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The Evolution of the U.S. Commercial Paper Market since 1980

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The U.S. commercial paper market, an important source of short-term funds for corporations, changed in many ways over the past decade. At the start of the 1980s, the market was reserved primarily for the largest and most creditworthy U.S. companies, and investor holdings of commercial paper were distributed about evenly over several investor groups. Over the next ten years, the market grew to about five times its 1979 size; many new issuers and some new dealers arrived on the scene; some long-standing issuers all but withdrew from the market; holdings of paper became more concentrated by investor group; and a new form of commercial paper emerged.

In the 1980s, relatively high rates on long-term funds and bank loans and an expanding economy fueled a rapid expansion of commercial paper issuance. Old-line borrowers were a large part of the growth, but in addition, many new issuers—including smaller U.S. corporations, foreign corporations, and foreign financial institutions—were attracted to the market. The heavy activity in mergers and acquisitions in the second half of the decade helped drive up issuance. The development of the swaps market also stimulated the issuance of commercial paper, as borrowers combined paper with swaps to create liabilities in other currencies. Asset-backed commercial paper also came into use, providing off-balance-sheet financing for trade and credit card receivables. Finally, the growth of money market mutual funds, coupled with a shift in the composition of their investments toward commercial paper, made them the largest single source of funds to the market.

As the 1990s unfolded in economic recession, the commercial paper market began to exhibit some growing pains and took another turn in its evolution. A series of defaults on commercial paper began in 1989, and tighter regulations were imposed on money market mutual fund holdings of medium-grade paper; these events heightened the concern about credit quality—always paramount—to the point that investors effectively forced many medium-quality issuers to cut back sharply on their use of the commercial paper market. Some other issuers of long standing, rated just above medium-grade, also cut back on their use of the market.

A further change has arisen in the commercial paper market in the area of services supplied by banks. As a result of financial stress on banks and with pressure from the markets and regulators for banks to raise capital levels, the banks' costs of providing letters of credit and backup liquidity to the commercial paper market have increased. The efforts of banks to increase profit margins on loans are tending to make commercial paper funding relatively more attractive. Existing and potential commercial paper issuers, however, must minimize their use of these now more costly services to keep costs down.

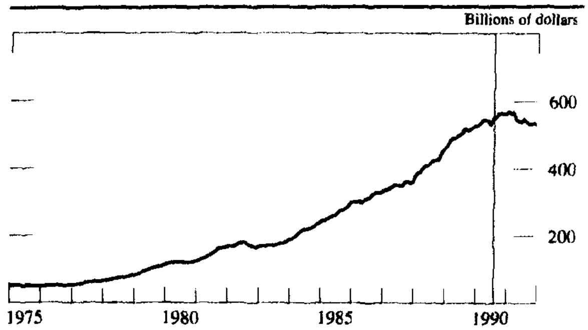
Overall, the U.S. commercial paper market remains an important source of short-term funds for corporations. New issuers of high credit quality will continue to be attracted by the liquidity and low cost of funds available in the market.

SOURCES OF GROWTH IN THE 1980S

Over the 1980s, commercial paper outstanding grew at an average annual compound rate of about 17 percent (chart 1, table 1). In 1988, the size of the commercial paper market even temporarily surpassed that of the U.S. Treasury bill market.

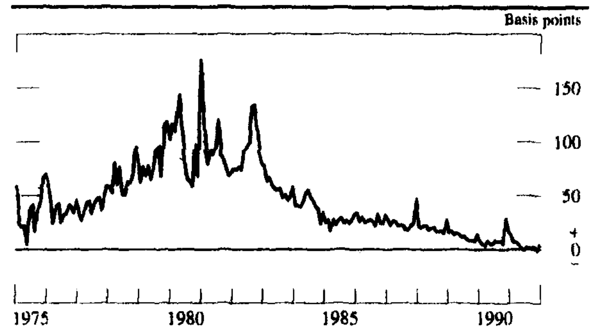
Several market forces fueled the dramatic growth of the commercial paper market in the 1980s. First,

1. Commercial paper outstanding, 1975–91[1]



1. Seasonally adjusted. Shading indicates periods of recession as defined by the National Bureau of Economic Research (NBER). Vertical line indicates peak; NBER has not yet determined the trough of the 1990–91 recession.
SOURCE. Federal Reserve Bank of New York.

2. Spread of the London interbank offered rate over the composite rate for thirty-day commercial paper placed by dealers, 1975–91[1]



1. The rate for commercial paper is the average of offering rates of several leading dealers for industrial firms whose bond rating is AA or the equivalent; the average has been converted to a coupon equivalent to be consistent with LIBOR.
SOURCE. Board of Governors of the Federal Reserve System and the Federal Reserve Bank of New York.

movements in interest rates stimulated the issuance of commercial paper early in the decade. Commercial paper consists of short-term, unsecured promissory notes issued mostly by corporations. Maturities range up to 270 days, with most issues maturing within 60 days; thus, nonbank firms seeking short-term funds regard commercial paper as an alternative to bank loans. At the outset of the 1980s, when the Federal Reserve sought reductions in the trend rate of money growth to lower the high rate of inflation, all interest rates soared, and the high longer-term rates favored short-term borrowing by all firms. Moreover, the base rate on bank loans (the London interbank offered rate) increased markedly relative to the commercial paper rate (chart 2); the large spread encouraged many firms to enter the commercial paper market for the first time. By the end of the decade, the amount of nonfinancial commercial paper outstanding was about 21 percent of outstanding commercial and industrial loans at banks, compared with about 11 percent at the start (table 2).

1. Commercial paper outstanding, by type of issuer, 1979–91
Billions of dollars at year-end, seasonally adjusted

Year	Total	Non-financial firms	Financial firms		
			Total	Dealer-placed	Directly placed
1979	112.8	30.7	82.2	17.4	64.8
1980	124.4	36.9	87.5	19.6	67.9
1981	165.8	53.8	112.0	30.3	81.7
1982	166.4	47.4	119.0	34.6	84.4
1983	187.7	46.2	141.5	44.5	97.0
1984	237.6	70.6	167.0	56.5	110.5
1985	298.8	85.0	213.7	78.4	135.3
1986	331.3	77.7	253.6	101.7	151.9
1987	359.0	81.9	277.0	102.7	174.3
1988	458.5	103.8	354.7	159.8	194.9
1989	525.8	131.3	394.5	183.6	210.9
1990	561.1	146.2	414.9	215.1	199.8
1991	530.3	132.7	397.6	214.4	183.2
MEMO *Average annual compound growth rate (percent)*					
1979–89	16.6	15.6	17.0	26.5	12.5
1989–91	.4	.5	.4	8.1	−6.8

SOURCE. Federal Reserve Bank of New York.

Second, in 1983, the economy began an expansion that lasted to the end of the decade. In typical fashion, the issuance of commercial paper expanded with the economy as nonfinancial firms—manufacturers, commercial concerns, and utilities—financed growing production, new inventories, or new receivables; and as financial firms, including banks and finance companies, raised funds to finance the growing needs of their customers.

Third, the wave of mergers and acquisitions in the latter half of the 1980s also produced new issues because firms often temporarily financed the transactions with commercial paper before tapping more permanent sources of funding.

Fourth, the development of the derivatives markets, especially for swaps, added to market growth in the second half of the decade. The growing internationalization of financial markets allowed domestic and foreign investment-grade firms to tap any market for funds, including the commercial

2. Nonfinancial commercial paper outstanding as a proportion of banks' commercial and industrial loans outstanding, 1979–91

Billions of dollars except as noted, December average, seasonally adjusted

Year	Commercial and industrial loans	Nonfinancial commercial paper	Paper as a percent of loans
1979	284.8	30.1	10.6
1980	321.0	37.7	11.7
1981	360.6	55.2	15.3
1982	399.0	50.7	12.7
1983	422.5	47.0	11.1
1984	484.5	72.4	14.9
1985	511.3	86.9	17.0
1986	548.1	81.1	14.8
1987	575.9	84.4	14.7
1988	620.3	103.5	16.7
1989	653.9	134.1	20.5
1990	659.8	150.5	22.8
1991	636.7	134.9	21.2

SOURCES. Board of Governors of the Federal Reserve System and the Federal Reserve Bank of New York.

3. Commercial paper held by taxable money market mutual funds as a share of total fund assets and total commercial paper outstanding, 1980–91

Year-end, not seasonally adjusted

Year	Total fund assets (billions of dollars)	Fund holdings of commercial paper		
		Total (billions of dollars)	As a percent of total assets	As a percent of total commercial paper
1980	74.4	25.0	33.6	20.6
1981	181.9	56.8	31.2	35.3
1982	206.6	50.3	24.4	31.0
1983	162.6	46.8	28.8	25.5
1984	209.7	78.3	37.3	33.8
1985	207.4	87.6	42.2	29.9
1986	228.4	94.9	41.5	29.1
1987	254.5	100.4	39.4	26.9
1988	272.0	117.0	43.0	25.9
1989	357.5	178.5	49.9	34.2
1990	414.8	200.6	48.4	36.0
1991	448.3	187.6	41.8	35.5

SOURCES. Investment Company Institute and Federal Reserve Bank of New York.

paper market, and then to transform the funds into the currency, maturity, or interest rate index of choice.

THE INVESTORS AND THEIR SENSITIVITY TO CREDIT RATINGS

The creation of wealth during the long economic expansion made vast sums of investible funds available to meet the burgeoning supply of commercial paper. The six-fold increase in the assets of money market mutual funds between 1980 and the end of 1991 accommodated a significant part of the growth in total commercial paper (table 3). By year-end 1991, the money market mutual fund industry held about one-third of all commercial paper outstanding and was the largest single investor group in the market (table 4). Bank trust companies, on behalf of individuals, were second in share of paper owned.[1] Other important investors in commercial paper in 1991 were nonfinancial corporations, life insurance companies, and the retirement and savings plans for state and local government employees.

All of these investors regard commercial paper as they do other money market instruments, as assets that are highly liquid and have highly stable market values. The liquidity of commercial paper arises, in part, from the vast amount of short-term funds invested every day. Moreover, dealers bid regularly on paper that they have placed for issuers, and direct issuers of paper will often prepay on their paper at the request of investors. Investors, however, typically hold paper to maturity, largely because the maturities of commercial paper are set to suit investor requirements.

Because commercial paper primarily is the debt of corporations, default risk is a major concern of investors. Accordingly, investors place heavy emphasis on the evaluations made by the credit rating agencies concerning the financial health of firms that issue commercial paper. Virtually all commercial paper is rated by at least one of the four major credit rating organizations (see box). Top-rated paper carries a 1+ or 1, and medium-grade paper generally carries a 2; a 3 is the lowest investment-grade rating.

The rating agencies grade commercial paper programs according to the inherent credit quality of the issuers. A firm that agencies consider worthy of a rating of 3 or better, however, generally receives the rating only if it also maintains alternative sources of liquidity sufficient to pay off its out-

1. Flow of Funds Section, Board of Governors of the Federal Reserve System; these data include bankers acceptances. Bank trusts are part of the sector in the flow of funds accounts that covers households, personal trusts, and nonprofit organizations; bank trust departments probably account for most of the commercial paper held in the sector.

4. Distribution of commercial paper and bankers acceptances, by type of investor, selected years, 1980–91
Billions of dollars except as noted, at year-end, not seasonally adjusted

Type of investor	1980		1985		1991	
	Amount	Percent	Amount	Percent	Amount	Percent
Money market mutual funds	31.6	19.3	99.1	27.6	191.9	33.9
Households, trusts, and nonprofit corporations	42.6	26.0	122.1	34.1	165.7	29.3
Nonfinancial corporate business	19.4	11.8	45.3	12.6	53.4	9.4
State and local government retirement plans and savings plans	n.a.	n.a.	n.a.	n.a.	29.4	5.2
Private pension plans	19.5	11.9	19.9	5.6	28.4	5.0
Mutual funds	3.8	2.3	4.1	1.1	21.5	3.8
Life insurance companies	8.3	5.1	20.0	5.6	20.8	3.7
Commercial banks	15.8	9.6	9.7	2.7	10.6	1.9
Other [1]	22.8	13.9	38.3	10.7	44.2	7.8
Total	**163.8**	**100**	**358.5**	**100**	**565.9**	**100**
MEMO						
Commercial paper outstanding	121.6		293.9		528.1	

1. Includes federally sponsored credit agencies, thrift institutions, and securities brokers and dealers.

SOURCE. Flow of Funds Section, Board of Governors of the Federal Reserve System.

standing commercial paper and other short-term liabilities in full at maturity.[2] Backup liquidity provides funds if the issuer suddenly finds that it cannot roll over maturing paper, but only if the issuer otherwise remains creditworthy. Thus, backup liquidity does not guarantee investors that they will be paid off under all circumstances. The rating agencies generally require that backup liquidity should equal 100 percent of the size of the commercial paper program and of other short-term obligations. Top-rated issuers, however, can get by with less.

Backup liquidity may come in several forms, but often the issuer sets up lines of credit with banks. The rating agencies prefer that bank lines be revolving credits with same-day availability of funds. With a revolving line, an issuer has a contractual agreement from the banks, in exchange for a fee, that the banks will lend up to the stated amount of money when needed. Nonetheless, most

2. See, for example, Solomon Samson and Mark Bachmann, "Paper Backup Policies Revised," *Standard & Poor's CreditWeek*, September 10, 1990, pp. 23–24; and Jane Maxwell Grant and others, *Alternative Liquidity for Commercial Paper Issuers*, Moody's Special Report (Moody's Investors Service, February 1992).

Short-Term Ratings by the Major Credit Rating Agencies [1]

Category	Duff & Phelps Credit Rating Co.	Fitch Investors Service	Moody's Investors Service	Standard & Poor's Corporation
Investment grade	Duff 1+	F-1+		A-1+
	Duff 1	F-1	P-1	A-1
	Duff 1–			
	Duff 2	F-2	P-2	A-2
	Duff 3	F-3	P-3	A-3
Noninvestment grade	Duff 4	F-S	NP (Not Prime)	B
				C
In default	Duff 5	D		D

1. The definition of ratings varies by rating agency.

contractual backup commitments also contain a so-called material-adverse-change (MAC) clause, which permits the bank to terminate its commitment if the financial condition of the would-be borrower deteriorates sufficiently to jeopardize repayment to the lending institution.

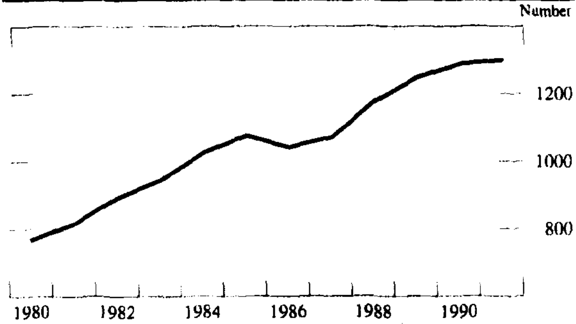
THE CHANGING COMPOSITION OF BORROWERS AND OUTSTANDING ISSUES

A snapshot of issuers at the end of the 1980s would have revealed a collection of firms far different from those in the market at the beginning of the decade. At the end of 1989, about 1,250 corporations and other entities had paper programs in the U.S. commercial paper market (chart 3), about 500 more than in 1980.[3] Many of the new issuers were foreign firms and smaller, less well known U.S. firms, whereas the traditional commercial paper issuer had been a large, well known U.S. corporation. Because of the stringent credit preferences of investors, however, about 95 percent of paper issuers in 1989 were rated 1 or 2, close to the share at the start of the decade.[4]

The Increasing Importance of Dealer-Placed Paper

Early in the 1980s, commercial paper sold directly to investors by the borrower constituted about 60 percent of all issuance. Direct issuers of paper—most of them traditional issuers—borrow in sufficient size and frequency that the costs of developing an in-house distribution system are less than the costs of placing paper through a dealer. For nonbanks, an in-house system may become economical when outstanding commercial paper reaches $500 million or more. Many issuers surpass that level, but only about 110—mostly the major finance companies and large banking organizations that also distribute wholesale liabilities such as CDs—place their paper directly. Only a few nonfinancial firms are direct issuers of paper, and they account for a small portion of outstanding nonfinancial paper.

3. Number of issuers in the U.S. commercial paper market, 1980–91[1]



1. For programs rated by Moody's Investors Service.
SOURCE. Moody's Investors Service.

The direct issuers responded to the growing credit needs of businesses and consumers alike during the economic expansion. The large finance companies grew rapidly, particularly after the Tax Act of 1981 promoted business use of leasing. Unlike banks, these institutions rely largely on the public markets to fund their loans. Accordingly, their use of bonds and commercial paper grew with their assets. Likewise, bank holding companies continued to use the commercial paper market to support parent company operations and lending by nonbank subsidiaries. By the end of the decade, outstanding paper placed directly by financial firms surpassed $200 billion, more than triple the level at the start of the decade.

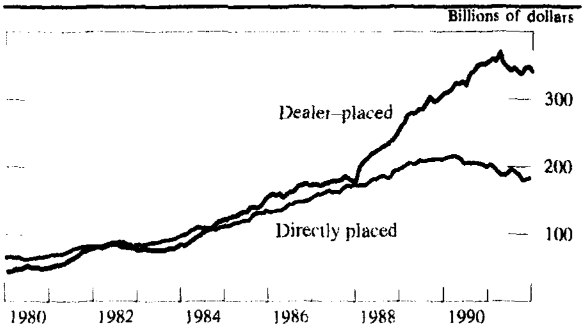
The steady increase in paper placed directly, however, failed to keep pace with paper issued by firms that used dealers to distribute their obligations. By 1989, dealer-placed paper accounted for 60 percent of all commercial paper outstanding, up sharply from about 40 percent at the start of the decade (chart 4). A firm ordinarily requires a dealer to place its paper if it lacks the name recognition necessary to attract investors or if its funding requirements either are too limited or infrequent to warrant building its own distribution system.

3. These data are for commercial paper programs in the U.S. market and rated by Moody's Investors Service.

4. These percentages are for all issues rated by Moody's, including Eurocommercial paper and foreign domestic programs (Jerome S. Fons and Andrew E. Kimball, *Defaults and Orderly Exits of Commercial Paper Issuers, 1972–1991*, Moody's Special Report, Moody's Investors Service, February 1992, p. 16).

In the 1980s, a number of investors were willing to accept noninvestment-grade or unrated paper. Some of this so-called junk commercial paper was associated with the merger and acquisition boom in the latter half of the 1980s; the outstanding value of such paper has probably never exceeded $8 billion.

4. Commercial paper outstanding, directly placed and dealer-placed, 1980–91[1]



1. Seasonally adjusted. Almost all commercial paper issued by nonfinancial firms is dealer-placed; the small amount that is directly placed is included in the totals for dealer-placed paper.
SOURCE. Federal Reserve Bank of New York.

Most dealers are a part of investment banking organizations. In actions taken in 1986 and 1987, however, the Federal Reserve Board authorized certain so-called section 20 subsidiaries of bank holding companies to deal in commercial paper to a limited extent; by year-end 1991, these subsidiaries accounted for about 14 percent of outstanding dealer-placed paper.[5]

In an issue of dealer-placed paper, the dealer generally purchases the paper from the issuer and resells it to investors at a higher price, with the price difference constituting the dealer's compensation for placing the paper. Dealers have extensive distribution systems that can accommodate the paper of a large number of issuers, and new and smaller issuers are thus able to sell their paper at a lower cost than if they tried to place it directly. The increase in the share of dealer-placed paper outstanding in the 1980s in part reflected the changed composition of issuers: Dealers were required for the aggressive marketing required to package and sell new issuers and new types of commercial paper programs.

The Growth of Guaranteed Paper

The share of commercial paper programs that were fully (100 percent) enhanced by credit guarantees—often bank letters of credit—from highly rated third parties grew dramatically in the first half of the decade. In fact, programs with such credit enhancements accounted for about all the net increase in the number of commercial paper issuers rated by Moody's over that period.[6] Presumably, most of these programs were small because their outstandings accounted for less than 10 percent of all outstanding paper.

These guarantees ensure that the commercial paper will be paid in full at maturity regardless of the financial condition of the issuer itself. Because investors in such paper rely on the guarantor, rather than the issuer, to make payment in full upon maturity of the paper, the paper carries the rating of the guarantor. Whereas traditional issuers entered the market on the strength of their own credit quality (or that of their parent), many of the new commercial paper programs of the first half of the 1980s gained access to the market on the strength of guarantees by unrelated entities.[7]

The Growth of Dealer-Placed Financial Paper

Dealers proved particularly successful in marketing new financial programs. In fact, outstandings of dealer-placed financial paper, which accounted for only 26 percent of total paper issued by financial firms in December 1979, overtook outstandings of directly placed financial paper in 1990.

During the mid- to late-1980s, the presence of foreign financial institutions in the U.S. market grew, and these firms generally required dealer assistance to promote their names to U.S. investors (table 5). By year-end 1991, these firms had outstandings in excess of $110 billion, slightly more

5. Section 20 of the Glass–Steagall Act prohibits these subsidiaries from being "engaged principally" in the underwriting of, or dealing in, securities that are so proscribed for national banks. The Supreme Court has determined that commercial paper is an ineligible security under the act. The Board has ruled that, to qualify as not "engaged principally" in the underwriting of, or dealing in, ineligible securities, a subsidiary must limit revenues from such activities to 10 percent of its gross revenues. See "Legal Developments" in the following editions of vol. 73 of the *Federal Reserve Bulletin*: February 1987, pp. 138–54; and June 1987, pp. 473–508; and "Announcements," *Federal Reserve Bulletin*, vol. 75 (November 1989), p. 751.

6. *Moody's Commercial Paper Record* (vol. 5, December 1985), and the Statistical Supplement to the December 1980 issue.

7. A subsidiary of a highly rated firm may obtain ratings close to or equal to those of its parent if it has the explicit or implicit support of its parent. But these forms of support may not have the strength of a credit guarantee. For example, even in an explicit support agreement, the parent may pledge only to maintain the subsidiary's fixed charge coverage or net worth at some minimum level; in contrast, a guarantor promises the holder of the guaranteed paper to redeem it at maturity.

5. Outstanding dealer-placed commercial paper issued by financial institutions
Billions of dollars at month-end, not seasonally adjusted

Date	Total	U.S. firms	Foreign firms							
			Total	Banks			Other			
				Total	U.S. subsidiaries	Foreign offices	Total	U.S. subsidiaries	Foreign offices
1986										
January	79.3	47.3	32.0	25.2	9.3	15.9	6.8	3.3	3.5
December	102.6	56.3	46.3	36.2	15.3	20.9	10.1	3.7	6.4
December									
1987	115.0	61.9	53.1	41.2	19.3	21.9	11.9	5.1	6.8
1988	161.5	89.4	72.1	52.0	26.2	25.8	20.1	7.9	12.2
1989	188.6	99.8	88.8	57.4	31.0	26.4	31.4	11.0	20.4
1990	221.4	107.2	114.2	62.6	36.3	26.3	51.6	23.1	28.5
1991	221.1	109.5	111.6	61.0	39.1	21.9	50.6	16.8	33.8

SOURCE. Federal Reserve Bank of New York.

than half of all dealer-placed financial paper. Almost all of these programs entered the market with a rating of 1 or 1+. Highly rated foreign banks (or their U.S. subsidiaries) accounted for 55 percent of this paper.

About half of the paper from foreign financial institutions in 1991 was issued by their U.S. subsidiaries. Many U.S. money market investors are limited by statute or bylaws to issues of U.S.-chartered corporations. To attract funds from these investors, foreign corporations—most often banks—establish U.S. funding subsidiaries, which typically channel the proceeds to their affiliated branches and agencies in the United States or move them offshore. U.S. subsidiaries of foreign nonbank financial institutions, such as Japanese leasing companies, issue commercial paper primarily to finance U.S. lending operations.

The remaining half of commercial paper of foreign-related financial institutions was issued by entities outside the United States, generally the parents themselves, who discovered that they could tap the liquidity and low dollar cost of the U.S. commercial paper market. If so desired, the issuer could swap the proceeds into the home currency or other currency of choice. For example, British building societies—the primary mortgage lenders in the United Kingdom—found the U.S. commercial paper market highly receptive to their paper. After obtaining cheap dollar funds, they then often swapped into sterling, obtaining an all-in cost of funds below the cost of raising funds directly in sterling markets.

Outstanding paper placed by dealers on behalf of domestic nonbank financial firms—purely domestic entities—also grew rapidly, to $110 billion at year-end 1991. Asset-backed commercial paper programs accounted for about 45 percent of outstandings in this category. About 25 percent of nonbank financial paper was placed by dealers on behalf of their own investment banking firms. Smaller finance companies, bank holding companies, insurance companies, and other firms too small to issue commercial paper directly made up the remainder of these companies.

ASSET-BACKED COMMERCIAL PAPER

One of the most significant developments in the commercial paper market in the 1980s was the growth of asset-backed paper, a form of asset securitization used predominantly to finance credit card receivables and trade receivables. Asset-backed paper expands the funding options available to existing issuers of commercial paper and opens the market to a wide range of new firms. Asset-backed paper also reduces the use of capital by financial intermediaries, an important factor in recent years, when the marketplace and regulators have pressured many intermediaries to build capital levels.

The Structure of an Asset-Backed Program

The issuer in a typical asset-backed program consists of a business entity called a special-purpose vehicle (SPV), established as a going concern. The SPV purchases pools of receivables from participating firms (or lends to these firms with their receivables as collateral); the SPV acquires the funds for these transactions by issuing commercial paper.[8] In a typical bank-advised program, a banking organization evaluates the credit quality of participants—that is, sellers of receivables—and of the pools and may provide other services.

To obtain the highest possible ratings, a necessity for funding, these programs are designed carefully to protect holders of the commercial paper issued by the SPVs. First, and perhaps most important, an asset-backed program is designed so that the SPV is "bankruptcy remote."[9] Such a condition is based, in large part, on an agreement by the entities that do business with the SPV, other than the commercial paper investors themselves, that they not file the SPV into bankruptcy for one year plus one day after the last paper matures. In addition, the SPV is owned by a party unaffiliated with a participant and the bank advisers (if any), often a nonprofit organization or employees of an investment bank; in the event of the bankruptcy or receivership of a participating firm or advisory banking organization, this arrangement minimizes the likelihood that the SPV would be consolidated, to the detriment of investors in its commercial paper, into the distressed entity.

Second, the face value of the receivables purchased by the program exceeds the purchase price paid for them: The excess over the discount required for payment of interest provides an equity cushion to commercial paper investors. The amount of this over-collateralization depends on the loss experience of existing or similar pools of receivables and usually is set at several multiples of such losses.

Third, investors require a second level of credit enhancement, generally in the form of a bank letter of credit or insurance company surety bond on some fraction of the maximum program size. Finally, the rating agencies require liquidity backup, as in any commercial paper program.[10]

8. Pools of receivables must be of high credit quality either through diversification that reduces risk or by virtue of the credit quality of each entity in the pool.

9. For a detailed discussion of the concept of being bankruptcy-remote, see, for example, Standard & Poor's Corporation, *S&P's Structured Finance Criteria* (New York, 1988), pp. 75–76.

10. The high rating of an SPV requires a high rating for the banks providing such support. See Barbara Kavanaugh, Thomas R. Boemio, and Gerald A. Edwards, Jr., "Asset-Backed Commercial Paper Programs," *Federal Reserve Bulletin* (vol. 78, February 1992), pp. 107–16.

Firms may choose to sell assets to, or borrow from, an SPV for several reasons. By selling receivables, the firm removes them from its balance sheet and limits its use of leverage. At the same time, the selling firm maintains customer relationships by servicing the receivables. In addition, an asset-backed program can provide a useful means of diversifying sources of liquidity. Highly rated firms with their own commercial paper programs nonetheless tap asset-backed programs for funds for these reasons. Finally, a firm that is too small or rated too low to participate in the commercial paper market directly can sell its receivables to an asset-backed program, effectively financing its receivables at commercial paper rates (plus its share of the cost of operating the program).

The Development of Asset-Backed Commercial Paper

The development of the asset-backed sector of the commercial paper market arose from several factors. U.S. banking organizations saw an opportunity to generate fee income from potential participants in their programs—many of which were the same investment-grade firms that they had lost as loan customers to the commercial paper market. These banking organizations also became more familiar with asset securitization. This familiarity resulted, in part, from increased market and regulatory pressure to increase their capital ratios. Asset securitization, and asset-backed commercial paper in particular, permitted banks to channel would-be borrowers to funding off of bank balance sheets.

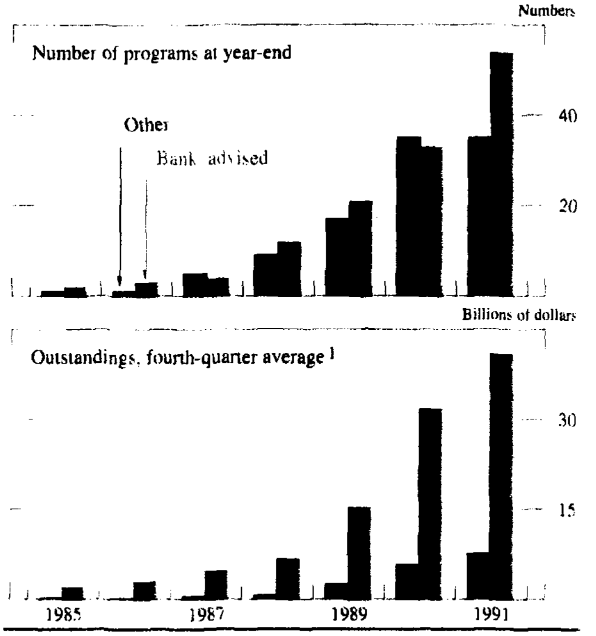
Another factor was that, as discussed earlier, financial markets became increasingly familiar with, and thus more willing to accept, programs that required structuring, such as those with credit guarantees. Dealers saw opportunities to market asset-backed programs to companies seeking to increase liquidity or to reduce leverage, regardless of size or rating. Moreover, they already had proved successful in marketing lower-rated firms to the commercial paper market via guaranteed programs and realized that a pool of potential business existed in companies that were too small to tap the commercial paper market through their own guaranteed programs.

Thus, banking organizations formed bank-advised asset-backed programs, relying on dealers to market the paper. Most bank-advised programs entail the purchase of trade credit and credit card receivables from a large number and variety of investment-grade corporations. The first such program was established in 1983. The advising banking organization had multiple fee-generating roles: Its asset-based lending subsidiary established minimum credit standards for participating firms and pools of receivables and determined the appropriate "haircut" (over-collateralization) necessary for receivables; the subsidiary also monitored the SPV's portfolio of receivables. The advising bank itself made commitments to purchase receivables from the program at par to ensure payment of maturing commercial paper, effectively combining 100 percent credit enhancement and liquidity backup in one facility.

Nonbank programs have also formed, some targeted at lower-rated firms, which banking organizations have avoided for the most part in their programs. A nonbank program typically specializes in one type of receivable and, in some cases, in the receivables of one firm. Examples of the latter case were nonbank programs, each established to purchase the private-label credit card receivables generated by sales at the department store chains of an operator that had a noninvestment-grade credit rating and that could not tap the paper market directly. Several of these department store operators have filed for bankruptcy since the creation of the dedicated SPVs, triggering the orderly liquidation of their asset-backed programs without loss to paper holders.[11]

The number of asset-backed programs increased from three in 1985 to eighty-nine by year-end 1991, and these programs accounted for virtually all the increase in the number of U.S. commercial paper issuers (as rated by Moody's) after December 1989 (chart 5). Outstandings doubled in 1989 and again in 1990, and by year-end 1991, asset-backed paper accounted for about 9 percent of all outstanding commercial paper. As indicated in chart 5, the number of bank-advised programs is not much larger than the number of other asset-

5. Asset-backed commercial paper, bank-advised and other, 1985–91



1. Not seasonally adjusted.

SOURCES. *Asset Sales Reports*, American Banker–Bond Buyer Newsletters; *Moody's Global Short-Term Market Record*, Moody's Investors Service; and *Short-Term Ratings and Research Guide*, Duff and Phelps Credit Rating Co.

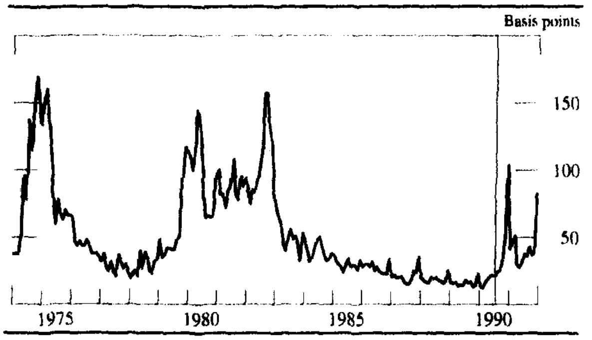
backed programs, but the average amount of outstanding commercial paper in bank-advised programs is far greater.

FINANCIAL STRESSES AND MARKET RETRENCHMENT IN THE 1990S

The composition of firms issuing commercial paper has continued to change in the 1990s, in large part because events fostered a sharp decline in the issuance of medium-grade paper (mostly 2-rated), some of which was from the ranks of traditional borrowers. The primary engine of growth for the commercial paper market in the mid-to-late 1980s, the long economic expansion, came to an end with the close of the decade. Recession set in during the summer of 1990, and the economy since has been in an extraordinarily slow recovery. Consumers and firms cut back on borrowing, investors and banks became more wary of extending credit, and downgrades became more frequent. In a pattern typical of recessions, the interest rate premium required by investors to hold medium-grade paper

11. Some new asset-backed commercial paper programs, each dedicated to financing the receivables of a bankrupt operator, have emerged from the ashes of the earlier programs. The bankrupt operators, in effect, borrow from these SPVs using receivables for collateral. Each operator in bankruptcy can thus continue to finance receivables at low cost.

6. Spread of rates for paper rated A-2/P-2 over rates for paper rated A-1+/P-1, 1974–91[1]



1. For this measure, companies rated A-1+/P-1 include only those with a rating of AAA/Aaa on their long-term debt. Shading indicates periods of recession as defined by the National Bureau of Economic Research (NBER). Vertical line indicates peak; NBER has not yet determined the trough of the 1990–91 recession.

SOURCE. Board of Governors of the Federal Reserve System.

rose (chart 6). The slowdown in economic activity and the increased risk premium curbed the growth of commercial paper; but in addition, defaults of several commercial paper issuers and a new SEC policy that restricted money market fund investments in medium-grade paper exacerbated the market's normal response to recession.

Defaults

Between 1971 and mid-1989, the U.S. commercial paper market was free of defaults except for the abrupt litigation-related default of Manville Corporation, in 1982.[12] The absence of defaults has been attributed to the fact that most commercial paper investors did not purchase paper of low quality and to the requirement of rating agencies that an issuer maintain adequate backup liquidity. Thus, as the credit quality of a highly rated issuer deteriorated, investors required increasingly greater compensation for risk, ultimately refusing to purchase new paper at any interest rate that the issuer willingly would pay. For the protection of such a firm, of investors and of itself, the firm's dealer often would advise it to withdraw from the market. As the firm relied less on commercial paper, it increasingly drew on its backup lines of credit at banks or other backup sources of liquidity. Thus, in most cases, an issuer with declining credit quality would have time to cease issuing commercial paper and to have its outstanding paper mature well before a default became imminent. Moody's has described this process as an "orderly exit."[13]

In contrast, the defaults in the U.S. commercial paper market at the end of the decade reflected some of the structural shifts that occurred in the market over the 1980s. An increasing number of investors became receptive to low-quality credits during the 1980s, including paper considered to be noninvestment grade; and banks became more likely to resist providing adequate backup liquidity to those firms under financial stress and unable to roll over their maturing paper.[14] In mid-1989, the U.S. commercial paper market was hit with the first default (other than Manville's litigation-related default in 1982) in eighteen years; two more followed that year and four more in 1990.

The 1989 defaults created some concern among investors, primarily for paper rated 3 or below, but broad effects on the market for higher-rated paper did not materialize until the default of Mortgage & Realty Trust (MRT), in March 1990.[15] Two agencies had rated MRT at 2, or medium-grade, in the month before its default; at the time, money market mutual funds were allowed to hold medium-grade paper without an overall limit, and such funds were among the holders of MRT's defaulted paper. Fund advisers chose to make up the shortfall rather than let fund investors lose money.[16] Subsequently, investors began to demand a larger interest rate

12. On August 26, Manville defaulted on its commercial paper after filing in bankruptcy court for protection against potential liability under litigation regarding asbestos sickness. In Moody's rating, all the defaulted paper had a prime rating (P-2) from the time it was issued to the day of default. Immediately after the filing, Manville's short-term rating dropped to noninvestment grade (Fons and Kimball, *Defaults and Orderly Exits*, pp. 9 and 21).

13. See Douglas J. Lucas and Donald E. Noe, *Defaults and Orderly Exits of U.S. and European Commercial Paper Issuers, 1972–1989*, Moody's Special Report (Moody's Investors Service, November 1989).

14. Fons and Kimball, *Defaults and Orderly Exits*, pp. 16–17.

15. In February 1990, Drexel Burnham Lambert Group, Inc., a major dealer of junk commercial paper, defaulted on its own paper (rated 3 by two agencies until just before the default). With the fall of Drexel, the market in junk paper withered; outstandings of unrated paper shrank from a high of $5 billion in January 1990 to $700 million at the end of 1991. The rest of the commercial paper market, however, was little affected by the demise of Drexel.

16. 55 *Federal Register* 30239, July 25, 1990, p. 30241. Money funds also held some of the paper on which Integrated Resources, Inc., defaulted in June 1989. At the time of its default, the firm was rated 2 by one credit rating agency.

premium on the commercial paper of other medium-grade credits, presumably because of MRT's relatively high rating before default.

Amendments to SEC Rule 2a-7

In response to concerns about the effect of the commercial paper defaults on the portfolios of money market mutual funds, the Securities and Exchange Commission (SEC) proposed in July 1990 to limit money fund holdings of medium-grade paper through amendments to its Rule 2a-7, which governs the investments of money funds. The amendments, approved in February 1991 and efective in June 1991, were complex but for the most part raised the minimum acceptable credit quality of paper with two or more ratings from that of a single rating of 2 to at least two ratings of 2. In addition, the amendments created two categories of such eligible paper: first-tier paper, which generally requires at least two ratings of 1; and second-tier paper, which generally either has one rating of 1 and one rating of 2 or two ratings of 2. Second-tier paper essentially includes all paper that is generally considered medium-grade, such as paper rated A-2 by Standard & Poor's and P-2 by Moody's.

In addition, before the amendments, money funds could hold unlimited aggregate amounts of what became defined as second-tier paper. After the amendments, money funds could hold no more than 5 percent of their assets in such paper; and they could hold no more than 1 percent of their assets in the paper of any one second-tier issuer, a sharp reduction from earlier limits.[17]

THE EFFECTS OF CREDIT CONCERNS ON THE MARKET

In the months after the SEC's July 1990 proposal, dealers faced growing investor resistance to medium-grade issues, especially for paper maturing past the end of the year. The interest rate premium that medium-grade firms had to pay over top-rated firms continued to rise, and many found that borrowing at banks was the cheaper funding alternative. Dealers encouraged other medium-grade issuers to test the availability of their backup lines at banks. The new risk-based capital guidelines for banks would become effective at year-end, however, and market participants grew increasingly uncertain about the capacity of banks to honor all their loan commitments. As a result, rates paid on commercial paper, even by highly rated firms, jumped in December.

December 1990 proved, however, to be the point of maximum stress. The financial markets calmed somewhat and thereafter were capable of handling the funding needs of medium-grade firms. Medium-grade issuers successfully tapped bank lines of credit or their commercial paper dealers, while asset-backed commercial paper absorbed some of the needs of these firms and grew rapidly.

But investors remained wary of medium-grade paper. Interest rates on it spiked again both at midyear and at year-end 1991 because many investors did not want to show such holdings on their published financial statements. The June 1991 default of Columbia Gas, a second-tier issuer until just before its default, renewed concerns about the safety of medium-grade paper. With the persistence of concerns about credit quality, many medium-grade firms that had turned to their banks in 1990 still found banks cheaper than the commercial paper market.

Overall, these events sharply curtailed the market for medium-grade commercial paper. In 1988 and 1989, money market mutual funds with at least some private instruments held, in the aggregate, up to 8 percent of their assets in medium-grade paper (table 6). Money funds started to cut back on such paper in the first half of 1990, presumably in response to the defaults that prompted the SEC rule change. Just before the SEC's July 1990 proposal, however, they still held an estimated $14 billion in medium-grade paper. By year-end 1990, these holdings had fallen to $6 billion, and by year-end 1991, six months after the SEC amendments took effect, second-tier paper vanished from money fund portfolios. Other investors also cut back on their investments in such paper: Paper rated P-2 by Moody's declined by about half in absolute terms from July 1990 to December 1991, far in excess of

17. Some of the complications in the amendments concerned unrated paper and paper with a rating from only one agency. The amendments to Rule 2a-7 and a comparison of them with the preceding version of the rule are in 56 *Federal Register* 8113, February 27, 1991.

6. Money fund holdings of second-tier commercial paper and the size of the second-tier market, 1988–91

Billions of dollars except as noted, not seasonally adjusted

Period	Money fund holdings of second-tier paper[1]		P-2 paper outstanding[2]	
	Amount	Percent of fund assets[3]	Amount	Percent of rated commercial paper
1988:H1	12.9	5.6	n.a.	n.a.
H2	16.2	7.0	n.a.	n.a.
1989:H1	19.6	7.7	94	14.8
H2	24.7	8.2	97	14.4
1990:H1	13.8	4.2	102	14.4
December	6.0	1.3	94	12.7
1991:June	1.4	.4	n.a.	n.a.
September	.4	.1	n.a.	n.a.
December	*	.0	48	7.7

1. Average portfolio weights for sixty money market mutual funds, as developed by the SEC. For 1988 and 1989, the data cover fund holdings of paper rated P-2 by Moody's Investors Service; for 1990:H1, the data cover fund holdings of paper (1) rated P-2 by Moody's or A-2 by Standard and Poor's Corp. and (2) rated not less than P-2 or A-2.

For 1988:H1 through 1990:H1, dollar levels are the sample portfolio weights, as developed by the SEC, multiplied by the total assets of all non-government-only taxable money market funds, as reported by the Investment Company Institute; for December 1990, the data are an SEC staff estimate; for 1991, the data are from IBC/Donoghue's Money Fund Report.

2. Jerome S. Fons and Andrew E. Kimball, *Defaults and Orderly Exits of Commercial Paper Issuers, 1972–1991*, Moody's Special Report (Moody's Investors Service, February 1992); and Douglas J. Lucas and Donald E. Noe *Defaults and Orderly Exits of U.S. and European Commercial Paper Issuers, 1972–1989*, Moody's Special Report (Moody's Investors Service, November 1989).

3. Excludes government-only funds.

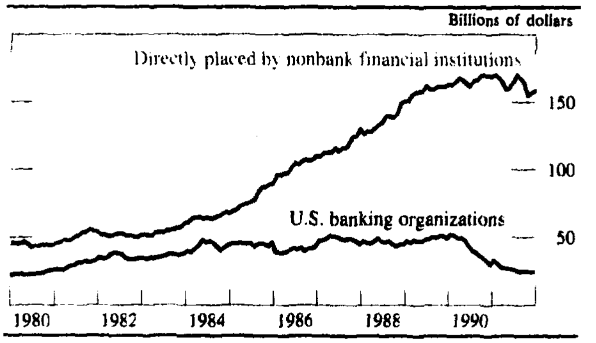
* Less than $50 million.

n.a. Not available.

the amount held by money funds; and as a share of all outstanding paper rated by Moody's, P-2 paper fell from 14 percent to 8 percent over the same period.[18]

These developments—defaults, deteriorating credit quality, and the SEC's amendments—also contributed to a runoff in directly placed financial paper after 1990. Firms on the border between first- and second-tier by that time faced potentially sharp

7. Outstanding commercial paper issued by U.S. banking organizations and directly placed by nonbank financial institutions, 1980–91[1]



1. Not seasonally adjusted. Commercial paper issued by U.S. banking organizations is almost all directly placed.

SOURCES. Board of Governors of the Federal Reserve System and the Federal Reserve Bank of New York.

declines in their base of investors if they received a downgrade to 2. Much of the 1991 decline in outstanding financial paper placed directly by nonbanks was due to efforts by first-tier firms to forestall potential further ratings changes and potential losses of their investor base (chart 7).

Credit problems also plagued a number of the large bank holding companies. Ratings downgrades of U.S. banking organizations picked up in response to large loan losses and the need to raise capital ratios. Accordingly, outstanding commercial paper of bank holding companies—almost all directly issued—started a decline from a peak of $52 billion in January 1990 to $43 billion just before the SEC proposed its rule change.[19] By year-end 1991, outstanding paper of bank holding companies had fallen to $24 billion, around where it has since stabilized.

THE EFFECT OF RISING COSTS OF BANK SERVICES

With steps taken by regulators to raise bank capital standards, the financial stresses placed on banks

18. These data are for all short-term issuers rated by Moody's, including Eurocommercial paper and foreign domestic commercial paper. The absolute decline in the level of P-2 paper therefore overstates the actual decline of paper outstanding of medium-grade issuers in the U.S. market.

To some extent, the decline in P-2 paper also reflects movements of firms among ratings categories. A sample of firms that carried P-2 ratings throughout the sample period significantly reduced their reliance on commercial paper to fund assets relative to a sample of firms rated P-1 throughout. See Leland Crabbe and Mitchell A. Post, "The Effect of SEC Amendments to Rule 2a-7 on the Commercial Paper Market," Finance and Economics Discussion Series 199 (Board of Governors of the Federal Reserve System, May 1992).

19. Leland Crabbe and Mitchell A. Post, "The Effect of a Rating Change on Commercial Paper Outstandings," Board of Governors of the Federal Reserve System, August 1992. The authors show that a downgrade to the short-term rating of a banking organization conveys new information about the deteriorating financial condition of the company. As a result, its outstandings decline significantly in the weeks after the downgrade.

have reduced their ability to provide letters of credit and lines of credit to the commercial paper market. As the financial health of banks has deteriorated, the number of those with the high ratings necessary to provide these services has diminished. In addition, the new risk-based capital standards have raised the capital backing required for business loans relative to U.S. Treasury securities and off-balance-sheet items such as letters of credit and credit lines with original maturities in excess of one year. In turn, the increased capital required presumably raises the cost of the products for those banks with capital ratios at or below the required levels.

Before these constraints emerged, highly rated commercial banks competed fiercely to supply backup lines and letters of credit. Much of this competitive pressure came from Japanese banks, and more recently, European banks, attempting to gain U.S. market share. As a result of this competition, the banks probably were less than fully compensated for the risks borne and other costs of providing these services. As the number of domestic and foreign banks capable of supplying these services in the United States has dwindled, the remaining banks have responded to the incentives of the new capital guidelines by passing on the costs of added capital to users of these services. Other financial intermediaries have entered the markets for these services as profit margins have widened, but the reduced availability and increased cost remain factors affecting the commercial paper market.

For example, the current climate rendered uneconomic several of the earlier bank-advised asset-backed structures. In those programs, the bank adviser provided all the credit enhancement and the liquidity backup. The enhancement, moreover, covered 100 percent of the outstanding paper, an excessive amount given the levels of over-collateralization and previous loss experience. When the bank itself was downgraded, the rating agencies also earmarked the programs advised by the bank for possible downgrades; moreover, the excess of credit enhancement became particularly costly in terms of the capital backing now required. Accordingly, many of these programs were restructured in 1991. To isolate the problems of one bank from the asset-backed program that it advises, backup liquidity most often now is provided by a number of highly rated banks. Credit enhancement now is kept to a necessary minimum, and alternatives to bank guarantees—such as insurance company surety bonds or cash collateral accounts—have been used in newer programs.

More generally, the increased cost to banks of carrying out their business appears to have important ramifications for the loan and commercial paper markets, at least in the near-term. The upward pressure on the cost of bank loans will tend to make commercial paper the more attractive funding alternative for firms. Because bank letters of credit on commercial paper also have become more costly, however, potential new entrants of low credit quality may have to resort to guarantees provided by nonbanks to obtain any cost savings. Finally, backup lines of credit provided by banks now typically carry maturities of less than one year.

OUTLOOK FOR THE COMMERCIAL PAPER MARKET

Despite the market's recent setbacks and its somewhat changed operating environment, the investor base remains, and the commercial paper market continues to be a major source of short-term funds for corporations. Among the new issuers that enter the market will be highly rated foreign firms attracted by the liquidity and low cost of the market and other programs carefully structured to obtain high ratings at low cost. The market already has devised some of these structures: The prototypical modern asset-backed program minimizes credit enhancement provided by banks; and banking organizations have formed SPVs that simply make loans to a limited number of medium-grade firms that the banks otherwise would have booked on their own balance sheets and that therefore would have entailed capital backing. □

The State and Local Government Sector: Long-Term Trends and Recent Fiscal Pressures

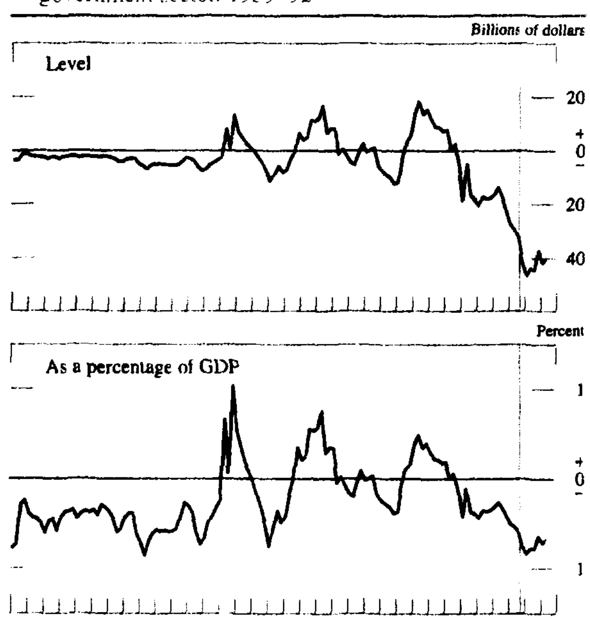
This article was prepared by Laura S. Rubin of the Board's Division of Research and Statistics. Katie Fagan and Monica Leimone provided research assistance.

Many state and local governments have been under pressure in recent years to deal with significant erosion in their fiscal positions, and in the aggregate, the state and local government sector has reported a deficit in its combined operating and capital account since the end of 1986 (chart 1, upper panel).[1] Much of the imbalance can be traced to the expansion of spending programs in the late 1980s in combination with the reduced revenue growth that accompanied the recent recession and the subsequent slow pace of economic recovery. The recent fiscal difficulties have been reinforced by longer-term trends in state and local spending and taxation, by a growing number of mandates to provide services, and by decreasing federal support.

The rise in state and local outlays in recent years has been concentrated in education, corrections, and Medicaid. Demographic and social changes have resulted in increased demands in all three areas. Moreover, spending on elementary and secondary education has been boosted by national and state efforts to improve the quality of schooling; outlays on prisons have been increased to comply with court orders to alleviate overcrowding; and Medicaid expenditures have risen sharply, in part because of federal mandates to expand coverage. As these demands have mounted, receipts have been restrained by the weak economic expansion, putting a squeeze on state and local government budgets.

The state and local government sector has recorded sizable deficits at other times since World War II. Throughout the 1950s and 1960s, the sector's operating and capital account remained in deficit. To a large extent, the deficits reflected heavy capital spending, which ran 25 percent or more as a share of state and local expenditures, excluding social insurance funds. (See box for a discussion of these funds.) The rapid pace of public construction began to abate in the late 1960s, and over the next fifteen years the budget position of state and local governments was, on net, in rough

1. Budget surplus (deficit) of the state and local government sector, 1959–92[1]



1. National income and product accounts basis; excludes social insurance funds. Shading indicates periods of recession as defined by the National Bureau of Economic Research (NBER). Vertical line indicates peak; NBER has not yet determined the trough of the 1990–91 recession.

1. Much of this analysis is based on data (through 1992:Q2) from the national income and product accounts (NIPA). The most recently revised data date back only to 1959, however, and statements about trends over the early part of the post-World War II period are based on unrevised data. Revisions to early figures are unlikely to alter the story presented here.

balance, with deficits developing during periods of recession and surpluses during periods of expansion. The pattern was broken with the emergence of large budget gaps in late 1986, nearly four years before the most recent cyclical peak. Consequently, it appears that the current problem extends considerably beyond a cyclical imbalance and that state and local governments will need to make fundamental adjustments to restore fiscal health.[2]

An understanding of the current structural difficulties confronting state and local governments requires that recent developments be viewed from a longer-term perspective. Over the postwar period, the role of state and local governments has expanded noticeably; total expenditures (excluding social insurance funds) rose more than 4¼ percentage points as a share of gross domestic product (GDP) between 1959 and the mid-1970s. Early on, the expansion was funded, in part, by grants from the federal government. When the growth of federal grants was trimmed in the 1980s, however, state and local spending on many of these programs was not cut back. To some extent, the decrease in federal resources has been offset by an increase in state and local tax burdens. However, the magnitude of the current aggregate deficit of the state and local government sector suggests that many difficult decisions remain ahead. This article examines some of the trends in spending, taxation, and grants that underlie the fiscal difficulties, which have now persisted for five and one-half years.

STATISTICAL PRELIMINARIES

Analysis of the state and local government sector is limited by the quantity and quality of economic data. One of the complications arises from the enormous number of government units—more than 80,000. Definitions, fiscal reporting periods, and the range of spending priorities vary widely within as well as across states. The national income and product accounts, which provide information about these governments on a conceptually consistent basis, form the framework for much of the macroeconomic analysis of the sector.

Separate data for state governments and local governments are available only for the period 1959–88. Even if the database were more current, it is not clear that these two levels of government should be separated when examining general trends in spending and taxation, because the division of responsibilities between states and localities varies considerably from state to state. Some states perform functions that are carried out by local governments in other states. For example, Hawaii administers the state's public elementary and secondary schools and funds 92 percent of expenditures, whereas New Hampshire funds only 7 percent of public school expenditures. The mix of state and local taxes shows a similarly wide divergence. The percentage of total state and local own-source general revenue that is raised by states varies from a high of 69 percent in Hawaii to a low of 39 percent in New Hampshire and Colorado.

THE STATE AND LOCAL GOVERNMENT SECTOR

The state and local government sector accounts for a relatively large share of economic activity in the United States. Employment by state and local governments grew steadily over the quarter century beginning in 1945, from 7½ percent of nonagricultural employment in that year to 14 percent in 1970; it has remained at roughly that share ever since. Likewise, purchases of goods and services by these governments as a share of GDP grew from 8½ percent in 1959 to more than 11 percent in the first half of 1992.

By composition of spending, purchases account for most state and local government expenditures, excluding those of social insurance funds. The bulk of the remaining outlays are for transfer payments to individuals, which rose from about 10 percent of state and local government expenditures in the 1960s to more than 20 percent in the first half of 1992, primarily a reflection of the growing importance of Medicaid. By function, the largest share of expenditures is for education, which has hovered around 40 percent over the past thirty years (table 1). The second largest function is income support, at around 22 percent of expenditures. The magnitude of income support programs has grown dramatically over the past three decades.

2. Roughly half the recent fiscal squeeze is estimated to have come from structural imbalances, and half from the cyclical downturn.

1. Selected components of state and local government expenditures, by function, selected years, 1960–91
Percentage of total government expenditures (excluding social insurance funds)

	1960	1970	1980	1990	1991
Education	37.1	40.9	39.9	40.1	39.0
Income support and welfare	11.9	15.4	17.1	18.4	21.5
Transportation	18.4	13.6	11.0	10.0	9.2
Administration	5.7	5.2	5.9	6.7	6.6
Health and hospitals	6.2	5.6	5.1	4.3	3.6
Police	4.1	4.0	4.2	4.6	4.5
Corrections	1.4	1.4	2.0	3.8	3.7

By contrast, the share of expenditures for transportation, largely highways and mass transit, exceeded that of income support programs by a considerable margin in 1960 but has diminished significantly since then.

Purchases of Goods and Services

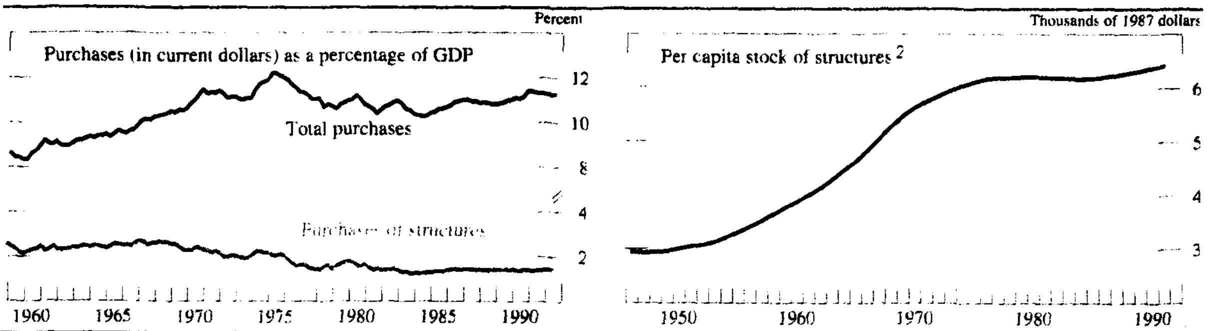
Purchases of goods and services by state and local governments rose as a share of GDP between World War II and the mid-1970s. Since then, the share has fluctuated between 10 percent and 12 percent (chart 2, left panel). The separate patterns for state governments and local governments (not shown) were quite similar.

The overall pattern of state and local spending has been driven, to a large extent, by demographic and social factors. The 1950s was a decade of rising birth rates, increasing per capita real income, and expanding suburbanization. In response to these developments, real outlays for construction rose rapidly. Enrollment in public schools soared, necessitating construction of new educational facilities. In addition, the federal interstate highway system, begun in 1956, produced a surge in road construction. (In contrast to spending for school buildings, highway construction was financed in large part by federal grants to states.) By the late 1960s, the school-age population had peaked and highway construction had begun to wind down. As a result, state and local spending on construction fell, both in real terms and as a share of GDP, until the 1980s, when the school-age population began to increase once again and governments were called upon to expand and upgrade many infrastructure projects. The per capita stock of state and local public structures then resumed an upward trend after having drifted downward slightly for several years (chart 2, right panel).

Transfer Payments to Individuals

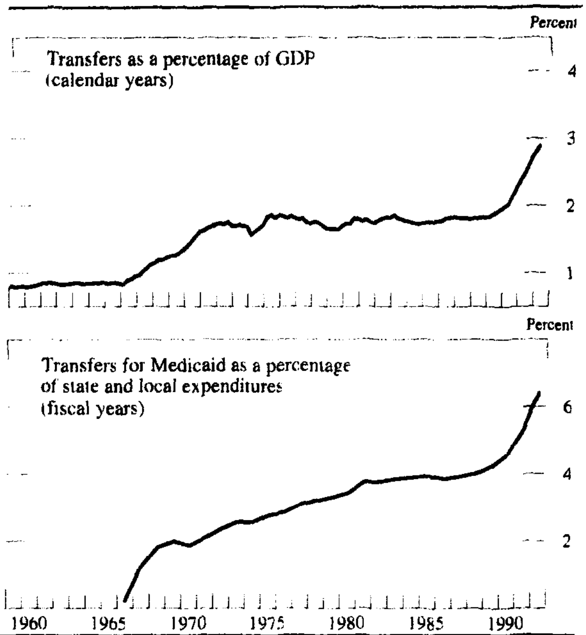
During the first half of 1992, transfer payments to individuals by the state and local government sector reached $225 billion; excluding payments to retirees, transfer payments to individuals totaled nearly $170 billion, or 3 percent of GDP. Transfer payments as a percentage of GDP have risen throughout the past three decades (chart 3, upper panel), with sharp increases in the late 1960s and

2. State and local government purchases and stock of structures[1]



1. National income and product accounts basis.
2. Net of depreciation.

3. Transfer payments by state and local governments to individuals, 1959–92[1]



1. National income and product accounts basis; excludes transfer payments for social insurance. The Medicaid program began in 1966.

again in the 1990s. Because a large proportion of state and local government transfer payments to individuals goes to Medicaid and Aid to Families with Dependent Children (AFDC)—73 percent and 14 percent respectively in the second quarter of 1992—the explanations for the recent sharp rise can be found by examining developments in those programs.

Medicaid is administered by the states but is financed by both the states and the federal government; the federal share differs from state to state and ranges from 50 percent to 78 percent, depending on the state's per capita income. After remaining below 4 percent of state and local expenditures (excluding social insurance fund payments) during the first half of the 1980s, Medicaid spending from state sources rose to above 6.0 percent in fiscal year 1992 (chart 3, lower panel).[3]

The increase in state Medicaid spending in recent years partly reflects advances in medical technology, the rapid increase in the cost of medical care, and the recent weakness in aggregate economic activity. Another important factor boosting the cost of Medicaid to the states has been the imposition of federal mandates requiring states to expand their coverage. Federal mandates concerning Medicaid added an estimated $2.6 billion—or roughly 5 percent—more to the states' portion of Medicaid costs in fiscal year 1992. To illustrate, in 1988, states were given until July 1990 to cover pregnant women and infants up to age one in families with income below the poverty line. The requirement was later changed to include pregnant women and infants in families with income less than 133 percent of the poverty level as well as children up to age six in families with income below the poverty line. The Omnibus Budget Reconciliation Act of 1990 further expanded coverage, phasing in coverage so that by the year 2002, all children eighteen years and younger in families with income below the poverty line will be covered.

Likewise, in recent years, federal mandates have further expanded AFDC, a program for needy children that is administered and financed like Medicaid. The Family Support Act of 1988 mandated two important changes to the program, effective October 1, 1990, that appear to have raised costs for at least some states. First, states are now required to include children in two-parent families in which the principal wage earner is unemployed (before the change, coverage was optional, though all large states were already including these children in the program). Second, all states must operate job opportunity and basic skills (JOBS) programs to provide education, job training, and, if necessary, day care, along with other developmental and support services.

TAXES

Taxes and fees constitute nearly 80 percent of the receipts (excluding contributions to social insurance funds) of state and local governments. The ratio of tax revenues to GDP is a simple gauge of tax burdens. Total receipts from state and local personal and corporate income taxes and indirect business taxes (sales, excise, and property taxes)

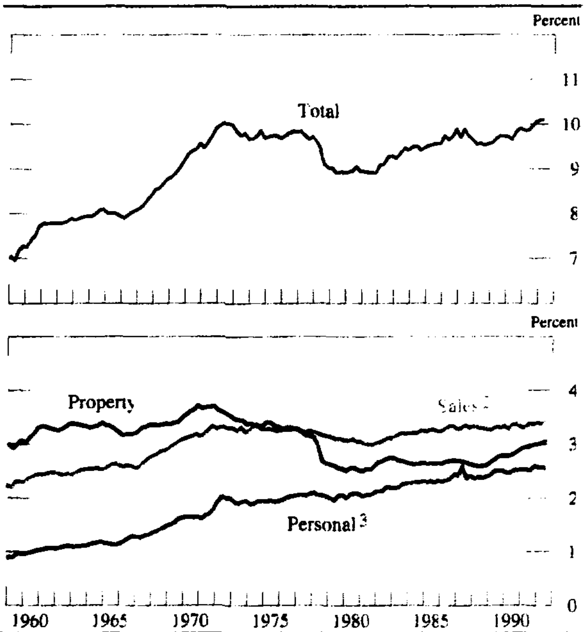
3. Total federal and state outlays for Medicaid increased an average of nearly 30 percent a year over the two and one-half years ending in the second quarter of 1992, compared with annual gains in nominal GDP of about 4 percent over the same period. Indeed, total Medicaid spending rose from 0.9 percent to 2.1 percent of GDP between the late 1970s and 1991, with much of the increase in share occurring in the past two years.

including fees and charges—that is, state and local government own-source revenues—have risen from about 7 percent to more than 10 percent of GDP over the past thirty years (chart 4, upper panel). Hence, it appears that the tax burden at the state and local level has increased over the postwar period.

Among the components of total receipts, state and local personal tax and nontax receipts rose from about 1 percent of GDP following World War II to 2.5 percent in the late 1980s (chart 4, lower panel); indeed, these receipts increased from around 16 percent of state and local revenue (excluding contributions to social insurance funds) in the late 1970s to more than 20 percent a decade later. Among indirect business taxes, sales and excise tax receipts as a percentage of GDP moved up until the early 1970s and then stabilized at just over 3 percent of GDP. Profits tax receipts of state and local governments (not shown) remained at a very low level as a percentage of GDP throughout the period. State and local property tax collections as a share of GDP rose until 1971 and then began a decline that was accelerated later that decade by a wave of tax revolts in many states. The trend was reversed in the late 1980s, and since then there has been a small, but steady, pickup in property taxes as a share of GDP.

For the most part, state and local governments rely on different sources of revenue. Most property tax revenue is collected by local governments, and most income and sales taxes are paid to state governments. For example, in 1988, the most recent year for which separate data are available, state governments collected 86 percent of personal income and sales taxes, while local governments collected 97 percent of property taxes.

4. State and local tax and nontax receipts as a percentage of GDP, 1959–92[1]



1. National income and product accounts basis: receipts exclude grants and contributions to social insurance funds.

2. Includes sales and excise taxes and nontaxes.

3. Includes income and other taxes, fees, and charges.

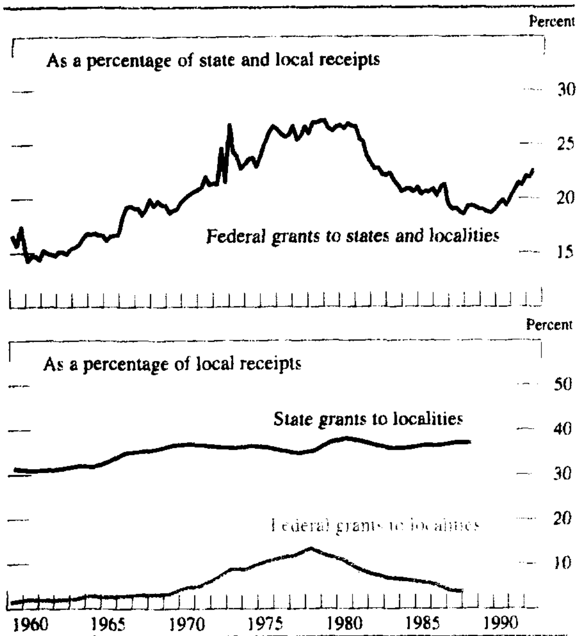
GRANTS

Federal aid to state and local governments totaled nearly $170 billion in the first half of 1992, accounting for more than 20 percent of their revenues, excluding social insurance funds. About 12 percent of the federal aid was earmarked for highways, mass transit, and waste treatment and was spent by state and local governments primarily on construction. Around half was for Medicaid and other public assistance programs, especially AFDC. The remainder covered a wide range of special programs, from disaster assistance to aid for vocational and adult education.

The postwar growth of federal aid to state and local governments was suspended in 1980, largely reflecting the scaling back and eventual elimination of revenue sharing.[4] Federal aid as a share of state and local revenue (excluding social insurance funds) fell from 27 percent in 1980 to 19 percent in 1989 (chart 5, upper panel); over the same period, federal grants to state and local governments as a percentage of GDP slipped from 3¼ percent to 2¾ percent. Indeed, federal support actually declined in nominal terms, from nearly $89 billion in 1980 to $84 billion just two years later. The reduction in federal aid was felt by both state and

4. Federal grants for revenue sharing, which began in 1972, reached $7.1 billion in 1973, accounting for 17 percent of total grants to state and local governments that year. The dollar amount peaked at $8.3 billion in 1977, accounting for 12 percent of total grants. While total grants rose through 1980, funds for revenue sharing remained between $6 billion and $7 billion until 1981, when the amount was cut back to $4.6 billion (5 percent of total grants). The revenue sharing program was discontinued in 1987.

5. Grants as a percentage of receipts, 1959–92[1]



1. National income and product accounts basis; receipts exclude contributions to social insurance funds. Data for grants to localities after 1988 are not available.

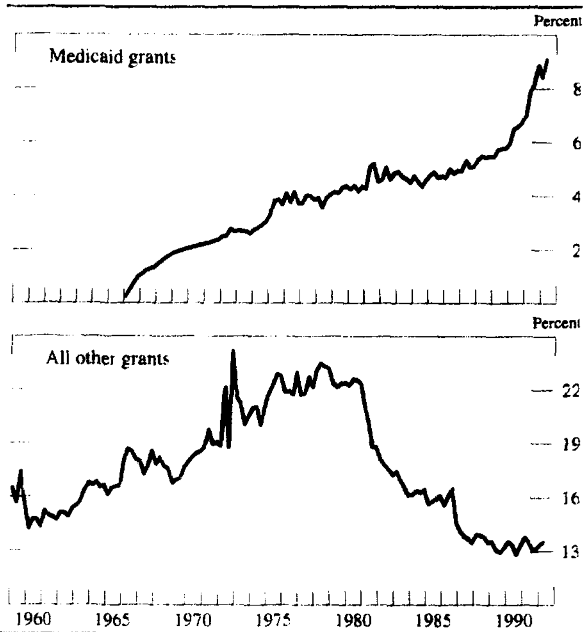
local governments. In 1975, 30 percent of state revenue came from federal grants, but by the end of the 1980s the figure had slipped to 24 percent. The decline was more dramatic for local governments: The federal contribution to local revenue fell from 13 percent in 1978 to 4 percent in 1988 (chart 5, lower panel).

The sharp cutback in federal aid to state governments did not lead to an immediate reduction in state aid to local governments during the 1980s. Indeed, state aid held up well, and throughout the 1980s state grants continued to represent around 36 percent of local revenue, about the same as during the 1970s. State grants as a percentage of all grants to localities increased from 73 percent in 1978 to 91 percent by 1988. That year, states provided local governments with $145 billion in aid, two-thirds of which was intended to support primary and secondary education. Other programs receiving significant contributions were higher education, highways, hospitals, and welfare and social services. However, state support has been slipping in the past few years, as many states, as part of their budget-balancing efforts, have reduced aid to local governments and to school districts. For example, more than half the respondents to an early 1992 survey of the 100 most populous counties reported reduced aid from states.[5]

More recently, federal aid to state and local governments has rebounded sharply, rising at a 15 percent annual rate, in nominal terms, during the past two and one-half years, compared with an average annual increase of just 4 percent during the preceding ten years. Nearly all the recent acceleration has been in increases in grants for Medicaid, which account for more than 40 percent of federal aid to these governments.[6] During the two and one-half year period, Medicaid grants have grown at about a 30 percent annual rate. As a result, federal aid for Medicaid as a share of total state and local receipts has risen dramatically, while the share of grants for all other programs has changed little (chart 6).

5. National Association of Counties, *Counties in Crisis: A Fiscal Survey of 80 of the Nation's Largest Counties* (Washington, D.C.: NAC, February 1992).

6. Of course, an increase in Medicaid grants, in and of itself, does not relieve budgetary pressures on state and local governments, as federal grants must be matched, primarily by the states.



1. National income and product accounts basis; receipts exclude contributions to social insurance funds. The Medicaid program began in 1966.

2. Actual and proposed federal grants to state and local governments, selected years, 1991–97

Billions of dollars, except as noted

	1991[1]	1992	1993	1997	Average annual change, 1992–97 (percent)
Total	152.0	182.2	199.1	275.2	10.4
Medicaid	52.5	72.5	84.5	150.8	15.7
Excluding Medicaid	99.5	109.7	114.6	124.4	2.6
Transportation	19.9	21.3	22.3	22.5	1.2
Community and regional development	4.3	4.7	4.9	3.7	-4.5
Education, training, employment, and social services	26.0	28.7	29.9	32.6	2.6
Income security	36.9	42.0	44.1	52.7	4.7

1. Actual; figures for all other years proposed.

SOURCE. *Budget of the U.S. Government, Fiscal Year 1993.*

The Administration's fiscal year 1993 budget proposed an increase in federal aid to state and local governments of around 10 percent per year, on average, over the period 1992–97 (table 2). Increases in grants for Medicaid are expected to average 16 percent a year, while annual growth in aid for all other categories is projected to average around 2.5 percent.[7] Under this scenario, Medicaid grants would rise from 35 percent of federal aid in fiscal year 1991 to 55 percent in fiscal year 1997.

LONG-TERM TRENDS AND SHORT-RUN PRESSURES

By most measures, the responsibilities of state and local governments have increased over the postwar period. Purchases, transfer payments, and taxes are a larger share of GDP than they were thirty years ago. Yet, federal aid to these governments has fallen from 3.5 percent to 2.7 percent of GDP over the past decade and a half, after rising earlier in the postwar period. The reduction in aid was apparently not a major problem for state and local governments during the mid-1980s, when strong overall economic growth and rapidly escalating property values boosted tax receipts. But when the pace of revenues slowed, there was, at least initially, little corresponding slowdown in the growth of state and local spending.

Much of the recent pressure on state and local spending reflects the confluence of relatively new developments and the underlying upward trends in spending and taxes. Currently, nearly two-thirds of state general fund budgets is dedicated to education, Medicaid, and corrections—and demographic trends point to further increases in these areas in coming years. Furthermore, court orders related to prison overcrowding have added to the financial pressures in many states, and the repair and expansion of the public infrastructure have become important goals in many states and localities.[8]

Mandates also have added to outlays for many state and local programs. The 1980s were notable for the increasing number of new, unfunded or partly funded mandates imposed on states by the federal government and the courts. In addition to Medicaid and AFDC, mandates have concerned nursing homes, wildlife, drinking water, child welfare, environmental cleanup, and highway safety. The lack of funding for these new programs presents significant financial obstacles. One such example is a 1990 law requiring coastal states to test beach water regularly. The Congress authorized $3 million a year to cover the costs, but testing the Florida waters alone was expected to cost $2 million annually, and twenty other states have shoreline.[9]

7. About 60 percent of federal grants to state and local governments are for entitlement programs and are subject to the pay-as-you-go rules for mandatory spending stated in the Omnibus Budget Reconciliation Act of 1990. Medicaid accounts for nearly 60 percent of this entitlement spending, and the remainder goes largely for family support (AFDC), child nutrition, and housing assistance programs. Other federal grants are considered part of the discretionary portion of the federal budget, which in total must grow in line with inflation. In this category are grants for physical capital, such as highways, airports, mass transit, sewage treatment plants, and community development, and for education, training, employment, and social services.

8. See Laura S. Rubin, "The Current Fiscal Situation in State and Local Governments," *Federal Reserve Bulletin*, vol. 76 (December 1990), pp. 1009–18.

9. David Rapp, "Just What Your State Wanted: Great New Gifts from Congress," *Governing*, vol. 4, no. 4 (January 1991), p. 53.

Similar to the response of the federal government, state governments have been responding to fiscal difficulties by imposing increased burdens on local governments. In addition to hiking taxes and cutting spending across-the-board, state governments have employed a variety of strategies, including reducing state aid, providing no reimbursements for new mandates, and requiring local governments to pay for services provided by the state. Examples are numerous. The State of California now retains, as compensation for its administrative expenses, a portion of the receipts it collects for a local option cigarette tax. In Minnesota, cities are paying higher fees for water certification. According to a 1988 U.S. General Accounting Office report, Illinois passed fifty-seven unfunded mandates between 1981 and 1989 that cost local governments $148 million each year.[10] And in Milwaukee County, Wisconsin, the portion of property tax collections used for state-required programs has risen from 32 percent several years ago to 46 percent.

To deal with shortfalls in their general fund accounts, most local governments must choose between reducing services and raising taxes. Some of each will likely occur in the years ahead. With no significant decline in constituent demands for services, especially education, local governments will have to look at raising taxes, particularly property taxes. About a third of total local government receipts, and more than half of these governments' own-source receipts (that is, excluding grants as well as contributions to social insurance funds), come from property taxes; therefore, the property tax is a logical place for these governments to look for additional revenue when budgets are tight. Indeed, property tax collections have assumed a somewhat more prominent role in state and local government finance: Between 1988 and the second quarter of 1992, property tax collections rose from 27 percent to 30 percent of revenue raised through state and local taxes, fees, and other charges.

The rise in the share of property tax collections was due partly to rate hikes: Nearly three in every ten municipalities raised property tax rates in fiscal year 1992, according to a survey by the National League of Cities.[11] Even for many communities that did not raise rates, property tax collections were bolstered by increases in assessed values that reflected price advances during the late 1980s. However, given recent real estate price developments, rising property assessments are no longer likely to provide widespread relief to local governments.

In addition to the potential for hikes in property taxes, some states are beginning to expand local option taxes. For example, the county of Philadelphia, faced with severe fiscal erosion in 1991, was allowed to piggyback an additional percentage point onto the existing state sales tax, and other counties were allowed to add on an additional ½ percent. Also in 1991, a court decision in California did away with the requirement for a two-thirds majority popular vote of approval to increase county sales taxes, paving the way for future increases.

THE ROLE OF DEBT FINANCING

In addition to reductions in spending and increases in a variety of taxes and fees, debt financing has played a more prominent role in recent years. Offerings of public-purpose bonds for new capital, the proceeds of which are intended to finance capital projects, rose to a record high in 1991 (chart 7, upper panel), and issuance appears to have remained strong during the first half of 1992.[12] Historically, state and local governments financed around 40 percent of capital construction with tax-exempt debt raised in the credit markets; another 40 percent was financed with current receipts, and the remaining 20 percent came from grants. In the mid-1980s, the portion financed by bonds rose to

10. "Around the Nation," *MuniWeek*, April 13, 1992.

11. The property tax hike was the second most common source of additional revenue; 72 percent of cities had increased the level of other fees and charges or imposed new ones during the preceding twelve months. The most common means of dealing with fiscal imbalances was reducing the rate of growth of operating outlays, reported by 73 percent of surveyed cities. In addition, 61 percent had reduced the actual level of capital spending.

12. Data for the first half of 1992 are not shown in chart 7, as they are not available on a seasonally adjusted basis and would be inconsistent with the annual figures shown. The surge in offerings of public-purpose bonds in 1985 was due to a rush to beat proposed legislative deadlines related to tax reform.

State and Local Insurance Funds: A Source of Saving and Revenue

Concern about the fiscal position of the government sector has increased in the last two decades as the federal deficit has risen as a share of GDP. Indeed, the combined deficit of all governments has grown, even though total government purchases of goods and services as a percentage of GDP have remained relatively constant. At the state and local government level, total sector revenues may appear to exceed total outlays, but the apparent surplus reflects the inclusion of social insurance funds. When these funds—primarily state and local government employee retirement funds, but also, in some states, workers compensation and disability insurance funds—are excluded from the figures, a different picture emerges (chart 8). This article looks at state and local government receipts and expenditures excluding these funds so as to focus on the fiscal picture for the governments themselves.

Social insurance funds grow through contributions from employers and employees and through interest and dividend earnings. Offsetting these revenues are transfer payments to beneficiaries and administrative expenses. The surpluses, along with the assets, of state and local social insurance funds are invested in the credit and equity markets and are a source of savings that is available to the rest of the economy; in the first half of 1992, the surpluses amounted to around $58 billion.

Although social insurance funds are a source of national saving, they are not generally available for operation of state and local governments, but are dedicated to retirement annuity and other payments. Much of the long-run growth in state and local social insurance funds can be attributed to the increase in public sector employment. Had this employment growth occurred in the private sector instead of the public sector—for example, through greater dependence on private schools or privately operated services—then, other things equal, public pension fund balances would have been lower, and private pension fund balances higher. Private pension funds are considered part of personal saving; because state and local government employee pension funds have similar characteristics and are not available for day-to-day government operations, they, too, may be thought of as personal saving. As such, these contributions are not appropriately considered part of the tax burden or as an indicator of the fiscal status of the state and local sector.

An important distinction should be noted between the state's contribution and the corpus, or assets, of the trust itself. The assets of these funds are considered to be outside the general fund and capital accounts of state and local governments and are rarely touched, even in the event of severe fiscal deterioration. Their fiduciary responsibility requires the administrators of social insurance funds to guard the corpus and to earn the highest return possible. Although states rarely borrow money directly from the corpus of the funds, it is not uncommon for public employers to reduce their contributions to social insurance funds in response to budgetary distress. To facilitate such adjustments, some accounting device typically is used to decrease contributions, such as assuming that the corpus will be earning a higher rate of return in the future, and that therefore the state can contribute less.

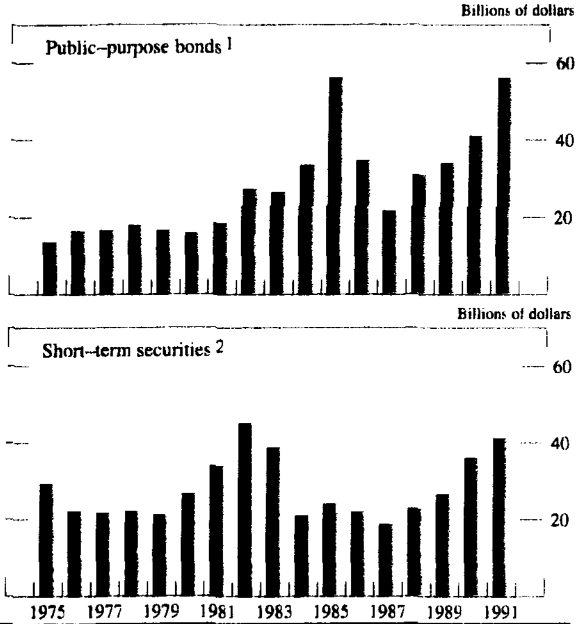
around one-half, as less construction was financed with current receipts.[13]

State and local governments have traditionally sold short-term securities to help during a cash crunch. These securities are usually called tax- or revenue-anticipation notes, as they are issued in anticipation of future funds. In 1991, gross offerings of these notes rose above $40 billion, about 15 percent above the amount issued in the preceding year (chart 7, lower panel). The increase in recent years is probably the result of the current pressing fiscal situation, just as the rise in the early 1980s apparently was in response to recessionary pressures.

Although the practice is limited in scope, some state and local governments have also issued long-term debt to cover operating deficits. For example, the Louisiana Recovery District was created in 1988 and in that year issued $1 billion in bonds to relieve accumulating state deficits. In recent years, both New York and Massachusetts considered such measures. In February 1991, the Local Government Assistance Corporation of New York sold the first in a series of bonds with maturities of thirty years or less to replace short-term borrowings; by mid-1992, a little more than half the total $4.7 billion in bonds had been sold. In addition, since 1989, New York has sold deficit notes to finance interyear shortfalls; sales of these notes rose to more than

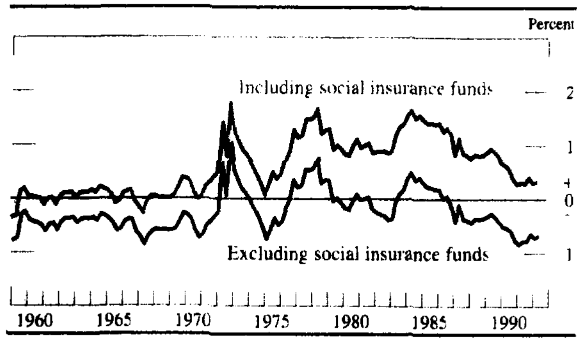
13. John E. Petersen, Catherine Holstein, and Barbara Weiss, *The Future of Infrastructure Needs and Financing* (Washington, D.C.: Government Finance Research Center of the Government Finance Officers Association, December 1988), p. II-2.

7. State and local debt offerings, 1975–91



1. Includes new capital bonds for eduction, transportation, and utilities.
2. Offerings with maturities of thirteen months or less.

8. Budget surplus (deficit) of the state and local government sector as a percentage of GDP, 1959–92[1]



1. National income and product accounts basis.

$1 billion in 1991 and then fell to about half that level in spring 1992.

THE OUTLOOK

The restoration of fiscal balance to the state and local government sector is not likely to be easy. Postwar trends indicate that the responsibility of state and local governments has expanded in a number of areas, and demographic and social factors that affect important programs likely will continue to put pressure on budgets for years to come. Nearly two-thirds of state general fund budgets are dedicated to education, Medicaid, and corrections—and population trends point to further increases in these areas in the coming years. Also adding to state spending requirements are quality goals (particularly for public school education), court orders (primarily concerning public school education, corrections, and Medicaid), and federal mandates (particularly for Medicaid coverage). In addition, the repair and expansion of the public infrastructure has become an important objective in many states and localities. Continued economic expansion should help to lift revenues, but probably not enough to close existing budget gaps. Consequently, many difficult decisions lie ahead for state and local governments. □

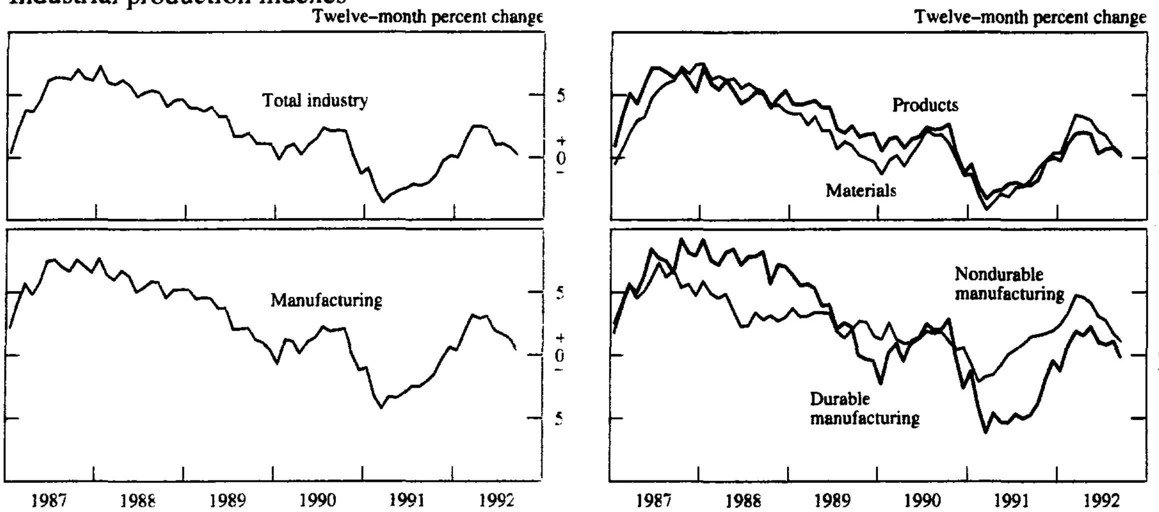
Industrial Production and Capacity Utilization

Released for publication October 16

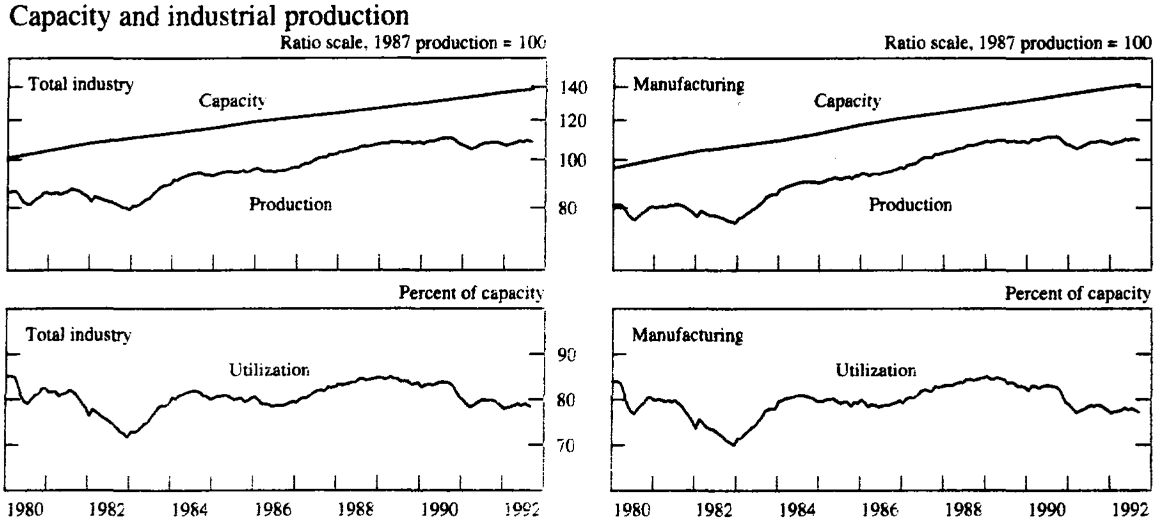
Industrial production decreased 0.2 percent in September, following a decline of 0.4 percent in August and an increase of 0.8 percent in July. In September, the output of defense and space equipment, construction supplies, and durable materials declined significantly. On the positive side, the production of electric utilities moved up sharply, more than retracing its August decline. The assemblies of cars and trucks were little changed in September, when strikes at two key parts plants held output below industry plans.

