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Mutual Funds and the U.S. Equity Market

Eric M. Engen and Andreas Lehnert, of the Board's Division of Research and Statistics, prepared this article with the assistance of Richard Kehoe.

Mutual funds have become an important intermediary between households and financial markets, particularly the equity market. By providing liquid, low-cost shares in a diversified portfolio of financial assets selected by professional money managers, mutual funds have enabled an increasing number of households to enter financial markets. Indeed, about half of all U.S. households currently own shares in a mutual fund.

Since 1990, total mutual fund assets have increased nearly sevenfold, and the assets of mutual funds that invest in stocks have grown even more, expanding nearly twentyfold. Over the same period, mutual fund assets have come to account for a larger share of household wealth. Moreover, a greater proportion of U.S. households now own stock, in large part because of their investments in mutual funds. Much of this growth has come in households' retirement assets, as developments in pension plans and other tax-preferred retirement accounts have increasingly made it possible for households to control more of their retirement asset portfolios—and households have tended to invest a significant portion of their retirement assets in mutual funds.

As the popularity of mutual funds as an investment vehicle has grown, so too has their importance in financial markets. Mutual funds currently hold about one-fifth of publicly traded U.S. corporate equities. Thus, the investment behavior of mutual fund shareholders could, in theory, influence equity market prices. For example, if fund shareholders were to request large redemptions from their accounts when faced with a sharp decline in equity prices, mutual fund managers might be forced to sell some of the funds' equity holdings in the slumping market, exacerbating the decline. In recent years, however, mutual fund shareholders as a group have not tended to flee from their equity investments when confronted with sharp temporary drops in equity prices. Indeed, there is some evidence that shareholder restraint in requesting redemptions has been greater recently than during earlier periods of market turbulence.

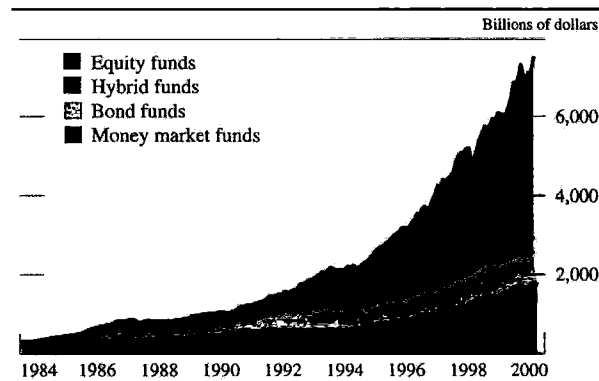
Mutual fund investors could also distort equity prices if their enthusiasm for investing in mutual funds were to go beyond general market assessments of fundamentals and tolerance for risk, pushing equity prices temporarily above the level that other equity market participants would tend to settle on. We present evidence, however, indicating that mutual fund investors, like other market investors, have been trading primarily in response to new information and other factors that influence the value of stocks. Thus, in general, we find little evidence that mutual fund investors have been a destabilizing force in the U.S. equity market in recent years.

GROWTH OF MUTUAL FUND ASSETS

Assets under management at mutual funds have grown substantially over the past fifteen years (chart 1).¹ At the end of August 2000, mutual funds

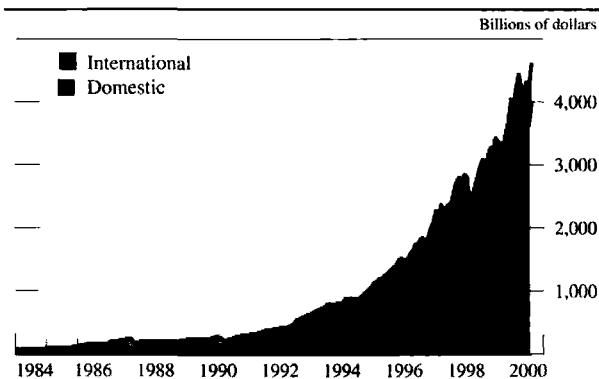
1. This article focuses on registered investment companies that are called mutual funds or open-end funds and excludes from the discussion other types of registered investment companies such as closed-end funds, unit investment trusts, and exchange-traded funds. For more discussion of the mutual fund industry, see Phillip R. Mack "Recent Trends in the Mutual Fund Industry," *Federal Reserve Bulletin*, vol. 79 (November 1993), pp. 1001–12; Robert Pozen, *The Mutual Fund Business* (MIT Press, 1998); Investment Company Institute, *Mutual Fund Fact Book* (ICI, 2000); and Brian Reid, "The 1990s: A Decade of Expansion and Change in the U.S. Mutual Fund Industry," *Investment Company Institute Perspective*, vol. 6 (July 2000).

1. Assets of mutual funds, January 1984–August 2000



NOTE: Data show month-end assets.
SOURCE: Investment Company Institute.

2. Assets of equity mutual funds, January 1984–August 2000



NOTE. Data show month-end assets.

SOURCE. Investment Company Institute.

held about \$7½ trillion in assets, making them the largest type of financial institution (as measured by assets under management), even larger than commercial banks. Most of the recent growth has come in assets invested in *equity mutual funds*, that is, mutual funds that specialize in investing in the shares of publicly traded firms. At the end of August 2000, equity funds held more than 60 percent of all mutual fund assets, or more than \$4½ trillion. The next largest group—*money market mutual funds*, which invest in very short term liquid assets such as commercial paper and Treasury bills—held less than \$2 trillion in assets. *Bond funds*—which invest in corporate, Treasury, government agency, and foreign bonds—and *hybrid funds*—which invest in a mix of stocks and bonds—held about \$1 trillion in assets combined.²

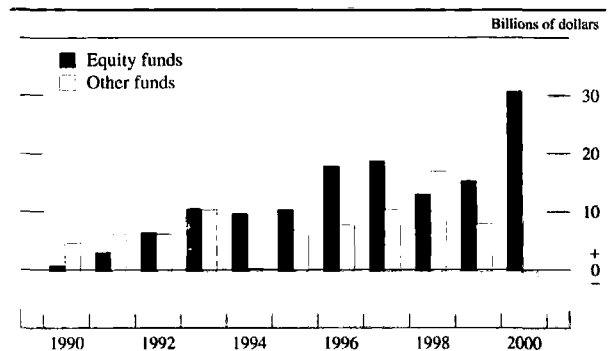
Mutual funds that invest primarily in the shares of corporations based in the United States are by far the largest type of equity mutual fund (chart 2). These *domestic equity funds* hold more than 85 percent of the assets of all equity mutual funds. *International equity funds*, which invest primarily in the shares of non-U.S. companies, account for the remainder.

In 1999, 81 percent of total mutual fund assets were held by households.³ The remainder were held by institutional investors—businesses, fiduciaries,

2. Modern mutual funds were introduced in 1924. Equity funds were the most popular type of fund until 1979, when the assets of money market funds surpassed those of equity funds. Money market funds dominated equity funds throughout the 1980s, and by 1985, bond fund assets had also grown beyond those of equity funds. It was not until 1993 that equity funds regained their current position as the largest type of mutual fund.

3. See Investment Company Institute, *Mutual Fund Fact Book*, p. 41. Household holdings include mutual funds held in retail accounts, employer-sponsored pension plan accounts, individual retirement accounts, and variable annuities.

3. Net new cash flows to mutual funds, 1990–2000



NOTE. Data show average net monthly flows excluding reinvested dividends for the year indicated; for 2000, values reflect flows through August. "Other funds" are hybrid, bond, and retail money market mutual funds.

SOURCE. Investment Company Institute.

and other organizations. Institutional investors are much more likely to invest in money market funds than in long-term funds (equity, hybrid, and bond) and at the end of August 2000 held less than 10 percent of the assets of equity funds. Thus, almost all mutual fund assets invested in the equity market are owned by households.⁴

Mutual fund assets grow because investors, on net, decide to put more of their financial assets into mutual funds or because the underlying financial securities held by the funds increase in value, or a combination of these two factors. Over the 1990s, total mutual fund assets grew at an annual rate of more than 21 percent.⁵ More than half the growth came from fund performance, that is, from the net appreciation in value of the securities held in the funds and from the reinvestment of dividends and interest earned by the securities held in the funds. Mutual fund performance has been robust in recent years, primarily because equity funds have benefited from the stock market boom. Net new cash flows accounted for 40 percent of mutual fund asset growth over the 1990s.⁶

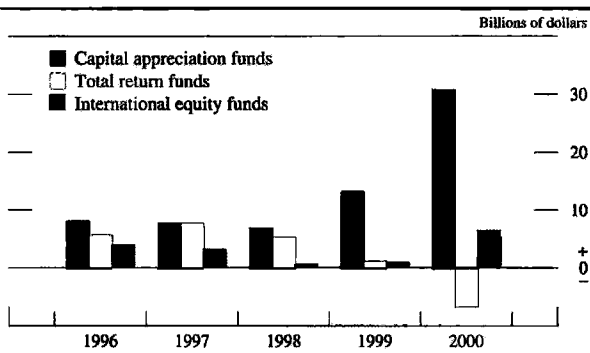
Recently, average monthly net new cash flows into mutual funds have been dominated by flows into equity funds (chart 3). Since 1994, net new cash flows from households into equity funds have greatly outpaced those into all other types of mutual funds

4. In contrast, approximately 40 percent of money market fund assets are held in institutional accounts, with the remainder in retail accounts. The share of money market fund assets held by institutional shareholders has increased greatly in recent years, as many businesses and other organizations have decided that having their liquid assets managed by mutual funds is more cost effective than managing them internally.

5. See Reid, "The 1990s," p. 2.

6. Ibid.

4. Net new cash flows to equity mutual funds, 1996–2000



NOTE. Data show average net monthly flows excluding reinvested dividends for the year indicated; for 2000, values reflect flows through August.

SOURCE. Investment Company Institute.

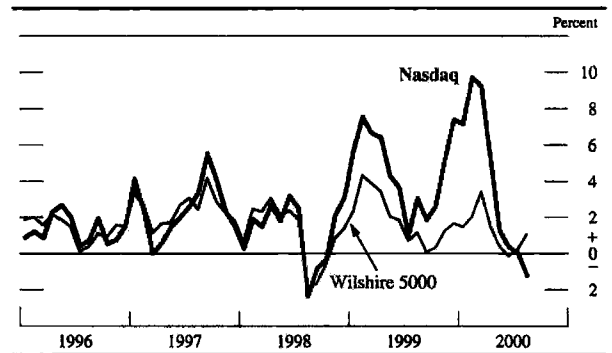
combined in all years except one. The Asian financial crisis and the Russian debt default prompted a “flight to safety” in 1998, and mutual fund investors reduced their investments in stocks and increased their investments in lower-risk money funds and short-term bond funds. That episode proved to be only temporary, and mutual fund investors returned vigorously to equity funds, increasing the pace of net new cash flows into those funds to a record level over the first eight months of 2000. Over the same period, however, households were, on balance, net sellers of directly held equities.⁷ Thus, at least part of the cash flows into equity mutual funds may represent a shift in household preferences toward holding a smaller portion of their equity portfolio in directly held stocks and a larger portion in indirect holdings via equity funds.⁸

In recent years, the flow of net new investment into equity funds has been greatest for domestic equity funds, with a much smaller flow going into international equity funds. From 1996 to 1998, net new investment in domestic equity funds was split fairly evenly between *capital appreciation funds*—which hold stocks whose return is mainly from capital gains—and *total return funds*—which hold stocks that return a mix of capital gains and dividend income (chart 4). In 1999, however, the pace of net new flows into capital appreciation funds picked up substan-

7. See Federal Reserve Board, *Flow of Funds Accounts of the United States* (Z.1 statistical release), September 2000, table F.100, p. 16. From 1995 to 1999, households, on net, sold an average of about \$329 billion worth of directly held corporate equities annually. In the first half of 2000, households sold, on net, \$513 billion of directly held corporate equities, at an annual rate.

8. Indirect equity holdings include holdings through mutual funds and also through employer-sponsored defined contribution accounts, personal trust accounts, and annuity accounts at life insurance companies.

5. Change in equity indexes, January 1996–August 2000



NOTE. Data show the six-month moving average of the monthly percentage change in the indexes.

tially relative to both the pace of the preceding few years and the pace of flows into total return funds, which fell off appreciably. Through August, net new flows into capital appreciation funds in 2000 were at a pace more than twice that of 1999, whereas total return funds experienced net outflows.

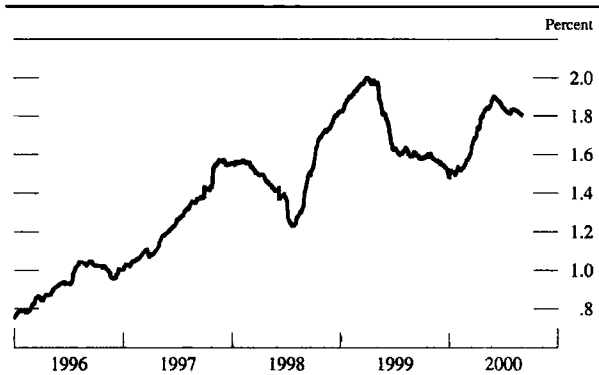
Over the same period in which the composition of equity fund flows was shifting, the relative share prices of technology firms were booming. From late 1998 until mid-2000, the six-month moving average of increases in the Nasdaq composite index, which is dominated by technology firms, was markedly greater than the increases in the Wilshire 5000 index of the total stock market (chart 5). Capital appreciation equity funds are more likely than total return equity funds to hold the shares of technology companies.⁹ Thus, households were directing more of their net new investment into capital appreciation funds, which hold a greater share of their portfolio in technology stocks, at the same time the share prices of technology firms were generally outperforming the share prices of other publicly traded firms.

