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# FEDERAL RESERVE BULLETIN

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# The Farm Economy in the First Half of the 1990s

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*John Rosine and Nicholas Walraven, of the Board's Division of Research and Statistics, prepared this article.*

In the farm sector of the economy, the first half of the 1990s has brought a step-up in the growth of farm output, hesitation at times in the growth of demand, and a net decline in the average price of farm products.

Consumers have been the chief beneficiaries of these developments. On average, retail food prices have risen at a pace significantly slower than that of prices in general in the first half of the 1990s. The occasional bouts of upward price pressure that have occurred this decade have tended to be relatively mild and of limited duration. Sustained shocks to food prices, like those of the 1970s, have not emerged.

Farmers, for their part, have gone through some ups and downs in the 1990s, but these fluctuations have been small compared with the huge cycle of boom and bust that the farm sector went through in the 1970s and 1980s. With prices of farm products declining in the 1990s, real net farm income has dropped back somewhat since the start of this decade; however, the level of income has remained well above the lows of a decade ago. The aggregate farm balance sheet also is in better condition than it was ten years ago. Farmers are not nearly so deeply in debt as they were midway through the 1980s, and the value of farm assets, which consists mainly of land, has been relatively stable in real terms in recent years. Problems in servicing debt, which were so much in evidence in the 1980s, have largely receded, and the financial institutions that are most heavily involved in farm lending have generally been prospering.

Farm production was disrupted at times by bad weather in the first half of the 1990s. In 1993, the

Midwest had another of its recurrent crop failures, this one caused by flood rather than drought, as most of the others of the past quarter-century have been. Other regions of the country were afflicted by droughts from time to time in the first half of the 1990s—water shortages were a constant concern of producers in parts of the West. Crops in California were hurt by a severe freeze early in the decade, and growers in Florida had to cope with destruction caused by Hurricane Andrew in 1992 and Hurricane Gordon in 1994. Farmers in all regions struggled with a variety of pests. Overall, however, the losses of output to weather and infestations were not unusually large compared with the losses that occurred in previous decades.

Adapting successfully to ongoing changes in technology has continued to be one of the biggest challenges facing producers this decade. The productive potential of farming, lifted by a variety of technical innovations, apparently has continued to climb in the 1990s. These advances in efficiency are creating new profit opportunities for aggressive producers; however, farmers who lag in adopting the new technologies are being squeezed. The livestock industry, in particular, seems to be going through a period of unusually rapid change at present, with intense competition among producers for a share of the market. Livestock and crop producers alike are also having to adjust to a changing business climate, one in which public concerns about food safety and the environment have led to increased regulation of farming. On a more positive note for producers, the first half of the 1990s has brought gradual progress toward the liberalization of world trade in agriculture; for example, increased trade with Mexico resulting from the North American Free Trade Agreement has been a recent bright spot in a farm export picture that has been lackluster in many other respects.

Amidst these underlying changes in the farm economy in the first half of the 1990s, familiar questions remained at the fore: What was produced? Who bought it? At what prices did the output change hands? How large were the profits of producers? And finally, what happened to the financial conditions of farmers and farm lenders? These are the chief topics that are dealt with in the remainder of this article.

### *CROP PRODUCTION, CONSUMPTION, AND INVENTORIES*

Crop production has been volatile in the 1990s, around a rising trend (chart 1). Crops of moderate size in 1990 and 1991 were followed by a large harvest in 1992. Then in 1993, floods in the Midwest kept millions of acres out of production and reduced the yields on acres that were planted, and drought hurt the crops in other regions, especially the Southeast. This year, however, the weather was favorable from the outset: Planting conditions were ideal in the spring of 1994. Large proportions of the crops were rated in good-to-excellent condition from the beginning of the crop cycle, and favorable growing conditions continued throughout the cycle. Summer was distinctive mainly for the absence of the temporary weather "scares" that usually show up at one time or another during the growing season, even in years of good crops. Autumn weather permitted the harvest of the crops to move

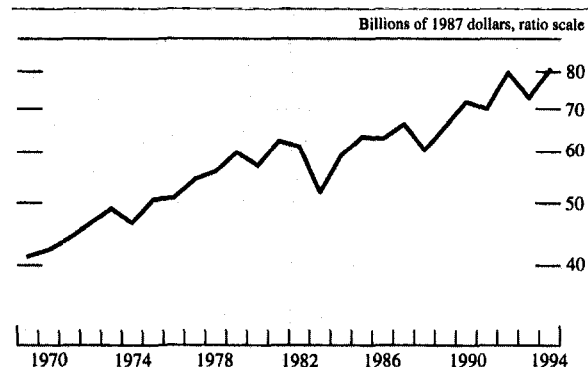
forward at roughly a normal pace, and production rebounded, apparently enough to permit some rebuilding of inventories. Among major crops, new highs in production were set in 1994 for corn, soybeans, and cotton. By contrast, output of wheat fell short of the results achieved in 1992 and 1993; production of wheat in some foreign countries is also down this year, and prices of that crop have been firm.

Acres planted to crops increased only a small amount in 1994 (chart 2), but yields per acre soared to levels well above long-run trends. Production of corn per acre harvested was about 13 percent above the long-run trend projected by the Department of Agriculture at the start of the 1994 crop cycle. Per-acre production of soybeans this past year exceeded the pre-season trend estimate by more than 18 percent, and cotton yields were also above trend. Wheat again was an exception; its yield in 1994 was good but not spectacular.

Looking past the recent volatility in annual outcomes, the trend in growth of crop production appears to have picked up in the first half of the 1990s (table 1). Corn, wheat, and soybeans have all recorded increases in production of at least moderate proportions in the first half of this decade, and cotton production has made sizable gains. Yields have moved up, on average, for all four of these crops in the 1990s, while changes in acreage have been mixed.

The pickup in production has been accompanied by increases in consumption of farm products, and inventories of crops have remained at levels well

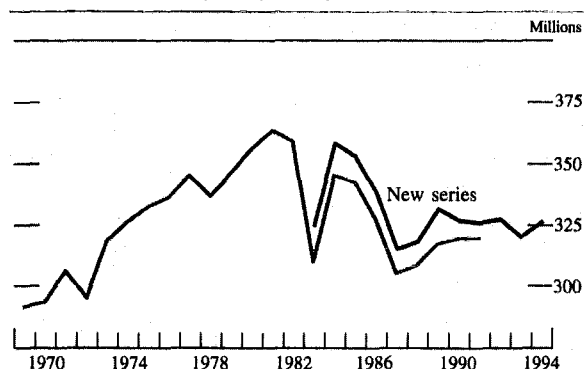
1. Output of crops, 1969-94



NOTE. In this and the charts that follow, the data are annual unless indicated otherwise.

SOURCE. Data are from the Department of Commerce; observation for 1994 is the average for the first three quarters of the year.

2. Acres planted to principal crops, 1969-94



NOTE. The new series begins in 1983, and the old series ends in 1991.

SOURCE. Department of Agriculture.

below those of the mid-1980s. In fact, in some recent years, the ratios of inventories to consumption have dipped to levels toward the low end of the ranges of recent decades. Stockpiles of farm products owned or financed by the U.S. government have been drawn down from the high levels of the mid-1980s, and private businesses have not felt compelled to build large stocks either. Increased efficiency in transportation and better inventory management may have reduced the volume of agricultural stocks needed to sustain the normal business operations of private users. Also, precautionary holding of farm inventories has probably been damped in recent years by a perception among users that spare agricultural productive capacity in this country and abroad could be brought on line fairly quickly if conditions warranted. Indeed, the huge harvests that were realized in 1992 and 1994 underscore the degree to which productive potential may have advanced, even without tapping much additional acreage.

LIVESTOCK PRODUCTION

Over the past quarter-century, aggregate output of livestock products, measured in terms of constant 1987 dollars, has trended up at a rate of 1 percent a

year, about in line with the rate of growth of the U.S. population. In the 1990s, however, constant-dollar output of livestock has been rising faster than the growth of the population, and the gain this past year appears to have been especially large (table 2 and chart 3). Although some of the step-up in production is being absorbed in the form of increased exports, growth of supply seems to have pushed ahead of the growth of demand in recent quarters, and prices of livestock products have dropped sharply.

The increase in the output of livestock products has been underpinned by a sustained expansion of livestock herds so far this decade. The size of the cattle herd, after declining fairly sharply from 1984 to 1988, turned up during 1989, and growth of the herd since 1989 has averaged about 1 percent a year, with progressively larger gains in recent years. The number of beef cows, an indicator of the capital stock available to support further increases in production, increased 3 percent during 1993, and continued rapid growth in the number of these animals was evident in a survey of producers that was conducted in mid-1994. Beef production lagged behind growth in the size of the cattle herd in 1992 and 1993 but caught up in 1994. Output of beef in the first half of this year was more than 6½ percent above the level of a year earlier, and,

1. Indicators of crop supply, selected periods, 1969-94

Indicator	1992	1993	1994 <sup>1</sup>	Annual average			Percentage change, annual rate <sup>2</sup>		
				First period (1980-84)	Second period (1985-89)	Third period (1990-94)	First period to second	Second period to third	Long-run average, 1969-94
<i>Production</i>									
All crops (billions of 1987 dollars) .....	79.9	72.9	80.5	58.3	63.7	75.0	1.8	3.3	2.7
<i>Selected crops</i>									
(physical units) <sup>3</sup>									
Corn .....	9.5	6.3	10.0	7.0	7.3	8.2	1.0	2.4	3.1
Wheat .....	2.5	2.4	2.3	2.6	2.1	2.4	-4.2	2.6	1.9
Soybeans .....	2.2	1.9	2.5	1.9	1.9	2.1	-0	2.1	3.3
Cotton .....	16.2	16.1	19.5	11.9	13.1	17.0	2.0	5.3	2.7
<i>Inventories</i> (months' supply at end of marketing year) <sup>4</sup>									
Corn .....	3.0	1.3	2.8	3.4	5.4	2.2	...	...	...
Wheat .....	2.6	2.8	2.5	6.2	6.7	2.9	...	...	...
Soybeans .....	1.6	1.3	2.6	1.8	2.1	1.9	...	...	...
Cotton .....	3.6	2.5	3.2	5.0	6.2	2.8	...	...	...

1. Observation for all crops is the average, at an annual rate, for the first three quarters; other observations are Department of Agriculture projections for the year.

2. Changes for the 1980s and 1990s are based on average levels of production; long-run average is the compound rate of change from production in 1969 to production in 1994.

3. Billions of bushels for corn, wheat, and soybeans; millions of bales for cotton.

4. Relative to the level of crop use during the marketing year.

SOURCES. Production of all crops in constant 1987 dollars, Department of Commerce. Other data, Department of Agriculture.

2. Indicators of livestock supply, selected periods, 1969-94  
Percentage change, annual rate

	Average <sup>1</sup>		Detail for 1990s <sup>2</sup>				
	(1969-94)	(1989-94)	1990	1991	1992	1993	1994
Output of livestock <sup>3</sup> .....	1.2	2.1	1.9	2.4	2.1	.6	3.6
<i>Output of selected commodities<sup>4</sup></i>							
Beef .....	.6	1.0	-1.5	.7	.7	-.1	5.1
Pork .....	1.3	2.1	-2.9	4.2	7.8	-.9	2.7
Poultry .....	5.1	5.8	7.2	5.2	6.0	4.3	6.2
Milk .....	1.1	1.2	2.8	.1	2.1	-.5	2.0
Eggs .....	.3	1.8	1.2	2.0	1.8	1.3	2.8
<i>Livestock inventories<sup>5</sup></i>							
Cattle and calves .....	-.3	1.1	.7	.7	1.1	1.1	1.7
Beef cows .....	-.1	1.5	.2	1.5	.3	3.0	2.5
Hogs and pigs .....	.2	2.4	1.2	5.9	.7	-.3	4.5

1. Change from average for beginning year to that for ending year.

2. Change from average for previous year to that for year indicated.

3. Changes are derived from constant-dollar data; changes to 1994 are based on the average for the first three quarters of that year.

4. Changes to 1994 are based on forecasts published by the Department of Agriculture on November 9, 1994.

5. For inventories of cattle and calves, change for 1994 is based on a midyear estimate; the 1994 change for hogs and pigs is based on third-quarter data.

SOURCE: Changes in output of livestock are based on data from the Department of Commerce; other changes are based on data from the Department of Agriculture.

although the year-to-year rate of gain has since slowed, the rise for 1994 as a whole will likely be around 5 percent, the largest annual increase since 1976.

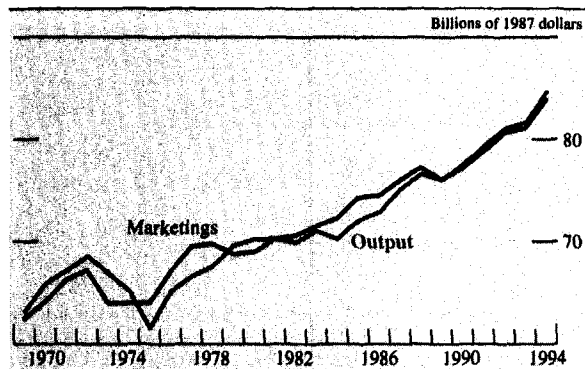
Hog producers have also been boosting output in the 1990s. The number of hogs and pigs on farms has grown at an annual rate of about 2½ percent during the first half of the decade. Herds have increased in every recent year but 1993, and the contraction of herds in that year was unusually mild compared with the steep selloffs that have periodically occurred in this industry in the past. Pork production has moved up with the growth of herds over the past five years, rising at an average rate of about 2 percent. By comparison, production

had changed little, on net, over the course of the 1980s. The structure of the pork industry is changing rapidly at present, with large, vertically integrated firms gaining market share at the expense of smaller businesses. Costs of production per unit of output apparently have been trending down, at least among the operations that are the most technologically advanced.

Output of other livestock products has moved up this decade along with production of beef and pork. Poultry production has increased at an average rate of about 5¾ percent in the 1990s, faster even than the rapid pace of the two previous decades. At retail, the mix of poultry products continues to expand, and the willingness of consumers to absorb big increases in output does not yet seem to have reached its limit. Output of milk has risen at about the rate of population growth over the first half of the 1990s, and the gain this past year was larger than average. Production of eggs also recorded a relatively large advance this past year.

The sustained large increases in the output of livestock products in the 1990s is to some extent a reflection of favorable relationships that persisted—until recently—between livestock prices and feed prices. Also, output of livestock apparently is being bolstered by rapid increases in efficiency. On balance, female animals in the breeding herds produce more young than they once did, and larger proportions of young animals survive to maturity. Livestock that are bound for slaughter

3. Output and marketings of livestock, 1969-94



SOURCE: Department of Commerce; observations for 1994 are averages for the first three quarters of the year

3. Personal consumption expenditures, U.S. population, and employment in food industries, selected periods, 1969-94  
Percentage change, annual rate

Item	Average <sup>1</sup>		Annual detail <sup>2</sup>					
	(1969-94)	(1989-94)	1989	1990	1991	1992	1993	1994
Real personal consumption expenditures for food <sup>3</sup> .....	1.2	.9	-2	1.3	-9	1.6	1.6	1.0
Off-premise .....	.7	.3	.5	1.3	-1.2	.5	1.1	-4
Food portion of purchased meals .....	2.6	2.2	-1.7	1.2	-2	4.0	2.7	3.7
Total real personal consumption expenditures .....	2.8	2.1	1.2	.7	-0	4.2	3.0	3.0
U.S. population, including armed forces overseas .....	1.0	1.1	1.0	1.1	1.1	1.1	1.1	1.0
Employees on payrolls of food establishments <sup>4</sup> .....	2.8	1.3	1.9	1.0	-4	1.6	1.9	3.0

1. Change from the final quarter of initial year to the third quarter of 1994.
2. Change to the final quarter of year indicated from the final quarter of previous year; 1994 change based on data through the third quarter.
3. Includes, besides items shown, food furnished by institutions to employees and food produced by farmers for home consumption.
4. Food manufacturers, wholesaling and retailing establishments, and eating and drinking places.

SOURCE. Changes in personal consumption expenditures and U.S. population are based on data from the Department of Commerce; changes in payroll employment at food establishments are based on data from the Department of Labor.

gain weight faster than they did in the past and grow larger in size. Over the past quarter-century, growth in the output of meat has thus been sustained with relatively little change in the size of herds. Similarly, milk production has continued to expand despite an ever-dwindling number of cows in the nation's dairy herds. Egg and poultry production also has risen, even though the number of hens is smaller than it was a quarter-century ago.

Although further increases in efficiency may be in store in the livestock industry in coming years, gains in output as large as those of 1994 are not likely to persist. Prices have fallen sharply this past

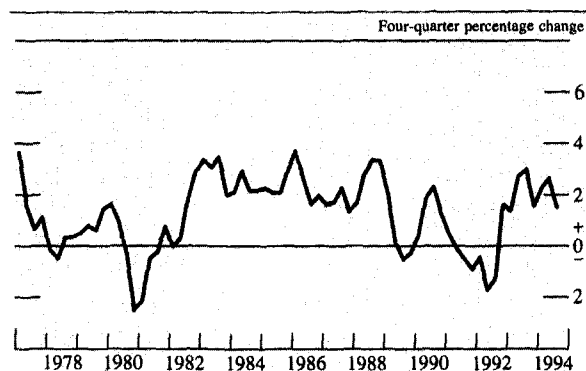
year for a wide range of livestock products, and in parts of the industry, some producers have reportedly been incurring large losses in recent months. Adjustments in the industry to restrain the growth of output almost surely will be forthcoming, but the timing, magnitude, and composition of those prospective adjustments is not yet clear.

#### DOMESTIC DEMAND FOR FOOD

In the long run, real expenditures for food tend to track the growth of the U.S. population. However, over shorter periods these outlays often display mild cyclical behavior that is seemingly related to conditions in the general economy. For example, over the three years starting in 1989—a period of slow economic growth that encompassed a recession—real outlays for food changed little on net (chart 4 and table 3). With unemployment on the rise during much of that period and income growth sluggish, many households were likely eager to economize on outlays for food along with other outlays. The mix of food purchases was adjusted accordingly, with items of lower cost being substituted for more expensive alternatives.

The process works in reverse when the economy is strengthening, as it has been in the past three years. With unemployment falling, real incomes growing more briskly than before, and consumer confidence on the upswing, total consumer spend-

4. Real personal consumption expenditures for food, 1977-94:Q3



Data are quarterly. Series includes food for off-premise consumption, the food portion of purchased meals, food furnished to employees by institutions, and home consumption of foods produced on farms.

SOURCE. Department of Commerce.



ing has picked up appreciably since 1991, and a little of that pickup has spilled into the food sector. Total real outlays for food moved up about 1½ percent during the four quarters of both 1992 and 1993, and, based on preliminary data, these outlays increased at an average annual rate of about 1 percent over the first three quarters of 1994. Employment growth in the food industries has also picked up, reinforcing the impression of faster expansion that is evident in the data on consumer expenditures.

Much of the step-up in growth of expenditures for food during the past three years has consisted of increased purchases of prepared meals. In the aggregate, these outlays jumped 4 percent in real terms during 1992, 2¾ percent in 1993, and 3¾ percent at an annual rate over the first three quarters of 1994. During the 1989–91 period, spending on purchased meals had declined slightly—a reflection, no doubt, of the tendency of households to eat out less often or to go to less expensive places during periods of rising unemployment and sluggish income growth.

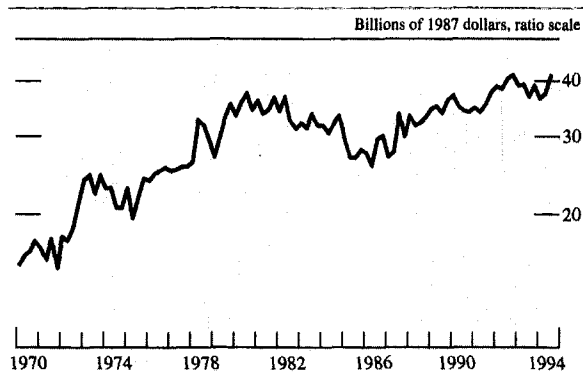
In contrast to the sharp swings in spending for purchased meals in recent years, relatively little variation has been evident in the real expenditures on food for off-premise consumption, a category that consists mainly of the foods purchased at grocery stores. During the 1989–91 period, these outlays increased at an average rate of about ¼ percent a year, and their rate of increase in the more recent three-year period has been about ½ percent a year. Both rates of growth are a little below the long-run trend.

Determining exactly how much the farm sector might have benefited from the 1992–94 pickup in food expenditures is difficult, because many economic linkages lie between, for example, the fast-food customer and the farmer who produces corn or wheat. However, the increases in expenditure must have translated into at least a moderate rise in demand at the farm level, keeping farm markets somewhat stronger than they would have been otherwise.

#### AGRICULTURAL EXPORTS

In recent decades, with the trend in growth of domestic demand for farm output tied largely to the

5. Agricultural exports, 1970–94:Q3



NOTE: Data are quarterly.

SOURCE: Department of Commerce.

rate of increase in the population, producers have looked to exports for the market growth needed to support expansion of domestic output. And, over time, exports have in fact increased substantially. Valued in terms of 1987 prices, real exports of farm products have risen at an average rate of about 4 percent over the past quarter-century, resulting in a cumulative gain of about 175 percent (chart 5). Most of the growth, however, took place from 1969 to 1980, a period during which real agricultural exports trended up at an annual rate of about 9 percent. Growth from 1980 to the most recent annual peak in 1992 was much less, only about 1 percent a year. Since 1992, real farm exports have fallen on net. The constant-dollar value of farm exports declined 3 percent in 1993, and exports of these products in the first three quarters of 1994 were little changed from the 1993 average.

Structural change in world agriculture has had a major effect on U.S. exports over the past ten to fifteen years. During that span a number of countries that once were major buyers of bulk commodities such as grains and oilseeds have boosted production of these crops considerably, and some have themselves become net exporters; U.S. exports of grains and oilseeds have declined accordingly. From the latter half of the 1970s to the first half of the 1990s, the annual average of corn exports by U.S. producers fell about 20 percent. Exports of soybeans, which had reached levels of around 900 million bushels a year on three occasions in the late 1970s and early 1980s, averaged about 650 million bushels a year in the first four marketing years of the 1990s. Wheat exports, too, have remained well below previous highs.

Despite the declines in exports of grains and oilseeds, structural change in world agriculture has not worked entirely against U.S. producers. Exports of horticultural products—mainly fruits and vegetables—have been rising rapidly in recent years and now account for nearly 20 percent of the total value of farm exports. Growth in the exports of livestock products has also been fairly brisk in recent years. These products have benefited from rapid increases in demand in the surging economies of Asia. Shipments to Mexico have also been trending up rapidly, with an additional lift this past year resulting from the implementation of trade reforms mandated by the North American Free Trade Agreement.

Weakness in the economies of a number of foreign countries have added to problems faced by U.S. exporters in recent years. Stretches of slow growth or recession have taken place in many foreign industrial countries since 1990. Moreover, the countries of Eastern Europe and the former Soviet Union have reduced their herds of livestock; feed requirements in those countries and the imports of grain have also dropped. Total U.S. exports of farm products in the 1990s appear to have been relatively unaffected by fluctuations in the exchange value of the U.S. dollar, which have

been much smaller in this decade than they were in the 1980s.

FARM PRICES AND FARM PRODUCTIVITY

Over the year ended in October 1994, the index of prices received by farmers fell 9 percent (table 4 and chart 6). With this decline, farm prices overall have now fallen in three of the past five years, and the average rate of decline over the five-year period has been about 2½ percent at an annual rate. By contrast, farm prices had risen sharply over the three years ended in 1989. Increases in crop and livestock prices exceeded the rate of inflation in the late 1980s, but during the 1990s, livestock prices have dropped sharply and crop prices have edged down, on net.

Crop Prices

Lifted by the poor harvest of 1993, the prices of crops actually started out in 1994 well above the levels of a year earlier. However, they began to weaken in the second quarter as planting pro-

4. Prices received and paid by farmers and consumer prices, selected periods, 1969-94  
Percentage change, annual rate<sup>1</sup>

Item	Average			Details for 1990s				
	(1969-94) <sup>2</sup>	(1987-89)	(1990-94) <sup>3</sup>	1990	1991	1992	1993	1994 <sup>3</sup>
<i>Prices received by farmers</i>								
All farm products .....	3.6	7.5	-2.4	-4.7	-3.5	.0	5.8	-9.0
Crops <sup>4</sup> .....	3.8	8.7	-7	-5.5	.0	-2.5	13.7	-7.7
Food grains .....	3.8	15.6	3.2	-34.6	42.0	-5.6	12.7	18.3
Feed grains .....	3.2	14.0	.3	-3.5	5.5	-14.7	32.3	-11.6
Oil-bearing crops .....	3.8	5.3	-2	7.8	-14.4	3.6	18.6	-12.8
Cotton .....	4.8	5.4	2.5	8.8	-17.1	-2.2	4.4	22.7
Livestock products .....	3.4	6.2	-3.8	-3.6	-5.5	1.3	.0	-10.7
Meat animals .....	3.5	7.2	-4.4	5.6	-12.6	4.8	-2.3	-15.3
Dairy products .....	3.5	6.1	-3.4	-26.7	17.4	-7.0	5.3	.0
Poultry and eggs .....	2.5	2.6	-1.5	-3.7	-1.6	-2.4	2.4	-2.3
<i>Prices paid by farmers</i>								
Production inputs purchased from the nonfarm sector <sup>5</sup> .....	5.5	2.5	2.5	5.3	-6	1.7	2.2	3.8
<i>Consumer price indexes</i>								
Food .....	5.6	4.8	2.8	5.3	1.9	1.5	2.9	2.4
All items excluding food and energy .....	5.8	4.4	3.8	5.2	4.4	3.3	3.2	2.9

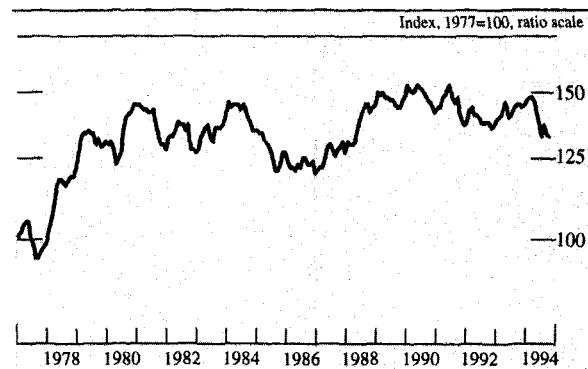
1. Unless otherwise indicated, change is to December from December of previous year.  
 2. Change from the annual average for 1969 to the average for the first ten months of 1994.  
 3. Change for 1994 is for the twelve months ended in October of that year.

4. Some crops included in the total are not shown separately.  
 5. Changes since 1986 are to October from October of the previous year.  
 SOURCE: Prices received and prices paid for production inputs, based on data from Department of Agriculture; consumer prices, Department of Labor.

gressed, and big price declines set in around mid-year. In the third quarter of 1994, the index of prices received for crops was about 3 percent below its year-earlier level, and by October the gap had widened to about 7½ percent. Price indexes for feed grains and oilseeds have declined appreciably over the past year as output of those crops has rebounded. Fruit prices in October were also down considerably from those of a year earlier. By contrast, the prices of food grains—mainly wheat—have been boosted by the recent tightening of world markets for that product, and cotton prices have been lifted by increases in both domestic use and exports.

Price increases for feeds and oilseeds after the floods of 1993, while sizable, were not as large as the increases have been on some past occasions. In spot markets, the twelve-month percentage change in soybean prices hit a peak of nearly 30 percent in mid-1993, when the floods were still in progress, and the year-to-year rate of rise in corn prices peaked around the start of 1994 at more than 40 percent. In the 1970s and 1980s, the twelve-month increases in these prices sometimes reached maximums of 50 percent to 100 percent in response to shortfalls in supply or surges in demand. Sluggish exports this past year no doubt took some of the edge off the markets. Availability of alternative feeds may also have affected grain and oilseed prices. For example, output of hay was little affected by the floods of 1993; in earlier years of poor crops—caused mainly by drought rather than floods—hay often suffered along with other feeds.

6. Prices received by farmers, January 1977–October 1994



NOTE: Data are monthly.

SOURCE: Department of Agriculture.

Range conditions across the United States also held up well in 1993, further reducing the pressures on available supplies of grains and oilseeds.

### *Livestock Prices*

Livestock prices held close to the levels of a year earlier during the first quarter of 1994, but dropped substantially during the second quarter as production gains mounted. The speed and magnitude of the price declines seem to have caught markets by surprise. Early in 1994, for example, futures contracts for live hogs were generally selling at prices well above those at which corresponding contracts had closed out in the previous year; traders seemed to be anticipating that the poor crop of 1993 would induce at least some downward adjustment of pork production in 1994, in turn triggering upward pressure on prices. Instead, production advanced, and, after the first quarter, most futures contracts closed out at prices much lower than those seen in 1993. Similarly, although the markets were expecting early in 1994 that cattle prices would stay below the levels reached during 1993, traders did not anticipate the degree of weakness that actually developed. After trading in a fairly narrow range through the first quarter of 1994, cattle prices plunged, dropping by mid-June to levels about 15 percent below prices at which the June futures contract had been trading in early April. After the second quarter, cattle prices fluctuated, but remained in a range well below that of a year earlier. For livestock in total, prices received by farmers in October 1994 were at the lowest level this decade, down about 11 percent from the level of a year earlier and more than 15 percent from the level at the start of the 1990s.

### *Prices of Farm Inputs*

The slippage in farm product prices this past year has been accompanied by a moderate pickup in farm input prices. As of October, the prices of production inputs purchased from the nonfarm sector of the economy were about 3¾ percent above the level of a year earlier; by comparison, these prices had increased about 2 percent in both 1992 and 1993. Although the prices of some key inputs,

such as fuels and chemicals, have been relatively stable this past year, the prices of some other inputs have moved up at a fairly brisk pace. The index of prices paid for fertilizer rose about 9½ percent from October 1993 to October 1994, and the price index for building and fencing materials rose about 4 percent. Prices of some types of machinery have also risen substantially over the past year.

On average, farmers' terms of trade with the nonfarm sector have slipped appreciably this decade. Part of the slippage in the terms of trade probably reflects cyclical or random influences that could be reversed in the future. However, some of the slippage may also reflect the persistence of secular processes that have led to sustained declines in the relative prices of farm products. Over the past quarter-century, for example, the prices of inputs purchased from the nonfarm sector have risen at an average rate of about 5½ percent a year, similar to the rates of increase in broad inflation measures. By comparison, increases in the index of prices received by farmers averaged 3½ percent a year over the same period.

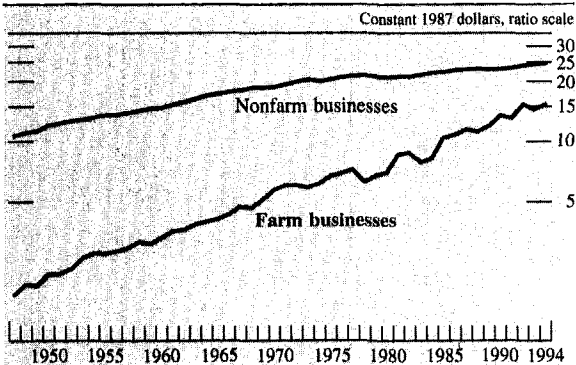
*Farm Productivity*

The gap of 2 percentage points between the average rise in prices paid and the average rise in prices received is probably in large part a reflection of differences in the long-run trends of productivity in the farm and nonfarm sectors (chart 7). Labor productivity in farming has risen at a much faster

pace than nonfarm labor productivity since World War II; moreover, although the growth of output per hour in the nonfarm sector has slowed from the rapid pace achieved early in the postwar period, little or no slowdown is evident in the growth of output per hour in the farm sector. A large portion of the advance in farm productivity probably has shown through into the price of farm output, holding down its trend relative to that of prices in general.

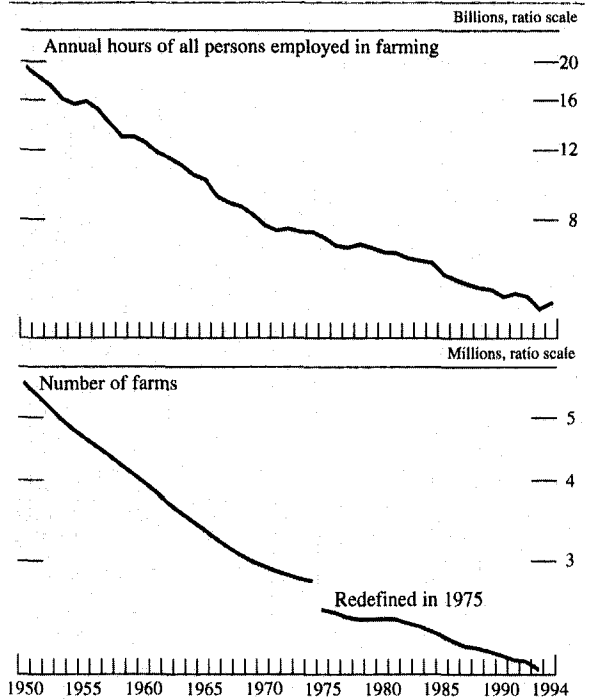
The climb in farm productivity, which still appears to have considerable momentum, is probably also keeping in motion several other processes that have brought about enormous changes in the structure of the farming industry in this century. Producers who are the first to adopt new production techniques push down their costs and earn larger-than-average profits. Farmers who lag in the adoption of these techniques find themselves saddled with higher-than-average costs and often are unable to compete effectively with the more efficient producers. Overall, fewer labor inputs are required to produce the level of farm output that

7. Output per hour, all persons, 1947-94



Source. Department of Labor. Observations for 1994 are averages for the first two quarters.

8. Labor input and the number of farms, 1950-94



SOURCES. Hours of all persons, Department of Labor; observation for 1994 is average for first two quarters. Number of farms, Department of Agriculture; last observation is for 1993.

can be absorbed in domestic and foreign markets, and the number of farms shrinks as the less efficient producers leave the industry (chart 8).

Meanwhile, whatever productivity gains are not passed on into the prices of farm products tend to be transformed, over time, into higher prices for land, the productive factor that is most inelastic in supply and a factor that is frequently in demand by the producers doing the innovating. Land values thus tend to hold up better than farm product prices—even apart from any increment to demand coming from nonfarm buyers—and farmers who have acquired land may end up with considerable wealth, even as they struggle from year to year to stay competitive with other producers.

### FOOD PRICES

Consumer food prices, after rising somewhat faster than general inflation during the latter part of the 1980s, have slowed in the 1990s to a pace well below that of “core” inflation as approximated by the rate of change in the CPI excluding food and energy (chart 9). Retail prices of meats and related products have risen at an average rate of less than 2 percent a year so far this decade; in the past four years, these prices have changed little, on net. The price increases for other foods have been subdued as well, limited both by ample supplies of raw inputs from the farm sector and by slow rates of increase in the costs of nonfarm inputs that enter into the production of food. Apart from short-run

swings in the volatile prices of fresh fruits and vegetables, the only food category to show a price rise of much consequence since 1990 is coffee, the price of which has soared in recent months in response to freeze damage to the crop in Brazil.

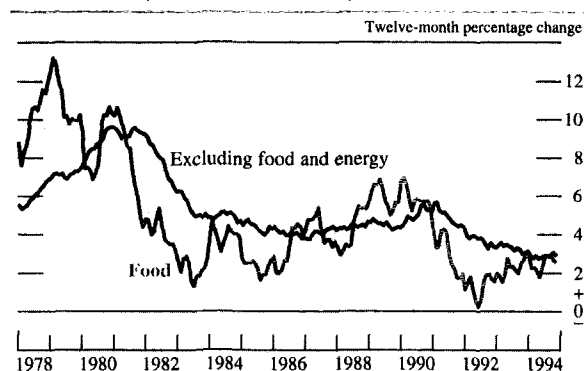
The floods and droughts of 1993 turned out to have had only a small and relatively brief effect on the CPI for food in that year, and almost no effect appears to have carried into 1994. A run-up in the prices of fruits and vegetables in the second half of 1993 proved to be of relatively brief duration. Poultry prices also picked up, but only moderately. Food prices in total accelerated in 1993, but the rate of rise for food over the four quarters of that year remained below the rate of core inflation. Since the end of 1993, the year-to-year rate of rise in food prices has dropped back, on net, despite the past year’s surge in coffee prices; food prices in October were only 2.4 percent above the level of a year earlier.

Just as in many past periods, the trends in food price inflation in the first half of the 1990s probably have been shaped at least as much by the trends in general inflation as by developments in the farm sector. By far the dominant share of value added in the production of food now comes from labor and other nonfarm inputs, and the prices of these inputs typically are determined by forces like those at work in other sectors of the economy. The CPI for food away from home, a food category that is dominated by nonfarm inputs and that makes up nearly 40 percent of total food in the CPI, has risen at rates of less than 2 percent in each of the past three years. Small increases have also been reported in the prices of many of the more heavily processed foods that are marketed through grocery stores and other such outlets. Fluctuations in farm prices in the 1990s probably have left, at most, only a small imprint on the retail prices of these foods.

### FARM INCOME AND FARM EXPENSES

Net farm income, adjusted for inflation, moved up sharply in the latter half of the 1980s and peaked in 1989. It since has traced out a sawtooth pattern, falling somewhat on net (table 5 and chart 10). Gross income, adjusted for inflation, declined mod-

9. Consumer price indexes, January 1978–October 1994



Data are monthly. The series for CPI excluding food and energy through June 1983 is an experimental index that substitutes a rental-equivalent approach for an asset-price approach in measuring the costs of home ownership.

SOURCE: Department of Labor.

5. Farm income and expenses adjusted for inflation, selected periods, 1965-94  
Billions of constant 1987 dollars<sup>1</sup>

Item	Annual average						Annual total				
	(1965-69)	(1970-74)	(1975-79)	(1980-84)	(1985-89)	(1990-94) <sup>2</sup>	1990	1991	1992	1993	1994 <sup>3</sup>
Net farm income .....	43.0	55.1	41.9	26.0	36.6	38.4	41.4	34.9	41.4	35.1	37-41
Gross farm income <sup>4</sup> .....	131.6	151.0	162.3	155.1	136.3	133.6	139.9	130.6	133.4	129.5	...
Government payments to farmers .....	10.4	7.3	2.7	5.7	12.2	8.2	8.2	7.0	7.6	10.9	...
Excluding government payments to farmers .....	121.2	143.6	159.6	149.4	124.1	125.4	131.7	123.6	125.8	118.6	...
Production expenses <sup>4</sup> .....	88.6	95.9	120.3	129.1	99.7	95.2	98.5	95.6	92.0	94.3	...
Intermediate inputs of nonfarm origin .....	15.9	17.7	25.6	27.1	19.1	19.2	19.4	19.8	18.8	18.7	...
Interest on debt .....	8.4	10.6	15.8	24.3	15.7	9.9	11.8	10.3	9.2	8.8	...
Capital consumption .....	18.9	21.0	27.4	27.8	17.9	15.3	16.1	15.5	15.2	14.9	...
Other expenses .....	45.4	46.6	51.5	49.8	47.0	50.9	51.1	50.1	48.8	51.9	...

1. Net farm income is from the Department of Agriculture and is derived by dividing nominal income by the implicit price deflator for gross domestic product. Other series have been derived by the authors using the same method of deflation.  
2. Averages are derived using the midpoints of 1994 ranges forecasted by the Department of Agriculture.

3. Department of Agriculture forecast as of November 1994.  
4. Excludes intrasector sales and purchases of feed, seed, and livestock.  
SOURCE: Based on nominal data on income and expenditures from the Department of Agriculture and the implicit price deflator from the Department of Commerce.

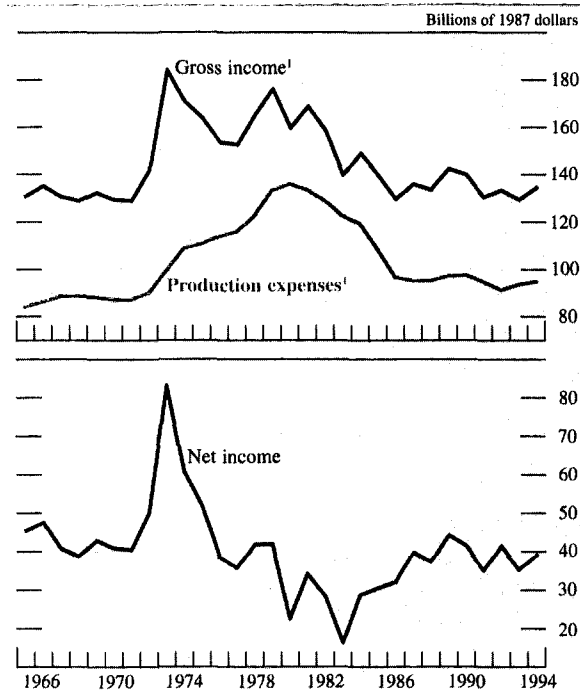
erately over the first half of the decade. However, real production expenses have also fallen, helping to blunt the downward pressures on net returns.

The decline since the start of this decade in real gross income, adjusted for inflation, is largely a reflection of the fall in the relative price of farm products since 1990, which has more than offset increases in the volume of output. In addition, government payments to farmers in the first half of the 1990s have been lower, in real terms, than those made during the second half of the 1980s. Efforts of the federal government to reduce the size of its budget deficit have been a restraining influence on farm subsidies in recent years, and diminished financial strains in the farm sector have made the case for heavy subsidies less compelling than it seemed to be in the 1980s. In only one recent year—1993—did the annual level of inflation-adjusted subsidies approach the average for the second half of the 1980s; much of the jump in that year consisted of increased “deficiency” payments to producers of feed grains, the prices of which had dropped appreciably after the big harvest of 1992. Payments to producers affected by natural calamities were large in late 1993 and early 1994; otherwise they were relatively small in the first half of the 1990s.

Farmers have had considerable success in cutting their production costs over the past decade. After adjustment for inflation, farm production expenses in the first half of the 1990s were about 25 percent

lower than they had been in the first half of the 1980s, when real expenses were at their high of the past quarter-century and net farm income was at its

10. Farm income and expenses, adjusted for inflation, 1965-94



1. Adjusted to exclude intrasector purchases of feed, seed, and livestock.  
SOURCE: Based on data from the Department of Agriculture and the Department of Commerce. Observations for 1994 are the midpoints of ranges published by the Agriculture Department in October 1994.

low.<sup>1</sup> Real outlays for intermediate inputs of non-farm origin have declined a third in the past decade. Costs of production have been restrained by cut-backs in acres planted, adoption of farming practices that require fewer inputs per acre, and increased efficiency in livestock production. Producers have also benefited from declines in real interest outlays, which, in the first half of the 1990s, have been barely a third of what they were in the first half of the 1980s. Farmers are carrying considerably less nominal debt than they were in the first half of the 1980s, and the interest rates on farm debt are lower than they were a decade ago, despite some increases this past year. Consumption of farm capital, adjusted for inflation, has been cut roughly in half since the first half of the 1980s, when depreciation charges were still reflecting the using up of sizable capital investments made during the boom of the 1970s.

While further reductions in real production costs may be forthcoming as farm productivity continues to advance, future gains may not be as large as those already achieved. Indeed, most of the cost reductions of the past decade already were in place by 1990; subsequent reductions have been smaller and less widespread than those of the late 1980s.

### FARM ASSETS AND FARM DEBT

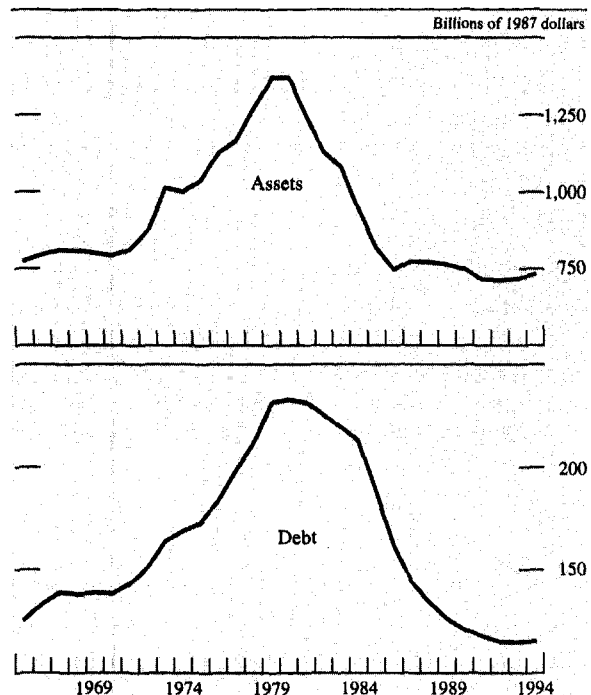
After tracing out an enormous cycle of boom and bust in the 1970s and 1980s, the farm balance sheet has been relatively stable in real terms in the first half of the 1990s (chart 11). Declines much smaller than those of the 1980s were apparent in the real value of both assets and debt from 1989 to 1992. Small increases since have shown up on the asset side of the ledger, and the real value of farm debt now appears to be flattening out; indeed, some lenders have been reporting large increases in farm loan volume in recent quarters.

The big changes in the farm balance sheet during the 1970s and 1980s were associated with major shifts in perceptions of the long-run prospects for farming. In the 1970s, secular trends that had made

farming a sector of slow growth seemed to be giving way to more expansive trends, the chief manifestation of which was a surge in the exports of farm products. In expectation of continued large increases in exports, farmers bid up the prices of land and invested heavily in new equipment. All told, the inflation-adjusted value of farm assets climbed about 70 percent over the course of the decade.

Expectations of the 1970s were dashed in the 1980s, however. Exports faltered in the first half of the decade, farm prices fell sharply in relative terms, incomes were squeezed, and the farm balance sheet tilted into severe contraction. After peaking around the start of the 1980s, asset values plunged for several years, eventually reversing entirely the big run-up of the previous decade. Farm debt, measured in real terms, followed a path roughly similar to that of farm assets, first rising by a huge amount in the 1970s and then falling precipitously in the 1980s, to levels that were somewhat lower than those that had preceded the boom.

11. Farm assets and farm debt, adjusted for inflation, 1964-94



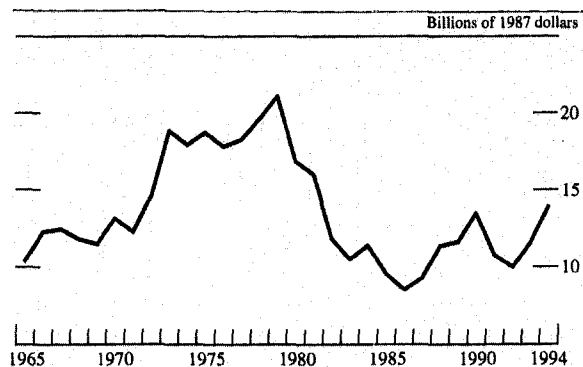
SOURCE: Based on data from the Department of Agriculture and the Department of Commerce. Observations for 1994 are estimates of the authors selected from ranges published by the Department of Agriculture in October 1994.

1. "Real" in this case refers to the nominal flow of outlays for these inputs, adjusted for the change in the general price level. Either a reduction in physical volume of the input or a reduction in the relative price of the input will work in the direction of reducing the "real" level of outlays, as thus defined.

Of the relatively small changes in assets and debt that have been observed in this decade, the prevalent tendency recently seems to have been toward expansion, rather than contraction. In 1993, the value of farm real estate rose a bit faster than the rate of inflation, only the second year in the past thirteen in which real estate values have increased in real terms. More recent indicators seem to suggest that the upswing in real estate values may have continued in 1994. At the end of the third quarter, for example, land prices in the Chicago Federal Reserve District were 7 percent above the level of a year earlier, exceeding the rise in the general price level by several percentage points. Small-to-moderate increases in the inflation-adjusted prices of various types of farm land also have been reported this year in the Minneapolis, Kansas City, and Dallas Federal Reserve Districts.

Farm investment in fixed capital, which fell substantially during the 1980s, rebounded moderately in the first half of the 1990s. Over the past five years, total purchases of tractors and other farm machinery by private firms (some may have been nonfarm businesses) were roughly 20 percent greater than in the second half of the last decade (chart 12). On an annual basis, purchases were relatively strong in 1990 and through much of 1994; weaker results were recorded in the three intervening years. Some of the purchases made this decade no doubt were prompted by the need to replace aging equipment that may have been purchased during the agricultural boom of the 1970s.

12. Gross investment in farm tractors and other farm machinery, 1965-94



SOURCE: Data are from the Department of Commerce. Observation for 1994 is the average for the first three quarters.

At the same time, however, the higher level of capital expenditures probably has also added to productive potential in farming.

#### THE RECENT EXPERIENCE OF FARM LENDERS

Improvement in the farm economy that began to be visible in about 1986 or 1987 translated, over time, into stronger conditions at the financial institutions that are most heavily involved in farm lending. Commercial banks and institutions of the Farm Credit System (FCS) regained their footing by the end of the 1980s, and in the first half of the 1990s both types of institutions have generally prospered. Problem loans have been few in number at these institutions in recent years, profits have been sizable, and capital has been shored up considerably. Among other lenders, vestiges of the financial difficulties of the 1980s seem to be confined largely to the ongoing efforts of the Farmers Home Administration, the government lender of last resort, to work through its volume of problem loans, many of which have been on the agency's books for several years.

The volume of farm loans outstanding at commercial banks bottomed out in 1987 (chart 13). Since that time, nominal loan volume at banks has grown at an average rate of more than 6 percent a year, a rate that implies hefty gains in real terms as well. Early in the farm recovery, when total farm debt was continuing to decline in nominal terms, banks gained market share at the expense of other farm lenders. More recently, as nominal farm debt has tilted gradually upward, banks have continued to expand faster than other farm lenders. The volume of farm loans held by banks as of mid-1994 was about 9 percent above the level of a year earlier.

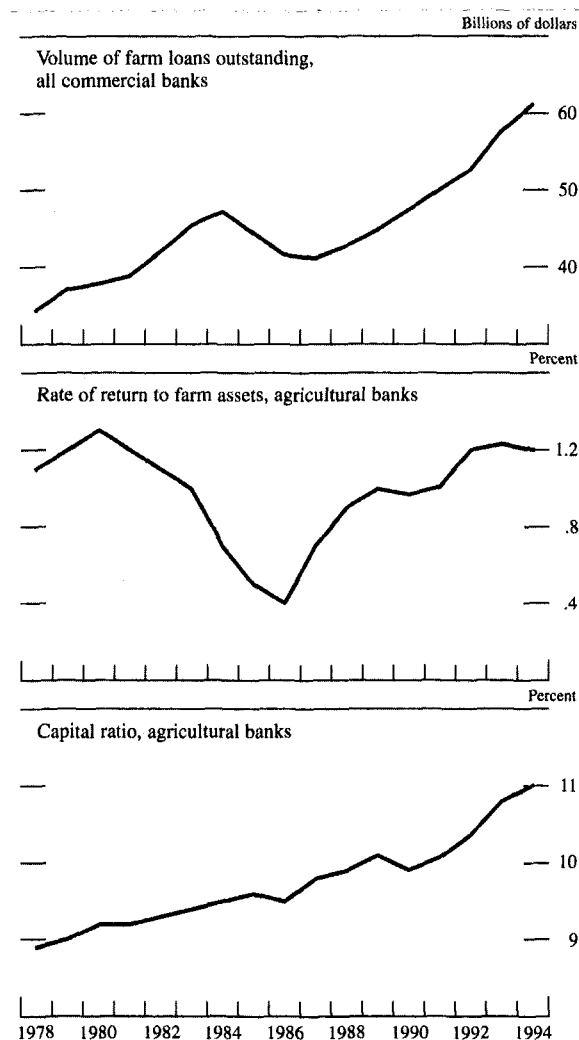
In recent quarters, some of the growth in the volume of loans at commercial banks likely was associated with purchases of farm machinery and equipment. According to survey data, the volume of these loans fell from about \$6 billion in 1983 to roughly \$2 billion in 1988. However, this segment of the farm loan market, after remaining fairly flat since 1988, expanded sharply in the first half of 1994, before dropping back in the third quarter. Even if lending to support the purchase of machin-



ery is subpar in the final quarter of 1994, the total volume of loans made for this purpose during 1994 as a whole may turn out to be the largest annual total in nearly a decade.

Agricultural loans at commercial banks apparently have improved significantly in quality in the past several years. Loans for farm production that are in nonaccrual status now amount to about 1 percent of such loans outstanding. This rate of delinquency is far lower than the 6 percent rate that prevailed at the height of the farm financial difficulties in the mid-1980s.

13. Commercial banks: farm loans, profits, and capital, 1978-94



SOURCE: Quarterly financial reports prepared by commercial banks. Observations for 1994 are based on data for the first half of the year.

Another perspective on agricultural lending by commercial banks is afforded by examining the characteristics and performance of agricultural banks.<sup>2</sup> Profits for these banks have been quite high in recent years; indeed, for the past five years profits for agricultural banks have been running at more than 1 percent of assets, a rate that was last seen in the 1970s and one that is considered very good in the rest of the banking industry.

Agricultural banks have used part of the profits earned in recent years to build capital, and the ratio of bank capital to bank assets has been 11 percent or more in the past couple of years. Although this level of capitalization is somewhat high compared with that of other banks, agricultural banks, by definition, lend extensively to crop and livestock enterprises that often experience fluctuations in their ability to repay loans because of wide swings in production and income. The extensive capitalization of agricultural banks in recent years, coupled with the diminution of problem loans, has left banks less vulnerable to failure than they were, on average, in the mid-1980s. Only five agricultural banks failed in 1993, and as this article went to press in mid-November, none had failed in 1994.

At the FCS, profits soared to nearly 2 percent of assets in 1993, and data through midyear suggest that profitability should be high again in 1994 (chart 14). The main contributor to the surge in profits in 1993 was a rise in net interest income; the System's cost of funds dropped sharply last year, while rates charged on loans came down less. This year, net interest margins have narrowed somewhat as the System's cost of funds has moved up with increases in rates of interest in the general economy. The System's profitability has also been enhanced in recent years by improvement in the quality of its loan portfolio: Its volume of nonaccrual loans has dropped steadily, and charge-offs have become almost negligible.

With profits at high levels, the FCS has taken the opportunity to build capital in recent years. Since the System returned to profitability in 1988, its capital ratio (augmented by its reserve for loan

2. We define an agricultural bank as a commercial bank whose ratio of farm loans to total loans is greater than the unweighted average of such ratios at all banks. This average has been about 16 percent since the mid 1980s.

losses) has roughly doubled, and the ratio now stands at 14½ percent. At midyear, total capital amounted to more than 500 percent of the System's nonperforming loans, compared with about 200 percent in mid-1991.

In contrast to commercial banks and the Farm Credit System, the Farmers Home Administration (FmHA) is still dealing with a large volume of problem loans left from the 1980s. This government agency is charged with lending to farmers who are unable to get credit from commercial lenders. It also lends to rural communities for

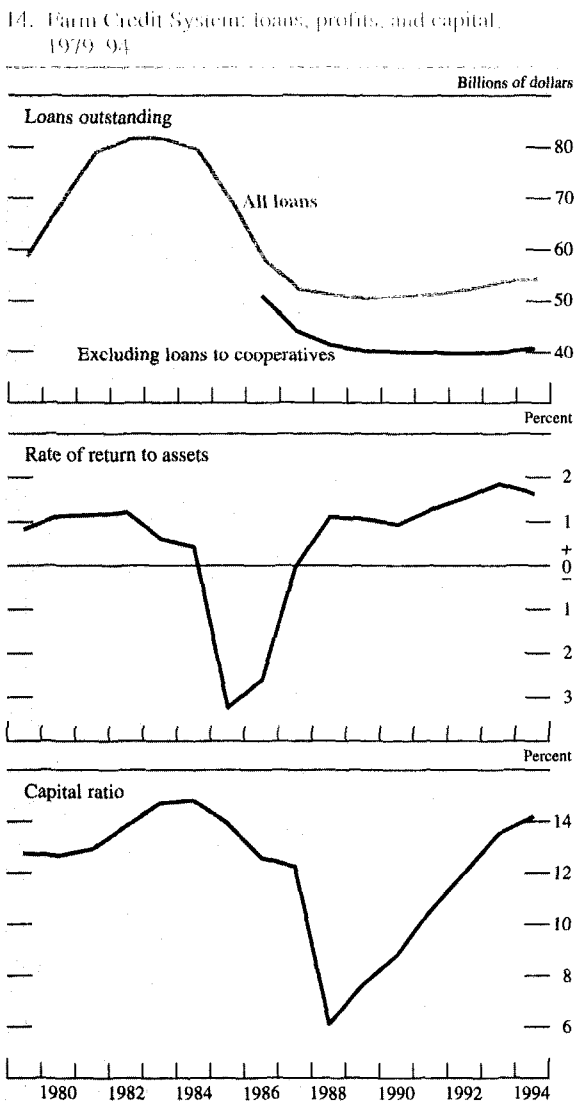
development and to farmers who have suffered losses from natural disaster. The agency was saddled with a substantial portion of the farm loan problems that arose in the mid-1980s, and it has since been attempting to collect or write off its stock of bad loans. At the end of 1993, the FmHA held about \$13 billion in farm loans, roughly half of the maximum amount that it held in the mid-1980s, and about 30 percent of its farm loan portfolio was in delinquent status.

PROSPECTS

Events in farming in the first half of the 1990s have reflected the interplay of long-run trends, cyclical tendencies in supply and demand, and the largely random variations in weather conditions that have occurred from year to year. Outcomes over the second half of the decade will be shaped by similar forces.

Some trends that have been especially robust in recent decades almost surely will persist through the second half of the decade and on into the next century. Productivity in farming still appears to be trending up rapidly, reducing the volume of farm inputs that is needed to achieve a given level of output. Consequently, labor requirements in farming and the number of farms seem likely to decline further unless the demand for farm output starts to grow appreciably faster than it has historically. On that score, the growth of farm exports should hold up better over the long run than it has recently, with the potential for gain linked both to cyclical improvement in foreign economies and to gradual liberalization of world markets. However, with other countries competing hard for market share, sustained large increases in U.S. farm exports may still be difficult to achieve. In the domestic economy, expenditures for food are likely to move up over time at a pace roughly in line with the rate of population growth; if past trends hold, a disproportionate share of the increase in these expenditures will probably go to restaurants and other businesses that sell prepared meals.

In farming, increases in productive potential probably will continue to take place for both crops and livestock. Actual output, however, may at times grow faster or slower than potential output. Crop production, in particular, will more than likely



SOURCE: Compiled from publications of the Farm Credit System. Observations for 1994 are based on data for the first half of the year.

continue to bounce around from year to year in response to changing weather conditions. Increases in yields likely will keep the trend in crop production pointed upward nevertheless. Livestock production, while trending up, almost surely will slow from the very rapid pace of 1994; occasional spells of flatness or decline in meat production in the second half of the 1990s would not be surprising, in view of cyclical swings that output of beef and pork has often exhibited in the past.

Given the declines in farm prices of recent months, farm income may well be heading into the second half of the 1990s on a weak note, but the

potential for ups and downs of prices and production make it difficult to predict how long any spell of weakness might persist. Fortunately, farm balance sheets at mid-decade are much stronger than they were in the mid-1980s, and commercial producers probably are fairly well positioned to ride out a limited period of sluggishness in prices and incomes. Financial institutions that are most heavily involved in farm lending also appear to be in a position to withstand a spell of adversity, as the buffers protecting these institutions from failure have been raised considerably over the past several years. □

# Treasury and Federal Reserve Foreign Exchange Operations

*This report describes Treasury and System foreign exchange operations for the period from July through September 1994. It was prepared by Peter R. Fisher, Executive Vice President, Federal Reserve Bank of New York, and Manager for Foreign Operations, System Open Market Account. Nicholas Pifer was primarily responsible for preparation of the report.<sup>1</sup>*

During the July–September quarter, the dollar consolidated within increasingly narrow ranges. It rose 0.6 percent against the Japanese yen and 0.1 percent against the Mexican peso but declined 2.3 percent against the German mark, 2.9 percent against the Canadian dollar, and 1.9 percent on a trade-weighted basis.<sup>2</sup> Much of the period was characterized by thin summer markets and the predominance of interbank dealers and short-term speculative traders—conditions that occasionally resulted in abrupt but temporary movements in exchange rates. U.S. monetary authorities did not conduct any intervention operations during the quarter.

## *THE DOLLAR TRADES TO ITS LOWS OF THE PERIOD BUT SOON RETURNS TO ITS OPENING LEVELS*

At the end of the previous period, with the dollar trading at DM1.5869 and ¥98.50, many market participants perceived a risk of a further decline in the dollar, given the prospect of stronger growth in Europe and concern about the continued trade imbalances of the United States and Japan. There was some market anticipation in advance of the

Naples Summit that the G-7 might launch a coordinated “dollar support package.” When no formal dollar support package was announced, the dollar resumed its decline. On Monday, July 11, the dollar dropped sharply as some market participants liquidated remaining long-dollar positions and others established sizable short-dollar positions. The dollar fell further the next day, briefly reaching a twenty-month low of DM1.5165 against the mark and a new postwar low of ¥96.60 against the yen. With the dollar perceived as oversold on a technical basis, however, traders soon took profits on their short-dollar positions, and by the end of the week the dollar had recovered almost all of its post-summit losses.

The dollar rose further in mid-July, when senior U.S. officials articulated a clear preference for a stronger dollar and highlighted its advantages for the U.S. economy. Treasury Secretary Bentsen stated on July 14, “We’re going to continue to be in accord with the Federal Reserve as far as their objectives to see that we have substantial growth with low inflation and work toward a stronger dollar.” On July 20, Federal Reserve Chairman Alan Greenspan, in his semiannual Humphrey–Hawkins testimony before the Senate Banking Committee, said that he was troubled by the dollar’s decline and noted, “any evidences of weakness in [the dollar] are neither good for the international financial system nor good for the American economy.” The next day, Treasury Undersecretary Lawrence Summers, in his semiannual report to the Congress on international economic and exchange rate policy, stated the following:

The Administration believes that a strengthening of the dollar against the yen and the mark would have important economic benefits for the United States. It would restore the confidence in financial markets that is important to sustaining recovery. It would boost the attractiveness of U.S. assets and the incentive for longer-term investment in the economy, and help to keep infla-

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

2. The dollar’s movements on a trade-weighted basis in terms of other G-10 currencies are measured using an index developed by staff at the Board of Governors of the Federal Reserve System.

tion low. In addition we believe—and this view is shared by other G-7 countries—that a renewed decline of the dollar would be counterproductive to global recovery.

Market participants reacted positively to these remarks. Earlier worries that U.S. officials were unconcerned about the dollar began to dissipate, and by the end of July the dollar had moved back to DM1.5830 and ¥99.85.

#### *THE DOLLAR TRADES CAUTIOUSLY HIGHER AGAINST THE YEN*

The dollar continued to rise gradually against the yen in late July and early August, reaching its period high of ¥101.75 on August 8. At the time, the release of positive Japanese economic statistics, notably June industrial production data and new machinery orders, fostered a market perception that Japan's economy was improving and that increased imports would help reduce its trade surplus. Moreover, foreign investors turned into net sellers of Japanese bonds and equities in July, selling the equivalent of \$5.8 billion, and this development may have helped to reduce the yen's strength. Against this backdrop, news that the United States and Japan had failed to reach an agreement on liberalizing Japan's government procurement sector before the July 31 deadline caused only a short-lived drop in the dollar. This muted reaction also reflected a realization that any possible U.S. trade sanctions would not be imposed before the end of a sixty-day "cooling off" period.

#### *EXPECTATIONS OF HIGHER SHORT-TERM INTEREST RATES IN EUROPE EMERGE*

In late July and early August, the dollar traded narrowly around the DM1.58 level despite its rise against the yen. In part, the dollar's limited movement reflected a steadily growing perception among market participants that the Bundesbank's process of easing short-term interest rates might be approaching its end. Moreover, increased market concern over large fiscal deficits in several European countries served to keep the mark firm against other European currencies and, secondarily, against the dollar.

On August 11, the central banks of Italy and Sweden surprised the markets with increases of 50 basis points in official lending rates and, in Sweden, a hike of 28 basis points in its key money market rate. For many market participants, these unexpected rate increases created a sudden anxiety that European interest rates, in general, had reached their trough and would now be rising. In the days after the news, bond yields in Germany and other European countries spiked higher, and the mark, buoyed by a flow of funds into mark-denominated money market instruments, rose abruptly against most European currencies. The mark also increased sharply against the dollar in the days after the rate hikes, moving from roughly DM1.59 to DM1.55. The dollar declined further after increases of 50 basis points in the U.S. federal funds rate and discount rate on August 16, as market participants apparently perceived a reduced likelihood of further U.S. rate hikes in the near term. The dollar fell to DM1.5265 on August 22 but then started to reverse.

#### *THE DOLLAR SETTLES INTO A NARROW RANGE AGAINST THE MARK*

In late August and early September, the dollar-mark exchange rate developed a trading pattern in which it would move uneventfully for much of each week but then react abruptly on Friday to a series of data releases on U.S. gross domestic product, nonfarm payrolls, producer prices, and industrial production and capacity utilization. The dollar's sudden swings on those Fridays appeared to track movements in U.S. bond prices, notably those of the thirty-year Treasury bond. This relationship appeared to reflect the view among some foreign exchange traders that the long bond offered a

1. Foreign exchange holdings of U.S. monetary authorities at period-end  
Millions of dollars

Item	Federal Reserve	U.S. Treasury Exchange Stabilization Fund
German marks .....	13,900.2	8,032.6
Japanese yen .....	9,163.9	12,415.2
<b>Total .....</b>	<b>23,064.1</b>	<b>20,447.8</b>

NOTE. Figures may not sum to totals because of rounding.

surrogate measure of foreign interest in U.S. securities and the view among other traders that the long bond provided a proxy for inflationary expectations in the U.S. economy.

The dollar spent most of September between the DM1.5450 and DM1.5550 levels. In part, the dollar's tight range reflected an absence of large positions in the market and a clear reluctance on the part of market participants, many of whom had suffered trading losses during the first eight months of the year, to put capital at risk. The dollar's limited movement also appeared to reflect a mix of views on likely interest rate movements in the United States and Germany during the rest of the year. Some observers expected the Federal Reserve to raise U.S. rates aggressively to counter a perceived rise in inflationary pressures; others, anticipating a deceleration in U.S. growth, expected only a moderate rise in U.S. rates. Similarly, although most traders expected the Bundesbank to keep German rates on hold, some speculated that the Bundesbank would raise rates by year-end, although others continued to look for one more cut after the October 16 federal elections. During the latter part of September, as investors started to focus on uncertainty surrounding the German election, a reduction of long-mark positions against other European currencies provided modest support for the dollar against the mark. The dollar closed the period at DM1.5510.

*THE DOLLAR ALSO SETTLES INTO A NARROW RANGE AGAINST THE YEN AS ATTENTION SHIFTS TO U.S. TRADE TALKS WITH JAPAN*

During the latter half of August, the dollar-yen exchange rate briefly dipped back below the ¥98 level, moving lower in line with the dollar-mark exchange rate. Contributing to the decline was the August 18 release of U.S. trade data for June, showing a decrease in the overall trade deficit but an increase in the bilateral deficit with Japan, a development that refocused attention on U.S. trade relations with Japan.

For the remainder of the quarter, the dollar traded between the ¥98 and ¥100 levels; in large part, movements within that range were driven by changing perceptions about the likely results of the

2. Net profits or losses (-) on U.S. Treasury and Federal Reserve foreign exchange operations, based on historical cost-of-acquisition exchange rates  
Millions of dollars

Period and item	Federal Reserve	U.S. Treasury Exchange Stabilization Fund
Valuation profits and losses on outstanding assets and liabilities as of June 30, 1994 .....	4,458.2	4,253.8
Realized profits and losses, June 30, 1994-Sept. 30, 1994 ...	0	0
Valuation profits and losses on outstanding assets and liabilities as of Sept. 30, 1994 .....	4,973.4	4,356.7

NOTE: Data are on a value-date basis.

framework trade talks between the United States and Japan and the chances of an agreement before the September 30 deadline. During the first half of September, the dollar firmed to the upper end of this range as comments by U.S. and Japanese officials suggested that the two sides were making progress toward an accord. Toward the end of the month, however, the dollar moved lower on news of a larger-than-expected U.S. trade deficit for July and on statements by U.S. officials suggesting that the United States would impose trade sanctions on Japan if the two sides failed to strike an agreement. As the period drew to a close, the dollar firmed again as a high-level team of Japanese officials traveled to the United States for a final round of negotiations, leading some market participants to expect a last-minute breakthrough. The dollar-yen exchange rate closed the quarter at ¥99.10.

*THE DOLLAR CLOSES UNCHANGED AGAINST THE MEXICAN PESO*

Beginning in late July, market participants started to anticipate that Ernesto Zedillo, candidate of Mexico's Institutional Revolutionary Party (PRI), would win the August 21 presidential election. This view, combined with expectations of faster growth and lower interest rates in the year ahead, led to greater demand for Mexican stocks and peso-denominated government debt. Supported by such investor inflows, the Mexican peso rose modestly against the dollar, short-term Mexican interest rates fell, and the Mexican stock market increased about 20 percent in the month before the election.

With a Zedillo victory well discounted in the market by the time of the election, the peso gave up some of its gains on profit-taking once the results became clear. Subsequently, the market began to focus on the renegotiation of Mexico's annual wage and price agreement among business, labor, and government—known as the "Pacto"—which also governs the workings of Mexico's crawling band exchange rate regime. Foreign and domestic investors reacted favorably to the September 24 news of the Pacto's renegotiation, in which the peso's allowable rate of depreciation was left unchanged at 0.0004 pesos per day and Mexico's inflation target was lowered from 6 percent in 1994 to 4 percent in 1995. Near the end of the period, however, these gains were offset by the assassination on September 28 of Jose Francisco Ruiz Massieu, general secretary of the PRI. The dollar-peso exchange rate closed the quarter at NP3.3930, little changed from where it opened.

#### *THE CANADIAN DOLLAR APPRECIATES AS POLITICAL UNCERTAINTY RECEDES*

During the quarter, the Canadian dollar strengthened against the U.S. dollar as market concerns over Quebec separatism receded, allowing investors to turn their attention to Canada's favorable mix of strong growth and low inflation. The U.S. dollar opened the period at C\$1.3791. The Canadian dollar began to appreciate in early August as opinion polls suggested that even though the Parti Québécois (PQ) was likely to win Quebec's September 12 provincial election, support for its separatist platform was more limited. By the eve of the election, the Canadian dollar had firmed to about C\$1.3670, although spreads on Canadian interest rates over equivalent U.S. rates had narrowed considerably. The Canadian dollar firmed suddenly on September 13, the day after the election, as the PQ's narrower-than-expected victory over the incumbent Liberal Party and its inability to garner 50 percent of the popular vote suggested that a referendum on Quebec independence would probably not succeed. Buoyed by foreign demand for

#### 3. Federal Reserve reciprocal currency arrangements

Millions of dollars

Institution	Amount of facility, Sept. 30, 1994	Drawings during period
Austrian National Bank .....	250	0
National Bank of Belgium .....	1,000	↑
Bank of Canada .....	2,000	↑
National Bank of Denmark .....	250	↑
Bank of England .....	3,000	↑
Bank of France .....	2,000	↑
Deutsche Bundesbank .....	6,000	↑
Bank of Italy .....	3,000	↑
Bank of Japan .....	5,000	↑
Bank of Mexico .....	3,000	↑
Netherlands Bank .....	500	↑
Bank of Norway .....	250	↑
Bank of Sweden .....	300	↑
Swiss National Bank .....	4,000	↑
<i>Bank for International Settlements</i>		
Dollars against Swiss francs .....	600	↓
Dollars against other authorized European currencies .....	1,250	0
<b>Total .....</b>	<b>32,400</b>	<b>0</b>

Canadian financial assets, the Canadian dollar traded to a high of C\$1.3400 in the days after the election and then closed at C\$1.3430. Canadian interest rates declined further, and by late September Canadian short-term rates were below U.S. rates.

#### *TREASURY AND FEDERAL RESERVE FOREIGN EXCHANGE RESERVES*

At the end of the period, the current value of the foreign exchange reserve holdings of the Federal Reserve and the Treasury Department's Exchange Stabilization Fund (ESF) were \$23.1 billion and \$20.4 billion respectively. The U.S. monetary authorities regularly invest their foreign currency balances in a variety of instruments that yield market-related rates of return and have a high degree of liquidity and credit quality. A portion of the balances is invested in securities issued by foreign governments. As of September 30, the Federal Reserve and the ESF held, either directly or under repurchase agreement, \$12.4 billion and \$12.0 billion respectively in foreign government securities. □

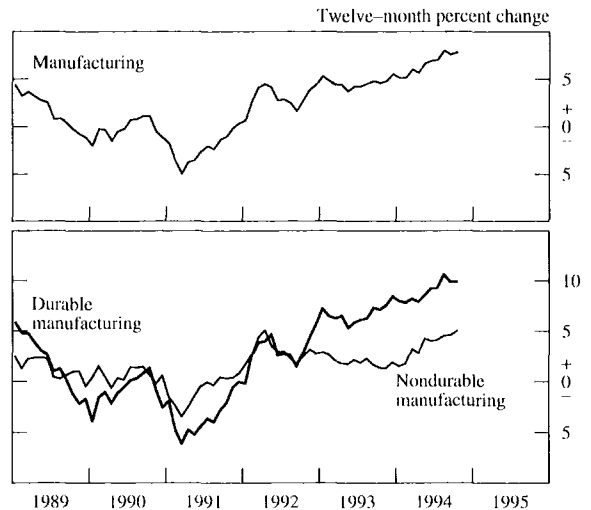
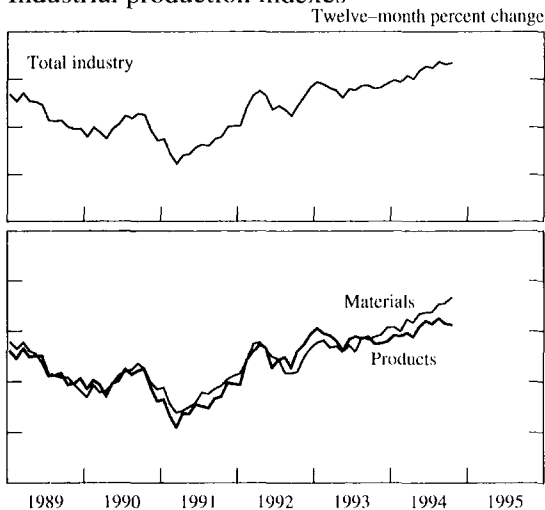
# Industrial Production and Capacity Utilization for October 1994

*Released for publication November 15*

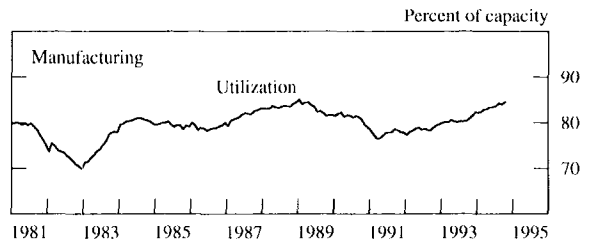
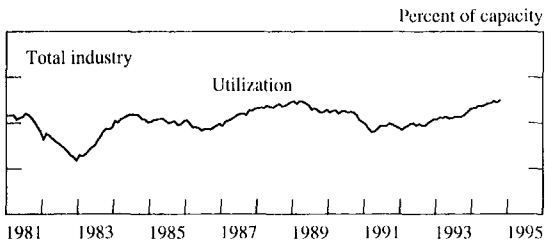
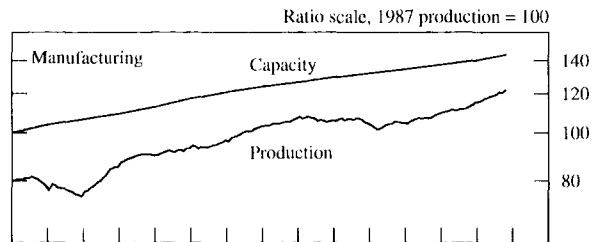
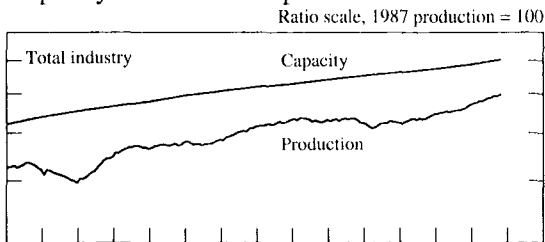
Industrial production rose 0.7 percent in October after a 0.1 percent decline in September. Last month's most significant gains were in durable and nondurable materials and in business equipment.

Within the motor vehicle industry, assemblies were about unchanged, while production of parts rose sharply from the strike-reduced level in September. The output of utilities dropped for the fourth successive month. At 119.4 percent of its 1987 average, industrial production in October was

## Industrial production indexes



## Capacity and industrial production



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



## Industrial production and capacity utilization, October 1994

Category	Industrial production, index, 1987=100								
	1994				Percentage change				Oct. 1993 to Oct. 1994
	July <sup>r</sup>	Aug. <sup>r</sup>	Sept. <sup>r</sup>	Oct. <sup>p</sup>	1994 <sup>1</sup>				
					July <sup>r</sup>	Aug. <sup>r</sup>	Sept. <sup>r</sup>	Oct. <sup>p</sup>	
<b>Total</b> .....	<b>117.8</b>	<b>118.7</b>	<b>118.6</b>	<b>119.4</b>	<b>.3</b>	<b>.8</b>	<b>-.1</b>	<b>.7</b>	<b>6.7</b>
Previous estimate .....	117.9	118.7	118.7	...	.3	.7	.0	...	...
<i>Major market groups</i>									
Products, total <sup>2</sup> .....	116.7	117.3	117.0	117.5	.5	.5	-.3	.5	5.6
Consumer goods .....	113.2	113.5	112.6	112.8	.5	.2	-.8	.2	3.3
Business equipment .....	149.6	152.1	152.9	154.3	.8	1.6	.5	.9	12.1
Construction supplies .....	103.8	104.4	104.0	104.4	1.2	.5	-.3	.4	5.9
Materials .....	119.4	120.8	121.0	122.2	.0	1.1	.2	1.0	8.3
<i>Major industry groups</i>									
Manufacturing .....	119.5	120.7	120.6	121.7	.5	1.0	.0	.9	7.8
Durable .....	124.2	126.0	126.4	127.8	.7	1.4	.3	1.0	9.9
Nondurable .....	113.6	114.1	113.5	114.3	.3	.4	-.5	.6	5.0
Mining .....	98.7	98.3	98.2	98.1	-1.0	-.5	-.1	-.2	.0
Utilities .....	119.2	118.1	117.3	116.7	-1.3	-1.0	-.7	-.5	1.6
Capacity utilization, percent									MEMO Capacity, per- centage change, Oct. 1993 to Oct. 1994
	Average, 1967-93	Low, 1982	High, 1988-89	1993	1994				
				Oct.	July <sup>r</sup>	Aug. <sup>r</sup>	Sept. <sup>r</sup>	Oct. <sup>p</sup>	
<b>Total</b> .....	<b>81.9</b>	<b>71.8</b>	<b>84.8</b>	<b>81.7</b>	<b>84.4</b>	<b>84.8</b>	<b>84.5</b>	<b>84.9</b>	<b>2.6</b>
Previous estimate .....	...	...	...	...	84.4	84.8	84.6	...	...
<i>Manufacturing</i>									
Advanced processing .....	80.6	71.4	83.3	80.8	83.7	84.3	84.1	84.6	3.0
Primary processing .....	82.2	66.8	89.1	84.4	87.5	88.3	88.1	88.9	1.3
Mining .....	87.4	80.6	87.0	88.4	89.3	88.9	88.9	88.7	-.4
Utilities .....	86.7	76.2	92.6	85.6	88.0	87.1	86.4	85.8	1.3

NOTE: Data seasonally adjusted or calculated from seasonally adjusted monthly data.

1. Change from preceding month.

2. Contains components in addition to those shown.

r Revised.

p Preliminary.

6.7 percent higher than it was a year earlier. The substantial growth in output boosted total capacity utilization in October to 84.9 percent, about the same level as in August.

When analyzed by market group, the data show that the output of consumer goods excluding motor vehicles and utilities rose 0.4 percent as the production of both durables and nondurables increased. On balance, the production in this sector has been sluggish over the past few months; the output of appliances and many other types of goods for the home, as well as the production of some nondurables, has softened. By contrast, the output of business equipment excluding motor vehicles rose 1.0 percent, an increase about equal to the average monthly pace so far this year. Once again, gains in industrial and information processing equipment

accounted for much of the overall increase. The production of construction supplies rose 0.4 percent, to a level just slightly above its third-quarter average. The output of materials, which has been quite volatile in recent months, jumped 1.0 percent. Among durables, the production of basic metals, particularly steel, rose sharply, as did the output of parts for equipment and motor vehicles. The production of nondurables, which has been particularly erratic lately, increased 0.8 percent, as the output of chemicals and textiles advanced noticeably after sizable declines in September. The production of energy materials eased off again last month.