At 108.6 percent of its 1987 annual average, total industrial production in September was about the same as its year-ago level. For the third quarter

Industrial production indexes



Capacity and industrial production



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

Industrial production and capacity utilization

Category	Industrial production, index, 1987=100[1]								
	1992				Percentage change				
					1992[2]				Sept. 1991 to Sept. 1992
	June[r]	July[r]	Aug.[r]	Sept.[p]	June[r]	July[r]	Aug.[r]	Sept.[p]	
Total	**108.5**	**109.3**	**108.9**	**108.6**	**-.4**	**.8**	**-.4**	**-.2**	**.2**
Previous estimate	108.5	109.2	108.6	...	-.4	.6	-.5	...	...
Major market groups									
Products, total	109.0	109.5	109.3	109.1	-.6	.5	-.2	-.2	.2
Consumer goods	109.6	110.3	110.1	110.2	-1.1	.6	-.2	.1	.8
Business equipment	124.1	124.5	125.1	124.7	-.3	.3	.6	-.3	2.1
Construction supplies	97.2	98.0	97.9	96.8	-.6	.8	-.1	-1.2	.3
Materials	107.6	108.9	108.2	107.9	-.1	1.2	-.7	-.2	.4
Major industry groups									
Manufacturing	109.6	110.1	109.8	109.4	-.3	.5	-.3	-.4	.4
Durable	108.5	109.0	109.0	108.2	-.6	.5	.0	-.7	-.1
Nondurable	111.0	111.6	110.9	110.8	.0	.6	-.6	.0	1.1
Mining	98.0	100.6	99.3	98.1	-1.7	2.6	-1.2	-1.2	-3.2
Utilities	106.7	109.3	108.2	111.0	-.6	2.4	-.9	2.6	1.2

Category	Capacity utilization, percent								Memo Capacity, percentage change, Sept. 1991 to Sept. 1992
	Average, 1967–91	Low, 1982	High, 1988–89	1991	1992				
				Sept.	June[r]	July[r]	Aug.[r]	Sept.[p]	
Total	**82.1**	**71.8**	**85.0**	**79.9**	**78.6**	**79.1**	**78.7**	**78.4**	**2.2**
Manufacturing	81.4	70.0	85.1	78.8	77.8	78.0	77.7	77.2	2.5
Advanced processing	81.0	71.4	83.6	77.7	76.3	76.2	76.1	75.7	3.0
Primary processing	82.3	66.8	89.0	81.3	81.4	82.5	81.5	81.0	1.3
Mining	87.4	80.6	87.2	88.5	85.4	87.6	86.5	85.5	.2
Utilities	86.7	76.2	92.3	85.1	82.1	84.1	83.2	85.3	1.0

1. Seasonally adjusted.
2. Change from preceding month to month indicated.

r Revised.
p Preliminary.

as a whole, industrial production rose at an annual rate of 1.6 percent; it grew at a 5.2 percent annual rate in the second quarter. The utilization of total industrial capacity fell 0.3 percentage point in September, to 78.4 percent.

When analyzed by market group, the data show that the output of consumer goods changed little since July. The output of durable consumer goods fell in September, mainly because of the reduced production of goods for the home. The output of consumer nondurables rose, however, with particularly sharp increases in the use of residential electricity and gasoline; elsewhere within consumer nondurables, overall production was unchanged. The output of business equipment, which rose 0.6 percent in August, decreased 0.3 percent in September. The production of information-processing equipment rose a bit, but the production of industrial equipment remained weak, and the output of transit equipment, which includes trucks and commercial aircraft, fell sharply. The output of materials edged down further in September. Among durables, the output of parts and materials used by the motor vehicle industry fell sharply, partly as a result of strikes at two major parts plants. In addition, the production of basic metals, particularly steel, dropped noticeably. The output of nondurable materials, which declined 1.4 percent in August, was unchanged, with gains in paper and textiles offsetting a drop in chemicals. Higher electricity output boosted the production of energy materials, but reduced coal mining and the lingering effects of Hurricane Andrew on oil and gas extraction tempered this gain.

When analyzed by industry group, the data show that the output in manufacturing declined 0.4 percent in September and that factory utilization fell 0.5 percentage point, to 77.2 percent. The level of capacity utilization in manufacturing has fallen 1 percentage point since May, its high this year. The overall factory operating rate for advanced-processing industries has dropped more than 1 percentage point since May; the most significant losses have been in transportation equipment, apparel, furniture, instruments, and printing. For primary-processing industries as a whole, the utilization rate rose sharply in July but has fallen off in the past two months and now stands 0.5 percentage point below the May level. In September, the capacity utilization rates for petroleum refining and fabricated metal products were about 1½ percentage points below their rates in May. Despite some recent weakness in output, the operating rate for primary metals was still well above its level in the spring of this year. The utilization rates in construction-related industries have been little changed, on balance, in recent months.

The utilization rate in mining in September was about 2 percentage points below its level in July; the disruptions in the oil and gas extraction industry caused by Hurricane Andrew and reduced coal mining have contributed to the decline. At utilities, the operating rate has been volatile lately, oscillating between 82 percent and 85 percent since spring.

Statement to the Congress

Statement by John P. LaWare, Member, Board of Governors of the Federal Reserve System, before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, October 26, 1992

I am pleased to be here to address developments in the banking system and the near-term outlook for bank failures. This topic has attracted increasing attention because recently released studies suggest that the commercial banking industry has problems of the magnitude approaching what we have seen among thrift institutions. This possibility was raised even during the latest Presidential debates. One study, in particular, states that the number and assets of failed commercial banks will soon surge.

A significant number of commercial banks remain troubled, and their assets are substantial indeed. However, in my view, there should be no so-called "December surprise." Several commercial banks will be closed in the coming months, partly because of implementation of new authority for prompt corrective action but mainly as a result of procedures that are already in place. The costs of these failures may be larger than we would like, but they should be a small fraction of some estimates that were recently cited in the press.

Mention has also been made of the recent pace of bank and thrift closings, which have been fewer than previously expected so far this year. In the case of thrift institutions, some slowdown has resulted simply because of lack of funding needed by the Resolution Trust Corporation to resolve institutions that should be closed. However, I am aware of no reduction in the pace of resolutions for commercial banking institutions that was not warranted by conditions at each bank.

This year has been an especially favorable period for many banks, and the industry's improved profitability has helped some institutions remain at least temporarily solvent beyond the period in which they had been expected to fail. Such favorable events explain the pace of bank closings better than charges of an orchestrated slowdown.

In the remainder of my remarks I will provide an assessment of the outlook for the commercial banking industry, and, as requested, I will indicate the capitalization and undercapitalization of particular groups of banks. However, I will defer to the Federal Deposit Insurance Corporation (FDIC) for other specific figures regarding the number and estimated costs of near-term bank failures and the general strength of the Bank Insurance Fund (BIF).

Significant Problems Remain

During my testimony in June regarding the condition of the commercial banking system, I cited the stubbornly high number of banks that were considered to be problem institutions—those banks with supervisory ratings of 4 or 5. Although the figure has improved slightly since then, more than 950 banks with assets of nearly $500 billion remain troubled. This current level represents significant progress in reducing the number of problem banks from its peak of nearly 1,600 institutions at the end of 1987, but their combined assets are clearly large.

Through mid-October, eighty-five BIF-insured commercial and savings banks holding $28 billion in assets have failed this year, but only $4.3 billion of these assets were related to commercial banks. So far, savings banks, which are operationally more akin to thrift institutions, have dominated this year's results. By comparison, ninety commercial banks with $42 billion in assets had failed by this time last year. In the normal course of events, we can expect that additional commercial banks will fail during the remaining months of 1992, and not all of them will be small. Overall, however, their number and especially the amount of affected assets should be well below the 1991 totals.

Prompt Corrective Action

The provision for prompt corrective action of the Federal Deposit Insurance Corporation Improvement Act (FDICIA) becomes effective near year-end and will change the rules for closing troubled banks. Beginning December 19, 1992, authorities will be able to close institutions that are "critically undercapitalized," although still technically solvent. Banks critically undercapitalized, in turn, are defined by statute as those having tangible equity equal to or less than 2.0 percent of total assets. The act provides for specific steps to be taken at that point and at other less-than-adequate levels of capital.

Institutions that are critically undercapitalized must be placed in conservatorship or receivership within ninety days, unless the appropriate federal banking agency and the FDIC determine that other actions are best. To avoid seizure, such institutions must have positive net worth and must be improving their condition in several specified ways. Although we are still developing operating procedures to implement these requirements, presumably some of the critically undercapitalized institutions would meet the necessary tests and continue to survive. Others, however, should expect to be closed in the coming months.

The committee requested information on the number of banks in each category of capital rating. As of midyear, 98 percent of all BIF-insured commercial banks met the minimum capital standard for being at least adequately capitalized, and 93 percent of the industry was considered "well capitalized".[1] About 230 banks, however, were undercapitalized and could be directly affected by prompt corrective action in some way. Of these banks, less than fifty institutions with total assets of roughly $8 billion risk being closed because of their critically undercapitalized designation. The remaining undercapitalized banks face other regulatory sanctions if their ratios do not improve.

When evaluating these figures, note that not all problem banks have ratios that show them as being undercapitalized. For that reason, the legislation also permits the agencies to reduce by one category the assessment of a bank's capital adequacy on the basis of factors other than capital, with the exception that a bank may not be downgraded in this manner to the critically undercapitalized level. Such reclassifications could occur for any institution deemed to be engaged in an unsafe or unsound practice, and FDICIA permits that finding on the basis of a less-than-satisfactory examination rating and failure by the institution to correct the deficiency. Although these procedures are not yet implemented, they will alter the initial classifications derived from published financial statements.

Recent Studies

I would like at this point to comment on studies that have been cited recently in the press, particularly the book entitled *Banking on the Brink*.[2] In my view, and as I have stated on behalf of the Federal Financial Institutions Examination Council, this publication has serious errors and shortcomings. Important assumptions are extremely pessimistic and outdated; its methodology is poor; and important calculations reflect a misunderstanding of bank regulations. As a result, its conclusions significantly overstate the likely cost of resolving problem banks and contribute to misperceptions about the state of the industry's health. Other studies have also forecasted large costs to the public for resolving troubled commercial banks. They, too, overstate their case and, so far, have been wrong.

Forecasting is difficult, and the best forecasters can make mistakes. Especially in banking, the industry's outlook depends heavily on future economic conditions, and those conditions—as I well know—are hard to predict. Current eco-

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

2. See Vaughan, Robert, and Edward Hill, *Banking on the Brink* (Washington Post Company Briefing Books, 1992).

nomic growth is slow, and any decline could adversely affect many banks, reverse recent progress, and increase resolution costs. Forecasters, however, and especially public officials, have obligations to be reasonable as well as forthcoming. Considering my outlook for the economy and that of the Federal Reserve, I strongly disagree with assertions that we are facing a "hidden" or unexpected surge of problem banks or a surge in resolution activities.

RECENT PERFORMANCE OF THE BANKING SYSTEM

Part of my more optimistic assessment rests on the recent performance of the industry, which continues to improve: Earnings are at record levels; average capital ratios are at twenty-five-year highs; and nonperforming assets continue to decline. Investors have also recognized improvements and look more positively on publicly traded bank stocks.

During the first half of this year (the latest period for which industry data are available), commercial banks earned almost $16 billion and more than 0.90 percent on assets—the strongest annualized rate of profitability in the post-World-War II era. This increased profitability was also widespread, with nearly 62 percent of all banks reporting returns on assets of more than 1.0 percent. If that share of highly profitable banks is maintained for the year, it would be the largest since 1981. Partial third-quarter results suggest that improvement remains strong, with about 250 of the largest banking companies that have reported indicating nine-month profits averaging 35 percent greater than those for the same period last year.

Increased earnings, reduced dividends, and record stock sales have also helped substantially to strengthen the capitalization of commercial banking organizations and to intensify a trend that has been observable for a decade. The industry's equity capital of nearly $250 billion represents 7.23 percent of assets, the highest ratio since 1966. The industry's average risk-based capital ratio improved 0.78 percentage point during the first six months of this year, alone, climbing to 11.53 percent, and well above the year-end 1992 minimum standard of 8.0 percent. As mentioned, 98 percent of all banks had already met that standard by midyear.

The principal concern to the industry and the main reason that banks fail are poor credit decisions and the subsequent drop in the quality of their loans. The 1980s were rough years for many banks, as developing country, agriculture, energy, and commercial real estate loans produced large losses and caused the volume of problem loans to surge. This experience has left many bankers with a greater appreciation of the need to maintain sound credit standards and to price their loans right.

Fortunately, however, the tide of growing problems seems to have turned. Since June 1991, the volume of nonaccruing loans has steadily declined, although loss reserves have increased. At midyear, reserves covered nearly 90 percent of the industry's aggregate volume of nonaccruing loans. The level of foreclosed real estate, which increased sharply in 1990 and 1991, is showing signs that it is beginning to stabilize. Office vacancy rates remain high, and that problem will not be quickly resolved. Commercial real estate markets remain weak in many regions throughout the United States, and some markets continue to decline. Generally, however, the implications of these problems for commercial banks seem to have improved.

Stock markets, generally early indicators, also view banks with increased favor. Market prices for the industry's fifty largest companies increased from an average of less than 90 percent of book value at year-end 1990 to nearly 150 percent earlier this month. Gains in stock prices of large banks sharply outpaced those of the Standard and Poor's 500 index and provided market opportunities for many banking institutions. Since the beginning of 1991, the largest fifty companies, alone, have taken advantage of the improvement to issue a record $14 billion of new common and preferred stock in public and private offerings. Still other issues are in process.

Although the industry continues to have problems, important restructuring and consolidation efforts should also provide a boost, enabling banks to reduce their costs and eliminate excessive pressures to compete. The financial services industry increased rapidly during the 1980s, as foreign and nonbank organizations expanded their market shares. Mergers and acquisitions have helped bankers and regulators strengthen weak banks in the past, and they should help in the future as well.

DEPOSIT INSURANCE SYSTEM

The FDIC can best estimate the effect of recent events on the strength of the Bank Insurance Fund. Of course, much depends on the manner in which bank failures can be resolved. I believe that experience suggests that merging weak banks with strong ones, rather than liquidating them, is generally the best approach. That procedure seems to offer greater possibilities today, given the improved performance of much of the industry, including that of many large banks.

The continued strengthening of the industry and the recently announced higher insurance premium rates should also begin to reduce pressures and help rebuild the insurance fund. Nevertheless, although the FDIC has provided substantial reserves for future costs that are available to use, the Bank Insurance Fund has been depleted, and some Treasury or further working capital borrowings may be needed before the fund is made whole. In the final analysis, however, I believe that statutory goals for rebuilding the fund to 1.25 percent of insured deposits will be met well within the allowed fifteen-year period.

Some banking institutions remain weak, but the industry's progress should not be overlooked. A few sizable savings banks have been closed in recent months, and other large savings and commercial banks may be closed in the months ahead. In general, though, a turnaround in the commercial banking industry seems well under way. Reports of huge future losses make sensational headlines, but the economy would need to decline dramatically from current levels to produce losses that approach estimates seen recently in the media.

Although recent events are clearly positive, I do not want to leave the impression that there are no concerns with the banking industry. Its underlying costs and competitive pressures remain great, and fundamental reform of banking laws is still needed. The Congress should consider legislation to permit the integration of our financial system similar to developments in Canada, Europe, and Japan and should act to remove barriers to interstate branching as well. Reducing the regulatory burden on banks should also be considered. Such changes would help to further improve the profitability and the long-term competitiveness and viability of the U.S. banking system. □

Announcements

REVISIONS TO THE PROGRAM FOR PAYMENTS SYSTEM RISK REDUCTION

The Federal Reserve Board issued on October 7, 1992, revisions to its program for payments system risk reduction.

One key provision of the revised program is the adoption of a fee for daylight overdrafts that occur in the reserve and clearing accounts of depository institutions. Another key aspect revises the procedures used to measure the amount of overdrafts in reserve and clearing accounts during the day.

The Board made the changes after receiving comments on two occasions over the past three years.

Under an amendment to the Board's Regulation J (Check Collection and Funds Transfer), a paying bank will be required to settle for checks as early as one hour after presentment of those checks from a Federal Reserve Bank. This change is needed to implement procedures for posting check debits and credits to reserve and clearing accounts of depository institutions to measure daylight overdrafts more accurately. This provision as well as the modified measurement procedures go into effect on October 14, 1993.

A fee of 25 basis points at an annual rate, phased in over a two-year period, will be assessed against the average daily total daylight overdraft of a depository institution. Fees of $25 or less per two-week period will be waived to reduce the administrative burden on affected institutions.

The first phase of overdraft pricing—10 basis points at an annual rate for the current ten-hour Fedwire operating day—will go into effect on April 14, 1994. The fee will rise to 20 basis points one year later and to 25 basis points a year after that.

The Board estimated that, when fully phased in, fewer than 300 institutions will be subject to actual payment of the fee under current conditions.

AMENDMENTS TO REGULATION CC

The Federal Reserve Board issued on October 7, 1992, amendments to its Regulation CC (Availability of Funds and Collection of Checks), that call for same-day settlement of checks presented by private-sector banks. The amendments require paying banks to settle for checks presented by private-sector banks on the day of presentment without the imposition of presentment fees if specified conditions are met. The rule becomes effective on January 3, 1994.

Under the new rule, a check would qualify for same-day settlement if it is presented by 8:00 a.m. (local time of the place of presentment) at a location designated by the paying bank. The settlement must be made by the close of Fedwire on the business day the check is presented by credit to an account at a Federal Reserve Bank. The rule holds all parties to a good faith standard. Provisions of this rule can be varied by agreement.

PROPOSED ACTIONS

The Federal Reserve Board issued for public comment on October 2, 1992, a proposed policy statement regarding branch closings by state member banks. Comments should be received by December 4, 1992.

The Federal Reserve Board issued for public comment on October 7, 1992, a proposal that would change the opening time for the Fedwire funds transfer service from 8:30 a.m. Eastern Time (ET) to 6:30 a.m. ET, effective October 4, 1993.

The Board's proposal also calls for comment on whether the Fedwire securities transfer service should open concurrently with the funds transfer service. In addition, the Board requests input from depository institutions, their customers, and the financial markets regarding the costs and benefits of possible further expansion of Fedwire operating hours over time. Comment is requested by January 8, 1993.

The Federal Reserve Board announced on October 13, 1992, that it had extended the period to receive public comments on an advance notice of proposed rulemaking in connection with a review of Regulation T (Credit by Brokers and Dealers). Comments were due by November 16, 1992, instead of October 16, 1992.

PUBLICATION OF REVISED LISTS OF OTC STOCKS AND OF FOREIGN MARGIN STOCKS

The Federal Reserve Board published on October 23, 1992, a revised List of Marginable OTC Stocks (OTC List) for over-the-counter (OTC) stocks that are subject to its margin regulations. Also published was the List of Foreign Margin Stocks (Foreign List) for foreign equity securities that are subject to Regulation T (Margin Credit Extended by Brokers and Dealers). The lists are effective November 9, 1992, and supersede the previous lists that were effective August 10, 1992.

The Foreign List indicates those foreign equity securities that are eligible for margin treatment at broker–dealers. There were seven new additions and six deletions from the Foreign List, which now contains 301 foreign equity securities.

The changes that have been made to the revised OTC List, which now contains 3,110 OTC stocks, are as follows:

- One hundred twenty-six stocks have been included for the first time, 103 under National Market System (NMS) designation
- Forty stocks previously on the list have been removed for substantially failing to meet the requirements for continued listing
- Forty-four stocks have been removed for reasons such as listing on a national securities exchange or involvement in an acquisition.

The OTC List is published by the Board for the information of lenders and the general public. It includes all OTC securities designated by the Board pursuant to its established criteria as well as all OTC stocks designated as NMS securities for which transaction reports are required to be made pursuant to an effective transaction reporting plan. Additional OTC securities may be designated as NMS securities in the interim between the Board's quarterly publications and will be immediately marginable. The next publication of the Board's list is scheduled for January 1993.

Besides NMS-designated securities, the Board will continue to monitor the market activity of other OTC stocks to determine which stocks meet the requirements for inclusion and continued inclusion on the OTC List.

PUBLICATION OF THE Annual Statistical Digest, 1991

The *Annual Statistical Digest, 1991* is now available. This one-year *Digest* is designed as a compact source of economic, and especially financial, data. The *Digest* provides a single source of historical continuations of the statistics carried regularly in the *Federal Reserve Bulletin.*

This issue of the *Digest* covers only 1991 unless data were revised for earlier years. It serves to maintain the historical series first published in *Banking and Monetary Statistics, 1941–1970,* and the *Digest* for 1970–79, for 1980–89, and yearly issues. A *Concordance of Statistics* will be included with all orders. The *Concordance* provides a guide to tables that cover the same material in the current and the previous single-year issues of the *Digest,* the ten-year *Digest* for 1980–89, and the *Bulletin.*

Copies of the *Digest* at $25.00 each are available from Publications Services, mail stop 138, Board of Governors of the Federal Reserve System, Washington, DC 20551. □

Record of Policy Actions of the Federal Open Market Committee

MEETING HELD ON AUGUST 18, 1992

The information reviewed at this meeting suggested that economic activity was continuing to expand, although at a subdued pace. Consumer spending had firmed recently; business purchases of capital equipment had risen further; and falling mortgage interest rates, which appeared to have triggered a wave of mortgage refinancings, likely were providing some impetus to housing demand. On the other hand, industrial production and employment had increased little on balance, and a sizable expansion in the labor force had raised the unemployment rate to a cyclical high. Recent data on wages and prices indicated that inflation was slowing.

A rebound in total nonfarm payroll employment in July more than offset a decline in June; however, about half the rise over June and July reflected temporary hiring associated with a federally sponsored summer jobs program that recently had been enacted. Apart from the jobs program, moderate gains in employment were recorded in service industries, while payrolls declined in both manufacturing and construction. The average workweek of production or nonsupervisory workers during the June–July period was at its lowest level of the year, and the civilian unemployment rate averaged 7¾ percent.

Industrial production, which had increased noticeably in earlier months, was about unchanged on balance over June and July, as a rise in July retraced a decline that had occurred in June. Much of the July advance stemmed from a higher level of output in mining and utilities, where special factors had held down production in earlier months. Factory output was unchanged in July after a small decline in June; production of computers and other information processing equipment continued to increase at a rapid rate, but output of motor vehicles and parts fell in both months. Production schedules indicated that domestic assemblies of motor vehicles would increase in August. The utilization of total industrial capacity slipped on balance over June and July but remained a little above its December 1991 level.

Retail sales increased moderately in July after registering little growth in the second quarter. General merchandisers reported sharp gains following a period of sluggish sales since April, and sales rose considerably further at apparel outlets and furniture and appliance stores. Sales of motor vehicles dropped back in July from an elevated June pace. With mortgage rates falling, sales of new single-family homes increased in June after leveling off in May, and reports indicated that mortgage applications for home purchases were rising. Permits issued for the construction of new housing units advanced slightly in July, but starts of such units declined further.

Shipments of nondefense capital goods were up sharply in June, partly reflecting continued increases in shipments of office and computing equipment. Data on new orders pointed to a further substantial rise in business purchases of durable equipment in coming months. Nonresidential construction slackened again in June; weakness in industrial construction added to persisting contractions in outlays for commercial office buildings. Recent information on new contracts continued to suggest that nonresidential construction would decline more slowly over the months ahead.

Business inventories surged in June after declining a little in May. At the retail level, inventories increased by a substantial amount, with the accumulation spread about equally among durable and nondurable goods. The jump in inventories lifted retailers' stocks-to-sales ratios to the upper end of the range of the past year. Wholesale trade inventories also expanded sharply in June, with runups reported for a wide range of goods; sales increased by more, however, and the inventory-to-sales ratio in wholesale trade fell slightly. By contrast, manufacturing stocks edged down in June, and the inventory-to-shipments ratio dropped to its lowest level since the middle of 1979.

The nominal U.S. merchandise trade deficit widened again in May. For April and May combined, the deficit was substantially larger than its average rate in the first quarter. The value of exports fell considerably over the two-month period, with reduced shipments of aircraft accounting for the bulk of the decline. The value of imports rose substantially, as imports of oil rebounded from first-quarter lows and imports of a wide range of other goods also increased. Economic activity in the major foreign industrial countries appeared to have slowed on balance in recent months. Canada, France, and Italy seemed to have experienced modest economic growth, but activity apparently had slowed or declined in Germany and Japan, and there was little indication that a recovery had begun in the United Kingdom.

Producer prices of finished goods increased modestly over June and July. Abstracting from the sometimes volatile food and energy components, prices of other finished goods rose at a significantly slower pace in the twelve months ended in July than in the preceding twelve months. At the consumer level, prices advanced only a little in July after a June increase that had been boosted somewhat by a temporary bulge in energy prices. Food prices, which were unchanged on balance over June and July, continued to hold down overall increases in consumer prices. Excluding food and energy items, consumer price inflation over the year ended in July was markedly lower than in the preceding year. Measures of labor costs also evidenced smaller increases. Hourly compensation of private industry workers rose at a substantially slower pace in the second quarter and in the twelve months ended in June. The deceleration in overall compensation reflected slower growth in both its benefits and its wage and salary components. For production or nonsupervisory workers, average hourly earnings were unchanged in July, and the twelve-month change in this measure was substantially reduced.

At its meeting on June 30–July 1, the Committee adopted a directive that called for maintaining the existing degree of pressure on reserve positions and that included a bias toward possible easing during the intermeeting period. Accordingly, the directive indicated that in the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, slightly greater reserve restraint might be acceptable or slightly lesser reserve restraint would be acceptable during the intermeeting period. The contemplated reserve conditions were expected to be consistent with a resumption of growth in M2 and M3 at annual rates of about 2 percent and ½ percent respectively over the three-month period from June through September.

The day after the meeting, the Board of Governors approved a reduction in the discount rate from 3½ to 3 percent, and open market operations were directed at allowing the full amount of the reduction to be reflected in money market rates. These actions were taken in the context of a continuing downtrend in inflation and in light of incoming information that suggested flagging momentum in the economic recovery and persisting softness in credit and money. Later in the intermeeting period, a technical increase was made to expected levels of adjustment plus seasonal borrowing to reflect rising demands for seasonal credit. Adjustment plus seasonal borrowing averaged close to expected levels during the two full reserve maintenance periods completed since the meeting. The federal funds rate, which had been around 3¾ percent prior to the monetary easing action, averaged 3¼ percent subsequently.

Other market interest rates declined considerably in early July, reflecting both the sluggishness portrayed by incoming economic data and the monetary policy easing. Commercial banks also lowered their prime rate from 6½ percent to 6 percent. In subsequent weeks, with a steady flow of new information pointing to a hesitant recovery and more favorable trends in wages and prices, yields on intermediate- and long-term Treasury securities dropped further. Over the intermeeting period, yields on most private securities tended to decline by amounts comparable to those on Treasury instruments, but rates on fixed-rate home mortgages fell by somewhat less, apparently owing in large part to heightened mortgage investor concerns about prepayment risk stemming from a surge in refinancing activity. Broad indexes of stock prices changed little over the period.

In foreign exchange markets, the trade-weighted value of the dollar in terms of the other G-10 currencies declined on balance over the intermeeting period. Early in the period, the dollar fell in response to the more uncertain prospects for near-term growth in the United States and the concurrent easing of U.S. monetary policy. Later, the dollar fell further following an increase in the discount rate in Germany and the issuance of unfavorable U.S. trade data for May. Concerted central-bank intervention in foreign exchange markets was undertaken to brake the decline of the dollar, and the latter tended to stabilize over the remainder of the intermeeting period.

M2 and M3 contracted somewhat further in July, despite a resumption of rapid growth in M1. Both broad monetary aggregates were substantially weaker in July than had been anticipated at the time of the June 30–July 1 meeting. The declines in these aggregates apparently reflected in part the continuing redirection of household holdings of time deposits toward bond and stock funds or the repayment of debt, and in part the reduced funding needs of depository institutions owing to the further rechanneling of credit demands outside the depository sector, a development that was encouraged by the declines in interest rates in long-term debt markets. To some extent, the persisting weakness in money also might have been associated with relatively slow expansion in income since the early months of the year. Through July, both M2 and M3 were appreciably below the lower ends of the Committee's ranges for their growth in 1992.

The staff projection prepared for this meeting pointed to a continuation of subdued economic expansion in the near term followed by a gradual pickup in growth through next year. The forecast took account of the further easing of reserve conditions in early July and the substantial rally that had taken place in the bond markets. Housing construction was expected to pick up in response to the declines in mortgage interest rates; and in the business sector, lower interest rates and improved profits and cash flows were projected to enhance access to sources of finance and to provide the basis for an acceleration in plant and equipment spending as the recovery gained momentum. The slow pace of hiring and the modest expansion of incomes currently were tending to restrain consumer spending, but continued progress by households in restructuring balance sheets and reducing debt-servicing burdens, in conjunction with improving job prospects, were expected to foster growth in consumer spending more in line with the expansion of income. In addition, some stimulus to domestic production was projected to emerge over the forecast horizon from improving export demand as a result of the depreciation of the dollar in recent months and some anticipated strengthening of economic activity in the major foreign industrial countries. In the government sector, continuing cutbacks in defense spending were expected to damp federal expenditures, and budget problems at state and local levels of government to constrain spending and result in tax increases. A persisting though decreasing margin of slack in resource utilization was projected to be associated with further progress toward price stability.

In the Committee's discussion of current and prospective economic developments, members referred to statistical and anecdotal indications that the rate of economic expansion had slowed to a relatively subdued pace since the early months of the year. A number of factors seemed to be restraining the expansion, including efforts by business firms and households to restructure balance sheets, some apparent deterioration in business and consumer sentiment, and sluggish economic growth abroad. Nonetheless, the low levels of real and nominal interest rates in short-term debt markets, recent decreases in intermediate- and long-term interest rates and in the foreign exchange value of the dollar, and the fairly ample liquidity suggested by some measures all were consistent with expectations of some strengthening in business activity in coming quarters. Still, in the view of a number of members, the economic expansion was likely to be on a slightly lower track over the next several quarters than they previously had anticipated. At the same time, many commented that they were encouraged by the accumulating signs of diminishing price and wage inflation, and some observed that faster and more convincing progress was being made toward achieving price stability than they had anticipated earlier.

The members recognized that the outlook for the economy was subject to major uncertainties. A number commented that they could not identify any sector of the economy that seemed primed to provide the impetus needed for a vigorous expansion, but they also acknowledged the difficulty of anticipating the pattern and trajectory of an expansion. With regard to domestic economic developments, the ongoing restructuring activities by financial and nonfinancial firms and by households were continuing to exert a restraining effect on economic activity by diverting cash flows from business investment and consumer expenditures. Considerable progress appeared to have been made toward redressing earlier over-expansion and credit excesses. Over time, cash flows would be redirected toward more normal patterns of spending for goods and services, with stimulative implications for the economy. However, the timing and extent of such a development could not be predicted with any degree of confidence, and in any case the positive effects probably would be felt only gradually and there could be substantial restraint on economic activity for a longer period than was anticipated earlier. On the more positive side, banking institutions had made a good deal of progress in improving their capital positions and strengthening their portfolios, and many of these institutions now were reported to be seeking lending opportunities more actively, though the demand for loans remained unusually depressed.

Turning to developments in key sectors of the economy, members noted that, for now, consumers continued to be affected by a high degree of caution that appeared to stem especially from concerns about job security and job opportunities in an environment of continuing business consolidations, cutbacks by state and local governments, and reductions in defense spending. Against the background of quite limited growth in overall demand, which could be met largely through improvements in productivity and lengthening workweeks, business firms were continuing to hold back in their hiring of new workers. Ongoing efforts by many consumers to reduce their debt burdens and lower interest income from declining rates on deposits and market instruments were contributing to the softness in consumer spending. Against this background, some members indicated that they would not rule out a further rise in the personal saving rate.

Overall spending by business firms on fixed investment and inventories was believed likely to remain relatively moderate, at least in the quarters immediately ahead, in light of the negative business sentiment associated in turn with lagging consumer and government expenditures. While spending for equipment was growing at a fairly brisk pace, spurred by efforts to modernize production facilities for competitive reasons, business construction continued to be deterred by an oversupply of space in commercial structures, especially office buildings, in numerous areas around the country. Cautious inventory investment reflected lackluster demand as well as continuing efforts to manage inventories more tightly in relation to sales.

The outlook for housing activity appeared to have improved somewhat after the recent declines in mortgage rates, though the available data and anecdotal reports on housing market developments were mixed. While mortgage refinancing activity had turned sharply upward across the nation, mortgage loan demand for home purchases was still lagging in many areas.

Given serious budgetary problems at all levels of government, the public sector of the economy was not viewed as likely to provide stimulus to the expansion over the next several quarters. At the federal level, continuing declines in defense spending were expected to be offset only in part by fairly slow growth in other expenditures for goods and services, and some of the most depressed areas of the country were strongly affected by trends in the defense industry. At the state and local government levels, the well-publicized budget problems of California were shared to one degree or another by many other parts of the country; spending curbs seemed likely to hold down any impetus to demand from this sector of the economy, while increases in state and local taxes would tend to restrain business and household demand.

The outlook for the nation's foreign trade balance was difficult to evaluate. The decline in the foreign exchange value of the dollar had favorable implications for net exports over time, but the outlook for relatively restrained expansion in key industrial countries pointed to limited growth in the demand for U.S. exports. At the same time, even moderate economic growth in the U.S. economy could be expected to foster some further increases in imports over coming quarters despite the lower dollar.

With regard to the outlook for inflation, many of the members commented on what they viewed as increasingly persuasive evidence of slower rates of increase in wages and prices. Against the background of relatively restrained growth in economic activity and the related outlook for limited pressures on labor and other productive resources, a number of members indicated that they had lowered their inflation forecasts for the next several quarters. There were widespread reports of strong competitive pressures in most industries and of successful efforts to hold down costs through improvements in productivity. On the negative side, the considerable depreciation of the dollar in recent months and lingering concerns about future price pressures, apparently associated especially with worries about the outlook for the federal budget, could tend to impair progress toward price stability. On balance, however, members saw the prospects for significantly less inflation over the projection horizon as quite promising.

Turning to policy for the intermeeting period, a majority of the members indicated that they favored an unchanged policy, while some expressed a preference for further easing either at this meeting or in the near future. The members who supported a steady policy course recognized that in a period characterized by relatively sluggish economic expansion and a wide variety of risks to the economy, conditions might emerge that would warrant consideration of some further easing. For the time being, however, they preferred a wait-and-see approach in view of the recent easing of reserve conditions and the considerable declines in longer-term interest rates and in the foreign exchange value of the dollar. The Committee should continue to evaluate a variety of indicators for signs that the expansion might be falling short of an acceptable growth path.

Some members commented that an easing of monetary policy under current conditions would incur too great a risk of adversely affecting domestic bond markets. One aspect of that risk was the possibility of a destabilizing decline of the dollar in foreign exchange markets; the potential for such a decline had prompted the recent exchange market intervention in support of the dollar by the United States and several other nations. Any further easing in this view should be implemented only under conditions or circumstances in which the System's commitment to its price stability objective was not likely to be brought into question. An unchanged policy also would give the Committee more room to respond vigorously, if necessary, to a weaker-than-expected economy or to disruptive conditions in financial markets, should they develop at some point.

Members who leaned toward some near-term easing of reserve conditions commented that such a policy move was not likely to foster inflationary pressures under current or prospective economic conditions, given the appreciable margin of unused resources in the economy. At the same time, an easier monetary policy would accelerate balance-sheet restructuring activities and tend to compensate for the adverse effects of such activities on spending. A greater degree of monetary policy easing than had been needed in the past seemed to be required to overcome the depressing effects of the restructuring activities and to cushion an already sluggish expansion against the possibility of some further loss in momentum.

One factor weighing in favor of careful consideration of a more accommodative posture in reserve markets was the behavior of the broad monetary aggregates. The staff analysis prepared for this meeting suggested that some pickup in the growth of M2 and M3, though to a still quite sluggish pace, was likely over the months ahead on the assumption of unchanged conditions in reserve markets. Members observed that the indications of some renewed M2 growth since late July tended to support that conclusion; some also drew encouragement from the sharp upturn in the growth of reserves and M1 in July. The members noted that growth of the broader aggregates in line with current expectations implied expansion for the year at rates somewhat below the lower ends of the Committee's ranges. Such a development would be consistent with the Committee's policy objectives if, as expected, unusual strength in the velocity of M2 and M3 were to persist over the balance of the year. In the circumstances, monetary growth and indicators of velocity behavior would need to be monitored carefully over coming months.

In the Committee's discussion of possible intermeeting adjustments to the degree of reserve pressure, a majority of the members indicated their preference or acceptance of a directive that was biased toward possible easing during the weeks ahead. Members who preferred some easing over the near term indicated that they could support a directive that gave particular weight to developments that might call for an easing move. Some others noted that while they might have preferred a symmetric directive in current circumstances, the proposed bias in the directive was acceptable because an easing of reserve conditions was more likely than a tightening in the intermeeting period. Moreover, a return to a symmetric directive might well be misread as a change in policy that the Committee did not intend at this point. Two members expressed a strong preference for a symmetric directive because they were persuaded that monetary policy should not be eased except in response to compelling new evidence that current policy was impeding an expansion of the economy in line with its long-run potential. They noted that a symmetric directive would not rule out a policy change, in either direction, during the intermeeting period if such a change appeared to be warranted by the incoming economic or financial information.

At the conclusion of the Committee's discussion, all but two of the members indicated that they favored or could accept a directive that called for maintaining the existing degree of pressure on reserve positions and that included a bias toward possible easing during the intermeeting period. Accordingly, in the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, slightly greater reserve restraint might be acceptable or slightly lesser reserve restraint would be acceptable during the intermeeting period. The reserve conditions contemplated at this meeting were expected to be consistent with growth in M2 and M3 at annual rates of about 2 percent and ½ percent respectively over the six-month period from June through December.

At the conclusion of the meeting, the following domestic policy directive was issued to the Federal Reserve Bank of New York:

The information reviewed at this meeting suggests that economic activity is continuing to expand at a subdued pace. Total nonfarm payroll employment rebounded in July after declining in June, and the civilian unemployment rate edged down to 7.7 percent. Manufacturing output was unchanged in July, but overall industrial production was boosted by a higher level of mining and utility output. Retail sales increased moderately in July. Permits issued for the construction of new housing units rose slightly in July, but housing starts fell. Recent data on orders and shipments of nondefense capital goods indicate further increases in outlays for business equipment, while nonresidential construction has remained soft. The nominal U.S. merchandise trade deficit in April–May was substantially above its average rate in the first quarter. Incoming data on wages and prices suggest that inflation is slowing.

Interest rates have declined considerably since the Committee meeting on June 30–July 1. The Board of Governors approved a reduction in the discount rate from 3½ to 3 percent on July 2. In foreign exchange markets, the trade-weighted value of the dollar in terms of the other G-10 currencies declined further over the first several weeks of the intermeeting period, but it has stabilized more recently.

M2 and M3 contracted somewhat further in July. Through July, both aggregates were appreciably below the lower ends of the ranges established by the Committee for the year.

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. In furtherance of these objectives, the Committee at its meeting on June 30–July 1 reaffirmed the ranges it had established in February for growth of M2 and M3 of 2½ to 6½ percent and 1 to 5 percent respectively, measured from the fourth quarter of 1991 to the fourth quarter of 1992. The Committee anticipated that developments contributing to unusual velocity increases could persist in the second half of the year. The monitoring range for growth of total domestic nonfinancial debt also was maintained at 4½ to 8½ percent for the year. For 1993, the Committee on a tentative basis set the same ranges as in 1992 for growth of the monetary aggregates and debt measured from the fourth quarter of 1992 to the fourth quarter of 1993. The behavior of the monetary aggregates will continue to be evaluated in the light of progress toward price level stability, movements in their velocities, and developments in the economy and financial markets.

In the implementation of policy for the immediate future, the Committee seeks to maintain the existing degree of pressure on reserve positions. In the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, slightly greater reserve restraint might or slightly lesser reserve restraint would be acceptable in the intermeeting period. The contemplated reserve conditions are expected to be consistent with growth of M2 and M3 over the period from June through December at annual rates of about 2 and ½ percent, respectively.

Votes for this action: Messrs. Greenspan, Corrigan, Angell, Hoenig, Jordan, Kelley, Lindsey, Mullins, Ms. Phillips, and Mr. Syron. Votes against this action: Messrs. LaWare and Melzer.

Messrs. LaWare and Melzer dissented because they did not favor a directive that was biased toward possible easing during the intermeeting period. In their view, monetary policy already was appropriately stimulative, as evidenced in part by the low level of short-term interest rates and by the rapid growth in reserves since early this year, and was consistent with the promotion of economic growth in line with the economy's long-run potential. Business and consumer confidence were in fact at low levels, but they reflected a variety of problems facing the economy that were unrelated to the stance of monetary policy. Accordingly, what was needed at this point was a more patient monetary policy—one that was less predisposed to react to near-term weakness in economic data and that allowed more time for the effects of earlier easing actions to be reflected in the economy. Indeed, an easing move in present circumstances might well stimulate inflationary concerns by reducing confidence in the System's willingness to pursue an anti-inflationary policy and thus could have adverse repercussions on domestic bond markets and further damaging effects on the dollar in foreign exchange markets. □

Legal Developments

FINAL RULE—AMENDMENTS TO REGULATIONS G, T, U, AND X

The Board of Governors is amending 12 C.F.R. Parts 207, 220, 221, and 224, its Reglations G, T, U, and X (Securities Credit Transactions; List of Marginable OTC Stocks; and List of Foreign Margin Stocks). The List of Marginable OTC Stocks (OTC List) is comprised of stocks traded over-the-counter (OTC) in the United States that have been determined by the Board of Governors of the Federal Reserve System to be subject to the margin requirements under certain Federal Reserve regulations. The List of Foreign Margin Stocks (Foreign List) represents foreign equity securities that have met the Board's eligibility criteria under Regulation T. The OTC List and the Foreign List are published four times a year by the Board. This document sets forth additions to and deletions from the previous OTC List and the Foreign List. Both Lists were last published on July 27, 1992 and effective on August 10, 1992.

Effective November 9, 1992, accordingly, pursuant to the authority of sections 7 and 23 of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78g and 78w), and in accordance with 12 C.F.R. 207.2(k) and 207.6 (Regulation G), 12 C.F.R. 220.2(u) and 220.17 (Regulation T), and 12 C.F.R. 221.2(j) and 221.7 (Regulation U), there is set forth below a listing of deletions from and additions to the OTC List and the Foreign List.

Deletions from the List of Marginable OTC Stocks

Stocks Removed for Failing Continued Listing Requirements

B&H Bulk Carriers, Ltd.: $.01 par common
Banyan Mortgage Investors L.P.: Depositary units representing $10.00 par units of limited partnership
Banyan Mortgage Investments L.P. II: Depositary units of limited partnership interest
Bobbie Brooks Incorporated: $.001 par common
Brajdas Corporation: $.10 par common

Calgene, Inc.: $.001 par convertible exchangeable preferred
Cedar Group, Inc.: $.001 par common; Class A, warrants (expire 11-08-94)
Chemical Leaman Corporation: $2.50 par common
Concorde Career Colleges, Inc.: $.10 par common
Consul Restaurant Corporation: $.10 par common
Cytogen Corporation: $2.50 par convertible exchangeable preferred

EIP Microwave, Inc.: No par common
Employers Casualty Company: $.25 par common

First of American Bank Corporation: Series E, convertible preferred; 9% convertible preferred, $11.00 par value

Glenex Industries, Inc.: No par common
Griffith Consumers Company: $.01 par common
GV Medical, Inc.: $.05 par common

Health Professionals Inc.: $.02 par common
Howard Savings Bank, The (New Jersey): $2.00 par common

Jean Philippe Fragrances, Inc.: Warrants (expire 01-15-93)
John Adams Lift Corporation: No par common

Long Lake Energy Corporation: $.001 par common

Major Realty Corporation: $.01 par common
Mass Microsystems, Inc.: No par common
Medical Technology Systems, Inc.: Warrants (expire 08-15-92)

Natec Resources, Inc.: No par common
Nu-Med, Inc.: $.01 par common
Nucorp, Inc.: Paired Warrants (expire 10-31-92); Class C, Warrants (expire 06-30-93)

Pioneer Standard Electronics, Inc.: 9% convertible subordinated debentures

Reserve Industries Corporation: $1.00 par common

Smith International, Inc.: Class A, Warrants (expire 02-28-95)
Sonora Gold Corporation: No par common

Tel-Offshore Trust: No par units of beneficial interest
Transtech Industries, Inc.: $.50 par common

Wolverine Exploration Company: $.50 par common; $1.00 par convertible exchangeable preferred; Class A, Warrants (expire 12-31-93)

Stocks Removed for Listing on a National Securities Exchange or Being Involved in an Acquisition

Allied Research Corporation: $.10 par common
Applied Power, Inc.: Class A, $.20 par common
Automated Security Holdings PLC: American Depositary Receipts

Basic American Medical, Inc.: No par common

Consolidated-Tamoka Land Co.: $1.00 par common
Cousins Properties Inc.: $1.00 par common

Durr-Fullauer Medical, Inc.: $.50 par common; 7% convertible subordinated debentures

Federated Bank, S.S.B, (Wisconsin): $.10 par common
First American Bancorp: $1.00 par common
First Federal of Alabama, FSB: $.01 par common
First Federal Savings & Loan Association of Lenawee: $1.00 par common
First National Pennsylvania Corp.: $4.166 par common
First Peoples Financial Corporation: $6.00 par common
First Savings Bancorp: $1.00 par common
First Security Corporation of Kentucky: No par common
Fred Meyer, Inc.: $.01 par common

Goal Systems International, Inc.: No par common
Golden Corral Realty Corporation: $.01 par common

Health Insurance of Vermont, Inc.: $3.00 par common
Henley Group, Inc., The: $.01 par common
HMO America, Inc.: $.01 par common

Intermagnetics General Corporation: $.10 par common

KMC Enterprises, Inc.: $.001 par common

Magna International, Inc.: Class A. No par subordinated voting shares
Metro Bancshares Inc.: $.01 par common

New London Inc.: $.10 par common

Niagra Exchange Corporation: $1.00 par common
Nova Pharmaceutical Corporation: $.01 par common; Class C, Warrants (expire 06-30-93); Class D, Warrants (expire 06-30-98)

PHP Healthcare Corporation: $.01 par common
Provident Life & Accident Insurance Company of America: Class A, $1.00 par common; Class B, $1.00 par common

Quantronix Corporation: $.01 par common

Security Financial Group Inc.: $.10 par common
Society Corporation: $1.00 par common
Sunrise Medical Inc.: $1.00 par common
Sunwest Financial Services, Inc.: No par common
Surgical Care Affiliates, Inc.: $.25 par common

T2 Medical Inc.: $.01 par common

Washington Energy Company: $5.00 par common
Wicat Systems, Inc.: $.01 par common
Wiland Services, Inc.: $.10 par common

Additions to the List of Marginable OTC Stocks

3CI Complete Compliance Corporation: $.01 par common
4th Dimension Software Ltd.: Ordinary Shares, NIS .01 par value

Abiomed, Inc.: $.01 par common
Adelphia Communications Corporation: Class A, $.01 par common
Alden Press Company, The: $.01 par common
Alpine Meadows of Tahoe, Inc.: $.25 par common
Amber's Stores, Inc.: $.01 par common
American Insurance Group, Inc.: $.10 par common
American Life Holding Company: $.01 par redeemable cumulative preferred
American Residential Holdings Corporation: $.04 par common
American Studios, Inc.: $.001 par common
Amity Bancshares, Inc.: $.01 par common
Ampex Incorporated: Class A, $.01 par common
Anchor Bancorp Wisconsin, Inc.: $.10 par common
Appliance Recycling Centers of America, Inc.: No par common
Arbor National Holdings, Inc.: $.01 par common
Arch Petroleum, Inc.: $.01 par common

B.V.R. Technologies Limited: Ordinary Shares NIS .50 par value
Bank of East Tennessee: $2.00 par common

Banyan Systems Incorporated: $.01 par common
Base Ten Systems, Inc.: Series A, rights (expire 11-09-92)
Bestop, Inc.: $.002 par common
BII Enterprises, Inc.: No par common
Biomedical Waste Systems, Inc.: $.001 par common; Class B, Warrants (expire 06-04-96)
Biotime, Inc.: No par common
Bolsa Chica Company, The: Series A, convertible preferred
Branford Savings Bank (Connecticut): $1.00 par common

California Jamar, Inc.: $.01 par common
Cam-Net Communications: No par common
Capitol Multimedia Inc.: $.10 par common
Caraustar Industries, Inc.: $.10 par common
Cenit Bancorp, Inc. (Virginia): $.01 par common
Chai-Na-Ta Ginseng Products Limited: No par common
Cheesecake Factory Incorporated, The: $.01 par common
Clinicom Incorporated: $.001 par common
Clinicorp, Inc.: $.01 par common
Columbia Banking Systems, Inc. (Washington): No par common
Comcentral Corporation: $.02 par common
Compania Cervecerias Unides S.A.: American Depositary Receipts
Control Data Systems, Inc.: $.01 par common
Corrections Corporation of America: Warrants (expire 09-14-96)
Creative Technologies Ltd.: $.25 par ordinary shares
Crownamerica, Inc.: No par common
Cryenco Sciences Inc.: Class A, $.01 par common
Cynagen, Inc.: $.01 par common

Danskin, Inc.: $.01 par common
Data Race, Inc.: No par common
DSP Technology, Inc.: No par common

Eagle Hardware & Garden, Inc.: No par common
Electronics for Imaging, Inc.: No par common
Encore Wire Corporation: $.01 par common
Energy Conversion Devices, Inc.: $.01 par common
Envirogen, Inc.: $.01 par common
Ezcony Interamerica Inc.: No par common

F&M Distributors, Inc.: $.01 par common
Fabri-Centers of America, Inc.: 6¼% convertible subordinated debentures
First Banks, Inc.: Class C, 9% increasing rate redeemable cumulative preferred
First Charter Corporation (North Carolina): $5.00 par common
First Federal Savings Bank of Colorado: $1.00 par common
First Interstate Bank of Southern Louisiana: $2.50 par common
First Pacific Networks, Inc.: $.001 par common
First United Corporation (Maryland): $5.00 par common
Firstrock Bancorp, Inc.: $.01 par common

Genzyme Corporation: Series N, Warrants (expire 12-31-96)

Hi-Tech Pharmacal Company, Inc.: $.01 par common

Interface, Inc.: 8% convertible subordinated debentures due 2013
International Petroleum Corporation: No par common

Jones Spacelink, Ltd.: Class A, $.01 par common
Just Toys, Inc.: $.01 par common

Kennedy-Wilson, Inc.: $.01 par common

Layne, Inc.: $.01 par common
Lifecell Corporation: $.001 par common
Lifequest Medical, Inc.: $.001 par common
Littelfuse, Inc.: $.01 par common; Warrants (expire 12-31-2001)

McAfee Associates, Inc.: $.01 par common
Medco Containment Services, Inc.: 6% convertible subordinated debentures
Medic Computer Systems, Inc.: $.01 par common
Medical Marketing Group, Inc.: 7.5% convertible subordinated debentures
Medrad, Inc.: $.10 par common
Megafoods Stores, Inc.: $.001 par common
Micro Bio-Medics, Inc.: $.03 par common
Microtek Medical, Inc.: $.01 par common
Mobile America Corporation: $.10 par common
Money Store, Inc., The: No par common
MSB Bancorp, Inc. (New York): $.01 par common
Mutual Savings Bank, F.S.B. (Michigan): $.01 par common

Netrix Corporation: $.06 par common
Noise Cancellation Technologies, Inc.: $.01 par common
Northstar Computer Forms, Inc.: $.05 par common
Nu-Kote Holding, Inc.: Class A, $.01 par common

On Assignment, Inc.: $.01 par common

Paco Pharmaceutical Services, Inc.: $.01 par common
PDK Labs, Inc.: $.01 par common; Series A, $.01 par

cumulative convertible preferred; Class B, Warrants (expire 04-14-97); Class C, Warrants (expire 04-14-97)
Peak Technologies Group, Inc., The: $.01 par common
Petroleum Heat and Power Company, Inc.: Class A, $.10 par common
Pyxis Corporation: $.01 par common

Research Frontiers Incorporated: $.125 par common

Scios Nova Inc.: Class C, Warrants (expire 06-30-93); Class D, Warrants (expire 06-30-98)
Softimage Inc.: No par common
Somanetics Corporation: $.01 par common; Class B, Warrants (expire 03-20-96)
Sportmart, Inc.: $.01 par common
Sports & Recreation, Inc.: $.01 par common
Sports Heros, Inc.: Warrants (expire 11-20-95)
Stratacom, Inc.: $.01 par common
Swing-N-Slide Corporation: $.01 par common
Synetic, Inc.: 7% convertible subordinated debentures

Theragenics Corporation: $.01 par common
Todhunter International, Inc.: $.01 par common
Tops Appliance City, Inc.: No par common
Transamerican Waste Industries, Inc.: $.001 par common; Class A, Warrants (expire 11-16-96); Class B, Warrants (expire 11-12-96)
TW Holdings, Inc.: Series A, 9% cumulative convertible exchangeable preferred

U.S. Bancorp (Oregon): Series A, 8⅛% par cumulative preferred
Union Bank (California): Series A, 8.375% preferred stock
Uniroyal Technology Corporation: $.01 par common
Universal Standard Medical Laboratories, Inc.: No par common

Value-Added Communications, Inc.: $.01 par common

Zoll Medical Corporation: $.01 par common

Additions to the List of Foreign Margin Stocks

Canon Inc.: ¥ 50 par common
Cathay Pacific Airways, Ltd.: HK$.20 par common
Citic Pacific Ltd.: HK$.40 par common

Hong Kong & China Gas Co. Ltd.: HK$.25 par common
Hopewell Holdings Ltd.: HK$.50 par common

Nippon Telegraph & Telephone Corporation: ¥ 50,000 par common

Shimachu Co. Ltd.: ¥ 50 par common

Deletions from the List of Foreign Margin Stocks

Hammerson Property Investment and Development Corporation PLC: Common, par value 25 p
Hawker Siddeley Group PLC: Common, par value 25 p
Maxwell Communication Corporation PLC: Ordinary shares, par value 25 p

Taylor Woodrow PLC: Common, par value 20 p
Trafalgar House PLC: Common, par value 20 p

Ultramar PLC (Lasmo PLC): Ordinary shares, par value 25 p

Final Rule—Amendment to Regulation J

The Board of Governors is amending 12 C.F.R. Part 210, its Regulation J (Collection of Checks and Other Items by Federal Reserve Banks and Funds Transfers Through Fedwire) to require paying banks that receive presentment of checks from a Federal Reserve Bank to settle for those checks as soon as one hour after receipt of the checks. This amendment is necessary to implement the procedures for posting debits and credits to depository institutions' reserve and clearing accounts in order to measure daylight overdrafts accurately under the Board's payments system risk reduction program. The intent of the program is to reduce both Federal Reserve and overall payments system risk. The Board is also making other technical and clarifying amendments to Regulation J.

Effective October 14, 1993, 12 C.F.R. Part 210 is amended as follows:

Part 210—Regulation J (Collection of Checks and Other Items by Federal Reserve Banks and Funds Transfers Through Fedwire)

1. The authority citation for part 210 continues to read as follows:

Authority: Federal Reserve Act, sec. 13 (12 U.S.C. 342), sec. 11(i) and (j) (12 U.S.C. 248(i) and (j)), sec. 16 (12 U.S.C. 248(o) and 360), and sec. 19(f) (12 U.S.C. 464); and the Expedited Funds Availability Act (12 U.S.C. 4001 *et seq.*).

2. The table of contents for subpart A is amended by revising the entry for 210.9 to read "Settlement and Payment."

3. Section 210.2 is amended by revising paragraph (d) and the last sentence of paragraph (g) and adding new paragraphs (n) and (o) before the concluding text to read as follows:

Section 210.2—Definitions.

* * * * *

(d) *Banking day* means the part of a day on which a bank is open to the public for carrying on substantially all of its banking functions.

* * * * *

(g)* * * *Item* does not include a check that cannot be collected at par, or a *payment order* as defined in section 210.26(i) and handled under subpart B of this part.

* * * * *

(n) *Clock hour* means a time that is on the hour, such as 1:00, 2:00, etc.
(o) *Fedwire* has the same meaning as that set forth in section 210.26(e) of this part.

* * * * *

4. Section 210.9 is amended by revising the heading and paragraph (a) to read as follows:

Section 210.9—Settlement and Payment.

(a) *Cash items.* (1) On the day a paying bank receives[1] a cash item directly or indirectly from a Reserve Bank, it shall settle for the item such that the proceeds of the settlement are available to the Reserve Bank by the close of Fedwire on that day, or it shall return the item by the later of the close of the paying bank's banking day or the close of Fedwire. If the paying bank fails to settle for or return a cash item in accordance with this paragraph (a)(1), it is accountable for the amount of the item as of the close of its banking day or the close of Fedwire on the day it receives the item, whichever is earlier.

(2)(i) On the day a paying bank receives a cash item directly or indirectly from a Reserve Bank, it shall settle for the item so that the proceeds of the settlement are available to the Reserve Bank, or return the item, by the latest of:

(A) The next clock hour that is at least one hour after the paying bank receives the item;

(B) One hour after the scheduled opening of Fedwire; or

(C) Such later time as provided in the Reserve Bank's operating circular.

(ii) If the paying bank fails to settle for or return a cash item in accordance with paragraph (a)(2)(i) of this section, it shall be subject to any applicable overdraft charges. Settlement under paragraph (a)(2)(i) of this section satisfies the settlement requirements of paragraph (a)(1) of this section.

(3)(i) If a paying bank closes voluntarily on a day that is a banking day for a Reserve Bank, and the Reserve Bank makes a cash item available to the paying bank on that day, the paying bank shall either:

(A) On that day, settle for the item so that the proceeds of the settlement are available to the Reserve Bank, or return the item, by the latest of:

(*1*) The next clock hour that is at least one hour after the paying bank ordinarily would have received the item;

(*2*) One hour after the scheduled opening of Fedwire; or

(*3*) Such later time as provided in the Reserve Bank's operating circular; or

(B) On the next day that is a banking day for both the paying bank and the Reserve Bank, settle for the item so that the proceeds of the settlement are available to the Reserve Bank by the later of:

(*1*) One hour after the scheduled opening of Fedwire on that day; or

(*2*) Such later time as provided in the Reserve Bank's operating circular; and compensate the Reserve Bank for the value of the float associated with the item in accordance with procedures provided in the Reserve Bank's operating circular.

(ii) If a paying bank closes voluntarily on a day that is a banking day for a Reserve Bank, and the Reserve Bank makes a cash item available to the paying bank on that day, the paying bank is not considered to have received the item until its next banking day, but it shall be subject to any appli-

1. A paying bank is deemed to receive a cash item on its next banking day if it receives the item:
(1) On a day other than a banking day for it; or
(2) On a banking day for it, but after a "cut-off hour" established by it in accordance with state law.

cable overdraft charges if it fails to settle for or return the item in accordance with paragraph (a)(3)(i) of this section. The settlement requirements of paragraphs (a)(*1*) and (a)(2) of this section do not apply to a paying bank that settles in accordance with paragraph (a)(3)(i) of this section.

(4)(i) If a paying bank receives a cash item directly or indirectly from a Reserve Bank on a banking day that is not a banking day for the Reserve Bank:

(A) The paying bank shall:

(*1*) Settle for the item so that the proceeds of the settlement are available to the Reserve Bank by the close of Fedwire on the Reserve Bank's next banking day; or

(*2*) Return the item by midnight of the day it receives the item.

If the paying bank fails to settle for or return a cash item in accordance with this paragraph (a)(4)(i)(A), it shall become accountable for the amount of the item as of the close of the its banking day on the day it receives the item.

(B) The paying bank shall:

(*1*) Settle for the item so that the proceeds of the settlement are available to the Reserve Bank by one hour after the scheduled opening of Fedwire on the Reserve Bank's next banking day or such later time as provided in the Reserve Bank's operating circular; or

(2) Return the item by midnight of the day it receives the item.

If the paying bank fails to settle for or return a cash item in accordance with this paragraph (a)(4)(i)(B), it shall be subject to any applicable overdraft charges. Settlement under this paragraph (a)(4)(i)(B) satisfies the settlement requirements of paragraph (a)(4)(i)(A) of this section.

(ii) The settlement requirements of paragraphs (a)(1) and (a)(2) of this section do not apply to a paying bank that settles in accordance with paragraph (a)(4)(i) of this section.

(5) Settlement with a Reserve Bank under paragraphs (1) through (4) of this section shall be made by debit to an account on the Reserve Bank's books, cash, or other form of settlement to which the Reserve Bank agrees.

(6) If a cash item is unavailable for return, the paying bank may send a notice in lieu of return as provided in section 229.30(f) of this title.

* * * * *

5. Section 210.28 is amended by adding a new paragraph (b)(5) to read as follows:

Section 210.28—Agreement of sender.

* * * * *

(b)* * *

(5) If a sender, other than a government sender described in section 210.25(d) of this part, incurs an overdraft in its account as a result of a debit to the account by a Federal Reserve Bank under paragraph (a) of this section, the account will be subject to any applicable overdraft charges, regardless of whether the overdraft has become due and payable. A Federal Reserve Bank may debit a sender's account under paragraph (a) of this section immediately on acceptance of the payment order.

* * * * *

Final Rule—Amendment to Regulation CC

The Board of Governors is amending 12 C.F.R. Part 229, its Regulation CC (Availability of Funds and Collection of Checks) to require paying banks to provide same-day settlement for checks presented by 8:00 a.m. local time at specified locations. The amendments will eliminate presentment fees for these checks and thereby facilitate their collection. The Board has adopted these amendments pursuant to its responsibilities under the Expedited Funds Availability Act to regulate the receipt, payment, collection, or clearing of checks in order to carry out the provisions of the Act and to improve the check collection system.

Effective January 3, 1994, 12 C.F.R. Part 229 is amended as follows:

Part 229—[Amended]

1. The authority citation for part 229 continues to read as follows:

Authority: 12 U.S.C. 4001 *et seq.*

2. In the table of contents to part 229, the entry for section 229.34 is revised to read as follows:

Part 229—Availability of Funds and Collection of Checks

* * * * *

Subpart C—Collection of Checks

* * * * *

Section 229.34—Warranties.

* * * * *

3. In section 229.1, the last sentence of paragraph (b)(3) is revised to read as follows:

Section 229.1—Authority and purpose; organization.

* * * * *

(b)* * *

(3)* * * These rules cover the direct return of checks, the manner in which the paying bank and returning banks must return checks to the depositary bank, notification of nonpayment by the paying bank, indorsement and presentment of checks, same-day settlement for certain checks, the liability of banks for failure to comply with subpart C of this part, and other matters.

4. In section 229.2, paragraph (mm) is redesignated as paragraph (pp) and new paragraphs (mm), (nn), and (oo) are added to read as follows:

Section 229.2—Definitions.

* * * * *

(mm) *Fedwire* has the same meaning as that set forth in section 210.26(e) of this chapter.
(nn) *Good faith* means honesty in fact and the observance of reasonable commercial standards of fair dealing.
(oo) *Interest compensation* means an amount of money calculated at the average of the Federal Funds rates published by the Federal Reserve Bank of New York for each of the days for which interest compensation is payable, divided by 360. The Federal Funds rate for any day on which a published rate is not available is the same as the published rate for the last preceding day for which there is a published rate.

* * * * *

5. In section 229.30, paragraph (c) introductory text is revised to read as follows:

Section 229.30—Paying bank's responsibility for return of checks.

* * * * *

(c) *Extension of deadline.* The deadline for return or notice of nonpayment under the U.C.C., Regulation J (12 C.F.R. Part 210), or section 229.36(f)(2) of this part is extended:

* * * * *

6. In section 229.34, the heading is revised, paragraphs (c) and (d) are revised and redesignated as paragraphs (d) and (e), respectively, and a new paragraph (c) is added to read as follows:

Section 229.34—Warranties.

* * * * *

(c) *Warranty of settlement amount, encoding, and offset.* (1) Each bank that presents one or more checks to a paying bank and in return receives a settlement or other consideration warrants to the paying bank that the total amount of the checks presented is equal to the total amount of the settlement demanded by the presenting bank from the paying bank.

(2) Each bank that transfers one or more checks or returned checks to a collecting, returning, or depositary bank and in return receives a settlement or other consideration warrants to the transferee bank that the accompanying information, if any, accurately indicates the total amount of the checks or returned checks transferred.

(3) Each bank that presents or transfers a check or returned check warrants to any bank that subsequently handles it that, at the time of presentment or transfer, the information encoded after issue in magnetic ink on the check or returned check is correct.

(4) A paying bank may set off the amount by which the settlement paid to a presenting bank exceeds the total amount of the checks presented against subsequent settlements for checks presented by that presenting bank.

(d) *Damages.* Damages for breach of these warranties shall not exceed the consideration received by the bank that presents or transfers a check or returned check, plus interest compensation and expenses related to the check or returned check, if any.

(e) *Tender of defense.* If a bank is sued for breach of a warranty under this section, it may give a prior bank in the collection or return chain written notice of the litigation, and the bank notified may then give similar notice to any other prior bank. If the notice states that the bank notified may come in and defend and that failure to do so will bind the bank notified in an action later brought by the bank giving the notice as to any determination of fact common to the two litigations, the bank notified is so bound unless after seasonable receipt of the notice the bank notified does come in and defend.

7. In section 229.36, a new paragraph (f) is added to read as follows:

Section 229.36—Presentment and issuance of checks.

* * * * *

(f) *Same-day settlement.* (1) A check is considered presented, and a paying bank must settle for or return the check pursuant to paragraph (f)(2) of this section, if a presenting bank delivers the check in accordance with reasonable delivery requirements established by the paying bank and demands payment under this paragraph —

(i) At a location designated by the paying bank for receipt of checks under this paragraph that is in the check processing region consistent with the routing number encoded in magnetic ink on the check and at which the paying bank would be considered to have received the check under paragraph (b) of this section or, if no location is designated, at any location described in paragraph (b) of this section; and

(ii) By 8:00 a.m. on a business day (local time of the location described in paragraph (f)(1)(i) of this section).

A paying bank may require that checks presented for settlement pursuant to this paragraph (f)(1) be separated from other forward-collection checks or returned checks.

(2) If presentment of a check meets the requirements of paragraph (f)(1) of this section, the paying bank is accountable to the presenting bank for the amount of the check unless, by the close of Fedwire on the business day it receives the check, it either:

(i) Settles with the presenting bank for the amount of the check by credit to an account at a Federal Reserve Bank designated by the presenting bank; or

(ii) Returns the check.

(3) Notwithstanding paragraph (f)(2) of this section, if a paying bank closes on a business day and receives presentment of a check on that day in accordance with paragraph (f)(1) of this section, the paying bank is accountable to the presenting bank for the amount of the check unless, by the close of Fedwire on its next banking day, it either:

(i) Settles with the presenting bank for the amount of the check by credit to an account at a Federal Reserve Bank designated by the presenting bank: or

(ii) Returns the check.

If the closing is voluntary, unless the paying bank settles for or returns the check in accordance with paragraph (f)(2) of this section, it shall pay interest compensation to the presenting bank for each day after the business day on which the check was presented until the paying bank settles for the check, including the day of settlement.

8. In section 229.39, paragraph (d) is redesignated as paragraph (e), and a new paragraph (d) is added to read as follows:

Section 229.39—Insolvency of bank.

* * * * *

(d) *Preference against presenting bank.* If a paying bank settles with a presenting bank for one or more checks, and if the presenting bank breaches a warranty specified in section 229.34(c)(1) or (3) of this part with respect to those checks and suspends payments before satisfying the paying bank's warranty claim, the paying bank has a preferred claim against the presenting bank for the amount of the warranty claim.

* * * * *

APPENDIX E TO PART 229—[AMENDED]

9. The Commentary to section 229.2 is amended by adding and reserving a new paragraph (mm) and adding new paragraphs (nn) and (oo) to read as follows:

Section 229.2—Definitions.

* * * * *

(mm) [Reserved]

(nn) *Good faith.* This definition of good faith derives from U.C.C. section 3-103(a)(4).

(oo) *Interest compensation.* This calculation of interest compensation derives from U.C.C. section 4A-506(b). (*See* sections 229.34(d) and 229.36(f).)

10. The Commentary to section 229.30(c) is amended by revising the introductory text, the first two sentences in numbered paragraph (1), the second sentence in numbered paragraph (2), the first sentence of the paragraph immediately following numbered paragraph (2), and the last two paragraphs to read as follows:

Section 229.30—Paying Bank's Responsibility for Return of Checks.

* * * * *

(c) *Extension of deadline.* This paragraph permits extension of the deadlines for returning a check for which the paying bank has previously settled (generally midnight of the banking day following the banking day on which the check is received by the paying bank) and for returning a check without settling for it (generally midnight of the banking day on which the check is received by the paying bank, or such other time provided by section 210.9 of Regulation J (12 C.F.R. Part 210) or section 229.36(f)(2) of this part), but not of the duty of expeditious return, in two circumstances:

> 1. A paying bank may have a courier that leaves after midnight (or after any other applicable deadline) to deliver its forward-collection checks. This paragraph removes the constraint of the deadline for returned checks if the returned check reaches either the depositary bank or the returning bank to which it is sent on that bank's banking day following the expiration of the applicable deadline. * * *
> 2. * * * In such a case, the U.C.C. deadline for returning checks received and settled for on Friday, or for returning checks received on Saturday without settling for them, might require the bank to return the checks by midnight Saturday. * * *

The time limits that are extended in each case are the paying bank's midnight deadline for returning a check for which it has already settled and the paying bank's deadline for returning a check without settling for it in U.C.C. sections 4-301 and 4-302, sections 210.9 and 210.12 of Regulation J (12 C.F.R. 210.9 and 210.12), and section 229.36(f)(2) of this part. * * *

The paying bank satisfies its midnight or other return deadline by dispatching returned checks to another bank by courier, including a courier under contract with the paying bank, prior to expiration of the deadline.

This paragraph directly affects U.C.C. sections 4-301 and 4-302 and sections 210.9 and 210.12 of Regulation J (12 C.F.R. 210.9 and 210.12) to the extent that this paragraph applies by its terms, and may affect other provisions.

11. The Commentary to section 229.34 is amended by revising the heading, revising and redesignating paragraphs (c) and (d) as paragraphs (d) and (e), respectively, and adding a new paragraph (c) to read as follows:

Section 229.34—Warranties.

* * * * *

(c) *Warranty of settlement amount, encoding, and offset.* Paragraph (c)(1) provides that a bank that presents and receives settlement for checks warrants to the paying bank that the settlement it demands (*e.g.*, as noted on the cash letter) equals the total amount of the checks it presents. This paragraph gives the paying bank a warranty claim against the presenting bank for the amount of any excess settlement made on the basis of the amount demanded, plus expenses. If the amount demanded is understated, a paying bank discharges its settlement obligation under U.C.C. section 4-301 by paying the amount demanded, but remains liable for the amount by which the demand is understated; the presenting bank is nevertheless liable for expenses in resolving the adjustment.

When checks or returned checks are transferred to a collecting, returning, or depositary bank, the transferor bank is not required to demand settlement, as is required upon presentment to the paying bank. However, often the checks or returned checks will be accompanied by information (such as a cash letter listing) that will indicate the total of the checks or returned checks. Paragraph (c)(2) provides that if the transferor bank includes information indicating the total amount of checks or returned checks transferred, it warrants that the information is correct (*i.e.*, equals the actual total of the items).

Paragraph (c)(3) provides that a bank that presents or transfers a check or returned check warrants the accuracy of the magnetic ink encoding that was placed on the item after issue, and that exists at the time of presentment or transfer, to any bank that subsequently handles the check or returned check. Under U.C.C. section 4-209(a), only the encoder (or the encoder and the depositary bank, if the encoder is a customer of the depositary bank) warrants the encoding accuracy, thus any claims on the warranty must be directed to the encoder. Paragraph (c)(3) expands on the U.C.C. by providing that all banks that transfer or present a check or returned check make the encoding warranty. In addition, under the U.C.C., the encoder makes the warranty to subsequent collecting banks and the paying bank, while paragraph (c)(3) provides that the warranty is made to banks in the return chain as well.

A paying bank that settles for an overstated cash letter because of a misencoded check may make a warranty claim against the presenting bank under paragraph (c)(1) (which would require the paying bank to show that the check was part of the overstated cash letter) or an encoding warranty claim under paragraph (c)(3) against the presenting bank or any preceding bank that handled the misencoded check.

Paragraph (c)(4) provides that the paying bank may set off any excess settlement made against settlement owed to the presenting bank for checks presented subsequently.

(d) *Damages.* This paragraph adopts for the warranties

in section 229.34(a), (b), and (c) the damages provided in U.C.C. section 4–207(c) and 4A-506(b). (See definition of "interest compensation" in section 229.2(oo).)
(e) *Tender of defense.* This paragraph adopts for this regulation the vouching-in provisions of U.C.C. section 3–119.

12. The Commentary to section 229.36 is amended by adding a new paragraph (f) to read as follows:

Section 229.36—Presentment and Issuance of Checks.

* * * * *

(f) *Same-day settlement.* This paragraph provides that, under certain conditions, a paying bank must settle with a presenting bank for a check on the same day the check is presented in order to avail itself of the ability to return the check on its next banking day under sections 4–301 and 4–302 of the U.C.C. This paragraph does not apply to checks presented for immediate payment over the counter. Settling for a check under this paragraph does not constitute final payment of the check under the U.C.C. This paragraph does not supersede or limit the rules governing collection and return of checks through Federal Reserve Banks that are contained in subpart A of Regulation J (12 C.F.R. part 210).

(1) *Presentment requirements—Location and time.* For presented checks to qualify for mandatory same-day settlement, information accompanying the checks must indicate that presentment is being made under this paragraph—*e.g.* "these checks are being presented for same-day settlement"—and must include a demand for payment of the total amount of the checks together with appropriate payment instructions in order to enable the paying bank to discharge its settlement responsibilities under this paragraph. In addition, the check or checks must be presented at a location designated by the paying bank for receipt of checks for same-day settlement by 8:00 a.m. local time of that location. The designated presentment location must be a location at which the paying bank would be considered to have received a check under section 229.36(b). The paying bank may not designate a location solely for presentment of checks subject to settlement under this paragraph; by designating a location for the purposes of section 229.36(f), the paying bank agrees to accept checks at that location for the purposes of section 229.36(b).

The designated presentment location also must be within the check processing region consistent with the nine-digit routing number encoded in magnetic ink on the check. A paying bank that uses more than one routing number associated with a single check processing region may designate, for purposes of this paragraph, one or more locations in that check processing region at which checks will be accepted, but the paying bank must accept any checks with a routing number associated with that check processing region at each designated location. A paying bank may designate a presentment location for travelers checks with an 8000-series routing number anywhere in the country because these travelers checks are not associated with any check processing region. The paying bank, however, must accept at that presentment location any other checks for which it is paying bank that have a routing number consistent with the check processing region of that location.

If the paying bank does not designate a presentment location, it must accept presentment for same-day settlement at any location identified in section 229.36(b), *i.e.*, at an address of the bank associated with the routing number on the check, at any branch or head office if the bank is identified on the check by name without address, or at a branch, head office, or other location consistent with the name and address of the bank on the check if the bank is identified on the check by name and address. A paying bank and a presenting bank may agree that checks will be accepted for same-day settlement at an alternative location (*e.g.*, at an intercept processor located in a different check processing region) or that the cut-off time for same-day settlement be earlier or later than 8:00 a.m. local time.

In the case of a check payable through a bank but payable by another bank, this paragraph does not authorize direct presentment to the bank by which the check is payable. The requirements of same-day settlement under this paragraph would apply to a payable-through or payable-at bank to which the check is sent for payment or collection.

Reasonable delivery requirements. A check is considered presented when it is delivered to and payment is demanded at a location specified in paragraph (f)(1). Ordinarily, a presenting bank will find it necessary to contact the paying bank to determine the appropriate presentment location and any delivery instructions. Further, because presentment might not take place during the paying bank's banking day, a paying bank may establish reasonable delivery requirements to safeguard the checks presented, such as use of a night depository. If a presenting bank fails to follow reasonable delivery requirements established by the paying bank, it runs the risk that it will not have presented the checks. However, if no reasonable delivery requirements are established or if the paying bank does not make provisions for accepting delivery of checks during its non-business hours, leaving the checks at the presentment location constitutes effective presentment.

Sorting of checks. A paying bank may require that checks presented to it for same-day settlement be sorted separately from other forward-collection checks it receives as a collecting bank or returned checks it receives as a returning or depositary bank. For example, if a bank provides correspondent check collection services and receives unsorted checks from a respondent bank that include checks for which it is the paying bank and that would otherwise meet the requirements for same-day settlement under this section, the collecting bank need not make settlement in accordance with paragraph (f)(2). If the collecting bank receives sorted checks from its respondent bank, consisting only of checks for which the collecting bank is the paying bank and which meet the requirements for same-day settlement under this paragraph, the collecting bank may not charge a fee for handling those checks and must make settlement in accordance with this paragraph.

(2) *Settlement*—If a bank presents a check in accordance with the time and location requirements for presentment under paragraph (f)(1), the paying bank must either settle for the check on the business day it receives the check without charging a presentment fee or return the check prior to the time for settlement. (This return deadline is subject to extension under section 229.30(c).) The settlement must be in the form of a credit to an account designated by the presenting bank at a Federal Reserve Bank (*e.g.*, a Fedwire transfer). The presenting bank may agree with the paying bank to accept settlement in another form (*e.g.*, credit to an account of the presenting bank at the paying bank or debit to an account of the paying bank at the presenting bank). The settlement must occur by the close of Fedwire on the business day the check is received by the paying bank. Under the provisions of section 229.34(c), a settlement owed to a presenting bank may be set off by adjustments for previous settlements with the presenting bank. (*See also* section 229.39(d).)

Checks that are presented after the 8:00 a.m. (local time) presentment deadline for same-day settlement and before the paying bank's cut-off hour are treated as if they were presented under other applicable law and settled for or returned accordingly. However, for purposes of settlement only, the presenting bank may require the paying bank to treat such checks as presented for same-day settlement on the next business day in lieu of accepting settlement by cash or other means on the business day the checks are presented to the paying bank. Checks presented after the paying bank's cut-off hour or on non-business days, but otherwise in accordance with this paragraph, are considered presented for same-day settlement on the next business day.

(3) *Closed paying bank*—There may be certain business days that are not banking days for the paying bank. Some paying banks may continue to settle for checks presented on these days (*e.g.*, by opening their back office operations or by using an intercept processor). In other cases, a paying bank may be unable to settle for checks presented on a day it is closed. If the paying bank closes on a business day and checks are presented to the paying bank in accordance with paragraph (f)(1), the paying bank is accountable for the checks unless it settles for or returns the checks by the close of Fedwire on its next banking day. In addition, checks presented on a business day on which the paying bank is closed are considered received on the paying bank's next banking day for purposes of the U.C.C. midnight deadline (U.C.C. 4-301 and 4-302) and this regulation's expeditious return and notice of nonpayment provisions.

If the paying bank is closed on a business day voluntarily, the paying bank must pay interest compensation, as defined in section 229.2(oo), to the presenting bank for the value of the float associated with the check from the day of the voluntary closing until the day of settlement. Interest compensation is not required in the case of an involuntary closing on a business day, such as a closing required by state law. In addition, if the paying bank is closed on a business day due to emergency conditions, settlement delays and interest compensation may be excused under section 229.38(e) or U.C.C. section 4-109(b).

Good faith—Under section 229.38(a), both presenting banks and paying banks are held to a standard of good faith, defined in section 229.2(nn) to mean honesty in fact and the observance of reasonable commercial standards of fair dealing. For example, designating a presentment location or changing presentment locations for the primary purpose of discouraging banks from presenting checks for same-day settlement might not be considered good faith on the part of the paying bank. Similarly, presenting a large volume of checks without prior notice could be viewed as not meeting reasonable commercial standards of fair dealing and therefore may not constitute presentment in good faith. In addition, if banks, in the general course of business, regularly agree to certain practices related to same-day settlement, it might not be considered consistent with reasonable commercial standards of fair dealing, and therefore might not be considered good faith, for a bank to refuse to agree to those practices if agreeing would not cause it harm.

U.C.C. sections affected—This paragraph directly affects the following provisions of the U.C.C. and may affect other sections or provisions:

1. Section 4-204(b)(1), in that a presenting bank may not send a check for same-day settlement directly to the paying bank, if the paying bank designates a different location in accordance with paragraph (f)(1).
2. Section 4-213(a), in that the medium of settlement for checks presented under this paragraph is limited to a credit to an account at a Federal Reserve Bank and that, for checks presented after the deadline for same-day settlement and before the paying bank's cut-off hour, the presenting bank may require settlement on the next business day in accordance with this paragraph rather than accept settlement on the business day of presentment by cash.
3. Section 4-301(a), in that, to preserve the ability to exercise deferred posting, the time limit specified in that section for settlement or return by a paying bank on the banking day a check is received is superseded by the requirement to settle for checks presented under this paragraph by the close of Fedwire.
4. Section 4-302(a), in that, to avoid accountability, the time limit specified in that section for settlement or return by a paying bank on the banking day a check is received is superseded by the requirement to settle for checks presented under this paragraph by the close of Fedwire.

13. The Commentary to section 229.37 is amended by adding two new paragraphs after lettered paragraph (f) as follows:

Section 229.37—Variations by Agreement.

* * * * *

g. A presenting bank may agree with a paying bank to present checks for same-day settlement at a location that is not in the check processing region consistent with the routing number on the checks. (*See* section 229.36(f)(1)(i).)
h. A presenting bank may agree with a paying bank to present checks for same-day settlement by a deadline earlier or later than 8:00 a.m. (*See* section 229.36(f)(1)(ii).)

* * * * *

14. The Commentary to section 229.38 is amended by revising the last sentence of the first paragraph of paragraph (a) as follows:

Section 229.38—Liability.

(a) *Standard of care; liability; measure of damages.* * * * The standard of care is similar to the standard imposed by U.C.C. sections 1-203 and 4-103(a) and includes a duty to act in good faith, as defined in section 229.2(nn) of this regulation.

* * * * *

15. The Commentary to section 229.39 is amended by redesignating paragraph (d) as paragraph (e) and adding a new paragraph (d) as follows:

Section 229.39—Insolvency of Bank.

* * * * *

(d) *Preference against presenting bank.* This paragraph gives a paying bank a preferred claim against a closed presenting bank in the event that the presenting bank breaches an amount or encoding warranty as provided in section 229.34(c)(1) or (3) and does not reimburse the paying bank for adjustments for a settlement made by the paying bank in excess of the value of the checks presented. This preference is intended to have the effect of a perfected security interest and is intended to put the paying bank in the position of a secured creditor for purposes of the receivership provisions of the Federal Deposit Insurance Act and similar provisions of state law.

* * * * *

ORDERS ISSUED UNDER BANK HOLDING COMPANY ACT

Orders Issued Under Section 3 of the Bank Holding Company Act

AMCORE Financial, Inc. Rockford, Illinois

Order Approving Acquisition of a Bank Holding Company

AMCORE Financial, Inc., Rockford, Illinois ("AMCORE"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 3(a)(3) of the BHC Act (12 U.S.C. § 1842(a)(3)) to acquire by merger Dixon Bancorp, Inc. ("Dixon"), and thereby indirectly to acquire its subsidiary bank, Dixon National Bank ("Bank"), both of Dixon, Illinois.[1]

Notice of the application, affording interested persons an opportunity to submit comments, has been published (57 *Federal Register* 20,686 (1992)). 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.

AMCORE, with total consolidated assets of $1.31 billion,[2] controls six subsidiary banks, all located in Illinois. AMCORE is the thirteenth largest commercial banking organization in that state, controlling deposits of $1.1 billion, representing less than 1 percent of total deposits in commercial banks in Illinois. Dixon, with one subsidiary bank, controls deposits of $210 million, representing less than 1 percent of total deposits in commercial banks in that state. Upon consummation of the proposal, AMCORE would be the tenth largest commercial banking organization in that state.

The banking subsidiaries of AMCORE and Dixon do not compete in any of the same banking markets. Accordingly, the Board has concluded that this proposal would not have a significantly adverse effect on competition in any relevant banking market.

Convenience and Needs Considerations

In considering an application under section 3 of the BHC Act, the Board must consider the convenience and needs of the communities to be served and take into account the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate consistent with the safe and sound operation of such institutions. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of such institution", and to take that record into account in its evaluation of bank holding company applications.[3]

In connection with this application, the Board has received comments from two organizations ("Protestants") alleging that AMCORE's subsidiary bank, AMCORE Bank N.A., Rockford, Rockford, Illinois ("Rockford Bank"), has failed to meet the commercial credit needs of low-income and minority developers in southwest Rockford. The Board has carefully reviewed the CRA performance records of AMCORE, Dixon and their subsidiary banks, as well as all comments received, and the responses to those comments, and all of the other relevant facts of record, in light of the CRA, the Board's regulations, and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").[4]

Record of Performance Under the CRA

A. CRA Performance Examinations

The federal banking agencies have indicated in the Agency CRA Statement that a CRA examination is an important, and often controlling, factor in the consideration of an institution's CRA record.[5] In this case, the Board notes that all of AMCORE's subsidiary banks have received "outstanding" or "satisfactory" ratings from their primary supervisors during the most recent examination of each institution's CRA performance. In particular, AMCORE's lead subsidiary bank, Rockford Bank, received a "satisfactory" rating for CRA performance from the OCC as of October 10, 1991.[6] Bank received an "outstanding" rating for CRA performance in its most recent examination.[7]

B. Business Lending in Low- and Moderate-Income Areas

Rockford Bank provides business and development loans in low- and moderate-income and minority areas to assist in meeting commercial credit needs. For example, for the period 1990–91, Rockford Bank made 285 small business loans totalling $32.2 million within

1. Under the terms of the merger agreement between AMCORE and Dixon, AMCORE will form a shell subsidiary corporation to merge directly with Dixon, with Dixon to be the surviving corporate entity. AMCORE may liquidate Dixon at a later date, and hold Bank directly.
2. Assets and deposit data are as of March 31, 1992.
3. 12 U.S.C. § 2903.