The volatility of equity prices has also increased recently (chart 6). Greater equity price volatility, everything else constant, might be expected to temper risk-averse households' appetite for equity mutual funds. However, not only did domestic equity fund flows accelerate through August 2000, but they were increasingly targeted toward relatively riskier capital appreciation funds.

Taken together, these developments might suggest that there is a relationship between equity fund flows

9. Using the most recent data available on mutual fund portfolios collected by the Morningstar data service, we calculate that, on an asset-weighted basis, capital appreciation funds hold an average of about 40 percent of their assets, and total return funds about 20 percent of their assets, in the stocks of technology companies.

6. Equity market volatility. January 1996–August 2000



NOTE. Data show the six-month moving average of intra-day swings in the S&P 500; swings are calculated as the difference between the intra-day high and low as a percentage of the intra-day low.

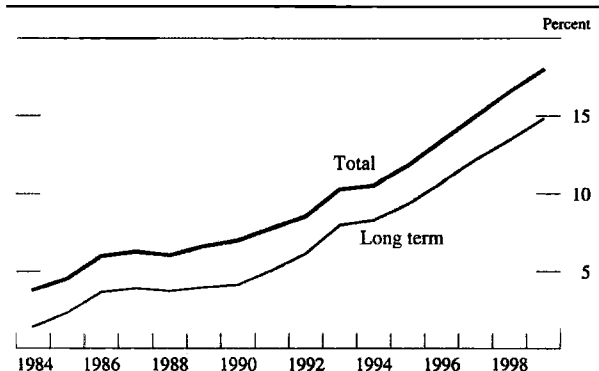
SOURCE. Authors' calculations using data from Standard & Poors.

and equity prices. Such a link would depend on the role mutual funds play in household finances. Therefore, we turn our attention to the influence of mutual funds on the level and flow of household assets, the types of households most likely to hold mutual funds, and the purposes for which mutual funds are held.

MUTUAL FUNDS AND HOUSEHOLD ASSETS

The share of households' financial assets kept in mutual funds roughly doubled over the past decade, approaching 20 percent at the end of 1999; nearly all the increase was in long-term funds (chart 7). Domestic equity funds accounted for most of the increase in long-term funds, both because their assets appreciated at a greater rate than most other financial assets

7. Mutual fund assets as a percentage of gross household financial assets, 1984–99



NOTE. Data show end-of-year values and include direct and indirect holdings of mutual funds. Long-term funds include all equity, hybrid, and bond funds and exclude money market funds.

SOURCE. Flow of funds accounts and the Investment Company Institute.

and because they became the preferred type of fund for new mutual fund investments.

Net additions to household wealth, as measured by the U.S. personal saving rate, have declined dramatically over the past fifteen years, even as the popularity of mutual fund investing has grown.¹⁰ As a result, the share of household saving done through mutual funds has been rising. The share of gross financial saving—households' acquisition of financial assets, net of capital gains—allocated to mutual funds rose from about 15 percent in 1985 to about 70 percent in 1999 (chart 8).¹¹ If this trend continues, mutual funds will represent an increasing share of households' financial assets over time, even if the performance of mutual funds is equivalent to that of households' other financial assets.

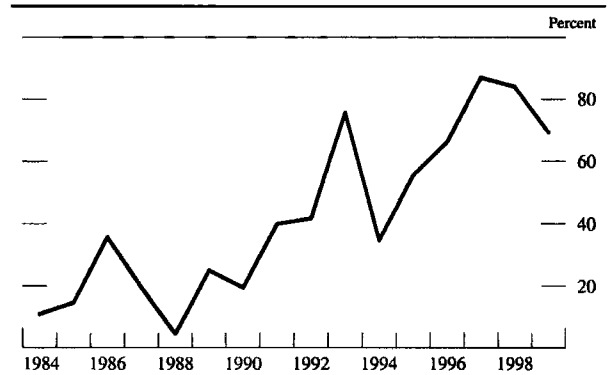
Mutual funds' share of aggregate household financial assets has grown in part because an increasing percentage of U.S. households are investing in mutual funds. In June 2000, an estimated 50 million households, or about half of all U.S. households, owned shares in at least one mutual fund (table 1).¹²

10. After averaging around 9 percent from 1950 through 1985, the U.S. personal savings rate has fallen to lower than ½ percent in 2000.

11. The Federal Reserve Board's flow of funds accounts calculate personal saving in several ways. One measure is households' net acquisition of financial and housing assets less their increase in liabilities. Gross financial saving, which excludes the acquisition of housing assets and liabilities, is the component of this measure of personal saving that is most relevant to households' mutual fund decisions.

12. In 1984, fewer than 12 percent of all U.S. households owned shares in a mutual fund; by 1992, the proportion had grown to 27 percent. See Investment Company Institute, "U.S. Household Ownership of Mutual Funds in 2000," *Fundamentals*, vol. 9 (August 2000), p. 1.

8. Mutual fund acquisitions as a percentage of gross household financial saving, 1984–99



NOTE. Data show end-of-year values and include direct and indirect acquisitions of mutual funds. Gross household financial saving is defined as the net acquisition of financial assets over the year; it excludes capital gains and any increase in liabilities over the year.

SOURCE. Flow of funds accounts and the Investment Company Institute.

1. U.S. households owning shares in a mutual fund, by household characteristics, June 2000
Percent

Household characteristic	As a proportion of all U.S. households	As a proportion of households owning shares in mutual funds
<i>1999 income</i>		
Less than \$25,000	17	9
\$25,000-\$34,999	37	11
\$35,000-\$49,999	49	19
\$50,000-\$74,999	66	28
\$75,000-\$99,999	77	14
\$100,000 or more	79	19
<i>Age of head of household</i>		
Younger than 25	23	2
25-34	49	18
35-44	58	28
45-54	59	25
55-64	54	13
65 or older	32	14
All shareholders	49	100

SOURCE: Investment Company Institute.

Higher-income households are more likely than lower-income households to have financial assets, and they have greater financial asset holdings.¹³ Thus they are also more likely to own mutual fund shares. Nevertheless, mutual funds provide access to financial markets for households at all income levels. Indeed, almost 40 percent of mutual fund shareholders have an annual household income of less than \$50,000. Investors who have relatively low levels of income and financial assets generally find investing directly in stocks and bonds more difficult because of high minimum investment requirements and higher fees for small investments. Thus, mutual funds offer a relatively low cost means of holding a diversified portfolio of financial instruments. And because lower-income households may be less financially sophisticated than higher-income households, they may benefit more from the professional money-management services provided by mutual funds.¹⁴

The likelihood of owning shares in a mutual fund peaks between the ages of 45 and 54, when most heads of household are working, and declines at later ages, when a greater proportion have retired. This pattern may reflect, at least in part, the importance of mutual funds for retirement saving. Because relatively widespread acceptance of mutual funds as an

13. See Arthur B. Kennickell, Martha Starr-McCluer, and Brian J. Surette, "Recent Changes in U.S. Family Finances: Results from the 1998 Survey of Consumer Finances," *Federal Reserve Bulletin*, vol. 86 (January 2000), table 5, pp. 10-11.

14. Dean M. Maki, "Portfolio Shuffling and Tax Reform," *National Tax Journal*, vol. 49 (September 1996), pp. 320-21, for example, presents evidence that lower-income households may be less financially sophisticated than higher-income households.

2. Proportion of U.S. households owning shares in a mutual fund, by household characteristics and type of fund, June 2000
Percent

Household characteristic	Equity fund	Hybrid fund	Bond fund	Money market fund
<i>1999 income</i>				
Less than \$35,000	13	4	6	9
\$35,000-\$49,999	33	11	14	26
\$50,000-\$74,999	46	15	20	32
\$75,000-\$99,999	60	24	28	39
\$100,000 or more	68	27	31	44
<i>Age of head of household</i>				
Younger than 25	14	2	7	8
25-34	33	10	12	23
35-44	44	12	17	26
45-54	42	16	20	30
55-64	37	15	17	29
65 or older	21	11	14	19
All shareholders	35	12	16	24

SOURCE: Investment Company Institute.

investment option is still a rather recent phenomenon, this pattern may also reflect generational factors. Younger generations, which have grown up with a well-established mutual fund industry, may be more willing to invest in these funds than older generations, which grew up less familiar with market investments and more likely to rely on bank deposits and insurance contracts.

Equity funds are the most popular type of mutual fund, with more than one-third of all U.S. households owning shares in such a fund (table 2). Indeed, for each income and age group, more households invest in equity funds than in hybrid, bond, or money market funds.

The percentage of households that directly or indirectly own stock in publicly traded companies increased dramatically over the past decade, rising from fewer than one-third of all households in 1989

3. Proportion of U.S. families holding stock directly and indirectly, by family income, 1998
Percent

Family income	Direct or indirect stock holdings	Direct stock holdings outside of retirement accounts ¹	Memo: Stock holdings as a share of group's financial assets ²
Less than \$10,000	8	4	25
\$10,000-\$24,999	25	7	28
\$25,000-\$49,999	53	18	39
\$50,000-\$99,999	74	28	49
\$100,000 or more	91	57	63
All families	49	19	54

1. Retirement accounts include individual retirement accounts and employer-sponsored defined contribution pension plans.

2. Includes both direct and indirect stock holdings and is based on families that have some stock holdings.

SOURCE: Survey of Consumer Finances.

to almost half in 1998.¹⁵ Across all but the highest income levels, households are more likely to own stock indirectly and in retirement accounts than directly outside of retirement accounts (table 3). In 1998, only 19 percent of households owned stock directly outside of a retirement account whereas 30 percent owned stock indirectly (often through a mutual fund) or in a retirement account. For many households, retirement accounts are an important point of access to the equity market; 49 percent of all households owned some type of retirement account in 1998, up from 35 percent in 1989.¹⁶

MUTUAL FUNDS AND RETIREMENT ASSETS

Over the past two decades, the growth of individual retirement accounts (IRAs) and a shift from defined benefit to defined contribution pension plans have given households considerably more control over the portfolio allocation of their retirement assets. At the same time, mutual funds have become an increasingly important component of households' retirement accounts.

IRAs generally feature tax-deductible annual contributions and tax-free accrual of investment earnings. Once the account holder reaches age 59½, assets withdrawn from the IRA are taxed as ordinary income; in addition, a tax penalty is usually imposed on assets withdrawn before that age. Traditional IRAs were established in 1974, but because they were available only to workers not covered by an employer-provided pension, they were not common.¹⁷ In 1981, eligibility was extended to all workers and the annual tax-deductible contribution limits were increased. IRAs subsequently became quite popular.¹⁸ The Tax Reform Act of 1986 retained universal eligibility and the tax-free accrual of invest-

4. Distribution of IRA assets by type of institution, selected years, 1985–99

Percent

Type of institution	1985	1990	1995	1999
Mutual funds	17	22	37	49
Brokerage accounts	14	28	35	32
Life insurance companies	9	8	7	9
Bank and thrift deposits	60	42	20	10

NOTE. Distributions may not sum to 100 percent because of rounding.

SOURCE. Investment Company Institute.

ment earnings for IRAs but restricted the tax deductibility of contributions for higher-income households that were covered by an employer-provided pension plan; subsequently, annual contributions to traditional IRAs dropped substantially.¹⁹ Legislation enacted in 1997 introduced Roth IRAs, which permit non-tax-deductible contributions. All distributions from these accounts are untaxed, assuming that certain early withdrawal restrictions are not violated. Roth IRAs have renewed investor interest in IRAs. Several types of employer-sponsored IRAs are available to self-employed individuals and employees of small businesses; they are similar to tax-deductible traditional IRAs but typically have higher contribution limits.²⁰

IRA ownership has grown considerably over the two decades since the accounts became universally available. In June 2000, 41 percent of all U.S. households owned at least one type of IRA.²¹ Of those households that owned an IRA, 78 percent held a traditional IRA, 24 percent a Roth IRA, and 17 percent an employer-sponsored IRA.²² As ownership was growing, mutual funds were becoming an increasingly important institution for the management of IRA assets, holding almost half of those assets in 1999 (table 4).

Households have also gained greater control over the investment of their pension assets. Employer-sponsored pension plans have increasingly shifted away from traditional defined benefit plans, which typically do not allow employees to decide how their

15. See Kennickell and others, "Recent Changes in U.S. Family Finances," table 6, p. 15. A 1999 survey by the Investment Company Institute and the Securities Industry Association (*Equity Ownership in America*, ICI and SIA, 1999, p. 5) found that 48 percent of households owned stock, a proportion very close to that found in the 1998 Survey of Consumer Finances.

16. Data for 1998 are from Kennickell and others, "Recent Changes in U.S. Family Finances," table 5, pp. 10–11; 1989 data are from Arthur Kennickell and Martha Starr-McCluer, "Changes in U.S. Family Finances from 1989 to 1992: Evidence from the Survey of Consumer Finances," *Federal Reserve Bulletin*, vol. 80 (October 1994), table 5, pp. 868–69.

17. For more discussion of the development and details of IRAs, see Eric M. Engen, William Gale, and John Karl Scholz, "Do Saving Incentives Work?" *Brookings Papers on Economic Activity*, vol. 1 (1994) pp. 85–180, and Investment Company Institute, "IRA Ownership in 2000," *Fundamentals*, vol. 9 (October 2000).