When analyzed by industry group, the data show that the output of manufacturing, which was level in September, rose 0.9 percent in October. The

factory operating rate rose 0.5 percentage point, to 84.6 percent, a level 3.4 percentage points above its 1967–93 average. Utilization in the primary-processing industries advanced 0.8 percentage point, to 88.9 percent, led by gains in the iron and steel, rubber, textiles, chemicals, and fabricated metals industries; the operating rates for most of the major industries in this grouping are noticeably above their long-run averages. The operating rate for advanced-processing industries rose 0.4 percentage point, held down a bit by a decline in food. Within this grouping, the industries whose current capacity utilization rates are significantly above their 1967–93 averages are furniture, industrial machinery, electrical machinery, and motor vehicles and parts; operating rates for a few industries, such as aerospace and miscellaneous transportation equipment and instruments, are below their long-run averages. The operating rate at utilities fell 0.6 percentage point, and the rate for mining was down 0.2 percentage point.

#### *NOTICE*

An annual revision to industrial production, capacity, and capacity utilization is scheduled to be published on November 30, 1994. The revision to the production indexes, which will affect data beginning with January 1991, will incorporate 1992 value-added proportions and revisions to monthly source data and seasonal factors. The revision to capacity and utilization will also incorporate the 1992 value-added weights along with new data on physical capacity measures and investment when available. The capacity revision will chiefly affect individual series from 1991 forward; aggregate utilization may be changed slightly for earlier years to accommodate the introduction of the 1992 weights. □

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# Statements to the Congress

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*Statement by John P. LaWare, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Financial Institutions Supervision, Regulation and Deposit Insurance of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, October 6, 1994*

I am here this morning to discuss the availability of credit to small and minority-owned businesses and to comment on the data collection proposed in H.R.918.

Small businesses play an essential role in the health of our economy, in the creation of jobs, in the generation of new ideas, and in the competitive process that is so important to a free-enterprise economy. Of the 21 million entities that filed business tax returns in 1992, all but 14,000 were small businesses—using the Small Business Administration's guidelines that define a small business as one with fewer than 500 employees. In fact, the great majority of these enterprises had fewer than 20 employees.

Minority- and women-owned businesses are a growing share of this small business community. In 1987, the latest year for which data are available, it is estimated that there were 1.2 million minority-owned businesses and more than 4 million women-owned businesses, an increase of more than 64 percent and 57 percent respectively from five years earlier.

More significant than the number of small businesses is the contribution that these firms make to economic growth and employment. The Small Business Administration estimates that small businesses account for more than half of private employment and about half of private-sector output. There is no doubt that a vibrant small business community is an essential ingredient for the economic health of our nation, both in urban centers and rural communities.

## *BANKS AND SMALL BUSINESSES*

Commercial banks historically have had a crucial relationship with small businesses. The Federal Reserve's 1989 National Survey of Small Business Financing revealed that local commercial banks are the primary suppliers of most financial products used by established small firms. In addition to commercial loans, banks supply other types of credit and lease financing and a wide range of deposit, brokerage, and trust services. The lending relationship is especially important to small firms whose access to public capital markets is limited. Data from the 1989 survey indicated that almost half of the external debt financing of small businesses came from commercial banks. In addition, small firms rely on credit from nonbank depository institutions and finance companies, on trade credit, and on loans from family and friends.

Just a few years ago, when the banking industry was under severe stress from problems in real estate and agricultural loans, and lingering problems on loans to developing countries, there were very real concerns about the negative implications for financing small businesses. Commercial bank failures rose sharply in the last half of the 1980s and remained high during the 1990-91 recession; the cost of these failures prompted the Congress and the regulatory agencies to adopt new, more stringent regulatory standards. Many banks undertook major programs to bolster the quality of their assets, restructure their balance sheets, and reduce operating losses, with the result that new lending—especially business loans secured by real estate—slowed dramatically. Many long-time customers of banks were unable to renew loans or had credit lines reduced. The severity of the so-called "credit crunch" prompted questions about the longer-term direction the banking system was taking and raised concern about financing for small businesses.

Fortunately, the credit crunch had a relatively short life span. Since 1991, efforts by banks to strengthen operating efficiency and build capital positions have paid off. Over the past couple of years, banks have earned record profits; the industry's rate of return on assets in 1993 was the highest in decades and has declined only a bit this year. Both large and small banks have substantially strengthened their capital ratios; for the industry as a whole, the ratio of equity capital to assets, at 7.8 percent, and the total risk-based capital ratio of 13.2 percent this year are well above regulatory *minimums*. Only thirty-six commercial banks in the United States failed to meet the minimum capital standards in June of this year, and only eleven banks have failed to meet the standard in the past nine months.

The net result is that the credit crunch is no longer the issue. Banks are in good shape to lend and in the past year have experienced a surge in business loan growth, partly as a result of competitive solicitation. Over the first six months of 1994, business loans in the aggregate expanded at an annual rate of 8.5 percent, and growth was even stronger in July and August. The pickup has been apparent at thousands of smaller banks whose loans are made almost exclusively to small businesses, as well as at large domestic and foreign banks. The banks are helping to meet the increased demand for loans as the pace of economic activity accelerated. In addition, the Board's survey of senior loan officers has revealed a fairly general easing of standards and terms for commercial and industrial loans to both small and large businesses over the past year and one-half. Surveys by the National Federation of Independent Business report that credit availability has *not* been a concern for its members. Its most recent surveys also suggest that borrowing activity has picked up considerably. Thus, when we speak today about the availability of credit to small businesses, it is with a much different—and a much more positive one—than two or three years ago.

#### *CREDIT FOR MINORITY-OWNED SMALL BUSINESSES*

The specific focus of this hearing is on the availability of credit to minority-owned busi-

nesses. The committee is responding to reports that creditworthy, minority-owned firms have difficulty obtaining credit and to concerns that lending discrimination is one of the obstacles. The subcommittee is interested in exploring the extent to which H.R.918 and other proposals may provide a productive means for addressing these issues.

H.R.918 would amend the Federal Deposit Insurance Corporation Improvement Act of 1991 to require insured depository institutions to submit annually information on small business and small farm lending in Call Reports provided to the federal banking agencies. The bill would require institutions to provide the total number and dollar amount of loans made and the total number and dollar amount of applications received for small business loans. Institutions would have to report data separately for five different size classifications of businesses; for example, data would be reported for businesses with annual sales of less than \$100,000. Institutions would separately report the total number and dollar amount of loans made, and the total number and dollar amount of applications for commercial loans and commercial real estate loans to start-up businesses, to businesses in operation for less than one year, and to minority-owned businesses.

We can all agree about the importance of ensuring that race and other protected characteristics play no role in the credit process for small businesses. The objective is a sound one. Discrimination in credit decisions has no place in our financial system. Discrimination would directly limit the ability of its victims to own homes, build businesses, create job opportunities, or accumulate wealth. We have taken steps to deal decisively with this problem and to ensure our ability to detect noncompliance. For example, we have been aggressive in communicating our expectations on equal credit opportunity to senior management of financial institutions, have augmented our examination procedures, and have strengthened examiner training. But the effort is not over, and we will continue to search for ways to ensure that markets operate fairly for all.

We are also reviewing what steps can be taken in ensuring that discrimination does not occur in business credit decisions. At the outset, we have

to recognize that the "small business" sector is an amorphous concept. The community of small businesses comprises diverse enterprises, with very different financing needs, management skills, and economic prospects. Most small businesses are sole proprietorships, and more than half of those operate in the retail or service industries. Roughly 15 million are self-employed persons, working full-time or part-time, and they include carpenters, doctors, writers, independent taxi drivers, and so on. Only about 6 million businesses have paid employees, most of them employing small numbers of workers. The construction industry accounts for a large share of small businesses outside the service sector, while manufacturing firms count for only about 10 percent of small businesses.

Given this wide array, the differences among small businesses are likely to be much greater than their similarities. It is important to understand these differences, but unfortunately there are few existing sources that provide comprehensive data on financial and other characteristics of small firms.

#### *SURVEY OF SMALL BUSINESS FINANCES*

Recognition of the need for more information prompted the Federal Reserve, with support from the Small Business Administration, to undertake this year its second major survey of small business financing. The survey is designed to provide extensive information on characteristics of small business firms and their owners, on their income flows and balance sheets, and on their recent borrowing experiences, including credit sources, recent loan applications, credit history, and the owner's view of credit conditions. By selecting a large sample—6,000 businesses—we sought to obtain adequate coverage for comparisons of firms in urban and rural areas, in different geographical areas, in different size groups, and among ownership classes. In addition, we are oversampling to ensure coverage of minority categories; 1,200 minority-owned businesses will be surveyed.

We expect to obtain a great deal of information about credit needs and about the experiences of small businesses from the survey data. The in-

formation will cover not only bank financing but the substantial portion of small business credit extended by other sources as well. A number of questions on the survey will elicit information about recent credit experiences of businesses, including loan approvals and turndowns, the terms associated with the credit extended or reasons given for denials, and the firm's own assessment of its experience. Although a survey of businesses cannot be used to assess an individual bank's lending policies, the data may very well shed light on key factors that enter lending relationships and on similarities and differences among small businesses that seek credit. It may also help us understand better any special needs for, or impediments to, financing of minority businesses.

#### *REGULATIONS UNDER THE COMMUNITY REINVESTMENT ACT*

The committee should also take note of the interagency proposal published just last week. As you know, the Federal Reserve Board has joined with the other banking agencies in publishing a proposal to amend the regulations implementing the Community Reinvestment Act (CRA). That proposal would require banks and savings associations with assets of \$250 million or more (or that are subsidiaries of a holding company with total banking and thrift assets of \$250 million or more) to report certain information about small business and small farm loans.

Under the CRA proposal, information would be collected for business loans with an original loan amount of \$1 million or less—and farm loans of \$500,000 or less. Institutions would report for each loan made that has a balance outstanding at year-end. Information would be provided on the location of the business or farm (including the metropolitan statistical area, state, county, and census tract) and whether the business's gross annual revenues are \$1 million or less.

The agencies have also proposed for comment a provision that would require lenders to ask (in connection with written applications, and for all loans made) about the race and gender of the ownership of small businesses and small farms. Based on this information, institutions would

report the number and dollar amount of loans made to small businesses or small farms owned by minorities or women.

The Federal Reserve is absolutely committed to eliminating discrimination, but I must tell you that some Board members have concerns about requiring lenders to ask for and maintain information on the race of business customers. They believe the CRA proposal risks introducing non-economic factors into the credit-granting process. Indeed, creditors currently are prohibited from asking for or collecting this type of information. Regulation B (which implements the *Equal Credit Opportunity Act*) restricts a creditor's ability to inquire about the race, color, religion, national origin, sex, or marital status of an applicant and has done so since 1976. In essence, the regulation encourages a color-blind, gender-neutral approach in credit transactions by restricting the collection of information that is unrelated to evaluating creditworthiness. The one exception relates to home mortgages, where lenders are required to collect race or national origin for loans to purchase one- to four-family dwellings. The regulation also permits lenders to obtain the information to comply with other statutory requirements, such as the Home Mortgage Disclosure Act (HMDA) or other federal or state requirements. Nonetheless, the CRA provision for collecting race and gender is part of the package that we have published for comment, and we shall be very interested in the comments that we receive from the public.

Under the proposed regulation, institutions required to collect these data under the CRA would make the following information available to the public: (1) the number and amount of the institution's small business and small farm loans located in low-, moderate-, middle-, and upper-income census tracts, (2) the number and amount of the institution's small business and small farm loans located inside and outside the bank's service area, (3) the number and amount of such loans made to minority- and women-owned businesses, (4) the number and amount of such loans to small businesses and small farms with annual revenues \$1 million or less, and (5) a list of the census tracts where the bank had outstanding at least one small business or small farm loan. Those statistics appear quite similar to the re-

porting requirements in H.R.918. Indeed, the bill's requirements would likely be redundant and confusing if imposed in addition to the CRA requirements.

The outcome of the CRA proposal will not be decided until the agencies have a chance to review and react to the comments received in the next forty-five days, but I will touch on some of the pros and cons involved in collecting such statistics this morning. If the data collection proposed in the CRA goes forward, the micro-loan data presumably could be aggregated to produce summary numbers for small and minority-owned business loans.

It is not completely clear, however, how such statistics could further the enforcement of fair lending practices. In particular, the number and dollar volume of loans and denial rates provide no information on borrower characteristics and risks of the loans that were made as compared to loans that were not made. (The data also would not provide information about a particular lender's evaluation standards.) If there is a common thread connecting small businesses in the credit process, it is that lending to them is information-intensive. That is, suppliers of credit need to gather an extensive amount of information to accurately evaluate the potential risks and returns on a loan. In addition to a borrower's financial statements, if such exist, a lender needs to understand the markets in which the business operates; to assess the value of assets that may provide collateral; and to make judgments about the financial creditability of the management.

The CRA data could prove useful to the regulatory agencies in evaluating a lender's small business lending—to help determine if the lender is serving the entire community. The data could also be beneficial to institutions by enabling them to measure how successful their small business lending is, particularly if they have set up special programs to better serve women- or minority-owned businesses. Such data could provide a red flag to the agencies suggesting closer scrutiny of an institution's efforts to comply with the *Equal Credit Opportunity Act*.

It is highly unlikely, however, that these data could be used to establish discrimination. Just as the data collected under the Home Mortgage Disclosure Act alone cannot be used to deter-

mine if an institution is treating all applicants fairly, the same would be true of data for small businesses. Inevitably, the fairness of a bank's lending decision must be addressed on a loan-by-loan basis and in light of information in the loan files and the bank's lending policies. This is where our compliance examinations come in.

### EXAMINATIONS

Our compliance examiners from the Reserve Banks check for discrimination in small business lending by first reviewing policy documents, loan manuals, and Board minutes, and by interviewing bank employees to learn about the bank's lending policies and procedures. Examiners then review forms, applications, and financial statements in the loan files to determine the actual criteria the bank uses to decide who is approved or turned down for credit. In reviewing the data from loan files, they look at both accepted and rejected applicants and make comparisons among different classes of applicants (for example, based on gender or surname) to see if lending criteria are applied on a consistent basis to all applicants or if certain individuals are treated differently on a prohibited basis. In addition, our examiners often code the location of small businesses to determine any geographic patterns to the bank's lending that might assist in determining compliance with fair lending laws.

The necessity of going to the loan files to make any determinations about fairness and compliance with the law is confirmed by our experience with the HMDA data. Our fair lending reviews indicate that observed differences in denial rates, as reflected in HMDA data, are frequently explained by differences in underlying economic circumstances of the borrower or loan contract.

I certainly do not wish to imply that the HMDA data have served no useful purpose. Analysis of these statistics has stimulated lenders and regulators to take a closer look at existing policies and practices and to seek ways to ensure that the administration of lending programs not lead to unintentional discrimination. In many cases, institutions have taken actions that likely increased credit availability to lower income and minority borrowers. For example, many banks

have revised underwriting guidelines and created new loan products; they have instituted second review programs; and they have expanded home buyer education programs and credit counseling programs. Indeed HMDA data reveal a marked increase in relative lending to minorities, although differences in denial rates still persist. For example, from 1992 to 1993, home loans to blacks rose 36 percent, to Hispanics 25 percent, and to whites 18 percent. Increases were even larger for low-income minorities. In some cases, efforts to expand lending to minorities, while increasing the volume of such loans, have also boosted denial rates as less qualified persons are drawn into the applicant pool. In this respect, denial rates can be a misleading indicator of a bank's lending efforts.

The overall positive HMDA experience, however, may not be entirely relevant. The process of obtaining a small business loan differs in key respects from that involved in obtaining a mortgage loan. For example, a business may not file a loan application at all or not until several meetings between the loan officer and the small business have established that a loan will be approved. Thus, evaluation of loan denials based on written applications may be misleading.

In addition, evaluating the risk and expected return of a small business loan is far more subjective than for mortgage lending. In the case of mortgages, there are well-established and widely followed underwriting guidelines for reviewing creditworthiness; often dictated by a very active and important secondary market. Lenders nearly always require written applications with fully documented financial and employment information. These files provide the basis for assessing differences in treatment. In contrast, the factors considered in credit assessments of small business loans vary widely and involve judgment regarding the future cash flow potential of the enterprise and the skill of management. The credit history of the firm and integrity of its owner frequently play an important role. Collateral can also take any number of forms with a small business loan, most being much harder to value than the land or structures securing a residential mortgage. This makes detecting illegal credit discrimination in small business lending far more difficult than for mortgage credit.

In light of this, I question whether aggregate data about business loans by size and race characteristics of borrower will take us very far in efforts to ensure that fair lending practices are being pursued. And, we must be extremely circumspect about collecting data without a good use for it. The reports that lenders must file are already very burdensome, and ultimately increased burden will raise the cost of lending to all borrowers.

### COMPLAINTS

Our experience in the investigation of complaints in business lending may be helpful to the committee. The Federal Reserve receives and investigates, through the regional Reserve Banks, complaints from individuals about all types of banking practices and issues that involve a state member bank. This includes complaints alleging illegal discrimination in business or agricultural lending. We have established special procedures for analyzing and investigating all complaints alleging illegal discrimination to make sure that they receive proper attention. Reserve Bank staff members contact the complainant by telephone to clarify the issues raised and to aid in structuring a thorough investigation of the allegations. Often the Reserve Bank makes an on-site investigation, which may be carried out separately or in conjunction with a regularly scheduled examination. The Reserve Bank decides whether an on-site examination is needed in consultation with Board staff members and after having reviewed a state member bank's response to the complaint and all relevant information.

Over the past four years, the Federal Reserve investigated approximately 2,574 complaints involving credit transactions—most of which involved issues other than credit discrimination. A very small number involved business or agricultural loans. During this four-year period, we have received forty-two complaints alleging illegal discrimination in business or agricultural lending. Of the forty-two, twenty involved state member banks and were investigated by our Reserve Banks; four of these investigations are still in process. The remainder of the complaints in-

involved other lenders and were referred to the appropriate enforcement agencies.

One Reserve Bank found a violation of the Board's regulation in that the state member bank had not given proper notice to the applicant about the credit decision. Of the other fifteen cases, the investigation by the Reserve Bank established that the evidence did not support the allegation of unlawful discrimination. The findings indicated, for example, that the actions complained about (the denial of a loan or the closing of a line of credit) had been taken for legitimate nondiscriminatory reasons: lack of capital; weak management; inadequate cash flow to support the loan; insufficient tangible net worth; poor credit record, including recorded judgments; concerns about a change of staff members and management continuity; declaration of bankruptcy; the fact that the business owner was overextended; and so on. It is, of course, difficult to know why we have received so few complaints. But these low numbers do suggest some caution in setting up new data collection schemes.

### PROMOTION OF BUSINESS LENDING

Given the difficulty of detecting unlawful discrimination, other measures that we can take to ensure the availability of credit to small and minority-owned firms assume added importance. In the case of the Federal Reserve, these measures have included a strong focus on working to promote small business lending. Through our Community Affairs Program, the Federal Reserve has worked for many years to encourage state member banks and other financial institutions to help finance small and minority business development. Through outreach activities, each Reserve Bank's Community Affairs program works with representatives of small and minority businesses, state and local economic development officials, and federal small and minority business development agencies in its district. In some Reserve Banks, Community Affairs staff members prepare and publish community profiles that focus on the credit needs and program resources of a given city or metropolitan area. The Reserve Banks' Community Affairs staff



members also regularly sponsor educational programs and develop publications to assist bankers, community representatives, and owners of small businesses in dealing with issues related to credit needs.

There is also a need to provide information to potential entrepreneurs about how to gain access to credit. To help meet this need, the Federal Reserve Bank of New York recently published *The Credit Process: A Guide for Small Business Owners*. This guide provides extensive suggestions about how to apply for a business loan and the type of financial and other information banks consider in evaluating a request for such credit. Knowing what lenders look for before applying may make a significant difference in the ability to obtain a small business loan. With your permission, Mr. Chairman, I would like to submit this separately for the record.

#### *CONCLUSION AND COMMENTS ON PROPOSED LEGISLATION*

What does this all mean for the need for additional legislation to spur data collection, such as proposed in H.R.918 or in the CRA review process? What information is needed to accomplish our task? What data are feasible to collect?

There is no general agreement on the answers to these questions. As discussed in my testi-

mony, there is much uncertainty about the adequacy—and concerns about the appropriateness—of collecting data on the race of business borrowers. Aggregate data on small business and minority loans may not prove particularly useful in efforts to uncover discriminatory practices because such measures provide no insights into the fundamentals that underlie the loan decision. Such measures may be useful in assessing the community involvement of lending institutions or other indicators, although how they will be used is not clearly defined. The comments that we receive on the CRA proposal may raise other questions or may provide insights into alternative means of gathering useful information. We will weigh such comments carefully.

In the meantime, I would note that the proposed data collection in the CRA seems to closely approximate the general requirements in H.R.918—albeit details on size breakdowns are somewhat different. Individual loans reported for CRA could be aggregated to produce the type of measures anticipated in the bill. To the extent that definitions of loans and size categories are different in the legislation, it likely would impose an unnecessary and confusing additional burden on banks. In sum, at a minimum we would suggest that the Congress defer consideration of additional data collection pending the outcome of the CRA review. □

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*Statement by Cathy E. Minehan, President, Federal Reserve Bank of Boston, before the Subcommittee on Consumer Credit and Insurance of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, October 12, 1994, in Boston, Massachusetts*

I am pleased to present the views of the Federal Reserve Bank of Boston on the important issues you have raised on the cost of credit to consumers and small business in New England. These issues are especially important given this region's recent economic history.

The Massachusetts economy continues in a pattern of slow, steady growth. Since the bottom of the recession—two years ago—some 155,000

net new jobs have been created, and our recent rate of employment growth is virtually the same as the nation as a whole. A variety of other indicators also signal respectable growth—expanded help-wanted sections in newspapers, overtime work in the manufacturing sector, rising business incorporations, higher consumer spending, more housing activity, and increasing per capita income. And I am pleased to note that while the economy is growing, local inflation has been kept under control and real income growth has been stronger than that for the nation as a whole.

These signs of improvement deserve more attention than they have received. They are tangible indicators of economic progress. But I

recognize that the purpose of this hearing is not necessarily to detail the economic recovery in Massachusetts or New England more broadly, but to address certain concerns as to the breadth and durability of that recovery. I will address three issues in this regard. First, what have the trends been as to the affordability and availability of credit to small businesses and consumers in New England? Second, if the indicators suggest that growth is solid and credit is both affordable and available, why don't residents feel better about the economy? And finally, what is the effect of rising interest rates on the prospects for continuing economic recovery?

First, it should be noted that both the affordability and availability of credit to consumers and small businesses have national and local components. Consumers typically borrow using credit cards, mortgage and home equity loans, and auto loans. Consumers may enter into these debt arrangements with local banking or financial institutions, but national secondary markets exist for all these types of credits. Increasingly larger shares of auto loans, credit card receivables, and, of course, mortgage loans are securitized. This process has enabled banks and other traditional lenders to households to continue to originate consumer loans even when they are unable to profitably fund these credits themselves. In addition, the securitization process has meant that the rates available to consumers are based on national markets. Rates on auto loans and credit cards have come down since the early 1990s, as documented in Governor Lindsey's testimony to you on this matter in June.

As he noted then—and this continues to be the case—consumer spending has fueled the national economic recovery. Favorable borrowing conditions have contributed to this growth in spending, which has been accompanied by growth in consumer installment and mortgage debt. Borrowing conditions should remain sufficiently favorable to maintain continued expansion in consumer spending, but the pace will moderate and the composition will shift. Some consumer rates respond more rapidly to general market rates than others, and some forms of spending are more sensitive to interest rates than others. Rates on credit cards are especially sticky. Mortgage rates, in contrast, are responsive, and higher

mortgage rates have resulted in a leveling-off of housing activity both nationally and in Massachusetts.

For small businesses, both the cost and the availability of debt are more locally determined. However, since the "credit crunch" of the last recession, which severely restricted small business lending in New England, markets for such credit have become more competitive. Larger institutions have announced an increased focus on small business loans, smaller banks appear to be quite active, and we hear numerous anecdotes indicating that lending terms are increasingly competitive. Interestingly, we also hear that small business borrowers are not coming to the banks in the numbers expected, although we do not know whether this is because they are reluctant to take on debt after having survived the credit crunch or whether they have found alternative lending sources. Nevertheless, in Massachusetts, small business lending has grown about 10 percent over the past year despite increases in the prime rate, to which rates on many small business loans are tied.

Thus, both the broader economic data and data on consumer and business borrowing suggest solid economic growth in New England. Why is it that some people sense things are not as good as they might be? An improvement definitely has taken place over the past two years in how people in New England rate current economic conditions, but over this same period, national consumer confidence has risen nearly twice as sharply. Organizations such as the University of Massachusetts at Lowell and the Bank of Boston take polls of local businesses. These barometers continue to show improvement, and, if anything, they indicate that business leaders are more confident than those polled in the consumer surveys.

Consumer reticence undoubtedly relates to the fact that the recession here was long and deep. In Massachusetts, payroll employment started falling in early 1989, more than a year ahead of the nation. Between the end of 1988 and the summer of 1992, payroll employment in our state fell 11 percent. Nationally, the decline was less than 2 percent. So although we have had a reasonably good recovery in Massachusetts, payroll employment remains below its previous peak. In contrast, the national economy

has fully recovered and is now in an expansionary phase.

The composition of employment growth also differs from that in a normal New England recovery, and this difference has contributed to skepticism about the recovery. Growth has been dominated by services. Manufacturing, which historically played a major role in powering recoveries, has not on net been a source of new jobs in Massachusetts. Manufacturing employment certainly declined in the recession, and although it has grown a little over the past five months, some of our companies are still cutting their work forces.

This pattern has a number of implications. First, it raises questions about job quality. Some of the very highest paying jobs are in services. But there are also a lot of low-paying jobs. Moreover, the skills needed to earn high wages in services are not necessarily the ones that led to high pay in manufacturing; so even if the jobs are equally good, the people who get the good jobs may not be the same.

Additionally, manufacturing firms tend to be larger than services companies. Thus, employment cuts at manufacturing firms involve large numbers of people and tend to be widely publicized. Indeed, at least in New England, some of the companies that have been cutting back were, in the past, beacons of technical progress or innovation. Their continued difficulties are a blow to the collective self-confidence of the region. Moreover, Massachusetts residents are also aware that cuts in defense spending and market pressures on health costs have been, and will continue to be, more strongly felt here in terms of permanent job losses. In contrast, the growth that is occurring is highly dispersed and not very visible—a few jobs here, a few jobs there. As a consequence, people are acutely conscious of what is going wrong but not of what is going right.

Let me now turn to the role of interest rates and economic growth. Back in January, the federal funds rate was 3.0 percent, the prime was 6.0 percent, and the rate on fixed rate mortgages was about 7.0 percent. Today those rates are 4.75 percent, 7.75 percent, and roughly 9.0 percent respectively. The economies of Massachusetts and the nation have had sufficient momentum to

move forward despite the interest rate increases. And if the national economy continues to expand—as most analysts believe it will in 1995—the Massachusetts economy and the economies of the other New England states should follow. Moreover, to the extent that national monetary policy is successful in promoting solid, noninflationary growth for the nation as a whole, addressing the region's long-term structural trends may be easier.

These trends can be addressed only by solutions that look to building an employment base with the skills that are needed for the jobs now being created.

And make no mistake, those jobs are there. Over the past two weeks, I have met personally with small businessmen, corporate executives, university administrators, and public service providers all over Massachusetts. About 30 percent to 40 percent of them plan to hire over the coming months. And some reported labor shortages, particularly in skilled labor such as auto technicians, truck drivers, computer specialists, and the like. In Springfield last week, I had the opportunity to tour the Springboard facility, which typifies much of what is going on in Massachusetts today. Located in a former Digital manufacturing facility, Springboard repairs computer hard drives and has doubled its small service firm from seventy-five to one hundred fifty employees. Although the seventy-five new service jobs alone will not offset the loss of the Digital plant, many firms each following the Springboard model may do just that. Springboard reports that it is doing its own training now, but for the future New England needs programs to train and retrain workers for the skilled jobs that are available now and will become available in the future.

We also know that although stronger growth feels better in the short run, it can have damaging consequences over time. New England of the 1980s, in fact, provides an extreme, but useful, example of the dangers of too rapid growth. During that time, the unemployment rate fell to 3 percent in the region. Wages and other costs rose faster in the region than elsewhere, undermining the competitive position of New England businesses and setting us up for problems in the long run. Real estate prices soared, encouraging speculation and further price increases. It may

have been great while it lasted, but the aftermath was devastating. It is possible to have too much of a good thing.

In closing, let me note that we at the Federal Reserve Bank of Boston are aware that economic progress in Massachusetts has been uneven. Although the overall unemployment rate is quite low, pockets of high unemployment exist in

certain parts of the state and in certain neighborhoods within more prosperous metropolitan areas. We remain committed to expanding economic opportunities in these locations, whether it be through our own powers and responsibilities or through our cooperation with national, state, and local government agencies and private organizations. □

# Announcements

## *APPOINTMENT OF CHAIRMEN AND DEPUTY CHAIRMEN OF THE BOARDS OF DIRECTORS OF THE FEDERAL RESERVE BANKS*

The Federal Reserve Board announced on October 27, 1994, the appointments of Chairmen and Deputy Chairmen of the twelve Federal Reserve Banks for 1995.

Each Reserve Bank has a Board of Directors of nine members. The Board of Governors in Washington appoints three of these directors and designates one of its appointees as Chairman and a second as Deputy Chairman.

The Chairmen and Deputy Chairmen appointed by the Board for 1995 are the following:

### *Boston*

Jerome H. Grossman, Chairman of the Board and Chief Executive Officer, New England Medical Center, Inc., Boston, renamed Chairman. A Deputy Chairman will be selected later.

### *New York*

Maurice R. Greenberg, Chairman and Chief Executive Officer, American International Group, Inc., New York City, renamed Chairman.  
David A. Hamburg, President, Carnegie Corporation of New York, renamed Deputy Chairman.

### *Philadelphia*

James M. Mead, President and Chief Executive Officer, Capital Blue Cross, Harrisburg, Pennsylvania, renamed Chairman.  
Donald J. Kennedy, Business Manager, International Brotherhood of Electrical Workers, Trenton, renamed Deputy Chairman.

### *Cleveland*

A. William Reynolds, Chairman, GenCorp, Hudson, Ohio, renamed Chairman.  
G. Watts Humphrey, Jr., President, GWH Holdings, Inc., Pittsburgh, renamed Deputy Chairman.

### *Richmond*

Henry J. Faison, President, Faison Associates, Charlotte, North Carolina, renamed Chairman.  
Claudine B. Malone, President, Financial and Management Consulting, McLean, Virginia, renamed Deputy Chairman.

### *Atlanta*

Leo Benatar, Chairman of the Board and President, Engraph, Inc., Atlanta, renamed Chairman.  
Hugh M. Brown, President and Chief Executive Officer, BAMSI, Inc., Titusville, Florida, renamed Deputy Chairman.

### *Chicago*

Robert M. Healey, Member, Illinois State Labor Relations Board, Chicago, Chairman.  
Richard G. Cline, Chairman, President, and Chief Executive Officer, NICOR, Inc., Naperville, Illinois, Deputy Chairman.

### *St. Louis*

Robert H. Quenon, Mining Consultant, St. Louis, renamed Chairman.  
John F. McDonnell, Chairman, McDonnell Douglas Corp., St. Louis, renamed Deputy Chairman.

### *Minneapolis*

Gerald A. Rauenhorst, Chairman of the Board and Chief Executive Officer, Opus Corp., Minneapolis, renamed Chairman.  
Jean D. Kinsey, Professor, Consumption and Consumer Economics, University of Minnesota, St. Paul, renamed Deputy Chairman.

### *Kansas City*

Herman Cain, President and Chief Executive Officer, Godfather's Pizza, Inc., Omaha, Chairman.  
A. Drue Jennings, Chairman, President, and Chief Executive Officer, Kansas City Power and Light Company, Kansas City, Deputy Chairman.

### *Dallas*

Cece Smith, General Partner, Phillips-Smith Specialty Retail Group, Dallas, renamed Chairman.  
Roger R. Hemminghaus, Chairman, President, and Chief Executive Officer, Diamond Shamrock, Inc., San Antonio, renamed Deputy Chairman.

### *San Francisco*

Judith M. Runstad, Co. Partner, Foster Pepper and Shefelman, Seattle, Chairman.  
James A. Vohs, Chairman and Chief Executive Officer (Retired), Kaiser Foundation Health Plan, Inc., Oakland, Deputy Chairman.

### *ADOPTION OF FINAL AMENDMENTS TO REGULATION T*

The Federal Reserve Board announced on October 19, 1994, adoption of final amendments to Regulation T (Credit by Brokers and Dealers) regarding payment for securities purchases and the status of government securities transactions. The amendments were effective November 25, 1994.

One amendment specifies that customers must meet initial margin calls or make full cash payment for securities purchased at a broker-dealer within two business days of the standard settlement period.

In June 1995, when a standard settlement period of three days (T+3) adopted by the Securities and Exchange Commission goes into effect, Regulation T will be in conformity.

Related amendments raise the *de minimis* amount below which liquidation of unpaid transactions is not required from \$500 to \$1,000, require brokers seeking extensions of the payment periods to obtain them from their designated examining authority, and clarify that the time periods provided for certain securities with extended settlement periods are the time periods used to calculate when restrictions in the cash account are applied.

The other amendments address transactions involving U.S. government securities. One amendment exempts brokers and dealers whose business is limited to transactions in government securities while another amendment will provide a mechanism for other brokers and dealers to effect customer transactions in government securities without regard to other provisions in the regulation.

### *ADOPTION OF AMENDMENT TO REGULATION DD*

The Federal Reserve Board on October 13, 1994, amended its Regulation DD (Truth in Savings) to comply with a provision of the Riegle Community Development and Regulatory Improvement Act.

Originally, the regulation covered accounts held both by individuals and by unincorporated nonbusiness associations of individuals. Under the new provisions, accounts held by unincorporated non-business associations of individuals are no longer

subject to Truth in Savings. The new law narrowed the scope of covered accounts to those held by individuals primarily for personal, family, or household purposes.

### *PROPOSED ACTIONS*

The Federal Reserve Board requested on October 21, 1994, public comment on a proposed exception to the anti-tying restrictions of the Bank Holding Company Act and the Board's Regulation Y (Bank Holding Companies and Change in Bank Control). Comments are requested by December 9, 1994.

The Federal Reserve Board issued on October 27, 1994, interim rules implementing changes to the Board's application procedures established by the Riegle Community Development and Regulatory Improvement Act of 1994 (the CDR Act) and requested public comment on these rules by December 5, 1994.

### *PUBLICATION OF NEW BROCHURE: SHOP . . . THE CARD YOU PICK CAN SAVE YOU MONEY*

The Federal Reserve Board published on October 28, 1994, a new brochure designed to assist consumers in the selection of a credit card plan that best suits their spending and repayment pattern. The publication is entitled *SHOP . . . The Card You Pick Can Save You Money*.

The brochure, issued in conjunction with National Consumers Week, points out the terms that consumers should be familiar with before choosing a specific card. It defines these terms and relates them to information on a disclosure form. To provide further assistance to consumers, the brochure gives an example of the annual savings that can be achieved in selecting one card plan over another.

The brochure incorporates information from the Board's survey of credit card plans that is updated by the Federal Reserve System every six months. This information includes the annual percentage rate (APR), the pricing, interest rate, grace period, and telephone number of about 150 credit card issuers, including the largest 25. With this package

of information, consumers are encouraged to shop for the credit card that best suits their needs and is most likely to save them money.

Copies of the brochure are available through the Office of Public Information at the twelve Federal Reserve Banks or by contacting Publications Services, Mail Stop 127, Board of Governors of the Federal Reserve System, Washington, DC 20551.

*AVAILABILITY OF REVISED LISTS OF OTC STOCKS AND OF FOREIGN STOCKS SUBJECT TO MARGIN REGULATIONS*

The Federal Reserve Board published on October 31, 1994, a revised list of over-the-counter (OTC) stocks that are subject to its margin regulations (OTC List). Also published was a revised list of foreign equity securities (Foreign List) that meet the margin criteria in Regulation T (Credit by Brokers and Dealers). These lists are published for the information of lenders and the general public.

The lists are effective November 14, 1994, and supersede the previous lists that were effective August 8, 1994. The next revision of these lists is scheduled to be effective in February 1995.

The changes that have been made to the revised OTC List, which now contains 4,056 OTC stocks, are as follows:

- One hundred sixty-six stocks have been included for the first time, 144 under National Market System (NMS) designation.

- Forty-six stocks previously on the list have been removed for substantially failing to meet the requirements for continued listing.

- Fifty-eight stocks have been removed for reasons such as listing on a national securities exchange or involvement in an acquisition.

The OTC List is composed of OTC stocks that have been determined by the Board to be subject to margin requirements in Regulations G (Securities Credit by Persons Other than Banks, Brokers, or Dealers), T, and U (Credit by Banks for the Purpose of Purchasing or Carrying Margin Stocks). It includes OTC stocks qualifying under Board criteria and also includes all OTC stocks designated as NMS securities. Additional NMS securities may be added in the interim between quarterly Board publications; these securities are immediately marginable upon designation as NMS securities.

The Foreign List specifies those foreign equity securities that are eligible for margin treatment at broker-dealers. There are six additions to, and two deletions from, the Foreign List, which now contains 688 foreign equity securities. □

# 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 Regulations G, T, U, and X (Securities Credit Transactions; List of Marginable OTC Stocks; List of Foreign Margin Stocks). The List of Marginable OTC Stocks (OTC List) is composed 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) is composed of 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 Foreign List.

Effective November 14, 1994, 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

Automated Telephone Management Systems, Inc.:  
Series A, \$1.00 par cumulative convertible preferred

Body Drama, Inc.: No par common

CAPX Corporation: Class A, Warrants (expire 07-30-95)

CNL Financial Corporation: \$1.00 par common

Codenoll Technology Corp.: \$.01 par common

Commerce Bancorp, Inc. (New Jersey): Series B, cumulative convertible preferred

Communication Intelligence Corp.: \$.01 par common

Cybernetics Products, Inc.: \$.01 par common

Destron Fearing Corporation: No par common

Falcon Oil & Gas Company, Inc.: \$.01 par common

Franklin Bank, National Association (Michigan):  
Series A, No par convertible preferred; Warrants  
(expire 09-15-94)

Golden Knight Resources, Inc.: No par common

Home Theater Products Inc.: Warrants (expire 09-30-94)

Image Business Systems Corp.: \$.01 par common

Independence Bancorp, Inc. (New Jersey): \$1.667 par common

Integral Systems, Inc.: \$.01 par common

International Airline Support Group, Inc.: \$.001 par common

International Gaming Management, Inc.: \$.001 par common

International Nesmont Industrial Corp.: No par common

IRG Technologies, Inc.: \$.01 par common

Laser Pacific Media Corporation: \$.0001 par common

Licon International, Inc.: \$.001 par common

Machine Technology, Inc.: No par common

Marquest Medical Products Inc.: No par common

Maxim Group, Inc., The: Warrants (expire 09-30-98)

Mechanical Technology, Inc.: \$1.00 par common

Media Vision Technology, Inc.: \$.001 par common

Megacards, Inc.: \$.01 par common

Megafoods Stores, Inc.: \$.001 par common

Micro Component Technology Inc.: \$.01 par common

Microlog Corporation: \$.01 par common

Microprobe Corporation: \$.01 par common; Warrants  
(expire 09-28-98)

Nalcap Holdings Inc.: No par common

Nam Tai Electronics, Inc.: Redeemable common share purchase warrants

Neorx Corporation: \$.02 par convertible exchangeable preferred



Odd's-N-End's, Inc.: \$.01 par common	Liberty Media Corporation: Class A, \$1.00 par common; Class B, \$1.00 par common; Class E, \$.01 par preferred
O S F, Inc.: No par common	Liberty National Bancorp, Inc.: No par common
Pace American Group: \$.10 par common	Lincoln Foodservice Products, Inc.: No par common
Petrominerals Corporation: \$.10 par common	Loan America Financial Corp.: Class B, \$.10 par common
Republic Bank (California): No par common	McCaw Cellular Communications, Inc.: Class A, \$.01 par common
Restor Industries, Inc.: \$.01 par common; Warrants (expire 08-12-94)	Medquist, Inc.: No par common
Sports Heros, Inc.: \$.001 par common; Warrants (expire 11-20-95)	Mid-Atlantic Medical Services, Inc.: \$.01 par common
Stocks Removed for Listing on a National Securities Exchange or Being Involved in an Acquisition	Momentum Corporation: \$1.00 par common
Aldus Corporation: \$.01 par common	Mr. Coffee, Inc.: \$.01 par common
American Residential Holdings Corporation: \$.04 par common	Nature Food Centers Inc.: \$.001 par common
Ask Group, Inc., The: No par common	Newtrogena Corporation: \$.001 par common
Cardinal Health Inc.: No par common	Newbridge Networks Corporation: No par common
Central Pennsylvania Financial: \$1.00 par common	Optical Radiation Corporation: \$.50 par common
Cohasset Savings Bank: \$.10 par common	PDA Engineering: No par common
Community Health Systems, Inc.: \$.01 par common	Pioneer Financial Corporation: \$1.00 par common
Consolidated Papers, Inc.: \$1.00 par common	Reliable Financial Corporation: \$.01 par common
Cresmont Financial Corporation: \$1.00 par common	Sage Technologies Inc.: \$.01 par common
Cumberland Federal Bancorporation, Inc. (Kentucky): \$1.00 par common	SBC Technologies, Inc.: \$.10 par common
Diasonics Ultrasound Inc.: \$.01 par common	Scripps Howard Broadcasting Co.: \$.25 par common
First Inter-Bancorp Inc. (New York): \$1.00 par common	Serving Software, Inc.: \$.01 par common
Frankford Corporation, The: \$1.00 par common	Signal Technology Corporation: \$.01 par common
Gates/FA Distributing, Inc.: \$.01 par common	Sphinx Pharmaceuticals Corp.: \$.01 par common
Glendale Bancorporation (New Jersey): \$2.50 par common	Sports & Recreation, Inc.: \$.01 par common
Grasso Corporation: \$.01 par common	Sterling Bancshares Corporation: \$.10 par common
H & H Oil Tool Co., Inc.: \$.01 par common	Suburban Bancorp, Inc.: Class A, \$1.00 par common
Hallmark Healthcare Corporation: Class A, \$.05 par common	Sunward Technologies, Inc.: \$.01 par common
International Container Systems, Inc.: \$.01 par common	Supermac Technology, Inc.: \$.001 par common
Kenfil Inc.: \$.01 par common	TSI Corporation: \$.02 par common; Warrants (expire 01-31-96)
Kinross Gold Corporation: No par common	Turf Paradise, Inc.: No par common
L.S.B. Bancshares, Inc. of South Carolina: \$2.50 par common	TVX Gold, Inc.: No par common
	West Newton Savings Bank: \$.10 par common
	Wheatley TXT Corporation: \$.01 par common
	Xyplex Inc.: \$.01 par common
	<i>Additions to the List of Marginable OTC Stocks</i>
	Aasche Transportation Services, Inc.: \$.0001 par common
	Adflex Solutions, Inc.: \$.01 par common
	Adtran, Inc.: \$.01 par common

- Affiliated Computer Services, Inc.: Class A, \$.01 par common  
 AK Steel Holding Corporation: 7% convertible preferred  
 Amerilink Corporation: No par common  
 Aquagenix Inc.: \$.01 par common; Warrants (expire 09-13-99)  
 Aran Energy PLC: American Depositary Receipts  
 Ariad Pharmaceuticals, Inc.: Warrants (expire 05-20-99)  
 Astrum International Corporation: \$.01 par common
- Baby Superstore, Inc.: No par common  
 Bally's Grand, Inc.: \$.01 par common; Warrants (expire 08-19-2000)  
 Bedford Bancshares, Inc. (Virginia): \$.01 par common  
 Bell Cablemedia PLC: American Depositary Receipts  
 Benson Financial Corporation: \$.01 par common  
 Best Products Co., Inc.: \$1.00 par common  
 Bio-Dental Technologies Corporation: \$.01 par common  
 Biomune Systems, Inc.: \$.0001 par common  
 Business Objects S.A.: American Depositary Shares
- Caledonia Mining Corporation: No par common  
 Carnegie Bancorp (New Jersey): No par common; Warrants (expire 08-09-97)  
 Carolina First Corporation: Series 1994, No par non-cumulative convertible preferred  
 Cascade Communications Corporation: \$.001 par common  
 Cedar Group, Inc.: \$.001 par common  
 Central European Media Enterprises Ltd.: Class A, \$.01 par common  
 Central Tractor Farm & Country Inc.: \$.01 par common  
 Cerprobe Corporation: \$.05 par common  
 Cherry Corporation, The: Class A, \$1.00 par common  
 Cima Labs Inc.: \$.01 par common  
 Citation Corporation: \$.01 par common  
 Clearnet Communications, Inc.: Class A, non-voting, No par common  
 Cohu, Inc.: \$1.00 par common  
 Comcast UK Cable Partners Ltd.: \$.01 par common  
 Comet Software International: Ordinary shares (NIS .01)  
 Concord Health Group, Inc.: \$.001 par common; Warrants (expire 04-19-2000)  
 Continental Choice Care, Inc.: No par common; Units (expire 04-29-99); Warrants (expire 07-20-99)  
 Corporate Express, Inc.: \$.0002 par common  
 Cyclo3PSS Medical Systems, Inc.: \$.001 par common
- Darling International Inc.: \$.01 par common  
 Dorsey Trailers, Inc.: \$.01 par common
- Duramed Pharmaceuticals, Inc.: \$.01 par common  
 Dwyer Group, Inc., The: \$.10 par common
- E & B Marine, Inc.: \$.001 par common  
 Eagle Finance Corporation: \$.01 par common  
 Eagle Financial Corporation: \$.01 par common  
 Enterprise Federal Bancorp Inc. (Ohio): \$.01 par common  
 Envirodyne Industries, Inc.: \$.01 par common  
 Erly Industries, Inc.: \$1.00 par common  
 Ernst Home Center, Inc.: \$.01 par common
- Facelifters Home Systems, Inc.: \$.01 par common  
 Family Bargain Corporation: Series A, \$.01 par preferred  
 FCNB Corporation: \$1.00 par common  
 Featherlite Manufacturing Inc.: No par common  
 Felcor Suite Hotels, Inc.: \$.01 par common  
 FFVA Financial Corporation: \$.10 par common  
 Fiberstars, Inc.: \$.0001 par common  
 Financial Bancorp Inc. (New York): \$.01 par common  
 First Federal Bancshares of Eau Claire Inc.: \$.01 par common  
 First Federal Savings Bank of Fort Dodge: \$1.00 par common  
 First Merchants Acceptance Corporation: \$.01 par common  
 First Victoria National Bank (Texas): \$5.00 par common  
 Flemington National Bank & Trust Company (New Jersey): \$2.50 par common  
 Florida Gaming Corporation: \$.10 par common  
 Forum Group, Inc.: No par common  
 FSF Financial Corporation: \$.10 par common  
 Full House Resorts, Inc.: \$.0001 par common
- Giant Cement Holding Inc.: \$.01 par common  
 Global Market Information, Inc.: \$.01 par common; Warrants (expire 08-10-97)  
 Grand Toys International, Inc.: \$.001 par common  
 Greenstone Industries, Inc.: \$.001 par common; Warrants (expire 07-20-99)
- Happiness Express, Inc.: \$.001 par common  
 Harbor Federal Bancorp, Inc. (Maryland): \$.01 par common  
 Harris Computer Systems Corporation: \$1.00 par common  
 Heftel Broadcasting Corporation: Class A, \$.001 par common  
 Home Federal Savings Bank (Washington, D.C.): \$.01 par common  
 Hubco, Inc.: Series A, \$24.00 stated value preferred stock

- IDM Environmental Corporation: \$.001 par common; Class A, Warrants (expire 04-21-99)  
 Incontrol, Inc.: \$.01 par common  
 Innkeepers USA Trust: \$.01 par common  
 Inphynet Medical Management, Inc.: \$.01 par common  
 IPC Information Systems, Inc.: \$.01 par common
- Jannock Limited: Common shares  
 Jefferson Bancorp, Inc. (Louisiana): \$.01 par common
- Life Bancorp Inc.: \$.01 par common  
 Loronix Information Systems, Inc.: \$.001 par common
- Macheezmo Mouse Restaurants, Inc.: No par common  
 Mahaska Investment Company: \$5.00 par common  
 Marker International: \$.01 par common  
 Matthews International Corporation: \$1.00 par common  
 Mattson Technology Inc.: No par common  
 Maverick Tube Corporation: \$.01 par common  
 Media Arts Group, Inc.: \$.01 par common  
 Meridian Sports Inc.: \$.01 par common  
 Metrobancorp (Indiana): No par common  
 Metrologic Instruments, Inc.: \$.01 par common  
 Micro Linear Corporation: \$.001 par common  
 Miles Homes, Inc.: Warrants (expire 04-01-97)  
 Miller Industries, Inc.: \$.01 par common  
 Milton Federal Financial Corporation: No par common  
 Ministor Peripherals International Ltd.: \$.012454 par common; Redeemable Warrants (expire 07-29-99)  
 Mississippi Chemical Corporation: \$.01 par common  
 MLF Bancorp, Inc. (Pennsylvania): \$.01 par common  
 Movie Gallery, Inc.: \$.001 par common
- National Diagnostics Inc.: No par common; Warrants (expire 09-19-97)  
 Network Long Distance, Inc.: \$.0001 par common  
 Newvision Technology, Inc.: \$.01 par common; Warrants (expire 03-30-95); Redeemable Warrants (expire 08-25-99)  
 Noble Drilling Corporation: \$1.50 convertible preferred  
 Norrell Corporation: No par common  
 Norweb PLC: American Depositary Receipts  
 Numerex Corporation: \$.0001 par common
- Ottawa Financial Corporation: \$.01 par common
- P.T. Tri Polyta Indonesia: American Depositary Receipts  
 Pacific Basin Bulk Shipping Ltd.: Units (expire 09-30-99)  
 Pennfed Financial Services, Inc.: \$.01 par common  
 PHC, Inc.: \$.001 par common  
 Piercing Pagoda Inc.: \$.01 par common
- PMT Services, Inc.: \$.01 par common  
 PRI Automation Inc.: \$.01 par common  
 Prime Residential, Inc.: \$.01 par common  
 Professional Sports Care Management Inc.: \$.01 par common  
 Protection One, Inc.: \$.01 par common
- Regent Bancshares Corp. (Pennsylvania): \$.10 par common; Series A, \$.10 par convertible preferred  
 Rent-Way, Inc.: No par common  
 RF Monolithics, Inc.: \$.001 par common  
 Rock Bottom Restaurants, Inc.: \$.01 par common
- SBS Engineering Inc.: No par common  
 Sirena Apparel Group Inc., The: \$.01 par common  
 South Pointe Enterprises, Inc.: \$.0001 par common  
 Spectrian Corporation: No par common  
 Sportmart, Inc.: Class A, \$.01 par common  
 Standard Financial, Inc.: \$.01 par common  
 Strategic Distribution, Inc.: \$.10 par common  
 Strouds Inc.: \$.0001 par common  
 Suburbfed Financial Corporation: \$.01 par common  
 Sugem Inc.: \$.01 par common  
 Systemsoft Corporation: \$.01 par common
- Target Technologies Inc.: \$.01 par common  
 Team Rental Group, Inc.: \$.01 par common  
 Tescos Technologies Inc.: \$.01 par common  
 TJ Systems Corporation: \$.01 par common  
 Tower Automotive, Inc.: \$.01 par common  
 Truck Components, Inc.: \$.01 par common
- U S Xpress Enterprises Inc.: Class A, \$.01 par common
- Village Bancorp, Inc. (Connecticut): \$3.33 par common
- Wackenhut Corrections Corporation: \$.01 par common  
 Wave Systems Corporation: Class A, \$.01 par common  
 Wave Technologies International Inc.: \$.50 par common  
 Welcome Home, Inc.: \$.01 par common  
 Westbank Corporation: \$2.00 par common  
 Western Ohio Financial Corporation: \$.01 par common
- Youth Services International, Inc.: \$.01 par common
- Additions to the List of Foreign Margin Stocks*
- Bank of Montreal: No par common  
 Bank of Nova Scotia, The: No par common

Canadian Imperial Bank of Commerce: No par common

National Bank of Canada: No par common

Royal Bank of Canada: No par common

Toronto Dominion Bank, The: No par common

*Deletions to the List of Foreign Margin Stocks*

Canadian Natural Resources Ltd.: No par common

OJI Paper Company Ltd.: ¥ 50 par common

**FINAL RULE—AMENDMENT TO REGULATION K**

The Board of Governors is amending 12 C.F.R. Part 211, its Regulation K (International Banking Operations), the regulations concerning the permissible activities of state-licensed branches and agencies of foreign banks. Section 202(a) of the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA or Act) provides that after December 19, 1992, a state-licensed branch or agency of a foreign bank may not engage in any activity that is not permissible for a federal branch of a foreign bank unless the Board has determined that the activity is consistent with sound banking practice, and in the case of an insured branch, the Federal Deposit Insurance Corporation (FDIC) has determined that the activity would pose no significant risk to the affected deposit insurance fund. This amendment to Regulation K sets forth the application procedures which state-licensed branches and agencies of foreign banks will be required to follow in order to request the Board's permission to engage in or continue to engage in an activity which is not permissible for a federal branch of a foreign bank and the requirements of divestiture and cessation plans. Insured branches are also required to seek the approval of the FDIC to engage in or to continue to engage in such an activity. The final rule also amends Part 211 to clarify that no application will be required in connection with the conversion by a foreign bank of its federally-licensed branch or agency into a state-licensed branch or agency.

Effective January 1, 1995, except for section 211.21(e) which is effective December 5, 1994, 12 C.F.R. Part 211 is amended as follows:

**Part 211—International Banking Operations (Regulation K)**

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

*Authority:* 12 U.S.C. 221 *et seq.*, 1818, 1841 *et seq.*, 1843 *et seq.*, 3101 *et seq.*, 3901 *et seq.*

2. In section 211.21, paragraph (e) is revised to read as follows:

**Section 211.21—Definitions.**

\* \* \* \* \*

*Change the status* of an office means convert a representative office into a branch or agency, or an agency into a branch, but does not include renewal of the license of an existing office.

\* \* \* \* \*

3. In section 211.29, the text is added to read as follows:

**Section 211.29—Applications by state-licensed branches and agencies to conduct activities not permissible for federal branches.**

(a) *Scope.* A state-licensed branch or agency shall file with the Board a prior written application for permission to engage in or continue to engage in any type of activity that:

- (1) Is not permissible for a federal branch, pursuant to statute, regulation, official bulletin or circular, or order or interpretation issued in writing by the Office of the Comptroller of the Currency; or
- (2) Is rendered impermissible due to a subsequent change in statute, regulation, official bulletin or circular, written order or interpretation, or decision of a court of competent jurisdiction.

(b) *Exceptions.* No application shall be required by a state-licensed branch or agency to conduct any activity that is otherwise permissible under applicable state and federal law or regulation and that:

- (1) Has been determined by the FDIC pursuant to 12 C.F.R. 362.4(c)(3)(i)-(ii)(A) not to present a significant risk to the affected deposit insurance fund.
- (2) Is permissible for a federally-licensed branch but the OCC imposes a quantitative limitation on the conduct of such activity by the federal branch;
- (3) Is conducted as agent rather than as principal, provided that the activity is one that could be conducted by a state-chartered bank headquartered in the same state in which the branch or agency is licensed; or
- (4) Any other activity that the Board has determined may be conducted by any state-licensed branch or

agency of a foreign bank without further application to the Board.

(c) *Contents of application.* An application submitted pursuant to paragraph (a) of this section shall be in letter form and shall contain the following information:

(1) A brief description of the activity, including the manner in which it will be conducted and an estimate of the expected dollar volume associated with the activity;

(2) An analysis of the impact of the proposed activity on the condition of the U.S. operations of the foreign bank in general and of the branch or agency in particular, including a copy, if available, of any feasibility study, management plan, financial projections, business plan, or similar document concerning the conduct of the activity;

(3) A resolution by the applicant's board of directors or, if a resolution is not required pursuant to the applicant's organizational documents, evidence of approval by senior management, authorizing the conduct of such activity and the filing of this application;

(4) If the activity is to be conducted by a state-licensed insured branch, a statement by the applicant of whether or not it is in compliance with 12 C.F.R. 346.19 and 346.20, Pledge of Assets and Asset Maintenance, respectively;

(5) If the activity is to be conducted by a state-licensed insured branch, statements by the applicant:

(i) That it has complied with all requirements of the Federal Deposit Insurance Corporation concerning an application to conduct the activity and the status of the application, including a copy of the FDIC's disposition of such application, if available, and

(ii) Explaining why the activity will pose no significant risk to the deposit insurance fund; and

(6) Any other information that the Reserve Bank deems appropriate.

(d) *Factors considered in determination.*

(1) The Board shall consider the following factors in determining whether a proposed activity is consistent with sound banking practice:

(A) The types of risks, if any, the activity poses to the U.S. operations of the foreign banking organization in general and the branch or agency in particular;

(B) If the activity poses any such risks, the magnitude of each risk; and

(C) If a risk is not *de minimis*, the actual or proposed procedures to control and minimize the risk.

(2) Each of the factors set forth in paragraph (d)(1) of this section, shall be evaluated in light of the finan-

cial condition of the foreign bank in general and the branch or agency in particular and the volume of the activity.

(e) *Application procedures.* Applications pursuant to this section shall be filed with the responsible Reserve Bank for the foreign bank. An application shall not be deemed complete until it contains all the information requested by the Reserve Bank and has been accepted. Approval of such an application may be conditioned on the applicant's agreement to conduct the activity subject to specific conditions or limitations.

(f) *Divestiture or Cessation.*

(1) In the event that an applicant's application for permission to continue to conduct an activity is not approved by the Board or, if applicable, the FDIC, the applicant shall submit a detailed written plan of divestiture or cessation of the activity to the responsible Reserve Bank within 60 days of the disapproval. The divestiture or cessation plan shall describe in detail the manner in which the applicant will divest itself of or cease the activity and shall include a projected timetable describing how long the divestiture or cessation is expected to take. Divestitures or cessation shall be complete within one year from the date of the disapproval, or within such shorter period of time as the Board shall direct.

(2) In the event that a foreign bank operating a state branch or agency chooses not to apply to the Board for permission to continue to conduct an activity that is not permissible for a federal branch or which is rendered impermissible due to a subsequent change in statute, regulation, official bulletin or circular, written order or interpretation, or decision of a court of competent jurisdiction, the foreign bank shall submit a written plan of divestiture or cessation, in conformance with section 211.29(f)(1), of this part within 60 days of the effective date of this part or of such change or decision.

#### *FINAL RULE—AMENDMENT TO REGULATION T*

The Board of Governors is amending 12 C.F.R. Part 220, its Regulation T (Credit by Brokers and Dealers), as part of the Board's review of Regulation T and respond to rulemaking by the Securities and Exchange Commission ("SEC") concerning settlement of securities transactions and Congressional action concerning government securities. The proposed amendments were published for public comment in the *Federal Register* on July 1, 1994. The amendments address two general areas: payment periods for securities purchases and transactions in government securities. The amendments concerning payment periods will:

- (1) Reduce by two days the amount of time customers have to meet initial margin calls or make full cash payment for securities at the same time the SEC reduces the standard settlement period by two days,
- (2) Require broker-dealers seeking an extension of this time period to obtain the extension from their designated examining authority if the balance due is \$1000 or more, and
- (3) Revise regulatory language in the cash account so that the time periods within which extensions must be obtained and when the "90-day freeze" may be lifted are consistent for certain transactions in which settlement exceeds the standard settlement period.

The amendments concerning transactions in government securities will:

- (1) Exempt from Regulation T those broker-dealers registered with the SEC solely as government securities brokers or dealers, and
- (2) Create a new account for customers of general broker-dealers that permits transactions in government securities to be effected without regard to other provisions of the regulation.

Effective November 25, 1994, 12 C.F.R. Part 220 is amended as follows:

**Part 220—Credit by Brokers and Dealers (Regulation T)**

1. The authority citation for Part 220 is revised to read as follows:

*Authority:* 15 U.S.C. 78c, 78g, 78h, 78q, and 78w.

- 2. Section 220.1 is amended as follows:
  - a. The word "seven" in the first sentence of paragraph (b)(1) is revised to read "eight."
  - b. A new paragraph 220.1(b)(3) is added to read as follows:

**Section 220.1—Authority, purpose, and scope.**

\* \* \* \* \*

- (b) \* \* \*
  - (3) This part does not apply to transactions between a customer and a broker or dealer registered only under section 15C of the Act.

- 3. Section 220.2 is amended as follows:
  - a. Paragraph (h) is revised.
  - b. Paragraphs (w) through (aa) are redesignated as paragraphs (x) through (bb) and new paragraph (w) is added. The revisions and additions read as follows:

**Section 220.2—Definitions.**

\* \* \* \* \*

- (h) *Examining authority* means:
  - (1) The national securities exchange or national securities association of which a creditor is a member; or
  - (2) If a member of more than one self-regulatory organization, the organization designated by the SEC as the examining authority for the creditor.

\* \* \* \* \*

(w) *Payment period* means the number of business days in the standard securities settlement cycle in the United States, as defined in SEC Rule 15c6-1 under the Act, plus two business days. Until June 1, 1995, payment period means seven business days.

\* \* \* \* \*

4. In section 220.4, the figure "\$500" in paragraph (d) is revised to read "\$1000" and paragraph (c)(3) is revised to read as follows:

**Section 220.4—Margin account.**

\* \* \* \* \*

- (c) \* \* \*
  - (3) *Time limits.*
    - (i) A margin call shall be satisfied within one payment period after the margin deficiency was created or increased.
    - (ii) The payment period may be extended for one or more limited periods upon application by the creditor to its examining authority unless the examining authority believes that the creditor is not acting in good faith or that the creditor has not sufficiently determined that exceptional circumstances warrant such action. Applications shall be filed and acted upon prior to the end of the payment period or the expiration of any subsequent extension.

\* \* \* \* \*

5. In section 220.8, the figure "\$500" in paragraph (b)(4) is revised to read "\$1000" and paragraphs (b)(1)(i) introductory text, (b)(1)(ii), (b)(3), (c)(2)(i), and (d) are revised to read as follows:

**Section 220.8—Cash account.**

\* \* \* \* \*

- (b) \* \* \*
  - (1) \* \* \*

(i) Within one payment period of the date:

\* \* \* \* \*

(ii) In the case of the purchase of a foreign security, within one payment period of the trade date or the date on which settlement is required to occur by the rules of the foreign securities market, provided this period does not exceed the maximum time permitted by this part for delivery against payment transactions.

\* \* \* \* \*

(3) *Shipment of securities, extension.* If any shipment of securities is incidental to consummation of a transaction, a creditor may extend the payment period by the number of days required for shipment, but by not more than one additional payment period.

\* \* \* \* \*

(c) \* \* \*

(2) \* \* \*

(i) Within the period specified in paragraph (b)(1), full payment is received or any check or draft in payment has cleared and the proceeds from the sale are not withdrawn prior to such payment or check clearance; or

\* \* \* \* \*

(d) *Extension of time periods; transfers.*

(1) Unless the creditor's examining authority believes that the creditor is not acting in good faith or that the creditor has not sufficiently determined that exceptional circumstances warrant such action, it may upon application by the creditor:

- (i) Extend any period specified in paragraph (b) of this section;
- (ii) Authorize transfer to another account of any transaction involving the purchase of a margin or exempted security; or
- (iii) Grant a waiver from the 90 day freeze.

(2) Applications shall be filed and acted upon prior to the end of the payment period, or in the case of the purchase of a foreign security within the period specified in paragraph (b)(1)(ii) of this section, or the expiration of any subsequent extension.

6. Section 220.18 is redesignated as section 220.19 and new section 220.18 is added to read as follows:

**Section 220.18—Government securities account.**

In a government securities account, a creditor may effect and finance transactions involving government

securities, provided the transaction is not prohibited by section 15C of the Act or any rule thereunder.

**FINAL RULE—AMENDMENT TO REGULATION DD**

The Board of Governors is amending 12 C.F.R. Part 230, its Regulation DD (Truth in Savings) and the official staff commentary to implement recent changes made to the Truth in Savings Act by the Riegle Community Development and Regulatory Improvement Act of 1994. The law narrows the scope of accounts covered by the Truth in Savings Act to accounts held by individuals for a personal, family or household purpose. Accounts held by unincorporated nonbusiness associations of individuals are no longer subject to Truth in Savings requirements. The amendments to Regulation DD would merely implement this change by deleting references to "unincorporated non-business associations of individuals." The Board has made a finding that publishing a proposed amendment for comment is unnecessary and contrary to the public interest; therefore, the amendment is adopted in final form.

Effective September 23, 1994, 12 C.F.R. Part 230 is amended as follows:

**Part 230—Truth in Savings (Regulation DD)**

1. The authority citation for 12 C.F.R. Part 230 continues to read as follows:

*Authority:* 12 U.S.C. 4301 *et seq.*

**Section 230.2—[Amended]**

2. In section 230.2, the last sentence of paragraph (a) and the second sentence of paragraph (h) are removed.

**Supplement I to Part 230 [Amended]**

3. In Supplement I to Part 230 under the heading Section 230.2—Definitions., paragraph (h)5. *Unincorporated associations.* is removed.

## ORDERS ISSUED UNDER BANK HOLDING COMPANY ACT

### *Orders Issued Under Section 3 of the Bank Holding Company Act*

First National Corporation of Ardmore, Inc.  
Ardmore, Oklahoma

#### *Order Approving Acquisition of Shares of a Bank*

First National Corporation of Ardmore, Inc., Ardmore, Oklahoma ("Ardmore"), has applied under section 3 of the Bank Holding Company Act ("BHC Act") (12 U.S.C. § 1842) to acquire approximately 36.4 percent of the outstanding voting common stock of Bank of Love County, Marietta, Oklahoma ("Marietta Bank").

Notice of the application, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 35,346 (1994)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3 of the BHC Act.

Ardmore, with total consolidated assets of \$156.2 million, is the 34th largest commercial banking organization in Oklahoma, controlling approximately \$122.1 million in deposits, representing less than 1 percent of the total deposits in commercial banking organizations in the state.<sup>1</sup> Marietta Bank, with total consolidated assets of \$23 million, is the 230th largest commercial banking organization in Oklahoma, controlling \$21.6 million in deposits, representing less than 1 percent of the total deposits in commercial banking organizations in the state. Upon consummation of this proposal, Ardmore would become the 29th largest commercial banking organization in Oklahoma, controlling deposits of \$143.7 million, representing less than 1 percent of the total deposits in commercial banking organizations in the state.

#### *Competitive Considerations*

Ardmore's sole subsidiary bank, First National Bank and Trust Company, Ardmore, Oklahoma ("Ardmore Bank"), operates in Carter County, Oklahoma, and Marietta Bank operates in Love County, Oklahoma, which is adjacent to Carter County. Under the Board's existing geographic market definitions, Carter County and Love County are separate banking markets. Hence, Ardmore Bank and Marietta Bank do not

compete in any banking market, but instead operate in adjacent markets. On the basis of the foregoing and all the other facts of record, the Board has concluded that consummation of this proposal would not result in a significantly adverse effect on competition or the concentration of banking resources in any relevant banking market.<sup>2</sup>

#### *Convenience and Needs Considerations*

In acting on an application to acquire a depository institution under the BHC Act, the Board must consider the convenience and needs of the communities to be served, and take into account the record of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). The Board has received comments from a number of individuals ("Protestants") objecting to this proposed transaction. Protestants maintain that the interests and local credit needs of the Marietta and Love County communities would be served best by Marietta Bank's remaining independent and under local ownership. In addition, Protestants allege that Ardmore Bank has not previously been involved in community affairs in Love County.<sup>3</sup>

In reviewing the convenience and needs factor, the Board has considered that both Ardmore Bank and Marietta Bank have satisfactory records of performance under the CRA. The Board also has noted that Ardmore does not currently have any plans to alter the management, operations, or policies of Marietta Bank, except to add an Ardmore representative to Marietta Bank's board of directors. On the basis of the foregoing and all other facts of record, including Protestants' comments, the Board has concluded that convenience and needs considerations, including the CRA perfor-

2. The Board has received comments from an individual ("First Protestant") opposing this proposal, who maintains that approval of the transaction would decrease competition in Love County. In reviewing these comments, the Board considered an alternative geographic market definition, under which Love County and Carter County would constitute a single banking market in which Ardmore Bank and Marietta Bank would compete directly. Under this definition, the increase in market concentration resulting from this proposal, as measured by the Herfindahl-Hirschman Index, would not exceed the Department of Justice Merger Guidelines. The Board also notes that neither the Justice Department nor Marietta Bank's primary federal regulator, the Federal Deposit Insurance Corporation, has objected to consummation of this proposal. For these reasons, and on the basis of all the facts of record, the Board has concluded that First Protestant's comments do not raise issues that would warrant denial of this application.

3. In response to these comments, Ardmore stated that it currently serves the Love County community through its support of community groups, its correspondent relationship with Marietta Bank, and its provision of credit and trust services to many residents of Love County. Ardmore also noted that Ardmore Bank has increased its banking services over the past year by offering new checking account, annuity, and long-term deposit account products, by expanding its service hours, and by increasing its volume of lending.

1. Asset data are as of March 31, 1994. State deposit data are as of June 30, 1994.



mance records of Ardmore Bank and Marietta Bank, are consistent with approval of this application.

#### *Other Considerations*

The Board also has concluded that the financial and managerial resources and future prospects of Ardmore and its subsidiaries and Marietta Bank, and all other supervisory factors the Board must consider under section 3 of the BHC Act, are consistent with approval of this proposal.<sup>4</sup>

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

This transaction shall not be consummated before the thirtieth calendar day following the effective date of this order, unless this period is shortened with the consent of the Attorney General, 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 3, 1994.

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

JENNIFER J. JOHNSON  
*Deputy Secretary of the Board*

Jefferson Bancshares, Inc.  
Pine Bluff, Arkansas

#### *Order Approving Formation of a Bank Holding Company*

Jefferson Bancshares, Inc., Pine Bluff, Arkansas ("Jefferson"), has applied under section 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(1))

4. One Protestant alleges that the principals of Ardmore Bank have business connections with oil companies that are involved in pending litigation. These allegations do not relate to Ardmore or Ardmore Bank or to the principals' involvement with this banking organization. On the basis of all the facts of record, including relevant examination reports, the Board has concluded that these comments do not warrant denial of this application.

("BHC Act") to become a bank holding company by acquiring all of the voting shares of Pine Bluff National Bank, Pine Bluff, Arkansas ("Bank").

Notice of the application, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 37,758 (1994)). 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.

Jefferson is a non-operating company formed for the purpose of acquiring Bank. Bank is the 37th largest commercial banking organization in Arkansas, controlling deposits of approximately \$113.8 million, representing less than 1 percent of total deposits in commercial banking organizations in the state.<sup>1</sup> Jefferson and Bank do not compete directly in any banking market. Accordingly, based on all the facts of record, consummation of this proposal would not have a significantly adverse effect on competition or the concentration of banking resources in any relevant banking market.

#### *Convenience and Needs Considerations*

In acting on an application under the BHC Act to acquire a depository institution, the Board must consider the convenience and needs of the communities to be served, and take into account the records of the relevant depository institution under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate, consistent with their safe and sound operation. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of such institution," and to take that record into account in its evaluation of bank holding company applications.<sup>2</sup>

The Board received comments from the Arkansas chapter of the Association of Community Organizations for Reform Now ("Protestant") criticizing Bank's record of housing-related lending to low- and moderate-income and minority residents on the basis of 1993 data filed under the Home Mortgage Disclosure Act (12 U.S.C. § 2801 *et seq.*) ("HMDA"). Protestant also believes that Bank should offer government-insured mortgage products under programs

1. Banking data are as of June 30, 1994.

2. 12 U.S.C. § 2903.

sponsored by the Federal Housing Administration and that Bank needs to more aggressively market in low- to moderate-income areas.

The Board has carefully reviewed the CRA performance record of Bank, all comments on this application, Bank's response to those comments, and all other relevant facts of record in light of the CRA, the Board's regulations, and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").<sup>3</sup>

### *Record of CRA Performance*

*Evaluation of CRA Performance.* The Agency CRA Statement provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record and that these reports will be given great weight in the applications process.<sup>4</sup> The Board notes that Bank received a "satisfactory" rating from its primary regulator, the Office of the Comptroller of the Currency ("OCC"), at its most recent examination for CRA performance as of December 20, 1993 ("1993 Examination"). Examiners generally concluded that Bank addressed a significant portion of community credit needs through its various lending programs.

*HMDA Data/CRA-Related Lending Record.* The Board has carefully reviewed the 1993 HMDA data filed by Bank in light of the Protestant's allegations that Bank is not serving the housing credit needs of low- and moderate-income and minority residents of its service area. The 1993 Examination noted that Bank does not make long-term, fixed-rate home mortgage loans. HMDA data show a relatively small volume of housing-related loan applications and originations and some disparities in application and denial rates for low- and moderate-income and minority applicants compared to other groups.

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

The OCC examination found no evidence of illegal discrimination or other illegal credit practices, and concluded that Bank was in compliance with the substantive provisions of anti-discrimination laws and regulations. Examiners also concluded, after a review of the bank's data with particular attention to areas with a high concentration of minority residents, that applications were being taken from all segments of the delineated community. In addition, examiners noted that lending personnel were required to take fair lending training and that Bank had adequate policies and procedures to deter illegal pre-screening or discouraging of applicants.

Bank has also initiated steps to improve its record of housing-related lending. For example, Bank introduced a special home improvement loan program targeted at low- and moderate-income individuals in 1994. Since establishing this program, Bank has received 18 applications. Seventeen were from minorities, and twelve of those were approved. The 1993 Examination also commended Bank's willingness to offer conventional credit products with more flexible lending criteria to accommodate low- and moderate-income borrowers. In addition, examiners noted that denied loan applications were generally subject to a "second review" process to determine if accommodations can be made, consistent with safe and sound lending practices, to extend the loan.

The 1993 Examination noted that Bank's loan volume was low relative to Bank's resources, but that banks in that service area were generally experiencing low local loan demand. The Board notes that most of Bank's loan activity is concentrated in loans to individuals and small business loans, and that Bank does not offer government-sponsored home mortgages directly. However, Bank acts as an originating agent for two unaffiliated mortgage companies. The 1993 Examination noted that during the period covered by the examination in 1993, bank had closed 25 loans with these companies in an aggregate amount of over \$1.6 million, with another 41 applications pending in an aggregate amount of over \$2 million. The 1993 Examination states that Bank's portfolio included 124 mortgage loans in an aggregate amount of \$4.2 million.

Bank also engages in other CRA-related lending activities. As of the 1993 Examination, Bank had 23 small business loans outstanding in a total amount exceeding \$1.5 million, and 14 small farm loans outstanding in a total amount exceeding \$1.2 million. An analysis of Bank's 1993 lending indicates that 20 percent of consumer loans, 25 percent of small business loans, and 14 percent of real estate loans were made in low- and moderate-income census tracts.

In addition, Bank participated in a \$500,000 grant program sponsored by the U.S. Department of Hous-

3. 54 *Federal Register* 13,742 (1989).

4. *Id.* at 13,745.

ing and Urban Development and the University of Arkansas at Pine Bluff to revitalize housing in low- and moderate-income communities. The 1993 Examination also noted that Bank was working with the City of Pine Bluff Community Development Department in providing rehabilitation financing for rental properties, many of which were located in low- and moderate-income areas.

The 1993 Examination noted that Bank actively marketed its credit services, although Bank made only limited use of media targeting the low- to moderate-income and minority communities. In 1994, Bank instituted a specific program targeting home improvement loans to low- and moderate-income area residents, setting aside \$50,000 for the program. Bank is advertising this program in media identified in the 1993 Examination as effective for advertising in low- and moderate-income neighborhoods.

*Conclusion.* The Board has carefully considered all of the facts of record, including comments received from Protestant, 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 ACORN and the CRA performance examination by Bank's primary regulator,<sup>5</sup> the Board believes that the efforts of Bank to help meet the credit needs of all segments of the communities served by Bank, including low- and moderate-income neighborhoods, is consistent with approval, and that the comments submitted in this application do not raise issues that warrant a denial of the application.<sup>6</sup>

5. Protestant has requested that the Board conduct a full investigation of Bank without relying on the OCC's examination reports. The BHC Act provides that the Board shall, as far as possible, use the report of examinations made by the OCC for national banks. See 12 U.S.C. § 1844(b). The Board notes that the OCC examination of Bank is recent and that it included an examination of the scope and geographic dispersion of Bank's lending. The Board has carefully reviewed the examination report in light of the other substantial information relating to the CRA performance of Bank available to the Board, including comments submitted by the Protestant and Bank. Based on all the facts of record, the Board does not believe that an examination of Bank by the Board is warranted.

6. Protestant has requested that the Board hold a public hearing in connection with this application. Section 3(b) of the BHC Act does not require the Board to hold a public hearing or meeting on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial of the application. In this case, the Board has not received such a recommendation.

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 C.F.R. 262.3(e) and 262.25(d). The Board has carefully considered this request. In the Board's view, Protestant has had ample opportunity to submit its views, and written submissions have been received and considered by the Board. Based on all the facts of record, the Board has determined that a public meeting or hearing is not necessary to clarify the factual record in this application, or otherwise warranted in this case, and the request for a public hearing or meeting on this application is denied.

### *Other Considerations*

Based on all facts of record, the Board also concludes that the financial and managerial resources and future prospects of Jefferson and Bank and the other supervisory factors the Board must consider under section 3 of the BHC Act are consistent with approval of this proposal.

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

This acquisition should not be consummated before the thirtieth calendar day following the effective date of this order, unless such period is shortened with the consent of the Attorney General, or later than three months following the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of St. Louis, acting pursuant to delegated authority.

By order of the Board of Governors, effective October 12, 1994.

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

JENNIFER J. JOHNSON  
*Deputy Secretary of the Board*

### *Orders Issued Under Section 4 of the Bank Holding Company Act*

**BankAmerica Corporation**  
San Francisco, California

#### *Order Approving an Application to Engage in Underwriting and Dealing in Bank-Ineligible Securities on a Limited Basis*

BankAmerica Corporation, San Francisco, California ("BankAmerica"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) for its wholly owned subsidiary, BA Securities, Inc., San Francisco, California ("Company"), to engage *de novo* in underwriting and dealing in, to a limited extent, all types of

debt and equity securities. These securities would include, without limitation, corporate debt securities; sovereign debt securities; securities issued by a trust or other vehicle secured by or representing interests in debt obligations; common stock; American Depositary Receipts; Global Depositary Receipts; securities convertible into equity securities and options; other direct and indirect equity ownership interests in domestic and foreign corporations and other entities; warrants and other rights issued in connection with the above securities; and securities issued by closed-end investment companies, but not including ownership interests in open-end investment companies.<sup>1</sup> Company proposes to conduct these activities worldwide.

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been published (59 *Federal Register* 46,252 (1994)). 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.

BankAmerica, with total consolidated assets of \$197.5 billion, operates bank subsidiaries in 13 states.<sup>2</sup> Company currently is engaged in limited bank-ineligible securities<sup>3</sup> underwriting and dealing activities that are permissible under section 20 of the Glass-Steagall Act (12 U.S.C. § 377).<sup>4</sup> Company is, and will continue

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

The Board has determined that, subject to the prudential framework of limitations established in previous decisions to address the potential for conflicts of interests, unsound banking practices, or other adverse effects ("section 20 firewalls"), the proposed activities of underwriting and dealing in bank-ineligible securities are so closely related to banking as to be proper incidents thereto within the meaning of section 4(c)(8) of the BHC Act.<sup>5</sup> One of the section 20 firewalls prohibits a bank or thrift affiliate of a section 20 company from acting as agent for the affiliated section 20 company. The Board has approved BankAmerica's proposal to have certain foreign subsidiaries of Company's bank affiliates ("Reg K Affiliates") recommend and sell as agent securities underwritten by Company and market Company's underwriting services abroad, subject to certain previously established limitations.<sup>6</sup>

1. BankAmerica also proposes to engage through Company in the following activities that the Board has previously determined to be incidental to the proposed underwriting and dealing activities:

- (1) Providing investment advice to issuers of securities regarding such matters as the timing and structure of particular issues as approved in *First Chicago Corporation*, 80 *Federal Reserve Bulletin* 449, 451 n.7 (1994);
- (2) Risk management activities respecting its underwriting and dealing activities, including the purchase and sale of futures, options, and options on futures to the extent permitted under applicable Board interpretation, as well as the purchase and sale of foreign currencies in spot or forward markets as may be necessitated by Company's underwriting or dealing in foreign currency-denominated securities as approved in *Deutsche Bank AG*, 79 *Federal Reserve Bulletin* 133, 139 (1993); and
- (3) Best-efforts underwriting involving the proposed debt and equity securities as approved in *J.P. Morgan & Co. Incorporated, et al.*, 75 *Federal Reserve Bulletin* 192, 213 n.59 (1989).