4. 54 *Federal Register* 13,742 (1989).
5. *Id.*
6. The OCC's examination revealed technical violations of the Consumer Credit Protection Act and certain problems in collecting data under the Home Mortgage Disclosure Act. The OCC has noted that Rockford Bank has taken satisfactory steps to correct these deficiencies. AMCORE's other subsidiary banks have been most recently rated for CRA performance as follows: AMCORE Bank, N.A., Sterling, Sterling Illinois, received an "outstanding" performance rating from the OCC on March 31, 1991; AMCORE Bank, N.A., Woodstock, Woodstock, Illinois, received an "outstanding" performance rating from the OCC on June 18, 1990; AMCORE Bank, N.A., Pekin, Pekin, Illinois, received a "satisfactory" performance rating from the OCC on April 25, 1990; and AMCORE Bank, Ogle County, Mount Morris, Illinois, received a "satisfactory" rating from the FDIC on August 11, 1989.
7. Bank was examined by the OCC in June 1989.

12 of the 15 low- and moderate-income or integrated and minority census tracts in the City of Rockford.[8] As of September 15, 1992, Rockford Bank had commercial loans in the original amount of $55 million outstanding to businesses located in integrated and minority census tracts in the City of Rockford, and commercial loans in the original amount of $240.1 million outstanding to businesses located in low-income census tracts in that city. In addition, the bank participates in the State of Illinois Economically Targeted Investment Program, a linked deposit program that promotes economic development for small and emerging businesses and the creation of affordable housing through special interest-rate financing.[9] Rockford Bank also co-sponsors and participates in the presentation of programs designed to provide practical guidance in financial management for small businesses.

In addition to small business commercial lending, Rockford Bank makes loans to low-income, first-time home buyers for the acquisition or rehabilitation of properties in the City of Rockford through a number of public and private programs. These programs include:

(1) Tri-Way Housing Partnership (low-interest home rehabilitation loans to low-income homeowners);

(2) City of Rockford Homestead Partnership (low-interest mortgage loans to low-income, first-time homebuyers of newly acquired and rehabilitated homes);

(3) UDAG (Urban Development Action Grant) Housing Partnership Program (home rehabilitation loans for borrowers meeting annual income limitations);

(4) West Side Alive Participation Certificate Purchase Program (new housing for low-income individuals); and

(5) Illinois Homestart Mortgage Partnership (linked deposit program offering low-interest mortgage loans, credit counseling, and flexible underwriting criteria for low- and moderate-income homebuyers).

As of August 1, 1992, Rockford Bank also held municipal housing bonds in the face amount of $350,000, and held fire department bonds in the face amount of $270,000 to finance projects in southwest Rockford.

Additional Elements of CRA Performance

The Board also has considered other elements of AMCORE and Rockford Bank's CRA performance. The record reveals that AMCORE has in place the types of policies and procedures outlined in the Agency CRA Policy Statement that contribute to effective CRA programs. For example, AMCORE has policies and procedures governing CRA performance at its subsidiary banks, including Rockford Bank, that ensure board of director participation and review. In addition, Rockford Bank ascertains the credit needs of its community through formal call programs and participation in various community and governmental organizations. Market efforts for the bank's services and products include the use of neighborhood newspapers and billboards that target low- and moderate-income consumers. Rockford Bank also engages in community development and redevelopment activities through the Rockford Local Development Corporation (revolving loan funds for higher risk ventures to create or retain jobs) and the Linked Deposit Program of the Illinois State Treasurer (use of state deposits to fund low-interest economic development loans).

The Board has carefully considered the entire record of the CRA performance of AMCORE, including the comments filed in this case by Protestants, in reviewing the convenience and needs factors under the BHC Act. Protestants have raised both specific and general concerns about the adequacy of the existing CRA programs of AMCORE. Based on a review of the entire record of performance by AMCORE, including the information provided by the Protestants and the CRA performance examinations by the Rockford Bank's primary regulator, the Board concludes, with respect to convenience and needs considerations under the BHC Act, that the efforts of AMCORE and Dixon to help meet the credit needs of all segments of the communities served by their subsidiary banks, including the CRA performance records of the relevant banks, are consistent with approval of this application.[10]

8. The average loan amount was approximately $113,000.

9. Protestants allege that Rockford Bank failed to provide conventional financing, in connection with this program, for the development of a supermarket and pharmacy to be located in a low-income area of southwest Rockford. In response to Protestants' allegations, Rockford Bank has submitted its credit analysis of this project. The Board also notes that Rockford Bank has participated in the Economically Targeted Investment Program, formerly the Linked Deposit Program, to fund other projects, in the aggregate amount of $1.1 million. These projects included the rehabilitation of apartment units for low-income tenants, refinancing an emergency shelter for adolescent women who are pregnant or have children, and upgrading a tire rubber recycling facility. In light of all of the facts of record, the Board does not believe that the decision of the Rockford Bank to refrain from participating in funding the supermarket and pharmacy project identified by Protestants indicates that the Rockford Bank has failed to help meet the credit needs of its community.

10. Protestants have requested information regarding attendance at a public hearing, and the Board has treated these comments as a request that the Board hold a public hearing or meeting on this application. However, the Board is not required under section 3 of the BHC Act to hold a public meeting or hearing unless the primary supervisor for the bank to be acquired does not approve the proposal. In this case, the primary supervisor for Bank has not objected to this proposal.

Other Considerations

Considerations relating to the financial and managerial resources and future prospects of AMCORE, its subsidiary banks, and Bank, and other factors required to be reviewed by the Board under the BHC Act also are consistent with approval of this proposal.

Based on the foregoing and other facts of record, the Board has determined that the application should be, and hereby is, approved. The Board's approval of this transaction is specifically conditioned upon compliance with the commitments made by AMCORE in connection with this application. For purposes of this action, all these commitments are conditions imposed in writing by the Board and, as such, may be enforced in proceedings under applicable laws. The transaction approved in this Order shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Chicago, pursuant to delegated authority.

By order of the Board of Governors, effective October 26, 1992.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

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 U.S.C. §§ 262.3(e) and 262.25(d). In the Board's view, all interested parties have had ample opportunity to present written submissions, and have submitted substantial written comments. In light of these submissions and all the facts of record, the Board has determined that a public meeting or hearing is not necessary to clarify the factual record in these applications, or is otherwise warranted in this case. Accordingly, the request by Protestants for a public meeting or hearing on this application is hereby denied.

Banc One Corporation
Columbus, Ohio

Banc One Texas Corporation
Columbus, Ohio

Order Approving the Merger of Bank Holding Companies

Banc One Corporation, and its wholly owned subsidiary, Banc One Texas Corporation, both of Columbus, Ohio (together, "Banc One") and bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have applied for the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire Team Bancshares, Inc., Dallas, Texas ("Team Bancshares"), and its wholly owned subsidiary, Team Bancshares II, Inc., Wilmington, Delaware ("Team II") (together, "Team"), and thereby indirectly acquire Team's subsidiary bank, Team Bank, Fort Worth, Texas.[1]

Notice of the application, affording interested persons an opportunity to submit comments, has been published (57 *Federal Register* 32,219 (1992)). 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.

Banc One, with total deposits of $43.9 billion, controls banking subsidiaries in Ohio, Indiana, Michigan, Wisconsin, Illinois, Texas, and Kentucky.[2] Banc One operates one subsidiary bank in Texas, Bank One Texas, N.A., Dallas, Texas ("BOT"). BOT is the third largest commercial banking organization in Texas, controlling $13.6 billion in deposits, representing 8.1 percent of total deposits in commercial banks in Texas. Team Bank is the fifth largest commercial banking organization in Texas, controlling $5.4 billion in deposits, representing 3.2 percent of total deposits in commercial banks in the state. Upon consummation of this proposal, Banc One would become the second largest commercial banking organization in the state, controlling $19 billion in deposits, representing 11.3 percent of total deposits in commercial banking organizations in Texas.

Competitive, Financial, Managerial and Supervisory Considerations

Banc One and Team compete in eight Texas banking markets.[3] The Board has considered the competitive effects of the proposal on depository institutions in each of these markets.[4] Upon consummation, all banking markets would remain moderately concentrated or unconcentrated as measured by the Herfindahl–

1. Banc One will acquire Team Bancshares through the merger of Team Bancshares and Team II into Banc One Texas Corporation. Banc One Texas Corporation will continue as a second-tier subsidiary of Banc One Corporation.

2. State data are as of December 31, 1991; market data are as of June 30, 1990.

3. These markets are: Austin, Dallas, Fort Worth, Houston, Longview, Sherman-Denison, Williamson, and Wichita Falls.

4. In this context, depository institutions include commercial banks, savings banks, and savings associations. The Board previously has indicated that thrift institutions have become, or have the potential to become, major competitors of commercial banks. *See Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984).

Hirschman Index ("HHI").[5] After considering the competition offered by other depository institutions in the market, the number of competitors remaining in the market, the increase in concentration, and the other facts of record, the Board has concluded that consummation of the proposal would not result in a significantly adverse effect on competition in these or any other relevant banking markets.[6]

The financial and managerial resources, and future prospects of Banc One, Team, and their respective subsidiaries, and the other supervisory factors the Board must consider under section 3 of the BHC Act, are consistent with approval of this proposal.

Convenience and Needs Considerations

In considering the convenience and needs of the communities to be served by these institutions under section 3 of the BHC Act, the Board has taken into account the record of the subsidiary banks of BOT and Team under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate consistent with the safe and sound operation of such institutions. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of such institution," and to take this record into account in its evaluation of bank holding company applications.[7]

In connection with this application, the Board has received comments that support and comments that oppose the proposal. For example, some commenters have commended the CRA efforts of Banc One and Team Bank in the Dallas community, especially in the area of small and minority-owned businesses in the Southern Dallas community. Several commenters also support Banc One's current CRA activities and believe that Banc One is building an effective relationship with low- and moderate-income neighborhoods.[8]

Other commenters ("Protestants") have criticized the CRA record of performance of Banc One and Team Bank as insufficient in meeting the need for credit and deposit services in low- and moderate-income and minority neighborhoods.[9] Specifically, Protestants allege that BOT has an inadequate record in the following areas:

(1) Lending under government-insured programs such as the FHA, VA and SBA;

(2) Locating branches in low- and moderate-income neighborhoods; and

(3) Delineating its service community narrowly enough to permit effective credit services to low- and moderate-income neighborhoods.

In addition, Protestants believe that Team Bank's performance has been inadequate in:

(1) Meeting the credit needs of low- and moderate-income neighborhoods in Dallas County; and

(2) Ascertaining the need for and publicizing the availability of mortgage loans.

Protestants also allege, on the basis of data reported under the Home Mortgage Disclosure Act ("HMDA"), that subsidiary banks of Banc One and Team Bank do not make a sufficient number of loans in predominately minority communities and have a high rate of denying loan applications from minority borrowers.[10]

5. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is 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.

6. Consummation of the proposal would result in the following post-merger shares of market deposits (market share data are based on calculations in which the deposits of thrifts are included at 50 percent) and changes in the HHI:

(1) Austin market—18.8 percent with an increase of 173 points to 1296 points;

(2) Dallas market—19.2 percent with an increase of 118 points to 1106 points;

(3) Fort Worth market—22.8 percent with an increase of 260 points to 953 points;

(4) Houston market—11.5 percent with an increase of 27 points to 816 points;

(5) Longview market—21.0 percent with an increase of 167 points to 1106 points;

(6) Sherman-Denison market—23.2 percent with an increase of 251 points to 1107 points;

(7) Williamson market—3.5 percent with an increase of 6 points to 777; and

(8) Wichita Falls market—28.5 percent with an increase of 356 points to 1425 points.

7. 12 U.S.C. § 2903.

8. The Southern Dallas Development Corporation, The Minority Opportunity News ("TMON"), and the Malcolm X Community Council ("MXCC") commented favorably upon BOT's CRA record.

9. Rainbow Bridge, Inc. has filed comments relating to Banc One and Team Bank. Comments received from TMON and MXCC raise issues related to Team Bank.

10. Protestants also suggest that BOT's staff and management should reflect the ethnic diversity of its local community. While the Board fully supports affirmative programs designed to promote equal opportunity in every aspect of a bank's personnel policies and practices in the employment, development, advancement, and treatment of employees and applicants for employment, the Board believes

The Board has carefully reviewed the CRA performance records of Banc One's subsidiary banks and Team Bank, as well as Protestants' comments and Banc One's responses to those comments, in light of the CRA, the Board's regulations, and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").[11]

Record of Performance Under the CRA

A. CRA Performance Examinations

The Agency CRA Statement provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record and that these reports will be given great weight in the applications process.[12] The Board notes that BOT and Team Bank have received "satisfactory" ratings at their most recent examinations for CRA performance.[13] In addition, all of the other sixty subsidiary banks of Banc One have received either "satisfactory" or "outstanding" ratings from their primary supervisors in the most recent examinations of their CRA performance.

B. Corporate Policies

The Board recently has concluded that Banc One's corporate CRA policies and procedures contribute to an effective CRA program,[14] and Banc One has committed that these policies and procedures will be implemented at Team Bank. These policies include monitoring CRA performance at the holding company level through quarterly reports from subsidiary banks that are submitted to Banc One's corporate CRA Committee.

Banc One also has established holding company subsidiaries that assist banks in the Banc One system in their CRA programs. For example, Banc One has a corporate Community Development Corporation ("CDC") with resources to assist all bank affiliates in financing projects designed to promote community welfare, housing availability and economic development.[15] Banc One also has a mortgage subsidiary, Banc One Mortgage Corporation, which assists affiliates by offering specialized mortgage products designed for low- and moderate-income applicants. Banc One's corporate CRA Research Division assists Banc One's subsidiary banks in collecting and analyzing lending data to monitor the distribution of loan products throughout their delineated market areas. BOT's CRA officer and other officers periodically report to BOT's board of directors on progress made under the bank's CRA program in meeting the credit needs of all its communities, including low- and moderate-income areas.

C. Ascertainment and Marketing

BOT annually develops a plan that includes specific programs for identifying banking needs in each of its markets. Findings made pursuant to the plan are reviewed at the holding company level on a quarterly basis. BOT also has undertaken activities to ascertain the credit needs of its eighteen markets in Texas.[16] For example, BOT has contacted a broad array of groups and individuals including community and neighborhood improvement or development organizations, consumer credit organizations, private businesses, religious leaders, members of various ethnic organizations, and housing and other public officials. In addition, several bank offices have established Community Advisory Councils to provide a method for assessing needs on an ongoing basis.

Banc One markets specific banking products by advertising on television, radio, and in print. In addition, BOT has taken several steps to target its marketing to minority and low- and moderate-income areas of its community. BOT conducts advertising campaigns in low-and moderate-income areas by the use of direct mail, flyers placed on door knobs, and specialized print. The types of credit advertised in these targeted campaigns include home-improvement and other housing loans, and loans related to used car, debt consolidation, and income tax payments. As part of these campaigns, Spanish language materials are used where appropriate.[17] BOT also conducts public education seminars in both English and Spanish to instruct individuals on the home buying process in general and

that the bank's general personnel practices are beyond the scope of factors that may be assessed under the CRA.

11. 54 *Federal Register* 13,732 (1989).

12. 54 *Federal Register* 13,745 (1989).

13. BOT received a satisfactory rating by the Office of the Comptroller of the Currency, its primary federal supervisor, as of March 31, 1991. Team Bank received a satisfactory rating by the FDIC, its primary federal supervisor, as of January 25, 1991.

14. *Banc One Corporation*, 78 *Federal Reserve Bulletin* 699, 701–02 (1992).

15. To date, the CDC has provided $18 million in equity for low-income housing projects utilizing the low-income housing tax credit.

16. The most recent performance examination by the OCC noted certain markets, which are not the subject of Protestants' comments, in which BOT's ascertainment efforts could be improved. The Board expects BOT to take steps to address these issues.

17. In addition, BOT provides Spanish language instruction for certain of its customer contact employees, and provides ATM machines with Spanish-language screens.

on how to apply for credit products. The OCC noted that BOT's marketing efforts have been responsive to identified community needs.

D. Lending and Other Activities

BOT has instituted or participates in a range of programs designed to provide a variety of credit products to low- and moderate-income borrowers. BOT employs eight lenders to originate loans under its affordable lender program. In Dallas, a total of five employees (two loan officers) are employed to originate and process mortgage loans in low- and moderate-income areas of Dallas. In 1991, through its affordable housing lender program, BOT made 99 mortgage loans, for a total of $4 million, in low- and moderate-income areas, most of which were in South Dallas. In 1992, BOT has made 150 loans for a total of $6.6 million in these same areas. BOT also has played a leading role in the establishment and funding of the Dallas Affordable Housing Partnership, which seeks to develop housing opportunities for low-income residents of Dallas.

BOT has responded to ascertained needs for housing-related lending in local communities with specific programs. For example, BOT developed a program to provide loans for closing costs as part of an "urban homesteading" program in Abilene. In Houston and several other markets, BOT promoted the availability of home improvement loans with longer than normal terms (fifteen years) and lower than normal minimum income limits in response to a perceived need for those loans. In San Antonio, BOT worked with the Eastside Development Council to provide purchase and rehabilitation loans for homes held by HUD and the RTC. BOT also supports more than a dozen other neighborhood development groups, several of which are located in Dallas.[18]

In addition, BOT has become recertified within the last two years to issue VA and FHA loans after these certifications lapsed under prior owners of its banks. BOT also offers Fannie Mae/Community Homebuyer loans. BOT's mortgage company affiliate is now offering, on a limited basis, the HUD 203(k) purchase-rehabilitation loan program.[19] BOT also offers Texas Veterans Land Board and Texas Department of Housing and Community Affairs loans, and participates in the GE Capital Community Homebuyers Program. BOT has its own program in which it offers Bank One "American Dream" loans. All of these credit products are offered through BOT's affordable lender program.

BOT established a small business lending unit at the end of 1991 that targets low- and moderate-income census tracts. In 1992, $8.5 million of the $12.3 million in loans extended by the unit have been in low- and moderate-income census tracts. Approval rates in both upper income and low- and moderate-income tracts are approximately equal. BOT is the largest contributor to the Southern Dallas Development Fund and also participates as a substantial lender.[20] In addition, BOT is a certified lender in the Dallas/Ft. Worth Minority and Women Owned Business Consortium. BOT has also organized a task force to work with the Association of General Contractors to assist small contractors to obtain contracts through a "big brother" program.

E. Branch Offices and Service Area

The OCC's examination noted that BOT is seeking to expand its network of branch offices. Since January 1990, BOT has acquired branch offices in transactions involving failed institutions, and this program has resulted in expansion into previously unserved or underserved low- and moderate-income areas in Dallas. For example, BOT has opened, through acquisition or *de novo*, two new offices in Dallas and one in Houston in low- and moderate-income areas of those cities. BOT now has a total of six offices in low- and moderate-income areas of Dallas.

The OCC's examination also concluded that BOT's service area was generally reasonable and that none of the community delineations excludes low- and moderate-income neighborhoods. In some areas, however, examiners noted that BOT's delineated market was geographically larger than its existing resources could effectively serve.[21] BOT has revised its market delineations in response to its most recent CRA examination by the OCC, and has stated to the OCC that it will make additional revisions as further acquisitions are completed.

18. For example, BOT supports Dallas Adopt-A-Block; the Dallas Center for Nonprofit Management; the Downtown Family Shelter of Dallas; Inter-Faith Housing of Dallas; Consumer Credit Counseling of Greater Dallas; the Nonprofit Loan Center of Dallas; and the Oak Cliff Development Corporation of Dallas.

19. BOT's loan volume under all governmental guaranteed loan programs has increased as a result of its marketing efforts. The Board expects BOT to continue its efforts under these programs and will review its progress in future applications.

20. BOT has loaned $220,000 as participations in four Southern Dallas Development Corporation ("SDDC")-sponsored projects and made an $800,000 investment in a multi-bank community development corporation sponsored by the SDDC that provides debt and equity financing to small and minority-owned businesses.

21. Examiners also found that BOT made a concerted effort to serve extensive low- and moderate-income neighborhoods in some market areas regardless of the locations of its offices.

F. HMDA Data and Lending Practices

The Board has reviewed the 1990 and 1991 HMDA data reported by subsidiaries of Banc One and Team, and comments from the commenters regarding these data. Data cited by the Protestants indicate some disparities in rates of housing-related loan applications, and in approvals and denials that vary by racial or ethnic group in certain areas served by BOT and Team.

Because all banks are obligated to ensure that their lending practices are based on criteria that assure not only safe and sound lending, but also assure equal access to credit by creditworthy applicants regardless of race, the Board is concerned when the record of an institution indicates disparities in lending to minority applicants. The Board recognizes, however, that HMDA data alone provide only a limited measure of any given institution's lending in the communities that the institution serves. The Board also recognizes that HMDA data have limitations that make the data an inadequate basis, absent other information, for conclusively determining whether an institution has engaged in illegal discrimination on the basis of race or ethnicity in making lending decisions.

The most recent examinations for CRA compliance and performance conducted by bank supervisory agencies found no evidence of illegal discrimination at BOT or Team.[22] In the case of BOT, examiners concluded that the bank affirmatively encourages credit applications from all segments of the community, including low- and moderate-income neighborhoods, for all types of credit offered. The examination report of BOT also indicated that in no instance were low- and moderate-income areas being excluded from obtaining loans, and that BOT's efforts to increase lending were reasonable and appropriate.

HMDA data for 1991 show that Team and BOT have made progress in improving their lending records in low- and moderate-income neighborhoods, including the Dallas MSA. In addition, BOT's housing-related lending in these Dallas neighborhoods has increased significantly under its affordable housing lender program. This program features flexible underwriting standards and a review by a regional underwriting manager of all mortgage applications from minority borrowers proposed to be denied. Through August 1992, BOT has exceeded its total 1991 lending to low- and moderate-income areas in Dallas under this program by more than 50 percent. In addition, although the number of housing-related loans made by Banc One in the Dallas MSA increased 52 percent from 1990 to 1991, the number of housing-related loans made to black borrowers in the Dallas MSA increased more than 70 percent over the same period.

G. Conclusion Regarding Convenience and Needs Factors

The Board has carefully considered all of the facts of record, including the comments filed in this case, in reviewing the convenience and needs factors under the BHC Act. Based on a review of the entire record of performance, including information provided by commenters supporting and opposing the proposal and the performance examinations by the banks' primary regulators, the Board believes that the efforts of Banc One and Team to help meet the credit needs of all segments of the communities served by their subsidiary banks, including low- and moderate-income neighborhoods, are consistent with approval.

The Board recognizes that the record compiled in this application points to some areas for improvement in the CRA performance of BOT and Team Bank. The Board expects Banc One to continue its progress in addressing the housing-related credit needs of low- and moderate-income and minority neighborhoods in its service communities, and to implement fully the CRA initiatives and commitments discussed in this Order and contained in its application. Banc One's progress in these areas will be monitored by the Federal Reserve Bank of Cleveland and in future applications requiring the Board's review of its CRA performance record.[23]

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22. Examiners noted some violations of anti-discrimination laws involving procedures and income calculations which had not adversely affected any individual borrowers. The OCC examiners recommended uniform policies, review procedures and forms for all the BOT branches to address these issues, and BOT management has committed to undertake sufficient actions to preclude the recurrence of these violations. The OCC has advised the Board that Banc One is taking appropriate actions to address recommendations made by the OCC in BOT's most recent CRA performance examination, and that these actions support a satisfactory CRA performance record at BOT.

23. Protestants have requested a public hearing or meeting on the issues raised in their comments, including the role of race and income in lending in South Dallas. Section 3(b) of the BHC Act does not require the Board to hold a 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 Texas State Banking Commissioner has not recommended denial of the proposal.

Generally, under the Board's rules, the Board may, in its discretion, hold a public hearing or meeting on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 U.S.C. §§ 262.3(e) and 262.25(d). The Board has carefully considered this request. In the Board's view, Protestants have had ample opportunity to present written submissions, and Protestants have submitted written comments that have been considered by the Board. Further, Protestants have not identified facts that are material to the Board's decision and that are in dispute. Therefore, the Board has determined that a public meeting or hearing is not necessary to clarify the factual record in this applica-

Based on the foregoing, including the conditions and commitments described in this Order and those made in the application, and all of the facts of record, the Board has determined that the application should be, and hereby is, approved. The Board's approval of this proposal is specifically conditioned on compliance by Banc One and its subsidiaries with these conditions and commitments. For the purposes of this action, 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 thirtieth calendar day after the effective date of this Order, or later than three months after the effective date of this Order, unless such period is extended 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 October 28, 1992.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

Carolina First Corporation Greenville, South Carolina

Order Approving Acquisition of Shares of a Bank Holding Company

Carolina First Corporation, Greenville, South Carolina ("CFC"), a bank holding company within the meaning of the Bank Holding Company Act (the "BHC Act"), has applied for the Board's approval under section 3(a)(3) of the BHC Act (12 U.S.C. § 1842(a)(3)) to acquire up to 9.8 percent of the outstanding voting shares of ComSouth Bankshares, Inc., Columbia, South Carolina ("ComSouth").[1]

Notice of the application, affording interested persons an opportunity to submit comments, has been published (57 *Federal Register* 36,649 (1992)). 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. CFC is the tenth largest commercial banking organization in South Carolina, controlling deposits of $283.6 million, representing approximately 1.5 percent of the total deposits in commercial banking organizations in the state.[2] ComSouth is the 21st largest commercial banking organization in South Carolina, controlling deposits of $83.3 million, representing less than one percent of the total deposits in commercial banking organizations in the state.

The Board has carefully reviewed comments filed by some members of ComSouth's board of directors opposing this proposal ("Protestants"). Protestants assert that the presence of CFC as a significant minority shareholder would increase dissension within the ComSouth board of directors. Protestants also believe that such an investment would impair the ability of ComSouth to obtain a more desirable merger partner and to raise capital.

The Board previously has approved the acquisition by a bank holding company of less than a controlling interest in a bank, noting that "nothing in section 3(c) of the [BHC] Act requires denial of an application solely because a bank holding company proposes to acquire less than a controlling interest in a bank or bank holding company."[3] CFC has indicated that it will remain a passive investor in ComSouth following consummation of this proposal, and CFC has made commitments of the type relied on by the Board in previous cases that ensure that CFC will not exercise a controlling influence over ComSouth.[4] These commitments include a commitment not to seek or accept any representation on the board of directors of ComSouth, and a commitment not to attempt to influence the management or policies of ComSouth. CFC may not, therefore, participate in the deliberation or decisionmaking of the ComSouth board of directors. In addition, CFC may not participate in the evaluation or acceptance of future merger proposals involving ComSouth other than through the exercise of its voting rights as a shareholder of ComSouth.

Protestants have not provided any significant support for their contention that this investment will interfere with the ability of ComSouth to raise capital, and the Board's experience in evaluating other, simi-

tion, or otherwise warranted in this case, and the request for a public meeting or hearing on this application is denied.

1. ComSouth controls two subsidiary banks, Commercial Bank of the South, N.A., Columbia, South Carolina, and Bank of Charleston, N.A., Charleston, South Carolina.

2. All banking data are as of June 30, 1992; state ranking data are as of December 31, 1991.

3. *United Counties Bancorporation, supra; Marine Midland Banks, Inc.*, 75 *Federal Reserve Bulletin* 455 (1989); *Midlantic Banks, Inc.*, 70 *Federal Reserve Bulletin* 776 (1984). The Board has noted in these orders that 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 also suggests that Congress contemplated the acquisition by bank holding companies of between 5 and 25 percent of the voting shares of banks.

4. *Summit Bancorp, Inc.*, 77 *Federal Reserve Bulletin* 952 (1991); *United Counties Bancorporation*, 75 *Federal Reserve Bulletin* 714 (1989). These commitments are set forth in the Appendix.

lar, proposals under the BHC Act has not indicated, as a general matter, any diminished capacity to raise capital in other cases involving passive minority investors.[5] Based on the facts of record and CFC's commitments, the Board has concluded that CFC would not acquire control or the ability to exercise a controlling influence over ComSouth upon consummation of this proposal.[6]

CFC and ComSouth do not operate bank subsidiaries in the same banking markets. Moreover, CFC has committed that there will be no officer or director interlocks between CFC and ComSouth, that the investment by CFC in ComSouth will remain passive, and that CFC will not act alone or in concert with any other entity to control ComSouth. On the basis of the record, the Board concludes that consummation of this proposal would not have a significantly adverse effect on competition in any relevant banking market.[7]

In light of all the facts of record, the Board concludes that the financial and managerial resources and future prospects of CFC and ComSouth and their subsidiaries, and other factors the Board must consider under section 3 of the BHC Act, are consistent with approval of this application. Considerations relating to the convenience and needs of the communities to be served by CFC's and ComSouth's subsidiary banks also are consistent with approval.

Based on the foregoing, including the conditions and commitments described in this Order and those made in the application, and all of the facts of record, the Board has determined that the application should be, and hereby is, approved. The Board's approval of this proposal is specifically conditioned on compliance by CFC and its subsidiaries with all of the conditions and commitments referenced in this order or made in the application as supplemented. The commitments and conditions relied on in reaching this decision are conditions imposed in writing by the Board in connection with its findings and decision, and may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective October 26, 1992.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

Appendix

As part of this proposal, CFC has committed that it will not, without the Board's prior approval:

(1) Exercise or attempt to exercise a controlling influence over the management or policies of ComSouth or its bank subsidiaries;
(2) Have or seek to have any employees or representative serve as an officer, agent or employee of ComSouth or its bank subsidiaries;
(3) Take any action causing ComSouth or its bank subsidiaries to become a subsidiary of Carolina First;
(4) Acquire or retain shares that would cause the combined interest of Carolina First and its officers, directors and affiliates to equal or exceed 25% of the outstanding voting shares of ComSouth;
(5) Propose a director or slate of directors in opposition to a nominee or slate of nominees proposed by the management or board of directors of ComSouth;
(6) Attempt to influence the dividend policies or practices of ComSouth or its bank subsidiaries;
(7) Solicit or participate in soliciting proxies with respect to any matter presented to the shareholders of ComSouth;
(8) Attempt to influence the loan and credit decisions or policies of ComSouth and its bank subsidiaries, the pricing of services, any personnel decision, the location of any officers, branching, the hours of operation, or similar activities of ComSouth and its bank subsidiaries;
(9) Dispose or threaten to dispose of shares of ComSouth in any manner as a condition of specific action or nonaction by ComSouth;
(10) Enter into any other banking or nonbanking transactions with ComSouth, except that Carolina First may establish and maintain deposit accounts with bank subsidiaries of ComSouth, provided that the aggregate balances of all such accounts do not exceed $500,000 and that the accounts are maintained on substantially the same terms as those prevailing for

5. *See Summit Bancorp, Inc.*, and *United Counties Bancorporation, supra. See also, The Summit Bancorporation*, 75 *Federal Reserve Bulletin* 712 (1989).

6. The Office of the Comptroller of the Currency, the primary regulator of the subsidiary banks of ComSouth, has informed the Board that it has no objection to approval of this proposal.

7. The Board has previously noted that noncontrolling interests in competing banks or bank holding companies may raise serious questions under the BHC Act. The Board believes that one company need not acquire control of another in order to substantially lessen competition between them, and that the specific facts of each case will determine whether the minority investment in a company will be anticompetitive. *See Sun Banks, Inc.*, 71 *Federal Reserve Bulletin* 243 (1985).

comparable accounts of persons unaffiliated with ComSouth; or

(11) Seek or accept representation on the board of directors of ComSouth.

First Interstate BancSystem of Montana, Inc. Billings, Montana

Order Approving Acquisition of Bank, Membership in the Federal Reserve System, and Merger of Banks

First Interstate BancSystem of Montana, Inc., Billings, Montana ("FIBM"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 3 of the BHC Act (12 U.S.C. § 1842), to acquire First Interstate Bank of South Missoula, N.A., a *de novo* bank ("South Missoula Bank"). A subsidiary bank of FIBM, First Interstate Bank of Commerce, Billings, Montana ("Billings Bank"), also has applied pursuant to section 9 of the Federal Reserve Act (12 U.S.C. § 321) for membership in the Federal Reserve System. In addition, Billings Bank has applied pursuant to section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) (the "Bank Merger Act") to merge South Missoula Bank and its six other subsidiary banks[1] into Billings Bank, and to establish branches at the present offices of these banks listed in the Appendix pursuant to section 9 of the Federal Reserve Act.

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (57 *Federal Register* 39,203 (1992)) and given in accordance with applicable law. 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 ("FDIC"). The time for filing comments has expired, and the Board has considered the applications and all the comments received in light of the factors set forth in section 3(c) of the BHC Act, the Bank Merger Act and the Federal Reserve Act.

Billings Bank and all of the other banks to be merged into Billings Bank, except for the newly chartered South Missoula bank, are subsidiaries of FIBM. FIBM is the third largest commercial banking organization in Montana, controlling deposits of $576.7 million, representing 9.0 percent of the total deposits in commercial banking organizations in the state.[2] This proposal represents a reorganization of FIBM's subsidiary banks and the establishment of new branches. Accordingly, consummation of the proposal would not have a significantly adverse effect on competition in any relevant banking market.

Considerations Under the Convenience and Needs Factor

A. Colstrip Bank

In considering applications under section 3 of the BHC Act, the Bank Merger Act and the Federal Reserve Act, the Board must consider the convenience and needs of the community to be served, and take into account the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate consistent with the safe and sound operation of such institutions. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of such institution," and to take this record into account in its evaluation of bank holding company applications.[3]

In October 1991, the Board denied an application by FIBM to merge with an affiliated holding company on the basis of the record of performance under the CRA of one of FIBM's subsidiary banks, Colstrip Bank.[4] The Board found that deficiencies in Colstrip Bank's record of meeting the credit needs of its community, particularly on the Northern Cheyenne Indian Reservation ("Reservation"), had continued through consecutive CRA performance examinations by Colstrip Bank's primary supervisor, the FDIC. The Board also found that FIBM had not taken sufficient steps to address these deficiencies. The Colstrip Order noted that the denial of FIBM's application was without prejudice to future applications by FIBM at such time as Colstrip Bank's CRA record of performance was in place and that its policies and programs were working well.

1. These banks are: First Interstate Bank of Missoula, N.A., Missoula; First Interstate Bank of Hardin, Hardin ("Hardin Bank"); First Interstate Bank of West Billings, Billings; First Interstate Bank of Miles City, Miles City; First Interstate Bank of Billings Heights, Billings; and First Interstate Bank of Colstrip, Colstrip ("Colstrip Bank"), all in Montana.

2. All banking data are as of June 30, 1992.

3. 12 U.S.C. § 2903.

4. *First Interstate BancSystems of Montana, Inc.*, 77 *Federal Reserve Bulletin* 1007 (1991) ("Colstrip Order").

The Colstrip Order outlined specific aspects of Colstrip Bank's CRA performance that the Board believed should be addressed, including Colstrip Bank's delineation of its service community, ascertainment and marketing efforts related to the Reservation, and record of offering and extending credit to the residents of the Reservation. For example, the Board noted that the bank had excluded the Reservation from its service area, and had only recently undertaken some steps to increase its contacts in order to ascertain the credit needs of the residents of the Reservation. In addition, Colstrip Bank's efforts to market credit-related services to the residents of the Reservation were found to be minimal. The Board also found only nominal amounts of lending to residents of the Reservation, including housing-related loans and government sponsored lending programs.

The Board believes that the ability of Colstrip Bank to demonstrate that its CRA record of performance is in place and that its programs and policies are working well is an important consideration in light of the Board's findings in the Colstrip Order. The record of these applications reflects additional steps taken by Colstrip Bank to address the deficiencies noted in the Colstrip Order.

Colstrip Bank has revised its community delineation to include all of the Reservation and FIBM has committed that it will not amend the community delineation for any of its banks or branches without the prior approval of the Federal Reserve Bank of Minneapolis. In addition, Colstrip Bank has expanded its ascertainment efforts regarding the Reservation through a number of steps that include direct mail surveys, community and consumer panel meetings, and presentations to residents of the Reservation. Colstrip Bank officers and directors have also met with local community and business organization such as the Northern Cheyenne Livestock Association and the Northern Cheyenne Chamber of Commerce.[5] Other outreach efforts that Colstrip Bank is arranging include intercultural training for the staff, officers and directors of the bank. Colstrip Bank's board of directors has convened its meetings on the Reservation to permit discussions with residents.[6]

Marketing efforts for the Reservation have been improved by a number of activities. For example, Colstrip Bank now uses direct mailings and other traditional marketing techniques to make the residents of the Reservation aware of its credit products and services. In addition, a bank loan officer visits the Reservation on a monthly basis to take loan applications and to provide general assistance to potential borrowers.

Colstrip Bank has increased the amount of lending to Reservation residents since its lending activities were reviewed by the FDIC and the Board. For the first two quarters in 1992, Colstrip Bank overall made $315,000 in new loans to Reservation borrowers, compared to total lending in 1991 of $309,000. Agricultural loans to Reservation borrowers during this same period total $120,000, compared to $53,000 in total agricultural lending in 1991.

Colstrip Bank also has shown some improvement in the types of credit products it offers to borrowers on the Reservation. The bank has started making FHA home improvement loans on the Reservation and has started accepting loan applications under the FHA 248 loan program which lessens restrictions under federal law regarding liens on real property located on the Reservation. Colstrip Bank also actively supports several programs designed to benefit the Reservation's small businessmen, including the Circle Banking Project and MicroBusiness Finance Program.

FIBM and Colstrip Bank have committed to take additional steps to enhance the CRA record of performance regarding the Reservation. These steps include establishing a liaison committee that will meet quarterly, increasing its participation in government lending programs, providing technical assistance to small businesses, and establishing flexible lending criteria for loans. In addition, FIBM and Colstrip Bank have set a goal of $4 million in new lending to Reservation residents over the next five years.

On the basis of these and other facts of record, the Board concludes that the CRA performance record of Colstrip Bank is now consistent with approval under the convenience and needs factor. The Board expects FIBM to continue its progress in improving this performance and to comply with all commitments regarding its CRA activities on the Reservation. Upon consummation of this proposal, Colstrip Bank will become a branch of a state member bank, and the Federal Reserve Bank of Minneapolis will have supervisory authority over these activities and will monitor FIBM's progress and compliance. In addition, the Board will closely review this record in future applications by FIBM that require consideration of its CRA performance record.

B. Hardin and Billings Banks

In reviewing the convenience and needs factor, the Board also has considered comments from the Crow

5. An officer of Colstrip Bank currently serves as treasurer for the Chamber of Commerce which focuses on economic development issues related to the Reservation.

6. A Reservation resident and Northern Cheyenne tribal member serves on the Colstrip Bank board of directors and this director will continue to serve as a director of Billings Bank following the proposed mergers.

Tribal Council and several individuals (collectively, "Protestants") critical of the CRA performance of Hardin Bank and Billings Bank.[7] Protestants allege generally that:

(1) Hardin Bank has not adequately ascertained the credit needs of Crow Tribal members;[8]

(2) Hardin Bank has not provided adequate banking services to the Crow Reservation; and

(3) Hardin Bank and the FIBM banks in Billings[9] do not make sufficient loans to Crow Tribal members.

The Board has carefully reviewed the CRA performance records of Hardin Bank and the Billings banks, as well as Protestants' comments and the responses of FIBM to those comments, and all of the other relevant facts, in light of the CRA, the Board's regulations, and the jointly issued Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").[10]

Initially, the Board notes that both Hardin Bank and the Billings banks have received a "satisfactory" rating for CRA performance from their primary regulators, the FDIC or the OCC, in their most recent examinations for CRA performance.[11] The Agency CRA Statement provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record and that these reports will be given great weight in the applications process.[12]

Ascertainment and Marketing. Hardin Bank's board of directors has formalized a CRA policy and a written Community Reinvestment Act Goals and Description of Needs Ascertainment Program for its ascertainment efforts throughout its delineated service area. This service area includes the Crow Reservation and the bank's ascertainment activities within this service area include calls on customers and non-customers to obtain information concerning credit and deposit needs and communicate services available to the local community. Ascertainment efforts are also conducted through officer and employee involvement in local community groups. For example, Hardin Bank management has discussed FHA 248 financing for real estate loans on trust land held by the Bureau of Indian Affairs ("BIA") with both the Cheyenne and Crow tribal councils. In addition, Hardin Bank has participated in workshops in Crow Agency and Hardin for Native American business borrowers.

Hardin Bank also markets its banking products throughout its service area by mixed media advertising that includes local television, radio and newspaper. In addition, Hardin Bank has recently mailed a brochure to Crow Reservation residents describing its services.

After consummation of the proposal, the CRA committees at Hardin Bank and Billings Bank, as well as the other subsidiary FIBM banks, will become branch CRA committees and will meet regularly with Community Advisory Boards to address CRA concerns. FIBM states that the Community Advisory Boards will play a central role in identifying community credit needs, working with bank and branch management on efforts to address such needs and assessing the success of these efforts. Records of these meetings will be forwarded to FIBM's CRA committee and will be presented to the Billings Bank's board of directors at each regular meeting. FIBM's board of directors will communicate directly with the Community Advisory Boards and branch management on matters of CRA policy.

Lending Activities. Lending to residents of the Crow Reservation for housing-related, consumer and small business purposes comprises a substantial percentage of Hardin Bank's overall lending activity, and the bank currently has a number of these types of loans outstanding that were originated to Crow Reservation borrowers.[13] For example, Hardin Bank has 30 home mortgage and home improvement loans with total balances of approximately $700,000, and 425 consumer loans with total balances of approximately $1.7 million. Small business loans total 27 with current balances totaling approximately $1.1 million. Hardin Bank's outstanding agricultural loans originated to the Crow Reservation currently total 107 loans, with total balances of approximately $3.2 million.[14]

7. One commenter has alleged that Billings Bank did not approve a business loan because of (1) her age and sex, and (2) the fact that her corporation was a small business. FIBM has responded that Billings Bank denied the loan on the basis of the applicant's financial condition. Based on all the facts of record, including relevant reports of examination, the Board concludes that these comments do not warrant denial of these applications.

8. Protestants also allege that Crow Tribal members are inadequately represented on the Hardin Bank's board of directors. Two Crow Tribal members, including the Hardin Bank's president, currently sit on its board of directors. The Board believes that the adequacy of a group's representation on the board of a bank is generally beyond the scope of factors that are required to be assessed under the CRA.

9. In addition to FIBM's lead Billings Bank, two small FIBM subsidiaries, First Interstate Bank of West Billings ("West Billings Bank") and First Interstate Bank of Billings Heights ("Billings Heights Bank"), are located in Billings, Montana.

10. 54 *Federal Register* 13,742 (1989).

11. The most recent CRA examination by the FDIC for Hardin Bank was as of August 1991, and the most recent CRA examination by the OCC for Billings Bank was as of November 1988. In addition, West Billings Bank and Billings Heights Bank were most recently examined by the FDIC as of December 1990. None of these examinations found any evidence of illegal discriminatory lending practices by these FIBM subsidiary banks.

12. 54 *Federal Register* at 13,745.

13. All FIBM lending data are as of September 1992.

14. Hardin Bank also has an additional 5 real estate loans for agricultural properties to the Crow Reservation totaling approximately $700,000.

FIBM's lending activities in Billings for Crow Reservation borrowers are conducted primarily through the lead Billings Bank. For example, Billings Bank currently has 204 consumer loans originated to Crow Reservation borrowers with total balances of approximately \$1.2 million. In addition, Billings Bank had extended 5 agricultural loans totaling approximately \$400,000 to the Crow Reservation.[15]

On the basis of all the facts of record, including all of the comments received and relevant examination reports, the Board believes that the CRA performance records of Hardin Bank and the Billings banks, as well as the other FIBM subsidiary banks, are consistent with approval of these applications.[16]

Other Considerations

The Board also concludes that the financial and managerial resources and future prospects of FIBM, Billings Bank, South Missoula Bank, and all the other subsidiary banks of FIBM, as well as other factors required to be considered by the Board, are consistent with approval under the BHC Act and the Bank Merger Act.[17]

Billings Bank also has applied under section 9 of the Federal Reserve Act to become a member of the Federal Reserve System and to establish branches at the present offices of the banks to be merged into Billings Bank. The Board has considered the factors it is required to consider when reviewing applications pursuant to section 9 of the Federal Reserve Act and finds those factors to be consistent with approval.

Based on the foregoing and other facts of record, the Board has determined that the applications should be, and hereby are, approved. This approval is specifically conditioned upon compliance by FIBM and its subsidiaries with the commitments made in connection with these applications. For purposes of this action, all of the commitments and conditions will be considered conditions imposed in writing and, as such, may be enforced in proceedings under applicable law. These transactions shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Minneapolis, acting pursuant to delegated authority.

By order of the Board of Governors, effective October 26, 1992.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

Appendix

Billings Bank will establish the following branches:

(1) 101 E. Front Street, Missoula, Montana;
(2) 402 North Center, Hardin, Montana;
(3) 1115 Main Street, Miles City, Montana;
(4) 730 Main Street, Billings, Montana;
(5) 2501 Central Avenue, Billings, Montana;
(6) 12 Cherry Street, Colstrip, Montana; and
(7) 3502 Brooks, Missoula, Montana.

Meridian Bancorp, Inc.
Reading, Pennsylvania

Order Approving Acquisition of a Bank Holding Company

Meridian Bancorp, Inc., Reading, Pennsylvania ("Meridian"), 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 (12 U.S.C. § 1842) to acquire all of the voting shares of Peoples Bancorp, Inc., Lebanon, Pennsylvania ("Peoples"), and thereby to acquire indirectly Peoples' subsidiary bank, The Peoples Na-

15. The total number of agricultural loans extended by all FIBM affiliates to the Crow Reservation is 125, with total outstanding balances of approximately \$4.6 million.

16. One Protestant has requested that the Board hold a public hearing or meeting to assess further facts surrounding the CRA performance of FIBM and its subsidiary banks relating to the Crow Reservation. The Board is not required under the Federal Reserve Act, the Bank Merger Act or the BHC Act to hold a public hearing or meeting in this case. Under the Board's rules, the Board may, in its discretion, hold a public hearing or meeting on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 U.S.C. §§ 262.3(e) and 262.25(d).

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

17. Several commenters have alleged that shareholders of FIBM may have violated section 2 of the Crow Indian Allotment Act, 41 Stat. 751 (1920), as amended by 54 Stat. 252 (1940), by purchasing real estate located on the Crow Reservation. These allegations do not involve any actions by management on behalf of FIBM banks. In addition, these allegation are subject to ongoing court proceedings that will provide the plaintiffs with an adequate remedy if the alleged misconduct can be established. Based on a review of all the facts of record, the Board concludes that these comments do not provide a basis for denying these applications.

tional Bank of Lebanon, Lebanon, Pennsylvania ("Peoples Bank"). Meridian's wholly owned subsidiary state member bank, Meridian Bank, Reading, Pennsylvania ("Meridian Bank"), also has applied for the Board's approval under section 18(c) of the Federal Deposit Insurance Act (the "Bank Merger Act") to merge with Peoples Bank and under section 9 and section 24A of the Federal Reserve Act to establish additional branches and invest in bank premises.[1]

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (57 *Federal Register* 34,494 (1992)). The time for filing comments has expired, and the Board has considered these applications and all comments received in light of the factors set forth in section 3(c) of the BHC Act, the Bank Merger Act, and the Federal Reserve Act.[2] As required by the Bank Merger Act, reports on the competitive effects of the merger were requested from the United States Attorney General, the Office of the Comptroller of the Currency ("OCC"), and the Federal Deposit Insurance Corporation ("FDIC").

Meridian, with approximately $11.9 billion in consolidated assets, controls two subsidiary banks located in Pennsylvania and one subsidiary bank located in Delaware.[3] Meridian controls deposits of $9 billion in Pennsylvania, and is the fourth largest commercial banking organization in that state. Peoples, with approximately $143 million in consolidated assets, controls one bank in Pennsylvania. Upon consummation of the transaction, Meridian would remain the fourth largest commercial banking organization in Pennsylvania, controlling deposits of approximately $9.1 billion in that state, representing 6.6 percent of deposits in commercial banks in that state.

Competitive Considerations

Meridian and Peoples compete directly in the Harrisburg/Lebanon/Carlisle MSA banking market.[4] Meridian is the fifth largest commercial banking or thrift organization ("depository institution") in the market, controlling $559 million in deposits in the market, representing 8.1 percent of total deposits held by depository institutions in the market ("market deposits").[5] Peoples is the tenth largest depository institution in the market, controlling $131 million in deposits, representing 1.9 percent of market deposits. The market would remain moderately concentrated upon consummation of the proposal, and the Herfindahl-Hirschman Index ("HHI") would increase by 31 points to 1047.[6] Thirty-five depository institutions operating a total of 235 offices would remain in the market. The Board also has sought comments concerning the competitive effects of this proposal from the United States Attorney General, the OCC, and the FDIC. None of these agencies has provided any objection to consummation of this proposal nor indicated that the proposal would have any significantly adverse competitive effects.

After considering the competition offered by other depository institutions in the market, the number of competitors remaining in the market, the increase in concentration as measured by the HHI Index, and other facts of record, the Board has concluded that consummation of the proposal would not result in a significantly adverse effect on competition in the Harrisburg/Lebanon/Carlisle MSA banking market or in any other relevant banking markets.[7]

Convenience and Needs Considerations

In considering an application under section 3 of the BHC Act, the Bank Merger Act, and the Federal Reserve Act, the Board must consider the convenience and needs of the communities to be served, and

1. Meridian will establish branches at the following locations:
(1) 8th and Cumberland Streets, Lebanon, Pennsylvania;
(2) East Walnut at Cumberland Street, Lebanon, Pennsylvania;
(3) North Eighth Street, Lebanon, Pennsylvania;
(4) East Chocolate Avenue and Derry Road, Hershey, Pennsylvania; and
(5) Dutch Way Farm Market Complex, Schaefferstown, Pennsylvania.

2. The Board has also considered comments filed after the close of the comment period. Under the Board's rules, the Board may in its discretion take into consideration the substance of such comments. 12 C.F.R. 262.3(e).

3. Asset and state deposit data are as of June 30, 1992.

4. The Harrisburg/Lebanon/Carlisle MSA banking market comprises Cumberland, Dauphin, Lebanon, and Perry Counties in Pennsylvania.

5. 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. *Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Market deposit data are as of June 30, 1991, and have been updated to reflect mergers and acquisitions since that date.

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 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 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.

7. The Board has received comments opposing the proposal on the grounds that Meridian would exercise monopoly or near-monopoly power in this local banking market. For the reasons discussed above, the Board does not believe that the proposal would result in significantly anti-competitive effects in any relevant banking market.

take into account the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate consistent with the safe and sound operation of such institutions. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of such institution," and to take that record into account in its evaluation of bank holding company applications.[8]

In connection with this application, the Board has received comments from an organization ("Protestant") alleging that Meridian has failed to ascertain or meet the credit needs of low-income and minority neighborhoods, and minority-owned small businesses, in North Philadelphia. Protestant also alleges that Meridian Bank has illegally discriminated in making housing-related loans in North Philadelphia on the basis of 1990 data submitted under the Home Mortgage Disclosure Act ("HMDA").[9]

The Board has carefully reviewed the CRA performance records of Meridian's subsidiary banks and Peoples Bank, as well as the comments received and Meridian's response to those comments, in light of the CRA, the Board's regulations, and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").[10]

Record of Performance Under the CRA

A. CRA Performance Examinations

The Agency CRA Statement indicates that decisions by agencies to allow financial institutions to expand will be made pursuant to an analysis of the institution's overall CRA performance and will be based on the actual record of performance of the institution. The Board also has reviewed the CRA examination records of these institutions.[11]

Initially, the Board notes that Meridian Bank received an "outstanding" rating from the bank's primary federal regulator, the Federal Reserve Bank of Philadelphia, in its most recent examination for CRA performance as of July 1, 1991 (the "1991 Examination"). Additionally, Peoples Bank and the other subsidiary banks of Meridian received "outstanding" or "satisfactory" ratings from their primary federal regulators in their most recent CRA performance examinations.[12]

B. Corporate Policies

Meridian Bank has in place the types of policies and procedures that the Board and other federal bank supervisory agencies have indicated contribute to an effective CRA program. Meridian Bank established the Meridian Community Partnership Program ("MCPP") in 1988 to institutionalize its CRA activities. MCPP is administered and implemented by the Corporate Community Affairs Department of the bank. This department is headed by the bank's CRA officer. Meridian Bank also has established a CRA Monitoring Committee, which meets quarterly and is responsible for reviewing the bank's CRA performance and making CRA-related policy decisions. This

8. 12 U.S.C. § 2903.

9. Several other commenters have questioned Meridian Bank's ability to maintain an adequate level of responsiveness to local banking needs in Lebanon County, Pennsylvania, where Peoples Bank is located. Meridian has responded that its retail and commercial functions are organized on a geographic basis, and following consummation of this proposal, the bank's retail manager and commercial manager for its Susquehanna Valley division will maintain offices in Lebanon County. In addition, Meridian has stated that the lending authority of these managers and of other lending officers based in Lebanon County will approximate the legal lending limit of Peoples Bank, and that the variety of products and services offered by Meridian Bank will be broader than those of Peoples Bank. The main office of Peoples Bank and three of its four branches will continue to be operated as branches of Meridian Bank. The Hershey, Pennsylvania, branch of Peoples Bank will be closed because Meridian Bank operates four branches within two miles of this branch.

Other commenters have raised issues regarding potential unemployment as a result of this proposal, which issues are not related to Meridian's record of performance under the CRA. Meridian has committed that it will assist any displaced employees to find employment with Meridian within the geographic area surrounding Lebanon County, and will provide severance benefits to persons who cannot be so employed.

10. 54 *Federal Register* 13,742 (1989).

11. The Agency CRA Statement provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record and that these reports will be given great weight in the applications process. 54 *Federal Register* 13,745 (1989). Protestant alleges that the most recent examination of Meridian Bank for CRA performance does not accurately reflect the bank's CRA performance because the chairman of the board and chief executive officer of Meridian is a Class A member of the board of directors of the Federal Reserve Bank of Philadelphia, the bank's primary federal regulator. Federal Reserve Bank directors do not participate in the direct supervision of banks or bank holding companies or in matters such as applications processing, examinations, or enforcement proceedings, and did not participate in or review the CRA examination in this case.

12. Peoples Bank received a "satisfactory" performance rating from the OCC on January 22, 1990; Delaware Trust Company, Wilmington, Delaware, received an "outstanding" performance rating from the FDIC on July 20, 1990; and The First National Bank of Pike County, Milford, Pennsylvania, received a "satisfactory" performance rating from the OCC on August 30, 1982. Delaware Trust Company and The First National Bank of Pike County are wholly owned subsidiaries of Meridian.

committee includes the chairman of the board and chief executive officer of Meridian, the president and chief executive officer of Meridian Bank, and other executive officers of Meridian Bank, Meridian Mortgage Corporation, the bank's mortgage banking subsidiary ("MMC"), and other banking affiliates.

Additional committees involving senior managers of Meridian Bank exist to investigate, promote, or review CRA activities in specific areas, such as the use of tax credits and the participation of the bank with community development corporations. MCPP and CRA activities in general are discussed at meetings of Meridian Bank's board of directors.[13] In addition, the 1991 Examination found that the allocation of human and financial resources by the bank to MCPP had increased and that the scope of the program had expanded since the previous examination.

C. Ascertainment and Marketing Efforts

Meridian Bank has an established program to gather and evaluate information about the communities it serves, their credit needs, and the receptivity of those communities to the bank's products and services. This program also serves to facilitate the development of new products and services to address the identified needs. For example, the 1991 Examination noted that Meridian Bank officers made calls on over 1,500 community organizations and public sector agencies during the preceding two-year period. Information from these calls is entered into a central database, where it is reviewed by departmental managers and the Corporate Community Affairs Department. Meridian Bank also operates the Meridian Community Forum, a speakers bureau designed to educate the communities Meridian Bank serves concerning the bank's credit products and to learn from these communities about their credit needs. Forums frequently are conducted as workshops or seminars on specialized subjects; forum subjects have included non-profit organization management, mortgage and small business lending, and basic banking services. Over sixty forum presentations were made in Philadelphia alone during 1990 and 1991.

Meridian Bank also ascertains the credit needs of the communities it serves by encouraging its officers and employees to serve on advisory boards of community and public sector organizations serving low- and moderate-income groups. As a result of this participation, Meridian Bank has provided bridge financing to such organizations facing delays in the receipt of public funds. Officers and employees serve on over 40 such boards, including, in the City of Philadelphia, the North Broad Street Revitalization Project, North Philadelphia Germantown/Lehigh Action Planning Committee, Philadelphia Council for Community Advancement, and United Black Business Association.

Meridian Bank also has invited leaders from non-profit, public sector, minority, and religious organizations to join with Meridian Bank employees on internal advisory committees established in each of the bank's four geographic divisions. Advisory committees meet at least quarterly to review the bank's loan activity reports, geocoded loan data, and marketing information. The staff of the Corporate Community Affairs Department reviews all records of these meetings to evaluate and develop the bank's products.[14]

Meridian Bank's market research department also assembles and evaluates demographic data, information on consumer habits, and competitive data. It regularly conducts focus groups among Meridian Bank employees to improve the delivery of services. For example, Meridian Bank has implemented suggestions from these focus groups to hire bilingual personnel, introduce Spanish language ATM screens, and develop Spanish and Korean language advertising materials. The market research department also creates demographic profiles for each county and MSA served by Meridian Bank. These profiles are provided to bank management, included in the bank's CRA statement, and made available to community organizations. The participation of community groups in this process has prompted additional ascertainment efforts.[15] Market research also tracks the distribution of Meridian Bank's housing, consumer, and commercial loan products based on census tracts, gender, income, and race. On the basis of this information, Meridian Bank has introduced new products and altered the marketing of old products. For example, NEED (Necessary Emergency Expense Disbursement) Loans of up to $1,500, repayable at an interest rate one-half percent below

13. For example, during the two-year period preceding the 1991 Examination, the board of directors of Meridian twice approved an expanded CRA statement for the bank and reviewed the bank's community delineation and distribution of credits, the bank's low-income housing tax credit activities, MCPP loan products, a proposal to establish a community development corporation subsidiary, and a proposal to participate in a special financial assistance package for the City of Philadelphia during its fiscal crisis.

14. Advisory subcommittees also have been established when appropriate to address specific local needs. In the Susquehanna Valley division of the bank, an advisory subcommittee identified the need to increase minority lending in that area and arranged for the bank to make a lending commitment to Lancaster Enterprise, Inc., to be used to fund smaller loans to minority businesses in Lancaster, Pennsylvania.

15. For example, in Berks County, Pennsylvania, community organizations identified the need for more detailed information about local housing needs, and Meridian Bank participated in the creation of a funding consortium to contract for the performance of the targeted survey.

the prevailing consumer loan rate, were introduced as a result of this analysis.

In addition, Meridian Bank has well-established marketing and advertising programs. These programs are approved, reviewed, and monitored by senior management, and inform all communities served by the bank, including low- and moderate-income neighborhoods, of the availability of the bank's products and services. The bank uses minority newspapers, business directories, and radio stations, and the bank's printed advertising reflects the diversity of the neighborhoods in its target markets. Many materials have been produced in the Spanish language, and mass mailings have been made to hispanic civic, community, and service organizations throughout Meridian Bank's service communities. Newsletters have been developed specifically for distribution to non-profit organizations, small businesses, and agribusinesses. Internally, CRA training manuals have been tailored to each of the bank's four geographic divisions. These manuals focus on the products, community contacts, public sector agencies, and demographic data appropriate to that area.

D. Lending and Other Activities

Meridian Bank offers and participates in a number of programs designed to assist in meeting the housing-related credit needs of its service communities, including low- and moderate-income neighborhoods.[16] For example, Meridian Bank's mortgage lending department, under the Meridian Community Partnership Loan Program, offers a variety of conventional and governmentally insured, guaranteed, or subsidized loan programs designed to meet the credit needs of low- and moderate-income homebuyers.[17]

Meridian Bank originated 148 loans in the aggregate amount of $7.9 million in 1990 under the Pennsylvania Housing Finance Agency ("PHFA") conventional loan program, and a total of 226 loans aggregating $14.5 million under all of its standard, governmentally-assisted programs. Meridian Bank has also actively participated in other special housing-related lending programs in Philadelphia, including the Philadelphia Redevelopment Authority 203(K) Program (bridge financing to support loans to individuals and investors to acquire and rehabilitate deteriorated properties) and the Philadelphia MEND Program (loans to developers to rehabilitate abandoned and deteriorated properties for low- to moderate-income housing).

MMC, a wholly owned subsidiary of Meridian Bank, provides financing for single-family housing, multi-unit housing, and low- and moderate-income projects through a full line of fixed rate, variable rate, FHA, and VA loans. MMC participates in the State of Pennsylvania First Time Home Buyer's Mortgage Bond Program and in the Community Home Buyer's Program (a partnership among the lender, a private mortgage insurer, and the Federal National Mortgage Association to permit less stringent loan underwriting and lower settlement costs and to provide credit and home maintenance counseling). From January 1991 through August 1992, Meridian Bank and MMC made 77 mortgage loans totaling approximately $4.5 million in census tracts located in North Philadelphia.[18]

Meridian Bank's small business lending activities are conducted through a separate department within the bank, and its programs emphasize lending to small businesses in low- and moderate-income areas. During 1990, Meridian Bank extended 104 loans aggregating $6.9 million to small businesses with an employee base of 20 or less. Meridian Bank is a Certified Preferred SBA Lender, which reduces substantially the time required to process SBA loan applications, and the bank is an active SBA lender.[19] During 1990, Meridian Bank originated over $18.6 million in SBA loans, and during the first six months of 1991 it originated 25 loans aggregating $8.5 million.[20] In Philadelphia, Meridian Bank participates in several credit programs designed

16. The 1991 examination found that the geographic distribution of Meridian Bank's housing-related credit extensions, applications, and denials demonstrated a reasonable penetration into all segments of the delineated service area.

17. Meridian Bank's residential mortgage lending department offers a standard product array of fourteen permanent mortgage loan types, four construction loan and permanent financing facilities, and various special credit programs. Special credit programs include FHA Section 203(B), which provides mortgage insurance for loans with loan-to-value ratios in excess of 80 percent, FHA Section 221(D)(2), which provides loans to low- and moderate-income homebuyers, Pennsylvania Housing Finance Agency programs, which finance loans to creditworthy, low-income, first-time homebuyers at reduced interest rates, with reduced or assisted settlement costs, and the Delaware Valley Mortgage Plan, which offers low- to moderate-income homebuyers flexible underwriting criteria, reduced interest rates, higher loan-to-value ratios, and reduced settlement costs.

18. The 1991 Examination expressed some concern that, when examined alone, MMC's presence as a mortgagor in low- and moderate-income census tracts in Philadelphia County, Pennsylvania, declined from 1989 to 1990. However, the 1991 Examination also noted the increased emphasis that Meridian Bank had placed during that period on its newly formed internal mortgage lending department to deliver credit services in low- and moderate-income census tracts. The 1991 Examination called for a more coordinated joint effort from Meridian Bank and MMC.

19. Meridian Bank has been the largest volume SBA lender in the six-state mid-Atlantic region that includes Pennsylvania during each of the past six years.

20. Meridian Bank also has an agribusiness lending department that offers a variety of credit and banking services to small, independent farming operations and to larger agricultural enterprises. Meridian Bank is a Certified Preferred Lender under the Farmers Home Administration guaranteed loan program, which, as in the SBA program, permits the bank to reduce substantially the time required to process loan applications.

to assist in meeting the credit needs of small businesses, including the Philadelphia Commercial Development Corporation ("PCDC")(promotion of entrepreneurial development, especially among women and minorities), the PCDC Housing Contractor Program, and the West Philadelphia Neighborhood Enterprise Center (micro-loan pool and peer group lending facility). Small business lending in North Philadelphia census tracts from January 1991 through September 1992 totalled 25 loans for approximately $1.7 million.

Meridian Bank also offers special consumer credit products for low- and moderate-income consumers under guidelines used by PHFA for its special credit programs. Qualified applicants are eligible for reduced interest rates, and the underwriting criteria are more flexible in evaluating the credit histories of low- and moderate-income consumers.[21] Consumer lending from January 1991 through June 1992 totalled 863 loans amounting to approximately $5.4 million in North Philadelphia census tracts.

Community development activities by Meridian Bank also support residents in North Philadelphia. For example, the bank supports the Allegheny West Foundation with board participation, loans, and grants to promote housing development and related programs for limited income families in North Philadelphia, including a 41-unit low-income rental housing project, and to encourage the development of neighborhood small businesses. Meridian Bank made 10 community development loans in North Philadelphia census tracts totalling approximately $1.2 million from January 1991 through October 1992.

E. HMDA Data and Lending Practices

The Board has reviewed the 1990 HMDA data reported by Meridian Bank in light of Protestant's comments. Data cited by the Protestant indicate disparities in rates of housing-related loan applications, and in approvals and denials that vary by racial or ethnic group in certain areas served by Meridian Bank. Because all banks are obligated to ensure that their lending practices are based on criteria that assure not only safe and sound lending, but also assure equal access to credit by creditworthy applicants regardless of race, the Board is concerned when the record of an institution indicates disparities in lending to minority applicants. The Board recognizes, however, that HMDA data alone provide only a limited measure of any given institution's lending in its community. The Board also recognizes that HMDA data have limitations that make the data an inadequate basis, absent other information, for conclusively determining whether an institution has engaged in illegal discrimination on the basis of race or ethnicity in making lending decisions.

The 1991 Examination found no evidence of illegal discrimination at Meridian Bank. In addition, the 1991 Examination found that Meridian Bank's board of directors and senior management periodically assess the adequacy of its implemented nondiscriminatory policies, procedures, and training programs through internal reviews and management reporting systems. The bank's policies and procedure manuals also contain information that is intended to inform operating personnel of the provisions of the various consumer regulations adopted to prevent discriminatory or illegal credit practices.

Meridian Bank has undertaken a number of steps designed to improve its lending to minorities and low- and moderate-income neighborhoods. For example, to assist potential borrowers, Meridian Bank has increased its own credit counseling efforts and its efforts in conjunction with community groups, such as the Harrisburg Fair Housing Council. The bank has also increased the promotion of the PHFA First Time Home Buyer's Lending Program to improve the lending opportunities for these borrowers. Meridian Bank is also participating in programs such as the Community Home Buyers Program with more flexible underwriting criteria which permit higher debt to income ratios.

G. Conclusion Regarding Convenience and Needs Factors

The Board has carefully considered the entire record of this application, including the comments filed in this case, in reviewing the convenience and needs factor under the BHC Act. Based on a review of the entire record of performance, including information provided by the commenters and the performance examinations by the banks' primary regulators, the Board believes that the efforts of Meridian and Peoples to help meet the credit needs of all segments of the community it serves, including low- and moderate-income neighborhoods, are consistent with approval of this application.

The Board recognizes that the record compiled in these applications points to areas for improvement in the CRA performance of Meridian Bank. In this regard, Meridian has initiated steps designed to strengthen its housing-related lending to low- and moderate-income and minority borrowers. On the basis of all the facts of record, the Board concludes that the convenience and needs considerations, including the performance records of Meridian and Peoples

21. Under these guidelines, Meridian Bank made 2,692 loans totalling $14.5 million during 1990, and it made 3,485 loans totalling $20.2 million during the first six months of 1991.

Bank, are consistent with approval of these applications. The Board expects Meridian Bank to implement fully the CRA initiatives and commitments discussed in this Order and contained in its application. Meridian Bank's progress in implementing these initiatives and commitments will be monitored by the Federal Reserve Bank of Philadelphia and in future applications to expand its deposit-taking facilities.

Other Considerations

The Board also concludes that the financial and managerial resources[22] and future prospects of Meridian and Peoples, and their subsidiary banks, and the other factors that the Board must consider under section 3 of the BHC Act and the Bank Merger Act are consistent with approval. Meridian Bank also has applied under sections 9 and 24A of the Federal Reserve Act to establish branches and invest in branch premises. The Board has considered the factors it is required to consider when reviewing applications pursuant to these sections of the Federal Reserve Act and finds those factors to be consistent with approval.

Based on the foregoing and other facts of record, the Board has determined that the applications should be, and hereby are, approved. The Board's approval of this transaction is specifically conditioned upon compliance by Meridian with the commitments it has made in connection with this application. For purposes of this action, these commitments are considered conditions imposed in writing by the Board in connection with its findings and decision and may be enforced in proceedings under applicable laws. The transaction approved in this Order shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless such period is extended for good cause by the Federal Reserve Bank of Philadelphia, pursuant to delegated authority.

By order of the Board of Governors, effective October 26, 1992.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

22. The Board has considered a comment alleging that Meridian Bank has employed wrongful demand and collection procedures in connection with loans made to a minority-owned partnership. On the basis of all the facts of record, including an investigation of the allegations and relevant reports of examination by the Federal Reserve Bank of Philadelphia, the Board concludes that these comments do not raise issues that would warrant a denial of these applications.

Orders Issued Under Section 4 of the Bank Holding Company Act

First Bank System, Inc. Minneapolis, Minnesota

Order Approving Acquisition of a Savings Association

First Bank System, Inc., Minneapolis, Minnesota ("FBS"), and its wholly owned subsidiary, Central Bancorporation, Inc., Denver, Colorado ("CBI"), both bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have applied pursuant to section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) to acquire Western Capital Investment Corporation, Denver, Colorado ("Western Capital"), and its savings association subsidiary, Bank Western, Denver, Colorado, pursuant to the Board's Regulation Y (12 C.F.R. 225.25(b)(9)).[1] Western Capital has also applied to acquire the nonbanking subsidiaries of Western Capital and thereby engage in mortgage lending activities, credit insurance, and general insurance agency activities pursuant to the Board's Regulation Y.[2]

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (57 *Federal Register* 34,780 (1992)). The time for filing comments has expired, and the Board has considered the applications and all the comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

The Board has determined that the operation of a savings association is closely related to banking and permissible for bank holding companies. 12 C.F.R. 225.25(b)(9). In making this determination, the Board required that savings associations acquired by bank holding companies conform their direct and indirect activities to those permissible for bank holding companies under section 4 of the BHC Act. In this regard,

1. Western Capital will merge with and into CBI, with CBI as the surviving entity. FBS has also requested approval to acquire 19.9 percent of Western Capital's stock under a stock option agreement. This agreement becomes moot upon consummation of this proposal.

2. These nonbanking subsidiaries are: Field Mortgage Co., Denver, Colorado (mortgage lending activities pursuant to 12 C.F.R. 225.25(b)(1)); and Teton National Insurance Company, Cheyenne, Wyoming (credit insurance activities pursuant to 12 C.F.R. 225.25(b)(8)(i)). FBS, a bank holding company grandfathered to engage in general insurance agency activities under section 4(c)(8)(G) of the BHC Act, has also applied to acquire Western Capital's Western Insurance Services, Inc., Denver, Colorado, and thereby continue to engage in these activities pursuant to 12 C.F.R. 225.25(b)(8)(vii). FBS is seeking approval from the Colorado Insurance Commissioner to engage in these activities and the Board's action is specifically conditioned upon obtaining approval to continue these activities from the state commissioner.

the Board has previously determined that the activities of Western Capital's nonbanking subsidiaries that FBS and CBI propose to retain are permissible activities for bank holding companies.[3]

In considering applications under section 4(c)(8) of the BHC Act, the Board is required to determine that the performance of the proposed activities "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." 12 U.S.C. § 1843(c)(8).

FBS, with total consolidated assets of approximately $17.8 billion, controls 24 banks in Colorado, Minnesota, Montana, North Dakota, Washington and Wisconsin.[4] FBS is the fourth largest commercial banking organization in Colorado, controlling deposits of $2.2 billion, representing 9.2 percent of total deposits in commercial banking organizations in the state. Western Capital is the second largest thrift organization in Colorado, controlling deposits of $2.1 billion, representing 31.2 percent of total thrift deposits in the state. Upon consummation of the proposed transaction, FBS would become the second largest bank and thrift institution (together, "depository institutions") in Colorado, controlling deposits of $4.3 billion, representing 14.0 percent of total deposits in depository institutions in the state.

FBS and Western Capital compete directly in the Colorado Springs, Denver, Fort Collins, Grand Junction, Greeley and Pueblo banking markets, all in Colorado. After considering the competition offered by other depository institutions in these markets,[5] the number of competitors remaining in the markets, the increase in concentration[6] and other facts of record, the Board has concluded that consummation of the proposal would not result in a significantly adverse effect on competition in any relevant banking market.[7] Accordingly, the Board concludes that consummation of this proposal would not result in a significantly adverse effect on competition in any relevant market.

Community Reinvestment Act Considerations

In considering applications to acquire a savings association under section 4 of the BHC Act, the Board also reviews the records of performance of the relevant institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA").[8] The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate, consistent with the safe and sound operation of such institutions. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess an institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the institution," and to take that record into account in its evaluation of bank holding company applications.[9]

3. FBS has committed to divest any impermissible real estate investments within two years of consummation of the proposal.

4. Asset data are as of June 30, 1992. State deposit data are as of December 31, 1991. Market deposit data are as of June 30, 1990, for banks and March 31, 1990, for thrift institutions.

5. Market deposit data before consummation are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, major competitors of commercial banks. *See Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Because the deposits of Western Capital would be controlled by a commercial banking organization under FBS's proposal, those deposits are included at 100 percent in the calculation of the *pro forma* market share. *See Norwest Corporation*, 78 *Federal Reserve Bulletin* 452 (1992); *First Banks, Inc.*, 76 *Federal Reserve Bulletin* 669, 670 n.9 (1990).

6. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is less than 1000 is considered unconcentrated, a market in which the post-merger HHI is between 1000 and 1800 is considered moderately concentrated, and a market in which the post-merger HHI is above 1800 is considered 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 institutions.

7. In the Colorado Springs banking market, FBS would become the fourth largest depository institution, representing 12.5 percent of total deposits in depository institutions in the market ("market deposits"), and the HHI would increase by 34 points to 1240. FBS would become the second largest depository institution in the Denver-Boulder banking market, representing 16.8 percent of market deposits, and the HHI would increase by 131 points to 954. In the Fort Collins banking market, FBS would become the fourth largest depository institution, representing 6.3 percent of market deposits, and the HHI would decrease by 59 points to 2081. FBS would become the second largest depository institution in the Grand Junction banking market, representing 23.8 percent of market deposits, and the HHI would increase by 74 points to 1750. In the Greeley banking market, FBS would become the fourth largest depository institution, representing 8.0 percent of market deposits, and the HHI would decrease by 34 points to 1508. FBS would become the sixth largest depository institution in the Pueblo banking market, representing 13.5 percent of market deposits, and the HHI would decrease by 13 points to 1593.

8. The Board previously has determined that the CRA by its terms does not generally 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).

9. 12 U.S.C. § 2903.

In connection with these applications, the Board has reviewed comments received from the Denver Community Reinvestment Alliance ("Protestant") regarding the lending activities of the FBS operations in Denver on the basis of data submitted under the 1990 Home Mortgage Disclosure Act ("HMDA"). Protestant also alleges that FBS Mortgage Corporation ("FBS Mortgage"), a mortgage company subsidiary of FBS, has inadequate outreach and marketing efforts to minority communities in Denver and that FBS Mortgage denies a greater percentage of mortgage loans to minorities than to non-minorities in Denver.[10]

The Board has carefully reviewed the CRA performance records of FBS and Bank Western, as well as Protestant's comments and FBS's responses to those comments, and all of the other relevant facts, in light of the CRA, the Board's regulations, and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").[11]

Initially, the Board notes that FBS's lead bank, First Bank, Minneapolis, Minnesota, received a "satisfactory" rating for CRA performance from its primary regulator, the Office of the Comptroller of the Currency ("OCC"), in its most recent examination for CRA performance in January 1991.[12] The Agency CRA Statement provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record and that these reports will be given great weight in the applications process.[13]

Bank Western, which is the insured depository institution that FBS and CBI propose to acquire, received a "needs to improve" CRA rating in its most recent examination by its primary regulatory, the Office of Thrift Supervision ("OTS"), in May 1992. FBS has committed to initiate CRA training programs for Bank Western staff immediately upon consummation of this proposal. In addition, FBS has committed to institute its corporate CRA policies and programs, discussed below, at Bank Western upon consummation of this proposal.

FBS Policies and Programs. FBS has a Vice-President for Community Relations that coordinates and provides support to all community reinvestment efforts within FBS. In addition, FBS has a nine-member Senior CRA Policy Committee which is charged with overseeing the overall CRA performance of FBS's subsidiary banks and resolving any CRA issues that arise. CBI also has its own full-time Community Relations Department to oversee FBS's CRA activities in Colorado markets and to provide technical assistance on CRA matters. CBI will form a Senior CRA Policy Committee for Colorado.[14]

Each of the subsidiary banks of FBS has a market manager whose primary responsibility is developing and implementing the local community reinvestment efforts. To assist these market managers, FBS has developed a Community Reinvestment Evaluation and Planning Handbook ("CRA Handbook"). The CRA Handbook requires each of FBS's subsidiary banks to annually complete a six step CRA planning process which includes: delineating the bank's community; evaluating the bank's CRA performance for the prior year: assessing community needs through community involvement and analyzing pertinent economic and demographic information; identifying specific community credit needs, including for low- and moderate-income individuals; developing specific plans for meeting these credit needs, including the development of products and outreach mechanisms to targeted borrowers; and involving the bank's board of directors in CRA planning.[15]

HMDA Data. The Board has reviewed the 1990 and 1991 HMDA data reported by FBS in Denver, and

10. The Board also has considered that the Department of Housing and Urban Development ("HUD") has been requested by a community group to investigate the lending practices of FBS Mortgage in Denver. This request was made in early October 1992, and HUD is in the initial stages of the review of this matter. The Board will monitor HUD's investigation and will take appropriate action, including supervisory action, if appropriate, following completion of the review by HUD.

11. 54 *Federal Register* 13,742 (1989).

12. All of the 24 subsidiary banks of FBS have received an "outstanding" or a "satisfactory" CRA rating from their primary regulator in their latest examination for CRA performance with the exception of Central Bank Grand Junction, Grand Junction, Colorado ("GJ Bank"). GJ Bank, which constitutes less than 1 percent of FBS's consolidated assets, received a "needs to improve" CRA performance rating from the OCC as of June 1991. Following this examination, GJ Bank promptly undertook a number of steps to address identified areas of weakness in CRA performance. For example, the bank has improved its efforts to ascertain community credit needs through a demographic analysis and community contacts. GJ Bank also increased its marketing efforts, including to low- and moderate-income communities, through media advertisements, direct mail, product brochures, telemarketing and realtor calls, and is working directly with community groups involved in building low-income housing. In addition, GJ Bank is participating in new lending programs to meet the needs of its community, such as the Community Enterprise Loan Initiative, a microlending program. On the basis of these and other facts of record, the Board believes that these initiatives sufficiently address relevant areas of weakness in GJ Bank's record of performance under the CRA.

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

14. Senior managers from Bank Western will also be included in CBI's Senior CRA Policy Committee for Colorado.

15. Bank Western managers will receive a copy of FBS's CRA Handbook. FBS will work with Bank Western to develop and implement a written CRA plan for Bank Western for 1993. The CRA plan will include the six steps set forth above in the CRA planning process as outlined in the CRA Handbook.

Protestant's comments regarding these data.[16] These data indicate that loan originations vary for FBS Mortgage by racial or ethnic group and income level in Denver.

The Board has evaluated the HMDA data for FBS Mortgage in light of several factors. First, the Board notes that FBS serves Denver through a combination of CBI's subsidiary banks in the Denver area (the "Central Banks")[17] and FBS Mortgage. Thus, the Board has considered the combined record in Denver of the Central Banks and FBS Mortgage. Second, the Board has considered, in light of the generally satisfactory record of FBS, the steps that FBS has committed to take to improve the record of FBS Mortgage in Denver.

The Board believes that the lending record of FBS Mortgage must be considered in the context of the Central Banks lending activities in the Denver area. For example, the Central Banks provide a number credit products and services to residents and businesses located in low- and moderate-income and minority communities in Denver. As of year-end 1991, the Central Banks originated $7.3 million in consumer loans to consumers from low- and moderate-income zip codes in the Denver MSA. Central Bank, N.A. also has outstanding approximately $11.4 million in loans to minority-owned businesses and approximately $4.4 million in loans to businesses owned by women. In addition, Central Bank, N.A. has committed to provide $300,000 over a three-year period to the Cole Coalition, a community development partnership initiated to help strengthen a low-income neighborhood in Denver.[18] The Central Banks have extended $500,000 in credit to support the construction of housing for persons with disabilities in the Denver MSA.

In addition, the Central Banks have also recently introduced the Community Enterprise Lending Initiative ("CELI") to provide technical assistance and credit to small and emerging businesses. A CELI Advisory Council that the Central Banks have formed to discuss the needs of small and emerging businesses and to assess the effectiveness of the CELI program includes several key organizations that represent minority communities.[19] Central Bank N.A. also has provided $150,000 in grants to community organizations in 1991, including Colorado Housing Assistance Corporation, Greater Denver Local Development Corporation, and MiCasa Resource Center for Women.

FBS Mortgage has made 88 mortgage loans to low- and moderate-income areas in Denver totaling approximately $5.7 million in 1991. During 1992 to date, FBS Mortgage has made 129 loans to low- and moderate-income areas in Denver for a total of approximately $10.5 million. FBS Mortgage also assists in meeting the housing-related credit needs of low- and moderate-income residents in Denver by participating in special programs. For example, FBS Mortgage made 100 loans in Denver, for a total of $4.2 million, in 1991 to low- and moderate-income persons in connection with the Colorado Housing Finance Agency ("CHFA"). During 1992 to date, FBS Mortgage has made 78 loans in Denver, for a total of $3.5 million, in connection with the CHFA.

FBS Mortgage also has taken a number of steps designed to improve its record of ascertainment, marketing and lending to minority and low- and moderate-income communities in Denver. For example, FBS Mortgage has hired a new Community Lending Manager who is responsible for community outreach and marketing of affordable mortgage programs. FBS Mortgage is also hiring two additional mortgage originators who will devote their time exclusively to mortgage programs for low- and moderate-income borrowers. In addition, FBS Mortgage and the Central Banks will convene at least four focus group meetings in the Denver metropolitan area in 1993 to ascertain community awareness of credit products and services offered by both the Central Banks and FBS Mortgage and to solicit feedback on performance.[20]

FBS Mortgage also has introduced a new mortgage product, Home Advantage, for first mortgages. The Home Advantage product was designed with more flexible underwriting criteria and requires a downpayment of only $1,000, which can be met in several different ways, including through a secured or unsecured loan. As part of the Home Advantage program, FBS Mortgage has established a Financial Assistance Program to assist borrowers in obtaining funds, includ-

16. Depository and mortgage company subsidiaries were required for the first time in 1990 to report the information regarding both loan approvals and denials to the banking agencies and the public. This information includes data on the race, gender and income of individual applicants, as well as the location of the property securing the potential loan and the disposition of the application.

17. CBI's lead bank in Colorado, Central Bank, N.A., Denver, Colorado, received a "satisfactory" CRA rating from its primary regulator, the OCC, in its most recent examination for CRA performance in May 1991. The examination found no evidence of illegal discrimination.

18. Senior officers and board members of Central Bank N.A. serve on the board of directors of several organizations related to community development and affordable housing, including the Capital Hill Community Center and the Cole Neighborhood Project.

19. The Central Banks also offer SBA lending and provide small business loans through their Mainstreet Credit department. Mainstreet Credit uses simplified application forms and guarantees a 48-hour response after receiving a completed loan application.

20. CBI is planning to conduct a survey in 1993 of all available publications, including neighborhood newspapers and newspapers directed to specific ethnic populations, to determine appropriate vehicles for FBS Mortgage and the Central Banks to reach minority and low- and moderate-income communities in Colorado.

ing through FBS Mortgage, for closing costs, downpayment and property rehabilitation. In connection with the Home Advantage program, FBS Mortgage also plans to form partnerships with community organizations and/or government entities in Denver to provide counseling, help with outreach and provide feedback on product design.

FBS Mortgage has also introduced a home equity loan for home improvement with liberalized underwriting criteria. The minimum loan amount under this program is $2,000, and borrowers may get loans for up to 100 percent of the equity in their home. In addition, FBS Mortgage participates as an originator in the Colorado Housing & Finance Authority 1992 bond issue, which provides low interest rate mortgage loans to low- and moderate-income first time homebuyers throughout Colorado.

Based on a review of the entire record of performance of FBS, including relevant examination reports, the Board believes that the efforts of FBS to help meet the credit needs of all segments of its communities, including low- and moderate-income neighborhoods, are generally consistent with approval of this proposal. In reaching this conclusion, the Board has also considered that FBS Mortgage has already initiated some, and has committed to initiate additional, steps designed to strengthen home mortgage lending to minority and low- and moderate-income communities in Denver.

On the basis of all the facts of record, the Board concludes that convenience and needs considerations, including the CRA records of FBS and Western Capital, are consistent with approval of these applications.[21] The Board expects FBS to implement fully the CRA initiatives and commitments discussed in this Order and contained in its application, including the steps FBS has proposed to improve the lending record of FBS Mortgage and Bank Western in Denver. FBS's progress in implementing these initiatives and commitments will be monitored by the Board and taken into account in the Board's consideration of future applications by FBS to expand its deposit-taking facilities.

Financial, Managerial and Other Considerations

The financial and managerial resources of FBS and its subsidiaries and Western Capital and its subsidiaries are consistent with approval. In assessing the financial factors, the Board believes that bank holding companies must maintain adequate capital at savings associations that they propose to acquire. Upon consummation, FBS will meet all applicable capital requirements and has committed that Bank Western will meet all current and future minimum capital ratios adopted for savings associations by the OTS or the FDIC.[22]

In considering FBS's acquisition of the nonbanking activities of Western Capital, the Board notes that these subsidiaries compete in geographic markets that are regional or national in scope. These markets are served by numerous competitors, and FBS does not have a significant market share in any of these markets. Accordingly, the Board concludes that consummation of this proposal would not have a significant adverse effect on competition in any relevant market. FBS has also stated that the proposal will result in an increase in credit availability and improved services for customers of Bank Western. The record does not 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.

