,060	32,298	29,948	30,529	30,652
12 Gold stock	11,053	11,052	11,051	11,053	11,052	11,052	11,051	11,051	11,051	11,051
13 Special drawing rights certificate account	10,168	10,168	10,168	10,168	10,168	10,168	10,168	10,168	10,168	10,168
14 Treasury currency outstanding	24,250	24,306	24,376	24,278	24,292	24,306	24,320	24,334	24,348	24,362
ABSORBING RESERVE FUNDS										
15 Currency in circulation	416,261	417,681	422,332	419,404	417,793	417,918	419,742	420,381	421,021	423,728
16 Treasury cash holdings	314	288	265	319	316	313	265	265	264	265
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	7,021	11,042	3,757	15,668	7,837	11,967	5,877	4,079	4,906	5,381
18 Foreign	191	166	160	224	210	187	173	229	175	180
19 Service-related balances and adjustments	5,928	6,055	6,237	5,800	6,053	6,055	6,001	6,037	6,006	6,714
20 Other	348	360	300	358	370	414	361	376	353	357
21 Other Federal Reserve liabilities and capital	12,714	12,559	13,148	12,755	12,771	12,239	12,779	12,712	12,805	12,781
22 Reserve balances with Federal Reserve Banks[3]	18,690	14,268	20,358	19,758	36,455	15,534	27,508	19,803	23,648	16,069

1. Amounts of cash held as reserves are shown in table 1.12, line 2.
2. Includes securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale–purchase transactions.
3. Excludes required clearing balances and adjustments to compensate for float.

1.12 RESERVES AND BORROWINGS Depository Institutions[1]

Millions of dollars

Reserve classification	Prorated monthly averages of biweekly averages									
	1993	1994	1995	1995		1996				
	Dec.	Dec.	Dec.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
1 Reserve balances with Reserve Banks[2]	29,374	24,658	20,440	20,066	20,440	17,763	16,792	18,426	19,181	16,752
2 Total vault cash[3]	36,818	40,378	42,117	40,576	42,117	44,790	42,205	40,968	40,967	41,229
3 Applied vault cash[4]	33,484	36,682	37,460	36,332	37,460	39,170	36,957	36,458	36,688	36,393
4 Surplus vault cash[5]	3,334	3,696	4,657	4,244	4,657	5,620	5,248	4,510	4,278	4,836
5 Total reserves[6]	62,858	61,340	57,900	56,397	57,900	56,934	53,749	54,884	55,869	53,145
6 Required reserves	61,795	60,172	56,622	55,454	56,622	55,449	52,898	53,747	54,750	52,274
7 Excess reserve balances at Reserve Banks[7]	1,063	1,168	1,278	943	1,278	1,485	851	1,137	1,120	871
8 Total borrowings at Reserve Banks[8]	82	209	257	204	257	38	35	21	91	127
9 Seasonal borrowings	31	100	40	73	40	7	7	10	34	105
10 Extended credit[9]	0	0	0	0	0	0	0	0	0	0
	Biweekly averages of daily figures for two week periods ending on dates indicated									
	1996									
	Jan. 31	Feb. 14	Feb. 28	Mar. 13	Mar. 27	Apr. 10	Apr. 24	May 8	May 22	June 5
1 Reserve balances with Reserve Banks[2]	15,055	15,546	17,938	18,192	18,492	18,954	20,331	16,876[r]	16,946	16,339
2 Total vault cash[3]	46,042	44,132	40,326	41,536	40,438	40,977	40,478	42,089	40,901	40,976
3 Applied vault cash[4]	39,626	38,455	35,468	36,845	36,011	36,767	36,417	37,190	36,091	36,156
4 Surplus vault cash[5]	6,416	5,677	4,858	4,691	4,428	4,210	4,061	4,900	4,810	4,820
5 Total reserves[6]	54,681	54,001	53,406	55,037	54,502	55,721	56,748	54,065[r]	53,037	52,495
6 Required reserves	53,356	53,288	52,436	53,926	53,346	54,567	55,629	53,002	52,201	51,741
7 Excess reserve balances at Reserve Banks[7]	1,326	713	970	1,111	1,156	1,154	1,119	1,063[r]	836	754
8 Total borrowings at Reserve Banks[8]	16	24	47	15	20	47	122	92	129	156
9 Seasonal borrowings	5	7	8	8	12	16	30	71	103	138
10 Extended credit[9]	0	0	0	0	0	0	0	0	0	0

1. Data in this table also appear in the Board's H.3 (502) weekly statistical release. For ordering address, see inside front cover. Data are not break-adjusted or seasonally adjusted.
2. Excludes required clearing balances and adjustments to compensate for float and includes other off-balance-sheet "as-of" adjustments.
3. Total "lagged" vault cash held by depository institutions subject to reserve requirements. Dates refer to the maintenance periods during which the vault cash may be used to satisfy reserve requirements. The maintenance period for weekly reporters ends sixteen days after the lagged computation period during which the vault cash is held. Before Nov. 25, 1992, the maintenance period ended thirty days after the lagged computation period.
4. All vault cash held during the lagged computation period by "bound" institutions (that is, those whose required reserves exceed their vault cash) plus the amount of vault cash applied during the maintenance period by "nonbound" institutions (that is, those whose vault cash exceeds their required reserves) to satisfy current reserve requirements.
5. Total vault cash (line 2) less applied vault cash (line 3).
6. Reserve balances with Federal Reserve Banks (line 1) plus applied vault cash (line 3).
7. Total reserves (line 5) less required reserves (line 6).
8. Also includes adjustment credit.
9. Consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as with traditional short-term adjustment credit, the money market effect of extended credit is similar to that of nonborrowed reserves.

1.13 SELECTED BORROWINGS IN IMMEDIATELY AVAILABLE FUNDS Large Banks[1]

Millions of dollars, averages of daily figures

Source and maturity	1996, week ending Monday								
	Apr. 1	Apr. 8	Apr. 15	Apr. 22	Apr. 29	May. 6	May. 13	May. 20	May. 27
Federal funds purchased, repurchase agreements, and other selected borrowings									
From commercial banks in the United States									
1 For one day or under continuing contract	83,135	93,383	90,606	87,706	81,920	90,634	90,281	87,271	83,461
2 For all other maturities	13,693	15,245	13,622	15,649	17,657	17,658	18,091	17,719	18,158
From other depository institutions, foreign banks and official institutions, and U.S. government agencies									
3 For one day or under continuing contract	20,235	20,089	23,383	24,078	19,054	19,876	26,513	22,613	21,793
4 For all other maturities	17,583	17,066	17,877	18,141	19,418	21,270	21,738	21,868	23,296
Repurchase agreements on U.S. government and federal agency securities									
Brokers and nonbank dealers in securities									
5 For one day or under continuing contract	24,315	14,939	21,031	19,212	16,707	19,490	20,268	24,202	21,354
6 For all other maturities	28,287	33,927	32,227	37,802	40,479	41,910	44,427	38,923	40,445
All other customers									
7 For one day or under continuing contract	35,665	34,918	36,844	34,546	35,314	36,149	37,594	38,331	39,166
8 For all other maturities	14,188	18,634	13,684	13,150	13,962	13,732	14,125	14,259	14,130
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	59,288	65,123	64,862	64,377	68,117	74,721	68,708	65,644	65,153
10 To all other specified customers[2]	23,208	27,200	26,093	25,851	26,548	29,922	26,396	26,432	25,647

1. Banks with assets of $4 billion or more as of Dec. 31, 1988.
Data in this table also appear in the Board's H.5 (507) weekly statistical release. For ordering address, see inside front cover.
2. Brokers and nonbank dealers in securities, other depository institutions, foreign banks and official institutions, and U.S. government agencies.

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per year

Current and previous levels

Federal Reserve Bank	Adjustment credit[1]			Seasonal credit[2]			Extended credit[3]		
	On 7/5/96	Effective date	Previous rate	On 7/5/96	Effective date	Previous rate	On 7/5/96	Effective date	Previous rate
Boston	5.00	2/1/96	5.25	5.40	7/5/96	5.40	5.90	7/5/96	5.90
New York		1/31/96							
Philadelphia		1/31/96							
Cleveland		1/31/96							
Richmond		2/1/96							
Atlanta		1/31/96							
Chicago		2/1/96							
St. Louis		2/5/96							
Minneapolis		1/31/96							
Kansas City		2/1/96							
Dallas		1/31/96							
San Francisco	5.00	1/31/96	5.25	5.40	7/5/96	5.40	5.90	7/5/96	5.90

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.
In effect Dec. 31, 1977	6	6
1978—Jan. 9	6–6.5	6.5
20	6.5	6.5
May 11	6.5–7	7
12	7	7
July 3	7–7.25	7.25
10	7.25	7.25
Aug. 21	7.75	7.75
Sept. 22	8	8
Oct. 16	8–8.5	8.5
20	8.5	8.5
Nov. 1	8.5–9.5	9.5
3	9.5	9.5
1979—July 20	10	10
Aug. 17	10–10.5	10.5
20	10.5	10.5
Sept. 19	10.5–11	11
21	11	11
Oct. 8	11–12	12
10	12	12
1980—Feb. 15	12–13	13
19	13	13
May 29	12–13	13
30	12	12
June 13	11–12	11
16	11	11
July 28	10–11	10
29	10	10
Sept. 26	11	11
Nov. 17	12	12
Dec. 5	12–13	13
8	13	13
1981—May 5	13–14	14
8	14	14

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1981—Nov. 2	13–14	13
6	13	13
Dec. 4	12	12
1982—July 20	11.5–12	11.5
23	11.5	11.5
Aug. 2	11–11.5	11
3	11	11
16	10.5	10.5
27	10–10.5	10
30	10	10
Oct. 12	9.5–10	9.5
13	9.5	9.5
Nov. 22	9–9.5	9
26	9	9
Dec. 14	8.5–9	9
15	8.5–9	8.5
17	8.5	8.5
1984—Apr. 9	8.5–9	9
13	9	9
Nov. 21	8.5–9	8.5
26	8.5	8.5
Dec. 24	8	8
1985—May 20	7.5–8	7.5
24	7.5	7.5
1986—Mar. 7	7–7.5	7
10	7	7
Apr. 21	6.5–7	6.5
23	6.5	6.5
July 11	6	6
Aug. 21	5.5–6	5.5
22	5.5	5.5
1987—Sept. 4	5.5–6	6
11	6	6

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1988—Aug. 9	6–6.5	6.5
11	6.5	6.5
1989—Feb. 24	6.5–7	7
27	7	7
1990—Dec. 19	6.5	6.5
1991—Feb. 1	6–6.5	6
4	6	6
Apr. 30	5.5–6	5.5
May 2	5.5	5.5
Sept. 13	5–5.5	5
17	5	5
Nov. 6	4.5–5	4.5
7	4.5	4.5
Dec. 20	3.5–4.5	3.5
24	3.5	3.5
1992—July 2	3–3.5	3
7	3	3
1994—May 17	3–3.5	3.5
18	3.5	3.5
Aug. 16	3.5–4	4
18	4	4
Nov. 15	4–4.75	4.75
17	4.75	4.75
1995—Feb. 1	4.75–5.25	5.25
9	5.25	5.25
1996—Jan. 31	5.00–5.25	5.00
Feb. 5	5.00	5.00
In effect July 5, 1996	5.00	5.00

1. Available on a short-term basis to help depository institutions meet temporary needs for funds that cannot be met through reasonable alternative sources. The highest rate established for loans to depository institutions may be charged on adjustment credit loans of unusual size that result from a major operating problem at the borrower's facility.

2. Available to help relatively small depository institutions meet regular seasonal needs for funds that arise from a clear pattern of intrayearly movements in their deposits and loans and that cannot be met through special industry lenders. The discount rate on seasonal credit takes into account rates charged by market sources of funds and ordinarily is reestablished on the first business day of each two-week reserve maintenance period; however, it is never less than the discount rate applicable to adjustment credit.

3. May be made available to depository institutions when similar assistance is not reasonably available from other sources, including special industry lenders. Such credit may be provided when exceptional circumstances (including sustained deposit drains, impaired access to money market funds, or sudden deterioration in loan repayment performance) or practices involve only a particular institution, or to meet the needs of institutions experiencing difficulties adjusting to changing market conditions over a longer period (particularly at times of deposit disintermediation). The discount rate applicable to adjustment credit ordinarily is charged on extended-credit loans outstanding less than thirty days; however, at the discretion of the Federal Reserve Bank, this time period may be shortened. Beyond this initial period, a flexible rate somewhat above rates charged on market sources of funds is charged. The rate ordinarily is reestablished on the first business day of each two-week reserve maintenance period, but it is never less than the discount rate applicable to adjustment credit plus 50 basis points.

4. For earlier data, see the following publications of the Board of Governors: *Banking and Monetary Statistics, 1914–1941*, and *1941–1970*; and the *Annual Statistical Digest, 1970–1979*.

In 1980 and 1981, the Federal Reserve applied a surcharge to short-term adjustment-credit borrowings by institutions with deposits of $500 million or more that had borrowed in successive weeks or in more than four weeks in a calendar quarter. A 3 percent surcharge was in effect from Mar. 17, 1980, through May 7, 1980. A surcharge of 2 percent was reimposed on Nov. 17, 1980; the surcharge was subsequently raised to 3 percent on Dec. 5, 1980, and to 4 percent on May 5, 1981. The surcharge was reduced to 3 percent effective Sept. 22, 1981, and to 2 percent effective Oct. 12, 1981. As of Oct. 1, 1981, the formula for applying the surcharge was changed from a calendar quarter to a moving thirteen-week period. The surcharge was eliminated on Nov. 17, 1981.

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Type of deposit	Requirement	
	Percentage of deposits	Effective date
Net transaction accounts[2]		
1 \$0 million–\$52.0 million[3]	3	12/19/95
2 More than \$52.0 million[4]	10	12/19/95
3 Nonpersonal time deposits[5]	0	12/27/90
4 Eurocurrency liabilities[6]	0	12/27/90

1. Required reserves must be held in the form of deposits with Federal Reserve Banks or vault cash. Nonmember institutions may maintain reserve balances with a Federal Reserve Bank indirectly, on a pass-through basis, with certain approved institutions. For previous reserve requirements, see earlier editions of the *Annual Report* or the *Federal Reserve Bulletin*. Under the Monetary Control Act of 1980, depository institutions include commercial banks, mutual savings banks, savings and loan associations, credit unions, agencies and branches of foreign banks, and Edge Act corporations.

2. Transaction accounts include all deposits against which the account holder is permitted to make withdrawals by negotiable or transferable instruments, payment orders of withdrawal, or telephone or preauthorized transfers for the purpose of making payments to third persons or others. However, money market deposit accounts (MMDAs) and similar accounts subject to the rules that permit no more than six preauthorized, automatic, or other transfers per month (of which no more than three may be by check, draft, debit card, or similar order) are savings deposits, not transaction accounts.

3. The Monetary Control Act of 1980 requires that the amount of transaction accounts against which the 3 percent reserve requirement applies be modified annually by 80 percent of the percentage change in transaction accounts held by all depository institutions, determined as of June 30 of each year. Effective Dec. 19, 1995, the amount was decreased from \$54.0 million to \$52.0 million.

Under the Garn–St Germain Depository Institutions Act of 1982, the Board adjusts the amount of reservable liabilities subject to a zero percent reserve requirement each year for the succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is made in the event of a decrease. The exemption applies only to accounts that would be subject to a 3 percent reserve requirement. Effective Dec. 19, 1995, the exemption was raised from \$4.2 million to \$4.3 million.

4. The reserve requirement was reduced from 12 percent to 10 percent on Apr. 2, 1992, for institutions that report weekly, and on Apr. 16, 1992, for institutions that report quarterly.

5. For institutions that report weekly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years was reduced from 3 percent to 1½ percent for the maintenance period that began Dec. 13, 1990, and to zero for the maintenance period that began Dec. 27, 1990. For institutions that report quarterly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years was reduced from 3 percent to zero on Jan. 17, 1991.

The reserve requirement on nonpersonal time deposits with an original maturity of 1½ years or more has been zero since Oct. 6, 1983.

6. The reserve requirement on Eurocurrency liabilities was reduced from 3 percent to zero in the same manner and on the same dates as the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years (see note 5).

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

Type of transaction and maturity	1993	1994	1995	1995			1996			
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
U.S. TREASURY SECURITIES										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	17,717	17,484	10,932	1,350	4,271	0	0	0	0	88
2 Gross sales	0	0	0	0	0	0	0	0	0	0
3 Exchanges	332,229	376,277	398,487	29,397	39,057	31,535	31,476	39,332	30,556	32,218
4 Redemptions	0	0	900	900	0	0	0	0	0	0
Others within one year										
5 Gross purchases	1,223	1,238	390	0	0	390	0	0	0	35
6 Gross sales	0	0	0	0	0	0	0	0	0	0
7 Maturity shifts	31,368	0	0	1,745	6,108	0	2,048	2,746	0	3,511
8 Exchanges	−36,582	−21,444	0	−2,049	−4,937	0	−3,287	−7,575	0	−4,824
9 Redemptions	0	0	0	0	0	0	1,228	0	0	787
One to five years										
10 Gross purchases	10,350	9,168	4,966	0	0	2,317	0	0	0	1,899
11 Gross sales	0	0	0	0	0	0	0	0	0	0
12 Maturity shifts	−27,140	−6,004	0	−1,745	−5,292	0	−2,048	−1,908	0	3,511
13 Exchanges	0	17,801	0	2,049	3,237	0	3,287	5,175	0	4,824
Five to ten years										
14 Gross purchases	4,168	3,818	1,239	0	400	0	0	0	0	479
15 Gross sales	0	0	0	0	0	0	0	0	0	0
16 Maturity shifts	0	−3,145	0	0	−816	0	0	−818	0	0
17 Exchanges	0	2,903	0	0	1,700	0	0	1,500	0	0
More than ten years										
18 Gross purchases	3,457	3,606	3,122	0	0	1,884	0	0	0	1,065
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shifts	0	−918	0	0	0	0	0	−20	0	0
21 Exchanges	0	775	0	0	0	0	0	900	0	0
All maturities										
22 Gross purchases	36,915	35,314	20,649	1,350	4,671	4,591	0	0	0	3,566
23 Gross sales	0	0	0	0	0	0	0	0	0	0
24 Redemptions	767	2,337	2,376	1,385	0	0	1,228	0	0	787
Matched transactions										
25 Gross purchases	1,475,941	1,700,836	2,197,736	216,755	226,340	227,858	260,425	274,290	251,623	253,482
26 Gross sales	1,475,085	1,701,309	2,202,030	213,161	228,419	228,071	259,186	275,979	251,086	251,510
Repurchase agreements										
27 Gross purchases	475,447	309,276	331,694	28,825	44,569	34,325	16,040	6,230	31,602	48,869
28 Gross sales	470,723	311,898	328,497	32,980	39,876	28,546	28,802	6,230	27,706	50,345
29 Net change in U.S. Treasury securities	41,729	29,882	17,175	−597	7,285	10,157	−12,751	−1,689	4,433	3,274
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
30 Gross purchases	0	0	0	0	0	0	0	0	0	0
31 Gross sales	0	0	0	0	0	0	0	0	0	0
32 Redemptions	774	1,002	1,303	83	120	58	0	0	108	82
Repurchase agreements										
33 Gross purchases	35,063	52,696	36,851	3,740	3,763	2,888	9,793	765	5,640	2,372
34 Gross sales	34,669	52,696	36,776	3,605	3,973	1,788	10,893	765	4,640	3,372
35 Net change in federal agency obligations	−380	−1,002	−1,228	52	−330	1,042	−1,100	0	892	−1,082
36 Total net change in System Open Market Account	**41,348**	**28,880**	**15,948**	**−545**	**6,955**	**11,199**	**−13,851**	**−1,689**	**5,325**	**2,192**

1. Sales, redemptions, and negative figures reduce holdings of the System Open Market Account; all other figures increase such holdings.

1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements[1]

Millions of dollars

Account	Wednesday					End of month		
	1996					1996		
	May 1	May 8	May 15	May 22	May 29	Mar. 31	Apr. 30	May 31
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,052	11,051	11,051	11,051	11,051	11,053	11,052	11,051
2 Special drawing rights certificate account	10,168	10,168	10,168	10,168	10,168	10,168	10,168	10,168
3 Coin	574	579	575	569	538	579	574	552
Loans								
4 To depository institutions	92	101	126	142	161	43	93	155
5 Other	0	0	0	0	0	0	0	0
6 Acceptances held under repurchase agreements	0	0	0	0	0	0	0	0
Federal agency obligations								
7 Bought outright	2,444	2,444	2,444	2,444	2,428	2,526	2,444	2,428
8 Held under repurchase agreements	1,250	620	15	1,867	850	1,000	0	1,350
9 **Total U.S. Treasury securities**	**383,272**	**386,513**	**385,223**	**388,564**	**385,154**	**380,952**	**381,806**	**387,050**
10 Bought outright[2]	379,571	380,121	380,134	380,661	381,789	377,056	381,806	381,346
11 Bills	183,026	183,576	183,589	184,116	185,244	183,202	185,262	184,801
12 Notes	150,102	150,102	150,102	150,102	150,102	148,885	150,102	150,102
13 Bonds	46,443	46,443	46,443	46,443	46,443	44,969	46,443	46,443
14 Held under repurchase agreements	3,701	6,392	5,089	7,903	3,365	3,896	0	5,704
15 **Total loans and securities**	**387,058**	**389,678**	**387,808**	**393,017**	**388,593**	**384,521**	**384,343**	**390,983**
16 Items in process of collection	6,450	11,677	6,268	5,388	8,200	4,197	8,452	4,007
17 Bank premises	1,158	1,161	1,171	1,171	1,170	1,150	1,158	1,171
Other assets								
18 Denominated in foreign currencies[3]	19,706	19,713	19,721	19,729	19,737	19,985	19,705	19,561
19 All other[4]	11,131	11,344	9,306	9,585	9,693	10,333	10,760	9,538
20 **Total assets**	**447,297**	**455,372**	**446,068**	**450,678**	**449,151**	**441,986**	**446,211**	**447,032**
LIABILITIES								
21 Federal Reserve notes	394,498	396,265	396,887	397,505	400,169	392,903	394,236	398,773
22 **Total deposits**	**34,285**	**40,424**	**30,924**	**35,245**	**28,579**	**32,301**	**31,975**	**30,901**
23 Depository institutions	21,716	34,013	26,241	29,811	22,660	24,740	20,407	26,685
24 U.S. Treasury—General account	11,967	5,877	4,079	4,906	5,381	7,021	11,042	3,757
25 Foreign—Official accounts	187	173	229	175	180	191	166	160
26 Other	414	361	376	353	357	348	360	300
27 Deferred credit items	6,275	5,904	5,545	5,123	7,622	4,069	7,441	4,210
28 Other liabilities and accrued dividends[5]	4,064	4,328	4,226	4,217	4,153	4,261	4,061	4,542
29 **Total liabilities**	**439,122**	**446,921**	**437,583**	**442,091**	**440,523**	**433,534**	**437,713**	**438,426**
CAPITAL ACCOUNTS								
30 Capital paid in	4,023	4,020	4,050	4,100	4,100	4,037	4,023	4,154
31 Surplus	3,957	3,966	3,966	3,966	3,966	3,966	3,957	3,960
32 Other capital accounts	195	465	469	521	562	449	518	492
33 **Total liabilities and capital accounts**	**447,297**	**455,372**	**446,068**	**450,678**	**449,151**	**441,986**	**446,211**	**447,032**
MEMO								
34 Marketable U.S. Treasury securities held in custody for foreign and international accounts	549,259	551,297	553,043	550,963	553,973	550,496	550,662	556,832
	Federal Reserve note statement							
35 Federal Reserve notes outstanding (issued to Banks)	507,902	510,367	511,322	513,625	513,943	506,144	507,928	514,098
36 LESS: Held by Federal Reserve Banks	113,404	114,102	114,435	116,120	113,774	113,241	113,691	115,325
37 Federal Reserve notes, net	394,498	396,265	396,887	397,505	400,169	392,903	394,236	398,773
Collateral held against notes, net								
38 Gold certificate account	11,052	11,051	11,051	11,051	11,051	11,053	11,052	11,051
39 Special drawing rights certificate account	10,168	10,168	10,168	10,168	10,168	10,168	10,168	10,168
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities	373,278	375,046	375,668	376,286	378,950	371,682	373,017	377,554
42 **Total collateral**	**394,498**	**396,265**	**396,887**	**397,505**	**400,169**	**392,903**	**394,236**	**398,773**

1. Some of the data in this table also appear in the Board's H.4.1 (503) weekly statistical release. For ordering address, see inside front cover.
2. Includes securities loaned—fully guaranteed by U.S. Treasury securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale–purchase transactions.
3. Valued monthly at market exchange rates.
4. Includes special investment account at the Federal Reserve Bank of Chicago in Treasury bills maturing within ninety days.
5. Includes exchange-translation account reflecting the monthly revaluation at market exchange rates of foreign exchange commitments.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holding

Millions of dollars

Type of holding and maturity	Wednesday 1996					End of month 1996		
	May 1	May 8	May 15	May 22	May 29	Mar. 31	Apr. 30	May 31
1 **Total loans**	**92**	**101**	**126**	**142**	**161**	**43**	**92**	**156**
2 Within fifteen days[1]	36	37	52	135	148	36	59	75
3 Sixteen days to ninety days	56	64	74	7	12	7	33	80
4 **Total U.S. Treasury securities**	**383,349**	**386,513**	**385,223**	**388,564**	**385,154**	**377,056**	**381,806**	**381,346**
5 Within fifteen days[1]	21,349	20,117	19,563	23,838	20,249	8,963	15,945	2,926
6 Sixteen days to ninety days	87,527	89,053	84,416	86,962	92,031	99,039	91,464	98,950
7 Ninety-one days to one year	111,381	114,327	117,906	114,426	109,536	109,875	111,381	116,114
8 One year to five years	91,995	91,995	91,676	91,676	91,676	89,228	91,995	91,694
9 Five years to ten years	32,299	32,299	32,941	32,941	32,941	32,151	32,299	32,941
10 More than ten years	38,721	38,721	38,721	38,721	38,721	37,801	38,721	38,721
11 **Total federal agency obligations**	**3,694**	**3,064**	**2,459**	**4,311**	**3,278**	**2,526**	**2,443**	**2,428**
12 Within fifteen days[1]	1,250	620	31	2,215	1,222	280	154	372
13 Sixteen days to ninety days	685	841	845	513	473	569	685	473
14 Ninety-one days to one year	731	575	575	575	575	600	577	575
15 One year to five years	512	512	512	512	512	526	512	512
16 Five years to ten years	492	492	472	472	472	527	492	472
17 More than ten years	25	25	25	25	25	25	25	25

1. Holdings under repurchase agreements are classified as maturing within fifteen days in accordance with maximum maturity of the agreements.

NOTE. Total acceptances data have been deleted from this table because data are no longer available.

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE[1]

Billions of dollars, averages of daily figures

Item	1992 Dec	1993 Dec	1994 Dec.	1995 Dec	1995 Oct.	1995 Nov.	1995 Dec	1996 Jan.	1996 Feb.	1996 Mar.	1996 Apr.	1996 May
	Seasonally adjusted											
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]												
1 Total reserves[3]	54.37	60.52	59.36	56.36	56.84	56.33	56.36	55.61	54.85	55.73	55.18	54.24
2 Nonborrowed reserves[4]	54.24	60.44	59.16	56.11	56.59	56.13	56.11	55.57	54.81	55.71	55.09	54.11
3 Nonborrowed reserves plus extended credit[5]	54.24	60.44	59.16	56.11	56.59	56.13	56.11	55.57	54.81	55.71	55.09	54.11
4 Required reserves	53.21	59.46	58.20	55.09	55.76	55.39	55.09	54.12	54.00	54.59	54.06	53.37
5 Monetary base[6]	351.24	386.88	418.72	435.01	432.74	433.21	435.01	435.17	433.67	436.86	436.60	436.95
	Not seasonally adjusted											
6 Total reserves[7]	56.06	62.37	61.13	58.02	56.56	56.57	58.02	56.95	53.80	54.97	56.00	53.30
7 Nonborrowed reserves	55.93	62.29	60.92	57.76	56.31	56.37	57.76	56.91	53.77	54.95	55.90[r]	53.17
8 Nonborrowed reserves plus extended credit[5]	55.93	62.29	60.92	57.76	56.31	56.37	57.76	56.91	53.77	54.95	55.90[r]	53.17
9 Required reserves[8]	54.90	61.31	59.96	56.74	55.48	55.63	56.74	55.47	52.95	53.84	54.88	52.43
10 Monetary base[9]	354.55	390.59	422.51	439.03	431.60	433.22	439.03	436.01	430.29	434.85	437.07[r]	436.08
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[10]												
11 Total reserves[11]	56.54	62.86	61.34	57.90	56.40	56.40	57.90	56.93	53.75	54.88	55.87	53.15
12 Nonborrowed reserves	56.42	62.78	61.13	57.64	56.15	56.19	57.64	56.90	53.72	54.86	55.78	53.02
13 Nonborrowed reserves plus extended credit[5]	56.42	62.78	61.13	57.64	56.15	56.19	57.64	56.90	53.72	54.86	55.78	53.02
14 Required reserves	55.39	61.80	60.17	56.62	55.32	55.45	56.62	55.45	52.90	53.75	54.75	52.27
15 Monetary base[12]	360.90	397.62	427.25	444.45	436.34	438.19	444.45	441.96	436.26	440.75	442.91	442.11
16 Excess reserves[13]	1.16	1.06	1.17	1.28	1.08	.94	1.28	1.49	.85	1.14	1.12	.87
17 Borrowings from the Federal Reserve	.12	.08	.21	.26	.25	.20	.26	.04	.04	.02	.09	.13

1. Latest monthly and biweekly figures are available from the Board's H.3 (502) weekly statistical release. Historical data starting in 1959 and estimates of the effect on required reserves of changes in reserve requirements are available from the Money and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

2. Figures reflect adjustments for discontinuities, or "breaks," associated with regulatory changes in reserve requirements. (See also table 1.10.)

3. Seasonally adjusted, break-adjusted total reserves equal seasonally adjusted, break-adjusted required reserves (line 4) plus excess reserves (line 16).

4. Seasonally adjusted, break-adjusted nonborrowed reserves equal seasonally adjusted, break-adjusted total reserves (line 1) less total borrowings of depository institutions from the Federal Reserve (line 17).

5. Extended credit consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as with traditional short-term adjustment credit, the money market effect of extended credit is similar to that of nonborrowed reserves.

6. The seasonally adjusted, break-adjusted monetary base consists of (1) seasonally adjusted, break-adjusted total reserves (line 1), plus (2) the seasonally adjusted currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the seasonally adjusted, break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

7. Break-adjusted total reserves equal break-adjusted required reserves (line 9) plus excess reserves (line 16).

8. To adjust required reserves for discontinuities that are due to regulatory changes in reserve requirements, a multiplicative procedure is used to estimate what required reserves would have been in past periods had current reserve requirements been in effect. Break-adjusted required reserves include required reserves against transactions deposits and nonpersonal time and savings deposits (but not reservable nondeposit liabilities).

9. The break-adjusted monetary base equals (1) break-adjusted total reserves (line 6), plus (2) the (unadjusted) currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

10. Reflects actual reserve requirements, including those on nondeposit liabilities, with no adjustments to eliminate the effects of discontinuities associated with regulatory changes in reserve requirements.

11. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements.

12. The monetary base, not break-adjusted and not seasonally adjusted, consists of (1) total reserves (line 11) plus (2) required clearing balances and adjustments to compensate for float at Federal Reserve Banks, plus (3) the currency component of the money stock, plus (4) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the difference between current vault cash and the amount applied to satisfy current reserve requirements. Since the introduction of contemporaneous reserve requirements in February 1984, currency and vault cash figures have been measured over the computation periods ending on Mondays.

13. Unadjusted total reserves (line 11) less unadjusted required reserves (line 14).

1.21 MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES[1]

Billions of dollars, averages of daily figures

Item	1992 Dec.	1993 Dec.	1994 Dec.	1995 Dec.	1996 Feb.	1996 Mar.r	1996 Apr.	1996 May
	Seasonally adjusted							
Measures[2]								
1 M1	1,024.4	1,128.6	1,148.7	1,124.9	1,117.3	1,126.6	1,123.7	1,117.5
2 M2	3,438.7	3,494.1	3,509.3	3,662.6r	3,693.9r	3,729.9	3,736.1r	3,731.1
3 M3	4,187.3	4,249.6	4,319.7	4,576.0r	4,642.9r	4,685.5	4,692.4r	4,705.9
4 L	5,075.8	5,164.5	5,303.7	5,685.5r	5,725.1r	5,784.5	5,806.1	n.a.
5 Debt	11,881.7	12,516.4	13,153.2	13,871.3	14,015.6r	14,066.2	14,122.6	n.a.
M1 components								
6 Currency[3]	292.9	322.4	354.9	373.2	373.3	375.2	375.9	377.0
7 Travelers checks[4]	8.1	7.9	8.5	8.9	8.9	8.9	8.9	8.7
8 Demand deposits[5]	339.1	384.3	382.4	389.8	397.4	407.1	406.3	409.7
9 Other checkable deposits[6]	384.2	414.0	402.9	353.0	337.8	335.4	332.6	322.1
Nontransaction components								
10 In M2[7]	2,414.3	2,365.4	2,360.7	2,537.7r	2,576.6r	2,603.3	2,612.4r	2,613.6
11 In M3 only[8]	748.6	755.6	810.3	913.4	949.0r	955.6	956.3r	974.7
Commercial banks								
12 Savings deposits, including MMDAs	754.1	785.0	751.9	775.0	804.1	821.0	827.0	829.8
13 Small time deposits[9]	509.3	470.4	505.4	578.5r	580.3r	578.1	576.4r	575.3
14 Large time deposits[10, 11]	286.6	272.3	298.7	342.4	346.2	354.1	356.6r	362.3
Thrift institutions								
15 Savings deposits, including MMDAs	433.0	433.8	397.0	359.5	360.4	362.1	366.4	367.9
16 Small time deposits[9]	361.9	317.6	318.2	359.6r	357.1r	354.5	354.0r	353.2
17 Large time deposits[10]	67.1	61.5	64.8	75.0	76.1	75.5	75.6	75.0
Money market mutual funds								
18 Retail	356.0	358.7	388.1	465.1	474.7	487.6	488.7	487.4
19 Institution only	199.8	197.9	183.7	227.2	243.9	248.3	245.6	243.5
Repurchase agreements and Eurodollars								
20 Repurchase agreements[12]	128.1	157.5	180.8	177.6	186.2	184.1	182.9r	196.9
21 Eurodollars[12]	66.9	66.3	82.5	91.2	96.1r	93.6	95.6r	96.9
Debt components								
22 Federal debt	3,068.6	3,328.3	3,497.6	3,644.6	3,661.7r	3,696.0	3,705.2	n.a.
23 Nonfederal debt	8,813.1	9,188.1	9,655.6	10,226.7	10,353.9r	10,370.2	10,417.4	n.a.
	Not seasonally adjusted							
Measures[2]								
24 M1	1,016.0	1,153.7	1,174.2	1,150.7	1,103.6	1,115.9	1,130.0	1,104.3
25 M2	3,455.1	3,511.1	3,529.8	3,682.3r	3,674.4r	3,722.7	3,749.0r	3,716.6
26 M3	4,205.3	4,271.3	4,341.5	4,597.1r	4,624.1r	4,675.4	4,697.3r	4,690.8
27 L	5,103.1	5,194.2	5,333.2	5,715.0r	5,711.2r	5,785.3	5,811.7	n.a.
28 Debt	11,883.2	12,509.3	13,145.8	13,858.0	13,965.8r	14,023.9	14,053.9	n.a.
M1 components								
29 Currency[3]	295.0	324.8	357.5	376.1	370.8	374.3	375.8	377.5
30 Travelers checks[4]	7.8	7.6	8.1	8.5	8.5	8.6	8.6	8.6
31 Demand deposits[5]	354.4	401.8	400.1	407.9	388.3	397.5	406.1	399.5
32 Other checkable deposits[6]	388.9	419.4	408.4	358.1	336.0	335.5	339.5	318.7
Nontransaction components								
33 In M2[7]	2,409.1	2,360.4	2,355.6	2,531.5r	2,570.8r	2,606.8	2,619.0r	2,612.3
34 In M3 only[8]	750.2	757.1	811.7	914.8	949.6r	952.7	948.3r	974.2
Commercial banks								
35 Savings deposits, including MMDAs	752.9	784.3	751.6	775.0	798.9	819.0	826.0	827.8
36 Small time deposits[9]	507.8	468.2	502.5	574.5r	579.4r	579.3	578.3r	577.1
37 Large time deposits[10, 11]	286.2	272.1	298.5	342.3	344.7	352.6	353.9r	364.6
Thrift institutions								
38 Savings deposits, including MMDAs	432.4	433.4	396.9	359.5	358.1	361.2	365.9	367.0
39 Small time deposits[9]	360.9	316.1	316.4	357.1r	356.4r	355.3	355.2r	354.5
40 Large time deposits[10]	67.0	61.5	64.8	75.0	75.8	75.2	75.0	75.5
Money market mutual funds								
41 Retail	355.1	358.3	388.2	465.4	478.0	492.1	493.5	485.5
42 Institution only	201.1	199.4	185.5	229.4	249.6	248.7	242.8	241.1
Repurchase agreements and Eurodollars								
43 Repurchase agreements[12]	127.2	156.6	179.6	176.1	183.5	182.3	182.3r	197.2
44 Eurodollars[12]	68.7	67.6	83.6	91.9	96.1r	94.0	94.3r	95.7
Debt components								
45 Federal debt	3,069.8	3,329.5	3,499.0	3,645.9	3,655.5r	3,698.1	3,697.6	n.a.
46 Nonfederal debt	8,813.4	9,179.8	9,646.8	10,212.1	10,310.3r	10,325.8	10,355.3	n.a.

Footnotes appear on following page

NOTES TO TABLE 1.21

1. Latest monthly and weekly figures are available from the Board's H.6 (508) weekly statistical release. Historical data starting in 1959 are available from the Money and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

2. Composition of the money stock measures and debt is as follows:

M1: (1) currency outside the U.S. Treasury, Federal Reserve Banks, and the vaults of depository institutions, (2) travelers checks of nonbank issuers, (3) demand deposits at all commercial banks other than those owed to depository institutions, the U.S. government, and foreign banks and official institutions, less cash items in the process of collection and Federal Reserve float, and (4) other checkable deposits (OCDs), consisting of negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at depository institutions, credit union share draft accounts, and demand deposits at thrift institutions. Seasonally adjusted M1 is computed by summing currency, travelers checks, demand deposits, and OCDs, each seasonally adjusted separately.

M2: M1 plus (1) savings deposits (including MMDAs), (2) small-denomination time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and (3) balances in retail money market mutual funds (money funds with minimum initial investments of less than $50,000). Excludes individual retirement accounts (IRAs) and Keogh balances at depository institutions and money market funds. Seasonally adjusted M2 is calculated by summing savings deposits, small-denomination time deposits, and retail money fund balances, each seasonally adjusted separately, and adding this result to seasonally adjusted M1.

M3: M2 plus (1) large-denomination time deposits (in amounts of $100,000 or more) issued by all depository institutions, (2) balances in institutional money funds (money funds with minimum initial investments of $50,000 or more), (3) RP liabilities (overnight and term) issued by all depository institutions, and (4) Eurodollars (overnight and term) held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Seasonally adjusted M3 is calculated by summing large time deposits, institutional money fund balances, RP liabilities, and Eurodollars, each seasonally adjusted separately, and adding this result to seasonally adjusted M2.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, net of money market fund holdings of these assets. Seasonally adjusted L is computed by summing U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, each seasonally adjusted separately, and then adding this result to M3.

Debt: The debt aggregate is the outstanding credit market debt of the domestic nonfinancial sectors—the federal sector (U.S. government, not including government-sponsored enterprises or federally related mortgage pools) and the nonfederal sectors (state and local governments, households and nonprofit organizations, nonfinancial corporate and nonfarm noncorporate businesses, and farms). Nonfederal debt consists of mortgages, tax-exempt and corporate bonds, consumer credit, bank loans, commercial paper, and other loans. The data, which are derived from the Federal Reserve Board's flow of funds accounts, are break-adjusted (that is, discontinuities in the data have been smoothed into the series) and month-averaged (that is, the data have been derived by averaging adjacent month-end levels).

3. Currency outside the U.S. Treasury, Federal Reserve Banks, and vaults of depository institutions.

4. Outstanding amount of U.S. dollar-denominated travelers checks of nonbank issuers. Travelers checks issued by depository institutions are included in demand deposits.

5. Demand deposits at commercial banks and foreign-related institutions other than those owed to depository institutions, the U.S. government, and foreign banks and official institutions, less cash items in the process of collection and Federal Reserve float.

6. Consists of NOW and ATS account balances at all depository institutions, credit union share draft account balances, and demand deposits at thrift institutions.

7. Sum of (1) savings deposits (including MMDAs), (2) small time deposits, and (3) retail money fund balances.

8. Sum of (1) large time deposits, (2) institutional money fund balances, (3) RP liabilities (overnight and term) issued by depository institutions, and (4) Eurodollars (overnight and term) of U.S. addressees.

9. Small time deposits—including retail RPs—are those issued in amounts of less than $100,000. All IRAs and Keogh accounts at commercial banks and thrift institutions are subtracted from small time deposits.

10. Large time deposits are those issued in amounts of $100,000 or more, excluding those booked at international banking facilities.

11. Large time deposits at commercial banks less those held by money market funds, depository institutions, the U.S. government, and foreign banks and official institutions.

12. Includes both overnight and term.

1.22 DEPOSIT INTEREST RATES AND AMOUNTS OUTSTANDING Commercial and BIF-insured saving banks[1]

Item	1993 Dec.	1994[3] Dec.	1995 Sept.	1995 Oct.	1995 Nov.	1995 Dec.[r]	1996[r] Jan.	1996[r] Feb.	1996[r] Mar.	1996[r] Apr.	1996[r] May
	Interest rates (annual effective yields)[2]										
INSURED COMMERCIAL BANKS											
1 Negotiable order of withdrawal accounts	1.86	1.96	1.92	1.91	1.93	1.91	1.90	1.91	1.85	1.89	1.88
2 Savings deposits[3]	2.46	2.92	3.13[r]	3.11	3.13	3.10	3.01	2.98	2.91	2.91	2.89
Interest-bearing time deposits with balances of less than $100,000, by maturity											
3 7 to 91 days	2.65	3.79	4.10	4.11	4.13	4.10	4.02	3.99	4.02	4.01	3.99
4 92 to 182 days	2.91	4.45	4.75	4.75	4.74	4.68	4.57	4.45	4.49	4.51	4.51
5 183 days to 1 year	3.13	5.12	5.13	5.15	5.11	5.02	4.91	4.79	4.83	4.86	4.89
6 More than 1 year to 2½ years	3.55	5.74	5.32	5.31	5.27	5.17	5.03	4.89	4.94	5.03	5.11
7 More than 2½ years	4.28	6.30	5.59	5.56	5.49	5.40	5.26	5.10	5.19	5.28	5.36
BIF-INSURED SAVINGS BANKS[4]											
8 Negotiable order of withdrawal accounts	1.87	1.94	2.00	1.98	1.94	1.91	1.85	1.84	1.83	1.84	1.82
9 Savings deposits[3]	2.63	2.87	2.95	2.96	2.99	2.98	2.95	2.92	2.86	2.85	2.84
Interest-bearing time deposits with balances of less than $100,000, by maturity											
10 7 to 91 days	2.81	3.80	4.27	4.32	4.43	4.43	4.38	4.26	4.37	4.42	4.49
11 92 to 182 days	3.02	4.89	5.07	5.05	5.02	4.95	4.86	4.77	4.76	4.77	4.83
12 183 days to 1 year	3.31	5.52	5.35	5.31	5.28	5.18	5.06	4.91	4.89	4.91	4.96
13 More than 1 year to 2½ years	3.67	6.09	5.52	5.51	5.47	5.33	5.22	5.10	5.15	5.23	5.25
14 More than 2½ years	4.62	6.42	5.73	5.68	5.64	5.46	5.34	5.24	5.24	5.32	5.38
	Amounts outstanding (millions of dollars)										
INSURED COMMERCIAL BANKS											
15 Negotiable order of withdrawal accounts	305,237	304,901	253,568	258,175	257,098[r]	248,417	245,749	242,930	218,604	228,736	208,932
16 Savings deposits[3]	767,035	737,081	746,351	745,936[r]	753,139[r]	776,466	768,071	784,035	827,666	805,431	839,656
17 Personal	598,276	580,449	585,762	585,896[r]	588,995	615,113	612,321	623,110	661,919	640,003	670,277
18 Nonpersonal	168,759	156,633	160,589	160,040[r]	164,144[r]	161,353	155,750	160,925	165,748	165,428	169,379
Interest-bearing time deposits with balances of less than $100,000, by maturity											
19 7 to 91 days	29,362	32,218	29,794	29,906[r]	31,093[r]	32,170	33,783	35,719	35,377	34,076	33,417
20 92 to 182 days	109,050	96,461	92,250	93,390[r]	95,513[r]	93,941	95,350	97,219	97,141	96,064	96,272
21 183 days to 1 year	145,386	163,282	189,663[r]	187,727[r]	184,704[r]	183,834	184,046	184,095	186,158	190,045	193,043
22 More than 1 year to 2½ years	139,781	164,499	204,869	206,579	208,315[r]	208,601	212,394	210,493	208,915	208,277	207,849
23 More than 2½ years	180,461	192,632	201,006	199,471[r]	199,389[r]	199,002	199,254	198,922	198,980	197,797	196,558
24 IRA and Keogh plan deposits	144,011	144,092	150,298	150,101[r]	149,647[r]	150,067	150,366	149,965	150,496	150,586	150,089
BIF-INSURED SAVINGS BANKS[4]											
25 Negotiable order of withdrawal accounts	11,191	10,698	10,884	10,789	11,088	11,918	11,139	11,597	11,703	11,492	11,744
26 Savings deposits[3]	80,376	68,223	67,726	67,732	68,345	68,643	66,702	67,614	67,276	66,808	67,715
27 Personal	77,263	65,396	64,519	64,432	64,932	65,366	63,377	64,524	64,208	63,559	64,199
28 Nonpersonal	3,113	2,826	3,207	3,300	3,413	3,277	3,325	3,090	3,068	3,249	3,516
Interest-bearing time deposits with balances of less than $100,000, by maturity											
29 7 to 91 days	2,746	2,068	1,656	1,691	1,819	2,001	2,009	2,131	2,140	2,179	2,345
30 92 to 182 days	12,974	10,867	10,757	10,790	11,394	12,140	12,334	13,247	13,477	13,911	13,934
31 183 days to 1 year	17,469	17,484	23,654	24,006	24,833	25,686	26,304	26,863	26,534	27,265	28,079
32 More than 1 year to 2½ years	16,589	16,964	26,558	26,678	27,149	27,482	26,582	26,945	25,934	25,684	25,422
33 More than 2½ years	20,501	20,339	22,251	22,411	22,552	22,866	22,449	21,819	22,646	22,526	22,638
34 IRA and Keogh plan accounts	19,791	18,376	21,029	21,042	21,231[r]	21,408	20,827	20,845	20,615	20,553	20,543

1. BIF, Bank Insurance Fund. Data in this table also appear in the Board's H.6 (508) Special Supplementary Table monthly statistical release. For ordering address, see inside front cover. Estimates are based on data collected by the Federal Reserve System from a stratified random sample of about 425 commercial banks and 75 savings banks on the last day of each month. Data are not seasonally adjusted and include IRA and Keogh deposits and foreign currency-denominated deposits. Data exclude retail repurchase agreements and deposits held in U.S. branches and agencies of foreign banks.