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

2. Asset data are as of June 30, 1994.

3. As used in this order, "bank-ineligible securities" refers to all types of debt and equity securities that a bank may not underwrite or deal in directly under section 16 of the Glass-Steagall Act (12 U.S.C. § 24(7)).

4. Company currently has authority to conduct a variety of securities-related activities, including:

- (1) Underwriting and dealing in securities that state member banks are authorized to underwrite and deal in pursuant to section 225.25(b)(16) of Regulation Y (12 C.F.R. 225.25(b)(16));

- (2) Underwriting and dealing in on a limited basis, certain municipal revenue bonds, including certain industrial development bonds; residential mortgage-related securities; consumer receivable-related securities; and commercial paper; *Security Pacific Corporation*, 73 *Federal Reserve Bulletin* 622 (1987); *Security Pacific Corporation*, 73 *Federal Reserve Bulletin* 731 (1987);

- (3) Providing securities brokerage and investment advisory services, on both a separate and combined basis, pursuant to sections 225.25(b)(4) and (b)(15) of Regulation Y (12 C.F.R. 225.25(b)(4) and (b)(15));

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

- (5) Buying and selling all types of securities on the order of investors as a "riskless principal." *BankAmerica*, 79 *Federal Reserve Bulletin* 1163 (1993).

5. See *Canadian Imperial Bank of Commerce*, 76 *Federal Reserve Bulletin* 158 (1990); *J.P. Morgan & Co. Incorporated, et al.*, 75 *Federal Reserve Bulletin* 192 (1989), *aff'd sub nom. Securities Industries Ass'n v. Board of Governors of the Federal Reserve System*, 900 F.2d 360 (D.C. Cir. 1990); *Citicorp, et al.*, 73 *Federal Reserve Bulletin* 473 (1987), *aff'd sub nom. Securities Industry Ass'n v. Board of Governors of the Federal Reserve System*, 839 F.2d 47 (2d Cir.), *cert. denied*, 486 U.S. 1059 (1988) (collectively, "Section 20 Orders"). BankAmerica has committed to conduct the proposed underwriting and dealing activities using the same methods and procedures and subject to the same prudential limitations as those established by the Board in the Section 20 Orders. In addition, BankAmerica would be subject to the conditions and limitations imposed by the Board in letters to J.P. Morgan Securities, Inc., dated June 19, 1989, and August 28, 1989.

6. These limitations are that:

- (1) The Reg K Affiliates would sell these securities only to institutional customers as defined in section 225.2(g) of Regulation Y (12 C.F.R. 225.2(g));
- (2) BankAmerica would not conduct the proposed marketing activities through the foreign branches of its banking subsidiaries;

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

The Board has reviewed the capitalization of BankAmerica and Company in accordance with the standards set forth in the Section 20 Orders, and finds the capitalization of each to be consistent with approval. With respect to Company, this determination is based on all the facts of record, including BankAmerica's projections of the volume of Company's underwriting and dealing activities in bank-ineligible securities. The Federal Reserve Bank of San Francisco ("Reserve Bank") has reviewed the operational and managerial infrastructure of Company, including its computer, audit, and accounting systems, and internal risk management procedures and controls with respect to the proposed underwriting and dealing in debt securities. The Reserve Bank has determined that Company has established an adequate operational and managerial infrastructure for underwriting and dealing in all types of debt securities to ensure compliance with the requirements of the Section 20 Orders. On the basis of the Reserve Bank's review and

all the facts of record, the Board has determined that Company has in place, with respect to its proposal to underwrite and deal in all types of debt securities, the managerial and operational infrastructure and other policies and procedures necessary to comply with the requirements of the Section 20 Orders and this order. Accordingly, the Board concludes that financial and managerial considerations are consistent with approval of the proposal for Company to underwrite and deal in all types of debt securities on a limited basis.

The Reserve Bank has not reviewed Company's operational and managerial infrastructure in connection with the proposed underwriting and dealing activities involving equity securities. The Board's approval of BankAmerica's proposal that Company engage in these activities is conditioned upon a satisfactory determination by the Board that Company's operational and managerial infrastructure and policies and procedures relating to underwriting and dealing in equity securities are adequate to insure compliance with the requirements of the Section 20 Orders following completion of the review by the Reserve Bank. Accordingly, subject to the satisfactory completion of the Reserve Bank's review of Company's operational and managerial infrastructure and policies and procedures, and a determination by the Board that Company's operational and managerial infrastructure and policies and procedures relating to underwriting and dealing in equity securities are adequate to insure compliance with the requirements of the Section 20 Orders, the Board concludes that the financial and managerial considerations are consistent with approval of this application.

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

(3) The Reg K Affiliates would not market in the United States securities sold by Company, nor would they market the underwriting services of Company to United States issuers;

(4) The Reg K Affiliates would not take any action overseas with respect to these securities that would require them to register as an investment adviser under United States securities laws if these overseas activities were being conducted in the United States; and

(5) The Reg K Affiliates would make appropriate disclosures to issuers and to foreign investors regarding the underwriting services and securities being marketed. Such disclosures would be provided either through the Reg K Affiliate or Company, and the disclosures would be provided either before or upon execution of any underwriting or placement agreement between Company and the foreign issuer. See letter dated December 23, 1993, to Davis Polk & Wardwell and letter dated March 1, 1994, to J.P. Morgan & Co. Incorporated.

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

Accordingly, and for the reasons set forth in the Section 20 Orders, the Board concludes that BankAmerica's proposal to engage through Company in the proposed activities is consistent with the Glass-Steagall Act, and is so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act, provided BankAmerica limits Company's activities as provided in the Section 20 Orders, as modified by the Modification Orders.

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

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

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

By order of the Board of Governors, effective October 11, 1994.

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

JENNIFER J. JOHNSON  
*Deputy Secretary of the Board*

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

BayBanks, Inc.  
Boston, Massachusetts

The Chase Manhattan Corporation  
New York, New York

Chemical Banking Corporation  
New York, New York

Citicorp  
New York, New York

Fleet Financial Group, Inc.  
Providence, Rhode Island

HSBC Holdings PLC  
London, England

HSBC Holdings BV  
The Netherlands

Marine Midland Banks, Inc.  
Buffalo, New York

Banco de Santander, S.A.  
Madrid, Spain

First Fidelity Bancorporation  
Lawrenceville, New Jersey

The Bank of Boston Corporation  
Boston, Massachusetts

Shawmut National Corporation  
Hartford, Connecticut

National Westminster Bank PLC  
London, England

NatWest Holdings, Inc.  
New York, New York

*Order Approving Application to Conduct Certain  
Data Processing and Other Nonbanking Activities*

The Bank of New York Company, Inc., New York, New York; BayBanks, Inc., Boston, Massachusetts; The Chase Manhattan Corporation, New York, New York; Chemical Banking Corporation, New York, New York; Citicorp, New York, New York; Fleet Financial Group, Inc., Providence, Rhode Island; HSBC Holdings PLC, London, England; HSBC Hold-

ings BV, The Netherlands; Marine Midland Banks, Inc., Buffalo, New York; Banco de Santander, S.A., Madrid, Spain; First Fidelity Bancorporation, Lawrenceville, New Jersey; The Bank of Boston Corporation, Boston, Massachusetts; Shawmut National Corporation, Hartford, Connecticut; National Westminster Bank PLC, London, England; and NatWest Holdings, Inc., New York, New York (collectively, "Applicants"), bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have applied for the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a) of the Board's Regulation Y (12 C.F.R. 225.23(a)) to engage through a joint venture corporation, InfiNet Payment Services, Inc., Hackensack, New Jersey ("Company"), in certain nonbanking activities related to the operation of a retail electronic funds transfer ("EFT") and automated teller machine ("ATM") network, including data processing and data transmission activities pursuant to section 225.25(b)(7) of Regulation Y (12 C.F.R. 225.25(b)(7)). A complete list of the activities proposed to be conducted is contained in the Appendix to this order.

Company would be formed through the combination of NENI Corporation ("NENI"), which operates a retail EFT network under the tradename Yankee 24, and The New York Switch Corporation ("NY Switch"), which operates the NYCE EFT network under various tradenames.<sup>1</sup> Applicants propose to engage through Company in operating a retail EFT network and thereby providing point of sale ("POS") and ATM services, including electronic benefit transfer, stored value card, and electronic data capture and interchange services. Applicants propose to engage in these activities worldwide.<sup>2</sup>

1. Applicants are those bank holding companies that would own, directly or indirectly, 5 percent or more of any class of Company's voting shares. Other current members of NENI also would own shares of Company.

2. Applicants also propose to permit foreign banks, including affiliates of the domestic banks that participate in Company's EFT network, to participate in the network on either a "cards-only" basis or a "terminal" basis. Cards-only participation would permit cardholder customers of foreign bank participants to use the ATM terminals in Company's network, but the ATM terminals of those foreign banks would not be part of the network. Terminal participation would permit foreign banks to include their ATM terminals in Company's network. Applicants have stated that Company would not render services in connection with deposits made at foreign ATMs or deposits made by the customers of foreign banks at ATMs in the United States. The Board also notes that Applicants have not proposed to include POS terminals located abroad as part of Company's network.

The Board notes that deposit-taking and other activities of Company's network must be conducted in conformity with federal, state and other laws. Applicants have committed that Company will conduct its activities in accordance with applicable law, and that the

Notice of the application, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 35,347 and 46,047 (1994)). 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.

Applicants are large commercial banking organizations whose principal U.S. banking offices are located in New England, New York, or the Mid-Atlantic region. Applicants engage directly and through subsidiaries in a broad range of banking and permissible nonbanking activities in the United States.

#### *Closely Related to Banking Analysis*

Section 4(c)(8) of the BHC Act provides that a bank holding company may, with Board approval, engage in any activity that the Board determines to be "so closely related to banking or managing or controlling banks as to be a proper incident thereto." An activity may be deemed to be closely related to banking if it is demonstrated that:

- (1) Banks generally provide the proposed services; or
- (2) Banks generally provide services that are operationally or functionally so similar to the proposed services as to equip them particularly well to provide the proposed services; or
- (3) Banks generally provide services that are so integrally related to the proposed services as to require their provision in a specialized form.<sup>3</sup>

The Board has determined generally that certain data processing and check guaranty activities are closely related to banking and, therefore, are permissible for bank holding companies under section 4(c)(8) of the BHC Act. Section 225.25(b)(7) of Regulation Y permits bank holding companies to provide data processing and data transmission services, facilities (including software), data bases, or access to such services, facilities, or data bases by any technological means, so long as the data to be processed or furnished are "financial, banking, or economic" in nature.<sup>4</sup>

operating rules of Company's network will require compliance with all applicable federal and state laws.

3. See *National Courier Association v. Board of Governors of the Federal Reserve System*, 516 F.2d 1229, 1237 (D.C. Cir. 1975). In addition, the Board may consider any other basis that may demonstrate that the proposed activity has a reasonable or close connection or relationship to banking or managing or controlling banks. See Board Statement Regarding Regulation Y, 49 *Federal Register* 806 (1984); *Securities Industry Association v. Board of Governors of the Federal Reserve System*, 468 U.S. 207, 210-211 n. 5 (1984).

4. Regulation Y also requires that the services be provided pursuant to a written agreement, and places certain limitations on the facilities

Regulation Y also permits bank holding companies to provide check guaranty services, subject to certain limitations.<sup>5</sup> Applicants have proposed to conduct the activities that the Board has previously determined to be closely related to banking in accordance with applicable Board precedent. In particular, Applicants have committed to conduct the proposed data processing and transmission activities and check guaranty services in conformity with sections 225.25(b)(7) and 225.25(b)(22) of Regulation Y. In addition, Applicants have committed to conduct the proposed electronic benefit transfer services, electronic data interchange services, and stored value card services in the same manner and subject to the same limitations established by the Board in prior cases determining that these activities are permissible for bank holding companies under section 4(c)(8) of the BHC Act.<sup>6</sup>

Applicants also propose to offer through Company certain data processing and transmission services that have not previously been considered by the Board. In particular, Company would provide data processing and related services that would permit customers to use their ATM cards at an ATM terminal to withdraw funds from a bank account in the form of travelers checks or postage stamps.<sup>7</sup> Payment by the customer would be effected by a direct debit to the cardholder's depository account, and the transaction would be processed as a withdrawal from the account. Company's primary activities would consist of processing and transmitting access requests and payment authorizations. Company also would provide terminal driving services, load ATM terminals with postage stamps and travelers checks, and market these products through the network.

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and hardware provided with the data processing services. In particular, the facilities must be designed, marketed, and operated for the processing and transmission of financial, banking, or economic data; hardware must be provided only in conjunction with permissible software; and general purpose hardware must not constitute more than 30 percent of the cost of any packaged offering. See 12 C.F.R. 225.25(b)(7). Applicants have committed that Company will provide the proposed services pursuant to a written agreement, and will provide facilities and hardware within the limitations established by Regulation Y.

5. Section 225.25(b)(22) of Regulation Y permits a bank holding company to engage in authorizing a subscribing merchant to accept personal checks and purchasing from the merchant validly authorized checks that are subsequently dishonored. Company proposes to engage only in check authorization or verification activities, and Applicants have stated they would apply to the Board if they wish to expand this activity to include the purchasing of checks.

6. See *Banc One Corporation, et al.*, 79 *Federal Reserve Bulletin* 1158 (1993).

7. These transactions would occur at ATM terminals that are not owned and operated by Company. Cardholders buying postage stamps or travelers checks at an ATM terminal would purchase these products from the bank owning the ATM. In addition, Company would not be an issuer of travelers checks. The decision concerning which travelers checks would be sold at a particular ATM terminal would be made by the bank that owns the ATM terminal.

This activity involves the processing of access and authorization requests submitted to depository accounts on the same basis as other transactions initiated with traditional debit cards. This activity is operationally and functionally similar to the data processing services provided by banks and bank holding companies in the operation of ATM and POS networks. In addition, banks traditionally have been permitted to sell and have engaged in the sale of both travelers checks and postage stamps.<sup>8</sup> Accordingly, the Board finds that providing the data processing and additional services described above in connection with processing withdrawals from an ATM terminal in the form of postage stamps or travelers checks is an activity that is closely related to banking for purposes of section 4(c)(8) of the BHC Act.<sup>9</sup>

#### *Proper Incident to Banking Analysis*

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

The NYCE and Yankee 24 ATM networks operate in the northeastern region of the United States.<sup>10</sup> In reviewing the competitive effects of this transaction, the Board believes that a number of factors should mitigate the loss of the Yankee 24 ATM network as an independent competitor. In particular, significant weight was given to Company's operating rules,<sup>11</sup>

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8. See *Arnold Tours, Inc., v. Camp*, 472 F.2d 427, 438 (9th Cir. 1972) (travelers checks); 12 C.F.R. 7.7482 (postal substitution). See also 12 C.F.R. 225.25(b)(12).

9. Applicants have indicated that, in the future, Company may develop other data processing and transmission services that are not described in the application, and are not discussed in this order. Applicants have committed to consult with the Federal Reserve System before commencing any new activity not described in this order to ensure that the activity would satisfy the criteria set forth in the BHC Act and Regulation Y, and to allow the Federal Reserve System to determine whether an application should be submitted in any particular case.

10. Yankee 24 operates almost exclusively in New England. Although NYCE is concentrated in New York, it has recently entered New England and has expanded its service area to cover the entire Northeast.

11. Certain Company operating rules, when taken together, promote competition:

- (1) Third party processors, subject to demonstrating certain technical capabilities, would be given access to Infinet;
- (2) Membership in multiple regional networks would be permitted;
- (3) With certain exceptions not applicable to smaller participants in the network, the electronic route to be used for a transaction would be determined by the bank that is obligated to pay the transaction fees; and



which are likely to promote competition and access to the network. The Board also considered that Company would compete in varying degrees with other providers of EFT services. This includes competition from third-party providers of terminal driving, switching, and other data processing services and competition from other regional networks and national ATM and POS networks.

The record in this case also indicates that consummation of this proposal should result in public benefits. For example, increased transaction volume under the particular circumstances of this case should allow Company to benefit from economies of scale and thereby reduce average costs. Company also should be able to improve service to retail merchants by increasing its ability to offer POS services. In addition, the larger number of ATM terminals available to consumers should increase the convenience of electronic transactions to retail customers. The record also indicates that this transaction should enable the combined organization to introduce additional EFT-related products more efficiently.

Based on the foregoing and all the other facts of record, the Board has determined that consummation of this proposal would not result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices, that are not outweighed by the benefits to the public that may reasonably be expected to result from this transaction. Accordingly, the Board has concluded that the balance of the public interest factors that it is required to consider under section 4(c)(8) of the BHC Act is favorable.

#### *Other Considerations*

In every case involving a nonbanking acquisition by a bank holding company under section 4(c)(8) of the BHC Act, the Board considers the financial and managerial resources of the applicants and their subsidiaries and the effect of the transaction on those resources.<sup>12</sup> Based on all the facts of record, the Board has concluded that financial and managerial considerations are consistent with approval of this proposal.

Based on all the facts of record, the Board has determined that the application should be, and hereby is, approved. The Board's approval is specifically conditioned on compliance with the commitments

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

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

By order of the Board of Governors, effective October 3, 1994.

Voting for this action: Chairman Greenspan and Governors Phillips and Yellen. Absent and not voting: Vice Chairman Blinder and Governors Kelley and Lindsey. Abstaining from this action: Governor LaWare.

JENNIFER J. JOHNSON  
*Deputy Secretary of the Board*

#### *Appendix*

##### *List of Proposed Activities*

###### *Data Processing Activities Pursuant to Section 225.25(b)(7) of Regulation Y (12 C.F.R. 225.25(b)(7)):*

- (1) ATM services that will permit customers to make withdrawals, obtain cash advances, make deposit account inquiries, make transfers between accounts, make deposits, and receive account statements; terminal driving services; and ownership of ATM terminals to the extent permitted by applicable state and federal law;
- (2) Point of sale services that will permit customers to use their ATM cards to purchase goods and services;
- (3) Point of banking services that will permit customers to conduct transactions similar to those available at ATM terminals, but with the help of a third party;
- (4) Scrip services, in which a customer receives a voucher (scrip) that is redeemable for cash at a retail register (Company would provide the data pro-

(4) Depository institutions would be permitted to participate in the network on a nondiscriminatory basis.

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

cessing necessary to debit a customer's account when the customer obtains scrip);

- (5) Gateway services, by which Company will provide routing of transaction requests between Company's network and other EFT networks for participants in Company's network;
- (6) Home banking and bill payment services, in which customers could use a telephone, personal computer, or interactive cable television to conduct a variety of banking transactions such as transferring money between accounts, opening and closing accounts, and paying bills, as well as accessing banking, financial and economic databases from the home or office (any hardware provided in connection with this service would be subject to the specific limits in section 225.25(b)(7) of Regulation Y); and
- (7) Purchasing and reselling or renting electronic equipment used to perform EFT services subject to the specific limits in section 225.25(b)(7) of Regulation Y.

*Data Processing Activities Approved in Banc One Corporation, 79 Federal Reserve Bulletin 1158 (1993):*

- (8) Electronic benefit transfer services, in which recipients of government benefits such as food stamps and other recurring types of government transfer payments could access their benefits at ATM and POS machines through use of a card issued by a government agency;
- (9) Providing services in connection with stored value cards, which are capable of having value assigned to them by use of a magnetic strip or computer chip; and
- (10) Electronic data capture and electronic data interchange services, in which merchants are provided with information relating to inventory and the buying patterns of customers.

*Activities Incidental to Data Processing Activities:*

- (11) Group purchasing, in which Company will purchase EFT-related supplies, such as signage, statement stuffers, and terminals, for the benefit of the financial institution participants in Company's network;
- (12) Incidental terminal driving services, such as hardware maintenance and maintaining the cash stock in ATM terminals; and
- (13) Card production and issuance, including ordering and embossing cards, establishing cardholder records, and assigning personal identification numbers.

*New Data Processing and Related Activities:*

- (14) Providing data processing and related services in connection with dispensing travelers checks and postage stamps from ATM terminals. Other Activities:
- (15) Check verification services for retailers pursuant to section 225.25(b)(22) of Regulation Y (12 C.F.R. 225.25(b)(22)).

First Empire State Corporation  
Buffalo, New York

Manufacturers and Traders Trust Company  
Buffalo, New York

*Order Approving Acquisition and Merger of a Savings Association Into a Bank, Acquisition of Certain Assets and Assumption of Certain Liabilities of a Bank, and Establishment of Branches*

First Empire State Corporation, Buffalo, New York ("First Empire"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), proposes to acquire Citizens Savings Bank, F.S.B., Ithaca, New York ("Citizens Savings"), by merger with First Empire's subsidiary state member bank, Manufacturers and Traders Trust Company, Buffalo, New York ("M&T"). M&T also proposes to acquire certain assets and assume certain liabilities of seven branches of Chemical Bank, New York, New York ("Chemical").

To effect these proposals, First Empire has applied under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) to acquire Ithaca Bancorp, Inc., Ithaca, New York ("Ithaca"), the parent savings and loan holding company of Citizens Savings,<sup>1</sup> and M&T has applied under section 18(c) of the Federal Deposit Insurance Act (the "FDI Act") (12 U.S.C. § 1828(c)) ("Bank Merger Act") and section 5(d)(3) of the FDI Act (12 U.S.C. § 1815(d)(3)), as amended by the Riegle Community Development and Regulatory Improvement Act of 1994, Pub. L. No. 103-325 § 319, 108 Stat. 2160 (1994).<sup>2</sup> M&T also has

1. First Empire will acquire Ithaca by merger with First Empire's wholly owned subsidiary, Scholar Merger Corporation, and convert Citizens Savings to a New York-chartered savings and loan association prior to the merger of Citizens Savings into M&T. First Empire also has acquired an option to purchase up to 16.7 percent of the voting shares of Ithaca, which would expire upon consummation of this proposal.

2. Because M&T, the state member bank in this proposal, is a member of the Bank Insurance Fund and is acquiring deposits of Citizens Savings, which is a member of the Savings Association Insurance Fund, prior Board approval is required under section

applied under section 9 of the Federal Reserve Act (12 U.S.C. § 321 *et seq.*) to establish branch offices at the present locations of the Citizens Savings and Chemical branches to be acquired.<sup>3</sup>

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 40,591 (1994)), and given in accordance with the Bank Merger Act and the Board's Rules of Procedure (12 C.F.R. 262.3(b)). As required by the Bank Merger Act and the Board's Rules of Procedure, reports on the competitive effects of the transactions were requested from the United States Attorney General, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation ("FDIC"). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act, the Bank Merger Act, section 5(d)(3) of the FDI Act, and section 9 of the Federal Reserve Act.

The Board has determined that the operation of a savings association by a bank holding company is closely related to banking for purposes of section 4(c)(8) of the BHC Act, if the savings association conforms its direct and indirect activities to those permissible for bank holding companies under section 4(c)(8) of the BHC Act.<sup>4</sup> First Empire and M&T have committed to conform all activities of Citizens Savings to the requirements of section 4(c)(8) of the BHC Act and Regulation Y.<sup>5</sup>

First Empire, with consolidated assets of \$10.3 billion, controls a commercial bank and a savings bank in New York.<sup>6</sup> It is the 11th largest depository institution in New York, controlling deposits of approximately \$7.2 billion, representing 2 percent of

total deposits in depository institutions in the state.<sup>7</sup> Ithaca is the 94th largest depository institution in New York, controlling deposits of approximately \$335 million, representing less than 1 percent of total deposits in depository institutions in the state. The Chemical branches that M&T proposes to acquire control deposits of approximately \$180.5 million, representing less than 1 percent of total deposits in depository institutions in the state. Upon consummation of these transactions, First Empire would remain the 11th largest depository institution in New York, controlling deposits of approximately \$7.7 billion, representing approximately 2.2 percent of total deposits in depository institutions in the state.

### *Competitive Considerations*

M&T competes directly with Citizens Savings in the Binghamton, New York banking market; and with Chemical in the Metropolitan New York-New Jersey banking market. After consummation of the proposals, these banking markets would remain unconcentrated or moderately concentrated,<sup>8</sup> as measured by the Herfindahl-Hirschman Index ("HHI").<sup>9</sup> After considering the competition offered by the depository institutions in these markets, the number of competitors remaining in the markets, the relatively small increase in concentration as measured by the HHI,<sup>10</sup> and all other facts of record, the Board concludes that consummation of this proposal would not result in a

5(d)(3) of the FDI Act. This section requires the Board to follow the procedures and consider the factors set forth in the Bank Merger Act.

3. A list of these branches is set forth in the Appendix.

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

5. Citizens Savings engages in insurance agency activities that are not permissible for bank holding companies under the BHC Act. First Empire and M&T have committed to divest or terminate all impermissible insurance activities conducted by Citizens Savings upon consummation of this proposal. M&T will continue to service any impermissible insurance policies of Citizens Savings for two years after the consummation of this proposal, but may not renew existing policies or sell any new policies. First Empire and M&T also have committed that any impermissible securities activities conducted by Citizens Savings will be divested or terminated upon consummation of this proposal. In addition, First Empire and M&T have committed that all impermissible real estate activities will be divested or terminated within two years of consummation of the proposal, that no new impermissible projects or investments will be undertaken during this period, and that capital adequacy guidelines will be met excluding specified real estate investments.

6. Asset data are as of June 30, 1994.

7. State deposit data are as of December 31, 1993. In this context, depository institutions include commercial banks, savings banks, and savings associations.

8. Market data are as of June 30, 1993. Market share data before consummation are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. See *WM Bancorp*, 76 *Federal Reserve Bulletin* 788 (1990); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Because the deposits of Citizens Savings would be transferred to a commercial bank under this proposal, those deposits are included at 100 percent in the calculation of *pro forma* market share. See *Norwest Corporation*, 78 *Federal Reserve Bulletin* 452 (1992); *First Banks, Inc.*, 76 *Federal Reserve Bulletin* 669 (1990).

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

10. The HHI would increase in the Binghamton market by 21 points to 1114, and the HHI would not increase in the Metropolitan New York-New Jersey market.

significantly adverse effect on competition or the concentration of banking resources in these or any other relevant banking markets.

#### *Convenience and Needs Considerations*

In acting on these applications to acquire depository institutions, the Board must consider the convenience and needs of the communities to be served, and take into account the record 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, consistently 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 institutions," and to take that record into account in its evaluation of applications.<sup>11</sup>

The Board received a number of comments on the Citizens Savings and Chemical proposals. About half the commenters, including individuals, community groups, and business development organizations, support the proposals. These commenters noted with approval M&T's active community involvement, community development activities, and small business lending in the State of New York.

A number of community-based organizations, businesses and individuals ("Protestants") have objected to the Citizens Savings proposal on the basis of the CRA performance records of M&T and Citizens Savings.<sup>12</sup> In particular, Protestants' allegations include:

(1) Illegal discrimination by M&T and Citizens Savings against low- and moderate-income persons and minorities, particularly African Americans, in the City of Rochester, the City of Binghamton, and Broome County, all in New York, in housing-related lending on the basis of 1992 and 1993 data filed under the Home Mortgage Disclosure Act (12 U.S.C. § 2801 *et seq.* ("HMDA"));

(2) A poor record of small business lending by M&T to low- and moderate-income and minority residents, including allegations of illegal discrimination by M&T in Binghamton and Broome County; and

(3) A poor record of marketing and outreach by M&T to low- and moderate-income and minority residents in the cities of Rochester and Binghamton, and in Broome County.<sup>13</sup>

Protestants from Ithaca contend that the proposed transaction may result in the closing of branches, as well as a reduction of local lending and decreases in community development initiatives that had been established by Citizens Savings in Ithaca and Tompkins County, New York.<sup>14</sup> Finally, the Board received comments on the proposed acquisition of the Chemical branches in Orange and Rockland Counties of New York alleging that M&T and Chemical have failed to meet the credit needs of small businesses in these communities, and that the proposal will result in closing branches in these areas, and thereby reduce credit availability in the communities served.<sup>15</sup>

In considering the convenience and needs factor under the Bank Merger Act, the Board has carefully reviewed the CRA performance records of M&T, Citizens Savings and Chemical, all comments received on these applications, the responses of M&T, Citizens

11. The Board also received copies of complaints filed with the Department of Justice by several Protestants, alleging illegal discriminatory practices in home-related and small-business lending. The Department of Justice has indicated that this matter relates to performance under the CRA and does not intend to take any action on these complaints at this time.

12. Several Protestants in Ithaca also raised issues regarding potential job losses that could result from this proposal. One Protestant believes that credit availability in Ithaca and Tompkins County would decrease based on M&T's alleged disproportionate lending in the Buffalo Metropolitan Statistical Area ("MSA") compared to Rochester and Binghamton. M&T has responded to these concerns by committing to minimize employee dislocations through retraining programs for qualified employees and job opportunities with M&T. M&T also has committed to make available in Ithaca and Tompkins County all the affordable housing programs and loan products available in other M&T markets. For the three-year period commencing with the consummation of the merger, M&T is allocating up to \$3.5 million for affordable-mortgage financing products, and \$6 million for small business loans, to be provided in the Ithaca area. M&T will conduct community outreach, especially to low- to moderate-income persons, and give local bank officials authority to make credit decisions for residential mortgages and commercial loans up to \$1.5 million per customer. M&T also has committed to develop, with local government officials and community-based organizations, a "needs assessment" of existing and expected credit and financial needs in the Ithaca area. In addition, M&T has committed to make at least the same level of corporate contributions to civic and community organizations as Citizens Savings made in 1993.

13. A number of these comments were filed with the New York Superintendent of Banks ("Superintendent") and the Office of Thrift Supervision ("OTS"). The Superintendent has approved the Chemical proposal and is scheduled to consider the Citizens Savings proposal in mid-October. The OTS approved M&T's acquisition of Citizens Savings on October 7, 1994.

11. 12 U.S.C. § 2903.

12. The Board also received several comments from individuals whose loan applications were denied by M&T or Citizens Savings. The Board has carefully reviewed these comments in light of confidential financial information provided by the institutions and records of examination by the institutions' primary regulators. The Board also notes that these comments concern individual transactions between the commenters and the financial institutions, and that civil courts have the authority to provide these commenters with adequate remedies, if they can establish improper actions by the institutions. Based on all facts of record, the Board does not believe that these comments warrant denial of these applications.

Savings and Chemical to those comments, and all other relevant facts of record in light of the CRA, the Board's regulations, and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").<sup>16</sup>

### *Records of Performance Under the CRA*

#### A. Evaluations of CRA Performance

The Agency CRA Statement provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record, and that these reports will be given great weight in the applications process.<sup>17</sup> Initially, the Board notes that M&T received an "outstanding" rating from the Federal Reserve Bank of New York ("Reserve Bank") at its most recent examination for CRA performance as of June 14, 1993.<sup>18</sup> Chemical also received an "outstanding" rating from the Reserve Bank at its most recent examination for CRA performance as of August 16, 1993. In addition, Citizens Savings received a "satisfactory" rating from its primary regulator, the OTS, at its most recent examination for CRA performance as of June 14, 1993.<sup>19</sup>

#### B. HMDA Data for M&T

The Board has carefully reviewed the 1992 and 1993 data filed under the HMDA by M&T in light of Protestants' allegations of disparities in lending to low- to moderate-income and minority residents in Rochester, Binghamton, and Broome County. These data reveal mixed results. In some categories, the HMDA data for 1992 and 1993 indicate that M&T is lending at a level that meets or exceeds its peers. For example, in 1993 in Rochester, M&T's HMDA-reported loan applications from and originations to African Americans, as a percentage of total loan applications and originations by M&T, exceeds the aggregate percentage of loan applications from and originations to African Americans by M&T's peer organizations.<sup>20</sup> In addition,

the number of HMDA-reported loan applications received by M&T, in 1992 and 1993, from low- to moderate-income residents in Rochester, Binghamton, and Broome County, as a percentage of total loan applications to M&T, exceeds the aggregate percentage of applications received from such residents by M&T's peer organizations.

However, these data also show disparities for certain communities in rates of housing loan applications, approvals and denials that vary by racial or ethnic group and income level. Because all banks are obligated to adopt and implement lending practices that ensure not only safe and sound lending, but also 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 an incomplete measure of an 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 in making lending decisions.

The Board has carefully considered the results of the 1993 CRA examinations of M&T and Citizens Savings, which found no evidence of prohibited discrimination or other illegal credit practices. The Board also notes that the examination of M&T found that it solicits credit applications from all segments of its community, and that the geographic distribution of its HMDA-reported loans and small business loans represents substantial penetration of its delineated community, including low- and moderate-income areas.

M&T also has taken steps designed to improve its lending to minorities and low- and moderate-income residents, and has committed to implement these programs at the branches of Citizens Savings and Chemical it proposes to acquire. For example, M&T's Community Home Buyer's Program with the Federal National Mortgage Association provides mortgage loans in conjunction with private mortgage insurance to lower the amount of the borrower's down payment to 5 percent. Under this program, a borrower's cash

16. 54 *Federal Register* 13,742 (1989).

17. *Id.* at 13,745.

18. The New York Banking Department also rated M&T "outstanding" at its most recent CRA performance examination as of December 27, 1993. In addition, First Empire's savings bank subsidiary, East New York Savings Bank, New York, New York, received an "outstanding" rating from its primary regulator, the FDIC, at its most recent examination for CRA performance as of August 2, 1993.

19. Several Protestants disagree with the CRA performance ratings of M&T, Citizens Savings, and Chemical by federal and state banking supervisors, and assert that these evaluations are contrary to relevant lending data.

20. The 1993 data show increases, from 1992, in the number of applications received and loans originated by M&T to minorities in the Rochester area. The number of HMDA-reported loan applications

received from African Americans in Rochester increased by 100 percent from 1992 to 1993 (62 to 124), and the number of approved HMDA-reported loans to African Americans increased by over 300 percent (17 to 73). In addition, the number of HMDA-reported loan applications from residents in low- to moderate-income census tracts in Rochester increased, from 1992 to 1993, by approximately 50 percent (198 to 296), and the approval rates for these loan applications increased by approximately 100 percent. Moreover, the number of applications from residents in low- to moderate-income census tracts with minority populations exceeding 80 percent increased by approximately 60 percent, and the approval rates for these loan applications increased by approximately 218 percent.

outlay is reduced to 3 percent, with M&T financing the remaining 2 percent as an unsecured personal loan.<sup>21</sup> In addition, under the General Electric Capital Community Home Buyer's Program (the "GE Program"), M&T provides mortgage loans with a low down payment requirement and flexible underwriting guidelines. In 1993, M&T originated 253 residential mortgage loans totalling over \$17 million under the Community Home Buyer's Program, the GE Program, and M&T's other special financing programs.

M&T also assists in meeting the affordable housing needs of low- and moderate-income and minority residents throughout the state through a variety of programs with private developers, non-profit organizations, and government agencies. For example, M&T has provided or committed to provide construction and end-loan financing for 23 affordable housing projects, including more than \$21 million for single-family housing units in low- and moderate-income inner city areas, more than \$3 million for a major urban revitalization project in Buffalo, and \$2.9 million for housing for the elderly, displaced families, and low-income persons in the City of Rochester and in Monroe County, New York. M&T has committed to implement these or similar affordable housing initiatives at all of the acquired branches.

In addition, M&T actively participates in government-insured and publicly sponsored programs, including local government-sponsored affordable housing programs, and Federal Housing Administration ("FHA"), State of New York Mortgage Association ("SONYMA"), and Farmers Home Administration loan programs. In 1993, M&T originated 869 FHA loans totalling more than \$60 million and 328 SONYMA loans totalling more than \$23 million. M&T also intends to add Veterans Administration mortgages to its line of mortgage products offered throughout its delineated community. Moreover, M&T provides three home improvement programs specifically designed for low- and moderate-income homeowners, including its Affordable Home Improvement Loan which is designed for homeowners with annual incomes of less than \$30,000.<sup>22</sup>

## C. Other Lending Activities

1. *Rochester.* M&T offers a number of direct and subsidized home-loan products through a variety of government-sponsored loan programs in the Rochester MSA, including SONYMA and FHA programs, as

well as M&T's affordable housing and special financing programs. For the first six months of 1994, M&T originated 49 mortgage loans for first-time home buyers in the Rochester area through various SONYMA programs totalling \$3.2 million, and 101 FHA loans totalling \$6.2 million. In addition, M&T refers applicants who have had their mortgage applications denied to a third party for credit counseling, and pays the expenses for such counseling. M&T also co-sponsors, with the Urban League of Rochester, home buyer seminars for minority and low- and moderate-income residents.

In addition, M&T actively participates in various affordable housing programs in Rochester. These include a program jointly sponsored by the U.S. Department of Housing and Urban Development and a non-profit organization serving the Hispanic community under which M&T has granted home purchase mortgage loans totalling more than \$345,000 to purchase FHA-foreclosed properties at below market value.<sup>23</sup> Moreover, M&T has been selected to participate in a program with The Home Store, a homeownership counseling service operated by the Urban League of Rochester, through which M&T offers mortgage programs for low- and moderate-income persons under the City of Rochester's Housing Initiative Program ("Rochester Housing Program").<sup>24</sup> M&T also participated with the City of Rochester in an owner-occupant home lottery program designed to convert vacant homes into housing opportunities for persons who could afford a mortgage but not a down payment.

In addition, M&T participates with eight other Rochester area depository institutions in the Greater Rochester Housing Partnership Construction Lending Consortium, which provides construction loans for builders of affordable homes that would not qualify for loans within standard underwriting guidelines. M&T was the lead bank in a 1992 refinancing of this consor-

23. M&T provided 100 percent mortgage financing for four recipients of foreclosed properties.

24. One Protestant has objected to M&T's cancellation of its agreement with Protestant to screen, prequalify and refer buyers for affordable housing mortgages under the Rochester Housing Program. This Protestant believes that M&T's action has adversely affected affordable housing lending and resulted in M&T's application of stricter underwriting criteria. Other Protestants in the Rochester, Binghamton, and Ithaca areas have objected to M&T's failure to enter into agreements with them to support CRA-related initiatives and programs. The Board has indicated in previous orders and in the Interagency Policy Statement that communication by depository institutions with community groups provides a valuable method of assessing and determining how best to address the credit needs of the community. However, neither the CRA nor the Interagency Policy Statement require depository institutions to enter into agreements with particular organizations. Accordingly, the Board's review has focused on the programs and policies that M&T has in place in Rochester and other areas to serve the credit needs of its entire community. See *Fifth Third Bancorp*, 80 *Federal Reserve Bulletin* 838 (1994).

21. In a similar program, M&T permits the remaining 2 percent of the down payment to be a grant by a non-profit organization.

22. This program provides for a \$1500 loan minimum and no closing costs or application fee, and incorporates a second review procedure should a loan application initially be declined.

tium which provided \$5 million of funding. M&T also is sponsoring a Habitat for Humanity Home in Rochester.

To address the credit needs of small businesses in the Rochester area and throughout the state, M&T provides Small Business Administration ("SBA")-sponsored loan products.<sup>25</sup> M&T also assists in meeting the credit needs of small businesses, in Rochester and throughout its delineated community, by providing lines of credit for short-term financial requirements of small businesses; lease financing; short-term loans for permanent working capital needs and business expansions and improvements; and long-term loans for real estate acquisitions. In addition, M&T participates in three energy conservation loan programs to finance energy conservation-related repairs and improvements to businesses or homes at reduced interest rates.

In 1992 and 1993, M&T extended small business loan funds in Rochester totalling approximately \$18.2 million, of which \$11.5 million was extended to borrowers in low- to moderate-income census tracts. Furthermore, for the period beginning January 1992 through the first four months of 1994, the bank extended small business loan funds totalling approximately \$941,000 to borrowers in Rochester located in low- to moderate-income census tracts with a minority population greater than 80 percent.

2. *Binghamton and Broome County.* M&T began its operations in these areas after it acquired the former Endicott Trust Company ("Endicott") in mid-1992. M&T, which has not expanded its operations in the Binghamton and Broome County area beyond the acquired Endicott branches, consequently has achieved a modest market penetration. Nevertheless, M&T offers a variety of affordable housing products to borrowers in Binghamton and Broome County, including low- to moderate- income and minority borrowers. For example, since January 1, 1993, M&T has extended SONYMA program loans totalling \$300,000 and FHA loans totalling \$121,000 to first-time home buyers in Broome County and Binghamton. In addition, M&T has provided loans totalling over \$1.7 million under its Community Home Buyers Program and other special financing programs.

M&T also has provided financing to SEPP, Inc. ("SEPP"), a community service agency that provides affordable housing for elderly and disabled persons in Broome County and Binghamton. In addition, M&T is engaged with other local institutions, the Federal Home Loan Bank of New York, and local government officials in an effort to locate a branch of the Commu-

nity Lending Corporation, which pools private and public grant funds to support affordable housing programs in low- to moderate-income areas, in Broome County.

To enhance its affordable mortgage lending program in Binghamton and Broome County, M&T has committed to take additional steps. For example, M&T will offer a new affordable mortgage product for low- to moderate-income residents under the "M&T Down Payment and Closing Cost Assistance Pilot Program," which will provide home purchase mortgage loans with cash down payments as low as \$500 and closing cost financing. M&T will allocate \$1 million for this program in the first year. In addition, M&T has committed to provide flexible underwriting standards for its housing-related loans to residents within low- to moderate-income census tracts in Binghamton and to low- to moderate-income residents in Broome County, and to conduct a second review of all initially declined residential mortgage applications of these residents. For the three-year period beginning on January 1, 1995, M&T also has committed to provide residential mortgage and home improvement loans to such residents at target levels of \$4.5 million.<sup>26</sup>

Since July 1992, M&T has made approximately 140 small business loans in Binghamton and Broome County totalling more than \$7.3 million, of which more than \$1 million was made to borrowers in low- to moderate-income census tracts in Binghamton.<sup>27</sup> In addition, small business loans totalling \$145,000 were extended to borrowers in Binghamton's only integrated census tract.<sup>28</sup> M&T has pledged funds to Broome County Partnership 2000, a group of community leaders organized to bring businesses and jobs to Broome County and Binghamton.

For the three-year period beginning on January 1, 1995, M&T is allocating up to \$10.5 million for loans to small businesses, including minority- and women-owned enterprises and community-based not-for-profit organizations. In addition, M&T will establish a sec-

25. In 1993, M&T was designated a "Preferred Lender" by the SBA.

26. M&T also has committed to provide \$15,000 in financing for a community-based organization to develop a credit counseling program designed to assist low- to moderate-income residents to achieve home ownership. In addition, M&T has committed to deposit \$100,000 with a new community development credit union, the Binghamton Housing Authority Residents Community Development Federal Credit Union (the "Credit Union"), upon the Credit Union's receipt of deposit insurance from The National Credit Union Share Insurance Fund, and to provide technical assistance to the Credit Union.

27. Although M&T's overall small business lending volume in Broome County (where Binghamton is located) decreased in dollar amount in 1993, the dollar volume of M&T's small business lending in Binghamton increased by 16.4 percent, and the number of small business loans remained constant.

28. Binghamton has no census tracts with a minority population exceeding 50 percent, and only one integrated tract (with a minority population exceeding 20 percent).

ond review program for initially denied small business loan applications, will refer denied start-up business loan applicants to various small business counseling services, and will provide free counseling and technical assistance on financing and banking-related issues for not-for-profit organizations.

3. *Orange and Rockland Counties.* The Board has carefully reviewed the CRA performance of M&T in Orange and Rockland Counties in New York, in light of Protestants' comments criticizing M&T's small business lending performance in these counties. M&T has been an active participant in small business lending in Orange and Rockland counties. In 1992 and 1993, M&T made small business loans totalling more than \$7.7 million to borrowers in these counties, of which more than \$1.7 million was made to borrowers in low- and moderate-income census tracts.<sup>29</sup>

M&T also is a participant in the City of Newburgh's Minority and Women's Revolving Loan Trust Fund, which combines funds of the New York State Urban Development Corporation with loan commitments from the participating banks to provide loans at favorable rates to minority- and women-owned businesses in Orange County. In addition, M&T has committed to participate with several other financial institutions in establishing a new loan fund to provide loans for small businesses throughout Rockland County. Recently, M&T provided a grant to a not-for-profit community development revolving loan fund that was used in connection with the funding of a micro-lending program for Hispanic businesses in the City of Newburgh in Orange County.

#### D. Ascertainment and Marketing Programs of M&T

M&T has developed a multi-tiered organizational structure for developing, implementing, and reviewing its CRA initiatives. M&T's Board of Directors and its CRA Subcommittee are actively involved in overseeing and implementing M&T's CRA plan. M&T has appointed a CRA officer, and formed Advisory Board CRA Committees for each region of its delineated community. The Advisory Board Committees review and analyze M&T's implementation of its CRA program in their respective regions and communicate the regional needs to M&T's CRA Steering Committee, which is responsible for developing and executing M&T's CRA plan.

<sup>29</sup> One Protestant also alleged that M&T and Chemical have engaged in "predatory pricing" of small business banking accounts and services. Both M&T and Chemical responded that the rates they charge for small business accounts and services are competitive with the rates charged by other depository institutions in this market.

M&T's specific ascertainment efforts to determine whether it is effectively meeting the credit needs of its entire delineated community have included surveys, focus groups, and small business study groups. In addition, management and employees of each M&T branch engage in direct communication with their service communities through interviews with community leaders, the creation of community advisory councils, and formal call programs by branch managers and loan officers to identify the credit needs of the branch's delineated community.<sup>30</sup> These call programs include a business calling program throughout M&T's delineated community that encompasses minority- and women-owned businesses.

M&T markets its products by advertising on television and radio and in print media, including minority publications and radio stations with large minority audiences. In addition, M&T uses focus groups throughout its delineated community to analyze its advertising campaigns and to monitor the effectiveness of its marketing to minority and low- and moderate-income residents. M&T also has conducted home buyer seminars to market its affordable housing loan programs throughout its delineated community, including in Rochester, Broome County, Binghamton, and Orange and Rockland Counties. In addition, M&T has conducted small business seminars in these areas and throughout its delineated community.

To expand its marketing and outreach to minority and low- to moderate-income residents in Binghamton and Broome County and to meet its increased lending targets for these communities, M&T has committed to market aggressively its affordable housing and small business loan products in the local media, including through advertisements in journals and publications of community-based organizations intended to reach such residents. M&T also has committed to expand its outreach and marketing efforts in these communities through seminars and workshops with local realtors and community-based organizations, an active calling program designed specifically for low- to moderate-income areas, and small business fairs targeted to minority- and women-owned businesses.

#### E. Branches

M&T's 1993 CRA examination indicates that M&T's branch offices are reasonably accessible to all seg-

<sup>30</sup> M&T's CRA Subcommittee and senior management periodically review internal analyses of the geographic distribution of the bank's credit originations, including small business loans, and use these analyses to evaluate marketing efforts in targeted geographic areas and to develop new products that make credit more widely available.



ments of the bank's local community and provide a full range of deposit and credit services. In addition, M&T has a comprehensive, written branch-closure policy. The policy states that the decision to close a branch office shall be made only after the bank has thoroughly evaluated the potential impact of such an action.

Under the proposal, M&T would acquire six offices of Citizens Savings in Ithaca. M&T does not intend to close any of these branches. In addition, M&T does not intend to close any of the three Citizens Savings branches that it proposes to acquire in Broome County and Binghamton.

M&T plans to consolidate, in accordance with M&T's branch closure policy, only one of the seven Chemical branches that it proposes to acquire. M&T would consolidate the present Chemical branch in Nyack, New York, into an existing M&T branch that is located approximately 125 feet away from this Chemical branch. M&T does not intend to close any of the other Chemical branches.

#### *Conclusion Regarding Convenience and Needs Factors*

On the basis of all the facts of record, including information provided by the commenters supporting the proposal and the Protestants, the responses by M&T, Chemical, and Citizens Savings, and relevant reports of examination, the Board concludes that convenience and needs considerations, including the CRA performance records of M&T, Chemical, and Citizens Savings, are consistent with approval of these applications.<sup>31</sup> The Board expects M&T to implement fully all commitments and representations made in connection with this proposal, including its commitments for the Binghamton, Broome County, and Ithaca areas. These commitments include semiannual reports to the Federal Reserve Bank of New York on M&T's progress in fulfilling its commitments in the

31. Protestants have requested that the Board hold a public meeting or hearing on these applications. The Board's rules provide that a hearing is required under section 4 of the BHC Act only if there are disputed issues of material fact that cannot be resolved in some other manner. 12 C.F.R. 225.23(g). In addition, the Board may, in its discretion, hold a public hearing or meeting on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 C.F.R. 262.3(e) and 262.25(d). The Board has carefully considered these requests. In the Board's view, interested parties have had a sufficient opportunity to present written submissions, and have submitted substantial written comments that have been considered by the Board. Moreover, Protestants' allegations state conclusions about the institutions' CRA records without disputing any of the material facts in this case. On the basis of all the facts of record, the Board has determined that a public meeting or hearing is not necessary to clarify the factual record in these applications, or otherwise warranted in this case. Accordingly, the requests for a public meeting or hearing on these applications are hereby denied.

Binghamton, Broome County, and Ithaca areas. These reports shall continue for a period of two years. The Board will assess the success of M&T's continued efforts in connection with future applications by First Empire to expand its deposit-taking facilities.

#### *Other Considerations*

The financial and managerial resources and future prospects of First Empire and its subsidiaries and the institutions to be acquired are consistent with approval of these applications. In addition, the record does not indicate that consummation of the Citizens Savings proposal is likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices, that would not be outweighed by the public benefits reasonably to be expected from consummation of this proposal. The Board expects that M&T's acquisition of Citizens Savings would provide added convenience and services to Citizens Savings's customers because they would have access to a variety of services and programs not currently provided by Citizens Savings in the Ithaca and Binghamton areas. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval of First Empire's application to acquire Citizens Savings.

The Board also has considered the specific factors it must review under section 5(d)(3) of the FDI Act, and the record reflects 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) First Empire and M&T currently meet, and upon consummation of the proposed transaction will continue to meet, all applicable capital standards; and
- (3) The proposed transaction would comply with the interstate banking provisions of the BHC Act if Citizens Savings were a state bank that First Empire was applying to acquire directly.<sup>32</sup>

The Board also has considered the factors it is required to consider when reviewing applications to establish branches pursuant to section 9 of the Federal Reserve Act and section 208.9 of the Board's Regulation H, and finds those factors to be consistent with approval.<sup>33</sup>

32. See 12 U.S.C. § 1815(d)(3).

33. See 12 U.S.C. § 322; 12 C.F.R. 208.9.

Based on the foregoing and all the facts of record, the Board has determined that these applications should be, and hereby are, approved. The Board's approval is specifically conditioned on compliance with all the commitments made by First Empire and M&T in connection with these applications and with the conditions referenced in this order. The Board's determination with respect to the Citizens Savings proposal also is subject to all the conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(b), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. These commitments and conditions shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decisions and, as such, may be enforced in proceedings under applicable law.

The merger of M&T and Citizens Savings and the proposed acquisition of certain assets and assumption of certain liabilities of the Chemical branches shall not be consummated before the thirtieth calendar day after the effective date of this order, unless such period is shortened with the consent of the Attorney General, and none of these transactions shall be consummated later than three months after the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of New York, acting pursuant to delegated authority.

By order of the Board of Governors, effective October 12, 1994.

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

JENNIFER J. JOHNSON  
*Deputy Secretary of the Board*

*Appendix*

**Branches to be Acquired by Manufacturers and Traders Trust Company**

**1. Citizens Savings Bank, F.S.B.**

*Tompkins County*

**Main Office**  
118 North Tioga Street  
Ithaca, New York 14850

Pyramid Mall  
North Triphammer Road  
Ithaca, New York 14850

Triphammer  
2248 North Triphammer Road  
Ithaca, New York 14850

Collegetown  
406 College Avenue  
Ithaca, New York 14850

East Hill Plaza  
Judd Falls Road  
Ithaca, New York 14850

Cornell University  
Willard Straight Hall  
Ithaca, New York 14850

*Cortland County*

Cortlandville  
Route 13  
Cortland, New York 13045

Groton Avenue Plaza  
1118 Groton Avenue Extension  
Cortland, New York 13045

SUNY Cortland  
Neubig Hall  
Cortland, New York 13045

*Broome County*

Endwell  
864 Hooper Road  
Endwell, New York 13760

Binghamton University  
P.O. Box 6000  
Binghamton, New York 13902

Oakdale Mall Office  
Harry L. Drive  
Johnson City, New York 13760

**2. Chemical Bank**

*Orange County*

Monroe  
23 Lake Street (at Millpond Parkway)  
Monroe, New York 10950

Monroe/Millpond Plaza  
Route 17M (at Route 306)  
Monroe, New York 10950

Harriman  
Church Street & Route 17M  
Harriman, New York 12771

Port Jervis  
Ball and Sussex Streets  
Port Jervis, New York 12771

Middletown  
Route 17M (at Route 6)  
Middletown, New York 10940

Vails Gate  
375 Windsor Highway (at Temple Hill Road)  
Vails Gate, New York 12550

*Rockland County*

Nyack  
108 Main Street (at Franklin Street & Broadway)  
Nyack, New York 10960

First of America Bank Corporation  
Kalamazoo, Michigan

*Order Approving an Application to Engage De Novo  
in Underwriting and Dealing in Certain  
Bank-Ineligible Securities on a Limited Basis, and  
other Securities-Related Activities*

First of America Bank Corporation, Kalamazoo, Michigan ("Applicant"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied pursuant to section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a)(3) of the Board's Regulation Y (12 C.F.R. 225.23(a)(3)) for its wholly owned subsidiary, First of America Securities, Inc., Kalamazoo, Michigan ("Company"), to conduct the following activities throughout the United States:

(1) Underwriting and dealing, to a limited extent, in rated and unrated debt securities, including only municipal revenue bonds (including industrial development bonds), mortgage-related securities, consumer receivable-related securities, commercial paper, and securities issued by a trust or other vehicle secured by or representing interests in such debt obligations (collectively, "bank-ineligible securities");

(2) Acting as agent for issuers in the private placement of all types of debt and equity securities, including providing related advisory services;

(3) Buying and selling securities on the order of investors as a "riskless principal;"

(4) (a) Intermediating in the swaps markets by acting as an originator and principal in interest rate and currency swap transactions and "swap derivative products," such as caps, floors and collars, and options thereon,

(b) acting as broker and agent with respect to the foregoing transactions and instruments, and

(c) acting as an advisor to institutional customers regarding financial strategies involving interest rate and currency swaps and swap derivative products;

(5) Providing foreign exchange advisory and transactional services; and

(6) Providing financial advisory services.

Notice of this application, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 46,253 (1994), 59 *Federal Register* 47,876 (1994)). The time for filing comments has expired, and the Board has considered the application in light of the factors set forth in section 4(c)(8) of the BHC Act.

Applicant, with total consolidated assets of \$23 billion, is the 33d largest banking organization in the United States, and operates 19 banking subsidiaries in three states. Applicant engages in a variety of nonbanking activities through several subsidiaries.

Company received authority from the Board to engage in full-service brokerage, provide financial advice to state and local governments, and underwrite and deal in securities that state member banks are permitted to underwrite and deal in under the Glass-Steagall Act ("bank-eligible securities"). Company has applied to register as a broker-dealer with the Securities and Exchange Commission ("SEC"), the National Association of Securities Dealers ("NASD"), and the Municipal Securities Rulemaking Board, and is in the process of registering as a broker-dealer in the states in which it intends to operate. Accordingly, Company will be subject to the record-keeping and reporting obligations, fiduciary standards, and other requirements of the Securities Exchange Act of 1934 (15 U.S.C. § 78a *et seq.*), the SEC, the NASD, and the states in which it will operate.

*Underwriting and Dealing in Bank-Ineligible Securities*

Applicant proposes to underwrite and deal only in municipal revenue bonds (including industrial devel-

opment bonds), mortgage-related securities, consumer receivable-related securities, commercial paper, and securities issued by a trust or other vehicle secured by or representing interests in such debt obligations. Applicant proposes to underwrite and deal in these securities whether or not they are rated as investment quality by a nationally recognized rating agency. The Board has determined that the conduct of these securities underwriting and dealing activities is consistent with section 20 of the Glass-Steagall Act, provided that the underwriting and dealing subsidiary derives no more than 10 percent of its total gross revenue over any two-year period from underwriting and dealing in securities that a bank may not underwrite or deal in directly.<sup>1</sup> Applicant has committed that Company will conduct its underwriting and dealing activities with respect to bank-ineligible securities subject to this 10 percent revenue test.<sup>2</sup> The Board also has determined that, subject to the prudential framework of limitations established in previous decisions to address potential conflicts of interests, unsound banking practices, or other adverse effects, these proposed underwriting and dealing activities are so closely related to banking as to be proper incidents thereto within the

1. See *Canadian Imperial Bank of Commerce, et al.*, 76 *Federal Reserve Bulletin* 158 (1990); *J.P. Morgan & Company Incorporated, et al.*, 75 *Federal Reserve Bulletin* 192 (1989), *aff'd sub nom. Securities Industry Association v. Board of Governors of the Federal Reserve System*, 900 F.2d 360 (D.C. Cir 1990); *Citicorp, et al.*, 73 *Federal Reserve Bulletin* 473 (1987), *aff'd sub nom. Securities Industry Association v. Board of Governors of the Federal Reserve System*, 839 F.2d 47 (2d Cir.), *cert. denied*, 486 U.S. 1059 (1988) (collectively, "Section 20 Orders"). Compliance with the 10 percent revenue limitation shall be calculated in accordance with the method stated in the Section 20 Orders, as modified by the *Order Approving Modifications to Section 20 Orders*, 75 *Federal Reserve Bulletin* 751 (1989), the *Order Approving Modifications to the Section 20 Orders*, 79 *Federal Reserve Bulletin* 226 (1993), and the *Supplement to Order Approving Modifications to Section 20 Orders*, 79 *Federal Reserve Bulletin* 360 (1993) (collectively, the "Modification Orders").

2. As an incident to the proposed underwriting and dealing activities, Company also proposes to engage in risk management reduction activities such as hedging, in accordance with the Board's policy statement on derivative transactions, 12 C.F.R. 225.142. Company also proposes to provide investment advice to both issuers and purchasers of the bank-ineligible securities that Company will underwrite and deal in, and to provide advice to potential purchasers regarding both general market conditions and the characteristics and desirability of such securities. Finally, as an incident to its proposed underwriting and dealing, to a limited extent, in bank ineligible securities as principal, Company also proposes to underwrite such ineligible securities on a best efforts basis.

The Board has previously determined that section 20 subsidiaries may provide services that are necessary incidents to approved underwriting and dealing activities, provided that any activities conducted as a necessary incident to bank-ineligible securities activities are treated as part of the bank-ineligible securities activities unless Company has received specific approval under section 4(c)(8) of the BHC Act to conduct the activities independently. See *J.P. Morgan & Co. Incorporated, et al.*, 75 *Federal Reserve Bulletin* at 213 n. 59. Until such approval is obtained, any revenues from the incidental activities must be counted as ineligible revenues subject to the 10 percent revenue limitations set forth in the Section 20 Orders, as modified by the Modification Orders.

meaning of section 4(c)(8) of the BHC Act. Applicant has committed that Company will conduct the proposed underwriting and dealing activities using the same methods and procedures, and subject to the same prudential limitations, established by the Board in the Section 20 Orders and other previous cases.<sup>3</sup>

#### *Execution of Trades for Which Affiliated Bank Is Introducing Broker*

Applicant also proposes to act through First of America Brokerage Service, Inc. ("FOAB"), a wholly owned subsidiary of First of America Bank-Michigan, N.A., Kalamazoo, Michigan, as an introducing broker-dealer for securities transactions that would subsequently be forwarded to Company for execution and clearance.<sup>4</sup> Applicant asserts that this activity would be fully consistent with the prudential limitations or firewalls imposed by the Board on bank-ineligible securities underwriting and dealing activities, and their underlying purposes.

The section 20 firewalls are designed to ensure that the bank-ineligible securities activities of a bank holding company are conducted in a corporation over which affiliated banks have no ownership or financial or managerial control, and that the bank does not become involved in impermissible securities activities. Applicant has committed that Company would remain separately incorporated, capitalized, and funded, and would be operationally distinct from its bank affiliates. There would be no employees in common between Company and any of its bank affiliates or their subsidiaries. FOAB would not market or act as agent for bank-ineligible securities underwritten or dealt in by Company.

Furthermore, protections exist to prevent customer confusion from arising from Company's execution of trades brokered by affiliated banks. Applicant has committed that Company would provide all brokerage customers with disclosure statements explaining the difference between Company and its depository institution affiliates. Moreover, Applicant has committed that Company will comply with the Interagency State-

3. Applicant proposes that its affiliate banks and their broker-dealer subsidiaries be allowed to cross-market bank-eligible securities, as permitted by the Board in *BankAmerica Corporation*, 79 *Federal Reserve Bulletin* 1163, 1165 (1993), and subject to the conditions of that order.

4. These trades would be cleared by a company unaffiliated with Applicant. Company would mail or forward directly to these customers confirmations and account statements, tax information, dividends, interest payments, annual reports, and proxy and other materials. FOAB customers would have telephone service available to them to place orders with Company directly, and to use other customer services. Company also may directly collect funds from and remit funds to customers.

ment on Retail Sales of Nondeposit Investment Products (February 15, 1994), which requires confirmations and account statements that contain the name or the logo of a depository institution affiliate to carry certain disclosures for nondeposit investment products.<sup>5</sup> Company will not lease space from any affiliated bank for its retail securities activities.

Based on the foregoing and all the facts of record, the Board has determined that FOAB may act as introducing broker-dealer for customers in securities transactions that would be executed by Company.

#### *Private Placement and Riskless Principal Activities*

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

"Riskless principal" is the term used in the securities business to refer to a transaction in which a broker-dealer, after receiving an order 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.<sup>6</sup> Riskless principal transactions are understood in the industry to include only transactions in the secondary market. Thus, Applicant proposes that Company would not act as a riskless principal in selling securities at the order of a customer that is the issuer of the securities to be sold, or in any transaction where Company has a contractual agreement to place the securities as agent of the issuer. Company also would not act as a riskless principal in any transaction involving a security for which it makes a market.

5. Under the Interagency Agreement, such disclosures should, at a minimum, specify that the product is:

- (1) Not insured by the FDIC;
- (2) Not a deposit or other obligation of, or guaranteed by, a depository institution; and
- (3) Subject to investment risks, including possible loss of the principal amount of the investment.

6. See Securities and Exchange Commission Rule 10b-10, 17 C.F.R. 240.10b-10(a)(8)(i).

The Board has determined by Order that, subject to prudential limitations that address the potential for conflicts of interests, unsound banking practices, or other adverse effects, the proposed private placement and riskless principal activities are so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act.<sup>7</sup>

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

Applicant has committed that Company will conduct its private placement and riskless principal activities using the same methods and procedures, and subject to the same prudential limitations established by the Board in the *Bankers Trust Order* and the *J.P. Morgan Order*,<sup>9</sup> including the comprehensive framework of restrictions designed to avoid potential conflicts of interests, unsound banking practices, and other adverse effects imposed by the Board in connection with underwriting and dealing in securities.<sup>10</sup>

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

8. See *Bankers Trust Order* at 831-833.

9. Among the prudential limitations detailed more fully in the *Bankers Trust Order* and the *J.P. Morgan Order* are that Company will maintain specific records that will clearly identify all riskless principal transactions, and that Company will not engage in any riskless principal transactions for any securities carried in its inventory. When acting as a riskless principal, Company will not hold itself out as making a market in the securities that it buys and sells as a riskless principal. Moreover, Company will not engage in riskless principal transactions on behalf of any foreign affiliate that engages in securities dealing activities outside the United States and will not act as riskless principal for registered investment company securities. In addition, Company will not act as a riskless principal for any securities of investment companies that are advised by Applicant or any of its affiliates. With regard to private placement activities, Applicant has committed that Company will not privately place registered investment company securities or securities of investment companies that are advised by Applicant or any of its affiliates.

10. In previous orders approving riskless principal activities, the Board has relied on commitments by bank holding companies to refrain from entering quotes for specific securities in the NASDAQ or any other dealer quotation system in connection with riskless principal transactions. *Bankers Trust Order* at 832. Applicant proposes that Company, in acting as a riskless principal, be permitted to:

- (i) Enter bid or ask quotations; or
- (ii) Publish "offering wanted" or "bid wanted" notices on trading systems other than an exchange or the NASDAQ.

In order to ensure that Company will not hold itself out as a market maker with respect to securities for which it acted as riskless principal, Applicant has committed that Company will not enter price quotations on different sides of the market for a particular security for two business days. In other words, Company would not enter an "ask" quote for two business days after entering a "bid" quote with

### Director Interlocks

Applicant has requested that the Board permit up to two directors of its subsidiary banks to serve on Company's board of directors, as long as those directors do not constitute a majority of Company's board. These directors would not be officers of any affiliated bank; nor would they have the authority to conduct the day-to-day business of the bank or handle individual bank transactions. No officers or employees of Company would be employed by the banks. Applicant asserts that the proposed interlocks would permit appropriate oversight and supervision of Applicant's subsidiaries, and that the banking subsidiary directors would also serve to ensure that Company is managed in keeping with the overall risk management policies of Applicant and its bank subsidiaries.

The Board previously has permitted interlocks between a banking organization and its affiliated section 20 company.<sup>11</sup> In addition, the Board has requested comment on modifying the section 20 prudential framework to permit interlocks with affiliated banks so long as a majority of the board is not comprised of bank officers or directors. Applicants have agreed to comply with any modification the Board may adopt as a result of its review. Accordingly, the Board finds that these limited interlocks should be permitted, since it appears that Company would be operationally distinct from its affiliated banks. The Board expects Applicant to ensure that the framework established pursuant to the Section 20 Orders will be maintained in all other respects.

### Swap Activities

Applicant proposes to intermediate in the swaps markets by acting as an originator and principal in interest rate and currency swap transactions and "swap derivative products," such as caps, floors and collars, and options thereon; to act as broker and agent with respect to the foregoing transactions and instruments, and to act as an advisor to institutional customers regarding financial strategies involving interest rate and currency swaps and swap derivative products. The Board has previously determined by order that the

proposed activities are closely related to banking and permissible for bank holding companies within the meaning of section 4(c)(8) of the BHC Act.<sup>12</sup> Applicant proposes to engage in these swap activities in accordance with all of the provisions and conditions set forth in these orders.

Company appears to be capable of managing the risks associated with the proposed activities. Applicant, which has extensive experience in lending and financing services, has undertaken to provide credit screening for all potential counterparties of Company. In appropriate cases, Company will obtain a letter of credit on behalf of, or collateral from, a counterparty. In addition, Company will establish separate credit and exposure limits for each swap counterparty. Company will monitor this exposure on an ongoing basis, in the aggregate and with respect to each counterparty.

In order to manage the risk associated with adverse changes in interest rates, Company will match all the swaps and related instruments in which it is principal and will hedge any unmatched positions pending a suitable match. Company will not enter into unmatched or unhedged swaps for speculative purposes. Company's management will set absolute limits on the level of risk to which its swap portfolio may be exposed. Company's exposure to price risk will be monitored by both management and Applicant's auditing personnel to guarantee compliance with the risk limitations imposed by management. Auditing personnel will report directly to senior management to ensure that any violations of portfolio risk limitations are reported and corrected.

With respect to the risk associated with the potential for differences between the floating rate indexes on two matched or hedged swaps ("basis risk"), Company's management will impose absolute limits on the aggregate basis risk to which Company's swaps portfolio may be exposed as well as the level of volatility risk to which company's risk portfolio may be exposed. Company will actively seek to enter into matching transactions for its unmatched positions. Applicant's internal auditing staff, together with management, will monitor compliance with the management-imposed basis risk limits.<sup>13</sup>

In order to minimize any possible conflict of interests between Company's role as a principal or broker

respect to the same security, and vice versa. The Board previously has determined that these activities do not constitute underwriting and dealing in securities for purposes of the Glass-Steagall Act. *Bank-America Corporation*, 79 *Federal Reserve Bulletin* 1163, 1165 n. 10 (1993); *Dauphin Deposit Corporation*, 77 *Federal Reserve Bulletin* 672 (1991).

11. *Synovus Financial Corporation, et al.*, 77 *Federal Reserve Bulletin* 954, 955 (1991); *Banc One Corporation*, 76 *Federal Reserve Bulletin* 756, 758 (1990); *Canadian Imperial Bank of Commerce, The Royal Bank of Canada, Barclays PLC and Barclays Bank PLC*, 76 *Federal Reserve Bulletin* 158 (1990).

12. *The Sanwa Bank, Limited*, 77 *Federal Reserve Bulletin* 64 (1991); *The Fuji Bank, Limited*, 76 *Federal Reserve Bulletin* 768 (1990); *The Sumitomo Bank, Limited*, 75 *Federal Reserve Bulletin* 582 (1989).

13. In addition to rate and basis risks, the value of a swap option is subject to market expectations of the future direction and rate of change in interest rates, or volatility risk. Company's management will impose absolute limits on the level of volatility risk to which Company's swap portfolio may be exposed.

in swap transactions and its role as advisor to potential counterparties, Company will disclose to each customer the fact that company may have an interest as a counterparty principal or broker in the course of action ultimately chosen by the customer. Also, in any case in which Company has an interest in a specific transaction as an intermediary or principal, Company will advise its customer of that fact before recommending participation in that transaction.<sup>14</sup> Finally, Company's advisory activities will only be offered to institutional customers.

#### *Foreign Exchange Advisory and Transactional Services*

The foreign exchange advisory and transactional services in which Applicant proposes to engage have been determined by regulation to be activities that are closely related to banking for purposes of section 4(c)(8) of the BHC Act. 12 C.F.R. 225.25(b)(17). Applicant proposes to conduct these activities through Company in accordance with the Board's regulations.

#### *Financial Advisory Services*

Applicant has proposed that Company engage in the following advisory activities:

providing advice on merger, acquisition, divestiture, recapitalization and financing transactions, including feasibility studies and structuring and arranging loan syndications for financial and nonfinancial institutions and high-net-worth individuals, and providing ancillary services or functions incidental to these activities; providing valuations for financial and nonfinancial institutions and high-net-worth individuals; providing fairness opinions in connection with merger, acquisition and similar transactions for financial and nonfinancial institutions and high-net-worth individuals and ancillary services or functions incidental to the foregoing advisory activities (collectively "financial advisory activities").

The Board has previously approved these activities by regulation for bank holding companies. 12 C.F.R. 225.25(b)(4)(vi). Applicant further proposes that Company provide the listed investment advice to affiliates, an activity that the Board has approved by order. *Deutsche Bank AG*, 79 *Federal Reserve Bulletin* 133, 136 (1993).

14. In any transaction in which Company arranges a swap transaction between an affiliate and a third party, the third party will be informed that Company is acting on behalf of an affiliate.

#### *Other Considerations*

The Board has reviewed the capitalization of Applicant and Company in accordance with the standards set forth in the Section 20 Orders, and finds the capitalization of each to be consistent with approval of this proposal. The Board's determination concerning the capitalization of Company is based on all the facts of record, including Applicant's projections for the volume of Company's underwriting and dealing activities in bank-ineligible securities. On the basis of all the facts of record, including the foregoing, and subject to the completion of a satisfactory infrastructure review, the Board has concluded that financial and managerial considerations are consistent with approval of this application.

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

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

#### *Conclusion*

On the basis of the foregoing and all the facts of record, including the commitments furnished by Applicant, the Board has determined that the application should be, and hereby is, approved, subject to all the terms and conditions of this order and the Section 20 Orders, as modified by the Modification Orders. The Board's approval of this proposal extends only to activities conducted within the limitations of those

orders and this order, including the Board's reservation of authority to establish additional limitations to ensure that Company's activities are consistent with safety and soundness, conflicts of interests, and other relevant considerations under the BHC Act. Underwriting and dealing in any manner other than as approved in this order and the Section 20 Orders is not authorized for Company.

The Board's approval of the proposed underwriting and dealing activities is conditioned on a future determination by the Board that Applicant and Company have established policies and procedures to ensure compliance with the Section 20 Firewalls and the other requirements of this order and the Section 20 Orders, including computer, audit, and accounting systems, internal risk management controls, and the necessary operational and managerial infrastructure. Upon notification by the Board that this condition has been satisfied, Company may immediately commence the proposed underwriting and dealing activities, subject to the other conditions of this order and the Section 20 Orders.

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

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

By order of the Board of Governors, effective October 11, 1994.

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

JENNIFER J. JOHNSON  
*Deputy Secretary of the Board*

Peoples Bancorp Inc.  
Marietta, Ohio

*Order Approving Acquisition of Shares of a Savings Association*

Peoples Bancorp Inc., Marietta, Ohio ("Peoples"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23), to acquire 11.67 percent of Woodfield Savings & Loan Company, Woodfield, Ohio ("Woodfield"), a savings and loan association.

Notice of this proposal, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 35,929 (1994)). 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.

Peoples, with consolidated assets of \$469.8 million, is the 31st largest depository institution in Ohio, controlling deposits of \$386 million, representing less than 1 percent of all deposits in depository institutions in Ohio.<sup>1</sup> Woodfield is the 378th largest depository institution in Ohio, controlling deposits of \$13.1 million, representing less than 1 percent of all deposits in depository institutions in Ohio.

Peoples and Woodfield do not compete directly in any banking market. Accordingly, consummation of this proposal would not have a significantly adverse effect on competition or the concentration of banking resources in any relevant banking market.

Section 4 of the BHC Act requires Board approval before a bank holding company may acquire more than 5 percent of the voting shares of a company that is not a bank. The Board has determined that the operation of a savings association by a bank holding company is closely related to banking for purposes of section 4(c)(8) of the BHC Act.<sup>2</sup> In making this determination, the Board requires that savings associations acquired by bank holding companies conform their direct and indirect activities to those permissible for bank holding companies under section 4(c)(8) of the BHC Act and Regulation Y. Peoples has committed that, if Woodfield engages in any impermissible activities, Peoples will divest its ownership interest to less than 5 percent of the voting shares of Woodfield.

1. Asset data are as of March 31, 1994, and state deposit data are as of December 31, 1993. In this context, depository institutions include commercial banks, savings banks, and savings associations.

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



In every case involving a nonbanking acquisition by a bank holding company under section 4 of the BHC Act, the Board considers the financial condition and managerial resources of the applicant and its subsidiaries and the effect of the transaction on these resources. Based on the facts of this case, the Board concludes that the financial and managerial resources of Peoples, Woodfield, and their respective subsidiaries are consistent with approval.

In order to approve this proposal, the Board also must determine that the proposed investment is not likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices that are not likely to be outweighed by the public benefits of this proposal. The Board has carefully reviewed comments from several shareholders of Woodfield, its managing officer, and its outside counsel ("Protestants") objecting that the control of a local financial institution by an out-of-town bank holding company may jeopardize the thrift's financial stability, and cause confusion among shareholders, depositors, and the community.

As part of this proposal, Peoples has made a number of commitments to address concerns about the effect that its acquisition of shares of Woodfield would have on the management and operations of Woodfield. In particular, Peoples 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 Woodfield;
- (2) Have, or seek to have, any employees or representatives serve as an officer, agent, or employee of Woodfield;
- (3) Seek or accept representation on the board of directors of Woodfield;
- (4) Take any action causing Woodfield to become a subsidiary of Peoples;
- (5) Acquire or retain shares of Woodfield that would cause the combined interests of Peoples and its affiliates, officers, and directors to equal or exceed 25 percent of the outstanding voting shares of Woodfield;<sup>3</sup>
- (6) Propose a director or a slate of directors in opposition to a nominee or slate of nominees proposed by the management or board of directors of Woodfield;
- (7) Attempt to influence the dividend policies or practices of Woodfield;

3. Under section 4 of the BHC Act, Woodfield must seek Board approval prior to acquiring any additional voting shares of Peoples as long as its interest represents more than 5 percent and less than 50 percent of the voting shares of Peoples.

(8) Solicit or participate in soliciting proxies with respect to any matter presented to the shareholders of Woodfield;

(9) Attempt to influence the loan and credit decisions or policies of Woodfield, the pricing of services, any personnel decision, the location of any offices, branching, the hours of operation, or similar activities of Woodfield;

(10) Dispose or threaten to dispose of shares of Woodfield in any manner as a condition of specific action or nonaction by Woodfield; and

(11) Enter into any banking or nonbanking transactions with Woodfield, except that Peoples and/or its subsidiaries may establish and maintain deposit accounts with Woodfield's bank subsidiary; provided that the aggregate balance of all such deposit accounts does not exceed \$500,000, and provided that the accounts are maintained on substantially the same terms as those prevailing for comparable accounts of persons unaffiliated with Woodfield.

Based on all the facts of record and the Applicant's commitments, the Board concludes that Peoples would not acquire control or the ability to exercise a controlling influence over the management or policies of Woodfield, and that this proposal would not jeopardize the financial stability of Woodfield or hinder Woodfield in providing banking services and otherwise meeting the credit needs of its community.

In light of the facts and circumstances of this application, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval of the application.<sup>4</sup>

Based on the foregoing and all the facts of record, the Board has determined that the application should be, and hereby is, approved. The Board's approval is specifically conditioned on compliance by Peoples with all the commitments made in connection with this application. The Board's determination also is subject to all the conditions set forth in Regulation Y, includ-

4. Protestants have requested that the Board hold a public meeting or hearing on this application. The Board's rules provide that a hearing is required under section 4 of the BHC Act if there are disputed issues of material fact that cannot be resolved in some other manner. 12 C.F.R. 225.23(g). In addition, the Board may, in its discretion, hold a public meeting or hearing on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 C.F.R. 262.3(e) and 262.25(d). The Board has carefully considered Protestants' requests. In the Board's view, Protestants have had a sufficient opportunity to present written submissions, and Protestants have submitted substantial written comments that have been considered by the Board. On the basis of all facts of record, the Board has determined that a public meeting or hearing is not necessary to clarify the factual record in this application, or otherwise warranted in this case. Accordingly, the requests for a public meeting or hearing on this application are hereby denied.

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

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 Cleveland, acting pursuant to delegated authority.

By order of the Board of Governors, effective October 3, 1994.

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

JENNIFER J. JOHNSON  
*Deputy Secretary of the Board*

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

**Intrust Financial Corporation**  
Wichita, Kansas

#### *Order Approving Merger of Bank Holding Companies*

Intrust Financial Corporation, Wichita, Kansas ("Intrust"), a bank holding company under the Bank Holding Company Act ("BHC Act") has applied under section 3 of the BHC Act (12 U.S.C. § 1842) to merge with First Moore Bancshares, Inc. ("FMB"), and thereby indirectly acquire The First Bank, both of Moore, Oklahoma.

Intrust also has applied under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) to acquire FMB's wholly owned subsidiary, First Moore Insurance Agency, Inc., Moore, Oklahoma, and thereby engage in the sale of credit-related life insurance, pursuant to section 225.25(b)(8)(i) of the Board's Regulation Y, 12 C.F.R. 225.25(b)(8)(i).

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 37,985 (1994)). 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) and 4 of the BHC Act.

Section 3(d) of the BHC Act, the Douglas Amendment, prohibits the Board from approving an application by a bank holding company to acquire control of any bank located outside its home state, unless such acquisition is "specifically authorized by the statute laws of the State in which such bank is located, by language to that effect and not merely by implication."<sup>1</sup> For purposes of the Douglas Amendment, Intrust's home state is Kansas and FMB is located in Oklahoma. Oklahoma's Foreign Bank Holding Company Act expressly permits the acquisition of Oklahoma banking organizations by bank holding companies located in any state outside Oklahoma.<sup>2</sup> In light of the foregoing, the Board has determined that its approval of this proposal is not prohibited by the Douglas Amendment.<sup>3</sup>

Intrust controls six subsidiary banks in Kansas and Oklahoma. In Oklahoma, Intrust is the 108th largest commercial banking organization, controlling one subsidiary bank with deposits of \$54.7 million, representing less than 1 percent of the total deposits in commercial banking organizations in the state.<sup>4</sup> FMB is the 139th largest commercial banking organization in Oklahoma, controlling deposits of approximately \$44.6 million, representing less than 1 percent of total deposits in commercial banking organizations in the state. Upon consummation of this proposal, Intrust would become the 49th largest commercial banking organization in Oklahoma, controlling deposits of \$99.3 million, representing less than 1 percent of the total deposits in commercial banking organizations in the state.

Intrust and FMB compete in the Oklahoma City, Oklahoma, banking market. Upon consummation of this proposal, Intrust would become the 17th largest commercial banking organization in the market, controlling deposits of \$96.9 million, representing

1. 12 U.S.C. § 1842(d). A bank holding company's home state is that state in which the operations of the bank holding company's banking subsidiaries were principally conducted on July 1, 1966, or the date on which the company became a bank holding company, whichever is later.