18. By 1986, annual contributions to IRAs had risen to more than \$35 billion.

19. Annual contributions to traditional IRAs, including both tax deductible and non-deductible contributions, averaged less than \$11 billion from 1990 through 1998.

20. Simplified employee pension IRAs (SEP IRAs) were created in 1978. SAR–SEP IRAs are a special type of SEP IRA with a salary reduction feature; the formation of new SAR–SEPs has been prohibited since 1996 but established SAR–SEPs can still be used. SIMPLE IRAs were introduced in 1996 for small business employers. Keogh plans, which were established in 1962, are defined contribution pension plans similar to SEP IRAs that can be set up by sole proprietors and partnerships.

21. Investment Company Institute, "IRA Ownership in 2000," p. 1.

22. These numbers sum to more than 100 percent because some households own more than one type of IRA.

5. Distribution of private pension plan assets by type of plan, selected years, 1975-99

Percent						
Type of plan	1975	1980	1985	1990	1995	1999
Defined benefit	72	71	66	55	50	45
Defined contribution	28	29	34	45	50	55

SOURCE: Flow of funds accounts.

plan assets are invested, toward defined contribution plans, which usually give employees considerable discretion in the investment of those assets. In 1980, defined benefit plans held more than 70 percent of the assets in all private pension funds (table 5). As defined contribution plans became more popular, their assets grew, so that they now hold 55 percent of all private pension assets. This shift in private pension assets has been important to mutual funds because defined contribution plans are much more likely to use mutual funds to manage their assets (table 6).

The percentage of working households (that is, households with at least one employed adult) that are covered by a pension and have a defined contribution plan has also risen (table 7). In 1989, 40 percent of working households with a pension were covered by only a defined benefit plan, and another 31 percent were covered by both a defined benefit and a defined contribution plan; only 30 percent were covered solely by a defined contribution plan. By 1998, 57 percent of working households with pension coverage had only a defined contribution plan, and another 25 percent were covered by both types of plans; only 18 percent were covered solely by a defined benefit plan. As defined contribution plans became more common, the percentage that were

401(k) plans rose, reaching 78 percent in 1998, making them the most popular type of plan.

Like IRAs, 401(k) plans feature tax-deductible contributions, tax-free accrual of investment returns, annual contribution limits, and restrictions on withdrawals.²³ Employees who separate from a firm sponsoring a plan before retirement age must pay income taxes on the withdrawn funds at ordinary rates; in addition, they also face a tax penalty unless they roll the funds over into an IRA or another 401(k) account.²⁴ Unlike IRAs, 401(k) plans are available only to employees of firms that choose to sponsor the plans. Employers may also make tax-deductible contributions to employees' accounts, and total contribution limits are generally higher for 401(k) plans than for IRAs. Also, employers select the investment options available in 401(k) plans; as a result, the number of options is typically more limited than in an IRA. In 1998, the typical 401(k) plan offered six to nine investment options.²⁵ These options usually included equity, bond, and money market funds. More than 70 percent of the plans offered an equity fund option, making it the most popular option offered by sponsoring employers.²⁶

6. Distribution of financial assets in private defined benefit and defined contribution pension funds by type of asset, selected years 1985-99

Percent				
Type of asset	1985	1990	1995	1999
Defined benefit funds				
Cash ¹	7	7	6	5
Bonds	32	39	32	26
Equities	42	38	48	54
Mutual funds	1	1	4	6
Insurance contracts ²	10	8	5	5
Other financial assets	8	7	5	4
Defined contribution funds				
Cash ¹	10	10	3	1
Bonds	19	17	12	7
Equities	39	36	40	44
Mutual funds	3	7	21	30
Insurance contracts ²	12	19	17	13
Other financial assets	16	12	7	5

NOTE: Distributions may not sum to 100 percent because of rounding.

1. Includes currency, insured deposits, and repurchase agreements; does not include money market mutual funds, which are included with mutual funds.

2. Includes mutual funds held in variable annuities.

SOURCE: Flow of funds accounts.

23. These plans, which were established in 1978, are named after section 401(k) of the Internal Revenue Code, which authorizes their use. Other types of defined contribution plans include 403(b) and 457 plans, which are available to employees of nonprofit institutions and state and local governments respectively; and thrift plans, which are available to employees of the federal government. These other types of plans are similar to 401(k) plans in many respects. See Engen and others, "Do Saving Incentives Work?" for more discussion of 401(k) plans.

24. As a consequence, rollovers from 401(k) accounts and other types of defined contribution pension plan accounts have been an important source of funds to IRAs in recent years. Forty-six percent of the owners of traditional IRAs and 13 percent of Roth IRA owners have in their IRAs assets that were converted from an employer-sponsored pension plan. See Investment Company Institute, "IRA Ownership in 2000," pp. 2, 4.

25. The Investment Company Institute reported that the median number of investment options in 401(k) plans was six, whereas Hewitt Associates reported that the median number was nine. See Investment Company Institute, *401(k) Plan Participants: Characteristics, Contributions, and Account Activity* (Spring 2000), p. 20; and Hewitt Associates, *Trends and Experience in 401(k) Plans* (1999), p. 27.

26. See Investment Company Institute, *401(k) Plan Participants*, p. 22. This survey did not make a distinction between mutual funds and other pooled investment vehicles, such as trusts and separate accounts.

7. Pension coverage for working households, by type of plan, selected years, 1989–98
Percent

Year	Households covered	Distribution of plans by type			Distribution of defined contribution plans by type	
		Defined benefit only	Defined contribution only	Both defined benefit and defined contribution	401(k)	Other
1989	55	40	30	31	55	45
1992	55	35	37	27	48	52
1995	54	23	52	24	65	35
1998	55	18	57	25	78	22

NOTE. Distributions may not sum to 100 percent because of rounding. Working households are those with at least one employed adult.

SOURCE. Survey of Consumer Finances.

Total retirement assets increased threefold over the past decade, to almost \$13 trillion in 1999 (table 8).²⁷ Mutual funds have played an increasingly important role in this growth, accounting for almost one-fifth of total retirement assets in 1999. Moreover, retirement assets held within mutual funds have risen significantly relative to total mutual fund assets, accounting for 35 percent of total fund assets in 1999.

Households have chosen to allocate the bulk of the retirement assets they hold in mutual funds to equities, thus bolstering the total share of mutual fund assets allocated to equity funds (table 9). In 1999, 73 percent of mutual fund IRA assets and 81 percent of mutual fund defined contribution pension plan assets were invested in equity funds.²⁸ Retirement account assets in mutual funds are much more likely than non-retirement-account assets in mutual funds to be devoted to equity investments.

The growing role of retirement assets in households' equity mutual fund holdings might be expected to affect mutual fund shareholders' investment behavior. One hypothesis is that households take a longer-term perspective with the funds they have invested in

retirement accounts. In this view, these households would be less likely to trade frequently and, in particular, less likely to redeem their equity fund shares in response to temporary stock-price declines. An alternative hypothesis is that households switch more frequently between equity funds and money market or bond funds because the earnings in retirement accounts, including capital gains, are not taxed. In this view, households with equity funds in retirement accounts would be more likely to trade frequently and, in particular, more likely to redeem their equity fund shares in response to stock-price declines.

Testing these hypotheses and determining the overall effect of equity mutual fund investing on stock prices is an empirical issue. In the next section we analyze the evidence concerning the relationship between mutual fund investors' behavior and equity market developments.

MUTUAL FUNDS AND FINANCIAL MARKETS

Mutual funds hold about 20 percent of the publicly traded stocks of U.S. corporations. This proportion not only is much greater than it was a decade ago, but it also is larger than the proportion of the bond market held by mutual funds (chart 9).

The growing importance of mutual funds in the U.S. equity market increases the possibility that

8. Retirement assets, by type, selected years, 1990–99

Year	Total retirement assets (trillions of dollars)			Mutual fund retirement assets (billions of dollars)		
	Individual retirement accounts	All employer-sponsored pension plans	Memo: Mutual fund retirement assets as a share of total retirement assets (percent)	Individual retirement accounts	Employer-sponsored defined contribution pension plans	Memo: Mutual fund retirement assets as a share of total mutual fund assets (percent)
1990 .....	.6	3.4	5	141	67	19
1995	1.3	5.7	13	479	439	33
1999	2.5	10.2	19	1,222	1,204	35

SOURCE. Investment Company Institute.

9. Distribution of mutual fund assets within different types of accounts, by type of fund, 1999

Percent

Type of mutual fund account	Domestic equity fund	Foreign equity fund	Hybrid fund	Bond fund	Money market fund
IRA	63	10	8	8	11
Defined contribution pension plan	73	8	8	5	6
All other mutual fund accounts	41	8	4	15	32

SOURCE: Investment Company Institute.

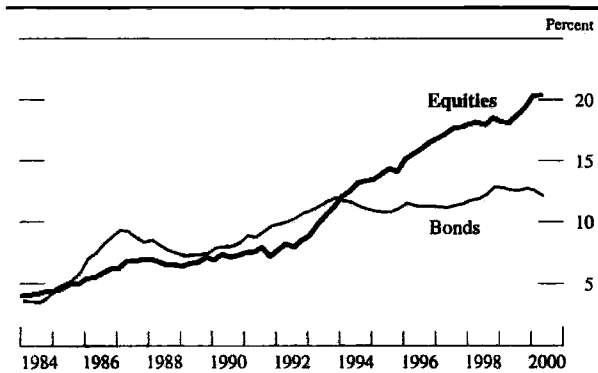
households' decisions to invest new cash in, or request redemptions from, equity mutual funds significantly affect equity prices. This possibility can be evaluated by looking at the relationship between domestic equity fund flows and equity prices. Net new flows into domestic equity funds as a percentage of the value of the U.S. stock market have tended to increase over the past fifteen years (chart 10).²⁹ The monthly percent change in the Wilshire 5000 index of stock prices over the same period shows that while equity fund flows were becoming more stable, equity prices were becoming more volatile (chart 11).³⁰ A related development is that the response of mutual fund investors to large market declines—specifically, the equity price declines in October 1987, August 1990, and August 1998—has become progressively smaller.

In October 1987, when the Wilshire index fell more than 20 percent (the worst monthly perfor-

29. Average monthly domestic equity fund inflows were 0.02 percent of the market's value over the period 1985–89, rose to 0.10 percent over 1990–94, and rose further, to 0.14 percent, over 1995–99.

30. The coefficient of variation for domestic equity fund inflows (defined as the standard deviation of fund flows divided by the mean of fund flows) was 2.9 over the period 1985–89, dropped to 0.6 over 1990–94, and fell further, to 0.4, over 1995–99.

9. Percentage of total outstanding securities held by mutual funds, 1984:Q1–2000:Q2



NOTE: Data exclude variable annuities. Total outstanding equities include all publicly traded domestic securities as well as those foreign equities owned by U.S. nationals, and total outstanding bonds include all publicly traded corporate, Treasury, agency, and municipal bonds held by households and foreign bonds held by U.S. nationals.

SOURCE: Flow of funds accounts.

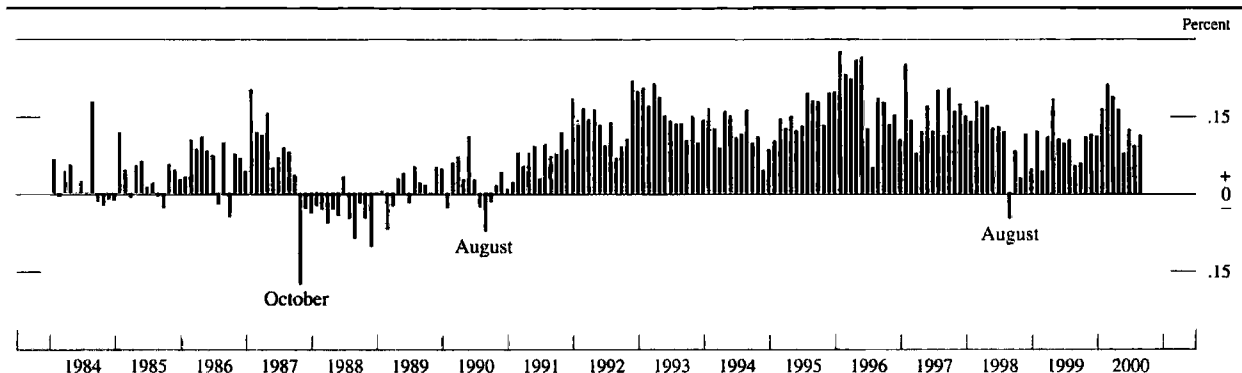
mance for the stock market since World War II), domestic equity funds experienced net outflows of more than \$6 billion. This outflow amounted to 0.2 percent of the total value of the stock market, or just under 3 percent of domestic equity fund assets; this was the largest monthly outflow as a percentage of fund assets to date. Indeed, domestic equity funds experienced outflows in fourteen of the sixteen months following the October crash, outflows that summed to a net total of more than \$18 billion. All told, mutual fund shareholders withdrew more than 11 percent of domestic equity fund assets in the aftermath of the October 1987 episode.³¹

The next large decline in stock prices occurred in August 1990, when the Wilshire index fell about 10 percent in the wake of concerns about the Gulf War in Kuwait and Iraq. In that month, mutual fund shareholders withdrew about \$2½ billion from domestic equity funds, which amounted to less than 0.1 percent of the value of the stock market, or about 1 percent of domestic equity fund assets. Outflows from August through September 1990 were only \$3 billion, or a little more than 1 percent of fund assets. Although the Wilshire index fell half as far in August 1990 as it had in October 1987, fund withdrawals during the 1990 episode were less than half those during the 1987 episode.