2. As of October 31, 1994, interest rate data for NOW accounts and savings deposits reflect a series break caused by a change in the survey used to collect these data.

3. Includes personal and nonpersonal money market deposits.

4. Includes both mutual and federal savings banks.

1.23 BANK DEBITS AND DEPOSIT TURNOVER[1]

Debits are in billions of dollars; turnover is ratio of debits to deposits; monthly data are at annual rates

Bank group, or type of deposit	1993[2]	1994[2]	1995[2]	1995 Oct.	1995 Nov.	1995 Dec.	1996 Jan.	1996 Feb.	1996 Mar.
DEBITS	Seasonally adjusted								
Demand deposits[3]									
1 All insured banks	334,781.1	369,029.1	397,649.3	413,927.0	409,460.9	397,538.3	430,522.2[r]	447,959.6[r]	422,702.6
2 Major New York City banks	171,224.3	191,168.8	201,161.4	210,336.6	204,484.0	203,977.5	229,379.9	238,537.8	224,066.4
3 Other banks	163,559.7	177,860.3	196,487.9	203,590.4	204,976.9	193,560.8	201,142.2[r]	209,421.7[r]	198,636.2
4 Other checkable deposits[4]	3,481.5	3,798.6	4,207.1	4,690.4	4,891.5	4,595.5	4,960.5[r]	5,034.7	5,024.1
5 Savings deposits (including MMDAs)[5]	3,497.4	3,766.3	4,507.8	5,328.6	5,679.4	5,703.6	6,025.9[r]	6,397.2[r]	6,340.6
DEPOSIT TURNOVER									
Demand deposits[3]									
6 All insured banks	785.9	817.4	874.1	907.5	905.5	852.7	917.1	950.8	881.0
7 Major New York City banks	4,198.1	4,181.5	4,867.3	5,269.7	5,222.3	5,069.7	5,368.0	5,852.3	5,608.2
8 Other banks	424.6	435.1	475.2	489.2	496.3	454.4	471.4	486.6	451.6
9 Other checkable deposits[4]	11.9	12.6	15.4	18.0	19.1	18.6	20.8	21.6	22.1
10 Savings deposits (including MMDAs)[5]	4.6	4.9	6.1	7.1	7.5	7.4	7.7	8.1	7.8
DEBITS	Not seasonally adjusted								
Demand deposits[3]									
11 All insured banks	334,899.2	369,121.8	397,657.8	413,547.6	398,219.1	411,802.7	429,314.0[r]	414,903.0[r]	442,983.8
12 Major New York City banks	171,283.5	191,226.0	201,182.6	212,506.0	202,744.5	210,780.0	227,293.7	222,007.5	236,954.2
13 Other banks	163,615.7	177,895.7	196,475.3	201,041.7	195,474.6	201,022.7	202,020.3[r]	192,895.5[r]	206,029.6
14 Other checkable deposits[4]	3,481.7	3,795.6	4,202.6	4,565.4	4,566.6	4,784.8	5,385.9	4,638.6[r]	5,072.7
15 Savings deposits (including MMDAs)[5]	3,498.3	3,764.4	4,500.8	5,075.1	5,388.7	6,013.9	6,299.2[r]	5,790.4[r]	6,503.7
DEPOSIT TURNOVER									
Demand deposits[3]									
16 All insured banks	786.1	818.2	874.6	895.4	860.5	847.5	895.6	901.1	947.0
17 Major New York City banks	4,197.9	4,490.3	4,873.1	5,292.2	5,016.6	4,900.9	5,109.7	5,427.5	6,060.5
18 Other banks	424.8	435.3	475.4	476.7	462.5	453.9	464.5	459.8	480.6
19 Other checkable deposits[4]	11.9	12.6	15.3	17.7	17.8	19.0	22.0	19.9	22.2
20 Savings deposits (including MMDAs)[5]	4.6	4.9	6.1	6.8	7.1	7.8	8.1	7.3	8.0

1. Historical tables containing revised data for earlier periods can be obtained from the Publications Section, Division of Support Services, Board of Governors of the Federal Reserve System, Washington, DC 20551.

Data in this table also appear in the Board's G.6 (406) monthly statistical release. For ordering address, see inside front cover.

2. Annual averages of monthly figures.

3. Represents accounts of individuals, partnerships, and corporations and of states and political subdivisions.

4. As of January 1994, other checkable deposits (OCDs), previously defined as automatic transfer to demand deposits (ATSs) and negotiable order of withdrawal (NOW) accounts, were expanded to include telephone and preauthorized transfer accounts. This change redefined OCDs for debits data to be consistent with OCDs for deposits data.

5. Money market deposit accounts.

1.26 ASSETS AND LIABILITIES OF COMMERCIAL BANKS[1]

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1995	1995		1996[r]					1996			
	May	Nov	Dec	Jan.	Feb	Mar	Apr	May	May 8	May 15	May 22	May 29
ALL COMMERCIAL BANKING INSTITUTIONS	Seasonally adjusted											
Assets												
1 Bank credit	3,491.1r	3,593.1r	3,605.1r	3,631.6	3,642.1	3,633.5	3,649.4	3,653.8	3,655.2	3,650.6	3,661.7	3,648.2
2 Securities in bank credit	985.7r	989.0r	990.7r	990.1	995.8	979.7	978.6	985.5	982.8	988.7	986.7	985.4
3 U.S. government securities	710.7r	714.5	710.8	702.9	715.8	705.2	704.9	713.5	715.2	715.6	713.4	712.7
4 Other securities	275.0r	274.5r	279.8r	287.2	280.0	274.5	273.7	272.0	267.6	273.1	273.3	272.7
5 Loans and leases in bank credit[2]	2,505.7	2,604.1	2,614.5r	2,641.5	2,646.7	2,653.7	2,670.8	2,668.3	2,672.4	2,661.9	2,675.0	2,662.9
6 Commercial and industrial	687.8	713.6	716.6	722.5	725.5	723.1	728.5	732.7	731.5	734.5	734.6	730.6
7 Real estate	1,043.8	1,078.1	1,079.3	1,086.2	1,089.3	1,094.2	1,095.8	1,095.7	1,095.1	1,096.1	1,096.0	1,095.2
8 Revolving home equity	77.2	78.8	79.1	79.7	79.9	79.8	80.0	79.8	79.7	79.7	79.6	79.7
9 Other	966.6	999.3	1,000.2	1,006.6	1,009.4	1,014.3	1,015.8	1,015.9	1,015.8	1,016.4	1,016.3	1,015.5
10 Consumer	472.9	492.9	495.7	500.4	500.5	503.6	506.2	503.8	503.6	502.6	502.7	501.8
11 Security[3]	88.3	86.9	83.7	84.9	85.7	85.1	85.6	81.8	87.8	74.6	85.6	78.7
12 Other	213.0	232.5r	239.2	247.4	245.6	247.8	254.7	254.2	254.0	254.2	256.1	253.5
13 Interbank loans[4]	185.6	196.4	196.8	204.0	194.2	205.4	212.2	212.1	213.8	215.8	208.4	209.1
14 Cash assets[5]	210.5	216.2	223.7	233.1	219.1	215.7	221.6	218.6	223.1	221.6	222.0	209.6
15 Other assets[6]	223.1r	230.9r	239.6r	237.0	242.6	241.6	243.5	243.8	245.9	244.2	241.4	238.8
16 **Total assets**[7]	**4,053.7r**	**4,180.1r**	**4,208.7r**	**4,249.0**	**4,241.8**	**4,239.5**	**4,269.9**	**4,271.6**	**4,281.4**	**4,275.4**	**4,276.8**	**4,249.1**
Liabilities												
17 Deposits	2,570.6	2,642.1	2,659.2	2,687.3	2,681.0	2,701.5	2,717.4	2,716.7	2,709.5	2,737.3	2,711.6	2,703.0
18 Transaction	786.7	768.2	773.9	783.4	766.6	768.4	771.9	758.1	757.5	778.0	751.6	743.3
19 Nontransaction	1,784.0	1,873.9	1,885.3	1,903.9	1,914.4	1,933.1	1,945.5	1,958.2	1,952.0	1,959.2	1,960.1	1,959.7
20 Large time	391.6	423.3	421.3	421.7	425.8	428.3	432.5	439.2	434.6	438.4	439.6	443.4
21 Other	1,392.3	1,450.6	1,464.0	1,482.1	1,488.5	1,504.8	1,513.0	1,519.1	1,517.4	1,520.8	1,520.5	1,516.3
22 Borrowings	677.5	674.7	690.5r	705.3	691.4	687.2	707.7	707.1	726.1	704.8	702.2	699.6
23 From banks in the U.S.	185.3	198.5	198.1	208.2	195.5	207.7	209.9	209.5	212.6	213.5	204.8	206.0
24 From nonbanks in the U.S.	492.2	476.2	492.2	497.1	495.9	479.5	497.8	497.6	513.5	491.4	497.5	493.5
25 Net due to related foreign offices	241.1r	263.5r	262.6r	270.1	276.5	261.4	254.4	255.8	268.2	237.8	265.6	255.1
26 Other liabilities[8]	222.8r	228.3r	238.7r	231.1	234.4	225.6	233.6	222.8	221.4	227.3	219.2	218.2
27 **Total liabilities**	**3,712.1r**	**3,808.6r**	**3,851.0r**	**3,893.8**	**3,883.3**	**3,875.7**	**3,913.1**	**3,902.3**	**3,925.2**	**3,907.1**	**3,901.7**	**3,875.8**
28 Residual (assets less liabilities)[9]	341.6r	371.5r	357.7r	355.2	358.5	363.8	356.8	369.3	356.1	368.3	375.1	373.2
	Not seasonally adjusted											
Assets												
29 Bank credit	3,489.8r	3,599.4r	3,612.9r	3,622.5	3,634.1	3,627.8	3,650.5	3,650.7	3,657.8	3,649.5	3,649.1	3,644.6
30 Securities in bank credit	991.4r	987.9r	980.9r	977.9	990.9	984.2	983.9	989.9	992.6	992.6	987.6	988.0
31 U.S. government securities	712.2r	712.9	706.2	697.6	711.2	709.6	711.0	714.3	718.1	715.9	713.1	711.9
32 Other securities	279.2r	275.0r	274.7r	280.3	279.6	274.7	272.9	275.6	274.5	276.7	274.5	276.1
33 Loans and leases in bank credit[2]	2,498.5	2,611.5	2,632.0r	2,644.6	2,643.3	2,643.6	2,666.6	2,660.8	2,665.2	2,656.9	2,661.5	2,656.6
34 Commercial and industrial	692.7	711.9	714.7	719.6	723.6	727.0	734.4	738.2	739.0	739.9	738.9	735.2
35 Real estate	1,041.0	1,083.8	1,084.0	1,086.0	1,086.2	1,088.6	1,091.9	1,092.7	1,092.3	1,093.6	1,092.1	1,092.3
36 Revolving home equity	77.1	79.3	79.2	79.5	79.4	79.1	79.4	79.7	79.6	79.7	79.5	79.6
37 Other	963.9	1,004.5	1,004.9	1,006.5	1,006.8	1,009.5	1,012.5	1,013.0	1,012.8	1,013.9	1,012.6	1,012.7
38 Consumer	471.3	493.7	501.5	505.0	501.1	499.3	503.4	502.1	501.7	501.2	501.2	503.2
39 Security[3]	83.8	88.3r	87.6	86.8	88.7	85.0	86.4	77.7	83.2	71.5	80.0	74.6
40 Other	209.7	233.8	244.0r	247.3	243.7	243.7	250.4	250.2	249.0	250.6	249.3	251.1
41 Interbank loans[4]	179.9	199.6	209.2	213.0	196.1	203.2	209.2	205.5	207.4	208.5	198.5	201.3
42 Cash assets[5]	208.1	220.3	238.4	240.6	219.9	208.5	216.1	216.0	244.4	217.0	206.3	226.2
43 Other assets[6]	223.7r	230.4r	239.3r	237.7	232.0	240.1	241.0	244.8	249.6	245.0	237.2	242.2
44 **Total assets**[7]	**4,045.0r**	**4,193.1r**	**4,243.1r**	**4,257.2**	**4,235.5**	**4,222.8**	**4,260.2**	**4,260.2**	**4,272.4**	**4,263.2**	**4,234.5**	**4,260.7**
Liabilities												
45 Deposits	2,560.2	2,658.0	2,690.4	2,694.0	2,672.0	2,687.8	2,714.3	2,706.3	2,697.5	2,725.3	2,678.4	2,713.0
46 Transaction	774.4	781.7	809.2r	795.1	759.5	753.6	770.9	746.0	743.3	765.2	717.8	750.5
47 Nontransaction	1,785.8	1,876.3	1,881.2	1,898.9	1,912.6	1,934.2	1,943.4	1,960.3	1,954.2	1,960.1	1,960.5	1,962.4
48 Large time	396.5	424.3	420.3	418.8	426.4	429.8	432.4	444.6	439.6	443.7	446.2	449.1
49 Other	1,389.3	1,452.0	1,461.0	1,480.1	1,486.1	1,504.4	1,511.0	1,515.7	1,514.7	1,516.4	1,514.3	1,513.4
50 Borrowings	676.2	683.7	695.2	692.2	685.4	678.7	693.3	704.5	718.7	700.6	699.4	698.9
51 From banks in the U.S.	183.0	200.6r	211.4r	215.2	197.2	202.7	208.6	206.6	208.8	209.6	199.6	205.6
52 From nonbanks in the U.S.	493.2	483.1	483.8r	477.0	488.2	476.0	484.7	497.9	509.9	491.1	499.8	493.3
53 Net due to related foreign offices	244.3r	262.6r	263.8r	277.2	278.2	262.1	254.7	258.3	263.6	244.0	271.3	260.6
54 Other liabilities[8]	225.1r	230.4r	233.8r	232.9	234.8	227.4	229.9	225.4	226.0	229.9	219.6	221.6
55 **Total liabilities**	**3,705.8r**	**3,834.7r**	**3,883.1r**	**3,896.4**	**3,870.5**	**3,855.7**	**3,892.3**	**3,894.5**	**3,905.7**	**3,899.8**	**3,868.7**	**3,894.1**
56 Residual (assets less liabilities)[9]	339.2	358.4	360.0r	360.9	365.0	367.1	368.0	365.7	366.6	363.4	365.7	366.5

Footnotes appear on following page

1.26 ASSETS AND LIABILITIES OF COMMERCIAL BANKS[1] Continued

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1995	1995		1996					1996			
	May	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	May 8	May 15	May 22	May 29
DOMESTICALLY CHARTERED COMMERCIAL BANKS	Seasonally adjusted											
Assets												
57 Bank credit	3,079.3	3,162.6	3,176.1	3,197.8	3,196.3	3,197.6	3,209.3	3,211.7	3,215.2	3,213.4	3,213.4	3,206.3
58 Securities in bank credit	858.3[r]	854.5	855.0	854.6	853.3	843.8	842.2	846.0	846.1	850.1	845.5	844.1
59 U.S. government securities	645.5[r]	647.4	643.9	640.1	643.3	635.5	635.0	637.4	639.5	640.1	636.5	635.8
60 Other securities	212.7[r]	207.0	211.1	214.5	210.0	208.3	207.4	208.6	207.0	210.0	209.0	208.3
61 Loans and leases in bank credit[2]	2,221.1	2,308.1	2,321.1	2,343.1	2,343.0	2,353.8	2,367.1	2,365.8	2,368.8	2,363.3	2,367.9	2,362.2
62 Commercial and industrial	515.4	531.9	535.2	540.1	540.5	540.6	544.8	549.0	549.0	550.4	549.5	547.6
63 Real estate	1,005.3	1,041.1	1,043.0	1,051.0	1,055.0	1,060.9	1,062.6	1,062.6	1,062.5	1,063.2	1,062.5	1,062.1
64 Revolving home equity	77.2	78.8	79.1	79.6	79.8	79.8	80.0	79.8	79.7	79.7	79.6	79.7
65 Other	928.1	962.2	963.9	971.3	975.2	981.1	982.6	982.9	982.8	983.5	982.9	982.4
66 Consumer	472.9	492.9	495.7	500.4	500.5	503.6	506.2	503.8	503.6	502.6	502.7	504.8
67 Security[3]	53.4	53.5	56.2	55.6	52.3	51.5	53.2	50.8	54.4	47.6	53.0	48.6
68 Other	174.1	185.7	191.2[r]	196.1	194.7	197.2	200.4	199.5	199.2	199.6	200.2	199.0
69 Interbank loans[4]	161.7	169.1	173.7	182.2	173.5	181.6	191.2	190.8	194.3	198.8	188.3	181.2
70 Cash assets[5]	183.0	186.2	193.6	202.0	189.8	188.3	195.5	192.5	196.7	196.1	195.4	183.4
71 Other assets[6]	169.8	177.7	184.4	182.6	186.0	186.6	188.6	188.4	192.0	187.5	185.3	184.1
72 **Total assets**[7]	**3,537.1**	**3,639.1**	**3,671.7**	**3,707.7**	**3,689.1**	**3,700.5**	**3,727.7**	**3,726.8**	**3,741.6**	**3,739.2**	**3,725.8**	**3,698.3**
Liabilities												
73 Deposits	2,411.4	2,473.6	2,491.9[r]	2,523.4	2,516.2	2,533.6	2,547.9	2,544.0	2,539.9	2,565.1	2,542.2	2,526.9
74 Transaction	777.1	758.3	763.4	772.7	756.0	758.6	761.4	747.5	746.4	766.9	743.7	732.5
75 Nontransaction	1,634.3	1,715.3	1,728.4	1,750.7	1,760.2	1,775.0	1,786.5	1,796.6	1,793.5	1,798.2	1,798.5	1,794.4
76 Large time	246.0	267.7	270.1	272.1	273.9	272.5	274.8	278.6	277.3	278.9	279.2	278.9
77 Other	1,388.3	1,447.6	1,458.3	1,478.6	1,486.4	1,502.5	1,511.7	1,518.0	1,516.2	1,519.3	1,519.3	1,515.6
78 Borrowings	560.1	565.7	577.5[r]	591.0	573.7	575.4	588.3	582.1	602.4	577.2	575.3	577.4
79 From banks in the U.S.	163.2	178.7	179.9[r]	186.7	176.0	187.2	186.7	186.0	191.1	185.0	181.8	186.1
80 From nonbanks in the U.S.	396.9	387.0	397.6	404.3	397.7	388.2	401.6	396.1	411.3	392.2	393.5	391.3
81 Net due to related foreign offices	86.3	89.6	91.0	93.0	90.5	81.2	84.6	87.9	95.8	83.7	93.7	82.3
82 Other liabilities[8]	143.8	148.1	155.3[r]	153.5	155.7	149.8	157.9	150.5	152.0	153.7	147.5	144.3
83 **Total liabilities**	**3,201.6**	**3,277.0**	**3,315.7**	**3,360.9**	**3,336.0**	**3,339.9**	**3,378.6**	**3,364.6**	**3,390.2**	**3,379.7**	**3,358.7**	**3,330.9**
84 Residual (assets less liabilities)[9]	335.5	362.1	356.0	346.8	353.1	360.6	349.1	362.1	351.4	359.4	367.1	367.4
	Not seasonally adjusted											
Assets												
85 Bank credit	3,080.4	3,172.3	3,182.4	3,186.1	3,188.3	3,190.5	3,212.4	3,212.2	3,219.0	3,214.9	3,207.6	3,206.4
86 Securities in bank credit	862.1	855.3	848.5	843.6	849.4	847.2	847.5	849.3	852.5	853.1	846.5	846.3
87 U.S. government securities	647.6[r]	646.6	640.2[r]	632.9	639.3	638.7	640.8	639.0	642.0	641.7	637.6	636.1
88 Other securities	214.5[r]	208.8	208.3	210.7	210.2	208.5	206.6	210.3	210.5	211.4	208.9	210.0
89 Loans and leases in bank credit[2]	2,218.3	2,317.0	2,333.9	2,342.5	2,338.9	2,343.3	2,364.7	2,362.9	2,366.6	2,361.8	2,361.0	2,360.1
90 Commercial and industrial	520.4	533.9	533.2	537.0	539.7	543.7	550.7	554.5	556.3	556.0	554.2	552.2
91 Real estate	1,002.7	1,046.5	1,047.7	1,050.8	1,051.7	1,055.2	1,059.1	1,059.7	1,059.4	1,060.7	1,058.9	1,059.5
92 Revolving home equity	77.1	79.3	79.2	79.5	79.4	79.1	79.4	79.7	79.5	79.6	79.5	79.6
93 Other	925.6	967.3	968.6	971.3	972.4	976.1	979.7	980.4	979.8	981.1	979.4	979.9
94 Consumer	471.3	493.7	501.5	505.0	501.4	499.3	503.4	502.4	501.7	501.2	501.2	503.2
95 Security[3]	52.1	55.4	56.9	54.0	53.3	51.6	54.1	49.6	53.1	46.9	50.9	47.2
96 Other	171.9	187.4	194.5	195.7	193.0	193.5	197.3	196.9	196.1	196.9	195.8	198.0
97 Interbank loans[4]	155.9	173.2	184.7	189.9	177.2	183.2	189.0	184.0	188.1	191.2	177.5	176.0
98 Cash assets[5]	181.5	190.7	208.5	209.8	191.7	181.5	190.6	190.2	188.7	192.0	180.4	200.0
99 Other assets[6]	169.8	176.3	183.7	183.5	181.9	185.9	187.8	188.6	191.2	187.5	181.1	186.6
100 **Total assets**[7]	**3,530.7**	**3,655.8**	**3,702.6**	**3,712.8**	**3,685.5**	**3,684.3**	**3,723.0**	**3,718.3**	**3,733.2**	**3,728.9**	**3,689.9**	**3,712.5**
Liabilities												
101 Deposits	2,399.3	2,488.5	2,522.1	2,529.2	2,507.5	2,519.5	2,547.1	2,532.3	2,527.5	2,552.5	2,504.2	2,531.2
102 Transaction	765.4	771.8	798.3	784.3	748.8	743.9	760.9	735.8	733.1	754.9	707.8	740.0
103 Nontransaction	1,634.0	1,716.8	1,723.8	1,744.9	1,758.7	1,775.5	1,786.2	1,796.5	1,794.5	1,797.6	1,796.4	1,791.2
104 Large time	248.7	267.4	265.8	269.4	275.3	273.0	276.2	281.8	280.8	282.1	283.0	281.8
105 Other	1,385.2	1,449.3	1,458.1	1,475.5	1,483.4	1,502.6	1,510.0	1,514.7	1,513.7	1,515.5	1,513.4	1,512.4
106 Borrowings	560.6	576.8	584.0[r]	581.7	572.5	567.5	573.0	581.3	593.2	576.5	576.9	579.3
107 From banks in the U.S.	162.3	181.2	191.8[r]	193.7	178.5	182.1	186.3	184.9	188.4	183.8	179.8	186.1
108 From nonbanks in the U.S.	398.3	395.6	392.2	388.0	394.0	385.5	386.7	396.4	404.8	392.8	397.1	393.2
109 Net due to related foreign offices	91.8	88.4	89.3	92.9	92.3	84.5	85.0	93.2	97.6	87.7	101.5	91.3
110 Other liabilities[8]	145.0	139.8[r]	153.3	154.2	154.4	151.6	156.0	152.0	154.2	154.8	147.6	147.4
111 **Total liabilities**	**3,196.7**	**3,303.4**	**3,348.8**	**3,358.0**	**3,326.4**	**3,323.1**	**3,361.0**	**3,358.7**	**3,372.6**	**3,371.5**	**3,330.2**	**3,352.0**
112 Residual (assets less liabilities)[9]	334.0	352.4	353.8	354.8	359.1	361.2	361.9	359.6	360.6	357.4	359.7	360.5

1. Covers the following types of institutions in the fifty states and the District of Columbia: domestically chartered commercial banks that submit a weekly report of condition (large domestic); other domestically chartered commercial banks (small domestic); branches and agencies of foreign banks; New York State investment companies, and Edge Act and agreement corporations (foreign-related institutions). Excludes international banking facilities. Data are Wednesday values, or pro rata averages of Wednesday values. Large domestic banks constitute a universe; data for small domestic banks and foreign-related institutions are estimates based on weekly samples and on quarter-end condition reports. Data are adjusted for breaks caused by reclassifications of assets and liabilities.

2. Excludes federal funds sold to, reverse repurchase agreements with, and loans to commercial banks in the United States.

3. Consists of reserve repurchase agreements with broker dealers and loans to purchase and carry securities.

4. Consists of federal funds sold to, reverse repurchase agreements with, and loans to commercial banks in the United States.

5. Includes vault cash, cash items in process of collection, demand balances due from depository institutions in the United States, balances due from Federal Reserve Banks, and other cash assets.

6. Excludes the due from position with related foreign offices, which is included in lines 25, 53, 81, and 109.

7. Excludes unearned income, reserves for losses on loans and leases, and reserves for transfer risk. Loans are reported gross of these items.

8. Excludes the due to position with related foreign offices, which is included in lines 25, 53, 81, and 109.

9. This balancing item is not intended as a measure of equity capital for use in capital adequacy analysis.

1.27 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS

Millions of dollars, Wednesday figures

Account	1996 Apr. 3	Apr. 10	Apr. 17	Apr. 24	May 1	May 8	May 15	May 22	May 29
ASSETS									
1 Cash and balances due from depository institutions	113,267	113,019	117,100	127,117	117,760	118,673	119,831	111,182	123,090
2 U.S. Treasury and government securities	282,446	286,188	283,560	281,055	281,287	283,773	284,139	280,103	279,703
3 Trading account	22,237	24,167	21,686	19,411	19,002	21,981	23,863	22,017	22,965
4 Investment account	260,209	262,021	261,874	261,644	262,285	261,792	260,276	258,086	256,737
5 Mortgage-backed securities[1]	113,268	112,767	113,273	114,323	116,027	115,626	116,562	116,001	115,604
All others, by maturity									
6 One year or less	36,039	37,568	36,182	35,363	35,950	35,602	33,392	32,722	33,337
7 One year through five years	61,755	62,575	63,577	63,498	62,091	62,703	62,682	61,815	60,835
8 More than five years	49,147	49,111	48,843	48,460	48,215	47,860	47,641	47,547	46,961
9 Other securities	118,950r	119,879r	118,988r	119,007r	123,995	123,803	124,607	122,291	123,354
10 Trading account	1,810	1,911	1,542	1,641	2,014	1,830	2,481	1,123	1,237
11 Investment account	64,181	63,792	63,425	63,411	63,385	63,387	63,557	63,397	63,411
12 State and local government, by maturity	18,978	18,955	19,019	19,065	18,931	18,800	18,789	18,815	18,829
13 One year or less	4,222	4,220	4,205	4,219	4,074	4,037	4,016	4,032	4,019
14 More than one year	14,756	14,735	14,814	14,847	14,857	14,763	14,773	14,784	14,811
15 Other bonds, corporate stocks, and securities	45,203	44,838	44,406	44,346	44,454	44,588	44,768	44,581	44,582
16 Other trading account assets	52,929	54,176r	54,021	53,955r	58,596	58,584	58,570	57,775	58,706
17 Federal funds sold[2]	111,299	116,084	114,112	118,498	125,734	121,656	119,912	112,698	106,695
18 To commercial banks in the United States	72,837	81,396	75,435	79,263	87,062	83,777	87,610	78,385	74,940
19 To nonbank brokers and dealers in securities	32,078	28,716	33,824	35,032	34,525	33,468	26,860	28,966	26,801
20 To others[3]	6,384	5,973	4,854	4,203	4,146	4,412	5,443	5,348	4,953
21 Other loans and leases, gross	1,290,073r	1,293,902r	1,296,727r	1,297,023r	1,302,723	1,297,559	1,295,867	1,293,845	1,296,182
22 Commercial and industrial	356,920r	357,048r	359,959r	359,721r	363,620	361,247	360,797	359,063	356,880
23 Bankers acceptances and commercial paper	1,618	1,603	1,458	1,431	1,501	1,489	1,432	1,373	1,418
24 All other	355,302r	355,446r	358,501r	358,289r	362,119	359,758	359,365	357,690	355,462
25 U.S. addressees	352,601r	352,765r	355,762r	355,551r	359,354	356,983	356,543	354,877	352,687
26 Non-U.S. addressees	2,702	2,681	2,739	2,738	2,765	2,775	2,822	2,812	2,775
27 Real estate loans	506,887	508,717	508,812	507,879	505,936	506,170	505,196	503,691	504,185
28 Revolving, home equity	47,014	47,033	47,967	48,191	48,776	48,095	48,102	47,996	48,046
29 All other	459,873	461,684	460,845	459,688	457,161	458,075	457,093	455,695	456,139
30 To individuals for personal expenditures	247,995r	248,359r	249,404r	249,929r	250,460	250,763	249,981	250,315	251,739
31 To depository and financial institutions	73,287r	74,462r	73,059r	73,539	73,852	74,151	72,666	71,717	74,426
32 Commercial banks in the United States	40,666r	41,144r	40,950r	41,242	42,580	42,332	42,673	41,619	43,517
33 Banks in foreign countries	3,033	3,900	3,021	3,510	4,104	3,813	2,877	3,532	3,780
34 Nonbank depository and other financial institutions	29,588	29,418	29,088	28,787	27,168	28,006	27,116	26,566	27,129
35 For purchasing and carrying securities	14,187	14,894	15,122	15,795	15,864	14,031	14,517	16,614	15,015
36 To finance agricultural production	6,518	6,575	6,587	6,645	6,697	6,762	6,814	6,902	6,913
37 To states and political subdivisions	10,470r	10,407r	10,415r	10,317	10,188	10,260	10,359	10,507	10,461
38 To foreign governments and official institutions	1,123	1,323	1,237	1,095	1,124	1,080	1,117	1,096	1,086
39 All other loans	27,918	26,697	26,563	26,397	29,080	26,628	27,507	27,202	28,597
40 Lease-financing receivables	44,767	45,120	45,569	45,706	45,903	46,467	46,614	46,707	46,880
41 LESS: Unearned income	1,761	1,812	1,813	1,808	1,805	1,869	1,877	1,880	1,865
42 Loan and lease reserve[4]	33,250	33,062	33,049	32,968	33,117	33,228	33,181	33,087	33,033
43 Other loans and leases, net	1,255,059r	1,259,027	1,261,866r	1,262,246r	1,267,801	1,262,462	1,260,809	1,258,878	1,261,284
44 All other assets	139,526r	138,647	138,091r	141,600r	147,023	138,727	150,537	143,923	143,349
45 **Total assets**	**2,030,547r**	**2,043,145r**	**2,043,717r**	**2,049,854r**	**2,063,598**	**2,059,092**	**2,059,836**	**2,029,078**	**2,037,475**

Footnotes appear on the following page.

1.27 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS Continued

Millions of dollars, Wednesday figures

Account	1996								
	Apr. 3	Apr. 10	Apr. 17	Apr. 24	May 1	May 8	May 15	May 22	May 29
LIABILITIES									
46 Deposits	1,236,948[r]	1,232,452[r]	1,236,517[r]	1,212,132	1,231,923	1,215,696	1,236,930	1,202,246	1,221,291
47 Demand deposits	315,277[r]	311,202[r]	316,236[r]	302,621	322,658	301,096	323,033	294,104	315,572
48 Individuals, partnerships, and corporations	270,698	267,244	269,122	254,789	274,400	258,201	275,727	252,379	267,838
49 Other holders	44,579[r]	43,958[r]	47,113[r]	47,832	48,258	42,896	47,306	41,725	47,734
50 States and political subdivisions	8,128	8,690	8,123	8,820	9,802	8,264	8,914	8,303	8,535
51 U.S. government	2,258	2,493	5,178	6,535	3,136	1,731	3,075	1,739	1,470
52 Depository institutions in the United States	21,446[r]	19,894[r]	20,939[r]	19,640	21,798	20,457	22,383	19,637	24,101
53 Banks in foreign countries	4,977	5,403	4,567	5,279	5,042	5,293	5,443	5,004	5,546
54 Foreign governments and official institutions	621	665	640	578	663	594	691	590	776
55 Certified and officers' checks	7,149	6,813	7,666	6,979	7,818	6,557	6,800	6,452	7,306
56 Transaction balances other than demand deposits[4]	86,892	86,267	89,990	82,854	80,823	80,250	76,766	71,437	72,032
57 Nontransaction balances	834,779	834,984	830,291	826,658	828,442	834,349	837,131	836,705	833,687
58 Individuals, partnerships, and corporations	807,932[r]	807,935[r]	803,515[r]	797,958[r]	799,310	804,613	807,569	806,910	804,219
59 Other holders	26,847[r]	27,048[r]	26,775[r]	28,699[r]	29,132	29,736	29,562	29,795	29,468
60 States and political subdivisions	22,981	23,073	22,367	22,325	22,872	23,441	23,261	23,478	23,225
61 U.S. government	2,037[r]	2,265[r]	2,558[r]	4,032[r]	4,014	4,019	4,042	4,040	4,040
62 Depository institutions in the United States	1,524[r]	1,406[r]	1,537[r]	2,039[r]	1,941	1,966	1,948	1,958	1,884
63 Foreign governments, official institutions, and banks	305	305	312	303	306	310	311	318	319
64 Liabilities for borrowed money[5]	392,692[r]	406,785[r]	398,615[r]	416,631[r]	411,525	421,002	406,865	405,250	406,709
65 Borrowings from Federal Reserve Banks	0	0	0	0	0	0	0	0	0
66 Treasury tax and loan notes	11,355	5,921	24,794	26,456	24,225	14,238	3,648	2,782	3,355
67 Other liabilities for borrowed money[6]	381,337[r]	400,864[r]	373,821[r]	390,175[r]	387,300	406,764	403,217	402,468	403,354
68 Other liabilities (including subordinated notes and debentures)	207,175[r]	208,103[r]	212,936[r]	224,582[r]	225,242	227,195	220,868	225,742	213,297
69 **Total liabilities**	**1,836,815[r]**	**1,847,340[r]**	**1,848,068[r]**	**1,853,345[r]**	**1,868,689**	**1,863,893**	**1,864,663**	**1,833,238**	**1,841,296**
70 Residual (total assets less total liabilities)[7]	193,732[r]	195,805[r]	195,649[r]	196,509	194,909	195,199	195,173	195,840	196,178
MEMO									
71 Total loans and leases, gross, adjusted, plus securities[8]	1,689,264[r]	1,693,813[r]	1,697,002[r]	1,695,077[r]	1,704,096	1,700,680	1,694,243	1,688,936	1,687,476
72 Time deposits in amounts of $100,000 or more	119,407	118,241	119,119	122,439	121,537	123,988	125,319	125,591	124,714
73 Loans sold outright to affiliates[9]	1,116	1,106	1,098	1,088	1,080	1,056	1,048	1,039	1,032
74 Commercial and industrial	268	268	268	268	268	268	268	268	268
75 Other	848	838	829	820	812	789	780	771	765
76 Foreign branch credit extended to U.S. residents[10]	26,901	27,107	27,861	27,837	27,527	27,113	28,057	27,880	28,262
77 Net owed to related institutions abroad	71,204[r]	67,716[r]	73,346[r]	95,160[r]	91,145	93,087	83,508	97,840	87,464

1. Includes certificates of participation, issued or guaranteed by agencies of the U.S. government, in pools of residential mortgages.
2. Includes securities purchased under agreements to resell.
3. Includes allocated transfer risk reserve.
4. Includes negotiable order of withdrawal (NOWs) and automatic transfer service (ATS) accounts, and telephone and preauthorized transfers of savings deposits.
5. Includes borrowings only from other than directly related institutions.
6. Includes federal funds purchased and securities sold under agreements to repurchase.
7. This balancing item is not intended as a measure of equity capital for use in capital adequacy analysis.
8. Excludes loans to and federal funds transactions with commercial banks in the United States.
9. Affiliates include a bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company.
10. Credit extended by foreign branches of domestically chartered weekly reporting banks to nonbank U.S. residents. Consists mainly of commercial and industrial loans, but includes an unknown amount of credit extended to other than nonfinancial businesses.

1.28 LARGE WEEKLY REPORTING U.S. BRANCHES AND AGENCIES OF FOREIGN BANKS
Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1996								
	Apr. 3	Apr. 10	Apr. 17	Apr. 24	May 1	May 8	May 15	May 22	May 29
ASSETS									
1 Cash and balances due from depository institutions	16,273	15,855	15,506	15,572	15,133	15,613	15,215	15,727	15,991
2 U.S. Treasury and government agency securities	46,342[r]	46,785[r]	44,960[r]	44,910[r]	47,839	49,834	48,825	49,549	49,983
3 Other securities	42,660[r]	43,611[r]	41,864[r]	45,378[r]	44,309	42,792	43,770	43,888	44,567
4 Federal funds sold[1]	24,361	26,693	31,479	28,065	28,785	26,813	21,056	25,291	27,644
5 To commercial banks in the United States	5,248	7,100	6,907	8,634	7,079	6,889	5,720	7,242	10,570
6 To others[2]	19,113	19,593	24,573	19,431	21,706	19,923	15,337	18,049	17,075
7 Other loans and leases, gross	185,101[r]	184,827[r]	183,795[r]	185,395[r]	185,595	183,506	185,905	187,250	187,162
8 Commercial and industrial	122,743[r]	121,945[r]	121,761[r]	121,027[r]	119,407	118,350	119,599	119,906	119,734
9 Bankers acceptances and commercial paper	5,163	5,429	5,154	5,162	4,735	4,792	4,787	4,756	4,912
10 All other	117,580[r]	116,516[r]	116,607[r]	115,865[r]	114,671	113,558	114,812	115,150	114,823
11 U.S. addressees	111,364[r]	110,362[r]	110,229[r]	109,674[r]	108,344	107,269	108,613	108,953	108,625
12 Non-U.S. addressees	6,216	6,154	6,378	6,191	6,327	6,288	6,199	6,197	6,197
13 Loans secured by real estate	20,207[r]	20,226[r]	20,224[r]	20,380[r]	20,322	20,374	20,389	20,612	20,533
14 Loans to depository and financial institutions	30,561	31,001[r]	30,110	31,676	33,165	33,279	33,939	34,024	34,482
15 Commercial banks in the United States	2,376	2,548	2,244	2,560	2,138	2,171	2,466	2,627	2,895
16 Banks in foreign countries	3,061	3,110	3,051	3,120	3,271	3,089	3,328	3,008	3,021
17 Nonbank financial institutions	25,127	25,343[r]	24,815	25,997	27,755	28,018	28,145	28,389	28,567
18 For purchasing and carrying securities	4,937	4,952	4,862	5,134	5,668	4,517	4,608	5,325	5,036
19 To foreign governments and official institutions	621	582	689	605	575	585	581	601	596
20 All other	4,372	4,228	4,247	4,610	4,462	4,423	4,687	4,685	4,684
21 Other assets (claims on nonrelated parties)	37,119[r]	37,752[r]	37,413[r]	37,080[r]	38,649	39,085	40,867	39,636	39,169
22 **Total assets**[3]	**384,801**[r]	**387,305**[r]	**393,819**[r]	**392,324**[r]	**395,636**	**393,997**	**394,132**	**397,039**	**401,131**
LIABILITIES									
23 Deposits or credit balances owed to other than directly related institutions	105,656	101,344	105,173	108,433	108,436	108,351	109,334	111,375	112,528
24 Demand deposits[4]	3,996	3,936	4,036	4,216	4,202	4,253	4,203	4,104	4,355
25 Individuals, partnerships, and corporations	3,119	3,217	3,311	3,481	3,181	3,422	3,550	3,510	3,573
26 Other	877	719	725	735	721	831	652	594	783
27 Nontransaction accounts	101,660	97,408	101,137	104,217	104,234	104,100	105,131	107,271	108,172
28 Individuals, partnerships, and corporations	72,501	69,256	72,258	74,789	75,123	74,808	77,091	79,368	79,222
29 Other	29,159	28,153	28,879	29,428	29,110	29,293	28,040	27,903	28,951
30 Borrowings from other than directly related institutions	74,049	76,140	82,875	75,963	88,351	85,024	83,075	82,707	79,485
31 Federal funds purchased[5]	47,698	45,281	52,877	44,693	55,066	50,405	49,206	46,632	45,657
32 From commercial banks in the United States	12,094	9,753	12,657	8,762	16,175	10,602	13,801	8,888	8,760
33 From others	35,604	35,528	40,220	35,931	38,890	39,804	35,405	37,744	36,897
34 Other liabilities for borrowed money	26,351	30,859	29,998	31,270	33,285	34,619	33,869	36,075	33,828
35 To commercial banks in the United States	4,357	4,251	4,328	4,543	4,068	4,221	4,201	4,472	4,100
36 To others	21,994	26,608	25,670	26,727	29,218	30,398	29,667	31,604	29,728
37 Other liabilities to nonrelated parties	59,469[r]	62,373[r]	62,623[r]	60,354[r]	60,558	60,368	62,440	60,571	61,855
38 **Total liabilities**[6]	**384,801**[r]	**387,305**[r]	**393,819**[r]	**392,324**[r]	**395,636**	**393,997**	**394,132**	**397,039**	**401,131**
MEMO									
39 Total loans (gross) and securities, adjusted[7]	291,141[r]	292,272[r]	295,949[r]	292,655[r]	297,312	293,884	291,371	296,109	295,893
40 Net owed to related institutions abroad	112,983[r]	115,670[r]	107,347[r]	111,749[r]	102,966	103,897	100,790	106,688	110,949

1. Includes securities purchased under agreements to resell.
2. Includes transactions with nonbank brokers and dealers in securities.
3. For U.S. branches and agencies of foreign banks having a net "due from" position, includes net due from related institutions abroad.
4. Includes other transaction deposits.
5. Includes securities sold under agreements to repurchase.
6. For U.S. branches and agencies of foreign banks having a net "due to" position, includes net owed to related institutions abroad.
7. Excludes loans to and federal funds transactions with commercial banks in the United States.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Item	Year ending December					1995		1996			
	1991	1992	1993	1994	1995	Nov	Dec	Jan	Feb.	Mar.	Apr
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**528,832**	**545,619**	**555,075**	**595,382**	**674,927**	**669,661**	**674,927**	**685,797**	**687,669**	**695,201**	**710,749**
Financial companies[1]											
2 Dealer-placed paper[2], total	212,999	226,456	218,947	223,038	275,814	276,222	275,814	288,368	293,313	292,533	303,567
3 Directly placed paper[3], total	182,463	171,505	180,389	207,701	210,853	213,578	210,853	208,166	208,046	208,880	211,833
4 Nonfinancial companies[4]	133,370	147,558	155,739	164,643	188,260	179,861	188,260	189,263	186,310	193,788	195,349
	Bankers dollar acceptances (not seasonally adjusted)[5]										
5 **Total**	**43,770**	**38,194**	**32,348**	**29,835**	**29,242**	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By holder											
6 Accepting banks	11,017	10,555	12,421	11,783	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
7 Own bills	9,347	9,097	10,707	10,462	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
8 Bills bought from other banks	1,670	1,458	1,714	1,321	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Federal Reserve Banks[6]											
9 Foreign correspondents	1,739	1,276	725	410	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 Others	31,014	26,364	19,202	17,642	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By basis											
11 Imports into United States	12,843	12,209	10,217	10,062	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
12 Exports from United States	10,351	8,096	7,293	6,355	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
13 All other	20,577	17,890	14,838	13,417	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

1. Institutions engaged primarily in commercial, savings, and mortgage banking; sales, personal, and mortgage financing; factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.
2. Includes all financial company paper sold by dealers in the open market.
3. As reported by financial companies that place their paper directly with investors.
4. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.
5. Data on bankers dollar acceptances are gathered from approximately 100 institutions. The reporting group is revised every January. Beginning January 1995, data for Bankers dollar acceptances will be reported annually in September.
6. In 1977 the Federal Reserve discontinued operations in bankers dollar acceptances for its own account.