2. 6 Okla. Stat. Ann. 506(A) (1989). Oklahoma law imposes several threshold requirements on acquisitions of Oklahoma banking organizations by bank holding companies located in other states. Based on representations in the application, Intrust has complied with these requirements.

3. The Oklahoma Bank Commissioner has indicated that the proposed acquisition would, assuming the various procedural and other statutory requirements are fulfilled, be permissible under the Oklahoma interstate banking statute.

4. All state banking data are as of June 30, 1994. Market data are as of June 30, 1993.

1.3 percent of total deposits in commercial banking organizations in the market. After consummation of the proposal, this market would remain moderately concentrated as measured by the Herfindahl-Hirschman Index ("HHI") under the Department of Justice Merger Guidelines.<sup>5</sup> In light of all the facts of record, including the number of competitors that would remain in the Oklahoma City banking market, Intrust's relatively small share of commercial banking deposits in the market, and the small increase in market share and market concentration as measured by the HHI, the Board concludes that consummation of this proposal would not have a significantly adverse effect on competition or the concentration of banking resources in any relevant banking market.

#### *Convenience and Needs Considerations*

In acting on an application to acquire a depository institution under 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.<sup>6</sup>

The Board has received comments from two community groups<sup>7</sup> ("Protestants") criticizing the CRA performance in Wichita of Intrust's subsidiary bank, First National Bank in Wichita, Wichita, Kansas ("Bank"). In particular, Protestants allege that:

- (1) The 1992 data filed under the Home Mortgage Disclosure Act ("HMDA") indicates that Bank has a poor lending record to low- and moderate- income and minority borrowers;
- (2) Bank has a poor record of lending to small businesses in low- and moderate-income areas;
- (3) Bank has not participated in community development and redevelopment projects; and
- (4) Bank has no full-service branches in low- and moderate-income areas and no conveniently located automatic teller machines ("ATM") in predominately black census tracts. Protestants also allege that Bank has not participated in community development projects in low- and moderate-income census tracts in Wichita, and that Bank has discriminated against minorities in its hiring, training, and promotion practices.

The Board has carefully reviewed the CRA performance record of Bank, all comments received on this application, Bank's response to those comments, and all other relevant facts of record, in light of the CRA, the Board's regulations, and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").<sup>8</sup>

#### *Record of CRA Performance*

##### *A. Evaluation of Performance*

The Agency CRA Statement provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record and that these reports will be given great weight in the applications process.<sup>9</sup> The Board notes that Bank received a "satisfactory" rating from the Office of the Comptroller of the Currency ("OCC") at its most recent examination for CRA performance as of January 31, 1993 ("1993 Examination"), and that Intrust's other subsidiary banks also received a satisfactory or better rating at their most recent CRA examinations. The 1993 Examination stated that bank has undertaken efforts to address a significant portion of identified credit needs and that lending levels reflected a general responsiveness to the most pressing credit needs of the community.

##### *B. Lending Activities*

The Board has carefully reviewed data filed by Bank under the HMDA, in light of Protestants' allegations

5. The HHI for the market would increase by 1 point to 1000. 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 more than 1000 but less than 1800 is considered to be 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 effects of limited-purpose lenders and other non-depository financial entities.

6. 12 U.S.C. § 2903.

7. Comments were filed by the Wichita Community Reinvestment Coalition and supported by the Organization for a New Equality.

8. 54 *Federal Register* 13,742 (1989).

9. *Id.* at 13,745.

that Bank's 1992 HMDA data indicate that Bank has not met the mortgage credit needs of low- and moderate-income persons in its delineated community. An analysis of Bank's 1992 HMDA data reveals some disparities in lending and denial rates for African-American and Hispanic applicants compared with other groups.

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

The 1993 Examination concluded that the geographic distribution of Bank's credit extensions, credit applications, and credit denials demonstrates a reasonable penetration of all segments of its local community, including low- and moderate-income neighborhoods. The 1993 Examination also concluded that loan applications were received from all segments of Bank's service area, and found no evidence of prohibited discriminatory or other illegal credit practices.<sup>10</sup>

The 1993 Examination stated that Bank has undertaken efforts to address a significant portion of identified credit needs, and that Bank's lending levels reflect responsiveness to the most pressing credit needs of the community. Consumer loans constituted 47 percent of Bank's loan portfolio, commercial loans totalled 36 percent, real estate loans totalled 9 percent, and home improvement loans totalled 2 percent.

An analysis of Bank's commercial loan portfolio indicates that Bank has been active in small business lending throughout its delineated community, including low- and moderate-income areas. The 1993 Examination states that more than 80 percent of Bank's commercial loan portfolio consists of small business loans. Moreover, of the new small business loans extended in 1994, 41 percent were extended to small

businesses in low- and moderate- income areas in Bank's service area. These loans represent approximately 67 percent of the total dollar volume of small business loans Bank has extended to date in 1994.<sup>11</sup> The record in this case also indicates that Bank has been active in making loans guaranteed by the Small Business Administration ("SBA") to businesses in low- and moderate-income areas. As of July 31, 1994, 37 percent of the SBA-guaranteed loans extended by Bank were made to businesses in low- to moderate-income areas.

Bank also has taken various steps to increase the availability of its other credit products to low- and moderate-income individuals and minorities.<sup>12</sup> For example, Bank has recently initiated a program to ensure that lending standards are applied fairly and uniformly to minority applicants. In 1993, Bank developed two home improvement loan products for individuals earning salaries of \$25,000 or less. These loans feature longer repayment terms, lower equity requirements, no points or origination fees, and provide financing for appraisal, title insurance, and document filing costs. Additionally, Bank is participating with the Neighborhood Reinvestment Corporation to establish a Neighborhood Works Organization in Wichita to provide home ownership counseling and loans to low- to moderate-income borrowers for the purchase, renovation, and maintenance of single family properties in designated areas. Moreover, Bank participates, through its mortgage subsidiary, Intrust Mortgage Corporation, in a \$13 million revenue bond issued to provide funds to first-time home buyers.<sup>13</sup>

### C. Other Aspects of CRA Performance

The 1993 Examination stated that Bank generally has been an active participant in community development and redevelopment projects within its community, and that Bank management has sought to inform representatives of government and private enterprise of Bank's

10. In June and July 1993, Bank distributed 170,000 personal loan brochures and "Express Loan" applications throughout Sedgwick County, including low- and moderate-income and predominantly minority census tracts. Because the Express Loan applications could be submitted by mail, telefax or telephone, Bank received a large volume of loan applications. This substantial increase in the number of applications received by Bank may have contributed to the high percentage of denials of loans submitted by individuals of various races and income levels.

11. Intrust has indicated that of new commercial loan accounts opened during 1994, 47 percent of these loans, totalling approximately \$26.5 million, were extended to businesses in census tracts cited by Protestants as comprising the largest segment of Wichita's minority population.

12. Protestants also note that the 1993 Examination states that Bank's board of directors does not review the geographic distribution of Bank's loans. In response to the examiners' criticism, Bank has actively sought to more closely involve its board of directors and management in reviewing the geographic distribution of Bank's loans, and Bank has stated that the board of directors has reviewed the geographic distribution of Bank's loans extended in 1994.

13. In an effort to make credit more widely available to low- and moderate-income individuals in Bank's service area, Bank also is currently developing, in conjunction with the City of Wichita, a credit product for homeowners earning 50-100 percent of the Metropolitan Statistical Area median income. Under this program, the City of Wichita would refer potential applicants for this product to Bank.

willingness to participate in such projects. The record in this case also indicates that Bank has engaged in community development and redevelopment in low- and moderate-income areas, and areas with a significant minority population. For example, in 1990 and 1991, Bank provided construction financing for the Williamsburg Residential project located in Northeast Wichita. The financing provided by Bank accounted for the construction of 26 duplex units and 14 four-plex buildings in this project, which was initiated under a United States Department of Housing and Urban Development program designed to subsidize housing to low-income residents. The tenants in this development, which is the largest low-income housing project in Wichita, are primarily minority residents. Bank also has provided financing for new businesses in the Old Town redevelopment project, and participates in the WI/SE Partnership for Growth, an organization which focuses on attracting new businesses to Wichita.

Bank is the second largest commercial banking organization in Wichita, Kansas. Bank's delineated community is the cities of Wichita and Derby, in which Bank operates 17 branches. Bank added nine branches in 1991 and 1992, and has not closed any offices. Intrust asserts that 16 of Bank's branches are full-service branches that open and process deposit and savings account transactions, issue certificates of deposit, open Individual Retirement Accounts, accept personal loan applications, and fund personal loan originations.<sup>14</sup> In addition, commercial and mortgage loan officers, and investment services personnel will make appointments to meet loan applicants at any of Bank's branches. Of the 17 branches throughout Bank's delineated area, six are located in stores of the leading grocery store chain in the area.

The 1993 Examination states that Bank's offices are readily accessible to all segments of the local community, including low- and moderate-income neighborhoods. The record in this case indicates that Bank's main office and two of its branches are located in low- to moderate-income census tracts; two branches are located on the borders of low- to moderate-income census tracts; and two branches are located less than one mile from low- to moderate-income census tracts.<sup>15</sup>

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

14. The 17th branch is a limited hours facility in a senior citizens retirement center.

15. The record in this case indicates that only 6 percent of the census tracts in Bank's delineated service area are predominantly comprised of minority individuals, and that the branch and ATM that serve these census tracts are fully accessible.

BHC Act. Based on a review of the entire record of performance, including Protestants' comments, Intrust's response to those comments, and relevant reports of examination, the Board concludes that convenience and needs considerations, including the record of Intrust and its subsidiary banks under the CRA, are consistent with approval of this application.<sup>16</sup>

Intrust also has applied pursuant to section 4 of the BHC Act to acquire FMB's subsidiary, First Moore Insurance Agency, and thereby act as agent for the sale of credit life insurance. The Board previously has determined that this activity is closely related to banking and generally permissible for bank holding companies under section 4(c)(8) of the BHC Act and Regulation Y. Intrust has committed to conduct this activity in accordance with the Board's regulations. The record in this case indicates that there are numerous providers of this service and there is no evidence in the record to indicate that consummation of this proposal is likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices, that would not be outweighed by the likely public benefits of this proposal. Accordingly, the Board concludes that the balance of public interest factors that it is required to consider under section 4(c)(8) of the BHC Act is favorable, and consistent with approval of Intrust's application.

The Board also concludes that the financial and managerial resources and future prospects of Intrust, FMB, 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.

Based on the foregoing and in light of all the facts of record, the Board has determined that the applications should be, and hereby are, approved.<sup>17</sup> The Board's

16. The Board has carefully considered Protestants' requests for a public hearing or meeting in connection with this application. Section 3(b) of the BHC Act does not require the Board to hold a public hearing or meeting on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial of the application. In this case, the OCC 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 C.F.R. 262.3(e) and 262.25(d). In the Board's view, all interested parties have had ample opportunity to submit their views, and written submissions have been received. Based on all the facts of record, the Board has determined that a public meeting or hearing is not necessary to clarify the factual record in this application, or otherwise warranted in this case, and the requests for a public hearing or meeting on this application are denied.

17. In addition, one Protestant criticized Bank's employment practices regarding minorities, including hiring, training, and promotions.

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

The acquisition of Bank should not be consummated before the thirtieth calendar day following the effective date of this order, unless such period is shortened with the consent of the Attorney General, and the banking and nonbanking transactions shall not be consummated later than three months following the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Kansas City, acting pursuant to delegated authority.

By order of the Board of Governors, effective October 25, 1994.

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

JENNIFER J. JOHNSON  
*Deputy Secretary of the Board*

Northwest Bancorp, MHC  
Warren, Pennsylvania

*Order Approving Formation of a Holding Company  
and Acquisition of Nonbanking Subsidiaries*

Northwest Bancorp, MHC, Warren, Pennsylvania  
("Northwest"), has applied under section 3(a)(1) of

the Bank Holding Company Act ("BHC Act") (12 U.S.C. § 1842(a)(1)) to become a bank holding company by acquiring at least 51 percent of the voting shares of Northwest Savings Bank, Warren, Pennsylvania ("Bank").<sup>1</sup> Northwest also has applied, under section 4(c)(8) of the BHC Act, to acquire the following direct and indirect subsidiaries of Bank:<sup>2</sup> Northwest Financial Services, Inc., and thereby engage, directly and through its subsidiaries, in community development activities and trust activities pursuant to sections 225.25(b)(6) and 225.25(b)(3) of the Board's Regulation Y; Northwest Financial Services, Inc., Northwest Consumer Discount Company, Northwest Finance Company, Northwest Mortgage Corporation, Northwest Capital Group, Inc., and Rid-Fed, Inc., and thereby engage in originating and servicing loans, including consumer, credit card, mortgage, and commercial loans, pursuant to section 225.25(b)(1) of Regulation Y; and Great Northwest Corporation, and thereby engage in the activity of investing as a limited partner in government-assisted low-income housing projects, pursuant to section 225.25(b)(6) of Regulation Y.

Notice of the applications, affording an opportunity for interested persons to submit comments, has been duly published (59 *Federal Register* 13,966 (1994)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in sections 3 and 4 of the BHC Act.

Northwest is a company organized in mutual form and would become a bank holding company through the acquisition of at least 51 percent of the voting shares of Bank. Bank is the 19th largest depository institution in Pennsylvania, with deposits of \$1.2 billion, representing less than 1 percent of the total deposits in depository institutions in the state.<sup>3</sup> As part of this proposal, Bank proposes to convert from mutual to stock form and issue approximately 30 percent of its shares to the public. The Federal Deposit Insurance Corporation ("FDIC") and the Pennsylvania Department of Banking ("Department") have approved the proposed conversion.<sup>4</sup>

The Board notes that because Bank employs more than 50 people, serves as a depository of government funds, and acts as agent in selling or redeeming U.S. savings bonds and notes, it is required by Department of Labor regulations to:

- (1) File annual reports with the Equal Employment Opportunity Commission; and
- (2) Have in place a written affirmative action compliance program that states its efforts and plans to achieve equal opportunity in the employment, hiring, promotion, and separation of personnel. See 41 C.F.R. 60-1.7(a), 60-1.40.

1. The proposed transaction is a corporate reorganization of Bank from a Pennsylvania-chartered mutual savings bank into a mutual holding company as permitted by section 3(g) of the BHC Act.

2. Northwest has sought the approval of the Board under section 4 to acquire companies which are partially owned by Bank or to conduct activities which could be performed by a subsidiary of Bank, but not by Bank directly.

3. All banking data are as of December 31, 1993. In this context, depository institutions include commercial banks, savings banks, and savings and loan associations.

4. The FDIC has published an interim rule governing conversions of this type and has requested public comment on a proposed rule that addresses concerns that arise in the context of mutual-to-stock

In every application under section 3 of the BHC Act, the Board is required to consider the financial and managerial resources and future prospects of the companies and banks concerned, and the convenience and needs of the communities to be served. In this proposal, a mutual savings bank will convert into stock form and the depositors of Bank will become the mutual owners of a mutual holding company controlling approximately 70 percent of the shares of Bank. The remaining 30 percent of the shares of Bank will be offered to the public. Senior management and the board of trustees are expected to control 12 percent of the shares issued in the public offering, which represents 3.6 percent of Bank's outstanding shares.

The FDIC and the Department have reviewed the terms of the conversion of Bank from mutual to stock form, including the fairness of the appraisal of Bank, the compensation to be received by management as part of the conversion, and the manner in which the stock offering was made to depositors and the public. Following this review, the FDIC and the Department have approved the conversion of Bank from mutual to stock form and the proposed stock offering. In addition, while not required by state law, depositors were provided an opportunity to vote on the conversion and voted to approve the proposal.

As part of its proposal, Northwest has indicated to the Board and has disclosed to its proposed investors and mutual members that it may at times waive its right to receive dividends from Bank. The Board believes that a waiver of dividends by a mutual holding company such as Northwest raises a number of issues. In particular, the Board is concerned that a waiver not reduce or impair the ability of the mutual holding company to serve as a source of strength to its subsidiary bank.

The Board is also concerned that a potential conflict of interest may be created by the decision of the trustees of the bank holding company to waive dividends. A waiver of dividends by the holding company without a corresponding waiver by the minority shareholders would result in a transfer of equity from the mutual owners of the holding company to the minority shareholders, to the possible detriment of the mutual owners. The decision to execute such a waiver is not reviewable by the mutual members of the holding company, and rests exclusively with the trustees of the bank holding company, who have a financial interest in the waiver as direct minority shareholders of the bank. This potential conflict of interest is of particular concern when a holding company is organized in mutual

form and, unlike the case of management in a stock bank holding company that may be replaced by shareholders of the bank holding company, state law does not provide a mechanism for management of the mutual holding company to be changed by the mutual members. This potential conflict of interest raises a question whether the proposal is consistent with the convenience and needs of the community, which is represented by the depositor-owners of Northwest, and whether the proposal reflects adversely on the managerial resources of the bank holding company.

In order to address these concerns, Northwest has made a number of commitments, including the following:

- (1) Northwest agrees that it will make prior application to the Board for approval to waive any dividends declared on the capital stock of Bank and that the Board shall have the authority to approve or deny any dividend waiver request in its discretion. Such application will be made on an annual basis with respect to any year in which Northwest intends to waive such dividends;
- (2) If a waiver is granted, dividends waived by Northwest will not be available for payment to minority shareholders and will be excluded from the capital accounts of Bank for purposes of calculating any dividend payments to minority shareholders.
- (3) If a waiver is granted, Bank will, so long as Northwest remains a mutual holding company, establish a restricted capital account in the cumulative amount of any dividends waived by Northwest for the benefit of the mutual members of Northwest. The restricted capital account would be senior to the claims of minority stockholders of Bank and would not decrease notwithstanding changes in depositors of Bank. This restricted capital account would be added to any liquidation account in Bank established in connection with a conversion of Northwest to stock form and would not be available for distribution to minority shareholders. The liquidation account and restricted capital account would be maintained in accordance with the policy, rules and regulations of the Office of Thrift Supervision, notwithstanding any sale, merger, or conversion of Northwest;
- (4) In any conversion of the mutual holding company from mutual to stock form, Northwest will comply with the rules and regulations of the Office of Thrift Supervision, as if Bank and Northwest were a savings association and a savings and loan holding company respectively, except that such rules shall be administered by the Board; and
- (5) In the event that the Board adopts regulations regarding dividend waivers by mutual holding companies, Northwest will comply with the applicable requirements of such regulations.

With these constraints, any dividends waived by Northwest must be retained by Bank, and may not be paid to minority shareholders of Bank, either through dividend payments or at liquidation. This retention will increase the financial strength of Bank and will protect the interest of the mutual members of Northwest in the waived dividends. By excluding the waived dividends from the capital payable to minority shareholders and maintaining these waived dividends in a restricted account for the benefit of the mutual owners, the mutual members of Northwest would appear to have the same interest in the earnings of Bank as the depositors had as members of Bank before the conversion. Northwest argues that *mutual members also will receive the benefit of additional capital provided by the minority shareholders of Bank*. In addition, the commitments permit the Board to monitor the waivers and address any potential conflicts of interest or other issues in determining whether to grant a request for a waiver. Accordingly, based on all the facts of record, including the commitments made by Northwest, and subject to fulfillment of the conditions imposed by the FDIC and the Department, the Board concludes that the financial and managerial resources and future prospects of Northwest and Bank and the convenience and needs and other supervisory factors that the Board must consider under section 3 of the BHC Act are consistent with approval of this proposal.

Based on all the facts of record, the Board believes that consummation of this proposal would not result in any significantly adverse effect on competition or the concentration of banking resources in any relevant banking market. Accordingly, the Board concludes that competitive considerations are consistent with approval. Approval of this proposal is specifically conditioned upon Northwest and Bank meeting all conditions imposed by the appropriate state and federal agencies.

Northwest also has applied to acquire the nonbanking subsidiaries of Bank that engage in consumer, commercial, credit card, and mortgage lending, trust, and community development activities. The Board previously has determined that these activities are closely related to banking and generally permissible for bank holding companies under section 4(c)(8) of the BHC Act and Regulation Y. Northwest proposes to conduct these activities in accordance with the Board's regulations. The record in this case indicates that there are numerous providers of these services and there is no evidence in the record to indicate that consummation of this proposal is likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of inter-

ests, or unsound banking practices, that would not be outweighed by the likely public benefits of this proposal. Accordingly, the Board concludes that the balance of public interest factors that it is required to consider under section 4(c)(8) of the BHC Act is favorable, and consistent with approval of this application.

Based on the foregoing and other facts of the record, the Board has determined that the applications should be, and hereby are, approved. The Board's approval of these transactions is expressly conditioned upon compliance with all the commitments made by Northwest in connection with these applications, and is conditioned upon Northwest and Bank receiving all necessary approvals from all the relevant regulators, and compliance with the requirements imposed by the FDIC and the Pennsylvania Department of Banking. The determination on the nonbanking activities is subject to all the conditions in Regulation Y, including those in sections 225.7 and 225.23(b)(3) of Regulation Y (12 C.F.R. 225.7 and 225.23(b)(3)), and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, or to prevent evasion of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder. For purposes of this action, these commitments and conditions will both be considered conditions imposed in writing by the Board in connection with its finding and decision, and, as such, may be enforced in proceedings under applicable law.

The Attorney General has indicated that consummation of this proposal is not expected to have a significantly adverse effect on competition in any relevant market, and, consequently, has agreed to shorten the post-approval waiting period provided in the Bank Holding Company Act. Accordingly, the acquisition of the subsidiary bank shall not be consummated before the fifteenth calendar day following the effective date of this order, and the banking and nonbanking transactions shall not be consummated later than three months after the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Cleveland, acting pursuant to delegated authority.

By order of the Board of Governors, effective October 18, 1994.

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

JENNIFER J. JOHNSON  
Deputy Secretary of the Board



## Orders Issued Under Bank Holding Company Act Amendments of 1970

Fleet Financial Group, Inc.  
Providence, Rhode Island

### Order Approving an Exemption from the Anti-tying Provisions

Fleet Financial Group, Inc., Providence, Rhode Island ("Fleet"), a bank holding company within the meaning of the Bank Holding Company Act, has requested that the Board permit its subsidiary banks to package and offer a discount on their products. The discount would be available to customers who maintain a combined minimum balance in certain eligible Fleet products (which include securities brokerage accounts and mutual fund balances, as well as loan and deposit accounts). Fleet seeks a Board interpretation that this arrangement is not covered by the anti-tying provisions of section 106 of the Bank Holding Company Act Amendments of 1970 (12 U.S.C. § 1972) or, if it is, an exemption from the statute permitting Fleet's subsidiary banks to offer such discounts.

The Fleet One Account provides a customer, for a \$14 monthly fee, discounts and premiums on various Fleet services<sup>1</sup> so long as the customer maintains at least two accounts at Fleet.<sup>2</sup> Under Fleet's proposal, a customer would be able to avoid the \$14 fee by maintaining a \$10,000 combined balance among the following eligible products:

- (1) Deposits and certain loans at the Fleet bank at which the customer establishes the Fleet One Account;
- (2) Credit card balances at Fleet Bank-NY;<sup>3</sup>
- (3) Investment securities held at Fleet's brokerage subsidiary, Fleet Brokerage Securities, Providence, Rhode Island ("Fleet Brokerage"); and

1. These services include:

- (1) A free checking account;
- (2) A free credit card issued or maintained by Fleet Bank of New York, Albany, New York ("Fleet Bank-NY");
- (3) A higher interest rate on money market savings;
- (4) Discounted safe deposit box rental;
- (5) Lower installment loan rates;
- (6) No-fee traveler's checks;
- (7) Discounts on equity line of credit or home equity loan closing costs; and
- (8) Overdraft protection.

2. The customer could choose among the following accounts: checking, savings, Galaxy Access (a sweep account), money market savings, Galaxy mutual funds, certificates of deposit, Fleet Brokerage accounts, and retirement accounts, as well as home equity, installment loans, credit card accounts, and cash reserve. One of the two accounts must be a checking, savings or Galaxy Access account.

3. Fleet recently consolidated the credit card operations of the Fleet banks into Fleet Bank-NY.

(4) Shares held in one of the Galaxy Funds, a family of funds advised by Fleet Investment Advisors, a subsidiary of Fleet National Bank-RI, Providence, Rhode Island.

Fleet has represented that all products offered as part of these arrangements are separately available to customers at competitive prices.

Notice of this request, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 9216 (1994)). The time for filing comments has expired, and the Board received one comment, which supported Fleet's request.

### Background

Fleet is the 13th largest banking organization in the nation, controlling deposits of \$30.7 billion.<sup>4</sup> Fleet operates subsidiary banks in New York, Rhode Island, Connecticut, Maine, Massachusetts, and New Hampshire, and engages directly and through subsidiaries in a broad range of permissible nonbanking activities.

### Applicable Law

Section 106 generally prohibits a bank from tying a product or service to another product or service offered by the bank or any of its affiliates.<sup>5</sup> Violations of section 106 can be addressed by the Board through an enforcement action, by the Department of Justice through a request for an injunction, or by a customer or other party through an action for damages. 12 U.S.C. 1972, 1973 and 1975.

A bank engages in a tie for purposes of section 106 by:

- (1) Offering a discount on a product or service (the "tying product") on the condition that the customer obtain some additional product or service (the "tied product") from the bank or from any of its affiliates; or
- (2) Allowing the purchase of a product or service only if the customer purchases another product or service from the bank or from any of its affiliates.

Section 106 contains an explicit exception (the "statutory traditional bank product exception") that permits a bank to tie a product or service to a loan, discount, deposit, or trust service offered by that bank. The Board has recently extended this exception

4. Deposit data are as of December 31, 1993.

5. Although section 106 applies only when a bank offers the tying product, the Board in 1971 extended the same restrictions to bank holding companies and their nonbank subsidiaries. See 12 C.F.R. 225.7(a).

by providing that a bank or any of its affiliates also may vary the consideration for a traditional bank product on condition that the customer obtain another traditional bank product from an affiliate (the "regulatory traditional bank product exception").

#### *Application of Section 106 to the Fleet One Account*

The two-product minimum requirement for the Fleet One Account and the combined-balance discount on that account appear to be covered by the terms of section 106. Although the two-account minimum requirement and the combined-balance discount are not conditioned on any particular product being purchased, the customer must purchase *some* product or products from a menu of eligible products in order to receive the Fleet One Account and the discount on that account. Furthermore, the packaging of some of these products in the form proposed by Fleet does not appear to qualify for the statutory or regulatory traditional bank product exception.

On the other hand, the arrangement proposed by Fleet does not raise the types of anti-competitive concerns that section 106 was intended to address and provides benefits for customers. Accordingly, to the extent that the Fleet proposal is prohibited by section 106, the Board has decided to grant an exemption to permit Fleet's subsidiary banks to offer the Fleet One Account and the combined-balance discount on that account.<sup>6</sup> In this regard, the Board notes that the granting of an exemption, as opposed to an interpretation, will provide certainty as to the permissibility of the Fleet One Account under the anti-tying statute.

The Board has the authority to grant such an exemption so long as it is consistent with the purposes of section 106. The Senate Report accompanying section 106 states that the Board should continue to allow appropriate traditional banking practices based on sound economic analysis.<sup>7</sup> The Board previously has granted exemptions where the proposal would not have anti-competitive effects and where there were benefits to the public such as lower costs to customers on banking services.<sup>8</sup>

The Fleet One Account and the combined-balance discount that Fleet proposes to offer on that account are consistent with the type of banking relationships that

section 106 recognized were important to preserve. As noted, section 106 preserves such relationships through the statutory traditional bank product exception, which permits a bank to tie a product or service to a loan, discount, deposit, or trust service offered by that bank. The legislative history of section 106 notes that this exception was intended to preserve a customer's ability to negotiate the price of multiple banking services with the bank on the basis of the customer's entire relationship with the bank.<sup>9</sup> Allowing the discounted Fleet One Account would serve the same purpose.

Moreover, under the statutory and regulatory traditional bank product exceptions, Fleet could offer a combined-balance discount on an account where all the products in the arrangement were traditional bank products (loans, discounts, deposits, and trust services), and Fleet could condition the Fleet One Account on a customer's maintaining two accounts at Fleet if all the relevant accounts were traditional bank products. The requested exemption would simply permit Fleet to increase customer choice by adding a customer's securities brokerage account balance at Fleet Brokerage and shares of the Galaxy Funds to the menu of traditional bank products that count toward the minimum balance, and allow such non-traditional bank products to count toward the Fleet One Account's two account minimum.

Fleet's proposal is not only consistent with the statute's goal of preserving traditional banking relationships, but also its concerns about anti-competitive behavior. Fleet includes all deposit accounts that a customer maintains at the Fleet bank offering the account in determining whether the customer has reached the minimum balance required to waive the Fleet One Account fee, and makes all deposit accounts at the bank eligible to satisfy the two-product requirement for the Fleet One Account. Because a customer could qualify for the Fleet One Account and the discount on that account based solely on deposit balances and because Fleet will continue to offer customers all products involved in the arrangement separately and at competitive prices, there is no incentive for a customer to establish a brokerage account, or obtain any other product, that the customer does not want in order to obtain the Fleet One Account or a discount on that account.<sup>10</sup> For this reason, the Board has concluded that Fleet's proposed discount arrangement would not be coercive, anti-competitive, or otherwise inconsistent

6. Fleet also argued that the counting of mutual fund shares towards the minimum balance was not covered by section 106 because mutual funds are not subsidiaries of bank holding companies and therefore not subject to section 106. Because the Board granted Fleet an exemption, it was unnecessary to address this argument.

7. See S. Rep. No. 1084 91st Cong., 2d Sess., at 17 and 46 (1970) ("Senate Report").

8. See, e.g., *First Union Corporation*, 80 *Federal Reserve Bulletin* 166 (1994).

9. See Senate Report at 16-17.

10. Under antitrust precedent, concerns over tying arrangements are substantially reduced where the buyer is free to take either product by itself even though the seller also may offer the two items as a unit at a single price. *Northern Pacific R. Co. v. United States*, 356 U.S. 1, 6 n.4 (1958).

with the purposes of section 106. Moreover, approval of Fleet's proposal will provide Fleet's customers with greater choices and lower costs.

Fleet also demonstrated that the banking markets in which it operates are generally competitive and that no Fleet bank appears to have sufficient power in any of these markets to force a customer to purchase any tied product or service. The presence of other competitors in these banking markets lessens concerns that Fleet could use the Fleet One Account or a discount on that account to impair competition in other product markets.

#### *Conclusion*

For the reasons discussed above, the Board believes that the requested exemption is not contrary to the purposes of section 106, and that granting the exemption is consistent with the legislative authorization to permit exemptions for traditional banking services on the basis of sound economic analysis. The Board, however, reserves the right to terminate the exemption in the event that facts develop in the future that indicate that the tying arrangement is resulting in anti-competitive practices and thus would be inconsistent with the purpose of section 106.

Based on the above and all facts of record, and pursuant to its authority under section 106 of the Bank Holding Company Act Amendments of 1970 and the Bank Holding Company Act, the Board hereby grants an exemption to permit Fleet banks, to the extent that such activities are prohibited by section 106:

- (1) To offer the "Fleet One Account" on the condition that a customer maintains two accounts at the Fleet bank and pays a monthly fee, and
- (2) To offer a discount on the monthly fee charged for the Fleet One Account to a customer who maintains a combined minimum balance in certain eligible Fleet products.

This approval is based on the facts and circumstances presented by Fleet, and any material change in those facts or circumstances could result in a different outcome. The approval is subject to the conditions discussed above and the Board's authority to modify or terminate the exemption as set forth above and to all of the conditions that may be imposed by the Board in Regulation Y.

By order of the Board of Governors, effective October 19, 1994.

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

JENNIFER J. JOHNSON  
*Deputy Secretary of the Board*

#### *Orders Issued Under International Banking Act*

Cariplo-Cassa di Risparmio delle Provincie Lombarde, S.p.A.  
Milan, Italy

#### *Order Approving Establishment of a Representative Office*

Cariplo-Cassa di Risparmio delle Provincie Lombarde, S.p.A., Milan, Italy ("Bank"), a foreign bank within the meaning of the International Banking Act ("IBA"), has applied under section 10(a) of the IBA (12 U.S.C. § 3107(a)) to establish a representative office in Los Angeles, California. The Foreign Bank Supervision Enhancement Act of 1991, which amended the IBA, provides that a foreign bank must obtain the approval of the Board to establish a representative office in the United States.

Notice of the application affording interested persons an opportunity to submit comments has been published in a newspaper of general circulation in Los Angeles, California (*Los Angeles Times*, June 5, 1993). The time for filing comments has expired and the Board has considered the application and all comments received.

Bank, with \$78 billion in assets,<sup>1</sup> is chartered in Italy. Bank operates approximately 600 branches in Italy, and has extensive banking operations in other countries. In the United States, Bank operates a branch in New York, New York, and a representative office in Chicago, Illinois.

The proposed representative office will engage in representational functions, including loan production activities, research, liaison with correspondent banks, and promoting the products of Bank and its affiliates. Bank is wholly owned by a non-profit foundation, Fondazione Cassa di Risparmio delle Lombarde, S.p.A., Milan, Italy ("the Foundation"). The Foundation is controlled by the Italian government, and promotes scientific research, education, art, and health, and controls two other foundations that perform similar activities.

In acting on an application to establish a representative office, the IBA and Regulation K provide that the Board shall take into account whether the foreign bank engages directly in the business of banking outside of the United States, has furnished to the Board the information it needs to assess adequately the application, and is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor. 12 U.S.C. § 3105(d)(2);

1. Data are as of June 30, 1994, unless otherwise noted.

12 C.F.R. 211.24. The Board may also take into account additional standards as set forth in the IBA and Regulation K. 12 U.S.C. § 3105(d)(3)-(4), 12 C.F.R. 211.24(c)(2).

The Board has previously stated that the standards that apply to the establishment of a branch or agency need not in every case apply to the establishment of a representative office because representative offices do not engage in a banking business and cannot take deposits or make loans. *See* 58 *Federal Register* 6348, 6351 (1993). In evaluating an application to establish a representative office under the IBA and Regulation K, the Board will take into account the standards that apply to establishment of branches and agencies, subject to the following considerations. With respect to supervision by home country authorities, a foreign bank that proposes to establish a representative office must be subject to a significant degree of supervision by its home country supervisor. Among the factors the Board may consider are the extent to which there is regular review of a substantial portion of the bank's operations by the home country supervisor through examination, review of external audits, or a comparable method; submission of periodic reports relating to financial performance; and assurance that the bank itself has a system of internal monitoring and control that enables bank management to administer properly the bank's operations. The home country supervisor must also have indicated that it does not object to the establishment of the representative office in the United States.

A foreign bank's financial and managerial resources will also be reviewed to determine whether its financial condition and performance demonstrate that it is capable of complying with applicable laws and has an operating record that would be consistent with the establishment of a representative office in the United States. If the financial condition of the foreign bank significantly differs from international norms, the foreign bank would be evaluated to determine whether the difference could be justified in the context of the operations of the applicant and the proposed representative office. All foreign banks, whether operating through branches, agencies or representative offices, will be required to provide adequate assurances of access to information on the operations of bank and its affiliates necessary to determine compliance with U.S. laws.

With respect to supervision of Bank by its home country authorities, the Board has considered the following information. Bank is subject to supervision by the Bank of Italy. The Bank of Italy, which has authority regarding the expansion of operations of Italian banks, approved the establishment of the proposed representative office by Bank. The Bank of Italy

generally supervises banks in Italy to verify their soundness, the accuracy of reports, and compliance with supervisory rules.

The Bank of Italy supervises Bank through review and verification of periodic reports, including monthly reports on Bank's financial condition; quarterly reports on income, subsidiary results, and capital adequacy; and yearly reports on the Bank's consolidated financial condition. The Bank of Italy also receives copies of external and internal audit reports, which must include any internal audit report on any irregularity or violation of law involving the Bank.

The Bank of Italy also ensures that Bank monitors its worldwide operations through requirements regarding internal controls and the frequency of internal audits. Bank receives periodic financial and activity reports from each of its branches and financial information from its subsidiaries. Internal and external auditors also evaluate the branches of Bank through annual on-site reviews.

Based on all the facts of record, which include the information described above, the Board concludes that factors relating to the supervision of Bank by its home country supervisors are consistent with approval of the proposed representative office.

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

The Board has also taken into account the additional standards set forth in section 7 of the IBA and Regulation K. *See* 12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2). As noted above, the Bank of Italy does not object to Bank's establishing the proposed representative office.

The Board has determined that financial and managerial factors are consistent with approval of the proposed representative office. Bank appears to have the experience and capacity to support the proposed office and has also established controls and procedures for the proposed representative office to ensure compliance with U.S. law.

Bank and the Foundation each have committed to make available to the Board such information on the operations of Bank and any affiliate of Bank that the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act of 1956, as amended, and other applicable Federal law. If the disclosure of such information is prohibited by law, Bank and the Foundation also have committed to cooperate with the Board to obtain approvals or consents that may be required for the Board to gain access to information that the Board may request. The

Board also has reviewed the restrictions on disclosure of information by banks in jurisdictions in which Cariplo has material operations. In light of the commitments provided by Cariplo and the Foundation and other facts of record, and subject to the condition described below, the Board concludes that Bank has provided adequate assurances of access to any necessary information the Board may request.

On the basis of all the facts of record, and subject to the commitments made by Bank, as well as the terms and conditions set forth in this order, the Board has determined that Bank's application to establish a representative office should be, and hereby is, approved. If any restrictions on access to information on the operations or activities of Bank and any of its affiliates subsequently interfere with the Board's ability to determine the compliance by Bank or its affiliates with applicable federal statutes, the Board may require termination of any of the Bank's direct or indirect activities in the United States. Approval of this application is also specifically conditioned on compliance by Bank with the commitments made in connection

with this application, and with the conditions in this order.<sup>2</sup> The commitments and conditions referred to above are conditions imposed in writing by the Board in connection with its decision, and may be enforced in proceedings under 12 U.S.C. § 1818 or 12 U.S.C. § 1847 against Bank, its offices, and its affiliates.

By order of the Board of Governors, effective October 25, 1994.

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

JENNIFER J. JOHNSON  
*Deputy Secretary of the Board*

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

#### *ACTIONS TAKEN UNDER THE FEDERAL DEPOSIT INSURANCE CORPORATION IMPROVEMENT ACT OF 1991*

##### *By Federal Reserve Banks*

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	Acquiring Bank(s)	Approval Date
CoBancorp, Inc., Elyria, Ohio	Charter One Bank, Federal Savings Bank, Cleveland, Ohio	PremierBank & Trust, Elyria, Ohio	September 19, 1994
First Union Corporation, Jacksonville, Florida	Florida of Great Western Bank, a Federal Savings Bank, Chatsworth, California	First Union National Bank of Florida, Jacksonville, Florida	September 28, 1994
GAB Bancorp, Jasper, Indiana	Regional Federal Savings Bank, New Albany, Indiana	First State Bank, Southwest Indiana, Tell City, Indiana First State Bank, Southwest Indiana, Tell City, Indiana	September 27, 1994
UJB Financial Corp., Princeton, New Jersey	Valley Savings Bank, Closter, New Jersey	United Jersey Bank, Hackensack, New Jersey	September 30, 1994

*ACTIONS TAKEN UNDER SECTIONS 5(D)(3) AND 18(C) OF THE FEDERAL DEPOSIT INSURANCE 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.

Acquiring Bank(s)	Acquired Thrift	Approval Date
Compass Bancshares, Inc., Birmingham, Alabama Compass Bank, N.A., Pensacola, Florida	Compass Bank, F.S.B., Jacksonville, Florida	October 28, 1994

*ACTIONS TAKEN UNDER SECTIONS 5(D)(3) AND 18(C) OF THE FEDERAL DEPOSIT INSURANCE 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.

Acquiring Bank(s)	Acquired Thrift	Reserve Bank	Approval Date
Commercial Bank of Florida, Miami, Florida	Carteret Federal Savings Bank, Newark, New Jersey	Atlanta	October 14, 1994

*APPLICATIONS APPROVED UNDER BANK HOLDING COMPANY ACT*

*By the Secretary of the Board*

Recent applications have been approved by the Secretary of the Board as listed below. Copies are available upon request to the Freedom of Information Office, Office of the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

**Section 3**

Applicant(s)	Bank(s)	Effective Date
First Interstate Bancorp, Los Angeles, California	North Texas Bancshares, Inc., Fort Worth, Texas	October 14, 1994

## Section 4

Applicant(s)	Bank(s)	Effective Date
AmSouth Bancorporation, Birmingham, Alabama	Community Federal Savings Bank, Fort Oglethorpe, Georgia	October 3, 1994
First Interstate Bancorp, Los Angeles, California	Star System, Inc., Los Angeles, California	October 4, 1994
National City Corporation, Cleveland, Ohio	Central Indiana Bancorp, Kokomo, Indiana	October 20, 1994
Trust Company Bank of South Georgia, N.A., Albany, Georgia	SunTrust Service Corporation, Atlanta, Georgia	October 28, 1994
Trust Company Bank of North Georgia, Gainesville, Georgia		
Sun Bank/Gulf Coast, Sarasota, Florida		
SunBank/Tallahassee, N.A., Tallahassee, Florida		
The First National Bank of Florence, Florence, Alabama		

*APPLICATIONS APPROVED UNDER BANK HOLDING COMPANY ACT**By Federal Reserve Banks*

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

## Section 3

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Arkansas Banking Company, Jonesboro, Arkansas	The Arkansas Bank, Jonesboro, Arkansas The Arkansas Bank, Walnut Ridge, Arkansas The Planters Bank, Osceola, Arkansas	St. Louis	October 19, 1994
Brazos Bancshares, Inc., Joshua, Texas	Metro Bancshares, Inc., Alvarado, Texas Alvarado State Bank, Alvarado, Texas	Dallas	October 21, 1994
Casey Bancorp, Inc., Grand Prairie, Texas	Grand Prairie State Bank, Grand Prairie, Texas	Dallas	October 18, 1994
CFB Bancorp, Inc., Jacksonville, Florida	Community First Bank, Jacksonville, Florida	Atlanta	October 20, 1994

## Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Citizens Central Bancorp, Inc., Macomb, Illinois	Roseville State Bank, Roseville, Illinois	Chicago	October 14, 1994
Citizens Gwinnett Bankshares, Inc., Duluth, Georgia	Citizens Bank of Gwinnett, Duluth, Georgia	Atlanta	October 5, 1994
City Holding Company, Charleston, West Virginia	Hinton Financial Corporation, Hinton, West Virginia	Richmond	October 6, 1994
Commerce Bancshares, Inc., Kansas City, Missouri	Twin City Corporation, Kansas City, Kansas	Kansas City	September 30, 1994
Commerce Bancshares, Inc., Trenton, Tennessee	Trenton Bancshares, Inc., Trenton, Tennessee	St. Louis	October 20, 1994
Commercial Bancorp of Gwinnett, Inc., Lawrenceville, Georgia	Commercial Bancorp of Georgia, Inc., Atlanta, Georgia	Atlanta	October 6, 1994
Community Bancorporation, Orem, Utah	Western Community Bank, Orem, Utah	San Francisco	September 19, 1994
Community Bancshares, Inc., Irvington, Illinois	Community Trust Bank, Irvington, Illinois	St. Louis	September 22, 1994
Emigrant Bancorp, Inc., New York, New York	Emigrant Savings Bank, New York, New York	New York	October 7, 1994
F & C Bancorp, Inc., Holden, Missouri	Farmers and Commercial Bank, Holden, Missouri	Kansas City	September 22, 1994
FDH Bancshares, Inc., Little Rock, Arkansas	Springhill Bancshares, Inc., Springhill, Louisiana	St. Louis	September 22, 1994
Fern S. DeLong Trust, Anoka, Minnesota	Preferred Bancshares, Inc., Big Lake, Minnesota	Minneapolis	October 12, 1994
First Citizens Bancorp, Inc., Monroeville, Alabama	First Citizens Bank of Monroe County, Monroeville, Alabama	Atlanta	October 7, 1994
First Colorado Bankshares, Inc., Telluride, Colorado	The First National Bank of Telluride, Telluride, Colorado	Kansas City	October 17, 1994
FirsTier Financial, Inc., Omaha, Nebraska	Cornerstone Bank Group, Inc., Council Bluffs, Iowa	Kansas City	October 14, 1994
First Summerfield Corporation, Summerfield, Kansas	The First National Bank of Summerfield, Summerfield, Kansas	Kansas City	October 3, 1994
First Virginia Banks, Inc., Falls Church, Virginia	Farmers National Bancorp, Annapolis, Maryland	Richmond	September 29, 1994



## Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Fishback Financial Corporation, Brookings, South Dakota	First National Bank of White, White, South Dakota Community State Bank, Stockholm, South Dakota	Minneapolis	October 25, 1994
First Sleepy Eye Bancorporation, Inc., Sioux Falls, South Dakota	Capital Bank, St. Paul, Minnesota	Minneapolis	October 24, 1994
F. & M. State Bancshares, Inc., Cawker City, Kansas	Farmers and Merchants State Bank, Cawker City, Kansas	Kansas City	September 30, 1994
FNB Bancshares, Inc., Brooksville, Kentucky	The First National Bank of Brooksville, Brooksville, Kentucky	Cleveland	October 19, 1994
Franklin Bancorporation, Inc., Washington, D.C.	The George Washington Banking Corporation, Alexandria, Virginia	Richmond	October 20, 1994
GAB Bancorp, Jasper, Indiana	First State Bank, Southwest Indiana, Tell City, Indiana	St. Louis	September 27, 1994
Gillmor Financial Services, Inc., Old Fort, Ohio	Old Fort Banking Company, Old Fort, Ohio	Cleveland	October 14, 1994
Heritage Texas Group, Inc., Employee Stock Ownership Plan, Pittsburg, Texas	Pittsburg National Bank, Pittsburg, Texas	Dallas	October 20, 1994
Heritage Texas Group, Inc., Pittsburg, Texas			
Heritage Delaware Corporation, Dover, Delaware			
Herring Bancorp, Inc., Vernon, Texas	First Bank & Trust of Clarendon, Clarendon, Texas	Dallas	September 29, 1994
Herring Bancshares, Inc., Wilmington, Delaware			
HSB, Inc., Hedrick, Iowa	Hedrick Savings Bank, Hedrick, Iowa	Chicago	September 30, 1994
Independent Southern Bancshares, Inc., Brownsville, Tennessee	Commerce Bancshares, Inc., Trenton, Tennessee	St. Louis	October 20, 1994
Liberty Bancorp, Inc., Oklahoma City, Oklahoma	Rockwell Bancorp, Inc., Oklahoma City, Oklahoma	Kansas City	October 17, 1994
Mark Twain Bancshares, Inc., St. Louis, Missouri	United Kansas Bank Group, Inc.,	St. Louis	October 5, 1994
Mark Twain Acquisition Corp., II, St. Louis, Missouri	Merriam, Kansas		

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Marshall & Ilsley Corporation, Milwaukee, Wisconsin	Bank of Burlington, Burlington, Wisconsin	Chicago	October 11, 1994
MBT Corp., Forest City, Iowa	Manufacturers Bank & Trust Company, Forest City, Iowa	Chicago	October 12, 1994
Mercantile Bancorporation Inc., St. Louis, Missouri	Wedge Bank, Alton, Illinois	St. Louis	October 18, 1994
Mercantile Bankshares Corporation, Baltimore, Maryland	Fredericksburg National Bancorp, Inc., Fredericksburg, Virginia	Richmond	September 30, 1994
Mesa Financial Corporation, Sweetwater, Texas	Texas Delaware Bancshares, Inc., Dover, Delaware Texas National Bank, Sweetwater, Texas	Dallas	October 14, 1994
NationsBank Corporation, Charlotte, North Carolina	Consolidated Bank, N.A., Hialeah, Florida	Richmond	October 25, 1994
NB Holdings Corporation, Charlotte, North Carolina			
NationsBank Corporation, Charlotte, North Carolina	RHNB Corporation, Rock Hill, South Carolina	Richmond	October 7, 1994
Northeast Bancshares - Delaware, Inc., Wilmington, Delaware	Northeast National Bank, Mesquite, Texas	Dallas	October 5, 1994
Northeast Bancshares, Inc., Mesquite, Texas	Northeast Bancshares - Delaware, Inc., Wilmington, Delaware Northeast National Bank, Mesquite, Texas	Dallas	October 5, 1994
Olney Bancshares of Texas, Inc., Olney, Texas Thirtdier, Inc., Wilmington, Delaware Olney Bancshares, Inc., Olney, Texas Olney Bancorp of Delaware, Inc., Wilmington, Delaware	Breckenridge Bancshares, Inc., Breckenridge, Texas Citizens National Bank of Breckenridge, Breckenridge, Texas	Dallas	October 4, 1994
Pequot Area Bancorporation, Inc., Pequot Lakes, Minnesota	Pequot Lakes State Bank, Pequot Lakes, Minnesota	Minneapolis	October 25, 1994
Rockwell Bancorp, Inc., Oklahoma City, Oklahoma	Rockwell Bank, N.A., Oklahoma City, Oklahoma	Kansas City	October 17, 1994
Texas Delaware Bancshares, Inc., Dover, Delaware	Texas National Bank, Sweetwater, Texas	Dallas	October 14, 1994

## Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Texas Financial Bancorporation, Inc., Minneapolis, Minnesota First Bancorp, Inc., Denton, Texas First Delaware Bancorp, Inc., Dover, Delaware	Burleson State Bank, Burleson, Texas	Dallas	October 25, 1994
Texas Financial Bancorporation, Inc., Minneapolis, Minnesota First Bancorp, Inc., Denton, Texas First Delaware Bancorp, Inc., Dover, Delaware	Kaufman Bancshares, Inc., Kaufman, Texas	Dallas	October 27, 1994
Tongue River Valley Bancshares, Ranchester, Wyoming	Ranchester State Bank, Ranchester, Wyoming	Kansas City	October 14, 1994
Town Financial Corporation, Hartford City, Indiana	Maddox Financial, Inc., Hartford City, Indiana City Savings Bank, Hartford City, Hartford City, Indiana	Chicago	October 7, 1994
Unity Bancorp, Inc., Annandale, New Jersey	First Community Bank, Annandale, New Jersey	New York	October 26, 1994
Village Bancshares, Inc., St. Francis, Minnesota	Village Bank, St. Francis, Minnesota	Minneapolis	October 26, 1994
Vincent Bancorporation, Vincent, Iowa	Farmers Savings Bank, Vincent, Iowa	Chicago	September 30, 1994
Winona Banc Holding Company, Winona, Minnesota	Town and Country State Bank of Winona, Winona, Minnesota	Minneapolis	September 30, 1994

## Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
BOK Financial Corporation, Tulsa, Oklahoma	to engage in providing data processing services	Kansas City	October 14, 1994
BOKF Merger Corporation Number Four, Tulsa, Oklahoma	Citizens Holding Company, Muskogee, Oklahoma	Kansas City	October 14, 1994
First Citizens BancShares, Inc., Raleigh, North Carolina	First Republic Savings Bank, Federal Savings Bank, Roanoke Rapids, North Carolina	Richmond	September 23, 1994

## Section 4—Continued

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
GP FINANCIAL CORP., Flushing, New York	to engage <i>de novo</i> in community development activities	New York	October 27, 1994
International Bancshares Corporation, Laredo, Texas	to engage <i>de novo</i> in the activity of making loans to certain of its executive officers, directors, affiliates and principal shareholders, and to certain executive officers and directors and their related interests of its wholly owned subsidiary banks	Dallas	October 20, 1994
Menahga Bancshares, Inc., Menahga, Minnesota	Minnesota's Community Development Corporation, Detroit Lakes, Minnesota	Minneapolis	September 30, 1994
National City Bancshares, Inc., Evansville, Indiana	to indirectly engage <i>de novo</i> in leasing activities	St. Louis	October 20, 1994
NBD Bancorp, Inc., Detroit, Michigan NBD Illinois, Inc., Park Ridge, Illinois	AmeriFed Financial Corp., Joliet, Illinois	Chicago	October 25, 1994
North Fork Bancorporation, Inc., Mattituck, New York	Metro Bancshares Inc., Jericho, New York	New York	September 30, 1994
Norwest Corporation, Minneapolis, Minnesota	Agricultural Credit, Inc., Sioux Falls, South Dakota	Minneapolis	October 14, 1994
Norwest Corporation, Minneapolis, Minnesota	Carlson Mortgage Company, Wakefield, Massachusetts	Minneapolis	October 26, 1994
Norwest Corporation, Minneapolis, Minnesota	First Capital Mortgage Company, York, Pennsylvania	Minneapolis	September 23, 1994

## Section 4—Continued

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
PNC Bank Corp., Pittsburgh, Pennsylvania	Brentwood Financial Corporation, Cincinnati, Ohio	Cleveland	October 14, 1994
Q Bancorp, Inc., Geraldine, Montana	to engage <i>de novo</i> in lending activities	Minneapolis	October 11, 1994
St. Francis Capital Corporation, Milwaukee, Wisconsin	to act as agent and broker for credit-related insurance	Chicago	October 17, 1994
Trustmark Corporation, Jackson, Mississippi	Deville 1991 Limited Partnership, Vicksburg, Mississippi	Atlanta	October 4, 1994
Westamerica Bancorporation, San Rafael, California	to engage <i>de novo</i> in providing planning and servicing for retirement and employee benefit programs	San Francisco	October 18, 1994

## Sections 3 and 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Security Richland Bancorporation, Miles City, Montana	Hansen-Lawrence Agency, Inc., Worden, Montana	Minneapolis	September 22, 1994
St. Francis Capital Corporation, Milwaukee, Wisconsin	Valley Bank, East Central, Kewaskum, Wisconsin	Chicago	September 23, 1994

*APPLICATIONS APPROVED UNDER BANK MERGER ACT**By the Secretary of the Board*

Recent applications have been approved by the Secretary of the Board as listed below. Copies are available upon request to the Freedom of Information Office, Office of the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Applicant(s)	Bank(s)	Effective Date
Compass Bank, N.A., Pensacola, Florida	Compass Bank, F.S.B., Jacksonville, Florida	October 28, 1994

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
Barton County State Bank, Lamar, Missouri	Citizens State Bank of Nevada, Nevada, Missouri	Kansas City	September 23, 1994
FCNB Bank, Frederick, Maryland	The Bank of Baltimore, Baltimore, Maryland	Richmond	October 6, 1994
PremierBank & Trust, Elyria, Ohio	Charter One Bank, Federal Savings Bank, Cleveland, Ohio	Cleveland	September 19, 1994
United Jersey Bank, Hackensack, New Jersey	Valley Savings Bank, Closter, New Jersey	New York	September 30, 1994

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.*

*Cavallari v. Board of Governors*, No. 94-4183 (2d Circuit, filed October 17, 1994). Petition for review of Board order of prohibition against a former outside counsel to a national bank.

*Board of Governors v. MacCallum*, No. 94 Civ. 5652 (WK) (S.D. New York, filed August 3, 1994). Action to freeze assets of individual pending administrative adjudication of civil money penalty assessment by the Board. On August 3, 1994, the court issued an order temporarily restraining the transfer or disposition of the individual's assets. The order was amended and continued by stipulation pending a hearing scheduled for October 4, 1994.

*National Title Resource Agency v. Board of Governors*, No. 94-2050 (8th Cir., filed April 28, 1994). Petition for review of Board's order, issued under section 4 of the Bank Holding Company Act, approving the ap-

plication of Norwest Corp., Minneapolis, Minnesota, to acquire Double Eagle Financial Corp., Phoenix, Arizona, and its subsidiary, United Title Agency, Inc., and thereby engage in title insurance agency activities and real estate settlement services (80 *Federal Reserve Bulletin* 453 (1994)). Oral argument is scheduled for November 17, 1994.

*Scott v. Board of Governors*, No. 94-4117 (10th Cir.), filed April 28, 1994. Appeal of dismissal of action against Board and others for damages and injunctive relief for alleged constitutional and statutory violations caused by issuance of Federal Reserve notes. The action was dismissed on July 21, 1994. On August 4, 1994, the appellant filed a motion for consideration.

*Beckman v. Greenspan*, No. CV 94-41-BCG-RWA (D. Mont., filed April 13, 1994). Action against Board and others seeking damages for alleged violations of constitutional and common law rights. The Board's motion to dismiss was filed May 19, 1994.

*DLG Financial Corp. v. Board of Governors*, No. 94-10078 (5th Cir., filed January 20, 1994). Appeal of district court dismissal of appellants' action to enjoin the Board and the Federal Reserve Bank of Dallas from taking certain enforcement actions, and for money damages on a variety of tort and contract theories. The case was consolidated on appeal with *Board of Governors v. DLG Financial Corp.*, Nos. 93-2944 and 94-20013 (5th Cir., filed December 14, 1993 and December 31, 1993), an appeal of a temporary restraining order and a preliminary injunction obtained by the Board freezing assets of a corporation and an individual pending administrative adjudication of civil money penalty assessments by the Board. On August 15, 1994, the court of appeals affirmed both the asset freeze order obtained by the Board and the district court's dismissal of plaintiffs' claims.

*Richardson v. Board of Governors, et al.*, No. 94-4020 (10th Cir.), filed January 14, 1994. Appeal of dismissal of action against Board and others for damages and injunctive relief for alleged constitutional and statutory violations caused by issuance of Federal Reserve notes. On September 16, 1994, the court denied the appeal.

*Scott v. Board of Governors*, No. 94-0104 (D. D.C., filed January 21, 1994). Petition for review of a Board order approving the application of Society Corporation, Cleveland, Ohio, to merge with Key-Corp, Albany, New York (80 *Federal Reserve Bulletin* 253 (1994)). On July 29, 1994, the Board filed a motion to dismiss.

*Board of Governors v. Oppegard*, No. 93-3706 (8th Cir., filed November 1, 1993). Appeal of district court order ordering appellant Oppegard to comply with prior order requiring compliance with Board prohibition and civil money penalty orders. Oral argument was held June 16, 1994. On July 6, 1994, the Court of Appeals affirmed the district court order.

*Jackson v. Board of Governors*, No. CV-N-93-401-ECR (D. Nev., filed June 14, 1993). *Pro se* action for violation of a prisoner's civil rights. On August 23, 1994, the court granted the Board's motion to dismiss.

*Bennett v. Greenspan*, No. 93-1813 (D. D.C., filed April 20, 1993). Employment discrimination action. A jury verdict for the plaintiff was rendered on October 13, 1994.

*Adams v. Greenspan*, No. 93-0167 (D. D.C., filed January 27, 1993). Action by former employee under the Civil Rights Act of 1964 and the Rehabilitation Act of 1973 concerning termination of employment. The Board's motion for summary judgment was granted in

part and denied in part on September 8, 1994. Trial is scheduled to commence on November 15, 1994.

*Zemel v. Board of Governors*, No. 92-1056 (D. D.C., filed May 4, 1992). Age Discrimination in Employment Act case. The parties' cross-motions for summary judgment are pending.

*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.

#### FINAL ENFORCEMENT ORDERS ISSUED BY THE BOARD OF GOVERNORS

California Center Bank  
Los Angeles, California

The Federal Reserve Board announced on October 17, 1994, the issuance of a Cease and Desist Order against the California Center Bank, Los Angeles, California.

#### TERMINATION OF ENFORCEMENT ACTIONS

The Federal Reserve Board announced on October 19, 1994, the termination of the following enforcement actions:

BMJ Financial Corporation and the Bank of Mid-Jersey  
Burlington, New Jersey

Written Agreement dated December 24, 1994; terminated August 30, 1994.

Glendale Bancorporation  
Voorhees, New Jersey

Written Agreement dated July 7, 1993; terminated September 13, 1994.

Glendale Bank of Pennsylvania  
Philadelphia, Pennsylvania

Written Agreement dated September 15, 1994; terminated September 13, 1994.

Farmers National Bancorp of Cynthiana, Inc.  
Cynthiana, Kentucky

The Genoa Banking Company  
Genoa, Ohio

Written Agreement dated March 31, 1994; terminated  
September 21, 1994.

Cease and Desist Order dated October 14, 1992; ter-  
minated October 7, 1994.



# Financial and Business Statistics

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# Guide to Tabular Presentation

## SYMBOLS AND ABBREVIATIONS

c	Corrected	G-10	Group of Ten
e	Estimated	GNMA	Government National Mortgage Association
n.a.	Not available	GDP	Gross domestic product
n.e.c.	Not elsewhere classified	HUD	Department of Housing and Urban Development
p	Preliminary	IMF	International Monetary Fund
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)	IO	Interest only
*	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)	IPCs	Individuals, partnerships, and corporations
0	Calculated to be zero	IRA	Individual retirement account
. . .	Cell not applicable	MMDA	Money market deposit account
ATS	Automatic transfer service	MSA	Metropolitan statistical area
BIF	Bank insurance fund	NOW	Negotiable order of withdrawal
CD	Certificate of deposit	OCD	Other checkable deposit
CMO	Collateralized mortgage obligation	OPEC	Organization of Petroleum Exporting Countries
FFB	Federal Financing Bank	OTS	Office of Thrift Supervision
FHA	Federal Housing Administration	PO	Principal only
FHLBB	Federal Home Loan Bank Board	REIT	Real estate investment trust
FHLMC	Federal Home Loan Mortgage Corporation	REMIC	Real estate mortgage investment conduit
FmHA	Farmers Home Administration	RP	Repurchase agreement
FNMA	Federal National Mortgage Association	RTC	Resolution Trust Corporation
FSLIC	Federal Savings and Loan Insurance Corporation	SAIF	Savings Association Insurance Fund
G-7	Group of Seven	SCO	Securitized credit obligation
		SDR	Special drawing right
		SIC	Standard Industrial Classification
		VA	Department of Veterans Affairs

## GENERAL INFORMATION

In many of the tables, components do not sum to totals because of rounding.

Minus signs are used to indicate (1) a decrease, (2) a negative figure, or (3) an outflow.

"U.S. government securities" may include guaranteed issues of U.S. government agencies (the flow of funds figures also

include not fully guaranteed issues) as well as direct obligations of the Treasury. "State and local government" also includes municipalities, special districts, and other political subdivisions.

# A4 Domestic Financial Statistics □ December 1994

## 1.10 RESERVES, MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES

Percent annual rate of change, seasonally adjusted<sup>1</sup>

Monetary or credit aggregate	1993	1994			1994				
	Q4	Q1	Q2	Q3	May	June	July	Aug.	Sept.
<i>Reserves of depository institutions<sup>2</sup></i>									
1 Total	14.2	3.1	-4.4	-2.5	-8.4	-4.0	2.2	-6.0	-6
2 Required	14.1	2.5	-3.6	-2.6	-3.8	-8.0	2.2	-4.0	-1.9
3 Nonborrowed	15.6	3.7	-5.4	-4.2	-9.9	-6.7	-3	-6.3	-1.0
4 Monetary base	9.8	10.2	8.4	7.3	7.6	7.7	8.1	6.3	5.5
<i>Concepts of money, liquid assets, and debt<sup>4</sup></i>									
5 M1	9.4	6.0	1.9	3.2	1.8 <sup>f</sup>	3.7	7.3 <sup>f</sup>	-1.8 <sup>f</sup>	1.3
6 M2	2.3	1.9	1.9	.6	1.4 <sup>f</sup>	-2.3 <sup>f</sup>	4.7 <sup>f</sup>	-2.1 <sup>f</sup>	-7
7 M3	2.6	.3	.7 <sup>f</sup>	1.6	-.3 <sup>f</sup>	.0	6.0 <sup>f</sup>	-2.1 <sup>f</sup>	1.1
8 L	2.0	2.5 <sup>f</sup>	1.2 <sup>f</sup>	n.a.	-.2 <sup>f</sup>	-1.9	7.1 <sup>f</sup>	-.3	n.a.
9 Debt	4.9	5.3	5.4	n.a.	4.9	3.4	2.5	5.6	n.a.
<i>Nontransaction components</i>									
10 In M2 <sup>3</sup>	-8	.0	2.0	-6	1.1	-5.1 <sup>f</sup>	3.4 <sup>f</sup>	-2.3 <sup>f</sup>	-1.7
11 In M3 only <sup>3</sup>	4.0	-8.0 <sup>f</sup>	-6.2 <sup>f</sup>	7.3	-9.4 <sup>f</sup>	13.3 <sup>f</sup>	13.5 <sup>f</sup>	-1.9 <sup>f</sup>	11.3
<i>Time and savings deposits</i>									
<i>Commercial banks</i>									
12 Savings, including MMDAs	3.6	4.3	-3.3	-4.1	-6.1	-7.7	-2.3	-2.6 <sup>f</sup>	-3.7
13 Small time <sup>5,6</sup>	-7.4	-5.2	.1	8.9	6.2	6.7	5.7	15.1 <sup>f</sup>	12.6
14 Large time <sup>5,6</sup>	-4	-2.6 <sup>f</sup>	-2.4 <sup>f</sup>	10.0	18.6 <sup>f</sup>	.4	6.5 <sup>f</sup>	14.8 <sup>f</sup>	21.0
<i>Thrift institutions</i>									
15 Savings, including MMDAs	-4	.5	.2	-11.3	-2.2	-10.3	-9.3 <sup>f</sup>	-17.2 <sup>f</sup>	-17.5
16 Small time <sup>5</sup>	-9.4 <sup>f</sup>	-11.5	-7.5 <sup>f</sup>	-2.5	-7.4	-5.1	.0 <sup>f</sup>	-3.2	1.6
17 Large time <sup>5</sup>	-6.7	-8.5 <sup>f</sup>	-6.5 <sup>f</sup>	4.8	-27.3 <sup>f</sup>	6.0	15.9 <sup>f</sup>	-5.9	23.6
<i>Money market mutual funds</i>									
18 General purpose and broker-dealer	1.2	-.1	17.7	1.1	12.0	-19.1	14.0	-2.0	-1.7
19 Institution-only	8.8	-26.7	-22.8	-6.0	-52.2	1.4	9.9	-11.2	-9.9
<i>Debt components<sup>4</sup></i>									
20 Federal	6.1	7.3	5.5	n.a.	4.2	4.9	1.2	6.1	n.a.
21 Nonfederal	4.5	4.6	5.3	n.a.	5.2	2.9	3.0	5.4	n.a.

1. Unless otherwise noted, rates of change are calculated from average amounts outstanding during preceding month or quarter.

2. Figures incorporate adjustments for discontinuities, or "breaks," associated with regulatory changes in reserve requirements. (See also table 1.20.)

3. The seasonally adjusted, break-adjusted monetary base consists of (1) seasonally adjusted, break-adjusted total reserves (line 1), plus (2) the seasonally adjusted currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all weekly reporters whose vault cash exceeds their required reserves) the seasonally adjusted, break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

4. Composition of the money stock measures and debt is as follows:  
M1: (1) currency outside the U.S. Treasury, Federal Reserve Banks, and the vaults of depository institutions, (2) travelers checks of nonbank issuers, (3) demand deposits at all commercial banks other than those owed to depository institutions, the U.S. government, and foreign banks and official institutions, less cash items in the process of collection and Federal Reserve float, and (4) other checkable deposits (OCDs), consisting of negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at depository institutions, credit union share draft accounts, and demand deposits at thrift institutions. Seasonally adjusted M1 is computed by summing currency, travelers checks, demand deposits, and OCDs, each seasonally adjusted separately.

M2: M1 plus (1) 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: The debt aggregate is the outstanding credit market debt of the domestic nonfinancial sectors—the federal sector (U.S. government, not including government-sponsored enterprises or federally related mortgage pools) and the nonfederal sectors (state and local governments, households and nonprofit organizations, nonfinancial corporate and nonfarm noncorporate businesses, and farms). Nonfederal debt consists of mortgages, tax-exempt and corporate bonds, consumer credit, bank loans, commercial paper, and other loans. The data, which are derived from the Federal Reserve Board's flow of funds accounts, are break-adjusted (that is, discontinuities in the data have been smoothed into the series) and month-averaged (that is, the data have been derived by averaging adjacent month-end levels).

5. Sum of (1) overnight RPs and overnight Eurodollars, (2) money market fund balances (general purpose and broker-dealer), (3) savings deposits (including MMDAs), and (4) 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, the U.S. government, and foreign banks and official institutions.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT<sup>1</sup>

Millions of dollars

Factor	Average of daily figures			Average of daily figures for week ending on date indicated						
	1994			1994						
	July	Aug.	Sept.	Aug. 17	Aug. 24	Aug. 31	Sept. 7	Sept. 14	Sept. 21	Sept. 28
<b>SUPPLYING RESERVE FUNDS</b>										
1 Reserve Bank credit outstanding	391,275	390,696 <sup>f</sup>	392,941	389,719	390,194 <sup>f</sup>	390,397 <sup>f</sup>	392,845	394,266	393,002	391,811
U.S. government securities <sup>2</sup>										
2 Bought outright—System account	349,268	348,753	354,429	348,343	348,528	348,953	353,916	355,484	354,977	353,810
3 Held under repurchase agreements	3,163	3,299	296	2,861	3,739	2,793	656	309	0	0
Federal agency obligations										
4 Bought outright	3,915	3,883	3,822	3,895	3,895	3,837	3,837	3,828	3,817	3,812
5 Held under repurchase agreements	1,047	880	346	651	807	1,413	429	1,000	0	0
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	125	26	45	13	25	35	11	9	60	94
8 Seasonal credit	367	446	448	440	460	476	450	424	443	472
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	473	522	732	529	529 <sup>f</sup>	539 <sup>f</sup>	1,108	535	832	467
11 Other Federal Reserve assets	32,918	32,887 <sup>f</sup>	32,824	32,988	32,212 <sup>f</sup>	32,351 <sup>f</sup>	32,440	32,677	32,874	33,156
12 Gold stock	11,052	11,054	11,054	11,054	11,054	11,054	11,054	11,054	11,054	11,054
13 Special drawing rights certificate account	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018
14 Treasury currency outstanding	22,567 <sup>f</sup>	22,636 <sup>f</sup>	22,698	22,632 <sup>f</sup>	22,646 <sup>f</sup>	22,660 <sup>f</sup>	22,674	22,688	22,702	22,716
<b>ABSORBING RESERVE FUNDS</b>										
15 Currency in circulation	383,391 <sup>f</sup>	384,403 <sup>f</sup>	386,408	384,794 <sup>f</sup>	384,270 <sup>f</sup>	384,171 <sup>f</sup>	387,248	387,573	385,861	385,137
16 Treasury cash holdings	354	354	372	352	353	361	368	371	384	365
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	5,179	5,220	5,953	4,780	5,208	5,029	4,514	5,576	7,367	6,195
18 Foreign	200	188	199	178	182	208	186	171	179	229
19 Service-related balances and adjustments	5,912	5,551	5,156	5,491	5,556	5,514	5,324	5,134	5,101	5,099
20 Other	269	311	325	314	323	321	355	316	331	300
21 Other Federal Reserve liabilities and capital	11,232	11,187	11,178	11,063	11,095	11,229	10,893	11,144	11,151	11,384
22 Reserve balances with Federal Reserve Banks <sup>3</sup>	26,375	25,190 <sup>f</sup>	25,120	24,451	24,927 <sup>f</sup>	25,297 <sup>f</sup>	25,704	25,741	24,404	24,890
<b>End-of-month figures</b>										
<b>Wednesday figures</b>										
	July	Aug.	Sept.	Aug. 17	Aug. 24	Aug. 31	Sept. 7	Sept. 14	Sept. 21	Sept. 28
<b>SUPPLYING RESERVE FUNDS</b>										
1 Reserve Bank credit outstanding	390,930	393,969 <sup>f</sup>	393,492	385,299	390,455 <sup>f</sup>	393,969 <sup>f</sup>	397,376	393,482	393,163	387,959
U.S. government securities <sup>2</sup>										
2 Bought outright—System account	348,838	349,110	353,010	348,639	348,564	349,110	354,017	355,896	354,496	349,846
3 Held under repurchase agreements	2,770	6,519	2,140	0	3,990	6,519	2,295	0	0	0
Federal agency obligations										
4 Bought outright	3,900	3,837	3,806	3,895	3,895	3,837	3,837	3,817	3,817	3,806
5 Held under repurchase agreements	1,350	1,732	370	0	550	1,732	1,500	0	0	0
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	39	35	69	14	41	35	11	13	301	92
8 Seasonal credit	420	459	436	451	483	459	440	432	459	478
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	-9	317 <sup>f</sup>	214	490	516 <sup>f</sup>	317 <sup>f</sup>	2,659	539	1,085	529
11 Other Federal Reserve assets	33,623	31,960 <sup>f</sup>	33,448	31,810	32,416 <sup>f</sup>	31,960 <sup>f</sup>	32,618	32,785	33,005	33,209
12 Gold stock	11,052	11,054	11,054	11,054	11,055	11,054	11,054	11,054	11,054	11,054
13 Special drawing rights certificate account	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018
14 Treasury currency outstanding	22,604 <sup>f</sup>	22,660 <sup>f</sup>	22,730	22,632 <sup>f</sup>	22,646 <sup>f</sup>	22,660 <sup>f</sup>	22,674	22,688	22,702	22,716
<b>ABSORBING RESERVE FUNDS</b>										
15 Currency in circulation	382,244 <sup>f</sup>	386,010 <sup>f</sup>	385,516	385,295 <sup>f</sup>	384,763 <sup>f</sup>	386,010 <sup>f</sup>	388,610	387,485	386,072	386,277
16 Treasury cash holdings	352	368	363	352	360	368	369	387	366	363
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	3,683	5,994	6,848	6,522	5,494	5,994	5,939	5,581	11,359	6,658
18 Foreign	182	188	342	163	164	188	192	192	188	399
19 Service-related balances and adjustments	5,707	5,514	5,034	5,491	5,556	5,514	5,324	5,134	5,101	5,099
20 Other	244	289	318	329	317	289	327	286	300	256
21 Other Federal Reserve liabilities and capital	11,394	10,864	12,012	10,772	10,934	10,864	10,989	11,003	10,948	11,181
22 Reserve balances with Federal Reserve Banks <sup>3</sup>	28,799	26,476 <sup>f</sup>	24,862	18,079	24,584 <sup>f</sup>	26,476 <sup>f</sup>	27,373	25,173	20,604	19,513

1. Amounts of cash held as reserves are shown in table 1.12, line 2.  
 2. Includes securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale-purchase transactions.  
 3. Excludes required clearing balances and adjustments to compensate for float.

A6 Domestic Financial Statistics □ December 1994

1.12 RESERVES AND BORROWINGS Depository Institutions<sup>1</sup>

Millions of dollars

Reserve classification	Prorated monthly averages of biweekly averages									
	1991	1992	1993	1994						
	Dec.	Dec.	Dec.	Mar.	Apr.	May	June	July	Aug. <sup>f</sup>	Sept.
1 Reserve balances with Reserve Banks <sup>2</sup>	26,659	25,368	29,374	27,396	29,614	26,790	26,502	25,996	25,284	25,161
2 Total vault cash <sup>3</sup>	32,509	34,542	36,812	35,585	35,215	35,892	36,898	37,635	37,614	38,431
3 Applied vault cash <sup>4</sup>	28,872	31,172	33,484	32,208	32,027	32,483	33,422	34,096	34,052	34,793
4 Surplus vault cash <sup>5</sup>	3,637	3,370	3,328	3,377	3,188	3,409	3,476	3,539	3,562	3,638
5 Total reserves <sup>6</sup>	55,532	56,540	62,858	59,605	61,641	59,273	59,374	60,092	59,337	59,955
6 Required reserves	54,553	55,385	61,795	58,638	60,489	58,558	58,819	58,985	58,333	58,891
7 Excess reserve balances at Reserve Banks	979	1,155	1,063	967	1,151	915	1,105	1,107	1,004	1,063
8 Total borrowings at Reserve Banks <sup>9</sup>	192	124	82	55	124	200	333	458	469	487
9 Seasonal borrowings	38	18	31	24	57	134	226	364	445	444
10 Extended credit <sup>9</sup>	1	1	0	0	0	0	0	0	0	0
Biweekly averages of daily figures for two week periods ending on dates indicated										
1994										
	June 8	June 22	July 6	July 20	Aug. 3	Aug. 17	Aug. 31 <sup>f</sup>	Sept. 14	Sept. 28	Oct. 12
1 Reserve balances with Reserve Banks <sup>2</sup>	26,816	26,473	26,239	26,908	24,703	25,594	25,099	25,720	24,642	24,875
2 Total vault cash <sup>3</sup>	36,209	37,227	37,012	37,179	38,557	38,114	36,913	38,451	38,397	38,539
3 Applied vault cash <sup>4</sup>	32,806	33,689	33,571	33,754	34,818	34,486	33,455	34,839	34,699	35,136
4 Surplus vault cash <sup>5</sup>	3,403	3,538	3,441	3,425	3,739	3,628	3,458	3,612	3,698	3,403
5 Total reserves <sup>6</sup>	59,622	60,162	59,810	60,662	59,521	60,080	58,554	60,559	59,341	60,011
6 Required reserves	58,531	59,264	58,330	59,902	58,176	59,141	57,559	59,643	58,139	58,903
7 Excess reserve balances at Reserve Banks	1,092	898	1,480	760	1,346	939	995	917	1,203	1,108
8 Total borrowings at Reserve Banks <sup>9</sup>	218	266	568	412	458	442	498	447	535	433
9 Seasonal borrowings	176	217	292	357	413	430	468	437	458	403
10 Extended credit <sup>9</sup>	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 may be used to satisfy reserve requirements. The maintenance period for weekly reporters ends sixteen days after the lagged computation period during which the vault cash is held. Before Nov. 25, 1992, the maintenance period ended thirty days after the lagged computation period.

4. All vault cash held during the lagged computation period by "bound" institutions (that is, those whose required reserves exceed their vault cash) plus the amount of vault cash applied during the maintenance period by "nonbound"

institutions (that is, those whose vault cash exceeds their required reserves) to satisfy current reserve requirements.

5. Total vault cash (line 2) less applied vault cash (line 3).

6. Reserve balances with Federal Reserve Banks (line 1) plus applied vault cash (line 3).

7. Total reserves (line 5) less required reserves (line 6).

8. Also includes adjustment credit.

9. Consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as with traditional short-term adjustment credit, the money market impact of extended credit is similar to that of nonborrowed reserves.

1.13 SELECTED BORROWINGS IN IMMEDIATELY AVAILABLE FUNDS Large Banks<sup>1</sup>

Millions of dollars, averages of daily figures

Source and maturity	1994, week ending Monday								
	Aug. 1	Aug. 8	Aug. 15	Aug. 22	Aug. 29	Sept. 5	Sept. 12	Sept. 19	Sept. 26
<i>Federal funds purchased, repurchase agreements, and other selected borrowings</i>									
From commercial banks in the United States									
1 For one day or under continuing contract	67,006 <sup>f</sup>	68,289	69,154	67,697	64,922	73,232	69,219	68,194	69,421
2 For all other maturities	13,247	13,445	11,699	11,497	11,983	12,222	12,379	13,519	13,863
From other depository institutions, foreign banks and official institutions, and U.S. government agencies									
3 For one day or under continuing contract	19,822 <sup>f</sup>	21,082	19,655	19,617	15,573	14,414	17,530	17,530	21,105
4 For all other maturities	23,779	23,850	22,788	22,732	23,857	24,114	22,508	21,881	21,300
<i>Repurchase agreements on U.S. government and federal agency securities</i>									
Brokers and nonbank dealers in securities									
5 For one day or under continuing contract	24,456	21,927	26,287	24,329	20,870	20,501	23,144	21,588	22,503
6 For all other maturities	33,083	32,239	29,666	31,231	33,163	30,996	32,875	33,104	32,287
All other customers									
7 For one day or under continuing contract	30,628	29,336	32,202	32,960	33,945	34,038	33,613	32,897	32,826
8 For all other maturities	17,427	16,255	15,719	15,886	16,815	16,693	16,345	16,393	17,661
MEMO									
<i>Federal funds loans and resale agreements in immediately available funds in maturities of one day or under continuing contract</i>									
9 To commercial banks in the United States	57,099	52,838	54,594	55,294	53,210	57,438	51,871	55,427	61,012
10 To all other specified customers <sup>2</sup>	24,025	21,588	23,313	22,226	21,366	24,467	21,256	21,439	22,985

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.