Domestic equity funds did not experience a net monthly outflow again until August 1998, when the Wilshire index declined 15 percent in the midst of the Asian financial market crisis and Russian bond defaults. Shareholders in domestic equity funds requested net redemptions of about \$6½ billion in that month, an amount equal to about 0.3 percent of total domestic equity fund assets. Domestic equity fund inflows resumed the following month. Thus, redemptions in August 1998 were substantially

31. John Rea and Richard Marcis ("Mutual Fund Shareholder Activity during U.S. Stock Market Cycles," *Investment Company Institute Perspective*, vol. 2, March 1996, pp. 1–16) show that during the bear markets in the 1970s, equity fund shareholders were sensitive to prolonged share price declines. Equity funds had outflows in almost every month between 1971 and 1982 as the stock market waded through three periods of price contraction, including the long bear market over 1973 and 1974, when the S&P 500 index declined 48 percent.

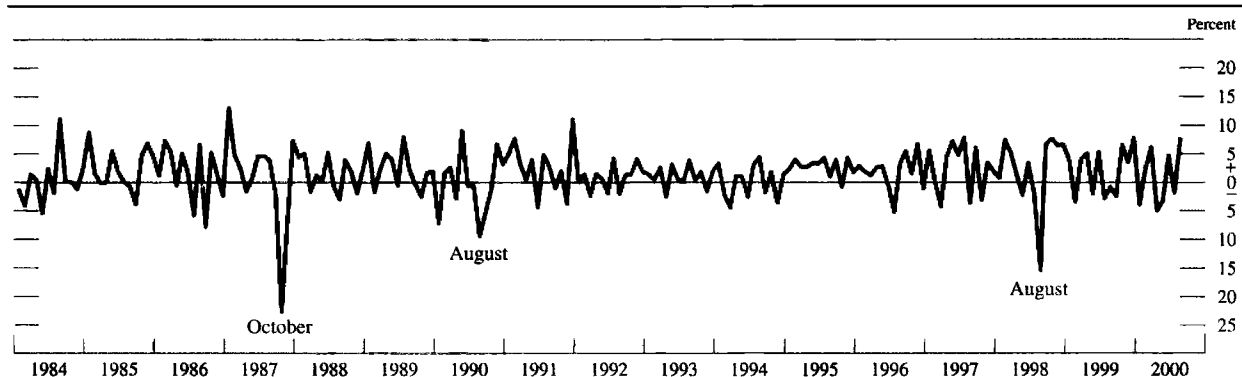
10. Net new cash flows to domestic equity mutual funds as a percentage of the value of the U.S. stock market, January 1984–August 2000



NOTE. Data show total net flows, excluding reinvested dividends, during the indicated month as a percentage of the total market capitalization of all stocks traded on the NYSE, AMEX, and Nasdaq exchanges at the end of the preceding month.

SOURCE. Authors' calculations using data from the Investment Company Institute and U.S. stock exchanges.

11. Change in the Wilshire 5000 index, January 1984–August 2000



NOTE. Data show the percent change in the index from the last business day of the preceding month to the last business day of the month shown.

smaller, as a percentage of assets, than those in August 1990, even though the stock price decline in 1998 was greater.

Although investors have withdrawn money from domestic equity funds during severe market declines, mutual fund managers have not necessarily had to sell stocks immediately to cover redemptions. In addition to holding stocks, equity funds also hold safe, liquid money market assets, usually referred to as “cash.” The proportion of a mutual fund’s total assets held in cash is known as the *cash ratio*. To the extent that net outflows can be met by cash on hand, they need not translate into forced sales of equities by fund managers. The asset-weighted mean cash ratio for all domestic equity funds has generally been trending down and recently stood a little above 4 percent (chart 12). Despite the decline, funds have had, on average, more than enough cash on hand to cover monthly redemptions throughout the past fifteen years. Moreover, the frequency and magnitude of net

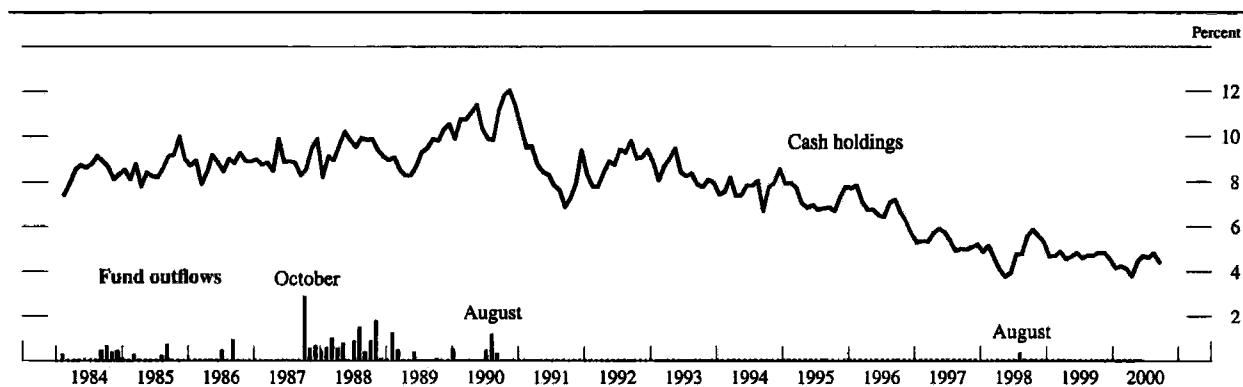
redemptions from equity funds, as a percentage of assets, have diminished over time.³²

A fund’s cash holdings are not its only means of meeting a short-term episode of redemptions without selling some of its equity portfolio. Many families of mutual funds now have committed lines of credit to help meet unexpectedly large temporary outflows.³³ Also, some large fund families have been allowed by the Securities and Exchange Commission to borrow between funds. Thus, an outflow from an equity fund, for example, could be covered by borrowing at a fair

32. On average, net redemption rates have been far below equity funds’ cash ratios on a monthly basis; however, some individual funds may have needed to sell some of their equity portfolio to meet redemption requests.

33. Mutual fund credit lines are typically used for short-term adjustments. It is possible for funds to use leverage as part of their long-term portfolio management, but they must have at least \$3 in assets for each \$1 they borrow. In practice, very few mutual funds use long-term leverage.

12. Domestic equity fund cash holdings and outflows as a percentage of fund assets, January 1984–August 2000



NOTE. Cash holdings are liquid assets as a percentage of total fund assets. Fund outflows are net for the month; months with net inflows are not shown.

SOURCE. Investment Company Institute.

market rate from another fund in the family that is receiving inflows—say, a bond or money fund.

Credit lines and fund-family borrowing agreements can serve as additional buffers that, along with those traditionally provided by funds' liquid assets, help equity fund managers avoid having to sell equities in a slumping market. However, temporary periods of sharp equity price declines may not be the only time equity fund shareholders' behavior could have affected equity prices. Equity fund flows may have had more subtle effects on equity prices—effects that may have been small and that may have appeared only with a delay. Evidence of these effects can be sought by calculating correlation coefficients that measure the strength and direction of the co-movement of equity mutual fund flows and changes in equity prices over time. Analysis of these correlation coefficients can give some indication of whether equity mutual fund flows cause changes in equity market prices, or the other way around, or neither. (A more detailed statistical treatment of this issue is given in the appendix.)

As would be expected, given that cash has flowed out of domestic equity funds in months with steep stock market declines, fund flows and stock price changes have a positive contemporaneous correlation, averaging about 0.6 for the period since 1984 (chart 13, upper panel). This contemporaneous correlation is statistically significant, although it has declined over time, from 0.7 in the mid-1980s to below 0.25 more recently. Thus, as an increasing proportion of equity mutual funds were being held in retirement accounts, flows to equity mutual funds were becoming less sensitive to market performance.

This positive contemporaneous correlation says little about the direction of causality (if any) between domestic equity fund flows and equity price changes. Three causal relationships are possible: price changes

could cause flows, flows could cause price changes, or both flows and price changes could react to new information that affects the market's perceived value of stocks. Exploring the alternative hypotheses associated with these relationships requires an examination of the effect of lagged price changes on current flows and of lagged flows on current price changes.

The *feedback trading* hypothesis provides one possible explanation for a positive correlation between domestic equity fund flows and equity price changes. Mutual fund investors may be feedback traders, that is, they may follow the stock market, so that an increase in equity prices one month would be followed by a positive flow the next month. However, the average correlation between current flows and price changes lagged one month has been essentially zero since 1984 (chart 13, middle panel). Thus, at least when the analysis is based on monthly data, the feedback trading hypothesis is not supported.

A second hypothesis—the *price pressure* hypothesis—holds that the contemporaneous correlation arises because flows exert upward pressure on stock prices for reasons other than changes in available information that affect the market's valuation of stocks. After such an increase, equity prices would decline as they return to a level more consistent with the general market perception of the appropriate level of stock valuation. This hypothesis can be tested by calculating the correlation between current price changes and lagged flows (that is, the effect of flows one month on price changes the next). Consistent with this hypothesis, the correlation coefficient is negative; the correlation is weak, however, averaging only about -0.2 (chart 13, lower panel), and is not statistically significant.

Finally, the *information* hypothesis maintains that equity mutual fund investors, like other investors in the equity market, merely trade on the basis of new

information that the market uses to value equities. If this hypothesis is correct, then stock price declines should not follow equity fund inflows. The finding that equity fund flows and stock price changes are significantly correlated only contemporaneously is consistent with this hypothesis. Econometric analysis (reported in the appendix) generally confirms the evidence suggested by the correlation coefficients. Overall, there is little evidence that mutual fund investors have been a destabilizing force in equity markets over the past fifteen years.

CONCLUSION

Mutual funds have grown rapidly over the past decade, both in absolute terms and as a percentage of household assets, in large part because of the growth of retirement saving accounts. In defined contribution pension plans and individual retirement accounts, households directly control the allocation of their retirement assets and often use equity mutual funds as the primary vehicle for investing them.

There is little evidence that over the past decade or so mutual fund investors have traded in a manner that has significantly influenced stock prices independently of the rest of the market, or that mutual fund investors have been entering and exiting equity funds merely on the basis of past price changes in the stock market. Equity fund investors appear to have behaved like other investors in the equity market and simply traded on the basis of new information that the market uses to value equities. Thus, there is little indication that mutual fund investors have in recent history been a destabilizing force in the equity market even as mutual funds were becoming larger players in the market. Further, the evidence suggests that fund shareholders who held retirement accounts were generally focused on investing for the long term rather than using these tax-sheltered accounts for active trading, because even as retirement assets were becoming an increasingly larger share of equity fund assets, fund flows were becoming less sensitive to stock price changes.

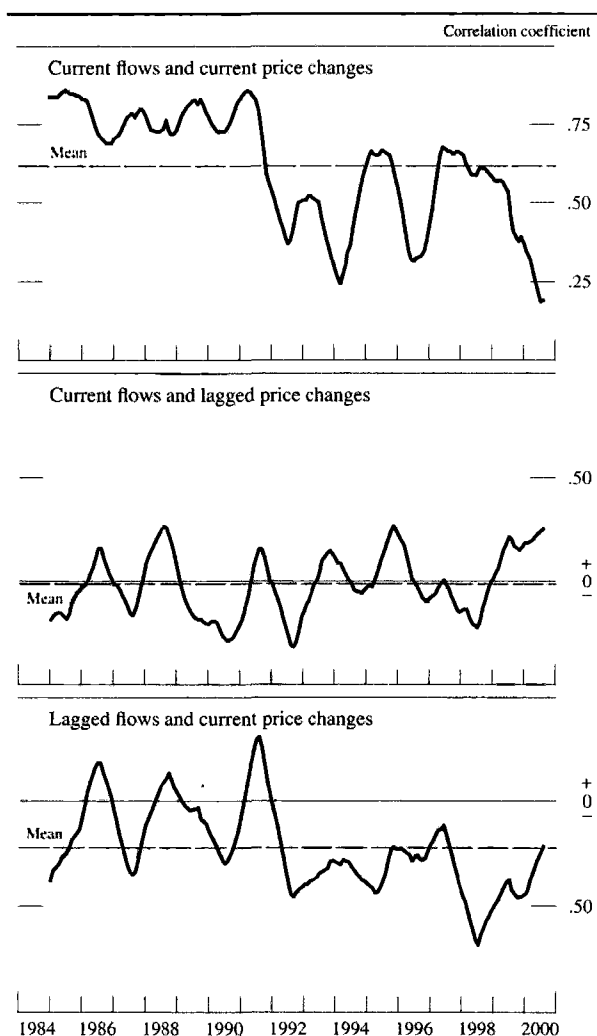
APPENDIX: ECONOMETRIC ANALYSIS OF EQUITY MUTUAL FUND FLOWS AND STOCK MARKET PRICE CHANGES

Correlation coefficients and other simple statistics can provide only limited insight into the behavior of mutual fund investors. In this appendix, we investigate the relationship between equity mutual fund flows and equity market price changes using regression analysis. We find no compelling evidence that fund flows cause stock price changes or that stock market price changes cause fund flows.

As noted in the main text, more cash tends to flow into domestic equity mutual funds in months when the stock market does well than in months when it does poorly. The most likely explanations for this contemporaneous correlation are the price pressure hypothesis and the information hypothesis.