Based upon consideration of all the facts in this case, the Board has determined that the balance of the public interest factors it must consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval of the FBS's applications to acquire Western Capital. Accordingly, the Board has determined that the applications should be, and hereby are, approved. This approval is specifically conditioned on compliance by FBS with all of the commitments made in connection with these applications and with the conditions referenced in this order. The determinations as to Western Capital's nonbanking activities are also subject to all the conditions contained in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b)(3) (12 C.F.R. 225.4(d) and 225.23(b)(3)), and to the Board's authority to require such modification or termination of the activities of a holding company or

21. Protestant has requested that the Board hold a public hearing or meeting to permit Protestant to attempt to elicit additional information regarding the mortgage lending performance of FBS Mortgage in Denver and to obtain information on FBS's lending activities relating to disabled borrowers and to minority-owned small businesses. In considering this request, the Board has considered that Protestant has been provided an opportunity to seek information directly from Applicant and to submit written comments to the Board regarding the CRA performance of Applicant, and has in fact submitted written comments regarding its CRA allegations. In addition, in response to Protestant's request for a meeting with FBS, the Federal Reserve Bank of Minneapolis moderated an informal meeting on October 20, 1992, as provided for under the Board's Rules of Procedure (12 C.F.R. 262.25(c)). In light of these facts and all the facts of record relating to the CRA performance of FBS Mortgage and the Central Banks in Denver, including relevant examination information and the steps taken by FBS Mortgage to improve its housing-related lending in low-and moderate-income areas, the Board believes that a public hearing or meeting requested would serve no useful purpose or be required in this case.

22. For purposes of this commitment, investments in impermissible real estate projects and developments will be excluded from the definition of capital.

any of its subsidiaries as it finds necessary to assure compliance with, or prevent evasions of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder. For purposes of this approval, 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 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 Minneapolis, acting pursuant to delegated authority.

By order of the Board of Governors, effective October 29, 1992.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

National Westminster Bank PLC
London, England

Order Approving Application to Engage in the Execution and Clearance of Futures Contracts and Options on Futures Contracts and Providing Investment Advice on These Instruments

National Westminster Bank PLC, London, England ("Applicant"), a registered bank holding company, has applied under section 4(c)(8) of the Bank Holding Company Act ("BHC Act"), 12 U.S.C. § 1843(c)(8), and section 225.23(a)(3) of the Board's Regulation Y, 12 C.F.R. 225.23(a)(3), to acquire all of the outstanding shares of Burns Fry Futures, Inc., Chicago, Illinois ("Company"), and, through Company, engage in the execution and clearance on major commodity exchanges of certain futures contracts and options on futures contracts as a futures commission merchant ("FCM"), and provide investment advice on these instruments. The activities would be conducted in the United States and abroad.

Notice of the application, affording interested persons an opportunity to submit comments, has been duly published (57 *Federal Register* 1185 (1992)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

Applicant, with total consolidated assets equivalent to approximately U.S. $229.3 billion, is the 16th largest banking organization in the world, and provides a full range of retail and wholesale banking services worldwide.[1] In the United States, Applicant operates numerous representative offices, branches in New York and Illinois, an agency in California, and numerous nonbanking subsidiaries engaged in a variety of activities. Applicant also controls NatWest Holdings, Inc., New York, New York, and its subsidiaries, National Westminster Bank USA, New York, New York, and National Westminster Bank NJ, Jersey City, New Jersey. Applicant engages in various activities in the United States under section 4(c)(8) of the BHC Act.

Company is a wholly owned subsidiary of Burns Fry Limited, Toronto, Canada, and is registered with the Commodity Futures Trading Commission ("CFTC") as a futures commission merchant ("FCM"). Company engages in the execution and clearance of futures contracts and options on futures contracts set forth in the Appendix and provides related investment advice on these instruments.

The Board has previously determined by regulation that the execution and clearance of futures contracts and options on futures contracts for a variety of financial instruments, and providing advisory services with respect to such futures contracts are activities that are closely related to banking.[2] The Board by Order has previously approved the execution and clearance of, and the provision of advisory services with respect to, all the specific futures contracts, options thereon, and exchanges in this proposal, except the Nikkei Stock Average traded on the Chicago Mercantile Exchange.[3] The Nikkei Stock Average is essentially identical to instruments previously approved by the Board.[4] Based on the facts of record, the Board concludes that the proposed activities, including trading Nikkei Stock Average futures contracts and options thereon on the Chicago Mercantile Exchange, are closely related to banking.

1. Asset data are as of December 31, 1991. Ranking is as of December 31, 1990.

2. 12 C.F.R. 225.25(b)(18) and (1a).

3. *See, e.g., The Sanwa Bank, Limited*, 77 *Federal Reserve Bulletin* 64 (1991); *Chemical Banking Corporation*, 76 *Federal Reserve Bulletin* 660 (1990); *The Long-Term Credit Bank of Japan, Limited*, 76 *Federal Reserve Bulletin* 554 (1990); *The Long-Term Credit Bank of Japan, Limited*, 74 *Federal Reserve Bulletin* 573 (1988); *The Chase Manhattan Corporation*, 72 *Federal Reserve Bulletin* 203 (1986).

4. The Nikkei Stock Average futures contract is a broad based bond index that has been approved by the Board on the Singapore International Monetary Exchange. The Board has also approved several futures contracts and options thereon traded on the Chicago Mercantile Exchange. *See Chemical Banking Corporation, supra*, and orders cited therein. The Board also notes that in conducting investment advisory activities related to this instrument, an FCM is subject to regulation under the Commodity Exchange Act and the regulations of the CFTC as a registered advisor.

Under section 4 of the BHC Act, the Board is also required to determine that the performance of the proposed activities by Applicant "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." 12 U.S.C. § 1843(c)(8).

In cases involving a nonbanking acquisition by a bank holding company under section 4 of the BHC Act, the Board considers the financial condition and resources of the applicant and its subsidiaries and the effect of the transaction on these resources.[5] In this case, the proposed activities will require a direct de minimis capital investment by Applicant. The Board also has considered Applicant's record of financial support to its U.S. operations to be an important factor in assessing this proposal. Based on all the facts of record, the Board concludes that the financial and managerial resources of Applicant are consistent with approval. There is no evidence in the record that consummation of the proposal would result in any significant adverse effects such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. In addition, the Board has taken into account and has relied on the regulatory framework established pursuant to law by the CFTC for the trading of futures, as well as the conditions set forth in section 225.25(b)(18) of Regulation Y with respect to executing and clearing futures contracts and options on futures contracts, and in section 225.25(b)(19) of Regulation Y with respect to the provision of investment advice as a FCM as to futures contracts or options thereon. Based on consideration of all the relevant facts, the Board concludes that the balance of the public interest factors that it is required to consider under section 4(c)(8) is favorable.

Based on all the facts of record, and subject to the commitments made by Applicant, as well as all of the terms and conditions set forth in this order and in the above noted Board orders that relate to these activities, the Board has determined that the application should be, and hereby is, approved. The Board's determination is also subject to all of the conditions set forth in Regulation Y, including those in sections 225.4(d) and 225.23(b), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. The commitments and conditions relied on in reaching this decision are conditions imposed in writing by the Board in connection with its findings and decision and may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective October 7, 1992.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

Appendix

Chicago Board of Trade

Major Market Index futures contract[1]
Bond Buyer Municipal Board Index futures contract[2]
Long-Term Municipal Bond Index futures contract[3]

Chicago Mercantile Exchange

Standard & Poor's 500 Stock Price Index futures contract ("S&P 500")[4]
Options on the S&P 500[5]

Financiele Termijnmarkt Amsterdam NV

Dutch Government Bond Index futures contract[6]

Hongkong Futures Exchange Limited

Hang Seng Stock Index futures contracts[7]

Kansas City Board of Trade

Value Line Futures (Maxi) Index futures contract[8]

5. 12 C.F.R. 225.24; *The Fuji Bank, Limited*, 75 *Federal Reserve Bulletin* 94 (1989); *Bayerische Vereinsbank AG*, 73 *Federal Reserve Bulletin* 155, 156 (1987).

1. *Hongkong and Shanghai Banking Corporation*, 76 *Federal Reserve Bulletin* 770 (1990) ("*Hongkong and Shanghai*").
2. *Id.*
3. *Id.*
4. *Chemical Banking Corporation*, 76 *Federal Reserve Bulletin* 660 (1990) ("*Chemical*").
5. *Id.*
6. *Hongkong and Shanghai.*
7. *Id.*
8. *Id.*

Value Line Futures (Mini) Index futures contract[9]

London International Financial Futures Exchange

Financial Times-Stock Exchange 100 Index ("FT-SE 100")[10]
FT-SE 100 futures contracts and options thereon[11]
Options on foreign exchange[12]
UK Bond futures contracts[13]
Eurodollar and Sterling deposit interest rate futures contracts[14]

Marche a Terme d'Instruments Financiers

French Government Bond Index futures contracts[15]

New York Futures Exchange

New York Stock Exchange Composite Index ("NYSECI")[16]
Options of the NYSECI[17]

Singapore International Monetary Exchange

Nikkei 225 futures contract[18]

Sydney Futures Exchange

All Ordinaries Share Index futures contracts[19]
Australian Government Bond futures contracts[20]

Tokyo Stock Exchange

Tokyo Stock Price Index futures contracts[21]
Japanese Government Bond futures contracts[22]

9. *Id.*
10. *Chase Manhattan Corporation*, 72 *Federal Reserve Bulletin* 203 (1986).
11. *Id.*
12. *Hongkong and Shanghai.*
13. *Id.*
14. *Id.*
15. *Id.*
16. *Id.*
17. *Id.*
18. *Id.*
19. *Id.*
20. *Id.*
21. *Id.*
22. *Id.*

Saban, S.A.
Panama City, Panama

Republic New York Corporation
New York, New York

Order Approving Application to Engage in Various Securities-Related Activities, Including Acting as a "Conduit" in Securities Borrowing and Lending

Saban, S.A., Panama City, Panama ("Saban"), and its subsidiary, Republic New York Corporation, New York, New York ("Republic")(together, the "Applicant"), have applied pursuant to section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. § 1843(c)(8)) ("BHC Act") and section 225.23(a) of the Board's Regulation Y (12 C.F.R. 225.23(a)), for prior approval to engage *de novo*, on a domestic and international basis, through the Applicant's wholly owned subsidiary, Republic New York Securities Corporation, New York, New York ("Company"), in the following activities:

(1) Providing investment advisory services and financial advisory services, including advice regarding mergers, acquisitions, and capital raising proposals by institutional customers, pursuant to section 225.25(b)(4) of Regulation Y;
(2) Providing securities brokerage services on an individual basis as well as in combination with investment advisory services ("full-service brokerage"), including exercising limited investment discretion on behalf of institutional customers;
(3) Purchasing and selling all types of securities on the order of institutional and retail customers as a "riskless principal;" and
(4) Engaging in securities credit activities under the Board's Regulation T, pursuant to section 225.25(b)(15)of Regulation Y, including acting as a "conduit" or "intermediary" in securities borrowing and lending.

Notice of the application, affording interested persons an opportunity to submit comments, has been duly published (57 *Federal Register* 2098 (1992)). 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 4(c)(8) of the BHC Act.

Republic, with $32.2 billion in total consolidated assets, is the 11th largest commercial banking organization in New York State.[1] Republic operates one

1. Asset data are as of March 31, 1992.

subsidiary bank and one subsidiary savings bank in New York, and engages directly and through its subsidiaries in a broad range of permissible nonbanking activities throughout the United States.

Saban is organized under the laws of Panama and operates a branch office in Gibraltar and a second-tier holding company in Luxembourg. These jurisdictions have laws limiting the disclosure of business or banking information.

To address the Board's concerns about issues arising from the operations of foreign companies that operate banking organizations in the United States, Saban and its principal shareholder have exercised their right to waive certain provisions of foreign secrecy laws and have made various commitments designed to enable the Board to have ready and complete access to the books and records of Saban and its affiliates, and to monitor the operations of Saban and its affiliates in the same manner that the Board inspects and monitors the activities of domestic banking organizations. Among other commitments, Saban and its principal shareholder each have committed:

(1) To submit to personal jurisdiction in the U.S. with respect to all aspects of enforcement of U.S. banking laws, and have exercised their rights to waive certain defenses to assertions of personal jurisdiction over Saban and its principal shareholder in the U.S.;

(2) To appoint a registered agent in the U.S. acceptable to the Board for service of process; and

(3) To permit the Board at any time to inspect books and records of Saban and its subsidiaries, as well as the companies controlled by this shareholder.

Local counsel in relevant jurisdictions have given opinions that local law would not prevent access to books and records of these companies under these circumstances. The Board believes that these steps are important in order to ensure that the Board has access to relevant information necessary to monitor compliance with the banking laws and to ensure that the location of an applicant or affiliate in a foreign jurisdiction does not impede the Board's ability to enforce compliance with applicable U.S. banking laws.

The Board previously has determined by regulation that engaging in the proposed:

(1) Investment advisory and financial advisory services, including providing advice regarding mergers, acquisitions, and capital raising proposals by institutional customers; and

(2) Securities brokerage activities, including full-service brokerage and exercising limited investment discretion on behalf of institutional customers, are closely related to banking under section 4(c)(8) of the BHC Act.[2]

Applicant has committed that Company will conduct these activities in accordance with the conditions and limitations set forth in Regulation Y.[3]

"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 security for its own account to offset a contemporaneous sale to (or purchase from) the customer.[4] Riskless principal transactions are understood in the industry to include only transactions in the secondary market. Applicant thus proposes that Company would not sell securities at the order of a customer that is the issuer of the securities to be sold or in any transaction where Company has a contractual agreement to place the securities as agent of the issuer. In acting as a riskless principal, Company also would not engage in any transaction involving a security for which it makes a market.

The Board previously has determined by order that, subject to certain prudential limitations that address the potential for conflicts of interests, unsound banking practices or other adverse effects, the proposed riskless principal activities are so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act. The Board also has determined that purchasing and selling securities on the order of investors as a riskless principal does not constitute underwriting and dealing in securities for purposes of section 20 of the Glass–Steagall Act, and that revenue derived from this activity is not subject to the 10 percent revenue limitation on ineligible securities underwriting and dealing. Applicant has committed that Company will conduct its riskless principal activities using the same methods and procedures, and subject to the same prudential limitations established by the Board in the Bankers Trust and *J.P. Morgan* orders.[5]

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

3. *See id.* Company will provide discretionary investment management for institutional customers only, in accordance with the provisions of sections 225.2(g) and 225.25(b)(15)(ii) of Regulation Y.

4. *See* Securities and Exchange Commission Rule 10b-10(a)(8)(i) (12 C.F.R. 240.10b-10(a)(8)(i)).

5. *Bankers Trust New York Corporation*, 75 *Federal Reserve Bulletin* 829 (1989) ("*Bankers Trust*"); *J.P. Morgan and Company, Inc.*, 76 *Federal Reserve Bulletin* 26 (1990) ("*J.P. Morgan*"). As detailed more fully in those orders, in addition to the commitments imposed by the Board in connection with underwriting and dealing in securities, Company will maintain specific records that will clearly identify all riskless principal transactions, and Company will not engage in any riskless principal transactions for any securities carried in its inventory. When acting as a riskless principal, Company will only engage in transactions in the secondary market, and not at the

Acting as a Conduit in Securities Borrowing and Lending

As part of its securities brokerage activities, Applicant proposes that Company engage in securities credit activities under the Board's Regulation T,[6] including engaging in securities borrowing and lending activities. Regulation T, which restricts the extent to which securities broker/dealers may obtain and extend credit, permits securities borrowing and lending transactions by broker/dealers if these activities are conducted "for the purpose of making delivery of the securities in the case of short sales, failure to receive securities required to be delivered, or other similar situations."[7]

The Board previously has permitted a bank holding company subsidiary to engage, as part of its securities brokerage activities, in lending and borrowing securities that the bank or bank holding company holds on behalf of customers.[8] In addition, banks and bank holding companies are permitted to borrow and lend securities held in their own portfolios.[9]

In this case, Applicant also proposes that Company borrow and lend the securities of non-customer third parties. Company would seek out counterparties to securities borrowing and lending transactions and would assume much the same risk in these transactions as if Company were borrowing or lending its own securities or its customers' securities. In this capacity, Company would act as a "conduit" or "intermediary" in securities borrowing and lending. Company would supply—upon the request of another broker/dealer who is unable to obtain securities needed to satisfy customer investment or operational needs—securities not available in Company accounts or customer accounts by seeking out third party non-customer lenders. In addition to locating the securities, Company proposes to coordinate, on behalf of the borrower and lender, the exchange of securities and collateral necessary to the transaction.[10]

In order to approve an application submitted pursuant to section 4(c)(8) of the BHC Act, the Board is required to determine that the proposed activity is "so closely related to banking as to be a proper incident thereto." 12 U.S.C. § 1843(c)(8).

Closely Related/Proper Incident to Banking Analysis

A. Closely Related to Banking Analysis

Under the *National Courier* test, the Board may find that an activity is closely related to banking for purposes of section 4(c)(8) if banks generally:

(1) Conduct the proposed activity;

(2) Provide services that are operationally or functionally so similar to the proposed activity as to equip them particularly well to provide the proposed services; or

(3) Provide services that are so integrally related to the proposed service as to require their provision in a specialized form.[11]

The Board believes that banks generally perform services that are operationally or functionally so similar to the proposed conduit services as to equip them particularly well to provide these services. In particular, the proposed conduit activity is operationally and functionally similar to the securities borrowing and lending activities banks conduct. Currently, national and state banks are permitted to lend securities from their own portfolio and, with the customer's consent, from the accounts of customers, and banks regularly do borrow securities to meet their own needs and the needs of customers.[12] The substitution of a third party in place of a trust or other customer of a bank does not change significantly the way in which the securities lending activity is conducted, either operationally or

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, nor hold itself out as making a market in the security that it buys and sells as a riskless principal. Moreover, Company will not engage in riskless principal transactions on behalf of its foreign affiliates that engage in securities dealing activities outside the United States.

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

7. *See* 12 C.F.R. 220.16.

8. *See The Chase Manhattan Corporation*, 69 *Federal Reserve Bulletin* 725 (1983) ("*Chase Manhattan*"). The Board found that securities borrowing and lending is closely related to banking and incidental to permissible discount securities brokerage activities and the extension of margin credit under Regulation T. *See also Canadian Imperial Bank of Commerce*, 74 *Federal Reserve Bulletin* 571, 572 n.1 (1988).

9. *See* the Federal Financial Institutions Examination Council's ("FFIEC") Supervisory Policy Statement on Securities Lending, F.R.R.S. § 3-1579.5 (1985) (articulating guidelines for securities lending activities of banks).

10. Company will coordinate this exchange through accounts established at the Depository Trust Company ("DTC"), a privately-held national clearinghouse for the settlement of transactions in corporate and municipal securities. Once Company has located the desired securities, the securities will be transferred to an account maintained by Company at DTC and simultaneously delivered to an account of the borrower at DTC. At the same time, the borrower must post collateral which Company will receive into its DTC account and simultaneously deliver to an account maintained by the lender at DTC.

11. *See National Courier Association v. Board of Governors*, 516 F.2d 1229, 1237 (D.C. Cir. 1975)("*National Courier*"). The Board may also consider any other factor that an applicant may advance to demonstrate a reasonable or close connection or relationship to banking. 49 *Federal Register* 794, 806 (1984); *Securities Industry Ass'n v. Board of Governors*, 468 U.S. 207, 210–11 n.5.

12. *See supra* note 9.

functionally. The same steps and procedures necessary to effectuate the loan of a customer's securities are followed in loaning the securities of a non-customer third party.

The risk associated with the proposed conduit activity is substantially the same risk that a bank must manage in lending securities from its own portfolio or the portfolio of a customer. The risk to Company in acting as a conduit is limited to ensuring that the collateral posted by the borrower reflects continuously the market value of the securities loaned. Company has committed to mark this collateral to market on a daily basis and make calls for supplemental collateral where necessary.[13] Company also has represented that it will not provide any indemnification to non-customer third party lenders of securities.

For these reasons, the Board believes that the proposed conduit activity is closely related to banking for purposes of section 4(c)(8) of the BHC Act.

B. Proper Incident to Banking Analysis

In determining whether an activity is a proper incident to banking, the Board must consider whether the activity "can reasonably be expected to produce benefits to the public, 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."

1. *Public Benefits*. Applicant maintains that performing the proposed conduit activity through Company will provide competition to the relatively few institutions in the United States that engage in this activity. Additionally, the *de novo* participation of Company in this activity should promote the efficient operation of the securities market by facilitating the completion of short sales and the satisfaction of the operational needs of broker/dealers in the market. Acting as a conduit in securities borrowing and lending also will provide greater convenience both to Company's customers and to other participants in the securities markets. In this regard, Company maintains that its ability to borrow securities for its own or its customers' accounts will be significantly enhanced if it has developed a role in the marketplace as an intermediary.

2. *Adverse Effects*. Applicant contends that acting as a conduit in securities borrowing and lending poses the risks to Company that:

(1) The borrower will not replace the securities loaned;

(2) The lender of the securities will not return the collateral posted by the borrower; and

(3) The collateral posted by the borrower will not cover sufficiently the value of the securities borrowed.

These risks are the same as the risks inherent in engaging in securities borrowing and lending involving customer securities or securities in the lending company's portfolio.[14]

To minimize risk, Company would act as a conduit only in situations where the potential borrower and lender are matched before the transaction.[15] In addition, Company will take various measures to minimize operational risks, including conducting its conduit activities in accordance with the collateral requirements imposed on the borrowers of securities by Regulation T.[16] At the end of each day, Company will mark to market the collateral posted by the borrower in all transactions in which Company has loaned securities or acted as an intermediary for a lender. Company also proposes to establish credit guidelines for potential borrowers and lenders,[17] and Applicant has committed that Company's conduit activities will comply, in all regards, with the guidelines, as applicable, set forth in

13. If the price of the borrowed securities increases, the borrower is required under Regulation T to provide additional collateral to Company, which in turn through transactions at DTC, passes the collateral to the initial lender of the securities. In the event the borrower is unable to meet this requirement, Company will have the contractual right to terminate the borrowing transaction by purchasing the securities in the open market and delivering them to the lender, who will then be obligated to return the borrower's collateral to Company. Because the borrowed securities will be marked to market by Company daily, the maximum exposure to Company in directly or indirectly borrowing or lending securities is one day's movement in the price of the borrowed securities.

14. In a 1947 Board interpretation of the parameters of securities borrowing and lending under Regulation T, the Board acknowledged that Regulation T does not require that securities be borrowed only from the customer accounts or portfolio of the broker/dealer lending the securities: "The present language of the provision does not require that the delivery for which the securities are borrowed must be on a transaction which the borrower has himself made, either as agent or as principal; he may borrow under the provision in order to relend to someone else for the latter person to make such a delivery." 33 *Federal Reserve Bulletin* 981 (1947).

15. A conduit transaction would only commence when a broker/dealer needing to borrow securities approaches Company. Company has committed that it will not, under any circumstances, borrow securities in anticipation of a transaction.

16. Applicant has committed that the Board's Regulation T—requiring that all securities borrowing and lending transactions be collateralized by at least 100 percent of the value of the securities as computed on a daily basis—shall be Company's minimum guideline for posting collateral, and that Company will require many transactions to be collateralized in excess of 100 percent of the value of the securities marked-to-market.

17. These credit policies will include a review of all lenders and borrowers and the establishment of a credit committee which will determine limits on the credit exposure of any single borrower. Applicant proposes that Company will transact its business only with a select group of well-capitalized broker/dealers—most of which are members of the New York Stock Exchange—that will not be brokerage customers of Company.

the FFIEC Supervisory Policy Statement on Securities Lending.[18]

Based on all the facts of record, including the termsand conditions under which the Applicant proposes to conduct these activities, the Board believes that Company's engaging in the proposed conduit activity is not likely to result in significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices that would outweigh the public benefits of Applicant's proposal, such as greater convenience, increased competition or gains in efficiency.[19]

Other Considerations

The financial and managerial resources of Applicant and Company also are consistent with approval of this application. The record also indicates that the conduct of all of the activities that Applicant has applied to conduct through Company can reasonably be expected to produce public benefits that outweigh the possible adverse effects associated with this proposal. In particular, the *de novo* entry of Company into the markets for all of these services should increase competition among the providers of these services. Thus, based on consideration of all the relevant facts, the Board concludes that the balance of the public interest factors that it is required to consider under section 4(c)(8) is favorable. Accordingly, based on all the facts of record, and subject to all the conditions and commitments in this Order, the Board has determined that the proposed application should be, and hereby is, approved.

Approval of this proposal is specifically conditioned on compliance by Applicant and its principal shareholder and Company with the commitments made in connection with this application, as supplemented, and with the conditions referenced in this Order and in previous Board orders. The Board's determination also is subject to all of the conditions set forth in Regulation Y, including those in sections 225.4(d) and 225.23(b), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. For purposes of this action, these commitments and conditions are both considered conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law. This transaction shall not be consummated later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of New York, pursuant to delegated authority.

By order of the Board of Governors, effective October 9, 1992.

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

WILLIAM W. WILES
Secretary of the Board

18. In addition to establishing credit policies and a credit committee, Company has committed that it will institute written policies and procedures prescribed by the FFIEC, which include, among other provisions, the establishment of:

(1) An adequate record-keeping system;

(2) Administrative procedures for marking securities to market and making timely margin calls;

(3) Collateral requirements and procedures; and

(4) Written guidelines for selecting investments for cash collateral where third party securities are loaned, and providing for written agreements with both borrowers and lenders of securities.

19. Company would not be involved in making any public offering of new securities as agent for an issuer, and thus, Company would not be engaged in underwriting. Moreover, Company would not be involved in the public sale of securities or in acting as a dealer for its own account in buying or selling securities. Instead, Company would be limited to borrowing or lending securities in transactions that do not involve the sale or distribution of securities. For these and other reasons, the proposed conduit activity does not appear to be prohibited by the Glass-Steagall Act.

ACTIONS TAKEN UNDER THE FEDERAL DEPOSIT INSURANCE CORPORATION IMPROVEMENT ACT

By the Board

Citizens Bancshares of Marysville, Inc. Marysville, Kansas

Order Approving Conversion Transaction through Merger Pursuant to Section 5(d)(3) of the Federal Deposit Insurance Act

Citizens Bancshares of Marysville, Inc., Marysville, Kansas ("Citizens"), a bank holding company within the meaning of the Bank Holding Company Act, has applied pursuant to section 5(d)(3)(A)(ii) of the Federal Deposit Insurance Act ("FDI Act") (12 U.S.C. § 1815(d)(3)(A)(ii)) to acquire and assume, through its subsidiary The Citizens State Bank of Marysville, Marysville, Kansas ("Bank"), a state non-member bank, certain assets and liabilities of the Marysville, Kansas, branch of First Savings Bank, F.S.B., Manhattan, Kansas ("First Savings Branch").[1] Section

1. This transaction also is subject to approval by the Federal Deposit Insurance Corporation ("FDIC") under the FDI Act and the

5(d)(3) of the FDI Act requires the Board to approve the transfer of such assets and liabilities to a bank holding company's subsidiary bank that is a Bank Insurance Fund member and to follow the procedures and consider the factors set forth in the Bank Merger Act (12 U.S.C. § 1828(c)).[2]

Notice of the application, affording interested persons an opportunity to submit comments, has been given in accordance with the Bank Merger Act. As required by the Bank Merger Act, reports on the competitive effects of the proposal were requested from the United States Attorney General, the Office of the Comptroller of the Currency ("OCC"), and the FDIC. The time for filing comments has expired, and the Board has considered the application and all the comments received in light of the factors set forth in the Bank Merger Act and section 5(d)(3) of the FDI Act.

Citizens is the 70th largest commercial banking organization in Kansas, controlling deposits of $73.8 million, representing less than 1 percent of total deposits in commercial banks in the state.[3] Upon acquiring First Savings Branch, Citizens would assume deposits of $15 million, and would become the 51st largest commercial banking organization in Kansas, controlling deposits of $88.8 million, representing less than 1 percent of total deposits in commercial banks in the state.[4]

Citizens and First Savings Branch compete in the Marshall County, Kansas, banking market.[5] Citizens is the largest commercial banking or thrift organization (together, "depository institution") in the market, controlling deposits of $73.8 million, representing approximately 29 percent of total deposits in depository institutions in the market ("market deposits").[6] Considered as a thrift institution with its deposits weighted at 50 percent, the portion of First Savings Branch to be acquired would constitute the seventh largest depository institution in the market, holding deposits representing approximately 3 percent of market deposits. Upon consummation of the proposed transaction, Citizens would control deposits of $88.8 million, representing approximately 36 percent of market deposits. The Herfindahl–Hirschman Index ("HHI") would increase by 395 points to 2224.[7]

A number of characteristics of the Marshall County banking market indicate that the increase in concentration levels as measured by the HHI for this market overstates the effect of this proposal on competition in the market. First, the market has experienced a significant economic decline in recent years. Marshall County is a rural county in northeastern Kansas on the Nebraska border that has experienced a population decrease of 9.3 percent to 11,600 between 1980 and 1990. During the same period, Kansas as a whole experienced a population increase of 5.4 percent. There is currently one depository institution competitor for every 967 residents in the market, a ratio that is more than three times greater than the average for this ratio statewide in Kansas. Moreover, per capita income in the market is approximately 78 percent of the state average. Banking organizations in the Marshall County banking market experience below-average profitability, with an average return on assets of less than 1 percent in 1991, which is approximately 15 percent below the average in Kansas.[8] These and other facts of record regarding the market suggest that the ability of the Marshall County banking market to support a large number of competitors has deteriorated.[9]

The Board also notes that eleven depository institutions would continue to operate in the market after consummation of this proposal, and the second largest depository institution in the market would control ap-

Bank Merger Act, and the FDIC has approved this proposal. *See* 12 U.S.C. §§ 1815(d)(3)(A)(i) and 1828(c).

2. These factors include considerations relating to competition, the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the communities to be served. 12 U.S.C. § 1828(c).

3. Bank deposit data are as of December 31, 1991. Thrift deposit data are as of June 30, 1991.

4. First Savings Branch currently controls $38.2 million in deposits. Citizens has committed that Bank will not assume deposits or acquire assets from First Savings Branch in an amount greater than $15 million.

5. The Marshall County, Kansas, banking market is approximated by Marshall County, Kansas.

6. In this context, depository institutions include commercial banks, savings banks and savings associations. Market share data are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, major competitors of commercial banks. *See WM Bancorp*, 76 *Federal Reserve Bulletin* 788 (1990); *Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Because the assumed deposits would be controlled by a commercial banking organization under Citizens' proposal, those deposits are included at 100 percent in the calculation of its *pro forma* market share. *See Norwest Corporation*, 78 *Federal Reserve Bulletin* 452 (1992); *First Banks, Inc.*, 76 *Federal Reserve Bulletin* 669, 670 n. 9 (1990).

7. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (1984), a market in which the post-merger HHI is above 1800 is considered to be highly concentrated. In such markets, the Justice Department is likely to challenge a merger that increases the HHI by more than 50 points. The Department of Justice has informed the Board that, as a general matter, a bank merger or acquisition will not be challenged, in the absence of other factors indicating anticompetitive effects, unless the post-merger HHI is at least 1800 and the merger increases the HHI by 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.

8. Data are based on financial reports submitted by Kansas financial institutions and the *Rand McNally Commercial Atlas and Marketing Guide* (1992).

9. *See, e.g., First Formoso, Inc.*, 76 *Federal Reserve Bulletin* 541 (1990).

proximately 27 percent of market deposits. The Board also has considered that the sale of First Savings Branch will assist First Savings Bank, F.S.B., to increase its capital ratios and that there does not appear to be an alternative purchaser.

The United States Attorney General has indicated that the proposal would not have a significantly adverse effect on competition in any relevant banking market. The FDIC has approved this proposal pursuant to the FDI Act and the Bank Merger Act. The OCC has not objected to consummation of this proposal or indicated that the proposal would have any significant adverse competitive effects.

Based on these and other facts of record, the Board has determined that consummation of this proposal is not likely to result in a significantly adverse effect on competition in the Marshall County banking market or any other relevant banking market.

The financial and managerial resources and future prospects of Citizens and Bank are consistent with approval of this proposal. Considerations relating to the convenience and needs of the communities to be served, and the other factors the Board must consider under provisions of the Bank Merger Act, also are consistent with approval.

Moreover, the record in this case shows that:

(1) The transaction will not result in the transfer of any federally insured depository institution's federal deposit insurance from one federal deposit insurance fund to the other;

(2) Citizens and Bank currently meet, and upon consummation of the proposed transaction will continue to meet, all applicable capital standards; and

(3) Since Bank is located in Kansas and is acquiring certain assets and assuming certain liabilities of a Kansas branch office of a federal savings bank, the proposed transaction would comply with the Douglas Amendment if First Savings Bank, F.S.B., were a state bank which Citizens were applying to acquire directly. *See* 12 U.S.C. § 1815(d)(3)(E) and (F).

Based on the foregoing and other facts of record, the Board has determined that the application should be, and hereby is, approved. This approval is specifically conditioned upon compliance by Citizens with all of the commitments made in connection with this application, and these commitments have been relied on in reaching this decision. For the purpose of this action, these commitments will be considered 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 thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Kansas City, acting pursuant to delegated authority.

By order of the Board of Governors, effective October 19, 1992.

Voting for this action: Chairman Greenspan and Governors Mullins, Angell, Kelley, LaWare, Lindsey, and Phillips.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Actions Taken Under the Federal Deposit Insurance Corporation Improvement Act of 1991

By the Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board

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.

Bank Holding Company	Acquired Thrift	Surviving Bank(s)	Approval Date
BW3 Bancorporation, West Des Moines, Iowa	Midland Savings Bank, F.S.B., Des Moines, Iowa	Liberty Bank & Trust, NA, Fonda, Iowa	September 25, 1992
Citizens Bancshares of Eldon, Inc., Eldon, Missouri	United Savings and Loan Association, Lebanon, Missouri	Citizens Bank of Eldon, Eldon, Missouri	October 8, 1992

Actions taken—Continued

Bank Holding Company	Acquired Thrift	Surviving Bank(s)	Approval Date
First Fidelity Bancorporation, Lawrenceville, New Jersey	The Howard Savings Bank, Newark, New Jersey	First Fidelity Bank, N.A., New Jersey, Newark, New Jersey	October 2, 1992
Mid Am, Inc., Bowling Green, Ohio	The Citizens Loan and Building Company, Lima, Ohio	The Farmers Banking Company N.A., Lakeview, Ohio	September 25, 1992
Mid Am, Inc., Bowling Green, Ohio	Home Savings of America, F.S.B., Irwindale, California	The Farmers Banking Company N.A., Lakeview, Ohio	October 2, 1992
SouthTrust Corporation, Birmingham, Alabama SouthTrust of Florida Inc. Jacksonville, Florida	Colony Bank Clearwater, Florida	SouthTrust Bank of West Florida, St. Petersburg, Florida	October 30, 1992

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
Security Capital Bancorp, Salisburg, North Carolina	OMNIBANK, Inc., A State Savings Bank, SSB, Salisbury, Maryland Citizens Savings, Inc., SSB Concord, North Carolina Home Savings Bank, Inc., SSB Kings Mountain, North Carolina	October 30, 1992

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
ABC Bancorp, Moultrie, Georgia	Cairo Banking Company, Cairo, Georgia	Atlanta	September 25, 1992
Acquisition Corporation, Leawood, Kansas	LeavCorp, Inc., Leavenworth, Kansas	Kansas City	October 13, 1992
Bellwood Community Holding Company, Bellwood, Nebraska	Bank of the Valley, Bellwood, Nebraska	Kansas City	October 13, 1992
Boatmen's Bancshares, Inc., St. Louis, Missouri	Catoosa Bancshares, Inc., Catoosa, Oklahoma	St. Louis	September 28, 1992
Boatmen's Bancshares, Inc., St. Louis, Missouri	Security Bancshares, Inc., Tulsa, Oklahoma	St. Louis	September 28, 1992
BOK Financial Corporation, Tulsa, Oklahoma	Southwest Trustcorp, Inc., Oklahoma City, Oklahoma	Kansas City	October 1, 1992
Carrollton Bancshares Corporation, Carrollton, Missouri	The First National Bank of Carrollton, Carrollton, Missouri	Kansas City	September 29, 1992
Central Bancshares, Inc., St. Paris, Ohio	The First Central National Bank of St. Paris, St. Paris, Ohio	Cleveland	October 9, 1992
Childress Bancshares, Inc., Childress, Texas	Childress Bancshares of Delaware, Inc., Wilmington, Delaware First Bank & Trust of Childress, Childress, Texas	Dallas	October 19, 1992
Childress Bancshares of Delaware, Inc., Wilmington, Delaware	First Bank & Trust of Childress, Childress, Texas	Dallas	October 19, 1992
Coal City Corporation, Coal City, Illinois	Manufacturers National Corporation, Chicago, Illinois	Chicago	September 25, 1992
Decatur Investment, Inc., Oberlin, Kansas	State Bank of Atwood, Atwood, Kansas	Kansas City	October 8, 1992
Deuel County Interstate Bank Company, Chappell, Nebraska	Deuel County State Bank, Chappell, Nebraska	Kansas City	October 6, 1992
Dunlap Iowa Holding Co., Dunlap, Iowa	Soldier Valley Financial Services, Inc., Soldier, Iowa	Chicago	September 28, 1992

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Firstar Corporation, Milwaukee, Wisconsin Firstar Corporation of Illinois, Milwaukee, Wisconsin	DSB Corporation, Deerfield, Illinois	Chicago	October 6, 1992
First Bancorp of Kansas, Wichita, Kansas	WRB Bancshares, Inc., Oklahoma City, Oklahoma	Kansas City	October 16, 1992
First Midwest Corporation of Delaware, Elmwood Park, Illinois	West Central Illinois Bancorp, Inc., Monmouth, Illinois	Chicago	October 13, 1992
Georgia Bank Financial Corporation, Augusta, Georgia	FCS Financial Corporation, Martinez, Georgia	Atlanta	October 21, 1992
Harbor Bankshares Corporation, Baltimore, Maryland	The Harbor Bank of Maryland, Baltimore, Maryland	Richmond	October 2, 1992
Hawkeye Bancorporation, Des Moines, Iowa	Jasand, Inc., Cedar Rapids, Iowa City National Bank of Cedar Rapids, Cedar Rapids, Iowa	Chicago	October 13, 1992
Heartland Bancorp, Inc., El Paso, Illinois	First National Bank and Trust Company in Gibson City, Gibson City, Illinois	Chicago	September 23, 1992
Key Centurion Bancshares, Inc., Charleston, West Virginia	Peoples Bank of Charles Town, Charles Town, West Virginia	Richmond	September 30, 1992
Liberty Bancorp, Inc., Oklahoma City, Oklahoma	F & M Bancorporation, Inc., Tulsa, Oklahoma	Kansas City	October 16, 1992
Liberty Bancorp, Inc., Oklahoma City, Oklahoma	Mid City Bank, N.A., Midwest City, Oklahoma	Kansas City	October 16, 1992
Mercantile Acquisition Corporation of Kansas I, St. Louis, Missouri	Johnson County Bankshares, Inc., Prairie Village, Kansas	St. Louis	October 9, 1992

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Mercantile Bancorporation Inc., St. Louis, Missouri	Crown Bancshares II, Inc., Shawnee Mission, Kansas Johnson County Bankshares, Inc., Prairie Village, Kansas MidAmerican Corporation, Shawnee Mission, Kansas	St. Louis	October 9, 1992
MNB Bancshares, Inc., Manhattan, Kansas	Manhattan National Bank, Manhattan, Kansas	Kansas City	October 20, 1992
Mohler Bancshares, Inc., Harveyville, Kansas	First National Bank of Harveyville, Harveyville, Kansas	Kansas City	October 1, 1992
New Mexico National Financial Incorporated, Roswell, New Mexico	Western Bancshares of Truth or Consequences, Inc., Truth or Consequences, New Mexico FirstBank Truth or Consequences, Truth or Consequences, New Mexico	Dallas	October 16, 1992
Resource One, Inc., Ulysses, Kansas	The Grant County State Bank, Ulysses, Kansas	Kansas City	October 22, 1992
Second Century Financial Corporation, Perry, Kansas	Bank of Perry, Perry, Kansas	Kansas City	October 7, 1992
Sun Financial Corporation, Earth City, Missouri	The Security Bank of Mountain Grove, Mountain Grove, Missouri	St. Louis	October 8, 1992
Synovus Financial Corporation, Columbus, Georgia TB&C Bancshares, Inc., Columbus, Georgia Fort Rucker Bancshares, Inc., Fort Rucker, Alabama	First Commercial Bancshares, Inc., Jasper, Alabama	Atlanta	October 7, 1992
Synovus Financial Corporation, Columbus, Georgia	TB&C Bancshares, Inc., Columbus, Georgia Interim CB&T Bank of Russell County, Phenix City, Alabama	Atlanta	October 7, 1992

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Tomoka Bancorp, Inc., Ormond Beach, Florida	Tomoka State Bank, Ormond Beach, Florida	Atlanta	October 9, 1992
United Nebraska Financial Company, Grand Island, Nebraska	First Security Bank of Holdrege, Holdrege, Nebraska	Kansas City	October 16, 1992

Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Brooke Corporation, Jewell, Kansas	Brooke State Bank, Jewell, Kansas	Kansas City	October 16, 1992
Fidelity Southern Corporation, Decatur, Georgia	Fidelity National Capital Investors, Inc., Decatur, Georgia	Atlanta	October 15, 1992
Mercantile Bancorporation Inc., St. Louis, Missouri	MidAmerican Insurance Agency, Inc., Shawnee Mission, Kansas	St. Louis	October 9, 1992
Mid Am, Inc., Bowling Gree, Ohio	Ultra Bancorp, Xenia, Ohio	Cleveland	October 2, 1992
NBD Bancorp, Inc., Detroit Michigan NBD Indiana, Inc., Detroit, Michigan	INB Financial Corporation, Indianapolis, Indiana BHC Financial, Inc., Philadelphia, Pennsylvania	Chicago	October 6, 1992
Norwest Corporation, Minneapolis, Minnesota	PN Financial Services, Inc., Piscataway, New Jersey	Minneapolis	October 8, 1992
Prairieland Bancorp, Inc., Bushnell, Illinois	Dunteman and Co., Bushnell and Lewistown, Illinois	Chicago	October 8, 1992
Wabasha Holding Company, Wabasha, Minnesota	First State Insurance of Wabasha, Inc., Wabasha, Minnesota	Minneapolis	October 16, 1992

Sections 3 and 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Deuel County Interstate Bank Company, Chappell, Nebraska	Community Insurance Agency, Inc., Hastun, Colorado	Kansas City	October 6, 1992

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
Centura Bank, Rocky Mount, North Carolina	Peoples Federal Savings Bank, Wilmington, North Carolina	Richmond	October 7, 1992
Cole Taylor Bank, Chicago, Illinois	Cole Taylor Bank/Yorktown, Lombard, Illinois	Chicago	October 9, 1992
Custer County Bank, Westcliffe, Colorado	Green Mountain Bank, Fountain Branch, Fountain, Colorado	Kansas City	October 9, 1992
Mellon Bank (MD), Rockville, Maryland	Standard Federal Savings Bank, Gaithersburg, Maryland	Richmond	October 2, 1992

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.

Castro v. Board of Governors, No. 92–1764 (D. District of Columbia, filed July 29, 1992). Freedom of Information Act case.

Board of Governors v. bin Mahfouz, No. 92-CIV-5096 (S.D. New York, filed July 8, 1992). Action to freeze assets of individual pending administrative adjudication of civil money penalty assessment by the Board. On July 8, 1992, the court issued a temporary restraining order restraining the transfer or disposition of the individual's assets. On July 23, the court denied the individual's motion for expedited discovery on the ground that, as a fugitive from a criminal indictment, he is disentitled from seeking relief from the court.

Zemel v. Board of Governors, No. 92–1057 (D. District of Columbia, filed May 4, 1992). Age Discrimination in Employment Act case.

Fields v. Board of Governors, No. 92–3920 (6th Cir., filed September 14, 1992). Federal Tort Claims Act complaint alleging misrepresentation during application process. The district court for the Northern District of Ohio granted the Board's motion to dismiss on August 10, 1992. On September 14, 1992, the plaintiff filed a notice of appeal.

State of Idaho, Department of Finance v. Board of Governors, No. 92-70107 (9th Cir., filed February 24, 1992). Petition for review of Board order returning without action a bank holding company application to relocate its subsidiary bank from Washington to Idaho. The Board's brief was filed on June 29, 1992. Oral argument was held October 6, 1992.

In re Subpoena Served on the Board of Governors, Nos. 91–5427, 91–5428 (D.C. Cir., filed December 27, 1991). Appeal of order of district court, dated December 3, 1991, requiring the Board and the Office of the Comptroller of the Currency to produce confidential examination material to a private litigant. On June 26, 1992, the court of appeals affirmed the district court order in part, but held that the bank examination privilege was not waived by the agencies' provision of examination materials to the examined institution, and remanded for further consideration of the privilege issue.

First Interstate BancSystem of Montana, Inc. v. Board of Governors, No. 91–1525 (D.C. Cir., filed November 1, 1991). Petition for review of Board's order denying on Community Reinvestment Act grounds the petitioner's application under section 3 of the Bank Holding Company Act to merge with Commerce BancShares of Wyoming, Inc. On August 19, 1992, the court granted petitioner First Interstate's motion for a stay of the proceedings.

Board of Governors v. Kemal Shoaib, No. CV 91-5152 (C.D. California, filed September 24, 1991). Action to freeze assets of individual pending administrative adjudication of civil money penalty assessment by the Board. On October 15, 1991, the court issued a preliminary injunction restraining the transfer or disposition of the individual's assets.

Board of Governors v. Ghaith R. 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.

Fields v. Board of Governors, No. 3:91CV069 (N.D. Ohio, filed February 5, 1991). Appeal of denial of request for information under the Freedom of Information Act. The Board's motion for summary judgment was granted in part and its motion to dismiss was denied on June 23, 1992.

Final Enforcement Decision Issued by the Board of Governors

United States of America

Before the Board of Governors of the Federal Reserve System

Washington, D.C.

In the Matter of	)
	)
James L. Magee	)
	)
An Institution-Affiliated	)
Party of Farmers Bank and	)
Trust Company,	) Docket No. 91-024-E I1
Blytheville, Arkansas and	)
Farmers Bancorp, Inc.	)
Blytheville, Arkansas	)
	)
Respondent.	)
	)

Final Decision

This is an administrative enforcement proceeding instituted by the enforcement staff ("Enforcement Counsel") of the Board of Governors of the Federal Reserve System (the "Board") against Respondent James L. Magee, an officer and director of Farmers Bank and Trust Co., Blytheville, Arkansas ("FBT" or the "Bank") and Farmers Bancorp, Inc., Blytheville, Arkansas, ("Bancorp"). Following an administrative hearing, Administrative Law Judge ("ALJ") Frederick M. Dolan, Jr. issued a Recommended Decision finding that from 1984 to 1990, Magee used his official position at FBT to extract from FBT's "Miscellaneous Expense" account payments to himself totalling hundreds of thousands of dollars in excess of his salary and bonus, and that Magee caused FBT to pay to another individual, Gaylon Lawrence, Sr. ("Lawrence"), hundreds of thousands of dollars in excess of the amount called for in Lawrence's consulting agreement with FBT. The ALJ found that this misconduct satisfies the statutory criteria for the Board to issue against Magee an Order of Removal and Prohibition ("Prohibition Order") pursuant to section 8(e)(1) of the Federal Deposit Insurance Act ("FDI Act") as amended, 12 U.S.C. § 1818(e)(1), prohibiting Magee from further participation in the affairs of any federally-supervised financial institution without the approval of the appropriate supervisory agencies.

In his exceptions to the Recommended Decision, Magee does not deny that he caused the payments to be made, that the payments to himself constituted unsafe or unsound practices, or that he was negligent. Magee instead argues that the practices were insufficiently grave in effect, and displayed insufficient culpability on his part, to justify his prohibition from banking. Magee has also, without stating any reasons, requested the opportunity to present oral argument before the Board with respect to his exceptions.

Upon review of the administrative record, the Board hereby makes its Final Decision, and adopts the ALJ's Recommended Decision, Recommended Findings of Fact and Recommended Conclusions of Law, except as specifically supplemented or modified herein. The Board therefore determines that the attached Order of Removal and Prohibition shall issue against Magee, prohibiting him from future participation in the affairs of any federally-supervised financial institution without the approval of the appropriate supervisory agency.

Because the legal and factual issues have been thoroughly explained in the written submissions, the Board denies Magee's request for oral argument.

Statement of the Case

A. Statutory Framework

1. *Procedure and Standards for Prohibition Order*
The FDI Act assigns responsibility to the ALJ for the conduct of an administrative hearing on a notice of intention to remove from office or prohibit participation. 12 U.S.C. § 1818(e)(4). Following the hearing, the ALJ issues a recommended decision that is referred to the Board. The parties may then file with the Board exceptions to the ALJ's recommendations. The Board makes the final findings of fact, conclusions of law, and determination whether to issue an order of prohibition. *Id.*; 12 C.F.R. 263.40 (1991).[1]

The Board is assigned substantive authority under the FDI Act to issue an order of prohibition against a bank official[2] when the Board determines that the record establishes each of three tiers of elements:

(1) There must be a specified type of *misconduct* — violation of law or regulatory restrictions, unsafe or unsound practice, or breach of fiduciary duty;

(2) The misconduct must have a prescribed *effect* — financial gain to the respondent, financial loss or other damage to the institution, or prejudice to the depositors; and

(3) The misconduct must involve *culpability* of a certain degree — personal dishonesty or willful or continuing disregard for the safety or soundness of the institution.[3] 12 U.S.C. § 1818(e)(1), (e)(4).

Once an order of prohibition is issued against an official with respect to a particular bank, it is unlawful for that person to participate in any manner in the conduct of the affairs of any federally insured depository institution, savings association, credit union, farm credit bank, banking regulatory agency or any bank holding company without the prior approval of the appropriate federal banking agency. 12 U.S.C. §§ 1818(b)(3), (e)(7) and (j).

2. *Standards for Cease and Desist Order*
The FDI Act also provides that the Board may issue a cease and desist notice against a financial institution or institution-affiliated party within its jurisdiction if the Board has reasonable cause to believe, *inter alia*, that the institution or party has engaged in an unsafe or unsound practice or has violated a law, rule, or regulation. 12 U.S.C. § 1818(b).

3. *Reporting Requirements*
The Federal Reserve Act provides that banks that are members of the Federal Reserve System shall make reports of condition upon the call of the appropriate Federal Reserve Bank ("Call Reports") in the form and containing the information prescribed by the Board. 12 U.S.C. § 234 employees to civil and criminal penalties. *Id.*; 18 U.S.C. § 1005.

B. Related Proceedings

The Board has initiated two other supervisory proceedings related to this prohibition proceeding. On April 10, 1991, the same day that the Board issued the Notice that initiated this proceeding, the Board issued an interim Order of Suspension from Office and Prohibition of Participation that suspended Magee from his positions pending the resolution of this prohibition proceeding. In addition, prior to the hearing in this case, the Board issued a cease and desist notice against FBT and Bancorp that was the subject of a hearing before ALJ Dolan, who issued a recommended decision before FBT consented to issuance of the cease and desist order.[4]

Findings and Conclusions

Upon review of the record of this proceeding, the Board hereby adopts such of the ALJ's recommended

1. While the Board's Rules of Practice and Procedure for Hearings, 12 C.F.R. Part 263, were amended during the pendency of this case, the parties agree that the pre-Amendment rules govern this case. *See* 12 C.F.R. Part 263 (1991).

2. As used in this Decision, "official" is used to denote an "institution-affiliated party". *See* 12 U.S.C. § 1813(u).

3. While the specific substantive criteria for prohibition were modified by the 1989 amendments to the FDI Act effected by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA"), Pub. L. No. 101-73, 103 Stat. 183 (1989), which became effective during the course of conduct at issue in this case, neither Enforcement Counsel nor Magee has suggested that the amendments have any substantive bearing on the issues in this case. *See, e.g.*, Magee Exceptions at ii (citing post-amendment law as controlling).

4. Testimony from the cease-and-desist proceeding was introduced in this prohibition proceeding, and the ALJ made reference in his prohibition recommended decision to his previous recommended decision in the cease-and-desist proceeding. In the cease-and-desist proceeding, ALJ Dolan found that:

(1) Magee, as Chairman and Chief Executive Officer of the Bank, had set his own compensation without disclosure of the amount to FBT's board of directors and consequently without the board's prior approval or contemporary ratification ("the Flawed Procedure");

(2) That Magee's total compensation was excessive and that the portion of Magee's total compensation that was accounted for as "miscellaneous expense" was unexplained and appeared to be unjustified and without consideration (the "Excess Compensation");

(3) That the Call Report filed with the Federal Reserve was inaccurate, in violation of the law, in that a portion of Magee's total compensation was reported as "miscellaneous expense" rather than as "Officers' Salary" (the "Inaccurate Call Reports"); and

(4) That the record in the case showed that the payments to Lawrence in excess of the amounts to which he was entitled under the consulting agreement between Lawrence and FBT were undocumented and unjustified (the "Lawrence Payments"). RD 4-5.

decision, findings, and conclusions as are not specifically modified herein as the findings and conclusions of the Board, and incorporates by reference the ALJ's reasoning and citations to the record.

A. Relevant Individuals and Business Entities

FBT is a bank chartered by the state of Arkansas and a member of the Federal Reserve System. As such, FBT is subject to the provisions of the FDI Act and the supervision of the Federal Reserve System, including both the Board and the Federal Reserve Bank of St. Louis (the "Reserve Bank"). 12 U.S.C. § 1813(q)(2)(A). Bancorp is a bank holding company, also subject to the Board's supervision (12 U.S.C. § 1813(q)(2)(F)), that owns all of FBT's outstanding stock except for qualifying shares held by FBT's directors. Recommended Decision ("RD") 7. Magee owns approximately 25 percent of Bancorp and is the sole voting trustee of the remaining 75 percent of Bancorp's outstanding shares, which are held in trust for the benefit of Lawrence's son. RD 8.

At all times pertinent to this case, Magee has been the chairman of FBT's board of directors, FBT's chief executive officer, chairman of Bancorp's board of directors, and president of Bancorp. Lawrence was a paid consultant to FBT, but was not an officer or employee. RD 8.

B. Misconduct

The ALJ found that Magee's conduct embodied a number of unsafe and unsound banking practices,[5] a breach of his fiduciary duty to FBT, and a violation of the Federal Reserve Act, which prohibits the filing of false or misleading Call Reports with the Reserve Bank. 12 U.S.C. § 324. RD 44–57. While Magee continues to dispute in principle some of the ALJ's determinations as to misconduct, Magee concedes that his conduct represented an unsafe and unsound banking practice in at least some respects,[6] and so concedes that Enforcement Counsel has established the Misconduct tier of elements necessary for entry of an order of prohibition. RD 44–45; Magee Exceptions ("Except.") ii.

The Board adopts the ALJ's findings and conclusions as the Magee's misconduct, as modified below,[7] and therefore determines that the disguised payments to Magee reflected a number of unsafe and unsound banking practices and a violation of law (12 U.S.C. § 324) and that the payments to Lawrence also were an unsafe and unsound banking practice and a breach of Magee's fiduciary duty to the Bank.

1. *The Disguised Payments to Magee*

The payments to Magee from the miscellaneous expense account began soon after Magee became Chairman, CEO, and one of three members of the executive committee of FBT's board of directors in January 1984. Every January, FBT's board of directors passed a resolution delegating to its executive committee the authority to set officers' salaries. RD 45. Before Magee's time, officers' compensation consisted of a salary plus a fixed ten percent bonus, which the officers considered to be part of their salary, with no discretionary bonuses. RD 45. When Magee became a member of the executive committee in 1984, he established his own salary and ten percent bonus, which were paid from FBT's "salary and bonus" account. RD 46–47. In addition to this compensation, however, Magee caused varying additional amounts of money to be paid to him by FBT by charging the payments to FBT's miscellaneous expense account, an account normally reserved for expenses that cannot be categorized in any other general ledger account. RD 47. Magee would instruct the Bank's Executive Secretary to have checks and debit tickets prepared and presented to the Bank's president or executive vice president — or in their absence to Magee himself — for approval and signature. Board Exhibit ("Bd. Ex.") 23 ¶ 30. Magee initiated this practice unilaterally and determined in his sole discretion the amounts he would take, without notifying the board of directors. RD 46. The ALJ found that, in so doing, Magee exceeded the authority delegated by the board of directors.[8] RD 46.

5. While the FDI Act does not define the term "unsafe or unsound practice", which may be the predicate for cease and desist orders, prohibition orders, and civil money penalties (*see* 12 U.S.C. §§ 1818(b)(1); 1818(e)(1)(A)(ii), 1818(i)(B)(i)(II), and 1818(i)(C)(i)(II)), agencies and courts have interpreted the term to address any conduct contrary to prudent banking practices that potentially exposes a financial institution to an abnormal risk of harm or loss. *See, e.g., Van Dyke v. Board of Governors*, 876 F.2d 1377, 1380 (8th Cir. 1989); *First Nat'l Bank of Eden v. Comptroller*, 568 F.2d 610, 611 n.2 (8th Cir. 1978) (*per curiam*); *First Nat'l Bank of Bellaire v. Comptroller*, 697 F.2d 674, 685 (5th Cir. 1983). The *Van Dyke* court affirmed the Board's application of that standard to the related term, "disregard for safety or soundness" as it relates to culpability. 876 F.2d at 1380; *see* 12 U.S.C. § 1818(e)(1)(C)(ii).

6. Magee concedes that the procedure by which he paid himself amounts charged to the "miscellaneous expense" account without informing the board of directors, and the resulting inaccuracies in the Call Reports, constituted unsafe or unsound practices, but continues to dispute in principle the ALJ's findings that the payments to Lawrence were improper, and that the total amount of the payments to Magee represented excessive compensation that was unsafe and unsound. RD 44–45; Except. ii.

7. As explained below, the Board does not reach the ALJ's alternative finding that the amount of the payments to Magee, if viewed as legitimate compensation, would in itself have constituted an unsafe or unsound practice.

8. The ALJ found that the board of directors' delegation to the executive committee to establish "salaries" included the fixed ten percent bonus, but did not constitute an open-ended authorization to pay additional amounts to FBT's officers. RD 46 n.8.

These "miscellaneous expense" amounts totalled $46,000 in 1984, $120,000 in 1985, $205,000 in 1986, $200,000 in 1987, $75,500 in 1988, $139,200 in 1989, and $159,250 in 1990. RD 48 n.9.[9]

The payments to Magee through the miscellaneous expense account caused the nature of the payments to be disguised and FBT's reporting to be distorted in a number of respects. While various officers and other employees were aware of the practice, Magee testified that he made no disclosure of the practice to the full board of directors. Transcript ("Tr.") 202. The practice resulted in inaccurate reporting of FBT's payments to Magee on its quarterly Call Reports, the formal mechanism for reporting to the Reserve Bank. The instructions on the Call Reports expressly require that all payments to bank employees in connection with their employment, however characterized (whether gross salaries, wages, overtime, bonuses, incentive compensation or extra compensation) be reported as salaries and employee benefits. RD 63. Contrary to the instructions, FBT's call reports listed the excess payments to Magee under another category — consistent with their nominal label of "miscellaneous expenses" — which, the ALJ found, had the effect of concealing from Federal Reserve supervisors and the public amounts that Magee was causing FBT to pay to him.[10] RD 63–64.

Similarly, the practice concealed the payments from other forms of formal disclosure, including an officer questionnaire connected with the 1991 FBT examination. RD 64. On FBT's audited financial statements and tax returns, the payments to Magee were listed in the categories of "consulting fees" or "managing fees", without attribution to Magee (or to any other recipient). RD 47. The payments were reported to the Internal Revenue Service as income to Magee on Form 1099 "Miscellaneous Income" forms, which report non-employee income, instead of on W-2 wage and salary forms. RD 47.

Magee's characterization of the nature of the payments has varied. In a sworn statement prior to the hearing, Magee referred to the payments as "consulting fees", even though he testified that he did not have any management or consulting arrangement with FBT. RD 47–48; Bd. Ex. 23 ¶¶ 30, 39.[11] Magee testified at the hearing that the payments were in the nature of "discretionary bonuses" that he set based upon FBT's performance measured against a formula that Magee devised: FBT's return on assets, capital level, and asset quality. RD 50. Magee testified that he did not confide this formula to the board of directors. Tr. 271. This testimony conflicted with Magee's previous denial to Reserve Bank examiners that any such "performance criteria" existed. RD 50; Bd. Ex. 20 at (c)(1).

The ALJ did not credit the characterization of the payments as "discretionary bonuses" in light of the conflicting prior statements by Magee, and in the absence of a correlation between the "bonuses" and FBT's performance. RD 50–52.[12] Furthermore, the ALJ determined that there was no appropriate authority for Magee to set his own compensation.[13] RD 46–47. In the absence of any credible explanation for these funds, the ALJ reasonably concluded that "Magee was simply taking money from FBT for his own use." RD 48. The Board adopts these findings.[14]

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9. While the Notice made charges only with respect to the years 1988-1991, Magee introduced evidence relating to the years 1984-1987 with respect to the payments from the miscellaneous expense account (*see, e.g.,* Resp. Ex. 16) and therefore tacitly consented to the ALJ's and the Board's consideration of that evidence. In any event, the nature of Magee's conduct with respect to those payments did not substantively change after 1987, so that the Board's conclusion would be the same whether or not the evidence relating to the years 1984-1987 is considered.

10. Magee signed some of the Call Reports in his capacity as a director of FBT. *See, e.g.,* Bd. Ex. 6, 16. According to the Call Report form, the director's signatures "attest to the correctness of this Report of Condition . . . and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the appropriate Federal regulatory authority and is true and correct." *Id.*

11. Besides the services Magee performed in the normal course of his duties as chairman of FBT's board of directors and CEO, Magee provided no other documented services. RD 48. The ALJ therefore reasonably concluded that the payments did not represent appropriate management or consulting fees. RD 49.

12. The performance figures for the Bank, when compared to Magee's "expense" payments and his total compensation, indicate that to the extent that Magee had a self-adopted scale for the payments, he felt free to depart from that scale at will. For example, as the ALJ pointed out, FBT's return on assets and capital level declined from 1986 to 1987, but Magee still increased the overall total of payments to himself in 1987. RD 51–52.

13. The ALJ found that the payments exceeded the scope of the delegation of authority to the executive committee and that it would have been an unsafe and unsound practice for the board of directors to authorize such a limitless delegation of authority over compensation. RD 46–47.

14. The ALJ also found that, to the extent that the payments were viewed as procedurally legitimate compensation, the amounts of the payments were so excessive as to constitute a distinct unsafe or unsound practice. In light of its other findings as to Magee's misconduct, the Board need not and does not reach the issue of excessive compensation as an independent unsafe and unsound practice, and does not adopt either the ALJ's findings or Magee's proposed findings as to this issue.

At the same time, however, the Board notes that the evidence relating to the total amount Magee was taking from FBT as compared with the compensation of executives at other institutions supports the ALJ's findings as to Magee's *motivation* in paying himself from the miscellaneous expense account, and thus his culpability. The ALJ found that the practice of taking compensation from the "miscellaneous expense" account was designed to disguise the nature of the payments so as to avoid inevitable regulatory criticism and that it had that effect for seven years. RD 54–55. The desire to avoid unwelcome attention from Bank regulators provides a plausible motive for Magee's practice in the absence of any reasonable alternative explanation from Magee.

2. *The Lawrence Payments*
The ALJ also found that Magee's practice of paying sums to Lawrence in excess of the amounts called for in his consulting contract, a payment reserved to Magee's sole discretion, was another unsafe or unsound practice and a breach of Magee's fiduciary duty to FBT. RD 57; Recommended Conclusion of Law ("RCL") 17.

The Reserve Bank made Magee aware of its concern about the amount of money paid to Lawrence as a consultant when FBT's shareholders in 1987 filed an application with the Reserve Bank to form a bank holding company, Bancorp, to hold the stock of FBT. Recommended Finding of Fact ("RFF") 90–103. In order to allay the Reserve Bank's concerns, FBT submitted a new Lawrence consulting agreement, signed by Lawrence and by Magee on FBT's behalf, that limited the services that Lawrence would perform for FBT and limited the corresponding payments that Lawrence would receive from FBT to $96,000 per year plus $400 director's fees per FBT board of directors meeting he attended. RFF 97–102. The Reserve Bank relied upon the agreement in approving the application. RFF 102.

In practice, Lawrence received payments in excess of those called for in the consulting agreement. In 1988, Lawrence was paid $25,000 from FBT's consultant fee account and $100,800 from the FBT's "miscellaneous expense" account. RFF 106–107. In 1989, Lawrence was paid $100,800 under the consulting agreement and $115,000 in bonus. RFF 109. In 1990, Lawrence was paid $215,400 in nonemployee compensation, of which $114,600 was in addition to the amount called for by the consulting agreement. RFF 110. Additional payments were made from the "miscellaneous expense" account in 1991. RFF 111. FBT's books and records contain no documentation of any services rendered by Lawrence to FBT. RFF 113.

Magee variously characterized the excess payments to Lawrence as compensation for services rendered in addition to those called for in the consulting agreement (RFF 120; Magee Tr. 322) and as bonuses based on the Bank's performance (RFF 115; 117, 121; Bd. Ex. 23 ¶¶ 26, 37). Lawrence, in a sworn statement, stated that the payments were bonuses based on the Bank's performance. RFF 119; Bd. Ex. 22 ¶ 15.

The ALJ reasonably concluded that the payments made to Lawrence in Magee's sole discretion and in excess of the amounts specified in Lawrence's consulting agreement represented an unsafe or unsound practice and a breach of Magee's fiduciary duty to FBT. RD 57. The Board adopts these conclusions.

C. Effect

1. *Financial gain or other benefit to Magee*
Under the FDI Act, the second tier of elements necessary for an order of prohibition may be satisfied by a showing that the respondent "has received financial gain or other benefit by reason of" the misconduct. 12 U.S.C. § 1818(e)(1)(B)(iii). The ALJ reasonably concluded that Magee received financial gain from the payments to himself from the miscellaneous expense account.[15] RD 57–58. It is undisputed that the amounts extracted from the miscellaneous expense account totalled, over a seven-year period, in over $900,000. RD 51.[16]

Magee's argument to the contrary is that he received no material gain from the disputed practice since, as a major shareholder, he could have achieved the same financial gain through legitimate means, either by simply having the Bank pay dividends or through a straightforward compensation scheme approved by the board of directors. Except. v-vii. The Board concludes that the ALJ properly rejected these arguments. First, whether or not Magee *could* have achieved the same financial result by legitimate means, the facts on the record of this case are that in practice he incurred the gain illegitimately. Second, it is not clear that Magee would have achieved the same gain had he made the total amount of the payments known to the board of directors, to the public and to supervisors. The after-the-fact ratification of the payments to Magee by the board of directors[17] does not necessarily mean that the directors would have been equally generous at an earlier and more uncertain time, and is not a substitute for contemporaneous approval. In addition, disclosure to the Reserve Bank at an earlier time would have run the risk that the Federal Reserve would act to reduce the amount of compensation paid to Magee, as in fact happened when the disguised compensation came to light in 1991.[18] RD 54. Furthermore, Magee could not have achieved the same financial result by paying himself dividends, since Bancorp became the shareholder of FBT in 1988 and, as a bank holding

15. The ALJ did not find that the payments to *Lawrence* caused any financial gain or other benefit to Magee.

16. This figure takes into account the $52,000 Magee returned to FBT in 1988. RD 51–52. For the years 1988-1990 specified in the Notice, the amount totalled roughly $374,000. *See* RD 51.

17. In April, 1991, upon Magee's disclosure (under pressure from the Federal Reserve) of the amount and nature of the payments to him, the board of directors adopted a resolution purporting to ratify the past miscellaneous expense payments to Magee as compensation. RFF 53.

18. Contrary to Magee's argument (Except. xi), he did not report his total compensation from FBT to the Reserve Bank in a meaningful way. While he did disclose his total income from all sources to the Reserve Bank in 1987, the total was not broken down in such a way as to indicate the portion of his income that came from FBT. RFF 56.

company, Bancorp is restricted in the dividends that it can pay relative to its outstanding debt. RD 58.[19]

2. *Financial Loss or Other Damage to FBT*

Because the payments extracted from the miscellaneous expense fund for Lawrence and Magee were unjustified by any corresponding benefit to FBT, the ALJ properly found that they caused loss or damage to FBT for purposes of the "effects" criterion for prohibition. RD 61.[20]

Magee's argument to the contrary depends upon a misinterpretation of the statutory test for "loss or other damage" to the institution: Magee argues that the test is not satisfied unless there is a "direct and substantial risk to the financial integrity of the institution and the government's insurance risks"[21] and submits that the test is not met here because FBT is in a financially sound condition.[22] Except. iii-x. The statutory language for the loss element simply states: "(B) by reason of [the misconduct] —

(i) "such insured depository institution or business institution has suffered or will probably suffer financial loss or other damage".

12 U.S.C. § 1818(e)(1)(B)(i). There is no textual basis for grafting onto this language the requirement that the losses or other damage be so severe as to threaten the survival of the institution before the Board may bring a prohibition action.[23] Such a rule would permit the diversion of funds from a prosperous institution with relative immunity so long as the institution remained solvent.[24]

Accordingly, the ALJ properly rejected Magee's argument that these payments did not cause financial loss to FBT within the meaning of the statute because they were not so great as to create a risk to FBT's financial integrity.

D. Culpability

The culpability requirement for prohibition under the FDI Act requires a determination that the misconduct at issue

"(i) Involves personal dishonesty on the part of such party; or

(ii) Demonstrates willful or continuing disregard by such party for the safety or soundness of such insured depository institution or business institution."

12 U.S.C. § 1818(e)(1)(C). The ALJ found that the misconduct at issue here reflected Magee's personal dishonesty as well as both willful and continuing disregard for FBT's safety and soundness. RD 62–69.

1. *Personal Dishonesty*

The ALJ properly rejected Magee's arguments that the proper test for "personal dishonesty" requires a "compelling sense of conscious wrong", an "intent to deceive", or conduct that amounts to fraud (Except. xii-xiii), since the Board's past decisions apply a broader standard that encompasses concepts such as a lack of integrity, trustworthiness, fairness or straightforwardness. *See, e.g., Van Dyke v. Board of Governors*, 876 F.2d at 1379 (8th Cir. 1989); *Greenberg v. Board of Governors*, 968 F.2d 164, 171 (2d Cir. 1992)(dishonesty established by failure to disclose aspects of insider transactions to board of directors).[25]

Under this legal standard, the Board adopts the ALJ's rejection of Magee's attempts to mitigate his culpability. Magee acknowledges that his actions were "negligent" (Except. xiv), but denies that his actions reflected any greater degree of culpability, arguing that his fault lay in his lack of education and understanding of the correct procedures required, not in any intent to deceive or defraud. Except. xvii. In support of the

19. Bancorp undertook debt in order to purchase the shares of FBT. As part of the application to form Bancorp, the Reserve Bank required Magee and Lawrence to file projections of the retirement of that debt by means of dividends from FBT. RD 58. As Magee acknowledged, it is extremely doubtful that the Reserve Bank would have approved the payment of dividends from Bancorp to its shareholders, Magee and the Trust, until Bancorp's debt had been reduced. Resp. Ex. 15A at 3.

20. Further, the ALJ noted that Bancorp was lagging behind its schedule of debt retirement and that it would not have been had FBT paid the amount in dividends to Bancorp that was instead paid to Magee in miscellaneous expenses. RD 58 n.12.

21. Magee's cited authority for this proposition is inapposite in that it does not at all address the "loss" provision of section 1818(e), but instead construes the meaning of an "unsafe or unsound practice" for purposes of a cease and desist order under section 1818(b). *See Gulf Fed. Sav. & Loan Ass'n v. Federal Home Loan Bank Bd.*, 651 F.2d 259 (5th Cir. 1981), *cert. denied* 458 U.S. 1121 (1982). Indeed, *Gulf Federal* involved interest *overcharges* by a savings and loan association, a practice that financially *benefitted* the institution in the short term and created virtually no risk of any real loss in the long term. Accordingly, the practice was found not to be unsafe or unsound. 651 F.2d at 262 n.2.

22. It is not disputed that FBT is a financially sound institution, with a composite rating of 2, the second-highest rating on the Board's 5-point scale for rating banks.

23. Indeed, when Congress amended section 1818(e) in 1989, one of the most significant changes was the deletion of the previous requirement that the losses be "substantial".

24. As the Eighth Circuit held in *Van Dyke v. Board of Governors*, 876 F.2d 1377, 1380 (8th Cir. 1989), where a check kite was cleared with no lasting damage to the bank involved, "we think it unrealistic for Van Dyke to suggest the Board is powerless to respond to an officer's manipulative, self-dealing activity unless actual harm to the bank occurs." *Van Dyke*, 876 F.2d at 1380 (interpreting meaning of "disregard for safety or soundness").

25. In the *Van Dyke* case, the Eighth Circuit affirmed the Board's rejection of a narrow standard limiting personal dishonesty to "an intent to gain at the expense of others" and affirmed the Board's interpretation of "personal dishonesty" as extending beyond civil fraud to "encompass a broad range of conduct". *Van Dyke*, 876 F.2d at 1379; *see also In re Stanford C. Stoddard*, No. AA-EC-85-44 at 42 n.24 (Jan. 29, 1988)(rejecting limitation of personal dishonesty to fraud), *rev'd on other grounds*, *Stoddard v. Board of Governors*, 894 F.2d 1499 (D.C. Cir. 1989).

relative innocence of his actions Magee points out that he owned 25% of the Bank from 1984 until 1987, and, thereafter, he owned 25% of Bancorp and was the sole voting trustee of the remaining 75% interest. Except. xiii-xiv. Magee argues that his policies and management caused the Bank to improve its profitability and to receive consistent high ratings for financial soundness. Except. xiv. He argues that the misreporting of his compensation did not affect the overall picture of the Bank's financial position presented to regulators, since the bottom line for the Bank was the same, whether the amounts were reported as expenses or compensation. Magee states that he disclosed all of his compensation to the Internal Revenue Service, even though he misreported the nature of the miscellaneous expense payments. Magee argues that he did not devise the method of taking payments charged to miscellaneous expenses, but merely carried the practice over from another bank, where he had learned the business, and where it was a standard practice for management to take payments charged to miscellaneous expenses. Except. xvi. He argues that the practices were never criticized from 1984 to 1990, notwithstanding repeated examinations by state and federal regulators, even though the "miscellaneous expense" totals were above the average for FBT's peer banks, which should have flagged the practice for the regulators. Except. xvi. Furthermore, Magee argues that he orally disclosed the total amount of his compensation to the Arkansas State Banking Commissioner (though he did not detail the method by which he was taking the miscellaneous expense payments), and that the Commissioner stated that he was untroubled by the amount so long as the earnings and capital position of the Bank remained strong. He states that he delegated the responsibility for compliance with reporting requirements to FBT's auditors. Except. xvi.

The Board adopts the ALJ's rejection of these arguments, and determination, based in large part on the ALJ's credibility determinations, that Magee's actions reflected personal dishonesty. The ALJ found that Magee's method of extracting money from FBT evidenced deception, misrepresentation, and a lack of candor. RD 62. There is no question that Magee did not inform the board of directors of his claimed formula for self-payment, or the amounts he was in fact taking, before the practice was brought to light through the examination process. The ALJ found that the evidence indicated that Magee engaged in a "deliberate, concerted effort to mislead regulators, FBT's depositors, and the public" with regard to the amounts he extracted from FBT. RD 63. The ALJ found that Magee's motive for concealing the payments was to reduce the risk that exposure would cause pressure for the amount of the payments to be reduced. RD 63.[26] The ALJ also properly rejected Magee's defense that he simply did not know that there was anything wrong with the practice of extracting funds from the miscellaneous expense account because he had learned it from others. Nor did the ALJ accept Magee's argument that the federal and state banking examiners, other bank employees or his accountant should have alerted him to the impropriety of the payments. The ALJ found these arguments legally insufficient to shift Magee's responsibility as the president and CEO of FBT to other parties. RD 55.

The ALJ found other indications of dishonesty in the conflicting explanations that Magee proffered after the payments were discovered by Federal Reserve examiners in early 1991; Magee at various times characterized the payments to himself as bonuses determined without regard to criteria, as consulting fees, and as discretionary bonuses based on self-determined criteria. RD 66. The ALJ reasonably concluded that the pattern indicates a continuing attempt to mislead supervisors as to the nature of the payments. RD 66. The ALJ found that Magee exhibited a similar lack of candor with regard to the payments to Lawrence. RD 66–67.

The Board adopts the ALJ's conclusions as to Magee's dishonesty, which are based largely on credibility determinations. The nature of Magee's offenses, disguised payments to insiders, is the sort of insider abuse that can rapidly deplete a financial institution's capital and liquidity. Supervisors monitor payments to insiders by means such as Call Reports, officer questionnaires, and audited financial statements, the procedures that Magee circumvented in this case. The ALJ's factual finding that Magee deliberately concealed the payments from supervisors displays a lack of integrity that satisfies the statutory standard for personal dishonesty.

2. *Willful and Continuing Disregard for Safety or Soundness*

The Board also adopts the ALJ's conclusion that Magee's misconduct satisfied the statutory standard for both willful and continuing disregard for safety or soundness. A "willful disregard for safety or soundness" is established by intentional conduct that constitutes an unsafe or unsound banking practice, *i.e.*, that is contrary to prudent banking practices, and that is of a sort that potentially exposes an institution to abnormal risk of harm or loss. *Van Dyke*, 876 F.2d at 1380.[27]

26. The ALJ reasonably rejected Magee's arguments that he had disclosed the nature of the payments to the state banking regulator and to the Federal Reserve, finding that the disclosures made to each regulator were sufficiently misleading as to disguise the nature of the payments from further regulatory inquiry. RD 65 n. 15.

27. "Willfulness" has been defined as an "unreasonable failure to conform intentional conduct to the law's dictates", *United States v. Donovan*, No. 91-1574, *slip op.* at 11 (1st Cir. Feb.6, 1992) (criminal

"Continuing" disregard has been held to require a lesser showing of scienter akin to "recklessness." *Brickner v. Federal Deposit Insurance Corporation*, 747 F.2d 1198, 1203 n.6 (8th Cir. 1984).

Applying these standards to the facts of this case, it is clear that Magee's conduct constituted both willful and continuing disregard for FBT's safety or soundness. Magee concedes that his conduct constituted an unsafe or unsound banking practice. Furthermore, it is clear that Magee "willfully" engaged in the practice, since he unilaterally controlled his practice of payments to himself and to Lawrence.

Indeed, Magee's own characterization of his actions displays an obliviousness to fundamental precepts of banking governance and regulation, notwithstanding a career in banking that began in 1957 and included a short term as an examiner for the Arkansas Bank Department and offices in statewide banking organizations. Magee regarded it to be unnecessary to even inform his board of directors of his total compensation or of the self-generated formula he claims to have used to determine that compensation. Tr. 271. By his own testimony, Magee was unconcerned as to how the payments from the miscellaneous expense account were represented to the auditors, to regulators, or to the public, regarding that as a responsibility for someone other than himself. Tr. 281–284. Notwithstanding the Reserve Bank's manifest concern with the payments to Lawrence, Magee professed ignorance of the commitments made on FBT's behalf and felt himself unfettered in his discretion to make additional payments to Lawrence. Tr. 309–313. In sum, Magee portrays himself as deliberately engaging in actions that displayed a fundamental lack of understanding of sound banking practice, thereby supporting the Board's conclusion that he acted with willful and continuing[28] disregard for safety or soundness, and warranting the issue of an order of prohibition against him.

Conclusion

For the foregoing reasons, the Board orders that the attached Order of Removal and Prohibition shall issue.

currency transaction violation), and may be shown where an officer and directors in a heavily regulated industry, who is chargeable with responsibility for conducting his affairs in accordance with regulatory requirements, is conscious of the facts that constitute the misconduct. *Premex, Inc. v. CFTC*, 785 F.2d 1403, 1406 n.9 (9th Cir. 1986).

28. "Continuing disregard for safety and soundness" is established in that the practices continued over a period of years and the determination that Magee's disregard was willful establishes, *a fortiori*, that Magee was "reckless" in so acting. *See Brickner*, 747 F.2d at 1203 n.6.

Final Enforcement Orders Issued by the Board of Governors

The Genoa Banking Company
Genoa, Ohio

The Federal Reserve Board announced on October 14, 1992, the issuance of a Cease and Desist Order against The Genoa Banking Company, Genoa, Ohio.

Marshall County Bankshares, Inc.
Beattie, Kansas

The Federal Reserve Board announced on October 5, 1992, the issuance of an Order of Assessment of a Civil Money Penalty against Marshall County Bankshares, Inc., Beattie, Kansas and Edwin L. Nutt, an institution-affiliated party of Marshall County Bankshares, Inc.

Midwest Securities Trust Company
Chicago, Illinois

The Federal Reserve Board announced on October 29, 1992, the issuance of a Cease and Desist Order against Midwest Securities Trust Company, Chicago, Illinois.

The Board's Order was issued in conjunction with enforcement proceedings initiated on October 29, 1992, by the Securities and Exchange Commission against Midwest Clearing Corporation, Chicago, Illinois, and Midwest Securities Trust Company.

Written Agreements Approved by Federal Reserve Banks

Farmers Savings Bank
Norwood, Ohio

The Federal Reserve Board announced on October 30, 1992, the execution of a Written Agreement among the Federal Reserve Bank of Cleveland, the Superintendent of Banks of the State of Ohio, and the Farmers Savings Bank, Norwood, Ohio.

Glendale Bank of Pennsylvania
Philadelphia, Pennsylvania

The Federal Reserve Board announced on October 5, 1992, the execution of a Written Agreement between the Federal Reserve Bank of Philadelphia and the Glendale Bank of Pennsylvania, Philadelphia, Pennsylvania.

Guardian Bank
Los Angeles, California

The Federal Reserve Board announced on October 20, 1992, the execution of a Written Agreement between the Federal Reserve Bank of San Francisco and the Guardian Bank, Los Angeles, California.

High Point Financial Corp.
Branchville, New Jersey

The Federal Reserve Board announced on October 26, 1992, the execution of a Written Agreement between the Federal Reserve Bank of New York and High Point Financial Corp., Branchville, New Jersey.

Shawmut National Corporation
Boston, Massachusetts

The Federal Reserve Board announced on October 6, 1992, the execution of an Amendment to the Written Agreement, dated October 1, 1991, between the Federal Reserve Bank of Boston and Shawmut National Corporation, with dual headquarters in Hartford, Connecticut and Boston, Massachusetts. The Amendment eliminates the requirements for Shawmut National Corporation to obtain the written approval of the Federal Reserve prior to declaring or paying preferred stock dividends.

Financial and Business Statistics

CONTENTS

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
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
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
SMSA	Standard metropolitan statistical area
VA	Veterans Administration

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 and credit aggregate	1991	1992			1992				
	Q4	Q1	Q2	Q3	May	June	July	Aug.	Sept.
Reserves of depository institutions[2]									
1 Total	15.2	23.4	14.9	9.3	12.1	−6.3	6.2	20.2^r	24.4
2 Required	15.4	23.5	15.4	9.9	15.8	−4.3	5.0	21.3^r	23.2
3 Nonborrowed	20.0	24.0	14.8	8.4	10.5	−8.1	4.9	21.1^r	23.7
4 Monetary base[3]	8.2	9.2	7.1	10.5	7.7	3.9	9.5	16.6^r	16.7
Concepts of money, liquid assets, and debt[4]									
5 M1	11.1	16.5	9.9	10.5	14.6	−3.1	11.3	16.0	19.7
6 M2	2.4	4.2^r	.3^r	.1	.6	−3.2^r	−.9^r	2.9^r	3.6
7 M3	1.0	2.2^r	−1.3^r	−.3	−.2^r	−3.4^r	−1.1	3.1^r	1.5
8 L	.2	1.5	.5	n.a.	−2.4^r	2.7^r	−1.9^r	4.2	n.a.
9 Debt	3.9^r	4.2^r	5.2^r	n.a.	4.4^r	5.3^r	4.7^r	4.5	n.a.
Nontransaction components									
10 In M2[5]	−.6	−.1^r	−3.1^r	−3.8	−4.7^r	−3.2	−5.6^r	−2.0	−2.7
11 In M3 only[6]	−5.4	−7.5	−9.4^r	−2.3	−3.9^r	−4.6^r	−2.2^r	3.9^r	−8.7
Time and savings deposits									
Commercial banks									
12 Savings, including MMDAs	16.0	19.1	12.0	10.1	8.0	4.9	9.3	13.6	17.6
13 Small time[7]	−8.4	−18.9	−13.3^r	−16.4	−16.7	−14.2^r	−16.8^r	−19.2^r	−16.4
14 Large time[8,9]	−14.4	−18.2	−14.8	−16.1	−8.3^r	−14.9^r	−24.0^r	−10.2^r	−16.7
Thrift institutions									
15 Savings, including MMDAs	10.2	22.4	18.8	8.2	18.8	5.2	5.2	8.9	10.8
16 Small time[7]	−22.5	−24.3	−29.4	−19.9	−24.3	−17.8	−19.6	−21.7	−19.7
17 Large time[8,9]	−36.5	−29.7	−36.7	−17.1	−40.7	−25.2	−5.2	−22.4	−3.5
Money market mutual funds									
18 General purpose and broker-dealer	−4.0	−.3^r	−4.8^r	−8.1	2.7^r	−6.4^r	−11.5^r	−5.8^r	−17.2
19 Institution-only	37.2	26.9	20.0	40.0	35.5	30.2	48.1	54.9	.0
Debt components[4]									
20 Federal	11.5^r	10.0^r	14.2^r	n.a.	12.3^r	14.8^r	10.7^r	9.5	n.a.
21 Nonfederal	1.5^r	2.4^r	2.3^r	n.a.	1.8^r	2.1^r	2.6	2.7	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. 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 Treasury, Federal Reserve Banks, and the vaults of depository institutions; (2) travelers checks of nonbank issuers; (3) demand deposits at all commercial banks other than those due to depository institutions, the U.S. government, and foreign banks and official institutions, less cash items in the process of collection and Federal Reserve float; and (4) other checkable deposits (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) overnight (and continuing-contract) repurchase agreements (RPs) issued by all depository institutions and overnight Eurodollars issued to U.S. residents by foreign branches of U.S. banks worldwide, (2) savings (including MMDAs) and small time deposits (time deposits—including retail repurchase agreements (RPs)—in amounts of less than $100,000), and (3) balances in both taxable and tax-exempt general-purpose and broker–dealer money market funds. Excludes individual retirement accounts (IRAs) and Keogh balances at depository institutions and money market funds. Also excludes all balances held by U.S. commercial banks, money market funds (general purpose and broker–dealer), foreign governments and commercial banks, and the U.S. government. Seasonally adjusted M2 is computed by adjusting its non-M1 component as a whole and then adding this result to seasonally adjusted M1.

M3: M2 plus (1) large time deposits and term RP liabilities (in amounts of $100,000 or more) issued by all depository institutions, (2) term Eurodollars held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada, and (3) balances in both taxable and tax-exempt, institution-only money market funds. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Also excluded is the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds. Seasonally adjusted M3 is computed by adjusting its non-M2 component as a whole and then 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: Debt of domestic nonfinancial sectors consists of outstanding credit-market debt of the U.S. government, state and local governments, and private nonfinancial sectors. Private debt consists of corporate bonds, mortgages, consumer credit (including bank loans), other bank loans, commercial paper, bankers acceptances, and other debt instruments. Data are derived from the Federal Reserve Board's flow of funds accounts. Data on debt of domestic nonfinancial sectors are monthly averages, derived by averaging adjacent month-end levels. Growth rates for debt reflect adjustments for discontinuities over time in the levels of debt presented in other tables.