A8 Domestic Financial Statistics □ December 1994

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per year

Federal Reserve Bank	Current and previous levels								
	Adjustment credit <sup>1</sup>			Seasonal credit <sup>2</sup>			Extended credit <sup>3</sup>		
	On 10/28/94	Effective date	Previous rate	On 10/28/94	Effective date	Previous rate	On 10/28/94	Effective date	Previous rate
Boston .....	4.0	8/16/94	3.50	5.10	10/27/94	5.15	5.60	10/27/94	5.65
New York .....		8/16/94							
Philadelphia .....		8/18/94							
Cleveland .....		8/17/94							
Richmond .....		8/16/94							
Atlanta .....		8/18/94							
Chicago .....		8/16/94							
St. Louis .....		8/16/94							
Minneapolis .....		8/18/94							
Kansas City .....		8/16/94							
Dallas .....		8/16/94							
San Francisco .....	4.0	8/17/94	3.50	5.10	10/27/94	5.15	5.60	10/27/94	5.65

Range of rates for adjustment credit in recent years<sup>4</sup>

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.	Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.	Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1977 .....	6	6	1981—May 5 .....	13-14	14	1986—Aug. 21 .....	5.5-6	5.5
1978—Jan. 9 .....	6-6.5	6.5	8 .....	14	14	22 .....	5.5	5.5
20 .....	6.5	6.5	Nov. 2 .....	13-14	13			
May 11 .....	6.5-7	7	6 .....	13	13	1987—Sept. 4 .....	5.5-6	6
12 .....	7	7	Dec. 4 .....	12	12	11 .....	6	6
July 3 .....	7-7.25	7.25	1982—July 20 .....	11.5-12	11.5	1988—Aug. 9 .....	6-6.5	6.5
10 .....	7.25	7.25	23 .....	11.5	11.5	11 .....	6.5	6.5
Aug. 21 .....	7.75	7.75	Aug. 2 .....	11-11.5	11			
Sept. 22 .....	8	8	3 .....	11	11	1989—Feb. 24 .....	6.5-7	7
Oct. 16 .....	8-8.5	8.5	16 .....	10.5	10.5	27 .....	7	7
20 .....	8.5	8.5	27 .....	10-10.5	10			
Nov. 1 .....	8.5-9.5	9.5	30 .....	10	10	1990—Dec. 19 .....	6.5	6.5
3 .....	9.5	9.5	Oct. 12 .....	9.5-10	9.5			
1979—July 20 .....	10	10	13 .....	9.5	9.5	1991—Feb. 1 .....	6-6.5	6
Aug. 17 .....	10-10.5	10.5	Nov. 22 .....	9-9.5	9	4 .....	6	6
20 .....	10.5	10.5	26 .....	9	9	Apr. 30 .....	5.5-6	5.5
Sept. 19 .....	10.5-11	11	Dec. 14 .....	8.5-9	9	May 2 .....	5.5	5.5
21 .....	11	11	15 .....	8.5-9	8.5	Sept. 13 .....	5-5.5	5
Oct. 8 .....	11-12	12	17 .....	8.5	8.5	17 .....	5	5
10 .....	12	12	1984—Apr. 9 .....	8.5-9	9	Nov. 6 .....	4.5-5	4.5
1980—Feb. 15 .....	12-13	13	13 .....	9	9	7 .....	4.5	4.5
19 .....	13	13	Nov. 21 .....	8.5-9	8.5	Dec. 20 .....	3.5-4.5	3.5
May 29 .....	12-13	13	26 .....	8.5	8.5	24 .....	3.5	3.5
30 .....	12	12	Dec. 24 .....	8	8	1992—July 2 .....	3-3.5	3
June 13 .....	11-12	11	1985—May 20 .....	7.5-8	7.5	7 .....	3	3
16 .....	11	11	24 .....	7.5	7.5			
29 .....	10	10	1986—Mar. 7 .....	7-7.5	7	In effect Oct. 28, 1994 .....	4.0*	4.0*
July 28 .....	10-11	10	10 .....	7	7			
Sept. 26 .....	11	11	Nov. 21 .....	8.5-9	8.5			
Nov. 17 .....	12	12	Apr. 21 .....	6.5-7	6.5			
Dec. 5 .....	12-13	13	July 11 .....	6	6			

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 intrayear movements in their deposits and loans and that cannot be met through special industry lenders. The discount rate on seasonal credit takes into account rates charged by market sources of funds and ordinarily is reestablished on the first business day of each two-week reserve maintenance period; however, it is never less than the discount rate applicable to adjustment credit.

3. May be made available to depository institutions when similar assistance is not reasonably available from other sources, including special industry lenders. Such credit may be provided when exceptional circumstances (including sustained deposit drains, impaired access to money market funds, or sudden deterioration in loan repayment performance) or practices involve only a particular institution, or to meet the needs of institutions experiencing difficulties adjusting to changing market conditions over a longer period (particularly at times of deposit disintermediation). The discount rate applicable to adjustment credit ordinarily is charged on extended-credit loans outstanding less than thirty days; however, at the discretion of the Federal Reserve Bank, this time period may be

shortened. Beyond this initial period, a flexible rate somewhat above rates charged on market sources of funds is charged. The rate ordinarily is reestablished on the first business day of each two-week reserve maintenance period, but it is never less than the discount rate applicable to adjustment credit plus 50 basis points.

4. For earlier data, see the following publications of the Board of Governors: *Banking and Monetary Statistics, 1914-1941, and 1941-1970*; and the *Annual Statistical Digest, 1970-1979*.

In 1980 and 1981, the Federal Reserve applied a surcharge to short-term adjustment-credit borrowings by institutions with deposits of \$500 million or more that had borrowed in successive weeks or in more than four weeks in a calendar quarter. A 3 percent surcharge was in effect from Mar. 17, 1980, through May 7, 1980. A surcharge of 2 percent was reimposed on Nov. 17, 1980; the surcharge was subsequently raised to 3 percent on Dec. 5, 1980, and to 4 percent on May 5, 1981. The surcharge was reduced to 3 percent effective Sept. 22, 1981, and to 2 percent effective Oct. 12, 1981. As of Oct. 1, 1981, the formula for applying the surcharge was changed from a calendar quarter to a moving thirteen-week period. The surcharge was eliminated on Nov. 17, 1981.

\*The discount rate in effect on Sept. 2, 1994 and Sept. 30, 1994 was incorrectly reported as 3.5 percent in both the October and November issues of the Bulletin. The correct rate on those dates was 4 percent.



1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS<sup>1</sup>

Type of deposit <sup>2</sup>	Requirement	
	Percentage of deposits	Effective date
<i>Net transaction accounts</i> <sup>3</sup>		
1 \$0 million–\$51.9 million	3	12/21/93
2 More than \$51.9 million	10	12/21/93
3 Nonpersonal time deposits <sup>5</sup>	0	12/27/90
4 Eurocurrency liabilities <sup>6</sup>	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 of 1980, depository institutions include commercial banks, mutual savings banks, savings and loan associations, credit unions, agencies and branches of foreign banks, and Edge Act corporations.

2. 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. 21, 1993, the exemption was raised from \$3.8 million to \$4.0 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. Includes all deposits against which the account holder is permitted to make withdrawals by negotiable or transferable instruments, payment orders of withdrawal, and telephone and preauthorized transfers for the purpose of making payments to third persons or others, other than money market deposit accounts (MMDAs) and similar accounts that permit no more than six preauthorized,

automatic, or other transfers per month, of which no more than three may be checks (accounts subject to such limits are considered) 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 of each year. Effective Dec. 21, 1993, for institutions reporting quarterly and weekly, the amount was increased from \$46.8 million to \$51.9 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 was the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years (see note 5).

A10 Domestic Financial Statistics □ December 1994

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS<sup>1</sup>

Millions of dollars

Type of transaction and maturity	1991	1992	1993	1994						
				Feb.	Mar.	Apr.	May	June	July	Aug.
<b>U.S. TREASURY SECURITIES</b>										
<i>Outright transactions (excluding matched transactions)</i>										
<i>Treasury bills</i>										
1 Gross purchases .....	20,158	14,714	17,717	1,264	900	1,101	1,395	4,143	0	1,610
2 Gross sales .....	120	1,628	0	0	0	0	0	0	0	0
3 Exchanges .....	277,314	308,699	332,229	28,709	33,163	28,881	29,807	39,484	29,559	36,281
4 Redemptions .....	1,000	1,600	468	0	0	0	0	0	0	0
<i>Others within one year</i>										
5 Gross purchases .....	3,043	1,096	1,223	0	147	209	155	0	0	0
6 Gross sales .....	0	0	0	0	0	0	0	0	0	0
7 Maturity shifts .....	24,454	36,662	31,368	4,063	0	2,316	0	1,197	0	0
8 Exchanges .....	-28,090	-30,543	-36,582	-1,985	-3,605	-907	0	-3,192	0	0
9 Redemptions .....	1,000	0	0	0	0	0	0	0	0	0
<i>One to five years</i>										
10 Gross purchases .....	6,583	13,118	10,350	0	1,413	2,817	0	0	0	0
11 Gross sales .....	0	0	0	0	0	0	0	0	0	0
12 Maturity shifts .....	-21,211	-34,478	-27,140	3,447	0	1,607	0	-1,197	0	0
13 Exchanges .....	24,594	25,811	0	1,145	3,605	907	0	3,192	0	0
<i>Five to ten years</i>										
14 Gross purchases .....	1,280	2,818	4,168	0	1,103	1,117	0	0	0	0
15 Gross sales .....	0	0	0	0	0	0	0	0	0	0
16 Maturity shifts .....	-2,037	-1,915	0	-616	0	709	0	0	0	0
17 Exchanges .....	2,894	3,532	0	550	0	0	0	0	0	0
<i>More than ten years</i>										
18 Gross purchases .....	375	2,333	3,457	0	618	896	0	0	0	0
19 Gross sales .....	0	0	0	0	0	0	0	0	0	0
20 Maturity shifts .....	-1,209	-269	0	0	0	0	0	0	0	0
21 Exchanges .....	600	1,200	0	325	0	0	0	0	0	0
<i>All maturities</i>										
22 Gross purchases .....	31,439	34,079	36,915	1,264	4,181	6,140	1,550	4,143	0	1,610
23 Gross sales .....	120	1,628	0	0	0	0	0	0	0	0
24 Redemptions .....	1,000	1,600	468	0	0	440	0	0	0	0
<i>Matched transactions</i>										
25 Gross sales .....	1,570,456	1,482,467	1,475,085	124,125	155,950	120,393	137,458	133,939	125,181	170,356
26 Gross purchases .....	1,571,534	1,480,140	1,475,941	124,270	155,625	120,512	137,195	133,075	126,677	169,018
<i>Repurchase agreements</i>										
27 Gross purchases .....	310,084	378,374	475,447	33,693	38,490	19,741	21,517	10,059	28,085	44,948
28 Gross sales .....	311,752	386,257	470,723	37,425	38,115	25,041	17,112	4,405	35,374	41,199
29 Net change in U.S. Treasury securities .....	29,729	20,642	42,027	-2,323	4,232	519 <sup>1</sup>	5,691	8,933	-5,793	4,022
<b>FEDERAL AGENCY OBLIGATIONS</b>										
<i>Outright transactions</i>										
30 Gross purchases .....	0	0	0	0	0	0	0	0	0	0
31 Gross sales .....	5	0	0	0	0	0	0	0	0	0
32 Redemptions .....	292	632	1,072	102	108	180	70	58	322	63
<i>Repurchase agreements</i>										
33 Gross purchases .....	22,807	14,565	35,063	3,277	3,160	728	4,195	580	9,472	8,491
34 Gross sales .....	23,595	14,486	34,669	3,636	3,170	878	2,895	1,300	8,702	8,109
35 Net change in federal agency obligations .....	-1,085	-554	-678	-461	-118	-330	1,230	-778	448	319
36 Total net change in System Open Market Account .....	28,644	20,089	41,348	-2,784	4,114	189 <sup>1</sup>	6,921	8,155	-5,345	4,341

1. Sales, redemptions, and negative figures reduce holdings of the System Open Market Account; all other figures increase such holdings.

1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements<sup>1</sup>

Millions of dollars

Account	Wednesday					End of month		
	1994					1994		
	Aug. 31	Sept. 7	Sept. 14	Sept. 21	Sept. 28	July 31	Aug. 31	Sept. 30
Consolidated condition statement								
ASSETS								
1 Gold certificate account .....	11,054	11,054	11,054	11,054	11,054	11,052	11,054	11,054
2 Special drawing rights certificate account .....	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018
3 Coin .....	315	309	316	333	339	318	315	360
<i>Loans</i>								
4 To depository institutions .....	494	450	445	759	570	458	494	504
5 Other .....	0	0	0	0	0	0	0	0
6 Acceptances held under repurchase agreements .....	0	0	0	0	0	0	0	0
<i>Federal agency obligations</i>								
7 Bought outright .....	3,837	3,837	3,817	3,817	3,806	3,900	3,837	3,806
8 Held under repurchase agreements .....	1,732	1,500	0	0	0	1,350	1,732	370
9 Total U.S. Treasury securities .....	<b>355,629</b>	<b>356,312</b>	<b>355,896</b>	<b>354,496</b>	<b>349,846</b>	<b>351,608</b>	<b>355,629</b>	<b>355,150</b>
10 Bought outright <sup>2</sup> .....	349,110	354,017	355,896	354,496	349,846	348,838	349,110	353,010
11 Bills .....	170,345	170,792	172,672	171,272	166,621	170,072	170,345	169,785
12 Notes .....	138,006	141,389	141,389	141,389	141,389	138,384	138,006	141,389
13 Bonds .....	40,760	41,836	41,836	41,836	41,836	40,381	40,760	41,836
14 Held under repurchase agreements .....	6,519	2,295	0	0	0	2,770	6,519	2,140
15 Total loans and securities .....	<b>361,692</b>	<b>362,099</b>	<b>360,158</b>	<b>359,072</b>	<b>354,222</b>	<b>357,316</b>	<b>361,692</b>	<b>359,830</b>
16 Items in process of collection .....	5,125	9,539	5,627	6,059	5,037	3,809	5,125	4,104
17 Bank premises .....	1,065	1,066	1,066	1,067	1,068	1,063	1,065	1,068
<i>Other assets</i>								
18 Denominated in foreign currencies <sup>3</sup> .....	22,624	22,640	22,656	22,675	22,690	22,868	22,624	23,197
19 All other <sup>4</sup> .....	8,341	8,829	8,967	9,190	9,448	9,728	8,341	9,218
20 Total assets .....	<b>418,233</b>	<b>423,554</b>	<b>417,863</b>	<b>417,467</b>	<b>411,876</b>	<b>414,173</b>	<b>418,233</b>	<b>416,848</b>
LIABILITIES								
21 Federal Reserve notes .....	364,032	366,613	365,500	364,069	364,263	360,309	364,032	363,509
22 Total deposits .....	<b>38,753</b>	<b>39,356</b>	<b>36,380</b>	<b>37,703</b>	<b>32,014</b>	<b>38,682</b>	<b>38,753</b>	<b>37,562</b>
23 Depository institutions .....	32,282	32,894	30,321	25,857	24,701	34,573	32,282	30,054
24 U.S. Treasury—General account .....	5,994	5,939	5,581	11,359	6,658	3,683	5,994	6,848
25 Foreign—Official accounts .....	188	192	192	188	399	182	188	342
26 Other .....	289	327	286	300	256	244	289	318
27 Deferred credit items .....	4,584	6,596	4,979	4,747	4,417	3,787	4,584	3,765
28 Other liabilities and accrued dividends <sup>5</sup> .....	3,632	3,518	3,428	3,398	3,607	3,425	3,632	3,831
29 Total liabilities .....	<b>411,001</b>	<b>416,083</b>	<b>410,287</b>	<b>409,917</b>	<b>404,302</b>	<b>406,203</b>	<b>411,001</b>	<b>408,667</b>
CAPITAL ACCOUNTS								
30 Capital paid in .....	3,588	3,596	3,596	3,605	3,607	3,550	3,588	3,608
31 Surplus .....	3,383	3,399	3,401	3,401	3,401	3,401	3,383	3,401
32 Other capital accounts .....	262	476	578	545	566	1,018	262	1,172
33 Total liabilities and capital accounts .....	<b>418,233</b>	<b>423,554</b>	<b>417,863</b>	<b>417,467</b>	<b>411,876</b>	<b>414,173</b>	<b>418,233</b>	<b>416,848</b>
MEMO								
34 Marketable U.S. Treasury securities held in custody for foreign and international accounts .....	398,851	397,180	398,335	401,042	398,798	395,105	398,851	399,937
Federal Reserve note statement								
35 Federal Reserve notes outstanding (issued to Banks) .....	442,669	443,960	445,668	447,485	448,609	435,668	442,669	449,006
36 Less: Held by Federal Reserve Banks .....	78,637	77,347	80,168	83,417	84,346	75,359	78,637	85,498
37 Federal Reserve notes, net .....	364,032	366,613	365,500	364,069	364,263	360,309	364,032	363,509
<i>Collateral held against notes, net</i>								
38 Gold certificate account .....	11,054	11,054	11,054	11,054	11,054	11,052	11,054	11,054
39 Special drawing rights certificate account .....	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018
40 Other eligible assets .....	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities .....	344,960	347,541	346,428	344,997	345,191	341,239	344,960	344,437
42 Total collateral .....	<b>364,032</b>	<b>366,613</b>	<b>365,500</b>	<b>364,069</b>	<b>364,263</b>	<b>360,309</b>	<b>364,032</b>	<b>363,509</b>

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.

A12 Domestic Financial Statistics □ December 1994

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holding

Millions of dollars

Type of holding and maturity	Wednesday					End of month		
	1994					1994		
	Aug. 31	Sept. 7	Sept. 14	Sept. 21	Sept. 28	July 31	Aug. 31	Sept. 30
<b>1 Total loans</b> .....	<b>512</b>	<b>451</b>	<b>445</b>	<b>759</b>	<b>570</b>	<b>458</b>	<b>512</b>	<b>504</b>
2 Within fifteen days <sup>1</sup> .....	417	132	121	708	510	228	417	264
3 Sixteen days to ninety days .....	95	318	324	52	60	230	95	240
4 Ninety-one days to one year .....	0	0	0	0	0	0	0	0
<b>5 Total acceptances</b> .....	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
6 Within fifteen days <sup>1</sup> .....	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
<b>9 Total U.S. Treasury securities</b> .....	<b>355,629</b>	<b>356,312</b>	<b>355,896</b>	<b>354,496</b>	<b>349,846</b>	<b>348,838</b>	<b>355,629</b>	<b>353,010</b>
10 Within fifteen days <sup>1</sup> .....	18,290	18,060	17,429	18,290	9,781	7,706	18,290	5,373
11 Sixteen days to ninety days .....	83,811	80,868	81,084	83,026	82,848	89,041	83,811	87,966
12 Ninety-one days to one year .....	110,330	109,877	109,877	105,672	109,710	108,478	110,330	110,922
13 One year to five years .....	84,522	87,052	87,052	87,052	87,052	85,511	84,522	88,294
14 Five years to ten years .....	25,178	26,116	26,116	26,116	26,116	24,977	25,178	26,116
15 More than ten years .....	33,499	34,339	34,339	34,339	34,339	33,125	33,499	34,339
<b>16 Total federal agency obligations</b> .....	<b>5,569</b>	<b>5,337</b>	<b>3,817</b>	<b>3,817</b>	<b>3,806</b>	<b>3,900</b>	<b>5,569</b>	<b>3,806</b>
17 Within fifteen days <sup>1</sup> .....	2,022	1,500	11	211	230	111	2,022	230
18 Sixteen days to ninety days .....	448	780	769	569	546	607	448	546
19 Ninety-one days to one year .....	763	721	741	741	780	769	763	780
20 One year to five years .....	1,752	1,752	1,712	1,712	1,666	1,818	1,752	1,666
21 Five years to ten years .....	559	559	559	559	559	570	559	559
22 More than ten years .....	25	25	25	25	25	25	25	25

1. Holdings under repurchase agreements are classified as maturing within fifteen days in accordance with maximum maturity of the agreements.

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE<sup>1</sup>

Billions of dollars, averages of daily figures

Item	1990 Dec.	1991 Dec.	1992 Dec.	1993 Dec.	1994							
					Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.
Seasonally adjusted												
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS <sup>2</sup>												
1 Total reserves <sup>3</sup>	41.77	45.53	54.34	60.48	60.76	60.59	60.33	59.91	59.71	59.82	59.52	59.49
2 Nonborrowed reserves <sup>4</sup>	41.44	45.34	54.22	60.39	60.69	60.53	60.21	59.71	59.37	59.36	59.05	59.00
3 Nonborrowed reserves plus extended credit <sup>5</sup>	41.47	45.34	54.22	60.39	60.69	60.53	60.21	59.71	59.37	59.36	59.05	59.00
4 Required reserves <sup>6</sup>	40.11	44.55	53.19	59.41	59.62	59.62	59.18	59.00	58.60	58.71	58.51	58.42
5 Monetary base <sup>6</sup>	293.16	317.12	350.61	385.86	393.96	397.01	399.20	401.73	404.32	407.04	409.18	411.04
Not seasonally adjusted												
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS <sup>10</sup>												
6 Total reserves <sup>7</sup>	43.07	46.98	56.06	62.37	59.53	59.50	61.40	58.97	59.56	59.66	58.84	59.39
7 Nonborrowed reserves	42.74	46.78	55.93	62.29	59.46	59.44	61.27	58.77	59.22	59.20	58.37 <sup>f</sup>	58.90
8 Nonborrowed reserves plus extended credit <sup>8</sup>	42.77	46.78	55.93	62.29	59.46	59.44	61.27	58.77	59.22	59.20	58.37 <sup>f</sup>	58.90
9 Required reserves <sup>9</sup>	41.40	46.00	54.90	61.31	58.39	58.53	60.25	58.06	58.45	58.55	57.84	58.33
10 Monetary base <sup>9</sup>	296.68	321.07	354.55	390.59	390.86	394.15	399.76	400.26	404.72	408.17 <sup>f</sup>	408.95	411.05
11 Total reserves <sup>11</sup>	59.12	55.53	56.54	62.86	59.59	59.61	61.64	59.27	59.92	60.09	59.34	59.96
12 Nonborrowed reserves	58.80	55.34	56.42	62.78	59.52	59.55	61.52	59.07	59.59	59.63	58.87	59.47
13 Nonborrowed reserves plus extended credit <sup>12</sup>	58.82	55.34	56.42	62.78	59.52	59.55	61.52	59.07	59.59	59.64	58.87	59.47
14 Required reserves	57.46	54.55	55.39	61.80	58.45	58.64	60.49	58.36	58.82	58.99	58.33	58.89
15 Monetary base <sup>12</sup>	313.70	333.61	360.90	397.62	397.93	400.78	406.32	406.59	410.94	414.39	414.90	416.66
16 Excess reserves <sup>13</sup>	1.66	.98	1.16	1.06	1.14	.97	1.15	.92	1.11	1.11	1.00 <sup>f</sup>	1.06
17 Borrowings from the Federal Reserve	.33	.19	.12	.08	.07	.06	.12	.20	.33	.46	.47	.49

1. Latest monthly and biweekly figures are available from the Board's H.3 (502) weekly statistical release. Historical data starting in 1959 and estimates of the impact on required reserves of changes in reserve requirements are available from the Money and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

2. Figures reflect adjustments for discontinuities, or "breaks," associated with regulatory changes in reserve requirements. (See also table 1.10)

3. Seasonally adjusted, break-adjusted total reserves equal seasonally adjusted, break-adjusted required reserves (line 4) plus excess reserves (line 16).

4. Seasonally adjusted, break-adjusted nonborrowed reserves equal seasonally adjusted, break-adjusted total reserves (line 1) less total borrowings of depository institutions from the Federal Reserve (line 17).

5. Extended credit consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as with traditional short-term adjustment credit, the money market 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 those weekly reporters whose vault cash exceeds their required reserves) the break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

10. Reflects actual reserve requirements, including those on nondeposit liabilities, with no adjustments to eliminate the effects of discontinuities associated with regulatory changes in reserve requirements.

11. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements.

12. The monetary base, not break-adjusted and not seasonally adjusted, consists of (1) total reserves (line 11), plus (2) required clearing balances and adjustments to compensate for float at Federal Reserve Banks, plus (3) the currency component of the money stock, plus (4) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the difference between current vault cash and the amount applied to satisfy current reserve requirements. Since the introduction of contemporaneous reserve requirements in February 1984, currency and vault cash figures have been measured over the computation periods ending on Mondays.

13. Unadjusted total reserves (line 11) less unadjusted required reserves (line 14).

A14 Domestic Financial Statistics □ December 1994

1.21 MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES<sup>1</sup>

Billions of dollars, averages of daily figures

Item	1990 Dec.	1991 Dec.	1992 Dec.	1993 Dec.	1994			
					June	July <sup>f</sup>	Aug. <sup>f</sup>	Sept.
Seasonally adjusted								
<i>Measures<sup>2</sup></i>								
1 M1	826.4	897.7	1,024.8	1,128.4	1,146.3 <sup>f</sup>	1,153.3	1,151.6	1,152.8
2 M2	3,353.0	3,455.3	3,509.0	3,568.0 <sup>f</sup>	3,589.3 <sup>f</sup>	3,603.3	3,596.9	3,594.7
3 M3	4,125.7	4,180.4	4,183.1	4,232.1 <sup>f</sup>	4,229.1 <sup>f</sup>	4,250.3	4,242.9	4,246.7
4 L	4,974.8	4,992.9	5,057.2	5,134.5 <sup>f</sup>	5,157.7 <sup>f</sup>	5,188.4	5,187.2	n.a.
5 Debt	10,690.6	11,165.9	11,697.8	12,320.3	12,627.7	12,654.4	12,713.3	n.a.
<i>M1 components</i>								
6 Currency <sup>3</sup>	246.7	267.1	292.2	321.4	340.3	343.2	345.4	347.3
7 Travelers checks <sup>4</sup>	7.8	7.7	8.1	7.9	8.1	8.2	8.3	8.4
8 Demand deposits <sup>5</sup>	277.9	290.0	339.6	384.8	386.5 <sup>f</sup>	389.2	387.6	388.2
9 Other checkable deposits <sup>6</sup>	294.0	332.8	384.9	414.3	411.4	412.7	410.2	408.8
<i>Nontransaction components</i>								
10 In M2	2,526.6	2,557.6	2,484.3	2,439.6 <sup>f</sup>	2,443.0	2,449.9	2,445.3	2,441.9
11 In M3 <sup>8</sup> only	772.7	725.2	674.1	664.1	639.8 <sup>f</sup>	647.0	646.0	652.1
<i>Commercial banks</i>								
12 Savings deposits, including MMDAs	582.1	665.5	754.6	785.3	779.2	777.7	776.0	773.6
13 Small time deposits <sup>10, 11</sup>	611.3	602.9	508.7	468.5	466.6	468.8	474.7	479.7
14 Large time deposits <sup>10, 11</sup>	368.6	342.4	292.8	277.1	275.0 <sup>f</sup>	276.5	279.9	284.8
<i>Thrift institutions</i>								
15 Savings deposits, including MMDAs	338.3	375.6	429.0	430.2	428.0	424.7	418.6	412.5
16 Small time deposits <sup>10</sup>	563.2	464.5	361.8	317.2 <sup>f</sup>	303.8	303.8	303.0	303.4
17 Large time deposits <sup>10</sup>	120.9	83.4	67.5	61.8	60.4 <sup>f</sup>	61.2	60.9	62.1
<i>Money market mutual funds</i>								
18 General purpose and broker-dealer	355.5	370.4	352.0	348.8	359.3	363.5	362.9	362.4
19 Institution-only	135.0	181.0	201.5	197.0	169.5	170.9	169.3	167.9
<i>Debt components</i>								
20 Federal debt	2,490.3	2,763.3	3,067.9	3,327.4	3,416.3	3,419.8	3,437.3	n.a.
21 Nonfederal debt	8,200.3	8,402.6	8,629.8	8,992.9 <sup>f</sup>	9,211.4	9,234.6	9,276.0	n.a.
Not seasonally adjusted								
<i>Measures<sup>2</sup></i>								
22 M1	843.8	916.7	1,046.7	1,153.8	1,142.5 <sup>f</sup>	1,151.2	1,144.6	1,146.9
23 M2	3,366.0	3,470.4	3,527.6	3,590.6 <sup>f</sup>	3,585.2 <sup>f</sup>	3,599.6	3,589.2	3,584.2
24 M3	4,135.5	4,191.9	4,198.3	4,251.5 <sup>f</sup>	4,225.7 <sup>f</sup>	4,243.3	4,238.9	4,236.0
25 L	4,997.2	5,018.0	5,087.7	5,169.4 <sup>f</sup>	5,147.3 <sup>f</sup>	5,173.7	5,176.5	n.a.
26 Debt	10,687.6	11,163.3	11,700.6	12,316.0	12,581.1	12,613.6	12,665.5	n.a.
<i>M1 components</i>								
27 Currency <sup>3</sup>	249.5	269.9	295.0	324.9	340.6	344.9	345.7	347.1
28 Travelers checks <sup>4</sup>	7.4	7.4	7.8	7.6	8.3	8.8	8.9	8.8
29 Demand deposits <sup>5</sup>	289.9	303.1	355.1	402.6	383.4 <sup>f</sup>	388.5	384.3	385.9
30 Other checkable deposits <sup>6</sup>	297.0	336.3	388.9	418.6	410.1	409.1	405.6	405.1
<i>Nontransaction components</i>								
31 In M2	2,522.3	2,553.7	2,480.9	2,436.8 <sup>f</sup>	2,442.7	2,448.3	2,444.6	2,437.3
32 In M3 <sup>8</sup>	769.5	721.6	670.6	660.9	640.5 <sup>f</sup>	643.7	649.7	651.8
<i>Commercial banks</i>								
33 Savings deposits, including MMDAs	580.8	664.0	752.9	783.9	781.9	779.6	776.5	772.2
34 Small time deposits <sup>10, 11</sup>	610.5	601.9	507.8	467.6	466.2	469.8	475.8	481.1
35 Large time deposits <sup>10, 11</sup>	367.7	341.3	291.7	276.0	276.8 <sup>f</sup>	276.2	281.7	285.9
<i>Thrift institutions</i>								
36 Savings deposits, including MMDAs	337.6	374.8	428.1	429.4	429.5	425.7	418.9	411.8
37 Small time deposits <sup>10</sup>	562.4	463.8	361.2	316.5 <sup>f</sup>	303.5	304.5	303.6	304.2
38 Large time deposits <sup>10</sup>	120.6	83.1	67.2	61.6	60.8 <sup>f</sup>	61.1	61.3	62.3
<i>Money market mutual funds</i>								
39 General purpose and broker-dealer	353.8	368.5	350.2	347.2	357.1	360.0	360.2	357.6
40 Institution-only	134.7	180.4	200.4	195.8	166.3	167.4	169.5	165.1
<i>Repurchase agreements and Eurodollars</i>								
41 Overnight and continuing	77.3	80.6	80.7	92.3	104.4	108.9	109.7	110.3
42 Term	158.3	130.1	126.8	143.8	151.6 <sup>f</sup>	154.0	151.4	152.1
<i>Debt components</i>								
43 Federal debt	2,491.3	2,765.0	3,069.8	3,329.5	3,394.5	3,393.8	3,418.4	n.a.
44 Nonfederal debt	8,196.2	8,398.3	8,630.8	8,986.5	9,186.7 <sup>f</sup>	9,219.8	9,247.1	n.a.

Footnotes appear on following page.

## NOTES TO TABLE 1.21

1. Latest monthly and weekly figures are available from the Board's H.6 (508) weekly statistical release. Historical data starting in 1959 are available from the Money and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

2. Composition of the money stock measures and debt is as follows:

M1: (1) currency outside the U.S. Treasury, Federal Reserve Banks, and the vaults of depository institutions, (2) travelers checks of nonbank issuers, (3) demand deposits at all commercial banks other than those owed to depository institutions, the U.S. government, and foreign banks and official institutions, less cash items in the process of collection and Federal Reserve float, and (4), other checkable deposits (OCDs), consisting of negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at depository institutions, credit union share draft accounts, and demand deposits at thrift institutions. Seasonally adjusted M1 is computed by summing currency, travelers checks, demand deposits, and OCDs, each seasonally adjusted separately.

M2: M1 plus (1) 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: The debt aggregate is the outstanding credit market debt of the domestic nonfinancial sectors—the federal sector (U.S. government, not including government-sponsored enterprises or federally related mortgage pools) and the nonfederal sectors (state and local governments, households and nonprofit organizations, nonfinancial corporate and nonfarm noncorporate businesses, and farms). Nonfederal debt consists of mortgages, tax-exempt and corporate bonds, consumer credit, bank loans, commercial paper, and other loans. The data, which are derived from the Federal Reserve Board's flow of funds accounts, are break-adjusted (that is, discontinuities in the data have been smoothed into the series) and month-averaged (that is, the data have been derived by averaging adjacent month-end levels).

3. Currency outside the U.S. Treasury, Federal Reserve Banks, and vaults of depository institutions.

4. Outstanding amount of U.S. dollar-denominated travelers checks of nonbank issuers. Travelers checks issued by depository institutions are included in demand deposits.

5. Demand deposits at commercial banks and foreign-related institutions other than those owed to depository institutions, the U.S. government, and foreign banks and official institutions, less cash items in the process of collection and Federal Reserve float.

6. Consists of NOW and ATS account balances at all depository institutions, credit union share draft account balances, and demand deposits at thrift institutions.

7. Sum of (1) overnight RPs and overnight Eurodollars, (2) money market fund balances (general purpose and broker-dealer), (3) savings deposits (including MMDAs), and (4) 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 (5) 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, the U.S. government, and foreign banks and official institutions.

1.22 DEPOSIT INTEREST RATES AND AMOUNTS OUTSTANDING Commercial and BIF-insured saving banks<sup>1</sup>

Item	1991 Dec.	1992 Dec.	1994								
			Jan.	Feb.	Mar.	Apr.	May	June	July	Aug. <sup>2</sup>	Sept.
Interest rates (effective annual yields)											
<b>INSURED COMMERCIAL BANKS</b>											
1 Negotiable order of withdrawal accounts ...	3.76	2.33	1.84	1.82	1.82	1.81	1.83	1.82	1.83	1.85	1.87
2 Savings deposits <sup>2</sup> .....	4.30	2.88	2.46	2.43	2.43	2.45	2.50	2.54	2.57	2.63	2.67
<i>Interest-bearing time deposits with balances of less than \$100,000, by maturity</i>											
3 7 to 91 days .....	4.18	2.90	2.65	2.68	2.76	2.87	2.99	3.08	3.17	3.29	3.36
4 92 to 182 days .....	4.41	3.16	2.90	2.94	3.02	3.13	3.28	3.36	3.44	3.61	3.75
5 183 days to 1 year .....	4.59	3.37	3.14	3.18	3.27	3.42	3.64	3.76	3.88	4.11	4.27
6 More than 1 year to 2½ years .....	4.95	3.88	3.56	3.61	3.69	3.87	4.12	4.26	4.39	4.61	4.80
7 More than 2½ years .....	5.52	4.77	4.31	4.35	4.46	4.67	4.89	5.02	5.14	5.33	5.47
<b>BIF-INSURED SAVINGS BANKS<sup>3</sup></b>											
8 Negotiable order of withdrawal accounts ...	4.44	2.45	1.89	1.88	1.83	1.86	1.86	1.88	1.89	1.89	1.91
9 Savings deposits <sup>2</sup> .....	4.97	3.20	2.62	2.64	2.63	2.65	2.67	2.69	2.67	2.74	2.78
<i>Interest-bearing time deposits with balances of less than \$100,000, by maturity</i>											
10 7 to 91 days .....	4.68	3.13	2.69	2.69	2.71	2.72	2.77	2.84	2.98	3.03	3.11
11 92 to 182 days .....	4.92	3.44	3.03	3.04	3.08	3.13	3.21	3.41	3.53	3.69	3.87
12 183 days to 1 year .....	4.99	3.61	3.33	3.34	3.37	3.47	3.67	3.92	4.02	4.24	4.47
13 More than 1 year to 2½ years .....	5.23	4.02	3.72	3.76	3.85	3.96	4.12	4.38	4.56	4.83	5.04
14 More than 2½ years .....	5.98	5.00	4.61	4.66	4.75	4.85	5.08	5.24	5.35	5.47	5.64
Amounts outstanding (millions of dollars)											
<b>INSURED COMMERCIAL BANKS</b>											
15 Negotiable order of withdrawal accounts ...	244,637	286,541	293,806	295,573	297,496	293,888	292,797	290,220	290,631	295,320	286,546
16 Savings deposits <sup>2</sup> .....	652,058	738,253	771,559	776,204	779,340	771,869	773,170	767,539	765,751	764,035	755,343
17 Personal .....	508,191	578,757	606,615	611,725	615,875	611,720	612,648	608,132	605,881	600,892	595,265
18 Nonpersonal .....	143,867	159,496	164,944	164,479	163,465	160,149	160,522	159,407	159,870	163,143	160,077
<i>Interest-bearing time deposits with balances of less than \$100,000, by maturity</i>											
19 7 to 91 days .....	47,094	38,474	29,312	29,578	29,539	29,467	29,950	28,763	28,659	27,959	28,322
20 92 to 182 days .....	158,605	127,831	109,110	109,444	107,407	105,615	104,400	102,439	100,424	98,085	96,356
21 183 days to 1 year .....	209,672	163,098	144,037	143,624	144,022	146,733	148,102	151,165	152,216	155,964	157,231
22 More than 1 year to 2½ years .....	171,721	152,977	141,204	141,006	139,946	139,313	140,764	144,686	146,875	150,807	152,530
23 More than 2½ years .....	158,078	169,708	182,193	181,240	180,973	181,977	180,381	181,843	182,944	186,490	190,232
24 IRA and Keogh plan deposits .....	147,266	147,350	143,875	143,409	142,002	142,448	142,047	142,513	142,649	142,617	143,083
<b>BIF-INSURED SAVINGS BANKS<sup>3</sup></b>											
25 Negotiable order of withdrawal accounts ...	9,624	10,871	10,796	10,870	11,078	11,051	11,052	10,792	10,925	11,016	10,666
26 Savings deposits <sup>2</sup> .....	71,215	81,786	78,660	78,016	78,701	78,982	78,817	77,289	77,337	75,108	74,265
27 Personal .....	68,638	78,695	75,445	74,756	75,444	75,717	75,474	74,121	74,064	72,040	71,146
28 Nonpersonal .....	2,577	3,091	3,215	3,260	3,257	3,265	3,344	3,168	3,273	3,068	3,119
<i>Interest-bearing time deposits with balances of less than \$100,000, by maturity</i>											
29 7 to 91 days .....	4,146	3,867	2,737	2,735	2,671	2,697	2,702	2,614	2,531	2,523	2,379
30 92 to 182 days .....	21,686	17,345	13,094	13,165	13,177	13,058	12,822	12,515	12,511	12,292	12,159
31 183 days to 1 year .....	29,715	21,780	17,418	17,436	17,511	17,504	17,444	17,310	17,591	17,593	17,758
32 More than 1 year to 2½ years .....	25,379	18,442	16,281	16,338	16,180	16,453	16,477	16,493	16,901	16,824	17,123
33 More than 2½ years .....	18,665	18,845	20,630	20,939	21,110	21,454	21,546	21,079	21,573	21,531	21,712
34 IRA and Keogh plan accounts .....	23,007	21,713	19,395	19,474	19,447	19,860	19,772	19,511	19,757	19,445	19,416

1. BIF, Bank Insurance Fund. Data in this table also appear in the Board's H.6 (508) Special Supplementary Table monthly statistical release. For ordering address, see inside front cover. Estimates are based on data collected by the Federal Reserve System from a stratified random sample of about 460 commercial banks and 80 savings banks on the last Wednesday of each period. Data are not

seasonally adjusted and include IRA and Keogh deposits and foreign currency-denominated deposits. Data exclude retail repurchase agreements and deposits held in U.S. branches and agencies of foreign banks.

2. Includes personal and nonpersonal money market deposits.

3. Includes both mutual and federal savings banks.



1.23 BANK DEBITS AND DEPOSIT TURNOVER<sup>1</sup>

Debits are in billions of dollars; turnover is ratio of debits to deposits; monthly data are at annual rates

Bank group, or type of deposit	1991 <sup>2</sup>	1992 <sup>2</sup>	1993 <sup>2</sup>	1994					
				Feb.	Mar.	Apr.	May	June <sup>r</sup>	July
<b>DEBITS</b>									
Seasonally adjusted									
<i>Demand deposits</i> <sup>3</sup>									
1 All insured banks	277,741.7	313,179.6	334,375.0	371,866.2 <sup>r</sup>	393,886.4 <sup>r</sup>	352,714.2 <sup>r</sup>	376,238.0 <sup>r</sup>	371,523.9	347,045.6
2 Major New York City banks	137,337.2	165,484.6	171,310.7	200,050.9	210,684.5	184,409.0	200,277.8 <sup>r</sup>	195,079.4	182,420.0
3 Other banks	140,404.5	147,695.1	163,064.2	171,815.3 <sup>r</sup>	183,201.9 <sup>r</sup>	168,305.2 <sup>r</sup>	175,960.2 <sup>r</sup>	176,444.5	164,625.6
4 Other checkable deposits <sup>4</sup>	3,643.1	3,780.7	3,468.9	3,785.4 <sup>r</sup>	3,882.4 <sup>r</sup>	3,573.7 <sup>r</sup>	3,868.1 <sup>r</sup>	3,845.3	3,479.1
5 Savings deposits (including MMDAs) <sup>5</sup>	3,206.4	3,310.6	3,511.0	4,057.0 <sup>r</sup>	3,918.6	3,458.4	3,530.6	3,817.0	3,456.4
<b>DEPOSIT TURNOVER</b>									
<i>Demand deposits</i> <sup>3</sup>									
6 All insured banks	803.7	825.8	785.4	823.3	873.5 <sup>r</sup>	778.6	834.0 <sup>r</sup>	828.6	759.7
7 Major New York City banks	4,267.1	4,794.5	4,200.5	4,674.4	4,798.4	4,233.3	4,714.9	4,480.9	4,074.8
8 Other banks	448.1	428.7	423.7	420.2	450.1	411.1	430.6	435.8	399.5
9 Other checkable deposits <sup>4</sup>	16.2	14.4	11.8	12.6	12.9	11.9	12.8	12.7	11.4
10 Savings deposits (including MMDAs) <sup>5</sup>	5.2	4.7	4.6	5.2	5.0	4.4	4.5	4.9	4.5
<b>DEBITS</b>									
Not seasonally adjusted									
<i>Demand deposits</i> <sup>3</sup>									
11 All insured banks	277,752.4	313,344.9	334,354.6	345,587.4 <sup>r</sup>	406,836.2 <sup>r</sup>	350,136.0 <sup>r</sup>	364,471.2 <sup>r</sup>	387,227.2	349,201.9
12 Major New York City banks	137,307.2	165,595.0	171,283.5	187,904.4	218,783.5	181,272.6	188,885.2	204,251.8	182,452.9
13 Other banks	140,445.2	147,749.9	163,071.0	157,683.0 <sup>r</sup>	188,052.6 <sup>r</sup>	168,863.5 <sup>r</sup>	175,586.0 <sup>r</sup>	182,975.4	166,749.0
14 Other checkable deposits <sup>4</sup>	3,645.2	3,783.6	3,467.5	3,480.5 <sup>r</sup>	3,889.4 <sup>r</sup>	3,781.8 <sup>r</sup>	3,685.2 <sup>r</sup>	3,902.5	3,485.5
15 Savings deposits (including MMDAs) <sup>5</sup>	3,209.2	3,310.0	3,509.5	3,616.8	3,882.9 <sup>r</sup>	3,633.8	3,567.4	3,940.0	3,574.2
<b>DEPOSIT TURNOVER</b>									
<i>Demand deposits</i> <sup>3</sup>									
16 All insured banks	803.6	826.1	785.4	783.1 <sup>r</sup>	923.3 <sup>r</sup>	771.4	823.3	868.4	765.4
17 Major New York City banks	4,269.0	4,803.5	4,197.9	4,319.0	5,140.2	4,228.8	4,449.3	4,878.2	4,150.3
18 Other banks	448.1	428.8	423.8	396.4	472.4	410.8	438.7	452.8	404.5
19 Other checkable deposits <sup>4</sup>	16.2	14.4	11.8	11.6	12.9	12.3	12.3	13.0	11.7
20 Savings deposits (including MMDAs) <sup>5</sup>	5.2	4.7	4.6	4.6	5.0	4.6	4.6	5.1	4.6

1. Historical tables containing revised data for earlier periods can be obtained from the Publications Section, Division of Support Services, Board of Governors of the Federal Reserve System, Washington, DC 20551.

Data in this table also appear in the Board's G.6 (406) monthly statistical release. For ordering address, see inside front cover.

2. Annual averages of monthly figures.

3. Represents accounts of individuals, partnerships, and corporations and of states and political subdivisions.

4. As of January 1994, other checkable deposits (OCDs), previously defined as automatic transfer to demand deposits (ATSDs) and negotiable order of withdrawal (NOW) accounts, were expanded to include telephone and preauthorized transfer accounts. This change redefined OCDs for debits data to be consistent with OCDs for deposits data.

5. Money market deposit accounts.





NOTES TO TABLE 1.26

1. Covers the following types of institutions in the fifty states and the District of Columbia: domestically chartered commercial banks that submit a weekly report of condition (large domestic); other domestically chartered commercial banks (small domestic); branches and agencies of foreign banks; New York State investment companies, and Edge Act and agreement corporations (foreign-related institutions). Excludes international banking facilities. Data are Wednesday values, or pro rata averages of Wednesday values. Large domestic banks constitute a universe; data for small domestic banks and foreign-related institutions are estimates based on weekly samples and on quarter-end condition reports. Data are adjusted for breaks caused by reclassifications of assets and liabilities.

2. Excludes federal funds sold to, reverse repurchase agreements with, and loans to commercial banks in the United States.

3. Consists of reserve repurchase agreements with broker-dealers and loans to purchase and carry securities.

4. Consists of federal funds sold to, reverse repurchase agreements with, and loans to commercial banks in the United States.

5. Includes vault cash, cash items in process of collection, demand balances due from depository institutions in the United States, balances due from Federal Reserve Banks, and other cash assets.

6. Excludes the due-from position with related foreign offices, which is included in lines 25, 53, 81, and 109.

7. Excludes unearned income, reserves for losses on loans and leases, and reserves for transfer risk. Loans are reported gross of these items.

8. Excludes the due-to position with related foreign offices, which is included in lines 25, 53, 81, and 109.

9. This balancing item is not intended as a measure of equity capital for use in capital adequacy analysis.

NOTE. Data have been benchmarked to the June 1994 Call Report. Earlier tables were benchmarked to the March 1994 Call Report.

1.27 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS

Millions of dollars, Wednesday figures

Account	1994								
	Aug. 3	Aug. 10 <sup>1</sup>	Aug. 17	Aug. 24	Aug. 31 <sup>1</sup>	Sept. 7	Sept. 14	Sept. 21	Sept. 28
ASSETS									
1 Cash and balances due from depository institutions	105,535 <sup>f</sup>	101,118	96,643 <sup>f</sup>	103,053 <sup>f</sup>	113,464	122,425	112,704	103,517	105,062
2 U.S. Treasury and government securities	313,928 <sup>f</sup>	313,354	316,004	311,396 <sup>f</sup>	313,539	311,900	313,457	306,558	302,159
3 Trading account	24,974	24,678	27,754	24,642	26,422	25,435	25,693	24,798	21,488
4 Investment account	288,955 <sup>f</sup>	288,676	288,249 <sup>f</sup>	286,754 <sup>f</sup>	287,117	286,465	287,764	281,759	280,671
5 Mortgage-backed securities <sup>1</sup>	94,816 <sup>f</sup>	94,520	94,112 <sup>f</sup>	92,525 <sup>f</sup>	93,029	92,836	92,493	91,624	92,401
All others, by maturity									
6 One year or less	46,812 <sup>f</sup>	46,888	47,450 <sup>f</sup>	47,339	49,523	49,737	50,205	44,930	44,609
7 One year through five years	77,947 <sup>f</sup>	78,189	78,398	78,646 <sup>f</sup>	77,176	76,546	77,538	78,052	77,163
8 More than five years	69,379 <sup>f</sup>	69,080	68,290 <sup>f</sup>	68,244 <sup>f</sup>	67,390	67,346	67,529	67,153	66,497
9 Other securities	100,001 <sup>f</sup>	99,797	101,241 <sup>f</sup>	101,883 <sup>f</sup>	103,746	100,960	101,650	100,933	103,329
10 Trading account	2,098	1,779	1,788	1,774	1,835	1,641	1,574	1,523	1,639
11 Investment account	58,672 <sup>f</sup>	59,155	59,086	59,384	61,152	61,138	61,199	60,915	61,063
State and local government, by maturity	21,131	21,186	21,213	21,324	21,420	21,411	21,459	21,453	21,466
One year or less	4,704	4,730	4,744	4,790	4,830	4,935	4,964	4,975	5,009
More than one year	16,427	16,455	16,469	16,535	16,590	16,476	16,494	16,478	16,456
14 Other bonds, corporate stocks, and securities	37,542 <sup>f</sup>	37,969	37,873	38,059	39,732	39,727	39,740	39,462	39,598
16 Other trading account assets	39,230 <sup>f</sup>	38,864	40,367 <sup>f</sup>	40,725 <sup>f</sup>	40,758	38,181	38,877	38,495	40,626
17 Federal funds sold <sup>2</sup>	95,914	89,963	97,450 <sup>f</sup>	93,475	101,872	91,795	95,072	101,662	99,586
18 To commercial banks in the United States	65,340	59,702	66,452	63,067	68,982	61,309	63,325	69,943	70,329
19 To nonbank brokers and dealers in securities	24,546	23,764	23,639 <sup>f</sup>	22,991	25,545	22,930	23,792	24,031	21,075
20 To others <sup>3</sup>	6,027	6,497	7,359	7,417	7,345	7,555	7,954	7,689	8,181
21 Other loans and leases, gross	1,084,986 <sup>f</sup>	1,086,619	1,092,201 <sup>f</sup>	1,092,138 <sup>f</sup>	1,100,977	1,097,425	1,099,987	1,105,672	1,106,914
22 Commercial and industrial	299,606 <sup>f</sup>	299,930	300,981 <sup>f</sup>	299,457 <sup>f</sup>	300,148	299,417	300,408	304,187	304,011
23 Bankers acceptances and commercial paper	3,070	3,117	3,126 <sup>f</sup>	3,087 <sup>f</sup>	3,135	3,223	3,201	3,060	2,895
24 All other	296,537 <sup>f</sup>	296,813	297,855 <sup>f</sup>	296,371 <sup>f</sup>	297,013	296,193	297,207	301,127	301,116
25 U.S. addressees	294,795 <sup>f</sup>	295,139	296,108 <sup>f</sup>	294,716 <sup>f</sup>	295,445	294,563	295,552	299,559	299,506
26 Non-U.S. addressees	1,741	1,674	1,747	1,654	1,568	1,630	1,655	1,568	1,610
27 Real estate loans	434,786 <sup>f</sup>	435,900	436,540 <sup>f</sup>	436,074 <sup>f</sup>	438,305	439,252	440,706	440,297	440,216
28 Revolving, home equity	44,858 <sup>f</sup>	44,799	44,940 <sup>f</sup>	45,040 <sup>f</sup>	45,194	45,194	45,272	45,381	45,513
29 All other	389,929 <sup>f</sup>	391,101	391,600 <sup>f</sup>	391,034 <sup>f</sup>	393,111	394,058	395,434	394,916	394,703
30 To individuals for personal expenditures	222,537 <sup>f</sup>	223,372	225,443 <sup>f</sup>	227,105 <sup>f</sup>	228,632	226,936	228,221	229,578	230,503
31 To depository and financial institutions	42,296	40,813	41,888 <sup>f</sup>	41,104 <sup>f</sup>	43,855	43,944	44,187	42,961	43,673
32 Commercial banks in the United States	22,603	21,900	22,600	22,566	23,469	23,580	24,076	24,337	25,515
33 Banks in foreign countries	3,054	2,667	2,847 <sup>f</sup>	2,380 <sup>f</sup>	3,737	3,393	3,060	3,082	2,875
34 Nonbank depository and other financial institutions	16,639	16,246	16,442	16,158	16,650	16,970	17,051	15,542	15,282
35 For purchasing and carrying securities	15,213	15,897	15,984	17,484	18,094	15,060	15,630	15,580	15,543
36 To finance agricultural production	6,593	6,655	6,639	6,615	6,565	6,515	6,530	6,504	6,472
37 To states and political subdivisions	11,771	11,632	11,613	11,849	11,827	11,683	11,622	11,527	11,504
38 To foreign governments and official institutions	961	972	969	1,003	980	1,157	1,032	1,170	993
39 All other loans <sup>4</sup>	22,678 <sup>f</sup>	22,896	23,550 <sup>f</sup>	22,758 <sup>f</sup>	23,667	24,426	22,468	24,655	24,611
40 Lease-financing receivables	28,544 <sup>f</sup>	28,551	28,595 <sup>f</sup>	28,690 <sup>f</sup>	28,903	29,037	29,183	29,214	29,388
41 Less: Unearned income	1,683 <sup>f</sup>	1,689	1,681 <sup>f</sup>	1,675 <sup>f</sup>	1,658	1,648	1,650	1,663	1,654
42 Loan and lease reserve <sup>5</sup>	34,962	34,998	35,022	34,986	35,081	35,156	35,170	35,155	34,789
43 Other loans and leases, net	1,048,341 <sup>f</sup>	1,049,931	1,055,498 <sup>f</sup>	1,055,477 <sup>f</sup>	1,064,237	1,060,621	1,063,167	1,068,854	1,070,471
44 All other assets	157,176 <sup>f</sup>	152,206	154,667 <sup>f</sup>	146,358 <sup>f</sup>	148,348	150,194	150,871	146,122	146,214
45 Total assets <sup>6</sup>	1,820,895 <sup>f</sup>	1,806,369	1,821,504 <sup>f</sup>	1,811,641 <sup>f</sup>	1,845,206	1,837,896	1,836,920	1,827,646	1,826,821

Footnotes appear on the following page.

## 1.27 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS—Continued

Millions of dollars, Wednesday figures

Account	1994								
	Aug. 3	Aug. 10 <sup>f</sup>	Aug. 17	Aug. 24	Aug. 31 <sup>f</sup>	Sept. 7	Sept. 14	Sept. 21	Sept. 28
<b>LIABILITIES</b>									
46 Deposits.....	1,142,663 <sup>f</sup>	1,135,034	1,136,715 <sup>f</sup>	1,125,275 <sup>f</sup>	1,144,734	1,157,512	1,149,748	1,120,335	1,123,658
47 Demand deposits <sup>1</sup> .....	294,055 <sup>f</sup>	285,561	287,973 <sup>f</sup>	280,778 <sup>f</sup>	299,923	305,189	300,325	281,947	290,029
48 Individuals, partnerships, and corporations.....	245,788 <sup>f</sup>	243,164	243,690 <sup>f</sup>	236,934 <sup>f</sup>	253,126	256,491	254,321	237,343	242,325
49 Other holders.....	48,266 <sup>f</sup>	42,397	44,283 <sup>f</sup>	43,844 <sup>f</sup>	46,797	48,698	46,004	44,604	47,705
50 States and political subdivisions.....	9,099	8,196	8,370	8,496	8,585	8,218	8,149	8,775	8,489
51 U.S. government.....	2,882	1,883	1,887	2,216	2,394	2,025	3,936	2,806	1,857
52 Depository institutions in the United States.....	21,163 <sup>f</sup>	18,458	18,550 <sup>f</sup>	18,400 <sup>f</sup>	19,738	23,081	19,701	17,743	19,636
53 Banks in foreign countries.....	6,059	4,220	5,414	4,452	5,792	5,559	5,155	5,543	5,669
54 Foreign governments and official institutions.....	632	640	732	752	647	654	618	648	662
55 Certified and officers' checks.....	8,431	9,000	9,330	9,527	9,641	9,161	8,445	9,088	11,392
56 Transaction balances other than demand deposits <sup>4</sup> .....	127,894	125,517	125,299	123,470	125,112	128,815	126,934	123,109	121,227
57 Nontransaction balances.....	720,715	723,956	723,443	721,028	719,699	723,508	722,489	715,279	712,402
58 Individuals, partnerships, and corporations.....	698,378	701,072	700,716	698,244	697,373	701,456	700,766	695,126	692,263
59 Other holders.....	22,336	22,884	22,727	22,784	22,326	22,053	21,723	20,153	20,139
60 States and political subdivisions.....	17,727	17,964	17,740	17,801	17,509	17,641	17,359	16,187	16,109
61 U.S. government.....	2,263	2,493	2,489	2,448	2,440	1,986	2,000	2,001	1,999
62 Depository institutions in the United States.....	1,932	1,987	2,066	2,103	1,952	2,002	1,919	1,513	1,579
63 Foreign governments, official institutions, and banks.....	414	440	431	432	425	424	445	451	452
64 Liabilities for borrowed money <sup>5</sup> .....	347,734 <sup>f</sup>	343,467	355,824 <sup>f</sup>	352,807 <sup>f</sup>	364,389	342,898	351,119	371,940	367,175
65 Borrowings from Federal Reserve Banks.....	0	0	0	0	0	0	0	275	0
66 Treasury tax and loan notes.....	8,475 <sup>f</sup>	7,351	7,744 <sup>f</sup>	8,663	17,265	2,007	4,400	34,348	22,625
67 Other liabilities for borrowed money <sup>6</sup> .....	339,259 <sup>f</sup>	336,116	348,080 <sup>f</sup>	344,144 <sup>f</sup>	347,124	340,891	346,719	337,316	344,550
68 Other liabilities (including subordinated notes and debentures).....	160,475 <sup>f</sup>	158,253	158,611 <sup>f</sup>	161,934 <sup>f</sup>	164,896	165,812	163,297	163,488	165,105
69 Total liabilities.....	<b>1,650,873<sup>f</sup></b>	<b>1,636,754</b>	<b>1,651,150<sup>f</sup></b>	<b>1,640,016<sup>f</sup></b>	<b>1,674,019</b>	<b>1,666,222</b>	<b>1,664,164</b>	<b>1,655,763</b>	<b>1,655,938</b>
70 Residual (total assets less total liabilities) <sup>7</sup> .....	170,022 <sup>f</sup>	169,615	170,354 <sup>f</sup>	171,626 <sup>f</sup>	171,187	171,673	172,757	171,883	170,883
<b>MEMO</b>									
71 Total loans and leases, gross, adjusted, plus securities <sup>8</sup> .....	1,506,885 <sup>f</sup>	1,508,131	1,517,844 <sup>f</sup>	1,513,259 <sup>f</sup>	1,527,683	1,517,190	1,522,764	1,520,545	1,516,144
72 Time deposits in amounts of \$100,000 or more.....	97,790	98,325	98,487 <sup>f</sup>	98,119 <sup>f</sup>	96,507	96,905	97,047	93,692	92,829
73 Loans sold outright to affiliates <sup>9</sup> .....	680	680	679	672	672	671	671	674	663
74 Commercial and industrial.....	327	326	326	326	326	326	329	329	329
75 Other.....	353	354	353	346	345	345	342	345	334
76 Foreign branch credit extended to U.S. residents <sup>10</sup> .....	22,482	22,516	22,518	22,263	22,961	23,332	23,167	23,259	22,688
77 Net owed to related institutions abroad.....	38,483	40,892	40,581	51,594	51,276	49,452	45,184	49,629	50,219

1. Includes certificates of participation, issued or guaranteed by agencies of the U.S. government, in pools of residential mortgages.

2. Includes securities purchased under agreements to resell.

3. Includes allocated transfer risk reserve.

4. Includes negotiable order of withdrawal (NOWs) and automatic transfer service (ATS) accounts, and telephone and preauthorized transfers of savings deposits.

5. Includes borrowings only from other than directly related institutions.

6. Includes federal funds purchased and securities sold under agreements to repurchase.

7. This balancing item is not intended as a measure of equity capital for use in capital-adequacy analysis.

8. Excludes loans to and federal funds transactions with commercial banks in the United States.

9. Affiliates include a bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company.

10. Credit extended by foreign branches of domestically chartered weekly reporting banks to nonbank U.S. residents. Consists mainly of commercial and industrial loans, but includes an unknown amount of credit extended to other than nonfinancial businesses.

1.28 LARGE WEEKLY REPORTING U.S. BRANCHES AND AGENCIES OF FOREIGN BANKS

Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1994								
	Aug. 3	Aug. 10	Aug. 17	Aug. 24	Aug. 31	Sept. 7	Sept. 14	Sept. 21	Sept. 28
<b>ASSETS</b>									
1 Cash and balances due from depository institutions	16,121	15,777	16,276	15,472	15,891	14,441	13,973	15,022	15,437
2 U.S. Treasury and government agency securities	39,152	39,306	40,122	40,823	41,299	41,273	41,078	41,342	40,438
3 Other securities	10,876	10,832	11,160	11,429	11,519	11,501	11,784	11,579	12,267
4 Federal funds sold <sup>1</sup>	28,934	30,564	27,071	27,413	30,426	24,851	28,006	29,834	30,893
5 To commercial banks in the United States	6,884	6,720	7,028	5,551	10,080	5,330	7,390	8,224	9,387
6 To others <sup>2</sup>	22,049	23,844	20,043	21,862	20,345	19,520	20,616	21,610	21,506
7 Other loans and leases, gross	158,768	157,668	158,100	158,504	159,480	158,820	159,349	160,645	159,890
8 Commercial and industrial	100,325	101,015	101,308	101,214	101,339	101,246	101,374	102,136	101,102
9 Bankers acceptances and commercial paper	3,529	3,616	3,614	3,488	3,365	3,278	3,270	3,334	3,219
10 All other	96,795	97,399	97,694	97,726	97,974	97,974	98,103	98,802	97,883
11 U.S. addressees	92,651	93,299	93,554	93,582	93,811	93,810	93,858	94,594	93,721
12 Non-U.S. addressees	4,144	4,100	4,140	4,144	4,163	4,158	4,246	4,208	4,163
13 Loans secured by real estate	26,984	26,966	26,980	26,940	26,948	26,967	26,903	26,761	26,677
14 Loans to depository and financial institutions	23,925	22,719	22,584	23,486	23,356	23,529	23,715	24,104	24,915
15 Commercial banks in the United States	5,102	4,653	4,610	5,134	4,602	4,625	4,825	4,684	4,794
16 Banks in foreign countries	1,778	1,768	1,760	1,826	1,919	1,956	1,874	2,012	1,847
17 Nonbank financial institutions	17,045	16,298	16,214	16,527	16,835	16,947	17,016	17,408	18,274
18 For purchasing and carrying securities	3,592	3,082	3,345	2,985	3,793	3,043	3,393	3,484	3,290
19 To foreign governments and official institutions	350	327	328	346	349	345	327	329	353
20 All other	3,592	3,559	3,554	3,533	3,696	3,690	3,637	3,831	3,552
21 Other assets (claims on nonrelated parties)	36,559	35,857	34,900	34,314	35,463	35,267	35,194	33,180	33,169
<b>22 Total assets<sup>3</sup></b>	<b>313,088</b>	<b>314,049</b>	<b>311,238</b>	<b>313,289</b>	<b>320,245</b>	<b>313,129</b>	<b>314,743</b>	<b>318,578</b>	<b>319,085</b>
<b>LIABILITIES</b>									
23 Deposits or credit balances owed to other than directly related institutions	88,828	89,610	91,278	93,017	93,292	93,843	94,454	96,499	98,065
24 Demand deposits <sup>4</sup>	3,889	4,228	4,186	4,276	4,639	4,362	4,454	4,875	5,415
25 Individuals, partnerships, and corporations	3,161	3,352	3,286	3,127	3,794	3,721	3,719	3,776	4,047
26 Other	728	877	900	1,150	845	641	734	1,099	1,368
27 Nontransaction accounts	84,940	85,382	87,091	88,740	88,653	89,481	90,001	91,624	92,649
28 Individuals, partnerships, and corporations	56,689	56,402	57,695	59,123	59,894	61,102	61,501	62,170	63,522
29 Other	28,251	28,980	29,396	29,618	28,759	28,379	28,499	29,453	29,127
30 Borrowings from other than directly related institutions	79,432	79,084	77,084	74,778	81,837	78,031	74,679	78,988	74,714
31 Federal funds purchased <sup>5</sup>	40,700	41,454	38,027	37,002	41,954	41,832	39,504	44,260	39,023
32 From commercial banks in the United States	7,775	7,895	7,637	6,129	10,281	7,980	7,047	9,698	8,204
33 From others	32,926	33,559	30,390	30,873	31,673	33,852	32,457	34,562	30,819
34 Other liabilities for borrowed money	38,732 <sup>6</sup>	37,630 <sup>6</sup>	39,057 <sup>6</sup>	37,776 <sup>6</sup>	39,882 <sup>6</sup>	36,199	35,175	34,728	35,691
35 To commercial banks in the United States	7,277	6,845	6,553	6,446	6,478	6,861	6,945	7,028	7,137
36 To others	31,455	30,785	32,504	31,331	33,404	29,338	28,230	27,700	28,555
37 Other liabilities to nonrelated parties	32,155	32,882	31,383	31,836	33,317	32,547	32,560	30,805	31,336
<b>38 Total liabilities<sup>6</sup></b>	<b>313,088</b>	<b>314,049</b>	<b>311,238</b>	<b>313,289</b>	<b>320,245</b>	<b>313,129</b>	<b>314,743</b>	<b>318,578</b>	<b>319,085</b>
<b>MEMO</b>									
39 Total loans (gross) and securities, adjusted <sup>7</sup>	225,744	226,997	224,815	227,484	228,042	226,490	228,002	230,493	229,307
40 Net owed to related institutions abroad	89,995	88,428	87,885	88,325	85,632	81,732	87,690	85,310	87,980

1. Includes securities purchased under agreements to resell.  
 2. Includes transactions with nonbank brokers and dealers in securities.  
 3. For U.S. branches and agencies of foreign banks having a net "due from" position, includes net due from related institutions abroad.  
 4. Includes other transaction deposits.

5. Includes securities sold under agreements to repurchase.  
 6. For U.S. branches and agencies of foreign banks having a net "due to" position, includes net owed to related institutions abroad.  
 7. Excludes loans to and federal funds transactions with commercial banks in the United States.

## 1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Item	Year ending December					1994					
	1989	1990	1991	1992	1993	Mar.	Apr.	May	June	July	Aug.
Commercial paper (seasonally adjusted unless noted otherwise)											
<b>1 All issuers</b> .....	<b>525,831</b>	<b>562,656</b>	<b>528,832</b>	<b>545,619</b>	<b>555,075</b>	<b>557,768</b>	<b>553,497</b>	<b>559,569</b>	<b>563,067</b>	<b>572,539</b>	<b>564,206</b>
Financial companies <sup>1</sup>											
Dealer-placed paper <sup>2</sup>											
Total .....	183,622	214,706	212,999	226,456	218,947	216,982	207,180	213,623	214,313	222,780	214,769
Bank-related (not seasonally adjusted)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Directly placed paper <sup>3</sup>											
Total .....	210,930	200,036	182,463	171,605	180,389	194,527	199,803	197,812	199,168	199,175	198,598
Bank-related (not seasonally adjusted) <sup>4</sup>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Nonfinancial companies <sup>5</sup>	131,279	147,914	133,370	147,558	155,739	146,259	146,514	148,134	149,586	150,584	150,839
Bankers dollar acceptances (not seasonally adjusted) <sup>6</sup>											
<b>7 Total</b> .....	<b>62,972</b>	<b>54,771</b>	<b>43,770</b>	<b>38,194</b>	<b>32,348</b>	<b>31,061</b>	<b>31,775</b>	<b>29,867</b>	<b>30,659</b>	<b>30,390</b>	<b>30,448</b>
By holder											
Accepting banks .....	9,433	9,017	11,017	10,555	12,421	11,727	11,643	11,533	12,334	11,608	11,543
Own bills .....	8,510	7,930	9,347	9,097	10,707	10,758	10,888	10,601	11,273	10,838	10,824
Bills bought from other banks .....	924	1,087	1,670	1,458	1,714	969	755	932	1,061	770	719
Federal Reserve Banks											
Foreign correspondents .....	1,066	918	1,739	1,276	725	693	625	465	453	386	325
Others .....	52,473	44,836	31,014	26,364	19,202	18,641	19,507	17,869	17,872	18,396	18,580
By basis											
Imports into United States .....	15,651	13,095	12,843	12,209	10,217	10,554	10,834	10,396	10,625	10,956	10,486
Exports from United States .....	13,683	12,703	10,351	8,096	7,293	6,708	6,723	6,367	6,576	6,399	6,458
All other .....	33,638	28,973	20,577	17,890	14,838	13,800	14,217	13,104	13,458	13,035	13,505

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. 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 dollar acceptances are gathered from approximately 100 institutions. The reporting group is revised every January.

7. In 1977 the Federal Reserve discontinued operations in bankers dollar acceptances for its own account.



1.33 PRIME RATE CHARGED BY BANKS Short-Term Business Loans<sup>1</sup>

Percent per year

Date of change	Rate	Period	Average rate	Period	Average rate	Period	Average rate
1991—Jan. 1.....	10.00	1991.....	8.46	1992—Jan. ....	6.50	1993—June .....	6.00
Feb. 2.....	9.50	1992.....	6.25	Feb. ....	6.50	July .....	6.00
Mar. 4.....	9.00	1993.....	6.00	Mar. ....	6.50	Aug. ....	6.00
Apr. 1.....	8.50			Apr. ....	6.50	Sept. ....	6.00
May 13.....	8.00	1991—Jan. ....	9.52	May .....	6.50	Oct. ....	6.00
Nov. 6.....	7.50	Feb. ....	9.05	June .....	6.50	Nov. ....	6.00
Dec. 23.....	6.50	Mar. ....	9.00	July .....	6.02	Dec. ....	6.00
		Apr. ....	9.00	Aug. ....	6.00		
1992—July 2.....	6.00	May .....	8.50	Sept. ....	6.00	1994—Jan. ....	6.00
		June .....	8.50	Oct. ....	6.00	Feb. ....	6.00
1994—Mar. 24.....	6.25	July .....	8.50	Nov. ....	6.00	Mar. ....	6.06
Apr. 19.....	6.75	Aug. ....	8.50	Dec. ....	6.00	Apr. ....	6.45
May 17.....	7.25	Sept. ....	8.20			May .....	6.99
Aug. 16.....	7.75	Oct. ....	8.00	1993—Jan. ....	6.00	June .....	7.25
		Nov. ....	7.58	Feb. ....	6.00	July .....	7.25
		Dec. ....	7.21	Mar. ....	6.00	Aug. ....	7.51
				Apr. ....	6.00	Sept. ....	7.75
				May .....	6.00	Oct. ....	7.75

1. The prime rate is one of several base rates that banks use to price short-term business loans. The table shows the date on which a new rate came to be the predominant one quoted by a majority of the twenty-five largest banks by asset size, based on the most recent Call Report. Data in this table also appear in the

Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

## 1.35 INTEREST RATES Money and Capital Markets

Percent per year; figures are averages of business day data unless otherwise noted

Item	1991	1992	1993	1994				1994, week ending				
				June	July	Aug.	Sept.	Sept. 2	Sept. 9	Sept. 16	Sept. 23	Sept. 30
<b>MONEY MARKET INSTRUMENTS</b>												
1 Federal funds <sup>1,2,3</sup>	5.69	3.52	3.02	4.25	4.26	4.47	4.73	4.72	4.74	4.70	4.73	4.66
2 Discount window borrowing <sup>4</sup>	5.45	3.25	3.00	3.50	3.50	3.76	4.00	4.00	4.00	4.00	4.00	4.00
<i>Commercial paper</i> <sup>3,5,6</sup>												
3 1-month	5.89	3.71	3.17	4.36	4.49	4.65	4.90	4.80	4.82	4.87	4.93	5.01
4 3-month	5.87	3.75	3.22	4.57	4.75	4.84	5.02	4.90	4.92	4.95	5.07	5.17
5 6-month	5.85	3.80	3.30	4.86	5.13	5.19	5.32	5.15	5.17	5.24	5.39	5.50
<i>Finance paper, directly placed</i> <sup>3,5,7</sup>												
6 1-month	5.73	3.62	3.12	4.27	4.40	4.56	4.79	4.71	4.74	4.76	4.80	4.88
7 3-month	5.71	3.65	3.16	4.44	4.64	4.73	4.89	4.81	4.81	4.86	4.91	5.00
8 6-month	5.60	3.63	3.15	4.50	4.67	4.79	4.99	4.86	4.87	4.93	5.04	5.13
<i>Bankers acceptances</i> <sup>3,5,8</sup>												
9 3-month	5.70	3.62	3.13	4.45	4.65	4.74	4.95	4.81	4.81	4.88	5.01	5.13
10 6-month	5.67	3.67	3.21	4.73	5.01	5.03	5.24	5.05	5.07	5.17	5.35	5.44
<i>Certificates of deposit, secondary market</i> <sup>9</sup>												
11 1-month	5.82	3.64	3.11	4.30	4.45	4.60	4.85	4.75	4.77	4.80	4.88	4.97
12 3-month	5.83	3.68	3.17	4.52	4.73	4.81	5.03	4.88	4.89	4.96	5.08	5.21
13 6-month	5.91	3.76	3.28	4.85	5.15	5.17	5.40	5.20	5.23	5.32	5.50	5.60
14 Eurodollar deposits, 3-month <sup>3,10</sup>	5.86	3.70	3.18	4.51	4.74	4.80	5.01	4.88	4.88	4.94	5.01	5.26
<i>U.S. Treasury bills, Secondary market</i> <sup>3,5</sup>												
15 3-month	5.38	3.43	3.00	4.14	4.33	4.48	4.62	4.56	4.56	4.59	4.71	4.66
16 6-month	5.44	3.54	3.12	4.55	4.75	4.88	5.04	4.86	4.88	4.98	5.14	5.21
17 1-year	5.52	3.71	3.29	4.98	5.17	5.25	5.43	5.26	5.30	5.38	5.53	5.58
<i>Auction average</i> <sup>3,5,11</sup>												
18 3-month	5.42	3.45	3.02	4.18	4.39	4.50	4.64	4.61	4.58	4.61	4.61	4.79
19 6-month	5.49	3.57	3.14	4.58	4.81	4.91	5.02	4.93	4.89	4.99	5.05	5.22
20 1-year	5.54	3.75	3.33	5.03	5.20	5.36	5.38	n.a.	n.a.	n.a.	5.38	n.a.
<b>U.S. TREASURY NOTES AND BONDS</b>												
<i>Constant maturities</i> <sup>12</sup>												
21 1-year	5.86	3.89	3.43	5.27	5.48	5.56	5.76	5.56	5.62	5.72	5.85	5.92
22 2-year	6.49	4.77	4.05	5.93	6.13	6.18	6.39	6.17	6.25	6.35	6.47	6.56
23 3-year	6.82	5.30	4.44	6.27	6.48	6.50	6.69	6.45	6.55	6.65	6.78	6.87
24 5-year	7.37	6.19	5.14	6.70	6.91	6.88	7.08	6.83	6.95	7.05	7.17	7.25
25 10-year	7.68	6.63	5.54	6.91	7.12	7.06	7.28	7.02	7.14	7.26	7.38	7.44
26 20-year	7.86	7.01	5.87	7.10	7.30	7.24	7.46	7.21	7.33	7.44	7.54	7.60
27 30-year	n.a.	n.a.	6.29	7.51	7.67	7.62	7.87	7.62	7.76	7.87	7.93	7.99
28 30-year	8.14	7.67	6.59	7.40	7.58	7.49	7.71	7.48	7.61	7.70	7.78	7.83
29 Composite More than 10 years (long-term)	8.16	7.52	6.45	7.43	7.61	7.55	7.81	7.55	7.69	7.79	7.91	7.92
<b>STATE AND LOCAL NOTES AND BONDS</b>												
<i>Moody's series</i> <sup>13</sup>												
30 Aaa	6.56	6.09	5.38	5.76	5.88	5.89	5.87	5.80	5.76	5.90	5.95	5.96
31 Baa	6.99	6.48	5.82	6.15	6.26	6.23	6.23	6.14	6.13	6.29	6.30	6.31
32 Bond Buyer series <sup>14</sup>	6.92	6.44	5.60	6.11	6.23	6.21	6.28	6.16	6.18	6.24	6.37	6.43
<b>CORPORATE BONDS</b>												
33 Seasoned issues, all industries <sup>15</sup>	9.23	8.55	7.54	8.27	8.42	8.36	8.60	8.37	8.50	8.59	8.67	8.73
<i>Rating group</i>												
34 Aaa	8.77	8.14	7.22	7.97	8.11	8.07	8.34	8.09	8.22	8.32	8.41	8.48
35 Aa	9.05	8.46	7.40	8.17	8.31	8.25	8.49	8.25	8.38	8.48	8.56	8.61
36 A	9.30	8.62	7.58	8.30	8.44	8.38	8.61	8.39	8.51	8.60	8.68	8.73
37 Baa	9.80	8.98	7.93	8.65	8.80	8.74	8.98	8.76	8.88	8.97	9.04	9.10
38 A-rated, recently offered utility bonds <sup>16</sup>	9.32	8.52	7.46	8.30	8.45	8.36	8.62	8.38	8.59	8.69	8.70	8.71
<b>MEMO</b>												
<i>Dividend-price ratio</i> <sup>17</sup>												
39 Preferred stocks <sup>18</sup>	8.17	7.46	6.89	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
40 Common stocks	3.24	2.99	2.78	2.84	2.87	2.78	2.80	2.73	2.77	2.78	2.83	2.81

1. The daily effective federal funds rate is a weighted average of rates on trades through New York brokers.

2. Weekly figures are averages of seven calendar days ending on Wednesday of the current week; monthly figures include each calendar day in the month.

3. Annualized using a 360-day year for bank interest.

4. Rate for the Federal Reserve Bank of New York.

5. Quoted on a discount basis.

6. An average of offering rates on commercial paper placed by several leading dealers for firms whose bond rating is AA or the equivalent.

7. An average of offering rates on paper directly placed by finance companies.

8. Representative closing yields for acceptances of the highest-rated money center banks.

9. An average of dealer offering rates on nationally traded certificates of deposit.

10. Bid rates for Eurodollar deposits at 11:00 a.m. London time. Data are for indication purposes only.

11. Auction date for daily data; weekly and monthly averages computed on an issue-date basis.

12. Yields on actively traded issues adjusted to constant maturities. Source: U.S. Department of the Treasury.

13. General obligations based on Thursday figures; Moody's Investors Service.

14. State and local government general obligation bonds maturing in twenty years are used in compiling this index. The twenty-bond index has a rating roughly equivalent to Moody's A1 rating. Based on Thursday figures.

15. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.

16. Compilation of the Federal Reserve. This series is an estimate of the yield on recently offered, A-rated utility bonds with a thirty-year maturity and five years of call protection. Weekly data are based on Friday quotations.

17. Standard & Poor's corporate series. Preferred stock ratio is based on a sample of ten issues: four public utilities, four industrials, one financial, and one transportation. Common stock ratio is based on the 500 stocks in the price index.

18. Data for the preferred stock yield was discontinued as of June 29, 1994.

NOTE: Some of the data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

## 1.36 STOCK MARKET Selected Statistics

Indicator	1991	1992	1993	1994								
				Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.
Prices and trading volume (averages of daily figures)												
<i>Common stock prices (indexes)</i>												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	206.35	229.00	249.71	262.11	261.97	257.32	247.97	249.56	251.21	249.29	256.08	257.61
2 Industrial	258.16	284.26	300.10	320.92	322.41	318.08	304.48	307.58	308.66	307.34	316.56	322.19
3 Transportation	173.97	201.02	242.68	278.29	276.67	265.68	250.43	244.75	246.64	244.21	244.67	239.10
4 Utility	92.64	99.48	114.55	112.67	116.22	107.72	105.04	102.89	103.27	102.73	105.61	102.30
5 Finance	150.84	179.29	216.55	218.71	217.12	211.02	208.12	211.30	215.89	210.91	214.77	211.90
6 Standard & Poor's Corporation (1941-43 = 10) <sup>1</sup>	376.20	415.75	451.63	472.99	471.58	463.81	447.23	450.90	454.83	451.40	464.24	466.96
7 American Stock Exchange (Aug. 31, 1973 = 50) <sup>2</sup>	360.32	391.28	438.77	481.14	476.25	465.72	437.01	437.54	436.08	430.10	444.89	456.31
<i>Volume of trading (thousands of shares)</i>												
8 New York Stock Exchange	179,411	202,558	263,374	313,223	307,269	311,096	301,242	269,812	265,341	250,382	277,877	292,356
9 American Stock Exchange	12,486	14,171	18,188	19,211	19,630	19,481	15,805	15,727	18,400	14,378	15,874	18,785
Customer financing (millions of dollars, end-of-period balances)												
10 Margin credit at broker-dealers <sup>3</sup>	36,660	43,990	60,310	61,250	62,020	61,960	60,700	59,870	60,800	61,930	63,070	61,630
<i>Free credit balances at brokers<sup>4</sup></i>												
11 Margin accounts <sup>5</sup>	8,290	8,970	12,360	12,125	12,890	13,185	13,175	12,715	12,560	12,620	12,090	12,415
12 Cash accounts	19,255	22,510	27,715	26,020	25,665	26,190	24,800	23,265	28,585	25,790	24,400	25,230
Margin requirements (percent of market value and effective date) <sup>6</sup>												
	Mar. 11, 1968		June 8, 1968		May 6, 1970		Dec. 6, 1971		Nov. 24, 1972		Jan. 3, 1974	
13 Margin stocks	70		80		65		55		65		50	
14 Convertible bonds	50		60		50		50		50		50	
15 Short sales	70		80		65		55		65		50	

1. In July 1976 a financial group, composed of banks and insurance companies, was added to the group of stocks on which the index is based. The index is now based on 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.