1.33 PRIME RATE CHARGED BY BANKS Short-Term Business Loans[1]

Percent per year

Date of change	Rate	Period	Average rate	Period	Average rate	Period	Average rate
1993 Jan 1	6.00	1993	6.00	1994 Jan	6.00	1995 Jan	8.50
		1994	7.15	Feb	6.00	Feb	9.00
1994 Mar 24	6.25	1995	8.83	Mar	6.06	Mar	9.00
Apr 19	6.75			Apr	6.45	Apr.	9.00
May 17	7.25	1993 Jan.	6.00	May	6.99	May	9.00
Aug 16	7.75	Feb.	6.00	June	7.25	June	9.00
Nov 15	8.50	Mar	6.00	July	7.25	July	8.80
		Apr	6.00	Aug	7.51	Aug	8.75
1995 Feb 1	9.00	May	6.00	Sept	7.75	Sept	8.75
July 7	8.75	June	6.00	Oct	7.75	Oct	8.75
Dec 20	8.50	July	6.00	Nov	8.15	Nov.	8.75
		Aug	6.00	Dec	8.50	Dec.	8.65
1996 Feb 1	8.25	Sept	6.00				
		Oct.	6.00			1996 Jan.	8.50
		Nov	6.00			Feb	8.25
		Dec	6.00			Mar	8.25
						Apr.	8.25
						May	8.25
						June	8.25

1. The prime rate is one of several base rates that banks use to price short-term business loans. The table shows the date on which a new rate came to be the predominant one quoted by a majority of the twenty-five largest banks by asset size, based on the most recent Call Report. Data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

1.35 INTEREST RATES Money and Capital Markets

Percent per year; figures are averages of business day data unless otherwise noted

Item	1993	1994	1995	1996 Feb.	1996 Mar.	1996 Apr.	1996 May	1996, week ending May 3	May 10	May 17	May 24	May 31
MONEY MARKET INSTRUMENTS												
1 Federal funds[1,2,3]	3.02	4.21	5.83	5.22	5.31	5.22	5.24	5.30	5.22	5.26	5.22	5.19
2 Discount window borrowing[2,4]	3.00	3.60	5.21	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Commercial paper[3,5,6]												
3 1-month	3.17	4.43	5.93	5.29	5.39	5.40	5.38	5.40	5.40	5.38	5.36	5.38
4 3-month	3.22	4.66	5.93	5.15	5.31	5.39	5.39	5.40	5.40	5.38	5.37	5.38
5 6-month	3.30	4.93	5.93	4.99	5.26	5.38	5.42	5.41	5.44	5.40	5.40	5.41
Finance paper, directly placed[3,5,7]												
6 1-month	3.12	4.33	5.81	5.20	5.29	5.31	5.29	5.29	5.31	5.28	5.28	5.27
7 3-month	3.16	4.53	5.78	5.00	5.18	5.28	5.29	5.29	5.29	5.28	5.27	5.28
8 6-month	3.15	4.56	5.68	4.77	5.04	5.20	5.23	5.21	5.24	5.23	5.23	5.24
Bankers acceptances[3,5,8]												
9 3-month	3.13	4.56	5.81	5.07	5.21	5.28	5.29	5.29	5.30	5.28	5.27	5.30
10 6-month	3.21	4.83	5.80	4.91	5.17	5.28	5.31	5.31	5.33	5.30	5.29	5.33
Certificates of deposit, secondary market[3,9]												
11 1-month	3.11	4.38	5.87	5.23	5.31	5.31	5.32	5.33	5.33	5.31	5.31	5.31
12 3-month	3.17	4.63	5.92	5.15	5.29	5.36	5.36	5.36	5.37	5.36	5.35	5.36
13 6-month	3.28	4.96	5.98	5.03	5.30	5.42	5.47	5.46	5.49	5.45	5.45	5.47
14 Eurodollar deposits, 3-month[3,10]	3.18	4.63	5.93	5.11	5.28	5.36	5.36	5.36	5.38	5.36	5.34	5.35
U.S. Treasury bills												
Secondary market[3,5]												
15 3-month	3.00	4.25	5.49	4.83	4.96	4.95	5.02	5.00	5.00	5.01	5.01	5.04
16 6-month	3.12	4.64	5.56	4.77	4.96	5.06	5.12	5.10	5.12	5.11	5.12	5.14
17 1-year	3.29	5.02	5.60	4.69	5.06	5.23	5.33	5.33	5.35	5.28	5.27	5.39
Auction average[3,5,11]												
18 3-month	3.02	4.29	5.51	4.87	4.96	4.99	5.02	5.00	5.02	5.02	5.03	5.03
19 6-month	3.14	4.66	5.59	4.79	4.96	5.08	5.12	5.08	5.14	5.14	5.11	5.14
20 1-year	3.33	5.02	5.69	4.64	4.98	5.17	5.31	5.30	n.a.	n.a.	n.a.	5.32
U.S. TREASURY NOTES AND BONDS												
Constant maturities[12]												
21 1-year	3.43	5.32	5.94	4.91	5.34	5.54	5.64	5.63	5.67	5.59	5.59	5.70
22 2-year	4.05	5.94	6.15	5.03	5.66	5.96	6.10	6.08	6.14	6.01	6.03	6.17
23 3-year	4.44	6.27	6.25	5.11	5.79	6.11	6.27	6.24	6.33	6.21	6.20	6.34
24 5-year	5.14	6.69	6.38	5.38	5.97	6.30	6.48	6.46	6.55	6.42	6.41	6.55
25 7-year	5.54	6.91	6.50	5.64	6.19	6.48	6.66	6.65	6.74	6.60	6.57	6.69
26 10-year	5.87	7.09	6.57	5.81	6.27	6.51	6.74	6.74	6.82	6.68	6.65	6.77
27 20-year	6.29	7.49	6.95	6.30	6.74	6.98	7.14	7.13	7.21	7.05	7.02	7.09
28 30-year	6.59	7.37	6.88	6.24	6.60	6.79	6.93	6.96	7.02	6.87	6.84	6.93
Composite												
29 More than 10 years (long-term)	6.45	7.41	6.93	6.28	6.72	6.94	7.08	7.10	7.17	7.03	6.99	7.07
STATE AND LOCAL NOTES AND BONDS												
Moody's series[13]												
30 Aaa	5.38	5.77	5.80	5.24	5.33	5.62	5.75	5.72	5.85	5.79	5.70	5.70
31 Baa	5.83	6.17	6.10	5.59	5.72	5.94	5.97	6.00	5.89	5.87	6.10	6.01
32 *Bond Buyer* series[14]	5.60	6.18	5.95	5.13	5.79	5.94	5.98	6.06	6.08	5.96	5.87	5.94
CORPORATE BONDS												
33 Seasoned issues, all industries[15]	7.54	8.26	7.83	7.27	7.65	7.80	7.91	7.91	8.01	7.86	7.82	7.89
Rating group												
34 Aaa	7.22	7.97	7.59	6.99	7.35	7.50	7.62	7.65	7.72	7.57	7.53	7.61
35 Aa	7.40	8.15	7.72	7.16	7.52	7.68	7.77	7.80	7.87	7.72	7.68	7.75
36 A	7.58	8.28	7.83	7.31	7.68	7.83	7.94	7.97	8.01	7.90	7.85	7.92
37 Baa	7.93	8.63	8.20	7.63	8.03	8.19	8.30	8.33	8.40	8.25	8.20	8.27
38 A-rated, recently offered utility bonds[16]	7.46	8.29	7.86	7.31	7.75	7.90	8.02	8.22	8.01	7.92	7.90	8.08
MEMO												
Dividend-price ratio[17]												
39 Common stocks	2.78	2.82	2.56	2.22	2.22	2.24	2.21	2.23	2.26	2.20	2.17	2.22

1. The daily effective federal funds rate is a weighted average of rates on trades through New York brokers.
2. Weekly figures are averages of seven calendar days ending on Wednesday of the current week; monthly figures include each calendar day in the month.
3. Annualized using a 360-day year for bank interest.
4. Rate for the Federal Reserve Bank of New York.
5. Quoted on a discount basis.
6. An average of offering rates on commercial paper placed by several leading dealers for firms whose bond rating is AA or the equivalent.
7. An average of offering rates on paper directly placed by finance companies.
8. Representative closing yields for acceptances of the highest rated money center banks.
9. An average of dealer offering rates on nationally traded certificates of deposit.
10. Bid rates for Eurodollar deposits at approximately 11:00 a.m. London time. Data are for indication purposes only.
11. Auction date for daily data; weekly and monthly averages computed on an issue-date basis.
12. Yields on actively traded issues adjusted to constant maturities. Source: U.S. Department of the Treasury.
13. General obligation bonds based on Thursday figures; Moody's Investors Service.
14. State and local government general obligation bonds maturing in twenty years are used in compiling this index. The twenty-bond index has a rating roughly equivalent to Moodys' A1 rating. Based on Thursday figures.
15. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
16. Compilation of the Federal Reserve. This series is an estimate of the yield on recently offered, A-rated utility bonds with a thirty-year maturity and five years of call protection. Weekly data are based on Friday quotations.
17. Standard & Poor's corporate series. Common stock ratio is based on the 500 stocks in the price index.

NOTE. Some of the data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

1.36 STOCK MARKET Selected Statistics

Indicator	1993	1994	1995	1995				1996				
				Sept	Oct	Nov	Dec.	Jan	Feb.	Mar	Apr.	May
	Prices and trading volume (averages of daily figures)											
Common stock prices (indexes)												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	249.71	254.16	291.18	310.41	311.78	317.58	327.90	329.22	336.46	336.73	337.50	344.84
2 Industrial	300.10	315.32	367.40	390.42	389.63	398.66	412.11	413.05	435.92	439.55	441.99	452.63
3 Transportation	242.68	247.17	270.14	295.54	291.16	300.06	303.53	300.43	315.29	324.77	326.42	334.66
4 Utility	114.55	104.96	114.61	114.67	123.59	119.49	123.95	127.09	135.51	122.83	122.41	124.86
5 Finance	216.55	209.75	238.48	260.72	265.12	266.12	273.36	274.96	290.97	290.44	287.92	290.43
6 Standard & Poor's Corporation (1941–43 = 10)[1]	451.63	460.42	541.72	578.77	582.92	595.53	614.57	614.42	649.51	647.07	647.17	661.23
7 American Stock Exchange (Aug. 31, 1973 = 50)[2]	438.77	449.49	498.13	547.61	530.26	529.93	538.01	540.48	562.34	565.69	580.60	600.93
Volume of trading (thousands of shares)												
8 New York Stock Exchange	263,374	290,652	345,729	352,184	365,108	360,199	384,310	416,048	433,607	426,198	419,941	404,184
9 American Stock Exchange	18,188	17,951	20,354[r]	25,422	17,672[r]	16,724	21,085	21,069	27,307	22,988	24,886	28,127
	Customer financing (millions of dollars, end of period balances)											
10 **Margin credit at broker-dealers**[3]	**60,310**	**61,160**	**76,680**	**77,076**	**75,005**	**77,875**	**76,680**	**73,530**	**77,090**	**78,308**	**81,170**	**86,100**
Free credit balances at brokers[4]												
11 Margin accounts[5]	12,360	14,095	16,250	14,806	14,753	15,590	16,250	14,950	15,840	15,770	15,780	16,890
12 Cash accounts	27,715	28,870	34,340	29,796	29,908	30,340	34,340	32,465	33,700	33,113	33,100	33,760

	Margin requirements (percent of market value and effective date)[6]					
	Mar. 11, 1968	June 8, 1968	May 6, 1970	Dec. 6, 1971	Nov. 24, 1972	Jan. 3, 1974
13 Margin stocks	70	80	65	55	65	50
14 Convertible bonds	50	60	50	50	50	50
15 Short sales	70	80	65	55	65	50

1. In July 1976 a financial group, composed of banks and insurance companies, was added to the group of stocks on which the index is based. The index is now based on 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.

2. On July 5, 1983, the American Stock Exchange rebased its index, effectively cutting previous readings in half.

3. Since July 1983, under the revised Regulation T, margin credit at broker-dealers has included credit extended against stocks, convertible bonds, stocks acquired through the exercise of subscription rights, corporate bonds, and government securities. Separate reporting of data for margin stocks, convertible bonds, and subscription issues was discontinued in April 1984.

4. Free credit balances are amounts in accounts with no unfulfilled commitments to brokers and are subject to withdrawal by customers on demand.

5. Series initiated in June 1984.

6. Margin requirements, stated in regulations adopted by the Board of Governors pursuant to the Securities Exchange Act of 1934, limit the amount of credit that can be used to purchase and carry "margin securities" (as defined in the regulations) when such credit is collateralized by securities. Margin requirements on securities other than options are the difference between the market value (100 percent) and the maximum loan value of collateral as prescribed by the Board. Regulation T was adopted effective Oct. 15, 1934; Regulation U, effective May 1, 1936; Regulation G, effective Mar. 11, 1968; and Regulation X, effective Nov. 1, 1971.

On Jan. 1, 1977, the Board of Governors for the first time established in Regulation T the initial margin required for writing options on securities, setting it at 30 percent of the current market value of the stock underlying the option. On Sept. 30, 1985, the Board changed the required initial margin, allowing it to be the same as the option maintenance margin required by the appropriate exchange or self-regulatory organization; such maintenance margin rules must be approved by the Securities and Exchange Commission. Effective Jan. 31, 1986, the SEC approved new maintenance margin rules, permitting margins to be the price of the option plus 15 percent of the market value of the stock underlying the option.

Effective June 8, 1988, margins were set to be the price of the option plus 20 percent of the market value of the stock underlying the option (or 15 percent in the case of stock-index options).

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1993	Fiscal year 1994	Fiscal year 1995	Calendar year 1995 Dec.	Calendar year 1996 Jan.	1996 Feb.	1996 Mar.	1996 Apr.	1996 May
U.S. budget[1]									
1 Receipts, total	1,153,535	1,257,737	1,355,213	138,271	142,922	89,349	89,011	203,386	90,014
2 On-budget	841,601	922,711	1,004,134	110,322	110,615	60,912	56,677	160,774	60,106
3 Off-budget	311,934	335,026	351,079	27,949	32,307	28,437	32,334	42,612	29,938
4 Outlays, total	1,408,675	1,460,841	1,519,133	132,984	123,647	133,644	136,286	130,993	143,342
5 On-budget	1,142,088	1,181,469	1,230,469	121,753	98,057	105,711	108,365	105,131	114,486
6 Off-budget	266,587	279,372	288,664	11,232	25,591	27,933	27,921	25,862	28,856
7 Surplus or deficit ( ), total	255,140	203,104	163,920	5,286	19,274	44,295	47,275	72,393	53,298
8 On-budget	300,487	258,758	226,335	11,431	12,558	44,799	51,688	55,643	54,380
9 Off-budget	45,347	55,654	62,415	16,717	6,716	504	4,413	16,750	1,082
Source of financing (total)									
10 Borrowing from the public	248,594	184,998	171,288	18,358	4,747	47,022	39,189	35,466	20,633
11 Operating cash (decrease, or increase ( ))	6,283	16,564	2,007	5,610	16,959	6,297	9,283	26,449	43,809
12 Other[2]	429	1,542	5,361	7,462	2,432	9,024	197	10,478	11,144
MEMO									
13 Treasury operating balance (level, end of period)	52,506	35,942	37,949	20,495	37,454	31,157	21,874	48,323	4,514
14 Federal Reserve Banks	17,289	6,848	8,620	5,979	8,210	5,632	7,021	11,042	3,757
15 Tax and loan accounts	35,217	29,094	29,329	14,515	29,243	25,525	14,853	37,281	757

1. Since 1990, off-budget items have been the social security trust funds (federal old-age survivors insurance and federal disability insurance) and the U.S. Postal Service.

2. Includes special drawing rights (SDRs); reserve position on the U.S. quota in the International Monetary Fund (IMF); loans to the IMF; other cash and monetary assets, accrued interest payable to the public; allocations of SDRs; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts, seigniorage; increment on gold, net gain or loss for U.S. currency valuation adjustment; net gain or loss for IMF loan valuation adjustment; and profit on sale of gold.

SOURCE. Monthly totals: U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*; fiscal year totals: U.S. Office of Management and Budget, *Budget of the U.S. Government*.

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS[1]

Millions of dollars

Source or type	Fiscal year 1994	Fiscal year 1995	Calendar year 1994 H1	Calendar year 1994 H2	Calendar year 1995 H1	Calendar year 1995 H2	Calendar year 1996 Mar.	Calendar year 1996 Apr.	Calendar year 1996 May
RECEIPTS									
1 **All sources**	**1,257,737**	**1,355,213**	**652,235[r]**	**625,556[r]**	**710,542**	**656,402[r]**	**89,011**	**203,386**	**90,044**
2 Individual income taxes, net	543,055	590,244	275,052	273,315[r]	307,498	292,393	22,523	107,513	29,914
3 Withheld	459,699	499,927	225,387	240,063[r]	251,398	256,916	41,834	38,930	45,399
4 Nonwithheld	160,363[r]	175,786	117,929[r]	42,029[r]	132,001[r]	43,100	5,790	89,392	6,352
5 Refunds	77,077[r]	85,538	68,325	8,787[r]	75,959[r]	10,058	25,118	20,822	21,850
Corporation income taxes									
6 Gross receipts	154,205	174,422	80,535[r]	78,393[r]	92,132	88,302	17,793	26,912	3,647
7 Refunds	13,820	17,418	6,932[r]	7,747[r]	10,399	7,518	2,332	1,975	1,077
8 Social insurance taxes and contributions, net	461,475	484,473	248,301	220,140[r]	261,837	224,269	41,763	60,588	48,676
9 Employment taxes and contributions[2]	428,810	451,045	228,715[r]	206,615[r]	241,557[r]	211,323	41,086	56,615	38,104
10 Unemployment insurance	28,004	28,878	17,301	11,177	18,001	10,702	258	3,628	10,155
11 Other net receipts[3]	4,661	4,550	2,284	2,349	2,279[r]	2,247	419	346	417
12 Excise taxes	55,225	57,484	26,443[r]	30,178[r]	27,452	30,014	4,133	4,577	4,113
13 Customs deposits	20,099	19,301	9,499[r]	11,041[r]	8,848[r]	9,849	1,528	1,388	1,427
14 Estate and gift taxes	15,225	14,763	8,196[r]	7,067[r]	7,425[r]	7,718	1,137	2,704	1,415
15 *Miscellaneous receipts*[4]	22,274	31,914	11,141[r]	13,169[r]	15,750[r]	11,374	2,467	1,680	1,929
OUTLAYS									
16 **All types**	**1,460,841**	**1,519,133**	**710,620**	**752,151**	**760,824**	**752,511**	**136,286**	**130,993**	**143,342**
17 National defense	281,642	272,066	133,844	141,885	135,678[r]	132,954	22,479	22,725	26,609
18 International affairs	17,083	16,434	5,800	11,889	4,797[r]	6,994	1,391	988	1,165
19 General science, space, and technology	16,227	16,724	8,502	7,604	8,611	8,810	1,381	1,534	1,584
20 Energy	5,219	4,936	2,237	2,923	2,357	2,203	131	17	216
21 Natural resources and environment	21,064	22,105	10,111	11,911	10,272	12,633	1,592	1,660	1,757
22 Agriculture	15,046	9,773	7,451	7,623	4,040	3,062	62	249	175
23 Commerce and housing credit	5,118	14,441	4,962	4,270	13,937	4,412	1,443	1,741	256
24 Transportation	38,066	39,350	16,739	21,835	18,192[r]	19,931	2,864	2,864	3,324
25 Community and regional development	10,454	10,641	4,571	6,283	5,043[r]	6,085	1,007	1,026	826
26 Education, training, employment, and social services	46,307	54,263	19,262	27,450	25,875[r]	24,894	4,301	4,014	3,961
27 Health	107,122	115,418	53,195	54,147	58,917[r]	57,078	10,317	10,458	11,201
28 Social security and Medicare	464,312	495,701	232,777	236,817	251,975	251,387	43,239	44,216	36,727
29 Income security	214,031	220,449	109,080	101,806	117,347[r]	104,078	25,927	21,417	21,407
30 Veterans benefits and services	37,642	37,938	16,686	19,761	19,268	18,684	3,300	2,974	5,254
31 Administration of justice	15,256	16,223	7,718	7,753	8,053[r]	8,117	1,341	1,585	1,683
32 General government	11,303	13,835	5,084	7,355	5,795[r]	7,621	766	25	180
33 Net interest[5]	202,957	232,173	99,844	109,434	116,169	119,350	20,244	20,463	20,359
34 Undistributed offsetting receipts[6]	37,772	44,455	17,308	20,066	17,632	26,994	2,490	2,932	2,991

1. Functional details do not sum to total outlays for calendar year data because revisions to monthly totals have not been distributed among functions. Fiscal year total for receipts and outlays do 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. Federal employee retirement contributions and civil service retirement and disability fund.

4. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.

5. Includes interest received by trust funds.

6. Rents and royalties for the outer continental shelf, U.S. government contributions for employee retirement, and certain asset sales

SOURCE. Fiscal year totals: U.S. Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 1997*; monthly and half year totals: U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*.

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars, end of month

Item	1994 Mar. 31	1994 June 30	1994 Sept. 30	1994 Dec. 31	1995 Mar. 31	1995 June 30	1995 Sept. 30	1995 Dec. 31	1996 Mar. 31
1 **Federal debt outstanding**	**4,602**	**4,673**	**4,721**	**4,827**	**4,891**	**4,978**	**5,001**	**5,017**	**5,153**
2 Public debt securities	4,576	4,646	4,693	4,800	4,864	4,951	4,974	4,989	5,118
3 Held by public	3,434	3,443	3,480	3,543	3,610	3,635	3,653	3,684	n.a
4 Held by agencies	1,142	1,203	1,213	1,257	1,255	1,317	1,321	1,305	n.a
5 Agency securities	26	28	29	27	27	27	27	28	36
6 Held by public	26	27	29	27	26	27	27	28	n.a.
7 Held by agencies	0	0	0	0	0	0	0	0	n.a.
8 ***Debt subject to statutory limit***	**4,491**	**4,559**	**4,605**	**4,711**	**4,775**	**4,861**	**4,885**	**4,900**	**5,030**
9 Public debt securities	4,491	4,559	4,605	4,711	4,774	4,861	4,885	4,900	5,030
10 Other debt[1]	0	0	0	0	0	0	0	0	0
MEMO									
11 Statutory debt limit	4,900	4,900	4,900	4,900	4,900	4,900	4,900	4,900	5,500

1. Consists of guaranteed debt of U.S. Treasury and other federal agencies, specified participation certificates, notes to international lending organizations, and District of Columbia stadium bonds.

SOURCE. U.S. Department of the Treasury, *Monthly Statement of the Public Debt of the United States* and *Treasury Bulletin*.

1.41 GROSS PUBLIC DEBT OF U.S. TREASURY Types and Ownership

Billions of dollars, end of period

Type and holder	1992	1993	1994	1995	1995 Q2	1995 Q3	1995 Q4	1996 Q1
1 **Total gross public debt**	**4,177.0**	**4,535.7**	**4,800.2**	**4,988.7**	**4,951.4**	**4,974.0**	**4,988.7**	**5,117.8**
By type								
2 Interest-bearing	4,173.9	4,532.3	4,769.2	4,964.4	4,947.8	4,950.6	4,964.4	5,083.0
3 Marketable	2,754.1	2,989.5	3,126.0	3,307.2	3,252.6	3,260.5	3,307.2	3,375.1
4 Bills	657.7	714.6	733.8	760.7	748.3	742.5	760.7	811.9
5 Notes	1,608.9	1,764.0	1,867.0	2,010.3	1,974.7	1,980.3	2,010.3	2,014.1
6 Bonds	472.5	495.9	510.3	521.2	514.7	522.6	521.2	534.1
7 Nonmarketable[1]	1,419.8	1,542.9	1,643.1	1,657.2	1,695.2	1,690.2	1,657.2	1,707.9
8 *State and local government series*	153.5	149.5	132.6	104.5	121.2	113.4	104.5	96.5
9 Foreign issues[2]	37.4	43.5	42.5	40.8	41.4	41.0	40.8	40.4
10 Government	37.4	43.5	42.5	40.8	41.4	41.0	40.8	40.4
11 Public	.0	.0	.0	0	.0	.0	0	.0
12 Savings bonds and notes	155.0	169.4	177.8	181.9	180.1	181.2	181.9	183.0
13 Government account series[3]	1,043.5	1,150.0	1,259.8	1,299.6	1,322.0	1,324.3	1,299.6	1,357.7
14 Non-interest-bearing	3.1	3.4	31.0	24.3	3.6	23.3	24.3	34.8
By holder[4]								
15 U.S. Treasury and other federal agencies and trust funds	1,047.8	1,153.5	1,257.1	1,304.5	1,316.6	1,320.8	1,304.5	
16 Federal Reserve Banks	302.5	334.2	374.1	391.0	389.0	374.1	391.0	
17 Private investors	2,839.9	3,047.4	3,168.0	3,294.9	3,245.0	3,279.5	3,294.9	
18 Commercial banks	294.4	322.2	290.1	285.0	298.0	289.0	285.0	
19 Money market funds	79.7	80.8	67.6	71.3	58.7	64.2	71.3	
20 Insurance companies	197.5	234.5	240.1	252.0	248.6	250.5	252.0	
21 Other companies	192.5	213.0	226.5	288.8	227.7	224.1	288.8	n.a.
22 State and local treasuries[5,6]	579.3	631.9	521.4	420.0	470.9	422.9	420.0	
Individuals								
23 Savings bonds	157.3	171.9	180.5	185.0	182.6	183.5	185.0	
24 Other securities	131.9	137.9	150.7	162.7	161.6	162.4	162.7	
25 Foreign and international[7]	549.7	623.0	688.6	861.8	784.1	848.1	861.8	
26 Other miscellaneous investors[6,8]	657.5	632.3	802.5	768.3	812.8	834.8	768.3	

1. Includes (not shown separately) securities issued to the Rural Electrification Administration, depository bonds, retirement plan bonds, and individual retirement bonds.
2. *Nonmarketable series denominated in dollars, and series denominated in foreign currency held by foreigners.*
3. Held almost entirely by U.S. Treasury and other federal agencies and trust funds.
4. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.
5. Includes state and local pension funds.
6. In March 1996, in a redefinition of series, fully defeased debt backed by nonmarketable federal securities was removed from "Other miscellaneous investors" and added to "State and local treasuries." The data shown here have been revised accordingly.
7. Consists of investments of foreign balances and international accounts in the United States.
8. *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.

SOURCE. U.S. Treasury Department, data by type of security, *Monthly Statement of the Public Debt of the United States*; data by holder, *Treasury Bulletin*.

1.42 U.S. GOVERNMENT SECURITIES DEALERS Transactions[1]

Millions of dollars, daily averages

Item	1996			1996, week ending								
	Feb.	Mar.	Apr.	Apr. 3	Apr. 10	Apr. 17	Apr. 24	May 1	May 8	May 15	May 22	May 29
OUTRIGHT TRANSACTIONS[2]												
By type of security												
1 U.S. Treasury bills	65,579	56,391	55,901	70,854	57,295	52,787	50,364	54,108	46,741	46,521	40,748	50,427
Coupon securities, by maturity												
2 Five years or less	125,757	107,071	97,390	89,934	100,814	102,533	102,601	86,613	108,826	94,074	83,123	92,097
3 More than five years	67,611	49,903	41,998	40,022	41,521	44,926	39,363	43,591	60,332	52,906	46,403	38,724
4 Federal agency	26,759	27,395r	28,936	26,832	20,583	30,480	30,338	35,186	28,211	30,051	28,324	28,629
5 Mortgage-backed	40,755r	42,087r	34,788r	44,091r	47,964	33,798	24,402	28,855	53,716	42,084	23,317	23,526
By type of counterparty												
With interdealer broker												
6 U.S. Treasury	148,665	124,458	112,758	111,975	115,861	114,531	112,998	107,725	126,461	113,545	98,482	104,682
7 Federal agency	1,107	671	795	586	648	697	1,046	907	616	824	710	474
8 Mortgage-backed	14,640r	15,597r	11,326r	15,704r	13,976r	12,030	8,046	8,614	18,088	13,906	8,543	10,361
With other												
9 U.S. Treasury	110,281	88,907	82,531	88,835	83,768	85,715	79,331	76,586	89,438	79,956	71,792	76,566
10 Federal agency	25,652	26,725r	28,141	26,246	19,935	29,783	29,291	34,279	27,595	29,227	27,615	28,155
11 Mortgage-backed	26,114r	26,490r	23,461r	28,387r	33,987r	21,768	16,356	20,240	35,628	28,178	14,774	13,165
FUTURES TRANSACTIONS[3]												
By type of deliverable security												
12 U.S. Treasury bills	346	487	369	212	541	302	581	131	426	859	96	256
Coupon securities, by maturity												
13 Five years or less	2,269	2,055	1,203	1,216	1,435	1,443	1,031	876	1,645	1,532	1,327	1,598
14 More than five years	17,420	14,824	11,717	10,186	12,738	14,023	10,297	10,736	17,060	12,218	10,771	10,765
15 Federal agency	0	0	0	0	0	0	0	0	0	0	0	0
16 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0	0
OPTIONS TRANSACTIONS[4]												
By type of underlying security												
17 U.S. Treasury bills	0	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity												
18 Five years or less	2,730	2,775	1,582	2,213	1,376	1,585	1,408	1,526	1,328	3,217	2,640	2,126
19 More than five years	4,580	3,073	3,773	3,117	3,712	4,669	3,625	3,391	4,099	3,982	4,878	2,987
20 Federal agency	0	0	0	0	0	0	0	0	0	0	0	0
21 Mortgage-backed	1,341	1,125	1,110	1,250	1,401	979	1,116	868	1,565	1,417	625	541

1. Transactions are market purchases and sales of securities as reported to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Monthly averages are based on the number of trading days in the month. Transactions are assumed evenly distributed among the trading days of the report week. Immediate, forward, and futures transactions are reported at principal value, which does not include accrued interest; options transactions are reported at the face value of the underlying securities.

Dealers report cumulative transactions for each week ending Wednesday.

2. Outright transactions include immediate and forward transactions. Immediate delivery refers to purchases or sales of securities (other than mortgage-backed federal agency securities) for which delivery is scheduled in five business days or less and "when-issued" securities that settle on the issue date of offering. Transactions for immediate delivery of mortgage-backed agency securities include purchases and sales for which delivery is scheduled in thirty business days or less. Stripped securities are reported at market value by maturity of coupon or corpus.

Forward transactions are agreements made in the over-the-counter market that specify delayed delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.

3. Futures transactions are standardized agreements arranged on an exchange. All futures transactions are included regardless of time to delivery.

4. Options transactions are purchases or sales of put and call options, whether arranged on an organized exchange or in the over-the-counter market, and include options on futures contracts on U.S. Treasury and federal agency securities.

NOTE. "n.a." indicates that data are not published because of insufficient activity.

Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending July 6, 1994.

1.43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing[1]

Millions of dollars

Item	1996			1996, week ending							
	Feb.	Mar.	Apr.	Apr. 3	Apr. 10	Apr. 17	Apr. 24	May 1	May 8	May 15	May 22
	Positions[2]										
NET OUTRIGHT POSITIONS[3]											
By type of security											
1 U.S. Treasury bills	8,316	20,889	17,119	44,826	24,141	12,884	7,229	11,554	12,031	16,296	14,951
Coupon securities, by maturity											
2 Five years or less	11,937	6,296	7,771	4,387	8,709	4,651	12,474	6,523	6,242	1,796	−462
3 More than five years	14,139	−24,377	−27,702	−26,494	−31,028	−28,372	−25,451	−26,268	−25,003	−23,338	−22,041
4 Federal agency	23,424	25,754	26,566	24,016	25,682	23,995	27,192	31,139	28,135	23,321	24,464
5 Mortgage-backed	40,161	36,887	32,583	31,979	31,757	33,353	32,930	32,543	30,376	35,251	35,657
NET FUTURES POSITIONS[4]											
By type of deliverable security											
6 U.S. Treasury bills	2,582	2,842	3,560	3,298	2,626	2,685	−4,636	−4,547	−4,610	−4,898	−4,563
Coupon securities, by maturity											
7 Five years or less	−587	623	1,073	346	1,419	1,222	1,132	788	1,062	1,267	401
8 More than five years	9,037	−4,361	4,285	−5,215	−1,462	−3,418	6,664	−5,351	−2,783	−2,466	−4,541
9 Federal agency	0	0	0	0	0	0	0	0	0	0	0
10 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0
NET OPTIONS POSITIONS											
By type of deliverable security											
11 U.S. Treasury bills	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity											
12 Five years or less	5	1,381	1,542	2,257	1,720	1,796	1,250	1,023	691	676	−307
13 More than five years	2,706	177	1,081	2,377	1,946	572	727	429	−1,491	−1,366	688
14 Federal agency	0	0	0	0	0	0	0	0	0	0	0
15 Mortgage-backed	3,052	4,949	4,435	3,662	4,896	4,275	4,144	4,808	4,570	3,688	3,603
	Financing[5]										
Reverse repurchase agreements											
16 Overnight and continuing	264,559[r]	258,213[r]	256,694	249,264[r]	273,465	264,387	239,110	252,381	245,232	271,735	252,858
17 Term	424,730	435,402	467,590	425,695	445,217	475,409	490,874	478,354	499,560	416,344	448,774
Securities borrowed											
18 Overnight and continuing	166,781	172,347	166,490	164,068	170,460	166,267	163,797	166,473	168,222	175,434	178,128
19 Term	65,051	66,212	67,330	65,146	64,465	67,651	69,072	69,357	69,339	62,296	62,976
Securities received as pledge											
20 Overnight and continuing	1,878	4,477	3,275	3,910	4,377	3,532	2,529	2,241	2,063	2,487	2,446
21 Term	126	65	53	92	53	81	31	27	39	29	41
Repurchase agreements											
22 Overnight and continuing	562,396	557,094	577,949	562,672	594,664	600,073	554,265	567,907	560,778	577,866	564,022
23 Term	387,953	393,406	399,259	374,236	377,959	392,801	425,905	413,066	426,042	357,241	392,652
Securities loaned											
24 Overnight and continuing	4,714	5,202	4,728	4,909	4,852	4,592	4,589	4,812	4,803	4,579	4,769
25 Term	2,409	2,362	2,611	2,270	n.a.	n.a.	2,217	3,242	3,223	3,086	n.a.
Securities pledged											
26 Overnight and continuing	33,230	40,936	37,160	36,223	36,552	38,533	37,322	36,547	36,965	41,397	43,031
27 Term	7,230	8,343	8,518	8,148	8,088	8,837	8,831	8,465	8,025	6,738	6,163
Collateralized loans											
28 Overnight and continuing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
29 Term	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
30 Total	14,667	12,176	14,052	14,555	14,443	15,108	15,317	10,638	13,316	12,567	12,697
MEMO: Matched book[6]											
Securities in											
31 Overnight and continuing	253,151[r]	239,030[r]	244,480	243,714[r]	253,469	248,186	231,552	245,137	236,730	259,949	250,282
32 Term	426,056[r]	433,861[r]	464,018	424,355	437,701	471,000	486,355	480,346	488,139	407,901	437,150
Securities out											
33 Overnight and continuing	333,340	328,321	348,557	339,129	364,716	359,919	328,711	344,315	341,079	345,621	334,007
34 Term	330,450	338,096	349,263	323,134	324,955	345,158	374,859	365,614	372,213	303,369	332,831

1. Data for positions and financing are obtained from reports submitted to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Weekly figures are close-of-business Wednesday data. Positions for calendar days of the report week are assumed to be constant. Monthly averages are based on the number of calendar days in the month.

2. Securities positions are reported at market value.

3. Net outright positions include immediate and forward positions. Net immediate positions include securities purchased or sold (other than mortgage-backed agency securities) that have been delivered or are scheduled to be delivered in five business days or less and "when-issued" securities that settle on the issue date of offering. Net immediate positions for mortgage-backed agency securities include securities purchased or sold that have been delivered or are scheduled to be delivered in thirty business days or less.

Forward positions reflect agreements made in the over-the-counter market that specify delayed delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.

4. Futures positions reflect standardized agreements arranged on an exchange. All futures positions are included regardless of time to delivery.

5. Overnight financing refers to agreements made on one business day that mature on the next business day; continuing contracts are agreements that remain in effect for more than one business day but have no specific maturity and can be terminated without advance notice by either party; term agreements have a fixed maturity of more than one business day. Financing data are reported in terms of actual funds paid or received, including accrued interest.

6. Matched-book data reflect financial intermediation activity in which the borrowing and lending transactions are matched. Matched-book data are included in the financing breakdowns given above. The reverse repurchase and repurchase numbers are not always equal because of the "matching" of securities of different values or different types of collateralization.

NOTE. "n.a." indicates that data are not published because of insufficient activity.

Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending July 6, 1994.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1992	1993	1994	1995	1995		1996		
					Nov.	Dec.	Jan.	Feb.	Mar.
1 **Federal and federally sponsored agencies**	**483,970**	**570,711**	**738,928**	n.a.	n.a.	n.a.	n.a.	n.a.	
2 Federal agencies	41,829	45,193	39,186	37,347	39,207	37,347	37,273	31,986	
3 Defense Department[1]	7	6	6	6	6	6	6	6	
4 Export-Import Bank[2,3]	7,208	5,315	3,455	2,050	2,512	2,050	2,050	2,050	
5 Federal Housing Administration[4]	374	255	116	97	93	97	31	35	n.a.
6 Government National Mortgage Association certificates of participation[5]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
7 Postal Service[6]	10,660	9,732	8,073	5,765	7,265	5,765	5,765	300	
8 Tennessee Valley Authority	23,580	29,885	27,536	29,429	29,331	29,429	29,421	29,595	
9 United States Railway Association[6]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
10 Federally sponsored agencies[7]	442,141	523,452	699,742	807,264	791,660	807,264	799,547	808,398	815,523
11 Federal Home Loan Banks	114,733	139,512	205,817	243,194	239,034	243,194	234,664	233,404	239,253
12 Federal Home Loan Mortgage Corporation	29,631	49,993	93,279	119,961	115,603	119,961	120,868	123,777	124,278
13 Federal National Mortgage Association	166,300	201,112	257,230	299,174	289,768	299,174	297,657	304,159	306,815
14 Farm Credit Banks[8]	51,910	53,123	53,175	57,379	56,694	57,379	58,659	57,536	59,428
15 Student Loan Marketing Association[9]	39,650	39,784	50,335	47,529	50,535	47,529	47,673	49,495	45,723
16 Financing Corporation[10]	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170
17 Farm Credit Financial Assistance Corporation[11]	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261
18 Resolution Funding Corporation[12]	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996
MEMO									
19 **Federal Financing Bank debt**[13]	**154,994**	**128,187**	**103,817**	**78,681**	**81,693**	**78,681**	**78,512**	**68,037**	
Lending to federal and federally sponsored agencies									
20 Export-Import Bank[3]	7,202	5,309	3,449	2,044	2,506	2,044	2,044	2,044	
21 Postal Service[6]	10,440	9,732	8,073	5,765	7,265	5,765	5,765	300	
22 Student Loan Marketing Association	4,790	4,760	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
23 Tennessee Valley Authority	6,975	6,325	3,200	3,200	3,200	3,200	3,200	n.a.	n.a.
24 United States Railway Association[6]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Other lending[14]									
25 Farmers Home Administration	42,979	38,619	33,719	21,015	21,015	21,015	21,015	21,015	
26 Rural Electrification Administration	18,172	17,578	17,392	17,144	17,141	17,144	17,026	17,040	
27 Other	64,436	45,864	37,984	29,513	30,566	29,513	29,462	27,638	

1. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.
2. Includes participation certificates reclassified as debt beginning Oct. 1, 1976.
3. On-budget since Sept. 30, 1976.
4. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.
5. Certificates of participation issued before fiscal year 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration, the Department of Health, Education, and Welfare, the Department of Housing and Urban Development, the Small Business Administration, and the Veterans Administration.
6. Off-budget.
7. Includes outstanding noncontingent liabilities: notes, bonds, and debentures. Includes Federal Agricultural Mortgage Corporation; therefore details do not sum to total. Some data are estimated.
8. Excludes borrowing by the Farm Credit Financial Assistance Corporation, which is shown on line 17.
9. Before late 1982, the association obtained financing through the Federal Financing Bank (FFB). Borrowing excludes that obtained from the FFB, which is shown on line 22.
10. The Financing Corporation, established in August 1987 to recapitalize the Federal Savings and Loan Insurance Corporation, undertook its first borrowing in October 1987.
11. The Farm Credit Financial Assistance Corporation, established in January 1988 to provide assistance to the Farm Credit System, undertook its first borrowing in July 1988.
12. The Resolution Funding Corporation, established by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, undertook its first borrowing in October 1989.
13. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Because FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table to avoid double counting.
14. Includes FFB purchases of agency assets and guaranteed loans; the latter are loans guaranteed by numerous agencies, with the amounts guaranteed by any one agency generally being small. The Farmers Home Administration entry consists exclusively of agency assets, whereas the Rural Electrification Administration entry consists of both agency assets and guaranteed loans.

1.45 NEW SECURITY ISSUES Tax-Exempt State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1993	1994	1995	1995 Oct.	1995 Nov.	1995 Dec.	1996 Jan.	1996 Feb.	1996 Mar.	1996 Apr.	1996 May
1 **All issues, new and refunding**[1]	**279,945**	**153,950**	**143,101**	**13,898**	**16,839**	**16,978**	**11,545**	**11,598**	**15,244**	**13,199**	**14,991**
By type of issue											
2 General obligation	90,599	54,404	55,737	6,184	6,194	5,489	6,074	2,063	4,846	5,083	5,476
3 Revenue	189,346	99,546	86,555	7,714	10,645	11,489	5,471	9,535	10,398	8,116	9,515
By type of issuer											
4 State	27,999	19,186	14,215	1,825	1,491	951	1,630	695	904	926	2,807
5 Special district or statutory authority[2]	178,714	95,896	91,419	8,155	10,736	11,678	7,052	7,820	10,141	9,571	9,824
6 Municipality, county, or township	73,232	38,868	36,658	3,918	4,612	4,349	2,863	3,083	4,199	2,702	2,360
7 **Issues for new capital**	**91,434**	**105,972**	**94,412**	**7,868**	**11,415**	**11,070**	**6,517**	**6,383**	**10,621**	**9,487**	**9,594**
By use of proceeds											
8 Education	16,831	21,267	24,926	1,785	3,377	2,968	2,065	2,226	1,847	2,142	2,442
9 Transportation	9,167	10,836	11,887	367	1,469	1,178	573	359	1,417	682	778
10 Utilities and conservation	12,014	10,192	9,618	1,780	554	1,664	439	582	892	592	1,368
11 Social welfare	13,837	20,289	18,612	1,716	2,177	1,614	935	904	2,715	1,669	1,764
12 Industrial aid	6,862	8,161	6,566	227	650	1,325	322	110	785	751	302
13 Other purposes	32,723	35,227	26,518	1,993	3,188	2,321	2,183	2,202	2,965	3,651	2,940

1. Par amounts of long-term issues based on date of sale.
2. Includes school districts.

SOURCE. Securities Data Company beginning January 1993; *Investment Dealer's Digest* before then.