5. Sum of (1) overnight RPs and Eurodollars, (2) money market fund balances (general purpose and broker–dealer), (3) MMDAs, and (4) savings and small time deposits.

6. Sum of (1) large time deposits, (2) term RPs, (3) term Eurodollars of U.S. residents, and (4) money market fund balances (institution-only), less (5) a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds. This sum is seasonally adjusted as a whole.

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, and foreign banks and official institutions.

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						
	1992			1992						
	July	Aug.	Sept.	Aug. 19	Aug. 26	Sept. 2	Sept. 9	Sept. 16	Sept. 23	Sept. 30
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	313,136	315,617[r]	325,916	317,051	313,092[r]	317,517	320,853	323,716	324,993	335,310
U.S. government securities[2]										
2 Bought outright—System account	274,511	276,117	280.746	276.050	276,435	277,088	281,700	280,496	280,594	281,532
3 Held under repurchase agreements	772	1,699	6.452	2.698	0	3,248	1,477	4,167	5,901	13,947
Federal agency obligations										
4 Bought outright	5,677	5,603	5.538	5,612	5,600	5,571	5,539	5,534	5,534	5,534
5 Held under repurchase agreements	7	26	293	76	0	36	11	168	195	855
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	87	28	94	45	35	29	23	244	24	102
8 Seasonal credit	202	224	192	223	232	220	191	182	194	197
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	586	655[r]	541	807	715[r]	776	347	1,095	477	153
11 Other Federal Reserve assets	31,294	31,264[r]	32.060	31,541	30,076[r]	30,548	31,564	31,830	32,074	32,990
12 Gold stock	11,060	11,060	11.059	11,059	11,060	11,059	11,059	11,060	11,059	11,058
13 Special drawing rights certificate account	10,018	10,018	10.018	10,018	10,018	10,018	10,018	10,018	10,018	10,018
14 Treasury currency outstanding	21,272	21,292[r]	21,324	21,292[r]	21,295[r]	21,298	21,309	21,320	21,331	21,342
ABSORBING RESERVE FUNDS										
15 Currency in circulation	313,739	315,783[r]	318.628	316.302[r]	315,331[r]	316,410	319,409	319,953	318,149	317,314
16 Treasury cash holdings	594	553	530	551	542	539	535	531	529	522
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	5,666	5,729	11.390	5,291	5,620	5,744	5,923	6,284	13,697	21,297
18 Foreign	236	211	309	212	195	213	267	257	297	438
19 Service-related balances and adjustments	5,534	5,612	5,773	5,592	5,611	5,768	5,667	5,708	5,756	5,963
20 Other	233	267	290	294	268	276	297	293	289	275
21 Other Federal Reserve liabilities and capital	8,493	8,496	8.508	8.269	8,184	8,665	9,058	8,274	8,235	8,279
22 Reserve balances with Federal Reserve Banks[3]	20,991	21,336[r]	22.890	22.910	19,715[r]	22,279	22,084	24,814	20,450	23,641

Factor	End-of-month figures			Wednesday figures						
	July	Aug.	Sept.	Aug. 19	Aug. 26	Sept. 2	Sept. 9	Sept. 16	Sept. 23	Sept. 30
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	313,930	319,410[r]	336.583	314,923	313,088[r]	322,658	323,399	325,472	333,889	336,583
U.S. government securities[2]										
2 Bought outright—System account	275,969	274,537	279.712	277.500	276.823	277,254	281,509	283,122	280,683	279,712
3 Held under repurchase agreements	0	7,616	16.685	582	0	7,452	4,775	2,682	14,303	16,685
Federal agency obligations										
4 Bought outright	5,625	5,571	5.534	5.612	5,571	5,571	5,534	5,534	5,534	5,534
5 Held under repurchase agreements	0	53	1.475	0	0	100	40	307	224	1,475
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	29	28	425	70	46	31	20	1,398	44	425
8 Seasonal credit	227	216	184	230	229	208	181	191	200	184
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	305	195[r]	−229	518	480[r]	737	−606	154	136	−229
11 Other Federal Reserve assets	31,776	31,195[r]	32.796	30.412	29,939[r]	31;305	31,945	32,083	32,765	32,796
12 Gold stock	11,059	11,059	11.058	11,059	11,059	11,059	11,060	11,060	11,059	11,058
13 Special drawing rights certificate account	10,018	10.018	10.018	10,018	10,018	10,018	10,018	10,018	10,018	10,018
14 Treasury currency outstanding	21,286	21,298[r]	21.342	21,292[r]	21,295[r]	21,298	21,309	21,320	21,331	21,342
ABSORBING RESERVE FUNDS										
15 Currency in circulation	314,338	316,136[r]	317.923	316.118[r]	315,712[r]	317,750	320,466	319,266	317,713	317,923
16 Treasury cash holdings	578	539	527	542	539	536	531	530	522	527
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	6,923	6,232	24.586	4.412	5,679	5,316	3,982	7,881	21,796	24,586
18 Foreign	264	297	546	253	224	236	183	501	310	546
19 Service-related balances and adjustments	5,473	5,768	5.963	5.592	5,611	5,768	5,667	5,708	5,756	5,963
20 Other	220	254	295	321	283	302	278	328	256	295
21 Other Federal Reserve liabilities and capital	8,846	9,275	8.023	8.086	8,010	9,032	8,119	8,104	8,107	8,023
22 Reserve balances with Federal Reserve Banks[3]	19,651	23,284[r]	21,138	21.967	19,403[r]	26,095	26,560	25,550	21,836	21,138

1. For amounts of cash held as reserves, see table 1.12.
2. Includes securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and excludes any securities sold and scheduled to be bought back under matched sale-purchase transactions.
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									
	1989	1990	1991	1992						
	Dec.	Dec.	Dec.	Mar.	Apr.	May	June	July	Aug.	Sept.
1 Reserve balances with Reserve Banks[2]	35,436	30,237	26,659	28,057	22,655	21,071	21,223	21,206	21,272r	22,629
2 Total vault cash[3]	29,828	31,786	32,513	31,647	31,071	31,197	31,729	32,145	32,457	32,343
3 Applied vault cash[4]	27,374	28,884	28,872	28,225	27,800	27,754	28,273	28,617	28,890	28,894
4 Surplus vault cash[5]	2,454	2,903	3,641	3,422	3,271	3,442	3,456	3,528	3,567	3,448
5 Total reserves[6]	62,810	59,120	55,532	56,282	50,455	48,825	49,496	49,823	50,162r	51,523
6 Required reserves	61,887	57,456	54,553	55,254	49,318	47,825	48,584	48,857	49,227r	50,517
7 Excess reserve balances at Reserve Banks[7]	923	1,664	979	1,028	1,137	1,000	913	965	935r	1,006
8 Total borrowings at Reserve Banks[8]	265	326	192	91	90	155	229	284	251	287
9 Seasonal borrowings	84	76	38	32	47	98	149	203	223	193
10 Extended credit[9]	20	23	1	2	2	0	0	0	0	0
	Biweekly averages of daily figures for weeks ending									
	1992									
	May 27	June 10	June 24	July 8	July 22	Aug. 5	Aug. 19	Sept. 2	Sept. 16	Sept. 30
1 Reserve balances with Reserve Banks[2]	20,356	21,374	21,205	21,014	21,277	21,264	21,515	20,991r	23,439	22,052
2 Total vault cash[3]	32,069	30,909	31,946	32,589	32,233	31,613	32,687	32,541	31,625	33,033
3 Applied vault cash[4]	28,418	27,591	28,487	28,910	28,779	28,105	29,166	28,896	28,438	29,351
4 Surplus vault cash[5]	3,651	3,318	3,459	3,679	3,455	3,508	3,521	3,645	3,187	3,682
5 Total reserves[6]	48,774	48,965	49,692	49,924	50,056	49,369	50,681	49,887r	51,876	51,403
6 Required reserves	47,277	48,492	48,521	48,884	49,106	48,447	49,856	48,820r	51,081	50,196
7 Excess reserve balances at Reserve Banks[7]	1,497	474	1,171	1,041	950	922	825	1,067r	795	1,207
8 Total borrowings at Reserve Banks[8]	157	152	188	455	215	241	249	258	321	259
9 Seasonal borrowings	113	125	150	187	199	222	221	226	187	196
10 Extended credit[9]	0	0	0	1	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.
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 can be used to satisfy reserve requirements. Under contemporaneous reserve requirements, maintenance periods end thirty days after the lagged computation periods during which the balances are held.
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 there is with traditional short-term adjustment credit, the money market impact 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	1992, week ending Monday								
	July 6	July 13	July 20	July 27	Aug. 3	Aug. 10	Aug. 17	Aug. 24	Aug. 31
Federal funds purchased, repurchase agreements, and other selected borrowings									
From commercial banks in the United States									
1 For one day or under continuing contract	74,072r	74,503	70,973	69,234	72,386	75,784	72,514	69,943	69,674
2 For all other maturities	19,118	16,208	15,230	14,941	15,291	15,877	15,772	15,760	15,420
From other depository institutions, foreign banks and official institutions, and U.S. government agencies									
3 For one day or under continuing contract	17,450	18,725	18,371	21,257	19,314	17,607	17,988	18,137	17,874
4 For all other maturities	19,502	19,694	19,555	20,271	19,092	19,173	20,827	19,917	19,493
Repurchase agreements on U.S. government and federal agency securities									
Brokers and nonbank dealers in securities									
5 For one day or under continuing contract	9,589r	10,969	11,284	11,841	12,644	13,697	13,289	15,753	15,305
6 For all other maturities	14,051	13,649	12,812	11,875	12,086	14,188	15,289	14,874	15,983
All other customers									
7 For one day or under continuing contract	20,553r	22,983r	22,610r	24,561r	24,609	24,862	24,794	25,358	25,113
8 For all other maturities	15,292r	12,826r	12,903r	12,770	12,675	12,672	12,914	13,282	13,568
MEMO: Federal funds loans and resale agreements in immediately available funds in maturities of one day or under continuing contract									
9 To commercial banks in the United States	48,216r	42,555	43,544	40,404	45,321	41,718	42,271	40,058	42,411
10 To all other specified customers[2]	22,205r	21,153r	17,929r	17,881	16,393	20,327	19,248	18,911	17,663

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 10/30/92	Effective date	Previous rate	On 10/30/92	Effective date	Previous rate	On 10/30/92	Effective date	Previous rate
Boston	3	7/2/92	3.5	3.20	10/29/92	3.15	3.70	10/29/92	3.65
New York		7/2/92			10/29/92			10/29/92	
Philadelphia		7/2/92			10/29/92			10/29/92	
Cleveland		7/6/92			10/29/92			10/29/92	
Richmond		7/2/92			10/29/92			10/29/92	
Atlanta		7/2/92			10/29/92			10/29/92	
Chicago		7/2/92			10/29/92			10/29/92	
St. Louis		7/7/92			10/29/92			10/29/92	
Minneapolis		7/2/92			10/29/92			10/29/92	
Kansas City		7/2/92			10/29/92			10/29/92	
Dallas		7/2/92			10/29/92			10/29/92	
San Francisco	3	7/2/92	3.5	3.20	10/29/92	3.15	3.70	10/29/92	3.65

Range of rates for adjustment credit in recent years[4]

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1977	6	6
1978—Jan. 9	6–6.5	6.5
20	6.5	6.5
May 11	6.5–7	7
12	7	7
July 3	7–7.25	7.25
10	7.25	7.25
Aug. 21	7.75	7.75
Sept. 22	8	8
Oct. 16	8–8.5	8.5
20	8.5	8.5
Nov. 1	8.5–9.5	9.5
3	9.5	9.5
1979—July 20	10	10
Aug. 17	10–10.5	10.5
20	10.5	10.5
Sept. 19	10.5–11	11
21	11	11
Oct. 8	11–12	12
10	12	12
1980—Feb. 15	12–13	13
19	13	13
May 29	12–13	13
30	12	12
June 13	11–12	11
16	11	11
29	10	10
July 28	10–11	10
Sept. 26	11	11
Nov. 17	12	12
Dec. 5	12–13	13
1981—May 5	13–14	14
8	14	14
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
July 11	6	6
1986—Aug. 21	5.5–6	5.5
22	5.5	5.5
1987—Sept. 4	5.5–6	6
11	6	6
1988—Aug. 9	6–6.5	6.5
11		
1989—Feb. 24	6.5–7	7
27	7	7
1990—Dec. 19	6.5	6.5
1991—Feb. 1	6.65	6
4	6	6
Apr. 30	5.5–6	5.5
May 2	5.5	5.5
Sept. 13	5–5.5	5
Sept. 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
In effect Oct. 30, 1992	3	3

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 on 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 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[2]	Requirements	
	Percent of deposits	Effective date
Net transaction accounts[3]		
1 $0 million–$42.2 million	3	12/17/91
2 More than $42.2 million[4]	10	4/2/92
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 provisions of the Monetary Control Act, depository institutions include commercial banks, mutual savings banks, savings and loan associations, credit unions, agencies and branches of foreign banks, and Edge corporations.

2. The Garn–St Germain Depository Institutions Act of 1982 (Public Law 97-320) requires that $2 million of reservable liabilities of each depository institution be subject to a zero percent reserve requirement. The Board is to adjust the amount of reservable liabilities subject to this zero percent reserve requirement each year for the succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is to be made in the event of a decrease. On Dec. 17, 1991, the exemption was raised from $3.4 million to $3.6 million. The exemption applies in the following order: (1) net negotiable order of withdrawal (NOW) accounts (NOW accounts less allowable deductions); and (2) net other transaction accounts. The exemption applies only to accounts that would be subject to a 3 percent reserve requirement.

3. Include all deposits against which the account holder is permitted to make withdrawals by negotiable or transferable instruments, payment orders of withdrawal, and telephone and preauthorized transfers in excess of three per month for the purpose of making payments to third persons or others. However, money market deposit accounts (MMDAs) and similar accounts subject to the rules that permit no more than six preauthorized, automatic, or other transfers per month, of which no more than three may be checks, are not transaction accounts (such accounts are savings deposits).

The Monetary Control Act of 1980 requires that the amount of transaction accounts against which the 3 percent reserve requirement applies be modified annually by 80 percent of the percentage change in transaction accounts held by all depository institutions, determined as of June 30 each year. Effective Dec. 17, 1991, for institutions reporting quarterly, and Dec. 24, 1991, for institutions reporting weekly, the amount was increased from $41.1 million to $42.2 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. The reserve requirement on nonpersonal time deposits with an original maturity of 1½ years or more has been zero since Oct. 6, 1983.

For institutions that report quarterly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years was reduced from 3 percent to zero on Jan. 17, 1991.

6. The reserve requirement on Eurocurrency liabilities was reduced from 3 percent to zero in the same manner and on the same dates as were the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years (see note 4).

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

Type of transaction	1989	1990	1991	1992						
				Feb.	Mar.	Apr.	May	June	July	Aug.
U.S. TREASURY SECURITIES										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	14,284	24,739	20,158	123	505	0	4,110	306	0	271
2 Gross sales	12,818	7,291	120	0	0	0	0	0	0	0
3 Exchanges	231,211	241,086	277,314	24,435	21,674	27,526	24,275	22,392	27,755	25,041
4 Redemptions	12,730	4,400	1,000	0	0	0	0[r]	0	0	0
Others within one year										
5 Gross purchases	327	425	3,043	0	0	0	0	0	0	0
6 Gross sales	0	0	0	0	0	0	0	0	0	0
7 Maturity shifts	28,848	25,638	24,454	6,020	2,552	1,100	3,754	2,152	687	5,415
8 Exchanges	-25,783	-27,424	-28,090	-2,742	-2,512	-1,863	-5,225	-1,854	-1,669	-4,617
9 Redemptions	500	0	1,000	0	0	0	0	0	0	0
One to five years										
10 Gross purchases	1,436	250	6,583	1,027	1,425	0	200[r]	2,278	0	400
11 Gross sales	490	200	0	0	0	0	0	0	0	0
12 Maturity shifts	-25,534	-21,770	-21,211	-6,020	-2,552	-877	-2,113	-3,447	-216	-4,036
13 Exchanges	23,250	25,410	24,594	2,292	2,512	1,484	4,311	1,854	1,478	3,567
Five to ten years										
14 Gross purchases	287	0	1,280	0	0	0	0	597	0	0
15 Gross sales	29	100	0	0	0	0	0	0	0	0
16 Maturity shifts	-2,231	-2,186	-2,037	0	0	-223	-346	0	-471	-412
17 Exchanges	1,934	789	2,894	300	0	379	614	0	191	700
More than ten years										
18 Gross purchases	284	0	375	0	0	0	0	655	0	195
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shifts	-1,086	-1,681	-1,209	0	0	0	0	0	0	0
21 Exchanges	600	1,226	600	150	0	0	300	0	0	350
All maturities										
22 Gross purchases	16,617	25,414	31,439	1,150	1,930	0	4,310	3,836	0	866
23 Gross sales	13,337	7,591	120	0	0	0	0	0	0	0
24 Redemptions	13,230	4,400	1,000	0	0	0	0[r]	0	0	0
Matched transactions										
25 Gross sales	1,323,480	1,369,052	1,570,456	123,000	128,230	125,999	118,972	126,977	127,051	104,873
26 Gross purchases	1,326,542	1,363,434	1,571,534	124,654	126,673	128,149	117,524	129,216	126,137	102,575
Repurchase agreements[2]										
27 Gross purchases	129,518	219,632	310,084	9,824	48,758	18,432	38,777	10,792	12,224	39,484
28 Gross sales	132,688	202,551	311,752	13,353	46,953	20,237	38,533	11,036	12,224	31,868
29 Net change in U.S. government securities	-10,055	24,886	29,729	-725	2,178	345	3,107[r]	5,831	-914	6,184
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
30 Gross purchases	0	0	0	0	0	0	0	0	0	0
31 Gross sales	0	0	5	0	0	0	0	0	0	0
32 Redemptions	442	183	292	0	0	49	160[r]	40	85	54
Repurchase agreements[2]										
33 Gross purchases	38,835	41,836	22,807	571	1,640	224	1,281	402	94	601
34 Gross sales	40,411	40,461	23,595	706	1,640	224	1,281	402	94	548
35 Net change in federal agency obligations	-2,018	1,192	-1,085	-135	0	-49	-160[r]	-40	-85	-1
36 Total net change in System Open Market Account	**-12,073**	**26,078**	**28,644**	**-860**	**2,178**	**295**	**2,946**	**5,791**	**-1,000**	**6,183**

1. Sales, redemptions, and negative figures reduce holdings of the System Open Market Account; all other figures increase such holdings.

2. In July 1984 the Open Market Trading Desk discontinued accepting bankers acceptances in repurchase agreements.

1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements[1]

Millions of dollars

Account	Wednesday 1992					End of month 1992		
	Sept. 2	Sept. 9	Sept. 16	Sept. 23	Sept. 30	July 31	Aug. 31	Sept. 30
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,059	11,060	11,060	11,059	11,058	11,059	11,059	11,058
2 Special drawing rights certificate account	10,018	10,018	10,018	10,018	10,018	10,018	10,018	10,018
3 Coin	493	482	492	498	500	477	499	500
Loans								
4 To depository institutions	239	201	1,589	244	609	256	244	609
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	5,571	5,534	5,534	5,534	5,534	5,625	5,571	5,534
8 Held under repurchase agreements	100	40	307	224	1,475	0	53	1,475
9 **Total U.S. Treasury securities**	**284,706**	**286,284**	**285,804**	**294,986**	**296,397**	**275,969**	**282,153**	**296,397**
10 Bought outright[2]	277,254	281,509	283,122	280,683	279,712	275,969	274,537	279,712
11 Bills	136,626	137,049	138,162	135,072	133,752	135,935	133,908	133,752
12 Notes	107,822	110,876	111,376	112,026	112,376	106,974	107,822	112,376
13 Bonds	32,807	33,584	33,584	33,584	33,584	33,059	32,807	33,584
14 Held under repurchase agreements	7,452	4,775	2,682	14,303	16,685	0	7,616	16,685
15 **Total loans and securities**	**290,616**	**292,060**	**293,235**	**300,988**	**304,015**	**281,849**	**288,020**	**304,015**
16 Items in process of collection	6,248	7,093	6,354	5,426	5,125	4,428	2,267	5,125
17 Bank premises	1,016	1,017	1,020	1,019	1,019	1,014	1,015	1,019
Other assets								
18 Denominated in foreign currencies[3]	24,746	24,800	24,433	24,503	24,432	24,734	24,742	24,432
19 All other[4]	5,560	6,296	6,630	7,170	7,423	6,113	5,472	7,423
20 **Total assets**	**349,755**	**352,825**	**353,241**	**360,681**	**363,591**	**339,692**	**343,093**	**363,591**
LIABILITIES								
21 Federal Reserve notes	297,481	300,169	298,968	297,402	297,609	294,107	295,876	297,609
22 **Total deposits**	**39,273**	**57,086**	**40,454**	**50,533**	**53,094**	**40,270**	**36,206**	**53,094**
23 Depository institutions	31,722	32,244	31,743	28,171	27,666	25,302	29,422	27,666
24 U.S. Treasury—General account	5,316	3,982	7,881	21,796	24,586	6,923	6,232	24,586
25 Foreign—Official accounts	236	183	501	310	546	264	297	546
26 Other	302	278	328	256	295	220	254	295
27 Deferred credit items	3,971	−12,548	5,715	4,637	4,865	−3,531	1,736	4,865
28 Other liabilities and accrued dividends[5]	1,938	1,849	1,807	1,814	1,840	1,988	1,960	1,840
29 **Total liabilities**	**342,662**	**346,556**	**346,944**	**354,387**	**357,407**	**332,834**	**335,778**	**357,407**
CAPITAL ACCOUNTS								
30 Capital paid in	2,958	2,959	2,972	2,974	2,977	2,931	2,957	2,977
31 Surplus	2,652	2,652	2,652	2,652	2,652	2,652	2,652	2,652
32 Other capital accounts	1,484	659	674	669	555	1,276	1,707	555
33 **Total liabilities and capital accounts**	**349,755**	**352,825**	**353,241**	**360,681**	**363,591**	**339,692**	**343,093**	**363,591**
34 MEMO: Marketable U.S. Treasury securities held in custody for foreign and international accounts	295,956	294,432	291,497	282,343	283,556	291,950	296,756	283,556
	Federal Reserve note statement							
35 Federal Reserve notes outstanding (issued to Bank)	357,713	357,837	357,784	357,903	357,496	360,881	357,972	357,496
36 LESS: Held by Federal Reserve Bank	60,232	57,668	58,816	60,500	59,887	66,774	62,096	59,887
37 Federal Reserve notes, net	297,481	300,169	298,968	297,402	297,609	294,107	295,876	297,609
Collateral held against notes, net:								
38 Gold certificate account	11,059	11,060	11,060	11,059	11,058	11,059	11,059	11,058
39 Special drawing rights certificate account	10,018	10,018	10,018	10,018	10,018	10,018	10,018	10,018
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities	276,403	279,091	277,890	276,326	276,533	273,030	274,799	276,533
42 **Total collateral**	**297,481**	**300,169**	**298,968**	**297,402**	**297,615**	**294,107**	**295,876**	**297,615**

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[1]

Millions of dollars

Type and maturity grouping	Wednesday					End of month		
	1992					1992		
	Sept. 2	Sept. 9	Sept. 16	Sept. 23	Sept. 30	July 31	Aug. 31	Sept. 30
1 **Total loans**	**239**	**201**	**1,589**	**244**	**609**	**256**	**244**	**609**
2 Within fifteen days	85	64	1,570	211	506	125	110	506
3 Sixteen days to ninety days	153	137	19	33	103	131	134	103
4 Ninety-one days to one year	0	0	0	0	0	0	0	0
5 **Total acceptances**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
6 Within fifteen days	0	0	0	0	0	0	0	0
7 Sixteen days to ninety days	0	0	0	0	0	0	0	0
8 Ninety-one days to one year	0	0	0	0	0	0	0	0
9 **Total U.S. Treasury securities**	**284,706**	**286,284**	**285,804**	**294,986**	**296,397**	**275,969**	**282,153**	**296,397**
10 Within fifteen days[2]	18,343	17,798	19,062	27,251	24,468	9,389	13,027	24,468
11 Sixteen days to ninety days	68,373	66,664	64,481	67,652	67,062	68,366	70,616	67,062
12 Ninety-one days to one year	89,647	89,997	89,937	87,108	91,423	89,667	90,167	91,423
13 One year to five years	66,029	68,029	68,529	69,179	69,648	67,064	66,029	69,648
14 Five years to ten years	16,415	17,165	17,165	17,165	17,165	15,932	16,415	17,165
15 More than ten years	25,899	26,631	26,631	26,631	26,631	25,549	25,899	26,631
16 **Total federal agency obligations**	**5,671**	**5,574**	**5,841**	**5,758**	**7,009**	**5,625**	**5,624**	**7,009**
17 Within fifteen days[2]	180	120	558	475	1,685	98	463	1,685
18 Sixteen days to ninety days	911	911	715	715	747	836	573	747
19 Ninety-one days to one year	1,278	1,278	1,223	1,223	1,221	1,297	1,286	1,221
20 One year to five years	2,391	2,354	2,454	2,454	2,465	2,483	2,391	2,465
21 Five years to ten years	757	757	737	737	737	757	757	737
22 More than ten years	154	154	154	154	154	154	154	154

1. Holdings under repurchase agreements are classified as maturing within 15 days in accordance with maximum maturity of the agreements.

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE[1]

Billions of dollars, averages of daily figures

Item	1988 Dec.	1989 Dec.	1990 Dec.	1991 Dec.	1992 Feb.	1992 Mar.	1992 Apr.	1992 May	1992 June	1992 July	1992 Aug.	1992 Sept.
	Seasonally adjusted											
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]												
1 Total reserves[3]	40.47	40.56	41.83	45.60	47.75	48.48	49.00	49.49	49.23	49.49	50.32	51.35
2 Nonborrowed reserves[4]	38.75	40.29	41.51	45.41	47.67	48.39r	48.91	49.34	49.01r	49.21r	50.07	51.06
3 Nonborrowed reserves plus extended credit[5]	40.00	40.31	41.53	45.41	47.67	48.39	48.91	49.34	49.01r	49.21r	50.07	51.06
4 Required reserves	39.42	39.64	40.17	44.62	46.68	47.45	47.86	48.49	48.32	48.52	49.39	50.34
5 Monetary base[6]	256.97	267.77	293.29	317.25	323.41	324.51	326.50	328.58	329.64	332.26	336.87r	341.55
	Not seasonally adjusted											
6 Total reserves[7]	41.65	41.77	43.07	46.98r	46.85	47.69	50.02r	48.62	49.25	49.52	49.81r	51.11
7 Nonborrowed reserves	39.93	41.51	42.74	46.78	46.77	47.59	49.93r	48.47	49.02	49.24	49.56r	50.83
8 Nonborrowed reserves plus extended credit[5]	41.17	41.53	42.77	46.78	46.77	47.60	49.93	48.47	49.02	49.24	49.56r	50.83
9 Required reserves[8]	40.60	40.85	41.40	46.00	45.78	46.66	48.88	47.62	48.33	48.56	48.88	50.11
10 Monetary base[9]	260.41	271.18	296.68	321.07r	320.38	322.69	327.45	328.37	330.94r	334.09	336.59r	340.11
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[10]												
11 Total reserves[11]	63.75	62.81	59.12	55.53	55.24	56.28	50.46r	48.83r	49.50	49.82	50.16r	51.52
12 Nonborrowed reserves	62.03	62.54	58.80r	55.34	55.16	56.19	50.37r	48.67	49.27	49.54	49.91	51.24
13 Nonborrowed reserves plus extended credit[5]	63.28r	62.56	58.82	55.34	55.16	56.19	50.37	48.67	49.27	49.54	49.91	51.24
14 Required reserves	62.70	61.89	57.46	54.55	54.17	55.25	49.32	47.83r	48.58	48.86	49.23	50.52
15 Monetary base[12]	283.00	292.55	313.70	333.61	333.19	335.82	332.69	333.79	336.43	339.87	342.49r	346.21
16 Excess reserves[13]	1.05	.92	1.66	.98	1.07r	1.03	1.14	1.00	.91	.97	.94	1.01
17 Borrowings from the Federal Reserve	1.72	.27	.33	.19	.08	.09	.09	.16r	.23	.28	.25	.29

1. Latest monthly and biweekly figures are available from the Board's H.3 (502) weekly statistical release. Historical data and estimates of the impact on required reserves of changes in reserve requirements are available from the Monetary and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, 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 there is with traditional short-term adjustment credit, the money market impact 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 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 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 changes in reserve requirements (CRR), 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	1988 Dec.	1989 Dec.	1990 Dec.	1991 Dec.	1992 June	1992 July	1992 Aug.	1992 Sept.
	Seasonally adjusted							
Measures[2]								
1 M1	786.9	794.1	826.1	898.1	951.8	960.8	973.6	989.6
2 M2	3,071.1	3,227.3	3,339.0	3,439.9	3,463.4[r]	3,460.8[r]	3,469.3[r]	3,479.7
3 M3	3,923.1	4,059.8	4,114.6	4,171.0	4,165.9[r]	4,162.0	4,172.8[r]	4,178.1
4 L	4,677.1[r]	4,890.6[r]	4,965.2[r]	4,988.1[r]	5,013.1[r]	5,005.3[r]	5,023.0	n.a.
5 Debt	9,326.3[r]	10,076.7[r]	10,751.3[r]	11,200.4[r]	11,481.7[r]	11,526.2	11,569.1	n.a.
M1 components								
6 Currency[3]	212.3	222.6	246.8	267.3	276.2	279.0	282.3	286.4
7 Travelers checks[4]	7.5	7.4	8.3	8.2	7.9	7.8	7.9	8.3
8 Demand deposits[5]	286.5	279.0	277.1	289.5	311.0	315.6	320.7	327.8
9 Other checkable deposits[6]	280.6	285.1	293.9	333.2	356.7	358.4[r]	362.7	367.1
Nontransaction components								
10 In M2[7]	2,284.2	2,433.2	2,512.9	2,541.8	2,511.6[r]	2,499.9[r]	2,495.8[r]	2,490.1
11 In M3[8]	852.0	832.5	775.6	731.1	702.5[r]	701.2[r]	703.5[r]	698.4
Commercial banks								
12 Savings deposits, including MMDAs	542.7	541.5[r]	581.9	664.9	710.8	716.3	724.4	735.0
13 Small time deposits[9]	447.0	531.0	606.4	598.5	551.5[r]	543.8	535.1[r]	527.8
14 Large time deposits[10, 11]	366.9	398.2	374.0	354.0	325.5	319.0[r]	316.3[r]	311.9
Thrift institutions								
15 Savings deposits, including MMDAs	383.5	349.7	338.8	377.7	416.2	418.0	421.1	424.9
16 Small time deposits[9]	585.9	617.5	562.3	464.5	404.6	398.0	390.8	384.4
17 Large time deposits[10]	174.3	161.1	120.9	83.1	69.8	69.5	68.2	68.0
Money market mutual funds								
18 General purpose and broker–dealer	241.9	316.3	348.9	360.5	354.2[r]	350.8[r]	349.1[r]	344.1
19 Institution-only	91.0	107.2	133.7	179.1	199.7	207.7	217.2	217.2
Debt components								
20 Federal debt	2,101.5	2,249.5[r]	2,493.4[r]	2,764.8[r]	2,942.0[r]	2,968.2[r]	2,991.6	n.a.
21 Nonfederal debt	7,224.8[r]	7,827.2[r]	8,258.0[r]	8,435.6[r]	8,539.7[r]	8,558.0[r]	8,577.5	n.a.
	Not seasonally adjusted							
Measures[2]								
22 M1	804.1	811.9	844.1	917.3	952.1	963.3	971.1	984.0
23 M2	3,083.8	3,240.0	3,351.9	3,453.7	3,459.3[r]	3,463.9[r]	3,468.4[r]	3,471.1
24 M3	3,934.7	4,070.3	4,124.7	4,181.7	4,163.0[r]	4,163.0[r]	4,175.5[r]	4,169.2
25 L	4,694.2[r]	4,909.9[r]	4,984.9[r]	5,008.3[r]	5,000.3[r]	4,997.0[r]	5,016.6	n.a.
26 Debt	9,312.5[r]	10,063.6[r]	10,739.9[r]	11,190.5[r]	11,434.0[r]	11,480.8[r]	11,531.1	n.a.
M1 components								
27 Currency[3]	214.8	225.3	249.5	270.0	277.3	280.8	282.9	284.7
28 Travelers checks[4]	6.9	6.9	7.8	7.7	8.2	8.6	8.8	8.9
29 Demand deposits[5]	298.9	291.5	289.9	303.0	310.6	317.2	319.2	325.4
30 Other checkable deposits[6]	283.5	288.1	296.9	336.5	356.1	356.6	360.2[r]	365.0
Nontransaction components								
31 In M2[7]	2,279.7	2,428.1	2,507.8	2,536.5	2,507.2[r]	2,500.6[r]	2,497.3[r]	2,487.2
32 In M3[8]	850.8	830.3	772.8	728.0	703.7[r]	699.2[r]	707.2[r]	698.1
Commercial banks								
33 Savings deposits, including MMDAs	543.8	543.0	580.0	662.4	714.1	719.9	726.2	734.0
34 Small time deposits[9]	446.0	529.5	606.3	598.7	549.5[r]	543.6	534.8	527.4
35 Large time deposits[10, 11]	365.9	397.1	373.0	352.8	326.8[r]	318.9	318.0[r]	313.1
Thrift institutions								
36 Savings deposits, including MMDAs	381.1	347.6	337.7	376.3	418.2	420.1	422.2	424.3
37 Small time deposits[9]	584.9	616.0	562.2	464.6	403.2	397.8	390.5	384.1
38 Large time deposits[10]	175.2	162.0	120.6	82.8	70.1	69.4	68.6	68.3
Money market mutual funds								
39 General purpose and broker–dealer	240.8	314.6	346.8	358.1	349.8[r]	346.4[r]	347.4[r]	343.0
40 Institution-only	91.4	107.8	134.4	180.3	195.7	202.2	213.8	210.0
Repurchase agreements and eurodollars								
41 Overnight	83.2	77.5	74.7	76.3	72.4	72.9[r]	76.1[r]	74.3
42 Term	227.4	178.5	158.3	127.7	125.3[r]	123.3[r]	122.5[r]	121.1
Debt components								
43 Federal debt	2,098.9	2,247.5	2,491.3	2,765.0	2,912.2	2,937.5	2,970.3	n.a.
44 Nonfederal debt	7,213.5[r]	7,816.2[r]	8,248.6[r]	8,425.5[r]	8,521.9[r]	8,543.3[r]	8,560.8	n.a.

For notes see following page.

NOTES TO TABLE 1.21

1. Latest monthly and weekly figures are available from the Board's H.6 (508) weekly statistical release. Historical data are available from the Money and Reserves Projection 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 Treasury, Federal Reserve Banks, and the vaults of depository institutions; (2) travelers checks of nonbank issuers; (3) demand deposits at all commercial banks other than those due to depository institutions, the U.S. government, and foreign banks and official institutions, less cash items in the process of collection and Federal Reserve float; and (4), other checkable deposits (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) overnight (and continuing-contract) repurchase agreements (RPs) issued by all depository institutions and overnight Eurodollars issued to U.S. residents by foreign branches of U.S. banks worldwide, (2) savings (including MMDAs) and small time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and (3) balances in both taxable and tax-exempt general purpose and broker–dealer money market funds. Excludes individual retirement accounts (IRAs) and Keogh balances at depository institutions and money market funds. Also excludes all balances held by U.S. commercial banks, money market funds (general purpose and broker–dealer), foreign governments and commercial banks, and the U.S. government. Seasonally adjusted M2 is computed by adjusting its non-M1 component as a whole and then adding this result to seasonally adjusted M1.

M3: M2 plus (1) large time deposits and term RP liabilities (in amounts of $100,000 or more) issued by all depository institutions, (2) term Eurodollars held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada, and (3) balances in both taxable and tax-exempt, institution-only money market funds. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Also excluded is the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds. Seasonally adjusted M3 is computed by adjusting its non-M2 component as a whole and then 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: Debt of domestic nonfinancial sectors consists of outstanding credit market debt of the U.S. government, state and local governments, and private nonfinancial sectors. Private debt consists of corporate bonds, mortgages, consumer credit (including bank loans), other bank loans, commercial paper, bankers acceptances, and other debt instruments. Data are derived from the Federal Reserve Board's flow of funds accounts. Debt data are based on monthly averages. This sum is seasonally adjusted as a whole.

3. Currency outside the U.S. Treasury, Federal Reserve Banks, and vaults of depository institutions.

4. Outstanding amount of U.S. dollar-denominated travelers checks of nonbank issuers. Travelers checks issued by depository institutions are included in demand deposits.

5. Demand deposits at commercial banks and foreign-related institutions other than those due to depository institutions, the U.S. government, and foreign banks and official institutions, less cash items in the process of collection and Federal Reserve float.

6. Consists of NOW and ATS account balances at all depository institutions, credit union share draft account balances, and demand deposits at thrift institutions.

7. Sum of (1) overnight RPs and overnight Eurodollars, (2) money market fund balances (general purpose and broker–dealer), (3) MMDAs, and (4) savings and small time deposits.

8. Sum of (1) large time deposits, (2) term RPs, (3) term Eurodollars of U.S. residents, and (4) money market fund balances (institution-only), less a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds.

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, and foreign banks and official institutions.

1.22 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 customer	1989[2]	1990[2]	1991[2]	1992 Feb.	Mar.	Apr.	May	June	July
				Seasonally adjusted					
DEBITS TO									
Demand deposits[3]									
1 All insured banks	256,150.4	277,916.3	281,050.1	298,098.7	305,837.0	315,651.2	292,177.4	302,259.2	336,868.4
2 Major New York City banks	129,319.9	131,784.0	140,905.5	154,751.0	164,171.5	167,177.5	154,225.3	149,743.3	179,593.4
3 Other banks	126,830.5	146,132.3	140,144.6	143,347.7	141,665.5	148,473.7	137,952.1	152,515.9	157,275.0
4 ATS–NOW accounts[4]	2,910.5	3,349.6	3,624.6	3,787.2	3,670.2	3,957.0	3,552.6	4,070.7	4,024.0
5 Savings deposits[5]	547.5	558.8	1,377.4	3,142.5	3,361.0	3,356.5	3,241.4	3,838.9	3,724.9
DEPOSIT TURNOVER									
Demand deposits[3]									
6 All insured banks	735.1	800.6	817.6	817.6	832.5	857.4	771.2	814.2	910.5
7 Major New York City banks	3,421.5	3,804.1	4,391.9	4,633.3	4,974.4	5,029.1	4,438.0	4,470.1	5,425.1
8 Other banks	408.3	467.7	449.6	432.8	423.7	443.3	400.9	451.6	466.9
9 ATS–NOW accounts[4]	15.2	16.5	16.1	15.1	14.5	15.6	13.7	15.6	15.3
10 Savings deposits[5]	3.0	2.9	3.3	4.7	4.9	4.7	4.4	5.1	5.0
				Not seasonally adjusted					
DEBITS TO									
Demand deposits[3]									
11 All insured banks	256,133.2	277,400.0	280,922.8	276,158.6	313,513.5	314,388.6	290,950.2	311,175.8	336,160.9
12 Major New York City banks	129,400.1	131,784.7	140,563.0	143,476.0	168,122.2	164,994.4	153,163.7	154,953.8	178,555.6
13 Other banks	126,733.0	145,615.3	140,359.7	132,682.6	145,391.3	149,394.3	137,786.5	156,222.0	157,605.3
14 ATS–NOW accounts[4]	2,910.7	3,342.2	3,622.4	3,450.5	3,747.2	4,104.5	3,515.5	4,032.5	3,925.6
15 MMDAs[6]	2,677.1	2,923.8	n.a	n.a	n.a	n.a	n.a	n.a	n.a
16 Savings deposits[5]	546.9	557.9	1,408.3	2,872.0	3,363.7	3,459.2	3,031.2	3,472.9	3,461.5
DEPOSIT TURNOVER									
Demand deposits[3]									
17 All insured banks	735.4	799.6	817.5	778.4	878.2	849.3	785.8	842.5	903.0
18 Major New York City banks	3,426.2	3,810.0	4,370.1	4,387.6	5,308.9	5,042.4	4,551.3	4,668.3	5,312.2
19 Other banks	408.0	466.3	450.6	412.0	446.9	442.7	409.3	464.7	465.4
20 ATS–NOW accounts[4]	15.2	16.4	16.1	13.7	14.7	15.7	13.7	15.6	15.2
21 MMDAs[6]	7.9	8.0	n.a	n.a	n.a	n.a	n.a	n.a	n.a
22 Savings deposits[5]	2.9	2.9	3.4	4.2	4.9	4.9	4.3	4.9	4.8

1. Historical tables containing revised data for earlier periods can be obtained from the Banking and Money Market Statistics Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.
Data in this table also appear on 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. Accounts authorized for negotiable orders of withdrawal (NOWs) and accounts authorized for automatic transfer to demand deposits (ATSs).
5. Excludes ATS and NOW accounts.
6. Money market deposit accounts.

1.23 LOANS AND SECURITIES All Commercial Banks[1]

Billions of dollars, averages of Wednesday figures

Item	1991 Oct.	1991 Nov.	1991 Dec.	1992 Jan.	1992 Feb.	1992 Mar.	1992 Apr.	1992 May	1992 June	1992 July	1992 Aug.	1992 Sept.
	Seasonally adjusted											
1 **Total loans and securities[1]**	**2,805.5**	**2,822.8**	**2,838.4**	**2,849.0**	**2,849.5**	**2,855.8[r]**	**2,868.3[r]**	**2,865.9[r]**	**2,870.0**	**2,870.0[r]**	**2,882.9[r]**	**2,898.4**
2 U.S. government securities	538.7	550.8	562.6	565.7	570.4	578.6[r]	590.6	599.1	608.0[r]	615.4[r]	630.3[r]	634.5
3 Other securities	177.9	178.8	179.2	178.5[r]	178.6	175.6	175.6	173.9	172.3[r]	174.3[r]	174.6[r]	174.9
4 Total loans and leases[1]	2,088.9	2,093.2	2,096.5	2,104.7	2,100.5	2,101.6[r]	2,102.1[r]	2,092.9[r]	2,089.7	2,080.2	2,078.0[r]	2,089.1
5 Commercial and industrial	622.6	621.7	617.9	616.6	612.2	609.5	606.6[r]	603.0	598.9	596.4	594.1[r]	596.6
6 Bankers acceptances held[2]	6.6	7.2	7.3	7.5	7.7	7.6	7.2	7.4	6.9	7.6	7.4	7.2
7 Other commercial and industrial	616.1	614.6	610.6	609.1	604.5	601.9	599.3	595.6	592.0	588.7[r]	586.7[r]	589.4
8 U.S. addressees[3]	609.4	607.9	603.2	602.7	598.1	595.4	592.7	588.8	585.3	581.6	579.7	582.2
9 Non-U.S. addressees[3]	6.7	6.7	7.4	6.4	6.4	6.5	6.6	6.8	6.7	7.1	7.0	7.2
10 Real estate	869.8	871.9	873.1	873.3	877.0	878.7	880.9	882.1	881.1	879.2	878.4	882.3
11 Individual	364.2	363.1	363.5	363.1	363.6	362.1	360.8	359.2	359.6	359.3	357.9	357.2
12 Security	51.1	53.5	54.5	59.4	57.1	60.4	65.2	61.9	64.3	61.1	63.0	66.7
13 Nonbank financial institutions	37.2	37.8	40.6	40.3	41.4	41.9	41.0	41.3	40.4	38.6	39.5	42.0
14 Agricultural	34.1	33.8	34.0	33.7	33.5	34.2	34.2	34.0	34.3	34.3[r]	34.7	34.8
15 State and political subdivisions	29.7	29.4	29.1	28.1	28.2	28.2	28.0	27.7	27.5	27.0	26.6	26.6
16 Foreign banks	6.6	6.9	7.4	7.2	6.7	6.5	6.6	7.2	8.0	8.3	7.6	8.6
17 *Foreign official institutions*	2.4	2.5	2.4	2.3	2.2	2.2	2.1	2.1	2.1	2.2	2.2	2.2
18 Lease-financing receivables	31.6	31.5	31.7	31.5	31.6	31.6	31.5	31.4	31.6	30.6	30.3	30.4
19 All other loans	39.5	41.1	42.4	49.2	47.0	46.4	45.3	42.9	42.0	43.2	43.7	41.7
	Not seasonally adjusted											
20 **Total loans and securities[1]**	**2,808.3**	**2,828.1**	**2,844.8**	**2,845.7**	**2,852.1**	**2,856.5**	**2,867.4[r]**	**2,861.5[r]**	**2,870.9**	**2,862.5[r]**	**2,879.5[r]**	**2,897.8**
21 U.S. government securities	537.6	551.7	558.5	565.2	574.3	583.9	592.8	599.2	607.0	612.7[r]	628.1[r]	632.4
22 Other securities	178.3	179.0	179.5	179.1	178.6[r]	175.7[r]	175.2	173.6	172.4	173.4[r]	174.7[r]	174.8
23 Total loans and leases[1]	2,092.4	2,097.4	2,106.7	2,101.4	2,099.1	2,096.9	2,099.3	2,088.7	2,091.5	2,076.4	2,076.6	2,090.6
24 Commercial and industrial	621.1	620.4	619.2	613.5	611.4	612.1	609.4	605.4	600.9	596.2	592.5	593.9
25 Bankers acceptances held[2]	6.6	7.3	7.6	7.5	7.8	7.5	7.0	7.4	7.0	7.2	7.2	7.1
26 Other commercial and industrial	614.5	613.1	611.6	605.9	603.6	604.7	602.4	598.0	593.9	589.0	585.2	586.8
27 U.S. addressees[3]	608.3	606.9	604.6	599.1	596.8	598.0	595.5	591.2	586.9	581.8	578.3	579.6
28 Non-U.S. addressees[3]	6.2	6.2	7.0	6.9	6.8	6.7	6.9	6.8	7.0	7.1	7.0	7.1
29 Real estate	871.2	873.2	873.4	872.7	874.0	875.2	879.6	882.8	881.4	880.4	880.4	883.3
30 Individual	365.1	364.5	368.1	367.4	363.6	359.6	358.2	357.6	357.4	356.6	357.0	358.5
31 Security	50.8	53.5	55.1	59.0	61.7	62.2	66.7	58.5	64.1	58.9	61.1	64.6
32 Nonbank financial institutions	36.9	38.1	41.9	40.7	41.0	41.3	40.5	40.6	40.7	38.8	39.7	41.5
33 Agricultural	35.0	34.1	34.0	33.2	32.6	32.9	33.2	33.6[r]	34.5	35.0	35.6	35.8
34 State and political subdivisions	29.8	29.4	29.0	28.5	28.3	28.2	27.9	27.7	27.4	26.8	26.5	26.6
35 Foreign banks	6.9	7.3	7.9	7.0	6.6	6.3	6.4	7.1	7.7	8.2	7.5	8.7
36 Foreign official institutions	2.4	2.5	2.4	2.3	2.2	2.2	2.1	2.1	2.1	2.2	2.2	2.2
37 Lease-financing receivables	31.8	31.6	31.7	31.8	31.8	31.7	31.5	31.4	31.3	30.4	30.1	30.3
38 All other loans	41.6	42.6	44.1	45.4	45.9	45.1	43.7	41.9	43.9	42.8	44.0	45.4

1. Adjusted to exclude loans to commercial banks in the United States.
2. Includes nonfinancial commercial paper held.
3. United States includes the fifty states and the District of Columbia.

1.24 MAJOR NONDEPOSIT FUNDS OF COMMERCIAL BANKS[1]

Billions of dollars, monthly averages

Source of funds	1991			1992								
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.
Seasonally adjusted												
1 Total nondeposit funds[2]	264.7	268.1	282.1	285.9	290.3	291.4	295.2	297.5	302.9	306.3	310.2	317.0
2 Net balances due to related foreign offices[3]	30.9	33.1	39.2	43.6	42.4	45.5	49.9	55.0	61.1	63.2	59.8	62.9
3 Borrowings from other than commercial banks in United States[4]	233.8	235.0	242.9	242.3	248.0	245.8	245.3	242.5	241.8	243.0	250.4	254.0
4 Domestically chartered banks	154.7	151.9	155.1	157.2	160.6	156.6	154.7	153.2	153.8	154.8	160.7	162.2
5 Foreign-related banks	79.1	83.1	87.8	85.0	87.4	89.2	90.6	89.3	88.0	88.3	89.7	91.8
Not seasonally adjusted												
6 Total nondeposit funds[2]	266.0	272.4	280.3	281.7	290.9	295.3	292.4	303.4	304.4	302.6	307.1	314.3
7 Net balances due to related foreign offices[3]	30.5	34.0	42.7	44.3	42.5	45.9	48.4	57.4	60.8	59.7	58.2	62.3
8 Domestically chartered banks	−7.2	−4.4	−3.8	−4.5	−.6	−.7	−4.9	−4.2	−6.3	−7.0	−9.3	−10.9
9 *Foreign-related banks*	37.7	38.5	46.5	48.8	43.1	46.6	53.4	61.6	67.1	66.7	67.5	73.1
10 Borrowings from other than commercial banks in United States[4]	235.4	238.4	237.6	237.5	248.4	249.3	243.9	246.0	243.6	242.9	248.9	252.0
11 Domestically chartered banks	155.5	156.2	153.7	152.9	161.1	159.7	152.7	156.0	154.0	153.2	158.9	161.1
12 Federal funds and security RP borrowings[5]	152.3	153.0	150.6	149.5	157.6	156.4	149.3	152.1	149.9	149.0	155.0	157.3
13 Other[6]	3.2	3.2	3.1	3.4	3.5	3.3	3.4	3.9	4.1	4.2	3.9	3.8
14 Foreign-related banks[6]	79.9	82.2	83.8	84.6	87.3	89.6	91.2	90.0	89.6	89.7	90.1	90.9
MEMO												
Gross large time deposits[7]												
15 Seasonally adjusted	429.5	426.1	423.9	416.0	413.7	406.9	399.9	396.7	392.4	386.1	384.5	381.1
16 Not seasonally adjusted	429.7	425.8	422.6	413.6	412.6	407.4	398.8	398.0	393.7	385.9	386.1	382.3
U.S. Treasury demand balances at commercial banks[8]												
17 Seasonally adjusted	29.2	34.2	26.4	27.8	19.5	21.8	19.9	17.0	25.8	21.9	32.6	25.4
18 Not seasonally adjusted	28.7	28.5	25.4	33.1	25.2	20.1	17.7	21.0	25.2	19.7	22.4	28.7

1. Commercial banks are nationally and state-chartered banks in the fifty states and the District of Columbia, agencies and branches of foreign banks, New York investment companies majority owned by foreign banks, and Edge Act corporations owned by domestically chartered and foreign banks.

Data in this table also appear in the Board's G.10 (411) release. For ordering address, see inside front cover.

2. Includes federal funds, repurchase agreements (RPs), and other borrowing from nonbanks and net balances due to related foreign offices.

3. Reflects net positions of U.S. chartered banks, Edge Act corporations, and U.S. branches and agencies of foreign banks with related foreign offices plus net positions with own International Banking Facilities (IBFs).

4. Borrowings through any instrument, such as a promissory note or due bill, given for the purpose of borrowing money for the banking business. This includes borrowings from Federal Reserve Banks and from foreign banks, term federal funds, loan RPs, and sales of participations in pooled loans.

5. Figures are based on averages of daily data reported weekly by approximately 120 large banks and quarterly or annual data reported by other banks.

6. Figures are partly averages of daily data and partly averages of Wednesday data.

7. Time deposits in denominations of $100,000 or more. Estimated averages of daily data.

8. U.S. Treasury demand deposits and Treasury tax-and-loan notes at commercial banks. Averages of daily data.

1.25 ASSETS AND LIABILITIES OF COMMERCIAL BANKS Last-Wednesday-of-Month Series[1]

Billions of dollars

Account	1992								
	Aug. 5	Aug. 12	Aug. 19	Aug. 26	Sept. 2	Sept. 9	Sept. 16	Sept. 23	Sept. 30
ALL COMMERCIAL BANKING INSTITUTIONS[2]									
1 Loans and securities	**3,041.3**	**3,029.2**	**3,033.0**	**3,028.5**	**3,065.0**	**3,048.0**	**3,071.6**	**3,034.3**	**3,066.6**
2 Investment securities	763.9	764.1	764.6	765.1	770.8	772.4	769.1	769.3	771.3
3 U.S. government securities	603.1	602.8	603.2	604.3	610.5	611.5	607.9	608.6	611.1
4 Other	160.8	161.3	161.4	160.9	160.3	160.9	161.3	160.7	160.2
5 Trading account assets	36.3	36.2	38.9	36.3	38.7	37.5	36.7	35.1	36.6
6 U.S. government securities	22.9	23.1	24.6	21.8	23.6	22.6	22.7	21.0	22.5
7 Other securities	1.7	1.6	2.3	2.2	2.4	2.5	2.4	2.5	2.8
8 Other trading account assets	11.7	11.6	12.0	12.4	12.7	12.4	11.6	11.6	11.3
9 Total loans	2,241.2	2,229.0	2,229.5	2,227.1	2,255.5	2,238.2	2,265.7	2,229.9	2,258.7
10 Interbank loans	165.2	156.1	156.8	150.4	169.0	156.2	171.1	141.6	160.5
11 Loans excluding interbank	2,076.0	2,072.9	2,072.7	2,076.7	2,086.6	2,082.0	2,094.6	2,088.2	2,098.2
12 Commercial and industrial	594.8	593.6	592.2	590.1	592.3	590.3	594.3	594.3	597.4
13 Real estate	881.1	881.2	878.5	879.4	882.0	884.1	883.4	882.4	882.9
14 Revolving home equity	71.9	72.2	72.2	72.3	72.7	72.8	72.9	73.0	73.2
15 Other	809.1	809.0	806.2	807.1	809.3	811.3	810.4	809.3	809.8
16 Individual	356.0	355.8	357.0	357.5	358.3	357.7	358.7	359.4	358.2
17 All other	244.1	242.3	245.0	249.7	254.0	249.9	258.3	252.2	259.7
18 Total cash assets	215.8	202.1	201.8	201.3	222.4	229.7	224.4	205.4	215.3
19 Balances with Federal Reserve Banks	31.1	22.6	24.4	22.5	28.1	28.9	27.8	25.1	23.6
20 Cash in vault	28.4	30.4	30.6	31.2	30.6	31.7	31.3	31.1	31.0
21 *Demand balances at U.S. depository institutions*	29.6	29.2	28.8	29.3	31.0	31.2	31.1	27.3	27.7
22 Cash items	77.2	72.8	70.1	70.4	83.9	88.0	84.3	73.4	84.3
23 Other cash assets	49.4	46.9	47.9	47.9	48.8	49.9	49.9	48.6	48.7
24 *Other assets*	293.9	294.2	292.7	287.0	299.6	294.9	295.4	291.9	291.9
25 **Total assets**	**3,551.0**	**3,525.5**	**3,527.5**	**3,516.8**	**3,587.0**	**3,572.7**	**3,591.4**	**3,531.6**	**3,573.8**
26 Total deposits	2,486.0	2,475.7	2,460.3	2,455.8	2,499.7	2,511.1	2,505.0	2,454.7	2,488.2
27 Transaction accounts	706.1	696.5	685.5	682.2	721.3	728.9	728.8	688.5	727.7
28 Demand, *U.S. government*	3.6	2.9	2.9	2.8	3.5	3.7	7.3	3.3	4.0
29 Demand, depository institutions	38.5	36.6	37.4	37.0	40.1	43.1	41.0	37.7	39.9
30 Other demand and all checkable deposits	664.1	657.1	645.1	642.3	677.7	682.1	680.4	647.5	683.8
31 Savings deposits *(excluding checkable)*[4]	720.8	722.0	720.2	719.4	726.1	730.5	731.0	725.4	726.0
32 Small time deposits	666.2	663.5	661.4	659.2	658.6	658.4	655.9	653.3	653.0
33 Time deposits over $100,000	392.8	393.7	393.2	395.0	393.6	393.2	389.3	387.6	381.5
34 Borrowings	495.2	483.6	493.4	482.6	509.2	484.0	515.7	495.9	493.4
35 Treasury tax and loan notes	13.8	17.8	17.4	17.3	24.7	10.3	31.9	34.2	34.1
36 Other	481.4	465.8	476.1	465.4	484.4	473.8	483.8	461.6	459.2
37 Other liabilities	311.1	306.7	314.2	318.0	316.2	314.3	308.0	318.4	329.3
38 **Total liabilities**	**3,292.2**	**3,266.0**	**3,267.9**	**3,256.4**	**3,325.0**	**3,309.5**	**3,328.7**	**3,269.0**	**3,310.9**
39 Residual (assets less liabilities)	258.8	259.5	259.6	260.4	262.0	263.2	262.7	262.6	263.0

1.25 ASSETS AND LIABILITIES OF COMMERCIAL BANKS Last-Wednesday-of-Month Series[1]—Continued

Billions of dollars

Account	1992								
	Aug. 5	Aug. 12	Aug. 19	Aug. 26	Sept. 2	Sept. 9	Sept. 16	Sept. 23	Sept. 30
DOMESTICALLY CHARTERED COMMERCIAL BANKS[2]									
40 Loans and securities	2,708.1	2,701.6	2,702.6	2,697.2	2,727.7	2,716.9	2,732.2	2,700.1	2,725.7
41 Investment securities	707.5	707.7	708.7	709.6	715.6	715.8	713.5	713.8	715.0
42 U.S. government securities	567.9	567.7	568.6	569.8	576.1	576.2	573.6	574.3	575.6
43 Other	139.6	140.0	140.2	139.8	139.5	139.6	139.9	139.5	139.4
44 Trading account assets	36.3	36.2	38.9	36.3	38.7	37.5	36.7	35.1	36.6
45 U.S. government securities	22.9	23.1	24.6	21.8	23.6	22.6	22.7	21.0	22.5
46 Other securities	1.7	1.6	2.3	2.2	2.4	2.5	2.4	2.5	2.8
47 Other trading account assets	11.7	11.6	12.0	12.4	12.7	12.4	11.6	11.6	11.3
48 Total loans	1,964.4	1,957.7	1,955.0	1,951.3	1,973.4	1,963.7	1,982.1	1,951.2	1,974.1
49 Interbank loans	138.0	133.3	133.5	125.6	139.9	134.3	142.2	119.2	133.3
50 Loans excluding interbank	1,826.3	1,824.4	1,821.5	1,825.7	1,833.5	1,829.3	1,839.9	1,832.0	1,840.9
51 Commercial and industrial	442.6	440.9	440.0	438.1	440.0	437.5	440.6	439.9	443.1
52 Real estate	827.7	827.8	825.1	826.1	828.8	831.0	830.3	829.3	831.5
53 Revolving home equity	71.9	72.2	72.2	72.3	72.7	72.8	72.9	73.0	73.2
54 Other	755.7	755.6	752.8	753.9	756.1	758.2	757.4	756.3	758.3
55 Individual	356.0	355.8	357.0	357.5	358.3	357.7	358.7	359.4	358.2
56 All other	200.1	199.9	199.4	204.0	206.4	203.1	210.2	203.5	208.1
57 Total cash assets	185.6	172.0	170.9	170.3	190.8	197.7	192.4	174.9	183.8
58 Balances with Federal Reserve Banks	30.3	22.2	23.8	21.9	27.4	28.4	27.0	24.7	22.5
59 Cash in vault	28.4	30.4	30.5	31.1	30.5	31.6	31.3	31.0	31.0
60 Demand balances at U.S. depository institutions	28.3	27.8	27.3	27.8	29.5	29.6	29.5	25.8	26.2
61 Cash items	75.1	70.3	67.7	67.9	81.2	85.8	82.1	71.1	81.9
62 Other cash assets	23.6	21.3	21.6	21.6	22.2	22.3	22.5	22.1	22.2
63 Other assets	173.2	173.0	169.7	166.3	174.7	171.1	173.0	171.0	174.6
64 **Total assets**	**3,066.9**	**3,046.7**	**3,043.2**	**3,033.8**	**3,093.2**	**3,085.8**	**3,097.6**	**3,046.0**	**3,084.2**
65 Total deposits	2,330.6	2,318.9	2,302.5	2,295.1	2,339.0	2,351.1	2,346.4	2,297.8	2,330.8
66 Transaction accounts	696.5	686.6	675.5	672.3	710.8	718.9	718.0	678.5	716.9
67 Demand, U.S. government	3.6	2.9	2.9	2.8	3.5	3.7	7.3	3.3	4.0
68 Demand, depository institutions	36.0	34.1	34.9	34.3	37.4	40.4	38.0	35.1	37.1
69 Other demand and all checkable deposits	656.9	649.6	637.6	635.1	669.9	674.7	672.7	640.1	675.9
70 Savings deposits (excluding checkable)[4]	715.8	717.2	715.6	714.7	721.5	725.8	726.3	720.5	721.1
71 Small time deposits	663.5	660.8	658.7	656.5	655.9	655.8	653.3	650.6	650.3
72 Time deposits over $100,000	254.8	254.3	252.6	251.5	250.7	250.6	248.8	248.2	242.4
73 Borrowings	354.2	345.9	356.8	353.6	367.7	346.5	367.8	362.0	359.1
74 Treasury tax and loan notes	13.8	17.8	17.4	17.3	24.7	10.3	31.9	34.2	34.1
75 Other	340.5	328.1	339.5	336.3	343.0	336.2	335.9	327.8	325.0
76 Other liabilities	127.6	126.6	128.6	128.9	128.7	129.2	124.9	127.8	135.5
77 **Total liabilities**	**2,812.4**	**2,791.4**	**2,787.8**	**2,777.6**	**2,835.4**	**2,826.8**	**2,839.1**	**2,787.6**	**2,825.4**
78 Residual (assets less liabilities)[5]	254.6	255.3	255.4	256.2	257.8	259.0	258.5	258.4	258.8

1. Data are partly estimated. They include all bank-premises subsidiaries and other significant majority-owned domestic subsidiaries.
2. Includes insured domestically chartered commercial banks, agencies and branches of foreign banks, Edge Act and Agreement corporations, and New York State foreign investment corporations. Data are estimates for the last Wednesday of the month based on a sample of weekly reporting foreign-related institutions and quarter-end condition reports.
3. This balancing item is not intended as a measure of equity capital for use in capital adequacy analysis.
4. Includes all member banks and insured nonmember banks. Loans and securities data are estimates for the last Wednesday of the month based on a sample of weekly reporting banks and quarter-end condition reports.

1.26 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS

Millions of dollars, Wednesday figures

	Account	1992								
		Aug. 5	Aug. 12	Aug. 19	Aug. 26	Sept. 2	Sept. 9	Sept. 16	Sept. 23	Sept. 30
	ASSETS									
1	Cash and balances due from depository institutions	109,889	97,852	96,869	96,810	111,924	116,759	113,616	102,325	105,797
2	U.S. Treasury and government securities	257,752	258,064	262,111	259,952	265,615	265,463	262,247	259,534	267,244
3	Trading account	20,126	20,503	22,337	19,588	21,295	20,464	20,778	19,105	20,482
4	Investment account	237,626	237,561	239,774	240,364	244,320	244,998	241,469	240,429	246,763
5	Mortgage-backed securities[1]	80.497	80,176	79,763	79,235	79,940	79,808	78,376	78,085	79,153
	All others, by maturity									
6	One year or less	24,920	24,644	24,701	24,762	25,479	26,413	26,504	26,394	26,684
7	One year through five years	74,131	74,581	76,828	78,170	77,656	77,925	77,020	76,409	76,558
8	More than five years	58,078	58,160	58,482	58,197	61,245	60,852	59,569	59,541	64,367
9	Other securities	54.473	54,513[r]	55,628[r]	55,385[r]	55,382	55,073	54,992	55,035	55,009
10	Trading account	1,537	1,425	2,145	2,087	2,291	2,376	2,299	2,384	2,715
11	Investment account	52,936	53,088[r]	53,483[r]	53,298[r]	53,090	52,697	52,693	52,651	52,293
12	State and political subdivisions, by maturity	21,720	21,518	21,568	21,659	21,594	20,975	21,019	21,049	20,988
13	One year or less	4,007	3,838	3,919	4,007	4,009	3,375	3,397	3,432	3,411
14	More than one year	17,713	17,681	17,649	17,652	17,585	17,600	17,622	17,617	17,577
15	Other bonds, corporate stocks, and securities	31,216	31,570[r]	31,915[r]	31,639[r]	31,496	31,722	31,674	31,602	31,306
16	Other trading account assets	11,567	11,429	11,807	12,217	12,506	12,208	11,445	11,459	11,043
17	Federal funds sold[2]	84,964	82,146	84,247	80,060	89,941	80,429	97,332	78,322	83,823
18	To commercial banks in the United States	58,907	55,027	56,856	49,992	59,855	52,407	65,874	48,514	56,241
19	To nonbank brokers and dealers	21,892	22,676	22,295	24,932	24,412	22,565	25,371	23,917	24,064
20	To others[3]	4.164	4,443	5,095	5,135	5,674	5,457	6,087	5,892	3,518
21	Other loans and leases, gross	972.100	970,179[r]	966,612[r]	966,898[r]	971,352	969,311	974,624	968,733	977,704
22	Commercial and industrial	278.069[r]	277,077[r]	276,658[r]	274,857[r]	276,249	274,369	276,975	275,618	278,545
23	Bankers acceptances and commercial paper	1,776	1,722	1,646	1,791	1,713	1,578	1,599	1,635	1,594
24	All other	276,293[r]	275,355[r]	275,013[r]	273,066[r]	274,537	272,791	275,376	273,983	276,951
25	U.S. addressees	274,597[r]	273,642[r]	273,427[r]	271,532[r]	272,650	271,112	273,762	272,304	275,082
26	Non-U.S. addressees	1,696	1,713	1,585	1,534	1,887	1,679	1,614	1,679	1,869
27	Real estate loans	397,926[r]	397,499[r]	394,923[r]	395,412[r]	397,127	398,366	397,468	396,044	396,986
28	Revolving, home equity	42,017	42,117	42,181	42,214	42,161	42,143	42,236	42,250	42,440
29	All other	355,909[r]	355,382[r]	352,743[r]	353,198[r]	354,966	356,223	355,232	353,794	354,546
30	To individuals for personal expenditures	175,938[r]	176,339[r]	177,113[r]	177,024[r]	177,109	176,719	177,629	177,953	176,908
31	To financial institutions	37.499	36,794	35,949	35,213	36,624	37,593	36,202	35,893	38,238
32	Commercial banks in the United States	14,058	14,213	13,649	13,549	13,382	13,749	12,502	12,723	13,555
33	Banks in foreign countries	2,529	1,940	2,043	1,672	1,940	2,533	2,519	2,347	3,018
34	Nonbank financial institutions	20,913	20,641	20,257	19,991	21,303	21,311	21,181	20,824	21,666
35	For purchasing and carrying securities	13,758[r]	14,563[r]	13,752[r]	15,762[r]	15,102	13,957	17,417	14,098	15,932
36	To finance agricultural production	6,199	6,339	6,420	6,356	6,306	6,256	6,243	6,188	6,244
37	To states and political subdivisions	15,650	15,592	15,569	15,619	15,596	15,541	15,552	15,614	15,632
38	To foreign governments and official institutions	871	1,052	944	888	925	844	953	853	906
39	All other loans[4]	21,977[r]	20,812[r]	21,130[r]	21,615[r]	22,131	21,554	22,061	22,334	24,000
40	Lease-financing receivables	24,215	24,112	24,152	24,152	24,183	24,111	24,123	24,137	24,313
41	LESS: Unearned income	2,681	2,696	2,697	2,710[r]	2,717	2,754	2,750	2,741	2,693
42	Loan and lease reserve[5]	38,264	38,432	38,403	38,308	38,524	38,776	38,733	38,232	37,583
43	Other loans and leases, net	931,156	929,051[r]	925,513[r]	925,880[r]	930,111	927,781	933,141	927,759	937,429
44	Other assets	162,227	163,151	160,629	157,773[r]	164,273	160,275	162,444	160,450	162,521
45	**Total assets**	**1,612,028**	**1,596,206[r]**	**1,596,803[r]**	**1,588,077[r]**	**1,629,751**	**1,617,987**	**1,635,218**	**1,594,885**	**1,622,865**

Footnotes appear on the following page.

1.26 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS—Continued

Millions of dollars, Wednesday figures

Account	1992								
	Aug. 5	Aug. 12	Aug. 19	Aug. 26	Sept. 2	Sept. 9	Sept. 16	Sept. 23	Sept. 30
LIABILITIES									
46 Deposits	1,116,383	1,109,309	1,098,709r	1,092,794r	1,120,896	1,125,407	1,128,443	1,093,056	1,111,373
47 Demand deposits	250,444	247,428	241,648r	240,185r	260,674	262,682	267,409	245,365	265,734
48 Individuals, partnerships, and corporations	202,092	202,658	195,789r	193,132r	210,992	210,261	213,431	195,861	215,315
49 Other holders	48,351	44,770	45,859	47,053	49,682	52,422	53,978	49,504	50,419
50 States and political subdivisions	8,188	7,527	8,002	7,802	8,548	8,010	8,692	8,246	8,484
51 U.S. government	2,227	1,747	1,794	1,750	2,106	2,494	5,291	2,272	2,359
52 Depository institutions in the United States	21,591	20,569	21,490	20,556r	23,127	24,211	23,213	21,048	21,856
53 Banks in foreign countries	5,359	4,792	4,812	4,802	4,935	6,084	5,168	5,418	6,524
54 Foreign governments and official institutions	646	528	710	677r	725	781	979	780	934
55 Certified and officers' checks	10,340	9,606	9,051	11,466	10,242	10,842	10,636	11,740	10,262
56 Transaction balances other than demand deposits[4]	107,674	105,089	104,540r	103,323r	107,543	107,981	107,748	102,969	106,317
57 Nontransaction balances	758,265	756,792	752,520r	749,286r	752,679	754,744	753,285	744,722	739,323
58 Individuals, partnerships, and corporations	730,611r	728,864r	724,640r	721,341r	724,884	727,031	726,501	718,074	713,718
59 Other holders	27,654r	27,929r	27,881r	27,945r	27,795	27,713	26,784	26,648	25,604
60 States and political subdivisions	22,665	22,820	22,801r	22,795	22,641	22,683	22,543	22,332	21,700
61 U.S. government	2,110	2,178	2,166	2,208	2,178	2,165	2,152	2,168	1,787
62 Depository institutions in the United States	2,614r	2,662r	2,605r	2,633	2,674	2,566	1,790	1,844	1,815
63 Foreign governments, official institutions, and banks	265	269	309	309	302	299	299	304	303
64 Liabilities for borrowed money[5]	266,682r	258,308r	267,412r	263,718r	277,627	260,400	278,734	270,155	271,106
65 Borrowings from Federal Reserve Banks	0	0	30	0	0	0	1,350	0	380
66 Treasury tax and loan notes	11,503	14,802	14,305	13,919	21,600	8,122	27,248	29,180	28,973
67 Other liabilities for borrowed money[6]	255,179r	243,506r	253,077r	249,799r	256,027	252,279	250,137	240,975	241,753
68 Other liabilities (including subordinated notes and debentures)	99,029r	98,030r	99,891r	100,344r	99,909	100,117	96,107	98,965	106,694
69 **Total liabilities**	**1,482,093**	**1,465,648r**	**1,466,012r**	**1,456,856r**	**1,498,432**	**1,485,925**	**1,503,284**	**1,462,176**	**1,489,173**
70 *Residual (total assets less total liabilities)*[7]	*129,935*	*130,558*	*130,791*	*131,221*	*131,319*	*132,062*	*131,934*	*132,709*	*133,692*
MEMO									
71 Total loans and leases, gross, adjusted, plus securities[8]	1,307,891	1,307,091r	1,309,899r	1,310,970r	1,321,558	1,316,326	1,322,264	1,311,847	1,325,027
72 Time deposits in amounts of $100,000 or more	138,599r	138,281r	136,844r	135,921r	135,280	135,159	133,619	131,898	126,893
73 Loans sold outright to affiliates[9]	1,102	1,104	1,081	1,090	1,067	1,074	1,139	1,130	1,056
74 Commercial and industrial	638	639	618	613	587	592	596	585	515
75 Other	464	465	463	476	480	482	543	546	541
76 Foreign branch credit extended to U.S. residents[10]	24,848	24,744	24,476	24,371	24,547	24,551	24,674	24,747	24,834
77 Net due to related institutions abroad	−9,788	−11,064	−9,538	−8,015	−14,127	−10,082	−14,043	−10,693	−12,044

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 accounts (NOWs), automatic transfer service (ATS), 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.

NOTE. Data that formerly appeared in table 1.28, Assets and Liabilities of Large Weekly Reporting Commercial Banks in New York City, can be obtained from the Board's H.4.2 (504) weekly statistical release. For ordering address, see inside front cover.

1.30 LARGE WEEKLY REPORTING U.S. BRANCHES AND AGENCIES OF FOREIGN BANKS Assets and Liabilities[1]

Millions of dollars, Wednesday figures

Account	1992								
	Aug. 5	Aug. 12	Aug. 19	Aug. 26	Sept. 2	Sept. 9	Sept. 16	Sept. 23	Sept. 30
1 Cash and balances due from depository *institutions*	19,868	19,758	20,388	20,431	20,838	21,108	21,151	20,115	20,787
2 U.S. Treasury and government agency securities	24,253	24,127	23,848	23,717	23,683	24,255	23,577	23,610	24,419
3 Other securities	8,540	8,624	8,562	8,492	8,363	8,596	8,636	8,520	8,368
4 Federal funds sold[1]	19,130	15,175	16,921	18,393	21,090	16,668	21,016	17,804	22,126
5 To commercial banks in the United States	5,831	3,999	4,331	5,246	7,051	3,773	7,193	4,162	6,822
6 To others[2]	13,299	11,176	12,591	13,147	14,039	12,895	13,823	13,643	15,303
7 Other loans and leases, gross	159,545	160,043	160,341	159,646	160,972	160,620	162,071	162,201	161,548
8 Commercial and industrial	95,859	96,127	95,823	95,728	95,846	96,217	96,778	97,231	97,185
9 Bankers acceptances and commercial *paper*	2,477	2,466	2,349	2,273	2,444	2,490	2,362	2,336	2,679
10 All other	93,382	93,661	93,474	93,455	93,401	93,727	94,416	94,895	94,505
11 U.S. addressees	90,521	90,775	90,573	90,583	90,559	90,878	91,443	91,908	91,511
12 Non-U.S. addressees	2,861	2,887	2,902	2,872	2,843	2,849	2,972	2,987	2,994
13 Loans secured by real estate	36,197	36,213	36,203	36,071	36,069	35,980	35,924	35,974	34,865
14 To financial institutions	21,904	22,123	22,471	21,903	22,560	22,651	22,880	22,531	22,772
15 Commercial banks in the United States	7,091	6,832	6,598	6,303	6,665	6,457	6,415	6,262	5,696
16 Banks in foreign countries	2,107	2,119	2,184	2,055	2,045	2,241	2,486	2,307	2,610
17 Nonbank financial institutions	12,706	13,172	13,689	13,545	13,850	13,954	13,978	13,961	14,466
18 For purchasing and carrying securities	3,179	3,165	3,353	3,474	3,925	3,569	4,315	4,303	4,479
19 To foreign governments and official institutions	356	352	388	372	385	385	381	377	377
20 All other	2,051	2,062	2,104	2,098	2,187	1,817	1,794	1,785	1,870
21 Other assets (claims on nonrelated parties)	29,616	29,773	29,268	29,377	29,965	30,972	29,791	29,597	30,382
22 **Total assets**[3]	**301,119**	**297,739**	**301,244**	**300,425**	**307,381**	**302,932**	**307,404**	**302,088**	**304,700**
23 *Deposits or credit balances due to other than directly related institutions*	97,565	98,594	99,836	102,104	102,295	101,998	99,834	99,088	99,198
24 Demand deposits[4]	3,265	3,496	3,648	3,394	3,816	3,536	3,812	3,627	4,422
25 Individuals, partnerships, and corporations	2,517	2,583	2,669	2,610	2,800	2,745	2,824	2,751	3,442
26 Other	748	912	979	785	1,016	791	988	876	981
27 Nontransaction accounts	94,301	95,099	96,188	98,710	98,480	98,461	96,023	95,461	94,775
28 Individuals, partnerships, and corporations	67,668	68,524	69,136	70,692	71,241	70,431	68,784	69,391	68,639
29 Other	26,632	26,575	27,052	28,018	27,238	28,030	27,239	26,070	26,136
30 *Borrowings from other than directly related institutions*	99,397	97,082	96,297	90,953	99,719	96,979	104,344	94,369	94,624
31 Federal funds purchased[5]	56,533	53,241	53,147	50,009	55,688	52,170	59,781	48,767	48,017
32 From commercial banks in the United States	15,734	15,589	13,431	12,633	16,966	14,183	22,620	10,836	17,050
33 From others	40,799	37,652	39,716	37,376	38,722	37,987	37,161	37,931	30,967
34 Other liabilities for borrowed money	42,864	43,842	43,150	40,944	44,031	44,809	44,563	45,602	46,607
35 To commercial banks in the United States	10,522	10,249	9,577	9,607	9,892	9,030	9,117	8,822	9,766
36 To others	32,342	33,592	33,573	31,337	34,139	35,778	35,446	36,780	36,841
37 Other liabilities to nonrelated parties	28,538	28,618	28,854	29,421	29,741	30,061	29,690	29,878	30,338
38 **Total liabilities**[6]	**301,119**	**297,739**	**301,244**	**300,425**	**307,381**	**302,932**	**307,404**	**302,088**	**304,700**
MEMO									
39 Total loans (gross) and securities, adjusted[7]	198,546	197,137	198,744	198,699	200,391	199,909	201,692	201,712	203,942
40 Net due to related institutions abroad	35,451	33,205	34,341	37,578	33,155	33,181	32,374	38,512	43,470

1. Includes securities purchased under agreements to resell.
2. Includes transactions with nonbank brokers and dealers in securities.
3. Includes net due from related institutions abroad for U.S. branches and agencies of foreign banks having a net "due from" position.
4. Includes other transaction deposits.
5. Includes securities sold under agreements to repurchase.
6. Includes net to related institutions abroad for U.S. branches and agencies of foreign banks having a net "due to" position.
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					1992					
	1987	1988[r]	1989[r]	1990[r]	1991[r]	Mar.	Apr.	May	June	July	Aug.
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**358,997**	**458,464**	**525,831**	**561,142**	**530,300**	**539,749**	**537,020**	**533,719**	**542,205**	**547,242**	**545,801**
Financial companies[1]											
Dealer-placed paper[2]											
2 Total	102,742	159,777	183,622	215,123	214,445	219,287	225,989	226,552	234,212	226,943	231,586
3 Bank-related (not seasonally adjusted)[3]	1,428	1,248	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Directly placed paper[4]											
4 Total	174,332	194,931	210,930	199,835	183,195	181,485	172,136	168,914	171,321	179,725	173,772
5 Bank-related (not seasonally adjusted)[3]	43,173	43,155	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
6 Nonfinancial companies[5]	81,923	103,756	131,279	146,184	132,660	138,977	138,895	138,253	136,672	140,574	140,443
	Bankers dollar acceptances (not seasonally adjusted)[6]										
7 **Total**	**70,565**	**66,631**	**62,972**	**54,771**	**43,770**	39,309	39,335	**38,384**	37,767	37,733	37,090
Holder											
8 Accepting banks	10,943	9,086	9,433	9,017	11,017	9,640	9,821	9,255	9,680	9,225	9,190
9 Own bills	9,464	8,022	8,510	7,930	9,347	8,296	8,427	7,954	8,129	7,808	7,744
10 Bills bought	1,479	1,064	924	1,087	1,670	1,344	1,394	1,301	1,551	1,417	1,446
Federal Reserve Banks											
11 Own account	0	0	0	0	0	0	0	0	0	0	0
12 Foreign correspondents	965	1,493	1,066	918	1,739	1,492	1,598	1,477	1,338	1,269	1,851
13 Others	58,658	56,052	52,473	44,836	31,014	28,177	27,915	27,653	26,749	27,239	26,049
Basis											
14 Imports into United States	16,483	14,984	15,651	13,096	12,843	11,569	12,045	11,893	11,569	11,825	11,600
15 Exports from United States	15,227	14,410	13,683	12,703	10,351	9,403	9,168	8,702	9,062	9,015	7,861
16 All other	38,855	37,237	33,638	28,973	20,577	18,337	18,121	17,790	17,135	16,893	17,628

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. Bank-related series were discontinued in January 1989.
4. As reported by financial companies that place their paper directly with investors.
5. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.
6. Data on bankers acceptances are gathered from institutions whose acceptances total $100 million or more annually. The reporting group is revised every January. In January 1988, the group was reduced from 155 to 111 institutions. The current group, totaling approximately 100 institutions, accounts for more than 90 percent of total acceptances activity.

1.33 PRIME RATE CHARGED BY BANKS on Short-Term Business Loans[1]

Percent per year

Date of change	Rate	Period	Average rate	Period	Average rate	Period	Average rate
1989—Jan. 1	10.50	1989	10.87	1990—Apr.	10.00	1991—July	8.50
Feb. 10	11.00	1990	10.01	May	10.00	Aug.	8.50
24	11.50	1991	8.46	June	10.00	Sept.	8.20
June 5	11.00			July	10.00	Oct.	8.00
July 31	10.50	1989—Jan.	10.50	Aug.	10.00	Nov.	7.58
		Feb.	10.93	Sept.	10.00	Dec.	7.21
1990—Jan. 8	10.00	Mar.	11.50	Oct.	10.00		
		Apr.	11.50	Nov.	10.00	1992—Jan.	6.50
1991—Jan. 2	9.50	May	11.50	Dec.	10.00	Feb.	6.50
Feb. 4	9.00	June	11.07			Mar.	6.50
May 1	8.50	July	10.98	1991—Jan.	9.52	Apr.	6.50
Sept. 13	8.00	Aug.	10.50	Feb.	9.05	May	6.50
Nov. 6	7.50	Sept.	10.50	Mar.	9.00	June	6.50
Dec. 23	6.50	Oct.	10.50	Apr.	9.00	July	6.02
		Nov.	10.50	May	8.50	Aug.	6.00
1992—July 2	6.00	Dec.	10.50	June	8.50	Sept.	6.00
						Oct.	6.00
		1990—Jan.	10.11				
		Feb.	10.00				
		Mar.	10.00				

1. 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

Averages, percent per year; weekly, monthly, and annual figures are averages of business day data unless otherwise noted

Item	1989	1990	1991	1992				1992, week ending				
				June	July	Aug.	Sept.	Aug. 28	Sept. 4	Sept. 11	Sept. 18	Sept. 25
MONEY MARKET INSTRUMENTS												
1 Federal funds[1,2,3]	9.21	8.10	5.69	3.76	3.25	3.30	3.22	3.27	3.33	3.09	3.28	3.07
2 Discount window borrowing[2,4]	6.93	6.98	5.45	3.50	3.02	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Commercial paper[3,5,6]												
3 1-month	9.11	8.15	5.89	3.91	3.43	3.38	3.25	3.39	3.37	3.17	3.18	3.27
4 3-month	8.99	8.06	5.87	3.92	3.44	3.38	3.24	3.39	3.37	3.17	3.17	3.25
5 6-month	8.80	7.95	5.85	3.99	3.53	3.44	3.26	3.45	3.42	3.21	3.20	3.27
Finance paper, directly placed[3,5,7]												
6 1-month	8.99	8.00	5.73	3.81	3.33	3.28	3.13	3.28	3.27	3.07	3.07	3.13
7 3-month	8.72	7.87	5.71	3.82	3.33	3.27	3.08	3.28	3.25	3.04	3.01	3.05
8 6-month	8.16	7.53	5.60	3.80	3.35	3.29	3.11	3.30	3.27	3.05	3.04	3.07
Bankers acceptances[3,5,8]												
9 3-month	8.87	7.93	5.70	3.80	3.32	3.28	3.10	3.31	3.25	3.05	3.05	3.12
10 6-month	8.67	7.80	5.67	3.88	3.42	3.35	3.13	3.36	3.29	3.08	3.07	3.14
Certificates of deposit, secondary market[3,9]												
11 1-month	9.11	8.15	5.82	3.83	3.35	3.29	3.14	3.32	3.27	3.08	3.07	3.16
12 3-month	9.09	8.15	5.83	3.86	3.37	3.31	3.13	3.34	3.28	3.08	3.07	3.15
13 6-month	9.08	8.17	5.91	3.97	3.50	3.40	3.17	3.45	3.35	3.11	3.10	3.19
14 Eurodollar deposits, 3-month[3,10]	9.16	8.16	5.86	3.87	3.40	3.33	3.15	3.36	3.36	3.08	3.05	3.19
U.S. Treasury bills												
Secondary market[3,5]												
15 3-month	8.11	7.50	5.38	3.66	3.21	3.13	2.91	3.16	3.10	2.91	2.89	2.89
16 6-month	8.03	7.46	5.44	3.77	3.28	3.21	2.96	3.25	3.16	2.94	2.92	2.93
17 1-year	7.92	7.35	5.52	3.98	3.45	3.33	3.06	3.38	3.26	3.04	3.03	3.04
Auction average[3,5,11]												
18 3-month	8.12	7.51	5.42	3.70	3.28	3.14	2.97	3.14	3.17	2.91	2.89	2.91
19 6-month	8.04	7.47	5.49	3.81	3.36	3.23	3.01	3.24	3.26	2.95	2.90	2.93
20 1-year	7.91	7.36	5.54	4.07	3.65	3.28	3.02	3.28	n.a.	n.a.	n.a.	3.02
U.S. TREASURY NOTES AND BONDS												
Constant maturities[12]												
21 1-year	8.53	7.89	5.86	4.17	3.60	3.47	3.18	3.52	3.39	3.17	3.15	3.16
22 2-year	8.57	8.16	6.49	5.05	4.36	4.19	3.89	4.25	4.07	3.85	3.86	3.91
23 3-year	8.55	8.26	6.82	5.60	4.91	4.72	4.42	4.79	4.58	4.35	4.40	4.44
24 5-year	8.50	8.37	7.37	6.48	5.84	5.60	5.38	5.69	5.48	5.26	5.37	5.46
25 7-year	8.52	8.52	7.68	6.90	6.36	6.12	5.96	6.23	6.06	5.85	5.93	6.04
26 10-year	8.49	8.55	7.86	7.26	6.84	6.59	6.42	6.67	6.53	6.32	6.39	6.47
27 30-year	8.45	8.61	8.14	7.84	7.60	7.39	7.34	7.44	7.37	7.26	7.32	7.41
Composite												
28 More than 10 years (long-term)	8.58	8.74	8.16	7.72	7.40	7.19	7.08	7.26	7.16	6.99	7.05	7.14
STATE AND LOCAL NOTES AND BONDS												
Moody's series[13]												
29 Aaa	7.00	6.96	6.56	6.19	5.72	5.67	5.92	5.95	6.02	5.91	5.83	5.94
30 Baa	7.40	7.29	6.99	6.57	6.10	6.03	6.27	6.28	6.35	6.26	6.19	6.31
31 *Bond Buyer* series[14]	7.23	7.27	6.92	6.49	6.13	6.16	6.25	6.31	6.24	6.16	6.27	6.33
CORPORATE BONDS												
32 Seasoned issues, all industries[15]	9.66	9.77	9.23	8.63	8.44	8.29	8.26	8.32	8.28	8.19	8.23	8.31
Rating group												
33 Aaa	9.26	9.32	8.77	8.22	8.07	7.95	7.92	7.97	7.93	7.87	7.91	7.96
34 Aa	9.46	9.56	9.05	8.56	8.37	8.21	8.17	8.25	8.20	8.11	8.15	8.22
35 A	9.74	9.82	9.30	8.70	8.49	8.34	8.31	8.37	8.33	8.25	8.29	8.37
36 Baa	10.18	10.36	9.80	9.05	8.84	8.65	8.62	8.69	8.64	8.54	8.58	8.69
37 A-rated, recently offered utility bonds[16]	9.79	10.01	9.32	8.62	8.38	8.16	8.11	8.20	8.08	8.06	8.10	8.17
MEMO: Dividend–price ratio[17]												
38 Preferred stocks	9.05	8.96	8.17	7.53	7.47	7.21	7.14	7.11	7.19	7.16	7.12	7.14
39 Common stocks	3.45	3.61	3.25	3.06	3.00	2.97	n.a.	3.00	2.99	3.00	2.98	3.03

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 or 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 11 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. Treasury.
13. General obligations based on Thursday figures; Moody's Investors Service.
14. General obligations only, with twenty years to maturity, issued by twenty state and local governmental units of mixed quality. Based on figures for Thursday.
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 and Poor's corporate series. Preferred stock ratio based on a sample of ten issues: four public utilities, four industrials, one financial, and one transportation. Common stock ratios on the 500 stocks in the price index.