2. On July 5, 1983, the American Stock Exchange rebased its index, effectively cutting previous readings in half.

3. Since July 1983, under the revised Regulation T, margin credit at broker-dealers has included credit extended against stocks, convertible bonds, stocks acquired through the exercise of subscription rights, corporate bonds, and government securities. Separate reporting of data for margin stocks, convertible bonds, and subscription issues was discontinued in April 1984.

4. Free credit balances are amounts in accounts with no unfulfilled commitments to brokers and are subject to withdrawal by customers on demand.

5. Series initiated in June 1984.

6. Margin requirements, stated in regulations adopted by the Board of Governors pursuant to the Securities Exchange Act of 1934, limit the amount of credit that can be used to purchase and carry "margin securities" (as defined in the regulations) when such credit is collateralized by securities. Margin requirements

on securities other than options are the difference between the market value (100 percent) and the maximum loan value of collateral as prescribed by the Board. Regulation T was adopted effective Oct. 15, 1934; Regulation U, effective May 1, 1936; Regulation G, effective Mar. 11, 1968; and Regulation X, effective Nov. 1, 1971.

On Jan. 1, 1977, the Board of Governors for the first time established in Regulation T the initial margin required for writing options on securities, setting it at 30 percent of the current market value of the stock underlying the option. On Sept. 30, 1985, the Board changed the required initial margin, allowing it to be the same as the option maintenance margin required by the appropriate exchange or self-regulatory organization; such maintenance margin rules must be approved by the Securities and Exchange Commission. Effective Jan. 31, 1986, the SEC approved new maintenance margin rules, permitting margins to be the price of the option plus 15 percent of the market value of the stock underlying the option.

Effective June 8, 1988, margins were set to be the price of the option plus 20 percent of the market value of the stock underlying the option (or 15 percent in the case of stock-index options).

## 1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year			Calendar year					
	1992	1993	1994	1994					
				Apr.	May	June	July	Aug. <sup>1</sup>	Sep.
<i>U.S. budget<sup>1</sup></i>									
1 Receipts, total	1,090,453	1,153,226	1,257,187	141,326	83,546	138,124	84,827	97,338	135,895
2 On-budget	788,027	841,292	922,161	104,311	55,366 <sup>f</sup>	106,014	60,145	70,949	105,212
3 Off-budget	302,426	311,934	335,026	37,015	28,179	32,110	24,681 <sup>f</sup>	26,389	30,683
4 Outlays, total	1,380,856	1,408,532 <sup>r</sup>	1,460,557	123,872	115,602	123,275 <sup>f</sup>	118,025	121,608	131,903
5 On-budget	1,128,518	1,141,945 <sup>r</sup>	1,181,185	100,625	89,731 <sup>f</sup>	108,166	93,164 <sup>f</sup>	95,279	103,189
6 Off-budget	252,339	266,587	279,372	23,247	25,871	15,108 <sup>f</sup>	24,861 <sup>f</sup>	26,329	28,714
7 Surplus or deficit (-), total	-290,403	-255,306 <sup>f</sup>	-203,370	17,454	-32,057	-14,850	-33,198	-24,270	-3,993
8 On-budget	-340,490	-300,653 <sup>f</sup>	-259,024	3,686	-34,365 <sup>f</sup>	-2,152	-33,018	-24,330	2,024
9 Off-budget	50,087	45,347	55,654	13,768	2,308	17,002 <sup>f</sup>	-180	60	1,969
<i>Source of financing (total)</i>									
10 Borrowing from the public	310,918	248,594 <sup>r</sup>	184,998	-21,801	27,649	2,098 <sup>f</sup>	-3,245 <sup>f</sup>	52,350	-11,996
11 Operating cash (decrease, or increase (-))	-17,305	6,283	16,564	-4,124	21,537	-23,797	30,705 <sup>f</sup>	-9,802	-5,855
12 Other <sup>2</sup>	-3,210	429 <sup>r</sup>	1,808	8,471	-17,132	7,049	5,737 <sup>f</sup>	-18,374	13,858
<b>MEMO</b>									
13 Treasury operating balance (level, end of period)	58,789	52,506	35,942	48,731	27,194	50,991	20,285	30,087	35,942
14 Federal Reserve Banks	24,586	17,289	6,848	7,965	5,675	9,356	3,683	5,994	6,848
15 Tax and loan accounts	34,203	35,217	29,094	40,766	21,519	41,635	16,603	24,093	29,094

1. Since 1990, off-budget items have been the social security trust funds (federal old-age survivors insurance and federal disability insurance) and the U.S. Postal Service.

2. Includes special drawing rights (SDRs); reserve position on the U.S. quota in the International Monetary Fund (IMF); loans to the IMF; other cash and monetary assets; accrued interest payable to the public; allocations of SDRs; deposit funds; miscellaneous liability (including checks outstanding) and asset

accounts; seigniorage; increment on gold; net gain or loss for U.S. currency valuation adjustment; net gain or loss for IMF loan-valuation adjustment; and profit on sale of gold.

SOURCES: U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*; and U.S. Office of Management and Budget, *Budget of the U.S. Government*.

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS<sup>1</sup>

Millions of dollars

Source or type	Fiscal year		Calendar year						
	1993	1994	1992	1993		1994	1994		
			H2	H1	H2 <sup>2</sup>	H1	July	Aug.	Sept.
<b>RECEIPTS</b>									
<b>1 All sources</b> .....	<b>1,153,226</b>	<b>1,257,190</b>	<b>540,484</b>	<b>593,212</b>	<b>582,054</b>	<b>651,944</b>	<b>84,827</b>	<b>97,338</b>	<b>135,895</b>
2 Individual income taxes, net .....	509,680	542,738	246,938	255,556	262,073	274,736	37,372	43,170	57,964
3 Withheld .....	430,211	459,699	215,584	209,517	228,423	225,387	35,360	40,459	35,201
4 Presidential Election Campaign Fund .....	28	70	10	25	2	6	1	1	1
5 Nonwithheld .....	154,989	160,047	39,288	113,510	41,768	117,928	3,793	4,016 <sup>3</sup>	24,811
6 Refunds .....	75,546	77,077	7,942	67,468	8,114	68,642	1,786	1,305	2,050
7 Corporation income taxes									
8 Gross receipts .....	131,548	154,205	58,022	69,044	68,266	80,536	4,581	4,079	28,921
9 Refunds .....	14,027	13,820	7,219	7,198	6,514	6,933	776	971	1,656
10 Social insurance taxes and contributions, net .....	428,300	461,475	192,599	227,177	206,176	248,301	34,046	39,292	40,371
11 Employment taxes and contributions <sup>4</sup> .....	396,939	428,810	180,758	208,776	192,749	228,714	32,222	34,020	39,614
12 Self-employment taxes and contributions <sup>4</sup> .....	20,604	24,433	3,988	16,270	4,335	20,762	93	0	3,578
13 Unemployment insurance .....	26,556	28,004	9,397	16,074	11,010	17,301	1,399	4,880	346
14 Other net receipts <sup>5</sup> .....	4,805	4,661	2,445	2,326	2,417	2,284	424	391	411
15 Excise taxes .....	48,057	55,225	23,456	23,398	25,994	26,444	4,175	5,989	5,518
16 Customs deposits .....	18,802	20,099	9,497	8,860	10,215	9,500	1,782	2,039	1,799
17 Estate and gift taxes .....	12,577	15,225	5,733	6,494	6,617	8,197	1,060	1,239	1,254
18 Miscellaneous receipts <sup>6</sup> .....	18,273	22,041	11,458	9,879	9,227	11,164	2,587	2,502	1,725
<b>OUTLAYS</b>									
<b>18 All types</b> .....	<b>1,408,484</b>	<b>1,460,557</b>	<b>723,527</b>	<b>673,915</b>	<b>727,701</b>	<b>710,330<sup>7</sup></b>	<b>118,025</b>	<b>121,608<sup>7</sup></b>	<b>131,903</b>
19 National defense .....	291,086	281,451	155,231	140,535	146,660	133,739	22,147	23,711	27,657
20 International affairs .....	16,826	17,249	9,916	6,565	10,186	5,800	893	990	2,323
21 General science, space, and technology .....	17,030	17,602	8,521	7,996	8,880	8,502	1,236	1,654	1,772
22 Energy .....	4,319	5,398	3,109	2,462	1,663	2,036	464	390	987
23 Natural resources and environment .....	20,239	20,902	11,467	8,592	11,227	9,179	1,635	1,745	2,156
24 Agriculture .....	20,443	15,131	8,852	11,872	7,516	7,451	309	382	236
25 Commerce and housing credit .....	-22,725	-4,851	-7,697	-14,537	-1,490	-5,114	277	-3,026	2,623
26 Transportation .....	35,004	36,835	18,425	16,076	19,597	16,772	3,226	3,719	3,583
27 Community and regional development .....	9,051	11,877	4,464	4,929	4,288	5,592	1,081	1,138	1,469
28 Education, training, employment, and social services .....	50,012	44,730	21,241	24,080	26,784	18,976	2,948	4,342	5,088
29 Health .....	99,415	106,495	47,232	49,882	52,958	53,121	8,189	9,426	9,106
30 Social security and Medicare .....	435,137	464,314 <sup>8</sup>	232,109	195,933	223,735	232,777	39,297	39,262	39,944
31 Income security .....	207,257	213,972	98,382	107,870	102,350	109,103	17,037	16,848	17,101
32 Veterans benefits and services .....	35,720	37,637	18,561	16,385	19,852	16,686	3,079	3,130	4,257
33 Administration of justice .....	14,955	15,283	7,238	7,482	7,400	7,718	1,440	1,204	1,362
34 General government .....	13,009	11,348	8,223	5,205	6,531	5,076	-13	1,325	1,292
35 Net interest <sup>9</sup> .....	198,811	202,957	98,692	99,635	99,914	99,844	17,956	18,322	16,944
36 Undistributed offsetting receipts <sup>10</sup> .....	-37,386	-37,772	-20,628	-17,035	-20,344	-17,308	-3,176	-3,051	-5,996

1. Functional details do not sum to total outlays for calendar year data because revisions to monthly totals have not been distributed among functions. Fiscal year total for outlays does not correspond to calendar year data because revisions from the Budget have not been fully distributed across months.

2. Old-age, disability, and hospital insurance, and railroad retirement accounts.

3. Old-age, disability, and hospital insurance.

4. Federal employee retirement contributions and civil service retirement and disability fund.

5. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.

6. Includes interest received by trust funds.

7. Rents and royalties for the outer continental shelf, U.S. government contributions for employee retirement, and certain asset sales.

SOURCES: U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*; and U.S. Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 1995*.

A30 Domestic Financial Statistics □ December 1994

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars, end of month

Item	1992		1993	1993			1994		
	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30
1 Federal debt outstanding	4,083	4,196	4,250	4,373	4,436	4,562	4,576	↑	↑
2 Public debt securities	4,065	4,177	4,231	4,352	4,412	4,536	n.a.	↑	↑
3 Held by public	3,048	3,129	3,188	3,252	3,295	3,382	n.a.	↑	↑
4 Held by agencies	1,016	1,048	1,043	1,100	1,117	1,154	n.a.	↑	↑
5 Agency securities	18	19	20	21	25	27	n.a.	↑	↑
6 Held by public	18	19	20	21	25	27	n.a.	↑	↑
7 Held by agencies	0	0	0	0	0	0	n.a.	n.a.	n.a. <sup>f</sup>
8 Debt subject to statutory limit	3,973	4,086	4,140	4,256	4,316	4,446	4,491	↑	↑
9 Public debt securities	3,972	4,085	4,139	4,256	4,315	4,445	4,491	↑	↑
10 Other debt	0	0	0	0	0	0	0	↑	↑
MEMO									
11 Statutory debt limit	4,145	4,145	4,145	4,370	4,900	4,900	4,900	↑	↑

1. Consists of guaranteed debt of U.S. Treasury and other federal agencies, specified participation certificates, notes to international lending organizations, and District of Columbia stadium bonds.

SOURCES: U.S. Department of the Treasury, *Monthly Statement of the Public Debt of the United States and Treasury Bulletin*.

1.41 GROSS PUBLIC DEBT OF U.S. TREASURY Types and Ownership

Billions of dollars, end of period

Type and holder	1990	1991	1992	1993	1993	1994		
					Q4	Q1	Q2	Q3
1 Total gross public debt	3,364.8	3,801.7	4,177.0	4,535.7	4,535.7	n.a.	↑	↑
By type								
2 Interest-bearing	3,362.0	3,798.9	4,173.9	4,532.3	4,532.3	4,572.6	↑	↑
3 Marketable	2,195.8	2,471.6	2,754.1	2,989.5	2,989.5	3,042.9	↑	↑
4 Bills	527.4	590.4	657.7	714.6	714.6	721.2	↑	↑
5 Notes	1,265.2	1,430.8	1,608.9	1,764.0	1,764.0	1,802.5	↑	↑
6 Bonds	388.2	435.5	472.5	495.9	495.9	504.2	↑	↑
7 Nonmarketable <sup>1</sup>	1,166.2	1,327.2	1,419.8	1,542.9	1,542.9	1,529.7	↑	↑
8 State and local government series	160.8	159.7	153.5	149.5	149.5	145.5	↑	↑
9 Foreign issues <sup>2</sup>	43.5	41.9	37.4	43.5	43.5	42.7	↑	↑
10 Government	43.5	41.9	37.4	43.5	43.5	42.7	↑	↑
11 Public	.0	.0	.0	.0	.0	.0	↑	↑
12 Savings bonds and notes	124.1	135.9	155.0	169.4	169.4	172.6	↑	↑
13 Government account series <sup>3</sup>	813.8	959.2	1,043.5	1,150.0	1,150.0	1,138.4	↑	↑
14 Non-interest-bearing	2.8	2.8	3.1	3.4	3.4	3.3	n.a.	n.a.
By holder <sup>4</sup>								
15 U.S. Treasury and other federal agencies and trust funds	828.3	968.7	1,047.8	1,153.5	1,153.5	↑	↑	↑
16 Federal Reserve Banks	259.8	281.8	302.5	334.2	334.2	↑	↑	↑
17 Private investors	2,288.3	2,563.2	2,839.9	3,047.7	3,047.7	↑	↑	↑
18 Commercial banks	171.5	233.4	294.0	316.0	316.0	↑	↑	↑
19 Money market funds	45.4	80.0	79.4	80.5	80.5	↑	↑	↑
20 Insurance companies	142.0	168.7	197.5	216.0	216.0	↑	↑	↑
21 Other companies	108.9	150.8	192.5	213.0	213.0	n.a.	↑	↑
22 State and local treasuries	490.4	520.3	534.8	564.0	564.0	↑	↑	↑
Individuals								
23 Savings bonds	126.2	138.1	157.3	171.9	171.9	↑	↑	↑
24 Other securities	107.6	125.8	131.9	137.9	137.9	↑	↑	↑
25 Foreign and international <sup>5</sup>	458.4	491.8	549.7	623.3	623.3	↑	↑	↑
26 Other miscellaneous investors <sup>6</sup>	637.7	651.3	702.4	725.0	725.0	↑	↑	↑

1. Includes (not shown separately) securities issued to the Rural Electrification Administration, depository bonds, retirement plan bonds, and individual retirement bonds.

2. Nonmarketable series denominated in dollars, and series denominated in foreign currency held by foreigners.

3. Held almost entirely by U.S. Treasury and other federal agencies and trust funds.

4. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.

5. Consists of investments of foreign balances and international accounts in the United States.

6. Includes savings and loan associations, nonprofit institutions, credit unions, mutual savings banks, corporate pension trust funds, dealers and brokers, certain U.S. Treasury deposit accounts, and federally sponsored agencies.

SOURCES: U.S. Treasury Department, data by type of security, *Monthly Statement of the Public Debt of the United States*; data by holder, *Treasury Bulletin*.

1.42 U.S. GOVERNMENT SECURITIES DEALERS Transactions<sup>1</sup>

Millions of dollars, daily averages

Item	1994			1994, week ending								
	June	July	Aug.	Aug. 3	Aug. 10	Aug. 17	Aug. 24	Aug. 31	Sept. 7	Sept. 14	Sept. 21	Sept. 28
<b>OUTRIGHT TRANSACTIONS<sup>2</sup></b>												
<i>By type of security</i>												
1 U.S. Treasury bills	0	48,137	52,444	46,949	53,927	57,258	55,638	46,251	47,300	49,307	54,340	57,809
<i>Coupon securities, by maturity</i>												
2 Five years or less	0	78,977	84,057 <sup>r</sup>	82,359	92,868	95,597	89,903	58,879	61,354	72,324	82,399	96,207
3 More than five years	0	38,985	50,844 <sup>r</sup>	47,704	59,820	60,786	46,399	38,257	34,654	42,631	41,335	42,277
4 Federal agency	0	15,536	15,998	16,875	13,037	15,214	16,962	18,255	16,130	15,931	16,689	19,413
5 Mortgage-backed	0	37,606	32,443	31,561	49,059	34,827	24,249	22,165	28,909	46,090	34,792	25,603
<i>By type of counterparty</i>												
<i>Interdealer broker securities</i>												
6 U.S. Treasury	0	94,926	105,410	99,520	118,645	121,583	105,674	79,274	81,260	95,779	102,620	113,259
7 Federal agency	0	731	685	703	635	662	552	881	494	844	706	753
8 Mortgage-backed	0	13,306	12,052	11,524	17,355	12,864	8,957	9,351	10,935	15,707	12,541	11,027
<i>Other securities</i>												
9 U.S. Treasury	0	71,173	81,935	77,492	87,970	92,058	86,266	64,113	62,048	68,483	75,454	83,034
10 Federal agency	0	14,805	15,313	16,172	12,402	14,552	16,410	17,374	15,636	15,087	15,983	18,660
11 Mortgage-backed	0	24,301	20,390	20,037	31,704	21,963	15,292	12,814	17,974	30,383	22,251	14,576
<b>FUTURES TRANSACTIONS<sup>3</sup></b>												
<i>By type of deliverable security</i>												
12 U.S. Treasury bills	0	914	814	753	1,069	708	713	802	912	1,177	1,552	864
<i>Coupon securities, by maturity</i>												
12 Five years or less	0	2,692	2,779	2,397	2,860	2,630	3,202	2,652	3,505	4,340	3,745	2,742
13 More than five years	0	12,198	13,615	13,964	12,613	15,667	12,776	13,196	13,263	14,221	15,102	12,001
<b>OPTIONS TRANSACTIONS<sup>4</sup></b>												
<i>By type of underlying security</i>												
<i>Coupon securities, by maturity</i>												
15 Five years or less	0	3,493	4,098	4,642	4,616	4,518	3,623	3,308	3,033	4,353	3,120	3,395
16 More than five years	0	4,068	5,162	5,377	4,538	6,153	5,333	4,493	4,144	4,767	5,033	4,420
17 Mortgage-backed securities	0	791	675	725	1,246	563	577	286	410	332	704	527

1. Transactions are market purchases and sales of securities as reported to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Monthly averages are based on the number of trading days in the month. Transactions are assumed evenly distributed among the trading days of the report week. Immediate, forward, and futures transactions are reported at principal value, which does not include accrued interest; options transactions are reported at the face value of the underlying securities.

2. Dealers report cumulative transactions for each week ending Wednesday. 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 business days or less. Stripped securities are reported at market value by maturity of coupon or corpus.

3. 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 business days.

4. Options transactions are purchases or sales of put and call options, whether arranged on an organized exchange or in the over-the-counter market, and include options on futures contracts on U.S. Treasury and federal agency securities.

NOTE: In tables 1.42 and 1.43, "n.a." indicates that data are not published because of insufficient activity.

Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending July 6, 1994.

A32 Domestic Financial Statistics □ December 1994

1.43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing<sup>1</sup>

Millions of dollars

Item	1994			1994, week ending							
	June <sup>f</sup>	July	Aug.	Aug. 3	Aug. 10	Aug. 17	Aug. 24	Aug. 31	Sept. 7	Sept. 14	Sept. 21
<b>Positions<sup>2</sup></b>											
<b>NET IMMEDIATE POSITIONS<sup>3</sup></b>											
<i>By type of security</i>											
1 U.S. Treasury bills .....	0	4,837	3,951	9,623	4,752	2,727	2,465	3,428	4,536	3,329	4,569
<i>Coupon securities, by maturity</i>											
2 Five years or less .....	0	-19,171 <sup>f</sup>	-10,548	-15,433	-11,910	-11,630	-8,669	-7,890	-12,922	-17,884	-17,582
3 More than five years .....	0	-28,673	-23,009	-27,005	-24,157	-21,098	-23,282	-21,785	-21,390	-21,848	-24,332
4 Federal agency .....	0	19,979	19,384	21,588	18,599	18,568	17,358	22,066	19,988	19,704	22,727
5 Mortgage-backed .....	0	45,633	42,402	45,272	44,401	42,927	41,492	39,557	39,194	36,791	36,534
<b>FUTURES AND FORWARD POSITIONS, NET<sup>4</sup></b>											
<i>By type of deliverable security</i>											
6 U.S. Treasury bills .....	0	-3,552	-5,172	-5,370	-5,976	-5,129	-5,472	-4,027	-2,750	-3,160	-3,691
<i>Coupon securities, by maturity</i>											
7 Five years or less .....	0	5,623	5,561	6,283	6,285	6,138	4,256	5,257	5,912	8,943	9,721
8 More than five years .....	0	-616	-5,231	-4,050	-4,697	-6,644	-5,839	-4,252	-1,649	-2,146	-1,471
<b>Financing<sup>5</sup></b>											
<i>Reverse repurchase agreements</i>											
9 Overnight and continuing .....	0	254,524	271,184	262,518	273,709	302,287	259,585	252,868	253,172	266,783	264,681
10 Term .....	0	397,646 <sup>f</sup>	377,559	392,100 <sup>f</sup>	419,773	354,941	392,886	336,402	372,589	390,638	392,971
<i>Securities borrowed</i>											
11 Overnight and continuing .....	0	167,116	175,069	171,144	171,501	181,630	177,263	171,565	172,181	171,039	175,703
12 Term .....	0	51,906	44,620	48,689	48,122	40,103	42,709	45,804	44,573	45,876	44,026
13 Securities received as pledge, overnight and continuing .....	0	2,313	2,096	2,416	1,960	2,199	1,998	2,089	2,128	2,055	1,885
<i>Repurchase agreements</i>											
14 Overnight and continuing .....	0	465,675	490,518	479,736	484,671	538,439	470,997	472,584	482,859	482,192	478,674
15 Term .....	0	363,779	351,975	362,989	397,281	324,519	372,580	308,801	335,528	362,393	365,882
<i>Securities loaned</i>											
16 Overnight and continuing .....	0	4,323	4,132	4,229	3,488	4,190	4,149	4,658	3,945	3,586	3,931
17 Term .....	0	1,372	1,103	1,351	572	1,296	1,272	1,164	959	671	691
<i>Securities pledged</i>											
18 Overnight and continuing .....	0	34,700	28,599	31,932	24,720	28,704	28,036	31,509	28,808	30,137	34,140
19 Term .....	0	1,085	4,616	924	7,369	2,944	3,293	6,442	4,543	4,310	4,434
20 Collateralized loans, overnight and continuing .....	0	20,164	22,395	23,340	22,509	23,038	22,564	21,062	18,301	20,804	18,493
<b>MEMO: Matched book<sup>6</sup></b>											
<i>Securities in</i>											
21 Overnight and continuing .....	0	207,656	233,796	226,981	236,598	256,444	231,074	213,989	222,706	226,609	228,584
22 Term .....	0	369,889	349,669	369,733	390,674	328,070	358,442	312,893	335,392	360,530	357,269
<i>Securities out</i>											
23 Overnight and continuing .....	0	268,075	290,385	287,993	292,688	318,338	281,314	270,225	286,237	284,891	288,381
24 Term .....	0	294,642	289,736	300,536	334,643	266,804	302,740	250,127	269,926	295,396	301,260

1. Data for positions and financing are obtained from reports submitted to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Weekly figures are close-of-business Wednesday data. Positions for calendar days of the report week are assumed to be constant. Monthly averages are based on the number of calendar days in the month.

2. Securities positions are reported at market value.

3. Net 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 business days or less.

4. Futures positions reflect standardized agreements 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 business days.

5. Overnight financing refers to agreements made on one business day that mature on the next business day; continuing contracts are agreements that remain in effect for more than one business day but have no specific maturity and can be terminated without advance notice by either party; term agreements have a fixed maturity of more than one business day.

6. Matched-book data reflect financial intermediation activity in which the borrowing and lending transactions are matched. Matched-book data are included in the financing breakdowns given above. The reverse repurchase and repurchase numbers are not always equal because of the "matching" of securities of different values or different types of collateralization.

NOTE: Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending July 6, 1994.



## 1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1990	1991	1992	1993	1994				
					Mar.	Apr.	May	June	July
<b>1 Federal and federally sponsored agencies</b>	<b>434,668</b>	<b>442,772</b>	<b>483,970</b>	<b>570,711</b>	<b>604,421</b>	<b>619,302</b>	<b>633,366</b>	<b>646,661</b>	<b>0</b>
2 Federal agencies	42,159	41,035	41,829	45,193	44,291	44,390	43,681	43,040	43,416
3 Defense Department <sup>1</sup>	7	7	7	6	6	6	6	6	6
4 Export-Import Bank <sup>2,3</sup>	11,376	9,809	7,208	5,315	4,853	4,853	4,853	4,389 <sup>f</sup>	4,389
5 Federal Housing Administration <sup>4</sup>	393	397	374	255	114	123	131	138	82
6 Government National Mortgage Association certificates of participation <sup>5</sup>	0	0	0	0	0	0	0	0	0
7 Postal Service <sup>6</sup>	6,948	8,421	10,660	9,732	9,732	9,732	9,473	9,473	9,473
8 Tennessee Valley Authority	23,435	22,401	23,580	29,885	29,586	29,676	29,218	29,037	29,466
9 United States Railway Association <sup>7</sup>	0	0	0	0	0	0	0	0	0
10 Federally sponsored agencies <sup>7</sup>	392,509	401,737	442,141	525,518	560,130	574,912	589,685	603,621	0
11 Federal Home Loan Banks	117,895	107,543	114,733	141,577	147,309	153,539	156,955	160,822	166,137
12 Federal Home Loan Mortgage Corporation	30,941	30,252	29,631	49,993	62,908	65,621	71,274	73,340	0
13 Federal National Mortgage Association	123,403	133,937	166,300	201,112	216,430	218,845	223,173	227,897	230,484
14 Farm Credit Banks <sup>8</sup>	53,590	52,199	51,910	53,123	52,433	52,672	52,534	53,692	52,276
15 Student Loan Marketing Association <sup>9</sup>	34,194	38,319	39,650	39,784	41,120	44,306	45,820	47,940	0
16 Financing Corporation <sup>10</sup>	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170
17 Farm Credit Financial Assistance Corporation <sup>11</sup>	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261
18 Resolution Funding Corporation <sup>12</sup>	23,055	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996
<b>MEMO</b>									
<b>19 Federal Financing Bank debt<sup>13</sup></b>	<b>179,083</b>	<b>185,576</b>	<b>154,994</b>	<b>128,187</b>	<b>120,103</b>	<b>118,386</b>	<b>116,092</b>	<b>115,603</b>	<b>113,689</b>
<i>Lending to federal and federally sponsored agencies</i>									
20 Export-Import Bank <sup>3</sup>	11,370	9,803	7,202	5,309	4,847	4,847	4,847	4,383	4,383
21 Postal Service <sup>6</sup>	6,698	8,201	10,440	9,732	9,732	9,732	9,473	9,473	9,473
22 Student Loan Marketing Association	4,850	4,820	4,790	4,760	0	0	0	0	0
23 Tennessee Valley Authority	14,055	10,725	6,975	6,325	6,075	6,075	4,675	4,375	4,375
24 United States Railway Association <sup>7</sup>	0	0	0	0	0	0	0	0	0
<i>Other lending<sup>14</sup></i>									
25 Farmers Home Administration	52,324	48,534	42,979	38,619	38,209	37,839	37,124	35,999	35,104
26 Rural Electrification Administration	18,890	18,562	18,172	17,573	17,360	17,360	17,419	17,357	17,372
27 Other	70,896	84,931	64,436	45,864	43,880	42,533	42,554	44,016	42,982

1. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.

2. Includes participation certificates reclassified as debt beginning Oct. 1, 1976.

3. On-budget since Sept. 30, 1976.

4. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.

5. Certificates of participation issued before fiscal year 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration, the Department of Health, Education, and Welfare, the Department of Housing and Urban Development, the Small Business Administration, and the Veterans' Administration.

6. Off-budget.

7. Includes outstanding noncontingent liabilities: notes, bonds, and debentures. Includes Federal Agricultural Mortgage Corporation, therefore details do not sum to total. Some data are estimated.

8. Excludes borrowing by the Farm Credit Financial Assistance Corporation, which is shown on line 17.

9. Before late 1982, the association obtained financing through the Federal Financing Bank (FFB). Borrowing excludes that obtained from the FFB, which is shown on line 22.

10. The Financing Corporation, established in August 1987 to recapitalize the Federal Savings and Loan Insurance Corporation, undertook its first borrowing in October 1987.

11. The Farm Credit Financial Assistance Corporation, established in January 1988 to provide assistance to the Farm Credit System, undertook its first borrowing in July 1988.

12. The Resolution Funding Corporation, established by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, undertook its first borrowing in October 1989.

13. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Because FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table 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, whereas the Rural Electrification Administration entry consists of both agency assets and guaranteed loans.

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1.45 NEW SECURITY ISSUES Tax-Exempt State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1991	1992	1993	1994							
				Feb.	Mar.	Apr.	May	June	July	Aug. <sup>r</sup>	Sept.
<b>1 All issues, new and refunding<sup>1</sup></b> .....	<b>154,402</b>	<b>226,818</b>	<b>279,945</b>	<b>14,698</b>	<b>15,461</b>	<b>10,129</b>	<b>12,388</b>	<b>14,779</b>	<b>12,450</b>	<b>12,310</b>	<b>7,634</b>
<i>By type of issue</i>											
2 General obligation .....	55,100	78,611	90,599	4,365	7,371	3,469	4,029	5,556	7,110	4,177	2,309
3 Revenue .....	99,302	136,580	189,346	8,553	8,090	6,660	8,359	9,223	5,340	8,133	5,325
<i>By type of issuer</i>											
4 State .....	24,939	24,874	27,999	921	3,302	1,013	1,158	1,733	4,686	1,675	1,009
5 Special district or statutory authority .....	80,614	138,327	178,714	10,263	6,145	5,235	8,085	9,335	4,931	7,963	4,962
6 Municipality, county, or township .....	48,849	63,617	73,232	3,514	6,014	3,881	3,145	3,711	2,833	2,672	1,663
<b>7 Issues for new capital</b> .....	<b>116,953</b>	<b>101,865</b>	<b>91,434</b>	<b>8,774</b>	<b>10,114</b>	<b>8,147</b>	<b>9,125</b>	<b>9,726</b>	<b>10,348</b>	<b>10,593</b>	<b>5,961</b>
<i>By use of proceeds</i>											
8 Education .....	21,121	18,852	16,831	2,292	1,859	2,102	1,933	1,945	1,147	2,075	883
9 Transportation .....	13,395	14,357	9,167	1,223	401	1,453	1,037	2,033	290	1,088	334
10 Utilities and conservation .....	21,039	12,164	12,014	243	540	707	423	856	694	784	433
11 Social welfare .....	25,648	16,744	13,837	1,648	1,227	1,475	2,136	1,312	1,698	2,117	1,897
12 Industrial aid .....	8,376	6,188	6,862	1,316	470	601	657	935	959	1,128	403
13 Other purposes .....	30,275	33,560	32,723	2,052	5,617	1,809	2,939	2,645	5,560	3,401	2,011

1. Par amounts of long-term issues based on date of sale.
2. Includes school districts.

SOURCES: Securities Data Company beginning January 1993; *Investment Dealer's Digest* before then.

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue, offering, or issuer	1991	1992	1993	1994							
				Jan.	Feb.	Mar.	Apr.	May	June	July <sup>r</sup>	Aug.
<b>1 All issues<sup>1</sup></b> .....	<b>465,246</b>	<b>559,827</b>	<b>764,509</b>	<b>58,587<sup>r</sup></b>	<b>47,904<sup>r</sup></b>	<b>52,881<sup>r</sup></b>	<b>35,232<sup>r</sup></b>	<b>44,318<sup>r</sup></b>	<b>49,476</b>	<b>28,953</b>	<b>36,671</b>
<b>2 Bonds<sup>2</sup></b> .....	<b>389,822</b>	<b>471,502</b>	<b>641,498</b>	<b>52,794<sup>r</sup></b>	<b>40,098<sup>r</sup></b>	<b>43,671<sup>r</sup></b>	<b>29,767<sup>r</sup></b>	<b>40,645<sup>r</sup></b>	<b>43,126</b>	<b>25,294</b>	<b>33,280</b>
<i>By type of offering</i>											
3 Public, domestic .....	286,930	378,058	486,879	47,350 <sup>r</sup>	32,781 <sup>r</sup>	41,097 <sup>r</sup>	26,559 <sup>r</sup>	33,469 <sup>r</sup>	38,387	21,576	29,253
4 Private placement, domestic .....	74,930	65,853	116,240	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5 Sold abroad .....	27,962	27,591	38,379	5,444	7,317	2,574	3,209	7,175	4,738	3,718	4,027
<i>By industry group</i>											
6 Manufacturing .....	86,628	82,058	88,002	4,785	3,586	2,446 <sup>r</sup>	2,229	3,266 <sup>r</sup>	2,118	2,107	1,883
7 Commercial and miscellaneous .....	36,666	43,111	60,443	2,899 <sup>r</sup>	2,188 <sup>r</sup>	3,020	990 <sup>r</sup>	2,496 <sup>r</sup>	3,177	1,413	3,518
8 Transportation .....	13,598	9,979	10,756	698 <sup>r</sup>	100	920	97	150	1,082	248	315
9 Public utility .....	23,944	48,055	56,272	2,533 <sup>r</sup>	1,780 <sup>r</sup>	1,632	546	1,071 <sup>r</sup>	681	472	380
10 Communication .....	9,431	15,394	31,950	2,592	2,115	2,090	1,298	944 <sup>r</sup>	618	429	345
11 Real estate and financial .....	219,555	272,904	394,076	39,287 <sup>r</sup>	30,330 <sup>r</sup>	33,563 <sup>r</sup>	24,607 <sup>r</sup>	32,718 <sup>r</sup>	35,450	20,625	26,839
<b>12 Stocks<sup>2</sup></b> .....	<b>75,424</b>	<b>88,325</b>	<b>n.a.</b>	<b>5,793</b>	<b>7,806</b>	<b>9,210</b>	<b>5,465</b>	<b>3,673</b>	<b>6,350</b>	<b>3,659</b>	<b>3,332</b>
<i>By type of offering</i>											
13 Public preferred .....	17,085	21,339	19,898 <sup>r</sup>	1,592	1,318	1,969	2,248	695	1,366	599	710
14 Common .....	48,230	57,118	87,356 <sup>r</sup>	4,200	6,488	7,241	3,218	2,978	4,985	3,061	2,681
15 Private placement .....	10,109	9,867	11,917	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<i>By industry group</i>											
16 Manufacturing .....	24,111	22,723	22,271	1,486	1,558	2,499	2,696	956	1,056	489	573
17 Commercial and miscellaneous .....	19,418	20,231	25,761	1,472	1,630	1,491	773	850 <sup>r</sup>	1,857	208	838
18 Transportation .....	2,439	2,595	2,237	78	589	358	106	104	449	75	50
19 Public utility .....	3,474	6,532	7,050	293	43	480	75	239	297	0	180
20 Communication .....	475	2,366	3,439	n.a.	120	0	0	32	28	0	0
21 Real estate and financial .....	25,507	33,879	49,889	2,463	3,867	4,381	1,815	1,492 <sup>r</sup>	2,663	2,386	1,691

1. Figures represent gross proceeds of issues maturing in more than one year; they are the principal amount or number of units calculated by multiplying by the offering price. Figures exclude secondary offerings, employee stock plans, investment companies other than closed-end, intracorporate transactions, equities sold abroad, and Yankee bonds. Stock data include ownership securities issued by limited partnerships.

2. Monthly data cover only public offerings.
3. Monthly data are not available.

SOURCES: Beginning July 1993, Securities Data Company and the Board of Governors of the Federal Reserve System.

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Assets<sup>1</sup>

Millions of dollars

Item	1992	1993	1994							
			Jan.	Feb.	Mar.	Apr.	May	June	July <sup>f</sup>	Aug.
1 Sales of own shares <sup>2</sup>	647,055	851,885	98,679	78,032	87,381	71,164	65,179	65,333	59,258	64,828
2 Redemptions of own shares	447,140	567,881	61,829	56,235	73,395	61,925	55,036	56,068	50,275	53,241
3 Net sales <sup>3</sup>	199,915	284,004	36,849	21,797	13,986	9,239	10,144	9,265	8,983	11,587
4 Assets <sup>4</sup>	1,056,310	1,510,209	1,572,907	1,561,705	1,500,745	1,510,827	1,529,478	1,509,998	1,552,652	1,604,883
5 Cash <sup>5</sup>	73,999	100,209	110,022	113,975	112,399	118,221	119,982	114,885	120,129	120,128
6 Other	982,311	1,409,838	1,462,879	1,447,730	1,388,347	1,392,606	1,409,496	1,395,113	1,432,523	1,484,755

1. Data on sales and redemptions exclude money market mutual funds but include limited-maturity municipal bond funds. Data on asset positions exclude both money market mutual funds and limited-maturity municipal bond funds.

2. Includes reinvestment of net income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.

3. Excludes sales and redemptions resulting from transfers of shares into or out of money market mutual funds within the same fund family.

4. Market value at end of period, less current liabilities.

5. Includes all U.S. Treasury securities and other short-term debt securities. SOURCE: Investment Company Institute. Data based on reports of membership, which comprises substantially all open-end investment companies registered with the Securities and Exchange Commission. Data reflect underwritings of newly formed companies after their initial offering of securities.

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data at seasonally adjusted annual rates

Account	1991	1992	1993	1992		1993				1994	
				Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
1 Profits with inventory valuation and capital consumption adjustment	390.3	405.1	485.8	363.2	432.5	442.5	473.1	493.5	533.9	508.2	546.4
2 Profits before taxes	365.2	395.9	462.4	359.5	413.5	432.7	456.6	458.7	501.7	483.5	523.1
3 Profits-tax liability	131.1	139.7	173.2	124.6	148.6	159.8	171.8	169.9	191.5	184.1	201.7
4 Profits after taxes	234.1	256.2	289.2	234.9	264.8	273.0	284.8	288.9	310.2	299.4	321.4
5 Dividends	160.0	171.1	191.7	174.4	182.1	188.2	190.7	193.2	194.6	196.3	202.5
6 Undistributed profits	74.1	85.1	97.5	60.5	82.7	84.7	94.1	95.6	115.6	103.0	118.9
7 Inventory valuation	5.8	-6.4	-6.2	-7.3	2.1	-11.2	-10.0	3.0	-6.5	-12.3	-14.1
8 Capital consumption adjustment	19.4	15.7	29.5	10.9	16.9	21.0	26.5	31.7	38.8	37.0	37.4

SOURCE: U.S. Department of Commerce, *Survey of Current Business*.

1.50 NONFARM BUSINESS EXPENDITURES New Plant and Equipment

Billions of dollars; quarterly data at seasonally adjusted annual rates

Industry	1992	1993	1994 <sup>1</sup>	1993				1994			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3 <sup>1</sup>	Q4 <sup>1</sup>
1 Total nonfarm business	546.60	586.73	638.37	563.48	578.95	594.56	604.51	619.34	637.08	651.92	645.13
<i>Manufacturing</i>											
2 Durable goods industries	73.32	81.45	92.78	78.19	80.33	82.74	83.64	86.03	91.71	98.97	94.44
3 Nondurable goods industries	100.69	98.02	99.77	95.80	97.22	99.74	98.51	99.02	102.28	98.39	99.39
<i>Nonmanufacturing</i>											
4 Mining	8.88	10.08	11.24	8.98	9.10	11.09	10.92	11.43	10.70	11.57	11.27
5 Transportation											
6 Railroad	6.67	6.14	6.72	6.16	5.94	5.89	6.55	7.46	5.36	6.65	7.40
7 Air	8.93	6.42	3.95	7.26	6.63	6.70	5.06	4.23	4.53	3.86	3.16
8 Other	7.04	9.22	10.53	8.96	8.92	8.74	10.23	10.77	9.70	10.22	11.42
9 Public utilities											
8 Electric	48.22	52.55	52.25	49.98	50.61	52.96	55.60	48.68	53.55	54.15	52.60
9 Gas and other	23.99	23.43	24.20	23.79	23.83	22.98	23.27	24.51	22.96	24.35	24.97
10 Commercial and other <sup>2</sup>	268.84	299.44	336.93	284.35	296.35	303.74	310.73	327.20	336.28	343.76	340.48

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*.

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1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities<sup>1</sup>

Billions of dollars, end of period; not seasonally adjusted

Account	1991	1992	1993	1992	1993				1994	
				Q4	Q1	Q2	Q3	Q4	Q1	Q2
<b>ASSETS</b>										
1 Accounts receivable, gross <sup>2</sup>	480.6	482.1	476.1	482.1	469.6	469.3	467.6	476.1	488.1	503.1
2 Consumer	121.9	117.1	117.5	117.1	111.9	111.3	112.6	117.5	120.1	123.0
3 Business	292.9	296.5	290.1	296.5	289.6	290.7	287.8	290.1	299.0	309.6
4 Real estate	65.8	68.4	68.6	68.4	68.1	67.2	67.2	68.6	69.0	70.5
5 LESS: Reserves for unearned income	55.1	50.8	49.0	50.8	47.4	47.5	47.9	49.0	49.3	49.6
6 Reserves for losses	12.9	15.8	11.0	15.8	15.5	13.8	11.1	11.0	11.5	11.9
7 Accounts receivable, net	412.6	415.5	416.1	415.5	406.6	408.0	408.6	416.1	427.3	441.5
8 All other	149.0	150.6	177.3	150.6	155.0	156.6	169.7	177.3	177.0	181.8
<b>9 Total assets</b>	<b>561.6</b>	<b>566.1</b>	<b>593.4</b>	<b>566.1</b>	<b>561.6</b>	<b>564.6</b>	<b>578.3</b>	<b>593.4</b>	<b>604.3</b>	<b>623.4</b>
<b>LIABILITIES AND CAPITAL</b>										
10 Bank loans	42.3	37.6	25.3	37.6	34.1	29.5	25.8	25.3	24.2	23.3
11 Commercial paper	159.5	156.4	159.2	156.4	149.8	144.5	149.9	159.2	165.9	171.2
<i>Debt</i>										
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 Owed to parent	34.5	37.8	46.1	37.8	41.9	46.4	47.9	46.1	44.9	48.2
15 Not elsewhere classified	191.3	195.3	199.9	195.3	195.1	195.8	198.1	199.9	205.3	213.0
16 All other liabilities	69.0	71.2	91.1	71.2	74.2	81.3	87.6	91.1	94.3	93.9
17 Capital, surplus, and undivided profits	64.8	67.8	71.7	67.8	66.6	67.1	68.9	71.7	69.7	73.7
<b>18 Total liabilities and capital</b>	<b>561.2</b>	<b>566.1</b>	<b>593.4</b>	<b>566.1</b>	<b>561.7</b>	<b>564.6</b>	<b>578.3</b>	<b>593.4</b>	<b>604.3</b>	<b>623.4</b>

1. Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data are amounts carried on the balance sheets of finance companies; securitized pools are not shown, as they are not on the books.

2. Before deduction for unearned income and losses.

1.52 DOMESTIC FINANCE COMPANIES Consumer, Real Estate, and Business Credit<sup>1</sup>

Millions of dollars, amounts outstanding, end of period

Type of credit	1991	1992	1993	1994						
				Mar.	Apr.	May	June	July <sup>f</sup>	Aug.	
<b>Seasonally adjusted</b>										
<b>1 Total</b>	<b>519,716</b>	<b>530,603</b>	<b>537,947</b>	<b>554,342</b>	<b>557,121</b>	<b>564,902</b>	<b>567,488</b>	<b>564,417</b>	<b>570,719</b>	
2 Consumer	154,951	157,075	162,057	163,493	163,763	165,126	167,313	166,299	166,578	
3 Real estate <sup>2</sup>	65,925	68,556	68,731	69,669	69,815	71,402	70,966	72,121	72,309	
4 Business	298,840	304,972	307,159	321,180	323,543	328,374	329,209	325,997	331,831	
<b>Not seasonally adjusted</b>										
<b>5 Total</b>	<b>523,354</b>	<b>534,934</b>	<b>542,700</b>	<b>553,810</b>	<b>558,208</b>	<b>562,600</b>	<b>567,798</b>	<b>562,511</b>	<b>567,874</b>	
6 Consumer	155,908	158,398	163,629	163,484	164,257	163,873	166,267	165,316	166,286	
7 Motor vehicles	63,415	57,605	55,274	57,797	59,458	56,614	56,932	57,686	57,297	
8 Other consumer	58,522	59,522	62,189	62,264	63,387	64,161	66,064	66,083	67,685	
9 Securitized motor vehicles <sup>4</sup>	23,361	29,734	36,024	33,173	31,328	32,623	32,705	31,848	31,787	
10 Securitized other consumer <sup>4</sup>	10,610	11,537	10,141	10,250	10,084	10,475	10,566	9,699	9,517	
11 Real estate <sup>2</sup>	65,760	68,410	68,577	69,005	70,114	70,920	70,475	72,059	72,673	
12 Business	301,686	308,126	310,495	321,321	323,837	327,807	331,056	325,136	328,916	
13 Motor vehicles	90,613	87,456	90,172	95,719	97,727	99,311	101,711	100,567	100,716	
14 Retail <sup>5</sup>	22,957	19,303	16,024	19,162	19,632	19,790	20,587	21,797	20,901	
15 Wholesale <sup>6</sup>	31,216	29,962	31,067	31,070	31,059	31,019	31,084	26,068	25,807	
16 Leasing	36,440	38,191	43,081	45,487	47,036	48,501	50,040	52,702	54,008	
17 Equipment	141,399	151,607	148,858	149,721	151,150	154,568	155,179	153,802	153,855	
18 Retail	30,962	32,212	33,266	33,861	34,602	35,429	36,037	36,289	36,594	
19 Wholesale <sup>6</sup>	9,671	8,669	8,007	8,281	8,295	8,403	8,441	8,842	8,950	
20 Leasing	100,766	110,726	107,585	107,579	108,253	110,736	110,701	108,671	108,310	
21 Other business <sup>7</sup>	60,900	57,464	51,054	53,596	53,352	51,818	52,709	51,234	52,684	
22 Securitized business assets <sup>4</sup>	8,774	11,599	20,411	22,285	21,607	22,111	21,456	19,533	21,661	
23 Retail	576	1,120	2,483	2,119	2,058	2,406	2,619	2,480	2,656	
24 Wholesale	5,285	5,756	9,727	13,090	13,098	13,348	13,033	11,632	12,984	
25 Leasing	2,913	4,723	8,201	7,076	6,451	6,357	5,804	5,421	6,021	

1. Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data are before deductions for unearned income and losses. Data in this table also appear in the Board's G.20 (422) monthly statistical release. For ordering address, see inside front cover.

2. Includes all loans secured by liens on any type of real estate, for example, first and junior mortgages and home equity loans.

3. Includes personal cash loans, mobile home loans, and loans to purchase other types of consumer goods such as appliances, apparel, general merchandise, and recreation vehicles.

4. Outstanding balances of pools upon which securities have been issued; these

balances are no longer carried on the balance sheets of the loan originator.

5. Passenger car fleets and commercial land vehicles for which licenses are required.

6. Credit arising from transactions between manufacturers and dealers, that is, floor plan financing.

7. Includes loans on commercial accounts receivable, factored commercial accounts, and receivable dealer capital; small loans used primarily for business or farm purposes; and wholesale and lease paper for mobile homes, campers, and travel trailers.

## 1.53 MORTGAGE MARKETS Mortgages on New Homes

Millions of dollars except as noted

Item	1991	1992	1993	1994						
				Mar.	Apr.	May	June	July	Aug.	Sept.
<b>Terms and yields in primary and secondary markets</b>										
<b>PRIMARY MARKETS</b>										
<i>Terms<sup>1</sup></i>										
1 Purchase price (thousands of dollars).....	155.0	158.1	163.1	167.8	166.1	171.6	172.6	166.0	167.6	170.6
2 Amount of loan (thousands of dollars).....	114.0	118.1	123.0	131.0	127.6	132.2	130.0	129.0	129.3	133.7
3 Loan-to-price ratio (percent).....	75.0	76.6	78.0	80.2	79.3	78.5	78.0	79.4	79.0	79.4
4 Maturity (years).....	26.8	25.6	26.1	27.6	26.7	27.6	26.5	27.5	28.0	27.9
5 Fees and charges (percent of loan amount).....	1.71	1.60	1.30	1.20	1.16	1.45	1.30	1.35	1.38	1.36
<i>Yield (percent per year)</i>										
6 Contract rate <sup>2</sup> .....	9.02	7.98	7.02	6.81	7.13	7.20	7.41	7.50	7.45	7.48
7 Effective rate <sup>1,3</sup> .....	9.30	8.25	7.24	6.99	7.31	7.43	7.62	7.71	7.67	7.70
8 Contract rate (HUD series) <sup>4</sup> .....	9.20	8.43	7.37	8.31	8.56	8.61	8.72	8.64	8.68	8.96
<b>SECONDARY MARKETS</b>										
<i>Yield (percent per year)</i>										
9 FHA mortgages (Section 203) <sup>5</sup> .....	9.25	8.46	7.46	8.57	8.63	8.63	9.03	8.65	8.66	9.10
10 GNMA securities <sup>6</sup> .....	8.59	7.71	6.65	7.40	7.93	8.05	8.01	8.23	8.15	8.28
<b>Activity in secondary markets</b>										
<b>FEDERAL NATIONAL MORTGAGE ASSOCIATION</b>										
<i>Mortgage holdings (end of period)</i>										
11 Total.....	128,983	158,119	190,861	197,770	201,542	206,147	208,180	210,666	212,680	215,249
12 FHA/VA insured.....	21,796	22,593	23,857	24,226	25,088	25,303	25,390	25,477	25,604	25,800
13 Conventional.....	107,187	135,526	167,004	173,544	176,454	180,844	182,790	185,189	187,076	189,449
<i>Mortgage transactions (during period)</i>										
14 Purchases.....	37,202	75,905	92,037	5,820	6,677	7,238	4,386	4,628	4,077	4,266
<i>Mortgage commitments (during period)</i>										
15 Issued.....	40,010	74,970	92,537	8,683	4,788	3,801	4,268	3,798	3,776	4,880
16 To sell <sup>8</sup> .....	7,608	10,493	5,097	136	90	281	1	0	0	0
<b>FEDERAL HOME LOAN MORTGAGE CORPORATION</b>										
<i>Mortgage holdings (end of period)<sup>8</sup></i>										
17 Total.....	26,809	33,665	55,012	58,498	59,352	60,799	62,232	62,993	64,118	66,478
18 FHA/VA insured.....	460	352	321	315	309	304	299	296	291	n.a.
19 Conventional.....	26,349	33,313	54,691	59,184	59,043	60,495	61,933	62,697	63,827	n.a.
<i>Mortgage transactions (during period)</i>										
20 Purchases.....	99,965	191,125	229,242	15,970	14,589	10,629	8,341	6,535	6,407	5,512
21 Sales.....	92,478	179,208	208,723	14,486	14,175	10,228	8,097	6,338	5,828	5,213
<i>Mortgage commitments (during period)<sup>9</sup></i>										
22 Contracted.....	114,031	261,637	274,599	22,533	22,765	9,586	7,252	5,820	5,649	5,035

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups for purchase of newly built homes; compiled by the Federal Housing Finance Board in cooperation with the Federal Deposit Insurance Corporation.

2. Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) to obtain a loan.

3. Average effective interest rate on loans closed for purchase of newly built homes, assuming prepayment at the end of ten years.

4. Average contract rate on new commitments for conventional first mortgages; from U.S. Department of Housing and Urban Development (HUD). Based on transactions on the first day of the subsequent month.

5. Average gross yield on thirty-year, minimum-downpayment first mortgages insured by the Federal Housing Administration (FHA) for immediate delivery in the private secondary market. Based on transactions on first day of subsequent month.

6. Average net yields to investors on fully modified pass-through securities backed by mortgages and guaranteed by the Government National Mortgage Association (GNMA), assuming prepayment in twelve years on pools of thirty-year mortgages insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs.

7. Does not include standby commitments issued, but includes standby commitments converted.

8. Includes participation loans as well as whole loans.

9. Includes conventional and government-underwritten loans. The Federal Home Loan Mortgage Corporation's mortgage commitments and mortgage transactions include activity under mortgage securities swap programs, whereas the corresponding data for FNMA exclude swap activity.



1.55 CONSUMER INSTALLMENT CREDIT<sup>1</sup>

Millions of dollars, amounts outstanding, end of period

Holder and type of credit	1991	1992	1993	1994					
				Mar.	Apr.	May	June	July <sup>f</sup>	Aug.
<i>Seasonally adjusted</i>									
1 Total .....	728,398	729,932	795,573	817,173	827,288	838,748	849,904	857,608	868,808
2 Automobile .....	260,574	257,890	281,504	287,912	292,738	296,566	301,534	305,260	308,233
3 Revolving .....	245,631	257,453	287,970	299,218	304,381	308,590	312,591	317,100	323,975
4 Other .....	222,193	214,590	226,099	230,043	230,168	233,593	235,778	235,248	236,600
<i>Not seasonally adjusted</i>									
5 Total .....	744,243	746,452	813,864	812,477	821,754	831,515	843,915	851,572	867,970
<i>By major holder</i>									
6 Commercial banks .....	340,713	330,088	368,549	369,710	376,379	380,063	386,235	393,927	403,046
7 Finance companies .....	121,904	117,050	117,463	120,061	122,845	120,775	122,996	123,769	124,982
8 Credit unions .....	90,302	91,693	101,634	102,683	104,153	107,423	110,349	111,571	113,125
9 Savings institutions .....	41,373	37,049	38,078	38,828	39,078	39,255	39,400	39,600	39,500
10 Nonfinancial business .....	46,658	49,184	57,637	53,410	53,756	54,505	55,374	55,775	56,496
11 Pools of securitized assets <sup>2</sup> .....	103,293	121,388	130,503	127,785	125,543	129,494	129,561	126,930	130,821
<i>By major type of credit<sup>3</sup></i>									
12 Automobile .....	261,046	258,572	282,291	287,476	291,352	295,066	300,745	304,352	309,546
13 Commercial banks .....	112,666	109,623	123,358	126,949	130,104	132,979	136,038	138,907	142,452
14 Finance companies .....	63,415	57,605	55,274	57,797	59,458	56,614	56,932	57,686	57,297
15 Pools of securitized assets <sup>2</sup> .....	28,588	33,888	39,490	36,613	34,531	35,836	35,817	34,436	34,584
16 Revolving .....	259,001	271,369	303,430	296,023	300,457	304,586	309,012	313,257	322,012
17 Commercial banks .....	138,005	132,966	149,527	145,701	149,265	149,972	153,032	156,940	160,899
18 Nonfinancial business .....	41,658	43,974	52,113	47,937	48,279	49,005	49,845	50,218	50,873
19 Pools of securitized assets <sup>2</sup> .....	63,333	74,931	79,887	79,768	79,927	82,064	82,075	81,704	85,644
20 Other .....	224,196	216,511	228,143	228,978	229,945	231,863	234,158	233,963	236,412
21 Commercial banks .....	90,042	87,499	95,664	97,060	97,010	97,112	97,165	98,080	99,695
22 Finance companies .....	58,489	59,445	62,189	62,264	63,387	64,161	66,064	66,083	67,685
23 Nonfinancial business .....	5,000	5,210	5,524	5,473	5,477	5,500	5,529	5,557	5,623
24 Pools of securitized assets <sup>2</sup> .....	11,372	12,569	11,126	11,404	11,085	11,594	11,669	10,790	10,593

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<sup>1</sup>

Percent per year except as noted

Item	1991	1992	1993	1994						
				Feb.	Mar.	Apr.	May	June	July	Aug.
<i>INTEREST RATES</i>										
<i>Commercial banks<sup>2</sup></i>										
1 48-month new car .....	11.14	9.29	8.09	7.54	n.a.	n.a.	7.76	n.a.	n.a.	8.41
2 24-month personal .....	15.18	14.04	13.47	12.89	n.a.	n.a.	12.96	n.a.	n.a.	13.33
3 120-month mobile home .....	13.70	12.67	11.87	11.56	n.a.	n.a.	11.60	n.a.	n.a.	12.04
4 Credit card .....	18.23	17.78	16.83	16.06	n.a.	n.a.	16.15	n.a.	n.a.	16.25
<i>Auto finance companies</i>										
5 New car .....	12.41	9.93	9.48	8.93	9.13	9.71	9.92	9.96	10.17	10.32
6 Used car .....	15.60	13.80	12.79	12.23	12.68	13.25	13.51	13.78	13.86	13.92
<i>OTHER TERMS<sup>3</sup></i>										
<i>Maturity (months)</i>										
7 New car .....	55.1	54.0	54.5	54.4	54.0	53.8	53.5	53.3	53.9	54.2
8 Used car .....	47.2	47.9	48.8	50.3	50.1	50.0	50.6	50.0	50.2	50.1
<i>Loan-to-value ratio</i>										
9 New car .....	88	89	91	91	92	92	93	94	93	93
10 Used car .....	96	97	98	99	99	99	99	100	100	100
<i>Amount financed (dollars)</i>										
11 New car .....	12,494	13,584	14,332	14,904	14,821	15,067	15,194	15,180	15,319	15,283
12 Used car .....	8,884	9,119	9,875	10,449	10,427	10,477	10,606	10,656	10,735	10,755

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals that is scheduled to be repaid (or has the option of repayment) in two or more installments. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.

2. Data are available for only the second month of each quarter.

3. At auto finance companies.

A40 Domestic Financial Statistics □ December 1994

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS<sup>1</sup>

Billions of dollars; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1989	1990	1991	1992	1993	1992	1993 <sup>f</sup>				1994	
						Q4	Q1	Q2	Q3	Q4	Q1	Q2
<b>Nonfinancial sectors</b>												
<b>1 Total net borrowing by domestic nonfinancial sectors</b>	<b>729.0</b>	<b>635.6</b>	<b>475.8</b>	<b>536.1</b>	<b>630.5</b>	<b>456.0</b>	<b>487.3</b>	<b>757.7</b>	<b>603.2</b>	<b>673.7</b>	<b>660.0</b>	<b>491.3</b>
<i>By sector and instrument</i>												
2 U.S. government	146.4	246.9	278.2	304.0	256.1	242.7	240.5	336.4	173.4	274.2	210.5	122.9
3 Treasury securities	144.7	238.7	292.0	303.8	248.3	240.0	237.4	332.3	157.2	266.5	211.8	118.2
4 Budget agency issues and mortgages	1.6	8.2	-13.8	.2	7.8	2.7	3.2	4.1	16.2	7.7	-1.3	4.7
5 Private	582.7	388.7	197.5	232.1	374.4	213.3	246.8	421.3	429.8	399.5	449.5	368.4
<i>By instrument</i>												
6 Tax-exempt obligations	69.8	48.7	68.7	31.1	77.3	-15.8	88.6	127.5	65.8	27.3	4.0	-32.2
7 Corporate bonds	73.8	47.1	78.8	67.5	75.3	54.0	85.7	75.7	72.6	67.4	48.0	52.0
8 Mortgages	281.2	199.5	161.4	123.9	157.1	86.6	97.6	157.1	220.5	153.2	160.9	129.1
9 Home mortgages	224.5	185.6	163.8	179.5	185.3	164.9	123.0	194.5	237.3	186.6	188.7	115.6
10 Multifamily residential	11.5	4.8	-3.1	-11.2	-6.3	-26.5	-6.1	-11.4	-4.9	-2.6	-5.5	9.7
11 Commercial	47.8	9.3	.4	-45.5	-22.4	-51.4	-19.5	-26.8	-12.4	-30.9	-22.9	-1.1
12 Farm	-2.5	-3	.4	1.1	.4	-.5	.2	.8	.5	.1	.5	4.9
13 Consumer credit	45.8	16.0	-15.0	5.5	64.4	29.6	22.1	48.3	76.1	111.0	74.4	118.7
14 Bank loans n.e.c.	27.3	.4	-40.9	-13.8	5.5	19.1	-15.8	-.3	11.5	26.7	77.9	69.1
15 Commercial paper	21.4	9.7	-18.4	8.6	10.0	22.3	-14.1	33.2	17.2	3.8	8.0	16.4
16 Other loans	63.3	67.4	-37.1	9.2	-15.2	17.5	-17.2	-20.2	-33.8	10.2	76.3	15.3
<i>By borrowing sector</i>												
17 Household	281.6	218.9	170.9	217.7	293.8	249.6	176.3	275.3	375.3	348.4	315.7	269.7
18 Nonfinancial business	233.1	123.7	-35.9	-2.0	21.1	1.9	-9.9	38.9	10.4	44.9	145.1	152.5
19 Farm	.6	2.3	2.1	1.0	2.0	-2.4	-2.3	2.5	4.2	3.5	2.9	10.7
20 Nonfarm noncorporate	40.3	10.1	-28.5	-43.9	-26.1	-53.9	-27.4	-31.7	-28.7	-16.7	15.1	23.7
21 Corporate	192.1	111.3	-9.6	40.9	45.2	58.2	19.7	68.1	34.9	58.0	127.1	118.1
22 State and local government	68.0	46.0	62.6	16.4	59.5	-38.2	80.4	107.1	44.1	6.3	-11.3	-53.8
23 Foreign net borrowing in United States	10.2	23.9	13.9	21.3	46.9	3.6	38.9	42.8	83.1	22.9	-64.0	-4.6
24 Bonds	4.9	21.4	14.1	14.4	59.4	26.0	66.5	45.3	84.5	41.4	29.0	11.1
25 Bank loans n.e.c.	-1	-2.9	3.1	2.3	.7	-10.3	1.5	6.6	1.0	-6.3	6.0	-1.2
26 Commercial paper	13.1	12.3	6.4	5.2	-9.0	-12.1	-21.7	-.6	-1.6	-12.0	-101.8	-5.2
27 U.S. government and other loans	-7.6	-7.0	-9.8	-.6	-4.2	.0	-7.5	-8.4	-.8	-.1	2.9	-9.3
<b>28 Total domestic plus foreign</b>	<b>739.2</b>	<b>659.4</b>	<b>489.6</b>	<b>557.4</b>	<b>677.4</b>	<b>459.6</b>	<b>526.2</b>	<b>800.5</b>	<b>686.3</b>	<b>696.7</b>	<b>596.0</b>	<b>486.7</b>
<b>Financial sectors</b>												
<b>29 Total net borrowing by financial sectors</b>	<b>225.1</b>	<b>202.9</b>	<b>152.6</b>	<b>237.1</b>	<b>276.0</b>	<b>198.8</b>	<b>175.6</b>	<b>168.4</b>	<b>417.7</b>	<b>342.4</b>	<b>479.4</b>	<b>329.8</b>
<i>By instrument</i>												
30 U.S. government-related	149.5	167.4	145.7	155.8	157.2	132.6	169.4	56.6	275.3	127.3	327.3	235.3
31 Government-sponsored enterprises securities	25.2	17.1	9.2	40.3	80.6	33.6	32.2	68.8	167.8	53.4	160.0	146.6
32 Mortgage pool securities	124.3	150.3	136.6	115.6	76.6	99.2	137.2	-12.2	107.5	73.9	186.5	88.6
33 Loans from U.S. government	.0	-.1	.0	.0	.0	-.1	.0	.0	.0	.0	-19.2	.0
34 Private	75.7	35.5	6.8	81.3	118.9	66.1	6.2	111.8	142.4	215.1	152.1	94.5
35 Corporate bonds	41.5	46.3	67.6	78.5	112.2	97.0	94.1	84.9	134.7	134.9	142.0	96.9
36 Mortgages	.3	.6	.5	.6	3.6	.9	1.4	1.4	6.2	5.5	.2	2.2
37 Bank loans n.e.c.	13.5	4.7	8.8	2.2	-14.0	-24.1	-34.6	13.2	-16.5	-18.0	-18.3	-32.6
38 Open market paper	31.3	8.6	-32.0	-.7	-6.2	-6.5	-75.1	-16.2	-9.4	76.0	39.0	-4.3
39 Loans from Federal Home Loan Banks	-11.0	-24.7	-38.0	.8	23.3	-1.1	20.4	28.4	27.4	16.8	-10.8	32.3
<i>By borrowing sector</i>												
40 Government-sponsored enterprises	25.2	17.0	9.1	40.2	80.6	33.5	32.2	68.8	167.8	53.4	140.8	146.6
41 Federally related mortgage pools	124.3	150.3	136.6	115.6	76.6	99.2	137.2	-12.2	107.5	73.9	186.5	88.6
42 Private	75.7	35.5	6.8	81.3	118.9	66.1	6.2	111.8	142.4	215.1	152.1	94.5
43 Commercial banks	-1.4	-.7	-11.7	8.8	5.6	14.5	3.5	11.3	6.5	1.2	4.4	-6.1
44 Bank holding companies	6.2	-27.7	-2.5	2.3	8.8	.8	21.1	1.3	.5	12.2	3.5	8.2
45 Funding corporations	12.5	15.4	-6.5	13.2	2.9	3.6	-31.4	-1.6	7.9	36.7	47.4	-21.1
46 Savings institutions	-15.1	-30.2	-44.5	-6.7	11.1	-5.4	9.7	12.6	13.5	8.8	-5.6	30.6
47 Credit unions	.0	.0	.0	.0	.2	.1	.0	.3	.1	.1	.1	-.1
48 Life insurance companies	.0	.0	.0	.0	.2	-.2	.1	.6	-.1	.4	.0	.2
49 Finance companies	27.4	24.0	18.6	-3.6	-5.0	1.0	-24.4	-20.7	9.0	16.3	62.0	66.4
50 Mortgage companies	10.1	.0	-2.4	8.0	-1.0	-6.4	-25.2	32.4	-.8	-10.4	-27.6	-29.2
51 Real estate investment trusts (REITs)	1.4	.8	1.2	.3	3.5	-5.6	.4	1.3	6.0	6.2	1.2	3.8
52 Issuers of asset-backed securities (ABSs)	28.3	52.3	51.0	56.3	80.5	67.7	61.9	60.5	85.2	114.2	76.6	41.4



1.57 FUNDS RAISED IN U.S. CREDIT MARKETS<sup>1</sup>—Continued

Transaction category or sector	1989	1990	1991	1992	1993	1992	1993					1994	
						Q4	Q1	Q2	Q3	Q4	Q1	Q2	
						All sectors							
<b>53 Total net borrowing, all sectors</b>	<b>964.4</b>	<b>862.3</b>	<b>642.2</b>	<b>794.5</b>	<b>953.4</b>	<b>658.4</b>	<b>701.8</b>	<b>968.8</b>	<b>1,104.0</b>	<b>1,039.1</b>	<b>1,075.5</b>	<b>816.5</b>	
54 U.S. government securities	295.8	414.4	424.0	459.8	413.3	375.5	409.9	393.0	448.7	401.5	557.0	358.2	
55 Tax-exempt securities	69.8	48.7	68.7	31.1	77.3	-15.8	88.6	127.5	65.8	27.3	4.0	-32.2	
56 Corporate and foreign bonds	120.2	114.7	160.5	160.4	246.9	177.0	246.3	205.9	291.8	243.7	219.0	160.0	
57 Mortgages	281.6	200.1	161.9	124.5	160.7	87.4	98.9	158.4	226.6	158.7	161.1	131.3	
58 Consumer credit	45.8	16.0	-15.0	5.5	64.4	29.6	22.1	48.3	76.1	111.0	74.4	118.7	
59 Bank loans n.e.c.	40.7	2.2	-29.1	-9.4	-7.8	-15.3	-48.9	19.5	-4.0	2.4	65.6	35.3	
60 Open market paper	65.9	30.7	-44.0	13.1	-5.1	3.7	-110.9	16.4	6.3	67.7	-54.8	6.9	
61 Other loans	44.7	35.6	-84.9	9.5	3.8	16.3	-4.3	-2	-7.2	26.9	49.2	38.3	
	Funds raised through mutual funds and corporate equities												
<b>62 Total net share issues</b>	<b>-60.8</b>	<b>19.7</b>	<b>215.4</b>	<b>296.0</b>	<b>436.5</b>	<b>294.8</b>	<b>344.3</b>	<b>473.5</b>	<b>494.4</b>	<b>434.0</b>	<b>219.0</b>	<b>219.5</b>	
63 Mutual funds	37.2	65.3	151.5	211.9	316.8	205.4	268.9	358.0	348.9	291.5	114.0	152.7	
64 Corporate equities	-98.0	-45.6	64.0	84.1	119.7	89.4	75.4	115.5	145.5	142.4	105.0	66.8	
65 Nonfinancial corporations	-124.2	-63.0	18.3	27.0	20.9	14.0	8.6	24.8	28.7	21.5	-2.8	10.4	
66 Financial corporations	9.0	10.0	15.1	26.4	38.2	27.7	35.2	38.6	38.2	40.9	38.3	17.5	
67 Foreign shares purchased in United States	17.2	7.4	30.7	30.7	60.6	47.8	31.6	52.1	78.6	80.0	69.4	38.9	

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.