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue, offering, or issuer	1993	1994	1995	1995 Sept.	1995 Oct.	1995 Nov.	1995 Dec.	1996 Jan.	1996 Feb.	1996 Mar.	1996 Apr.
1 **All issues**[1]	**769,088**	**583,240**	n.a.	**57,262**	**52,112**	**55,349**	**40,149**	**47,394**[r]	**60,715**[r]	**54,524**[r]	**44,978**
2 **Bonds**[2]	**646,634**	**498,039**	n.a.	**49,905**	**43,452**	**47,568**	**34,619**	**42,643**[r]	**51,560**[r]	**47,356**[r]	**32,500**
By type of offering											
3 Public, domestic	487,029	365,222	408,806	43,137	36,692	43,336	32,219	33,882[r]	44,904	40,612[r]	27,000
4 Private placement, domestic[3]	121,226	76,065	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5 Sold abroad	38,379	56,755	76,910	6,768	6,760	4,232	2,399	8,761	6,656[r]	6,744	5,500
By industry group											
6 Manufacturing	88,160	43,423	42,950	3,284	3,397	4,017	3,205	3,809[r]	2,472	3,210	2,210
7 Commercial and miscellaneous	58,559	40,735	37,139	2,607	3,532	4,178	3,099	2,151	2,601	3,852	3,064
8 Transportation	10,816	6,867	5,727	908	187	225	1,240	664	584[r]	57	120
9 Public utility	56,330	13,322	11,974	911	1,241	485	685	1,821	955	678	471
10 Communication	31,950	13,340	18,158	2,829	2,389	3,333	648	748	2,691	1,873	535
11 Real estate and financial	400,820	380,352	369,769	39,365	32,706	35,330	25,742	33,450[r]	42,258	37,686[r]	26,100
12 **Stocks**[2]	**122,454**	**85,155**	n.a.	**7,357**	**8,660**	**7,781**	**5,530**	**4,756**[r]	**9,160**[r]	**7,393**[r]	**12,478**
By type of offering											
13 Public preferred	18,897	12,570	10,964	1,035	836	2,210	890	2,167	3,258	967	2,000
14 Common	82,657	47,828	57,809	6,322	7,824	5,571	4,640	2,589[r]	5,902[r]	6,426[r]	10,478
15 Private placement[3]	20,900	24,800	↑	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By industry group											
16 Manufacturing	22,271	17,798		2,383	1,815	2,209	681	295[r]	1,543[r]	2,036[r]	3,966
17 Commercial and miscellaneous	25,761	15,713	n.a.	2,801	4,628	3,274	2,632	2,521[r]	2,659[r]	3,577[r]	4,112
18 Transportation	2,237	2,203		32	39	97	156	38	141	232[r]	37
19 Public utility	7,050	2,214		190	60	36	322	115	809	319	149
20 Communication	3,439	494		47	0	0	0	200	122	100[r]	144
21 Real estate and financial	61,004	46,733	↓	1,905	2,118	2,166	1,739	1,588	3,719[r]	1,130	4,070

1. Figures represent gross proceeds of issues maturing in more than one year; they are the principal amount or number of units calculated by multiplying by the offering price. Figures exclude secondary offerings, employee stock plans, investment companies other than closed-end, intracorporate transactions, equities sold abroad, and Yankee bonds. Stock data include ownership securities issued by limited partnerships.
2. Monthly data cover only public offerings.
3. Monthly data are not available.

SOURCE. Beginning July 1993, Securities Data Company and the Board of Governors of the Federal Reserve System.

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Assets[1]

Millions of dollars

Item	1994	1995	1995				1996			
			Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
1 **Sales of own shares**[2]	**841,286**	**871,415**	**68,694**	**72,730**	**70,499**	**94,719**	**112,332**	**90,370**	**93,856**	**101,847**
2 Redemptions of own shares	699,823	699,497	54,473	56,174	52,727	67,945	75,354	60,398	65,748	81,008
3 Net sales[3]	141,463	171,918	14,221	16,556	17,772	26,774	36,978	29,972	28,108	20,839
4 **Assets**[4]	**1,550,490**	**2,067,337**	**1,962,817**	**1,963,496**	**2,032,958**	**2,067,337**	**2,143,185**	**2,181,711**	**2,212,517**[r]	**2,292,722**
5 Cash[5]	121,296	142,572	127,446	133,653	141,489	142,572	150,772	144,520	142,697	148,794
6 Other	1,429,195	1,924,765	1,835,371	1,829,843	1,891,470	1,924,765	1,992,414	2,037,191	2,069,820	2,143,928

1. Data on sales and redemptions exclude money market mutual funds but include limited-maturity municipal bond funds. Data on asset positions exclude both money market mutual funds and limited-maturity municipal bond funds.
2. Includes reinvestment of net income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.
3. Excludes sales and redemptions resulting from transfers of shares into or out of money market mutual funds within the same fund family.
4. Market value at end of period, less current liabilities.
5. Includes all U.S. Treasury securities and other short-term debt securities.

SOURCE. Investment Company Institute. Data based on reports of membership, which comprises substantially all open-end investment companies registered with the Securities and Exchange Commission. Data reflect underwritings of newly formed companies after their initial offering of securities.

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data at seasonally adjusted annual rates

Account	1993	1994	1995	1994			1995				1996
				Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
1 Profits with inventory valuation and capital consumption adjustment	464.5	526.5	588.6	531.5	549.8	568.9	559.6	561.1	614.9	618.6	652.0
2 Profits before taxes	464.3	528.2	600.8	523.2	547.5	570.4	594.1	588.4	609.6	611.0	649.0
3 Profits-tax liability	163.8	195.3	218.7	192.8	203.4	213.5	217.3	214.2	224.5	218.7	233.4
4 Profits after taxes	300.5	332.9	382.1	330.4	344.1	356.8	376.8	374.1	385.1	392.3	415.6
5 Dividends	197.3	211.0	227.4	208.8	212.5	218.5	221.7	224.6	228.5	234.7	239.9
6 Undistributed profits	103.3	121.9	154.7	121.7	131.6	138.3	155.1	149.6	156.6	157.6	175.7
7 Inventory valuation	−6.6	−13.3	−28.1	−9.8	−16.5	−22.8	−51.9	−42.3	−9.3	−8.8	−17.4[r]
8 Capital consumption adjustment	6.7	11.6	15.9	18.1	18.8	21.3	17.4	15.0	14.6	16.5	20.4[r]

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities[1]

Billions of dollars, end of period; not seasonally adjusted

Account	1993	1994	1995	1994			1995			
				Q2	Q3	Q4	Q1	Q2	Q3	Q4
ASSETS										
1 Accounts receivable, gross[2]	482.8	551.0	614.6	511.3	524.1	551.0	568.5	586.9	594.7	614.6
2 Consumer	116.5	134.8	152.0	124.3	130.3	134.8	135.8	141.7	146.2	152.0
3 Business	294.6	337.6	375.9	313.2	317.2	337.6	351.9	361.8	362.4	375.9
4 Real estate	71.7	78.5	86.6	73.8	76.6	78.5	80.8	83.4	86.1	86.6
5 LESS: Reserves for unearned income	50.7	55.0	63.2	51.9	51.1	55.0	58.9	62.1	61.2	63.2
6 Reserves for losses	11.2	12.4	14.1	12.1	12.1	12.4	12.9	13.7	13.8	14.1
7 Accounts receivable, net	420.9	483.5	537.3	447.3	460.9	483.5	496.7	511.1	519.7	537.3
8 All other	170.9	183.4	210.7	174.6	177.2	183.4	194.6	198.1	198.1	210.7
9 **Total assets**	**591.8**	**666.9**	**748.0**	**621.9**	**638.1**	**666.9**	**691.4**	**709.2**	**717.8**	**748.0**
LIABILITIES AND CAPITAL										
10 Bank loans	25.3	21.2	23.1	23.3	21.6	21.2	21.0	21.5	21.8	23.1
11 Commercial paper	159.2	184.6	184.5	171.2	171.0	184.6	181.3	181.3	178.0	184.5
Debt										
12 Owed to parent	42.7	51.0	62.3	44.7	50.0	51.0	52.5	57.5	59.0	62.3
13 Not elsewhere classified	206.0	235.0	284.7	219.6	228.2	235.0	254.4	264.4	272.1	284.7
14 All other liabilities	87.1	99.5	106.2	89.9	95.0	99.5	102.5	102.1	102.4	106.2
15 Capital, surplus, and undivided profits	71.4	75.7	87.2	73.2	72.3	75.7	79.7	82.5	84.4	87.2
16 **Total liabilities and capital**	591.8	666.9	748.0	621.9	638.1	666.9	691.4	709.2	717.8	748.0

1. Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data are amounts carried on the balance sheets of finance companies; securitized pools are not shown, as they are not on the books.

2. Before deduction for unearned income and losses.

1.52 DOMESTIC FINANCE COMPANIES Consumer, Real Estate, and Business Credit[1]

Millions of dollars, amounts outstanding, end of period

Type of credit	1993	1994	1995	1995		1996			
				Nov.	Dec.	Jan.	Feb.	Mar.[r]	Apr.
	Seasonally adjusted								
1 **Total**	**546,103[r]**	**615,618[r]**	**691,616[r]**	**687,894[r]**	**691,616[r]**	**696,099[r]**	**700,977[r]**	**702,925**	**707,741**
2 Consumer	160,227[r]	176,085[r]	198,861[r]	196,773[r]	198,861[r]	200,162[r]	202,548[r]	203,280	205,184
3 Real estate[2]	72,043[r]	78,910[r]	87,077[r]	87,550[r]	87,077[r]	88,084[r]	88,188[r]	89,502	89,943
4 Business	313,833[r]	360,624[r]	405,678[r]	403,571[r]	405,678[r]	407,853[r]	410,241[r]	410,144	412,614
	Not seasonally adjusted								
5 **Total**	**550,751**	**620,975**	**697,340**	**687,944**	**697,340**	**697,312**	**701,576[r]**	**705,173**	**710,154**
6 Consumer	162,770	178,999	202,101	198,072	202,101	201,774	202,108	202,337	203,532
7 Motor vehicles	56,057	61,609	70,061	68,167	70,061	71,420	73,312	72,129	73,810
8 Other consumer[3]	60,396	73,221	81,988	78,926	81,988	81,186	81,214	79,779	79,489
9 Securitized motor vehicles[4]	36,024	31,897	33,633	34,394	33,633	32,128	30,364	31,093	30,476
10 Securitized other consumer[4]	10,293	12,272	16,419	16,585	16,419	17,040	17,218	19,336	19,757
11 Real estate[2]	71,727	78,479	86,606	87,672	86,606	88,495	88,520	89,056	89,975
12 Business	316,254	363,497	408,633	402,200	408,633	407,043	410,948[r]	413,780	416,647
13 Motor vehicles	95,173	118,197	133,277	129,708	133,277	132,062	132,153	133,621	133,892
14 Retail[5]	18,091	21,514	25,304	24,564	25,304	25,906	26,591	26,663	27,346
15 Wholesale[6]	31,148	35,037	36,427	33,519	36,427	34,198	33,386	33,910	32,155
16 Leasing	45,934	61,646	71,546	71,625	71,546	71,958	72,176	73,048	74,391
17 Equipment	145,452	157,953	177,297	173,183	177,297	175,984	176,461[r]	177,285	178,507
18 Retail	35,513	39,680	48,843	44,194	48,843	48,737	48,660	48,696	47,913
19 Wholesale[6]	8,001	9,678	10,266	10,889	10,266	9,260	8,914	9,213	9,663
20 Leasing	101,938	108,595	118,188	118,100	118,188	117,987	118,887[r]	119,376	120,931
21 Other business[7]	53,997	61,495	65,363	66,678	65,363	66,643	68,070	69,497	69,193
22 Securitized business assets[4]	21,632	25,852	32,696	32,631	32,696	32,354	34,264	33,377	35,055
23 Retail	2,869	4,494	4,723	4,974	4,723	4,467	4,252	4,067	4,367
24 Wholesale	10,584	14,826	21,327	21,208	21,327	21,130	23,460	22,622	24,327
25 Leasing	8,179	6,532	6,646	6,449	6,646	6,757	6,552	6,688	6,361

1. Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data are before deductions for unearned income and losses. Data in this table also appear in the Board's G.20 (422) monthly statistical release. For ordering address, see inside front cover.

2. Includes all loans secured by liens on any type of real estate, for example, first and junior mortgages and home equity loans.

3. Includes personal cash loans, mobile home loans, and loans to purchase other types of consumer goods such as appliances, apparel, general merchandise, and recreation vehicles.

4. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.

5. Passenger car fleets and commercial land vehicles for which licenses are required.

6. Credit arising from transactions between manufacturers and dealers, that is, floor plan financing.

7. Includes loans on commercial accounts receivable, factored commercial accounts, and receivable dealer capital; small loans used primarily for business or farm purposes; and wholesale and lease paper for mobile homes, campers, and travel trailers.

1.53 MORTGAGE MARKETS Mortgages on New Homes

Millions of dollars except as noted

Item	1993	1994	1995	1995 Nov.	1995 Dec.	1996 Jan.	1996 Feb.	1996 Mar.	1996 Apr.	1996 May
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Terms[1]										
1 Purchase price (thousands of dollars)	163.1	170.4	175.8	178.6	181.7	179.2	181.7	184.5	175.2	179.5
2 Amount of loan (thousands of dollars)	123.0	130.8	134.5	136.4	140.9	135.8	143.2	141.5	133.2	137.6
3 Loan-to-price ratio (percent)	78.0	78.8	78.6	78.9	79.1	77.3	80.3	77.8	78.4	79.3
4 Maturity (years)	26.1	27.5	27.7	27.7	27.6	27.7	27.8	26.4	27.1	27.2
5 Fees and charges (percent of loan amount)[2]	1.30	1.29	1.21	1.22	1.21	1.07	1.24	1.30	1.17	1.16
Yield (percent per year)										
6 Contract rate[1]	7.03	7.26	7.65	7.27	7.20	7.15	7.00	7.25	7.57	7.61
7 Effective rate[1,3]	7.24	7.47	7.85	7.46	7.40	7.32	7.20	7.49	7.76	7.80
8 Contract rate (HUD series)[4]	7.37	8.58	8.05	7.46	7.30	7.23	7.56	7.97	8.22	8.34
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (Section 203)[5]	7.46	8.68	8.18	7.51	7.52	7.11	7.57	8.09	8.52	8.57
10 GNMA securities[6]	6.65	7.96	7.57	7.01	6.82	6.71	6.85	7.40	7.63	7.81
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	190,861	222,057	253,511	249,928	253,511	255,619	257,970	262,014	263,809	267,330
12 FHA/VA insured	23,857	27,558	28,762	28,901	28,762	28,622	28,502	28,744	29,132	30,442
13 Conventional	167,004	194,499	224,749	221,027	224,749	226,997	229,468	233,270	234,677	236,888
14 Mortgage transactions purchased (during period)	92,037	62,389	56,598	6,148	6,243	4,810	5,371	7,681	5,339	6,720
Mortgage commitments (during period)										
15 Issued[7]	92,537	54,038	56,092	6,038	4,765	5,750	7,013	6,293	5,599	5,228
16 To sell[8]	5,097	1,820	360	10	0	3	0	29	0	13
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	55,012	72,693	107,424	102,997	107,424	111,143	114,793	117,420	119,520	121,058
18 FHA/VA insured	321	276	267	271	267	226	223	220	216	212
19 Conventional	54,691	72,416	107,157	102,726	107,157	110,917	114,570	117,200	119,304	120,846
Mortgage transactions (during period)										
20 Purchases	229,242	124,697	98,470	9,989	13,108	13,357	19,891	11,984	12,740	12,385
21 Sales	208,723	117,110	85,877	9,011	11,712	11,624	9,733	11,384	11,958	11,904
22 Mortgage commitments contracted (during period)[9]	274,599	136,067	118,659	11,339	14,609	12,765	10,378	14,520	13,009	11,075

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups for purchase of newly built homes; compiled by the Federal Housing Finance Board in cooperation with the Federal Deposit Insurance Corporation.

2. Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) to obtain a loan.

3. Average effective interest rate on loans closed for purchase of newly built homes, assuming prepayment at the end of ten years.

4. Average contract rate on new commitments for conventional first mortgages; from U.S. Department of Housing and Urban Development (HUD). Based on transactions on the first day of the subsequent month.

5. Average gross yield on thirty-year, minimum-downpayment first mortgages insured by the Federal Housing Administration (FHA) for immediate delivery in the private secondary market. Based on transactions on first day of subsequent month.

6. Average net yields to investors on fully modified pass-through securities backed by mortgages and guaranteed by the Government National Mortgage Association (GNMA), assuming prepayment in twelve years on pools of thirty-year mortgages insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs.

7. Does not include standby commitments issued, but includes standby commitments converted.

8. Includes participation loans as well as whole loans.

9. Includes conventional and government-underwritten loans. The Federal Home Loan Mortgage Corporation's mortgage commitments and mortgage transactions include activity under mortgage securities swap programs, whereas the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING[1]

Millions of dollars, end of period

Type of holder and property	1992	1993	1994	1995 Q1	1995 Q2	1995 Q3	1995 Q4	1996 Q1[p]
1 **All holders**	**4,092,984**	**4,268,420[r]**	**4,473,100[r]**	**4,515,854[r]**	**4,584,566[r]**	**4,663,864[r]**	**4,715,884**	**4,773,998**
By type of property								
2 One- to four-family residences	3,037,408	3,227,134[r]	3,430,023[r]	3,465,065[r]	3,524,378[r]	3,593,966[r]	3,634,698	3,682,610
3 Multifamily residences	274,234	270,796	275,303[r]	276,398	280,390	284,238[r]	288,090	292,448
4 Commercial	700,604	689,296	684,803	690,988	695,947	701,241[r]	708,467	713,751
5 Farm	80,738	81,194	82,971	83,403	83,850	84,420	84,629	85,189
By type of holder								
6 Major financial institutions	1,769,187	1,767,835	1,815,810	1,841,815	1,868,175	1,895,285	1,890,539	1,895,878
7 Commercial banks[2]	894,513	940,444	1,004,280	1,024,854	1,053,018	1,072,780	1,080,373	1,087,174
8 One- to four-family	507,780	556,538	611,697	625,378	648,705	662,126	663,588	666,306
9 Multifamily	38,024	38,635	38,916	39,746	40,593	43,003	43,846	45,201
10 Commercial	328,826	324,409	331,100	336,795	340,176	343,826	349,109	351,736
11 Farm	19,882	20,862	22,567	22,936	23,575	23,824	23,829	23,931
12 Savings institutions[3]	627,972	598,330	596,199	601,777	599,745	604,614	596,789	595,903
13 One- to four-family	489,622	469,959	477,499	483,625	482,005	489,150	482,765	484,020
14 Multifamily	69,791	67,362	64,400	63,778	64,404	63,569	61,926	60,494
15 Commercial	68,235	60,704	54,011	54,085	53,054	51,604	51,809	51,089
16 Farm	324	305	289	288	282	291	288	299
17 Life insurance companies	246,702	229,061	215,332	215,184	215,382	217,892	213,377	212,801
18 One- to four-family	11,441	9,458	7,910	7,892	7,911	8,006	7,833	7,815
19 Multifamily	27,770	25,814	24,306	24,250	24,310	24,601	24,070	24,013
20 Commercial	198,269	184,305	173,539	173,142	173,565	175,643	171,855	171,445
21 Farm	9,222	9,484	9,577	9,900	9,596	9,643	9,619	9,528
22 Federal and related agencies	286,263	327,014[r]	319,401[r]	317,753[r]	315,722[r]	319,923[r]	320,828	322,131
23 Government National Mortgage Association	30	22	6	15	7	2	2	2
24 One- to four-family	30	15	6	15	7	2	2	2
25 Multifamily	0	7	0	0	0	0	0	0
26 Farmers Home Administration[4]	41,695	41,386	41,781	41,857	41,917	41,858	41,791	41,594
27 One- to four-family	16,912	15,303	13,826	13,507	13,217	12,914	12,643	12,327
28 Multifamily	10,575	10,940	11,319	11,418	11,512	11,557	11,617	11,636
29 Commercial	5,158	5,406	5,670	5,807	5,949	6,096	6,248	6,365
30 Farm	9,050	9,739	10,966	11,124	11,239	11,291	11,282	11,266
31 Federal Housing and Veterans' Administrations	12,581	12,215	10,964	10,890	10,098	9,535	9,809	8,439
32 One- to four-family	5,153	5,364	4,753	4,715	4,838	4,918	5,180	4,228
33 Multifamily	7,428	6,851	6,211	6,175	5,260	4,617	4,629	4,211
34 Resolution Trust Corporation	32,045	17,284	10,428	9,342	6,456	4,889	1,864	0
35 One- to four-family	12,960	7,203	5,200	4,755	2,870	2,299	691	0
36 Multifamily	9,621	5,327	2,859	2,494	1,940	1,420	647	0
37 Commercial	9,464	4,754	2,369	2,092	1,645	1,170	525	0
38 Farm	0	0	0	0	0	0	0	0
39 Federal Deposit Insurance Corporation	0	14,112	7,821	6,730	6,039	5,015	4,303	5,553
40 One- to four-family	0	2,367	1,049	840	731	618	492	1,848
41 Multifamily	0	1,426	1,595	1,310	1,135	722	428	560
42 Commercial	0	10,319	5,177	4,580	4,173	3,674	3,383	3,145
43 Farm	0	0	0	0	0	0	0	0
44 Federal National Mortgage Association	137,584	166,642	178,059	177,615	178,162	182,229	183,782	183,531
45 One- to four-family	124,016	151,310	162,160	161,780	162,674	166,393	168,122	167,895
46 Multifamily	13,568	15,332	15,899	15,835	15,788	15,836	15,660	15,636
47 Federal Land Banks	28,664	28,460	28,555	28,065	28,005	28,151	28,428	28,891
48 One- to four-family	1,687	1,675	1,671	1,651	1,648	1,656	1,673	1,700
49 Farm	26,977	26,785	26,885	26,414	26,357	26,495	26,755	27,191
50 Federal Home Loan Mortgage Corporation	33,665	46,892[r]	41,786[r]	43,239[r]	44,738[r]	48,243[r]	50,849	54,120
51 One- to four-family	31,032	44,345[r]	38,956[r]	40,105[r]	41,477[r]	44,809[r]	46,997	50,058
52 Multifamily	2,633	2,547	2,830	3,134	3,261	3,434	3,852	4,062
53 Mortgage pools or trusts[5]	1,434,264	1,564,571[r]	1,718,297[r]	1,731,468[r]	1,759,091[r]	1,795,041[r]	1,853,613	1,895,309
54 Government National Mortgage Association	419,516	414,066	450,934	454,401	457,101	463,654	472,298	475,823
55 One- to four-family	410,675	404,864	441,198	444,632	446,855	453,114	461,453	464,644
56 Multifamily	8,841	9,202	9,736	9,769	10,246	10,540	10,845	11,179
57 Federal Home Loan Mortgage Corporation	407,514	447,147[r]	490,851[r]	492,194[r]	498,216[r]	503,370[r]	515,051	524,326
58 One- to four-family	401,525	442,612[r]	487,725[r]	489,114[r]	495,182[r]	500,417[r]	512,238	521,721
59 Multifamily	5,989	4,535	3,126	3,080	3,034	2,953	2,813	2,605
60 Federal National Mortgage Association	444,979	495,525	530,343	533,262	543,669	559,585	582,959	599,546
61 One- to four-family	435,979	486,804	520,763	523,903	533,091	548,400	569,724	585,527
62 Multifamily	9,000	8,721	9,580	9,359	10,578	11,185	13,235	14,019
63 Farmers Home Administration[4]	38	28	19	14	13	12	11	10
64 One- to four-family	8	5	3	2	2	2	2	1
65 Multifamily	0	0	0	0	0	0	0	0
66 Commercial	17	13	9	7	6	5	5	5
67 Farm	13	10	7	5	5	5	4	4
68 Private mortgage conduits	162,217	207,806	246,150[r]	251,597[r]	260,093[r]	268,420[r]	283,294	295,604
69 One- to four-family	140,718	173,635	194,451[r]	198,040[r]	202,718[r]	207,679[r]	214,635	220,022
70 Multifamily	6,305	8,701	14,925	15,743	17,281	18,903	21,279	24,477
71 Commercial	15,194	25,469	36,774	37,814	40,094	41,838	47,380	51,104
72 Farm	0	0	0	0	0	0	0	0
73 Individuals and others[6]	603,270	609,000[r]	619,592[r]	624,819[r]	641,578[r]	653,615[r]	650,904	660,680
74 One- to four-family	447,871	455,676[r]	461,457[r]	465,111[r]	480,447[r]	491,463[r]	486,660	494,495
75 Multifamily	64,688	65,397	69,601[r]	70,305	71,050[r]	71,897[r]	73,243	74,354
76 Commercial	75,441	73,917	76,153	76,667	77,284	77,384[r]	78,152	78,861
77 Farm	15,270	14,009	12,681	12,736	12,796	12,872	12,850	12,970

1. Multifamily debt refers to loans on structures of five or more units.
2. Includes loans held by nondeposit trust companies but not loans held by bank trust departments.
3. Includes savings banks and savings and loan associations.
4. FmHA-guaranteed securities sold to the Federal Financing Bank were reallocated from FmHA mortgage pools to FmHA mortgage holdings in 1986:Q4 because of accounting changes by the Farmers Home Administration.
5. Outstanding principal balances of mortgage-backed securities insured or guaranteed by the agency indicated.
6. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and finance companies.

SOURCE. Based on data from various institutional and government sources. Separation of nonfarm mortgage debt by type of property, if not reported directly, and interpolations and extrapolations, when required for some quarters, are estimated in part by the Federal Reserve. Line 69 from Inside Mortgage Securities.

1.55 CONSUMER INSTALLMENT CREDIT[1]

Millions of dollars, amounts outstanding, end of period

Holder and type of credit	1993[r]	1994[r]	1995[r]	1995[r] Nov	1995[r] Dec	1996[r] Jan.	1996[r] Feb.	1996[r] Mar.	1996[r] Apr
	Seasonally adjusted								
1 **Total**	**844,118**	**966,457**	**1,103,164**	**1,094,352**	**1,103,164**	**1,113,509**	**1,124,253**	**1,133,642**	**1,140,181**
2 Automobile	279,786	317,182	351,052	347,234	351,052	352,461	354,810	356,310	359,507
3 Revolving	287,011	339,337	413,894	407,381	413,894	419,030	425,778	431,196	438,460
4 Other[2]	277,321	309,939	338,218	339,737	338,218	342,018	343,666	346,136	342,214
	Not seasonally adjusted								
5 **Total**	**863,924**	**990,247**	**1,131,747**	**1,101,356**	**1,131,747**	**1,123,813**	**1,121,348**	**1,123,315**	**1,129,433**
By major holder									
6 Commercial banks	399,683	462,923	507,414	495,978	507,414	502,400	500,140	499,762	504,652
7 Finance companies	116,453	134,830	152,624	147,093	152,624	152,606	154,365	151,749	153,299
8 Credit unions	101,634	119,594	131,939	130,940	131,939	131,257	130,839	130,837	131,873
9 Savings institutions	37,855	38,468	40,106	40,505	40,106	40,000	40,000	40,000	39,999
10 Nonfinancial business[3]	77,229	86,621	85,061	77,948	85,061	80,733	78,138	76,681	73,765
11 Pools of securitized assets[4]	131,070	147,811	214,603	208,892	214,603	216,817	217,866	224,286	225,845
By major type of credit[5]									
12 Automobile	281,538	319,715	354,260	351,029	354,260	351,969	352,583	352,634	355,073
13 Commercial banks	122,000	141,895	149,094	147,995	149,094	148,186	147,703	148,455	150,455
14 Finance companies	56,057	61,609	70,626	68,167	70,626	71,420	73,312	72,129	73,810
15 Pools of securitized assets[4]	39,561	36,376	44,616	44,691	44,616	42,569	41,755	42,868	40,596
16 Revolving	302,201	357,307	435,674	410,493	435,674	426,024	424,657	425,823	431,733
17 Commercial banks	149,920	182,021	210,298	197,088	210,298	200,080	198,886	196,836	201,858
18 Nonfinancial business[3]	50,125	56,790	53,525	48,536	53,525	50,520	48,613	47,416	44,526
19 Pools of securitized assets[4]	80,242	96,130	147,934	141,934	147,934	151,640	153,390	157,690	161,185
20 Other	280,185	313,225	341,813	339,834	341,813	345,820	344,108	344,858	342,627
21 Commercial banks	127,763	139,007	148,022	150,895	148,022	154,134	153,551	154,471	152,339
22 Finance companies	60,396	73,221	81,998	78,926	81,998	81,186	81,053	79,620	79,489
23 Nonfinancial business[3]	27,104	29,831	31,536	29,412	31,536	30,213	29,525	29,265	29,239
24 Pools of securitized assets[4]	11,267	15,305	22,053	22,267	22,053	22,608	22,721	23,728	24,064

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals that is scheduled to be repaid (or has the option of repayment) in two or more installments. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.

2. Comprises mobile home loans and all other installment loans that are not included in automobile or revolving credit, such as loans for education, boats, trailers, or vacations. These loans may be secured or unsecured.

3. Includes retailers and gasoline companies.

4. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.

5. Totals include estimates for certain holders for which only consumer credit totals are available.

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT[1]

Percent per year except as noted

Item	1993	1994	1995	1995 Oct.	1995 Nov.	1995 Dec	1996 Jan.	1996 Feb.	1996 Mar.	1996 Apr.
INTEREST RATES										
Commercial banks[2]										
1 48-month new car	8.09	8.12	9.57	n.a.	9.36	n.a.	n.a.	9.12	n.a.	n.a.
2 24-month personal	13.47	13.19	13.94	n.a.	13.80	n.a.	n.a.	13.63	n.a.	n.a.
Credit card plan										
3 All accounts	n.a.	15.69	16.02	n.a.	15.81	n.a.	n.a.	15.82	n.a.	n.a.
4 Accounts assessed interest	n.a.	15.77	15.79	n.a.	15.71	n.a.	n.a.	15.41	n.a.	n.a.
Auto finance companies										
5 New car	9.48	9.79	11.19	10.89	10.84	10.52	9.74	9.86	9.77	9.64
6 Used car	12.79	13.49	14.48	14.06	13.98	13.83	13.27	13.28	13.19	13.26
OTHER TERMS[3]										
Maturity (months)										
7 New car	54.5	54.0	54.1	54.6	54.5	53.6	51.8	52.3	51.8	51.5
8 Used car	48.8	50.2	52.2	52.3	52.2	51.8	52.2	52.1	52.0	51.8
Loan-to-value ratio										
9 New car	91	92	92	92	92	92	92	91	91	91
10 Used car	98	99	99	99	99	99	99	98	98	99
Amount financed (dollars)										
11 New car	14,332	15,375	16,210	16,430	16,583	17,034	16,698	16,627	16,520	16,605
12 Used car	9,875	10,709	11,590	11,883	12,012	12,152	12,059	11,990	11,934	12,024

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals that is scheduled to be repaid (or has the option of repayment) in two or more installments. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.

2. Data are available for only the second month of each quarter.

3. At auto finance companies.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]

Billions of dollars, quarterly data at seasonally adjusted annual rates

Transaction category or sector	1991	1992	1993	1994	1995[r]	1994 Q3	1994 Q4	1995[r] Q1	1995[r] Q2	1995[r] Q3	1995[r] Q4	1996 Q1
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**481.7[r]**	**543.0[r]**	**628.5[r]**	**618.9[r]**	**732.9**	**587.6[r]**	**634.8[r]**	**880.4**	**888.3**	**584.8**	**578.2**	**863.5**
By sector and instrument												
2 U.S. government	278.2	304.0	256.1	155.9	144.4	135.6	150.1	266.8	202.8	65.8	42.4	288.7
3 Treasury securities	292.0	304.8	248.3	155.7	142.9	132.8	155.7	268.0	201.2	65.4	37.2	291.0
4 Budget agency issues and mortgages	13.8	.2	7.8	.2	1.5	2.9	5.7	1.2	1.6	.4	5.1	2.3
5 Private	203.5[r]	239.0[r]	372.3[r]	463.1[r]	588.5	452.0[r]	484.7[r]	613.6	685.6	519.1	535.9	574.8
By instrument												
6 Municipal securities	87.8	30.5	74.8	29.3	41.3	58.1	53.8	45.8	4.3	107.4	7.6	6.4
7 Corporate bonds	78.8	67.6	75.2	23.3	73.3	15.1	6.2	53.0	98.4	59.8	82.0	58.9
8 Mortgages	158.4	130.9	157.2	194.3[r]	237.5	205.5[r]	210.6[r]	222.5	239.6	290.5	197.4	285.4
9 Home mortgages	173.6	187.6	187.9	202.4[r]	204.7	210.3[r]	216.8[r]	196.8	207.2	256.8	157.8	250.1
10 Multifamily residential	5.5	10.4	6.0	1.3	11.0	5.6	-4.2	2.7	11.2	13.7	13.6	15.6
11 Commercial	10.0	17.8	25.0	11.1	20.1	12.7	3.4	21.2	16.3	17.7	25.2	17.4
12 Farm	.4	1.1	.5	1.8	1.7	2.2	1.4	1.7	1.8	2.3	.8	2.2
13 Consumer credit	13.7[r]	5.0[r]	61.5	124.9[r]	142.9	133.8[r]	141.8[r]	138.3	156.9	158.5	118.2	121.7
14 Bank loans n.e.c.	10.9	13.7	3.8	73.1[r]	103.0	92.1[r]	76.7[r]	152.5	96.8	76.8	86.0	52.8
15 Commercial paper	18.4	8.6	10.0	21.4	18.1	28.5[r]	30.7[r]	12.3	39.1	13.9	7.2	37.9
16 Other loans and advances	18.5	10.1	10.2	55.4	54.9	35.1	72.4	80.8	59.1	27.4	52.7	24.5
By borrowing sector												
17 Household	183.8[r]	198.4[r]	249.1	362.2[r]	383.5	385.3[r]	392.4[r]	358.6	393.0	348.1	334.5	387.7
18 Nonfinancial business	61.9	19.5	61.0	144.3	250.6	132.1[r]	160.8[r]	300.1	303.6	181.5	217.1	190.7
19 Farm	2.1	1.3	2.0	2.8	2.0	2.1	2.0	.9	3.6	-4.3	.8	.9
20 Nonfarm noncorporate	11.0	16.0	7.0	12.1	35.9	8.8	16.5	51.3	34.4	29.8	28.2	29.3
21 Corporate	53.0	34.1	52.0	129.3	212.7	120.9[r]	116.3[r]	247.9	265.6	147.4	190.0	160.5
22 State and local government	81.6	21.1	62.3	-43.4	-45.7	65.4	68.5	45.1	11.1	110.6	16.0	3.7
23 Foreign net borrowing in United States	14.8	22.6	68.8	20.3	67.7	19.6	33.5	61.4	-40.3	94.1	75.1	36.9
24 Bonds	15.0	15.7	81.3	7.1	46.5	20.8	27.7	13.5	19.9	52.1	70.6	15.4
25 Bank loans n.e.c.	3.1	2.3	.7	1.4	8.5	-4.7	.5	8.1	5.6	8.2	11.9	8.7
26 Commercial paper	6.4	5.2	9.0	27.3	13.6	8.1	5.9	37.9	11.1	30.9	3.4	13.8
27 Other loans and advances	9.8	.6	-4.2	1.6	.8	2.2	.1	1.9	-4.0	2.9	1.1	3.3
28 **Total domestic plus foreign**	**496.5[r]**	**565.6[r]**	**697.3[r]**	**598.6[r]**	**800.7**	**607.2[r]**	**668.3[r]**	**941.8**	**928.8**	**678.9**	**653.3**	**900.4**
	Financial sectors											
29 **Total net borrowing by financial sectors**	**155.6[r]**	**240.0[r]**	**291.1[r]**	**467.9[r]**	**444.9**	**428.7[r]**	**536.8[r]**	**273.1**	**436.1**	**490.0**	**580.4**	**313.6**
By instrument												
30 U.S. government-related	145.7	155.8	164.2	288.6[r]	205.1	250.3[r]	321.2[r]	89.1	192.1	221.4	317.5	147.2
31 Government sponsored enterprise securities	9.2	-40.3	80.6	176.9	106.9	152.1	249.0	62.9	127.2	101.5	136.1	37.4
32 Mortgage pool securities	136.6	115.6	83.6	116.5[r]	98.2	98.3[r]	72.2[r]	26.4	64.9	119.9	181.4	109.8
33 Loans from U.S. government	0	0	0	1.8	0	0	0	0	0	0	0	0
34 Private	9.8[r]	84.2[r]	126.9[r]	179.2[r]	239.8	178.3[r]	215.6[r]	183.7	244.0	268.6	262.9	166.4
35 Corporate bonds	69.9[r]	82.7[r]	120.1[r]	117.5[r]	185.5	103.9[r]	81.9[r]	167.5	182.3	208.1	184.0	136.2
36 Mortgages	.5	.6	3.6	9.8	5.3	12.0	-4.9	5.2	5.2	5.2	5.6	5.5
37 Bank loans n.e.c.	8.8	2.2	13.0	12.3	3.0	11.7	1.9	3.0	21.2	7.1	13.4	7.6
38 Open market paper	32.0	.7	6.2	41.6	42.6	-41.3	85.9	38.5	34.0	13.3	54.7	22.6
39 Other loans and advances	37.3	.6	22.4	22.6	3.4	32.8	38.1	24.5	1.3	4.9	32.0	5.5
By borrowing sector												
40 Government sponsored enterprises	9.1	40.2	80.6	172.1	106.9	152.1	249.0	62.9	127.2	101.5	136.1	37.4
41 Federally related mortgage pools	136.6	115.6	83.6	116.5[r]	98.2	98.3[r]	72.2[r]	26.1	64.9	119.9	181.4	109.8
42 Private financial sectors	9.8[r]	84.2[r]	126.9[r]	179.2[r]	239.8	178.3[r]	215.6[r]	183.7	244.0	268.6	262.9	166.4
43 Commercial banks	10.7	7.7	4.6	9.9	8.4	23.9	4.4	6.3	18.2	8.8	.9	4.8
44 Bank holding companies	2.5	2.3	8.8	10.3	14.4	11.5	16.0	16.3	20.8	28.2	7.8	25.8
45 Funding corporations	6.5	13.2	2.9	24.2	32.0	-47.3	11.1	61.5	21.7	52.1	7.3	26.6
46 Savings institutions	13.7	7.0	11.3	12.8	2.6	14.8	36.4	18.9	7.2	5.1	31.5	10.9
47 Credit unions	0	.0	.2	.2	.1	.5	.2	.3	.1	.1	0	.1
48 Life insurance companies	0	0	.2	.3	.1	.0	1.3	0	.1	.1	.4	2.5
49 Finance companies	17.7	1.6	.2	50.2	51.6	16.3	57.3	83.1	57.2	6.5	59.6	50.0
50 Mortgage companies	2.4	8.0	0	11.5	2.1	7.0	1.1	7.4	11.8	4.0	20.0	.7
51 Real estate investment trusts (REITs)	1.2	.3	3.4	13.7	5.1	18.8	6.3	5.2	5.2	5.2	6.0	5.9
52 Brokers and dealers	3.7	2.7	12.0	.5	5.0	7.6	19.3	29.5	.1	2.4	7.7	31.8
53 Issuers of asset-backed securities (ABSs)	51.0[r]	58.5[r]	83.3[r]	68.5[r]	133.0	59.8[r]	62.8[r]	67.6	113.2	156.5	194.5	132.2

1.58 SUMMARY OF FINANCIAL TRANSACTIONS[1]

Billions of dollars except as noted; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1991	1992	1993	1994	1995[r]	1994 Q3	1994 Q4	1995[r] Q1	1995[r] Q2	1995[r] Q3	1995[r] Q4	1996 Q1
NET LENDING IN CREDIT MARKETS[2]												
1 **Total net lending in credit markets**	**652.1[r]**	**805.6[r]**	**988.4[r]**	**1,066.5[r]**	**1,245.6**	**1,035.9[r]**	**1,205.2[r]**	**1,214.8**	**1,364.9**	**1,169.0**	**1,233.7**	**1,214.0**
2 Private domestic nonfinancial sectors	105.2[r]	87.9[r]	65.6[r]	258.9[r]	−84.8	213.4[r]	227.8[r]	35.3	−142.3	−54.9	−177.3	−133.6
3 Households	29.0[r]	81.7[r]	52.2[r]	304.7[r]	51.5	292.3[r]	343.4[r]	170.8	−77.2	203.2	−90.7	−103.6
4 Nonfarm noncorporate business	−5.3	−.1	.6	.7	1.0	.7	.9	.5	1.1	1.1	1.2	1.2
5 Nonfinancial corporate business	30.7	27.8	9.1[r]	48.1[r]	−3.5	37.3[r]	53.2[r]	−41.1	39.5	−50.2	37.6	52.7
6 State and local governments	50.8	−21.5	3.7	−94.6	−133.7	−117.0	−169.7	−94.9	−105.7	−209.0	−125.3	−83.9
7 U.S. government	10.5	−11.9	−18.4	−24.2	−21.3	−11.3	−24.4	−13.2	−24.3	−23.9	−23.9	−24.6
8 Rest of the world	13.3	98.2	128.3	134.4	271.7	137.5	210.9	241.2	326.1	358.0	161.7	327.6
9 Financial sectors	523.1[r]	631.5	812.8	697.4[r]	1,080.0	696.3[r]	790.8[r]	951.6	1,205.3	889.8	1,273.1	1,044.5
10 Government sponsored enterprises	15.1	68.8	90.2	119.1[r]	94.7	121.9[r]	171.4[r]	28.2	97.5	61.5	191.7	42.3
11 Federally related mortgage pools	136.6	115.6	83.6	116.5[r]	98.2	98.3[r]	72.2[r]	26.4	64.9	119.9	181.4	109.8
12 Monetary authority	31.1	27.9	36.2	31.5	12.7	29.7	30.0	16.3	20.8	−11.1	24.7	14.3
13 Commercial banking	80.8	95.3	142.2	163.4	266.3	183.4	174.5	343.1	315.6	248.9	157.7	130.7
14 U.S. chartered banks	35.7	69.5	149.6	148.1	186.6	155.6	174.2	183.4	222.4	227.5	112.9	85.9
15 Foreign banking offices in United States	48.5	16.5	−9.8	11.2	75.4	22.9	−5.6	158.8	83.9	24.1	35.0	51.1
16 Bank holding companies	−1.5	5.6	.0	.9	−.3	2.7	−2.4	−1.5	5.3	−9.6	4.6	−5.3
17 Banks in U.S. affiliated areas	−1.9	3.7	2.4	3.3	4.7	2.2	8.3	2.4	4.0	7.0	5.2	−.9
18 Funding corporations	8.2	17.7	−19.4[r]	−27.4	6.2	−43.4[r]	−4.2[r]	39.8	−3.5	5.5	−17.0	154.9
19 Thrift institutions	−146.1	−61.3	−1.7	34.9	8.7	53.8	32.4	28.2	9.7	43.6	−46.8	−2.1
20 Life insurance companies	86.5	78.5	100.9	66.3	98.7	89.5	79.4	132.4	131.2	77.0	54.3	122.1
21 Other insurance companies	30.0	6.7	27.7	24.9	21.4	25.3	30.4	19.2	21.7	21.8	22.8	22.2
22 Private pension funds	35.4	41.1	45.9	47.0	61.3	42.5	74.7	58.9	57.2	50.5	78.5	77.8
23 State and local government retirement funds	41.1	23.0	19.8	29.0	21.4	−11.1	36.6	62.4	3.2	6.8	13.2	87.3
24 Finance companies	−9.2	7.5	−9.0	68.2	63.6	63.8[r]	81.7[r]	92.5	65.7	43.7	52.7	56.7
25 Mortgage companies	11.2	.1	.0	−22.9	−3.4	−14.0	2.1	−14.4	29.9	7.3	−36.4	1.7
26 Mutual funds	80.1	126.2	159.5	−7.1	52.5	−29.3	−70.4	−15.1	21.5	52.0	151.5	62.9
27 Closed-end funds	12.8	18.2	11.0	−5.5	5.8	−13.6	−10.0	3.5	6.4	8.4	5.0	−1.2
28 Money market mutual funds	32.7	4.7	20.4	30.0	86.5	57.7	53.9	53.1	135.2	33.2	124.6	170.1
29 Real estate investment trusts (REITs)	−.7	1.1	.6	4.7	1.8	5.5	.2	1.8	1.8	1.8	1.9	1.9
30 Brokers and dealers	17.5	−1.3	14.8	−44.2	90.1	−21.9	−8.0	30.5	146.2	−1.8	185.6	−101.1
31 Asset-backed securities issuers (ABSs)	50.0[r]	53.7[r]	80.8[r]	61.9[r]	112.3	50.6[r]	42.6[r]	55.5	100.9	144.6	148.0	112.2
32 Bank personal trusts	10.0	8.0	9.5	7.1	−18.8	7.7	1.4	−10.8	−20.6	−23.7	−20.2	−18.1
RELATION OF LIABILITIES TO FINANCIAL ASSETS												
33 **Net flows through credit markets**	**652.1[r]**	**805.6[r]**	**988.4[r]**	**1,066.5[r]**	**1,245.6**	**1,035.9[r]**	**1,205.2[r]**	**1,214.8**	**1,364.9**	**1,169.0**	**1,233.7**	**1,214.0**
Other financial sources												
34 Official foreign exchange	−5.9	−1.6	.8	−5.8	8.8	.2	−8.6	17.8	10.3	9.0	−1.9	−2.1
35 Special drawing rights certificates	.0	−2.0	.0	.0	2.2	.0	.0	.0	.0	8.6	.0	.0
36 Treasury currency	.0	.2	.4	.7	.6	.8	.7	.7	.7	.8	.0	.0
37 Life insurance reserves	25.7	27.3	35.2	34.0	49.9	67.7	21.6	54.0	49.9	29.9	66.0	56.0
38 Pension fund reserves	198.2	238.6	247.3	248.0	258.5	238.0	293.4	302.5	310.7	223.0	197.7	301.5
39 Interbank claims	−3.4	49.4[r]	50.5[r]	89.7[r]	10.1	4.1	99.9[r]	−13.6	25.2	−43.2	71.8	−80.9
40 Checkable deposits and currency	86.3	113.5	117.3	−9.7	−12.5	−66.0	−40.5	42.8	133.5	−151.5	−75.0	51.7
41 Small time and savings deposits	1.5	−57.2	−70.3	−40.0	96.5	−51.8	−46.9	18.1	112.0	142.2	113.6	174.7
42 Large time deposits	−58.5	−73.2	−23.5	19.6	65.6	84.0	36.5	116.8	69.2	76.3	.3	52.0
43 Money market fund shares	41.6	4.5	20.2	43.3	142.3	56.4	86.5	59.9	233.5	121.2	154.8	225.6
44 Security repurchase agreements	−16.5	43.1	71.2	78.3	110.7	86.0	51.9	161.8	130.7	85.1	65.2	−31.6
45 Foreign deposits	−26.5	−3.5	−18.5	45.8	5.8	28.1	97.9	39.2	90.6	−63.8	−42.8	−32.0
46 Mutual fund shares	147.2	209.1	323.7	128.9	173.9	129.7	−12.6	78.5	173.3	195.3	248.6	290.9
47 Corporate equities	62.2	85.8	118.4	21.9	−14.7	−16.4	−68.5	−38.5	−16.6	.7	−4.3	−17.6
48 Security credit	51.4	4.6	61.4	−.1	26.7	−59.3	37.1	−10.7	30.8	35.4	51.3	80.3
49 Trade payables	31.0	46.6	54.4[r]	111.0[r]	106.0	97.2[r]	149.4[r]	113.6	30.5	183.2	96.8	129.7
50 Taxes payable	−7.4[r]	9.7[r]	5.2[r]	3.2[r]	1.3	10.2[r]	4.2[r]	15.3	−4.3	4.0	−9.8	9.5
51 Noncorporate proprietors' equity	.5[r]	16.7[r]	3.4[r]	22.6[r]	38.7	46.0[r]	23.1[r]	26.9	33.5	48.6	45.7	53.1
52 Investment in bank personal trusts	16.1	−7.1	1.6	18.8	−47.7	23.6	11.9	−44.3	−45.6	−63.9	−37.1	−47.3
53 Miscellaneous	278.2[r]	280.5[r]	364.6[r]	236.8[r]	461.9	264.8[r]	303.4[r]	327.2	505.1	347.6	667.6	466.0
54 **Total financial sources**	**1,473.9[r]**	**1,790.4[r]**	**2,351.7[r]**	**2,113.5[r]**	**2,730.1**	**1,979.2[r]**	**2,245.7[r]**	**2,482.9**	**3,237.8**	**2,357.5**	**2,842.3**	**2,893.5**
Floats not included in assets (−)												
55 U.S. government checkable deposits	−13.1	.7	−1.5	−4.8	−6.0	7.4	−24.4	13.2	−16.3	3.5	−24.3	17.8
56 Other checkable deposits	4.5	1.6	−1.3	−2.8	−3.8	−3.3	−2.3	−3.7	−3.9	−3.5	−4.2	−3.9
57 Trade credit	36.1	11.3	−6.6[r]	−7.8[r]	−14.8	12.6[r]	−44.0[r]	79.5	12.7	−44.1	−107.3	−71.6
Liabilities not identified as assets (−)												
58 Treasury currency	−.6	−.2	−.2	−.2	−.5	−.2	−.2	−.2	−.4	−.3	−1.0	−.9
59 Interbank claims	26.2	−4.9	4.2	−2.7	−3.1	10.1	−1.7	.8	8.2	7.6	−29.1	12.4
60 Security repurchase agreements	−9.5	3.6	34.3	31.5[r]	11.0	−53.5[r]	86.7[r]	64.4	−47.3	39.6	−12.7	−76.7
61 Foreign deposits	−24.0	−2.8	−7.0[r]	36.9	−1.5	39.5	55.7[r]	45.6	81.6	−93.6	−39.5	−41.5
62 Taxes payable	−2.2[r]	11.9[r]	11.1[r]	8.6[r]	8.7	10.8	−.9[r]	−8.9	31.6	10.8	1.4	−24.0
63 Miscellaneous	9.7[r]	−.1[r]	−126.1[r]	−138.7[r]	−29.8	−44.3[r]	−107.3[r]	−230.6	−36.9	−4.8	153.1	123.3
64 **Total identified to sectors as assets**	**1,446.8[r]**	**1,769.3[r]**	**2,444.9[r]**	**2,193.7[r]**	**2,769.8**	**2,000.1[r]**	**2,284.2[r]**	**2,522.7**	**3,208.3**	**2,442.4**	**2,905.9**	**2,958.8**