NOTE. These data also appear in the Board's H.15 (519) and G.13 (415) releases. For ordering address, see inside front cover.

1.36 STOCK MARKET Selected Statistics

Indicator	1989	1990	1991	1992 Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.
	Prices and trading volume (averages of daily figures)											
Common stock prices (indexes)												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	180.13	183.66	206.35	229.34	228.12	225.21	224.55	228.55	224.68	228.17	230.07	230.13
2 Industrial	228.04	226.06	258.16	286.62	286.09	282.36	281.60	285.17	279.54	281.90	284.44	285.76
3 Transportation	174.90	158.80	173.97	201.55	205.53	204.09	201.28	207.88	202.02	198.36	191.31	191.61
4 Utility	94.33	90.72	92.64	99.30	96.19	94.15	94.92	98.24	97.23	101.18	103.41	102.26
5 Finance	162.01	133.21	150.84	174.50	174.05	173.49	171.05	175.89	174.82	180.96	180.47	178.27
6 Standard & Poor's Corporation (1941–43 = 10)[1]	323.05	335.01	376.20	416.08	412.56	407.36	407.41	414.81	408.27	415.05	417.93	418.48
7 American Stock Exchange (Aug. 31, 1973 = 50)[2]	356.67	338.32	360.32	409.08	413.74	404.09	388.06	392.63	385.56	384.07	385.80	382.67
Volume of trading (thousands of shares)												
8 New York Stock Exchange	165,568	156,359	179,411	239,903	226,476	185,581	206,251	182,027	195,089	194,138	174,003	191,774
9 American Stock Exchange	13,124	13,155	12,486	20,444	18,126	15,654	14,096	13,455	11,216	10,722[r]	11,875	11,198
	Customer financing (millions of dollars, end-of-period balances)											
10 Margin credit at broker–dealers[3]	**34,320**	**28,210**	**36,660**	**36,350**	**38,200**	**39,090**	**38,750**	**39,890**	**39,690**	**39,640**	**39,940**	**41,250**
Free credit balances at brokers[4]												
11 Margin accounts[5]	7,040	8,050	8,290	7,865	7,620	7,350	8,780	7,700	7,780	7,920	8,060	8,060
12 Cash accounts	18,505	19,285	19,255	19,990	20,370	19,305	16,400	18,695	19,610	18,775	18,305	19,650

Margin requirements (percent of market value and effective date)[6]

	Mar. 11, 1968	June 8, 1968	May 6, 1970	Dec. 6, 1971	Nov. 24, 1972	Jan. 3, 1974
13 Margin stocks	70	80	65	55	65	50
14 Convertible bonds	50	60	50	50	50	50
15 Short sales	70	80	65	55	65	50

1. Effective July 1976, includes a new financial group, banks and insurance companies. With this change the index includes 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.

2. 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. New series since June 1984.

6. These 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).

1.37 SELECTED FINANCIAL INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1989	1990	1991 Oct.	1991 Nov.	1991 Dec.	1992 Jan.	1992 Feb.	1992 Mar.	1992 Apr.	1992 May	1992 June[r]	1992 July
	SAIF-insured institutions											
1 **Assets**	**1,249,055**	**1,084,821**	**937,787**	**934,539**	**919,979**	**909,077**	**906,204[r]**	**883,468[r]**	**872,088**	**870,396**	**861,524**	**856,379**
2 Mortgages	733,729	633,385	561,152	557,513	551,322	545,682	541,688[r]	529,144[r]	524,937[r]	521,899[r]	516,709	512,312
3 Mortgage-backed securities	170,532	155,228	134,895	133,341	129,461	127,371	127,766	125,402	124,930	124,388	123,449	122,367
4 Contra-assets to mortgage assets[1]	25,457	16,897	12,445	12,303	12,307	11,916	11,607[r]	10,977[r]	10,953[r]	11,119[r]	11,278	11,048
5 Commercial loans	32,150	24,125	17,765	17,147	17,139	16,827	16,050	15,400	15,069	14,607	14,020	13,930
6 Consumer loans	58,685	48,753	43,064	42,763	41,775	40,903	39,954	38,740	38,027	37,889[r]	37,423	37,239
7 Contra-assets to nonmortgage loans[1]	3,592	1,939	1,373	1,150	1,239	1,115	1,115	992	980	949[r]	947	908
8 Cash and investment securities	166,053	146,644	120,824	123,380	120,077	118,611	121,969[r]	119,410	116,291	120,596	119,394	120,211
9 Other[2]	116,955	95,522	73,905	73,849	73,751	72,714	71,498[r]	67,341[r]	64,766[r]	63,084[r]	61,753	62,276
10 **Liabilities and net worth**	**1,249,055**	**1,084,821**	**937,787**	**934,539**	**919,979**	**909,077**	**906,204[r]**	**883,468[r]**	**872,088**	**870,396**	**861,524**	**856,379**
11 Savings capital	945,656	835,496	741,360	737,555	731,937	721,099	717,026	703,809	689,777	688,199	682,536	676,139
12 Borrowed money	252,230	197,353	127,356	125,147	121,923	119,965	118,554	110,031	111,262	110,126	108,941	109,034
13 FHLBB	124,577	100,391	66,609	66,005	65,842	62,642	63,138	62,628	62,268	61,439	62,759	62,358
14 Other	127,653	96,962	60,747	59,142	56,081	57,323	55,416	47,403	48,994	48,687	46,182	46,676
15 Other	27,556	21,332	20,381	21,690	17,560	19,003	21,391	18,357[r]	18,944	19,687	17,724	18,546
16 Net worth	23,612	30,640	48,690	50,148	48,559	49,010	49,233[r]	51,271[r]	52,105	52,384	52,322	52,658

1. Contra-assets are credit-balance accounts that must be subtracted from the corresponding gross asset categories to yield net asset levels. Contra-assets to mortgage assets, mortgage loans, contracts, and pass-through securities—include loans in process, unearned discounts and deferred loan fees, valuation allowances for mortgages "held for sale," and specific reserves and other valuation allowances. Contra-assets to nonmortgage loans include loans in process, unearned discounts and deferred loan fees, and specific reserves and valuation allowances.

2. Includes holding of stock in Federal Home Loan Bank and finance leases plus interest.

NOTE. Components do not sum to totals because of rounding. Data for credit unions and life insurance companies have been deleted from this table. Starting in the December 1991 issue, data for life insurance companies are shown in a special table of quarterly data.

SOURCE. *Savings Association Insurance Fund (SAIF)-insured institutions:* Estimates by the Office of Thrift Supervision (OTS) for all institutions insured by the SAIF and based on the OTS thrift institution Financial Report.

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1990	Fiscal year 1991	Fiscal year 1992	Calendar year 1992 Apr.	1992 May	1992 June	1992 July	1992 Aug.	1992 Sept.
U.S. budget[1]									
1 Receipts, total	1,031,308	1,054,265	1,091,692	138,503[r]	62,303[r]	120,920[r]	79,080[r]	78,218[r]	118,344
2 On-budget	749,654	760,382	789,266	103,478[r]	36,926[r]	91,438[r]	55,977[r]	55,434[r]	92,813
3 Off-budget	281,654	293,883	302,426	35,025	25,377	29,482	23,103	22,784	25,531
4 Outlays, total	1,251,766	1,323,757	1,381,895	123,894[r]	109,089[r]	117,137[r]	122,226[r]	102,920[r]	112,943
5 On-budget	1,026,701	1,082,072	1,129,337	102,858[r]	86,402[r]	102,329[r]	99,935[r]	79,128	86,709
6 Off-budget	225,064	241,685	252,559	21,036[r]	22,687[r]	14,808[r]	22,291[r]	23,792[r]	26,235
7 Surplus or deficit (−), total	−220,458	−269,492	−290,204	14,609	−46,786	3,783	−43,146	−24,702	5,400
8 On-budget	−277,047	−321,690	−340,071	620[r]	−49,476[r]	−10,891	−43,958[r]	−23,694[r]	6,104
9 Off-budget	56,590	52,198	49,867	13,989[r]	2,690[r]	14,674[r]	812[r]	−1,008[r]	−704
Source of financing (total)									
10 Borrowing from the public	220,101	276,802	310,918	6,292	33,840	22,318	26,839	38,841	9,853
11 Operating cash (decrease, or increase (−))	818	−1,329	−17,305	−21,262	20,977	−26,919	9,542	1,523	−22,807
12 Other[2]	−461	−5,981	3,409	361	−8,031	818	6,765	−15,662	7,554
MEMO									
13 Treasury operating balance (level, end of period)	40,155	41,484	58,789	41,105	20,128	47,047	37,505	35,982	58,789
14 Federal Reserve Banks	7,638	7,928	24,586	4,692	5,583	13,630	6,923	6,232	24,586
15 Tax and loan accounts	32,517	33,556	34,203	36,413	14,545	33,417	30,581	29,749	34,203

1. In accordance with the Balanced Budget and Emergency Deficit Control Act of 1985, all former off-budget entries are now presented on-budget. Federal Financing Bank (FFB) activities are now shown as separate accounts under the agencies that use the FFB to finance their programs. The act also moved two social security trust funds (federal old-age survivors insurance and federal disability insurance) off budget. The Postal Service is included as an off-budget item in the *Monthly Treasury Statement* beginning in 1990.

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.

SOURCES. *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government* (MTS) and the *Budget of the U.S. Government*.

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS[1]

Millions of dollars

Source or type	Fiscal year 1990	Fiscal year 1991	Calendar year						
			1990	1991		1992	1992		
			H2	H1	H2	H1	July	Aug.	Sept.
RECEIPTS									
1 All sources	**1,031,308**	**1,054,265**	**503,123**	**540,504**	**519,293**	**561,125[r]**	**79,080[r]**	**78,218[r]**	**118,344**
2 Individual income taxes, net	466,884	467,827	230,745	232,389	234,949[r]	237,052[r]	35,192[r]	34,718[r]	55,496
3 Withheld	388,384	404,152	207,469	193,440	210,552	198,868	34,034	32,584	33,184
4 Presidential Election Campaign Fund	32	32	3	31	1	19	1	8	1
5 Nonwithheld	151,285	142,693	31,728	109,405	31,875[r]	110,995	2,920	3,184	24,161
6 Refunds	72,817	79,050	8,455	70,487	7,480[r]	74,163[r]	1,851[r]	1,058[r]	1,850
Corporation income taxes									
7 Gross receipts	110,017	113,599	54,044	58,903	54,016	61,681	3,890	2,443	21,365
8 Refunds	16,510	15,513	7,603	7,904	8,649[r]	9,402[r]	1,087[r]	864	1,469
9 Social insurance taxes and contributions, net	380,047	396,011	178,468	214,303	186,840[r]	224,569[r]	31,723[r]	33,142[r]	33,322
10 Employment taxes and contributions[2]	353,891	370,526	167,224	199,727	175,802	208,110	29,514	28,996	32,597
11 Self-employment taxes and contributions[3]	21,795	25,457	2,638	22,150	3,306	20,433	0	0	3,988
12 Unemployment insurance	21,635	20,922	8,996	12,296	8,721	14,070	1,770	3,762	316
13 Other net receipts[4]	4,522	4,563	2,249	2,279	2,317	2,389[r]	439[r]	384[r]	409
14 Excise taxes	35,345	42,430	17,535	20,703	24,428[r]	22,389[r]	3,546[r]	4,051	4,093
15 Customs deposits	16,707	15,921	8,568	7,488	8,694	8,145	1,658	1,579	1,552
16 Estate and gift taxes	11,500	11,138	5,333	5,631	5,507[r]	5,701[r]	962	827	1,004
17 Miscellaneous receipts[5]	27,316	22,852	16,032	8,991	13,508	10,992[r]	3,197[r]	2,323[r]	2,980
OUTLAYS									
18 All types	**1,251,776**	**1,323,757**	**647,461**	**632,153**	**694,474**	**705,068[r]**	**122,226[r]**	**102,920[r]**	**112,943**
19 National defense	299,331	272,514	149,497	122,089	147,531	146,963	30,180	21,238	25,842
20 International affairs	13,762	16,167	8,943	7,592	7,651	8,464	684	186	1,727
21 General science, space, and technology	14,444	15,946	8,081	7,496	8,473	7,952	1,417	1,352	1,159
22 Energy	2,372	2,511	1,222	1,235	1,536	1,442	275	508	665
23 Natural resources and environment	17,067	18,708	9,933	8,324	11,221	8,625	1,677	1,516	1,742
24 Agriculture	11,958	14,864	6,878	7,684	7,335	7,514	468	381	195
25 Commerce and housing credit	67,160	75,639	37,491	17,992	36,579	15,583	846	−2,721	585
26 Transportation	29,485	31,531	16,218	14,748	17,094	15,681	3,144	2,818	3,618
27 Community and regional development	8,498	7,432	3,939	3,552	3,784	3,901	676	570	764
28 Education, training, employment, and social services	38,497	41,479	18,988	21,234	21,104	23,224	3,125	3,492	2,233
29 Health	57,716	71,183	31,424	35,608	41,458	43,698	7,164	7,593	8,834
30 Social security and medicare	346,383	373,495	176,353	190,247	193,156	205,443	35,553	33,593	34,460
31 Income security	147,314	171,618	75,948	88,778	87,923	105,911[r]	18,306[r]	14,616[r]	15,173
32 Veterans benefits and services	29,112	31,344	15,479	14,326	17,425	15,597	4,010	1,369	3,213
33 Administration of justice	10,004	12,295	5,265	6,187	6,586	7,438	1,217	1,155	1,277
34 General government	10,724	11,358	6,976	5,212	6,821	5,538	411	917	1,869
35 Net interest[6]	184,221	195,012	94,650	98,556	99,405	100,324	16,670	17,274	15,435
36 Undistributed offsetting receipts[7]	−36,615	−39,356	−19,829	−18,702	−20,435	−18,229	−3,597	−2,937	−5,847

1. Functional details do not sum to total outlays for calendar year data because revisions to monthly totals have not been distributed among functions. Fiscal year total for outlays does not correspond to calendar year data because revisions from the *Budget* have not been fully distributed across months.
2. Old-age, disability, and hospital insurance, and railroad retirement accounts.
3. Old-age, disability, and hospital insurance.
4. Federal employee retirement contributions and civil service retirement and disability fund.
5. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.
6. Includes interest received by trust funds.
7. Consists of rents and royalties for the outer continental shelf and U.S. government contributions for employee retirement.

SOURCES. U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*, and the U.S. Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 1993*.

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars, end of month

Item	1990		1991				1992		
	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30
1 **Federal debt outstanding**	**3,266**	**3,397**	**3,492**	**3,563**	**3,683**	**3,820**	**3,897**	n.a.	n.a.[r]
2 Public debt securities	3,233	3,365	3,465	3,538	3,665	3,802	3,881	3,985	4,065[r]
3 Held by public	2,438	2,537	2,598	2,643	2,746	2,833	2,918	n.a.	n.a.[r]
4 Held by agencies	796	828	867	895	920	969	964	n.a.	n.a.[r]
5 Agency securities	33	33	27	25	18	19	16	n.a.	n.a.[r]
6 Held by public	33	32	26	25	18	19	16	n.a.	n.a.[r]
7 Held by agencies	0	0	0	0	0	0	0	n.a.	n.a.[r]
8 **Debt subject to statutory limit**	**3,161**	**3,282**	**3,377**	**3,450**	**3,569**	**3,707**	**3,784**	**3,891**	**3,973[r]**
9 Public debt securities	3,161	3,281	3,377	3,450	3,569	3,706	3,783	3,890	3,972[r]
10 Other debt[1]	0	0	0	0	0	0	0	0	0[r]
MEMO									
11 Statutory debt limit	3,195	4,145	4,145	4,145	4,145	4,145	4,145	4,145	4,145[r]

1. Consists of guaranteed debt of Treasury and other federal agencies, specified participation certificates, notes to international lending organizations, and District of Columbia stadium bonds.

SOURCES. U.S. Treasury Department, *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	1988	1989	1990	1991	1991	1992		
					Q4	Q1	Q2	Q3
1 **Total gross public debt**	**2,684.4**	**2,953.0**	**3,364.8**	**3,801.7**	**3,801.7**	**3,881.3**	**3,984.7**	**4,064.6**
By type								
2 Interest-bearing	2,663.1	2,931.8	3,362.0	3,798.9	3,798.9	3,878.5	3,981.8	4,061.8
3 Marketable	1,821.3	1,945.4	2,195.8	2,471.6	2,471.6	2,552.3	2,605.1	2,677.5
4 Bills	414.0	430.6	527.4	590.4	590.4	615.8	618.2	634.3
5 Notes	1,083.6	1,151.5	1,265.2	1,430.8	1,430.8	1,477.7	1,517.6	1,566.4
6 Bonds	308.9	348.2	388.2	435.5	435.5	443.8	454.3	461.8
7 Nonmarketable[1]	841.8	986.4	1,166.2	1,327.2	1,327.2	1,326.2	1,376.7	1,384.3
8 State and local government series	151.5	163.3	160.8	159.7	159.7	157.8	161.9	157.6
9 Foreign issues[2]	6.6	6.8	43.5	41.9	41.9	42.0	38.7	37.0
10 Government	6.6	6.8	43.5	41.9	41.9	42.0	38.7	37.0
11 Public	.0	.0	.0	.0	.0	.0	.0	.0
12 Savings bonds and notes	107.6	115.7	124.1	135.9	135.9	139.9	143.2	148.3
13 Government account series[3]	575.6	695.6	813.8	959.2	959.2	956.1	1,002.5	1,011.0
14 Non-interest-bearing	21.3	21.2	2.8	2.8	2.8	2.8	2.9	2.8
By holder[4]								
15 U.S. Treasury and other federal agencies and trust funds	589.2	707.8	828.3	968.7	968.7	963.7		
16 Federal Reserve Banks	238.4	228.4	259.8	281.8	281.8	267.6		
17 Private investors	1,858.5	2,015.8	2,288.3	2,563.2	2,563.2	2,664.0		
18 Commercial banks	184.9	164.9	171.5	233.9	233.9	240.0		
19 Money market funds	11.8	14.9	45.4	80.0	80.0	84.8		
20 Insurance companies	118.6	125.1	142.0	172.9	172.9	175.0	n.a.	n.a.
21 Other companies	87.1	93.4	108.9	150.8	150.8	166.0		
22 State and local treasuries	471.6	487.5	490.4	498.8	498.8	500.0		
Individuals								
23 Savings bonds	109.6	117.7	126.2	138.1	138.1	142.0		
24 Other securities	79.2	98.7	107.6	125.8	125.8	126.1		
25 Foreign and international[5]	362.2	392.9	421.7	453.4	453.4	468.0		
26 Other miscellaneous investors[6]	433.0	520.7	674.5	709.5	709.5	762.1		

1. Includes (not shown separately) securities issued to the Rural Electrification Administration, depository bonds, retirement plan bonds, and individual retirement bonds.
2. Nonmarketable series denominated in dollars, and series denominated in foreign currency held by foreigners.
3. Held almost entirely by U.S. Treasury and other federal agencies and trust funds.
4. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.
5. Consists of investments of foreign balances and international accounts in the United States.
6. Includes savings and loan associations, nonprofit institutions, credit unions, mutual savings banks, corporate pension trust funds, dealers and brokers, certain U.S. Treasury deposit accounts, and federally sponsored agencies.

SOURCES. U.S. Treasury Department, data by type of security, *Monthly Statement of the Public Debt of the United States*; data by holder, the *Treasury Bulletin*.

1.42 U.S. GOVERNMENT SECURITIES DEALERS Transactions[1]

Millions of dollars, daily averages

Item	1992			1992, week ending								
	June	July	Aug.	Aug. 5	Aug. 12	Aug. 19	Aug. 26	Sept. 2	Sept. 9	Sept. 16	Sept. 23	Sept. 30
IMMEDIATE TRANSACTIONS[2]												
By type of security												
U.S. Treasury securities												
1 Bills	39,314	39,895	35,523	37,082	32,442	35,450	38,131	34,875	38,338	41,851	42,769	44,531
Coupon securities, by maturity												
2 Less than 3.5 years	37,879	42,881	45,267	45,115	47,289	43,465	50,806	35,819	39,308	42,698	45,148	41,634
3 3.5 to 7.5 years	31,278r	43,378r	36,672	41,506	34,995	37,334	37,657	31,889	35,730	39,574	37,171	40,468
4 7.5 to 15 years	13,912	19,672r	22,308	23,702	28,207	23,075	18,688	15,837	22,815	23,107	18,130	20,177
5 15 years or more	11,926	16,132	16,539	16,508	19,111	18,962	14,264	12,034	14,286	15,362	14,874	13,329
Federal agency securities												
Debt, maturing in												
6 Less than 3.5 years	4,461	4,334	4,343	4,579	3,938	4,342	4,318	4,826	4,891	4,109	4,490	6,471
7 3.5 to 7.5 years	513	670	684	859	865	566	539	648	617	670	391	654
8 7.5 years or more	553	646	536	517	451	446	676	616	509	910	742	1,069
Mortgage-backed												
9 Pass-throughs	14,190r	13,806r	12,787	10,368	17,008	12,948	10,861	11,116	14,496	17,269	12,592	11,220
10 All others[3]	3,865r	4,110r	3,951r	3,011r	3,159r	4,645	4,122	4,767	2,713	4,617	4,157	5,168
By type of counterparty												
Primary dealers and brokers												
11 U.S. Treasury securities	83,394r	101,221r	99,904	103,687	103,519	100,019	104,664	81,971	91,237	104,696	102,125	101,875
Federal agency securities												
12 Debt	1,007	1,097	1,016	1,035	1,146	998	766	1,225	1,072	1,397	1,283	1,732
13 Mortgage-backed	8,405r	8,021r	7,240	5,586r	9,214r	7,489	6,913	5,735	7,441	9,854	8,049	5,568
Customers												
14 U.S. Treasury securities	50,915r	60,737r	56,405	60,227	58,525	58,267	54,883	48,483	59,240	57,896	55,966	58,264
Federal agency securities												
15 Debt	4,520	4,554	4,548	4,921	4,108	4,354	4,768	4,865	4,944	4,292	4,340	6,463
16 Mortgage-backed	9,651r	9,895r	9,498r	7,792r	10,953r	10,104	8,070	10,147	9,769	12,032	8,699	10,820
FUTURES AND FORWARD TRANSACTIONS[4]												
By type of deliverable security												
U.S. Treasury securities												
17 Bills	2,939r	2,886r	2,354r	2,096	2,501	2,588	2,467	1,791	2,121	4,960	2,827	2,271
Coupon securities, by maturity												
18 Less than 3.5 years	1,715	1,762	2,216	2,174	2,468	2,104	2,341	1,815	2,373	1,962	2,037	1,418
19 3.5 to 7.5 years	1,391r	1,326r	1,329r	1,420	1,217	1,060	1,280	1,952	2,224	1,857	1,820	1,545
20 7.5 to 15 years	1,319	1,969	2,713r	3,537	2,529	2,714	2,642	2,311	2,482	3,859	3,283	2,336
21 15 years or more	6,576	9,620	10,152r	10,453	10,359	10,025	11,091	8,153	10,535	12,172	10,808	7,712
Federal agency securities												
Debt, maturing in												
22 Less than 3.5 years	45	20	81	9	11	185	31	182	8	13	132	59
23 3.5 to 7.5 years	63	61	147	47	120	329	87	87	156	141	58	11
24 7.5 years or more	22	37	44	10	18	115	21	44	8	13	12	6
Mortgage-backed												
25 Pass-throughs[3]	12,869r	16,925r	15,902	17,486	21,058	13,493	14,087	12,766	17,497	17,826	15,341	17,327
26 Others	2,657	3,246r	2,832	2,977	2,306	3,207	2,941	2,755	1,845	2,490	2,410	2,920
OPTIONS TRANSACTIONS[5]												
By type of underlying security												
U.S. Treasury, coupon securities, by maturity												
27 Less than 3.5 years	1,255	1,550	1,431	1,377	1,463	1,434	1,817	784	1,365	1,052	807	1,287
28 3.5 to 7.5 years	317	635	433	251	572	226	688	301	619	603	808	568
29 7.5 to 15 years	484	685	1,054	728	1,014	641	1,693	1,070	1,132	633	1,064	436
30 15 years or more	1,576	2,520	2,795	3,037	3,247	2,239	3,548	1,471	2,469	1,700	3,000	1,174
Federal agency, mortgage-backed securities												
31 Pass-throughs	389	499	343	302	290	257	456	427	1,079	401	308	155

1. Transactions are market purchases and sales of securities as reported to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Averages for transactions are based on the number of trading days in the period. 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. Transactions for immediate delivery include purchases or sales of securities (other than mortgage-backed 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 days or less. Stripped securities are reported at market value by maturity of coupon or corpus.

3. Includes such securities as collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), interest-only securities (IOs), and principal-only securities (POs).

4. Futures transactions are standardized agreements arranged on an exchange. Forward transactions are agreements made in the over-the-counter market that specify delayed delivery. All futures transactions are included regardless of time to 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 days.

5. 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. In tables 1.42 and 1.43, "n.a." indicates that data are not published because of insufficient activity.

Data formerly shown under options transactions for U.S. Treasury securities, bills; Federal agency securities, debt; and mortgage-backed securities, other than pass-throughs are no longer available because of insufficient activity.

1.43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing[1]

Millions of dollars

Item	1992			1992, week ending							
	June	July	Aug.	Aug. 5	Aug. 12	Aug. 19	Aug. 26	Sept. 2	Sept. 9	Sept. 16	Sept. 23
	Positions[2]										
NET IMMEDIATE POSITIONS[3]											
By type of security											
U.S. Treasury securities											
1 Bills	9,816	10,399	8,264	7,100	6,846	7,888	8,132	12,122	13,595	12,450	18,295
Coupon securities, by maturity											
2 Less than 3.5 years	-7,838	-7,674	-2,799	-5,088	-789	-4,903	-621	-3,427	-3,476	-4,158	-130
3 3.5 to 7.5 years	-6,907	-7,629	-10,045	-8,602	-9,727	-11,509	-8,594	-11,916	-15,727	-14,788	-10,329
4 7.5 to 15 years	-3,706	-6,825	-6,464	-9,255	-5,464	-4,950	-6,498	-7,148	-8,733	-10,700	-11,045
5 15 years or more	-177	2,970	5,204	5,321	5,100	6,924	3,499	5,212	5,926	5,119	5,654
Federal agency securities											
Debt, maturing in											
6 Less than 3.5 years	5,265	4,944	6,256[r]	5,349	6,571	6,540	5,526	7,348	6,432	5,595	7,071
7 3.5 to 7.5 years	2,178	2,908	3,194	3,288	3,226	3,267	3,093	3,096	3,106	2,964	2,942
8 7.5 years or more	3,482	3,481	4,233	3,833	4,219	4,117	4,429	4,543	4,569	4,319	4,366
Mortgage-backed											
9 Pass-throughs	31,088	30,255[r]	30,749[r]	21,276[r]	34,285	38,339	32,921	21,604	33,745	37,553	29,645
10 All others[4]	18,708	22,090	23,366	23,942	23,490	21,812	23,314	24,863	24,672	26,538	28,267
Other money market instruments											
11 Certificates of deposit	2,796	2,811	3,734	3,074	3,666	4,701	3,087	4,042	3,600	4,254	3,558
12 Commercial paper	6,416	6,021	5,542	5,524	5,552	5,191	5,611	5,941	6,545	6,919	5,713
13 Bankers acceptances	1,045	1,158	978	935	892	1,207	837	1,019	1,023	1,066	793
FUTURES AND FORWARD POSITIONS[5]											
By type of deliverable security											
U.S. Treasury securities											
14 Bills	-2,667[r]	-6,214[r]	-6,189[r]	-4,927[r]	-6,994	-8,876	-5,121	-4,055	-5,734	-8,014	-6,015
Coupon securities, by maturity											
15 Less than 3.5 years	2,178	2,260	1,543	1,931	1,912	757	1,820	1,354	1,826	1,807	1,876
16 3.5 to 7.5 years	3,201	3,031	3,030	2,458	3,333	4,042	2,824	2,050	1,639	1,665	2,609
17 7.5 to 15 years	-493	-450	399	2,361	936	-687	-81	-121	-463	44	246
18 15 years or more	-7,518	-7,870	-7,645	-9,349	-9,200	-9,381	-4,750	-5,384	-6,061	-4,254	-2,891
Federal agency securities											
Debt, maturing in											
19 Less than 3.5 years	17	59	3[r]	-10	32	-54	-2	65	-23	7	14
20 3.5 to 7.5 years	-19	-79	-2	15	133	-143	-13	2	-76	-153	14
21 7.5 years or more	-11	45	-20	73	-124	-70	102	-70	-81	-70	-10
Mortgage-backed											
22 Pass-throughs	-23,361	-20,201[r]	-18,255	-10,082	-22,147	-27,277	-18,173	-8,463	-17,543	-22,571	-14,714
23 All others[4]	2,486	4,672[r]	5,955	5,123	5,763	6,326	7,150	4,862	6,272	7,347	7,466
24 Certificates of deposit	-222,803	-232,567	-251,401	-237,681	-243,912	-254,808	-265,826	-250,638	-251,740	-257,037	-226,981
	Financing[6]										
Reverse repurchase agreements											
25 Overnight and continuing	208,440	214,805	218,808	226,800	219,461	227,464	210,614	209,252	220,175	214,663	202,961
26 Term	297,759	315,020	320,431	326,783	343,506	307,694	323,007	295,997	313,881	333,993	343,265
Repurchase agreements											
27 Overnight and continuing	339,382	356,881	361,098	349,820	353,449	375,964	360,499	363,112	376,527	379,964	371,852
28 Term	266,179	287,022	300,209	297,761	320,519	293,181	309,378	271,228	282,138	307,902	321,059
Securities borrowed											
29 Overnight and continuing	84,573	92,740	97,726	96,914	97,500	97,303	97,898	99,204	102,780	103,327	103,169
30 Term	35,187	37,846	40,171	36,142	38,794	39,853	43,148	42,404	42,274	42,940	45,998
Securities loaned											
31 Overnight and continuing	7,627	8,173	8,822	9,158	9,120	8,651	8,527	8,723	9,398	9,491	10,547
32 Term	801	1,008	1,496	955	941	1,431	3,007	790	667	839	1,317
Collateralized loans											
33 Overnight and continuing	14,879	17,919	19,635	18,744	20,838	19,724	19,516	18,886	17,366	17,416	17,475
MEMO: Matched book[7]											
Reverse repurchase agreements											
34 Overnight and continuing	148,092	152,606	151,137	155,924	151,233	156,883	148,128	142,383	150,089	148,377	141,458
35 Term	255,829	269,912	272,361	280,990	296,730	258,105	269,495	253,585	269,694	288,004	294,999
Repurchase agreements											
36 Overnight and continuing	187,957	194,278	182,822	182,920	183,944	179,657	179,467	190,283	188,294	195,613	183,730
37 Term	200,805	212,775	229,511	230,950	251,880	225,325	230,112	201,772	218,264	233,305	243,500

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; monthly figures are averages of weekly data.
2. Securities positions are reported at market value.
3. 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 of mortgage-backed agency securities include securities purchased or sold that have been delivered or are scheduled to be delivered in thirty days or less.
4. Includes such securities as collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), interest-only securities (IOs), and principal-only securities (POs).
5. Futures positions are standardized contracts arranged on an exchange. Forward positions reflect agreements made in the over-the-counter market that specify delayed delivery. All futures positions are included regardless of time to 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 days.
6. 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.
7. 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 types of collateralization.

NOTE. Data for futures and forward commercial paper and bankers acceptances and for term financing of collateralized loans are no longer available because of insufficient activity.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1988	1989	1990	1991	1992				
					Mar.	Apr.	May	June	July
1 **Federal and federally sponsored agencies**	**381,498**	**411,805**	**434,668**	**442,772**	**445,646**	**449,472**	**449,561**	**457,182**	**456,885**
2 Federal agencies	35,668	35,664	42,159	41,035	41,322	40,788	40,535	40,388	39,773
3 Defense Department[1]	8	7	7	7	7	7	7	7	7
4 Export-Import Bank[2,3]	11,033	10,985	11,376	9,809	8,644	8,644	8,644	8,156	8,156
5 Federal Housing Administration[4]	150	328	393	397	421	419	427	432	194
6 Government National Mortgage Association certificates of participation[5]	0	0	0	0	0	0	0	0	0
7 Postal Service[6]	6,142	6,445	6,948	8,421	9,771	9,771	9,771	10,123	10,123
8 Tennessee Valley Authority	18,335	17,899	23,435	22,401	22,479	21,947	21,686	21,670	21,293
9 United States Railway Association[6]	0	0	0	0	0	0	0	0	0
10 Federally sponsored agencies[7]	345,830	375,407	392,509	401,737	404,324	408,684	409,026	416,794	417,112
11 Federal Home Loan Banks	135,836	136,108	117,895	107,543	106,511	107,011	106,368	106,050	107,343
12 Federal Home Loan Mortgage Corporation	22,797	26,148	30,941	30,262	25,154	25,233	27,612	32,479	33,959
13 Federal National Mortgage Association	105,459	116,064	123,403	133,937	141,315	145,856	144,655	149,013	147,377
14 Farm Credit Banks[8]	53,127	54,864	53,590	52,199	52,651	52,368	52,080	51,805	49,241
15 Student Loan Marketing Association[9]	22,073	28,705	34,194	38,319	39,216	38,739	38,885	38,020	39,765
16 *Financing Corporation*[10]	5,850	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170
17 Farm Credit Financial Assistance Corporation[11]	690	847	1,261	1,261	1,261	1,261	1,261	1,261	1,261
18 Resolution Funding Corporation[12]	0	4,522	23,055	29,996	29,996	29,996	29,996	29,996	29,996
MEMO									
19 **Federal Financing Bank debt**[13]	**142,850**	**134,873**	**179,083**	**185,576**	**185,849**	**186,879**	**179,617**	**180,848**	**177,700**
Lending to federal and federally sponsored agencies									
20 Export-Import Bank[3]	11,027	10,979	11,370	9,803	8,638	8,638	8,638	8,150	8,150
21 Postal Service[6]	5,892	6,195	6,698	8,201	9,551	9,551	9,551	9,903	9,903
22 Student Loan Marketing Association	4,910	4,880	4,850	4,820	4,820	4,820	4,820	4,820	4,820
23 Tennessee Valley Authority	16,955	16,519	14,055	10,725	10,025	9,325	9,025	9,025	8,475
24 United States Railway Association[6]	0	0	0	0	0	0	0	0	0
Other lending[14]									
25 Farmers Home Administration	58,496	53,311	52,324	48,534	48,534	47,634	45,434	44,784	43,209
26 Rural Electrification Administration	19,246	19,265	18,890	18,562	18,424	18,440	18,473	18,199	18,227
27 Other	26,324	23,724	70,896	84,931	85,857	88,471	83,676	85,967	84,916

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 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. Some data are estimated.
8. Excludes borrowing by the Farm Credit Financial Assistance Corporation, shown in 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 in order 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, while 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	1989	1990	1991	1992							
				Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.
1 **All issues, new and refunding**[1]	**113,646**	**120,339**	**154,402**	**14,032**	**15,956**	**15,141**	**14,155**	**20,501**	**16,184**	**18,006**	**17,513**
By type of issue											
2 General obligation	35,774	39,610	55,100	6,102	6,212	4,455	5,429	7,213	6,808	6,451	7,095
3 Revenue	77,873	81,295	99,302	7,930	9,744	10,686	8,726	13,288	9,376	11,555	10,418
By type of issuer											
4 State	11,819	15,149	24,939	3,023	3,174	575	1,165	2,063	2,836	1,933	1,857
5 Special district or statutory authority[2]	71,022	72,661	80,614	6,605	7,511	9,802	8,251	12,894	8,838	9,435	9,435
6 Municipality, county, or township	30,805	32,510	48,849	4,404	5,271	4,764	4,739	5,544	4,510	n.a.	6,221
7 **Issues for new capital, total**	**84,062**	**103,235**	**116,953**	**9,467**	**10,637**	**9,020**	**9,259**	**14,096**	**7,565**	**11,993**	**11,046**
By use of proceeds											
8 Education	15,133	17,042	21,121	2,604	1,075	2,208	1,651	2,132	1,747	1,737	1,388
9 Transportation	6,870	11,650	13,395	1,996	1,412	921	1,669	2,618	571	2,130	1,962
10 Utilities and conservation	11,427	11,739	21,039	800	2,104	1,380	771	1,851	629	2,004	2,245
11 Social welfare	16,703	23,099	25,648	1,925	1,811	2,582	2,045	4,266	887	767	2,033
12 Industrial aid	5,036	6,117	8,376	123	528	558	133	724	91	503	1,092
13 Other purposes	28,894	34,607	30,275	2,019	3,707	1,371	2,990	2,505	3,640	4,252	2,326

1. Par amounts of long-term issues based on date of sale.
2. Since 1986, has included school districts.

SOURCES. *Investment Dealer's Digest* beginning April 1990. Securities Data/Bond Buyer Municipal Data Base beginning 1986. Public Securities Association for earlier data.

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue, offering, or issuer	1989	1990	1991	1992							
				Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.
1 **All issues**[1]	**377,836**	**339,052**	**455,291**	**45,017**[r]	**37,494**[r]	**38,303**	**28,948**[r]	**44,947**[r]	**47,985**[r]	**46,020**[r]	**36,586**
2 **Bonds**[2]	**319,965**	**298,814**	**389,933**	**38,333**[r]	**27,958**[r]	**31,946**	**23,610**[r]	**38,031**[r]	**38,988**[r]	**39,543**[r]	**31,310**
By type of offering											
3 Public, domestic	179,694	188,778	287,041	34,662[r]	26,331[r]	29,417	22,236[r]	35,059[r]	35,960[r]	37,618[r]	28,500
4 Private placement, domestic[3]	117,420	86,982	74,930	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5 Sold abroad	22,851	23,054	27,962	3,671	1,626	2,529	1,373	2,972	3,027	1,924[r]	3,200
By industry group											
6 Manufacturing	76,175	52,635	85,535	7,229	3,940[r]	8,955	4,170[r]	6,046[r]	7,263[r]	5,509[r]	4,694
7 Commercial and miscellaneous	49,465	40,018	37,809	2,751	1,664	3,670	2,351[r]	2,472	1,630	3,476[r]	2,230
8 Transportation	10,032	12,711	13,628	455	1,004	641	140[r]	621	899	766	393
9 Public utility	18,656	17,621	23,994	3,816[r]	3,569	1,896	3,462	3,041	4,251	6,909[r]	4,401
10 Communication	8,461	6,597	9,331	2,467	416	725	1,205	1,590	1,028	2,081[r]	928
11 Real estate and financial	157,176	169,231	219,637	21,616	17,364	16,060	12,282[r]	24,261[r]	23,916[r]	20,801[r]	18,665
12 **Stocks**[2]	**57,870**	**40,165**	**75,467**	**6,684**	**9,536**	**6,357**	**5,338**	**6,916**	**8,997**	**6,477**	**5,276**
By type of offering											
13 Public preferred	6,194	3,998	17,408	739	4,306	625	334	1,552	2,916	2,413	1,148
14 Common	26,030	19,443	47,860	5,945	5,230	5,732	5,004	5,364	6,081	4,064	4,129
15 Private placement[3]	25,647	16,736	10,109	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By industry group											
16 Manufacturing	9,308	5,649	24,154	2,098	2,541	2,637	1,523	2,499	3,000	857	713
17 Commercial and miscellaneous	7,446	10,171	19,418	993	3,194	1,595	1,162	2,010	1,070	1,599	1,287
18 Transportation	1,929	369	2,439	426	78	193	0	176	1,064	0	0
19 Public utility	3,090	416	3,474	268	489	704	577	826	610	564	921
20 Communication	1,904	3,822	475	163	0	53	333	12	0	0	0
21 Real estate and financial	34,028	19,738	25,507	2,736	3,234	1,175	1,691	1,324	3,254	3,457	2,327

1. Figures represent gross proceeds of issues maturing in more than one year; they are the principal amount or number of units calculated by multiplying by the offering price. Figures exclude secondary offerings, employee stock plans, investment companies other than closed-end, intracorporate transactions, equities sold abroad, and Yankee bonds. Stock data include ownership securities issued by limited partnerships.
2. Monthly data cover only public offerings.
3. Monthly data are not available.

SOURCES. IDD Information Services, Inc., the Board of Governors of the Federal Reserve System, and, before 1989, the U.S. Securities and Exchange Commission.

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Assets

Millions of dollars

Item[1]	1990	1991	1992 Jan	Feb.	Mar.	Apr.	May	June	July[r]	Aug.
1 Sales of own shares[2]	**344,420**	**464,488**	**66,048**	**48,015**	**50,462**	**52,309**	**48,127**	**51,457**	**54,915**	**50,627**
2 Redemptions of own shares	288,441	342,088	41,917	30,869	35,464	39,302	31,409	37,457	34,384	35,223
3 Net sales[3]	55,979	122,400	24,131	17,146	14,998	13,007	16,718	14,000	20,703	15,404
4 Assets[4]	**568,517**	**807,001**	**823,767**	**846,868**	**848,842**	**870,011**	**897,211**	**911,218**	**951,806**	**957,145**
5 Cash[5]	48,638	60,937	62,289	64,022	64,216	67,632	67,270	69,508	72,732	77,245
6 Other	519,875	746,064	761,478	782,846	781,626	802,379	829,941	841,710	879,074	879,900

1. Data on sales and redemptions exclude money market mutual funds but include limited-maturity municipal bond funds. Data on assets exclude both money market mutual funds and limited-maturity municipal bond funds.
2. Includes reinvestment of dividends. Excludes reinvestment of capital gains distributions.
3. Does not includes sales or 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 new companies.

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data at seasonally adjusted annual rates

Account	1989	1990	1991	1990 Q3	1990 Q4	1991 Q1	1991 Q2	1991 Q3	1991 Q4	1992 Q1	1992 Q2
1 Profits with inventory valuation and capital consumption adjustment	362.8	361.7	346.3	351.4	344.0	349.6	347.3	341.2	347.1	384.0	388.4
2 Profits before taxes	342.9	355.4	334.7	367.0	354.7	337.6	332.3	336.7	332.3	366.1	376.8
3 Profits tax liability	141.3	136.7	124.0	143.0	133.7	121.3	122.9	127.0	125.0	136.4	144.1
4 Profits after taxes	201.6	218.7	210.7	224.0	221.0	216.3	209.4	209.6	207.4	229.7	232.7
5 Dividends	134.6	149.3	146.5	150.6	151.9	150.6	146.2	145.1	143.9	143.6	146.6
6 Undistributed profits	67.1	69.4	64.2	73.4	69.1	65.7	63.2	64.5	63.4	86.2	86.1
7 Inventory valuation	−17.5	−14.2	3.1	−32.6	−21.2	6.7	9.9	−4.8	.7	−5.4	−15.5
8 Capital consumption adjustment	37.4	20.5	8.4	17.0	10.5	5.3	5.1	9.3	14.1	23.3	27.0

SOURCE. U.S. Department of Commerce. *Survey of Current Business.*

1.50 TOTAL NONFARM BUSINESS EXPENDITURES on New Plant and Equipment

Billions of dollars; quarterly data at seasonally adjusted annual rates

Industry	1990	1991	1992[1]	1991 Q1	1991 Q2	1991 Q3	1991 Q4	1992 Q1	1992 Q2	1992 Q3	1992 Q4[1]
1 Total nonfarm business	**532.61**	**528.39**	**551.03**	**534.27**	**525.02**	**526.59**	**529.87**	**535.72**	**540.91**	**565.16**	**562.36**
Manufacturing											
2 Durable goods industries	82.58	77.64	75.70	80.99	79.31	74.94	76.40	74.19	74.26	76.10	78.25
3 Nondurable goods industries	110.04	105.17	101.72	109.84	107.20	102.55	102.66	99.79	97.52	106.69	102.86
Nonmanufacturing											
4 Mining	9.88	10.02	9.21	9.94	10.08	10.09	9.99	8.87	9.18	9.76	9.01
Transportation											
5 Railroad	6.40	5.95	6.74	5.68	6.25	6.32	5.44	6.65	6.50	7.08	6.74
6 Air	8.87	10.17	9.58	10.89	9.95	9.61	10.41	8.86	9.75	9.60	10.12
7 Other	6.20	6.54	7.34	6.41	6.67	6.63	6.45	6.37	7.27	7.77	7.95
Public utilities											
8 Electric	44.10	43.76	48.85	43.62	43.09	43.27	44.75	46.06	48.45	50.16	50.74
9 Gas and other	23.11	22.82	23.85	23.40	22.00	23.25	22.67	22.75	24.19	24.37	24.11
10 Commercial and other[2]	241.43	246.32	268.05	243.51	240.46	249.94	251.11	262.17	263.80	273.62	272.59

1. Figures are amounts anticipated by business.
2. "Other" consists of construction, wholesale and retail trade, finance and insurance, personal and business services, and communication.

SOURCE. U.S. Department of Commerce, *Survey of Current Business.*

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities

Billions of dollars, end of period; not seasonally adjusted

Account	1988	1989	1990	1990	1991				1992	
				Q4	Q1	Q2	Q3	Q4	Q1	Q2
ASSETS										
1 Accounts receivable, gross[1]	437.3	462.9	492.9	492.9	482.9	488.5	484.7	480.3	475.7	477.0
2 Consumer	144.7	138.9	133.9	133.9	127.1	127.5	125.3	121.9	118.4	116.7
3 Business	245.3	270.2	293.5	293.5	291.7	295.2	293.2	292.6	291.6	293.9
4 Real estate	47.3	53.8	65.5	65.5	64.1	65.7	66.2	65.8	65.8	66.4
5 LESS: Reserves for unearned income	52.4	54.7	57.6	57.6	57.2	58.0	57.6	55.1	53.6	51.2
6 Reserves for losses	7.8	8.4	9.6	9.6	10.7	11.1	13.1	12.9	13.0	12.3
7 Accounts receivable, net	377.1	399.8	425.7	425.7	415.0	419.3	414.1	412.3	409.1	413.6
8 All other	86.6	102.6	113.9	113.9	118.7	122.8	136.4	149.0	145.5	139.4
9 **Total assets**	**463.7**	**502.4**	**539.6**	**539.6**	**533.7**	**542.1**	**550.5**	**561.2**	**554.6**	**553.0**
LIABILITIES AND CAPITAL										
10 Bank loans	23.9	27.0	31.0	31.0	35.6	36.9	39.6	42.3	38.0	37.8
11 Commercial paper	152.1	160.7	165.3	165.3	155.5	156.1	156.8	159.5	154.4	147.7
Debt										
12 Other short-term	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
13 Long-term	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
14 Due to parent	36.8	35.2	37.5	37.5	32.4	34.2	36.5	34.5	34.5	34.8
15 Not elsewhere classified	147.0	162.7	178.2	178.2	182.4	184.5	185.0	191.3	189.8	191.9
16 All other liabilities	60.0	61.5	63.9	63.9	64.3	67.1	68.8	69.0	72.0	73.4
17 Capital, surplus, and undivided profits	44.0	55.2	63.7	63.7	63.4	63.3	63.8	64.8	66.0	67.1
18 **Total liabilities and capital**	**463.7**	**502.4**	**539.6**	**539.6**	**533.7**	**542.1**	**550.5**	**561.2**	**554.6**	**548.4**

1. Excludes pools of securitized assets.

1.52 DOMESTIC FINANCE COMPANIES Business Credit Outstanding ~~and Net Change~~[1]

Millions of dollars, end of period; ~~seasonally~~ adjusted except as noted

Type of credit	1989	1990	1991	1992					
				Mar.	Apr.	May	June	July	Aug.
SEASONALLY ADJUSTED									
1 **Total**	**481.436**	**523.023**	**519,573**	**521.174**	**520,242**	**519,668**	**520,804**	**522,834[r]**	**528,403**
2 Consumer	157.766	161.070	154.786	157.106	156.103	154,989	154,850	153,588	155,044
3 Real estate[2]	53.518	65.147	65,388	66.323	67,032	66,898	66,433	66,843	67,913
4 Business	270.152	296.807	299,400	297.744	297.107	297,781	299,521	302,403	305,446
NOT SEASONALLY ADJUSTED									
5 **Total**	**484.566**	**526.441**	**522.853**	**521.282**	**522,017**	**520,682**	**524,587**	**522,686[r]**	**523,740**
6 Consumer	158.542	161.965	155.677	155.753	155.106	154,414	154,859	154,099[r]	155,846
7 Motor vehicles	84.126	75.045	63.413	60.655	61.717	59,399	60,056	60,400	60,670
8 Other consumer[3]	54.732	58.818	58.488	57.697	56.647	56,740	56,634	56,568	56,821
9 Securitized motor vehicles[4]	13.690	19.837	23.166	25.723	24.697	26,529	26,195	25,392	26,852
10 Securitized other consumer[4]	5.994	8,265	10.610	11.678	12.045	11,746	11,974	11,739	11,503
11 Real estate[2]	53.781	65,509	65.764	65.752	66.604	66,650	66,437	67,065	68,264
12 Business	272.243	298.967	301.412	299.777	300,307	299,618	303,291	301,522	299,630
13 Motor vehicles	90.416	92.072	90.319	88.006	89,105	88,585	90,075	87,686[r]	85,470
14 Retail[5]	29.505	26.401	22.507	20.688	20,842	20,143	20,674	21,086	20,469
15 Wholesale[6]	34.093	33.573	31.216	30.799	31.161	30,893	30,505	27,158	n.a.
16 Leasing	26.818	32.098	36.596	36.519	37.102	37,549	38,896	39,443	39,889
17 Equipment	122.246	137.654	141.399	142.696	143.510	143.431	145,994	145,787	145,828
18 Retail	29.828	31.968	30.962	31,601	31,824	31,569	32,610	32,370	32,250
19 Wholesale[6]	6.452	11.101	9.671	9,265	9.217	9,116	9,194	9,128	9,084
20 Leasing	85.966	94.585	100.766	101,830	102.469	102.746	104,190	104,289	104,493
21 Other business[7]	57.560	63.774	60.887	60.876	59.573	59,291	57,586	59,099[r]	58,965
22 Securitized business assets[4]	n.a.	5.467	8.807	8.199	8.119	8.311	9,636	8,951[r]	9,367
23 Retail	710	667	576	480	206	196	178	170	158
24 Wholesale	n.a.	3.281	5.285	5.098	5.137	5.147	5,231	4.649	5,193
25 Leasing	1.311	1.519	2.946	2.621	2.776	2.968	4,227	4,132[r]	4.016

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 Conventional Mortgages on New Homes

Millions of dollars, except as noted

Item	1989	1990	1991	1992 Mar.	1992 Apr.	1992 May	1992 June	1992 July	1992 Aug.	1992 Sept.
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Terms[1]										
1 Purchase price (thousands of dollars)	159.6	153.2	155.0	167.0	162.5	158.7	154.4	173.5	148.4	146.0
2 Amount of loan (thousands of dollars)	117.0	112.4	114.0	123.2	122.7	119.7	116.1	132.6	113.6	109.3
3 Loan-price ratio (percent)	74.5	74.8	75.0	76.1	76.9	77.3	77.3	77.5	78.7	77.0
4 Maturity (years)	28.1	27.3	26.8	25.2	26.6	26.4	25.0	26.4	24.8	25.7
5 Fees and charges (percent of loan amount)[2]	2.06	1.93	1.71	1.75	1.88	1.69	1.57	1.19	1.62	1.52
6 Contract rate (percent per year)	9.76	9.68	9.02	8.21	8.26	8.30	8.15	7.81	7.72	7.68
Yield (percent per year)										
7 OTS series[3]	10.11	10.01	9.30	8.51	8.58	8.59	8.43	8.00	8.00	7.93
8 HUD series[4]	10.21	10.08	9.20	8.91	8.78	8.66	8.42	8.14	8.01	7.95
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (HUD series)[5]	10.24	10.17	9.25	8.85	8.79	8.66	8.56	8.12	8.08	8.06
10 GNMA securities[6]	9.71	9.51	8.59	8.20	8.10	8.00	7.90	7.63	7.28	7.31
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	104,974	113,329	122,837	136,506	139,808	140,899	142,148	142,465	142,246	144,904
12 FHA/VA-insured	19,640	21,028	21,702	21,902	21,914	21,924	22,218	22,263	22,199	22,275
13 Conventional	85,335	92,302	101,135	114,604	117,894	118,975	119,930	120,202	120,047	122,629
Mortgage transactions (during period)										
14 Purchases	22,518	23,959	37,202	7,282	7,258	5,576	5,809	4,191	3,651	6,779
Mortgage commitments (during period)[7]										
15 Issued[8]	n.a.	23,689	40,010	6,738	5,400	4,392	4,662	4,663	6,053	8,880
16 To sell[9]	n.a.	5,270	7,608	1,143	2,219	1,695	1,831	807	10	148
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[5]										
17 Total	20,105	20,419	24,131	28,821	30,077	28,710	28,621	28,510	n.a.	n.a.
18 FHA/VA-insured	590	547	484	446	438	432	426	419	n.a.	n.a.
19 Conventional	19,516	19,871	23,283	28,376	29,639	28,278	28,195	28,091	n.a.	n.a.
Mortgage transactions (during period)										
20 Purchases	78,588	75,517	97,727	16,001	18,109	16,405	14,222	12,172	n.a.	n.a.
21 Sales	73,446	73,817	92,478	13,639	16,139	17,214	13,740	11,849[r]	11,984	13,993
Mortgage commitments (during period)[10]										
22 Contracted	88,519	102,401	114,031	19,098	23,748	13,334	19,114	26,488	n.a.	n.a.

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups; 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 rates on loans closed, assuming prepayment at the end of ten years; from Office of Thrift Supervision (OTS).
4. Average contract rates on new commitments for conventional first mortgages; from U.S. Department of Housing and Urban Development (HUD).
5. Average gross yields 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. Large monthly movements of average yields may reflect market adjustments to changes in maximum permissible contract rates.
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 carrying the prevailing ceiling rate. Monthly figures are averages of Friday figures from the *Wall Street Journal*.
7. Includes some multifamily and nonprofit hospital loan commitments in addition to one- to four-family loan commitments accepted in the Federal National Mortgage Association's (FNMA's) free market auction system, and through the FNMA-GNMA tandem plans.
8. Does not include standby commitments issued, but includes standby commitments converted.
9. Includes participation loans as well as whole loans.
10. 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, while the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING[1]

Millions of dollars, end of period

Type of holder and property	1988	1989	1990	1991			1992	
				Q2	Q3	Q4[r]	Q1[r]	Q2[p]
1 **All holders**	**3,275,697[r]**	**3,561,685[r]**	**3,807,306[r]**	**3,898,924[r]**	**3,912,518[r]**	**3,927,396**	**3,971,687**	**3,999,102**
By type of property								
2 One- to four-family residences	2,203,973[r]	2,432,222[r]	2,649,436[r]	2,726,425[r]	2,758,976[r]	2,781,078	2,833,365	2,873,755
3 Multifamily residences	292,590[r]	304,612[r]	310,619[r]	315,404[r]	308,047[r]	308,844	308,510	301,007
4 Commercial	693,888[r]	740,826[r]	763,281[r]	773,315[r]	762,330[r]	754,300	746,902	740,760
5 Farm	85,247	84,025	83,969[r]	83,779[r]	83,165[r]	83,173	82,910	83,579
By type of holder								
6 Major financial institutions	1,831,472	1,931,537	1,914,315	1,898,492[r]	1,860,710[r]	1,846,910	1,825,983	1,807,045
7 Commercial banks[2]	674,003	767,069	844,826	871,416	870,937[r]	876,284	880,377	884,598
8 One- to four-family	334,367	389,632	455,931	476,363	478,851	486,572	492,910	496,518
9 Multifamily	33,912	38,876	37,015	37,564	36,398	37,424	37,710	38,314
10 Commercial	290,254	321,906	334,648	339,450	337,365	333,852	330,837	330,229
11 Farm	15,470	16,656	17,231	18,039	18,323	18,436	18,919	19,538
12 Savings institutions[3]	924,606	910,254	801,628	755,403[r]	719,679[r]	705,367	682,338	660,547
13 One- to four-family	671,722	669,220	600,154	570,015[r]	547,799[r]	538,358	524,536	509,397
14 Multifamily	110,775	106,014	91,806	86,483[r]	81,883[r]	79,881	77,166	74,837
15 Commercial	141,433	134,370	109,168	98,457[r]	89,595[r]	86,741	80,278	75,969
16 Farm	676	650	500	448[r]	402	388	358	345
17 Life insurance companies	232,863	254,214	267,861	271,674	270,094	265,258	263,269	261,900
18 One- to four-family	11,164	12,231	13,005	11,743	11,720	11,547	11,214	11,087
19 Multifamily	24,560	26,907	28,979	30,006	29,962	29,562	29,693	29,745
20 Commercial	187,549	205,472	215,121	219,204	218,179	214,105	212,865	211,913
21 Farm	9,590	9,604	10,756	10,721	10,233	10,044	9,497	9,155
22 Finance companies[4]	37,846	45,476	48,777	48,972	50,658	51,567	50,573	55,933
23 Federal and related agencies	200,570	209,498	250,761	276,797[r]	282,115[r]	282,856	296,664	297,618
24 Government National Mortgage Association	26	23	20	20[r]	20[r]	19	19	23
25 One- to four-family	26	23	20	20[r]	20[r]	19	19	23
26 Multifamily	0	0	0	0	0	0	0	0
27 Farmers Home Administration[5]	42,018	41,176	41,439	41,430	41,566	41,713	41,791	41,628
28 One- to four-family	18,347	18,422	18,527	18,521	18,598	18,496	18,488	17,718
29 Multifamily	8,513	9,054	9,640	9,898	9,990	10,141	10,270	10,356
30 Commercial	5,343	4,443	4,690	4,750	4,829	4,905	4,961	4,998
31 Farm	9,815	9,257	8,582	8,261	8,149	8,171	8,072	8,557
32 Federal Housing and Veterans' Administrations	5,973	6,087	8,801	10,210	10,057[r]	10,733	11,332	11,798
33 One- to four-family	2,672	2,875	3,593	3,729	3,649[r]	4,036	4,254	4,124
34 Multifamily	3,301	3,212	5,208	6,480	6,408[r]	6,697	7,078	7,674
35 Federal National Mortgage Association	103,013	110,721	116,628	122,806	125,451	128,983	136,506	142,148
36 One- to four-family	95,833	102,295	106,081	111,560	113,696	117,087	124,137	129,392
37 Multifamily	7,180	8,426	10,547	11,246	11,755	11,896	12,369	12,756
38 Federal Land Banks	32,115	29,640	29,416	29,152	29,053	28,777	28,776	28,775
39 One- to four-family	1,890	1,210	1,838	2,041	2,124	1,693	1,693	1,693
40 Farm	30,225	28,430	27,577	27,111	26,929	27,084	27,083	27,082
41 Federal Home Loan Mortgage Corporation	17,425	21,851	21,857	23,649	23,906	26,809	28,895	28,621
42 One- to four-family	15,077	18,248	19,185	21,120	21,489	24,125	26,182	26,001
43 Multifamily	2,348	3,603	2,672	2,529	2,417	2,684	2,713	2,620
44 Mortgage pools or trusts[6]	811,847	946,766	1,110,555	1,188,626[r]	1,229,836[r]	1,262,685	1,302,217	1,339,172
45 Government National Mortgage Association	340,527	368,367	403,613	416,082[r]	422,500[r]	425,295	421,977	422,922
46 One- to four-family	331,257	358,142	391,505	403,679[r]	412,715[r]	415,767	412,574	413,828
47 Multifamily	9,270	10,225	12,108	12,403	9,785[r]	9,528	9,404	9,094
48 Federal Home Loan Mortgage Corporation	226,406	272,870	316,359	341,132	348,843	359,163	367,878	382,797
49 One- to four-family	219,988	266,060	308,369	332,624	341,183	351,906	360,887	376,177
50 Multifamily	6,418	6,810	7,990	8,509	7,660	7,257	6,991	6,620
51 Federal National Mortgage Association	178,250	228,232	299,833	331,089	351,917	371,984	389,853	413,226
52 One- to four-family	172,331	219,577	291,194	322,444	343,430	362,667	380,617	403,940
53 Multifamily	5,919	8,655	8,639	8,645	8,487	9,317	9,236	9,286
54 Farmers Home Administration[5]	104	80	66	55	52	47	43	43
55 One- to four-family	26	21	17	13	12	11	10	9
56 Multifamily	0	0	0	0	0	0	0	0
57 Commercial	38	26	24	21	20	19	18	18
58 Farm	40	33	26	21	20	17	16	15
59 Individuals and others[7]	431,808[r]	473,884[r]	531,674[r]	535,009[r]	539,858[r]	534,945	546,823	555,267
60 One- to four-family	262,713[r]	297,050[r]	333,532[r]	333,256[r]	336,711[r]	330,062	340,561	348,631
61 Multifamily	80,394[r]	82,830[r]	87,950[r]	87,002[r]	87,351[r]	87,440	86,975	86,390
62 Commercial	69,270[r]	74,609[r]	90,894[r]	95,573[r]	96,687[r]	98,409	100,321	101,358
63 Farm	19,431	19,395	19,298[r]	19,178[r]	19,109[r]	19,034	18,966	18,887

1. Based on data from various institutional and governmental sources; figures for some quarters estimated in part by the Federal Reserve. Multifamily debt refers to loans on structures of five or more units.

2. Includes loans held by nondeposit trust companies but not loans held by bank trust departments.

3. Includes savings banks and savings and loan associations. Beginning 1987:1, data reported by institutions insured by the Federal Savings and Loan Insurance Corporation include loans in process and other contra-assets (credit balance accounts that must be subtracted from the corresponding gross asset categories to yield net asset levels).

4. Assumed to be entirely loans on one- to four-family residences.

5. Securities guaranteed by the Farmers Home Administration (FmHA) sold to the Federal Financing Bank were reallocated from FmHA mortgage pools to FmHA mortgage holdings in 1986:4 because of accounting changes by the FmHA.

6. Outstanding principal balances of mortgage-backed securities insured or guaranteed by the agency indicated. Includes private pools, which are not shown as a separate line item.

7. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and other U.S. agencies.

1.55 CONSUMER INSTALLMENT CREDIT Total Outstanding and Net Change[1]

Millions of dollars, amounts outstanding, end of period

Holder and type of credit	1988	1989	1990	1992 Mar.	Apr.	May	June	July[r]	Aug.
				Seasonally adjusted					
1 **Total**	**662,553**	**716,825**	**735,338**	**727,404**	**723,821**	**722,928**	**722,919[r]**	**721,820**	**720,861**
2 Automobile	285,364	292,002	284,993	262,125	260,376	259,834	257,339[r]	257,743	257,706
3 Revolving	174,269	199,308	222,950	245,259	245,905	246,220	247,418[r]	247,332	247,909
4 Other	202,921	225,515	227,395	220,020	217,541	216,874	218,162[r]	216,744	215,246
				Not seasonally adjusted					
5 **Total**	**673,320**	**728,877**	**748,524**	**721,091**	**718,676**	**718,420**	**719,845[r]**	**718,599**	**722,189**
By major holder									
6 Commercial banks	324,792	342,770	347,087	327,697	326,205	324,791	324,171	323,899	323,866
7 Finance companies	144,677	138,858	133,863	118,353	118,364	116,138	116,690	117,002	117,491
8 Credit unions	88,340	93,114	93,057	91,164	91,339	91,605	92,340[r]	91,778	91,500
9 Retailers	48,438	44,154	44,822	39,454	39,553	37,824	37,438	37,219	38,791
10 Savings institutions	63,399	57,253	46,969	37,142	36,499	36,224	35,782[r]	35,552	35,029
11 Gasoline companies	3,674	3,935	4,822	3,988	4,094	4,193	4,360	4,506	4,542
12 *Pools of securitized assets*[2]	n.a.	48,793	77,904	103,293	102,622	107,645	109,064	108,643	110,970
By major type of credit[3]									
13 Automobile	285,421	292,060	285,050	259,530	258,449	258,665	257,442[r]	258,104	259,097
14 Commercial banks	123,392	126,288	124,913	110,047	109,056	108,610	106,645	107,722	107,978
15 Finance companies	98,338	84,126	75,045	60,655	61,717	59,399	60,056	60,400	60,670
16 Pools of securitized assets[2]	0	18,185	24,428	29,942	28,679	31,406	31,024	30,454	31,833
17 Revolving	184,045	210,310	235,056	242,267	242,708	243,315	245,092[r]	244,661	246,917
18 Commercial banks	123,020	130,811	133,385	128,550	128,506	128,013	127,925	127,476	126,922
19 Retailers	43,833	39,583	40,003	34,892	34,989	33,245	32,844	32,617	34,167
20 Gasoline companies	3,674	3,935	4,822	3,988	4,094	4,193	4,360	4,506	4,542
21 Pools of securitized assets[2]	n.a.	23,477	44,335	60,953	61,190	63,801	65,784	65,791	66,985
22 Other	203,854	226,507	228,418	219,294	217,519	216,440	217,311[r]	215,834	215,375
23 Commercial banks	78,380	85,671	88,789	89,100	88,643	88,168	89,601	88,701	88,966
24 Finance companies	46,339	54,732	58,818	57,698	56,647	56,739	56,634	56,602	56,821
25 Retailers	4,605	4,571	4,819	4,562	4,564	4,579	4,594	4,602	4,624
26 Pools of securitized assets[2]	n.a.	7,131	9,141	12,398	12,753	12,438	12,256	12,398	12,152

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals that is scheduled to be repaid (or has the option of repayment) in two or more installments.

Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.

2. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.

3. Totals include estimates for certain holders for which only consumer credit totals are available.

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT[1]

Percent per year except as noted

Item	1989	1990	1991	1992 Feb.	Mar.	Apr.	May	June	July	Aug.
INTEREST RATES										
Commercial banks[2]										
1 48-month new car[3]	12.07	11.78	11.14	9.89	n.a.	n.a.	9.52	n.a.	n.a.	9.15
2 24-month personal	15.44	15.46	15.18	14.39	n.a.	n.a.	14.28	n.a.	n.a.	13.94
3 120-month mobile home[3]	14.11	14.02	13.70	12.93	n.a.	n.a.	12.82	n.a.	n.a.	12.57
4 Credit card	18.02	18.17	18.23	18.09	n.a.	n.a.	17.97	n.a.	n.a.	17.66
Auto finance companies										
5 New car	12.62	12.54	12.41	10.19	10.92	10.84	10.67	10.24	9.94	8.88
6 Used car	16.18	15.99	15.60	14.00	14.19	14.14	14.01	13.89	13.67	13.49
OTHER TERMS[4]										
Maturity (months)										
7 New car	54.2	54.6	55.1	53.8	54.3	54.5	54.7	54.4	54.4	53.6
8 Used car	46.6	46.0	47.2	48.0	48.0	47.8	47.9	48.0	48.0	47.9
Loan-to-value ratio										
9 New car	91	87	88	89	89	89	89	89	89	90
10 Used car	97	95	96	97	97	97	97	97	97	97
Amount financed (dollars)										
11 New car	12,001	12,071	12,494	13,340	13,137	13,208	13,373	13,369	13,570	13,745
12 Used car	7,954	8,289	8,884	8,912	8,906	8,905	9,247	9,201	9,293	9,238

1. 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. Before 1983 the maturity for new car loans was 36 months, and for mobile home loans was 84 months.

4. At auto finance companies.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]

Billions of dollars; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1987	1988	1989	1990	1991	1990	1991				1992	
						Q4	Q1	Q2	Q3	Q4	Q1	Q2
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**721.2**	**775.8**	**740.8**	**665.0**	**452.5**	**503.9**	**455.4**	**544.4**	**404.5**	**405.7**	**648.2**	**534.9**
By sector and instrument												
2 U.S. government	143.9	155.1	146.4	246.9	278.2	270.8	227.4	276.7	288.4	320.4	368.9	351.9
3 Treasury securities	142.4	137.7	144.7	238.7	292.0	271.8	251.4	282.9	317.2	316.6	380.1	351.5
4 Agency issues and mortgages	1.5	17.4	1.6	8.2	-13.8	-1.0	-24.0	-6.2	-28.8	3.8	-11.2	.4
5 Private	577.3	620.7	594.4	418.2	174.3	233.0	228.0	267.7	116.1	85.3	279.3	183.0
By instrument												
6 Debt capital instruments	487.2	474.1	441.8	342.3	254.5	277.9	296.0	331.1	180.8	210.0	293.6	223.9
7 Tax-exempt obligations	83.5	53.7	65.0	51.2	45.8	40.6	35.6	48.5	53.5	45.5	47.0	68.0
8 Corporate bonds	78.8	103.1	73.8	47.1	78.6	65.2	76.7	96.5	81.7	59.7	76.1	78.1
9 Mortgages	325.0	317.3	303.0	244.0	130.0	172.1	183.7	186.0	45.6	104.8	170.5	77.7
10 Home mortgages	235.3	241.8	245.3	219.4	142.2	162.3	153.0	158.1	122.4	135.1	203.4	137.0
11 Multifamily residential	24.4	16.7	16.4	3.7	-2.0	3.9	6.2	12.9	-29.7	2.7	-1.6	-33.5
12 Commercial	71.6	60.8	42.7	21.0	-9.4	7.2	24.5	15.6	-44.5	-33.1	-30.2	-28.5
13 Farm	-6.4	-2.1	-1.5	-.1	-.8	-1.3	-.1	-.7	-2.5	.0	-1.1	2.7
14 Other debt instruments	90.1	146.6	152.6	75.8	-80.2	-44.9	-68.0	-63.3	-64.8	-124.7	-14.3	-40.9
15 Consumer credit	32.9	50.1	41.7	17.5	-12.5	-6.6	-10.4	-7.8	-24.0	-8.0	3.1	-13.5
16 Bank loans n.e.c.	9.9	41.0	40.2	4.4	-33.4	-8.4	-15.0	-34.5	-18.2	-66.1	-26.9	-27.0
17 Open market paper	1.6	11.9	21.4	9.7	-18.4	-34.1	-14.3	-15.9	-36.3	-7.0	12.6	-3.4
18 Other	45.7	43.6	49.3	44.2	-15.8	4.3	-28.3	-5.2	13.7	-43.6	-3.2	3.1
By borrowing sector												
19 State and local government	83.0	48.9	63.2	48.3	38.5	34.7	36.0	38.6	37.6	41.9	41.1	58.4
20 Household	296.4	318.6	305.6	254.2	158.0	159.8	160.8	188.8	136.1	146.3	208.8	155.4
21 Nonfinancial business	197.8	253.1	225.6	115.6	-22.3	38.6	31.1	40.3	-57.6	-103.0	29.4	-30.8
22 Farm	-10.6	-7.5	1.6	2.5	.9	-.3	3.9	2.1	-.3	-2.2	-1.6	7.0
23 Nonfarm noncorporate	65.3	61.8	50.4	26.7	-23.6	7.9	13.2	9.8	-65.9	-51.5	-22.7	-67.6
24 Corporate	143.1	198.8	173.6	86.4	.4	31.0	14.0	28.4	8.6	-49.3	53.7	29.8
25 Foreign net borrowing in United States	6.2	6.4	10.2	23.9	14.1	24.2	63.1	-63.2	15.6	41.0	9.5	64.5
26 Bonds	7.4	6.9	4.9	21.4	14.9	29.6	11.1	10.6	15.5	22.3	4.7	12.6
27 Bank loans n.e.c.	-3.6	-1.8	-.1	-2.9	3.1	-5.2	8.1	-3.5	1.4	6.5	1.4	21.2
28 Open market paper	3.8	8.7	13.1	12.3	6.4	15.6	46.7	-51.9	16.0	14.9	-7.8	27.7
29 U.S. government loans	-1.4	-7.5	-7.6	-6.9	-10.2	-15.8	-2.8	-18.3	-17.2	-2.7	11.2	2.9
30 **Total domestic plus foreign**	**727.4**	**782.2**	**750.9**	**688.9**	**466.6**	**528.1**	**518.5**	**481.3**	**420.1**	**446.7**	**657.7**	**599.3**
	Financial sectors											
31 **Total net borrowing by financial sectors**	**259.0**	**211.4**	**220.1**	**187.1**	**139.2**	**296.8**	**108.9**	**103.1**	**144.3**	**200.5**	**108.7**	**217.5**
By instrument												
32 U.S. government-related	171.8	119.8	151.0	167.4	147.7	188.3	154.6	127.4	156.3	152.7	126.8	199.5
33 Sponsored-credit-agency securities	30.2	44.9	25.2	17.1	9.2	37.1	13.1	-29.7	20.6	32.6	11.5	48.3
34 Mortgage pool securities	142.3	74.9	125.8	150.3	138.6	151.6	141.5	157.1	135.8	120.1	115.3	151.2
35 Loans from U.S. government	-.8	.0	.0	-.1	.0	-.5	.0	.0	.0	-.1	.0	.0
36 Private	87.2	91.7	69.1	19.7	-8.6	108.6	-45.7	-24.3	-12.0	47.8	-18.0	18.1
37 Corporate bonds	39.1	16.2	46.8	34.4	57.7	98.6	41.4	72.6	29.3	87.5	-24.2	25.0
38 Mortgages	.4	.3	.0	.3	.6	.6	.2	-.2	.9	1.5	.9	.2
39 Bank loans n.e.c.	-3.6	.6	1.9	1.2	3.2	1.4	1.0	-2.9	10.2	4.5	7.2	4.9
40 Open market paper	26.9	54.8	31.3	8.6	-32.0	24.7	-52.5	-46.0	-16.7	-12.7	7.6	-17.6
41 Loans from Federal Home Loan Banks	24.4	19.7	-11.0	-24.7	-38.0	-16.7	-35.8	-47.7	-35.7	-33.0	-9.5	5.7
By borrowing sector												
42 Sponsored credit agencies	29.5	44.9	25.2	17.0	9.1	36.7	13.1	-29.7	20.6	32.5	11.5	48.3
43 Mortgage pools	142.3	74.9	125.8	150.3	138.6	151.6	141.5	157.1	135.8	120.1	115.3	151.2
44 Private	87.2	91.7	69.1	19.7	-8.6	108.6	-45.7	-24.3	-12.0	47.8	-18.0	18.1
45 Commercial banks	6.2	-3.0	-1.4	-1.1	-13.3	14.7	-18.4	-11.7	-9.2	-14.1	7.2	-.6
46 Bank affiliates	14.3	5.2	6.2	-27.7	-2.5	-30.2	-9.3	-3.5	-6.8	9.6	2.7	-9.2
47 Savings and loan associations	19.6	19.9	-14.1	-29.9	-39.5	-20.7	-42.9	-48.7	-41.1	-25.1	-20.3	4.2
48 Mutual savings banks	8.1	1.9	-1.4	-.5	-3.5	1.4	2.0	-1.7	-5.5	-8.7	4.3	-1.2
49 Finance companies	-.5	31.5	59.7	35.6	14.5	81.9	-10.3	3.4	12.2	52.9	-39.0	-20.9
50 Real estate investment trusts (REITs)	.4	3.6	-1.9	-1.9	.0	.3	.1	-.8	.0	.8	4.6	2.4
51 Securitized credit obligation (SCO) issuers	39.1	32.5	22.0	45.2	35.6	61.3	33.2	38.7	38.5	32.3	22.4	43.3

1.57—Continued

Transaction category or sector	1987	1988	1989	1990	1991	1990	1991				1992	
						Q4	Q1	Q2	Q3	Q4	Q1	Q2
	All sectors											
52 **Total net borrowing, all sectors**	**986.4**	**993.6**	**971.0**	**876.0**	**605.8**	**824.9**	**627.4**	**584.4**	**564.4**	**647.1**	**766.4**	**816.9**
53 U.S. government securities	316.4	274.9	297.3	414.4	426.0	459.6	382.0	404.1	444.8	473.2	495.7	551.4
54 State and local obligations	83.5	53.7	65.0	51.2	45.8	40.6	35.6	48.5	53.5	45.5	47.0	68.0
55 Corporate and foreign bonds	125.2	126.3	125.5	102.9	151.2	193.4	129.2	179.7	126.4	169.5	56.6	115.7
56 Mortgages	325.4	317.5	303.0	244.3	130.6	172.8	183.9	185.8	46.5	106.2	171.4	77.9
57 Consumer credit	32.9	50.1	41.7	17.5	-12.5	-6.6	-10.4	-7.8	-24.0	-8.0	3.1	-13.5
58 Bank loans n.e.c.	2.7	39.9	41.9	2.8	-27.1	-12.2	-5.9	-40.9	-6.7	-55.1	-18.2	-.9
59 Open market paper	32.3	75.4	65.9	30.7	-44.0	6.1	-20.2	-113.8	-37.0	-4.9	12.4	6.7
60 Other loans	68.0	55.8	30.6	12.4	-64.2	-28.8	-66.9	-71.2	-39.1	-79.3	-1.5	11.6
	External corporate equity funds raised in United States											
61 **Total net share issues**	7.1	-118.4	-65.7	22.1	198.8	28.2	112.4	178.9	235.2	268.9	271.8	283.6
62 Mutual funds	70.2	6.1	38.5	67.9	150.5	85.2	98.1	125.6	182.5	195.9	189.8	223.3
63 All other	-63.2	-124.5	-104.2	-45.8	48.3	-57.0	14.3	53.3	52.7	72.9	82.0	60.3
64 Nonfinancial corporations	**-75.5**	**-129.5**	**-124.2**	**-63.0**	**18.3**	**-61.0**	**-6.0**	**12.0**	**19.0**	**48.0**	**46.0**	**36.0**
65 Financial corporations	14.5	4.1	2.7	9.8	-.1	1.2	-6.7	4.7	-.4	2.0	6.0	2.9
66 Foreign shares purchased in United States	-2.1	.9	17.2	7.4	30.2	2.8	27.0	36.6	34.1	22.9	30.0	21.4

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.2 through F.5. For ordering address, see inside front cover.