A related issue is whether or not mutual fund investors are following a feedback strategy, so that equity fund inflows react to past values of stock

13. Correlation between domestic equity mutual fund flows and stock market price changes. January 1985–August 2000



NOTE. Data show the twelve-month moving average of the correlation between (1) net new cash flows to domestic equity funds as a percentage of the value of the U.S. stock market and (2) the percentage change in the Wilshire 5000 index from the end of the preceding month to the end of the indicated month. Correlation coefficients are calculated using data for the twelve months preceding the indicated month. Monthly values for stock market capitalization are smoothed to conform to the market's long-run growth rate.

SOURCE. Authors' calculations.

market price changes. Several fund-level studies have found that mutual fund investors transfer money into individual mutual funds that are doing well and out of individual funds that are doing poorly.³⁴ This finding is not evidence, however, that in the aggregate, mutual fund investors choose to invest in equity funds as a whole (as opposed to, say, money market funds) on the basis of previous months' equity market price changes. If mutual fund investors are indeed feedback traders, we would be less likely to believe the information hypothesis, which requires that mutual fund investors react mainly to new information about stocks.

We find evidence that strongly favors the information hypothesis and are able to reject the price pressure hypothesis in most cases. We can consistently reject the feedback trading hypothesis. On balance, our results indicate that flows to equity mutual funds do not generally push stock prices above the level determined by other market participants.³⁵

Econometric Modeling of Flows

Our analysis concentrates on net new cash flows to domestic equity mutual funds and percent changes in domestic equity market prices. We use data on the monthly aggregate flow of new cash, excluding reinvested dividends, to all domestic equity funds for January 1984 through August 2000 collected by the Investment Company Institute. Our measure of equity price changes is the percent change in the Wilshire 5000 index of stocks from the last business day of one month to the last business day of the next month.

To test our hypotheses, we construct the following normalized fund flow variable:

34. Richard A. Ippolito, "Consumer Reaction to Measures of Poor Quality: Evidence from the Mutual Fund Industry," *Journal of Law and Economics*, vol. 35 (April 1992), pp. 45–70; Judith Chevalier and Glenn Ellison, "Risk Taking by Mutual Funds as a Response to Incentives," *Journal of Political Economy*, vol. 105 (December 1997), pp. 1167–200; and Roger M. Edelen, "Investor Flows and the Assessed Performance of Open-End Mutual Funds," *Journal of Financial Economics*, vol. 53 (September 1999), pp. 439–66.

35. Our analysis follows that by Vincent A. Warther, "Aggregate Mutual Fund Flows and Security Returns," *Journal of Financial Economics*, vol. 39 (October 1995), pp. 209–35, and "Has the Rise of Mutual Funds Increased Market Instability?" in Robert Litan and A. Santomero, eds., *Brookings-Wharton Papers on Financial Services* (Brookings Press, 1998), pp. 239–80. See also Mark Grinblatt, Sheridan Titman, and Russ Wermers, "Momentum Investment Strategies, Portfolio Performance, and Herding: A Study of Mutual Fund Behavior," *American Economic Review*, vol. 85 (December 1995), pp. 1088–105; and L. Franklin Fant, "Investment Behavior of Mutual Fund Shareholders: The Evidence from Aggregate Fund Flows," *Journal of Financial Markets*, vol. 2 (1999), pp. 391–402.

$$f(t) = 100 \frac{F(t)}{A_0(1+g)^{t-1}}, t = 1, \dots, 200.$$

Here, $t = 1$ refers to the first month in the sample period (January 1984) and $t = 200$ refers to the last month in the period (August 2000). $F(t)$ is the dollar value of net new cash flows into domestic equity funds, A_0 is the dollar value of the total U.S. stock market capitalization (NYSE + AMEX + Nasdaq) at the beginning of the sample period, and g equals 0.01134 (the average monthly rate of growth of the stock market over the period). Thus $f(t)$ can be thought of as fund flows as a percentage of smoothed stock market capitalization. Deflating flows $F(t)$ by the actual beginning-of-period stock market capitalization would introduce a direct effect of stock market price changes on flows, as the stock market grows and shrinks with price changes. This direct effect would bias downward any estimates of the effect of lagged price changes on current flows because flows would appear smaller (as a percentage of the stock market) precisely when the stock market does well. Therefore, to avoid this bias we normalize fund flows by the smoothed, not the actual, stock market capitalization.

To test the competing price pressure and information hypotheses, one might run the following regressions:

$$(1a) \quad f(t) = k_b + b_0 R(t) + b_1 R(t-1) + \dots + b_6 R(t-6)$$

$$(1b) \quad R(t) = k_c + c_0 f(t) + c_1 f(t-1) + \dots + c_6 f(t-6).$$

Here, $f(t)$ is the normalized flow variable explained above, $R(t)$ is the monthly percent change in the Wilshire 5000 index of stocks, and k_b and k_c are the constant terms in the regression. The regression coefficient estimates for equations 1a and 1b are shown in table A.1. They appear to support the price pressure hypothesis, as current price changes are negatively correlated with lagged flows. They also seem to support the feedback trading hypothesis, because current flows are positively correlated with lagged price changes.

These results are almost completely driven by misspecification. Suppose that there is a slow-moving trend in mutual fund flows (as is strongly suggested by chart 10), so that flows in a given month are made up of this trend and the effect of that month's information $I(t)$. Assume that the trend component of flows can be captured by a simple autoregressive process with six months of lags. Under the information hypothesis, price changes and flows (correcting

A.1. Regressions of flows on price changes and price changes on flows

Independent variable	Coefficient
Flows on price changes	
Constant .....	.04154***
Price change t .....	.00750***
Price change $t-1$ .....	.00214**
Price change $t-2$ .....	.00277***
Price change $t-3$ .....	.00290***
Price change $t-4$ .....	.00311***
Price change $t-5$ .....	.00259***
Price change $t-6$ .....	.00201*
R-squared .....	.33
Price changes on flows	
Constant .....	.82**
Flows t	70.58***
Flows $t-1$	-24.79***
Flows $t-2$	-23.15***
Flows $t-3$	-18.98***
Flows $t-4$	-5.82
Flows $t-5$	7.64
Flows $t-6$	-.09
R-squared .....	.57

NOTE. Flows are defined as monthly net new cash flows to domestic equity mutual funds as a percentage of smoothed stock market capitalization (see appendix text for details). Price change is defined as the monthly percent change in the Wilshire 5000 index. For the dependent variable, regressions use monthly data from July 1984 through August 2000.

* Significant at 10 percent level.

** Significant at 5 percent level.

*** Significant at 1 percent level.

for their trend) are driven only by information $I(t)$ each month. The information hypothesis model is

$$(2a) \quad f(t) = k_d + d_1 I(t) + d_1 f(t-1) + \dots + d_6 f(t-6)$$

$$(2b) \quad R(t) = k_h + h_1 I(t).$$

An analyst who regresses price changes on current and lagged flows, as in equation 1b, when the true model is given by equations 2a and 2b, would estimate coefficients that are in fact spurious. Assume for convenience that the analyst uses only one lag of flows in the regression, estimating

$$R(t) = k_c + c_0 f(t) + c_1 f(t-1).$$

Assume further that only one lag is needed, so that $d_2 = d_3 = \dots = d_6 = 0$. Substituting for $f(t)$ from equation 2a, the regression equation above can be rewritten as

$$R(t) = [k_c + c_0 k_d] + [c_0 d_2] I(t) + [c_1 + c_0 d_1] f(t-1).$$

Comparing this relation with the true relation, given in equation 2b, we see that, with enough data, the parameter estimates k_c , c_0 , and c_1 will be related to the true parameters k_h and h_1 by the system of equations

$$k_c + c_0 k_d = k_h$$

$$c_0 d_2 = h_1$$

$$c_1 + c_0 d_1 = 0.$$

Our hypothetical analyst would falsely conclude that flows push up current price changes (because c_0 would be positive) but depress future price changes (because c_1 would be negative). The same sort of analysis can be applied to regressions of the form in equation 1a to show that the analyst would, falsely, conclude that investors were following a feedback trading strategy. Thus the results in table A.1 cannot be taken as evidence of the price pressure hypothesis because they are entirely consistent with the information hypothesis.

If the true model were actually given by the information hypothesis, specified by equations 2a and 2b, the correct estimation strategy would be to proxy this month's information $I(t)$, which is unobserved, by observed price changes, $R(t)$, while at the same time controlling for the trend in mutual fund flows. The results of these regressions are shown in table A.2. Note that the effect of contemporaneous price changes declines somewhat from the first half of the sample period to the second. This result is consistent with the correlation coefficient shown in chart 13 (top panel), which trends downward over time.

Granger Causality Tests

Although the results in tables A.1 and A.2 are consistent with the information hypothesis, they do not rule out the price pressure hypothesis. We now test directly the proposition that flows to equity mutual

A.2. Regressions of flows on price changes and lagged flows

Independent variable	Coefficient		
	January 1984–August 2000	January 1984–May 1992	June 1992–August 2000
Constant	-.0001	-.0036	.0285***
Price change t .....	.0078***	.0084***	.0071***
Flows $t-1$ .....	.3688***	.2200***	.5079***
Flows $t-2$ .....	.2849***	.2817***	.2201***
Flows $t-3$ .....	.2010***	.2533***	.0692
Flows $t-4$ .....	.0669	.0514	.1344
Flows $t-5$	-.0149	.0519	-.1890**
Flows $t-6$	-.0294	.0116	-.1000
R-squared .....	.79	.77	.61

NOTE. The dependent variable is the monthly net new cash flow to domestic equity mutual funds as a percentage of smoothed market capitalization (see appendix text for details). Price change is defined as the monthly percent change in the Wilshire 5000 index.

** Significant at 5 percent level.

*** Significant at 1 percent level.

funds statistically cause equity market price changes using *Granger causality tests*. If flows can help predict equity price changes, they would be said to *Granger-cause* equity market price changes. Our goal, in essence, is to test statistically whether the negative correlation coefficient between current flows and future price changes, shown in chart 13 (lower panel), is statistically significant. The Granger test requires estimating two regression equations: an unrestricted equation (UR) that regresses current price changes on lagged price changes and lagged flows and a restricted equation (R) that regresses current price changes on lagged price changes only, excluding lagged flows. We then use an *F*-test to test the hypothesis that the coefficients on the lagged flows in the unrestricted equation are jointly equal to zero. Intuitively, if excluding flows affects our ability to explain price changes, then flows must determine, at least in part, price changes. More formally, the equations to fit are

$$(UR) \quad R(t) = x_0 + \sum_{i=1}^n x_i R(t-i) + \sum_{j=1}^m y_j f(t-j)$$

$$(R) \quad R(t) = x_0^* + \sum_{i=1}^n x_i^* R(t-i).$$

The test results are sensitive to the number of lags (the parameters *m* and *n*) used and the time periods over which the equations are estimated. In the upper panel of table A.3 are the results of using six months and twelve months of lags (for both flows and price changes) over the entire sample period as well as over the first and second halves of the period. The table gives the *F*-statistic for the hypothesis that $y_1 = y_2 = \dots = y_n = 0$, that is, that flows do not cause

price changes. Also given is the long-term effect of flows on price changes, which is simply the sum of the coefficients y_i in the unrestricted equation.

We can reject the hypothesis that flows cause price changes for all but one specification, the specification with six lags estimated over the earlier half of the sample period. Because mutual funds were a much smaller part of the equity market in this earlier period, this single result seems somewhat anomalous and cannot be taken as strong evidence for the price pressure hypothesis. Further, tests using the second half of the period, when mutual funds were a larger part of the equity market, indicate that flows do not cause price changes. Consistent with chart 13 (lower panel), the long-term effects are negative, although, again, in most cases they are not statistically different from zero. These results do not provide compelling support for the price pressure hypothesis. Of course, the price pressure effect may play out quite rapidly, with prices rising and then falling within a matter of days, so that with our monthly data we are unable to detect it. However, such a scenario cannot explain the strong simultaneous correlation between flows and price changes that we do observe in the data. Our results indicate that this monthly correlation cannot be ascribed to the price pressure hypothesis.

In the same way that we tested whether flows caused price changes, we can test whether price changes cause flows; that is, we can test the proposition that households are following, in the aggregate, a feedback trader strategy. The lower panel of table A.3 displays the results of Granger causality tests of the effect of price changes on flows. For all specifications we reject the hypothesis that flows cause price changes. Thus, the evidence does not

A.3. Granger causality tests of the effect of flows on price changes and price changes on flows

Number of lags	January 1984–August 2000		January 1984–May 1992		June 1992–August 2000	
	<i>F</i> -statistic	Effect	<i>F</i> -statistic	Effect	<i>F</i> -statistic	Effect
Flows on price changes						
Six .....	.97	-3.33	2.53**	-16.48	1.42	-14.81
Twelve .....	.48	-1.49	1.18	-10.63	1.13	-21.45
Price changes on flows						
Six .....	.74	-.0035	1.65	-.0064	.79	.0001
Twelve	1.06	-.0013	1.21	-.0084	1.06	.0072

NOTE. The upper panel gives the *F*-statistic for the hypothesis test that flows do not cause price changes and the sum of the computed coefficients of the effect of flows on price changes; the lower panel gives the *F*-statistic for the hypothesis test that price changes do not cause flows and the sum of the computed coefficients of the effect of price changes on flows. Flows are defined

as monthly net new cash flows to domestic equity mutual funds as a percentage of smoothed stock market capitalization (see appendix text for details). Price change is defined as the monthly percent change in the Wilshire 5000 index.

** Hypothesis rejected at the 5 percent confidence level.

suggest that households are, in the aggregate, following a feedback trader strategy.