A42 Domestic Financial Statistics □ November 1994

1.58 SUMMARY OF FINANCIAL TRANSACTIONS<sup>1</sup>

Billions of dollars except as noted; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1989	1990	1991	1992	1993	1992		1993				1994	
						Q4	Q1	Q2	Q3	Q4	Q1	Q2	
<b>NET LENDING IN CREDIT MARKETS<sup>2</sup></b>													
<b>1 Total net lending in credit markets .....</b>	<b>964.4</b>	<b>862.3</b>	<b>642.2</b>	<b>794.5</b>	<b>953.4</b>	<b>658.4</b>	<b>701.8</b>	<b>968.8</b>	<b>1,104.0</b>	<b>1,039.1</b>	<b>1,075.5</b>	<b>816.5</b>	
2 Private domestic nonfinancial sectors .....	137.0	190.1	-7.5	72.0	-2.3	104.3	-40.2	-3.3	-43.9	78.1	465.9	235.0	
3 Households .....	94.7	157.2	-39.6	70.7	-30.9	112.0	-91.0	-70.5	-76.7	114.4	447.1	270.2	
4 Nonfarm noncorporate business .....	-8	-1.7	-3.7	-1.1	-3.2	-1.3	-3.0	-3.2	-3.3	-3.5	-3.6	-3.8	
5 Nonfinancial corporate business .....	13.7	-3.7	6.7	29.2	17.5	31.8	-2.8	16.6	40.8	15.2	33.7	39.1	
6 State and local governments .....	29.3	38.3	29.2	-26.8	14.4	-38.3	56.5	53.7	-4.7	-48.0	-11.2	-70.5	
7 U.S. government .....	-3.1	33.7	10.5	-11.9	-18.4	-16.0	-23.2	-27.1	-15.4	-7.9	-40.8	-8.2	
8 Foreign .....	86.6	85.5	26.6	100.5	125.8	98.3	65.6	93.2	123.7	220.5	123.9	54.2	
9 Financial sectors .....	743.8	553.0	612.5	633.9	848.4	471.9	699.6	1,039.7	748.3	526.5	535.6		
10 Government sponsored enterprises .....	-4.1	13.9	15.2	69.0	90.2	80.7	16.7	128.0	140.8	75.2	92.4	104.3	
11 Federally related mortgage pools .....	124.3	150.3	136.6	115.6	76.6	99.2	137.2	-12.2	107.5	73.9	186.5	88.6	
12 Monetary authority .....	-7.3	8.1	31.1	27.9	36.2	48.2	42.5	35.7	28.2	38.5	48.8	17.9	
13 Commercial banking .....	177.2	125.1	80.8	95.3	142.2	63.8	100.5	133.4	146.7	188.1	187.3	117.8	
14 U.S. commercial banks .....	146.1	94.9	35.7	69.5	149.6	53.4	103.4	137.4	160.3	197.3	120.8	136.4	
15 Foreign banking offices .....	26.7	28.4	48.5	16.5	-9.8	6.5	-1.4	-14.3	-16.9	-6.5	61.4	-20.7	
16 Bank holding companies .....	2.8	-2.8	-1.5	5.6	0	2	-4.5	7.9	1.2	-4.8	3.0	2	
17 Banks in U.S. affiliated areas .....	1.6	4.5	-1.9	3.7	2.4	3.6	3.0	2.4	2.2	2.1	2.1	1.9	
18 Funding corporations .....	8.0	16.1	15.8	23.5	18.1	11.4	-3.8	1.1	32.4	42.6	19.5	23.5	
19 Thrift institutions .....	-90.0	-154.0	-123.5	-61.3	-1.7	-22.6	-30.7	16.0	21.1	-13.3	16.1	37.2	
20 Life insurance companies .....	101.8	94.4	83.2	79.1	105.1	100.8	124.6	97.8	113.8	86.3	50.5	77.6	
21 Other insurance companies .....	29.7	26.5	32.6	12.8	33.3	11.9	27.3	36.0	37.6	32.1	27.9	32.8	
22 Private pension funds .....	81.1	17.2	85.7	37.3	40.2	8.4	118.0	11.1	91.9	-60.1	-97.7	-42.0	
23 State and local government retirement funds .....	46.1	34.9	46.0	34.4	28.1	16.7	-9.3	51.5	24.4	45.9	45.5	49.4	
24 Finance companies .....	32.0	29.0	-12.7	1.7	-5.3	22.3	-26.9	-18.3	2.0	22.0	72.9	24.3	
25 Mortgage companies .....	20.1	0	11.2	1	0	-12.8	-50.4	65.1	-1.6	-13.3	-55.4	-66.2	
26 Mutual funds .....	23.8	41.4	90.3	173.7	164.0	96.1	148.6	194.4	174.6	138.4	-72.6	11.3	
27 Closed-end funds .....	6.6	2	14.7	12.0	17.3	16.7	10.5	5.9	7.7	7.7	8.7	3.6	
28 Money market funds .....	67.1	80.9	30.1	1.3	12.9	-29.4	-57.3	33.3	25.3	50.3	-37.4	33.7	
29 Real estate investment trusts (REITs) .....	5	-7	-7	1.1	6	2.6	2	8	1.0	2	7	7	
30 Brokers and dealers .....	80.2	8.1	17.5	-6.9	9.2	-113.1	75.2	52.5	-7.8	-82.8	-55.7	-34.4	
31 Asset-backed securities issuers (ABSs) .....	27.1	51.1	48.9	53.8	79.1	62.1	61.4	59.4	88.0	107.7	75.8	43.6	
32 Bank personal trusts .....	19.7	15.9	10.0	8.0	9.5	8.3	9.1	10.0	9.9	8.9	12.9	11.7	
<b>RELATION OF LIABILITIES TO FINANCIAL ASSETS</b>													
<b>33 Net flows through credit markets .....</b>	<b>964.4</b>	<b>862.3</b>	<b>642.2</b>	<b>794.5</b>	<b>953.4</b>	<b>658.4</b>	<b>701.8</b>	<b>968.8</b>	<b>1,104.0</b>	<b>1,039.1</b>	<b>1,075.5</b>	<b>816.5</b>	
<i>Other financial sources</i>													
34 Official foreign exchange .....	24.8	2.0	-5.9	-1.6	.8	5.1	3.4	-4.0	1.7	2.2	-2	-11.2	
35 Special drawing rights certificates .....	3.5	1.5	0	-2.0	0	-8.0	0	0	0	0	0	0	
36 Treasury currency .....	6	1.0	0	2	4	3	3	4	4	7	7	6	
37 Life insurance reserves .....	28.8	25.7	25.7	27.3	35.2	26.3	43.6	35.3	36.6	25.5	20.0	20.1	
38 Pension fund reserves .....	321.2	165.1	360.3	249.7	295.8	267.9	353.4	316.8	356.0	156.9	-27.7	61.0	
39 Interbank claims .....	-16.2	35.4	-3.9	61.7	42.8	-14.4	70.2	126.5	-4.5	-20.9	155.5	197.0	
40 Checkable deposits and currency .....	6.4	43.3	86.4	113.8	117.3	51.8	99.7	214.4	73.1	81.9	173.1	-60.4	
41 Small time and savings deposits .....	98.7	63.7	1.5	-57.2	-70.3	-29.9	-108.5	-67.8	-68.1	-36.6	5.2	-66.5	
42 Large time deposits .....	16.9	-66.1	-58.5	-73.2	-23.5	-91.1	-21.6	-26.8	-59.5	13.7	-39.6	-4.8	
43 Money market fund shares .....	90.1	70.3	41.2	3.9	15.8	-33.4	-46.8	61.8	6	47.7	-10.9	67.8	
44 Security repurchase agreements .....	77.8	-24.2	-16.5	35.5	65.5	-68.7	170.7	37.9	67.8	-14.4	15.3	183.7	
45 Foreign deposits .....	35.7	38.2	-16.7	-7.2	-22.1	-23.2	-11.9	-17.1	-50.7	-8.6	24.9	13.9	
46 Mutual fund shares .....	37.2	65.3	151.5	211.9	316.8	205.4	268.9	358.0	348.9	291.5	114.0	152.7	
47 Corporate equities .....	-98.0	-45.6	64.0	84.1	119.7	89.4	75.4	115.5	145.5	142.4	105.0	66.8	
48 Security credit .....	15.6	3.5	51.4	4.2	61.9	-4	44.8	40.0	76.6	86.5	30.0	-34.1	
49 Trade debt .....	68.2	37.0	3.6	41.5	49.0	46.1	43.2	51.1	49.8	51.9	24.7	23.0	
50 Taxes payable .....	2.4	-4.8	-6.2	8.5	4.6	9.7	7.9	7.3	-1.8	4.9	13.5	3.9	
51 Noncorporate proprietors' equity .....	-25.8	-28.3	-3.3	18.4	-11.4	32.8	-9.0	-17.8	7.1	-25.9	-66.4	-75.1	
52 Investment in bank personal trusts .....	19.6	29.7	16.1	-7.1	1.6	-6.0	-4.2	-7.2	1	17.6	19.0	-8.9	
53 Miscellaneous .....	313.8	135.7	197.2	257.6	309.2	194.5	194.3	431.1	226.1	385.2	287.1	117.1	
<b>54 Total financial sources .....</b>	<b>1,985.7</b>	<b>1,410.6</b>	<b>1,530.2</b>	<b>1,764.5</b>	<b>2,262.7</b>	<b>1,312.8</b>	<b>1,875.5</b>	<b>2,624.2</b>	<b>2,309.9</b>	<b>2,241.3</b>	<b>1,918.6</b>	<b>1,463.1</b>	
<i>Floats not included in assets (-)</i>													
55 U.S. government checkable deposits .....	8.4	3.3	-13.1	.7	-1.5	-11.8	4.7	2.9	2.1	-15.5	-2.4	.3	
56 Other checkable deposits .....	-2.2	8.5	4.5	1.6	-1.3	2.2	-2.0	8.3	-5.2	-6.2	.6	-1.1	
57 Trade credit .....	7.0	9.1	9.7	4.1	16.0	5.0	5.2	25.1	21.9	11.7	23.1	16.3	
<i>Liabilities not identified as assets (-)</i>													
58 Treasury currency .....	-2	2	-6	-2	-2	-1	-2	-2	-2	-2	-2	-2	
59 Interbank claims .....	-4.4	1.6	26.2	-4.9	4.2	-5.5	2.7	.5	-10.4	24.0	-27.9	4.9	
60 Security repurchase agreements .....	32.4	-24.0	6.2	27.9	84.6	8.9	179.6	60.8	66.6	31.3	8.3	130.0	
61 Taxes payable .....	2.7	.1	1.3	14.0	1.0	9.5	-6.9	18.2	1.2	-8.6	-1.0	19.9	
62 Miscellaneous .....	-55.6	-35.4	-45.3	-46.0	-36.1	8.4	-83.4	-65.8	-23.9	28.6	-108.8	-155.8	
<b>63 Total identified to sectors as assets .....</b>	<b>1,997.6</b>	<b>1,447.2</b>	<b>1,541.2</b>	<b>1,767.2</b>	<b>2,196.1</b>	<b>1,296.1</b>	<b>1,775.9</b>	<b>2,574.4</b>	<b>2,257.9</b>	<b>2,176.2</b>	<b>2,026.9</b>	<b>1,448.8</b>	

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.[001a]

1.59 SUMMARY OF CREDIT MARKET DEBT OUTSTANDING<sup>1</sup>

Billions of dollars, end of period

Transaction category or sector	1990	1991	1992	1993	1992		1993				1994	
							Q4	Q1	Q2	Q3	Q4	Q1
Nonfinancial sectors												
<b>1 Total credit market debt owed by domestic nonfinancial sectors</b>	<b>10,712.6</b>	<b>11,181.5</b>	<b>11,720.7</b>	<b>12,351.9</b>	<b>11,720.7</b>	<b>11,804.0</b>	<b>12,001.1</b>	<b>12,145.0</b>	<b>12,351.9</b>	<b>12,476.5</b>	<b>12,607.7</b>	
<i>By lending sector and instrument</i>												
2 U.S. government	2,498.1	2,776.4	3,080.3	3,336.5	3,080.3	3,140.2	3,201.2	3,247.3	3,336.5	3,387.7	3,395.4	
3 Treasury securities	2,465.8	2,757.8	3,061.6	3,309.9	3,061.6	3,120.6	3,180.6	3,222.6	3,309.9	3,361.4	3,368.0	
4 Budget agency issues and mortgages	32.4	18.6	18.8	26.6	18.8	19.6	20.6	24.7	26.6	26.3	27.4	
5 Private	8,214.5	8,405.1	8,640.4	9,015.4	8,640.4	8,663.9	8,799.9	8,897.8	9,015.4	9,088.8	9,212.3	
<i>By instrument</i>												
6 Tax-exempt obligations	1,039.9	1,108.6	1,139.7	1,217.0	1,139.7	1,160.7	1,201.5	1,209.2	1,217.0	1,216.8	1,218.4	
7 Corporate bonds	1,008.2	1,086.9	1,154.4	1,229.8	1,154.4	1,175.9	1,194.8	1,212.9	1,229.8	1,241.8	1,254.8	
8 Mortgages	3,758.5	3,920.0	4,043.9	4,201.0	4,043.9	4,053.9	4,103.6	4,159.9	4,201.0	4,227.3	4,270.0	
9 Home mortgages	2,616.3	2,780.0	2,959.6	3,144.9	2,959.6	2,976.0	3,035.0	3,095.5	3,144.9	3,178.2	3,217.5	
10 Multifamily residential	307.9	304.8	293.6	287.4	293.6	292.1	289.3	288.0	287.4	286.0	288.4	
11 Commercial	755.4	755.8	710.3	687.8	710.3	705.4	698.7	695.6	687.8	682.1	681.8	
12 Farm	78.9	79.3	80.4	80.8	80.4	80.5	80.7	80.8	80.8	81.0	82.2	
13 Consumer credit	812.4	797.4	803.0	867.3	803.0	787.4	801.1	825.1	867.3	864.9	895.8	
14 Bank loans n.e.c.	726.9	686.0	672.1	677.6	672.1	660.9	666.2	666.5	677.6	690.2	713.0	
15 Commercial paper	116.9	98.5	107.1	117.8	107.1	113.9	124.0	123.2	117.8	129.9	135.7	
16 Other loans	751.8	707.8	720.2	704.9	720.2	711.2	708.6	700.9	704.9	718.1	724.6	
<i>By borrowing sector</i>												
17 Household	3,614.3	3,784.7	4,002.3	4,296.2	4,002.3	4,009.6	4,092.8	4,192.5	4,296.2	4,338.7	4,420.5	
18 Nonfinancial business	3,751.7	3,709.3	3,710.5	3,732.3	3,710.5	3,707.8	3,724.9	3,720.8	3,732.3	3,767.1	3,812.5	
19 Farm	135.4	135.0	136.0	138.0	136.0	133.1	136.3	138.4	138.0	136.3	141.7	
20 Nonfarm noncorporate	1,147.0	1,116.4	1,074.1	1,048.0	1,074.1	1,066.6	1,059.2	1,051.3	1,048.0	1,051.0	1,057.5	
21 Corporate	2,469.2	2,458.0	2,500.4	2,546.3	2,500.4	2,508.1	2,529.3	2,531.1	2,546.3	2,579.8	2,613.4	
22 State and local government	848.6	911.1	927.5	987.0	927.5	946.5	982.2	984.5	987.0	983.0	979.2	
<b>23 Foreign credit market debt held in United States</b>	<b>285.0</b>	<b>298.8</b>	<b>310.9</b>	<b>357.8</b>	<b>310.9</b>	<b>319.8</b>	<b>332.0</b>	<b>351.3</b>	<b>357.8</b>	<b>340.9</b>	<b>341.2</b>	
24 Bonds	115.4	129.5	143.9	203.4	143.9	160.6	171.9	193.0	203.4	210.6	213.4	
25 Bank loans n.e.c.	18.5	21.6	23.9	24.6	23.9	24.3	25.9	26.2	24.6	26.2	25.9	
26 Commercial paper	75.3	81.8	77.7	68.7	77.7	72.3	72.1	71.7	68.7	43.3	42.0	
27 U.S. government and other loans	75.7	65.9	65.3	61.1	65.3	62.7	62.0	60.3	61.1	60.8	59.9	
<b>28 Total credit market debt owed by nonfinancial sectors, domestic and foreign</b>	<b>10,997.6</b>	<b>11,480.3</b>	<b>12,031.6</b>	<b>12,709.7</b>	<b>12,031.6</b>	<b>12,123.9</b>	<b>12,333.1</b>	<b>12,496.3</b>	<b>12,709.7</b>	<b>12,817.4</b>	<b>12,948.9</b>	
Financial sectors												
<b>29 Total credit market debt owed by financial sectors</b>	<b>2,599.5</b>	<b>2,752.1</b>	<b>3,004.7</b>	<b>3,286.1</b>	<b>3,004.7</b>	<b>3,044.8</b>	<b>3,092.6</b>	<b>3,195.4</b>	<b>3,286.1</b>	<b>3,401.8</b>	<b>3,490.7</b>	
<i>By instrument</i>												
30 U.S. government-related	1,418.4	1,564.2	1,720.0	1,877.1	1,720.0	1,755.8	1,774.5	1,842.2	1,877.1	1,952.1	2,016.2	
31 Government-sponsored enterprises securities	393.7	402.9	443.1	523.7	443.1	451.2	468.4	510.3	523.7	563.7	600.3	
32 Mortgage pool securities	1,019.9	1,156.5	1,272.0	1,348.6	1,272.0	1,299.8	1,301.3	1,327.1	1,348.6	1,388.4	1,415.9	
33 Loans from U.S. government	4.9	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	.0	0.0	
34 Private	1,181.1	1,187.9	1,284.8	1,409.0	1,284.8	1,289.0	1,318.2	1,353.2	1,409.0	1,449.7	1,474.5	
35 Corporate bonds	572.4	640.0	724.8	836.9	724.8	748.8	770.8	804.3	836.9	870.5	895.5	
36 Mortgages	4.3	4.8	5.4	8.9	5.4	5.7	6.0	7.6	8.9	9.0	9.5	
37 Bank loans n.e.c.	69.6	78.4	80.5	66.5	80.5	70.3	73.4	69.2	66.5	60.3	52.0	
38 Open market paper	417.7	385.7	394.3	393.5	394.3	379.3	375.9	373.2	393.5	409.4	408.9	
39 Loans from Federal Home Loan Banks	117.1	79.1	79.9	103.1	79.9	85.0	92.1	98.9	103.1	100.4	108.5	
<i>By borrowing sector</i>												
40 Government-sponsored enterprises	398.5	407.7	447.9	528.5	447.9	456.0	473.2	515.1	528.5	563.7	600.3	
41 Federally related mortgage pools	1,019.9	1,156.5	1,272.0	1,348.6	1,272.0	1,299.8	1,301.3	1,327.1	1,348.6	1,388.4	1,415.9	
42 Private financial sectors	1,181.1	1,187.9	1,284.8	1,409.0	1,284.8	1,289.0	1,318.2	1,353.2	1,409.0	1,449.7	1,474.5	
43 Commercial banks	76.7	65.0	73.8	79.5	73.8	73.1	76.6	77.9	79.5	79.0	78.0	
44 Bank holding companies	114.8	112.3	114.6	123.4	114.6	119.2	120.3	123.4	123.4	124.2	126.3	
45 Funding corporations	145.7	139.1	161.6	169.9	161.6	162.2	166.5	166.3	169.9	190.4	190.1	
46 Savings institutions	139.1	94.6	87.8	99.0	87.8	90.3	93.4	96.8	99.0	97.6	105.2	
47 Credit unions	.0	.0	.0	.2	.0	.0	.1	.2	.2	.3	.2	
48 Life insurance companies	.0	.0	.0	.2	.0	.0	.2	.1	.2	.3	.3	
49 Finance companies	374.4	393.0	389.4	384.4	389.4	379.1	369.8	373.9	384.4	395.4	407.6	
50 Mortgage companies	24.6	22.2	30.2	29.2	30.2	23.9	32.0	31.8	29.2	22.3	15.0	
51 Real estate investment trusts (REITs)	12.4	13.6	13.9	17.4	13.9	14.0	14.4	15.8	17.4	17.7	18.7	
52 Issuers of asset-backed securities (ABSs)	278.1	329.1	391.7	472.2	391.7	407.2	422.3	443.6	472.2	491.3	501.7	
All sectors												
<b>53 Total credit market debt, domestic and foreign</b>	<b>13,597.1</b>	<b>14,232.3</b>	<b>15,036.3</b>	<b>15,995.8</b>	<b>15,036.3</b>	<b>15,168.7</b>	<b>15,425.7</b>	<b>15,691.7</b>	<b>15,995.8</b>	<b>16,219.2</b>	<b>16,439.6</b>	
54 U.S. government securities	3,911.7	4,335.7	4,795.5	5,208.8	4,795.5	4,891.2	4,970.9	5,084.7	5,208.8	5,339.8	5,411.7	
55 Tax-exempt securities	1,039.9	1,108.6	1,139.7	1,217.0	1,139.7	1,160.7	1,201.5	1,209.2	1,217.0	1,216.8	1,218.4	
56 Corporate and foreign bonds	1,696.0	1,856.5	2,023.1	2,270.1	2,023.1	2,085.2	2,137.4	2,210.2	2,270.1	2,322.9	2,363.7	
57 Mortgages	3,762.9	3,924.8	4,049.3	4,209.9	4,049.3	4,059.7	4,109.6	4,167.5	4,209.9	4,236.3	4,279.5	
58 Consumer credit	812.4	797.4	803.0	867.3	803.0	787.4	801.1	825.1	867.3	864.9	895.8	
59 Bank loans n.e.c.	815.0	785.9	776.6	768.8	776.6	755.4	765.6	761.9	768.8	776.8	790.9	
60 Open market paper	609.9	565.9	579.0	580.0	579.0	565.5	572.0	568.2	580.0	582.6	586.5	
61 Other loans	949.4	857.5	870.2	873.9	870.2	863.7	867.5	864.9	873.9	879.4	893.1	

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.2 through L.4. For ordering address, see inside front cover.

[001a]

A44 Domestic Financial Statistics □ December 1994

1.60 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES<sup>1</sup>

Billions of dollars except as noted, end of period

Transaction category or sector	1990	1991	1992	1993	1992		1993				1994	
							Q4	Q1	Q2	Q3	Q4	Q1
<b>CREDIT MARKET DEBT OUTSTANDING<sup>2</sup></b>												
<b>1 Total credit market assets</b> .....	<b>13,597.1</b>	<b>14,232.3</b>	<b>15,036.3</b>	<b>15,995.8</b>	<b>15,036.3</b>	<b>15,168.7</b>	<b>15,425.7</b>	<b>15,691.7</b>	<b>15,995.8</b>	<b>16,219.2</b>	<b>16,439.6</b>	
2 Private domestic nonfinancial sectors .....	2,260.8	2,240.2	2,318.0	2,325.8	2,318.0	2,291.7	2,286.9	2,274.4	2,325.8	2,416.3	2,471.0	
3 Households .....	1,499.3	1,446.5	1,523.1	1,502.3	1,523.1	1,493.5	1,466.5	1,451.1	1,502.3	1,598.0	1,655.8	
4 Nonfarm noncorporate business .....	47.8	44.1	42.9	39.7	42.9	42.2	41.4	40.6	39.7	38.8	37.9	
5 Nonfinancial corporate business .....	189.6	196.2	225.4	242.9	225.4	216.0	223.1	230.3	242.9	241.9	254.7	
6 State and local governments .....	524.1	553.3	526.5	540.9	526.5	540.0	555.9	552.4	540.9	537.5	522.6	
7 U.S. government .....	239.0	246.9	235.0	216.6	235.0	229.4	223.1	218.8	216.6	206.3	204.7	
8 Foreign .....	918.3	958.1	1,052.7	1,174.4	1,052.7	1,061.2	1,083.4	1,117.5	1,174.4	1,205.2	1,218.1	
9 Financial sectors .....	10,179.0	10,787.2	11,430.6	12,279.0	11,430.6	11,586.3	11,832.3	12,080.9	12,279.0	12,391.4	12,548.8	
10 Government-sponsored enterprises .....	375.6	390.7	459.7	549.8	459.7	463.0	495.5	530.8	549.8	572.0	598.8	
11 Federally related mortgage pools .....	1,019.9	1,156.5	1,272.0	1,348.6	1,272.0	1,299.8	1,301.3	1,327.1	1,348.6	1,388.4	1,415.9	
12 Monetary authority .....	241.4	272.5	300.4	336.7	300.4	303.6	318.2	324.2	336.7	341.5	351.6	
13 Commercial banking .....	2,772.5	2,853.3	2,948.6	3,090.8	2,948.6	2,948.6	2,998.8	3,036.4	3,090.8	3,120.8	3,159.1	
14 U.S. commercial banks .....	2,466.7	2,502.5	2,571.9	2,721.5	2,571.9	2,589.4	2,628.5	2,670.2	2,721.5	2,743.9	2,782.3	
15 Foreign banking offices .....	270.8	319.2	335.8	326.0	335.8	326.7	327.1	322.3	326.0	332.4	331.6	
16 Bank holding companies .....	13.4	11.9	17.5	17.5	17.5	16.4	18.4	18.7	17.5	18.2	18.3	
17 Banks in U.S. affiliated areas .....	21.6	19.7	23.4	25.8	23.4	24.2	24.8	25.3	25.8	26.4	26.8	
18 Funding corporations .....	35.7	51.5	75.0	93.1	75.0	74.0	74.3	82.4	93.1	97.9	103.8	
19 Thrift institutions .....	1,320.5	1,192.6	1,134.5	1,132.7	1,134.5	1,124.8	1,130.0	1,136.5	1,132.7	1,134.8	1,145.4	
20 Life insurance companies .....	1,116.5	1,199.6	1,278.8	1,383.9	1,278.8	1,316.2	1,343.9	1,372.1	1,383.9	1,403.4	1,426.1	
21 Other insurance companies .....	344.0	376.6	389.4	422.7	389.4	396.3	405.3	414.6	422.7	429.6	437.8	
22 Private pension funds .....	607.4	693.0	730.4	770.2	730.4	759.8	762.6	785.6	770.6	746.2	735.6	
23 State and local government retirement funds .....	435.9	479.9	514.3	542.4	514.3	511.9	524.8	530.9	542.4	553.7	566.1	
24 Finance companies .....	497.6	484.9	484.6	481.3	486.6	473.7	473.5	472.0	481.3	492.8	503.1	
25 Mortgage companies .....	49.2	60.3	60.5	60.4	60.5	60.5	64.1	63.8	60.4	46.6	30.0	
26 Mutual funds .....	360.2	450.5	574.2	738.2	574.2	611.4	659.9	703.6	738.2	720.0	722.9	
27 Closed-end funds .....	35.6	50.3	67.7	77.9	67.7	71.9	74.5	76.0	77.9	80.1	81.0	
28 Money market funds .....	372.7	402.7	404.1	417.0	404.1	404.5	403.9	400.6	417.0	422.2	422.0	
29 Real estate investment trusts (REITs) .....	7.7	7.0	8.1	8.6	8.1	8.1	8.3	8.6	8.6	8.6	9.0	
30 Brokers and dealers .....	106.5	124.0	117.1	126.3	117.1	135.9	149.0	147.1	126.3	112.4	103.8	
31 Asset-backed securities issuers (ABSs) .....	268.9	317.8	377.9	457.0	377.9	393.2	408.1	436.1	457.0	476.0	486.9	
32 Bank personal trusts .....	213.4	223.5	231.5	240.9	231.5	233.7	236.2	238.7	240.9	244.2	247.1	
<b>RELATION OF LIABILITIES TO FINANCIAL ASSETS</b>												
<b>33 Total credit market debt</b> .....	<b>13,597.1</b>	<b>14,232.3</b>	<b>15,036.3</b>	<b>15,995.8</b>	<b>15,036.3</b>	<b>15,168.7</b>	<b>15,425.7</b>	<b>15,691.7</b>	<b>15,995.8</b>	<b>16,219.2</b>	<b>16,439.6</b>	
<i>Other liabilities</i>												
34 Official foreign exchange .....	61.3	55.4	51.8	53.4	51.8	54.5	53.9	55.6	53.4	56.4	54.9	
35 Special drawing rights certificates .....	10.0	10.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	
36 Treasury currency .....	16.3	16.3	16.5	17.0	16.5	16.6	16.7	16.8	17.0	17.1	17.3	
37 Life insurance reserves .....	380.0	405.7	433.0	468.2	433.0	443.9	452.7	461.9	468.2	473.2	478.2	
38 Pension fund reserves .....	3,484.2	4,138.3	4,516.5	4,981.5	4,516.5	4,658.1	4,739.5	4,898.0	4,981.5	4,908.4	4,926.4	
39 Interbank claims .....	95.3	96.4	132.8	175.9	132.8	137.3	145.0	166.9	175.9	203.5	226.2	
40 Deposits at financial institutions .....	5,005.3	5,044.8	5,059.1	5,141.8	5,059.1	5,055.3	5,097.1	5,088.5	5,141.8	5,157.1	5,180.7	
41 Checkable deposits and currency .....	934.2	1,020.6	1,134.4	1,251.7	1,134.4	1,089.1	1,168.0	1,181.9	1,251.7	1,220.5	1,231.2	
42 Small time and savings deposits .....	2,349.2	2,350.7	2,293.5	2,223.2	2,293.5	2,275.7	2,255.0	2,236.6	2,223.2	2,234.4	2,213.7	
43 Large time deposits .....	546.9	488.4	415.2	391.7	415.2	410.6	401.1	389.4	391.7	382.6	378.9	
44 Money market fund shares .....	498.4	539.6	543.6	559.4	543.6	556.6	549.8	547.9	559.4	582.4	576.4	
45 Security repurchase agreements .....	372.3	355.8	392.3	457.8	392.3	446.2	450.4	472.5	457.8	473.0	512.8	
46 Foreign deposits .....	304.3	289.6	280.1	258.0	280.1	277.1	272.8	260.2	258.0	264.3	267.7	
47 Mutual fund shares .....	602.1	813.9	1,042.1	1,429.3	1,042.1	1,134.6	1,225.8	1,342.4	1,429.3	1,439.0	1,443.1	
48 Security credit .....	137.4	188.9	217.3	279.3	217.3	234.7	254.5	279.3	279.3	282.8	273.9	
49 Trade debt .....	942.2	935.9	977.4	1,026.4	977.4	976.9	989.6	1,009.7	1,026.4	1,020.9	1,026.9	
50 Taxes payable .....	77.4	71.2	79.6	84.2	79.6	82.9	81.2	82.8	84.2	88.8	86.1	
51 Investment in bank personal trusts .....	522.1	608.3	629.6	660.9	629.6	639.0	637.6	651.2	660.9	665.7	674.1	
52 Miscellaneous .....	2,820.4	2,992.2	3,160.2	3,424.8	3,160.2	3,176.6	3,258.3	3,325.8	3,424.8	3,516.2	3,525.8	
<b>53 Total liabilities</b> .....	<b>27,751.1</b>	<b>29,609.6</b>	<b>31,360.1</b>	<b>33,746.4</b>	<b>31,360.1</b>	<b>31,777.4</b>	<b>32,365.7</b>	<b>33,053.7</b>	<b>33,746.4</b>	<b>34,056.3</b>	<b>34,361.3</b>	
<i>Financial assets not included in liabilities (+)</i>												
54 Gold and special drawing rights .....	22.0	22.3	19.6	20.1	19.6	19.8	20.0	20.3	20.1	20.4	20.8	
55 Corporate equities .....	3,530.2	4,863.6	5,462.9	6,186.5	5,462.9	5,647.3	5,683.7	5,941.7	6,186.5	6,052.2	5,877.7	
56 Household equity in noncorporate business .....	2,529.1	2,444.4	2,411.5	2,427.9	2,411.5	2,420.2	2,434.1	2,445.5	2,427.9	2,459.2	2,477.2	
<i>Floats not included in assets (-)</i>												
57 U.S. government checkable deposits .....	15.0	3.8	6.8	5.6	6.8	3.4	3.5	2.2	5.6	.3	.9	
58 Other checkable deposits .....	35.9	40.4	42.0	40.7	42.0	36.7	41.6	33.7	40.7	36.3	38.7	
59 Trade credit .....	-130.3	-129.3	-124.6	-106.9	-124.6	-135.0	-139.2	-134.8	-106.9	-113.1	-120.1	
<i>Liabilities not identified as assets (-)</i>												
60 Treasury currency .....	-4.1	-4.8	-4.9	-5.1	-4.9	-5.0	-5.0	-5.1	-5.1	-5.2	-5.2	
61 Interbank claims .....	-32.0	-4.2	-9.3	-4.7	-9.3	-5.8	-5.7	-7.8	-4.7	-7.4	-7.2	
62 Security repurchase agreements .....	3.0	9.2	38.1	122.7	38.1	94.9	108.0	132.6	122.7	136.7	166.7	
63 Taxes payable .....	17.8	17.8	25.2	33.3	25.2	14.1	23.3	22.5	33.3	26.6	22.1	
64 Miscellaneous .....	-261.2	-330.7	-398.4	-479.8	-398.4	-437.1	-433.7	-478.9	-479.8	-505.1	-482.9	
<b>65 Total identified to sectors as assets</b> .....	<b>34,188.3</b>	<b>37,337.6</b>	<b>39,679.1</b>	<b>42,775.1</b>	<b>39,679.1</b>	<b>40,298.4</b>	<b>40,910.8</b>	<b>41,896.7</b>	<b>42,775.1</b>	<b>43,019.1</b>	<b>43,123.8</b>	

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.6 and L.7. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

## 2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

Monthly data seasonally adjusted, and indexes 1987=100, except as noted

Measure	1991	1992	1993	1994								
				Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.
<b>1 Industrial production<sup>1</sup></b> .....	<b>104.1</b>	<b>106.5</b>	<b>110.9</b>	<b>114.6</b>	<b>115.0</b>	<b>115.9</b>	<b>116.0</b>	<b>116.6</b>	<b>117.5</b>	<b>117.9</b>	<b>118.7</b>	<b>118.7</b>
<i>Market groupings</i>												
2 Products, total .....	103.2	105.7	110.2	113.6	114.2	114.7	114.7	115.3	116.1	116.7	117.4	117.4
3 Final, total .....	105.3	108.0	112.7	116.2	117.2	117.5	117.3	117.8	118.7	119.4	120.3	120.4
4 Consumer goods .....	102.8	105.7	108.7	110.9	111.6	111.9	111.2	111.7	112.7	113.2	113.7	113.3
5 Equipment .....	108.9	111.2	118.5	123.9	125.3	125.7	126.2	126.6	127.5	128.2	130.0	130.6
6 Intermediate .....	96.8	99.0	102.6	105.7	105.1	105.9	106.7	107.5	108.3	108.6	108.5	108.3
7 Materials .....	105.4	107.7	111.9	116.0	116.2	117.7	117.9	118.6	119.4	119.5	120.6	120.6
<i>Industry groupings</i>												
8 Manufacturing .....	103.7	106.8	111.7	115.6	116.1	117.2	117.7	118.5	118.9	119.5	120.7	120.8
9 Capacity utilization, manufacturing (percent) <sup>2</sup> .....	77.8	78.6	80.6	82.2	82.4	83.0	83.1	83.4	83.5	83.7	84.3	84.2
10 Construction contracts <sup>3</sup> .....	89.7	97.7	102.6 <sup>4</sup>	103.0	107.0	110.0	103.0	108.0	105.0	109.0	110.0	109.0
11 Nonagricultural employment, total <sup>4</sup> .....	106.2	106.4	108.1	109.6	109.8	110.1	110.5	110.8	111.2	111.4	111.7	111.9
12 Goods-producing, total .....	96.6	94.9	93.1	94.5	94.5	94.8	95.3	95.3	95.6	95.6	95.8	95.8
13 Manufacturing, total .....	97.1	95.8	93.7	94.6	94.6	94.6	94.8	94.8	95.0	95.0	95.2	95.2
14 Manufacturing, production workers .....	96.0	94.5	93.7	95.1	95.3	95.4	95.7	95.7	96.0	96.0	96.3	96.3
15 Service-producing .....	109.4	110.5	112.8	114.4	114.6	115.0	115.4	115.7	116.1	116.5	116.8	117.1
16 Personal income, total .....	127.8	135.6	141.4	144.2	146.7	147.5	148.3	149.0	149.3	150.0	150.6	n.a.
17 Wages and salary disbursements .....	124.5	131.6	136.2	141.4	141.8	142.4	143.3	144.3	144.5	145.2	145.5	n.a.
18 Manufacturing .....	113.7	118.0	120.0	123.6	124.6	124.8	124.8	124.9	125.3	125.6	126.3	n.a.
19 Disposable personal income <sup>5</sup> .....	128.8	137.0	142.5	144.8	147.5	148.4	148.2	149.8	150.1	150.8	151.5	n.a.
20 Retail sales <sup>6</sup> .....	121.1	126.9	135.2	139.3	141.9	144.5	143.1	143.0	144.3	144.5	146.1	146.9
<i>Prices<sup>7</sup></i>												
21 Consumer (1982-84=100) .....	136.2	140.3	144.5	146.2	146.7	147.2	147.4	147.5	148.0	148.4	149.0	149.4
22 Producer finished goods (1982=100) .....	121.7	123.2	124.7	124.5	124.8	124.9	125.0	125.3	125.5	126.0	126.6	125.5

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in February 1994. See "Industrial Production and Capacity Utilization since 1990: A Revision," *Federal Reserve Bulletin*, vol. 80 (March 1994), pp. 220-26. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187-204.

2. Ratio of index of production to index of capacity. Based on data from the Federal Reserve, DRI McGraw-Hill, U.S. Department of Commerce, and other sources.

3. Index of dollar value of total construction contracts, including residential, nonresidential, and heavy engineering, from McGraw-Hill Information Systems Company, F.W. Dodge Division.

4. Based on data from U.S. Department of Labor, *Employment and Earnings*. Series covers employees only, excluding personnel in the armed forces.

5. Based on data from U.S. Department of Commerce, *Survey of Current Business*.

6. Based on data from U.S. Department of Commerce, *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 U.S. Department of Labor, Bureau of Labor Statistics, *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. 41-35. See also "Industrial Production Capacity and Capacity Utilization since 1987," *Federal Reserve Bulletin*, vol. 79 (June 1993), pp. 590-605.

## 2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data seasonally adjusted except as noted

Category	1991	1992	1993	1994								
				Feb.	Mar.	Apr.	May	June	July <sup>1</sup>	Aug. <sup>1</sup>	Sept.	
<b>HOUSEHOLD SURVEY DATA<sup>1</sup></b>												
1 Civilian labor force <sup>2</sup> .....	125,303	126,982	128,040	130,776	130,580	130,747	130,774	130,248	130,457	131,189	131,343	
<i>Employment</i>												
2 Nonagricultural industries <sup>3</sup> .....	114,644	114,391	116,232	118,867	118,611	118,880	119,437	119,195	119,173	119,722	120,219	
3 Agriculture .....	3,233	3,207	3,074	3,391	3,426	3,459	3,435	3,235	3,278	3,444	3,409	
<i>Unemployment</i>												
4 Number .....	8,426	9,384	8,734	8,518	8,543	8,408	7,902	7,817	8,005	8,023	7,715	
5 Rate (percent of civilian labor force) .....	6.7	7.4	6.8	6.5	6.5	6.4	6.0	6.0	6.1	6.1	5.9	
<b>ESTABLISHMENT SURVEY DATA</b>												
6 Nonagricultural payroll employment <sup>4</sup> .....	<b>108,256</b>	<b>108,519</b>	<b>110,171</b>	<b>111,919</b>	<b>112,298</b>	<b>112,699</b>	<b>112,951</b>	<b>113,334</b>	<b>113,624</b>	<b>113,870</b>	<b>114,109</b>	
7 Manufacturing .....	18,455	18,192	17,804	17,970	17,980	18,007	18,009	18,044	18,045	18,084	18,081	
8 Mining .....	689	631	599	612	609	606	603	605	601	602	601	
9 Contract construction .....	4,650	4,471	4,571	4,745	4,806	4,893	4,907	4,927	4,944	4,941	4,960	
10 Transportation and public utilities .....	5,762	5,709	5,710	5,803	5,816	5,759	5,843	5,849	5,857	5,864	5,881	
11 Trade .....	25,365	25,391	25,849	25,968	26,039	26,165	26,190	26,328	26,439	26,481	26,531	
12 Finance .....	6,646	6,571	6,605	6,776	6,781	6,791	6,787	6,798	6,797	6,802	6,793	
13 Service .....	28,336	29,053	30,193	31,129	31,326	31,497	31,598	31,765	31,918	32,040	32,141	
14 Government .....	18,402	18,653	18,841	18,916	18,941	18,981	19,014	19,018	19,023	19,056	19,121	

1. Beginning January 1994, reflects redesign of current population survey and population controls from the 1990 census.

2. Persons sixteen years of age and older, including Resident Armed Forces. Monthly figures are based on sample data collected during the calendar week that contains the twelfth day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures.

3. Includes self-employed, unpaid family, and domestic service workers.

4. Includes all full- and part-time employees who worked during, or received pay for, the pay period that includes the twelfth day of the month; excludes proprietors, self-employed persons, household and unpaid family workers, and members of the armed forces. Data are adjusted to the March 1992 benchmark, and only seasonally adjusted data are available at this time.

SOURCE: Based on data from U.S. Department of Labor, *Employment and Earnings*.

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION<sup>1</sup>

Seasonally adjusted

Series	1993				1994				1993				1994			
	Q4	Q1	Q2 <sup>r</sup>	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2 <sup>r</sup>	Q3	Q4	Q1	Q2 <sup>r</sup>	Q3
	Output (1987=100)				Capacity (percent of 1987 output)				Capacity utilization rate (percent) <sup>2</sup>							
1 Total industry	112.9	115.2	116.7	118.4	137.2	138.0	139.0	140.0	82.3	83.4	84.0	84.6				
2 Manufacturing	114.1	116.3	118.3	120.4	140.0	140.9	142.0	143.1	81.5	82.5	83.3	84.1				
3 Primary processing <sup>3</sup>	109.9	110.7	113.2	114.2	128.6	129.0	129.5	129.9	85.5	85.8	87.4	87.9				
4 Advanced processing <sup>4</sup>	116.1	118.9	120.8	123.3	145.4	146.6	148.0	149.4	79.9	81.2	81.6	82.5				
5 Durable goods	118.1	121.0	122.9	125.6	146.3	147.6	149.1	150.6	80.7	82.0	82.5	83.4				
6 Lumber and products	104.9	103.6	105.2	105.9	115.2	115.4	115.7	115.9	91.1	89.8	90.9	91.4				
7 Primary metals	109.6	109.7	113.9	112.3	122.6	122.4	122.4	122.4	89.4	89.6	93.0	91.7				
8 Iron and steel	101.4	114.8	121.3	117.6	126.3	126.0	126.0	126.0	91.5	91.1	96.3	93.3				
9 Nonferrous	101.4	102.7	103.7	105.0	117.6	117.5	117.5	117.5	86.2	87.4	88.3	89.4				
10 Industrial machinery and equipment	152.7	158.8	164.7	171.2	178.2	181.7	186.2	190.8	85.7	87.4	88.4	89.7				
11 Electrical machinery	132.6	136.4	142.0	149.6	157.7	160.3	163.3	166.3	84.1	85.1	87.0	89.9				
12 Motor vehicles and parts	131.7	142.7	134.3	135.3	156.1	157.8	159.7	161.7	84.4	90.5	84.1	83.7				
13 Aerospace and miscellaneous transportation equipment	85.2	82.5	82.1	81.1	132.8	132.2	131.4	130.6	64.2	62.4	62.5	62.1				
14 Nondurable goods	109.2	110.5	112.7	113.9	132.1	132.7	133.4	134.0	82.6	83.2	84.5	85.0				
15 Textile mill products	107.7	108.9	111.6	112.6	119.9	120.5	121.2	121.8	89.8	90.3	92.2	92.4				
16 Paper and products	114.2	114.4	115.4	117.9	125.3	125.8	126.3	126.8	91.2	90.9	91.4	93.0				
17 Chemicals and products	118.6	120.3	122.7	125.0	146.8	147.7	148.7	149.7	80.8	81.5	82.5	83.5				
18 Plastics materials	114.4	117.6	121.3	132.0	133.0	133.9	133.9	133.9	86.6	88.4	90.6	91.1				
19 Petroleum products	107.7	104.5	108.0	105.7	115.6	115.4	115.3	115.2	93.2	90.5	93.7	91.8				
20 Mining	97.3	98.4	99.6	98.3	110.8	110.6	110.6	110.5	87.8	89.0	90.1	88.9				
21 Utilities	115.6	119.9	116.7	118.0	134.3	134.7	135.2	135.6	86.1	89.0	86.3	87.0				
22 Electric	114.8	118.2	117.6	118.3	131.7	132.2	132.8	133.3	87.2	89.4	88.6	88.8				

Series	1973	1975	Previous cycle <sup>5</sup>		Latest cycle <sup>6</sup>		1993	1994					
	High	Low	High	Low	High	Low	Sept.	Apr.	May	June <sup>r</sup>	July <sup>r</sup>	Aug. <sup>r</sup>	Sept. <sup>p</sup>
	Capacity utilization rate (percent) <sup>2</sup>												
1 Total industry	89.2	72.6	87.3	71.8	84.8	78.1	81.4	83.7	83.9	84.3	84.4	84.8	84.6
2 Manufacturing	88.9	70.8	87.3	70.0	85.1	76.7	80.4	83.1	83.4	83.5	83.7	84.3	84.2
3 Primary processing <sup>3</sup>	92.2	68.9	89.7	66.8	89.1	78.0	83.9	86.9	87.9	87.5	87.4	88.2	88.1
4 Advanced processing <sup>4</sup>	87.5	72.0	86.3	71.4	83.3	76.0	78.9	81.5	81.5	81.8	82.2	82.7	82.6
5 Durable goods	88.8	68.5	86.9	65.0	83.9	73.8	79.0	82.4	82.4	82.5	82.9	83.8	83.7
6 Lumber and products	90.1	62.2	87.6	60.9	93.3	76.2	88.4	89.8	91.5	91.5	91.4	91.7	91.0
7 Primary metals	100.6	66.2	102.4	46.8	92.9	74.4	87.3	93.5	94.3	91.4	90.7	91.8	92.5
8 Iron and steel	105.8	66.6	110.4	38.3	95.7	72.2	88.7	97.0	97.7	94.1	92.4	93.3	94.1
9 Nonferrous	92.9	61.3	90.5	62.2	88.9	75.8	85.3	88.4	89.1	87.3	88.2	89.7	90.2
10 Industrial machinery and equipment	96.4	74.5	92.1	64.9	83.7	71.4	84.1	88.1	88.6	88.6	89.3	89.8	90.0
11 Electrical machinery	87.8	63.8	89.4	71.1	84.9	77.3	83.7	86.4	86.9	87.7	89.5	90.0	90.3
12 Motor vehicles and parts	93.4	51.1	93.0	44.5	84.5	57.3	74.2	86.5	82.9	82.8	80.6	86.0	84.3
13 Aerospace and miscellaneous transportation equipment	77.0	66.6	81.1	66.9	88.3	78.5	65.1	62.2	62.5	62.8	62.3	62.2	61.7
14 Nondurable goods	87.9	71.8	87.0	76.9	86.8	80.4	82.4	84.0	84.8	84.8	84.9	85.1	84.9
15 Textile mill products	92.0	60.4	91.7	73.8	92.1	78.5	89.2	92.2	92.5	91.8	92.2	93.0	92.1
16 Paper and products	96.9	69.0	94.2	82.0	94.9	86.3	89.2	89.4	91.9	92.8	91.3	93.8	93.8
17 Chemicals and products	87.9	69.9	85.1	70.1	85.9	79.4	80.9	81.7	83.0	82.9	83.0	83.9	83.7
18 Plastics materials	102.0	50.6	90.9	63.4	97.0	75.3	84.6	88.7	91.7	91.4	90.6	91.1	91.1
19 Petroleum products	96.7	81.1	89.5	68.2	88.5	84.5	91.0	94.4	94.5	92.1	91.0	92.3	92.0
20 Mining	94.4	88.4	96.6	80.6	87.0	86.8	87.7	90.3	89.6	90.2	89.3	88.9	88.5
21 Utilities	95.6	82.5	88.3	76.2	92.6	83.1	86.7	84.8	84.9	89.3	88.3	86.7	86.1
22 Electric	99.0	82.7	88.3	78.7	94.8	86.3	88.1	87.3	87.0	91.4	90.2	88.3	87.7

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in February 1994. See "Industrial Production and Capacity Utilization since 1990: A Revision," *Federal Reserve Bulletin*, vol. 80 (March 1994), pp. 220-26. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187-204.

2. Capacity utilization is calculated as the ratio of the Federal Reserve's seasonally adjusted index of industrial production to the corresponding index of capacity.

3. Primary processing includes textiles; lumber; paper; industrial chemicals; petroleum refining; rubber and plastics; stone, clay, and glass; and primary and fabricated metals.

4. Advanced processing includes food, tobacco, apparel, furniture, printing, chemical products such as drugs and toiletries, leather and products, machinery, transportation equipment, instruments, miscellaneous manufacturing, and ordnance.

5. Monthly highs, 1978-80; monthly lows, 1982.

6. Monthly highs, 1988-89; monthly lows, 1990-91.



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2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value<sup>1</sup>—Continued

Group	SIC code <sup>2</sup>	1987 proportion	1993 avg.	1993				1994								
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June <sup>†</sup>	July <sup>†</sup>	Aug. <sup>†</sup>	Sept. <sup>P</sup>
Index (1987 = 100)																
MAJOR INDUSTRIES																
59 Total index		100.0	110.9	111.3	111.9	112.8	114.0	114.6	115.0	115.9	116.0	116.6	117.5	117.9	118.7	118.7
60 Manufacturing		84.3	111.7	112.1	112.9	114.0	115.4	115.6	116.1	117.2	117.7	118.5	118.9	119.5	120.7	120.8
61 Primary processing		27.1	107.6	107.7	108.5	109.9	111.3	110.7	110.0	111.4	112.3	113.8	113.4	113.4	114.6	114.6
62 Advanced processing		57.1	113.7	114.2	115.0	116.0	117.4	117.9	119.0	119.9	120.2	120.7	121.5	122.4	123.6	123.8
63 Durable goods		46.5	114.3	115.0	116.2	118.0	120.1	120.4	120.9	121.7	122.5	122.9	123.4	124.3	126.2	126.4
64 Lumber and products	24	2.1	100.6	101.8	104.6	104.9	105.2	105.2	102.8	102.9	103.8	105.8	105.9	105.9	106.4	105.6
65 Furniture and fixtures	25	1.5	103.3	105.2	104.8	104.2	106.3	105.4	107.4	107.6	109.5	109.9	110.6	112.2	113.2	113.5
66 Stone, clay, and glass products	32	2.4	98.7	99.9	99.7	100.5	104.6	101.1	100.0	101.7	102.7	104.1	103.2	102.4	103.9	103.8
67 Primary metals	33	3.3	106.5	107.3	106.1	109.8	113.0	110.5	107.6	111.1	114.4	115.4	111.9	111.1	112.4	113.3
68 Iron and steel	331,2	1.9	111.6	112.4	113.3	114.4	119.1	115.8	111.5	117.2	122.2	123.2	118.6	116.5	117.6	118.6
69 Raw steel		.1	105.7	105.9	107.2	106.2	110.9	102.0	105.8	106.0	105.3	105.7	106.3	104.7	107.0	...
70 Nonferrous	333-6,9	1.4	99.5	100.3	96.2	103.5	104.5	103.3	102.1	102.6	103.8	104.7	102.6	103.6	105.3	105.9
71 Fabricated metal products	34	5.4	99.5	99.6	100.7	102.1	102.6	103.9	103.0	104.1	105.0	105.1	106.4	107.7	108.0	108.0
72 Industrial and commercial machinery and computer equipment	35	8.5	144.1	148.4	150.3	152.0	155.7	156.3	158.8	161.4	162.8	165.0	166.3	169.0	171.4	173.1
73 Computer and office equipment	357	2.3	223.1	234.8	241.8	248.6	256.1	261.5	269.5	272.1	273.4	274.2	278.6	284.4	290.4	296.2
74 Electrical machinery	36	6.9	127.5	130.9	131.4	132.1	134.3	134.8	136.1	138.3	140.2	141.9	144.1	147.9	149.7	151.1
75 Transportation equipment	37	9.9	104.2	100.4	104.2	108.3	110.7	111.9	113.0	110.1	108.8	106.5	106.7	104.9	109.3	107.8
76 Motor vehicles and parts	371	4.8	120.7	115.1	124.1	132.4	138.5	142.1	146.1	139.9	137.5	132.5	132.8	129.9	139.1	137.0
77 Autos and light trucks		2.5	118.4	109.2	120.8	131.7	138.4	141.8	148.5	138.4	135.7	127.9	128.3	124.4	136.3	132.8
78 Aerospace and miscellaneous transportation equipment	372-6,9	5.1	88.7	86.7	85.5	85.7	84.5	83.4	82.0	82.1	81.9	82.2	82.3	81.6	81.2	80.4
79 Instruments	38	5.1	104.0	104.0	102.7	102.4	102.3	103.7	104.1	104.4	104.5	104.5	104.6	105.3	105.3	105.1
80 Miscellaneous	39	1.3	109.3	110.3	109.6	110.1	110.3	110.7	109.9	111.1	112.1	111.8	111.7	115.0	113.4	112.9
81 Nondurable goods		37.8	108.7	108.5	108.8	109.1	109.7	109.6	110.1	111.7	111.8	113.1	113.3	113.6	114.0	114.0
82 Foods	20	8.8	108.6	109.0	109.0	108.4	109.0	109.2	110.1	112.2	111.8	112.3	112.1	113.2	111.9	112.2
83 Tobacco products	21	1.0	91.0	85.4	86.4	83.3	84.3	88.2	86.7	89.4	94.1	97.4	96.8	97.5	98.5	98.5
84 Textile mill products	22	1.8	107.8	106.6	107.7	108.0	107.4	107.8	108.7	110.1	111.5	112.1	111.4	112.1	113.3	112.3
85 Apparel products	23	2.3	93.1	92.1	92.1	92.6	93.1	92.4	92.9	94.2	94.6	95.3	95.7	96.1	95.6	96.0
86 Paper and products	26	3.6	112.3	111.4	112.7	114.5	115.5	113.5	114.9	114.8	112.8	116.0	117.4	115.6	119.0	119.1
87 Printing and publishing	27	6.5	101.3	101.1	101.6	101.7	101.9	101.7	102.3	103.6	103.9	104.4	105.5	105.1	105.0	104.6
88 Chemicals and products	28	8.8	117.8	118.3	117.8	118.8	119.3	119.3	119.9	121.7	121.2	123.3	123.6	124.0	125.6	125.5
89 Petroleum products	29	1.3	104.9	105.3	108.2	107.8	107.1	104.8	104.5	104.1	108.9	109.0	106.2	104.8	106.3	105.9
90 Rubber and plastic products	30	3.2	115.9	116.7	116.5	117.8	119.3	120.3	119.7	122.5	123.0	124.6	124.9	126.6	126.1	126.3
91 Leather and products	31	.3	85.0	83.5	83.9	83.5	85.1	84.8	83.1	85.1	86.0	84.3	83.2	83.6	82.8	83.1
92 Mining		8.0	97.3	97.4	98.0	96.9	96.9	97.0	98.8	99.5	99.9	99.1	99.8	98.7	98.3	97.8
93 Metal	10	.3	167.6	159.4	175.8	168.5	177.3	177.8	167.4	167.3	171.3	160.3	169.8	169.8	158.5	158.0
94 Coal	11,12	1.2	103.8	104.4	104.4	101.1	104.7	104.0	114.4	120.4	119.8	113.2	115.0	108.6	111.4	110.4
95 Oil and gas extraction	13	5.8	92.2	92.6	92.6	91.8	90.9	91.0	91.8	91.5	91.9	92.6	92.8	92.5	92.0	91.6
96 Stone and earth minerals	14	.7	93.8	94.5	94.1	98.2	93.9	94.9	97.1	96.3	96.9	99.3	97.6	99.1	98.3	98.1
97 Utilities		7.7	116.2	116.2	114.9	116.1	115.8	121.9	119.8	118.0	114.4	114.7	120.8	119.6	117.6	116.9
98 Electric	491,3PT	6.1	115.9	115.8	113.7	115.2	115.5	119.1	118.1	117.4	115.8	115.5	121.5	120.1	117.8	117.1
99 Gas	492,3PT	1.6	117.2	118.0	119.1	119.4	117.0	132.6	126.4	120.1	109.4	111.9	118.1	117.4	117.1	116.1
SPECIAL AGGREGATES																
100 Manufacturing excluding motor vehicles and parts		79.5	111.2	111.9	112.2	112.9	114.0	114.0	114.3	115.8	116.5	117.6	118.0	118.9	119.6	119.9
101 Manufacturing excluding office and computing machines		81.9	108.6	108.6	109.2	110.2	111.4	111.4	111.7	112.8	113.2	114.0	114.3	114.8	115.9	115.8
Gross value (billions of 1987 dollars, annual rates)																
MAJOR MARKETS																
102 Products, total		1,707.0	1,886.9	1,886.3	1,908.8	1,928.2	1,943.9	1,955.4	1,964.1	1,962.6	1,965.5	1,969.4	1,980.7	1,982.0	2,002.5	1,998.7
103 Final		1,314.6	1,480.7	1,479.5	1,498.9	1,514.9	1,525.7	1,535.0	1,547.9	1,544.5	1,541.1	1,542.9	1,551.6	1,552.4	1,572.0	1,569.9
104 Consumer goods		866.6	944.1	940.2	953.1	960.2	963.7	968.7	974.0	972.4	967.4	969.5	975.0	974.3	983.0	978.8
105 Equipment		448.0	536.7	539.2	545.7	554.7	561.9	566.3	573.9	572.0	573.7	573.4	576.6	578.1	589.0	591.2
106 Intermediate		392.5	406.1	406.9	410.0	413.3	418.2	420.4	416.2	418.2	424.5	426.5	429.1	429.6	430.5	428.7

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in February 1994. See "Industrial Production and Capacity Utilization since 1990: A Revision," *Federal Reserve Bulletin*, vol. 80 (March 1994), pp.

220-26. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76, (April 1990), pp. 187-204.

2. Standard industrial classification.



## 2.14 HOUSING AND CONSTRUCTION

Monthly figures at seasonally adjusted annual rates except as noted

Item	1991	1992	1993	1993		1994							
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July <sup>f</sup>	Aug.
Private residential real estate activity (thousands of units except as noted)													
<b>NEW UNITS</b>													
1 Permits authorized .....	949	1,095	1,199	1,363	1,474	1,312	1,252	1,313	1,380	1,357	1,316	1,337	1,354
2 One-family .....	754	911	986	1,132	1,181	1,071	1,054	1,068	1,069	1,083	1,046	1,034	1,046
3 Two-family or more .....	195	184	213	231	293	241	198	245	311	274	270	303	308
4 Started .....	1,014	1,200	1,288	1,406	1,612	1,271	1,328	1,519	1,471	1,491	1,358	1,439	1,461
5 One-family .....	840	1,030	1,126	1,248	1,383	1,125	1,121	1,271	1,211	1,200	1,163	1,219	1,180
6 Two-family or more .....	174	169	162	158	229	146	207	248	260	291	195	220	281
7 Under construction at end of period <sup>1</sup> .....	606	612	680	699	713	716	720	732	740	748	751	758	771
8 One-family .....	434	473	543	564	574	577	578	585	585	582	584	587	590
9 Two-or-more-family .....	173	140	137	135	139	139	142	147	155	166	167	171	181
10 Completed .....	1,091	1,158	1,193	1,248	1,289	1,216	1,334	1,273	1,354	1,446	1,329	1,281	1,319
11 One-family .....	838	964	1,040	1,107	1,139	1,075	1,185	1,115	1,192	1,257	1,151	1,158	1,136
12 Two-or-more-family .....	253	194	153	141	150	141	149	158	162	189	178	123	183
13 Mobile homes shipped .....	171	210	254	283	308	316	301	308	290	292	292	286	288
<i>Merchant builder activity in one-family units</i>													
14 Number sold .....	507	610	666	766	817	642	697	722	673	692	629	641	703
15 Number for sale at end of period <sup>1</sup> .....	284	266	294	294	294	296	298	298	298	301 <sup>f</sup>	314	316	320
<i>Price of units sold (thousands of dollars)<sup>2</sup></i>													
16 Median .....	120.0	121.3	126.1	130.0	125.0	126.0	129.9	132.3	129.0	129.9	131.5	125.0	134.0
17 Average .....	147.0	144.9	147.6	152.5	146.4	153.4	150.7	152.8	152.9	151.8 <sup>f</sup>	157.4	145.7	153.0
<b>EXISTING UNITS (one-family)</b>													
18 Number sold .....	3,219	3,520	3,800	4,120	4,350	4,250	3,840	4,070	4,120	4,110	3,960	3,970	3,930
<i>Price of units sold (thousands of dollars)<sup>2</sup></i>													
19 Median .....	99.7	103.6	106.5	107.1	107.4	107.9	107.2	107.6	108.9	109.8	112.8	111.7	112.4
20 Average .....	127.4	130.8	133.1	133.1	133.7	134.6	133.3	134.4	135.5	136.6	140.9	139.3	140.6
Value of new construction (millions of dollars) <sup>3</sup>													
<b>CONSTRUCTION</b>													
21 Total put in place .....	<b>403,644</b>	<b>435,355</b>	<b>466,365</b>	<b>490,176</b>	<b>499,931</b>	<b>488,469</b>	<b>485,894</b>	<b>496,042</b>	<b>497,035<sup>f</sup></b>	<b>504,356<sup>f</sup></b>	<b>506,144</b>	<b>506,088</b>	<b>504,978</b>
22 Private .....	293,536	316,115	341,101	360,386	367,271	363,852	361,895	371,681	374,091 <sup>f</sup>	378,235 <sup>f</sup>	379,345	377,246	373,900
23 Residential .....	157,837	187,870	210,455	222,351	228,549	229,775	233,322	236,767	238,049 <sup>f</sup>	241,162 <sup>f</sup>	240,694	239,357	237,466
24 Nonresidential .....	135,699	128,245	130,646	138,035	138,722	134,077	128,573	134,914	136,042 <sup>f</sup>	137,073 <sup>f</sup>	138,651	137,889	136,434
25 Industrial buildings .....	22,281	20,720	19,533	19,319	20,391	19,682	19,972	19,905	21,221 <sup>f</sup>	21,338 <sup>f</sup>	20,960	20,967	21,348
26 Commercial buildings .....	48,482	41,523	42,627	46,696	47,342	43,261	42,065	46,602	47,481 <sup>f</sup>	47,912 <sup>f</sup>	48,410	48,378	47,008
27 Other buildings .....	20,797	21,494	23,626	24,071	24,225	22,998	22,258	23,918	23,824 <sup>f</sup>	23,956 <sup>f</sup>	24,439	23,739	23,478
28 Public utilities and other .....	44,139	44,508	44,860	47,949	46,764	48,136	44,278	44,489	43,516 <sup>f</sup>	43,867 <sup>f</sup>	44,842	44,805	44,600
29 Public .....	110,107	119,238	125,262	129,790	132,659	124,617	123,999	124,361	122,944 <sup>f</sup>	126,121 <sup>f</sup>	126,799	128,842	131,078
30 Military .....	1,837	2,502	2,454	2,245	2,298	2,911	2,404	2,231	1,959 <sup>f</sup>	2,024 <sup>f</sup>	2,277	2,046	1,971
31 Highway .....	32,041	34,899	37,355	40,742	40,657	38,410	36,329	38,830	39,508 <sup>f</sup>	40,655 <sup>f</sup>	40,300	40,305	40,464
32 Conservation and development .....	5,010	6,021	5,976	5,218	5,230	5,707	6,731	5,206	5,851 <sup>f</sup>	5,677 <sup>f</sup>	4,605	5,796	5,677
33 Other .....	71,219	75,816	79,477	81,585	84,474	77,589	78,535	78,094	75,626 <sup>f</sup>	77,765 <sup>f</sup>	79,617	80,695	82,966

1. Not at annual rates.

2. Not seasonally adjusted.

3. Recent data on value of new construction may not be strictly comparable with data for previous periods because of changes by the Bureau of the Census in its estimating techniques. For a description of these changes, see *Construction Reports (C-30-76-5)*, issued by the Census Bureau in July 1976.

SOURCES: 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, Sept. 1994 <sup>1</sup>
	1993 Sept.	1994 Sept.	1993 Dec.	1994			1994					
				Mar.	June	Sept.	May	June	July	Aug.	Sept.	
<b>CONSUMER PRICES<sup>2</sup></b> (1982-84=100)												
1 All items .....	2.7	3.0	3.3	2.5	2.5	3.6	.2	.3	.3	.3	.2	149.4
2 Food .....	1.9	2.8	4.9	-1.1	2.8	5.1	.3	.3	.5	.4	.3	145.0
3 Energy items .....	-7	2.9	1.2	4.7	-4.9	10.9	-1.0	.1	1.8	1.4	-7	108.2
4 All items less food and energy .....	3.2	3.0	3.4	2.9	3.1	2.6	.3	.3	.2	.3	.2	157.5
5 Commodities .....	1.5	1.9	2.4	.6	4.2	.6	.4	.4	.1	-1	.1	137.7
6 Services .....	4.0	3.5	3.7	4.2	2.4	3.6	.2	.2	.2	.4	.2	168.8
<b>PRODUCER PRICES</b> (1982=100)												
7 Finished goods .....	.4	1.4	-.3	3.6	-.3	2.6	-.2 <sup>f</sup>	.1 <sup>f</sup>	.5	.6	-.5	125.5
8 Consumer foods .....	1.9	.6	5.2	-.6	-5.8	4.2	-.9 <sup>f</sup>	-.1 <sup>f</sup>	.5	.7	-.2	126.4
9 Consumer energy .....	-1.6	.0	-15.6	15.4	-2.6	4.8	-1.2	.3	2.5	1.7	-2.9	79.5
10 Other consumer goods .....	-.5	1.8	1.5	2.0	1.5	2.0	.4 <sup>f</sup>	.0 <sup>f</sup>	.0	.4	.1	138.1
11 Capital equipment .....	1.7	2.5	.3	4.3	3.6	1.8	.3 <sup>f</sup>	.2 <sup>f</sup>	.1	.1	.1	133.5
<i>Intermediate materials</i>												
12 Excluding foods and feeds .....	.8	2.8	-.3	2.8	2.8	6.2	.2	.5	.6	.7	.3	120.3
13 Excluding energy .....	1.2	3.5	1.6	1.9	3.9	6.2	.3	.6	.4	.5	.6	128.2
<i>Crude materials</i>												
14 Foods .....	4.7	-6.0	18.4	-4.5	-20.9	-12.6	-3.9 <sup>f</sup>	-.8 <sup>f</sup>	-2.1	-1.4	.2	101.2
15 Energy .....	-11.1	-4.7	-22.1	10.1	26.9	-24.2	1.2 <sup>f</sup>	3.7 <sup>f</sup>	-1.3	-1	-5.3	71.0
16 Other .....	7.2	13.7	15.4	22.7	-2.1	20.4	-1.1 <sup>f</sup>	.8 <sup>f</sup>	2.0	1.4	1.3	159.0

1. Not seasonally adjusted.  
2. Figures for consumer prices are for all urban consumers and reflect a rental-equivalence measure of homeownership.

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics.

## 2.16 GROSS DOMESTIC PRODUCT AND INCOME

Billions of current dollars except as noted; quarterly data at seasonally adjusted annual rates

Account	1991	1992	1993	1993			1994	
				Q2	Q3	Q4	Q1	Q2 <sup>r</sup>
<b>GROSS DOMESTIC PRODUCT</b>								
1 Total .....	5,724.8	6,020.2	6,343.3	6,299.9	6,359.2	6,478.1	6,574.7	6,689.9
<i>By source</i>								
2 Personal consumption expenditures .....	3,902.4	4,136.9	4,378.2	4,347.3	4,401.2	4,469.6	4,535.0	4,586.4
3 Durable goods .....	456.6	492.7	538.0	531.2	541.9	562.8	576.2	580.3
4 Nondurable goods .....	1,257.8	1,295.5	1,339.2	1,334.2	1,340.2	1,355.2	1,368.9	1,381.4
5 Services .....	2,188.1	2,348.7	2,501.0	2,481.9	2,519.1	2,551.6	2,589.9	2,624.7
6 Gross private domestic investment .....	744.8	788.3	882.0	869.7	882.2	922.5	966.6	1,034.4
7 Fixed investment .....	746.6	785.2	866.7	851.1	868.3	913.5	942.5	967.0
8 Nonresidential .....	557.0	561.4	616.1	609.3	619.0	646.3	665.4	683.3
9 Structures .....	182.9	171.1	173.4	173.9	173.9	176.7	172.7	181.8
10 Producers' durable equipment .....	374.1	390.3	442.7	437.0	445.1	469.6	492.7	510.5
11 Residential structures .....	189.6	223.8	250.6	241.8	249.3	267.2	277.1	283.6
12 Change in business inventories .....	-1.8	3.0	15.4	18.6	13.9	9.0	24.1	67.4
13 Nonfarm .....	-1.2	-2.7	20.1	23.9	24.2	10.7	22.3	60.4
14 Net exports of goods and services .....	-19.9	-30.3	-65.3	-63.3	-77.0	-71.2	-86.7	-97.6
15 Exports .....	601.1	638.1	659.1	660.1	649.0	680.3	674.2	704.5
16 Imports .....	620.9	668.4	724.3	723.5	726.0	751.4	760.9	802.1
17 Government purchases of goods and services .....	1,097.4	1,125.3	1,148.4	1,146.3	1,152.9	1,157.2	1,159.8	1,166.7
18 Federal .....	445.8	449.0	443.6	445.2	442.7	439.8	437.8	435.1
19 State and local .....	651.6	676.3	704.7	701.2	710.2	717.4	722.0	731.5
<i>By major type of product</i>								
20 Final sales, total .....	5,726.6	6,017.2	6,327.9	6,281.4	6,345.4	6,469.2	6,550.6	6,622.5
21 Goods .....	2,225.7	2,292.0	2,390.4	2,377.6	2,381.9	2,452.6	2,489.1	2,493.7
22 Durable .....	934.2	968.6	1,032.4	1,030.6	1,026.8	1,072.9	1,098.2	1,099.4
23 Nondurable .....	1,291.5	1,323.4	1,358.1	1,347.0	1,355.1	1,379.7	1,390.9	1,394.3
24 Services .....	3,028.9	3,227.2	3,405.5	3,383.1	3,429.3	3,459.3	3,503.8	3,555.4
25 Structures .....	472.0	498.1	532.0	520.6	534.1	557.2	557.7	573.4
26 Change in business inventories .....	-1.8	3.0	15.4	18.6	13.9	9.0	24.1	67.4
27 Durable goods .....	-16.9	-13.0	8.6	3.7	14.9	9.0	20.6	38.2
28 Nondurable goods .....	15.1	16.0	6.7	14.8	-1.1	.0	3.5	29.2
MEMO								
29 Total GDP in 1987 dollars .....	4,867.6	4,979.3	5,134.5	5,105.4	5,139.4	5,218.0	5,261.1	5,314.1
<b>NATIONAL INCOME</b>								
30 Total .....	4,608.2	4,829.5	5,131.4	5,094.0	5,138.5	5,262.0	5,308.7	5,430.7
31 Compensation of employees .....	3,404.8	3,591.2	3,780.4	3,761.1	3,801.7	3,845.8	3,920.0	3,979.3
32 Wages and salaries .....	2,816.0	2,954.8	3,100.8	3,085.1	3,115.9	3,148.4	3,208.3	3,257.2
33 Government and government enterprises .....	545.4	567.3	583.8	580.9	586.1	587.8	595.7	601.9
34 Other .....	2,270.6	2,387.5	2,517.0	2,504.2	2,529.8	2,560.7	2,612.6	2,655.4
35 Supplement to wages and salaries .....	588.8	636.4	679.6	676.0	685.9	697.4	711.7	722.0
36 Employer contributions for social insurance .....	289.8	307.7	324.3	324.6	327.0	330.6	338.5	343.6
37 Other labor income .....	299.0	328.7	355.3	351.4	358.8	366.8	373.2	378.4
38 Proprietors' income <sup>1</sup> .....	376.2	418.7	441.6	438.8	420.3	462.9	471.0	471.3
39 Business and professional <sup>1</sup> .....	339.5	374.4	404.3	399.4	404.5	418.5	423.8	431.9
40 Farm <sup>1</sup> .....	36.7	44.4	37.3	39.4	15.8	44.4	47.2	39.3
41 Rental income of persons <sup>2</sup> .....	-10.5	-5.5	24.1	23.4	26.3	30.3	15.3	34.1
42 Corporate profits <sup>1</sup> .....	390.3	405.1	485.8	473.1	493.5	533.9	508.2	546.4
43 Profits before tax <sup>3</sup> .....	365.2	395.9	462.4	456.6	458.7	501.7	483.5	523.1
44 Inventory valuation adjustment .....	5.8	-6.4	-6.2	-10.0	3.0	-6.5	-12.3	-14.1
45 Capital consumption adjustment .....	19.4	15.7	29.5	26.5	31.7	38.8	37.0	37.4
46 Net interest .....	447.4	420.0	399.5	397.6	396.7	389.1	394.2	399.7

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	1991	1992	1993	1993			1994	
				Q2	Q3	Q4	Q1	Q2 <sup>1</sup>
<b>PERSONAL INCOME AND SAVING</b>								
1 Total personal income .....	4,860.3	5,154.3	5,375.1	5,364.5	5,395.9	5,484.6	5,555.8	5,659.9
2 Wage and salary disbursements .....	2,816.1	2,974.8	3,080.8	3,085.1	3,115.9	3,148.4	3,208.3	3,257.2
3 Commodity-producing industries .....	738.4	757.6	773.8	776.4	781.4	791.0	801.9	811.6
4 Manufacturing .....	557.4	578.3	588.4	591.4	594.9	601.7	609.4	612.8
5 Distributive industries .....	648.0	682.3	701.9	704.0	709.6	712.6	728.6	742.5
6 Service industries .....	884.2	967.6	1,021.4	1,023.7	1,038.8	1,057.0	1,082.0	1,101.2
7 Government and government enterprises .....	545.5	567.3	583.8	580.9	586.1	587.8	595.7	601.9
8 Other labor income .....	299.0	328.7	355.3	351.4	358.8	366.8	373.2	378.4
9 Proprietors' income .....	376.2	418.7	441.6	438.8	420.3	462.9	471.0	471.3
10 Business and professional .....	339.5	374.4	404.3	399.4	404.5	418.5	423.8	431.9
11 Farm .....	36.7	44.4	37.3	39.4	15.8	44.4	47.2	39.3
12 Rental income of persons <sup>2</sup> .....	-10.5	-5.5	24.1	23.4	26.3	30.3	15.3	34.1
13 Dividends .....	150.5	161.0	181.3	180.4	182.8	184.1	185.7	191.7
14 Personal interest income .....	695.1	665.2	637.9	636.6	634.1	627.7	631.1	649.4
15 Transfer payments .....	770.1	860.2	915.4	910.4	921.6	931.0	947.4	957.6
16 Old-age survivors, disability, and health insurance benefits .....	382.3	414.0	444.4	441.9	446.8	452.1	463.8	470.7
17 LESS: Personal contributions for social insurance .....	236.2	248.7	261.3	261.5	263.8	266.6	276.3	279.9
18 EQUALS: Personal income .....	4,860.3	5,154.3	5,375.1	5,364.5	5,395.9	5,484.6	5,555.8	5,659.9
19 LESS: Personal tax and nontax payments .....	623.7	648.6	686.4	685.9	695.4	707.0	723.0	746.4
20 EQUALS: Disposable personal income .....	4,236.6	4,505.8	4,688.7	4,678.6	4,700.5	4,777.6	4,832.8	4,913.5
21 LESS: Personal outlays .....	4,025.0	4,257.8	4,496.2	4,464.6	4,518.2	4,588.2	4,657.3	4,712.4
22 EQUALS: Personal saving .....	211.6	247.9	192.6	214.0	182.3	189.4	175.5	201.1
<b>MEMO</b>								
<i>Per capita (1987 dollars)</i>								
23 Gross domestic product .....	19,263.3	19,489.7	19,878.8	19,795.4	19,871.2	20,119.1	20,235.2	20,389.7
24 Personal consumption expenditures .....	12,898.9	13,110.4	13,390.8	13,335.0	13,425.1	13,518.9	13,639.8	13,650.9
25 Disposable personal income .....	14,003.0	14,279.0	14,341.0	14,351.0	14,338.0	14,451.0	14,535.0	14,625.0
26 Saving rate (percent) .....	5.0	5.5	4.1	4.6	3.9	4.0	3.6	4.1
<b>GROSS SAVING</b>								
27 Gross saving .....	751.4	722.9	787.5	775.0	788.9	825.8	886.2	923.3
28 Gross private saving .....	937.3	980.8	1,002.5	986.6	989.9	1,011.4	1,037.3	1,041.4
29 Personal saving .....	211.6	247.9	192.6	214.0	182.3	189.4	175.5	201.1
30 Undistributed corporate profits <sup>1</sup> .....	99.2	94.3	120.9	110.7	130.3	147.9	127.7	142.3
31 Corporate inventory valuation adjustment .....	5.8	-6.4	-6.2	-10.0	3.0	-6.5	-12.3	-14.1
<i>Capital consumption allowances</i>								
32 Corporate .....	383.3	396.8	407.8	404.8	413.3	411.1	432.2	425.9
33 Noncorporate .....	243.1	261.8	261.2	257.2	264.1	263.0	301.8	272.1
34 Government surplus, or deficit (-), national income and product accounts .....	-185.9	-257.8	-215.0	-211.6	-201.0	-185.6	-151.1	-118.1
35 Federal .....	-202.9	-282.7	-241.4	-237.0	-224.9	-220.1	-176.2	-145.1
36 State and local .....	17.0	24.8	26.3	25.3	23.9	34.5	25.2	27.0
37 Gross investment .....	752.9	731.7	789.8	780.8	783.4	809.3	850.2	899.3
38 Gross private domestic investment .....	744.8	788.3	882.0	869.7	882.2	922.5	966.6	1,034.4
39 Net foreign investment .....	8.1	-56.6	-92.3	-88.9	-98.8	-113.2	-116.4	-135.1
40 Statistical discrepancy .....	1.5	8.8	2.3	5.7	-5.5	-16.5	-36.1	-24.0

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<sup>1</sup>

Item credits or debits	1991	1992	1993	1993			1994	
				Q2	Q3	Q4	Q1	Q2 <sup>P</sup>
1 Balance on current account	-6,952	-67,886	-103,896	-25,602	-27,856	-30,587	-32,317	-36,970
2 Merchandise trade balance	-74,068	-96,097	-132,575	-33,727	-36,488	-33,169	-36,962	-41,771
3 Merchandise exports	416,913	440,361	456,866	113,787	111,736	119,679	118,018	122,670
4 Merchandise imports	-490,981	-536,458	-589,441	-147,514	-148,224	-152,848	-154,980	-164,441
5 Military transactions, net	-5,485	-3,034	-763	-129	-87	-444	-338	17
6 Other service transactions, net	51,082	58,747	57,613	14,786	14,317	13,637	12,972	14,743
7 Investment income, net	14,833	4,540	3,946	668	2,015	-590	-811	-2,495
8 U.S. government grants	23,959	-15,010	-14,620	-2,730	-3,114	-5,591	-2,371	-2,588
9 U.S. government pensions and other transfers	3,461	-3,735	-3,785	-985	-986	-987	-968	-975
10 Private remittances and other transfers	-13,811	-13,297	-13,712	-3,486	-3,513	-3,443	-3,839	-3,901
11 Change in U.S. government assets other than official reserve assets, net (increase, -)	2,900	-1,652	-306	-281	-192	-321	490	-217
12 Change in U.S. official reserve assets (increase, -)	5,763	3,901	-1,379	822	-545	-673	-59	3,537
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	-177	2,316	-537	-166	-118	-113	-101	-108
15 Reserve position in International Monetary Fund	-367	-2,692	-44	313	-48	-80	-3	251
16 Foreign currencies	6,307	4,277	-797	675	-378	-480	45	3,394
17 Change in U.S. private assets abroad (increase, -)	-60,175	-63,759	-146,213	-36,507	-34,915	-62,628	-48,667	-5,147
18 Bank-reported claims	4,763	22,314	32,238	5,595	7,335	-9,293	-1,236	15,141
19 Nonbank-reported claims	11,097	45	-598	-87	4,838	-303	1,941	-
20 U.S. purchases of foreign securities, net	-44,740	-45,114	-119,983	-24,340	-40,777	-30,349	-24,605	-12,486
21 U.S. direct investments abroad, net	-31,295	-41,004	-57,871	-17,675	-6,311	-22,683	-24,767	-7,802
22 Change in foreign official assets in United States (increase, +)	17,199	40,858	71,680	17,492	19,259	23,962	11,530	7,869
23 U.S. Treasury securities	14,846	18,454	48,702	5,668	19,098	22,856	1,193	6,168
24 Other U.S. government obligations	1,301	3,949	4,062	1,082	1,345	970	50	2,483
25 Other U.S. government liabilities <sup>4</sup>	1,177	2,572	1,666	158	1,121	825	938	121
26 Other U.S. liabilities reported by U.S. banks <sup>5</sup>	-1,484	16,571	14,666	9,485	-2,489	-587	10,139	53
27 Other foreign official assets <sup>5</sup>	1,359	-688	2,585	1,099	184	-102	-790	-956
28 Change in foreign private assets in United States (increase, +)	80,935	105,646	159,017	34,337	52,675	66,200	83,548	34,460
29 U.S. bank-reported liabilities <sup>4</sup>	3,994	15,461	18,452	3,459	27,618	7,370	35,200	24,770
30 U.S. nonbank-reported liabilities	-3,115	13,573	14,282	7,606	1,169	4,733	5,867	-
31 Foreign private purchases of U.S. Treasury securities, net	18,826	36,857	24,849	-622	3,474	7,996	9,260	-7,662
32 Foreign purchases of other U.S. securities, net	35,144	29,867	80,068	15,025	17,445	38,008	21,258	13,447
33 Foreign direct investments in United States, net	26,086	9,888	21,366	8,869	2,969	8,093	11,963	3,905
34 Allocation of special drawing rights	0	0	0	0	0	0	0	0
35 Discrepancy	-39,670	-17,108	21,096	9,739	-8,427	4,047	-14,525	-3,532
36 Due to seasonal adjustment	-	-	-	435	-6,643	103	5,810	480
37 Before seasonal adjustment	-39,670	-17,108	21,096	9,304	-1,785	3,944	-20,335	-4,012
<b>MEMO</b>								
<i>Changes in official assets</i>								
38 U.S. official reserve assets (increase, -)	5,763	3,901	-1,379	822	-545	-673	-59	3,537
39 Foreign official assets in United States, excluding line 25 (increase, +)	16,022	38,286	70,015	17,334	18,138	23,137	10,592	7,748
40 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22)	-4,882	5,942	-3,847	-869	-3,194	-229	-1,674	-3,965

1. Seasonal factors are not calculated for lines 12-16, 18-20, 22-34, and 38-40.  
2. Data are on an international accounts basis. The data differ from the Census basis data, shown in table 3.11, for reasons of coverage and timing. Military exports are excluded from merchandise trade data and are included in line 5.  
3. Reporting banks include all types of depository 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, Bureau of Economic Analysis, *Survey of Current Business*.

3.11 U.S. FOREIGN TRADE<sup>1</sup>

Millions of dollars; monthly data seasonally adjusted

Item	1991	1992	1993	1994						
				Feb.	Mar.	Apr.	May	June	July <sup>f</sup>	Aug. <sup>p</sup>
1 Goods and services, balance .....	-28,472	-40,384	-75,725	-9,595	-6,898	-8,447	-9,381	-9,041	-11,191	-9,743
2 Merchandise .....	-74,068	-96,097	-132,575	-13,543	-11,446	-13,337	-14,271	-14,019	-15,948	-14,298
3 Services .....	45,596	55,713	56,850	3,948	4,548	4,890	4,890	4,978	4,757	4,555
4 Goods and services, exports .....	580,127	616,924	641,677	52,865	58,387	56,402	56,397	58,362	56,327	59,791
5 Merchandise .....	416,913	440,361	456,866	37,425	42,065	40,378	40,276	42,028	40,133	43,882
6 Services .....	163,214	176,563	184,811	15,440	16,322	16,024	16,121	16,334	16,194	15,909
7 Goods and services, imports .....	-608,599	-657,308	-717,402	-62,460	-65,285	-64,849	-65,778	-67,403	-67,518	-69,534
8 Merchandise .....	-490,981	-536,458	-589,441	-50,968	-53,511	-53,715	-54,547	-56,047	-56,081	-58,180
9 Services .....	-117,618	-120,850	-127,961	-11,492	-11,774	-11,134	-11,231	-11,356	-11,437	-11,354
MEMO										
10 Balance on merchandise trade, Census basis .....	-66,723	-84,501	-115,568	-12,072	-9,583	-12,045	-12,885	-13,028	-14,845	-12,957

1. Data show monthly values consistent with quarterly figures in the U.S. balance of payments accounts.

SOURCE: FT900, U.S. Department of Commerce, Bureau of the Census and Bureau of Economic Analysis.

## 3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Asset	1991	1992	1993	1994						
				Mar.	Apr.	May	June	July	Aug.	Sept.
1 Total .....	77,719	71,323	73,442	76,809	76,565	74,420	75,732	75,443	75,740	76,532
2 Gold stock, including Exchange Stabilization Fund <sup>1</sup> .....	11,057	11,056	11,053	11,052	11,053	11,052	11,052	11,052	11,054	11,054
3 Special drawing rights <sup>2,3</sup> .....	11,240	8,503	9,039	9,383	9,440	9,522	9,731	9,696	9,837	9,971
4 Reserve position in International Monetary Fund <sup>4</sup> .....	9,488	11,759	11,818	12,135	11,899	11,841	12,184	12,183	12,161	12,067
5 Foreign currencies <sup>4</sup> .....	45,934	40,005	41,532	44,239	44,173	42,005	42,765	42,512	42,688	43,440

1. Gold held "under earmark" at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13, line 3. Gold stock is valued at \$42.22 per fine troy ounce.

2. Special drawing rights (SDRs) are valued according to a technique adopted by the International Monetary Fund (IMF) in July 1974. Values are based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, sixteen currencies were used; since January

1981, five currencies have been used. U.S. SDR holdings and reserve positions in the IMF also have been valued on this basis since July 1974.

3. Includes allocations of SDRs by the International Monetary Fund on Jan. 1 of the year indicated, as follows: 1970—\$867 million; 1971—\$717 million; 1972—\$710 million; 1979—\$1,139 million; 1980—\$1,152 million; 1981—\$1,093 million; plus net transactions in SDRs.

4. Valued at current market exchange rates.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS<sup>1</sup>

Millions of dollars, end of period

Asset	1991	1992	1993	1994						
				Mar.	Apr.	May	June	July	Aug.	Sept. <sup>p</sup>
1 Deposits .....	968	205	386	454	171	174	604	181	188	342
Held in custody										
2 U.S. Treasury securities <sup>2</sup> .....	281,107	314,481	379,394	399,817	396,495	402,170	411,580	423,715	427,574	429,819
3 Earmarked gold <sup>3</sup> .....	13,303	13,118	12,327	12,145	12,104	12,065	12,065	12,056	12,044	12,044

1. Excludes deposits and U.S. Treasury securities held for international and regional organizations.

2. Marketable U.S. Treasury bills, notes, and bonds and nonmarketable U.S. Treasury securities, in each case measured at face (not market) value.

3. Held in foreign and international accounts and valued at \$42.22 per fine troy ounce; not included in the gold stock of the United States.

## 3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1992	1993 <sup>f</sup>	1994						
			Feb. <sup>f</sup>	Mar. <sup>f</sup>	Apr. <sup>f</sup>	May <sup>f</sup>	June <sup>f</sup>	July <sup>f</sup>	Aug. <sup>g</sup>
1 Total <sup>1</sup> .....	412,624	482,808	491,801	493,152	479,215	488,161	501,415	515,365	517,426
<i>By type</i>									
2 Liabilities reported by banks in the United States <sup>2</sup> .....	54,967	69,808	77,998	79,696	74,695	76,911	80,525	83,869	79,175
3 U.S. Treasury bills and certificates <sup>3</sup> .....	104,596	150,900	143,222	148,707	140,653	134,568	141,338	146,247	143,400
U.S. Treasury bonds and notes									
4 Marketable .....	210,931	212,203	220,532	215,481	214,841	226,094	228,773	233,636	242,218
5 Nonmarketable <sup>4</sup> .....	4,532	5,652	5,725	5,763	5,799	5,837	5,875	5,913	5,952
6 U.S. securities other than U.S. Treasury securities <sup>5</sup> .....	37,598	44,245	44,324	43,505	43,227	44,751	44,904	45,700	46,681
<i>By area</i>									
7 Europe <sup>1</sup> .....	189,230	206,921	208,273	215,065	210,417	213,549	221,574	226,393	225,837
8 Canada .....	13,700	15,285	15,624	14,018	13,901	14,505	15,971	18,656	18,547
9 Latin America and Caribbean .....	37,973	55,898	59,251	53,389	44,439	43,731	42,696	42,681	43,887
10 Asia .....	164,690	197,708	201,439	203,811	203,434	209,029	211,196	217,971	220,525
11 Africa .....	3,723	4,052	4,201	3,718	3,691	3,969	4,110	3,862	4,259
12 Other countries <sup>6</sup> .....	3,306	2,942	3,011	3,149	3,331	3,376	5,866	5,800	4,369

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 U.S. Department of the Treasury data and on data reported to the department by banks (including Federal Reserve Banks) and securities dealers in the United States, and on the 1989 benchmark survey of foreign portfolio investment in the United States.