1.58 SUMMARY OF FINANCIAL TRANSACTIONS[1]

Billions of dollars, except as noted; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1987	1988	1989	1990	1991	1990 Q4	1991 Q1	1991 Q2	1991 Q3	1991 Q4	1992 Q1	1992 Q2
NET LENDING IN CREDIT MARKETS[2]												
1 **Total net lending in credit markets**	**986.4**	**993.6**	**971.0**	**876.0**	**605.8**	**824.9**	**627.4**	**584.4**	**564.4**	**647.1**	**766.4**	**816.9**
2 Private domestic nonfinancial sectors	237.4	226.2	209.6	203.8	21.4	54.8	49.0	190.8	-135.2	-18.8	86.2	65.2
3 Households	180.7	198.9	179.5	172.3	-14.1	7.9	12.0	174.4	-177.8	-65.1	93.6	62.0
4 Nonfarm noncorporate business	-5.6	3.1	-.8	-1.4	-1.8	-1.9	-1.6	-2.0	-1.6	-2.1	-2.1	-2.5
5 Nonfinancial corporate business	18.5	5.7	12.9	6.6	21.1	13.3	-6.8	29.0	32.2	30.1	11.1	-1.5
6 State and local governments	43.9	18.6	17.9	26.2	16.3	35.5	45.4	-10.6	12.1	18.2	-16.5	7.2
7 U.S. government	-7.9	-10.6	-3.1	33.7	10.0	-1.1	35.2	24.8	-2.1	-17.9	13.7	-12.1
8 Foreign	61.8	96.3	74.1	58.4	44.7	85.1	19.1	51.4	37.3	71.0	89.1	144.2
9 Financial sectors	695.0	681.8	690.4	580.2	529.7	686.0	524.1	317.4	664.3	612.9	577.4	619.6
10 Sponsored credit agencies	27.0	37.1	-.5	16.4	14.2	-8.4	27.4	-22.3	33.7	17.8	93.0	47.9
11 Mortgage pools	142.3	74.9	125.8	150.3	138.6	151.6	141.5	157.1	135.8	120.1	115.3	151.2
12 Monetary authority	24.7	10.5	-7.3	8.1	31.1	-11.6	58.1	-4.0	48.1	22.3	33.2	9.8
13 Commercial banking	135.3	157.1	176.8	125.4	84.0	69.5	114.4	34.7	82.4	104.3	97.9	53.2
14 U.S. commercial banks	99.1	127.1	145.7	95.2	38.9	30.7	77.0	6.4	26.5	45.6	90.7	.1
15 Foreign banking offices	34.2	29.4	26.7	28.4	48.5	37.9	42.2	33.7	56.7	61.3	.9	53.8
16 Bank affiliates	2.0	-.1	2.8	-2.8	-1.5	-1.7	-4.7	-2.6	2.4	-1.1	6.4	-1.7
17 Banks in U.S. possession	.1	.7	1.6	4.5	-1.9	2.7	-.1	-2.8	-3.3	-1.5	.0	1.0
18 Private nonbank finance	365.8	402.2	395.7	279.9	261.8	484.8	182.7	152.0	364.4	348.3	238.0	357.6
19 Thrift institutions	136.9	119.0	-91.0	-151.9	-144.9	-178.5	-188.3	-164.8	-176.8	-49.7	-102.1	-51.4
20 Savings and loan associations	93.5	87.4	-93.9	-143.9	-140.9	-177.9	-179.8	-144.0	-156.3	-83.3	-137.9	-78.4
21 Mutual savings banks	25.6	15.3	-4.8	-16.5	-15.5	-9.8	-11.7	-31.1	-30.8	11.5	7.6	-3.7
22 Credit unions	17.8	16.3	7.7	8.5	11.5	9.2	3.3	10.2	10.3	22.2	28.2	30.6
23 Insurance	153.5	186.2	207.7	188.5	215.4	197.2	236.2	219.5	254.5	151.4	142.4	194.0
24 Life insurance companies	91.7	103.8	93.1	94.4	83.2	73.4	112.9	132.8	73.8	13.2	80.6	93.3
25 Other insurance companies	39.5	29.2	29.7	26.5	34.7	28.8	32.7	37.0	36.8	32.1	33.1	22.2
26 Private pension funds	-4.7	18.1	36.2	16.6	60.6	55.6	42.1	.7	110.5	89.2	-18.9	41.3
27 State and local government retirement funds	27.0	35.1	48.7	51.0	37.0	39.5	48.5	49.0	33.4	17.0	47.6	37.2
28 Finance n.e.c.	75.4	96.9	278.9	243.3	191.3	466.2	134.7	97.4	286.7	246.5	197.7	215.0
29 Finance companies	38.2	49.2	69.3	41.6	-13.1	26.0	-18.5	-14.5	-5.2	-14.1	.8	-23.0
30 Mutual funds	25.8	11.9	23.8	41.4	90.3	56.2	44.0	75.3	117.1	124.8	105.3	156.1
31 Money market funds	1.8	10.7	67.1	80.9	30.1	83.3	134.2	-68.9	1.1	53.9	61.8	-20.9
32 Real estate investment trusts (REITs)	1.0	.9	.5	-.7	-.7	-2.1	-1.2	-.1	-.6	-.9	-.7	-.5
33 Brokers and dealers	-30.6	-8.2	96.3	34.9	49.0	241.5	-56.9	66.8	135.8	50.5	8.1	60.0
34 Securitized credit obligation (SCOs) issuers	39.1	32.5	22.0	45.2	35.6	61.3	33.2	38.7	38.5	32.3	22.4	43.3
RELATION OF LIABILITIES TO FINANCIAL ASSETS												
35 **Net flows through credit markets**	**986.4**	**993.6**	**971.0**	**876.0**	**605.8**	**824.9**	**627.4**	**584.4**	**564.4**	**647.1**	**766.4**	**816.9**
Other financial sources												
36 Official foreign exchange	-9.7	4.0	24.8	2.0	-5.9	4.0	1.5	-4.8	-15.5	-5.0	3.5	-6.4
37 Treasury currency and special drawing rights	.5	.5	4.1	2.5	.0	8.2	-1.2	.4	.4	.5	.1	.3
38 Life insurance reserves	26.0	25.3	28.8	25.7	22.0	23.7	19.9	29.4	19.4	19.2	21.2	24.6
39 Pension fund reserves	104.5	193.6	221.4	186.8	268.1	253.0	284.1	193.9	339.6	254.7	112.7	225.5
40 Interbank claims	34.8	2.9	-16.5	34.2	-2.1	-18.5	4.5	-81.6	97.9	-29.0	45.6	-12.6
41 Deposits at financial institutions	141.1	259.9	290.0	96.8	58.0	233.2	244.8	-75.4	27.3	35.3	152.0	-12.0
42 Checkable deposits and currency	3.9	43.2	6.1	44.2	75.8	59.5	76.2	7.9	104.5	114.4	89.4	97.6
43 Small-time and savings	76.5	120.8	96.7	59.9	16.7	69.1	97.3	-1.1	-42.4	13.0	-13.7	-77.4
44 Large-time	50.6	53.6	17.6	-66.7	-60.9	-69.0	15.1	-63.0	-78.1	-117.4	-82.0	-106.3
45 Money market fund shares	24.0	21.9	90.1	70.3	41.3	57.6	193.0	-58.7	4.0	26.8	106.1	-38.3
46 Security repurchase agreements	-10.9	23.5	78.3	-23.5	-16.4	97.9	-160.7	43.1	36.3	16.0	15.4	96.5
47 Foreign deposits	-3.1	-3.1	1.1	12.6	1.5	18.2	24.0	-3.6	3.0	-17.5	36.8	16.0
48 Mutual fund shares	70.2	6.1	38.5	67.9	150.5	85.2	98.1	125.6	182.5	195.9	189.8	223.3
49 Corporate equities	-63.2	-124.5	-104.2	-45.8	48.3	-57.0	14.3	53.3	52.7	72.9	82.0	60.3
50 Security credit	-27.4	3.0	15.6	3.5	51.4	36.5	-17.5	20.1	82.4	120.7	-70.0	-47.7
51 Trade debt	57.7	89.2	60.0	44.1	11.2	-13.1	-36.7	41.8	48.2	-8.5	70.1	58.8
52 Taxes payable	5.4	5.3	2.0	-.5	-9.1	-3.7	-34.8	-11.5	13.0	-3.3	-2.9	1.4
53 Noncorporate proprietors' equity	-60.9	-31.2	-32.5	-39.3	-1.3	-22.2	-21.3	-34.1	44.9	5.1	-20.4	30.4
54 Miscellaneous	241.2	222.3	269.9	120.5	157.0	-34.7	273.7	84.9	41.3	228.3	82.8	204.2
55 **Total financial sources**	**1,506.7**	**1,650.2**	**1,772.7**	**1,374.3**	**1,354.0**	**1,319.6**	**1,456.9**	**926.3**	**1,498.6**	**1,534.1**	**1,432.9**	**1,566.9**
Floats not included in assets (-)												
56 U.S. government checking deposits	.0	1.6	8.4	3.3	-13.1	-8.0	-18.8	15.6	23.9	-73.1	4.4	-10.8
57 Other checkable deposits	.4	.8	-3.2	2.5	2.0	7.7	13.3	3.0	-2.1	-6.1	-13.3	-17.5
58 Trade credit	-8.5	-.9	.6	21.5	19.4	54.6	13.4	41.2	27.8	-4.8	27.7	1.2
Liabilities not identified as assets (-)												
59 Treasury currency	-.1	-.1	-.2	.2	-.6	1.5	-1.9	-.3	-.2	-.1	-.4	-.1
60 Interbank claims	-4.0	-3.0	-4.4	1.6	26.2	-14.9	55.3	20.8	28.4	.2	13.4	-13.8
61 Security repurchase agreements	-21.2	-29.8	23.9	-34.8	9.7	45.7	-115.4	76.2	36.9	41.1	-23.5	78.2
62 Taxes payable	6.7	6.3	2.3	6.5	7.4	14.9	-14.4	2.0	23.4	18.5	-16.7	16.3
63 Miscellaneous	10.0	4.4	-95.6	-13.8	-26.0	-112.2	-111.4	8.4	-195.4	194.3	-148.9	-128.3
64 **Totals identified to sectors as assets**	**1,523.4**	**1,670.7**	**1,841.0**	**1,387.5**	**1,329.1**	**1,330.2**	**1,636.7**	**759.4**	**1,556.0**	**1,364.1**	**1,590.2**	**1,641.7**

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	1988	1989	1990	1991	1990	1991				1992	
					Q4	Q1	Q2	Q3	Q4	Q1	Q2
	Nonfinancial sectors										
1 **Total credit market debt owed by domestic nonfinancial sectors**	**9,316.3**	**10,087.1**	**10,760.8**	**11,210.7**	**10,760.8**	**10,832.3**	**10,960.5**	**11,082.5**	**11,210.7**	**11,331.7**	**11,459.8**
By lending sector and instrument											
2 U.S. government	2,104.9	2,251.2	2,498.1	2,776.4	2,498.1	2,548.8	2,591.9	2,687.2	2,776.4	2,859.7	2,923.3
3 Treasury securities	2,082.3	2,227.0	2,465.8	2,757.8	2,465.8	2,522.4	2,567.1	2,669.6	2,757.8	2,844.0	2,907.4
4 Agency issues and mortgages	22.6	24.2	32.4	18.6	32.4	26.4	24.8	17.6	18.6	15.8	15.9
5 Private	7,211.4	7,835.9	8,262.6	8,434.3	8,262.6	8,283.5	8,368.6	8,395.3	8,434.3	8,472.0	8,536.5
By instrument											
6 Debt capital instruments	5,119.0	5,577.9	5,936.0	6,190.4	5,936.0	5,997.7	6,087.8	6,138.4	6,190.4	6,252.0	6,315.8
7 Tax-exempt obligations	939.4	1,004.4	1,055.6	1,101.4	1,055.6	1,061.5	1,072.5	1,089.3	1,101.4	1,110.3	1,126.1
8 Corporate bonds	852.2	926.1	973.2	1,051.8	973.2	992.3	1,016.5	1,036.9	1,051.8	1,070.8	1,090.4
9 Mortgages	3,327.3	3,647.5	3,907.3	4,037.3	3,907.3	3,943.8	3,998.9	4,012.2	4,037.3	4,070.8	4,099.4
10 Home mortgages	2,257.5	2,515.1	2,760.0	2,902.1	2,760.0	2,788.9	2,836.9	2,869.5	2,902.1	2,943.9	2,987.3
11 Multifamily residential	286.7	304.4	305.8	303.8	305.8	307.3	310.5	303.1	303.8	303.4	295.0
12 Commercial	696.4	742.6	757.6	748.2	757.6	763.7	767.6	756.5	748.2	740.7	733.5
13 Farm	86.8	85.3	84.0	83.2	84.0	83.9	83.8	83.1	83.2	82.9	83.6
14 Other debt instruments	2,092.5	2,258.0	2,326.7	2,243.9	2,326.7	2,285.8	2,280.8	2,256.9	2,243.9	2,220.0	2,220.6
15 Consumer credit	742.1	791.8	809.3	796.7	809.3	785.3	786.7	785.9	796.7	775.7	775.5
16 Bank loans n.e.c.	710.6	760.7	758.0	724.6	758.0	748.3	742.0	734.1	724.6	712.5	708.1
17 Open market paper	85.7	107.1	116.9	98.5	116.9	120.8	119.4	107.0	98.5	110.3	111.7
18 Other	554.1	598.4	642.6	624.1	642.6	631.5	632.6	629.8	624.1	621.6	625.3
By borrowing sector											
19 State and local government	752.5	815.7	864.0	902.5	864.0	870.1	878.5	891.4	902.5	910.0	923.4
20 Household	3,177.3	3,508.2	3,780.6	3,938.6	3,780.6	3,788.3	3,848.3	3,888.7	3,938.6	3,958.8	4,010.8
21 Nonfinancial business	3,281.6	3,512.0	3,618.0	3,593.2	3,618.0	3,625.2	3,641.8	3,615.3	3,593.2	3,603.2	3,602.3
22 Farm	137.6	139.2	140.5	138.8	140.5	136.8	139.6	140.4	138.8	136.3	140.2
23 Nonfarm noncorporate	1,127.1	1,177.5	1,204.2	1,180.6	1,204.2	1,207.1	1,210.8	1,191.0	1,180.6	1,174.4	1,159.0
24 Corporate	2,016.9	2,195.3	2,273.4	2,273.8	2,273.4	2,281.2	2,291.4	2,283.9	2,273.8	2,292.5	2,303.1
25 **Foreign credit market debt held in United States**	**244.6**	**254.8**	**278.6**	**292.7**	**278.6**	**291.3**	**277.6**	**282.2**	**292.7**	**282.3**	**300.6**
26 Bonds	83.1	88.0	109.4	124.2	109.4	112.1	114.8	118.6	124.2	125.4	128.5
27 Bank loans n.e.c.	21.5	21.4	18.5	21.6	18.5	20.5	19.7	20.0	21.6	22.0	27.3
28 Open market paper	49.9	63.0	75.3	81.8	75.3	87.0	74.0	78.0	81.8	70.5	77.5
29 U.S. government loans	90.1	82.4	75.4	65.2	75.4	71.6	69.1	65.6	65.2	64.4	67.3
30 **Total credit market debt owed by nonfinancial sectors, domestic and foreign**	**9,560.9**	**10,341.9**	**11,039.4**	**11,503.4**	**11,039.4**	**11,123.6**	**11,238.2**	**11,364.7**	**11,503.4**	**11,614.0**	**11,760.4**
	Financial sectors										
31 **Total credit market debt owed by financial sectors**	**2,082.9**	**2,333.0**	**2,524.2**	**2,667.8**	**2,524.2**	**2,546.3**	**2,571.1**	**2,608.2**	**2,667.8**	**2,686.9**	**2,739.7**
By instrument											
32 U.S. government-related	1,098.4	1,249.3	1,418.4	1,566.2	1,418.4	1,452.1	1,482.8	1,524.4	1,566.2	1,592.9	1,641.6
33 Sponsored credit-agency securities	348.1	373.3	393.7	402.9	393.7	397.0	389.6	394.7	402.9	405.7	417.8
34 Mortgage pool securities	745.3	871.0	1,019.9	1,158.5	1,019.9	1,050.3	1,088.4	1,124.8	1,158.5	1,182.4	1,219.0
35 Loans from U.S. government	5.0	5.0	4.9	4.8	4.9	4.9	4.9	4.9	4.8	4.8	4.8
36 Private	984.6	1,083.7	1,105.8	1,101.6	1,105.8	1,094.1	1,088.4	1,083.9	1,101.6	1,093.9	1,098.1
37 Corporate bonds	415.1	491.9	528.2	590.2	528.2	545.4	562.3	569.5	590.2	578.4	583.3
38 Mortgages	3.4	3.4	4.2	4.8	4.2	4.3	4.2	4.4	4.8	5.0	5.1
39 Bank loans n.e.c.	35.6	37.5	38.6	41.8	38.6	36.5	37.0	39.0	41.8	41.3	43.7
40 Open market paper	377.7	409.1	417.7	385.7	417.7	400.9	390.1	387.0	385.7	392.9	389.2
41 Loans from Federal Home Loan Banks	152.8	141.8	117.1	79.1	117.1	107.0	94.7	83.9	79.1	76.3	76.9
By borrowing sector											
42 Sponsored credit agencies	353.1	378.3	398.5	407.7	398.5	401.8	394.4	399.5	407.7	410.5	422.6
43 Mortgage pools	745.3	871.0	1,019.9	1,158.5	1,019.9	1,050.3	1,088.4	1,124.8	1,158.5	1,182.4	1,219.0
44 Private financial sectors	984.6	1,083.7	1,105.8	1,101.6	1,105.8	1,094.1	1,088.4	1,083.9	1,101.6	1,093.9	1,098.1
45 Commercial banks	78.8	77.4	76.3	63.0	76.3	68.1	65.9	64.6	63.0	60.8	61.3
46 Bank affiliates	136.2	142.5	114.8	112.3	114.8	114.4	113.3	110.6	112.3	115.0	112.4
47 Savings and loan associations	159.3	145.2	115.3	75.9	115.3	104.2	91.0	79.0	75.9	71.2	70.7
48 Mutual savings banks	18.6	17.2	16.7	13.2	16.7	16.4	16.6	15.2	13.2	13.5	13.9
49 Finance companies	444.6	504.2	539.8	557.9	539.8	539.6	540.4	543.7	557.9	547.1	541.8
50 Real estate investment trusts (REITs)	11.4	10.1	10.6	11.4	10.6	10.8	10.8	11.0	11.4	12.7	13.5
51 Securitized credit obligation (SCO) issuers	135.7	187.1	232.3	268.0	232.3	240.6	250.3	259.9	268.0	273.6	284.4
	All sectors										
52 **Total credit market debt, domestic and foreign**	**11,643.9**	**12,674.9**	**13,563.6**	**14,171.2**	**13,563.6**	**13,669.9**	**13,809.3**	**13,973.0**	**14,171.2**	**14,300.9**	**14,500.1**
53 U.S. government securities	3,198.3	3,495.6	3,911.7	4,337.7	3,911.7	3,996.1	4,069.8	4,206.7	4,337.7	4,447.6	4,560.1
54 State and local obligations	939.4	1,004.4	1,055.6	1,101.4	1,055.6	1,061.5	1,072.5	1,089.3	1,101.4	1,110.3	1,126.1
55 Corporate and foreign bonds	1,350.4	1,506.0	1,610.7	1,766.2	1,610.7	1,649.9	1,693.5	1,725.0	1,766.2	1,774.6	1,802.2
56 Mortgages	3,330.7	3,650.9	3,911.5	4,042.1	3,911.5	3,948.1	4,003.1	4,016.7	4,042.1	4,075.8	4,104.4
57 Consumer credit	742.1	791.8	809.3	796.7	809.3	785.3	786.7	785.9	796.7	775.7	775.5
58 Bank loans n.e.c.	767.7	819.6	815.1	788.0	815.1	805.3	798.7	793.2	788.0	775.8	779.1
59 Open market paper	513.4	579.2	609.9	565.9	609.9	608.8	583.6	572.0	565.9	573.7	578.4
60 Other loans	801.9	827.5	839.9	773.2	839.9	814.9	801.4	784.2	773.2	767.1	774.3

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.2 through L.4. For ordering address, see inside front cover.

1.60 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES[1]

Billions of dollars, except as noted, end of period

Transaction category or sector	1988	1989	1990	1991	1990	1991				1992	
					Q4	Q1	Q2	Q3	Q4	Q1	Q2
CREDIT MARKET DEBT OUTSTANDING[2]											
1 **Total credit market assets**	**11,643.9**	**12,674.9**	**13,563.6**	**14,171.2**	**13,563.6**	**13,669.9**	**13,809.3**	**13,973.0**	**14,171.2**	**14,300.9**	**14,500.1**
2 Private domestic nonfinancial sectors	2,185.5	2,440.5	2,644.2	2,658.2	2,644.2	2,634.2	2,653.8	2,648.2	2,658.2	2,642.4	2,631.3
3 Households	1,485.1	1,710.1	1,882.3	1,860.8	1,882.3	1,875.1	1,881.7	1,875.3	1,860.8	1,859.2	1,837.2
4 Nonfarm noncorporate business	57.2	56.4	55.0	53.2	55.0	53.9	53.4	52.9	53.2	51.9	51.3
5 Nonfinancial corporate business	167.4	180.3	186.9	208.1	186.9	174.6	189.9	190.1	208.1	199.9	208.6
6 *State and local governments*	475.8	493.7	519.9	536.2	519.9	530.6	528.8	530.0	536.2	531.3	534.2
7 U.S. government	213.2	205.1	238.7	246.2	238.7	245.5	252.9	252.0	246.2	250.1	248.4
8 Foreign	653.2	734.2	792.4	848.8	792.4	797.1	810.0	819.3	848.8	871.1	907.2
9 Financial sectors	8,592.0	9,295.1	9,888.3	10,418.0	9,888.3	9,993.0	10,092.7	10,253.3	10,418.0	10,537.3	10,713.3
10 Sponsored credit agencies	367.7	367.2	383.6	397.7	383.6	388.5	382.7	389.5	397.7	419.9	431.0
11 Mortgage pools	745.3	871.0	1,019.9	1,158.5	1,019.9	1,050.3	1,088.4	1,124.8	1,158.5	1,182.4	1,219.0
12 Monetary authority	240.6	233.3	241.4	272.5	241.4	247.3	253.7	264.7	272.5	271.8	282.6
13 Commercial banking	2,476.3	2,643.9	2,769.3	2,853.3	2,769.3	2,780.2	2,796.6	2,817.8	2,853.3	2,860.3	2,881.3
14 U.S. commercial banks	2,231.9	2,368.4	2,463.6	2,502.5	2,463.6	2,470.8	2,480.0	2,488.7	2,502.5	2,513.7	2,521.5
15 Foreign banking offices	215.6	242.3	270.8	319.2	270.8	275.6	284.4	297.5	319.2	313.4	327.0
16 Bank affiliates	13.4	16.2	13.4	11.9	13.4	12.3	11.3	11.6	11.9	13.6	12.8
17 Banks in U.S. possession	15.4	17.1	21.6	19.7	21.6	21.6	20.9	20.0	19.7	19.7	19.9
18 Private nonbank finance	4,762.1	5,179.7	5,474.1	5,735.9	5,474.1	5,526.8	5,571.3	5,656.5	5,735.9	5,803.0	5,899.4
19 Thrift institutions	1,572.0	1,484.9	1,335.5	1,190.6	1,335.5	1,287.8	1,248.4	1,205.1	1,190.6	1,164.5	1,153.3
20 Savings and loan associations	1,184.2	1,088.9	945.1	804.2	945.1	901.3	866.3	826.1	804.2	771.1	752.4
21 Mutual savings banks	240.6	241.1	227.1	211.5	227.1	224.1	216.4	208.7	211.5	213.4	212.5
22 Credit unions	147.2	154.9	163.4	174.9	163.4	162.3	165.7	170.2	174.9	180.0	188.4
23 Insurance	1,932.6	2,140.3	2,329.1	2,544.6	2,329.1	2,392.0	2,448.8	2,511.7	2,544.6	2,584.7	2,635.5
24 Life insurance companies	920.0	1,013.1	1,116.5	1,199.6	1,116.5	1,148.5	1,183.7	1,201.4	1,199.6	1,224.3	1,250.0
25 Other insurance companies	287.9	317.5	344.0	378.7	344.0	352.2	361.4	370.7	378.7	387.0	392.5
26 *Private pension funds*	*358.5*	*394.7*	*431.3*	*491.9*	*431.3*	*441.8*	*442.0*	469.6	491.9	487.2	497.5
27 State and local government retirement funds	366.2	414.9	437.4	474.3	437.4	449.5	461.7	470.1	474.3	486.2	495.5
28 *Finance n.e.c.*	1,257.5	1,554.5	1,809.4	2,000.7	1,809.4	1,847.0	1,874.1	1,939.7	2,000.7	2,053.7	2,110.5
29 Finance companies	559.2	617.1	658.7	645.6	658.7	649.4	651.7	647.4	645.6	641.0	641.6
30 Mutual funds	283.4	307.2	360.2	450.5	360.2	374.6	394.4	421.4	450.5	480.3	520.4
31 Money market funds	224.7	291.8	372.7	402.8	372.7	411.4	389.9	389.5	402.8	423.1	413.5
32 Real estate investment trusts (REITs)	7.8	8.4	7.7	7.0	7.7	7.4	7.4	7.2	7.0	6.8	6.7
33 Brokers and dealers	46.7	142.9	177.9	226.9	177.9	163.6	180.4	214.3	226.9	228.9	243.9
34 Securitized credit obligation (SCOs) issuers	135.7	187.1	232.3	268.0	232.3	240.6	250.3	259.9	268.0	273.6	284.4
RELATION OF LIABILITIES TO FINANCIAL ASSETS											
35 **Total credit market debt**	**11,643.9**	**12,674.9**	**13,563.6**	**14,171.2**	**13,563.6**	**13,669.9**	**13,809.3**	**13,973.0**	**14,171.2**	**14,300.9**	**14,500.1**
Other liabilities											
36 Official foreign exchange	27.1	53.6	61.3	55.4	61.3	56.6	53.6	52.9	55.4	52.7	54.4
37 Treasury currency and special drawing rights certificates	19.8	23.8	26.3	26.3	26.3	26.0	26.1	26.2	26.3	26.3	26.4
38 Life insurance reserves	325.5	354.3	380.0	402.0	380.0	385.0	392.3	397.2	402.0	407.3	413.4
39 *Pension fund reserves*	2,755.0	3,210.5	3,303.0	3,882.3	3,303.0	3,520.6	3,555.8	3,720.8	3,882.3	3,889.4	3,962.7
40 Interbank claims	46.9	32.4	64.0	63.6	64.0	57.8	34.0	58.4	63.6	63.1	58.1
41 Deposits at financial institutions	4,354.7	4,644.6	4,741.4	4,799.4	4,741.4	4,776.4	4,765.7	4,769.5	4,799.4	4,812.9	4,817.9
42 Checkable deposits and currency	882.8	888.6	932.8	1,008.5	932.8	905.1	933.1	948.3	1,008.5	984.8	1,033.9
43 Small-time and savings	2,169.2	2,265.4	2,325.3	2,342.0	2,325.3	2,355.3	2,351.5	2,339.7	2,342.0	2,344.8	2,321.6
44 Large-time	596.9	615.4	548.7	487.9	548.7	553.1	532.6	517.1	487.9	468.6	437.3
45 Money market fund shares	338.0	428.1	498.4	539.6	498.4	551.7	532.8	533.1	539.6	571.0	557.2
46 Security repurchase agreements	325.0	403.2	379.7	363.4	379.7	348.6	354.0	368.9	363.4	376.4	396.7
47 Foreign deposits	42.8	43.9	56.6	58.0	56.6	62.6	61.7	62.4	58.0	67.2	71.2
48 Mutual fund shares	478.3	566.2	602.1	812.4	602.1	661.6	683.7	744.2	812.4	859.3	936.7
49 Security credit	118.3	133.9	137.4	188.9	137.4	132.5	137.5	158.1	188.9	195.1	183.3
50 Trade debt	838.4	903.9	938.0	951.6	938.0	914.1	920.2	946.3	951.6	950.3	960.3
51 Taxes payable	79.8	81.8	81.4	72.2	81.4	75.1	65.8	71.8	72.2	73.9	67.2
52 Miscellaneous	2,312.0	2,508.3	2,678.8	2,791.7	2,678.8	2,700.3	2,707.9	2,743.2	2,791.7	2,789.2	2,817.9
53 **Total liabilities**	**22,999.5**	**25,188.3**	**26,577.2**	**28,217.1**	**26,577.2**	**26,975.8**	**27,151.8**	**27,661.5**	**28,217.1**	**28,420.4**	**28,798.6**
Financial assets not included in liabilities (+)											
54 Gold and special drawing rights	40.0	40.3	41.3	41.6	41.3	40.7	40.7	41.1	41.6	41.3	42.0
55 Corporate equities	3,141.6	3,819.7	3,506.6	4,630.0	3,506.6	4,047.2	4,104.7	4,338.5	4,630.0	4,502.5	4,565.8
56 Household equity in noncorporate business	2,373.1	2,524.9	2,449.4	2,372.6	2,449.4	2,478.4	2,509.5	2,496.0	2,372.6	2,384.5	2,370.1
Floats not included in assets (−)											
57 U.S. government checking deposits	5.9	6.1	15.0	4.7	15.0	5.2	8.3	19.8	4.7	.3	−.2
58 Other checkable deposits	29.6	26.5	28.9	30.9	28.9	26.7	29.9	23.6	30.9	22.0	20.1
59 Trade credit	−164.3	−159.7	−148.0	−123.2	−148.0	−147.0	−146.7	−143.0	−123.2	−119.1	−131.1
Liabilities not identified as assets (−)											
60 Treasury currency	−4.1	−4.3	−4.1	−4.8	−4.1	−4.6	−4.7	−4.7	−4.8	−4.9	−4.9
61 Interbank claims	−28.5	−31.0	−32.0	−4.2	−32.0	−15.5	−9.9	−4.7	−4.2	−1.8	−3.6
62 Security repurchase agreements	−12.4	11.5	−23.3	−13.7	−23.3	−39.6	−25.8	−10.6	−13.7	−6.4	8.8
63 Taxes payable	21.4	20.6	21.8	18.8	21.8	21.4	11.7	17.5	18.8	17.0	9.6
64 Miscellaneous	−134.6	−253.3	−249.7	−307.2	−249.7	−260.9	−242.8	−301.8	−307.2	−304.4	−321.5
65 Totals identified to sectors as assets	28,841.1	31,956.8	32,966.0	35,659.8	32,966.0	33,956.5	34,186.7	34,941.0	35,659.8	35,746.0	36,199.2

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.6 through L.7. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

Monthly data seasonally adjusted, 1987=100, except as noted

Measure	1989	1990	1991	1991	1992							
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July[r]	Aug.
1 **Industrial production**[1]	**108.1**	**109.2**	**107.1**	**106.6**	**107.2**	**107.6**	**108.1**	**108.9**	**108.5**	**109.3**	**108.9**	**108.6**
Market groupings												
2 Products, total	108.6	110.1	108.1	107.5	108.1	108.5	109.0	109.7	109.0[r]	109.5	109.3	109.1
3 Final, total	109.1	110.9	109.6	108.7	109.4	109.8	110.6	111.4	110.5[r]	111.0	110.9	110.8
4 Consumer goods	106.7	107.3	107.5	108.1	108.8	109.3	110.1	110.8	109.6[r]	110.3	110.1	110.2
5 Equipment	112.3	115.5	112.2	109.4	110.2	110.4	111.3	112.3	111.6[r]	111.9	112.1	111.5
6 Intermediate	106.8	107.7	103.4	103.9	104.0	104.4	103.9	104.4	104.4[r]	104.8	104.4	104.0
7 Materials	107.4	107.8	105.5	105.2	105.8	106.1	106.8	107.7	107.6[r]	108.9	108.2	107.9
Industry groupings												
8 Manufacturing	108.9	109.9	107.4	107.4	108.1	108.5	109.0	109.9	109.6	110.1	109.8	109.4
9 Capacity utilization, manufacturing (percent)[2]	83.9	82.3	78.2	77.0	77.4	77.5	77.7	78.2	77.8	78.0	77.7	77.2
10 Construction contracts[3]	105.2	95.3	89.5	95.0	100.0	96.0	93.0	86.0	90.0	89.0	90.0	n.a.
11 Nonagricultural employment, total[4]	106.0	107.5[r]	106.0[r]	105.8	105.8	105.9	106.0	106.2	106.1	106.3	106.1	106.1
12 Goods-producing, total	102.5	101.0	96.4	95.2	95.2	95.2	95.2	95.3	95.0	94.9	94.6	94.4
13 Manufacturing, total	102.2	100.5	97.0[r]	96.1	96.1	96.1	96.1	96.1	95.9	95.9	95.4	95.3
14 Manufacturing, production worker	102.3	100.1[r]	96.1[r]	95.5	95.6	95.7	95.7	95.7	95.4	95.5	94.9	94.8
15 Service-producing	107.1	109.5[r]	1.1[r]	109.1	109.2	109.3	109.5	109.6	109.6	109.9	109.8	109.8
16 Personal income, total	115.2	122.7	127.0	130.0	131.2	131.8	131.9	132.4	132.5	132.8	132.2	n.a.
17 Wages and salary disbursements	114.4	121.3	124.4	126.2	127.6	128.0	127.8	128.6	128.5	128.7	129.6	n.a.
18 Manufacturing	110.6	113.5	113.6	113.7	114.5	114.6	115.0	115.5	115.1[r]	115.3	115.0	n.a.
19 Disposable personal income[5]	115.1	122.9	128.0	131.4	132.6	133.8	133.8	134.2	134.4	134.6	133.7	n.a.
20 Retail sales[6]	113.5	118.7	119.8	123.1	124.6	123.1	123.5	124.1	124.0	125.4	125.3	125.7
Prices[7]												
21 Consumer (1982–84=100)	124.0	130.7	136.2	138.1	138.6	139.3	139.5	139.7	140.2	140.5	140.9	141.3
22 Producer finished goods (1982=100)	113.6	119.2	121.7	121.8	122.1	122.2	122.4	123.2[r]	123.7	123.7	123.5	123.3

1. A major revision of the industrial production index and the capacity utilization rates was released in April 1990. See "Industrial Production: 1989 Developments and Historical Revision," *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 Co., 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 from U.S. Bureau of the Census, *Survey of Current Business*.
7. Based on data not seasonally adjusted. Seasonally adjusted data for changes in the price indexes can be obtained from the Bureau of Labor Statistics, U.S. Department of Labor, *Monthly Labor Review*.

NOTE. Basic data (not indexes) for series mentioned in notes 4, 5, and 6, and indexes for series mentioned in notes 3 and 7 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.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data seasonally adjusted except as noted

Category	1989	1990	1991	1992 Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.
HOUSEHOLD SURVEY DATA											
1 **Noninstitutional population**[1]	**188,601**	**190,216**	**191,883**	**192,906**	**193,036**	**193,168**	**193,295**	**193,431**	**193,588**	**193,749**	**193,893**
2 Labor force (including Armed Forces)[1]	126,077	126,954	127,421	128,309	128,604	128,830	129,148	129,525	129,498	129,396	129,219
3 Civilian labor force	123,869	124,787	125,303	126,287	126,590	126,830	127,160	127,549	127,532	127,437	127,273
Employment											
4 Nonagricultural industries[2]	114,142	114,728	114,644	113,811	114,155	114,465	114,478	114,322	114,568	114,519	114,459
5 Agriculture	3,199	3,186	3,233	3,232	3,194	3,209	3,178	3,252	3,204	3,218	3,242
Unemployment											
6 Number	6,528	6,874	8,426	9,244	9,242	9,155	9,504	9,975	9,760	9,700	9,572
7 Rate (percent of civilian labor force)	5.3	5.5	6.7	7.3	7.3	7.2	7.5	7.8	7.7	7.6	7.5
8 Not in labor force	62,524	63,262	64,462	64,597	64,432	64,338	64,147	63,906	64,090	64,353	64,674
ESTABLISHMENT SURVEY DATA											
9 **Nonagricultural payroll employment**[3]	**108,329**	**109,872**	**108,310**	**108,142**	**108,200**	**108,377**	**108,496**	**108,423**	**108,594r**	**108,466r**	**108,409**
10 Manufacturing	19,442	19,117	18,455	18,290	18,278	18,279	18,275	18,236	18,242r	18,150	18,124
11 Mining	693	710	691	653	651	646	641	634	633	628r	629
12 Contract construction	5,187	5,133	4,685	4,582	4,603	4,605	4,632	4,600	4,584	4,586r	4,565
13 Transportation and public utilities	5,644	5,808	5,772	5,753	5,754	5,746	5,745	5,745	5,742	5,728r	5,737
14 Trade	25,770	25,877	25,328	25,146	25,089	25,170	25,143	25,144	25,156r	25,066r	25,057
15 Finance	6,695	6,729	6,678	6,673	6,675	6,682	6,681	6,672	6,660r	6,663r	6,668
16 Service	27,120	28,130	28,323	28,584	28,643	28,707	28,833	28,854	28,971r	28,964r	29,036
17 Government	17,779	18,304	18,380	18,461	18,507	18,542	18,546	18,538	18,606r	18,681r	18,593

1. Persons sixteen years of age and older. 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.
2. Includes self-employed, unpaid family, and domestic service workers.
3. 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 1984 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	1991	1992			1991	1992			1991	1992		
	Q4	Q1	Q2r	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2r	Q3
	Output (1987=100)				Capacity (percent of 1987 output)				Capacity utilization rate (percent)			
1 **Total industry**	**107.9**	**107.1**	**108.5**	**108.9**	**136.2**	**137.0**	**137.7**	**138.4**	**79.3**	**78.2**	**78.8**	**78.7**
2 Manufacturing	108.6	108.0	109.5	109.8	138.9	139.7	140.6	141.4	78.2	77.3	77.9	77.7
3 Primary processing	104.1	104.0	105.4	106.1	128.8	129.3	129.6	129.9	80.8	80.5	81.3	81.7
4 Advanced processing	110.7	109.9	111.4	111.5	143.5	144.6	145.6	146.7	77.1	76.0	76.5	76.0
5 Durable goods	107.7	106.6	108.4	108.7	142.8	143.7	144.4	145.2	75.4	74.2	75.0	74.9
6 Lumber and products	95.1	98.5	96.7	98.0	125.7	125.9	126.1	126.3	75.7	78.2	76.7	77.6
7 Primary metals	102.5	102.2	101.7	104.5	129.3	129.1	128.3	127.5	79.2	79.2	79.2	81.9
8 Iron and steel	103.2	103.8	101.6	105.1	134.5	134.1	132.7	131.2	76.7	77.4	76.6	80.1
9 Nonferrous	101.4	100.0	101.7	103.7	121.9	122.1	122.2	122.3	83.2	81.9	83.3	84.8
10 Nonelectrical machinery	122.7	122.1	125.7	128.5	162.8	164.3	165.9	167.4	75.4	74.3	75.8	76.7
11 Electrical machinery	110.4	110.5	111.8	112.8	146.6	147.9	149.1	150.4	75.3	74.7	75.0	75.0
12 Motor vehicles and parts	97.0	91.7	100.5	98.4	135.6	136.2	136.7	137.2	71.5	67.3	73.5	71.7
13 Aerospace and miscellaneous transportation equipment	102.8	99.3	96.8	94.1	139.6	140.4	140.9	141.5	73.7	70.8	68.7	66.5
14 Nondurable goods	109.7	109.8	110.9	111.1	133.8	134.8	135.6	136.5	82.0	81.5	81.7	81.4
15 Textile mill products	104.1	104.3	106.2	106.8	118.3	118.8	119.2	119.7	88.0	87.9	89.0	89.2
16 Paper and products	107.4	105.8	106.7	107.4	118.7	119.3	119.9	120.5	90.5	88.7	89.0	89.1
17 Chemicals and products	113.0	113.6	116.8	117.1	142.3	143.4	144.3	145.1	79.4	79.2	81.0	80.7
18 Plastics materials	126.2	124.4	129.7	......	146.1	148.7	150.5	......	86.4	83.7	86.2	......
19 Petroleum products	107.1	107.7	109.2	107.1	121.4	121.4	121.5	121.6	88.2	88.7	89.9	88.1
20 Mining	99.7	97.9	98.9	99.3	114.7	114.7	114.7	114.8	87.0	85.3	86.2	86.6
21 Utilities	109.4	107.0	107.4	109.5	129.2	129.5	129.8	130.1	84.7	82.6	82.7	84.2
22 Electric	111.6	109.7	110.3	113.3	125.2	125.6	126.0	126.4	89.1	87.3	87.6	89.6

Series	Previous cycle[2]		Latest cycle[3]		1991	1992							
	High	Low	High	Low	Sept.	Feb.	Mar.	Apr.	May	June r	July r	Aug. r	Sept. p
	Capacity utilization rate (percent)												
1 **Total industry**	**89.2**	**72.6**	**87.3**	**71.8**	**79.9**	**78.3**	**78.4**	**78.7**	**79.1**	**78.6**	**79.1**	**78.7**	**78.4**
2 Manufacturing	88.9	70.8	87.3	70.0	78.8	77.4	77.5	77.7	78.2	77.8	78.0	77.7	77.2
3 Primary processing	92.2	68.9	89.7	66.8	81.3	80.4	80.8	81.1	81.5	81.4	82.5	81.5	81.0
4 Advanced processing	87.5	72.0	86.3	71.4	77.7	76.1	76.1	76.3	76.8	76.3	76.2	76.1	75.7
5 Durable goods	88.8	68.5	86.9	65.0	76.2	74.5	74.3	74.6	75.5	75.0	75.2	75.1	74.4
6 Lumber and products	90.1	62.2	87.6	60.9	75.8	78.5	78.8	77.1	77.2	75.6	78.7	77.7	76.5
7 Primary metals	100.6	66.2	102.4	46.8	79.3	79.5	78.7	78.5	79.5	79.7	82.7	82.2	81.0
8 Iron and steel	105.8	66.6	110.4	38.3	75.1	77.4	76.7	75.8	77.0	77.0	80.8	80.4	79.0
9 Nonferrous	92.9	61.3	90.5	62.2	85.7	82.9	81.8	82.6	83.3	83.9	85.5	84.8	84.0
10 Nonelectrical machinery	96.4	74.5	92.1	64.9	76.1	74.2	74.5	75.1	76.4	76.0	76.6	76.8	76.8
11 Electrical machinery	87.8	63.8	89.4	71.1	76.2	74.8	74.8	74.7	75.3	75.0	75.1	75.2	74.7
12 Motor vehicles and parts	93.4	51.1	93.0	44.5	73.6	68.9	69.1	72.2	75.1	73.3	71.3	72.3	71.5
13 Aerospace and miscellaneous transportation equipment	77.0	66.6	81.1	66.9	75.3	70.9	70.2	69.2	68.7	68.2	67.7	66.5	65.3
14 Nondurable goods	87.9	71.8	87.0	76.9	82.3	81.3	81.7	81.8	81.8	81.6	81.9	81.2	81.0
15 Textile mill products	92.0	60.4	91.7	73.8	87.4	88.2	88.5	89.3	89.6	88.2	89.6	88.8	89.2
16 Paper and products	96.9	69.0	94.2	82.0	91.4	87.6	88.5	89.3	88.3	89.3	91.1	88.1	88.2
17 Chemicals and products	87.9	69.9	85.1	70.1	79.6	79.1	79.9	80.4	81.1	81.3	81.1	80.8	80.2
18 Plastics materials	102.0	50.6	90.9	63.4	87.0	83.0	85.0	85.4	87.3	85.9	89.8	......	......
19 Petroleum products	96.7	81.1	89.5	68.2	89.4	88.1	90.3	90.8	89.3	89.6	89.8	86.6	88.0
20 Mining	94.4	88.4	96.6	80.6	88.5	85.7	84.9	86.3	86.9	85.4	87.6	86.5	85.5
21 Utilities	95.6	82.5	88.3	76.2	85.1	82.2	83.1	83.4	82.7	82.1	84.1	83.2	85.3
22 Electric	99.0	82.7	88.3	78.7	90.8	86.8	88.1	88.2	87.5	87.0	89.5	88.4	91.1

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For ordering address, see inside front cover. For a detailed description of the series, see "Recent Developments in Industrial Capacity and Utilization," *Federal Reserve Bulletin*, vol. 76 (June 1990), pp. 411–35.

2. Monthly high, 1973; monthly low, 1975.

3. Monthly highs, 1978 through 1980; monthly lows, 1982.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]

Monthly data seasonally adjusted

Group	1987 proportion	1991 avg.	1991 Sept.	1991 Oct.	1991 Nov.	1991 Dec.	1992 Jan.	1992 Feb.	1992 Mar.	1992 Apr.	1992 May	1992 June[r]	1992 July[r]	1992 Aug.[r]	1992 Sept.[p]
			Index (1987 = 100)												
MAJOR MARKETS															
1 **Total index**	**100.0**	**107.1**	**108.4**	**108.4**	**108.1**	**107.4**	**106.6**	**107.2**	**107.6**	**108.1**	**108.9**	**108.5**	**109.3**	**108.9**	**108.6**
2 Products	60.8	108.1	108.9	109.0	109.0	108.4	107.5	108.1	108.5	109.0	109.7	109.0	109.5	109.3	109.1
3 Final products	46.0	109.6	110.4	110.6	110.6	109.9	108.7	109.4	109.8	110.6	111.4	110.5	111.0	110.9	110.8
4 Consumer goods, total	26.0	107.5	109.4	109.7	110.0	109.1	108.1	108.8	109.3	110.1	110.8	109.6	110.3	110.1	110.2
5 Durable consumer goods	5.6	102.3	107.7	107.5	106.0	104.6	101.3	105.3	106.2	107.9	111.1	109.2	108.5	108.8	108.1
6 Automotive products	2.5	97.8	106.5	106.7	103.6	101.3	94.2	101.6	103.6	106.5	110.6	108.0	106.4	106.0	106.2
7 Autos and trucks	1.5	90.2	103.0	105.1	99.0	96.7	84.3	94.3	95.7	102.5	107.8	104.0	100.5	100.0	100.4
8 Autos, consumer	.9	84.6	94.6	92.6	89.8	88.2	79.1	84.8	81.9	93.1	98.6	97.6	92.3	86.2	90.2
9 Trucks, consumer	.6	99.6	117.1	126.1	114.5	111.0	93.0	110.2	118.8	118.3	123.3	114.8	114.3	123.1	117.6
10 Auto parts and allied goods	1.0	109.3	111.8	109.1	110.5	108.2	109.1	112.6	115.5	112.5	114.8	114.0	115.3	115.2	114.8
11 Other	3.1	105.8	108.7	108.1	108.0	107.2	106.9	108.3	108.3	109.1	111.5	110.2	110.1	111.0	109.6
12 Appliances, A/C, and TV	.8	99.5	104.1	102.1	102.3	98.9	99.6	102.9	103.5	103.4	107.4	106.2	102.3	110.6	108.8
13 Carpeting and furniture	.9	99.4	101.8	101.8	101.6	101.5	101.1	102.4	102.5	104.4	105.9	103.2	103.4	104.0	103.4
14 Miscellaneous home goods	1.4	113.4	115.6	115.6	115.2	115.5	114.7	115.0	114.7	115.2	117.3	116.9	118.8	115.8	114.1
15 Nondurable consumer goods	20.4	109.0	109.8	110.3	111.1	110.3	110.0	109.8	110.2	110.7	110.7	109.7	110.8	110.4	110.8
16 Foods and tobacco	9.1	106.7	107.8	107.8	108.1	107.0	107.3	107.4	107.8	107.6	107.7	107.2	108.5	108.4	108.6
17 Clothing	2.6	93.5	95.2	96.3	96.5	96.2	95.0	95.2	95.1	95.3	96.4	95.5	96.7	95.5	95.0
18 Chemical products	3.5	115.8	117.3	117.0	117.9	118.0	118.1	118.3	119.4	120.8	121.4	121.6	121.5	121.9	121.3
19 Paper products	2.5	123.6	124.8	125.6	126.4	126.8	126.8	124.7	124.6	125.1	124.3	121.7	121.9	121.8	122.3
20 Energy	2.7	108.5	106.7	108.5	112.0	109.3	106.8	106.4	107.0	108.9	107.2	104.8	107.4	105.6	108.4
21 Fuels	.7	103.5	104.4	103.5	103.6	104.3	103.8	103.5	103.7	105.1	104.0	104.4	105.3	100.2	103.1
22 Residential utilities	2.0	110.4	107.6	110.3	115.1	111.2	108.0	107.5	108.2	110.3	108.4	105.0	108.2	107.6	110.4
23 Equipment	20.0	112.2	111.8	111.9	111.4	110.9	109.4	110.2	110.4	111.3	112.3	111.6	111.9	112.1	111.5
24 Business equipment	13.9	121.5	122.2	122.3	121.8	121.4	119.9	121.0	121.5	123.0	124.5	124.1	124.5	125.1	124.7
25 Information processing and related	5.6	131.5	130.3	131.7	133.4	134.0	134.1	134.6	136.0	137.9	139.2	140.4	141.9	142.9	143.4
26 Office and computing	1.9	155.5	152.2	156.0	157.8	159.1	160.6	162.4	164.9	168.2	170.5	174.0	178.0	180.5	184.0
27 Industrial	4.0	108.0	108.2	106.8	104.2	102.3	100.7	101.3	101.3	101.7	103.4	102.9	103.6	102.7	102.5
28 Transit	2.5	126.8	132.7	133.1	130.5	129.5	124.2	129.2	128.9	131.7	133.3	131.8	128.7	131.0	128.7
29 Autos and trucks	1.2	88.6	99.3	101.1	96.5	96.1	84.9	94.7	95.0	101.3	105.6	101.7	98.1	100.7	101.2
30 Other	1.9	113.6	114.2	113.6	113.8	114.1	113.1	112.2	112.2	113.2	115.0	111.5	111.9	112.9	111.9
31 Defense and space equipment	5.4	91.1	89.1	89.1	88.8	88.1	86.7	86.2	85.6	84.7	84.2	83.6	82.9	82.2	81.2
32 Oil and gas well drilling	.6	93.3	80.1	79.0	78.1	75.8	71.8	73.9	76.2	79.2	79.2	74.6	78.6	75.0	74.3
33 Manufactured homes	.2	85.5	86.2	86.3	87.0	87.9	98.4	99.7	98.7	100.7	100.3	97.1	112.0	106.1	106.3
34 Intermediate products, total	14.7	103.4	104.3	104.1	103.9	103.8	103.9	104.0	104.4	103.9	104.4	104.4	104.8	104.4	104.0
35 Construction supplies	6.0	96.0	96.5	95.4	95.9	95.0	95.5	96.0	96.7	96.5	97.8	97.2	98.0	97.9	96.8
36 Business supplies	8.7	108.4	109.7	110.1	109.4	110.0	109.9	109.6	109.7	109.0	109.0	109.4	109.6	108.8	109.0
37 Materials	39.2	105.5	107.5	107.4	106.6	105.8	105.2	105.8	106.1	106.8	107.7	107.6	108.9	108.2	107.9
38 Durable goods materials	19.4	107.1	109.3	108.8	108.6	108.1	107.0	108.1	108.3	108.7	110.4	110.2	111.1	111.1	110.4
39 Durable consumer parts	4.2	96.4	101.3	101.6	100.5	97.0	95.3	97.1	97.9	99.3	102.5	102.9	101.8	103.1	100.8
40 Equipment parts	7.3	114.4	113.9	113.6	113.7	114.2	114.1	115.2	115.1	114.7	116.2	116.2	117.5	117.2	117.0
41 Other	7.9	106.0	109.3	108.2	108.3	108.4	106.7	107.5	107.5	108.1	109.2	108.7	110.1	109.7	109.3
42 Basic metal materials	2.8	106.0	109.5	107.7	108.1	108.1	105.1	107.3	106.3	106.3	108.3	107.7	111.5	111.0	109.7
43 Nondurable goods materials	9.0	105.9	108.3	109.6	107.7	107.1	107.3	107.1	108.9	109.4	109.7	110.4	111.5	109.8	109.8
44 Textile materials	1.2	97.0	99.5	101.8	99.9	98.5	98.9	101.5	102.0	103.2	102.9	102.3	103.9	102.0	102.6
45 Pulp and paper materials	1.9	106.9	110.4	112.0	108.6	109.6	107.4	106.8	107.8	109.2	107.8	110.8	111.7	108.2	109.2
46 Chemical materials	3.8	106.1	108.2	109.9	108.3	107.0	107.6	106.6	109.3	109.9	111.2	110.9	112.7	111.3	110.7
47 Other	2.1	109.7	111.3	111.2	110.1	109.7	111.2	111.2	112.7	112.2	112.4	113.4	113.2	113.1	112.8
48 Energy materials	10.9	102.3	103.6	103.1	102.2	100.4	100.4	100.5	100.1	101.3	101.3	100.6	102.9	101.5	102.0
49 Primary energy	7.2	102.4	103.8	102.8	100.9	100.4	100.5	100.6	98.2	99.8	99.7	99.6	102.3	100.8	100.7
50 Converted fuel materials	3.7	102.0	103.4	103.8	104.5	100.5	100.2	100.4	103.8	104.1	104.3	102.6	104.1	103.0	104.4
SPECIAL AGGREGATES															
51 Total excluding autos and trucks	97.3	107.6	108.6	108.5	108.3	107.7	107.3	107.6	107.9	108.3	109.0	108.6	109.6	109.1	108.9
52 Total excluding motor vehicles and parts	95.3	107.9	108.8	108.8	108.7	108.0	107.6	107.8	108.2	108.6	109.2	108.8	109.9	109.3	109.2
53 Total excluding office and computing machines	97.5	105.8	107.3	107.2	106.8	106.1	105.3	105.8	106.1	106.6	107.4	106.8	107.6	107.1	106.7
54 Consumer goods excluding autos and trucks	24.5	108.6	109.8	109.9	110.7	109.8	109.6	109.7	110.2	110.6	110.9	109.9	110.9	110.7	110.8
55 Consumer goods excluding energy	23.3	107.4	109.7	109.8	109.8	109.1	108.3	109.1	109.6	110.3	111.2	110.1	110.6	110.6	110.4
56 Business equipment excluding autos and trucks	12.7	124.8	124.4	124.4	124.3	123.8	123.3	123.6	124.1	125.2	126.4	126.3	127.0	127.5	127.0
57 Business equipment excluding office and computing equipment	12.0	116.0	117.3	116.9	116.0	115.3	113.3	114.3	114.5	115.7	117.1	116.1	115.8	116.2	115.2
58 Materials excluding energy	28.4	106.7	109.0	109.1	108.3	107.8	107.1	107.8	108.5	108.9	110.2	110.3	111.3	110.7	110.2

2.13—Continued

Group	SIC code[2]	1987 proportion	1991 avg.	1991 Sept.	1991 Oct.	1991 Nov.	1991 Dec.	1992 Jan.	1992 Feb.	1992 Mar.	1992 Apr.	1992 May	1992 June[r]	1992 July[r]	1992 Aug.[r]	1992 Sept.[p]
				Index (1987 = 100)												
MAJOR INDUSTRIES																
1 **Total index**	...	**100.0**	**107.1**	**108.4**	**108.4**	**108.1**	**107.4**	**106.6**	**107.2**	**107.6**	**108.1**	**108.9**	**108.5**	**109.3**	**108.9**	**108.6**
2 Manufacturing	...	84.4	107.4	108.9	109.0	108.6	108.1	107.4	108.1	108.5	109.0	109.9	109.6	110.1	109.8	109.4
3 Primary processing	...	26.7	102.4	104.4	104.7	104.1	103.5	103.6	103.9	104.5	105.0	105.6	105.6	107.1	105.9	105.4
4 Advanced processing	...	57.7	109.8	111.0	111.0	110.7	110.3	109.2	110.0	110.3	110.8	111.9	111.4	111.5	111.7	111.2
5 Durable goods	...	47.3	107.1	108.4	108.2	107.8	107.1	105.8	107.0	107.0	107.6	109.1	108.5	109.0	109.0	108.2
6 Lumber and products	24	2.0	94.2	95.2	93.8	96.4	95.2	97.4	98.8	99.2	97.2	97.4	95.4	99.3	98.1	96.6
7 Furniture and fixtures	25	1.4	99.1	101.2	100.5	99.9	100.6	98.7	98.1	98.6	101.1	103.3	100.3	100.8	102.0	100.4
8 Clay, glass, and stone products	32	2.5	94.9	94.4	94.4	92.8	93.0	92.8	94.6	95.0	95.6	96.7	96.6	96.5	97.2	97.0
9 Primary metals	33	3.3	99.5	102.3	102.6	103.5	101.3	102.5	102.7	101.4	100.9	102.0	102.1	105.6	104.8	103.1
10 Iron and steel	331,2	1.9	98.0	100.8	102.4	105.6	101.7	105.0	103.7	102.5	100.9	102.2	101.8	106.4	105.5	103.3
11 Raw steel	...	.1	97.3	100.9	101.3	99.1	97.6	103.3	102.7	98.8	99.9	98.5	101.5	105.3	101.9	98.6
12 Nonferrous	333–6,9	1.4	101.5	104.4	102.9	100.5	100.8	98.9	101.2	99.9	100.9	101.8	102.5	104.5	103.7	102.8
13 Fabricated metal products	34	5.4	100.4	101.9	101.9	101.8	101.2	99.7	100.5	100.0	100.6	102.2	102.2	102.4	101.7	100.3
14 Nonelectrical machinery	35	8.6	123.5	123.1	123.5	122.8	121.9	121.4	121.9	122.9	124.1	126.7	126.4	127.9	128.6	128.9
15 Office and computing machines	357	2.5	155.5	152.2	155.9	157.8	159.1	160.5	162.4	164.9	168.2	170.5	174.0	178.0	180.5	184.0
16 Electrical machinery	36	8.6	110.1	111.0	109.8	110.7	110.6	110.0	110.7	110.9	111.0	112.3	112.2	112.6	113.1	112.7
17 Transportation equipment	37	9.8	98.6	102.2	102.4	99.7	98.0	93.8	96.8	96.5	98.0	99.6	98.2	96.6	96.5	95.3
18 Motor vehicles and parts	371	4.7	90.4	99.5	100.4	95.9	94.6	87.1	93.8	94.2	98.5	102.7	100.4	97.7	99.2	98.3
19 Autos and light trucks	...	2.3	89.4	101.8	103.2	97.6	95.5	83.5	92.9	93.7	101.1	106.5	103.0	99.3	97.9	98.9
20 Aerospace and miscellaneous transportation equipment	372–6,9	5.1	106.0	104.6	104.3	103.1	101.2	99.8	99.6	98.6	97.4	96.8	96.3	95.6	94.1	92.6
21 Instruments	38	3.3	118.2	118.1	118.2	118.7	119.0	118.3	118.6	118.6	119.0	119.8	118.5	118.6	118.5	117.7
22 Miscellaneous	39	1.2	119.3	121.5	120.6	120.7	121.0	121.2	120.0	120.0	118.9	118.4	117.8	120.1	118.3	117.9
23 Nondurable goods	...	37.2	107.9	109.6	110.1	109.6	109.5	109.5	109.6	110.4	110.7	110.9	111.0	111.6	110.9	110.8
24 Foods	20	8.8	108.6	109.5	109.4	110.1	109.6	109.2	109.6	110.2	109.6	109.3	109.0	110.2	110.4	110.5
25 Tobacco products	21	1.0	99.7	102.7	102.2	97.7	94.7	98.8	99.4	101.3	101.0	102.5	103.6	102.7	103.8	103.4
26 Textile mill products	22	1.8	100.5	103.2	105.5	104.4	102.5	103.1	104.7	105.3	106.3	106.8	105.3	107.1	106.3	106.9
27 Apparel products	23	2.4	96.2	98.1	98.7	98.8	99.0	97.5	97.7	97.8	98.0	99.0	98.1	99.3	97.7	96.5
28 Paper and products	26	3.6	105.1	108.0	109.0	106.1	107.0	107.1	104.6	105.8	107.0	105.8	107.3	109.6	106.1	106.5
29 Printing and publishing	27	6.4	112.3	113.3	114.4	114.2	114.5	114.8	114.4	113.8	113.7	113.4	113.0	112.3	112.3	112.2
30 Chemicals and products	28	8.6	110.9	112.6	113.5	113.0	112.6	112.7	113.4	114.8	115.8	117.0	117.5	117.4	117.2	116.7
31 Petroleum products	29	1.3	107.5	108.6	106.0	106.7	108.6	106.6	106.9	109.7	110.3	108.5	108.9	109.1	105.3	107.0
32 Rubber and plastic products	30	3.0	110.0	113.8	113.2	112.6	113.0	113.2	114.0	115.4	116.5	117.1	117.3	118.4	117.7	117.9
33 Leather and products	31	.3	88.1	85.8	83.9	84.3	83.2	83.0	81.4	82.9	84.1	86.2	86.2	87.6	83.3	83.4
34 Mining	...	7.9	101.1	101.4	100.7	99.6	98.8	97.8	98.4	97.5	99.1	99.7	98.0	100.6	99.3	98.1
35 Metal	10	.3	150.2	153.1	146.5	151.5	154.0	144.2	152.9	155.8	154.2	166.4	154.0	164.1	165.7	165.8
36 Coal	11,12	1.2	109.2	110.1	107.9	108.4	107.6	107.3	107.9	103.0	104.0	107.6	98.6	112.0	107.5	104.3
37 Oil and gas extraction	13	5.7	95.8	96.0	96.0	94.1	93.0	92.4	92.7	91.9	94.2	93.4	93.9	94.0	93.0	92.0
38 Stone and earth minerals	14	.7	108.1	107.3	105.9	105.8	106.4	104.8	103.5	107.4	105.9	108.0	105.6	106.2	107.4	107.8
39 Utilities	...	7.6	109.2	109.7	109.4	111.0	107.9	106.8	106.4	107.7	108.2	107.3	106.7	109.3	108.2	111.0
40 Electric	491,3PT	6.0	112.8	113.4	112.2	112.7	109.9	109.3	109.0	110.7	111.0	110.2	109.7	113.0	111.7	115.2
41 Gas	492,3PT	1.6	96.0	95.8	98.9	104.7	100.5	97.5	96.9	96.7	97.7	96.6	95.3	95.4	95.5	95.6
SPECIAL AGGREGATES																
42 Manufacturing excluding motor vehicles and parts	...	79.8	108.4	109.5	109.5	109.3	108.9	108.6	108.9	109.3	109.6	110.3	110.1	110.8	110.4	110.0
43 Manufacturing excluding office and computing machines	...	82.0	106.0	107.6	107.6	107.1	106.6	105.8	106.5	106.8	107.2	108.1	107.6	108.1	107.7	107.2
				Gross value (billions of 1982 dollars, annual rates)												
MAJOR MARKETS																
44 **Products, total**	...	**1,734.8**	**1,880.0**	**1,901.8**	**1,911.4**	**1,904.9**	**1,888.9**	**1,869.5**	**1,889.7**	**1,902.8**	**1,918.7**	**1,935.5**	**1,920.1**	**1,934.8**	**1,930.8**	**1,934.2**
45 Final	...	1,350.9	1,481.8	1,501.5	1,510.0	1,504.1	1,488.0	1,468.7	1,490.8	1,501.5	1,518.2	1,532.1	1,519.1	1,530.1	1,528.1	1,533.5
46 Consumer goods	...	833.4	879.8	898.3	902.4	902.2	894.5	877.6	890.2	896.2	905.6	912.4	901.3	908.9	903.9	907.8
47 Equipment	...	517.5	602.0	603.3	607.6	601.8	593.5	591.1	600.6	605.3	612.7	619.7	617.8	621.2	624.2	625.7
48 Intermediate	...	384.0	398.2	400.3	401.4	400.8	401.0	400.7	398.9	401.2	400.5	403.4	401.1	404.7	402.7	400.7

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For ordering address, see inside front cover.
A major revision of the industrial production index and the capacity utilization rates was released in April 1990. See "Industrial Production: 1989 Developments and Historical Revision," *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	1989	1990	1991	1991 Nov.	1991 Dec.	1992 Jan.	1992 Feb.	1992 Mar.	1992 Apr.	1992 May	1992 June	1992 July[r]	1992 Aug.
	Private residential real estate activity (thousands of units, except as noted)												
NEW UNITS													
1 Permits authorized	1,339	1,111	949	979	1,073	1,106	1,146	1,094	1,058	1,054	1,032	1,080	1,076
2 One-family	932	794	754	792	873	913	946	907	873	879	872	879	877
3 Two-or-more-family	407	317	195	187	200	193	200	187	185	175	160	201	199
4 Started	1,376	1,193	1,014	1,085	1,118	1,180	1,257	1,340	1,086	1,196	1,147	1,100	1,239
5 One-family	1,003	895	840	907	972	989	1,109	1,068	933	1,019	999	956	1,058
6 Two-or-more-family	373	298	174	178	146	191	148	272	153	177	148	144	181
7 Under construction at end of period[1]	850	711	606	633	633	640	629	657	655	653	643	634	641
8 One-family	535	449	434	454	458	466	464	482	484	484	483	479	485
9 Two-or-more-family	315	262	173	179	175	174	165	175	171	169	160	155	156
10 Completed	1,423	1,308	1,091	1,021	1,021	1,043	1,097	1,127	1,067	1,204	1,184	1,221	1,132
11 One-family	1,026	966	838	824	851	838	908	975	889	1,011	982	1,013	956
12 Two-or-more-family	396	342	253	197	170	205	189	152	178	193	202	208	176
13 Mobile homes shipped	198	188	171	171	176	192	197	197	199	189	194	211	198
Merchant builder activity in one-family units													
14 Number sold	650	535	507	578	578	667	627	555	546	554[r]	581	607	570
15 Number for sale at end of period[1]	365	321	283	286	283	281	269	277	274	272	274	273	272
Price of units sold (thousands of dollars)[2]													
16 Median	120.4	122.3	120.0	118.5	122.0	120.0	117.2	120.0	120.0	113.0[r]	122.9	118.0	121.0
17 Average	148.3	149.0	147.0	141.7	143.0	144.2	144.8	144.8	145.0	146.0[r]	146.0	137.2	140.2
EXISTING UNITS (one-family)													
18 Number sold	3,346	3,211	3,219	3,230	3,310	3,220	3,490	3,510	3,490	3,460	3,350	3,450	3,310
Price of units sold (thousands of dollars)[2]													
19 Median	92.9	95.2	99.7	97.9	100.3	102.4	102.8	104.0	103.3	102.5	105.1	102.7	104.6
20 Average	118.0	118.3	127.4	124.9	127.3	130.5	128.8	130.2	130.6	130.6	133.7	132.2	132.2
	Value of new construction (millions of dollars)[3]												
CONSTRUCTION													
21 **Total put in place**	**443,401**	**442,066**	**400,955**	**401,247**	**398,736**	**407,121**	**411,767**	**421,512**	**427,585[r]**	**427,980[r]**	**426,730**	**427,478**	**424,032**
22 Private	345,327	334,153	290,707	288,345	287,383	292,540	294,758	301,142	309,832[r]	306,999[r]	312,182	308,119	304,448
23 Residential	196,551	182,856	157,837	164,491	164,133	169,548	169,772	172,660	182,644[r]	182,892[r]	184,630	183,217	186,764
24 Nonresidential, total	148,776	151,297	132,870	123,854	123,250	122,992	124,986	128,482	127,188[r]	124,107[r]	127,552	124,902	117,684
25 Industrial buildings	20,412	23,849	22,281	21,566	22,411	21,258	21,651	23,721	21,335[r]	21,008[r]	20,285	20,472	17,671
26 Commercial buildings	65,496	62,866	48,482	41,612	40,898	41,196	41,591	42,108	40,712[r]	39,643[r]	43,310	39,788	35,278
27 Other buildings	19,683	21,591	20,797	20,114	20,480	19,751	20,630	21,479	21,409[r]	21,993	21,991	22,211	21,543
28 Public utilities and other	43,185	42,991	41,310	40,562	39,461	40,787	41,114	41,174	43,732[r]	41,463[r]	41,966	42,431	43,192
29 Public	98,071	107,909	110,247	112,901	111,353	114,581	117,009	120,370	117,753[r]	120,981[r]	114,548	119,359	119,584
30 Military	3,520	2,664	1,837	1,790	2,633	2,039	2,206	2,548	2,329	2,668	2,503	2,258	2,152
31 Highway	28,837	31,154	29,918	29,594	29,562	30,221	32,744	30,895	31,447[r]	32,633[r]	31,496	32,605	33,444
32 Conservation and development	5,009	4,607	4,958	6,611	5,363	5,480	5,283	6,197	5,818[r]	5,767[r]	5,889	5,665	5,382
33 Other	60,705	69,484	73,534	74,906	73,795	76,841	76,776	80,730	78,159[r]	79,913[r]	74,660	78,831	78,606

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 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 17,000 jurisdictions beginning in 1984.

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, Aug. 1992[1]
	1991 Aug.	1992 Aug.	1991		1992		1992					
			Sept.	Dec.	Mar.	June	Apr.	May	June	July	Aug.	
CONSUMER PRICES[2] (1982–84=100)												
1 **All items**	**3.4**	**3.0**	**3.2**	**3.5**	**2.6**	**2.6**	**.1**	**.3**	**.1**	**.3**	**.2**	**141.3**
2 Food	2.1	1.8	2.7	1.5	-1.2	4.7	-.4	.1	-.1	.9	.4	138.5
3 Energy items	-4.8	2.2	3.6	-6.9	12.5	.4	.6	2.0	.3	-.2	.0	105.9
4 All items less food and energy	4.5	3.3	3.1	4.8	2.8	2.5	.2	.2	.2	.2	.2	148.1
5 Commodities	4.3	2.5	.6	5.3	2.1	2.1	.4	.0	.2	.2	.2	133.1
6 Services	4.7	3.6	4.3	4.8	2.9	2.6	.1	.3	.3	.3	.1	156.8
PRODUCER PRICES (1982=100)												
7 Finished goods	.8	1.6	1.0	1.0	3.0	2.0	.2	.2	.1	.1	.3	123.3
8 Consumer foods	-1.2	.4	-1.0	.3	-1.6	4.3	-.2[r]	.1[r]	.0	.7	.4	123.2
9 Consumer energy	-3.5	2.3	-.5	-7.0	16.1	1.0	1.0[r]	2.1[r]	-.4	-.1	.8	80.9
10 Other consumer goods	3.4	2.2	2.4	3.6	2.4	1.2	.5[r]	-.4[r]	.2	-.1	.2	136.3
11 Capital equipment	2.7	1.4	1.9	3.5	.9	.9	.1	-.1	.2	.1	.0	128.0
Intermediate materials												
12 Excluding foods and feeds	-1.4	1.0	-1.7	.0	5.0	.7	.4	.7	.1	.0	.1	115.9
13 Excluding energy	-.3	1.1	.0	1.7	1.3	1.3	.2[r]	.2	.2	.2	.0	122.3
Crude materials												
14 Foods	-7.0	.0	-4.9	11.8	1.5	-5.9	1.1[r]	.6[r]	-1.7	-.4	.6	103.0
15 Energy	-21.8	8.1	5.3	-26.6	44.8	21.8	3.2	2.3	1.1	.2	3.6	83.2
16 Other	-10.3	3.9	-5.9	15.0	3.5	3.8	.8[r]	-.2[r]	1.3	.1	-.5	130.5

1. Not seasonally adjusted.
2. Figures for consumer prices are for all urban consumers and reflect a rental-equivalence measure of homeownership.

SOURCE. 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	1989	1990	1991	1991			1992	
				Q2	Q3	Q4	Q1	Q2
GROSS DOMESTIC PRODUCT								
1 **Total**	**5,250.8**	**5.522.2**	**5,677.5**	**5,657.6**	**5,713.1**	**5,753.3**	**5,840.2**	**5,902.2**
By source								
2 Personal consumption expenditures	3.523.1	3.748.4	3,887.7	3,871.9	3,914.2	3,942.9	4,022.8	4,057.1
3 Durable goods	459.4	464.3	446.1	441.4	453.0	450.4	469.4	470.6
4 Nondurable goods	1.149.5	1.224.5	1,251.5	1,254.2	1,255.3	1,251.4	1,274.1	1,277.5
5 Services	1.914.2	2.059.7	2,190.1	2.176.3	2,205.9	2,241.1	2,279.3	2,309.0
6 Gross private domestic investment	832.3	799.5	721.1	710.2	732.8	736.1	722.4	773.2
7 Fixed investment	798.9	793.2	731.3	732.0	732.6	726.9	738.2	765.1
8 Nonresidential	568.1	577.6	541.1	545.8	538.4	528.7	531.0	550.3
9 Structures	193.3	201.1	180.1	185.2	175.6	169.7	170.1	170.3
10 Producers' durable equipment	374.8	376.5	360.9	360.6	362.8	358.9	360.8	380.0
11 Residential structures	230.9	215.6	190.3	186.2	194.2	198.2	207.2	214.8
12 Change in business inventories	33.3	6.3	−10.2	−21.8	.2	9.2	−15.8	8.1
13 Nonfarm	31.8	3.3	−10.3	−27.0	−1.2	14.5	−13.3	6.4
14 Net exports of goods and services	−79.7	−68.9	−21.8	−15.3	−27.1	−16.0	−8.1	−37.1
15 Exports	508.0	557.0	598.2	594.3	602.3	622.9	628.1	625.4
16 Imports	587.7	625.9	620.0	609.6	629.5	638.9	636.2	662.5
17 Government purchases of goods and services	975.2	1.043.2	1.090.5	1,090.8	1,093.3	1,090.3	1,103.1	1,109.1
18 Federal	401.6	426.4	447.3	449.9	447.2	440.8	445.0	444.8
19 State and local	573.6	616.8	643.2	640.8	646.0	649.5	658.0	664.3
By major type of product								
20 Final sales, total	5.217.5	5.515.9	5,687.7	5,679.4	5,712.9	5.744.2	5,855.9	5,894.1
21 Goods	2.063.6	2.160.1	2,192.8	2,200.9	2,194.9	2.188.4	2,233.6	2,233.2
22 Durable	891.2	920.6	907.6	916.8	910.8	905.7	923.6	932.3
23 Nondurable	1.172.5	1.239.5	1.285.1	1,284.1	1,284.1	1,282.7	1,310.0	1,300.8
24 Services	2.642.2	2.846.4	3.030.3	3,013.8	3.053.6	3,090.3	3,142.2	3,173.4
25 Structures	511.7	509.4	464.7	464.7	464.4	465.5	480.1	487.6
26 *Change in business inventories*	33.3	6.3	−10.2	−21.8	.2	9.2	−15.8	8.1
27 Durable goods	25.2	−.9	−19.3	−26.5	−7.0	−8.1	−19.3	9.5
28 Nondurable goods	8.1	7.2	9.0	4.8	7.2	17.3	3.5	−1.4
MEMO								
29 **Total GDP in 1987 dollars**	**4,838.0**	**4.877.5**	**4,821.0**	**4,817.1**	**4,831.8**	**4,838.5**	**4,873.7**	**4,892.4**
NATIONAL INCOME								
30 **Total**	**4.249.5**	**4.468.3**	**4,544.2**	**4,529.2**	**4,555.4**	**4,599.1**	**4,679.4**	**4,716.5**
31 Compensation of employees	3.100.2	3.291.2	3,390.8	3,379.6	3,407.0	3,433.8	3,476.3	3,506.3
32 Wages and salaries	2.586.4	2.742.9	2.812.2	2,804.3	2,824.4	2,845.0	2,877.6	2,901.3
33 Government and government enterprises	478.5	514.8	543.5	543.4	544.3	546.4	554.6	561.4
34 Other	2.107.9	2.228.0	2,268.7	2,260.9	2,280.0	2,298.6	2,323.0	2,339.9
35 Supplement to wages and salaries	513.8	548.4	578.7	575.2	582.6	588.7	598.7	605.0
36 Employer contributions for social insurance	261.9	277.4	290.4	289.1	292.0	293.7	299.4	301.5
37 Other labor income	251.9	271.0	288.3	286.1	290.6	295.0	299.2	303.6
38 Proprietors' income[1]	347.3	366.9	368.0	370.4	367.1	377.9	393.6	398.4
39 Business and professional[1]	307.0	325.2	332.2	329.1	337.6	340.0	353.6	359.9
40 Farm[1]	40.2	41.7	35.8	41.3	29.5	37.9	40.1	38.5
41 Rental income of persons[2]	−13.5	−12.3	−10.4	−12.3	−10.3	−6.6	−4.5	3.3
42 Corporate profits[1]	362.8	361.7	346.3	347.3	341.2	347.1	384.0	388.4
43 Profits before tax[3]	342.9	355.4	334.7	332.3	336.7	332.3	366.1	376.8
44 Inventory valuation adjustment	−17.5	−14.2	3.1	9.9	−4.8	.7	−5.4	−15.5
45 Capital consumption adjustment	37.4	20.5	8.4	5.1	9.3	14.1	23.3	27.0
46 Net interest	452.7	460.7	449.5	444.4	450.5	446.9	430.0	420.0

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	1989	1990	1991	1991				1992
				Q1	Q2	Q3	Q4	Q1
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**4,380.3**	**4,664.2**	**4,828.3**	**4,806.9**	**4,846.2**	**4,907.2**	**4,980.5**	**5,028.9**
2 Wage and salary disbursements	2,586.4	2,742.8	2,812.2	2,804.7	2,824.4	2,845.0	2,877.6	2,901.3
3 Commodity-producing industries	724.2	745.6	737.4	734.6	738.8	741.5	736.8	743.1
4 Manufacturing	542.2	556.1	556.9	553.4	559.0	563.9	559.9	564.7
5 Distributive industries	607.0	634.6	647.4	647.0	651.1	652.9	660.9	662.9
6 Service industries	776.8	847.8	883.9	879.4	890.2	904.3	925.3	933.9
7 Government and government enterprises	478.5	514.8	543.6	543.8	544.3	546.4	554.6	561.4
8 Other labor income	251.9	271.0	288.3	286.1	290.6	295.0	299.2	303.6
9 Proprietors' income[1]	347.3	366.9	368.0	370.4	367.1	377.9	393.6	398.4
10 Business and professional[1]	307.0	325.2	332.2	329.1	337.6	340.0	353.6	359.9
11 Farm[1]	40.2	41.7	35.8	41.3	29.5	37.9	40.1	38.5
12 Rental income of persons[2]	-13.5	-12.3	-10.4	-12.3	-10.3	-6.6	-4.5	3.3
13 Dividends	126.5	140.3	137.0	136.7	135.6	134.3	133.9	136.6
14 Personal interest income	668.2	694.5	700.6	696.2	701.8	703.3	684.8	675.2
15 Transfer payments	625.0	685.8	771.1	762.4	777.1	799.8	842.7	859.7
16 Old-age survivors, disability, and health insurance benefits	325.1	352.0	382.0	378.9	384.2	390.6	405.7	412.1
17 LESS: Personal contributions for social insurance	211.4	224.8	238.4	237.4	240.1	241.5	246.8	249.3
18 EQUALS: Personal income	4,380.3	4,664.2	4,828.3	4,806.9	4,846.2	4,907.2	4,980.5	5,028.9
19 LESS: Personal tax and nontax payments	593.3	621.3	618.7	617.2	618.6	622.3	619.6	617.1
20 EQUALS: Disposable personal income	3,787.0	4,042.9	4,209.6	4,189.7	4,227.6	4,284.9	4,360.9	4,411.8
21 LESS: Personal outlays	3,634.9	3,867.3	4,009.9	3,994.4	4,036.6	4,065.5	4,146.3	4,179.5
22 EQUALS: Personal saving	152.1	175.6	199.6	195.3	191.0	219.4	214.6	232.3
MEMO								
Per capita (1987 dollars)								
23 Gross domestic product	19,555.6	19,513.0	19,077.1	19,090.6	19,094.0	19,066.0	19,158.5	19,181.8
24 Personal consumption expenditures	13,028.9	13,043.6	12,824.1	12,837.6	12,847.9	12,802.6	12,930.2	12,893.3
25 Disposable personal income	14,005.0	14,068.0	13,886.0	13,891.0	13,876.0	13,913.0	14,017.0	14,021.0
26 Saving rate (percent)	4.0	4.3	4.7	4.7	4.5	5.1	4.9	5.3
GROSS SAVING								
27 **Gross saving**	**741.8**	**718.0**	**708.2**	**701.3**	**679.4**	**698.2**	**677.5**	**682.9**
28 Gross private saving	819.4	854.1	901.5	896.9	884.9	934.8	950.1	968.1
29 Personal saving	152.1	175.6	199.6	195.3	191.0	219.4	214.6	232.3
30 Undistributed corporate profits[1]	86.9	75.7	75.8	78.1	69.0	78.3	104.0	97.7
31 Corporate inventory valuation adjustment	-17.5	-14.2	3.1	9.9	-4.8	.7	-5.4	-15.5
Capital consumption allowances								
32 Corporate	352.4	368.3	383.0	382.5	383.5	386.3	386.1	391.2
33 Noncorporate	228.0	234.6	243.1	241.0	241.4	250.7	245.3	247.0
34 Government surplus, or deficit (-), national income and product accounts	-77.5	-136.1	-193.3	-195.6	-205.6	-236.6	-272.6	-285.2
35 Federal	-122.3	-166.2	-210.4	-212.2	-221.0	-258.7	-289.2	-302.9
36 State and local	44.8	30.1	17.1	16.5	15.4	22.0	16.6	17.7
37 **Gross investment**	**742.9**	**723.4**	**730.1**	**728.4**	**709.9**	**714.6**	**706.5**	**713.8**
38 Gross private domestic	832.3	799.5	721.1	710.2	732.8	736.1	722.4	773.2
39 Net foreign	-89.3	-76.1	9.0	18.2	-22.9	-21.5	-16.0	-59.4
40 **Statistical discrepancy**	**1.1**	**5.4**	**21.9**	**27.1**	**30.5**	**16.4**	**29.0**	**30.9**

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	1989	1990	1991	1991			1992	
				Q2	Q3	Q4	Q1	Q2[p]
1 Balance on current account	−101,142	−90,428	−3,682	2,431	−11,087	−7,218	−5,903	−17,788
2 Merchandise trade balance[2]	−115,668	−108,853	−73,436	−16,397	−20,174	−18,539	−17,222	−24,418
3 *Merchandise exports*	361,697	388,705	415,962	103,324	104,151	107,851	107,946	107,580
4 *Merchandise imports*	−477,365	−497,558	−489,398	−119,721	−124,325	−126,390	−125,168	−131,998
5 Military transactions, net	−6,837	−7,818	−5,524	−1,427	−995	−540	−624	−641
6 Other service transactions, net	32,604	39,873	50,821	12,209	13,018	13,676	14,468	13,613
7 Investment income, net	14,366	19,287	16,429	3,931	3,076	2,458	4,474	1,377
8 U.S. government grants	−10,773	−17,597	24,487	8,214	−1,986	78	−2,620	−3,011
9 U.S. government pensions and other transfers	−2,517	−2,945	−3,462	−796	−793	−1,080	−858	−1,140
10 Private remittances and other transfers	−12,316	−12,374	−12,996	−3,303	−3,233	−3,271	−3,521	−3,568
11 *Change in U.S. government assets other than official reserve assets, net (increase, −)*	1,271	2,304	3,397	−420	3,180	−437	−38	−209
12 Change in U.S. official reserve assets (increase, −)	−25,293	−2,158	5,763	1,014	3,877	1,225	−1,057	1,464
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	−535	−192	−177	−190	6	−23	−172	−168
15 Reserve position in International Monetary Fund	471	731	−367	72	−114	17	111	1
16 Foreign currencies	−25,229	−2,697	6,307	1,132	3,986	1,232	−996	1,631
17 Change in U.S. private assets abroad (increase, −)	−90,923	−56,467	−71,379	−7,644	−17,426	−44,947	−3,155	−6,987
18 Bank-reported claims[3]	−51,255	7,469	−4,753	−1,846	2,403	−23,219	15,859	12,592
19 Nonbank-reported claims	11,398	−2,477	5,526	2,304	−298	1,269	4,764	....
20 U.S. purchases of foreign securities, net	−22,070	−28,765	−45,017	−11,783	−12,403	−11,305	−8,703	−8,573
21 U.S. direct investments abroad, net	−28,996	−32,694	−27,135	3,681	−7,128	−11,692	−15,075	−11,006
22 Change in foreign official assets in United States (increase, +)	8,489	33,908	18,407	−4,178	4,115	12,819	21,192	21,071
23 U.S. Treasury securities	149	29,576	15,815	−3,553	5,624	12,619	14,909	11,615
24 Other U.S. government obligations	1,383	667	1,301	−219	474	1,075	540	1,699
25 Other U.S. *government liabilities*[4]	146	1,866	1,600	421	654	−344	96	503
26 Other U.S. liabilities reported by U.S. banks[3]	4,976	3,385	−1,668	−942	−2,732	−914	5,534	7,329
27 Other foreign official assets[5]	1,835	−1,586	1,359	115	95	383	113	−75
28 Change in foreign private assets in United States (increase, +)	205,205	65,471	48,573	7,137	18,818	36,110	−2,629	22,016
29 U.S. bank-reported liabilities[3]	63,382	16,370	−13,678	−27,411	8,508	23,465	−4,474	−5,133
30 U.S. nonbank-reported liabilities	5,565	4,906	−405	−1,275	1,575	725	1,942	....
31 *Foreign private purchases of U.S. Treasury securities, net*	29,618	−2,534	16,241	13,289	−1,306	1,408	−828	10,288
32 *Foreign purchases of other U.S. securities, net*	38,767	1,592	34,918	15,212	10,012	4,832	4,551	10,872
33 *Foreign direct investments in United States, net*	67,873	45,137	11,497	7,322	29	5,680	−3,820	5,989
34 Allocation of special drawing rights	0	0	0	0	0	0	0	0
35 Discrepancy	2,394	47,370	−1,078	1,660	−1,478	2,447	−8,410	−19,567
36 Due to seasonal adjustment	....	....	....	883	−6,137	613	4,023	343
37 Before seasonal adjustment	2,394	47,370	−1,078	777	4,659	1,835	−12,433	−19,910
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	−25,293	−2,158	5,763	1,014	3,877	1,225	−1,057	1,464
39 Foreign official assets in United States, excluding line 25 (increase, +)	8,343	32,042	16,807	−4,599	3,461	13,163	21,096	20,568
40 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22)	10,738	1,707	−5,604	−2,699	−4,288	1,023	2,459	−2,205

1. Seasonal factors 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 6.
3. Reporting banks include all types of depository institution 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, *Survey of Current Business*.

3.11 U.S. FOREIGN TRADE[1]

Millions of dollars; monthly data seasonally adjusted

Item	1989	1990	1991	1992 Feb.	Mar.	Apr.	May	June	July[r]	Aug.[p]
1 Exports of domestic and foreign merchandise, (F.A.S. value), excluding grant-aid shipments	363,812	393,592	421,730	37,654	37,085	36,406	35,718	38,165	37,806	35,507
2 General imports (customs value), including merchandise for immediate consumption plus entries into bonded warehouses	473,211	495,311	487,129	40,948	42,668	43,469	42,859	44,893	45,082	44,512
3 **Trade balance**	**−109,399**	**−101,718**	**−65,399**	**−3,294**	**−5,584**	**−7,063**	**−7,141**	**−6,729**	**−7,276**	**−9,005**

1. The Census basis data differ from merchandise trade data shown in table 3.10, lines 3–5, *U.S. International Transactions Summary*, because of coverage and timing. On the *export* side, the largest difference is the exclusion of military sales (which are combined with other military transactions and reported separately in table 3.10, line 6). On the *import* side, this table includes imports of gold, ship purchases, imports of electricity from Canada, and other transactions; military payments are excluded and shown separately in table 3.10, line 6. Since Jan. 1, 1987, Census data have been released forty-five days after the end of the month; the previous month is revised to reflect late documents. Total exports and the trade balance reflect adjustments for undocumented exports to Canada. Components may not sum to totals because of rounding.

SOURCE. FT900, *Summary of U.S. Export and Import Merchandise Trade* (U.S. Department of Commerce, Bureau of the Census).

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Asset	1989	1990	1991	1992 Mar.	Apr.	May	June	July	Aug.	Sept.[p]
1 **Total**	**74,609**	**83,316**	**77,719**	**74,657**	**74,712**	**74,587**	**77,092**	**77,370**	**78,474**	**78,527**
2 Gold stock, including Exchange Stabilization Fund[1]	11,059	11,058	11,057	11,057	11,057	11,057	11,059	11,059	11,059	11,059
3 Special drawing rights[2,3]	9,951	10,989	11,240	10,947	10,930	11,315	11,597	11,702	12,193	12,111
4 Reserve position in International Monetary Fund[2]	9,048	9,076	9,488	8,994	8,968	9,175	9,381	9,625	9,762	9,778
5 Foreign currencies[4]	44,551	52,193	45,934	43,659	43,757	43,040	45,055	44,984	45,460	45,579

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, 16 currencies were used; since January 1981, 5 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	1989	1990	1991	1992 Mar.	Apr.	May	June	July	Aug.	Sept.[p]
1 Deposits	589	369	968	262	206	217	219	264	297	546
Held in custody										
2 U.S. Treasury securities[2]	224,911	278,499	281,107	300,277	303,413	307,562	307,337	316,431	318,328	306,971
3 Earmarked gold[3]	13,456	13,387	13,303	13,304	13,304	13,295	13,268	13,261	13,261	13,241

1. Excludes deposits and U.S. Treasury securities held for international and regional organizations.
2. Marketable U.S. Treasury bills, notes, and bonds and nonmarketable U.S. Treasury securities payable at face value in dollars or foreign currencies.
3. Held for foreign and international accounts and valued at $42.22 per fine troy ounce; not included in the gold stock of the United States.

3.14 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data[1]

Millions of dollars, end of period

Account	1989	1990	1991	1992						
				Feb.	Mar.	Apr.	May	June	July	Aug.
ASSETS	All foreign countries									
1 **Total payable in any currency**	**545,366**	**556,925**	**548,901**	**550,520[r]**	**562,212[r]**	**549,858[r]**	**564,816[r]**	**564,466**	**537,529**	**544,570**
2 Claims on United States	198,835	188,496	176,301	178,188[r]	193,434[r]	177,992[r]	182,554[r]	183,933	171,911	163,101
3 Parent bank	157,092	148,837	137,509	142,181[r]	157,129[r]	143,790[r]	145,974[r]	147,626	136,287	128,331
4 Other banks in United States	17,042	13,296	12,884	10,837	11,612	9,993	11,640	10,418	9,576	9,181
5 Nonbanks	24,701	26,363	25,908	25,170	24,693	24,209	24,940	25,889	26,048	25,589
6 Claims on foreigners	300,575	312,449	303,934	301,900	299,890[r]	302,916[r]	314,569[r]	311,990	311,578	321,262
7 Other branches of parent bank	113,810	135,003	111,729	108,052	112,190[r]	111,369	115,688	115,664	112,177	116,674
8 Banks	90,703	72,602	81,970	83,904	79,311	83,562[r]	85,923[r]	84,467	85,448	86,978
9 Public borrowers	16,456	17,555	18,652	18,421	18,328	18,743	19,194	20,162	19,645	20,423
10 Nonbank foreigners	79,606	87,289	91,583	91,523	90,061	89,242	93,764	91,697	94,308	97,187
11 Other assets	45,956	55,980	68,666	70,432	68,888	68,950	67,693[r]	68,543	54,040	60,207
12 **Total payable in U.S. dollars**	**382,498**	**379,479**	**363,941**	**365,162[r]**	**381,113[r]**	**364,748[r]**	**370,290[r]**	**369,561**	**349,145**	**340,848**
13 Claims on United States	191,184	180,174	169,662	172,539[r]	187,744[r]	173,337[r]	177,311[r]	177,638	166,507	157,471
14 Parent bank	152,294	142,962	133,476	138,916[r]	153,859[r]	141,264[r]	142,874[r]	144,287	133,120	124,805
15 Other banks in United States	16,386	12,513	12,025	10,006	10,956	9,255	11,012	10,016	9,135	8,876
16 Nonbanks	22,504	24,699	24,161	23,617	22,929	22,818	23,425	23,335	24,252	23,790
17 Claims on foreigners	169,690	174,451	167,010	163,623	163,877	162,967[r]	167,054[r]	168,586	162,843	161,306
18 Other branches of parent bank	82,949	95,298	78,114	75,087	78,067	75,342	77,165	76,912	72,250	70,693
19 Banks	48,396	36,440	41,635	42,488	39,671	41,250[r]	41,845[r]	43,095	41,718	40,156
20 Public borrowers	10,961	12,298	13,685	13,136	13,217	12,994	12,994	13,723	13,320	13,661
21 Nonbank foreigners	27,384	30,415	33,576	32,912	32,922	33,381	35,050	34,856	35,555	36,796
22 Other assets	21,624	24,854	27,269	29,000	29,492	28,444	25,925[r]	23,337	19,795	22,071
	United Kingdom									
23 **Total payable in any currency**	**161,947**	**184,818**	**175,599**	**172,479**	**169,139[r]**	**170,775**	**174,925[r]**	**171,027**	**159,317**	**165,832**
24 Claims on United States	39,212	45,560	35,257	34,655	37,015	35,451	37,369	38,096	38,763	37,511
25 Parent bank	35,847	42,413	31,931	31,302	34,048	32,379	34,433	35,343	35,542	34,593
26 Other banks in United States	1,058	792	1,267	1,211	1,158	1,228	970	756	1,065	744
27 Nonbanks	2,307	2,355	2,059	2,142	1,809	1,844	1,966	1,997	2,156	2,174
28 Claims on foreigners	107,657	115,536	109,692	107,645	101,491[r]	104,467	107,795	104,270	105,990	108,895
29 Other branches of parent bank	37,728	46,367	35,735	33,924	33,463[r]	34,061	35,331	36,952	35,359	37,732
30 Banks	36,159	31,604	36,394	37,349	33,499	36,126	37,548	34,783	36,777	37,711
31 Public borrowers	3,293	3,860	3,306	3,144	3,060	3,108	3,165	2,995	3,128	3,046
32 Nonbank foreigners	30,477	33,705	34,257	33,228	31,469	31,172	31,751	29,540	30,726	30,406
33 Other assets	15,078	23,722	30,650	30,179	30,633	30,857	29,761[r]	28,661	14,564	19,426
34 **Total payable in U.S. dollars**	**103,208**	**116,762**	**105,974**	**102,341**	**102,283**	**102,285**	**104,392[r]**	**102,737**	**98,828**	**99,610**
35 Claims on United States	36,404	41,259	32,418	31,788	34,464	33,298	35,185	35,376	36,133	34,948
36 Parent bank	34,329	39,609	30,370	29,724	32,645	31,022	33,059	33,751	33,936	32,786
37 Other banks in United States	843	334	822	678	725	853	677	627	785	625
38 Nonbanks	1,232	1,316	1,226	1,386	1,094	1,423	1,449	998	1,412	1,537
39 Claims on foreigners	59,062	63,701	58,791	55,985	52,306	54,129	56,615	56,888	56,264	55,812
40 Other branches of parent bank	29,872	37,142	28,667	26,747	25,933	25,922	27,482	28,541	26,751	26,825
41 Banks	16,579	13,135	15,219	15,438	13,154	14,829	15,348	15,380	15,930	15,565
42 Public borrowers	2,371	3,143	2,853	2,657	2,623	2,545	2,463	2,474	2,653	2,353
43 Nonbank foreigners	10,240	10,281	12,052	11,143	10,596	10,833	11,322	10,493	10,930	11,069
44 Other assets	7,742	11,802	14,765	14,568	15,513	14,858	12,592[r]	10,473	6,431	8,850
	Bahamas and Cayman Islands									
45 **Total payable in any currency**	**176,006**	**162,316**	**168,326**	**169,134[r]**	**175,893[r]**	**162,871[r]**	**167,139[r]**	**168,963**	**153,691**	**144,089**
46 Claims on United States	124,205	112,989	115,244	115,562[r]	122,762[r]	112,080[r]	115,633[r]	114,467	102,850	94,595
47 Parent bank	87,882	77,873	81,520	84,661[r]	91,549[r]	82,823[r]	84,041[r]	83,316	72,107	64,454
48 Other banks in United States	15,071	11,869	10,907	8,969	9,809	8,115	9,729	9,118	8,045	8,060
49 Nonbanks	21,252	23,247	22,817	21,932	21,404	21,142	21,863	22,033	22,698	22,081
50 Claims on foreigners	44,168	41,356	45,229	44,033	44,285	41,929[r]	42,828[r]	45,600	41,886	41,315
51 Other branches of parent bank	11,309	13,416	11,098	11,528	11,278	10,156	9,311	9,392	8,678	8,596
52 Banks	22,611	16,310	20,174	19,311	19,645	18,406[r]	19,658[r]	21,548	18,837	17,570
53 Public borrowers	5,217	5,807	7,161	6,545	6,599	6,332	6,459	7,084	6,728	7,125
54 Nonbank foreigners	5,031	5,823	6,796	6,649	6,763	7,035	7,400	7,576	7,643	8,024
55 Other assets	7,633	7,971	7,853	9,539	8,846	8,862	8,678[r]	8,896	8,955	8,179
56 **Total payable in U.S. dollars**	**170,780**	**158,390**	**163,771**	**164,710[r]**	**171,320[r]**	**158,196[r]**	**162,066[r]**	**163,313**	**147,905**	**138,348**

1. Since June 1984, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from $50 million to $150 million equivalent in total assets, *the threshold now applicable to* all reporting branches.