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.6 and F.7. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

1.59 SUMMARY OF CREDIT MARKET DEBT OUTSTANDING[1]

Billions of dollars, end of period

Transaction category or sector	1992	1993	1994	1995[r]	1994 Q3	1994 Q4	1995[r] Q1	1995[r] Q2	1995[r] Q3	1995[r] Q4	1996 Q1
	Nonfinancial sectors										
1 **Total credit market debt owed by domestic nonfinancial sectors**	**11,894.5[r]**	**12,537.8[r]**	**13,163.0[r]**	**13,895.9**	**12,965.8[r]**	**13,163.0[r]**	**13,339.3**	**13,548.4**	**13,707.8**	**13,895.9**	**14,072.1**
By sector and instrument											
2 U.S. government	3,080.3	3,336.5	3,492.3	3,636.7	3,432.3	3,492.3	3,557.9	3,583.5	3,603.4	3,636.7	3,717.2
3 Treasury securities	3,061.6	3,309.9	3,465.6	3,608.5	3,404.1	3,465.6	3,531.5	3,556.7	3,576.5	3,608.5	3,689.6
4 Budget agency issues and mortgages	18.8	26.6	26.7	28.2	28.2	26.7	26.4	26.8	26.9	28.2	27.6
5 Private	8,814.2[r]	9,201.3[r]	9,670.7[r]	10,259.2	9,533.6[r]	9,670.7[r]	9,781.4	9,964.9	10,104.4	10,259.2	10,354.9
By instrument											
6 Municipal securities	1,302.8	1,377.5	1,348.2	1,307.0	1,362.6	1,348.2	1,335.4	1,331.7	1,309.9	1,307.0	1,304.1
7 Corporate bonds	1,154.5	1,229.7	1,253.0	1,326.3	1,251.5	1,253.0	1,266.3	1,290.9	1,305.8	1,326.3	1,341.0
8 Mortgages	4,088.7	4,260.0	4,454.4[r]	4,691.8	4,400.5[r]	4,454.4[r]	4,495.8	4,563.2	4,641.2	4,691.8	4,748.6
9 Home mortgages	3,037.4	3,227.6	3,430.0[r]	3,634.7	3,374.6[r]	3,430.0[r]	3,465.1	3,524.4	3,594.0	3,634.7	3,682.6
10 Multifamily residential	272.5	267.8	269.1	280.2	270.2	269.1	269.8	273.3	276.8	280.2	284.1
11 Commercial	698.1	683.4	672.3	692.4	673.1	672.3	677.6	681.6	686.1	692.4	696.7
12 Farm	80.7	81.2	83.0	84.6	82.6	83.0	83.4	83.9	84.4	84.6	85.2
13 Consumer credit	802.4[r]	863.9[r]	988.8[r]	1,131.7	933.9[r]	988.8[r]	989.3	1,029.7	1,077.5	1,131.7	1,123.3
14 Bank loans n.e.c.	672.2	676.0	749.0[r]	852.0	724.9[r]	749.0[r]	782.8	810.6	825.6	852.0	861.9
15 Commercial paper	107.1	117.8	139.2	157.4	138.7	139.2	149.8	162.9	163.3	157.4	173.2
16 Other loans and advances	686.5	676.3	738.0	792.9	721.6	738.0	762.0	775.8	781.2	792.9	802.7
By borrowing sector											
17 Household	4,021.4[r]	4,272.9[r]	4,634.7[r]	5,018.3	4,515.1[r]	4,634.7[r]	4,676.5	4,784.1	4,908.0	5,018.3	5,063.2
18 Nonfinancial business	3,696.8	3,770.3	3,921.1	4,171.8	3,885.6	3,921.1	4,002.7	4,084.0	4,122.3	4,171.8	4,224.8
19 Farm	136.3	138.3	141.2	143.2	143.1	141.2	138.9	142.8	144.9	143.2	140.9
20 Nonfarm noncorporate	1,122.9	1,129.9	1,142.0	1,178.0	1,137.4	1,142.0	1,154.5	1,163.3	1,170.4	1,178.0	1,185.0
21 Corporate	2,437.6	2,502.0	2,638.0	2,850.7	2,605.0	2,638.0	2,709.2	2,777.8	2,807.0	2,850.7	2,898.9
22 State and local government	1,095.9	1,158.2	1,114.8	1,069.1	1,132.8	1,114.8	1,102.2	1,096.8	1,074.1	1,069.1	1,066.9
23 **Foreign credit market debt held in United States**	**313.1**	**381.9**	**361.6**	**429.4**	**352.4**	**361.6**	**376.8**	**387.6**	**409.9**	**429.4**	**438.5**
24 Bonds	146.2	227.4	234.6	281.1	227.6	234.6	237.9	250.4	263.4	281.1	292.4
25 Bank loans n.e.c.	23.9	24.6	26.1	34.6	26.3	26.1	28.2	29.6	31.6	34.6	36.8
26 Commercial paper	77.7	68.7	41.4	55.0	39.9	41.4	50.9	48.1	55.8	55.0	51.5
27 Other loans and advances	65.3	61.1	59.6	58.7	58.6	59.6	59.8	59.5	59.0	58.7	57.8
28 **Total credit market debt owed by nonfinancial sectors, domestic and foreign**	**12,207.6[r]**	**12,919.7[r]**	**13,524.6[r]**	**14,325.3**	**13,318.3[r]**	**13,524.6[r]**	**13,716.1**	**13,935.9**	**14,117.7**	**14,325.3**	**14,510.7**
	Financial sectors										
29 **Total credit market debt owed by financial sectors**	**3,025.0[r]**	**3,321.5[r]**	**3,794.6[r]**	**4,242.1**	**3,656.2[r]**	**3,794.6[r]**	**3,861.4**	**3,971.8**	**4,093.9**	**4,242.1**	**4,317.1**
By instrument											
30 U.S. government-related	1,720.0	1,884.1	2,172.7[r]	2,377.8	2,093.3[r]	2,172.7[r]	2,196.2	2,247.1	2,300.1	2,377.8	2,416.6
31 Government-sponsored enterprises securities	443.1	523.7	700.6	807.5	638.3	700.6	716.3	748.1	773.5	807.5	816.9
32 Mortgage pool securities	1,272.0	1,355.6	1,472.1[r]	1,570.3	1,454.9[r]	1,472.1[r]	1,479.9	1,499.0	1,526.6	1,570.3	1,599.7
33 Loans from U.S. government	4.8	4.8	.0	.0	.0	.0	.0	.0	.0	.0	.0
34 Private	1,305.1[r]	1,437.4[r]	1,621.9[r]	1,864.3	1,563.0[r]	1,621.9[r]	1,665.2	1,724.7	1,793.8	1,864.3	1,900.6
35 Corporate bonds	738.4[r]	858.5[r]	973.5[r]	1,158.9	949.5[r]	973.5[r]	1,012.3	1,056.4	1,110.2	1,158.9	1,189.6
36 Mortgages	5.4	8.9	18.7	24.0	17.5	18.7	20.0	21.3	22.6	24.0	25.4
37 Bank loans n.e.c.	80.5	67.6	55.3	58.3	53.4	55.3	53.4	58.4	60.3	58.3	59.1
38 Open market paper	394.3	393.5	442.8	488.1	420.5	442.8	454.1	462.8	473.6	488.1	492.8
39 Other loans and advances	86.6	108.9	131.6	135.0	122.0	131.6	125.4	125.7	127.0	135.0	133.6
By borrowing sector											
40 Government-sponsored enterprises	447.9	528.5	700.6	807.5	638.3	700.6	716.3	748.1	773.5	807.5	816.9
41 Federally related mortgage pools	1,272.0	1,355.6	1,472.1[r]	1,570.3	1,454.9[r]	1,472.1[r]	1,479.9	1,499.0	1,526.6	1,570.3	1,599.7
42 Private financial sectors	1,305.1[r]	1,437.4[r]	1,621.9[r]	1,864.3	1,563.0[r]	1,621.9[r]	1,665.2	1,724.7	1,793.8	1,864.3	1,900.6
43 Commercial banks	80.0	84.6	94.5	102.6	92.6	94.5	95.0	99.9	102.0	102.6	100.5
44 Bank holding companies	114.6	123.4	133.6	148.0	129.6	133.6	137.7	142.9	150.0	148.0	141.6
45 Funding corporations	161.6	169.9	199.3	233.9	200.6	199.3	221.0	229.9	240.0	233.9	244.6
46 Savings institutions	88.4	99.6	112.4	115.0	103.4	112.4	107.7	105.9	107.2	115.0	117.8
47 Credit unions	.0	.2	.5	.4	.4	.5	.4	.3	.4	.4	.4
48 Life insurance companies	.0	.2	.6	.5	.3	.6	.6	.6	.6	.5	1.1
49 Finance companies	390.4	390.5	440.7	492.3	420.9	440.7	456.7	467.2	471.9	492.3	499.8
50 Mortgage companies	30.2	30.2	18.7	16.6	18.5	18.7	16.9	20.6	21.6	16.6	16.8
51 Real estate investment trusts (REITs)	13.9	17.4	31.1	36.5	29.5	31.1	32.4	33.7	35.0	36.5	38.0
52 Brokers and dealers	21.7	33.7	34.3	29.3	29.4	34.3	26.9	26.8	27.4	29.3	21.4
53 Issuers of asset-backed securities (ABSs)	404.3[r]	487.6[r]	556.1[r]	689.1	537.7[r]	556.1[r]	570.0	596.8	637.8	689.1	718.8
	All sectors										
54 **Total credit market debt, domestic and foreign**	**15,232.6[r]**	**16,241.2[r]**	**17,319.2[r]**	**18,567.4**	**16,974.5[r]**	**17,319.2[r]**	**17,577.5**	**17,907.8**	**18,211.5**	**18,567.4**	**18,827.8**
55 U.S. government securities	4,795.5	5,215.8	5,665.0[r]	6,014.6	5,525.6[r]	5,665.0[r]	5,754.1	5,830.6	5,903.5	6,014.6	6,133.8
56 Municipal securities	1,302.8	1,377.5	1,348.2	1,307.0	1,362.6	1,348.2	1,335.4	1,331.7	1,309.9	1,307.0	1,304.1
57 Corporate and foreign bonds	2,039.0[r]	2,315.6[r]	2,461.0[r]	2,766.3	2,428.6[r]	2,461.0[r]	2,516.5	2,597.7	2,679.5	2,766.3	2,823.1
58 Mortgages	4,094.1	4,269.0	4,473.1[r]	4,715.9	4,418.0[r]	4,473.1[r]	4,515.9	4,584.6	4,663.9	4,715.9	4,774.0
59 Consumer credit	802.4[r]	863.9[r]	988.8[r]	1,131.7	933.9[r]	988.8[r]	989.3	1,029.7	1,077.5	1,131.7	1,123.3
60 Bank loans n.e.c.	776.6	768.2	830.4[r]	944.9	804.5[r]	830.4[r]	864.4	898.6	917.4	944.9	957.8
61 Open market paper	579.0	580.0	623.5	700.4	599.2	623.5	654.7	673.8	692.7	700.4	717.6
62 Other loans and advances	843.1	851.1	929.1	986.6	902.2	929.1	947.2	961.0	967.1	986.6	994.2

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.2 through L.4. For ordering address, see inside front cover.

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data except as noted

Item	Change from 12 months earlier		Change from 3 months earlier (annual rate)				Change from 1 month earlier					Index level, May 1996[1]
	1995 May	1996 May	1995 June	1995 Sept.	1995 Dec.	1996 Mar.	1996 Jan.	1996 Feb.	1996 Mar.	1996 Apr.	1996 May	
CONSUMER PRICES[2] (1982–84=100)												
1 **All items**	**3.2**	**2.9**	**3.5**	**1.6**	**2.4**	**4.0**	**.4**	**.2**	**.4**	**.4**	**.3**	**156.6**
2 Food	3.3	2.5	3.6	2.7	1.9	3.2	.1	.1	.6	.3	.1	152.0
3 Energy items	3.3	6.2	5.8	−10.5	1.9	15.8	1.9	.4	1.4	3.2	1.1	112.9
4 All items less food and energy	3.1	2.7	3.0	2.8	2.2	3.5	.3	.2	.3	.1	.2	165.1
5 Commodities	1.5	1.5	.9	2.0	1.7	2.6	.4	−.1	.4	−.1	.0	141.7
6 Services	3.8	3.2	4.3	3.0	2.5	3.4	.3	.3	.2	.3	.3	178.4
PRODUCER PRICES (1982=100)												
7 Finished goods	2.2	2.3	1.3	1.6	4.4	2.5	.2	−.1^{r}	.5	.4	−.1	131.0
8 Consumer foods	1.1	2.6	−2.5	8.8	4.4	.3	−.4^{r}	−.2^{r}	.6	−.3	.0	131.3
9 Consumer energy	5.5	5.0	1.5	−10.2	10.8	17.8	2.4^{r}	−.6^{r}	2.4	2.8	−.6	84.4
10 Other consumer goods	2.1	1.7	2.9	2.3	3.4	.3	−.1^{r}	.1	.1	.0	.1	144.1
11 Capital equipment	1.8	1.4	1.8	1.8	2.9	−.3	−.1	.1	−.1	.2	−.1	138.4
Intermediate materials												
12 Excluding foods and feeds	7.4	.0	3.9	−.6	−.6	−1.0	.1^{r}	−.4^{r}	.1	.3	.2	126.0
13 Excluding energy	7.9	−1.0	4.2	1.5	−2.9	−3.2	−.3^{r}	−.3^{r}	−.2	−.2	.2	134.2
Crude materials												
14 Foods	−9.2	27.9	4.0	34.8	20.8	−3.8	−.4^{r}	−.6^{r}	.1	4.0	6.3	127.4
15 Energy	−1.4	15.9	14.6	−21.0	33.9	38.1	7.7^{r}	−5.0^{r}	5.9	10.9	−3.8	83.9
16 Other	19.2	−12.5	3.9	−17.6	−18.4	−10.2	−.2^{r}	−.7^{r}	−1.8	−.5	−.3	158.0

1. Not seasonally adjusted.
2. Figures for consumer prices are for all urban consumers and reflect a rental-equivalence measure of homeownership.

SOURCE. U.S. Department of Labor, Bureau of Labor Statistics.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

Monthly data seasonally adjusted, and indexes 1987 = 100, except as noted

Measure	1993	1994	1995	1995 Sept.	1995 Oct.	1995 Nov.	1995 Dec.	1996[r] Jan.	1996[r] Feb.	1996[r] Mar.	1996[r] Apr.	1996[r] May
1 **Industrial production**[1]	**111.5**	**118.1**	**121.9**	**122.8**	**122.2**	**122.6**	**122.8**	**122.5**	**124.2**	**123.6**	**124.4**	**125.3**
Market groupings												
2 Products, total	110.0	115.6	118.3	119.4	118.3	118.8	119.2	118.6	120.7	120.0	120.9	121.6
3 Final, total	112.7	118.3	121.4	122.6	121.3	121.9	122.1	121.9	124.5	123.5	124.9	125.6
4 Consumer goods	109.5	113.7	115.1	116.0	114.9	115.9	115.7	114.6	116.6	115.3	116.1	116.5
5 Equipment	117.5	125.3	131.4	133.1	131.5	131.4	132.3	133.7	137.3	136.7	139.3	140.4
6 Intermediate	101.8	107.3	109.0	109.5	109.2	109.3	110.1	108.5	109.3	109.4	108.7	109.4
7 Materials	113.8	122.0	127.4	128.1	128.1	128.4	128.4	128.5	129.4	129.2	129.8	131.0
Industry groupings												
8 Manufacturing	112.3	119.7	123.9	124.9	124.4	124.5	124.8	124.5	126.2	125.2	126.5	127.2
9 Capacity utilization, manufacturing (percent)[2]	80.6	83.3	83.0	82.8	82.2	82.0	81.9	81.4	82.3	81.3	81.9	82.0
10 Construction contracts[3]	105.0[r]	114.2	118.0[r]	120.0	120.0	121.0	116.0[r]	119.0	113.0	124.0	124.0	120.0
11 Nonagricultural employment, total[4]	108.6[r]	112.0[r]	115.0[r]	115.4[r]	115.5[r]	115.6[r]	115.9[r]	115.8	116.3	116.5	116.6	117.0
12 Goods producing, total	94.3	95.6	98.2	98.0[r]	97.9	97.8	97.9[r]	97.7	98.3	98.1	98.1	98.2
13 Manufacturing, total	94.8	95.1	96.9	96.9[r]	96.7[r]	96.6[r]	96.7[r]	96.4	96.5	96.2	96.2	96.2
14 Manufacturing, production workers	95.3	97.4	98.3	98.4[r]	98.1[r]	98.0[r]	98.1[r]	97.7	97.8	97.4	97.4	97.4
15 Service producing	112.9	116.3	119.5	120.9[r]	121.1[r]	121.3[r]	121.6[r]	121.6	122.1	122.3	122.5	122.9
16 Personal income, total	141.3	148.3	157.4	158.8	159.6	160.1	161.1	161.2	162.5	163.2	164.0	n.a.
17 Wages and salary disbursements	136.0	142.6	150.5	152.0	153.0	152.9	153.7	153.4	155.1	155.8	156.6	n.a.
18 Manufacturing	119.3	125.0	129.3	129.6	129.5	129.5	129.8	128.4	129.8	129.1	131.0	n.a.
19 Disposable personal income[5]	142.4	149.2	157.8	159.3	160.0	160.6	161.7	161.7	162.8	163.4	162.5	n.a.
20 Retail sales[5]	134.7	144.8	152.2	153.4	153.0	154.3	155.3	155.3	158.6	159.3	159.0	160.2
Prices[6]												
21 Consumer (1982–84 = 100)	144.5	148.2	152.4	153.2	153.7	153.6	153.5	154.4	154.9	155.7	156.3	156.6
22 Producer finished goods (1982 = 100)	124.7	125.5	127.9	127.9	128.7	128.7	129.1	129.4	129.4	130.2	130.8	131.0

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1995. See "A Revision to Industrial Production and Capacity Utilization, 1991–95," *Federal Reserve Bulletin*, vol. 82 (January 1996), pp. 16–25. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.

2. Ratio of index of production to index of capacity. Based on data from the Federal Reserve, DRI McGraw Hill, U.S. Department of Commerce, and other sources.

3. Index of dollar value of total construction contracts, including residential, nonresidential, and heavy engineering, from McGraw Hill Information Systems Company, F.W. Dodge Division.

4. Based on data from U.S. Department of Labor, *Employment and Earnings*. Series covers employees only, excluding personnel in the armed forces.

5. Based on data from U.S. Department of Commerce, *Survey of Current Business*.

6. Based on data not seasonally adjusted. Seasonally adjusted data for changes in the price indexes can be obtained from the U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*.

NOTE. Basic data (not indexes) for series mentioned in notes 4 and 5, and indexes for series mentioned in notes 3 and 6, can also be found in the *Survey of Current Business*.

Figures for industrial production for the latest month are preliminary, and many figures for the three months preceding the latest month have been revised. See "Recent Developments in Industrial Capacity and Utilization," *Federal Reserve Bulletin*, vol. 76 (June 1990), pp. 411–35. See also "Industrial Production Capacity and Capacity Utilization since 1987," *Federal Reserve Bulletin*, vol. 79 (June 1993), pp. 590–605.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data seasonally adjusted

Category	1993	1994	1995	1995[r] Oct.	1995[r] Nov.	1995[r] Dec.	1996[r] Jan.	1996[r] Feb.	1996[r] Mar.	1996[r] Apr.	1996[r] May
HOUSEHOLD SURVEY DATA[1]											
1 Civilian labor force[2]	128,040	131,056	132,304	132,473	132,471	132,352	132,903	133,018	133,655	133,361	133,910
Employment											
2 Nonagricultural industries[3]	116,232	119,651	121,460	121,810	121,739	121,656	121,698	122,143	122,664	122,726	122,971
3 Agriculture	3,074	3,409	3,440	3,434	3,323	3,325	3,529	3,519	3,487	3,368	3,491
Unemployment											
4 Number	8,734	7,996	7,404	7,229	7,409	7,371	7,677	7,355	7,504	7,266	7,448
5 Rate (percent of civilian labor force)	6.8	6.1	5.6	5.5	5.6	5.6	5.8	5.5	5.6	5.4	5.6
ESTABLISHMENT SURVEY DATA											
6 **Nonagricultural payroll employment**	**110,525**	**113,423**	**116,597**	**117,749**	**117,899**	**118,136**	**118,070**	**118,579**	**118,737**	**118,900**	**119,248**
7 Manufacturing	18,003	18,064	18,406	18,378	18,353	18,367	18,309	18,332	18,282	18,278	18,284
8 Mining	611	604	579	573	569	570	569	573	574	574	575
9 Contract construction	4,642	4,916	5,244	5,200	5,211	5,223	5,234	5,349	5,340	5,351	5,379
10 Transportation and public utilities	5,787	5,842	6,194	6,212	6,233	6,249	6,254	6,270	6,289	6,288	6,305
11 Trade	25,675	26,362	27,156	27,728	27,778	27,832	27,780	27,869	27,891	27,970	28,022
12 Finance	6,712	6,789	6,948	6,859	6,871	6,887	6,894	6,919	6,932	6,940	6,960
13 Service	30,278	31,805	32,788	33,460	33,546	33,661	33,694	33,902	34,035	34,100	34,281
14 Government	18,817	19,041	19,282	19,339	19,338	19,347	19,336	19,365	19,394	19,399	19,442

1. Beginning January 1994, reflects redesign of current population survey and population controls from the 1990 census.

2. Persons sixteen years of age and older, including Resident Armed Forces. Monthly figures are based on sample data collected during the calendar week that contains the twelfth day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures.

3. Includes self employed, unpaid family, and domestic service workers.

4. Includes all full- and part-time employees who worked during, or received pay for, the pay period that includes the twelfth day of the month; excludes proprietors, self-employed persons, household and unpaid family workers, and members of the armed forces. Data are adjusted to the March 1992 benchmark, and only seasonally adjusted data are available at this time.

SOURCE. Based on data from U.S. Department of Labor, *Employment and Earnings*.

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION[1]

Seasonally adjusted

Series	1995 Q2	1995 Q3	1995 Q4	1996 Q1[r]	1995 Q2	1995 Q3	1995 Q4	1996 Q1	1995 Q2	1995 Q3	1995 Q4	1996 Q1[r]
	Output (1987 = 100)				Capacity (percent of 1987 output)				Capacity utilization rate (percent)[2]			
1 **Total industry**	**121.4**	**122.3**	**122.5**	**123.4**	**145.0**	**146.3**	**147.7**	**149.1**	**83.7**	**83.6**	**82.9**	**82.8**
2 Manufacturing	123.3	124.1	124.6	125.3	148.7	150.2	151.9	153.5	83.0	82.6	82.0	81.6
3 Primary processing[3]	117.7	117.1	117.1	116.6	134.3	135.2	136.1	136.9	87.6	86.6	86.1	85.2
4 Advanced processing[4]	126.0	127.5	128.1	129.4	155.6	157.5	159.5	161.5	81.0	80.9	80.3	80.2
5 Durable goods	131.4	133.0	134.2	136.0	159.2	161.7	164.2	166.7	82.5	82.3	81.7	81.6
6 Lumber and products	102.9	104.6	105.8	104.6	118.7	119.8	120.9	121.7	86.7	87.3	87.5	85.9
7 Primary metals	119.1	118.2	118.8	118.6	128.1	128.8	129.5	130.3	92.9	91.8	91.8	91.0
8 Iron and steel	121.9	121.3	121.3	122.6	132.4	132.9	133.5	134.4	92.1	91.3	90.9	91.2
9 Nonferrous	115.1	113.9	115.3	113.1	122.5	123.3	124.0	124.8	94.0	92.4	93.0	90.7
10 Industrial machinery and equipment	174.4	178.9	186.8	195.6	200.5	206.1	212.0	218.1	87.0	86.8	88.1	89.7
11 Electrical machinery	171.2	178.4	182.9	186.4	199.0	206.3	213.9	221.8	86.0	86.5	85.5	84.0
12 Motor vehicles and parts	140.5	140.7	140.5	132.6	174.4	176.8	179.2	181.3	80.6	79.6	78.4	73.2
13 Aerospace and miscellaneous transportation equipment	88.7	86.9	79.0	83.9	130.9	130.1	129.3	128.6	67.7	66.8	61.1	65.2
14 Nondurable goods	114.4	114.3	113.9	113.5	137.1	137.7	138.4	139.0	83.5	83.0	82.3	81.6
15 Textile mill products	113.7	110.9	109.4	106.5	130.4	131.6	132.8	133.7	87.2	84.3	82.4	79.7
16 Paper and products	121.2	119.5	118.1	114.4	131.7	132.8	133.9	134.9	92.0	90.0	88.2	84.8
17 Chemicals and products	124.0	124.6	126.4	127.0	154.7	155.6	156.5	157.5	80.2	80.1	80.7	80.6
18 Plastics materials	122.9	118.3	123.1	126.9	133.8	135.4	137.1	138.6	91.9	87.3	89.7	91.6
19 Petroleum products	108.0	109.2	107.7	109.6	116.2	116.4	116.6	116.8	92.9	93.8	92.4	93.9
20 Mining	100.7	100.2	98.2	98.7	112.0	111.9	111.9	111.9	89.9	89.5	87.8	88.2
21 Utilities	120.7	124.7	124.1	126.7	134.8	135.2	135.6	136.0	89.5	92.3	91.5	93.2
22 Electric	120.4	125.0	123.7	126.4	132.1	132.5	133.0	133.4	91.1	94.3	93.1	94.8

Series	1973 High	1975 Low	Previous cycle[5] High	Previous cycle[5] Low	Latest cycle[6] High	Latest cycle[6] Low	1995 May	1995 Dec.	1996 Jan.	1996 Feb.[r]	1996 Mar.[r]	1996 Apr.	1996 May[p]
	Capacity utilization rate (percent)[2]												
1 **Total industry**	**89.2**	**72.6**	**87.3**	**71.8**	**84.9**	**78.0**	**83.7**	**82.9**	**82.4**	**83.3**	**82.6**	**82.9**	**83.2**
2 Manufacturing	88.9	70.8	87.3	70.0	85.2	76.6	82.8	81.9	81.4	82.3	81.3	81.9	82.0
3 Primary processing[3]	92.2	68.9	89.7	66.8	89.0	77.9	87.8	86.0	85.4	84.9	85.2	85.0	85.2
4 Advanced processing[4]	87.5	72.0	86.3	71.4	83.5	76.1	80.8	80.2	79.7	81.1	79.6	80.5	80.6
5 Durable goods	88.8	68.5	86.9	65.0	84.0	73.7	82.3	81.7	81.3	82.5	81.0	82.3	82.5
6 Lumber and products	90.1	62.2	87.6	60.9	93.3	76.1	85.7	88.1	84.8	84.8	88.1	89.6	88.9
7 Primary metals	100.6	66.2	102.4	46.8	92.8	74.2	93.3	92.6	93.5	89.8	89.6	90.5	90.2
8 Iron and steel	105.8	66.6	110.4	38.3	95.7	72.0	93.0	91.8	95.6	88.9	89.1	90.1	88.6
9 Nonferrous	92.9	61.3	90.5	62.2	88.7	75.2	93.7	93.5	90.7	91.0	90.2	91.1	92.1
10 Industrial machinery and equipment	96.4	74.5	92.1	64.9	84.0	71.8	87.1	88.8	88.8	89.9	90.3	89.8	90.0
11 Electrical machinery	87.8	63.8	89.4	71.1	84.9	77.0	86.0	84.4	83.2	85.1	83.8	83.0	83.0
12 Motor vehicles and parts	93.4	51.1	93.0	44.5	85.1	56.6	79.6	78.4	75.0	77.9	66.7	79.1	79.3
13 Aerospace and miscellaneous transportation equipment	77.0	66.6	81.1	66.9	88.4	78.8	67.6	61.5	63.8	65.5	66.3	66.7	66.9
14 Nondurable goods	87.9	71.8	87.0	76.9	86.7	80.3	83.5	82.1	81.4	81.9	81.6	81.2	81.2
15 Textile mill products	92.0	60.4	91.7	73.8	92.1	78.8	87.1	81.2	78.0	79.4	81.6	78.9	79.4
16 Paper and products	96.9	69.0	94.2	82.0	94.8	86.7	93.0	88.1	85.3	84.1	85.0	85.1	85.8
17 Chemicals and products	87.9	69.9	85.1	70.1	85.9	79.0	80.2	80.6	80.8	80.7	80.2	79.7	79.5
18 Plastics materials	102.0	50.6	90.9	63.4	97.0	74.8	91.9	89.6	90.8	91.3	92.6	...	...
19 Petroleum products	96.7	81.1	89.5	68.2	88.5	84.6	92.4	93.3	93.3	94.3	94.0	94.3	93.6
20 Mining	94.4	88.4	96.6	80.6	86.5	86.1	89.7	87.7	86.8	87.6	90.4	89.2	89.2
21 Utilities	95.6	82.5	88.3	76.2	92.6	83.1	90.6	92.2	92.4	93.1	93.9	92.1	94.8
22 Electric	99.0	82.7	88.3	78.7	94.8	86.7	91.7	93.1	94.2	94.9	95.2	93.7	97.3

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1995. See "A Revision to Industrial Production and Capacity Utilization, 1991–95," *Federal Reserve Bulletin*, vol. 82 (January 1996), pp. 16–25. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.

2. Capacity utilization is calculated as the ratio of the Federal Reserve's seasonally adjusted index of industrial production to the corresponding index of capacity.

3. Primary processing includes textiles, lumber, paper; industrial chemicals, synthetic materials, fertilizer materials; petroleum products; rubber and plastics; stone, clay, and glass; primary metals; and fabricated metals.

4. Advanced processing includes foods; tobacco, apparel; furniture and fixtures, printing and publishing; chemical products such as drugs and toiletries; agricultural chemicals; leather and products; machinery; transportation equipment; instruments; and miscellaneous manufactures.

5. Monthly highs, 1978–80; monthly lows, 1982.

6. Monthly highs, 1988–89; monthly lows, 1990–91.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]

Monthly data seasonally adjusted

Group	1992 pro-portion	1995 avg.	1995 May	1995 June	1995 July	1995 Aug.	1995 Sept.	1995 Oct.	1995 Nov.	1995 Dec.	1996 Jan.	1996 Feb.[r]	1996 Mar.[r]	1996 Apr.	1996 May[p]
			Index (1987 = 100)												
MAJOR MARKETS															
1 **Total index**	**100.0**	**121.9**	**121.3**	**121.4**	**121.5**	**122.7**	**122.8**	**122.2**	**122.6**	**122.8**	**122.5**	**124.2**	**123.6**	**124.4**	**125.3**
2 Products	60.6	118.3	117.5	117.9	118.0	119.2	119.4	118.3	118.8	119.2	118.6	120.7	120.0	120.9	121.6
3 Final products	46.3	121.4	120.6	121.1	121.2	122.4	122.6	121.3	121.9	122.1	121.9	124.5	123.5	124.9	125.6
4 Consumer goods, total	28.6	115.1	114.1	114.8	114.6	115.9	116.0	114.9	115.9	115.7	114.6	116.6	115.3	116.1	116.5
5 Durable consumer goods	5.6	124.2	121.6	122.3	121.4	124.0	125.8	123.4	124.9	126.3	120.3	125.1	119.3	126.0	126.4
6 Automotive products	2.5	130.7	127.1	129.1	125.3	130.7	132.9	128.5	130.5	132.8	125.9	133.1	120.3	134.5	135.2
7 Autos and trucks	1.6	131.3	127.4	129.5	123.9	132.0	133.1	128.6	129.8	132.1	124.1	133.5	111.1	135.9	135.9
8 Autos, consumer	.9	103.1	99.4	99.2	101.0	100.6	102.6	100.2	100.2	99.5	92.8	99.7	77.0	104.1	107.1
9 Trucks, consumer	.7	181.7	177.1	183.6	163.9	188.2	187.7	179.1	182.8	190.6	180.4	194.4	173.1	192.7	187.0
10 Auto parts and allied goods	.9	127.8	125.0	126.8	126.6	126.6	130.8	126.7	130.2	132.7	128.1	130.7	137.3	130.0	132.3
11 Other	3.0	118.6	116.7	116.3	118.1	118.1	119.6	118.9	119.9	120.5	115.5	118.1	118.4	118.5	118.7
12 Appliances, televisions, and air conditioners	.7	135.5	131.2	131.4	132.2	135.8	139.4	140.1	145.3	141.9	132.2	137.5	135.9	139.9	137.6
13 Carpeting and furniture	.8	105.8	103.0	101.8	107.9	104.4	106.9	105.6	104.1	107.4	101.1	103.4	107.2	104.4	105.0
14 Miscellaneous home goods	1.5	118.2	118.1	118.0	117.4	118.0	117.8	116.9	117.6	118.3	116.2	117.7	116.9	117.0	118.0
15 Nondurable consumer goods	23.0	112.9	112.4	113.1	113.0	113.9	113.7	112.9	113.8	113.2	113.3	114.5	114.4	113.7	114.1
16 Foods and tobacco	10.3	111.3	111.5	113.1	112.8	111.8	111.6	111.1	110.9	110.6	110.6	112.0	112.2	112.2	111.9
17 Clothing	2.4	94.8	96.7	94.6	93.6	93.9	93.4	92.9	91.5	89.7	88.2	90.3	89.0	88.7	88.6
18 Chemical products	4.5	131.3	127.3	128.6	128.6	132.6	134.0	135.7	135.0	136.5	138.1	138.1	136.8	134.6	134.8
19 Paper products	2.9	106.6	106.5	106.3	107.6	106.7	107.3	106.6	108.4	106.3	104.9	106.0	105.8	106.3	107.0
20 Energy	2.9	116.5	115.8	115.8	116.1	122.3	119.0	113.1	121.1	119.5	121.0	122.6	123.8	121.3	124.8
21 Fuels	.9	108.8	108.2	108.8	108.2	108.4	111.4	107.3	108.2	108.6	108.6	111.8	112.2	112.2	113.0
22 Residential utilities	2.1	119.6	119.0	118.7	119.4	128.2	122.2	115.4	126.6	124.1	126.1	127.2	128.7	125.1	129.8
23 Equipment	17.7	131.4	130.8	131.2	131.6	132.9	133.1	131.5	131.4	132.3	133.7	137.3	136.7	139.3	140.4
24 Business equipment	13.7	155.7	154.3	155.1	155.7	157.5	158.2	156.5	156.9	158.4	160.5	164.8	163.0	166.4	167.7
25 Information processing and related	5.7	198.1	193.9	196.0	197.2	201.0	203.0	206.5	208.1	209.4	213.3	220.5	222.8	225.5	229.3
26 Computer and office equipment	1.4	373.5	362.1	363.2	371.7	379.6	390.0	402.9	417.8	431.7	442.9	463.3	481.0	495.4	506.5
27 Industrial	4.0	127.5	126.5	126.2	127.1	129.1	128.7	128.6	129.1	129.5	129.6	131.3	130.5	130.1	130.6
28 Transit	2.6	136.3	139.6	140.3	139.8	138.0	137.9	122.3	119.6	124.5	128.1	133.2	120.4	135.3	134.2
29 Autos and trucks	1.2	140.1	137.8	139.5	139.9	141.3	143.3	135.7	134.2	135.3	129.1	136.0	113.6	140.0	138.6
30 Other	1.4	123.2	122.7	122.6	122.6	122.2	123.3	120.9	121.4	121.7	122.1	123.5	122.5	122.3	121.0
31 Defense and space equipment	3.3	65.9	66.8	66.8	66.5	66.1	65.2	64.4	62.9	62.0	61.6	63.1	64.0	63.8	64.0
32 Oil and gas well drilling	.6	87.1	90.5	86.8	88.4	89.5	88.3	83.5	83.1	83.8	85.1	89.7	96.3	100.6	104.3
33 Manufactured homes	.2	152.7	148.3	149.6	148.6	155.9	158.0	158.9	161.8	164.4	158.1	157.8	168.2	170.7	...
34 Intermediate products, total	14.3	109.0	108.2	108.2	108.5	109.4	109.5	109.2	109.3	110.1	108.5	109.3	109.4	108.7	109.4
35 Construction supplies	5.3	108.2	106.6	107.2	107.3	107.0	108.4	108.3	108.7	110.5	107.2	109.3	111.0	110.4	110.7
36 Business supplies	9.0	109.6	109.4	109.1	109.5	111.0	110.3	109.9	109.9	110.0	109.6	109.5	108.5	107.9	108.7
37 Materials	39.4	127.4	127.2	126.8	126.8	128.1	128.1	128.1	128.4	128.4	128.5	129.4	129.2	129.8	131.0
38 Durable goods materials	20.8	141.5	139.8	139.7	140.2	142.3	144.1	143.9	145.3	144.8	145.8	147.3	145.7	147.7	149.1
39 Durable consumer parts	4.0	138.5	135.9	135.8	133.9	138.4	139.8	138.6	140.1	139.3	140.6	141.1	132.3	142.3	143.9
40 Equipment parts	7.5	163.0	160.3	161.7	164.4	167.1	169.1	169.4	171.0	170.8	171.7	176.3	177.3	177.9	180.2
41 Other	9.2	126.2	125.6	124.5	124.4	124.9	126.8	126.5	127.9	127.2	128.2	127.8	127.4	127.1	127.7
42 Basic metal materials	3.1	125.7	125.5	123.5	124.9	123.1	127.0	124.3	128.1	126.6	125.7	123.7	124.2	123.5	123.3
43 Nondurable goods materials	8.9	119.8	122.2	120.4	118.9	118.8	117.8	118.7	116.6	117.4	115.7	116.1	116.2	116.1	116.4
44 *Textile materials*	*1.1*	*109.2*	*112.8*	*109.0*	*102.6*	*109.2*	*106.2*	*107.3*	*104.8*	*103.3*	*100.3*	*101.8*	*103.1*	*100.8*	*102.6*
45 Paper materials	1.8	120.5	125.6	121.0	123.9	120.4	117.0	121.4	114.3	115.2	113.4	113.4	112.9	113.3	114.9
46 Chemical materials	3.9	124.4	126.2	125.2	124.4	123.1	123.3	122.9	122.7	121.9	121.8	121.3	121.6	121.6	121.0
47 Other	2.1	116.5	116.9	117.4	113.8	114.6	115.1	114.6	114.1	118.9	115.2	117.1	116.4	117.1	116.9
48 Energy materials	9.7	106.6	107.2	107.2	107.5	108.5	105.8	105.5	105.7	106.0	105.9	106.1	108.3	106.7	108.1
49 Primary energy	6.3	101.9	102.3	103.0	102.3	101.4	101.2	101.7	100.8	101.0	100.6	101.3	104.0	102.1	103.3
50 Converted fuel materials	3.3	116.0	116.9	115.5	118.1	122.8	115.0	113.1	115.4	116.2	116.6	115.5	117.0	115.8	117.8
SPECIAL AGGREGATES															
51 Total excluding autos and trucks	97.2	121.5	121.0	121.1	121.2	122.3	122.4	121.9	122.3	122.5	122.4	123.8	123.9	124.0	124.9
52 Total excluding motor vehicles and parts	95.2	120.9	120.5	120.5	120.7	121.7	121.8	121.3	121.7	121.9	121.9	123.3	123.7	123.4	124.3
53 Total excluding computer and office equipment	98.2	118.2	117.8	117.8	117.8	118.9	118.9	118.1	118.4	118.5	118.0	119.5	118.7	119.4	120.1
54 Consumer goods excluding autos and trucks	27.0	114.0	113.3	113.9	114.0	114.8	114.9	114.0	115.0	114.7	114.0	115.5	115.6	114.8	115.2
55 Consumer goods excluding energy	25.7	114.9	113.9	114.7	114.5	115.1	115.7	115.1	115.3	115.3	113.9	115.9	114.3	115.5	115.5
56 Business equipment excluding autos and trucks	12.5	157.0	155.8	156.5	157.2	158.9	159.5	158.4	159.0	160.5	163.5	167.5	167.9	168.9	170.5
57 Business equipment excluding computer and office equipment	12.2	133.0	132.5	133.2	133.2	134.4	134.3	131.6	130.8	131.3	132.6	135.5	132.3	134.7	135.1
58 Materials excluding energy	29.7	134.9	134.4	133.8	133.7	135.1	136.1	136.2	136.6	136.4	136.6	137.8	136.7	138.1	139.1