3.16 LIABILITIES TO, AND CLAIMS ON, FOREIGNERS Reported by Banks in the United States<sup>1</sup>  
Payable in Foreign Currencies

Millions of dollars, end of period

Item	1990	1991	1992	1993		1994	
				Sept.	Dec.	Mar. <sup>f</sup>	June <sup>f</sup>
1 Banks' liabilities .....	70,477	75,129	72,796	81,225	77,627	85,737	71,695
2 Banks' claims .....	66,796	73,195	62,799	59,136	59,151	72,728	55,698
3 Deposits .....	29,672	26,192	24,240	20,930	19,379	19,912	20,440
4 Other claims .....	37,124	47,003	38,559	38,206	39,772	52,816	35,258
5 Claims of banks' domestic customers <sup>2</sup> .....	6,309	3,398	4,432	2,494	3,058	3,655	4,182

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<sup>1</sup>  
Payable in U.S. dollars

Millions of dollars, end of period

Item	1991	1992	1993	1994							
				Feb. <sup>f</sup>	Mar. <sup>f</sup>	Apr. <sup>f</sup>	May <sup>f</sup>	June <sup>f</sup>	July <sup>f</sup>	Aug. <sup>g</sup>	
<b>By HOLDER AND TYPE OF LIABILITY</b>											
<b>1 Total, all foreigners</b>	<b>756,066</b>	<b>810,259</b>	<b>914,989<sup>f</sup></b>	<b>921,577</b>	<b>952,570</b>	<b>960,143</b>	<b>961,827</b>	<b>990,203</b>	<b>995,460</b>	<b>991,800</b>	
2 Banks' own liabilities	575,374	606,444	621,118 <sup>f</sup>	630,436	648,799	666,673	664,770	684,850	696,103	692,292	
3 Demand deposits	20,321	21,828	21,575	24,403	23,035	23,646	27,878	24,563	23,595	22,994	
4 Time deposits <sup>2</sup>	159,649	160,385	175,117	159,929	176,973	178,224	183,171	184,464	186,455	185,425	
5 Other <sup>3</sup>	66,305	93,237	110,117 <sup>f</sup>	134,829	111,444	123,797	122,681	116,960	125,898	117,271	
6 Own foreign offices <sup>4</sup>	329,099	330,994	314,309 <sup>f</sup>	311,275	337,347	341,006	331,040	358,863	360,155	366,602	
7 Banks' custodial liabilities <sup>5</sup>	180,692	203,815	293,871 <sup>f</sup>	291,141	303,771	293,470	297,057	305,353	299,357	299,508	
8 U.S. Treasury bills and certificates <sup>6</sup>	110,734	127,644	176,523 <sup>f</sup>	167,098	173,475	167,999	161,145	171,315	170,061	170,579	
9 Other negotiable and readily transferable instruments <sup>7</sup>	18,664	21,974	36,288 <sup>f</sup>	41,941	41,762	38,167	48,775	49,914	46,247	46,352	
10 Other <sup>8</sup>	51,294	54,197	81,060 <sup>f</sup>	82,102	88,534	87,304	87,137	84,124	83,049	82,577	
11 Nonmonetary international and regional organizations <sup>9</sup>	8,981	9,350	10,935	7,299	8,086	5,912	8,363	8,630	7,318	4,967	
12 Banks' own liabilities	6,827	6,951	5,639	5,294	5,641	4,328	6,437	5,256	5,511	3,972	
13 Demand deposits	43	46	15	320	209	26	35	31	29	36	
14 Time deposits <sup>2</sup>	2,714	3,214	2,780	2,533	2,482	2,411	2,785	3,073	3,460	2,335	
15 Other <sup>3</sup>	4,070	3,691	2,844	3,071	2,950	1,891	3,617	2,152	2,013	1,601	
16 Banks' custodial liabilities <sup>5</sup>	2,154	2,399	5,296	1,375	2,445	1,584	1,926	3,274	1,807	995	
17 U.S. Treasury bills and certificates <sup>6</sup>	1,730	1,908	4,275	1,321	2,097	1,358	1,588	2,825	1,082	836	
18 Other negotiable and readily transferable instruments <sup>7</sup>	424	486	1,021	54	338	226	1,069	547	725	159	
19 Other <sup>8</sup>	0	5	0	0	10	0	0	2	0	0	
20 Official institutions <sup>9</sup>	131,088	159,563	220,708 <sup>f</sup>	221,220	228,403	215,348	211,479	221,863	230,116	222,575	
21 Banks' own liabilities	34,411	51,202	64,231 <sup>f</sup>	67,369	66,995	64,682	64,817	67,283	72,947	67,052	
22 Demand deposits	2,626	1,302	1,601	1,406	1,668	1,504	1,435	2,029	1,472	1,232	
23 Time deposits <sup>2</sup>	16,504	17,939	21,654	20,049	23,943	22,064	24,398	26,029	28,138	26,853	
24 Other <sup>3</sup>	15,281	31,961	40,976 <sup>f</sup>	45,914	41,384	41,114	38,984	39,225	43,337	38,967	
25 Banks' custodial liabilities <sup>5</sup>	96,677	108,361	156,477	153,851	161,408	150,666	146,662	154,580	157,169	155,523	
26 U.S. Treasury bills and certificates <sup>6</sup>	92,692	104,596	150,900	143,222	148,707	140,653	134,568	141,338	146,247	143,400	
27 Other negotiable and readily transferable instruments <sup>7</sup>	3,879	3,726	5,482	10,527	12,414	9,969	12,050	13,108	10,863	11,990	
28 Other <sup>8</sup>	106	39	95	102	287	44	44	134	59	133	
29 Banks <sup>10</sup>	522,265	547,320	582,441 <sup>f</sup>	587,112	611,693	624,710	628,200	645,090	648,736	651,744	
30 Banks' own liabilities	459,335	476,117	474,695 <sup>f</sup>	479,286	497,795	514,901	510,790	530,871	536,272	536,723	
31 Unaffiliated foreign banks	130,236	145,123	160,386	168,011	160,448	173,895	179,750	172,008	176,117	170,121	
32 Demand deposits	8,648	10,170	9,719	11,973	10,707	11,785	15,551	12,323	11,792	11,831	
33 Time deposits <sup>2</sup>	82,857	90,296	105,192	92,529	104,809	107,662	109,084	108,317	106,889	107,502	
34 Other <sup>3</sup>	38,731	44,657	45,475	63,509	44,932	54,448	55,115	51,368	57,436	50,788	
35 Own foreign offices <sup>4</sup>	329,099	330,994	314,309 <sup>f</sup>	311,275	337,347	341,006	331,040	358,863	360,155	366,602	
36 Banks' custodial liabilities <sup>5</sup>	62,930	71,203	107,746 <sup>f</sup>	107,826	113,898	109,809	117,410	114,219	112,664	115,021	
37 U.S. Treasury bills and certificates <sup>6</sup>	7,471	11,087	10,707	11,054	11,009	10,081	11,407	10,834	10,135	12,249	
38 Other negotiable and readily transferable instruments <sup>7</sup>	5,694	7,555	17,020 <sup>f</sup>	17,055	17,404	15,684	22,081	22,347	21,446	22,049	
39 Other <sup>8</sup>	49,765	52,561	80,019 <sup>f</sup>	79,717	85,485	84,044	83,922	81,038	80,883	80,723	
40 Other foreigners	93,732	94,026	100,905 <sup>f</sup>	105,946	104,388	114,173	113,785	114,620	109,290	112,514	
41 Banks' own liabilities	74,801	72,174	76,553	77,857	78,368	82,762	82,726	81,440	81,373	84,545	
42 Demand deposits	9,004	10,310	10,240	10,704	10,451	10,331	10,857	10,180	10,302	9,895	
43 Time deposits <sup>2</sup>	57,574	48,936	45,491	44,818	45,739	46,087	46,904	47,045	47,959	48,735	
44 Other <sup>3</sup>	8,223	12,928	20,822	22,335	22,178	26,344	24,965	24,215	23,112	25,915	
45 Banks' custodial liabilities <sup>5</sup>	18,931	21,852	24,352 <sup>f</sup>	28,089	26,020	31,411	31,059	33,180	27,917	27,969	
46 U.S. Treasury bills and certificates <sup>6</sup>	8,841	10,053	10,641 <sup>f</sup>	11,501	11,662	15,907	14,313	16,318	12,597	14,094	
47 Other negotiable and readily transferable instruments <sup>7</sup>	8,667	10,207	12,765	14,305	11,606	12,288	13,575	13,912	13,213	12,154	
48 Other <sup>8</sup>	1,423	1,592	946	2,283	2,752	3,216	3,171	2,950	2,107	1,721	
<b>MEMO</b>											
49 Negotiable time certificates of deposit in custody for foreigners	7,456	9,111	17,567	17,929	19,209	17,961	26,385	27,075	25,589	25,338	

1. Reporting banks include all types of depository institutions, 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 owed to own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts owed to the head office or parent foreign bank, and to foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.

5. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.

6. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.

7. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.

8. Principally the International Bank for Reconstruction and Development, the Inter-American Development Bank, and the Asian Development Bank. Excludes "holdings of dollars" of the International Monetary Fund.

9. Foreign central banks, foreign central governments, and the Bank for International Settlements.

10. Excludes central banks, which are included in "Official institutions."



3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States<sup>1</sup>—Continued

Item	1991	1992	1993	1994							
				Jan.	Feb.	Mar.	Apr.	May	June	July <sup>2</sup>	
<b>AREA</b>											
<b>1 Total, all foreigners</b> .....	<b>756,066</b>	<b>810,259</b>	<b>914,989<sup>a</sup></b>	<b>921,577<sup>a</sup></b>	<b>952,570<sup>a</sup></b>	<b>960,143<sup>a</sup></b>	<b>961,827<sup>a</sup></b>	<b>990,203<sup>a</sup></b>	<b>995,460<sup>a</sup></b>	<b>991,800</b>	
<b>2 Foreign countries</b> .....	<b>747,085</b>	<b>800,909</b>	<b>904,054<sup>a</sup></b>	<b>914,278<sup>a</sup></b>	<b>944,484<sup>a</sup></b>	<b>954,231<sup>a</sup></b>	<b>953,464<sup>a</sup></b>	<b>981,573<sup>a</sup></b>	<b>988,142<sup>a</sup></b>	<b>986,833</b>	
3 Europe .....	249,097	307,670	376,989 <sup>a</sup>	392,557 <sup>a</sup>	398,584 <sup>a</sup>	405,686 <sup>a</sup>	404,477 <sup>a</sup>	411,824 <sup>a</sup>	421,562 <sup>a</sup>	419,579	
4 Austria .....	1,193	1,611	1,917	2,159	2,515	2,719	3,309	3,578	3,364	3,349	
5 Belgium and Luxembourg .....	13,337	20,567	28,627	30,617	31,827	32,049 <sup>a</sup>	32,612	25,306 <sup>a</sup>	25,145 <sup>a</sup>	27,111	
6 Denmark .....	937	3,060	4,517	4,829	3,093	3,342	3,207	3,473	2,877	2,634	
7 Finland .....	1,341	1,299	1,872	1,737	1,497 <sup>a</sup>	1,932	1,849	2,649	2,504	1,735	
8 France .....	31,808	41,411	39,741 <sup>a</sup>	38,451 <sup>a</sup>	42,010	43,147 <sup>a</sup>	41,982 <sup>a</sup>	43,148 <sup>a</sup>	41,410	41,911	
9 Germany .....	8,619	18,630	26,613	30,241	31,771	32,704	27,583	33,013	30,175	30,740	
10 Greece .....	765	913	1,519	1,463	1,425	1,160	1,453	1,377	1,153	1,199	
11 Italy .....	13,541	10,041	11,559	12,741	12,786	11,915	13,015	12,771	11,537	11,733	
12 Netherlands .....	7,161	7,365	16,096 <sup>a</sup>	17,159 <sup>a</sup>	17,705 <sup>a</sup>	16,347 <sup>a</sup>	18,514 <sup>a</sup>	18,708	18,458 <sup>a</sup>	17,221	
13 Norway .....	1,866	3,314	2,966	2,340	2,429	2,537	3,278	4,018	3,731	3,195	
14 Portugal .....	2,184	2,465	3,366	3,170	3,131	4,061	2,853	2,920	2,865	2,867	
15 Russia .....	241	577	2,511	2,017	1,971	3,041	4,016	4,497	4,593	3,794	
16 Spain .....	11,391	9,793	20,493	18,120 <sup>a</sup>	19,622 <sup>a</sup>	18,321 <sup>a</sup>	17,482	15,754	16,763	15,459	
17 Sweden .....	2,222	2,953	2,572	2,528	1,451	2,532	3,443	4,043	5,710	4,152	
18 Switzerland .....	37,238	39,440	41,555 <sup>a</sup>	41,016 <sup>a</sup>	39,262 <sup>a</sup>	40,998 <sup>a</sup>	40,174 <sup>a</sup>	38,075 <sup>a</sup>	41,378 <sup>a</sup>	43,521	
19 Turkey .....	1,598	2,666	3,227	3,241	2,922	2,972	2,759	3,250	3,515	3,238	
20 United Kingdom .....	100,292	111,805	133,936 <sup>a</sup>	147,038 <sup>a</sup>	149,656 <sup>a</sup>	153,906 <sup>a</sup>	158,962 <sup>a</sup>	163,338 <sup>a</sup>	171,248 <sup>a</sup>	174,019	
21 Yugoslavia .....	622	504	570	428	414	407	424	434	230	227	
22 Other Europe and other former U.S.S.R. <sup>12</sup> .....	12,741	29,256	33,332 <sup>a</sup>	33,268 <sup>a</sup>	33,097	31,596	27,562	31,472 <sup>a</sup>	34,906 <sup>a</sup>	31,474	
23 Canada .....	21,605	22,420	20,227	23,200	21,430	22,552	25,948	25,455	26,625	26,346	
24 Latin America and Caribbean .....	345,529	317,228	351,356 <sup>a</sup>	348,725 <sup>a</sup>	361,546 <sup>a</sup>	364,556 <sup>a</sup>	358,829 <sup>a</sup>	380,447 <sup>a</sup>	374,808 <sup>a</sup>	376,723	
25 Argentina .....	7,753	9,477	14,477	14,438 <sup>a</sup>	14,020 <sup>a</sup>	13,270 <sup>a</sup>	13,474	13,750	14,592	14,807	
26 Bahamas .....	100,622	82,284	72,964	72,430	77,457 <sup>a</sup>	80,843 <sup>a</sup>	79,265	85,817 <sup>a</sup>	87,264	83,255	
27 Bermuda .....	3,178	7,079	7,830 <sup>a</sup>	6,724 <sup>a</sup>	6,200 <sup>a</sup>	7,671 <sup>a</sup>	8,182 <sup>a</sup>	8,975	10,055	8,289	
28 Brazil .....	5,704	5,584	5,301	5,388 <sup>a</sup>	5,258 <sup>a</sup>	4,880 <sup>a</sup>	5,572	5,708	6,259	5,695	
29 British West Indies .....	163,620	153,033	184,608 <sup>a</sup>	178,659 <sup>a</sup>	191,133 <sup>a</sup>	195,456 <sup>a</sup>	188,943 <sup>a</sup>	205,650 <sup>a</sup>	197,661 <sup>a</sup>	203,725	
30 Chile .....	3,283	3,035	3,183	3,728 <sup>a</sup>	3,576 <sup>a</sup>	3,832 <sup>a</sup>	3,286	3,523	3,353	2,988	
31 Colombia .....	4,661	4,580	3,171	3,364 <sup>a</sup>	3,428 <sup>a</sup>	4,003 <sup>a</sup>	3,865	3,929 <sup>a</sup>	3,773	3,726	
32 Cuba .....	2	3	33	30	38	9	11	11	819	13	
33 Ecuador .....	1,232	993	880	857 <sup>a</sup>	823 <sup>a</sup>	846 <sup>a</sup>	842	812	819	847	
34 Guatemala .....	1,594	1,377	1,207	1,231 <sup>a</sup>	1,170 <sup>a</sup>	1,157 <sup>a</sup>	1,137	1,143	1,206	1,141	
35 Jamaica .....	231	371	410	421	419	495	526	475	518	531	
36 Mexico .....	19,957	19,454	28,018	30,617 <sup>a</sup>	27,806 <sup>a</sup>	22,362 <sup>a</sup>	21,900	21,286	20,179	20,799	
37 Netherlands Antilles .....	5,592	5,205	4,195	6,231 <sup>a</sup>	5,313 <sup>a</sup>	5,036 <sup>a</sup>	7,021	4,885	4,301	5,058	
38 Panama .....	4,695	4,177	3,582	3,435 <sup>a</sup>	3,404 <sup>a</sup>	3,521 <sup>a</sup>	3,811	4,885	4,087	3,843	
39 Peru .....	1,249	1,080	926	917 <sup>a</sup>	877 <sup>a</sup>	898 <sup>a</sup>	912	930	916	1,027	
40 Uruguay .....	2,096	1,955	1,611	1,534	1,578	1,536	1,561 <sup>a</sup>	1,597 <sup>a</sup>	1,420 <sup>a</sup>	1,336	
41 Venezuela .....	13,181	11,387	12,786	12,602 <sup>a</sup>	12,973 <sup>a</sup>	12,312 <sup>a</sup>	12,013	11,655	11,984	13,137	
42 Other .....	6,879	6,154	6,174	6,119 <sup>a</sup>	6,073 <sup>a</sup>	6,429 <sup>a</sup>	6,508	6,440 <sup>a</sup>	6,409	6,506	
43 Asia .....	120,462	143,540	144,656	139,568 <sup>a</sup>	152,486 <sup>a</sup>	149,188 <sup>a</sup>	152,135 <sup>a</sup>	148,752 <sup>a</sup>	151,407 <sup>a</sup>	152,701	
44 China .....	2,626	3,202	4,011	4,565	5,294	6,058	5,358	6,152	5,017	4,394	
45 People's Republic of China .....	11,491	8,408	10,633	9,466 <sup>a</sup>	9,306	8,698 <sup>a</sup>	9,820	8,375	8,811	8,737	
46 Republic of China (Taiwan) .....	14,269	18,499	17,233	17,731 <sup>a</sup>	18,685 <sup>a</sup>	19,093 <sup>a</sup>	21,665	19,108	18,777 <sup>a</sup>	18,722	
47 Hong Kong .....	2,418	1,399	1,114	1,127	1,658	1,450	1,521	2,136	1,695	1,778	
48 India .....	1,463	1,480	1,986	1,659	2,345	1,802	1,537	2,002	1,766	1,924	
49 Indonesia .....	2,015	3,773	4,435	4,628	4,580	4,134	3,460	3,762	3,822	3,436	
50 Israel .....	47,069	58,435	61,483	60,124 <sup>a</sup>	66,425 <sup>a</sup>	62,295 <sup>a</sup>	63,051 <sup>a</sup>	64,124 <sup>a</sup>	65,690 <sup>a</sup>	65,793	
51 Japan .....	2,587	3,337	4,913	4,856	4,808	4,646	4,523	4,581 <sup>a</sup>	5,311	4,873	
52 Korea (South) .....	2,449	2,275	2,035	1,822 <sup>a</sup>	2,544 <sup>a</sup>	2,619 <sup>a</sup>	2,590	3,150	3,396	3,214	
53 Philippines .....	2,252	5,582	6,137	5,838	5,985	5,550	5,788	4,851	5,222	6,364	
54 Thailand .....	15,752	21,437	15,824	11,919	13,305	13,655	14,895	14,374	14,932	15,928	
55 Middle Eastern oil-exporting countries <sup>13</sup> .....	16,071	15,713	14,852	15,833	17,551 <sup>a</sup>	19,188 <sup>a</sup>	17,927	16,137 <sup>a</sup>	16,968	17,538	
56 Africa .....	4,825	5,884	6,634	6,327	5,749	5,813	6,166	6,411 <sup>a</sup>	6,153	6,359	
57 Egypt .....	1,621	2,472	2,208	2,058	1,659	1,688	1,984	1,999	1,706	1,914	
58 Morocco .....	79	76	99	73	89	76	93	78	80	82	
59 South Africa .....	228	190	451	294	285	331	230	290	289	417	
60 Zaire .....	31	19	12	8	11	11	8	7	8	8	
61 Oil-exporting countries <sup>14</sup> .....	1,082	1,346	1,303	1,433	1,139	983	1,057	1,204	1,291	1,170	
62 Other .....	1,784	1,781	2,561	2,461	2,566	2,724	2,794	2,833 <sup>a</sup>	2,779	2,768	
63 Other .....	5,567	4,167	4,192	3,901	4,689	6,436	5,909	8,684 <sup>a</sup>	7,587	5,125	
64 Australia .....	4,464	3,043	3,308	2,511	3,006	2,991	2,796	5,804	6,288	3,935	
65 Other .....	1,103	1,124	884	1,390	1,683	3,445	3,113	2,880 <sup>a</sup>	1,299	1,190	
66 Nonmonetary international and regional organizations .....	8,981	9,350	10,935	7,299	8,086	5,912	8,363	8,630	7,318	4,967	
67 International <sup>15</sup> .....	6,485	7,434	6,850	6,060	6,375	4,249	5,634	6,646	5,446	3,642	
68 Latin American regional <sup>16</sup> .....	1,181	1,415	3,218	357	330	393	909	847	612	418	
69 Other regional <sup>17</sup> .....	1,315	501	867	882	1,381	1,270	1,820	1,137	1,260	907	

11. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.

12. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.

13. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

14. Comprises Algeria, Gabon, Libya, and Nigeria.

15. Principally the International Bank for Reconstruction and Development. Excludes "holdings of dollars" of the International Monetary Fund.

16. Principally the Inter-American Development Bank.

17. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States<sup>1</sup>  
Payable in U.S. Dollars  
Millions of dollars, end of period

Area or country	1991	1992	1993	1994						
				Feb.	Mar.	Apr.	May <sup>2</sup>	June <sup>3</sup>	July <sup>4</sup>	Aug. <sup>5</sup>
1 Total, all foreigners	514,339	499,437	483,216 <sup>6</sup>	477,499 <sup>7</sup>	474,969 <sup>7</sup>	476,239 <sup>7</sup>	472,522	476,389	468,837	478,476
2 Foreign countries	508,056	494,355	480,811 <sup>6</sup>	475,905 <sup>7</sup>	473,049 <sup>7</sup>	475,055 <sup>7</sup>	470,796	473,968	467,441	476,517
3 Europe	114,310	123,377	121,044 <sup>6</sup>	124,507 <sup>7</sup>	129,738 <sup>8</sup>	124,723 <sup>3</sup>	123,505	119,703	122,913	124,743
4 Austria	327	331	413	598	489	420	486	416	470	442
5 Belgium and Luxembourg	6,158	6,404	6,535	6,327	6,775	6,774	6,391	7,115	6,917	6,546
6 Denmark	686	707	382	600	612	896	1,332	539	622	464
7 Finland	1,907	1,418	598	725	570	647	669	699	739	511
8 France	15,112	14,723	11,490	11,033	11,481	11,398	13,092	13,763	13,088	15,991
9 Germany	3,371	4,222	7,683	7,966	8,164	9,374	8,303	7,218	7,881	9,986
10 Greece	553	717	679	669	736	720	682	661	583	660
12 Netherlands	2,546	2,468	3,063	2,821	2,945	2,575	3,272	3,003	3,006	2,948
13 Norway	669	355	396	777	531	598	605	620	751	826
14 Portugal	344	325	720	918	936	846	835	876	1,035	1,041
15 Russia	1,970	3,147	2,295	2,005	1,961	1,862	1,642	1,605	1,541	1,378
16 Spain	1,881	2,755	2,763	2,688	2,666	1,859	2,828	2,502	1,905	2,660
17 Sweden	2,335	4,923	4,100	3,608	3,443	3,420	3,413	3,411	3,632	4,194
18 Switzerland	4,540	4,717	6,567	4,535	8,606	5,578	6,487	6,674	9,028	6,938
19 Turkey	1,063	962	1,287	1,559	1,546	1,324	1,210	1,208	1,208	1,152
20 United Kingdom	60,395	63,430	60,939 <sup>9</sup>	66,841 <sup>1</sup>	68,175 <sup>5</sup>	67,347 <sup>7</sup>	63,110	61,166	62,477	61,730
21 Yugoslavia <sup>2</sup>	825	569	536	361	414	364	341	340	274	280
22 Other Europe and other former U.S.S.R. <sup>3</sup>	1,386	2,157	1,722	1,940	2,055	2,236	1,917	1,757	1,682	1,467
23 Canada	15,113	13,845	18,410 <sup>7</sup>	16,866 <sup>7</sup>	16,989	17,920	17,114	20,441	19,814	19,658
24 Latin America and Caribbean	246,137	218,078	224,032 <sup>7</sup>	226,485 <sup>7</sup>	220,298	219,983	219,608	221,926	215,798	223,192
25 Argentina	5,869	4,958	4,425	4,459	4,662	5,161	5,178	5,506	5,811	5,893
26 Bahamas	87,138	60,835	65,045	65,439	66,022	66,239	64,974	64,098	67,951	63,256
27 Bermuda	2,270	5,935	8,032	9,969	8,342	8,837	6,591	6,276	5,685	7,328
28 Brazil	11,894	10,773	11,803	13,005	12,924	11,457	11,995	11,356	10,618	10,122
29 British West Indies	107,846	101,507	97,993 <sup>9</sup>	95,230	92,252	91,700	94,150	98,045	89,474	100,119
30 Chile	2,805	3,397	3,614	3,763	3,640	3,455	3,353	3,419	3,327	3,410
31 Colombia	2,425	2,750	3,179	3,053	3,057	3,263	3,229	3,366	3,326	3,414
32 Cuba	0	0	0	2	0	0	0	0	8	0
33 Ecuador	1,053	884	673	722	703	679	677	707	683	604
34 Guatemala	228	262	286	294	289	273	291	312	308	311
35 Jamaica	158	162	195	176	163	191	198	194	186	210
36 Mexico	16,567	14,991	15,835 <sup>7</sup>	16,920 <sup>7</sup>	16,210	16,300	16,456	16,768	16,652	16,764
37 Netherlands Antilles	1,207	1,379	2,367	3,093	2,411	2,769	2,366	2,118	2,118	2,139
38 Panama	1,560	4,654	2,913	2,983	2,491	2,539	2,341	2,219	2,357	2,386
39 Peru	739	730	651	726	751	807	901	908	926	924
40 Uruguay	599	936	951	742	532	500	540	608	748	706
41 Venezuela	2,516	2,525	2,904	2,709	2,662	2,526 <sup>6</sup>	2,462	2,434	2,245	2,150
42 Other	1,263	1,400	3,166	3,200	3,187	3,287 <sup>7</sup>	3,401	3,344	3,375	3,456
43 Asia	125,262	131,789	110,697 <sup>7</sup>	101,679 <sup>7</sup>	99,013	105,412	103,874	104,852	102,355	102,307
44 China										
45 People's Republic of China	747	906	2,299	842	796	843	802	784	941	754
46 Republic of China (Taiwan)	2,087	2,046	2,628	1,490 <sup>7</sup>	2,162	1,817	2,024	1,948	1,786	1,807
47 Hong Kong	9,617	9,642	10,864	9,990	11,666	9,903	8,996	9,783	10,031	9,872
48 India	441	529	589	664	737	684	738	784	791	830
49 Indonesia	952	1,189	1,522	1,571	1,647	1,545	1,378	1,319	1,369	1,363
48 Israel	860	820	826	798	664	676	711	668	635	675
50 Japan	84,807	79,172	59,576	54,583	49,771	54,931	53,120	55,540	53,318	52,605
51 Korea (South)	6,048	6,179	7,569 <sup>9</sup>	7,533 <sup>3</sup>	7,502	7,457	7,410	7,984	8,112	8,553
52 Philippines	1,910	2,145	1,408	1,183	1,307	925	914	654	514	533
53 Thailand	1,713	1,867	2,154	2,649	2,764	2,744	2,944	2,976	2,836	2,781
54 Middle Eastern oil-exporting countries <sup>4</sup>	8,284	18,540	14,398	13,190	14,153	16,387	18,323	16,565	16,342	16,080
55 Other	7,796	8,754	6,864	7,186	5,844	7,500	6,514	5,847	5,680	6,454
56 Africa	4,928	4,279	3,819	3,767 <sup>7</sup>	3,690 <sup>7</sup>	3,680	3,684	3,788	3,456	3,659
57 Egypt	294	186	196	227	205	206	219	281	234	229
58 Morocco	575	441	444	521	518	472	470	518	479	485
59 South Africa	1,235	1,041	633	558	565	557	575	556	492	656
60 Zaire	4	4	4	6	4	5	5	4	3	3
61 Oil-exporting countries <sup>5</sup>	1,298	1,002	1,128	1,197	1,210	1,207	1,211	1,239	1,194	1,189
62 Other	1,522	1,605	1,414	1,258 <sup>8</sup>	1,188 <sup>8</sup>	1,233	1,204	1,190	1,054	1,097
63 Other	2,306	2,987	2,809	2,601	3,321	3,337	3,011	3,258	3,105	2,958
64 Australia	1,665	2,243	2,072	1,692	1,685	1,859	1,369	1,489	1,587	1,390
65 Other	641	744	737	909	1,636	1,478	1,642	1,769	1,518	1,568
66 Nonmonetary international and regional organizations <sup>6</sup>	6,283	5,082	2,405	1,594	1,920	1,184	1,726	2,421	1,396	1,959

1. Reporting banks include all types of depository institutions, as well as some brokers and dealers.

2. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.

3. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.

4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

5. Comprises Algeria, Gabon, Libya, and Nigeria.

6. Excludes the Bank for International Settlements, which is included in "Other Europe."

### 3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States<sup>1</sup> Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1991	1992	1993 <sup>f</sup>	1994						
				Feb. <sup>f</sup>	Mar. <sup>f</sup>	Apr. <sup>f</sup>	May <sup>f</sup>	June <sup>f</sup>	July <sup>f</sup>	Aug. <sup>p</sup>
<b>1 Total</b> .....	<b>579,683</b>	<b>559,495</b>	<b>523,626</b>	...	<b>522,771</b>	...	...	<b>525,598</b>	...	...
2 Banks' claims .....	514,339	499,437	483,216	477,499	474,969	476,239	472,522	476,389	468,837	478,476
3 Foreign public borrowers .....	37,126	31,367	28,814	26,546	25,764	25,116	22,552	21,650	21,926	22,788
4 Own foreign offices <sup>1</sup> .....	318,800	303,991	286,882	273,763	280,898	280,435	284,532	289,451	283,840	286,939
5 Unaffiliated foreign banks .....	116,602	109,342	98,030	97,945	94,809	96,903	98,186	101,789	100,484	102,270
6 Deposits .....	69,018	61,550	46,887	45,845	44,177	47,971	50,323	50,962	50,756	49,719
7 Other .....	47,584	47,792	51,143	52,100	50,632	48,932	47,863	50,827	49,728	52,551
8 All other foreigners .....	41,811	54,737	69,490	79,245	73,498	73,785	67,252	63,499	62,587	66,479
9 Claims of banks' domestic customers <sup>1</sup> .....	65,344	60,058	40,410	...	47,802	...	...	49,209	...	...
10 Deposits .....	15,280	15,452	9,619	...	14,022	...	...	12,579	...	...
11 Negotiable and readily transferable instruments <sup>4</sup> .....	37,125	31,474	17,155	...	20,340	...	...	23,031	...	...
12 Outstanding collections and other claims .....	12,939	13,132	13,636	...	13,440	...	...	13,599	...	...
<b>MEMO</b>										
13 Customer liability on acceptances .....	8,974	8,655	7,871	...	7,564	...	...	8,031	...	...
14 Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States <sup>5</sup> .....	43,024	36,213	22,854	21,434	22,085	21,901	20,603	20,098	22,238	21,751

1. For banks' claims, data are monthly; for claims of banks' domestic customers, data are for quarter ending with month indicated.

Reporting banks include all types of depository institution, as well as some brokers and dealers.

2. For U.S. banks, includes amounts due from own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts due from the head

office or parent foreign bank, and to foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.

3. Assets held by reporting banks in the accounts of their domestic customers.

4. Principally negotiable time certificates of deposit 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<sup>1</sup> Payable in U.S. Dollars

Millions of dollars, end of period

Maturity, by borrower and area <sup>2</sup>	1990	1991	1992	1993		1994	
				Sept.	Dec.	Mar. <sup>f</sup>	June
<b>1 Total</b> .....	<b>206,903</b>	<b>195,302</b>	<b>195,119</b>	<b>189,498<sup>f</sup></b>	<b>194,794<sup>f</sup></b>	<b>193,255</b>	<b>186,007</b>
<i>By borrower</i>							
2 Maturity of one year or less .....	165,985	162,573	163,325	161,953 <sup>f</sup>	166,244 <sup>f</sup>	166,385	160,424
3 Foreign public borrowers .....	19,305	21,050	17,813	21,211	17,458 <sup>f</sup>	15,896	12,603
4 All other foreigners .....	146,680	141,523	145,512	140,742 <sup>f</sup>	148,786 <sup>f</sup>	150,489	147,821
5 Maturity of more than one year .....	40,918	32,729	31,794	27,545	28,550	26,870	25,583
6 Foreign public borrowers .....	22,269	15,859	13,266	10,341	10,828	9,585	8,638
7 All other foreigners .....	18,649	16,870	18,528	17,204	17,722	17,285	16,945
<i>By area</i>							
8 Maturity of one year or less .....							
9 Europe .....	49,184	51,835	53,300	57,240	56,300 <sup>f</sup>	58,786	50,907
10 Canada .....	5,450	6,444	6,091	9,819 <sup>f</sup>	7,542 <sup>f</sup>	7,291	8,155
11 Latin America and Caribbean .....	49,782	43,597	50,376	51,561 <sup>f</sup>	56,624 <sup>f</sup>	58,717	56,618
12 Asia .....	53,258	51,059	45,709	37,642 <sup>f</sup>	40,287 <sup>f</sup>	36,007	38,314
13 Africa .....	3,040	2,549	1,784	1,916	1,783	1,603	1,797
14 All other <sup>3</sup> .....	5,272	7,089	6,065	3,775	3,708	3,981	4,633
<i>Maturity of more than one year</i>							
15 Europe .....	3,859	3,878	5,367	4,433	4,327	3,822	3,316
16 Canada .....	3,290	3,595	3,287	2,549	2,553	2,548	2,496
17 Latin America and Caribbean .....	25,774	18,277	15,312	13,353	13,877	13,341	12,691
18 Asia .....	5,165	4,459	5,038	4,732	5,412	4,709	4,795
19 Africa .....	2,374	2,335	2,380	2,049	1,934	2,001	1,850
20 All other <sup>3</sup> .....	456	185	410	429	447	449	435

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. and Foreign Offices of U.S. Banks<sup>1</sup>

Billions of dollars, end of period

Area or country	1990	1991	1992			1993				1994	
			June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June
<b>1 Total</b> .....	<b>320.1</b>	<b>343.6</b>	<b>358.7</b>	<b>344.5</b>	<b>346.5</b>	<b>361.0</b>	<b>377.0</b>	<b>388.3</b>	<b>403.7</b>	<b>492.6<sup>f</sup></b>	<b>497.3<sup>f</sup></b>
<b>2 G-10 countries and Switzerland</b> .....	132.2	137.6	135.6	136.0	132.9	142.4	150.0	153.3	161.0	178.0 <sup>f</sup>	183.0 <sup>f</sup>
3 Belgium and Luxembourg.....	.0	6.0	6.2	6.2	5.6	6.1	7.0	7.1	7.4	7.9	8.6
4 France.....	10.4	11.0	11.9	15.3	15.3	13.5	14.0	12.3	11.7	16.4	18.5
5 Germany.....	10.6	8.3	8.8	10.9	9.3	9.9	10.8	12.4	12.6	28.7	24.3
6 Italy.....	5.0	5.6	8.0	6.4	6.5	6.7	7.9	8.7	7.6	15.5	14.0
7 Netherlands.....	.0	4.7	3.3	3.7	2.8	3.6	3.7	3.7	4.7	4.1	3.6
8 Sweden.....	2.2	1.9	1.9	2.2	2.3	3.0	2.5	2.5	2.5	2.8	2.9
9 Switzerland.....	4.4	3.4	4.6	5.2	4.8	5.3	4.7	5.6	5.9	6.3	6.5
10 United Kingdom.....	60.9	68.5	65.6	61.0	60.8	65.7	73.5	74.7	84.5	69.8 <sup>f</sup>	76.1
11 Canada.....	5.9	5.8	6.5	6.3	6.3	8.2	8.0	9.7	6.6	7.6	9.4
12 Japan.....	24.0	22.6	18.7	18.9	19.3	20.4	17.9	16.8	17.4	18.8	19.0 <sup>f</sup>
<b>13 Other industrialized countries</b> .....	22.9	22.8	25.5	25.0	24.0	25.4	27.2	26.0	24.6	41.2	43.3
14 Austria.....	1.4	.6	.8	.7	1.2	1.2	1.3	.6	4	1.0	1.0
15 Denmark.....	1.1	.9	1.3	1.5	.9	.8	1.0	1.1	1.0	1.1	1.1
16 Finland.....	.7	.7	.8	1.0	.7	.7	.9	.6	4	1.0	.9
17 Greece.....	2.7	2.6	2.8	3.0	3.0	2.7	3.1	3.2	3.2	3.8	4.6
18 Norway.....	1.6	1.4	1.7	1.6	1.2	1.8	1.8	2.1	1.7	1.6	1.6
19 Portugal.....	.6	.6	.5	.5	.4	.7	.9	1.0	.8	1.2	1.1
20 Spain.....	8.3	8.3	10.1	9.7	8.9	9.5	10.5	9.3	8.9	12.3	13.2
21 Turkey.....	1.7	1.4	1.5	1.5	1.3	1.4	2.1	2.1	2.1	2.4	2.1
22 Other Western Europe.....	1.2	1.8	2.0	1.5	1.7	2.0	1.7	2.2	2.6	3.0	2.8
23 South Africa.....	1.8	1.9	1.7	1.7	1.7	1.6	1.3	1.2	1.1	1.2	1.2
24 Australia.....	1.8	2.7	2.2	2.3	2.9	2.9	2.5	2.8	2.3	12.7	13.7
<b>25 OPEC<sup>2</sup></b> .....	12.8	14.5	16.2	15.9	16.1	16.6	15.7	14.8	16.7	22.1	21.5 <sup>f</sup>
26 Ecuador.....	1.0	.7	.7	.7	.6	.6	.6	.5	.5	.5	.5
27 Venezuela.....	5.0	5.4	5.3	5.4	5.2	5.1	5.5	5.4	5.1	4.7	4.4 <sup>f</sup>
28 Indonesia.....	2.7	2.7	3.0	3.0	3.0	3.1	3.1	2.8	3.2	3.0	3.2
29 Middle East countries.....	2.5	4.2	5.9	5.4	6.2	6.6	5.4	4.9	6.7	12.8	12.4
30 African countries.....	1.7	1.5	1.4	1.4	1.1	1.1	1.1	1.1	1.2	1.0	1.1
<b>31 Non-OPEC developing countries</b> .....	65.4	63.9	68.1	72.8	72.1	74.4	76.6	77.0	82.5	93.9	94.5
<i>Latin America</i>											
32 Argentina.....	5.0	4.8	5.1	6.2	6.6	7.0	6.6	7.2	7.7	8.7	9.8
33 Brazil.....	14.4	9.6	10.6	10.8	10.8	11.6	12.3	11.7	12.0	12.5	11.8
34 Chile.....	3.5	3.6	4.0	4.2	4.4	4.6	4.6	4.7	4.7	5.1	5.1
35 Colombia.....	1.8	1.7	1.6	1.7	1.8	1.9	1.9	2.0	2.1	2.2	2.4
36 Mexico.....	13.0	15.5	16.3	17.1	16.0	16.8	16.8	17.5	17.7	18.7	18.3
37 Peru.....	.5	.4	.4	.5	.5	.4	.4	.3	.4	.5	.6
38 Other.....	2.3	2.1	2.2	2.5	2.6	2.6	2.7	2.6	3.0	2.6	2.7
<i>Asia</i>											
<i>China</i>											
39 Peoples Republic of China.....	.2	.3	.3	.3	.7	.6	1.6	.5	2.0	.8	.7
40 Republic of China (Taiwan).....	3.5	4.1	4.6	5.0	5.2	5.3	5.9	6.4	7.3	7.5	7.1
41 India.....	3.3	3.0	3.8	3.6	3.2	3.1	3.1	2.9	3.2	4.1	3.7
42 Israel.....	.5	.5	.4	.4	.4	.5	.4	.4	.5	.4	.4
43 Korea (South).....	6.2	6.8	6.9	7.4	6.6	6.5	6.9	6.5	6.7	13.9	14.7
44 Malaysia.....	1.9	2.3	2.7	3.0	3.1	3.4	3.7	4.1	4.4	5.2	5.2
45 Philippines.....	3.8	3.7	3.1	3.6	3.6	3.4	2.9	2.6	3.1	3.4	3.2
46 Thailand.....	1.5	1.7	1.9	2.2	2.2	2.2	2.4	2.8	3.1	2.9	3.3
47 Other Asia.....	1.7	2.0	2.5	2.7	2.7	2.7	2.6	3.0	2.9	3.1	3.5
<i>Africa</i>											
48 Egypt.....	.4	.4	.5	.3	.2	.2	.2	.2	.4	.4	.5
49 Morocco.....	.8	.7	.7	.6	.6	.5	.6	.6	.6	.7	.7
50 Zaire.....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
51 Other Africa <sup>3</sup> .....	1.0	.7	.6	.9	1.0	.8	.9	.8	.8	1.0	.9
<b>52 Eastern Europe</b> .....	2.3	2.4	3.0	3.1	3.1	2.9	3.2	3.0	3.0	3.3	3.1
53 Russia <sup>4</sup> .....	.2	.9	1.7	1.8	1.9	1.7	1.9	1.7	1.6	1.5	1.2
54 Yugoslavia <sup>5</sup> .....	1.2	.9	.7	.7	.6	.6	.6	.6	.6	.5	.5
55 Other.....	.9	.7	.6	.7	.6	.7	.7	.7	.9	1.4	1.5
<b>56 Offshore banking centers</b> .....	44.7	54.2	61.4	54.5	58.3	60.2	58.0	67.9	72.5	80.3	76.9 <sup>f</sup>
57 Bahamas.....	2.9	11.9	12.9	8.9	6.9	9.7	7.1	12.7	12.6	15.4	13.5
58 Bermuda.....	4.4	2.3	5.1	3.8	6.2	4.1	4.5	5.5	8.1	8.4	6.1
59 Cayman Islands and other British West Indies.....	11.7	15.8	19.3	16.9	21.8	17.6	15.6	15.1	16.9	17.2	20.3
60 Netherlands Antilles.....	7.9	1.2	.8	.7	1.1	1.6	2.5	2.8	2.3	2.7	2.4
61 Panama <sup>6</sup> .....	1.4	1.4	1.9	2.0	1.9	2.0	2.1	2.1	2.4	2.0	1.9
62 Lebanon.....	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
63 Hong Kong.....	9.7	14.4	14.9	15.2	13.8	16.7	16.9	19.1	18.7	21.7	21.8
64 Singapore.....	6.6	7.1	6.4	6.8	6.5	8.4	9.3	10.4	11.2	12.7	10.6
65 Other <sup>7</sup> .....	.0	.0	.0	.0	.0	.0	.0	.0	.1	.0	.0
<b>66 Miscellaneous and unallocated<sup>8</sup></b> .....	39.9	48.0	48.6	36.8	39.7	38.8	46.2	46.3	43.3	73.6	74.5

1. The banking offices covered by these data include U.S. offices and foreign branches of U.S. banks, including U.S. banks that are subsidiaries of foreign banks. Offices not covered include U.S. agencies and branches of foreign banks. Beginning March 1994, the data include large foreign subsidiaries of U.S. banks. The data also include other types of U.S. depository institutions as well as some types of brokers and dealers. To eliminate duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution.

2. Organization of Petroleum Exporting Countries, shown individually; other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar,

Saudi Arabia, and United Arab Emirates); and Bahrain and Oman (not formally members of OPEC).

3. Excludes Liberia. Beginning March 1994 includes Namibia.

4. As of December 1992, excludes other republics of the former Soviet Union.

5. As of December 1992, excludes Croatia, Bosnia and Hercegovina, and Slovenia.

6. Includes Canal Zone.

7. Foreign branch claims only.

8. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States<sup>1</sup>

Millions of dollars, end of period

Type of liability, and area or country	1990	1991	1992	1993				1994	
				Mar.	June	Sept.	Dec.	Mar.	June <sup>P</sup>
1 Total .....	46,043	44,708	45,260	46,170 <sup>F</sup>	46,514 <sup>F</sup>	48,524 <sup>F</sup>	49,136 <sup>F</sup>	51,740 <sup>F</sup>	55,316
2 Payable in dollars .....	40,786	39,029	37,276	37,896 <sup>F</sup>	37,027 <sup>F</sup>	39,311 <sup>F</sup>	37,880 <sup>F</sup>	38,115 <sup>F</sup>	42,463
3 Payable in foreign currencies .....	5,257	5,679	7,984	8,274 <sup>F</sup>	9,487 <sup>F</sup>	9,213 <sup>F</sup>	11,256 <sup>F</sup>	13,625 <sup>F</sup>	12,853
<i>By type</i>									
4 Financial liabilities .....	21,066	22,518	23,590	24,239 <sup>F</sup>	25,100 <sup>F</sup>	26,731 <sup>F</sup>	28,254 <sup>F</sup>	30,111	33,277
5 Payable in dollars .....	16,979	18,104	16,780	17,178 <sup>F</sup>	16,935 <sup>F</sup>	18,705 <sup>F</sup>	18,175 <sup>F</sup>	18,481 <sup>F</sup>	22,424
6 Payable in foreign currencies .....	4,087	4,414	6,810	7,061 <sup>F</sup>	8,165 <sup>F</sup>	8,026 <sup>F</sup>	10,079 <sup>F</sup>	11,630 <sup>F</sup>	10,853
7 Commercial liabilities .....	24,977	22,190	21,670	21,931 <sup>F</sup>	21,414 <sup>F</sup>	21,793 <sup>F</sup>	20,882 <sup>F</sup>	21,629 <sup>F</sup>	22,039
8 Trade payables .....	10,683	9,252	9,566	9,684 <sup>F</sup>	9,370 <sup>F</sup>	9,226 <sup>F</sup>	8,800 <sup>F</sup>	8,956 <sup>F</sup>	9,855
9 Advance receipts and other liabilities .....	14,294	12,938	12,104	12,247	12,044	12,567	12,082	12,673 <sup>F</sup>	12,184
10 Payable in dollars .....	23,807	20,925	20,496	20,718	20,092	20,606	19,705	19,634 <sup>F</sup>	20,039
11 Payable in foreign currencies .....	1,170	1,265	1,174	1,213 <sup>F</sup>	1,322 <sup>F</sup>	1,187 <sup>F</sup>	1,177 <sup>F</sup>	1,995 <sup>F</sup>	2,000
<i>By area or country</i>									
12 Financial liabilities									
13 Europe .....	10,978	12,003	13,207	13,567 <sup>F</sup>	14,199 <sup>F</sup>	16,445 <sup>F</sup>	18,185 <sup>F</sup>	20,293	23,564
14 Belgium and Luxembourg .....	394	216	414	306	268	278	175	525	503
15 France .....	975	2,106	1,623	1,625	2,219 <sup>F</sup>	2,077 <sup>F</sup>	2,326 <sup>F</sup>	2,589	1,590
16 Germany .....	621	682	889	899 <sup>F</sup>	863 <sup>F</sup>	855 <sup>F</sup>	975 <sup>F</sup>	1,214	939
17 Netherlands .....	1,081	1,056	606	639	585	573	534	564	533
18 Switzerland .....	545	408	569	503	491	378	634	1,200	631
18 United Kingdom .....	6,357	6,528	8,430	9,035	9,118	11,694	12,925 <sup>F</sup>	13,595 <sup>F</sup>	18,151
19 Canada .....	229	292	544	604	493 <sup>F</sup>	663	859	508	698
20 Latin America and Caribbean .....	4,153	4,784	4,053	4,299	4,199	3,719	3,359	3,553	3,282
21 Bahamas .....	371	537	379	626 <sup>F</sup>	476 <sup>F</sup>	1,301	1,148	1,157	1,052
22 Bermuda .....	0	114	114	114	124	114	0	120	115
23 Brazil .....	0	6	19	18	18	18	18	18	18
24 British West Indies .....	3,160	3,524	2,850	2,865 <sup>F</sup>	2,901 <sup>F</sup>	1,600	1,533	1,613	1,454
25 Mexico .....	5	7	12	13	11	15	17	14	13
26 Venezuela .....	4	4	6	5	5	5	5	5	5
27 Asia <sup>2</sup> .....	5,295	5,381	5,747	5,703 <sup>F</sup>	6,039 <sup>F</sup>	5,754 <sup>F</sup>	5,689 <sup>F</sup>	5,601	5,694
28 Japan .....	4,065	4,116	4,679	4,692 <sup>F</sup>	4,857 <sup>F</sup>	4,725 <sup>F</sup>	4,620 <sup>F</sup>	4,589 <sup>F</sup>	4,760
29 Middle Eastern oil-exporting countries <sup>3</sup> .....	5	13	19	24	19	23	23	24	24
30 Africa .....	2	6	6	6	130	132	133	133	9
31 Oil-exporting countries <sup>4</sup> .....	0	4	0	0	123	124	123	124	0
32 All other <sup>5</sup> .....	409	52	33	60	40	18	29	23	30
Commercial liabilities									
33 Europe .....	10,310	8,701	7,398	6,992	6,807	7,051	6,825	6,549 <sup>F</sup>	6,903
34 Belgium and Luxembourg .....	275	248	298	264	269	257	240	253	254
35 France .....	1,218	1,039	700	707	775	643	648	554 <sup>F</sup>	711
36 Germany .....	1,270	1,052	729	650	603	571	684	577 <sup>F</sup>	669
37 Netherlands .....	844	710	535	537	577	601	687	628 <sup>F</sup>	642
38 Switzerland .....	775	575	350	472	441	536	375	387 <sup>F</sup>	472
39 United Kingdom .....	2,792	2,297	2,505	2,119	2,186	2,319	2,051	2,156 <sup>F</sup>	2,309
40 Canada .....	1,261	1,014	1,002	1,005	942	847	883	1,039	1,062
41 Latin America and Caribbean .....	1,672	1,355	1,533	1,776	1,828	1,759	1,661	1,911 <sup>F</sup>	2,004
42 Bahamas .....	12	3	3	11	6	4	21	8	2
43 Bermuda .....	538	310	307	429	356	340	348	493	416
44 Brazil .....	145	219	209	236	226	214	216	211	217
45 British West Indies .....	30	107	33	34	16	36	26	19	23
46 Mexico .....	475	307	457	553	659	577	485	557	705
47 Venezuela .....	130	94	142	171	172	173	126	150	194
48 Asia <sup>2</sup> .....	9,483	9,334	10,594	10,757 <sup>F</sup>	10,520 <sup>F</sup>	10,916 <sup>F</sup>	10,458 <sup>F</sup>	10,906 <sup>F</sup>	10,898
49 Japan .....	3,651	3,721	3,612	3,709 <sup>F</sup>	3,390 <sup>F</sup>	3,726 <sup>F</sup>	3,951 <sup>F</sup>	4,613 <sup>F</sup>	4,385
50 Middle Eastern oil-exporting countries <sup>3</sup> .....	2,016	1,498	1,889	1,796	1,815	1,968	1,525	1,533 <sup>F</sup>	1,813
51 Africa .....	844	715	568	675	665	641	463	490 <sup>F</sup>	523
52 Oil-exporting countries <sup>4</sup> .....	422	327	309	322	378	320	171	199	247
53 Other <sup>5</sup> .....	1,406	1,071	575	726	652	579	592	734	649

1. For a description of the changes in the international statistics tables, see *Federal Reserve Bulletin*, vol. 65, (July 1979), p. 550.

2. Revisions include a reclassification of transactions, which also affects the totals for Asia and the grand totals.

3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

4. Comprises Algeria, Gabon, Libya, and Nigeria.

5. Includes nonmonetary international and regional organizations.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States<sup>1</sup>

Millions of dollars, end of period

Type of claim, and area or country	1990	1991	1992 <sup>f</sup>	1993				1994	
				Mar. <sup>f</sup>	June <sup>f</sup>	Sept. <sup>f</sup>	Dec. <sup>f</sup>	Mar. <sup>f</sup>	June <sup>p</sup>
1 Total .....	35,348	45,262	42,286	46,753 <sup>f</sup>	42,589	43,199	43,603	43,447	50,407
2 Payable in dollars .....	32,760	42,564	39,594	43,610 <sup>f</sup>	39,304	39,664	40,371	40,028	46,864
3 Payable in foreign currencies .....	2,589	2,698	2,692	3,143 <sup>f</sup>	3,285	3,535	3,232	3,419	3,543
<i>By type</i>									
4 Financial claims .....	19,874	27,882	23,822	26,833 <sup>f</sup>	22,656	24,212	23,656	23,324	29,632
5 Deposits .....	13,577	20,080	15,136	16,732 <sup>f</sup>	11,966	13,499	13,272	13,852	17,585
6 Payable in dollars .....	12,552	19,080	14,313	15,602 <sup>f</sup>	10,997	12,490	12,421	12,953	16,672
7 Payable in foreign currencies .....	1,025	1,000	823	1,130 <sup>f</sup>	969	1,009	851	899	913
8 Other financial claims .....	6,297	7,802	8,686	10,101 <sup>f</sup>	10,690	10,713	10,384	9,472	12,047
9 Payable in dollars .....	5,280	6,910	7,762	9,045 <sup>f</sup>	9,541	9,605	9,328	8,407	10,978
10 Payable in foreign currencies .....	1,017	892	924	1,056 <sup>f</sup>	1,149	1,108	1,056	1,065	1,069
11 Commercial claims .....	15,475	17,380	18,464	19,920 <sup>f</sup>	19,933	18,987	19,947	20,123	20,775
12 Trade receivables .....	13,657	14,468	15,907	17,566 <sup>f</sup>	17,450	16,009	17,003	17,285	18,004
13 Advance payments and other claims .....	1,817	2,912	2,557	2,354	2,483	2,978	2,944	2,838	2,771
14 Payable in dollars .....	14,927	16,574	17,519	18,963 <sup>f</sup>	18,766	17,569	18,622	18,668	19,214
15 Payable in foreign currencies .....	548	806	945	957 <sup>f</sup>	1,167	1,418	1,325	1,455	1,561
<i>By area or country</i>									
<i>Financial claims</i>									
16 Europe .....	9,645	13,441	9,331	10,405 <sup>f</sup>	9,744	8,384	8,095	7,347	8,085
17 Belgium and Luxembourg .....	76	13	8	67	74	70	131	122	83
18 France .....	371	269	764	905	781	708	785	753	899
19 Germany .....	367	283	326	388	383	362	472	441	417
20 Netherlands .....	265	334	515	544	499	485	502	503	480
21 Switzerland .....	357	581	490	478	494	512	515	520	495
22 United Kingdom .....	7,971	11,534	6,252	6,991 <sup>f</sup>	6,579	5,230	4,527	3,916	4,638
23 Canada .....	2,934	2,642	1,716	2,013 <sup>f</sup>	1,805	1,627	1,870	2,508	3,546
24 Latin America and Caribbean .....	6,201	10,717	11,323	10,298 <sup>f</sup>	7,349	10,741	11,314	10,388	15,291
25 Bahamas .....	1,090	827	658	320	762	580	496	502	1,215
26 Bermuda .....	3	8	40	79	258	197	125	34	65
27 Brazil .....	68	351	686	592	590	590	599	567	359
28 British West Indies .....	4,635	9,056	9,297	8,397 <sup>f</sup>	4,803	8,176	8,759	8,143	12,855
29 Mexico .....	177	212	445	656 <sup>f</sup>	665	882	865	782	473
30 Venezuela .....	25	40	29	23	24	25	161	26	33
31 Asia .....	860	640	864	3,362	3,016	2,756	1,801	2,626	2,246
32 Japan .....	523	350	668	3,123	2,485	2,215	1,063	1,762	1,360
33 Middle Eastern oil-exporting countries <sup>2</sup> .....	8	5	3	3	10	5	3	5	2
34 Africa .....	37	57	83	128	125	88	99	76	74
35 Oil-exporting countries <sup>3</sup> .....	0	1	9	1	1	1	1	0	1
36 All other <sup>4</sup> .....	195	385	505	627	617	616	477	379	390
<i>Commercial claims</i>									
37 Europe .....	7,044	8,193	8,351	8,800 <sup>f</sup>	8,968	8,088	8,764	8,407	8,563
38 Belgium and Luxembourg .....	212	194	189	170	173	163	185	174	179
39 France .....	1,240	1,585	1,537	1,492	1,511	1,438	1,943	1,817	1,761
40 Germany .....	807	955	933	1,025	1,046	997	923	923	920
41 Netherlands .....	555	645	552	734	565	410	417	351	287
42 Switzerland .....	301	295	362	437	442	376	424	404	642
43 United Kingdom .....	1,775	2,086	2,094	2,363 <sup>f</sup>	2,562	2,288	2,252	2,219	2,338
44 Canada .....	1,074	1,121	1,286	1,334 <sup>f</sup>	1,359	1,360	1,356	1,465	1,451
45 Latin America and Caribbean .....	2,375	2,655	3,043	3,474 <sup>f</sup>	3,456	3,071	3,207	3,499	3,801
46 Bahamas .....	14	13	28	18	17	20	11	12	17
47 Bermuda .....	246	264	255	195	239	225	173	210	285
48 Brazil .....	326	427	357	836	788	407	462	423	494
49 British West Indies .....	40	41	40	17	43	39	70	58	66
50 Mexico .....	661	842	924	998 <sup>f</sup>	913	866	945	985	1,000
51 Venezuela .....	192	203	345	349	317	286	295	290	303
52 Asia .....	4,127	4,591	4,866	5,430 <sup>f</sup>	5,220	5,538	5,623	5,763	6,028
53 Japan .....	1,460	1,899	1,903	2,163 <sup>f</sup>	1,885	2,519	2,142	2,338	2,326
54 Middle Eastern oil-exporting countries <sup>2</sup> .....	460	620	693	773	673	456	657	654	601
55 Africa .....	488	430	554	463	516	493	492	512	484
56 Oil-exporting countries <sup>3</sup> .....	67	95	78	75	99	107	71	101	90
57 Other <sup>4</sup> .....	367	390	364	419 <sup>f</sup>	414	437	505	477	448

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	1992	1993 <sup>1</sup>	1994							
			Jan.-Aug.	Feb.	Mar. <sup>1</sup>	Apr. <sup>1</sup>	May <sup>1</sup>	June <sup>1</sup>	July <sup>1</sup>	Aug. <sup>1</sup>
U.S. corporate securities										
STOCKS										
1 Foreign purchases	221,367	319,728	241,746	34,428	36,535	29,853	26,699	28,349	24,332	29,312
2 Foreign sales	226,503	298,145	234,554	30,709	36,290	31,654	25,113	30,249	25,174	26,400
3 Net purchases, or sales (-)	-5,136	21,583	7,192	3,719	245	-1,801	1,586	-1,900	-842	2,912
4 Foreign countries	-5,169	21,311	7,253	3,786	247	-1,799	1,569	-1,891	-846	2,914
5 Europe	-4,927	10,665	10,418	3,447	1,243	803	1,219	-378	-291	1,424
6 France	-1,350	-103	187	190	82	-83	210	-241	-68	-22
7 Germany	-80	1,647	2,840	440	332	252	398	119	56	73
8 Netherlands	-262	-600	1,194	210	-155	82	176	89	357	266
9 Switzerland	168	2,986	1,334	505	79	174	30	74	82	136
10 United Kingdom	-3,301	4,560	2,531	1,215	584	230	174	-322	-830	866
11 Canada	1,407	-3,213	-791	-284	-59	290	156	-529	-313	-366
12 Latin America and Caribbean	2,203	5,724	-568	910	-31	-1,862	-207	-839	-476	989
13 Middle East <sup>1</sup>	-88	-328	-486	-17	64	4	49	-111	-94	-281
14 Other Asia	-3,943	8,198	-2,012	-379	-1,175	-1,191	476	-143	280	1,031
15 Japan	-3,598	3,825	171	-447	-117	-658	335	171	555	1,132
16 Africa	10	63	37	-17	13	33	-1	6	-7	0
17 Other countries	169	202	655	126	192	124	-123	103	55	117
18 Nonmonetary international and regional organizations	33	272	-61	-67	-2	-2	17	-9	4	-2
BONDS <sup>2</sup>										
19 Foreign purchases	214,922	283,800	211,528	21,777 <sup>1</sup>	30,717	29,756	24,955	31,789	25,166	23,249
20 Foreign sales	175,842	217,943	166,993	18,262 <sup>1</sup>	25,265	27,473	20,868	21,123	18,898	15,686
21 Net purchases, or sales (-)	39,080	65,857	44,535	3,515 <sup>1</sup>	5,452	2,283	4,087	10,666	6,268	7,563
22 Foreign countries	37,964	65,319	43,940	3,484 <sup>1</sup>	5,365	2,298	4,025	10,538	5,883	7,630
23 Europe	17,435	22,429	25,428	2,764	2,982	346	528	6,031	4,531	5,440
24 France	1,203	2,346	256	-57	32	181	-3	47	21	-18
25 Germany	2,480	885	-98	90	-64	83	-244	52	52	34
26 Netherlands	540	-290	2,585	99	330	216	358	868	29	610
27 Switzerland	-579	-627	254	57	131	-189	136	144	-192	-9
28 United Kingdom	12,421	19,529	24,148	2,799	3,343	556	894	5,624	4,409	4,783
29 Canada	237	1,668	1,701	-141	-17	-16	286	422	625	519
30 Latin America and Caribbean	9,300	15,697	5,930	416 <sup>1</sup>	1,848	873	762	1,553	627	-81
31 Middle East <sup>1</sup>	3,166	3,257	1,030	-83	59	7	17	339	375	155
32 Other Asia	7,545	20,846	9,258	480	417	903	2,287	2,177	766	1,558
33 Japan	-450	11,569	4,548	37	-363	523	1,575	1,396	712	763
34 Africa	354	1,149	18	10	-10	55	10	9	-23	18
35 Other countries	-73	273	575	38	86	130	135	7	136	21
36 Nonmonetary international and regional organizations	1,116	538	595	31	87	-15	62	128	385	-67
Foreign securities										
37 Stocks, net purchases, or sales (-)	-32,259	-63,340	-35,380	-6,262 <sup>1</sup>	-6,527	-1,940	-4,028	-6,715	-3,127	-1,099
38 Foreign purchases	150,051	245,527	266,252	38,377 <sup>1</sup>	37,088	33,083	30,946	31,098	29,291	33,837
39 Foreign sales <sup>1</sup>	182,310	308,867	301,632	44,639 <sup>1</sup>	43,615	35,023	34,974	37,813	32,418	34,936
40 Bonds, net purchases, or sales (-)	-15,605	-69,471	-12,840	-4,930 <sup>1</sup>	5,975	-5,565	-147	427	-1,886	957
41 Foreign purchases	513,589	829,871	624,339	86,775 <sup>1</sup>	120,450	69,086	64,158	71,762	59,351	67,320
42 Foreign sales	529,194	899,342	637,179	91,705 <sup>1</sup>	114,475	74,651	64,305	71,335	61,237	66,363
43 Net purchases, or sales (-), of stocks and bonds	-47,864	-132,811	-48,220	-11,192 <sup>1</sup>	-552	-7,505	-4,175	-6,288	-5,013	-142
44 Foreign countries	-51,274	-132,972	-48,709	-11,060 <sup>1</sup>	-529	-7,461	-4,462	-6,281	-5,195	-325
45 Europe	-31,350	-89,390	-31	-3,873 <sup>1</sup>	8,157	-40	-1,291	4,268	-2,410	-103
46 Canada	-6,893	-14,997	-8,139	-2,320 <sup>1</sup>	456	-412	436	-769	-2,041	-600
47 Latin America and Caribbean	-4,340	-9,229	-19,108	-366 <sup>1</sup>	-2,836	-6,602	-2,421	-4,997	-1,471	1,521
48 Asia	-7,923	-15,303	-19,081	-4,449	-6,718	-117	-528	-4,309	655	-634
49 Africa	-13	-185	-165	18	-120	-31	-4	-45	29	48
50 Other countries	-755	-3,868	-2,185	-70 <sup>1</sup>	532	-259	-654	-429	43	-557
51 Nonmonetary international and regional organizations	3,410	161	489	-132	-23	-44	287	-7	182	183

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 securi-

ties sold abroad by U.S. corporations organized to finance direct investments abroad.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions<sup>1</sup>

Millions of dollars; net purchases, or sales (-) during period

Area or country	1992	1993 <sup>f</sup>	1994							
			Jan. - Aug.	Feb.	Mar. <sup>f</sup>	Apr. <sup>f</sup>	May <sup>f</sup>	June <sup>f</sup>	July <sup>f</sup>	Aug. <sup>p</sup>
<b>1 Total estimated</b> .....	<b>39,288</b>	<b>23,401</b>	<b>31,392</b>	<b>13,075<sup>f</sup></b>	<b>-1,240</b>	<b>-13,607</b>	<b>19,778</b>	<b>-5,353</b>	<b>1,676</b>	<b>15,265</b>
2 Foreign countries .....	37,935	23,175	31,975	12,963 <sup>f</sup>	-1,200	-12,879	19,727	-4,901	2,009	14,708
3 Europe .....	19,625	-2,403	19,899	3,631 <sup>f</sup>	2,342	-5,356	8,772	-2,702	4,857	8,285
4 Belgium and Luxembourg .....	1,985	1,218	587	128	269	-175	147	-170	-78	529
5 Germany .....	2,076	-9,975	5,009	-1,055	-729	-465	2,279	143	714	1,795
6 Netherlands .....	-2,959	-515	372	418	-971	187	21	560	120	-15
7 Sweden .....	-804	1,421	454	229	34	-154	150	257	100	-158
8 Switzerland .....	488	-1,501	1,528	555	1,385	3	-211	158	-416	-259
9 United Kingdom .....	24,184	6,167	7,033	2,534 <sup>f</sup>	723	-3,910	4,955	-5,562	4,820	5,361
10 Other Europe and former U.S.S.R. ....	-5,345	782	4,916	822	1,631	-842	1,431	1,912	-403	1,032
11 Canada .....	562	10,309	3,942	168	542	-1,662	98	-11	2,937	1,838
12 Latin America and Caribbean .....	-3,222	-4,572	-17,556	7,512	-3,428	-6,002	-2,652	-7,080	-7,273	-2,310
13 Venezuela .....	539	390	-430	235	93	-146	-130	-9	17	-132
14 Other Latin America and Caribbean ..	-1,956	-5,806	-19,080	2,860	-4,204	-6,911	-2,708	-6,744	-7,663	3,172
15 Netherlands Antilles .....	-1,805	844	1,954	4,417	683	1,055	186	-327	373	-5,350
16 Asia .....	23,517	20,531	26,519	1,191	151	403	13,286	5,128	2,522	5,990
17 Japan .....	9,817	17,070	17,566	-1,403	2,914	2,976	8,185	5,099	-812	3,681
18 Africa .....	1,103	1,156	-142	-120	-18	59	-29	16	5	80
19 Other .....	-3,650	-1,846	-687	581	-789	-321	252	-252	-1,039	825
20 Nonmonetary international and regional organizations .....	1,353	226	-583	112 <sup>f</sup>	-40	-728	51	-452	-333	557
21 International .....	1,018	-279	-706	2 <sup>f</sup>	5	-724	70	-395	-425	317
22 Latin American regional .....	533	654	210	116	-37	21	-111	54	23	137
MEMO										
23 Foreign countries .....	37,935	23,175	31,975	12,963 <sup>f</sup>	-1,200	-12,879	19,727	-4,901	2,009	14,708
24 Official institutions .....	6,876	1,272	30,015	4,045	-5,051	-640	11,253	2,679	4,863	8,582
25 Other foreign <sup>2</sup> .....	31,059	21,903	1,960	8,918 <sup>f</sup>	3,851	-12,239	8,474	-7,580	-2,854	6,126
<i>Oil-exporting countries</i>										
26 Middle East .....	4,317	-8,836	-645	900	33	144	-342	-495	12	621
27 Africa .....	11	-5	1	0	0	0	0	0	0	1

1. Official and private transactions in marketable U.S. Treasury securities having an original maturity of more than one year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

3. Comprises Algeria, Gabon, Libya, and Nigeria.



3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS<sup>1</sup>

Percent per year, averages of daily figures

Country	Rate on Oct. 31, 1994		Country	Rate on Oct. 31, 1994		Country	Rate on Oct. 31, 1994	
	Percent	Month effective		Percent	Month effective		Percent	Month effective
Austria .....	4.5	May 1994	Germany .....	4.5	May 1994	Norway .....	4.75	Feb. 1994
Belgium .....	4.5	May 1994	Italy .....	7.5	Aug. 1994	Switzerland .....	3.5	Apr. 1994
Canada .....	5.62	Oct. 1994	Japan .....	1.75	Sept. 1993	United Kingdom .....	12.0	Sept. 1992
Denmark .....	5.0	May 1994	Netherlands .....	4.5	May 1994			
France <sup>2</sup> .....	5.0	July 1994						

1. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper or government securities for commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood that the central bank transacts the largest proportion of its credit operations.

2. Since February 1981, the rate has been that at which the Bank of France discounts Treasury bills for seven to ten days.

3.27 FOREIGN SHORT-TERM INTEREST RATES<sup>1</sup>

Percent per year, averages of daily figures

Type or country	1991	1992	1993	1994						
				Apr.	May	June	July	Aug.	Sept.	Oct.
1 Eurodollars .....	5.86	3.70	3.18	4.00	4.51	4.51	4.74	4.80	5.01	5.52
2 United Kingdom .....	11.47	9.56	5.88	5.14	5.13	5.13	5.15	5.47	5.65	5.83
3 Canada .....	9.07	6.76	5.14	6.07	6.38	6.50	6.28	5.71	5.61	5.56
4 Germany .....	9.15	9.42	7.17	5.48	5.07	4.95	4.86	4.89	4.95	5.12
5 Switzerland .....	8.01	7.67	4.79	3.96	3.94	4.21	4.17	4.21	4.00	4.02
6 Netherlands .....	9.19	9.25	6.73	5.22	5.04	4.95	4.84	4.88	4.98	5.12
7 France .....	9.49	10.14	8.30	5.89	5.52	5.44	5.51	5.46	5.50	5.52
8 Italy .....	12.04	13.91	10.09	8.07	7.76	8.04	8.39	8.88	8.68	8.80
9 Belgium .....	9.30	9.31	8.10	5.84	5.27	5.33	5.53	5.47	5.34	5.15
10 Japan .....	7.33	4.39	2.96	2.26	2.17	2.12	2.14	2.28	2.31	2.33

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. [001a]

3.28 FOREIGN EXCHANGE RATES<sup>1</sup>

Currency units per dollar except as noted

Country/currency unit	1991	1992	1993	1994					
				May	June	July	Aug.	Sept.	Oct.
1 Australia/dollar <sup>2</sup>	77.872	73.521	67.993	72.433	73.291	73.409	74.010	74.200	73.787
2 Austria/schilling	11.686	10.992	11.639	11.651	11.446	11.027	11.010	10.904	10.695
3 Belgium/franc	34.195	32.148	34.581	34.108	33.514	32.315	32.248	31.871	31.284
4 Canada/dollar	1.1460	1.2085	1.2902	1.3808	1.3836	1.3826	1.3783	1.3540	1.3503
5 China, P.R./yuan	5.3337	5.5206	5.7795	8.6859	8.6836	8.6605	8.6072	8.5581	8.5492
6 Denmark/kroner	6.4038	6.0372	6.4863	6.4857	6.3786	6.1581	6.1845	6.1038	5.9479
7 Finland/markka	4.0521	4.4865	5.7251	5.4194	5.4241	5.1996	5.1493	4.9689	4.6866
8 France/franc	5.6468	5.2935	5.6669	5.6728	5.5597	5.3702	5.3602	5.2975	5.2025
9 Germany/deutsche mark	1.6610	1.5618	1.6545	1.6565	1.6271	1.5674	1.5646	1.5491	1.5195
10 Greece/drachma	182.63	190.81	229.64	245.41	244.77	236.92	237.11	235.98	233.06
11 Hong Kong/dollar	7.7712	7.7402	7.7357	7.7262	7.7309	7.7265	7.7272	7.7275	7.7276
12 India/rupee	22.712	28.156	31.291	31.375	31.385	31.376	31.373	31.372	31.373
13 Ireland/pound <sup>2</sup>	161.39	170.42	146.47	147.12	149.34	152.79	152.22	154.61	158.64
14 Italy/lira	1,241.28	1,232.17	1,573.41	1,594.56	1,592.22	1,562.31	1,582.15	1,565.79	1,548.29
15 Japan/yen	134.59	126.78	111.08	103.75	102.53	98.44	99.94	98.77	98.35
16 Malaysia/ringgit	2.7503	2.5463	2.5738	2.6169	2.5942	2.5948	2.5633	2.5575 <sup>f</sup>	2.5589
17 Netherlands/guilder	1.8720	1.7587	1.8585	1.8597	1.8242	1.7585	1.7570	1.7372	1.7028
18 New Zealand/dollar <sup>2</sup>	57.832	53.792	54.127	58.347	59.121	60.063	60.119	60.297	60.898
19 Norway/krone	6.4912	6.2142	7.0979	7.1789	7.0686	6.8560	6.8644 <sup>f</sup>	6.7961	6.6166
20 Portugal/escudo	144.77	135.07	161.08	171.15	168.76	160.98	159.80	157.91	155.26
21 Singapore/dollar	1.7283	1.6294	1.6158	1.5464	1.5310	1.5137	1.5045	1.4885	1.4761
22 South Africa/rand	2.7633	2.8524	3.2729	3.6346	3.6318	3.6705	3.5968	3.5570	3.5420
23 South Korea/won	736.73	784.58	805.75	809.79	809.86	808.39	806.83	803.69	801.98
24 Spain/peseta	104.01	102.38	127.48	136.62	134.23	129.31	129.90	128.41	126.34
25 Sri Lanka/rupee	41.200	44.013	48.205	49.067	49.232	49.010	49.241	49.260	49.112
26 Sweden/krona	6.0521	5.8258	7.7956	7.7181	7.7968	7.7471	7.7420	7.5227	7.2631
27 Switzerland/franc	1.4356	1.4064	1.4781	1.4125	1.3727	1.3239	1.3184	1.2892	1.2648
28 Taiwan/dollar	26.759	25.160	26.416	26.792	27.018	26.658	26.419	26.210	26.132
29 Thailand/baht	25.528	25.411	25.333	25.212	25.137	24.977	25.021	24.968	24.968
30 United Kingdom/pound <sup>2</sup>	176.74	176.63	150.16	150.42	152.62	154.67	154.22	156.61	160.64
MEMO									
31 United States/dollar <sup>3</sup>	89.84	86.61	93.18	92.79	91.60	89.06	89.26	88.08	86.66

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).

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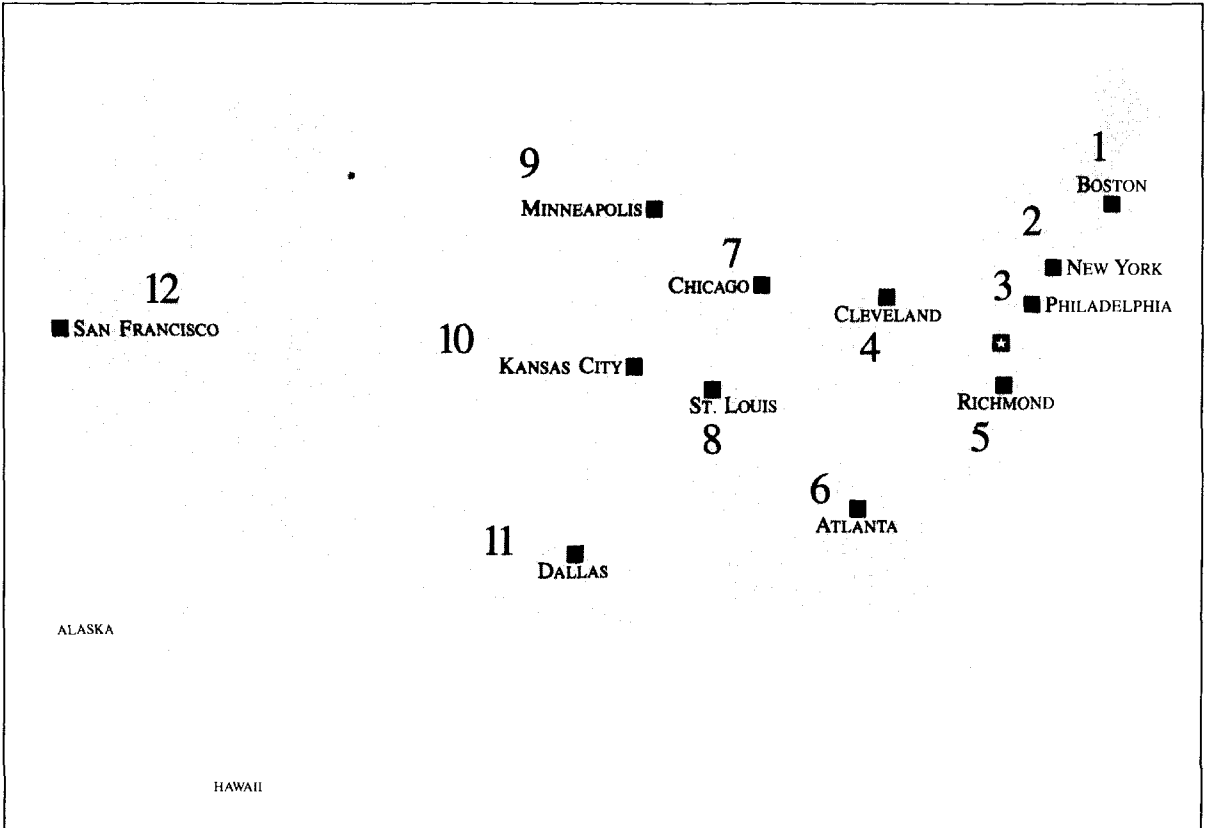
# Federal Reserve Banks, Branches, and Offices

FEDERAL RESERVE BANK branch, or facility	Zip	Chairman Deputy Chairman	President First Vice President	Vice President in charge of branch
BOSTON*	02106	Jerome H. Grossman Warren B. Rudman	Cathy E. Minehan Paul M. Connolly	
NEW YORK*	10045	Maurice R. Greenberg David A. Hamburg	William J. McDonough James H. Oltman	
Buffalo	14240	Joseph J. Castiglia		Carl W. Turnipseed <sup>1</sup>
PHILADELPHIA	19105	James M. Mead Donald J. Kennedy	Edward G. Boehne William H. Stone, Jr.	
CLEVELAND*	44101	A. William Reynolds G. Watts Humphrey, Jr.	Jerry L. Jordan Sandra Pianalto	
Cincinnati	45201	John N. Taylor, Jr.		Charles A. Cerino <sup>1</sup>
Pittsburgh	15230	Robert P. Bozzone		Harold J. Swart <sup>1</sup>
RICHMOND*	23219	Henry J. Faison Claudine B. Malone	J. Alfred Broaddus, Jr. Jimmie R. Monhollon	
Baltimore	21203	Rebecca Hahn Windsor		Ronald B. Duncan <sup>1</sup>
Charlotte	28230	Harold D. Kingsmore		Walter A. Varvel <sup>1</sup>
<i>Culpeper Communications     and Records Center 22701</i>				John G. Stoides <sup>1</sup>
ATLANTA	30303	Leo Benatar Hugh M. Brown	Robert P. Forrestal Jack Guynn	
Birmingham	35283	Shelton E. Allred		Donald E. Nelson <sup>1</sup>
Jacksonville	32231	Samuel H. Vickers		Fred R. Herr <sup>1</sup>
Miami	33152	Dorothy C. Weaver		James D. Hawkins <sup>1</sup>
Nashville	37203	Paula Lovell		James T. Curry III
New Orleans	70161	Jo Ann Slaydon		Melvyn K. Purcell
				Robert J. Musso
CHICAGO*	60690	Richard G. Cline Robert M. Healey	Michael H. Moskow William C. Conrad	
Detroit	48231	J. Michael Moore		Roby L. Sloan <sup>1</sup>
ST. LOUIS	63166	Robert H. Quenon John F. McDonnell	Thomas C. Melzer James R. Bowen	
Little Rock	72203	Robert D. Nabholz, Jr.		Karl W. Ashman
Louisville	40232	Laura M. Douglas		Howard Wells
Memphis	38101	Sidney Wilson, Jr.		John P. Baumgartner
MINNEAPOLIS	55480	Gerald A. Rauenhorst Jean D. Kinsey	Gary H. Stern Colleen K. Strand	
Helena	59601	Lane Basso		John D. Johnson
KANSAS CITY	64198	Burton A. Dole, Jr. Herman Cain	Thomas M. Hoenic Richard K. Rasdall	
Denver	80217	Barbara B. Grogan		Kent M. Scott <sup>1</sup>
Oklahoma City	73125	Ernest L. Holloway		David J. France
Omaha	68102	Sheila Griffin		Harold L. Shewmaker
DALLAS	75201	Cece Smith Roger R. Hemminghaus	Robert D. McTeer, Jr. Tony J. Salvaggio	
El Paso	79999	Alvin T. Johnson		Sammie C. Clay
Houston	77252	Judy Ley Allen		Robert Smith, III <sup>1</sup>
San Antonio	78295	Erich Wendl		Thomas H. Robertson
SAN FRANCISCO	94120	James A. Vohs Judith M. Runstad	Robert T. Parry Patrick K. Barron	
Los Angeles	90051	Anita E. Landecker		John F. Moore <sup>1</sup>
Portland	97208	William A. Hilliard		E. Ronald Liggett <sup>1</sup>
Salt Lake City	84125	Gerald R. Sherratt		Andrea P. Wolcott
Seattle	98124	George F. Russell, Jr.		Gordon Werkema <sup>1</sup>

\*Additional offices of these Banks are located at Lewiston, Maine 04240; Windsor Locks, Connecticut 06096; East Rutherford, New Jersey 07016; Jericho, New York 11753; Utica at Oriskany, New York 13424; Columbus, Ohio 43216; Columbia, South Carolina 29210; Charleston, West Virginia 25311; Des Moines, Iowa 50306; Indianapolis, Indiana 46204; and Milwaukee, Wisconsin 53202.

1. Senior Vice President.

# 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.