3.14 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data[1]—Continued

Account	1989	1990	1991	1992 Feb.	1992 Mar.	1992 Apr.	1992 May	1992 June	1992 July	1992 Aug.
LIABILITIES	All foreign countries									
57 **Total payable in any currency**	**545,366**	**556,925**	**548,901**	**550,520[r]**	**562,212[r]**	**549,858[r]**	**564,816[r]**	**564,466**	**537,529**	**544,570**
58 Negotiable certificates of deposit (CDs)	23,500	18,060	16,284	15,988	14,498	12,757[r]	14,010[r]	13,040	12,758	14,246
59 To United States	197,239	189,412	198,121	191,047[r]	210,357[r]	196,635[r]	198,897[r]	204,929	192,087	179,138
60 Parent bank	138,412	138,748	136,431	123,775	142,551	138,273[r]	136,195[r]	143,474	133,051	126,747
61 Other banks in United States	11,704	7,463	13,260	12,674	14,137	15,075	13,944	14,009	11,833	10,898
62 Nonbanks	47,123	43,201	48,430	54,598[r]	53,669[r]	43,287[r]	48,758[r]	47,446	47,203	41,493
63 To foreigners	296,850	311,668	288,254	299,046	292,523[r]	296,580	308,394	302,376	301,943	314,702
64 Other branches of parent bank	119,591	139,113	112,033	108,744	113,314	111,968	115,235	116,878	114,226	120,292
65 Banks	76,452	58,986	63,097	71,346	62,924[r]	65,055	68,391	65,865	65,419	68,366
66 Official institutions	16,750	14,791	15,596	16,972	15,697	16,083	19,465	16,399	18,058	18,241
67 Nonbank foreigners	84,057	98,778	97,528	101,984	100,588	103,474	105,303	103,234	104,240	107,803
68 Other liabilities	27,777	37,785	46,242	44,439	44,834	43,886	43,515[r]	44,121	30,741	36,484
69 **Total payable in U.S. dollars**	**396,613**	**383,522**	**370,561**	**363,744[r]**	**380,384[r]**	**365,920[r]**	**373,679[r]**	**374,506**	**354,666**	**346,278**
70 Negotiable CDs	*19,619*	*14,094*	*11,909*	*11,515*	*10,278*	*8,470[r]*	*9,643[r]*	*8,475*	*8,531*	*8,755*
71 To United States	187,286	175,654	185,286	179,340[r]	198,349[r]	185,533[r]	187,438[r]	192,792	179,395	166,309
72 Parent bank	132,563	130,510	129,669	117,272	135,761	131,844[r]	130,007[r]	136,273	125,647	119,302
73 Other banks in United States	10,519	6,052	11,707	11,532	13,036	14,217	12,840	13,251	10,816	9,835
74 Nonbanks	44,204	39,092	43,910	50,536[r]	49,552[r]	39,472[r]	44,591[r]	43,268	42,932	37,172
75 To foreigners	176,460	179,002	158,993	156,744	156,216	157,139	162,011	158,532	155,352	157,522
76 Other branches of parent bank	87,636	98,128	76,601	74,466	77,492	75,780	77,000	77,608	73,699	74,037
77 Banks	30,537	20,251	24,156	23,665	21,910	22,569	24,063	23,470	22,955	22,973
78 Official institutions	9,873	7,921	10,304	10,652	9,625	10,413	13,102	10,119	11,543	10,713
79 Nonbank foreigners	48,414	52,702	47,932	47,961	47,189	48,377	47,846	47,335	47,155	49,799
80 Other liabilities	13,248	14,772	14,373	16,145	15,541	14,778	14,587[r]	14,707	11,388	13,692
	United Kingdom									
81 **Total payable in any currency**	**161,947**	**184,818**	**175,599**	**172,479**	**169,139[r]**	**170,775**	**174,925[r]**	**171,027**	**159,317**	**165,832**
82 Negotiable CDs	20,056	14,256	11,333	10,581	9,677	7,324	8,458	7,612	7,731	8,083
83 To United States	36,036	39,928	37,720	30,631	35,364	36,610	33,236	36,660	37,164	35,527
84 Parent bank	29,726	31,806	29,834	23,464	27,937	29,317	25,637	28,201	29,104	27,695
85 Other banks in United States	1,256	1,505	1,438	1,891	1,201	2,011	1,638	1,326	1,315	1,632
86 Nonbanks	5,054	6,617	6,448	5,276	6,226	5,282	5,961	7,133	6,745	6,200
87 To foreigners	92,307	108,531	98,167	104,432	96,566[r]	99,804	106,603	100,340	100,738	104,892
88 Other branches of parent bank	27,397	36,709	30,054	27,864	27,937	28,239	30,429	31,464	30,205	31,234
89 Banks	29,780	25,126	25,541	30,686	25,881[r]	27,046	27,549	25,315	25,155	26,435
90 Official institutions	8,551	8,361	9,670	10,685	9,277	9,539	12,732	10,167	11,091	10,699
91 Nonbank foreigners	26,579	38,335	32,902	35,197	33,471	34,980	35,893	33,394	34,287	36,524
92 Other liabilities	13,548	22,103	28,379	26,835	27,532	27,037	26,628[r]	26,415	13,684	17,330
93 **Total payable in U.S. dollars**	**108,178**	**116,094**	**108,755**	**100,882**	**101,602**	**100,799**	**102,783[r]**	**101,901**	**97,565**	**99,092**
94 Negotiable CDs	18,143	12,710	10,076	9,061	8,562	6,136	6,967	5,750	6,139	5,890
95 To United States	33,056	34,697	33,003	26,261	30,993	32,510	28,936	32,300	32,178	30,357
96 Parent bank	28,812	29,955	28,260	21,788	26,272	27,904	24,435	26,720	27,351	25,873
97 Other banks in United States	1,065	1,156	1,177	1,639	1,032	1,796	1,184	1,084	857	1,088
98 Nonbanks	3,179	3,586	3,566	2,834	3,689	2,810	3,317	4,496	3,970	3,396
99 To foreigners	50,517	60,014	56,626	55,216	52,059	52,625	57,489	54,262	52,894	54,381
100 Other branches of parent bank	18,384	25,957	20,800	18,863	18,792	18,136	19,497	20,918	18,634	18,983
101 Banks	12,244	9,488	11,069	11,188	9,861	9,435	10,799	9,848	9,399	9,289
102 Official institutions	5,454	4,692	7,156	7,698	6,628	6,998	9,915	7,049	7,808	6,956
103 Nonbank foreigners	14,435	19,877	17,601	17,467	16,778	18,056	17,278	16,447	17,053	19,153
104 Other liabilities	6,462	8,673	9,050	10,344	9,988	9,528	9,391[r]	9,589	6,354	8,464
	Bahamas and Cayman Islands									
105 **Total payable in any currency**	**176,006**	**162,316**	**168,326**	**169,134[r]**	**175,893[r]**	**162,871[r]**	**167,139[r]**	**168,963**	**153,691**	**144,089**
106 Negotiable CDs	678	646	1,173	1,709	932	1,546[r]	1,646[r]	1,894	1,330	1,814
107 To United States	124,859	114,738	129,872	131,171[r]	139,196[r]	124,605[r]	128,891[r]	130,815	115,589	105,816
108 Parent bank	75,188	74,941	79,394	73,744	82,050	76,086[r]	76,779[r]	80,998	67,356	64,039
109 *Other banks in United States*	8,883	4,526	10,231	9,733	11,696	12,060	11,085	11,708	9,641	8,491
110 Nonbanks	40,788	35,271	40,247	47,694[r]	45,450[r]	36,459[r]	41,027[r]	38,109	38,592	33,286
111 To foreigners	47,382	44,444	35,200	34,425	34,002	34,899	35,021	34,637	35,136	34,878
112 Other branches of parent bank	23,414	24,715	17,388	17,050	17,100	16,933	16,842	16,799	17,668	17,315
113 Banks	8,823	5,588	5,662	5,054	5,139	6,009	6,346	6,075	6,390	6,242
114 Official institutions	1,097	622	572	490	536	736	731	770	862	935
115 Nonbank foreigners	14,048	13,519	11,578	11,831	11,227	11,221	11,102	10,993	10,216	10,386
116 Other liabilities	3,087	2,488	2,081	1,829	1,763	1,821	1,581	1,617	1,636	1,581
117 **Total payable in U.S. dollars**	**171,250**	**157,132**	**163,603**	**164,403[r]**	**171,255[r]**	**158,247[r]**	**162,280[r]**	**163,951**	**146,744**	**138,864**

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1990	1991	1992						
			Feb.[r]	Mar.[r]	Apr.[r]	May[r]	June[r]	July[r]	Aug.[p]
1 **Total**[1]	**344,529**	**360,546**[r]	**375,306**	**381,499**	**385,572**	**394,709**	**401,806**	**403,723**	**405,552**
By type									
2 Liabilities reported by banks in the United States[2]	39,880	38,412[r]	42,633	43,874	44,583	47,471	51,432	48,860	51,389
3 U.S. Treasury bills and certificates[3]	79,424	92,692	94,731	102,143	102,968	111,224	109,278	114,781	113,307
U.S. Treasury bonds and notes									
4 Marketable	202,487	203,677	212,178	209,042	210,754	208,069	213,363	212,290	212,977
5 Nonmarketable[4]	4,491	4,858	4,922	4,956	4,989	5,021	4,625	4,582	4,476
6 U.S. securities other than U.S. Treasury securities[5]	18,247	20,907	20,842	21,484	22,278	22,924	23,108	23,210	23,403
By area									
7 Western Europe[1]	167,191	168,365[r]	173,255	178,041	179,239	185,416	191,224	194,037	194,972
8 Canada	8,671	7,460	8,251	7,016	7,855	9,347	9,302	9,876	9,990
9 Latin America and Caribbean	21,184	33,554	35,663	37,961	39,130	39,732	39,433	39,121	38,310
10 Asia	138,096	139,465[r]	147,756	148,614	148,573	149,062	150,215	150,055	151,798
11 Africa	1,434	2,092	2,408	2,011	2,392	2,792	3,265	3,218	2,860
12 Other countries[6]	7,955	9,608	7,971	7,854	8,381	8,358	8,365	7,414	7,620

1. Includes the Bank for International Settlements.
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
3. Includes nonmarketable certificates of indebtedness (including those payable in foreign currencies through 1974) and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes bonds and notes payable in foreign currencies; zero coupon bonds are included at current value.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.
6. Includes countries in Oceania and Eastern Europe.

SOURCE. Based on Treasury Department data and on data reported to the Treasury Department by banks (including Federal Reserve Banks) and securities dealers in the United States and on the 1984 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	1988	1989	1990	1991		1992	
				Sept.	Dec.	Mar.	June
1 Banks' liabilities	74,980	67,835	70,477	63,291	75,129	67,874	70,764
2 Banks' claims	68,983	65,127	66,796	63,724	73,318	60,844	58,968
3 Deposits	25,100	20,491	29,672	29,812	26,192	23,269	23,462
4 Other claims	43,884	44,636	37,124	33,912	47,126	37,575	35,506
5 Claims of banks' domestic customers[2]	364	3,507	6,309	2,348	3,274	2,862	4,428

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	1989	1990	1991	1992 Feb.	1992 Mar.	1992 Apr.	1992 May	1992 June	1992 July	1992 Aug.[p]
HOLDER AND TYPE OF LIABILITY										
1 **Total, all foreigners**	**736,878**	**759,634**	**756,510**	**756,130**	**774,028**	**769,486**	**785,162**	**786,664**	**777,121**	**768,489**
2 Banks' own liabilities	577,498	577,229	575,232	575,284	583,041	578,651	583,786	587,321	571,046	563,220
3 Demand deposits	22,032	21,723	20,321	18,905	19,287	19,043	19,606	20,931	19,739	21,698
4 Time deposits[2]	168,780	168,017	159,649	145,973	147,994	153,383	150,373	152,024	148,670	144,624
5 Other[3]	67,823	65,822	66,185	76,448	76,074	76,149	82,654	85,132	82,078	85,294
6 Own foreign offices[4]	318,864	321,667	329,077	333,958	339,686	330,076	331,153	329,234	320,559	311,604
7 Banks' custodial liabilities[5]	159,380	182,405	181,278	180,846	190,987	190,835	201,376	199,343	206,075	205,269
8 U.S. Treasury bills and certificates[6]	91,100	96,796	110,734	112,172	119,882	120,924	130,392	128,672	135,516	135,744
9 Other negotiable and readily transferable instruments[7]	19,526	17,578	18,664	16,894	18,429	17,797	18,995	18,020	19,402	18,541
10 Other	48,754	68,031	51,880	51,780	52,676	52,114	51,989	52,651	51,157	50,984
11 Nonmonetary international and regional organizations[8]	4,894	5,918	8,981	11,315	11,219	10,291	11,313	12,511	10,942	12,584
12 Banks' own liabilities	3,279	4,540	6,827	9,579	9,317	8,408	9,358	10,288	7,813	9,477
13 Demand deposits	96	36	43	35	144	29	46	40	24	21
14 Time deposits[2]	927	1,050	2,714	2,216	1,686	1,819	2,520	3,788	3,014	2,630
15 Other[3]	2,255	3,455	4,070	7,328	7,487	6,560	6,792	6,460	4,775	6,826
16 Banks' custodial liabilities[5]	1,616	1,378	2,154	1,736	1,902	1,883	1,955	2,223	3,129	3,107
17 U.S. Treasury bills and certificates[6]	197	364	1,730	1,317	1,225	1,442	1,461	1,687	2,602	2,654
18 Other negotiable and readily transferable instruments[7]	1,417	1,014	424	417	637	441	494	534	527	453
19 Other	2	0	0	2	40	0	0	2	0	0
20 Official institutions[9]	113,481	119,303	131,104	137,364	146,017	147,551	158,695	160,710	163,641	164,696
21 Banks' own liabilities	31,108	34,910	34,427	38,749	39,774	40,630	43,567	47,544	45,315	47,837
22 Demand deposits	2,196	1,924	2,642	1,297	1,342	1,360	1,320	1,632	1,374	1,679
23 Time deposits[2]	10,495	14,359	16,504	14,707	17,650	18,631	19,066	17,738	18,357	18,573
24 Other[3]	18,417	18,628	15,281	22,745	20,782	20,639	23,181	28,174	25,584	27,585
25 Banks' custodial liabilities[5]	82,373	84,393	96,677	98,615	106,243	106,921	115,128	113,166	118,326	116,859
26 U.S. Treasury bills and certificates[6]	76,985	79,424	92,692	94,731	102,143	102,968	111,224	109,278	114,781	113,307
27 Other negotiable and readily transferable instruments[7]	5,028	4,766	3,879	3,697	4,019	3,812	3,717	3,602	3,459	3,466
28 Other	361	203	106	187	81	141	187	286	86	86
29 Banks[10]	515,275	540,805	522,424	517,825	527,683	522,084	527,455	526,461	514,721	502,190
30 Banks' own liabilities	454,273	458,470	459,177	454,078	461,497	456,309	460,919	459,699	448,109	435,109
31 Unaffiliated foreign banks	135,409	136,802	130,100	120,120	121,811	126,233	129,766	130,465	127,550	123,505
32 Demand deposits	10,279	10,053	8,632	8,369	8,543	8,753	9,229	9,704	8,440	9,848
33 Time deposits[2]	90,557	88,541	82,857	74,564	74,266	79,632	77,098	80,009	77,407	73,202
34 Other[3]	34,573	38,208	38,611	37,187	39,002	37,848	43,439	40,752	41,703	40,455
35 Own foreign offices[4]	318,864	321,667	329,077	333,958	339,686	330,076	331,153	329,234	320,559	311,604
36 Banks' custodial liabilities[5]	61,002	82,335	63,247	63,747	66,186	65,775	66,536	66,762	66,612	67,081
37 U.S. Treasury bills and certificates[6]	9,367	10,669	7,471	7,733	8,344	8,410	8,946	8,927	9,444	10,557
38 Other negotiable and readily transferable instruments[7]	5,124	5,341	5,694	5,999	6,733	7,147	7,044	6,647	7,129	6,920
39 Other	46,510	66,325	50,082	50,015	51,109	50,218	50,546	51,188	50,039	49,604
40 Other foreigners	103,228	93,608	94,001	89,626	89,109	89,560	87,699	86,982	87,817	89,019
41 Banks' own liabilities	88,839	79,309	74,801	72,878	72,453	73,304	69,942	69,790	69,809	70,797
42 Demand deposits	9,460	9,711	9,004	9,204	9,258	8,901	9,011	9,555	9,901	10,150
43 Time deposits[2]	66,801	64,067	57,574	54,486	54,392	53,301	51,689	50,489	49,892	50,219
44 Other[3]	12,577	5,530	8,223	9,188	8,803	11,102	9,242	9,746	10,016	10,428
45 Banks' custodial liabilities[5]	14,389	14,299	19,200	16,748	16,656	16,256	17,757	17,192	18,008	18,222
46 U.S. Treasury bills and certificates[6]	4,551	6,339	8,841	8,391	8,170	8,104	8,761	8,780	8,689	9,226
47 Other negotiable and readily transferable instruments[7]	7,958	6,457	8,667	6,781	7,040	6,397	7,740	7,237	8,287	7,702
48 Other	1,880	1,503	1,692	1,576	1,446	1,755	1,256	1,175	1,032	1,294
49 MEMO: Negotiable time certificates of deposit in custody for foreigners	7,203	7,073	7,456	8,049	8,110	7,624	7,642	7,351	6,976	7,279

1. Reporting banks include all types of depository institution, as well as some brokers and dealers.
2. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
3. Includes borrowing under repurchase agreements.
4. For U.S. banks, includes amounts due to own foreign branches and foreign subsidiaries consolidated in Consolidated Report of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts due to head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.
5. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.
6. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
7. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
8. Principally the International Bank for Reconstruction and Development, 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—Continued

Item	1989	1990	1991	1992 Feb.	1992 Mar.	1992 Apr.	1992 May	1992 June	1992 July	1992 Aug.^p
AREA										
1 **Total, all foreigners**	**736,878**	**759,634**	**756,510**	**756,130**	**774,028**	**769,486**	**785,162**	**786,664**	**777,121**	**768,489**
2 **Foreign countries**	**731,984**	**753,716**	**747,529**	**744,815**	**762,809**	**759,195**	**773,849**	**774,153**	**766,179**	**755,905**
3 Europe	237,501	254,452	249,067	246,284	256,024	262,246	273,436	279,521	283,109	288,888
4 Austria	1,233	1,229	1,193	1,030	1,230	1,219	1,337	1,490	1,445	1,582
5 Belgium and Luxembourg	10,648	12,382	13,337	15,156	16,269	15,818	17,346	16,740	16,797	18,294
6 Denmark	1,415	1,399	937	997	892	961	1,331	1,263	1,348	1,329
7 Finland	570	602	1,341	623	1,014	1,005	764	843	720	976
8 France	26,903	30,946	31,808	26,456	26,036	27,667	27,005	30,132	28,900	29,456
9 Germany	7,578	7,485	8,619	9,572	9,556	9,272	8,319	8,018	8,967	10,982
10 Greece	1,028	934	765	895	1,058	1,134	1,254	1,374	998	934
11 Italy	16,169	17,735	13,541	9,554	9,915	10,035	10.055	10,362	10,164	10,992
12 Netherlands	6,613	5,350	7,161	7,322	9,250	9.352	9,572	9,456	9,653	10,422
13 Norway	2,401	2,357	1,866	1,398	1,286	899	1,429	1,359	1,421	1,341
14 Portugal	2,418	2,958	2,184	2,540	2,071	2.217	2,391	2,530	2,659	2,664
15 Spain	4,364	7,544	11,391	10,653	13,504	14,435	14,316	15,844	15,313	14,904
16 Sweden	1,491	1,837	2,222	2,544	2.106	2.888	2,007	4,125	3,710	4,162
17 Switzerland	34,496	36,690	37,238	34,710	37,104	33,604	36,663	35,987	39,568	40,599
18 Turkey	1,818	1,169	1,598	1,677	1,600	1.362	1.691	1,580	1,789	2,021
19 United Kingdom	102,362	109.555	100,262	102,166	103,319	108.023	112,828	111,712	111,878	111,521
20 Yugoslavia	1,474	928	622	529	504	569	524	555	547	554
21 Others in Western Europe[11]	13,563	11,689	9,274	14,069	15,452	17,208	19,961	21,609	22,743	21,492
22 U.S.S.R	350	119	241	238	168	287	436	440	609	425
23 Other Eastern Europe[12]	608	1,545	3.467	4,155	3,690	4.291	4.207	4,102	3,880	4,238
24 Canada	18.865	20,349	21,605	20,482	20,931	20.500	22,556	20,358	22,350	20,410
25 Latin America and Caribbean	311,028	332.997	346,025	348,826	351,067	341.925	339,862	339,517	325,885	311,451
26 Argentina	7,304	7,365	7,758	7,878	8,310	8.654	9,381	9,705	10,043	9,399
27 Bahamas	99,341	107.386	100,597	99,756	102,138	98,530	100,025	101,702	92,536	82,561
28 Bermuda	2,884	2.822	3,178	3,478	3,364	3.368	3,009	3,598	4,848	4,782
29 Brazil	6.351	5.834	5,942	5,760	5,745	5,752	5,399	5,612	5,522	5,484
30 British West Indies	138.309	147,321	163.872	167,589	166,802	160,991	158.515	156,761	151,857	148,455
31 Chile	3,212	3.145	3,284	3,408	3,623	3.506	3.792	3,702	3,611	3,394
32 Colombia	4.653	4.492	4,662	4,713	4,972	4,915	4.902	4,721	4,682	4,711
33 Cuba	10	11	2	5	11	9	6	3	12	9
34 Ecuador	1,391	1,379	1,232	1,217	1,168	1.128	1.150	1,137	1,074	1,214
35 Guatemala	1,312	1.541	1,594	1,549	1,539	1.489	1,438	1,447	1,420	1,432
36 Jamaica	209	257	231	227	271	234	242	309	271	267
37 Mexico	15,423	16.650	19,957	20,319	21,540	21.362	20,842	19,491	19,642	20,055
38 Netherlands Antilles	6,310	7.357	5,592	6,231	5,205	5.986	5.347	5,313	5,085	4,825
39 Panama	4.362	4,574	4.695	4,404	4,158	4.216	4.100	4,286	4,457	4,259
40 Peru	1,984	1,294	1,249	1,221	1,187	1.094	1.098	1,156	1,131	1,123
41 Uruguay	2.284	2,520	2.111	2,158	2,054	2.171	2.118	2,182	2,175	2,194
42 Venezuela	9.482	12.271	13,181	12,236	12,190	11.874	11.705	11,448	11,080	10,802
43 Other	6.206	6.779	6.888	6,677	6,790	6.646	6.793	6,944	6,439	6,485
44 Asia	156,201	136.844	120.440	120.051	125,678	125.187	128.083	124.549	124,894	125,214
China										
45 People's Republic of China	1,773	2.421	2.626	2,608	2,678	2.753	2.364	2,378	2,292	2,508
46 Republic of China (Taiwan)	19.588	11.246	11.491	10,586	10,593	10.471	10,265	9,985	10,277	10,362
47 Hong Kong	12.416	12.754	14,269	14,863	14,610	16.125	17.885	16,980	16,840	17,775
48 India	780	1.233	2.418	2,256	2,028	1.792	1.671	1,715	1,567	1,480
49 Indonesia	1,281	1.238	1.463	1,276	1,516	1.109	1.133	1,387	1,256	958
50 Israel	1,243	2.767	2.015	2,137	2,536	3.791	3.432	2,976	2,850	2,620
51 Japan	81,184	67.076	47.047	44,783	49,528	47.337	46.183	44,265	45,815	45,682
52 Korea (South)	3,215	2.287	2.587	2.800	2.886	3.016	3.132	2,839	3,288	3,644
53 Philippines	1.766	1.585	2,449	2,462	2,638	2.266	1.630	1,813	1,994	1,920
54 Thailand	2.093	1.443	2.252	3.224	3.330	3.147	6.990	4,586	4,017	4,624
55 Middle Eastern oil-exporting countries[13]	13.370	15.829	15,752	18,410	19,311	18.614	18,297	18,983	19,828	18,938
56 Other	17.491	16.965	16,071	14,646	14,024	14.766	15,101	16,642	14,870	14,703
57 Africa	3.824	4.630	4.825	4,919	4.886	4.864	5.430	5,810	5,516	5,314
58 Egypt	686	1.425	1.621	1,632	1.337	1.610	2.001	2,540	2,324	2,143
59 Morocco	78	104	79	82	90	88	77	87	85	93
60 South Africa	206	228	228	199	191	188	399	248	269	275
61 Zaire	86	53	31	30	35	27	26	29	17	24
62 Oil-exporting countries[14]	1.121	1.109	1,082	1,214	1,428	1,277	1,257	1,232	1,211	1,088
63 Other	1,648	1.710	1.784	1,762	1,805	1,674	1,670	1,674	1,610	1,691
64 Other	4.564	4,444	5.567	4,253	4,223	4.473	4.482	4,398	4,425	4,628
65 Australia	3.867	3.807	4.464	3,065	3,100	3.575	3,211	3,192	3,066	3,322
66 Other	697	637	1.103	1,188	1,123	898	1,271	1,206	1,359	1,306
67 Nonmonetary international and regional organizations	4.894	5.918	8.981	11,315	11,219	10,291	11.313	12,511	10,942	12,584
68 International[15]	3.947	4.390	6.485	8.992	8.813	7.543	8.400	9,536	7,023	9,361
69 Latin American regional[16]	684	1.048	1.181	1.500	1,785	1.788	1.903	2,356	2,699	2,319
70 Other regional[17]	263	479	1.315	823	621	960	1.010	619	1,220	904

11. Includes the Bank for International Settlements and Eastern European countries not listed in line 23.
12. Comprises Bulgaria. Czechoslovakia. Hungary. Poland. and Romania.
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 Western Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

	Area and country	1989	1990	1991	1992						
					Feb.	Mar.	Apr.	May	June	July	Aug.[p]
1	**Total, all foreigners**	**534,492**	**511,543**	**514,318**	**508,549**	**512,876**	**506,854**	**504,682**	**511,926**	**503,054**	**479,305**
2	**Foreign countries**	**530,630**	**506,750**	**508,035**	**502,099**	**506,503**	**502,065**	**499,881**	**505,932**	**499,633**	**474,916**
3	Europe	119,025	113,093	114,355	110,871	112,774	123,696	120,739	126,212	124,478	118,704
4	Austria	415	362	327	447	375	444	456	433	647	610
5	Belgium and Luxembourg	6,478	5,473	6,158	7,451	7,005	6,967	6,487	6,166	6,475	6,324
6	Denmark	582	497	686	709	737	871	994	1,436	951	901
7	Finland	1,027	1,047	1,912	1,586	1,321	1,475	1,536	1,521	1,274	1,086
8	France	16,146	14,468	15,112	13,720	14,040	13,685	14,031	14,440	14,154	13,011
9	Germany	2,865	3,343	3,371	3,406	3,788	3,117	4,044	3,311	3,863	4,707
10	Greece	788	727	553	562	537	567	492	506	590	619
11	Italy	6,662	6,052	8,242	7,346	8,584	9,835	10,282	10,619	10,507	9,876
12	Netherlands	1,904	1,761	2,546	2,461	2,268	2,688	2,642	2,267	2,041	2,075
13	Norway	609	782	669	665	687	567	731	722	731	707
14	Portugal	376	292	344	350	368	361	398	367	382	387
15	Spain	1,930	2,668	1,881	2,155	3,355	3,726	2,687	3,880	3,730	2,590
16	Sweden	1,773	2,094	2,335	2,928	2,636	3,062	3,007	6,745	5,982	6,582
17	Switzerland	6,141	4,202	4,540	3,921	3,375	4,095	4,144	3,973	3,683	3,934
18	Turkey	1,071	1,405	1,063	1,076	943	927	1,130	976	1,173	1,001
19	United Kingdom	65,527	65,151	60,435	57,082	57,920	66,365	62,509	63,932	62,815	58,836
20	Yugoslavia	1,329	1,142	825	810	807	781	735	697	693	678
21	Others in Western Europe[2]	1,302	597	789	1,116	879	821	894	771	1,227	956
22	U.S.S.R.	1,179	530	1,970	2,491	2,659	2,824	2,948	3,035	3,153	3,280
23	Other Eastern Europe[3]	921	499	597	589	490	518	592	415	407	544
24	Canada	15,451	16,091	15,094	15,874	15,468	15,121	16,460	16,386	17,443	15,158
25	Latin America and Caribbean	230,438	231,506	246,064	245,236	251,703	239,307	238,502	243,517	234,112	217,565
26	Argentina	9,270	6,967	5,869	5,834	5,788	5,949	5,956	5,396	5,614	4,516
27	Bahamas	77,921	76,525	87,173	84,163	88,866	82,118	84,668	83,141	74,816	62,615
28	Bermuda	1,315	4,056	2,191	4,444	3,649	6,377	4,283	4,951	6,099	6,298
29	Brazil	23,749	17,995	11,845	12,749	12,375	12,321	12,183	12,020	12,186	12,288
30	British West Indies	68,749	88,565	107,866	106,758	109,453	100,777	100,352	106,661	104,181	99,771
31	Chile	4,353	3,271	2,805	2,746	2,779	2,922	3,055	3,227	3,118	3,491
32	Colombia	2,784	2,587	2,425	2,330	2,339	2,322	2,328	2,304	2,398	2,322
33	Cuba	1	0	0	0	0	2	0	0	0	0
34	Ecuador	1,688	1,387	1,053	1,034	993	986	939	936	950	949
35	Guatemala	197	191	228	230	233	216	171	173	167	189
36	Jamaica	297	238	158	158	152	150	143	150	151	150
37	Mexico	23,376	14,851	16,567	17,326	17,315	17,367	16,900	16,455	16,331	16,532
38	Netherlands Antilles	1,921	7,998	1,207	979	1,181	1,265	904	920	941	966
39	Panama	1,740	1,471	1,560	1,659	1,704	1,834	1,926	2,199	2,025	2,053
40	Peru	771	663	739	669	644	715	666	719	708	708
41	Uruguay	929	786	599	604	604	685	717	765	749	799
42	Venezuela	9,652	2,571	2,516	2,240	2,188	2,010	2,046	2,215	2,360	2,585
43	Other	1,726	1,384	1,263	1,293	1,440	1,291	1,265	1,285	1,318	1,333
44	Asia	157,474	138,722	125,288	122,662	119,631	116,770	117,259	112,406	115,961	116,491
	China										
45	People's Republic of China	634	620	747	699	719	660	729	685	642	696
46	Republic of China (Taiwan)	2,776	1,952	2,087	1,881	1,969	2,008	1,808	1,778	1,965	1,982
47	Hong Kong	11,128	10,648	9,617	9,721	10,466	8,520	9,127	8,272	9,103	8,010
48	India	621	655	441	418	518	504	475	458	512	528
49	Indonesia	651	933	952	1,061	1,096	1,055	1,132	1,085	1,090	1,108
50	Israel	813	774	860	943	901	837	874	888	901	920
51	Japan	111,300	90,699	84,833	80,267	74,615	72,116	74,430	69,269	71,159	71,491
52	Korea (South)	5,323	5,766	6,048	6,295	6,423	6,218	5,796	5,927	6,063	6,201
53	Philippines	1,344	1,247	1,910	1,789	1,831	1,690	1,618	1,648	1,635	1,775
54	Thailand	1,140	1,573	1,713	1,621	1,599	1,618	1,703	1,756	1,705	1,657
55	Middle Eastern oil-exporting countries[4]	10,149	10,749	8,284	10,981	12,291	14,562	13,453	14,505	14,323	14,783
56	Other	11,594	13,106	7,796	6,986	7,203	6,982	6,114	6,135	6,863	7,340
57	Africa	5,890	5,445	4,928	4,741	4,758	4,818	4,582	4,548	4,452	4,505
58	Egypt	502	380	294	223	271	242	218	256	261	243
59	Morocco	559	513	575	550	547	547	529	527	496	483
60	South Africa	1,628	1,525	1,235	1,189	1,176	1,239	1,128	1,070	1,047	1,066
61	Zaire	16	16	4	4	4	4	4	4	4	4
62	Oil-exporting countries[5]	1,648	1,486	1,298	1,112	1,164	1,160	1,162	1,159	1,157	1,180
63	Other	1,537	1,525	1,522	1,663	1,596	1,626	1,541	1,532	1,487	1,529
64	Other	2,354	1,892	2,306	2,715	2,169	2,353	2,339	2,863	3,187	2,493
65	Australia	1,781	1,413	1,665	1,478	1,388	1,424	1,197	1,725	1,937	1,463
66	Other	573	479	641	1,237	781	929	1,142	1,138	1,250	1,030
67	Nonmonetary international and regional organizations[6]	3,862	4,793	6,283	6,450	6,373	4,789	4,801	5,994	3,421	4,389

1. Reporting banks include all types of depository institutions, as well as some brokers and dealers.
2. Includes the Bank for International Settlements and Eastern European countries not listed in line 23.
3. Comprises Bulgaria, Czechoslovakia, Hungary, Poland, and Romania.
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 Western Europe."

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. Dollars

Millions of dollars, end of period

Claim	1989	1990	1991	1992						
				Feb.[r]	Mar.[r]	Apr.[r]	May[r]	June[r]	July[r]	Aug.[p]
1 **Total**	**593,087**	**579,044**	**579,622**	....	**576,230**	....	....	**565,572**	....	....
2 Banks' claims	534,492	511,543	514,318	508,549	512,876	506,854	504,682	511,926	503,054	479,305
3 Foreign public borrowers	60,511	41,900	37,130	38,341	36,892	34,585	34,637	35,956	32,936	31,983
4 Own foreign offices[2]	296,011	304,315	318,894	305,943	318,350	302,551	308,342	314,613	302,221	288,011
5 Unaffiliated foreign banks	134,885	117,272	116,569	119,029	113,936	120,195	116,823	112,012	113,882	105,129
6 Deposits	78,185	65,253	69,168	70,885	67,007	70,703	70,205	63,643	62,997	55,902
7 Other	56,700	52,019	47,401	48,144	46,929	49,492	46,618	48,369	50,885	49,227
8 All other foreigners	43,085	48,056	41,725	45,236	43,698	49,523	44,880	49,345	54,015	54,182
9 Claims of banks' domestic customers[3]	58,594	67,501	65,304	....	63,354	....	....	53,646	....	....
10 Deposits	13,019	14,375	15,240	....	17,522	....	....	17,098	....	....
11 Negotiable and readily transferable instruments[4]	30,983	41,333	37,125	....	33,115	....	....	24,240	....	....
12 Outstanding collections and other claims	14,592	11,792	12,939	....	12,717	....	....	12,308	....	....
13 MEMO: Customer liability on acceptances	12,899	13,628	8,974	....	7,887	....	....	7,571	....	....
14 Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	45,767	44,638	38,888	39,117	37,028	34,255	32,963	33,083	34,092	n.a.

1. For banks' claims, data are monthly; for claims of banks' domestic customers, data are quarterly.
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 *Consolidated Report of Condition* filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts due from head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.
3. Assets held by reporting banks for the account of their domestic customers.
4. Principally negotiable time certificates of deposit and bankers acceptances.
5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad. For description of changes in data reported by nonbanks, see *Federal Reserve Bulletin*, vol. 65 (July 1979), p. 550.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. Dollars

Millions of dollars, end of period

Maturity, by borrower and area	1988[r]	1989[r]	1990[r]	1991		1992	
				Sept.	Dec.	Mar.	June
1 **Total**	**233,184**	**238,123**	**206,903**	**195,275**	**195,187**	**194,219**	**196,909**
By borrower							
2 Maturity of one year or less[2]	172,634	178,346	165,985	160,395	162,515	161,266	162,438
3 Foreign public borrowers	26,562	23,916	19,305	17,601	21,047	20,241	20,491
4 All other foreigners	146,072	154,430	146,680	142,794	141,468	141,025	141,947
5 Maturity of more than one year[2]	60,550	59,776	40,918	34,880	32,672	32,953	34,471
6 Foreign public borrowers	35,291	36,014	22,269	17,935	15,866	16,344	15,154
7 All other foreigners	25,259	23,762	18,649	16,945	16,806	16,609	19,317
By area							
Maturity of one year or less[2]							
8 Europe	55,909	53,913	49,184	51,211	51,875	52,608	54,977
9 Canada	6,282	5,910	5,450	5,682	6,474	6,926	7,926
10 Latin America and Caribbean	57,991	53,003	49,782	47,289	43,521	48,597	49,189
11 Asia	46,224	57,755	53,258	50,010	51,007	43,605	41,386
12 Africa	3,337	3,225	3,040	2,815	2,549	2,486	2,142
13 All other[3]	2,891	4,541	5,272	3,388	7,089	7,044	6,818
Maturity of more than one year[2]							
14 Europe	4,666	4,121	3,859	3,733	3,883	4,355	6,791
15 Canada	1,922	2,353	3,290	3,706	3,546	3,250	3,178
16 Latin America and Caribbean	47,547	45,816	25,774	19,282	18,264	18,180	16,891
17 Asia	3,613	4,172	5,165	5,635	4,459	4,738	5,007
18 Africa	2,301	2,630	2,374	2,393	2,335	2,191	2,341
19 All other[3]	501	684	456	131	185	239	263

1. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.
2. Maturity is time remaining to maturity.
3. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. Offices and Foreign Branches of U.S.-Chartered Banks[1]

Billions of dollars, end of period

Area or country	1988	1989	1990			1991				1992	
			June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June[p]
1 **Total**	**346.3**	**338.8**	**321.7**	**331.5**	**317.8**	**325.4**	**320.8**	**335.5**	**341.5[r]**	**347.4[r]**	**355.2**
2 G-10 countries and Switzerland	152.7	152.9	139.3	143.6	132.1	129.9	130.1	134.0	137.3	130.2[r]	135.5
3 Belgium and Luxembourg	9.0	6.3	6.2	6.5	5.9	6.2	6.1	5.8	6.0	5.3	6.2
4 France	10.5	11.7	10.2	11.1	10.4	9.7	10.5	11.1	11.0	9.9	11.8
5 *Germany*	*10.3*	*10.5*	*11.2*	*11.1*	*10.6*	8.8	8.3	9.7	8.3	8.4[r]	8.7
6 Italy	6.8	7.4	5.4	4.4	5.0	4.0	3.6	4.5	5.6	5.4	8.0
7 Netherlands	2.7	3.1	2.7	3.8	3.0	3.3	3.3	3.0	4.7	4.3	3.3
8 Sweden	1.8	2.0	2.3	2.3	2.2	2.0	2.5	2.1	1.9	2.0	2.0
9 Switzerland	5.4	7.1	6.3	5.6	4.4	3.7	3.3	3.9	3.4	3.2	4.6
10 United Kingdom	66.2	67.2	59.9	62.6	60.8	62.2	59.8	64.9	68.5	64.6[r]	65.9
11 Canada	5.0	5.4	5.1	5.0	5.9	6.8	8.2	5.9	5.9	6.6	6.7
12 Japan	34.9	32.2	30.1	31.3	23.9	23.2	24.6	23.2	22.2	20.7	18.3
13 Other industrialized countries	21.0	20.7	22.4	23.0	22.6	23.1	21.1	21.7	22.7[r]	21.2	25.4
14 Austria	1.5	1.5	1.5	1.6	1.4	1.4	1.1	1.0	.6	.8	.8
15 Denmark	1.1	1.1	1.1	1.1	1.1	.9	1.2	.9	.9	.8	1.3
16 Finland	1.1	1.0	.9	.8	.7	1.0	.8	.7	.7	.8	.8
17 Greece	1.8	2.5	2.7	2.8	2.7	2.5	2.4	2.3	2.6	2.3	2.8
18 Norway	1.8	1.4	1.4	1.6	1.6	1.5	1.5	1.4	1.4	1.5	1.7
19 Portugal	.4	.4	.8	.6	.6	.6	.6	.5	.6	.5	.5
20 Spain	6.2	7.1	7.8	8.4	8.3	9.0	7.1[r]	8.3	8.3[r]	7.7[r]	10.1
21 Turkey	1.5	1.2	1.4	1.6	1.7	1.7	1.9	1.6	1.4	1.2	1.5
22 Other Western Europe	1.3	.7	1.1	.7	.9	.8	.9	1.0	1.6	1.3	1.9
23 South Africa	2.4	2.0	1.9	1.9	1.8	1.8	1.8	1.6	1.9	1.8	1.7
24 Australia	1.8	1.6	1.8	2.0	1.8	1.9	2.0	2.4	2.7	2.3	2.3
25 OPEC[2]	16.6	17.1	15.3	14.2	12.8	17.1	14.0	15.6	14.6	15.8[r]	16.2
26 Ecuador	1.7	1.3	1.1	1.1	1.0	.9	.9	.8	.7	.7	.7
27 Venezuela	7.9	7.0	6.0	6.0	5.0	5.1	5.3	5.6	5.4	5.4	5.3
28 Indonesia	1.7	2.0	2.0	2.3	2.7	2.8	2.6	2.8	2.8	3.0[r]	3.0
29 Middle East countries	3.4	5.0	4.4	3.1	2.5	6.6	3.7	5.0	4.2	5.3	5.9
30 African countries	1.9	1.7	1.8	1.7	1.7	1.6	1.5	1.5	1.5	1.4	1.4
31 Non-OPEC developing countries	85.3	77.5	66.7	67.1	65.4	66.4	65.0	65.0	64.3	70.6[r]	69.1
Latin America											
32 Argentina	9.0	6.3	5.2	5.0	5.0	4.7	4.6	4.5	4.8	5.0	5.1
33 Brazil	22.4	19.0	16.7	15.4	14.4	13.9	11.6	10.5	9.5	10.8	10.6
34 Chile	5.6	4.6	3.7	3.6	3.5	3.6	3.6	3.7	3.6	3.9	4.0
35 Colombia	2.1	1.8	1.7	1.8	1.8	1.7	1.6	1.6	1.7	1.6	1.6
36 Mexico	18.8	17.7	12.6	12.8	13.0	13.7	14.3	16.2	15.5	18.2	16.5
37 Peru	.8	.6	.5	.5	.5	.5	.5	.4	.4	.4	.4
38 Other	2.6	2.8	2.3	2.4	2.3	2.2	2.0	1.9	2.1	2.2	2.2
Asia											
China											
39 Peoples Republic of China	.3	.3	.2	.2	.2	.4	.6	.4	.3	.3	.3
40 Republic of China (Taiwan)	3.7	4.5	3.6	4.0	3.5	3.6	4.1	4.1	4.1	4.8[r]	4.9
41 India	2.1	3.1	3.6	3.6	3.3	3.5	3.0	2.8	3.0	3.6	3.8
42 Israel	1.2	.7	.7	.6	.5	.5	.5	.5	.5	.4	.4
43 Korea (South)	6.1	5.9	5.6	6.2	6.2	6.8	6.9	6.5	6.8	6.9	6.9
44 Malaysia	1.6	1.7	1.8	1.8	1.9	2.0	2.1	2.3	2.3	2.5	2.7
45 Philippines	4.5	4.1	3.9	3.9	3.8	3.7	3.7	3.6	3.7	3.6	3.0
46 Thailand	1.1	1.3	1.3	1.5	1.5	1.6	1.7	1.9	1.7	1.7	1.9
47 Other Asia[3]	.9	1.0	1.1	1.6	1.7	2.1	2.3	2.3	2.4	2.7	3.1
Africa											
48 Egypt	.4	.4	.5	.4	.4	.4	.4	.4	.4	.3	.5
49 Morocco	.9	.9	.9	.9	.8	.8	.7	.7	.7	.7	.7
50 Zaire	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
51 Other Africa[3]	1.1	1.0	.8	.8	1.0	.8	.8	.8	.7	.7	.6
52 Eastern Europe	3.6	3.5	2.9	2.7	2.3	2.1	2.1	1.8	2.4	2.9	3.0
53 U.S.S.R.	.7	.7	.4	.4	.2	.3	.4	.4	.9	1.4	1.7
54 Yugoslavia	1.8	1.6	1.4	1.3	1.2	1.0	1.0	.8	.9	.8	.7
55 Other	1.1	1.3	1.1	1.1	.9	.8	.7	.7	.7	.6	.6
56 Offshore banking centers	44.2	36.6	40.3	42.6	42.5	50.1	48.3	52.4	51.9	58.5	56.6
57 Bahamas	11.0	5.5	8.5	8.9	2.8	8.4	6.8	6.7	12.0	14.1[r]	12.1
58 Bermuda	.9	1.7	2.5	4.5	4.4	4.4	4.2	7.1	2.2	3.9	5.1
59 Cayman Islands and other British West Indies	12.9	9.0	8.5	9.3	11.5	14.1	14.9	13.8	15.9	17.4	18.0
60 Netherlands Antilles	1.0	2.3	2.3	2.2	7.9	1.1	1.4	3.5	1.2	1.0	.8
61 Panama[4]	2.5	1.4	1.4	1.5	1.4	1.5	1.3	1.3	1.3	1.3	1.4
62 Lebanon	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
63 Hong Kong	9.6	9.7	10.0	8.7	7.7	11.6	12.4	12.1	12.2	12.2	12.7
64 Singapore	6.1	7.0	7.0	7.5	6.6	8.9	7.2	7.7	7.1	8.5	6.4
65 Other[5]	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
66 Miscellaneous and unallocated[6]	22.6	30.3	34.5	38.1	39.8	36.4[r]	39.9[r]	44.6[r]	48.2[r]	48.0[r]	49.1

1. The banking offices covered by these data are the U.S. offices and foreign branches of U.S.-owned banks and of U.S. subsidiaries of foreign-owned banks. Offices *not* covered include (1) U.S. agencies and branches of foreign banks, and (2) foreign subsidiaries of U.S. banks. To minimize duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution. The data in this table combine foreign branch claims in table 3.14 (the sum of lines 7 through 10) with the claims of U.S. offices in table 3.18 (excluding those held by agencies and branches of foreign banks and those constituting claims on own foreign branches).

Since June 1984, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from $50 million to $150 million equivalent in total assets, the threshold now applicable to all reporting branches.

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.

4. Includes Canal Zone beginning December 1979.

5. Foreign branch claims only.

6. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

Type and area or country	1988[r]	1989[r]	1990[r]	1991				1992	
				Mar.	June	Sept.	Dec.	Mar.	June
1 **Total**	**32,952**	**38,764**	**44,988**	**41,787**	**40,472**	**41,916**	**41,505**	**43,495**	**43,221**
2 *Payable in dollars*	27,335	33,973	39,791	37,211	36,003	37,210	36,225	38,174	36,914
3 Payable in foreign currencies	5,617	4,791	5,197	4,576	4,469	4,706	5,280	5,321	6,307
By type									
4 Financial liabilities	14,507	17,879	20,010	18,606	18,260	20,350	20,242	21,664	21,382
5 Payable in dollars	10,608	14,035	15,984	15,266	14,947	16,675	16,242	17,566	16,261
6 *Payable in foreign currencies*	3,900	3,844	4,026	3,340	3,313	3,675	4,000	4,098	5,121
7 Commercial liabilities	18,445	20,885	24,977	23,181	22,212	21,566	21,263	21,831	21,839
8 Trade payables	6,505	8,070	10,683	8,793	8,569	8,313	8,310	8,914	9,198
9 Advance receipts and other liabilities	11,940	12,815	14,294	14,388	13,644	13,253	12,953	12,917	12,641
10 Payable in dollars	16,727	19,938	23,807	21,945	21,056	20,535	19,983	20,608	20,653
11 Payable in foreign currencies	1,717	947	1,170	1,236	1,157	1,031	1,280	1,223	1,186
By area or country									
Financial liabilities									
12 Europe	9,962	11,660	10,346	9,559	9,634	11,403	10,814	12,071	12,604
13 Belgium and Luxembourg	289	340	394	335	355	397	217	174	194
14 France	359	258	700	632	556	1,747	1,593	1,997	2,324
15 Germany	699	464	621	561	658	652	649	636	836
16 Netherlands	880	941	1,081	1,036	1,026	1,050	1,056	1,025	979
17 Switzerland	1,033	541	516	517	484	468	360	355	470
18 United Kingdom	6,533	8,818	6,395	5,810	5,932	6,521	6,294	6,977	6,925
19 Canada	388	610	229	278	293	305	267	283	337
20 Latin America and Caribbean	839	1,357	4,153	4,255	3,808	3,883	4,307	4,047	3,298
21 Bahamas	184	157	371	392	375	314	537	396	343
22 Bermuda	0	17	0	0	12	0	114	114	114
23 Brazil	0	0	0	0	0	6	6	8	10
24 British West Indies	645	724	3,160	3,293	2,816	2,961	3,047	2,915	2,157
25 Mexico	1	6	5	6	6	6	7	7	8
26 Venezuela	0	0	4	4	4	4	4	4	4
27 Asia	3,312	4,151	4,872	4,510	4,515	4,755	4,796	5,168	5,054
28 Japan	2,563	3,299	3,637	3,432	3,339	3,605	3,557	3,906	3,958
29 Middle East oil-exporting countries[2]	3	2	5	1	4	19	13	13	10
30 Africa	2	2	2	2	9	3	6	7	0
31 Oil-exporting countries[3]	0	0	0	0	7	2	4	6	0
32 *All other*[4]	4	100	409	2	2	1	52	88	89
Commercial liabilities									
33 Europe	7,319	9,071	10,310	9,666	8,607	8,084	7,808	7,491	6,907
34 Belgium and Luxembourg	158	175	275	261	245	225	248	256	238
35 France	455	877	1,218	1,203	1,185	992	830	671	641
36 Germany	1,699	1,392	1,270	1,383	1,040	911	944	878	650
37 Netherlands	587	710	844	729	729	751	709	574	588
38 Switzerland	417	693	775	661	580	492	488	482	396
39 United Kingdom	2,079	2,620	2,792	2,755	2,289	2,217	2,310	2,444	2,358
40 Canada	1,217	1,124	1,261	1,251	1,208	1,011	990	1,094	997
41 Latin America and Caribbean	1,090	1,224	1,672	1,589	1,619	1,512	1,352	1,701	1,794
42 Bahamas	49	41	12	14	5	14	3	13	8
43 Bermuda	286	308	538	494	504	450	310	493	406
44 Brazil	95	100	145	216	180	211	219	230	212
45 British West Indies	34	27	30	35	49	46	107	108	73
46 Mexico	217	323	475	343	358	291	304	375	473
47 Venezuela	114	164	130	129	119	102	94	168	278
48 Asia	6,915	7,550	9,483	8,595	8,752	8,855	9,330	9,889	10,419
49 Japan	3,094	2,914	3,651	3,423	3,411	3,363	3,720	3,548	3,547
50 Middle Eastern oil-exporting countries[2,5]	1,385	1,632	2,016	1,543	1,657	1,780	1,498	1,591	1,778
51 Africa	576	886	844	617	596	836	713	644	775
52 Oil-exporting countries[3]	202	339	422	211	226	357	327	253	389
53 Other[4]	1,328	1,030	1,406	1,464	1,431	1,268	1,070	1,012	947

1. For a description of the changes in the international statistics tables, see *Federal Reserve Bulletin*, vol. 65, (July 1979), p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.
5. Revisions include a reclassification of transactions, which also affects the totals for Asia and the grand totals.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

Type, and area or country	1988[r]	1989[r]	1990[r]	1991 Mar.	1991 June	1991 Sept.	1991 Dec.	1992 Mar.	1992 June
1 **Total**	**33,805**	**33,173**	**35,365**	**35,578**	**37,124**	**38,345**	**42,386**	**41,746**	**41,067**
2 Payable in dollars	31,425	30,773	32,777	33,279	35,037	35,982	39,829	39,135	38,161
3 Payable in foreign currencies	2,381	2,400	2,589	2,299	2,087	2,363	2,557	2,611	2,906
By type									
4 Financial claims	21,640	19,297	19,891	19,746	20,904	22,566	25,320	25,029	24,263
5 Deposits	15,643	12,353	13,727	13,115	12,576	16,227	17,177	16,819	14,956
6 Payable in dollars	14,544	11,364	12,552	12,052	11,758	15,182	16,253	15,626	13,631
7 Payable in foreign currencies	1,099	989	1,175	1,063	817	1,045	924	1,193	1,325
8 Other financial claims	5,997	6,944	6,164	6,631	8,328	6,339	8,143	8,210	9,307
9 Payable in dollars	5,220	6,190	5,297	5,960	7,656	5,641	7,322	7,521	8,643
10 Payable in foreign currencies	777	754	866	671	673	698	821	689	664
11 Commercial claims	12,166	13,876	15,475	15,832	16,220	15,779	17,066	16,717	16,804
12 Trade receivables	11,091	12,253	13,657	13,843	14,120	13,429	14,389	14,168	14,389
13 Advance payments and other claims	1,075	1,624	1,817	1,989	2,100	2,350	2,677	2,549	2,415
14 Payable in dollars	11,660	13,219	14,927	15,266	15,623	15,159	16,254	15,988	15,887
15 Payable in foreign currencies	505	657	548	566	597	620	812	729	917
By area or country									
Financial claims									
16 Europe	10,278	8,463	9,651	10,640	11,875	13,131	13,523	14,083	13,097
17 Belgium and Luxembourg	18	28	76	86	74	76	13	12	25
18 France	203	153	371	208	271	255	312	277	786
19 Germany	120	152	367	312	298	434	342	290	381
20 Netherlands	348	238	265	380	429	420	385	727	732
21 Switzerland	217	153	357	422	433	580	591	682	779
22 United Kingdom	9,039	7,496	7,971	9,016	10,222	10,997	11,226	11,507	8,663
23 Canada	2,325	1,904	2,934	1,929	2,017	2,172	2,674	2,744	2,537
24 Latin America and Caribbean	8,160	8,020	6,201	6,278	5,926	6,289	7,793	6,836	6,990
25 Bahamas	1,846	1,890	1,090	825	457	652	758	400	523
26 Bermuda	19	7	3	6	4	19	8	12	12
27 Brazil	47	224	68	68	127	137	192	191	181
28 British West Indies	5,763	5,486	4,635	4,949	4,957	5,106	6,300	5,748	5,804
29 Mexico	151	94	177	179	161	176	321	318	343
30 Venezuela	21	20	25	28	29	32	40	34	32
31 Asia	623	590	860	568	747	619	962	1,009	1,280
32 Japan	354	213	523	246	398	277	385	423	712
33 Middle East oil-exporting countries[2]	5	8	8	11	4	3	5	3	4
34 Africa	106	140	37	62	64	61	57	60	57
35 Oil-exporting countries[3]	10	12	0	3	1	1	1	0	0
36 All other[4]	148	180	207	269	275	294	311	297	302
Commercial claims									
37 Europe	5,181	6,209	7,044	7,060	7,464	6,884	7,865	7,809	7,852
38 Belgium and Luxembourg	189	242	212	227	220	190	192	181	213
39 France	672	964	1,240	1,273	1,402	1,330	1,539	1,552	1,534
40 Germany	669	696	807	874	958	858	934	929	892
41 Netherlands	212	479	555	604	707	641	643	645	655
42 Switzerland	344	313	301	325	296	258	295	327	359
43 United Kingdom	1,324	1,575	1,775	1,639	1,817	1,807	2,078	2,069	2,078
44 Canada	983	1,091	1,074	1,213	1,241	1,232	1,169	1,167	1,118
45 Latin America and Caribbean	2,241	2,184	2,375	2,334	2,433	2,494	2,590	2,564	2,619
46 Bahamas	36	58	14	15	16	8	11	11	9
47 Bermuda	230	323	246	231	247	255	263	272	283
48 Brazil	299	297	326	327	309	385	418	361	431
49 British West Indies	22	36	40	49	43	37	41	45	31
50 Mexico	461	508	661	653	710	741	828	889	846
51 Venezuela	227	147	192	181	195	196	202	206	246
52 Asia	2,993	3,570	4,127	4,357	4,201	4,282	4,552	4,326	4,387
53 Japan	946	1,199	1,460	1,816	1,645	1,808	1,861	1,770	1,753
54 Middle Eastern oil-exporting countries[2]	453	518	460	498	501	496	622	636	601
55 Africa	435	429	488	394	428	431	418	417	417
56 Oil-exporting countries[3]	122	108	67	68	63	80	95	75	70
57 Other[4]	333	393	367	474	454	456	472	434	411

1. For a description of the changes in the international statistics tables, see *Federal Reserve Bulletin*, vol. 65 (July 1979), p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transaction and area or country	1990[r]	1991	1992 Jan.–Aug.	1992 Feb.	1992 Mar.	1992 Apr.	1992 May	1992 June	1992 July	1992 Aug.
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	173,293	211,204	148,025	21,429	18,857	17,536	18,664	16,525	18,547	13,165
2 Foreign sales	188,419	200,116	154,299	21,200	19,423	18,034	18,602	17,537	18,764	14,839
3 **Net purchases or sales (−)**	**−15,126**	**11,088**	**−6,274**	**229**	**−566**	**−498**	**62**	**−1,012**	**−217**	**−1,674**
4 **Foreign countries**	**−15,197**	**10,520**	**−6,374**	**230**	**−588**	**−531**	**27**	**−1,170**	**−234**	**−1,629**
5 Europe	−8,479	50	−5,213	−108	−88	−730	278	−1,184	−964	−1,099
6 France	−1,234	9	−801	−224	−27	−217	−121	−148	10	−46
7 Germany	−367	−63	−109	30	−36	−48	149	−4	−14	−26
8 Netherlands	−397	−227	−335	−115	−17	−38	76	−217	−14	−54
9 Switzerland	−2,866	−131	275	304	260	90	122	−10	−55	−150
10 United Kingdom	−2,980	−354	−3,865	−306	−237	−334	−11	−691	−741	−663
11 Canada	886	3,845	1,692	234	410	412	230	74	131	−59
12 Latin America and Caribbean	−1,330	2,177	993	359	−322	45	43	−109	−24	−24
13 Middle East[1]	−2,435	−134	−15	101	121	−95	85	51	4	−11
14 Other Asia	−3,477	4,255	−4,139	−399	−886	−158	−557	141	373	−442
15 Japan	−2,891	1,179	−4,118	−617	−496	−318	−401	35	174	−301
16 Africa	−63	153	42	15	4	−1	20	−1	−7	−1
17 Other countries	−298	174	266	28	173	−4	−72	−142	253	7
18 **Nonmonetary international and regional organizations**	**71**	**568**	**100**	**−1**	**22**	**33**	**35**	**158**	**17**	**−45**
BONDS[2]										
19 Foreign purchases	118,764	153,096	141,453	17,983	17,429	16,722	17,539	16,691	18,274	20,327
20 Foreign sales	102,047	125,634	113,337	14,790	14,398	11,666	13,222	12,407	16,301	16,202
21 **Net purchases or sales (−)**	**16,717**	**27,462**	**28,116**	**3,193**	**3,031**	**5,056**	**4,317**	**4,284**	**1,973**	**4,125**
22 **Foreign countries**	**17,187**	**27,592**	**27,891**	**3,187**	**2,942**	**4,861**	**4,388**	**4,205**	**2,094**	**4,110**
23 Europe	10,079	13,115	12,947	2,345	1,183	2,003	1,920	1,420	983	1,705
24 France	373	847	860	58	−34	363	−45	364	161	−5
25 Germany	−377	1,577	1,406	277	116	391	67	11	−37	−13
26 Netherlands	172	482	148	12	−15	−122	123	64	177	22
27 Switzerland	284	656	−283	252	124	−393	−40	−53	−13	−93
28 United Kingdom	10,383	8,933	9,639	1,756	745	1,543	1,496	847	714	1,635
29 Canada	1,906	1,623	−253	97	−72	87	−68	−111	67	−100
30 Latin America and Caribbean	4,328	2,672	6,377	708	1,443	572	1,022	619	663	878
31 Middle East[1]	3	1,787	2,023	−27	349	338	455	376	239	284
32 Other Asia	1,120	8,459	6,778	41	75	1,778	1,088	1,904	231	1,364
33 Japan	727	5,767	403	−121	−316	687	324	740	−710	−458
34 Africa	96	52	113	15	28	19	6	−6	22	1
35 Other countries	−344	−116	−94	8	−64	64	−35	3	−111	−22
36 **Nonmonetary international and regional organizations**	**−471**	**−131**	**225**	**6**	**89**	**195**	**−71**	**79**	**−121**	**15**
	Foreign securities									
37 Stocks, net purchases or sales (−)[3]	−9,205	−31,967	−16,966	−2,293	−2,801	−2,295	−913	72	−3,240	−2,913
38 Foreign purchases	122,641	120,598	99,047	10,628	12,977	11,336	13,871	14,604	13,469	9,685
39 Foreign sales[3]	131,846	152,565	116,013	12,921	15,778	13,631	14,784	14,532	16,709	12,598
40 Bonds, net purchases or sales (−)	−22,412	−14,828	−11,917	269	−357	−1,318	−2,767	−1,626	−4,708	−43
41 Foreign purchases	314,645	330,311	291,689	33,576	33,045	30,421	33,109	40,145	42,414	42,796
42 Foreign sales	337,057	345,139	303,606	33,307	33,402	31,739	35,876	41,771	47,122	42,839
43 **Net purchases or sales (−), of stocks and bonds**	**−31,617**	**−46,795**	**−28,883**	**−2,024**	**−3,158**	**−3,613**	**−3,680**	**−1,554**	**−7,948**	**−2,956**
44 **Foreign countries**	**−28,943**	**−46,711**	**−32,144**	**−2,189**	**−3,492**	**−4,768**	**−3,706**	**−1,938**	**−8,807**	**−3,043**
45 Europe	−8,443	−34,452	−19,927	−2,251	−605	−2,972	−163	−1,437	−5,751	−2,238
46 Canada	−7,502	−7,004	−4,912	1,154	−513	−904	−710	−852	−2,212	133
47 Latin America and Caribbean	−8,854	759	−1,304	708	−479	−845	−1,278	−556	1,623	341
48 Asia	−3,828	−7,350	−5,376	−1,524	−1,596	122	−1,235	372	−2,459	−1,252
49 Africa	−137	−9	−72	−10	1	9	−99	7	14	11
50 Other countries	−180	1,345	−553	−266	−300	−178	−221	528	−22	−38
51 **Nonmonetary international and regional organizations**	**−2,673**	**−84**	**3,261**	**165**	**334**	**1,155**	**26**	**384**	**859**	**87**

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. In a July 1989 merger, the former stockholders of a U.S. company received $5,453 million in shares of the new combined U.K. company. This transaction is not reflected in the data.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions

Millions of dollars

Country or area	1990[r]	1991	1992 Jan.–Aug.	1992 Feb.	1992 Mar.	1992 Apr.	1992 May	1992 June	1992 July	1992 Aug.
	Transactions, net purchases or sales (−) during period[1]									
1 **Estimated total[2]**	**18,927**	**19,865**	**24,641**	**4,632**	**−9,464**	**6,558**	**−7,924**	**14,448**	**−1,873**	**6,994**
2 Foreign countries[2]	18,764	19,687	22,908	5,015	−10,063	7,579	−6,945	11,758	−2,297	7,348
3 Europe[2]	18,455	8,663	9,236	7,751	−4,679	3,207	−7,302	3,828	−2,464	3,521
4 Belgium and Luxembourg	10	523	1,436	296	−91	21	289	−49	331	80
5 Germany[2]	5,880	−4,725	1,870	287	−242	441	329	824	−829	255
6 Netherlands	1,077	−3,735	−3,667	−967	245	−219	−338	227	−1,046	367
7 Sweden	1,152	−663	−487	300	102	−123	−3	372	−26	−1,289
8 Switzerland[2]	112	1,007	−1,688	−388	−411	10	−579	3	−389	−76
9 United Kingdom	−1,259	6,218	10,110	6,582	−1,663	2,820	−5,867	1,664	193	3,752
10 Other Western Europe	11,463	10,024	1,234	1,601	−2,629	257	−1,099	587	−895	417
11 Eastern Europe	13	13	428	40	10	0	−34	200	197	15
12 Canada	−4,627	−3,019	5,571	−1,169	−460	185	2,627	47	2,520	900
13 Latin America and Caribbean	14,734	10,285	−2,576	−539	−1,361	2,780	−320	3,589	−2,869	−1,563
14 Venezuela	33	10	315	169	73	−124	−196	−149	216	60
15 Other Latin America and Caribbean	3,943	4,179	1,017	−351	−262	3,723	−2,472	1,795	−589	−758
16 Netherlands Antilles	10,757	6,097	−3,908	−357	−1,172	−819	2,348	1,943	−2,496	−865
17 Asia	−10,952	3,367	13,418	−430	−3,321	1,363	−2,406	4,129	1,791	4,604
18 Japan	−14,785	−4,081	2,615	−1,933	−3,044	657	1,085	1,638	2,221	2,378
19 Africa	313	689	962	100	125	193	40	92	149	56
20 Other	842	−298	−3,703	−698	−367	−149	416	73	−1,424	−170
21 Nonmonetary international and regional organizations	163	178	1,733	−383	599	−1,021	−979	2,690	424	−354
22 International	287	−358	1,887	−228	801	−762	−747	2,421	365	−160
23 Latin American regional	−2	−72	47	51	0	74	−4	127	−68	−75
MEMO										
24 Foreign countries[2]	18,764	19,687	22,908	5,015	−10,063	7,579	−6,945	11,758	−2,297	7,348
25 Official institutions	23,218	1,190	9,300	−192	−3,136	1,712	−2,685	5,294	−1,073	687
26 Other foreign[2]	−4,453	18,496	13,608	5,207	−6,927	5,867	−4,260	6,464	−1,224	6,661
Oil-exporting countries										
27 Middle East[3]	−387	−6,822	2,926	1,679	233	556	−3,061	947	856	1,093
28 Africa[4]	0	239	7	0	0	15	0	−56	0	0

1. Estimated 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. Includes U.S. Treasury notes, denominated in foreign currencies, publicly issued to private foreign residents.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS[1]

Percent per year

Country	Rate on Oct. 31, 1992		Country	Rate on Oct. 31, 1992		Country	Rate on Oct. 31, 1992	
	Percent	Month effective		Percent	Month effective		Percent	Month effective
Austria	8.0	Oct. 1992	Germany	8.25	Sept. 1992	Norway	10.50	July 1990
Belgium	7.75	Oct. 1992	Italy	14.0	Oct. 1992	Switzerland	6.0	Sept. 1992
Canada	6.30	Oct. 1992	Japan	3.25	July 1992	United Kingdom	12.0	Sept. 1992
Denmark	9.5	Dec. 1991	Netherlands	7.75	Oct. 1992			
France[2]	9.6	Dec. 1991						

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 Feb. 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]

Averages of daily figures, percent per year

Type or country	1989	1990	1991	1992						
				Apr.	May	June	July	Aug.	Sept.	Oct.
1 Eurodollars	10.87	10.01	8.46	4.05	3.84	3.87	3.40	3.33	3.15	3.30
2 United Kingdom	130.48	120.11	101.56	10.56	10.00	9.94	10.10	10.27	9.86	8.23
3 Canada	3.968.50	3.653.50	3.088.00	7.10	6.60	6.03	5.58	5.15	5.33	7.57
4 Germany	7.04	8.41	9.15	9.63	9.70	9.66	9.69	9.79	9.37	8.85
5 Switzerland	6.83	8.71	8.01	8.48	8.77	9.04	8.67	8.09	7.20	6.26
6 Netherlands	7.28	8.57	9.19	9.42	9.43	9.45	9.50	9.73	9.23	8.63
7 France	9.27	10.20	9.49	9.92	9.83	9.98	10.11	10.27	10.51	10.82
8 Italy	12.44	12.11	12.04	12.38	12.39	13.38	15.54	15.27	17.54	15.52
9 Belgium	8.65	9.70	9.30	9.50	9.51	9.50	9.54	9.71	9.44	8.70
10 Japan	5.39	7.75	7.33	4.72	4.72	4.60	4.32	3.87	3.89	3.85

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	1989	1990	1991	1992 May	1992 June	1992 July	1992 Aug.	1992 Sept.	1992 Oct.
1 Australia/dollar[2]	10.870	10.010	8.460	75.587	75.561	74.507	72.479	72.255	71.481
2 Austria/schilling	130.480	120.110	101.560	11.422	11.068	10.500	10.199	10.214	10.436
3 Belgium/franc	3,968.500	3,653.500	3,088.000	33.386	32.362	30.717	29.824	29.917	30.581
4 Canada/dollar	1.1842	1.1668	1.1460	1.1991	1.1960	1.1924	1.1907	1.2225	1.2453
5 China, P.R./yuan	3.7673	4.7921	5.3337	5.5182	5.4893	5.4564	5.4417	5.5048	5.5486
6 Denmark/krone	7.3210	6.1899	6.4038	6.2678	6.0573	5.7409	5.5851	5.6203	5.7278
7 Finland/markka	4.2963	3.8300	4.0521	4.4075	4.2846	4.0803	3.9773	4.4764	4.7096
8 France/franc	6.3802	5.4467	5.6468	5.4548	5.2940	5.0321	4.9119	4.9378	5.0370
9 Germany/deutsche mark	1.8808	1.6166	1.6610	1.6225	1.5726	1.4914	1.4475	1.4514	1.4851
10 Greece/drachma	162.60	158.59	182.63	192.09	190.69	182.89	179.12	182.70	192.50
11 Hong Kong/dollar	7.8008	7.7899	7.7712	7.7421	7.7343	7.7341	7.7318	7.7298	7.7298
12 India/rupee	16.213	17.492	22.712	28.542	28.519	28.564	28.464	28.476	28.477
13 Ireland/pound[2]	141.80	165.76	161.39	164.62	169.80	178.76	183.26	181.90	177.19
14 Italy/lira	1,372.28	1,198.27	1,241.28	1,220.95	1,189.52	1,129.83	1,100.00	1,176.21	1,309.64
15 Japan/yen	138.07	145.00	134.59	130.77	126.84	125.88	126.23	122.60	121.17
16 Malaysia/ringgit	2.7079	2.7057	2.7503	2.5223	2.5187	2.4999	2.4977	2.5029	2.5044
17 Netherlands/guilder	2.1219	1.8215	1.8720	1.8268	1.7719	1.6819	1.6322	1.6348	1.6717
18 New Zealand/dollar[2]	59.793	59.619	57.832	53.514	54.201	54.609	54.057	54.112	53.943
19 Norway/krone	6.9131	6.2541	6.4912	6.3311	6.1493	5.8581	5.7120	5.8116	6.0562
20 Portugal/escudo	157.53	142.70	144.77	135.23	130.79	126.24	124.98	127.86	132.33
21 Singapore/dollar	1.9511	1.8134	1.7283	1.6408	1.6240	1.6142	1.6077	1.5988	1.6081
22 South Africa/rand	2.6214	2.5885	2.7633	2.8483	2.8077	2.7577	2.7629	2.8037	2.8923
23 South Korea/won	674.29	710.64	736.73	786.83	793.60	789.93	792.56	788.76	786.79
24 Spain/peseta	118.44	101.96	104.01	101.47	99.02	94.88	93.05	98.19	105.74
25 Sri Lanka/rupee	35.947	40.078	41.200	43.445	43.941	44.014	44.050	44.159	44.276
26 Sweden/krona	6.4559	5.9231	6.0521	5.8462	5.6792	5.4084	5.2745	5.3685	5.6006
27 Switzerland/franc	1.6369	1.3901	1.4356	1.4907	1.4250	1.3347	1.2966	1.2780	1.3176
28 Taiwan/dollar	26.407	26.918	26.759	25.016	24.770	24.783	25.120	25.227	25.278
29 Thailand/baht	25.725	25.609	25.528	25.550	25.400	25.293	25.265	25.209	25.253
30 United Kingdom/pound[2]	163.82	178.41	176.74	180.95	185.51	191.77	194.34	184.65	165.29
MEMO									
31 United States/dollar[3]	98.60	89.09	89.84	88.30	85.91	82.57	80.97	81.98	85.03

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*

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☐ Aggregate Reserves of Depository Institutions and the Monetary Base. H.3 (502) [1.20]	$15.00	Thursday	Week ended previous Wednesday
☐ Actions of the Board: Applications and Reports Received. H.2 (501)	$35.00	Friday	Week ended previous Saturday
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☐ Factors Affecting Reserves of Depository Institutions and Condition Statement of Federal Reserve Banks. H.4.1 (503) [1.11]	$15.00	Thursday	Week ended previous Wednesday
☐ Foreign Exchange Rates. H.10 (512) [3.28]	$15.00	Monday	Week ended previous Friday
☐ Money Stock, Liquid Assets, and Debt Measures. H.6 (508) [1.21]	$35.00	Thursday	Week ended Monday of previous week
☐ Selected Borrowings in Immediately Available Funds of Large Commercial Banks. H.5 (507) [1.13]	$15.00	Wednesday	Week ended Thursday of previous week
☐ Selected Interest Rates. H.15 (519) [1.35]	$15.00	Monday	Week ended previous Saturday
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Monthly Releases			
☐ Consumer Installment Credit. G.19 (421) [1.55, 1.56]	$ 5.00	5th working day of month	2nd month previous
☐ Debits and Deposit Turnover at Commercial Banks. G.6 (406) [1.22]	$ 5.00	12th of month	Previous month
☐ Finance Companies. G.20 (422) [1.51, 1.52]	$ 5.00	5th working day of month	2nd month previous
☐ Foreign Exchange Rates. G.5 (405) [3.28]	$ 5.00	1st of month	Previous month
☐ Industrial Production and Capacity Utilization. G.17 (419) [2.12, 2.13]	$15.00	Midmonth	Previous month
☐ Loans and Securities at all Commercial Banks. G.7 (407) [1.23]	$ 5.00	3rd week of month	Previous month
☐ Major Nondeposit Funds of Commercial Banks. G.10 (411) [1.24]	$ 5.00	3rd week of month	Previous month
☐ Research Library—Recent Acquisitions. G.15 (417)	Free of charge	1st of month	Previous month
☐ Selected Interest Rates. G.13 (415) [1.35]	$ 5.00	1st Tuesday of month	Previous month

1. Release dates are those anticipated or usually met. However, please note that for some releases there is normally a certain variability because of reporting or processing procedures. Moreover, for all series unusual circumstances may, from time to time, result in a release date being later than anticipated.

The respective *Bulletin* tables that report the data are designated in brackets.

Quarterly Releases	*Annual rate*	*Approximate release days*	*Date of period to which data refer*
☐ Agricultural Finance Databook. E.15 (125)	$ 5.00	End of March, June, September, and December	January, April, July, and October
☐ Country Exposure Lending Survey. E.16 (126)	$ 5.00	January, April, July, and October	Previous quarter
☐ Flow of Funds Accounts: Seasonally Adjusted and Unadjusted. Z.1 (780) [1.57, 1.58]	$25.00	23rd of February, May, August, and November	Previous quarter
☐ Flow of Funds Summary Statistics. Z.7 (788) [1.59, 1.60]	$ 5.00	15th of February, May, August, and November	Previous quarter
☐ Geographical Distribution of Assets and Liabilities of Major Foreign Branches of U.S. Banks. E.11 (121)	$ 5.00	15th of March, June, September, and December	Previous quarter
☐ Survey of Terms of Bank Lending to Business. E.2 (111) [4.23]	$ 5.00	Midmonth of March, June, September, and December	February, May, August, and November
☐ List of OTC Margin Stocks. E.7 (117)	$ 5.00	January, April, July, and October	February, May, August, and November

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☐ Balance Sheets for the U.S. Economy. C.9 (108)	$ 5.00	October and April	Previous year
☐ Report on the Terms of Credit Card Plans. E.5 (115)	$ 5.00	March and August	January and June

Annual Releases

☐ Aggregate Summaries of Annual Surveys of Securities Credit Extension. C.2 (101)	$ 5.00	February	End of previous June

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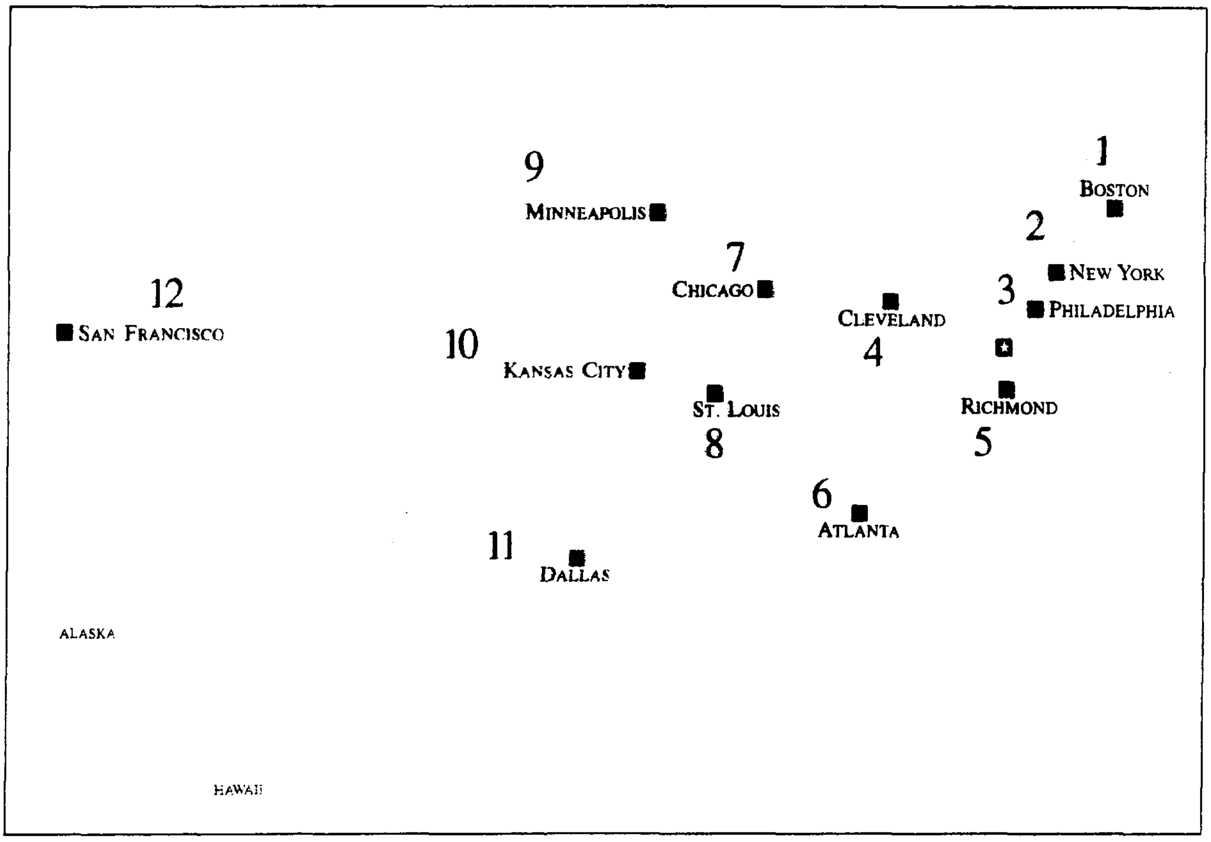
Issue	Text	"A" Pages	Index to tables	Issue	Text	"A" pages	Index to tables
January	1–106	1–71	72–73	July	459–578	1–68	70–71
February	107–168	1–83	84–85	August	579–632	1–83	84–85
March	169–222	1–73	74–75	September	633–726	1–85	86–87
April	223–312	1–68	70–71	October	727–800	1–71	72–73
May	313–402	1–81	82–83	November	801–878	1–83	84–85
June	403–458	1–68	70–71	December	879–976	1–68	70–71

The "A" pages consist of statistical tables and reference information. Statistical tables are indexed separately (see p. A70 of this issue).

Maps of the Federal Reserve System



LEGEND

Both pages

- ■ Federal Reserve Bank city
- ◘ Board of Governors of the Federal Reserve System, Washington, D.C.

Facing page

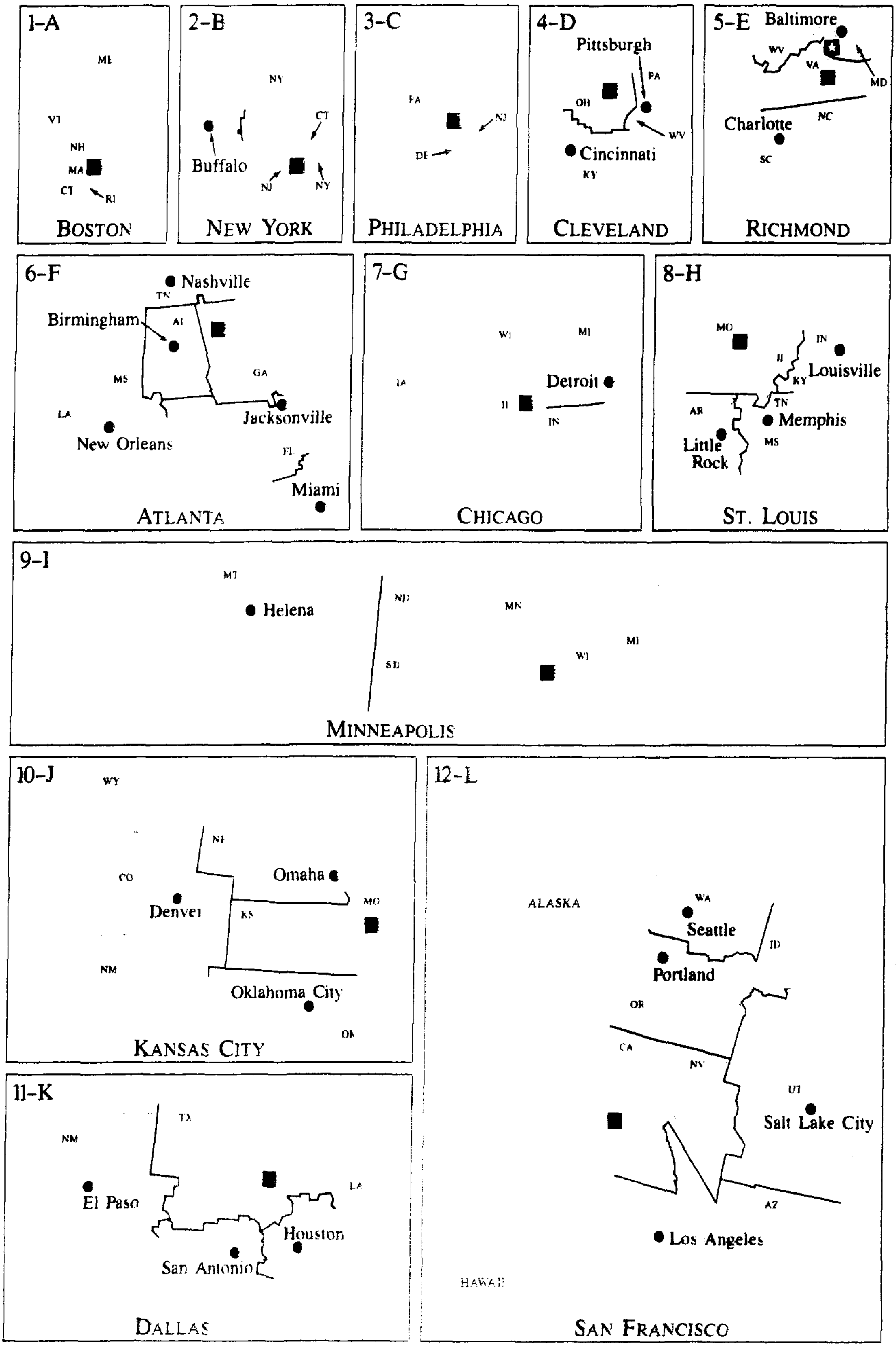
- • Federal Reserve Branch city
- — Branch boundary

NOTE

The Federal Reserve officially identifies Districts by number and Reserve Bank city (shown on both pages) and by letter (shown on the facing page).

In the 12th District, the Seattle Branch serves Alaska, and the San Francisco Bank serves Hawaii.

The System serves commonwealths and territories as follows: the New York Bank serves the Commonwealth of Puerto Rico and the U.S. Virgin Islands; the San Francisco Bank serves American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands. The Board of Governors revised the branch boundaries of the System most recently in December 1991.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1. Senior Vice President.