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1] Continued

Group	SIC[2] code	1992 proportion	1995 avg.	1995 May	1995 June	1995 July	1995 Aug.	1995 Sept.	1995 Oct.	1995 Nov.	1995 Dec.	1996 Jan.	1996 Feb.[r]	1996 Mar.[r]	1996 Apr.	1996 May[p]
				Index (1987 = 100)												
MAJOR INDUSTRIES																
59 **Total index**		**100.0**	**121.9**	**121.3**	**121.4**	**121.5**	**122.7**	**122.8**	**122.2**	**122.6**	**122.8**	**122.5**	**124.2**	**123.6**	**124.4**	**125.3**
60 Manufacturing		85.4	123.9	123.2	123.3	123.3	124.2	124.9	124.1	124.5	124.8	124.5	126.2	125.2	126.5	127.2
61 Primary processing		26.6	117.6	117.9	117.1	116.9	116.6	117.8	117.0	117.1	117.3	116.7	116.3	116.9	116.9	117.4
62 Advanced processing		58.9	126.8	125.7	126.3	126.3	127.8	128.2	127.9	128.0	128.4	128.2	131.0	129.1	131.1	131.8
63 Durable goods		45.0	132.5	131.1	131.5	131.5	133.2	134.4	133.5	134.3	134.8	134.9	137.5	135.7	138.6	139.7
64 Lumber and products	24	2.0	104.5	101.7	103.0	103.7	103.7	106.2	105.7	104.8	106.9	103.1	103.3	107.4	109.5	108.8
65 Furniture and fixtures	25	1.4	111.6	110.8	111.3	111.1	110.9	112.0	110.9	109.8	109.3	109.3	110.5	108.7	109.0	111.2
66 Stone, clay, and glass products	32	2.1	104.1	104.1	103.8	103.2	103.0	103.8	104.5	104.9	104.3	105.5	104.1	103.0	101.3	101.6
67 Primary metals	33	3.1	119.2	119.5	117.5	118.3	115.4	121.0	115.7	120.8	120.0	121.5	117.1	117.4	118.6	118.1
68 Iron and steel	331,2	1.7	122.4	123.0	119.2	119.3	117.7	127.0	115.1	126.1	122.7	128.1	119.5	120.2	124.9	120.3
69 Raw steel	331PT	.1	114.7	113.0	112.9	111.5	111.2	118.6	111.3	116.4	118.0	113.9	112.5	114.9	112.9	...
70 Nonferrous	333–6,9	1.4	111.8	114.8	114.9	116.5	111.9	113.2	115.8	113.8	116.2	113.0	113.6	112.8	114.1	115.6
71 Fabricated metal products	34	5.0	113.9	113.7	113.7	112.4	111.3	115.1	114.0	114.5	115.0	115.6	117.0	116.0	115.8	116.8
72 Industrial machinery and equipment	35	8.0	177.8	174.6	174.4	176.0	179.5	181.3	183.8	186.5	190.1	191.9	196.1	198.7	199.6	202.1
73 Computer and office equipment	357	1.8	373.5	362.4	363.2	371.7	379.6	390.0	402.9	417.8	431.7	442.9	463.3	481.0	495.4	506.5
74 Electrical machinery	36	7.2	174.9	171.4	173.0	175.7	178.7	180.8	182.4	183.6	182.8	182.4	188.7	188.0	188.5	190.8
75 Transportation equipment	37	9.5	113.3	113.2	113.4	111.6	114.1	114.1	109.3	108.6	109.7	108.3	112.1	102.9	114.3	114.8
76 Motor vehicles and parts	371	4.8	141.9	138.8	139.7	136.7	142.1	143.3	139.7	140.7	151.2	135.5	141.1	121.3	144.3	145.0
77 Autos and light trucks	371PT	2.5	131.3	127.3	129.2	124.3	131.6	132.8	128.4	129.6	151.5	123.5	132.8	109.9	135.5	135.8
78 Aerospace and miscellaneous transportation equipment	372–6,9	4.7	85.8	88.5	88.4	87.6	87.2	85.9	80.0	77.7	79.4	82.2	84.2	85.2	85.5	85.7
79 Instruments	38	5.4	110.7	109.6	110.9	110.2	111.4	111.3	111.4	111.5	109.7	111.0	113.1	113.0	112.7	113.7
80 Miscellaneous	39	1.3	122.7	122.3	123.4	121.4	122.4	122.9	122.2	123.3	123.5	122.1	124.0	121.0	122.7	122.5
81 Nondurable goods		40.5	114.3	114.4	114.3	114.3	114.3	114.4	114.3	113.7	113.8	113.4	113.8	113.6	113.2	113.4
82 Foods	20	9.4	115.3	115.9	116.1	115.3	115.5	115.5	115.4	114.8	114.8	114.8	116.0	115.8	115.8	115.9
83 Tobacco products	21	1.6	90.2	89.3	96.4	99.1	91.3	90.2	88.2	88.9	88.4	87.4	90.9	91.7	93.4	90.4
84 Textile mill products	22	1.8	112.6	113.6	110.4	109.9	112.4	110.5	111.1	108.9	108.3	104.4	106.2	109.3	105.7	106.6
85 Apparel products	23	2.2	95.7	97.5	95.5	94.8	94.5	94.5	93.3	92.4	91.5	89.2	90.9	89.6	90.2	90.4
86 Paper and products	26	3.6	119.8	122.4	119.9	121.3	118.6	118.5	119.7	116.2	118.2	114.9	113.5	114.9	115.3	116.6
87 Printing and publishing	27	6.8	99.4	99.0	98.6	99.0	100.5	99.8	98.9	99.3	98.8	97.9	98.7	96.8	96.4	96.6
88 Chemicals and products	28	9.9	125.0	124.0	124.4	124.0	124.1	125.3	126.7	126.0	126.5	127.4	127.1	126.6	126.1	126.0
89 Petroleum products	29	1.4	108.3	107.4	108.6	109.0	108.5	110.0	106.9	107.4	108.9	108.9	110.2	109.9	110.3	109.6
90 Rubber and plastic products	30	3.5	139.1	138.2	137.8	137.7	138.7	139.8	139.7	140.3	139.3	139.0	139.7	140.6	138.0	140.1
91 Leather and products	31	.3	81.3	83.0	81.2	78.7	80.8	80.5	79.7	78.2	76.8	75.6	77.1	76.6	75.4	75.3
92 Mining		6.9	99.9	100.5	101.0	100.7	100.0	100.0	98.2	98.3	98.1	97.1	98.0	101.1	99.8	99.8
93 Metal	10	.5	169.3	164.3	166.8	172.2	172.1	170.8	178.3	175.9	172.8	159.5	157.1	166.0	160.5	158.3
94 Coal	12	1.0	112.9	110.8	112.2	117.0	109.7	116.2	112.3	109.5	108.5	103.3	108.0	114.8	109.5	111.9
95 Oil and gas extraction	13	4.8	94.9	93.4	93.6	91.9	92.4	91.2	89.2	90.1	90.1	90.8	90.2	92.7	92.6	92.5
96 Stone and earth minerals	14	.6	112.3	111.1	111.9	113.5	111.6	113.1	112.4	110.9	112.4	108.9	117.2	117.5	114.0	111.9
97 Utilities		7.7	123.0	122.1	121.0	122.7	128.8	122.7	121.6	125.4	125.1	125.6	126.6	127.9	125.6	129.4
98 Electric	491,493PT	6.1	122.1	121.2	121.2	122.2	130.0	122.7	123.7	123.6	123.9	125.5	126.6	127.1	125.3	130.3
99 Gas	492,493PT	1.6	121.7	125.5	120.6	124.5	124.3	122.1	113.6	132.5	129.9	125.6	126.3	131.1	126.6	125.8
SPECIAL AGGREGATES																
100 Manufacturing excluding motor vehicles and parts		80.6	122.8	122.2	122.3	122.5	123.4	123.8	123.1	123.6	123.9	123.9	125.4	125.4	125.5	126.1
101 Manufacturing excluding office and computing machines		83.7	119.5	118.9	119.1	118.9	119.8	120.3	119.6	119.6	119.7	119.3	120.7	119.4	120.6	121.1
				Gross value (billions of 1992 dollars, annual rates)												
MAJOR MARKETS																
102 **Products, total**		**2,002.9**	**2,245.6**	**2,231.5**	**2,239.1**	**2,238.8**	**2,257.8**	**2,268.1**	**2,240.3**	**2,255.8**	**2,265.7**	**2,248.9**	**2,293.1**	**2,268.4**	**2,303.8**	**2,312.8**
103 Final		1,552.2	1,748.7	1,737.4	1,745.6	1,743.2	1,760.5	1,768.2	1,741.9	1,756.8	1,761.9	1,753.0	1,794.2	1,767.0	1,803.7	1,811.9
104 Consumer goods		1,033.4	1,130.5	1,122.3	1,128.4	1,124.0	1,135.7	1,141.4	1,125.1	1,139.3	1,139.0	1,124.7	1,148.4	1,128.9	1,146.7	1,150.0
105 Equipment		518.8	618.3	615.1	617.1	619.2	624.8	627.1	616.7	617.5	622.9	628.4	645.8	638.1	657.0	661.9
106 Intermediate		450.7	496.9	494.0	493.5	495.6	497.3	499.9	498.4	499.0	503.8	495.9	498.8	501.3	500.1	500.9

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1995. See "A Revision to Industrial Production and Capacity Utilization, 1991–95," *Federal Reserve Bulletin*, vol. 82 (January 1996), pp. 16–25. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.

2. Standard industrial classification.

2.14 HOUSING AND CONSTRUCTION

Monthly figures at seasonally adjusted annual rates except as noted

Item	1993	1994	1995	1995 July	1995 Aug.	1995 Sept.	1995 Oct.	1995 Nov.	1995 Dec.	1996[r] Jan.	1996[r] Feb.	1996[r] Mar.	1996[r] Apr.
	Private residential real estate activity (thousands of units except as noted)												
NEW UNITS													
1 Permits authorized	1,199	1,372	1,332[r]	1,358[r]	1,379[r]	1,427[r]	1,393[r]	1,450[r]	1,487[r]	1,378	1,417	1,423	1,459
2 One family	987	1,068	997	1,017[r]	1,046[r]	1,079[r]	1,050[r]	1,073[r]	1,123[r]	1,056	1,087	1,097	1,115
3 Two family or more	213	303	335	341[r]	333[r]	348[r]	343[r]	377[r]	364[r]	322	330	326	344
4 Started	1,288	1,457	1,354	1,450	1,401	1,401	1,351	1,458	1,425	1,453	1,514	1,439	1,505
5 One family	1,126	1,198	1,076	1,125	1,135	1,130	1,109	1,129	1,150	1,146	1,183	1,163	1,201
6 Two family or more	162	259	278	325	266	271	242	329	275	307	331	276	304
7 Under construction at end of period[1]	680	762	776	762	772	783	781	790	800	803	800	819	832
8 One family	543	558	547	539	547	555	560	562	569	569	565	582	592
9 Two family or more	137	204	229	223	225	228	221	228	231	234	235	237	240
10 Completed	1,193	1,347	1,313	1,332	1,247	1,267	1,320	1,360	1,225	1,403	1,328	1,390	1,334
11 One family	1,040	1,160	1,066	1,034	1,019	1,009	1,039	1,081	1,003	1,113	1,052	1,112	1,063
12 Two family or more	153	187	247	298	228	258	281	279	222	290	276	278	271
13 Mobile homes shipped	254	304	340	337	344	352	354	355	352	352	341	361	378
Merchant builder activity in one-family units													
14 Number sold	666	670	665	782	707	684	673	679	683	743	786	727	776
15 Number for sale at end of period[1]	293	337	372	344	349	350	360	368	372	370	357	368	370
Price of units sold (thousands of dollars)[2]													
16 Median	126.1	130.4	133.4	131.0	134.9	130.0	135.2	137.0	138.6	134.9	139.5	137.0	138.7
17 Average	147.6	153.7	157.6	154.2	162.0	155.6	156.2	160.7	165.6	155.3	164.1	162.0	173.7
EXISTING UNITS (one family)													
18 Number sold	3,800	3,946	3,801	3,970	4,050	4,090	4,070	4,000	3,870	3,720	3,940	4,200	4,200
Price of units sold (thousands of dollars)[2]													
19 Median	106.5	109.6	112.2	116.0	117.6	114.8	113.2	114.3	113.9	114.8	114.0	115.7	116.5
20 Average	133.1	136.4	138.4	142.5	144.5	140.3	138.7	139.5	138.7	141.2	138.7	140.4	141.9
	Value of new construction (millions of dollars)[3]												
CONSTRUCTION													
21 Total put in place	**464,504**	**506,904**	**526,597**	**528,673**	**528,397**	**535,106**	**534,488**	**531,710**	**535,143**	**540,566**	**531,344**	**544,012**	**551,744**
22 Private	339,161	376,566	383,887	381,307	385,653	386,960	388,882	386,666	390,266	392,738	390,450	397,832	403,479
23 Residential	210,455	238,884	236,114	231,002	233,982	237,618	237,741	239,427	241,950	241,565	242,029	247,877	251,332
24 Nonresidential	128,706	137,682	147,773	153,305	151,671	149,342	151,141	147,239	148,316	151,173	148,421	149,955	152,147
25 Industrial buildings	19,533	21,121	24,154	24,399	24,202	24,096	24,964	24,579	24,153	25,425	23,746	23,458	23,370
26 Commercial buildings	42,627	48,552	55,159	57,015	55,709	55,079	56,472	55,482	57,596	56,185	55,301	56,624	57,636
27 Other buildings	23,626	23,912	23,990	24,525	24,015	23,962	24,547	23,753	24,033	24,511	24,438	24,849	25,516
28 Public utilities and other	42,920	44,097	44,470	47,366	47,745	46,205	45,158	43,425	42,534	45,352	44,936	45,024	45,625
29 Public	125,342	130,337	142,713	144,366	142,744	148,146	145,606	145,044	144,877	147,828	140,894	146,180	148,265
30 Military	2,454	2,319	2,905	3,124	3,010	3,090	2,527	3,195	3,216	3,176	3,225	2,608	2,917
31 Highway	37,431	39,882	42,221	44,274	42,902	42,942	44,351	43,361	43,911	43,735	46,483	45,377	44,941
32 Conservation and development	5,978	6,228	6,316	6,603	6,769	6,469	5,191	6,048	5,823	5,618	5,187	5,668	5,108
33 Other	79,479	81,908	91,271	90,365	90,063	95,645	93,537	92,440	91,924	95,299	85,999	92,527	95,299

1. Not at annual rates.
2. Not seasonally adjusted.
3. Recent data on value of new construction may not be strictly comparable with data for previous periods because of changes by the Bureau of the Census in its estimating techniques. For a description of these changes, see *Construction Reports* (C-30-76-5), issued by the Census Bureau in July 1976.

SOURCE. Bureau of the Census estimates for all series except (1) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (2) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from the originating agency. Permit authorizations are those reported to the Census Bureau from 19,000 jurisdictions beginning in 1994.

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data except as noted

Item	Change from 12 months earlier		Change from 3 months earlier (annual rate)				Change from 1 month earlier					Index level, May 1996[1]
	1995 May	1996 May	1995 June	1995 Sept.	1995 Dec.	1996 Mar.	1996 Jan.	1996 Feb.	1996 Mar.	1996 Apr.	1996 May	
CONSUMER PRICES[2] (1982–84=100)												
1 **All items**	**3.2**	**2.9**	**3.5**	**1.6**	**2.4**	**4.0**	**.4**	**.2**	**.4**	**.4**	**.3**	**156.6**
2 Food	3.3	2.5	3.6	2.7	1.9	3.2	.1	.1	.6	.3	.1	152.0
3 Energy items	3.3	6.2	5.8	−10.5	1.9	15.8	1.9	.4	1.4	3.2	1.1	112.9
4 All items less food and energy	3.1	2.7	3.0	2.8	2.2	3.5	.3	.2	.3	.1	.2	165.1
5 Commodities	1.5	1.5	.9	2.0	1.7	2.6	.4	−.1	.4	−.1	.0	141.7
6 Services	3.8	3.2	4.3	3.0	2.5	3.4	.3	.3	.2	.3	.3	178.4
PRODUCER PRICES (1982=100)												
7 Finished goods	2.2	2.3	1.3	1.6	4.4	2.5	.2	−.1^{r}	.5	.4	−.1	131.0
8 Consumer foods	1.1	2.6	−2.5	8.8	4.4	.3	−.4^{r}	−.2^{r}	.6	−.3	.0	131.3
9 Consumer energy	5.5	5.0	1.5	−10.2	10.8	17.8	2.4^{r}	−.6^{r}	2.4	2.8	−.6	84.4
10 Other consumer goods	2.1	1.7	2.9	2.3	3.4	.3	−.1^{r}	.1	.1	.0	.1	144.1
11 Capital equipment	1.8	1.4	1.8	1.8	2.9	−.3	−.1	.1	−.1	.2	−.1	138.4
Intermediate materials												
12 Excluding foods and feeds	7.4	.0	3.9	−.6	−.6	−1.0	.1^{r}	−.4^{r}	.1	.3	.2	126.0
13 Excluding energy	7.9	−1.0	4.2	1.5	−2.9	−3.2	−.3^{r}	−.3^{r}	−.2	−.2	.2	134.2
Crude materials												
14 Foods	−9.2	27.9	4.0	34.8	20.8	−3.8	−.4^{r}	−.6^{r}	.1	4.0	6.3	127.4
15 Energy	−1.4	15.9	14.6	−21.0	33.9	38.1	7.7^{r}	−5.0^{r}	5.9	10.9	−3.8	83.9
16 Other	19.2	−12.5	3.9	−17.6	−18.4	−10.2	−.2^{r}	−.7^{r}	−1.8	−.5	−.3	158.0

1. Not seasonally adjusted.
2. Figures for consumer prices are for all urban consumers and reflect a rental-equivalence measure of homeownership.

SOURCE. U.S. Department of Labor, Bureau of Labor Statistics.

2.16 GROSS DOMESTIC PRODUCT AND INCOME

Billions of current dollars except as noted; quarterly data at seasonally adjusted annual rates

Account	1993	1994	1995	1995 Q1	1995 Q2	1995 Q3	1995 Q4	1996 Q1[r]
GROSS DOMESTIC PRODUCT								
1 **Total**	**6,550.2**	**6,931.4**	**7,245.8**	**7,147.8**	**7,196.5**	**7,298.5**	**7,340.4**	**7,417.8**
By source								
2 Personal consumption expenditures	4,454.1	4,698.7	4,924.3	4,836.3	4,908.7	4,960.0	4,992.3	5,062.7
3 Durable goods	530.7	580.9	606.4	593.0	604.0	615.8	612.8	625.2
4 Nondurable goods	1,368.9	1,429.7	1,486.1	1,471.6	1,486.9	1,491.4	1,494.8	1,522.6
5 Services	2,554.6	2,688.1	2,831.8	2,771.7	2,817.9	2,852.8	2,884.7	2,914.9
6 Gross private domestic investment	871.1	1,014.4	1,065.3	1,072.0	1,050.3	1,074.8	1,064.0	1,068.9
7 Fixed investment	850.5	954.9	1,028.2	1,013.9	1,016.3	1,036.6	1,046.2	1,070.7
8 Nonresidential	598.8	667.2	738.5	723.6	734.4	746.3	749.7	769.0
9 Structures	171.8	180.2	199.7	194.5	197.6	202.5	204.0	208.4
10 Producers' durable equipment	427.0	487.0	538.8	529.0	536.8	543.8	545.7	560.6
11 Residential structures	251.7	287.7	289.8	290.4	281.9	290.3	296.5	301.7
12 Change in business inventories	20.6	59.5	37.0	58.1	34.0	38.2	17.8	1.7
13 Nonfarm	26.8	48.0	39.6	60.8	36.1	41.5	19.9	2.7
14 Net exports of goods and services	64.9	96.4	102.3	106.6	122.4	100.8	79.3	97.5
15 Exports	660.0	722.0	804.5	778.6	796.9	812.5	829.9	832.2
16 Imports	724.9	818.4	906.7	885.1	919.3	913.3	909.2	929.7
17 Government consumption expenditures and gross investment	1,289.9	1,314.7	1,358.5	1,346.0	1,359.9	1,364.5	1,363.5	1,383.7
18 Federal	522.1	516.3	516.7	519.9	522.6	516.7	507.8	518.6
19 State and local	767.8	798.4	841.7	826.1	837.3	847.7	855.7	865.1
By major type of product								
20 Final sales, total	6,529.7	6,871.8	7,208.8	7,089.7	7,162.5	7,260.3	7,322.6	7,419.6
21 Goods	2,400.9	2,534.2	2,660.3	2,617.3	2,642.3	2,684.5	2,697.1	2,749.1
22 Durable	1,013.8	1,085.9	1,144.9	1,118.6	1,134.0	1,162.5	1,164.5	1,191.4
23 Nondurable	1,387.2	1,448.3	1,515.4	1,498.7	1,508.3	1,522.1	1,532.6	1,557.7
24 Services	3,581.7	3,742.4	3,920.9	3,852.6	3,904.5	3,943.2	3,983.1	4,019.1
25 Structures	547.0	595.3	627.6	619.8	615.7	632.6	642.3	651.4
26 Change in business inventories	20.6	59.5	37.0	58.1	34.0	38.2	17.8	1.7
27 Durable goods	15.7	31.9	34.9	54.4	28.5	29.2	27.3	12.3
28 Nondurable goods	4.9	27.7	2.2	3.7	5.4	9.1	9.4	11.0
MEMO								
29 **Total GDP in chained 1992 dollars**	**6,383.8**	**6,604.2**	**6,739.0**	**6,701.6**	**6,709.4**	**6,768.3**	**6,776.5**	**6,812.7**
NATIONAL INCOME								
30 **Total**	**5,194.4**	**5,495.1**	**5,799.2**	**5,697.7**	**5,738.9**	**5,849.2**	**5,911.1**	**6,001.4**
31 Compensation of employees	3,809.4	4,008.3	4,209.1	4,141.6	4,178.9	4,235.9	4,280.2	4,325.7
32 Wages and salaries	3,095.2	3,255.9	3,419.7	3,363.0	3,393.3	3,442.3	3,480.1	3,521.6
33 Government and government enterprises	584.2	602.5	621.7	616.3	619.6	624.1	626.9	634.0
34 Other	2,511.0	2,653.4	2,797.9	2,746.6	2,773.6	2,818.2	2,853.2	2,887.6
35 Supplement to wages and salaries	714.2	752.4	789.5	778.6	785.6	793.7	800.1	804.1
36 Employer contributions for social insurance	333.3	350.2	365.5	360.8	363.6	367.8	369.8	375.0
37 Other labor income	380.9	402.2	424.0	417.7	422.0	425.9	430.2	429.1
38 Proprietors' income[1]	420.0	450.9	478.3	472.0	474.7	479.6	486.7	499.5
39 *Business and professional*[1]	388.1	415.9	449.3	443.5	447.1	451.5	454.9	461.1
40 Farm[1]	32.0	35.0	29.0	28.5	27.6	28.1	31.8	38.4
41 Rental income of persons[2]	102.5	116.6	122.2	120.6	121.6	120.9	125.8	126.9
42 Corporate profits[1]	464.5	526.5	588.6	559.6	561.1	614.9	618.6	652.0
43 Profits before tax[3]	464.3	528.2	600.8	594.1	588.4	609.6	611.0	649.0
44 Inventory valuation adjustment	6.6	13.3	28.1	51.9	42.3	9.3	8.8	17.4
45 Capital consumption adjustment	6.7	11.6	15.9	17.4	15.0	14.6	16.5	20.4
46 Net interest	398.1	392.8	401.0	403.9	402.6	397.8	399.7	397.3

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.
3. For after-tax profits, dividends, and the like, see table 1.48.

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

2.17 PERSONAL INCOME AND SAVING

Billions of current dollars except as noted; quarterly data at seasonally adjusted annual rates

Account	1993	1994	1995	1995				1996
				Q1	Q2	Q3	Q4	Q1[r]
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**5,479.2**	**5,750.2**	**6,101.7**	**5,995.5**	**6,061.9**	**6,135.6**	**6,213.9**	**6,288.4**
2 Wage and salary disbursements	3,090.6	3,241.1	3,419.7	3,361.6	3,393.3	3,442.3	3,481.5	3,520.2
3 Commodity-producing industries	781.3	825.0	858.7	856.2	855.0	859.9	863.5	866.2
4 Manufacturing	593.1	621.3	642.8	643.4	640.5	642.9	644.5	633.0
5 Distributive industries	698.4	739.3	787.9	768.8	778.6	795.4	808.9	821.6
6 Service industries	1,026.6	1,074.3	1,151.3	1,120.2	1,140.0	1,162.8	1,182.2	1,198.4
7 Government and government enterprises	584.2	602.5	621.7	616.3	619.6	624.1	626.9	634.0
8 Other labor income	380.9	402.2	424.0	417.7	422.0	425.9	430.2	429.1
9 Proprietors' income[1]	420.0	450.9	478.3	472.0	474.7	479.6	486.7	499.5
10 Business and professional[1]	388.1	415.9	449.3	443.5	447.1	451.5	454.9	461.1
11 Farm[1]	32.0	35.0	29.0	28.5	27.6	28.1	31.8	38.4
12 Rental income of persons[2]	102.5	116.6	122.2	120.6	121.6	120.9	125.8	126.9
13 Dividends	186.8	199.6	214.8	209.5	212.2	215.8	221.7	226.6
14 Personal interest income	647.3	661.6	714.6	701.9	713.9	717.5	725.2	724.2
15 Transfer payments	910.7	956.3	1,022.6	1,002.4	1,016.8	1,029.9	1,041.4	1,063.0
16 Old-age survivors, disability, and health insurance benefits	444.4	472.9	507.4	497.6	505.1	510.7	516.1	529.9
17 LESS: Personal contributions for social insurance	259.6	278.1	294.5	290.2	292.7	296.2	298.8	301.0
18 EQUALS: Personal income	5,479.2	5,750.2	6,101.7	5,995.5	6,061.9	6,135.6	6,213.9	6,288.4
19 LESS: Personal tax and nontax payments	689.9	731.4	794.3	770.0	801.5	798.4	807.2	824.9
20 EQUALS: Disposable personal income	4,789.3	5,018.8	5,307.4	5,225.5	5,260.4	5,337.2	5,406.7	5,463.5
21 LESS: Personal outlays	4,572.9	4,826.5	5,066.7	4,972.2	5,049.0	5,104.6	5,140.9	5,214.7
22 EQUALS: Personal saving	216.4	192.4	240.8	253.3	211.4	232.6	265.8	248.8
MEMO								
Per capita (chained 1992 dollars)								
23 Gross domestic product	24,724.1	25,332.7	25,613.7	25,559.1	25,540.2	25,695.9	25,668.7	25,747.1
24 Personal consumption expenditures	16,807.4	17,150.5	17,402.2	17,280.4	17,391.6	17,465.4	17,477.5	17,592.7
25 Disposable personal income	18,075.0	18,320.0	18,757.0	18,672.0	18,634.0	18,794.0	18,926.0	18,988.0
26 Saving rate (percent)	4.5	3.8	4.5	4.8	4.0	4.4	4.9	4.6
GROSS SAVING								
27 **Gross saving**	**938.4**	**1,055.9**	**1,141.6**	**1,110.5**	**1,092.3**	**1,155.7**	**1,207.9**	**1,207.5**
28 Gross private saving	964.5	1,006.0	1,062.5	1,039.9	1,007.3	1,076.1	1,126.6	1,123.6
29 Personal saving	216.4	192.4	240.8	253.3	211.4	232.6	265.8	248.8
30 Undistributed corporate profits[1]	103.4	120.2	142.5	120.6	122.3	162.0	165.2	178.7
31 Corporate inventory valuation adjustment	6.6	13.3	−28.1	51.9	−42.3	9.3	8.8	17.4
Capital consumption allowances								
32 Corporate	417.0	441.0	454.0	444.4	451.3	456.9	463.6	465.6
33 Noncorporate	223.1	237.7	225.2	220.2	222.4	224.7	233.4	229.1
34 Gross government saving	26.1	49.9	79.1	70.5	85.0	79.6	81.3	83.9
35 Federal	186.5	119.3	88.8	99.9	86.3	87.7	81.1	82.2
36 Consumption of fixed capital	68.2	70.6	73.8	73.5	74.2	73.8	73.8	73.2
37 Current surplus or deficit (−), national accounts	254.7	189.9	162.6	173.3	160.5	161.6	154.9	155.5
38 State and local	160.5	169.2	167.9	170.4	171.3	167.3	162.4	166.1
39 Consumption of fixed capital	65.6	69.4	72.9	71.4	72.3	73.4	74.3	75.1
40 Current surplus or deficit (−), national accounts	94.9	99.7	95.0	99.0	99.0	93.9	88.1	91.0
41 **Gross investment**	**993.5**	**1,087.2**	**1,146.1**	**1,146.7**	**1,113.9**	**1,150.7**	**1,173.0**	**1,168.0**
42 Gross private domestic investment	871.1	1,014.4	1,065.3	1,072.0	1,050.3	1,074.8	1,064.0	1,068.9
43 Gross government investment	210.6	212.3	221.9	219.1	223.7	224.7	220.1	228.8
44 Net foreign investment	88.2	139.6	141.1	144.4	160.1	148.9	111.0	129.8
45 **Statistical discrepancy**	**55.1**	**31.3**	**4.5**	**36.2**	**21.6**	**−5.0**	**34.9**	**−39.5**

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars; quarterly data seasonally adjusted except as noted[1]

Item credits or debits	1993[r]	1994[r]	1995[r]	1995[r] Q1	1995[r] Q2	1995[r] Q3	1995[r] Q4	1996 Q1[p]
1 Balance on current account	99,936	148,405	148,154	39,054	40,976	37,688	30,435	35,588
2 Merchandise trade balance[2]	132,609	166,121	173,424	44,923	47,927	42,548	38,026	42,738
3 Merchandise exports	456,832	502,463	575,940	138,551	142,983	144,984	149,422	150,019
4 Merchandise imports	589,441	668,584	749,364	183,474	190,910	187,532	187,448	192,757
5 Military transactions, net	881	1,963	3,585	628	859	1,120	978	628
6 Other service transactions, net	59,690	59,779	61,775	14,780	15,243	17,093	17,657	17,758
7 Investment income, net	9,742	4,159	8,016	900	862	4,361	1,890	395
8 U.S. government grants	16,823	15,816	10,959	2,846	2,381	2,933	2,799	4,340
9 U.S. government pensions and other transfers	4,081	4,544	3,420	758	967	964	731	1,026
10 Private remittances and other transfers	16,736	19,506	20,696	5,035	4,942	5,095	5,624	5,475
11 Change in U.S. government assets other than official reserve assets, net (increase, −)	342	341	280	154	179	252	199	52
12 Change in U.S. official reserve assets (increase, −)	1,379	5,346	9,742	5,318	2,722	1,893	191	17
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	537	441	808	867	156	362	147	199
15 Reserve position in International Monetary Fund	44	494	2,466	526	786	991	163	849
16 Foreign currencies	797	5,293	6,468	3,925	1,780	1,264	501	1,065
17 Change in U.S. private assets abroad (increase, −)	192,889	155,700	297,834	56,275	105,398	37,954	98,206	55,801
18 Bank-reported claims[3]	29,947	8,161	69,146	29,114	41,236	8,476	7,272	4,510
19 Nonbank-reported claims	1,581	32,804	34,219	4,537	22,904	7,500	14,278	...
20 U.S. purchases of foreign securities, net	146,253	60,370	98,960	7,571	23,011	35,839	32,539	33,492
21 U.S. direct investments abroad, net	78,164	54,465	95,509	15,053	18,247	18,091	44,117	26,819
22 Change in foreign official assets in United States (increase, +)	72,153	40,253	109,757	21,822	37,380	39,186	11,369	51,582
23 U.S. Treasury securities	48,952	30,745	68,813	10,132	25,208	20,489	12,984	55,600
24 Other U.S. government obligations	4,062	6,077	3,734	1,126	1,326	518	764	52
25 Other U.S. government liabilities[4]	1,713	2,344	1,082	331	235	71	1,249	195
26 Other U.S. liabilities reported by U.S. banks[3]	14,841	3,560	32,862	10,630	7,662	18,478	3,908	3,664
27 Other foreign official assets[5]	2,585	2,173	3,266	265	2,939	228	280	211
28 Change in foreign private assets in United States (increase, +)	178,843	245,123	314,705	69,173	78,041	79,630	87,860	47,234
29 U.S. bank-reported liabilities[3]	20,859	111,842	25,283	3,860	10,200	21,542	32,765	29,449
30 U.S. nonbank-reported liabilities	10,489	7,710	34,578	9,076	7,285	6,945	11,272	
31 Foreign private purchases of U.S. Treasury securities, net	24,381	34,225	99,340	29,969	30,368	37,269	4,734	11,734
32 Foreign purchases of other U.S. securities, net	80,092	57,006	95,268	15,480	20,496	51,971	27,321	35,437
33 Foreign direct investments in United States, net	33,022	49,760	60,236	10,788	9,692	24,987	14,768	29,512
34 Allocation of special drawing rights	0	0	0	0	0	0	0	0
35 Discrepancy	33,550	13,724	31,548	9,806	33,852	31,533	29,420	7,496
36 Due to seasonal adjustment				6,519	266	7,407	1,153	6,365
37 Before seasonal adjustment	33,550	13,724	31,548	3,287	34,120	51,126	28,267	13,861
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	1,379	5,346	9,742	5,318	2,722	1,893	191	17
39 Foreign official assets in United States, excluding line 25 (increase, +)	70,440	37,909	108,675	22,153	37,145	39,257	10,120	51,777
40 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22)	3,717	1,529	3,959	412	341	6,147	1,435	1,417

1. Seasonal factors are not calculated for lines 12–16, 18–20, 22–34, and 38–40.

2. Data are on an international accounts basis. The data differ from the Census basis data, shown in table 3.11, for reasons of coverage and timing. Military exports are excluded from merchandise trade data and are included in line 5.

3. Reporting banks include all types of depository institutions as well as some brokers and dealers.

4. Associated primarily with military sales contracts and other transactions arranged with or through foreign official agencies.

5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*.

3.11 U.S. FOREIGN TRADE[1]

Millions of dollars; monthly data seasonally adjusted

Item	1993[r]	1994[r]	1995[r]	1995[r]			1996			
				Oct.	Nov.	Dec.	Jan.[r]	Feb.[r]	Mar.	Apr.[p]
1 Goods and services, balance	72,037	104,381	105,064	6,902	6,098	6,399	9,686	6,654	8,012	8,629
2 Merchandise	132,607	166,123	173,424	13,109	12,324	12,601	15,505	12,784	14,450	14,656
3 Services	60,570	61,742	68,360	6,207	6,226	6,202	5,819	6,130	6,438	6,027
4 Goods and services, exports	642,953	698,301	786,529	67,534	67,997	68,088	66,493	69,163	69,277	69,941
5 Merchandise	456,834	502,462	575,939	49,528	49,777	50,120	48,645	50,883	50,490	51,670
6 Services	186,119	195,839	210,590	18,006	18,220	17,968	17,848	18,280	18,787	18,271
7 Goods and services, imports	714,990	802,682	891,593	74,436	74,095	74,487	76,179	75,817	77,289	78,570
8 Merchandise	589,441	668,585	749,363	62,637	62,101	62,721	64,150	63,667	64,940	66,326
9 Services	125,549	134,097	142,230	11,799	11,994	11,766	12,029	12,150	12,349	12,244

1. Data show monthly values consistent with quarterly figures in the U.S. balance of payments accounts.

SOURCE. *FT900*, U.S. Department of Commerce, Bureau of the Census and Bureau of Economic Analysis.

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Asset	1992	1993	1994	1995			1996				
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May[p]
1 **Total**	**71,323**	**73,442**	**74,335**	**86,224**	**85,755**	**85,832**	**82,717**	**84,270**	**84,212**	**83,710**	**83,469**
2 Gold stock, including Exchange Stabilization Fund[1]	11,056	11,053	11,051	11,051	11,050	11,050	11,052	11,053	11,053	11,052	11,052
3 Special drawing rights[2,3]	8,503	9,039	10,039	10,949	11,034	11,037	10,778	11,106	11,049	10,963	11,037
4 Reserve position in International Monetary Fund[2]	11,759	11,818	12,030	14,700	14,572	14,649	14,312	14,813	15,249	15,117	15,227
5 Foreign currencies[4]	40,005	41,532	41,215	49,524	49,099	49,096	46,575	47,298	46,861	46,578	46,153

1. Gold held "under earmark" at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13, line 3. Gold stock is valued at $42.22 per fine troy ounce.

2. Special drawing rights (SDRs) are valued according to a technique adopted by the International Monetary Fund (IMF) in July 1974. Values are based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, sixteen currencies were used; since January 1981, five currencies have been used. U.S. SDR holdings and reserve positions in the IMF also have been valued on this basis since July 1974.

3. Includes allocations of SDRs by the International Monetary Fund on Jan. 1 of the year indicated, as follows: 1970—$867 million; 1971—$717 million; 1972—$710 million; 1979—$1,139 million; 1980—$1,152 million; 1981—$1,093 million; plus net transactions in SDRs.

4. Valued at current market exchange rates.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS[1]

Millions of dollars, end of period

Asset	1992	1993	1994	1995			1996				
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May[p]
1 **Deposits**	**205**	**386**	**250**	**275**	**194**	**386**	**165**	**209**	**191**	**166**	**160**
Held in custody											
2 U.S. Treasury securities[2]	314,481	379,394	441,866	507,075	522,950	522,170	532,776	559,741	573,435	573,924	578,608
3 Earmarked gold[3]	13,118	12,327	12,033	11,709	11,702	11,702	11,702	11,689	11,590	11,445	11,339

1. Excludes deposits and U.S. Treasury securities held for international and regional organizations.

2. Marketable U.S. Treasury bills, notes, and bonds and nonmarketable U.S. Treasury securities, in each case measured at face (not market) value.

3. Held in foreign and international accounts and valued at $42.22 per fine troy ounce; not included in the gold stock of the United States.

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1993	1994	1995 Oct.	1995 Nov.	1995 Dec.	1996 Jan.	1996 Feb.	1996 Mar.	1996 Apr.[p]
1 **Total**[1]	**482,915**	**520,934**[r]	**618,072**[r]	**632,860**[r]	**630,645**[r]	**644,570**[r]	**670,229**[r]	**682,470**[r]	**686,645**
By type									
2 Liabilities reported by banks in the United States[2]	69,721	73,386	108,235[r]	109,636[r]	107,128[r]	103,919[r]	103,242[r]	103,512[r]	110,447
3 U.S. Treasury bills and certificates[3]	151,100	139,571[r]	157,277	171,366	168,534	173,949	191,188	198,382	186,638
U.S. Treasury bonds and notes									
4 *Marketable*	212,237	254,059	291,918	291,033	293,683	306,299	314,980	319,728	327,981
5 Nonmarketable[4]	5,652	6,109	6,107	6,419	6,491	6,120	6,159	6,199	6,236
6 U.S. securities other than U.S. Treasury securities[5]	44,205	47,809	54,205	54,366	54,808	54,283	54,660	54,649	55,343
By area									
7 Europe[1]	207,034	215,373	222,003	228,180	222,184	233,569	231,389	242,589[r]	241,161
8 Canada	15,285	17,235	20,355	19,535	19,473	19,078	18,850	20,846	20,878
9 Latin America and Caribbean	55,898	41,492	61,694[r]	62,174[r]	66,720[r]	70,281[r]	70,497[r]	72,557[r]	70,503
10 Asia	197,702	236,827	305,025	311,638	310,966	320,512	338,999[r]	335,006	341,360
11 Africa	4,052	4,180[r]	4,761	6,086	6,296	6,924	6,571	6,581	7,388
12 Other countries	2,942	5,827	4,232	4,945	5,004	4,201	3,918	4,886	5,353

1. Includes the Bank for International Settlements.
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
3. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes current value of zero-coupon Treasury bond issues to foreign governments as follows: Mexico, beginning March 1988, 20-year maturity issue and beginning March 1990, 30-year maturity issue; Venezuela, beginning December 1990, 30-year maturity issue; Argentina, beginning April 1993, 30-year maturity issue.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.

SOURCE. Based on U.S. Department of the Treasury data and on data reported to the department by banks (including Federal Reserve Banks) and securities dealers in the United States, and on the 1989 benchmark survey of foreign portfolio investment in the United States.

3.16 LIABILITIES TO, AND CLAIMS ON, FOREIGNERS Reported by Banks in the United States[1] Payable in Foreign Currencies

Millions of dollars, end of period

Item	1992	1993	1994	1995 June	1995 Sept.[r]	1995 Dec.	1996 Mar.
1 Banks' liabilities	72,796	78,259	89,284	106,621	102,147	112,556[r]	109,620
2 Banks' claims	62,799	62,017	60,689	77,138	69,508	74,874	69,548
3 Deposits	24,240	20,993	19,661	28,909	25,712	22,688	22,220
4 Other claims	38,559	41,024	41,028	48,229	43,796	52,186	47,328
5 Claims of banks' domestic customers[2]	4,432	12,854	10,878	10,214	6,624	6,145	6,064

1. Data on claims exclude foreign currencies held by U.S. monetary authorities.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of the domestic customers.

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. dollars

Millions of dollars, end of period

Item	1993	1994	1995	1995 Oct.	1995 Nov.	1995 Dec.	1996 Jan.	1996 Feb.	1996 Mar.	1996 Apr.[p]
BY HOLDER AND TYPE OF LIABILITY										
1 **Total, all foreigners**	**926,672**	**1,014,808[r]**	**1,095,603[r]**	**1,098,512**	**1,104,705**	**1,095,603[r]**	**1,094,332[r]**	**1,097,342[r]**	**1,096,389**	**1,096,416**
2 Banks' own liabilities	626,919	718,140	719,483[r]	762,723	755,089	719,483[r]	743,153[r]	728,352[r]	725,768	731,691
3 Demand deposits	21,569	23,386	24,460[r]	23,161	23,114	24,460[r]	22,182[r]	23,507	23,852	24,410
4 Time deposits[2]	175,106	186,512	193,238	202,532	193,884	193,238	198,513	192,152[r]	193,124	191,770
5 Other[3]	111,971	112,984	139,247[r]	146,456	154,115	139,247[r]	141,963[r]	149,000[r]	138,331	146,597
6 Own foreign offices[4]	318,273	395,558	392,538	390,574	383,976	392,538	380,495	363,693[r]	370,461	368,914
7 Banks' custodial liabilities[5]	299,753	296,368[r]	346,120	335,789	349,616	346,120	351,179	368,990	370,621	364,725
8 U.S. Treasury bills and certificates[6]	176,739	162,908[r]	197,341	188,575	201,845	197,341	203,478	223,395	228,705	217,106
9 Other negotiable and readily transferable instruments[7]	36,289	42,532	52,246	47,911	49,969	52,246	46,973	43,404	40,483	44,707
10 Other	86,725	90,928	96,533	99,303	97,802	96,533	100,728	102,191	101,433	102,912
11 Nonmonetary international and regional organizations[8]	10,936	8,606	11,039[r]	10,294	9,794	11,039[r]	10,622[r]	11,057[r]	9,476	11,216
12 Banks' own liabilities	5,639	8,176	10,347[r]	8,466	8,339	10,347[r]	9,628[r]	10,262[r]	8,558	10,390
13 Demand deposits	15	29	21	77	33	21	30	43	16	28
14 Time deposits[2]	2,780	3,298	4,656	3,901	3,631	4,656	1,385	3,479[r]	3,527	3,979
15 Other[3]	2,844	4,849	5,670[r]	4,488	4,675	5,670[r]	8,213[r]	6,740[r]	5,015	6,383
16 Banks' custodial liabilities[5]	5,297	430	692	1,828	1,455	692	994	795	918	826
17 U.S. Treasury bills and certificates[6]	4,275	281	350	1,342	962	350	764	555	561	426
18 Other negotiable and readily transferable instruments[7]	1,022	149	341	486	493	341	230	230	298	400
19 Other	0	0	1	0	0	1	0	10	56	0
20 Official institutions[9]	220,821	212,957[r]	275,662[r]	265,512[r]	281,012[r]	275,662	277,868[r]	294,430[r]	301,894	297,085
21 Banks' own liabilities	64,144	59,935	83,181[r]	83,997[r]	85,681[r]	83,181	85,040[r]	84,077[r]	88,055	91,032
22 Demand deposits	1,600	1,564	2,098	1,646	1,690	2,098	1,522	1,655	1,423	1,679
23 Time deposits[2]	21,653	23,511	31,120[r]	30,794[r]	30,757[r]	31,120[r]	28,069[r]	29,861[r]	31,877	35,810
24 Other[3]	40,891	34,860	49,963	51,557	53,234	49,963	55,449	52,561[r]	54,755	53,543
25 Banks' custodial liabilities[5]	156,677	153,022[r]	192,481	181,515	195,331	192,481	192,828	210,353	213,839	206,053
26 U.S. Treasury bills and certificates[6]	151,100	139,571[r]	168,534	157,277	171,366	168,534	173,949	191,188	198,382	186,638
27 Other negotiable and readily transferable instruments[7]	5,482	13,245	23,603	24,000	23,610	23,603	18,532	18,138	14,970	19,065
28 Other	95	206	344	238	355	344	347	1,027	487	350
29 Banks[10]	592,171	678,367[r]	687,620[r]	698,949[r]	687,285[r]	687,620[r]	682,872[r]	666,209[r]	663,190	661,499
30 Banks' own liabilities	478,755	563,466	564,045[r]	575,518[r]	561,985[r]	564,045[r]	554,643[r]	536,903[r]	536,108	533,978
31 Unaffiliated foreign banks	160,182	167,908	171,507[r]	184,944[r]	178,009[r]	171,507[r]	174,148[r]	173,210[r]	165,647	165,064
32 Demand deposits	9,718	10,633	11,756[r]	11,341	11,232	11,756[r]	10,247	10,948	11,453	11,905
33 Time deposits[2]	105,262	111,171	103,687[r]	114,241[r]	105,271[r]	103,687[r]	110,515[r]	104,309[r]	101,117	96,810
34 Other[3]	45,502	46,104	56,064	59,362	61,506	56,064	53,386	57,953	53,077	56,349
35 Own foreign offices[4]	318,273	395,558	392,538	390,574	383,976	392,538	380,495	363,693[r]	370,461	368,914
36 Banks' custodial liabilities[5]	113,416	114,901[r]	123,575	123,431	125,300	123,575	128,229	129,306	127,082	127,521
37 U.S. Treasury bills and certificates[6]	10,712	11,251[r]	15,869	16,429	16,687	15,869	15,992	17,947	15,967	16,801
38 Other negotiable and readily transferable instruments[7]	17,020	14,505	13,035	9,754	13,070	13,035	13,590	12,094	11,864	10,699
39 Other	85,684	89,145	94,671	97,248	95,543	94,671	98,647	99,265	99,251	100,021
40 Other foreigners	102,744	114,878[r]	121,282	123,757	126,614	121,282	122,970	125,646[r]	121,829	126,616
41 Banks' own liabilities	78,381	86,863	91,910	94,742	99,084	91,910	93,842	97,110[r]	93,047	96,291
42 Demand deposits	10,236	11,160	10,585	10,097	10,159	10,585	10,383	10,861	10,960	10,798
43 Time deposits[2]	45,411	48,532	53,775	53,596	54,225	53,775	55,544	54,503[r]	56,600	55,171
44 Other[3]	22,734	27,171	27,550	31,049	34,700	27,550	27,915	31,746[r]	25,487	30,322
45 Banks' custodial liabilities[5]	24,363	28,015[r]	29,372	29,015	27,530	29,372	29,128	28,536	28,782	30,325
46 U.S. Treasury bills and certificates[6]	10,652	11,805[r]	12,588	13,527	12,830	12,588	12,773	13,705	13,792	13,241
47 Other negotiable and readily transferable instruments[7]	12,765	14,633	15,267	13,671	12,796	15,267	14,621	12,942	13,351	14,543
48 Other	946	1,577	1,517	1,817	1,904	1,517	1,734	1,889	1,639	2,541
MEMO										
49 Negotiable time certificates of deposit in custody for foreigners	17,567	17,895	9,099	10,290	9,837	9,099	10,479	10,544	10,005	8,306

1. Reporting banks include all types of depository institutions as well as some brokers and dealers. Excludes bonds and notes of maturities longer than one year.
2. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
3. Includes borrowing under repurchase agreements.
4. For U.S. banks, includes amounts owed to own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts owed to the head office or parent foreign bank, and to foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.
5. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks for foreign customers.
6. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
7. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
8. Principally the International Bank for Reconstruction and Development, the Inter-American Development Bank, and the Asian Development Bank. Excludes "holdings of dollars" of the International Monetary Fund.
9. Foreign central banks, foreign central governments, and the Bank for International Settlements.
10. Excludes central banks, which are included in "Official institutions."