Financial commentators often claim that equity mutual funds play a large role in the domestic stock market. Some claim that the long bull market of the 1990s was driven by cash flows to mutual funds, while others claim, to the contrary, that cash flows to equity funds drive up the stock market only temporarily, after which the market gradually readjusts to its general market value. Underlying both views is the idea that mutual fund investors are somehow less savvy or less informed about equity markets than other investors (for example, institutional investors or

individuals who own stocks directly). Our results do not support this idea. We find that mutual fund investors do not lag the market; that is, they do not invest more in equity funds in the months following a particularly positive performance by the market. Nor do we find evidence that equity fund flows statistically cause market price changes, by either temporarily or permanently pushing stock prices above their market values. We conclude that mutual fund investors react to incoming news and other factors that influence the valuations of stocks in a manner similar to that of other market participants. □

Treasury and Federal Reserve Foreign Exchange Operations

This report, presented by Peter R. Fisher, Executive Vice President, Federal Reserve Bank of New York, and Manager, System Open Market Account, describes the foreign exchange operations of the U.S. Department of the Treasury and the Federal Reserve System for the period from July 2000 through September 2000. Ryan Faulkner was primarily responsible for preparing the report.

During the third quarter, the dollar appreciated 8.2 percent against the euro and 2.0 percent against the yen. On a trade-weighted basis, the dollar ended the quarter 4.1 percent stronger against the currencies of the United States' major trading partners. In addition, the euro depreciated 5.5 percent against the yen over the course of the third quarter. The euro's value during the first half of the quarter was largely influenced by market expectations of a continued net outflow of capital from the euro area, especially related to merger and acquisition activity. During the first week of September, the euro's decline accelerated, prompted by reports of global portfolio reallocations, and contributed to a sharp increase in currency market volatility.

On September 22, the U.S. monetary authorities intervened in the foreign exchange markets, purchasing 1.5 billion euros against the dollar. The

operation, which was divided evenly between the U.S. Treasury Department's Exchange Stabilization Fund and the Federal Reserve System, was coordinated with the European Central Bank (ECB) and the monetary authorities of Japan, Canada, and the United Kingdom.

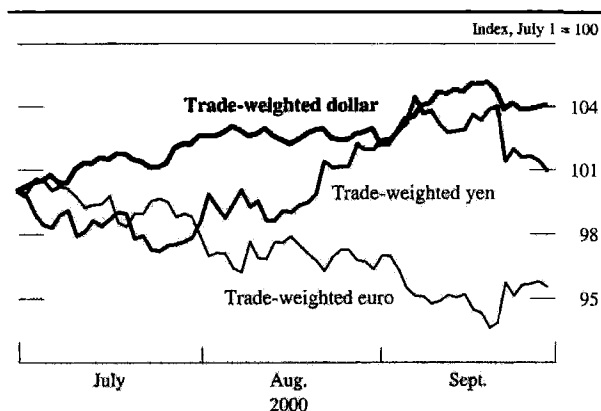
CURRENCY MOVEMENTS DOMINATED BY EURO WEAKNESS DURING THE FIRST HALF OF THE QUARTER

During the first half of the quarter, the euro weakened against the major currencies, having depreciated 4.3 percent against the dollar and 1.5 percent against the yen, and neared the lows reached in May 2000. The depreciation of the euro was widely attributed to market expectations of continued cross-border investment flows out of the euro area that were related to merger and acquisition announcements made in July and August. According to the ECB, the euro area had net outflows of direct investment and portfolio investment in July 2000 of €11.3 billion and €5.9 billion respectively.

The euro's depreciation during the first half of the quarter also coincided with uncertainty regarding the growth prospects for the euro area and the perceived risk that inflationary pressures were growing. In addition, weaker-than-expected German business confidence in June and purchasing manager surveys in July suggested to some market participants that the pace of growth in the euro area was moderating. However, higher-than-expected euro-area inflation for June and July solidified expectations that the ECB would tighten monetary policy, with the implied yield on the three-month December euribor futures contract having risen 18 basis points, to a yield of 5.31 percent during the first half of the quarter. Rising import prices and higher oil prices were cited as the main factors behind the jump in headline inflation.

In the United States, economic data releases during the first half of the quarter supported market expectations that the pace of U.S. economic growth was moderating. Among these data were the weaker-than-expected surveys for June and July from the National

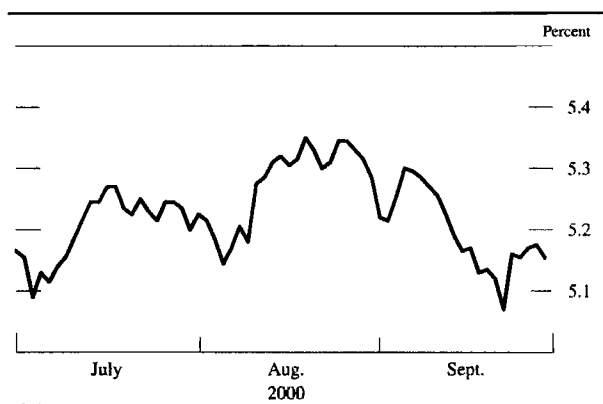
1. Trade-weighted G-3 currencies, 2000:Q3



NOTE. In this and the charts that follow, the data are for business days except as noted.

SOURCE. Bloomberg L.P.

2. Yield implied by the December euribor contract, 2000:Q3

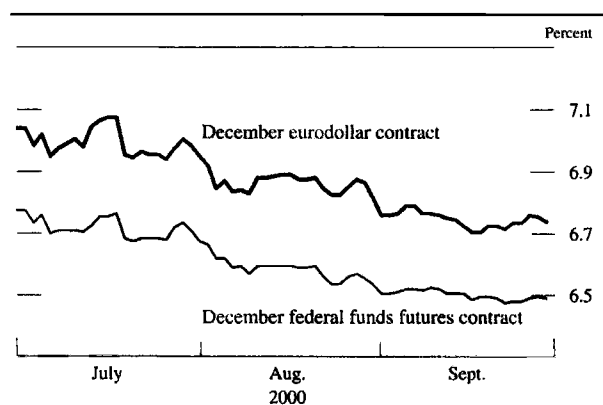


SOURCE: Bloomberg L.P.

Association of Purchasing Managers, the Chicago Purchasing Managers Index survey for July, and construction spending for June. During the first half of the quarter, market participants reduced their expectations for additional tightening of U.S. monetary policy before year-end amid signs of subdued inflation. Over this period, the implied yield on the December federal funds futures contract declined 26 basis points, to 6.60 percent, and ended the quarter at 6.49 percent. Signs that growth could be moderating also led many market participants to lower U.S. earnings forecasts for the remainder of the year. U.S. equities were mixed during the first half of the quarter but then declined during the second half. On balance, the S&P 500 and the Nasdaq composite equity indexes fell 1.2 and 7.4 percent, respectively, during the third quarter.

Short-dated dollar–euro interest rate differentials narrowed during the first half of the quarter but remained in favor of the dollar. The spread of the

3. Implied yields on U.S. interest rate futures contracts, 2000:Q3



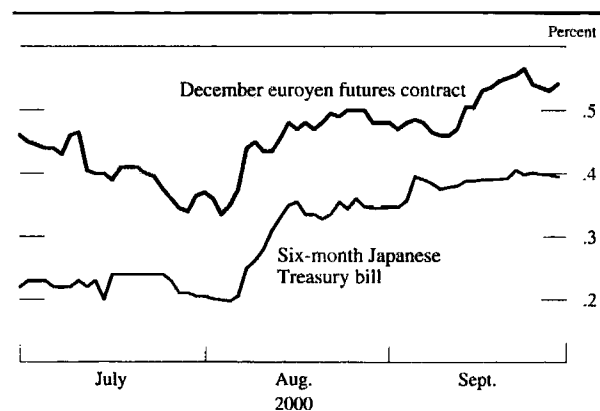
SOURCE: Bloomberg L.P.

two-year dollar swap rate over the two-year euro swap rate fell from 190 to 135 basis points during the quarter, extending the narrowing that began in early May when the spread was 245 basis points. The effect of narrowing interest rate differentials on the euro appeared to be overshadowed by the market’s attention to potential capital flows out of the euro area.

Currency option prices during the first half of the quarter indicated that market anxiety remained relatively low. During July and August, implied volatilities for one-month options on the euro–dollar and euro–yen exchange rate pairs reached their lowest points of the year, averaging 11.2 and 13.4 percent, respectively, over these two months. In addition, prices of euro–dollar risk reversals indicated continued demand for protection against euro appreciation, with one-month euro calls being favored over one-month euro puts.

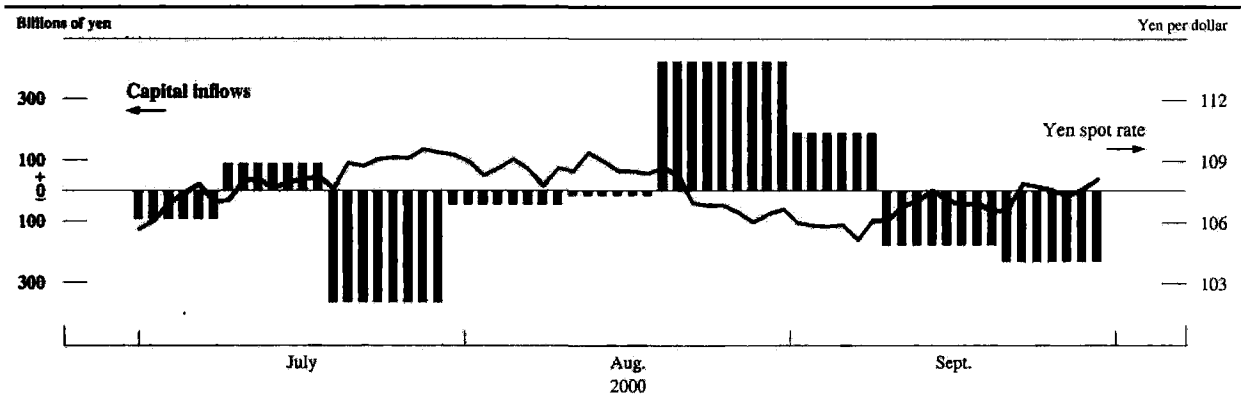
In comparison with the euro, the yen traded in a relatively narrow range against the dollar, between ¥105 and ¥110, in response to mixed evidence regarding Japanese economic conditions, strength in local equity markets, and speculation about the timing of an end to the Bank of Japan’s near-zero interest rate policy. In July, the dollar was supported by diminishing expectations of a near-term increase in Japanese rates after the release of mixed economic data and several corporate bankruptcy announcements. Commentary from Bank of Japan officials and signs of improving economic conditions in August once again raised market expectations for an end to the near-zero interest rate policy. On August 11, the Bank of Japan raised its target for the overnight call rate to 0.25 percent. The reaction in the currency markets was relatively mild, and the yen weakened modestly against the dollar and euro amid specula-

4. Yields on short-term Japanese fixed-income securities, 2000:Q3



SOURCE: Bloomberg L.P.

5. Foreign inflows into Japanese equities and the dollar-yen spot exchange rate, 2000:Q3



NOTE. Capital inflows are weekly data.

SOURCE. Bloomberg L.P.

tion about the effect of higher rates on the Japanese economy.

During the second half of August, the yen strengthened 2.3 and 5.1 percent against the dollar and euro, respectively, amid gains in Japanese equities and signs of continued economic recovery. Although the consumer price index data released in August renewed deflationary concerns, other reports on economic activity, such as June data on machine orders, increased speculation that the Japanese economy continued to recover. The yen was also supported by investor interest in buying Japanese shares, coincident with a 4.4 percent rise in the Nikkei over the last two weeks of August. According to the Ministry of Finance, foreign investors bought ¥350 billion in Japanese stocks in August, marking the first time that they had been net purchasers of Japanese shares since March 2000.

SHARP RISE OF CURRENCY MARKET VOLATILITY IN SEPTEMBER

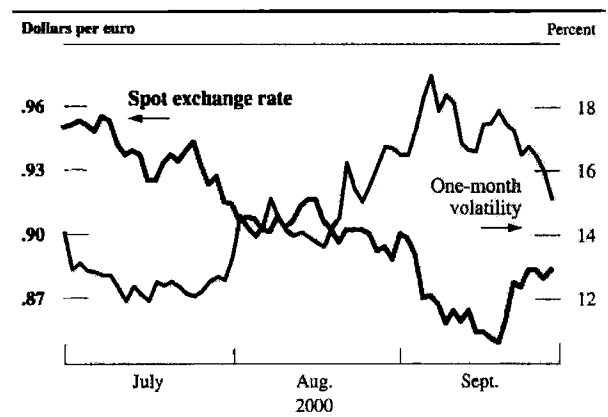
During the first two weeks of September, currency market volatility increased sharply in response to reported portfolio reallocations. In addition to expected outflows from the euro area, the repositioning of Japanese firms in anticipation of the September 30 fiscal-half year-end appeared to have been a major factor behind the sharp currency fluctuations. The depreciation of the euro reportedly prompted Japanese institutional investors who had acquired euro assets at higher exchange rates to sell euros against the yen to hedge or liquidate euro-denominated debt holdings. As investors scaled back their positions, movements in the currency market were exacerbated. In the week after the ECB's decision to raise its main policy rate 25 basis points, to 4.5 percent on August 31, the euro depreciated

2.8 percent against the yen and 1.9 percent against the dollar.

Market nervousness over additional bouts of volatility increased as the euro reached new historic lows against the major currencies, raising market perceptions of the possibility of official intervention in support of the euro. Implied volatility for one-month options on the euro-yen exchange pair jumped 1.5 percentage points in the first week of September, to 18.2 percent, its highest level since April 2000. Implied volatility for options on the euro-dollar exchange pair also increased, with the one-month tenor reaching 14.4 percent on September 8.