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1] Continued

Item	1993	1994	1995[r]	1995 Oct.	1995 Nov.	1995 Dec.	1996 Jan.	1996 Feb.	1996 Mar.	1996 Apr.[p]
AREA										
50 **Total, all foreigners**	**926,672**	**1,014,808[r]**	**1,095,603[r]**	**1,098,512**	**1,104,705**	**1,095,603[r]**	**1,094,332[r]**	**1,097,342[r]**	**1,096,389[r]**	**1,096,416**
51 **Foreign countries**	**915,736**	**1,006,202[r]**	**1,084,564[r]**	**1,088,218**	**1,094,911**	**1,084,564[r]**	**1,083,710**	**1,086,285[r]**	**1,086,913[r]**	**1,085,200**
52 Europe	377,911	390,710[r]	362,786	376,427	384,013	362,786	368,325	374,048	370,572[r]	375,642
53 Austria	1,917	3,588	3,537	4,887	4,755	3,537	3,437	2,996	2,848[r]	3,477
54 Belgium and Luxembourg	28,670	21,877	24,842	25,192	28,357	24,842	21,881	27,182	25,584[r]	27,572
55 Denmark	1,517	2,884	2,924	3,177	3,418	2,924	2,979	3,861	2,876	2,787
56 Finland	1,872	1,436	2,831	2,419	2,315	2,831	2,121	2,409	1,768	2,203
57 France	10,316	11,361[r]	39,204	43,131	40,415	39,204	39,697	41,099	41,330[r]	41,364
58 Germany	26,685	27,109	24,035	26,362	26,798	24,035	25,988	21,695	25,229[r]	24,854
59 Greece	1,519	1,393	2,011	2,033	2,265	2,011	1,998	2,063	1,966	1,714
60 Italy	11,759	10,885	10,875	10,251	10,759	10,875	9,616	12,468	11,475	10,178
61 Netherlands	16,096	16,033	13,724	14,933	15,317	13,724	11,350	12,173	12,839[r]	12,397
62 Norway	2,966	2,338	1,394	1,048	1,287	1,394	1,067	1,246	1,034[r]	915
63 Portugal	3,366	2,846	2,761	2,902	2,718	2,761	3,055	2,931	2,843	2,529
64 Russia	2,511	2,726	7,950	7,338	8,979	7,950	7,858	9,180	9,321	8,798
65 Spain	20,496	14,675	10,012	13,467	10,809	10,012	21,838	11,589	18,976	19,548
66 Sweden	2,738	3,094	3,245	2,035	3,720	3,245	2,555	2,813	2,256	3,943
67 Switzerland	41,560	40,515	43,627	42,588	44,178	43,627	40,806	42,010	39,083	36,805
68 Turkey	3,227	3,341	4,124	4,067	4,010	4,124	4,350	4,559	4,103	4,153
69 United Kingdom	133,993	163,795[r]	139,127	147,118	148,384	139,127	152,654	136,985	144,129	146,669
70 Yugoslavia[11]	372	245	177	210	174	177	163	163	143	145
71 Other Europe and other former U.S.S.R.[12]	33,331	27,769	26,389	22,936	28,358	26,389	21,612	23,626	22,769[r]	25,291
72 Canada	20,235	21,768	26,573[r]	35,378	27,150	26,573[r]	28,625	27,334	27,360[r]	26,749
73 Latin America and Caribbean	362,238	423,830[r]	440,216	439,920	436,580	440,216	435,703	422,029[r]	433,725[r]	431,101
74 Argentina	14,477	17,203	12,236	11,539	13,031	12,236	13,524	11,764	11,985	14,117
75 Bahamas	73,820	104,002	94,991	96,287	87,719	94,991	96,850	91,203	88,091[r]	85,910
76 Bermuda	8,117	8,424	4,897	6,589	6,561	4,897	4,633	4,702	5,035	4,262
77 Brazil	5,301	9,145	23,797	27,366	27,364	23,797	22,715	21,761	21,489[r]	20,407
78 British West Indies	193,699	229,599[r]	239,083	236,053	240,353	239,083	233,383	227,438[r]	240,630[r]	239,269
79 Chile	3,183	3,127[r]	2,825	2,574	2,696	2,825	2,978	2,772	2,815	2,838
80 Colombia	3,171	4,615	3,666	3,399	3,443	3,666	3,713	3,890	3,846	3,990
81 Cuba	33	13	8	13	8	8	7	7	7	57
82 Ecuador	880	875	1,315	1,311	1,307	1,315	1,236	1,201	1,274	1,265
83 Guatemala	1,207	1,121	1,275	1,068	1,210	1,275	1,058	1,075[r]	1,060[r]	1,085
84 Jamaica	410	529	481	430	447	481	500	495	503	516
85 Mexico	28,019	12,227[r]	24,555	20,891	20,993	24,555	23,613	23,899	24,574[r]	23,330
86 Netherlands Antilles	4,686	5,247	4,672	5,349	5,611	4,672	4,418	4,461	4,402	5,272
87 Panama	3,582	4,551	4,265	4,564	4,287	4,265	4,030	4,166[r]	4,026[r]	3,889
88 Peru	929	900	974	897	916	974	1,025	1,092	962[r]	1,081
89 Uruguay	1,611	1,597	1,835	1,856	1,942	1,835	1,799	1,726	1,908	1,748
90 Venezuela	12,786	13,985[r]	11,810	12,642	11,622	11,810	12,662	12,611	13,255[r]	14,244
91 Other	6,327	6,700	7,531	7,092	7,067	7,531	7,499	7,766[r]	7,863[r]	8,121
92 Asia	143,527	154,334[r]	240,775	222,967	232,222	240,775	238,175	249,447[r]	241,944[r]	237,820
China										
93 People's Republic of China	4,011	10,066	33,750	22,341	29,875	33,750	35,733	32,200	24,430	25,861
94 Republic of China (Taiwan)	10,627	9,844	11,714	10,729	11,368	11,714	12,311	12,955	15,513	14,953
95 Hong Kong	17,132	17,104[r]	20,304	21,893	20,287	20,304	20,307	22,286	20,187	18,179
96 India	1,114	2,338	3,373	3,010	3,27[illegible]	3,373	3,263	3,527	3,990	3,752
97 Indonesia	1,986	1,587	2,708	2,174	2,485	2,708	2,011	2,349	2,169	2,627
98 Israel	4,335	5,157	4,073	3,812	4,090	4,073	4,318	5,780	5,344[r]	5,450
99 Japan	61,466	62,981[r]	109,193	101,566	105,546	109,193	106,728	113,361[r]	117,313[r]	111,654
100 Korea (South)	4,913	5,124	5,782	5,368	5,595	5,782	5,092	5,607	5,875[r]	5,860
101 Philippines	2,035	2,714	3,089	2,839	2,880	3,089	2,394	2,366	2,336	2,463
102 Thailand	6,137	6,466	12,279	10,458	12,445	12,279	13,121	13,389	12,158	12,905
103 Middle Eastern oil-exporting countries[13]	15,822	15,482	15,582	17,350	16,238	15,582	14,417	13,419	13,741[r]	14,895
104 Other	14,849	15,471	18,928	18,427	18,147	18,928	18,150	22,136	18,888	18,921
105 Africa	6,633	6,524[r]	7,641	7,211	7,795	7,641	7,679	7,818	7,089	7,832
106 Egypt	2,208	1,879	2,136	1,948	1,907	2,136	1,848	2,375	2,057	2,002
107 Morocco	99	97	104	66	60	104	99	52	65	114
108 South Africa	151	433	739	934	1,206	739	1,217	665	413[r]	1,001
109 Zaire	12	9	10	4	9	10	11	8	9[r]	8
110 Oil-exporting countries[14]	1,303	1,343	1,797	1,544	1,826	1,797	1,774	1,968	1,706	1,904
111 Other	2,560	2,763[r]	2,855	2,715	2,785	2,855	2,730	2,750	2,839	2,803
112 Other	4,192	6,036	6,773	6,315	6,853	6,773	5,203	5,509	6,223	6,056
113 Australia	3,308	5,142	5,644	5,007	5,758	5,644	4,326	4,503	5,239	4,896
114 Other	884	894	1,129	1,308	1,095	1,129	877	1,006	984	1,160
115 Nonmonetary international and regional organizations	10,936	8,606	11,039[r]	10,294	9,791	11,039[r]	10,622[r]	11,057[r]	9,476	11,216
116 International[15]	6,851	7,537	9,300[r]	8,458	8,470	9,300[r]	9,639[r]	10,023[r]	7,938	9,932
117 Latin American regional[16]	3,218	613	893	552	37[illegible]	893	349	292[r]	758	422
118 Other regional[17]	867	456	846	1,284	953	846	634	742	780	862

11. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.
12. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.
13. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
14. Comprises Algeria, Gabon, Libya, and Nigeria.
15. Principally the International Bank for Reconstruction and Development. Excludes "holdings of dollars" of the International Monetary Fund.
16. Principally the Inter-American Development Bank.
17. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. Dollars

Millions of dollars, end of period

Area or country	1993	1994	1995	1995 Oct.	1995 Nov.	1995 Dec.	1996 Jan.	1996 Feb.	1996 Mar.	1996 Apr.p
1 **Total, all foreigners**	**488,497**	**483,242**	**526,341r**	**522,636r**	**533,891r**	**526,341r**	**522,929r**	**516,195r**	**525,176**	**521,174**
2 **Foreign countries**	**486,092**	**478,651**	**524,410r**	**520,978r**	**532,470r**	**524,410r**	**520,627r**	**513,416r**	**521,362**	**518,458**
3 Europe	123,741	123,380	130,316	131,519	131,660	130,316	133,923	138,574	137,129	134,650
4 Austria	412	692	565	880	639	565	683	773	792	1,083
5 Belgium and Luxembourg	6,532	6,738	7,599	7,103	10,691	7,599	8,365	8,519	5,778	8,611
6 Denmark	382	1,129	403	634	602	403	541	599	398	293
7 Finland	594	512	1,055	1,916	1,097	1,055	1,397	1,313	1,782	1,305
8 France	11,822	12,146	11,799	14,807	15,259	11,799	12,253	13,161	13,732	11,188
9 Germany	7,724	7,608	8,864	8,081	8,431	8,864	8,072	8,774	9,260	8,647
10 Greece	691	604	449	404	378	449	555	603	507	622
11 Italy	8,834	6,013	5,364	5,530	5,390	5,364	5,010	4,838	5,855	5,696
12 Netherlands	3,063	2,959	5,051	4,592	4,909	5,051	4,305	4,722	5,553	6,264
13 Norway	396	504	665	1,157	1,376	665	1,098	1,108	1,016	793
14 Portugal	834	938	888	1,036	862	888	853	743	773	889
15 Russia	2,310	973	660	696	949	660	678	775	868	741
16 Spain	3,717	3,530	2,166	3,162	3,191	2,166	3,811	4,041	5,120	5,319
17 Sweden	4,254	4,098	2,060	2,642	2,362	2,060	2,315	2,151	2,056	3,514
18 Switzerland	6,605	5,746	7,074	6,335	5,925	7,074	4,613	4,016	4,841	6,374
19 Turkey	1,301	878	785	830	926	785	732	707	810	973
20 United Kingdom	62,013	66,846	67,388	69,015	66,911	67,388	75,117	78,040	73,175	68,576
21 Yugoslavia[2]	173	265	147	233	237	147	481	418	120	208
22 Other Europe and other former U.S.S.R.[3]	1,784	1,171	4,334	2,166	1,525	4,334	3,014	3,273	1,693	3,224
23 Canada	18,617	18,490	16,095r	17,810r	17,000r	16,095r	15,680r	13,824r	13,395	17,339
24 Latin America and Caribbean	225,238	223,523	257,399	251,325	266,635	257,399	257,146	248,554	252,724	245,773
25 Argentina	4,474	5,844	6,439	6,003	6,090	6,439	6,185	6,057	6,214	6,206
26 Bahamas	63,353	66,110	59,258	55,788	60,030	59,258	60,284	63,311	65,628	54,496
27 Bermuda	8,901	8,181	5,718	5,537	8,096	5,718	5,014	4,742	4,829	5,031
28 Brazil	11,848	9,583	13,297	13,334	12,983	13,297	13,252	13,915	13,817	14,270
29 British West Indies	99,319	95,741	123,914	123,700	129,472	123,914	122,759	108,833	113,236	118,566
30 Chile	3,643	3,820	5,024	4,660	4,775	5,024	4,996	4,593	4,559	4,653
31 Colombia	3,181	4,004	4,550	4,593	4,516	4,550	4,622	4,492	4,547	4,523
32 Cuba	0	0	0	0	0	0	0	0	0	0
33 Ecuador	681	682	825	846	817	825	841	812	977	959
34 Guatemala	288	366	457	385	424	457	439	461	465	473
35 Jamaica	195	258	323	289	285	323	299	362	332	335
36 Mexico	15,879	17,749	18,028	16,657	16,826	18,028	17,144	17,167	16,951	17,193
37 Netherlands Antilles	2,683	1,396	9,229	9,233	12,018	9,229	11,013	12,973	10,902	8,728
38 Panama	2,894	2,198	3,018	2,846	3,049	3,018	2,815	2,820	2,612	2,503
39 Peru	657	997	1,829	1,501	1,577	1,829	1,762	1,928	1,936	2,129
40 Uruguay	969	503	466	44	431	466	432	463	623	579
41 Venezuela	2,910	1,831	1,661	1,826	1,695	1,661	1,575	1,572	1,559	1,375
42 Other	3,363	3,660	3,363	3,686	3,488	3,363	3,697	4,023	3,537	3,754
43 Asia	111,775	107,079	115,406	114,575	111,438r	115,406	108,989	106,987	111,265	114,590
China										
44 People's Republic of China	2,274	836	1,023	1,215	1,069	1,023	1,014	1,351	2,439	3,405
45 Republic of China (Taiwan)	2,625	1,148	1,713	1,595	1,484	1,713	1,107	1,404	1,729	1,625
46 Hong Kong	10,828	9,161	12,895	12,539	10,713	12,895	13,254	13,867	15,545	15,320
47 India	589	994	1,846	1,921	1,823	1,846	1,864	1,859	1,869	1,796
48 Indonesia	1,527	1,470	1,678	1,623	1,578r	1,678	1,458	1,478	1,604	1,479
49 Israel	826	688	739	886	728	739	668	683	665	642
50 Japan	60,032	59,151	61,308	61,878	60,522	61,308	55,897	55,077	52,771	54,543
51 Korea (South)	7,539	10,286	14,136	13,357	14,115	14,136	14,504	15,454	17,242	16,922
52 Philippines	1,410	662	1,350	673	789	1,350	811	779	1,202	779
53 Thailand	2,170	2,902	2,597	2,568	2,538	2,597	2,397	3,256	3,061	2,972
54 Middle Eastern oil-exporting countries[4]	15,115	13,748	9,639	9,963	9,604	9,639	8,053	6,440	7,145	7,300
55 Other	6,843	5,733	6,482	6,328	6,475	6,482	7,662	5,369	5,993	7,807
56 Africa	3,861	3,050	2,727	2,785	2,732	2,727	2,798	2,879	2,884	2,743
57 Egypt	196	225	210	[illegible]	268	210	208	237	247	225
58 Morocco	481	429	514	457	433	514	514	561	585	594
59 South Africa	633	674	465	[illegible]	462	465	483	520	567	493
60 Zaire	4	2	1	1	1	1	1	1	1	1
61 Oil-exporting countries[5]	1,129	856	552	586	578	552	589	526	516	501
62 Other	1,418	867	985	941	990	985	1,003	1,034	968	929
63 Other	2,860	3,129	2,467	2,966	3,005	2,467	2,091	2,598	3,665	3,363
64 Australia	2,037	2,186	1,622	2,095	1,969	1,622	1,822	2,243	2,645	2,620
65 Other	823	943	845	871	1,036	845	269	355	1,020	743
66 Nonmonetary international and regional organizations[6]	2,405	1,591	1,931	1,658	1,421	1,931	2,302	2,779r	3,814	2,716

1. Reporting banks include all types of depository institutions as well as some brokers and dealers.
2. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.
3. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. Comprises Algeria, Gabon, Libya, and Nigeria.
6. Excludes the Bank for International Settlements, which is included in "Other Europe."

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1993	1994	1995[r]	1995[r] Oct.	1995[r] Nov.	1995[r] Dec.	1996 Jan.[r]	1996 Feb.[r]	1996 Mar.	1996 Apr.[p]
1 **Total**	**575,818**[r]	**599,521**	**649,108**	. . .		**649,108**		. . .	**651,067**	. . .
2 Banks' claims	488,497	483,242	526,341	522,636	533,891	526,341	522,929	516,195	525,176	521,174
3 Foreign public borrowers	29,228	23,116	22,522	20,878	19,368	22,522	23,148	24,365	27,668	25,111
4 Own foreign offices[2]	285,510	283,183	303,902	303,573	308,664	303,902	300,730	290,691	293,465	294,167
5 Unaffiliated foreign banks	100,865	109,228	98,700	103,947	99,555	98,700	97,238	98,137	101,620	99,686
6 Deposits	49,892	59,250	37,343	47,103	42,905	37,343	35,520	37,565	41,609	37,621
7 Other	50,973	49,978	61,357	56,844	56,650	61,357	61,718	60,572	60,011	62,065
8 All other foreigners	72,894	67,415	101,217	94,238	106,304	101,217	101,813	103,002	102,423	102,210
9 Claims of banks' domestic customers[3]	87,321[r]	146,279	122,767			122,767			125,891	. . .
10 Deposits	41,734	61,839	58,519			58,519	. . .	. . .	68,800	. . .
11 Negotiable and readily transferable instruments[4]	31,186	36,008	44,161			44,161	. . .		39,274	. . .
12 Outstanding collections and other claims	14,401[r]	15,142	20,087		. . .	20,087	. . .		17,817	. . .
MEMO										
13 Customer liability on acceptances	7,920[r]	8,427	8,410		. . .	8,410	. . .		9,026	. . .
14 Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	29,150	32,796	30,717	33,828	31,355	30,717	27,830	32,777	35,042	n.a.

1. For banks' claims, data are monthly; for claims of banks' domestic customers, data are for quarter ending with month indicated.
Reporting banks include all types of depository institution as well as some brokers and dealers.
2. For U.S. banks, includes amounts due from own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority owned subsidiaries of foreign banks, consists principally of amounts due from the head office or parent foreign bank, and from foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.
3. Assets held by reporting banks in the accounts of their domestic customers.
4. Principally negotiable time certificates of deposit, bankers acceptances, and commercial paper.
5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. Dollars

Millions of dollars, end of period

Maturity, by borrower and area[2]	1992	1993	1994	1995 June	1995 Sept.	1995 Dec.[r]	1996 Mar.[p]
1 **Total**	**195,119**	**202,566**	**200,042**	**220,289**[r]	**216,966**[r]	**222,338**	**231,724**
By borrower							
2 Maturity of one year or less	163,325	172,662	168,331	186,312	178,666	176,177	191,916
3 Foreign public borrowers	17,813	17,828	15,435	15,822[r]	14,192[r]	15,015	19,574
4 All other foreigners	145,512	154,834	152,896	170,490[r]	164,474[r]	161,162	172,342
5 Maturity of more than one year	31,794	29,904	31,711	33,977[r]	38,300[r]	46,161	39,808
6 Foreign public borrowers	13,266	10,874	7,838	7,892	8,220	7,506	8,110
7 All other foreigners	18,528	19,030	23,873	26,085[r]	30,080[r]	38,655	31,698
By area							
Maturity of one year or less							
8 Europe	53,300	57,413	55,742	60,323	52,045	53,897	56,631
9 Canada	6,091	7,727	6,690	7,838	7,135	6,089	4,966
10 Latin America and Caribbean	50,376	60,490	58,877	68,630	71,319	72,397	84,407
11 Asia	45,709	41,118	39,851	43,945	42,536	30,133	40,212
12 Africa	1,784	1,820	1,376	1,447	1,261	1,272	1,302
13 All other[3]	6,065	3,794	5,795	4,129	4,370	2,389	4,398
Maturity of more than one year							
14 Europe	5,367	5,310	4,203	4,240	4,591	4,885	6,827
15 Canada	3,287	2,581	3,505	3,685	3,571[r]	2,731	2,563
16 Latin America and Caribbean	15,312	14,025	15,717	17,557	20,224	27,807	19,546
17 Asia	5,038	5,606	5,318	6,058[r]	7,373	8,023	8,467
18 Africa	2,380	1,935	1,583	1,389	1,389	1,429	1,474
19 All other[3]	410	447	1,385	1,048	1,149	1,286	931

1. Reporting banks include all types of depository institutions as well as some brokers and dealers.
2. Maturity is time remaining until maturity.
3. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. and Foreign Offices of U.S. Banks[1]

Billions of dollars, end of period

Area or country	1992	1993	1994				1995				1996
			Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.[p]
1 **Total**	**344.7**	**407.7**	**475.7[r]**	**484.8[r]**	**485.7[r]**	**495.6[r]**	**540.9[r]**	**525.0[r]**	**526.3[r]**	**549.7[r]**	**568.8**
2 G-10 countries and Switzerland	131.3	161.8	177.8[r]	172.4[r]	182.2[r]	189.9[r]	210.1[r]	201.6[r]	196.6[r]	203.7[r]	201.3
3 Belgium and Luxembourg	.0[r]	7.4	7.9[r]	8.6	9.6	7.0	10.2[r]	9.4[r]	10.7[r]	13.5[r]	10.5
4 France	15.3	12.0	16.6	18.6	20.7	19.1	19.8	19.3	17.4[r]	19.2	17.9
5 Germany	9.1	12.6	29.7	24.7	24.0	24.7	31.2	29.8[r]	27.2[r]	26.8[r]	31.5
6 Italy	6.5	7.7	15.6	14.0	11.6	11.8	10.6	10.7	12.6	11.5	13.1
7 Netherlands	.0[r]	4.7	3.8	3.4	3.4	3.6	3.5	4.3	4.1[r]	3.4[r]	3.0
8 Sweden	2.3	2.7	2.9	3.0	2.6	2.7	3.1	3.0	2.7	2.7	3.2
9 Switzerland	4.8	5.9	4.5	5.4	5.5	5.1	5.7	6.2	6.3[r]	6.3[r]	5.2
10 United Kingdom	59.7	84.3	69.4[r]	64.0[r]	78.1[r]	85.2[r]	89.4[r]	85.9[r]	79.8	82.4[r]	84.8
11 Canada	6.3	6.9	7.8	9.9	10.2	10.0	10.5	11.1	11.9	9.4	9.2
12 Japan	18.8	17.6	19.6	20.7	16.5	20.7	25.9	22.1	24.0	28.5	22.9
13 Other industrialized countries	24.0	25.6	42.0[r]	42.5[r]	42.5[r]	45.0[r]	43.9[r]	43.1[r]	50.0[r]	50.0	60.7
14 Austria	1.2	.4	1.0	1.0	1.0	1.1	.9	.7	1.2	.9	1.2
15 Denmark	.9	1.0	1.0[r]	1.1	.9[r]	1.3	1.7	1.1	1.8	2.6	3.1
16 Finland	.7	.4	1.0	.8	.8	.9	1.1	.5	.7	.8	.7
17 Greece	3.0	3.2	3.7[r]	4.6	4.2[r]	4.4[r]	4.8[r]	4.9[r]	5.0[r]	5.6[r]	5.5
18 Norway	1.2	1.7	1.6	1.6	1.6	2.0	2.4	1.8	2.3	3.2	2.1
19 Portugal	.4	.8	1.2	1.1	1.0	1.2	1.0	1.2	1.9[r]	1.3[r]	1.6
20 Spain	8.9	9.9	13.2	12.6	14.0	13.6	14.1	13.3	13.3	11.6	17.5
21 Turkey	1.3	2.1	2.4	2.1	1.8	1.6	1.4	1.4	1.9[r]	1.8[r]	1.9
22 Other Western Europe	1.7	2.6	3.1	2.8	1.0	2.7	2.5	2.6	3.0	4.7	3.8
23 South Africa	1.7	1.1	1.2	1.2	1.2	1.0	1.5	1.4	1.3	1.2	1.7
24 Australia	2.9	2.3	12.7	13.7	15.0	15.4	12.6	14.3	17.4	16.4	21.7
25 OPEC[2]	15.8	17.4	22.9	21.6	21.6[r]	23.8[r]	19.5	20.2[r]	22.4[r]	22.1[r]	21.1
26 Ecuador	.6	.5	.6	.5	.4	.5	.5	.7	.7	.7	.8
27 Venezuela	5.2	5.1	4.6	4.4	3.9	3.7	3.5	3.5	3.0	2.7	2.9
28 Indonesia	2.7	3.3	3.4	3.2	3.3	3.8	4.0	4.1	4.4	4.8[r]	4.7
29 Middle East countries	6.2	7.4	13.2	12.4	13.0	15.0	10.7	11.4	13.6[r]	13.3	12.3
30 African countries	1.1	1.2	1.1	1.1	1.1	.8[r]	.7	.5[r]	.6	.6	.5
31 Non-OPEC developing countries	72.6	83.1	94.5[r]	94.7[r]	93.1[r]	95.9[r]	98.4[r]	103.6	104.0[r]	112.5[r]	116.2
Latin America											
32 Argentina	6.6	7.7	8.7	9.8	10.5	11.2	11.4	12.3	10.9	12.9	12.7
33 Brazil	10.8	12.0	12.7	12.0	9.3	8.4	9.2	9.9[r]	13.6[r]	13.7[r]	17.2
34 Chile	4.4	4.7	5.1	5.1	5.5	6.1	6.4	7.1	6.4	6.8	6.4
35 Colombia	1.8	2.1	2.1[r]	2.4	2.4	2.6	2.6	2.6	2.9	2.9	2.9
36 Mexico	16.0	17.8	19.0	18.6	19.8	18.4	17.8	17.6	16.3	17.3	16.1
37 Peru	.5	.4	.6	.6	.6	.5	.6	.8	.7	.8	.9
38 Other	2.6	3.1	2.9	2.7	2.8	2.7	2.4	2.6	2.6	2.8	3.1
Asia											
China											
39 People's Republic of China	.7	2.0	.8	.8	1.0	1.1	1.1	1.4	1.7	1.8	3.3
40 Republic of China (Taiwan)	5.2	7.3	7.6	7.1	6.9	9.2	8.5	9.0	9.0	9.4	9.7
41 India	3.2	3.2	3.4	3.7	3.9	4.2	3.8	4.0	4.4	4.4	4.7
42 Israel	.4	.5	.4	.4	.4	.4	.6	.7	.5	.5	.5
43 Korea (South)	6.6	6.7	14.1	14.3	14.4	16.2	16.9	18.7	18.0	19.1	19.4
44 Malaysia	3.1	4.4	5.2	5.2	3.9	3.1	3.9	4.1	4.3	4.4	4.7
45 Philippines	3.6	3.1	3.4	3.2	2.9	3.3	3.0	3.6	3.3	4.1	3.9
46 Thailand	2.2	3.1	3.0	3.3	3.5	2.1	3.3	3.8	3.9	4.9	5.2
47 Other Asia	3.1	3.1	3.1	3.2	3.4	4.7	4.9	3.5	3.7	4.5	4.3
Africa											
48 Egypt	.2	.4	.3[r]	.4[r]	.3	.3	.4	.4	.4	.4	.2
49 Morocco	.6	.7	.8	.7	.7	.6	.6	.9	.8[r]	.7	.7
50 Zaire	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
51 Other Africa[3]	1.0	.8	1.1	1.0	.9	.8	.7	.6	.7	.9	.7
52 Eastern Europe	3.1	3.2	3.8	3.2	3.0	2.7	2.3	1.8	3.4	4.2	6.2
53 Russia[4]	1.9	1.6	1.6	1.3	1.1	.8	.7	.4	.6	1.0	1.4
54 Yugoslavia[5]	.6	.6	.5	.5	.5	.5	.4	.3	.4	.3	.3
55 Other	.6	.9	1.6	1.4	1.5	1.4	1.2	1.0	2.3	2.8	4.5
56 Offshore banking centers	58.1	73.0	78.5[r]	80.5[r]	77.1[r]	71.3[r]	84.3[r]	82.1	85.9[r]	99.5[r]	100.2
57 Bahamas	6.9	10.9	13.7	13.3	13.8	10.3	12.5	8.4	12.6	11.5[r]	13.4
58 Bermuda	6.2	8.9	8.8	6.5	6.0	8.4	8.6	8.3	6.1	6.3	5.3
59 Cayman Islands and other British West Indies	21.5	18.0	17.8	23.8	21.5	19.9	19.4	23.7	23.4	32.1	28.5
60 Netherlands Antilles	1.1	2.6	3.4	2.5	1.7	1.3	.9	2.4	5.5	9.9	10.7
61 Panama[6]	1.9	2.4	2.0	2.0	1.8[r]	1.3	1.1	1.3	1.2[r]	1.4	1.1
62 Lebanon	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
63 Hong Kong	13.9	18.7	19.7	21.8	20.3	19.9	22.4[r]	23.1	23.7	25.1	25.6
64 Singapore	6.5	11.2	13.0	10.6	11.8	10.1	19.1[r]	14.8	13.3	13.1	15.4
65 Other[7]	.0	.1	.0	.0	.0	.1	.0	.0	.1	.1	.1
66 Miscellaneous and unallocated[8]	39.7	43.4	55.9	69.6[r]	65.7[r]	66.6[r]	82.2[r]	72.3[r]	63.9[r]	57.4[r]	62.5

1. The banking offices covered by these data include U.S. offices and foreign branches of U.S. banks, including U.S. banks that are subsidiaries of foreign banks. Offices not covered include U.S. agencies and branches of foreign banks. Beginning March 1994, the data include large foreign subsidiaries of U.S. banks. The data also include other types of U.S. depository institutions as well as some types of brokers and dealers. To eliminate duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution.

These data are on a gross claims basis and do not necessarily reflect the ultimate country risk or exposure of U.S. banks. More complete data on the country risk exposure of U.S. banks are available in the quarterly Country Exposure Lending Survey published by the Federal Financial Institutions Examination Council.

2. Organization of Petroleum Exporting Countries, shown individually; other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates); and Bahrain and Oman (not formally members of OPEC).
3. Excludes Liberia. Beginning March 1994 includes Namibia.
4. As of December 1992, excludes other republics of the former Soviet Union.
5. As of December 1992, excludes Croatia, Bosnia and Herecegovinia, and Slovenia.
6. Includes Canal Zone.
7. Foreign branch claims only.
8. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States

Millions of dollars, end of period

Type of liability, and area or country	1992	1993	1994	1994		1995			
				Sept.	Dec.	Mar.	June	Sept.	Dec.[p]
1 **Total**	**45,511**	**50,597**	**54,309**	**57,630**	**54,309**	**50,187**	**49,973**	**47,673**	**46,494**
2 Payable in dollars	37,456	38,728	38,298	41,879	38,298	35,903	34,281	33,908	33,949
3 Payable in foreign currencies	8,055	11,869	16,011	15,751	16,011	14,284	15,692	13,765	12,545
By type									
4 Financial liabilities	23,841	29,226	32,954	36,440	32,954	29,775	29,282	26,237	24,287
5 Payable in dollars	16,960	18,545	18,818	22,558	18,818	16,704	15,028	13,872	12,949
6 Payable in foreign currencies	6,881	10,681	14,136	13,882	14,136	13,071	14,254	12,365	11,338
7 Commercial liabilities	21,670	21,371	21,355	21,190	21,355	20,412	20,691	21,436	22,207
8 Trade payables	9,566	8,802	10,005	9,550	10,005	9,844	10,527	10,061	11,013
9 Advance receipts and other liabilities	12,104	12,569	11,350	11,640	11,350	10,568	10,164	11,375	11,194
10 Payable in dollars	20,496	20,183	19,480	19,321	19,480	19,199	19,253	20,036	21,000
11 Payable in foreign currencies	1,174	1,188	1,875	1,869	1,875	1,213	1,438	1,400	1,207
By area or country									
Financial liabilities									
12 Europe	13,387	18,810	21,703	25,288	21,703	17,541	18,223	16,401	15,622
13 Belgium and Luxembourg	414	175	495	661	495	612	778	347	369
14 France	1,623	2,539	1,727	2,241	1,727	2,046	1,101	1,365	999
15 Germany	889	975	1,961	1,467	1,961	1,755	1,589	1,670	1,974
16 Netherlands	606	534	552	648	552	633	530	474	466
17 Switzerland	569	634	688	633	688	883	1,056	948	895
18 United Kingdom	8,610	13,332	15,543	18,323	15,543	10,764	12,138	10,518	10,138
19 Canada	544	859	629	618	629	1,817	893	797	632
20 Latin America and Caribbean	4,053	3,359	2,034	1,977	2,034	2,065	1,950	1,904	1,829
21 Bahamas	379	1,148	101	121	101	135	81	79	68
22 Bermuda	114	0	80	15	80	149	138	144	152
23 Brazil	19	18	207	7	207	58	58	111	57
24 British West Indies	2,850	1,533	998	1,173	998	1,068	1,030	930	898
25 Mexico	12	17	0	15	0	10	3	3	12
26 Venezuela	6	5	5	5	5	5	4	3	2
27 Asia	5,818	5,956	8,403	8,405	8,403	8,156	8,023	6,947	5,988
28 Japan	4,750	4,887	7,314	7,248	7,314	7,182	7,141	6,308	5,436
29 Middle Eastern oil-exporting countries[1]	19	23	35	31	35	27	25	25	27
30 Africa	6	133	135	133	135	156	151	149	150
31 Oil-exporting countries[2]	0	123	123	123	123	122	122	122	122
32 All other[3]	33	109	50	19	50	40	12	39	66
Commercial liabilities									
33 Europe	7,398	6,827	6,773	6,868	6,773	6,642	6,776	7,263	7,700
34 Belgium and Luxembourg	298	239	241	287	241	271	311	349	331
35 France	700	655	728	744	728	642	504	528	481
36 Germany	729	684	604	552	604	482	556	660	767
37 Netherlands	535	688	722	674	722	536	448	566	500
38 Switzerland	350	375	327	391	327	327	432	255	413
39 United Kingdom	2,505	2,039	2,444	2,350	2,444	2,848	2,902	3,351	3,568
40 Canada	1,002	879	1,037	1,068	1,037	1,235	1,116	1,219	1,040
41 Latin America and Caribbean	1,533	1,658	1,857	1,783	1,857	1,368	1,836	1,607	1,740
42 Bahamas	3	21	19	6	19	8	3	1	1
43 Bermuda	307	350	345	200	345	260	397	219	205
44 Brazil	209	214	161	147	161	96	107	143	98
45 British West Indies	33	27	23	33	23	29	12	5	56
46 Mexico	457	481	574	672	574	356	420	357	416
47 Venezuela	142	123	276	189	276	273	204	175	221
48 Asia	10,594	10,980	10,741	10,370	10,741	10,151	9,978	10,275	10,421
49 Japan	3,612	4,314	4,555	4,128	4,555	4,110	3,531	3,475	3,315
50 Middle Eastern oil-exporting countries[1]	1,889	1,534	1,576	1,663	1,576	1,787	1,790	1,647	1,912
51 Africa	568	453	428	468	428	463	481	589	619
52 Oil-exporting countries[2]	309	167	256	264	256	248	252	241	254
53 Other[3]	575	574	519	633	519	553	474	483	687

1. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
2. Comprises Algeria, Gabon, Libya, and Nigeria.
3. Includes nonmonetary international and regional organizations.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States

Millions of dollars, end of period

Type of claim, and area or country	1992	1993	1994	1994		1995			
				Sept.	Dec.	Mar.	June	Sept.	Dec.[p]
1 **Total**	**45,073**	**49,159**	**57,888**	**54,833**	**57,888**	**52,218**	**58,051**	**53,424**	**52,483**
2 Payable in dollars	42,281	45,161	53,805	50,460	53,805	48,425	54,138	49,696	48,687
3 Payable in foreign currencies	2,792	3,998	4,083	4,373	4,083	3,793	3,913	3,728	3,796
By type									
4 Financial claims	26,509	27,771	33,897	32,236	33,897	29,606	34,574	29,891	27,398
5 Deposits	17,695	15,717	18,507	19,118	18,507	17,115	22,046	17,974	15,133
6 Payable in dollars	16,872	15,182	18,026	18,502	18,026	16,458	21,351	17,393	14,654
7 Payable in foreign currencies	823	535	481	616	481	657	695	581	479
8 Other financial claims	8,814	12,054	15,390	13,118	15,390	12,491	12,528	11,917	12,265
9 Payable in dollars	7,890	10,862	14,306	11,903	14,306	11,275	11,370	10,689	10,976
10 Payable in foreign currencies	924	1,192	1,084	1,215	1,084	1,216	1,158	1,228	1,289
11 Commercial claims	18,564	21,388	23,991	22,597	23,991	22,612	23,477	23,533	25,085
12 Trade receivables	16,007	18,425	21,158	19,825	21,158	20,415	21,326	21,409	22,973
13 Advance payments and other claims	2,557	2,963	2,833	2,772	2,833	2,197	2,151	2,124	2,112
14 Payable in dollars	17,519	19,117	21,473	20,055	21,473	20,692	21,417	21,614	23,057
15 Payable in foreign currencies	1,045	2,271	2,518	2,542	2,518	1,920	2,060	1,919	2,028
By area or country									
Financial claims									
16 Europe	9,331	7,299	7,936	8,914	7,936	7,630	7,927	7,840	7,609
17 Belgium and Luxembourg	8	134	86	115	86	146	155	160	193
18 France	764	826	800	931	800	808	730	753	803
19 Germany	326	526	540	413	540	527	356	301	436
20 Netherlands	515	502	429	503	429	606	601	522	517
21 Switzerland	490	530	523	777	523	490	514	530	498
22 United Kingdom	6,252	3,585	4,649	5,023	4,649	4,040	4,790	4,924	4,303
23 Canada	1,833	2,032	3,581	3,812	3,581	3,848	3,705	3,526	2,851
24 Latin America and Caribbean	13,893	16,224	19,536	16,608	19,536	16,109	21,159	15,345	14,500
25 Bahamas	778	1,336	2,424	1,121	2,424	940	2,355	1,552	1,965
26 Bermuda	40	125	27	52	27	37	85	35	81
27 Brazil	686	654	520	411	520	528	502	851	830
28 British West Indies	11,747	12,699	15,228	13,694	15,228	13,531	17,013	11,816	10,393
29 Mexico	445	872	723	691	723	583	635	487	554
30 Venezuela	29	161	35	31	35	27	27	50	32
31 Asia	864	1,657	1,871	2,176	1,871	1,504	1,235	2,160	1,579
32 Japan	668	892	953	661	953	621	471	1,404	871
33 Middle Eastern oil-exporting countries[1]	3	3	141	19	141	4	3	4	3
34 Africa	83	99	373	197	373	141	138	188	276
35 Oil-exporting countries[2]	9	1	0	0	0	9	9	6	5
36 All other[3]	505	460	600	529	600	374	410	832	583
Commercial claims									
37 Europe	8,451	9,105	9,540	8,810	9,540	8,947	9,200	8,862	9,822
38 Belgium and Luxembourg	189	184	213	178	213	199	218	224	231
39 France	1,537	1,947	1,881	1,766	1,881	1,790	1,669	1,706	1,830
40 Germany	933	1,018	1,027	883	1,027	977	1,023	997	1,070
41 Netherlands	552	423	311	331	311	324	341	338	452
42 Switzerland	362	432	557	538	557	556	612	438	520
43 United Kingdom	2,094	2,377	2,556	2,505	2,556	2,388	2,469	2,479	2,655
44 Canada	1,286	1,781	1,988	1,906	1,988	2,010	2,003	1,971	1,950
45 Latin America and Caribbean	3,043	3,274	4,117	3,963	4,117	4,140	4,370	4,359	4,348
46 Bahamas	28	11	9	34	9	17	21	26	30
47 Bermuda	255	182	234	246	234	208	210	245	272
48 Brazil	357	460	612	471	612	695	777	745	897
49 British West Indies	40	71	83	49	83	55	83	66	79
50 Mexico	924	990	1,243	1,137	1,243	1,106	1,109	1,026	985
51 Venezuela	345	293	348	388	348	295	319	325	285
52 Asia	4,866	6,014	6,982	6,679	6,982	6,200	6,516	6,826	7,307
53 Japan	1,903	2,275	2,655	2,591	2,655	1,911	2,011	1,998	1,868
54 Middle Eastern oil-exporting countries[1]	693	704	708	617	708	689	707	775	974
55 Africa	554	493	454	447	454	468	478	543	654
56 Oil-exporting countries[2]	78	72	67	61	67	71	60	74	87
57 Other[3]	364	721	910	792	910	847	910	971	1,004

1. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Comprises Algeria, Gabon, Libya, and Nigeria.

3. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transaction, and area or country	1994	1995	1996 Jan.–Apr.	1995 Oct.	1995 Nov.	1995 Dec.	1996 Jan.	1996 Feb.	1996 Mar.	1996 Apr.[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	350,593	462,884	204,159	41,492	41,937	46,479	43,574	52,260[r]	55,280	53,045
2 Foreign sales	348,716	451,709	196,253	42,860	39,071	44,372	41,948	51,083[r]	54,450	48,772
3 **Net purchases, or sales (–)**	**1,877**	**11,175**	**7,906**	**–1,368**	**2,866**	**2,107**	**1,626**	**1,177[r]**	**830**	**4,273**
4 **Foreign countries**	**1,867**	**11,380**	**7,934**	**–1,328**	**2,877**	**2,109**	**1,623**	**1,306[r]**	**876**	**4,129**
5 Europe	6,714	4,847	3,687	1,647	954	1,028	1,954	1,072	1,376	1,129
6 France	201	1,099	328	54	58	382	164	161	661	336
7 Germany	2,110	1,837	462	5	131	11	239	37	86	174
8 Netherlands	2,251	3,507	1,125	528	230	373	660	20	208	237
9 Switzerland	30	2,283	1,381	149	227	191	639	441	566	617
10 United Kingdom	840	8,001	284	878	543	1,277	165	223	242	346
11 Canada	1,160	1,517	1,125	74	405	175	645	518	90	52
12 Latin America and Caribbean	2,111	5,814	2,697	2,920	1,361	219	487	2,694[r]	318	808
13 Middle East[1]	1,142	337	831	8	63	148	507	285	33	6
14 Other Asia	1,234	2,503	1,185	61	342	883	40	336	291	1,852
15 Japan	1,162	2,725	660	56	406	1,231	94	131	749	1,446
16 Africa	29	2	69	17	26	1	6	62	44	31
17 Other countries	771	68	140	17	96	7	52	151	276	37
18 **Nonmonetary international and regional organizations**	**10**	**–205**	**–28**	**–40**	**–11**	**2**	**3**	**–129**	**–46**	**144**
BONDS[2]										
19 Foreign purchases	289,586	293,030	122,765	26,424	31,642	21,698	26,591	32,759	39,308	24,107
20 Foreign sales	229,665	206,951	85,140	19,199	20,741	21,117	17,726	23,608	25,113	18,693
21 **Net purchases, or sales (–)**	**59,921**	**86,079**	**37,625**	**7,225**	**10,901**	**581**	**8,865**	**9,151**	**14,195**	**5,414**
22 **Foreign countries**	**59,036**	**86,533**	**37,543**	**7,293**	**10,948**	**553**	**8,823**	**9,230**	**14,107**	**5,383**
23 Europe	37,065	69,815	24,515	6,418	9,759	1,309	5,624	8,968	5,976	3,947
24 France	242	1,143	2,608	732	101	137	839	314	670	785
25 Germany	657	5,806	3,021	113	894	236	26	1,859	467	721
26 Netherlands	3,322	1,463	403	204	219	101	156	365	66	52
27 Switzerland	1,055	494	212	148	101	381	56	86	38	144
28 United Kingdom	31,612	57,220	16,643	4,599	6,999	925	3,854	6,280	4,245	2,264
29 Canada	2,958	2,569	847	139	20	181	104	235	149	359
30 Latin America and Caribbean	5,412	6,141	8,556	61	1,426	848	2,096	713	7,140	33
31 Middle East[1]	771	1,869	393	246	188	187	194	334	13	122
32 Other Asia	12,153	5,659	4,349	1,126	705	293	1,272	1,161	831	1,085
33 Japan	5,486	2,250	3,045	645	899	904	338	336	245	126
34 Africa	7	234	30	223	240	86	16	40	37	49
35 Other countries	651	246	361	140	20	69	63	47	39	212
36 **Nonmonetary international and regional organizations**	**885**	**–454**	**82**	**–68**	**–47**	**28**	**42**	**–79**	**88**	**31**
	Foreign securities									
37 Stocks, net purchases, or sales (–)	48,071	50,786	29,115	5,769	1,725	6,830	6,432	5,704[r]	10,341	6,638
38 Foreign purchases	386,106	345,498	144,801	29,382	30,307	32,366	33,481	37,457[r]	36,117	37,746
39 Foreign sales	434,177	396,284	173,916	35,151	32,032	39,196	39,913	43,161[r]	46,458	44,384
40 Bonds, net purchases, or sales (–)	9,224	47,159	11,779	7,580	6,235	3,923	4,472	1,304	6,115	112
41 Foreign purchases	848,368	889,143	354,041	76,889	78,563	80,310	84,508	95,095	93,239	81,199
42 Foreign sales	857,592	936,302	365,820	84,469	84,798	84,233	88,980	96,399	99,354	81,087
43 **Net purchases, or sales (–), of stocks and bonds**	**–57,295**	**–97,945**	**–40,894**	**–13,349**	**–7,960**	**–10,753**	**–10,904**	**–7,008[r]**	**–16,456**	**–6,526**
44 **Foreign countries**	**–57,815**	**–97,140**	**–40,747**	**–13,240**	**–7,882**	**–10,812**	**–10,935**	**–6,883[r]**	**–16,460**	**–6,469**
45 Europe	3,516	47,905	12,817	7,249	4,609	–6,033	3,973	2,451[r]	4,584	1,809
46 Canada	7,475	7,871	3,957	1,311	494	14	2,649	59[r]	1,863	614
47 Latin America and Caribbean	18,334	7,071	4,714	3,883	184	802	3	1,031[r]	2,582	1,098
48 Asia	21,275	34,019	16,990	2,511	2,001	4,389	4,685	2,557	5,755	3,993
49 Japan	17,427	25,070	9,194	849	1,388	3,685	3,427	1,592	3,225	950
50 Africa	467	327	707	5	19	14	96	161	436	14
51 Other countries	3,748	83	1,562	913	613	470	471	624[r]	1,240	169
52 **Nonmonetary international and regional organizations**	**520**	**–805**	**–147**	**–109**	**–78**	**59**	**31**	**–125**	**4**	**–57**

1. Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Includes state and local government securities and securities of U.S. government agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions[1]

Millions of dollars; net purchases, or sales (–) during period

Area or country	1994	1995	1996 Jan.–Apr.	1995 Oct.	1995 Nov.	1995 Dec.	1996 Jan.	1996 Feb.	1996 Mar.	1996 Apr.^p
1 **Total estimated**	**78,801**	**133,991**	**52,965**	**4,819**	**15,307**	**–9,454**	**14,008**	**15,451**	**7,017**	**16,489**
2 Foreign countries	78,637	133,552	54,165	4,650	14,936	9,016	13,703	16,192	6,406	17,864
3 Europe	38,512	50,000	29,277	4,608	821	1,120	7,281	8,162	4,075	9,459
4 Belgium and Luxembourg	1,098	591	509	25	81	171	149	120	81	399
5 Germany	5,709	6,136	6,005	2,831	52	152	1,385	1,829	958	1,833
6 Netherlands	1,254	1,891	2,573	160	833	381	807	354	1,597	2,137
7 Sweden	794	358	1,116	92	30	285	45	803	372	286
8 Switzerland	181	472	1,554	174	568	664	76	84	65	1,329
9 United Kingdom	13,365	34,778	11,110	5,965	1,309	4,377	1,167	1,644	2,262	6,067
10 Other Europe and former U.S.S.R.	5,844	6,718	11,226	1,875	856	3,202	3,742	3,868	1,954	1,682
11 Canada	3,191	252	5,531	1,864	13	208	1,867	1,863	35	1,766
12 Latin America and Caribbean	10,383	18,609	8,580	17,453	13,496	3,762	2,618	2,931	4,985	1,981
13 Venezuela	319	2	275	92	232	61	142	93	1	1
14 Other Latin America and Caribbean	20,193	25,152	8,186	3,033	3,723	4,710	8,922	1,896	2,696	3,856
15 Netherlands Antilles	10,129	23,159	16,491	14,512	9,544	1,009	11,328	942	2,255	1,876
16 Asia	17,317	32,319	26,955	6,879	107	11,843	6,920	8,616	6,944	4,478
17 Japan	29,793	16,863	10,513	10,115	1,316	5,695	2,619	3,069	2,113	2,382
18 Africa	240	1,164	976	504	158	252	515	100	311	250
19 Other	570	908	6	47	314	275	232	282	29	73
20 Nonmonetary international and regional organizations	164	439	1,200	169	371	138	305	741	611	1,375
21 International	526	9	135	2	368	347	210	308	617	114
22 Latin American regional	154	261	1,295	185	13	115	15	254	12	1,008
MEMO										
23 Foreign countries	78,637	133,552	54,165	4,650	14,936	9,016	13,703	16,192	6,406	17,864
24 Official institutions	41,822	39,625	34,297	5,705	915	2,651	12,615	8,681	4,748	8,253
25 Other foreign	36,815	93,927	19,868	1,055	15,851	11,667	1,088	7,511	1,658	9,611
Oil-exporting countries										
26 Middle East[2]	38	3,075	1,454	624	876	2,085	658	122	1,127	863
27 Africa[3]	0	3	1	0	0	0	0	1	0	0

1. Official and private transactions in marketable U.S. Treasury securities having an original maturity of more than one year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

3. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS[1]

Percent per year, averages of daily figures

Country	Rate on June 30, 1996: Percent	Rate on June 30, 1996: Month effective	Country	Rate on June 30, 1996: Percent	Rate on June 30, 1996: Month effective
Austria	2.5	Apr. 1996	Germany	2.5	Apr. 1996
Belgium	2.5	Apr. 1995	Italy	9.0	June 1995
Canada	5.0	Apr. 1996	Japan	.5	Sept. 1995
Denmark	3.25	Apr. 1996	Netherlands	2.5	Apr. 1996
France[2]	3.6	June 1996	Switzerland	1.5	Dec. 1995

1. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper or government securities for commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood that the central bank transacts the largest proportion of its credit operations.

2. Since February 1981, the rate has been that at which the Bank of France discounts Treasury bills for seven to ten days.

3.27 FOREIGN SHORT-TERM INTEREST RATES[1]

Percent per year, averages of daily figures

Type or country	1993	1994	1995	1995 Dec.	1996 Jan.	1996 Feb.	1996 Mar.	1996 Apr.	1996 May	1996 June
1 Eurodollars	3.18	4.63	5.93	5.61	5.40	5.14	5.28	5.36	5.36	5.46
2 United Kingdom	5.88	5.45	6.63	6.42	6.31	6.13	6.02	5.97	6.03	5.80
3 Canada	5.14	5.57	7.14	5.91	5.58	5.22	5.23	5.03	4.84	4.87
4 Germany	7.17	5.25	4.43	3.82	3.54	3.26	3.25	3.22	3.19	3.29
5 Switzerland	4.79	4.03	2.94	1.94	1.65	1.61	1.68	1.68	1.99	2.54
6 Netherlands	6.73	5.09	4.30	3.58	3.20	3.00	3.09	2.83	2.61	2.81
7 France	8.30	5.72	6.43	5.17	4.56	4.29	4.14	3.87	3.78	3.81
8 Italy	10.09	8.45	10.43	10.58	10.05	9.90	9.82	9.60	8.88	8.73
9 Belgium	8.10	5.65	4.73	3.74	3.47	3.23	3.25	3.23	3.19	3.23
10 Japan	2.96	2.24	1.20	.52	.55	.61	.60	.61	.62	.57

1. Rates are for three-month interbank loans, with the following exceptions: Canada, finance company paper; Belgium, three-month Treasury bills; and Japan, CD rate.

3.28 FOREIGN EXCHANGE RATES[1]

Currency units per dollar except as noted

Country/currency unit	1993	1994	1995	1996					
				Jan.	Feb.	Mar.	Apr.	May	June
1 Australia/dollar[2]	67.993	73.161	74.073	74.471	75.557	77.136	78.566	79.700	79.122
2 Austria/schilling	11.639	11.409	10.076	10.296	10.321	10.391	10.580	10.782	10.755
3 Belgium/franc	34.581	33.426	29.472	30.081	30.115	30.371	30.902	31.502	31.433
4 Canada/dollar	1.2902	1.3664	1.3725	1.3669	1.3753	1.3656	1.3592	1.3693	1.3658
5 China, P.R./yuan	5.7795	8.6404	8.3700	8.3381	8.3338	8.3495	8.3583	8.3479	8.3424
6 Denmark/krone	6.4863	6.3561	5.5999	5.6618	5.6749	5.7074	5.9144	5.9160	5.8941
7 Finland/markka	5.7251	5.2340	4.3763	4.4510	4.5532	4.6066	4.7288	4.7511	4.6710
8 France/franc	5.6669	5.5459	4.9864	5.0117	5.0440	5.0583	5.1049	5.1855	5.1787
9 Germany/deutsche mark	1.6545	1.6216	1.4321	1.4635	1.4669	1.4776	1.5048	1.5324	1.5282
10 Greece/drachma	229.64	242.50	231.68	240.91	242.21	241.54	242.00	243.27	241.75
11 Hong Kong/dollar	7.7357	7.7290	7.7357	7.7329	7.7323	7.7325	7.7345	7.7363	7.7404
12 India/rupee	31.291	31.394	32.418	35.812	36.595	34.485	34.320	35.025	35.100
13 Ireland/pound[2]	146.47	149.69	160.35	158.18	158.10	157.21	156.51	156.29	158.31
14 Italy/lira	1,573.41	1,611.49	1,629.45	1,581.87	1,570.00	1,562.43	1,565.60	1,556.71	1,542.30
15 Japan/yen	111.08	102.18	93.96	105.75	105.79	105.94	107.20	106.34	108.96
16 Malaysia/ringgit	2.5738	2.6237	2.5073	2.5563	2.5487	2.5417	2.5113	2.4936	2.4967
17 Netherlands/guilder	1.8585	1.8190	1.6044	1.6388	1.6424	1.6540	1.6805	1.7135	1.7120
18 New Zealand/dollar[2]	54.127	59.358	65.625	66.195	67.495	68.079	68.242	68.571	67.650
19 Norway/krone	7.1009	7.0553	6.3355	6.4275	6.4103	6.4277	6.4901	6.5718	6.5376
20 Portugal/escudo	161.08	165.93	149.88	151.90	152.49	152.93	154.51	157.54	157.40
21 Singapore/dollar	1.6158	1.5275	1.4171	1.4211	1.4115	1.4095	1.4082	1.4074	1.4090
22 South Africa/rand	3.2729	3.5526	3.6286	3.6413	3.7420	3.9293	4.2130	4.3679	4.3519
23 South Korea/won	805.75	806.93	772.82	787.13	780.12	781.31	780.42	780.86	798.45
24 Spain/peseta	127.48	133.88	124.64	123.38	123.65	124.39	125.49	127.97	128.87
25 Sri Lanka/rupee	48.211	49.170	51.047	53.874	53.716	53.748	54.163	54.868	55.529
26 Sweden/krona	7.7956	7.7161	7.1406	6.7405	6.8775	6.7318	6.7141	6.7984	6.6807
27 Switzerland/franc	1.4781	1.3667	1.1812	1.1818	1.1967	1.1959	1.2180	1.2539	1.2579
28 Taiwan/dollar	26.416	26.465	26.495	27.406	27.485	27.400	27.188	27.352	27.674
29 Thailand/baht	25.333	25.161	24.921	25.298	25.250	25.251	25.290	25.289	25.354
30 United Kingdom/pound[2]	150.16	153.19	157.85	152.88	153.60	152.71	151.60	151.52	154.16
MEMO									
31 United States/dollar[3]	93.18	91.32	84.25	86.23	86.44	86.57	87.46	88.28	88.46

1. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) monthly statistical release. For ordering address, see inside front cover.
2. Value in U.S. cents.
3. Index of weighted average exchange value of U.S. dollar against the currencies of ten industrial countries. The weight for each of the ten countries is the 1972–76 average world trade of that country divided by the average world trade of all ten countries combined. Series revised as of August 1978 (see *Federal Reserve Bulletin*, vol. 64 (August 1978), p. 700).

Guide to Statistical Releases and Special Tables

STATISTICAL RELEASES—List Published Semiannually, with Latest Bulletin *Reference*

SPECIAL TABLES—Data Published Irregularly, with Latest Bulletin *Reference*

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, May 6 10, 1996[1]

Commercial and industrial loans

Type and maturity of loan	Amount of loans (thousands of dollars)	Average size (thousands of dollars)	Weighted average maturity[2]	Loan rate (percent): Weighted average effective[3]	Loan rate (percent): Standard error[4]	Loans secured by collateral (percent)	Loans made under commitment (percent)	Participation loans (percent)	Most common base pricing rate[5]
			Days						
ALL BANKS									
1 Overnight[6]	16,892,040	8,721		5.98	.21	12.5	60.8	3.1	Fed funds
2 One month or less (excluding overnight)	11,628,749	1,031	12	6.37	.16	15.1	82.4	5.7	Other
3 Fixed rate	9,131,845	3,109	11	6.18	.21	9.0	79.0	4.0	Other
4 Floating rate	2,496,904	299	18	7.06	.23	37.4	94.8	12.1	Domestic
5 More than one month and less than one year	13,696,214	191	125	7.53	.15	48.6	86.7	6.9	Foreign
6 Fixed rate	6,405,619	263	95	6.85	.22	38.7	87.1	10.4	Foreign
7 Floating rate	7,290,596	154	151	8.12	.18	57.2	86.3	3.8	Prime
8 Demand[7]	14,525,096	350	:	7.24	.16	47.4	56.9	4.8	Prime
9 Fixed rate	4,619,674	1,237		5.94	.24	18.3	33.9	9.1	Domestic
10 Floating rate	9,905,422	263		7.85	.18	61.0	67.7	2.9	Prime
11 Total short-term	**56,742,099**	**449**	**44**	**6.76**	**.14**	**30.7**	**70.5**	**5.0**	**Fed funds**
12 Fixed rate (thousands of dollars)	37,021,716	1,122	22	6.17	.21	16.9	66.4	5.3	Fed funds
13 1 99	363,323	14	138	9.54	.16	82.3	51.7	.8	Other
14 100 499	167,930	197	99	8.31	.17	68.9	69.4	6.1	Other
15 500 999	659,429	685	65	7.34	.17	55.1	80.3	7.9	Other
16 1,000 4,999	4,338,235	2,336	42	6.71	.10	29.8	81.1	6.6	Foreign
17 5,000 9,999	4,192,103	6,644	38	6.55	.19	28.7	73.6	8.3	Other
18 10,000 or more	27,000,695	21,730	13	5.92	.08	10.3	62.8	4.6	Fed funds
19 Floating rate (thousands of dollars)	19,720,383	211	117	7.85	.18	56.5	78.0	4.4	Prime
20 1 99	1,788,525	25	173	9.64	.05	81.1	88.2	1.4	Prime
21 100 499	3,401,205	200	166	9.10	.03	76.4	90.1	4.9	Prime
22 500 999	1,538,485	655	165	8.69	.02	71.2	89.9	6.6	Prime
23 1,000 4,999	4,247,062	2,106	114	7.88	.14	53.3	84.2	5.1	Prime
24 5,000 9,999	1,991,186	6,647	97	7.08	.17	43.4	83.4	6.7	Foreign
25 10,000 or more	6,753,920	24,059	64	6.75	.10	42.4	61.1	3.2	Fed funds
			Months						
26 Total long-term	**9,793,519**	**300**	**42**	**7.96**	**.14**	**56.5**	**72.7**	**8.7**	**Prime**
27 Fixed rate (thousands of dollars)	2,323,557	173	49	7.91	.24	57.2	64.4	15.6	Other
28 1 99	239,945	22	46	9.68	.06	93.5	32.4	4.7	Other
29 100 499	383,381	206	55	8.85	.42	84.9	34.5	8.9	Other
30 500 999	177,088	665	46	7.97	.25	55.0	49.8	15.4	Other
31 1,000 or more	1,523,143	4,037	48	7.39	.38	44.8	78.6	19.1	Other
32 Floating rate (thousands of dollars)	7,469,963	389	40	7.97	.15	56.3	75.4	6.5	Prime
33 1 99	327,790	28	48	9.62	.07	85.8	74.0	3.2	Prime
34 100 499	1,098,232	208	46	8.99	.05	81.3	88.3	7.1	Prime
35 500 999	627,999	655	37	8.63	.03	71.8	88.5	11.6	Prime
36 1,000 or more	5,315,941	4,935	39	7.59	.26	47.7	71.3	6.0	Foreign
			Days	Loan rate (percent): Effective[3]	Loan rate (percent): Nominal[8]				Prime rate[9]
LOANS MADE BELOW PRIME[10]									
37 Overnight[6]	16,528,837	11,037		5.91	5.74	10.9	60.0	3.1	8.25
38 One month or less (excluding overnight)	10,761,821	3,797	11	6.12	5.95	10.1	82.0	5.8	8.26
39 More than one month and less than one year	8,812,694	691	97	6.52	6.34	34.0	88.9	8.9	8.28
40 Demand[7]	8,625,015	2,267	·	5.99	5.88	33.2	37.5	5.2	8.25
41 Total short-term	**44,728,367**	**2,141**	**28**	**6.10**	**5.93**	**19.5**	**66.6**	**5.3**	**8.26**
42 Fixed rate	35,423,032	3,465	19	6.02	5.86	14.0	65.9	5.4	8.25
43 Floating rate	9,305,335	873	78	6.38	6.20	40.7	69.4	5.0	8.28
			Months						
44 Total long-term	**4,937,917**	**824**	**39**	**6.68**	**6.50**	**37.6**	**62.6**	**7.0**	**8.30**
45 Fixed rate	1,382,264	507	45	6.63	6.46	34.9	67.9	20.6	8.33
46 Floating rate	3,555,652	1,088	37	6.69	6.52	38.6	60.6	1.7	8.29

Footnotes appear at the end of the table

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, May 6–10, 1996[1] —Continued

Commercial and industrial loans—Continued

Type and maturity of loan	Amount of loans (thousands of dollars)	Average size (thousands of dollars)	Weighted average maturity[2]	Loan rate (percent)		Loans secured by collateral (percent)	Loans made under commitment (percent)	Participation loans (percent)	Most common base pricing rate[5]
				Weighted average effective[3]	Standard error[4]				
			Days						
LARGE BANKS									
1 Overnight[6]	12,857,316	11,265		5.95	.17	10.7	66.7	3.0	Fed funds
2 One month or less (excluding overnight)	9,097,408	2,592	12	6.27	.16	13.2	86.6	5.9	Other
3 Fixed rate	7,357,538	7,053	10	6.18	.20	9.3	84.1	3.8	Other
4 Floating rate	1,739,870	705	18	6.63	.26	29.6	97.1	14.7	Domestic
5 More than one month and less than one year	8,413,491	765	98	7.19	.13	12.0	91.6	7.8	Foreign
6 Fixed rate	4,598,409	2,507	76	6.82	.13	36.2	90.5	11.4	Foreign
7 Floating rate	3,815,082	118	124	7.63	.19	49.0	92.8	3.6	Prime
8 Demand[7]	11,627,780	561		6.93	.15	40.8	48.4	5.1	Prime
9 Fixed rate	4,368,228	3,095		5.85	.21	15.9	31.4	9.6	Domestic
10 Floating rate	7,259,552	376		7.58	.19	55.8	58.7	2.5	Prime
11 Total short-term	**42,026,025**	**1,155**	**31**	**6.54**	**.13**	**25.9**	**70.9**	**5.2**	**Other**
12 Fixed rate (thousands of dollars)	29,159,856	5,373	18	6.13	.13	15.1	69.5	5.5	Other
13 1–99	43,684	33	94	8.32	.21	72.9	73.1	2.2	Other
14 100–499	171,520	230	70	7.63	.13	68.5	88.1	8.6	Other
15 500–999	318,287	695	53	7.25	.18	49.5	81.9	10.8	Other
16 1,000–4,999	2,965,152	2,274	38	6.77	.18	31.9	80.4	6.8	Other
17 5,000–9,999	3,503,268	6,735	32	6.54	.22	26.4	74.7	6.8	Other
18 10,000 or more	22,127,616	21,688	12	5.95	.16	10.0	66.9	5.0	Fed funds
19 Floating rate (thousands of dollars)	12,866,169	315	90	7.17	.17	50.2	74.1	4.1	Prime
20 1–99	651,580	32	161	9.48	.06	76.1	86.7	1.1	Prime
21 100–499	1,610,951	203	146	9.01	.02	73.3	90.1	3.8	Prime
22 500–999	833,081	668	150	8.55	.06	65.4	90.8	5.9	Prime
23 1,000–4,999	2,198,922	2,137	101	7.52	.21	37.6	82.9	5.9	Prime
24 5,000–9,999	1,115,855	6,787	81	7.00	.18	31.6	81.0	7.8	Foreign
25 10,000 or more	5,796,077	27,524	55	6.71	.14	41.7	60.3	3.4	Fed funds
			Months						
26 Total long-term	**5,444,213**	**769**	**43**	**7.86**	**.13**	**55.7**	**88.8**	**11.8**	**Prime**
27 Fixed rate (thousands of dollars)	1,016,519	906	17	6.89	.21	38.6	81.4	29.0	Other
28 1–99	16,917	31	13	8.83	.23	79.0	59.7	1.0	Other
29 100–499	65,170	228	42	8.38	.39	73.3	71.1	10.5	Foreign
30 500–999	36,571	685	39	7.86	.32	69.1	81.2	29.1	Foreign
31 1,000 or more	847,891	5,010	48	6.61	.26	32.0	82.6	31.0	Domestic
32 Floating rate (thousands of dollars)	4,427,661	713	42	8.08	.11	59.6	90.5	7.8	Prime
33 1–99	91,502	31	36	9.30	.03	71.8	88.9	5.8	Prime
34 100–499	530,070	220	36	8.88	.07	72.1	95.3	6.7	Prime
35 500–999	391,793	675	35	8.59	.05	61.1	93.1	7.9	Prime
36 1,000 or more	3,411,299	1,578	33	7.87	.18	57.1	89.6	8.1	Prime
			Days	Loan rate (percent): Effective[3]	Nominal[8]				Prime rate[9]
LOANS MADE BELOW PRIME[10]									
37 Overnight[6]	12,638,619	12,557	1	5.90	5.73	9.4	66.2	3.0	8.25
38 One month or less (excluding overnight)	8,714,304	6,756	11	6.13	5.95	10.7	86.2	5.8	8.25
39 More than one month and less than one year	6,372,214	2,913	81	6.51	6.35	31.1	91.0	9.1	8.25
40 Demand[7]	7,850,723	3,361		5.96	5.85	32.0	31.8	5.5	8.25
41 Total short-term	**35,575,891**	**5,217**	**23**	**6.08**	**5.92**	**18.7**	**67.9**	**5.3**	**8.25**
42 Fixed rate	28,240,286	7,396	16	6.03	5.87	13.0	68.8	5.5	8.25
43 Floating rate	7,335,604	2,111	66	6.30	6.13	10.6	61.6	4.7	8.25
			Months						
44 Total long-term	**2,689,074**	**2,236**	**42**	**6.62**	**6.44**	**46.2**	**82.4**	**11.2**	**8.25**
45 Fixed rate	786,859	1,871	36	6.24	6.10	30.1	80.2	32.0	8.25
46 Floating rate	1,902,215	2,431	11	6.77	6.57	52.9	83.1	2.7	8.25

Footnotes appear at the end of the table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, May 6–10, 1996[1] —Continued

Commercial and industrial loans—Continued

Type and maturity of loan	Amount of loans (thousands of dollars)	Average size (thousands of dollars)	Weighted average maturity[2]	Loan rate (percent)		Loans secured by collateral (percent)	Loans made under commitment (percent)	Participation loans (percent)	Most common base pricing rate[5]
			Days	Weighted average effective[3]	Standard error[4]				
OTHER BANKS									
1 Overnight[6]	4,034,693	5,072	*	6.06	.30	18.3	42.0	3.3	Fed funds
2 One month or less (excluding overnight)	2,531,341	326	14	6.74	.19	22.1	67.2	5.1	Other
3 Fixed rate	1,774,307	937	12	6.18	.27	7.9	57.7	4.6	Other
4 Floating rate	757,033	129	20	8.04	.24	55.4	89.5	6.1	Prime
5 More than one month and less than one year	5,252,723	87	167	8.07	.18	59.1	78.8	5.3	Prime
6 Fixed rate	1,807,209	80	141	6.94	.29	45.3	78.2	7.8	Other
7 Floating rate	3,445,514	91	181	8.66	.21	66.3	79.1	4.0	Prime
8 Demand[7]	2,897,316	140	*	8.48	.20	73.7	91.1	3.6	Prime
9 Fixed rate	251,446	108	*	7.44	.34	60.1	77.4	.2	Other
10 Floating rate	2,645,870	144	*	8.58	.22	75.0	92.4	3.9	Prime
11 Total short-term	**14,716,073**	**164**	**78**	**7.37**	**.16**	**44.4**	**69.1**	**4.4**	**Prime**
12 Fixed rate (thousands of dollars)	7,862,159	285	37	6.33	.25	23.5	55.0	4.5	Fed funds
13 1–99	319,639	13	141	9.70	.18	83.6	48.8	.6	Prime
14 100–499	296,410	182	115	8.70	.13	69.1	58.4	4.6	Prime
15 500–999	311,143	675	76	7.44	.30	61.4	78.4	4.7	Foreign
16 1,000–4,999	1,373,083	2,156	50	6.60	.20	25.2	82.5	6.2	Foreign
17 5,000–9,999	688,835	6,217	61	6.61	.26	40.1	68.1	15.8	Foreign
18 10,000 or more	4,873,049	21,925	18	5.78	.12	11.6	44.1	2.7	Fed funds
19 Floating rate (thousands of dollars)	6,853,914	110	152	8.56	.18	68.4	85.4	4.2	Prime
20 1–99	1,136,945	22	176	9.73	.04	83.8	89.1	1.6	Prime
21 100–499	1,760,251	197	177	9.19	.05	79.4	90.0	5.9	Prime
22 500–999	705,404	641	179	8.85	.07	78.1	88.8	7.4	Prime
23 1,000–4,999	1,748,140	2,064	131	8.39	.10	61.4	86.0	4.1	Prime
24 5,000–9,999	545,331	6,303	139	7.30	.28	48.3	89.9	3.8	Prime
25 10,000 or more	957,843	13,655	98	6.82	.32	46.9	66.1	2.4	Prime
			Months						
26 Total long-term	**4,349,306**	**170**	**41**	**8.08**	**.16**	**57.6**	**52.6**	**4.8**	**Prime**
27 Fixed rate (thousands of dollars)	1,307,008	106	50	8.70	.27	71.7	51.2	5.2	Other
28 1–99	223,028	22	46	9.75	.07	94.6	30.4	5.0	Other
29 100–499	318,211	201	57	8.95	.41	87.3	27.1	8.6	Other
30 500–999	90,518	647	52	8.08	.49	41.4	19.7	2.3	Other
31 1,000 or more	675,252	3,230	48	8.33	.57	60.9	73.6	4.2	Prime
32 Floating rate (thousands of dollars)	3,042,299	230	36	7.81	.17	51.5	53.2	4.6	Foreign
33 1–99	236,288	24	53	9.74	.10	90.0	68.3	2.2	Prime
34 100–499	568,162	198	55	9.09	.11	89.9	81.8	7.4	Prime
35 500–999	233,206	624	41	8.68	.18	89.8	80.7	17.8	Prime
36 1,000 or more	2,004,643	5,690	29	7.12	.39	31.6	40.2	2.5	Foreign
			Days	Loan rate (percent)					Prime rate[9]
				Effective[3]	Nominal[8]				
LOANS MADE BELOW PRIME[10]									
37 Overnight[6]	3,890,187	7,922		5.94	5.77	15.7	39.9	3.4	8.25
38 One month or less (excluding overnight)	2,047,517	1,326	12	6.10	5.92	7.5	63.9	5.7	8.28
39 More than one month and less than one year	2,440,480	231	139	6.48	6.30	40.6	83.5	8.4	8.35
40 Demand[7]	774,292	527	*	6.31	6.14	45.3	94.8	2.8	8.30
41 Total short-term	**9,152,476**	**651**	**44**	**6.15**	**5.98**	**23.0**	**61.6**	**5.2**	**8.29**
42 Fixed rate	7,182,746	1,121	31	6.01	5.84	18.0	54.6	4.9	8.26
43 Floating rate	1,969,730	257	112	6.67	6.48	41.2	87.0	6.3	8.38
			Months						
44 Total long-term	**2,248,842**	**469**	**36**	**6.74**	**6.58**	**27.2**	**38.9**	**1.8**	**8.36**
45 Fixed rate	595,405	258	45	7.14	6.94	41.2	51.7	5.5	8.44
46 Floating rate	1,653,437	666	33	6.60	6.45	22.2	34.3	.5	8.34

Footnotes appear at the end of the table

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, May 6–10, 1996[1] – Continued

NOTES

1. *The survey of terms of bank lending to business* collects data on gross loan extensions made during the first full business week in the mid-month of each quarter by a sample of 340 commercial banks of all sizes. A sample of 250 banks reports loans to farmers. The sample data are blown up to estimate the lending terms at all insured commercial banks during that week. The estimated terms of bank lending are not intended for use in collecting the terms of loans extended over the entire quarter or residing in the portfolios of those banks. Construction and land development loans include both unsecured loans and loans secured by real estate. Thus, some of the construction and land development loans would be reported on the statement of condition as real estate loans and the remainder as business loans. Mortgage loans, purchased loans, foreign loans, and loans of less that $1,000 are excluded from the survey. As of September 30, 1990 assets of most of the large banks were at least $7.0 billion. For all insured banks, total assets averaged $275 million.

2. Average maturities are weighted by loan size; excludes demand loans.

3. Effective (compounded) annual interest rate calculated from the stated rate and other terms of the loans and weighted by loan size.

4. The chances are about two out of three that the average rate shown would differ by less than the amount of the standard error from the average rate that would be found by a complete survey of lending at all banks.

5. The rate used to price the largest dollar volume of loans. Base pricing rates include the *prime* rate (sometimes referred to as a bank's "basic" or "reference" rate); the *federal funds* rate; *domestic* money market rates other than the *federal funds* rate; *foreign* money market rates; and *other* base rates not included in the foregoing classifications.

6. Overnight loans mature on the following business day.

7. *Demand loans have no stated date of maturity.*

8. Nominal (not compounded) annual interest rate calculated from the stated rate and other terms of the loans and weighted by loan size.

9. Calculated by weighting the prime rate reported by each bank by the volume of loans reported by that bank, summing the results, and then averaging over all reporting banks.

10. The proportion of loans made at rates below the prime may vary substantially from the proportion of such loans outstanding in banks' portfolios.

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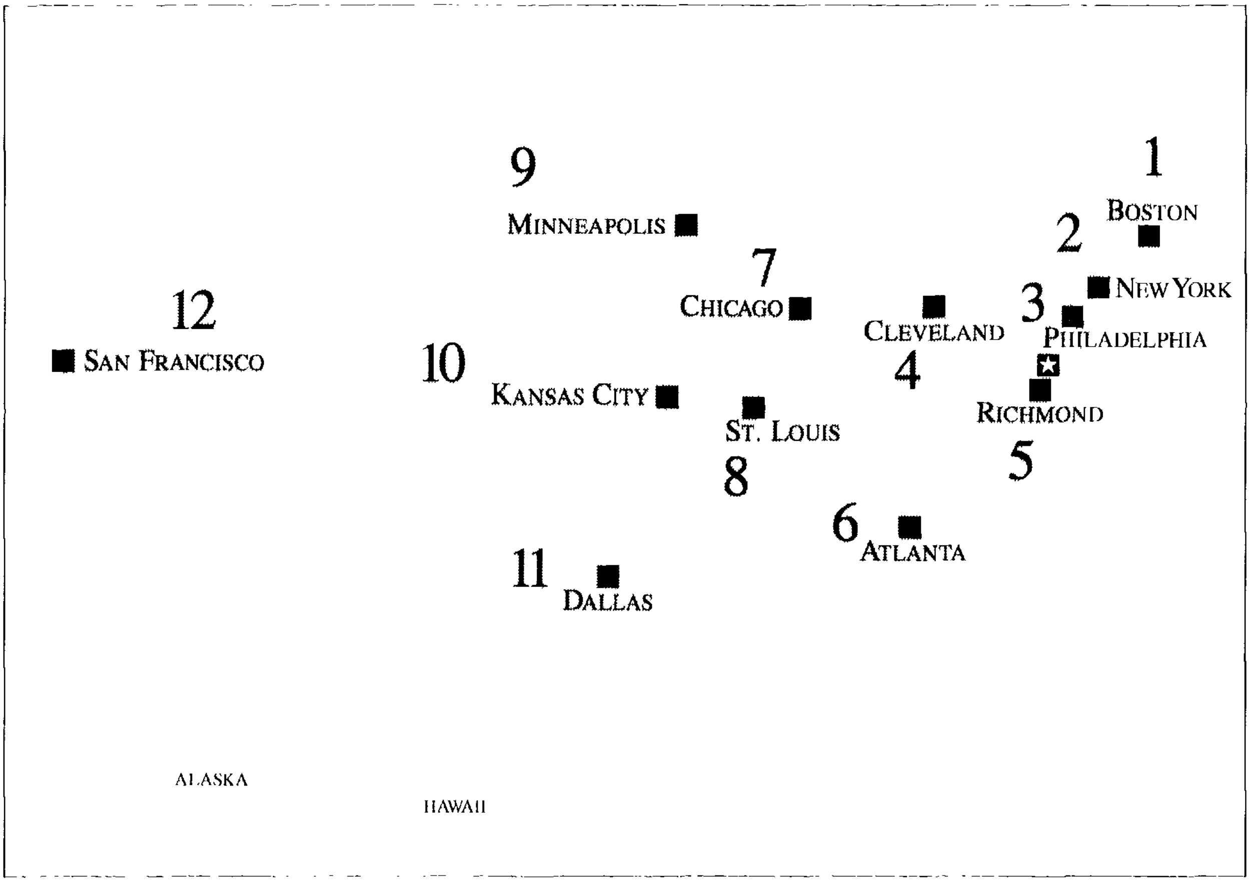

LEGEND

Both pages

■ Federal Reserve Bank city

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

Facing page

• Federal Reserve Branch city

Branch boundary

NOTE

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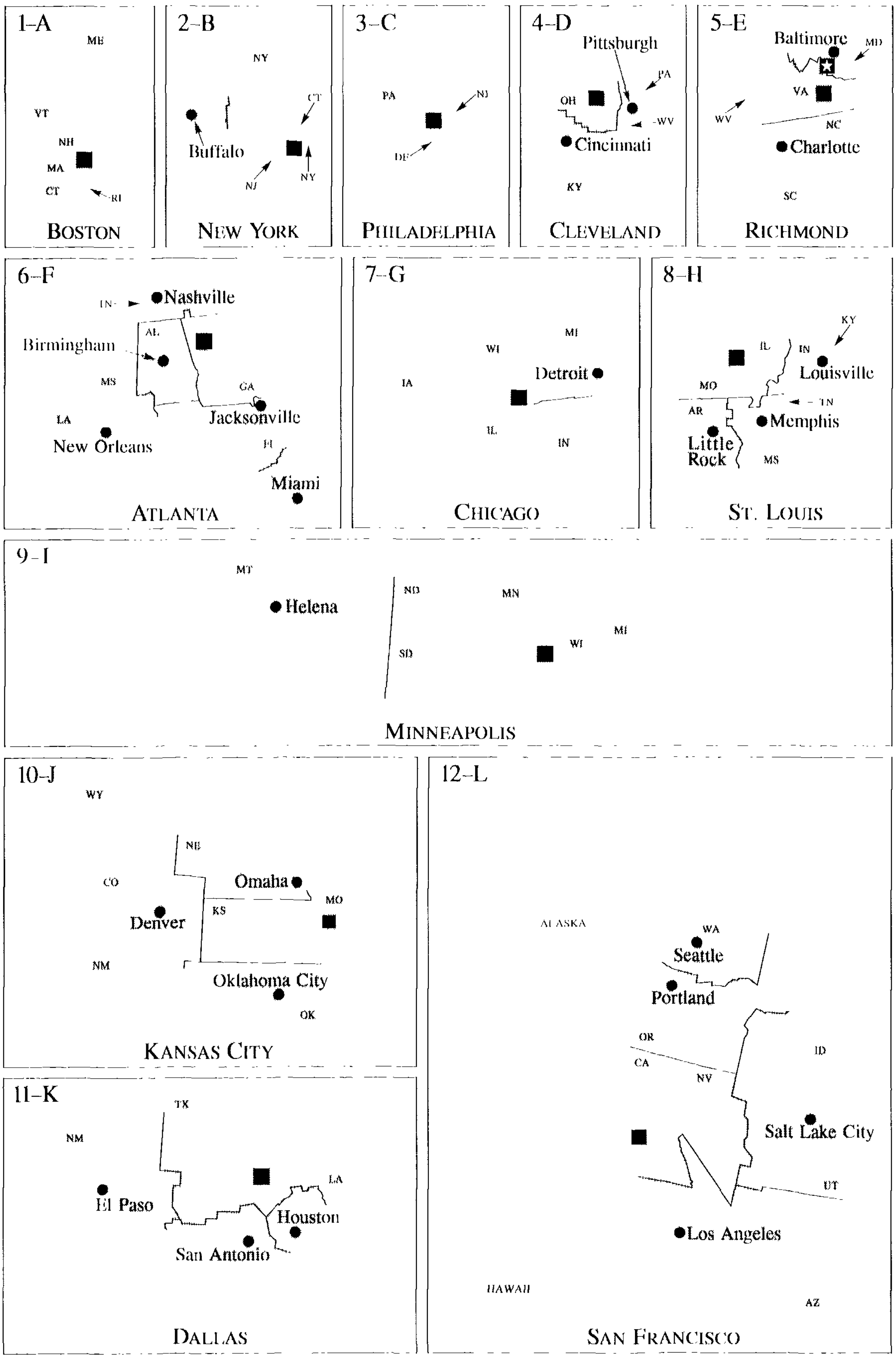
In the 12th District, the Seattle Branch serves Alaska, and the San Francisco Bank serves Hawaii.

The System serves commonwealths and territories as follows: the New York Bank serves the Commonwealth of Puerto Rico and the U.S. Virgin Islands; the San Francisco Bank serves American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands. The Board of Governors revised the branch boundaries of the System most recently in December 1991.


1–A
ME
VT
NH
MA
CT
RI
BOSTON
2–B
NY
CT
Buffalo
NJ
NY
NEW YORK
3–C
PA
NJ
DE
PHILADELPHIA
4–D
Pittsburgh
PA
OH
WV
Cincinnati
KY
CLEVELAND
5–E
Baltimore
MD
VA
WV
NC
Charlotte
SC
RICHMOND
6–F
IN
Nashville
AL
Birmingham
MS
GA
LA
Jacksonville
New Orleans
FL
Miami
ATLANTA
7–G
MI
WI
Detroit
IA
IL
IN
CHICAGO
8–H
KY
IL
IN
Louisville
MO
TN
AR
Memphis
Little Rock
MS
ST. LOUIS
9–I
MT
Helena
ND
MN
MI
WI
SD
MINNEAPOLIS
10–J
WY
NE
CO
Omaha
MO
KS
Denver
NM
Oklahoma City
OK
KANSAS CITY
11–K
TX
NM
LA
El Paso
Houston
San Antonio
DALLAS
12–L
ALASKA
WA
Seattle
Portland
OR
ID
CA
NV
Salt Lake City
UT
Los Angeles
HAWAII
AZ
SAN FRANCISCO

Federal Reserve Banks, Branches, and Offices

FEDERAL RESERVE BANK branch, or *facility*	Zip	Chairman / Deputy Chairman	President / First Vice President	Vice President in charge of branch
BOSTON*	02106	Jerome H. Grossman	Cathy E. Minehan	
		William C. Brainard	Paul M. Connolly	
NEW YORK*	10045	John C. Whitehead	William J. McDonough	
		Thomas W. Jones	Ernest T. Patrikis	
Buffalo	14240	Joseph J. Castiglia		Carl W. Turnipseed[1]
PHILADELPHIA	19105	Donald J. Kennedy	Edward G. Boehne	
		Joan Carter	William H. Stone, Jr.	
CLEVELAND*	44101	A. William Reynolds	Jerry L. Jordan	
		G. Watts Humphrey, Jr.	Sandra Pianalto	
Cincinnati	45201	John N. Taylor, Jr.		Charles A. Cerino[1]
Pittsburgh	15230	John T. Ryan III		Harold J. Swart[1]
RICHMOND*	23219	Claudine B. Malone	J. Alfred Broaddus, Jr.	
		Robert L. Strickland	Walter A. Varvel	
Baltimore	21203	Michael R. Watson		William J. Tignanelli[1]
Charlotte	28230	James O. Roberson		Dan M. Bechter[1]
Culpeper	22701			Julius Malinowski, Jr.[2]
ATLANTA	30303	Hugh M. Brown	Jack Guynn	
		Daniel E. Sweat, Jr.	Patrick K. Barron	James M. Mckee[1]
Birmingham	35283	Donald E. Boomershine		Fred R. Herr[1]
Jacksonville	32231	Joan D. Ruffier		James D. Hawkins[1]
Miami	33152	R. Kirk Landon		James T. Curry III
Nashville	37203	Paula Lovell		Melvyn K. Purcell
New Orleans	70161	Lucimarian Roberts		Robert J. Musso
CHICAGO*	60690	Robert M. Healey	Michael H. Moskow	
		Lester H. McKeever, Jr.	William C. Conrad	
Detroit	48231	vacancy		David R. Allardice[1]
ST. LOUIS	63166	John F. McDonnell	Thomas C. Melzer	
		Susan S. Elliott	W. LeGrande Rives	
Little Rock	72203	Janet M. Jones		Robert A. Hopkins
Louisville	40232	John A. Williams		Thomas A. Boone
Memphis	38101	John V. Myers		John P. Baumgartner
MINNEAPOLIS	55480	Jean D. Kinsey	Gary H. Stern	
		David A. Koch	Colleen K. Strand	
Helena	59601	Lane W. Basso		John D. Johnson
KANSAS CITY	64198	Herman Cain	Thomas M. Hoenig	
		A. Drue Jennings	Richard K. Rasdall	
Denver	80217	Peter I. Wold		Carl M. Gambs[1]
Oklahoma City	73125	Barry L. Eller		Kelly J. Dubbert
Omaha	68102	LeRoy W. Thom		Harold L. Shewmaker
DALLAS	75201	Cece Smith	Robert D. McTeer, Jr.	
		Roger R. Hemminghaus	Helen E. Holcomb	
El Paso	79999	Patricia Z. Holland-Branch		Sammie C. Clay
Houston	77252	Issac H Kempner III		Robert Smith, III[1]
San Antonio	78295	Carol L. Thompson		James L. Stull[1]
SAN FRANCISCO	94120	Judith M. Runstad	Robert T. Parry	
		James A. Vohs	John F. Moore	
Los Angeles	90051	Anita E. Landecker		Mark Mullinix[1]
Portland	97208	Ross R. Runkel		Raymond H. Laurence[1]
Salt Lake City	84125	Gerald R. Sherratt		Andrea P. Wolcott
Seattle	98124	George F. Russell, Jr.		Gordon Werkema[1]

*Additional offices of these Banks are located at Lewiston, Maine 04240; Windsor Locks, Connecticut 06096; East Rutherford, New Jersey 07016; Jericho, New York 11753; Utica at Oriskany, New York 13424; Columbus, Ohio 43216; Columbia, South Carolina 29210; Charleston, West Virginia 25311; Des Moines, Iowa 50306; Indianapolis, Indiana 46204; Milwaukee, Wisconsin 53202; and Peoria, Illinois 61607.

1. Senior Vice President.
2. Assistant Vice President.
3. Executive Vice President