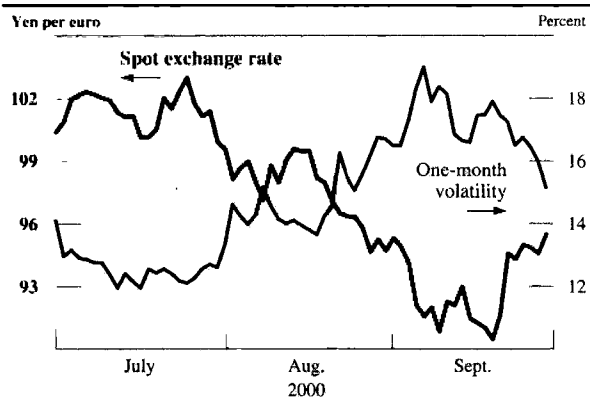
Pressure on other currencies and capital markets also emerged, reflecting a decline in investor risk appetite. In addition to the Japanese repatriation flows, higher oil prices and signs of slower global growth also contributed to uncertainty in the currency markets, as speculation rose about the effect that higher oil prices would have on countries' monetary

6. The euro against the dollar: spot exchange rate and option implied volatility, 2000:Q3



SOURCE. Bloomberg L.P.

7. The euro against the yen: spot exchange rate and option implied volatility, 2000:Q3



SOURCE: Bloomberg L.P.

policies and the ability of some countries to attract international capital. Among the currencies affected were the New Zealand dollar, the Australian dollar, the South African rand, and the Brazilian *real*, which depreciated 13.1, 9.1, 6.3, and 2.0 percent, respectively, against the U.S. dollar over the quarter.

COORDINATED INTERVENTION TO PURCHASE EUROS IN THE MARKET

On September 22, the Federal Reserve Bank of New York (FRBNY) entered the market to purchase euros against dollars for the U.S. monetary authorities in a coordinated intervention operation initiated by the ECB. The Japanese, British, and Canadian monetary authorities also participated in the intervention, purchasing euros with their currencies.

The operation began at 7:11 a.m., with the euro trading at 0.8750 against the dollar, 2.0 percent higher than the closing price the previous day, and at 93.20 against the yen, 1.6 percent higher than the previous day's close. The FRBNY Trading Desk operated intermittently until 9:20 a.m. Over the course of the morning, the U.S. monetary authorities acquired €1.5 billion against \$1.34 billion. The total amount was evenly divided between the U.S. Treasury Department's Exchange Stabilization Fund and the Federal Reserve System.

As the operation began, the U.S. Department of the Treasury issued the following statement: "At the initiative of the European Central Bank, the monetary authorities of the United States and Japan joined with the European Central Bank in concerted intervention in exchange markets, because of their shared concern about the potential implications of recent movements in the Euro for the world economy."

Treasury Secretary Lawrence H. Summers repeated

this statement later that morning during a previously scheduled press conference before the September 23 Group of Seven (G-7) meeting and noted that "British and Canadian authorities also took part in the operation, purchasing euros with their currencies." Secretary Summers also said that "Our policy on the dollar is unchanged. As I have said many times, a strong dollar is in the national interest of the United States."

The euro rose as high as 0.9014 against the dollar and 96.17 against the yen before consolidating its gains just above \$0.88 and ¥94.60. From Thursday's to Friday's close, the euro appreciated 2.4 and 3.2 percent against the dollar and yen respectively. Against the Canadian dollar and British pound, the euro rose 2.1 and 0.9 percent, respectively, over the same period. Although the dollar declined 2.3 percent against the euro from Thursday's to Friday's close, it appreciated by 1.3 percent against the yen over the same period.

In the days after the intervention, the euro traded in a narrow range against the yen and the dollar. For the remainder of the third quarter, the euro-dollar and euro-yen exchange pairs traded in a 0.7 and 1.0 percent range respectively. The implied volatility of one-month euro-dollar options also declined, falling from 16.2 percent on September 22 to 13.4 percent at the quarter's close. Over the same period, the implied volatility of one-month euro-yen options declined from 16.9 to 14.9 percent.

TREASURY AND FEDERAL RESERVE FOREIGN EXCHANGE RESERVES

At the end of the quarter, the current values of the euro and Japanese yen reserve holdings totaled \$15.7 billion for the Federal Reserve System and \$15.7 billion for the Treasury's Exchange Stabilization Fund. The U.S. monetary authorities invest all of 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. To the extent practicable, the investments are split evenly between the Federal Reserve System and the Exchange Stabilization Fund.

A significant portion of the balances is invested in German and Japanese government securities held directly or under repurchase agreement. Government securities held under repurchase agreement are arranged either through transactions executed directly in the market or through agreements with official institutions. Foreign currency reserves are also invested in deposits at the Bank for International Settlements and in facilities at other official institu-

tions. As of September 29, direct holdings of foreign government securities totaled \$8.5 billion, split evenly between the two authorities. Foreign govern-

ment securities held under repurchase agreement totaled \$9.3 billion at the end of the quarter and were also split evenly between the two authorities.

1. Foreign currency holdings of U.S. monetary authorities based on current exchange rates, 2000:Q3
Millions of dollars

Item	Balance, June 30, 2000	Quarterly changes in balances, by source					Balance, Sept. 29, 2000
		Net purchases and sales ¹	Effect of sales ²	Investment income	Currency valuation adjustments ³	Interest accrual and other ⁴	
FEDERAL RESERVE SYSTEM OPEN MARKET ACCOUNT (SOMA)							
Euro	6,637.5	669.7	0.0	66.2	-501.3	...	6,872.1
Japanese yen	8,877.9	0.0	0.0	0.7	-144.8	...	8,733.7
Total	15,515.3	669.7	0.0	66.9	-646.1	...	15,605.8
Interest receivables (net) ⁵	34.5	...	...	...	...	32.3	66.8
Other cash flow from investments ⁴	4.6	...	...	...	...	4.6	0.0
Total	15,554.4	669.7	0.0	66.9	-646.1	27.7	15,672.6
U.S. TREASURY EXCHANGE STABILIZATION FUND (ESF)							
Euro	6,634.7	669.7	0.0	66.2	-501.1	...	6,869.5
Japanese yen	8,877.8	0.0	0.0	0.7	-144.8	...	8,733.8
Total	15,512.5	669.7	0.0	66.9	-645.9	...	15,603.2
Interest receivables ⁵	56.4	...	...	...	...	1.2	57.6
Other cash flow from investments ⁴	4.7	...	...	...	...	-4.7	0.0
Total	15,573.6	669.7	0.0	66.9	-645.9	-3.5	15,660.8

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

1. Purchases and sales for the purpose of this table include foreign currency sales and purchases related to official activity, swap drawings and repayments, and warehousing.

2. This figure is calculated using marked-to-market exchange rates; it represents the difference between the sale exchange rate and the most recent revaluation exchange rate. Realized profits and losses on sales of foreign currencies, computed as the difference between the historical cost-of-acquisition exchange rate and the sale exchange rate, are reflected in table 2.

3. Foreign currency balances are marked to market monthly at month-end exchange rates.

4. Values are cash flow differences from payments and collection of funds between quarters.

5. Interest receivables for the ESF are revalued at month-end exchange rates. Interest receivables for the Federal Reserve System are carried at average cost of acquisition and are not marked to market until interest is paid.

... Not applicable.

2. Net profits or losses (+) on U.S. Treasury and Federal Reserve foreign exchange operations, based on historical cost-of-acquisition exchange rates, 2000:Q3
Millions of dollars

Period and item	Federal Reserve System Open Market Account	U.S. Treasury Exchange Stabilization Fund
<i>Valuation profits and losses on outstanding assets and liabilities, June 30, 2000</i>		
Euro	-869.6	-1,086.3
Japanese yen	1,832.3	2,044.4
Total	962.7	958.2
<i>Realized profits and losses from foreign currency sales, June 30, 2000-Sept. 29, 2000</i>		
Euro	0.0	0.0
Japanese yen	0.0	0.0
Total	0.0	0.0
<i>Valuation profits and losses on outstanding assets and liabilities, Sept. 29, 2000</i>		
Euro	-1,370.9	-1,587.3
Japanese yen	1,687.5	1,899.7
Total	316.6	312.3

3. Reciprocal currency arrangements, September 29, 2000
Millions of dollars

Institution	Amount of facility	Outstanding, Sept. 29, 2000
Reciprocal currency arrangements		
Bank of Canada	2,000	0.0
Bank of Mexico	3,000	0.0
Total	5,000	0.0
Federal Reserve and U.S. Treasury Exchange Stabilization Fund currency arrangements		
Bank of Mexico	3,000	0.0
Total	3,000	0.0

Industrial Production and Capacity Utilization for October 2000

Released for publication November 15

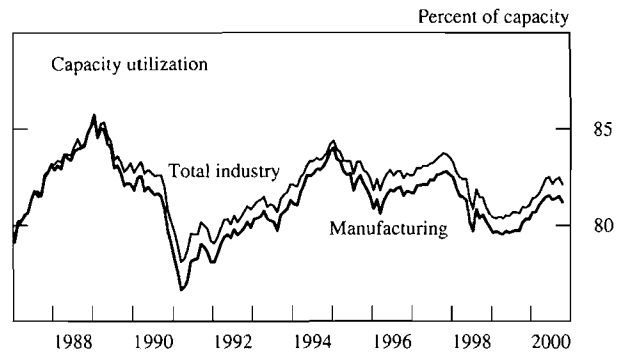
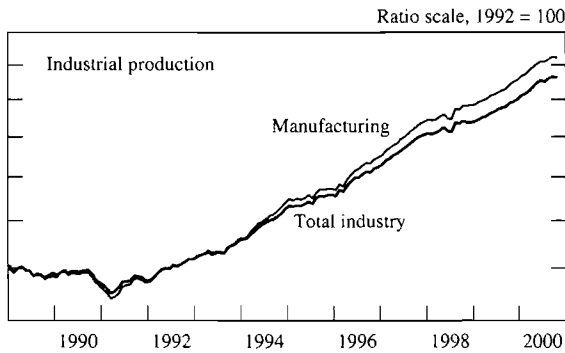
Industrial production edged down 0.1 percent in October after increases in August and September that were revised upward. At 146.3 percent of its 1992 average, industrial production in October was 5.2 percent higher than in October 1999. The rate of capacity utilization for total industry decreased to 82.1 per-

cent, just 0.1 percentage point above its 1967–99 average.

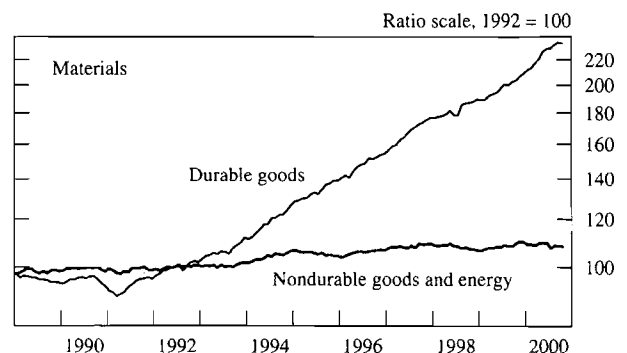
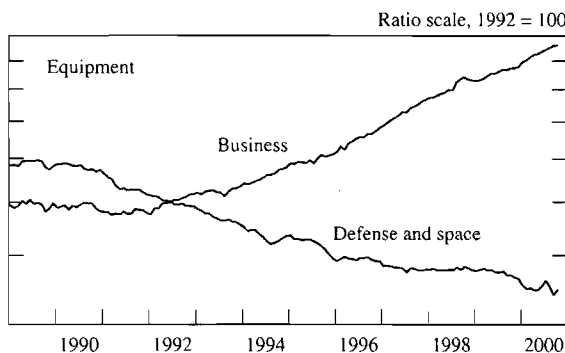
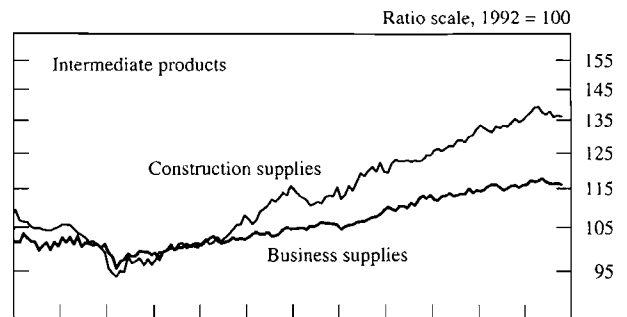
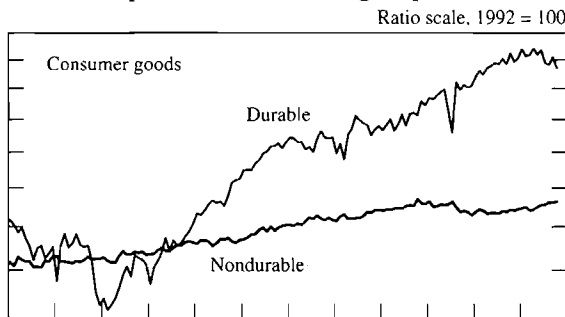
MARKET GROUPS

The output of consumer goods fell 0.4 percent in October, retracing its September rise. The production

Industrial production and capacity utilization



Industrial production, market groups



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

Industrial production and capacity utilization, October 2000

Category	Industrial production, index, 1992=100								
	2000				Percentage change				
					2000 ¹				Oct. 1999 to Oct. 2000
	July ^r	Aug. ^r	Sept. ^r	Oct. ^p	July ^r	Aug. ^r	Sept. ^r	Oct. ^p	
Total	145.1	145.9	146.5	146.3	-2	.5	.4	-1	5.2
Previous estimate	145.0	145.6	146.0	...	-2	.4	.2	...	...
<i>Major market groups</i>									
Products, total ²	131.8	132.0	132.4	132.3	.1	.1	.3	-.1	3.0
Consumer goods	118.8	119.1	119.7	119.2	-5	.3	.4	-.4	.8
Business equipment	188.7	190.2	191.9	192.5	.8	.8	.9	.3	10.1
Construction supplies	137.7	136.0	136.4	136.2	.7	-1.3	.3	-.1	.6
Materials	168.1	170.1	171.0	170.6	-6	1.2	.5	-.2	8.8
<i>Major industry groups</i>									
Manufacturing	151.1	151.7	152.4	152.3	.0	.4	.5	.0	5.6
Durable	190.9	192.4	194.0	193.5	.1	.8	.8	-.3	9.7
Nondurable	113.1	113.1	113.0	113.3	.0	-.1	.0	.2	.3
Mining	102.7	102.9	101.8	102.5	-.1	.1	-1.0	.7	3.3
Utilities	115.2	118.6	119.7	117.4	-3.0	3.0	.9	-1.9	1.9
	Capacity utilization, percent								MEMO Capacity, per- centage change, Oct. 1999 to Oct. 2000
	Average, 1967-99	Low, 1982	High, 1988-89	1999	2000				
				Oct.	July ^r	Aug. ^r	Sept. ^r	Oct. ^p	
Total	82.0	71.1	85.4	81.0	82.2	82.4	82.5	82.1	3.7
Previous estimate .....	...	...	...	...	82.1	82.2	82.2	...	...
Manufacturing	81.1	69.0	85.7	80.2	81.3	81.4	81.5	81.2	4.2
Advanced processing	80.5	70.4	84.2	79.1	81.1	81.5	81.6	81.3	5.5
Primary processing	82.4	66.2	88.9	83.4	82.4	81.8	81.9	81.7	1.2
Mining	87.3	80.3	88.0	82.6	86.3	86.5	85.8	86.5	-1.4
Utilities	87.5	75.9	92.6	89.9	89.1	91.7	92.4	90.6	1.2

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.

of durable consumer goods fell 2.5 percent, in large part because of a drop in the output of automotive products, particularly auto and light truck assemblies. Production also declined across many other categories of consumer durables; the largest of these other decreases was in the production of household appliances.

By contrast, nondurable consumer goods rose 0.2 percent, continuing a pattern of small gains posted over the past several months. Declines in the output of clothing and consumer energy products were more than offset by increases in the production of food and paper products. As a result of unusually warm weather in October, residential sales of electricity dropped; in addition, the production of consumer fuel, including gasoline, decreased.

The production of business equipment moved up 0.3 percent, its smallest increase so far this year. The output of office and computing equipment posted another strong gain, but it was less than the average monthly gain for the first three quarters of the year.

The production of industrial equipment, which had fallen more than 1 percent in September, dropped 0.3 percent further in October. The output of transit equipment decreased 4 percent, a sharp drop largely reflecting declines in motor vehicles. Within the "other equipment" category, the output of farm machinery turned up after having fallen substantially in the third quarter.

The production of construction supplies, which had eased in the third quarter, was little changed. The index for business supplies declined 0.3 percent, a dropoff mainly reflecting lower output of commercial energy products.

Among materials, the production of durable goods materials slipped 0.2 percent, the first decline in this group in more than a year. The output of consumer parts dropped 4.2 percent, with sizable declines in steel and original equipment motor vehicle parts. The production of equipment parts recorded another large increase; as in previous months, the production of semiconductors posted the strongest gains in this

category. The output of nondurable goods materials, which stayed flat for the second consecutive month, was nearly 3 percent below its level of twelve months earlier. The index for energy materials decreased 0.4 percent; cutbacks at utilities more than accounted for the loss.

INDUSTRY GROUPS

Manufacturing output was unchanged following gains of around 1/2 percent in August and September; excluding motor vehicles and parts, however, the gain in October was 0.5 percent. The output of durables decreased, led by losses in motor vehicles and parts, primary metals (particularly iron and steel), and furniture and fixtures. Smaller cutbacks were recorded in lumber and products, fabricated metal products, instruments, and miscellaneous manufacturing goods. Offsetting these declines were further gains in the production of computer and office equipment and semiconductors. After several months of weakness, the production of nondurable goods edged up 0.2 percent, a move buoyed by a 1.0 percent gain in food and a 0.6 percent gain in printing and publishing. Production declined in the apparel, textile mill products, and petroleum products industries.

The overall factory operating rate dropped 0.3 percentage point, to 81.2 percent; capacity utilization at primary-processing industries fell 0.2 percentage point, to 81.7 percent, while utilization at advanced-processing industries fell to 81.3 percent.

The output at utilities fell back almost 2 percent in October; mine production, which was boosted by increases in coal mining and in oil and gas well drilling, increased 0.7 percent.

REVISION OF INDUSTRIAL PRODUCTION AND CAPACITY UTILIZATION

On December 5, the Federal Reserve Board will publish revisions to the index of industrial production (IP), to the related measures of capacity and capacity utilization, and to the index of industrial use of electric power. The updated measures will reflect both the incorporation of newly available, more comprehensive source data typical of annual revisions and, for some series, the introduction of improved compila-

tion methods. The revision will also include a refinement of the method used to aggregate the individual series in the production and capacity indexes. The new source data are for recent years, primarily 1997 through 1999, and the modified methods will affect data from 1992 onward.

The G.17 statistical release will be redesigned with the publication of the revision. Special aggregates will be added; although some detailed industry data will no longer be listed in the regular release, they will be available on the Federal Reserve Board's public web site. On November 15, a template of the redesigned tables will be available on the Board's web site (www.federalreserve.gov/releases/g17).

The updating of source data for IP will include annual data from the following reports of the Bureau of the Census: the 1997 Census of Manufactures, the 1998 Annual Survey of Manufactures, and selected editions of its 1998 and 1999 Current Industrial Reports. Annual data from the U.S. Geological Survey regarding metallic and nonmetallic minerals (except fuels) for 1998 and 1999 will also be introduced. The updating will include revisions to the monthly indicator for each industry (either physical product data, production-worker hours, or electric power usage) and to seasonal factors.

Capacity and capacity utilization will be revised to incorporate preliminary data from the 1999 Survey of Plant Capacity of the Bureau of the Census, which covers manufacturing, along with other new data on capacity from the U.S. Geological Survey, the Department of Energy, and other organizations. The statistics on the industrial use of electric power will incorporate additional information received from utilities for the past few years and will include some data from the 1997 Census of Manufactures and 1998 Annual Survey of Manufactures.

Aggregate industrial production indexes have been built as annually weighted chain-type indexes, beginning with data for 1977. Currently, the weights are changed at the middle of every year; with the coming revision, the weights will change every month, rather than once a year, beginning with data for 1992.

Once the revision is published, it will be made available on the Board's web site. The revised data will also be available through the web site of the Department of Commerce. Further information on these revisions is available from the Board's Industrial Output Section (telephone 202-452-3197). □

Announcements

MODIFICATION OF SUPERVISION PROGRAM FOR U.S. OPERATIONS OF FOREIGN BANKS

The Federal Reserve Board announced on October 24, 2000, that it is updating and streamlining the interagency program for supervising the U.S. operations of foreign banks in cooperation with other federal and state authorities involved in supervising the banks.

The changes, outlined in a supervisory letter (SR 00-14) to Federal Reserve supervisors, include sharing supervisors' Strength of Support Assessment (SOSA) rankings with the senior managers of foreign banks and the banks' home country supervisors. Also, the five current SOSA rankings, A to E, were streamlined into three rankings, 1 to 3.

SOSA rankings, which have been used since 1995, assess a foreign bank's ability to provide financial, liquidity, and management support to its U.S. operations. They serve as a starting point for U.S. bank supervisors in assessing the risks of foreign banks' operations in the United States and in formulating a strategy for their supervision.

Sharing SOSA rankings "should strengthen communications with bank management, as well as enhance information sharing, collaboration, and coordination between the host (U.S.) and home country authorities in the supervision of multinational banking organizations," wrote Richard Spillenkothen, director of the Board's Division of Banking Supervision and Regulation.

U.S. supervisors will continue to provide the senior management of foreign banks and their home country supervisors with examination ratings of the foreign banking organizations' operations in the United States.

Supervisory letters are the Federal Reserve's primary means of communicating key policy directives to its supervisory staff and the banking industry. They can be viewed on the Board's web site: www.federalreserve.gov/boarddocs/srletters.

NEGOTIATION OF ACH TRANSACTION FEES WITH PRIVATE-SECTOR OPERATORS

The Federal Reserve Board announced on October 31, 2000, a new approach to pricing Federal

Reserve Banks' automated clearinghouse (ACH) transactions, which is intended to enhance competition in the provision of services to depository institutions.

The ACH is a nationwide system used to process electronically originated credit and debit transfers. ACH credit transfers include direct deposit payroll payments and corporate payments to contractors and vendors. ACH debit transfers include consumer payments on insurance premiums, mortgage loans, and other bills.

The Reserve Banks and private-sector ACH operators (PSOs) rely on each other to process some transactions in which either the originating depository financial institution or receiving depository financial institution is not their customer. Some industry representatives expressed concern that Reserve Banks' deposit deadlines and price structure do not permit the PSOs to compete effectively.

Under the new approach approved by the Board, the Reserve Banks will negotiate with the PSOs regarding new deposit deadlines and fees for interoperator transactions between Reserve Banks and the PSOs. Eligibility for the new deposit deadlines and fees will be limited to operators as defined by the rules of the National Automated Clearing House Association. The new interoperator deadlines will be implemented no later than June 2001 and the new fees no later than September 2001.

INCREASE IN ADVERSELY CLASSIFIED SYNDICATED LOANS

Syndicated bank loans adversely classified by examiners increased in 2000 for the second consecutive year, according to data released on October 10, 2000, by three federal bank regulatory agencies.

The agencies—the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation—released aggregate data for the past six years and data by major industry sector for the past three years.

Under the Shared National Credit (SNC) Program, the agencies review large syndicated loans annually, usually in May and June. The program, established in 1977, is designed to provide an efficient and consis-

tent review and classification of any loan or loan commitment shared by three or more supervised institutions and totaling \$20 million or more.

In 2000, the SNC Program covered 9,848 credits to 5,844 borrowers totaling nearly \$2 trillion in drawn and undrawn loan commitments. Of the total, \$63 billion, or 3.3 percent, was classified adversely because of default or other significant credit concerns. That percentage is up from 2.0 percent in 1999 and 1.3 percent in 1998, the lowest level of the decade. Classified loans remain low relative to the peak of 10 percent of total commitments recorded in 1991.

Borrowers have drawn down about a third of the \$1.95 trillion in loan commitments, or \$701 billion. Of this amount, \$56 billion, or 8 percent, was classified adversely, up from 5.3 percent in 1999 but down from the peak of 18 percent in 1991.

The percentage of adversely classified credits rose in 2000 for several major industry sectors. Problem loans in the health-care services sector continued to increase after the significant deterioration in 1999, and health care remains the industry with the highest relative concentration of classified SNC loans. Several traditional manufacturing industries also experienced a significant increase in problem credits, and some industries were heavily influenced by problems encountered by leveraged borrowers that had expanded operations aggressively through acquisitions in recent years.

In addition, credits listed as “special mention” by examiners because of potential weakness—a less serious category than the three adverse classifications: substandard, doubtful, and loss—totaled \$36.3 billion in 2000, up from \$31.4 billion in 1999. Special mention loans rose to 1.9 percent of total loan commitments, up from 1.7 percent in 1999.

U.S. banking organizations hold approximately one-half of the value of loans in the SNC Program. Foreign banks hold just over 40 percent, and nonbank and nonfinancial companies and investment funds hold the rest.

INTERAGENCY PROPOSAL TO SIMPLIFY CAPITAL REQUIREMENTS FOR NON-COMPLEX BANKS AND THRIFT INSTITUTIONS

The federal bank and thrift regulatory agencies requested on November 3, 2000, public comment on an advance notice of proposed rulemaking that considers the establishment of a simplified regulatory capital framework for non-complex institutions. The advance notice was published in the *Federal Register* (November 3, 2000).

Comments are due February 1, 2001, to the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, or the Office of Thrift Supervision.

Banks and thrift institutions are required to maintain minimum levels of capital set by U.S. regulators under a framework established by the Basel Accord in 1988. The U.S. and other regulators are currently revising the Accord to provide a more refined assessment of the capital requirements for large, complex, internationally active banks. The agencies seek comment on simplified capital frameworks for non-complex banks and thrift institutions that would conform to the underlying principles of a revised Basel Accord and maintain the principles of prudential supervision, yet would relieve unnecessary regulatory burden.

The advance notice by the agencies observes that a large number of community banks and thrift institutions might benefit from a simpler capital framework that relieves some of the regulatory burden associated with regulatory capital calculations. The agencies suggest criteria that could be used to determine eligibility for a simplified capital framework, such as the nature of a bank’s activities, its asset size, and its risk profile. In the advance notice, the agencies seek comment on possible minimum regulatory capital requirements for non-complex institutions, including a simplified risk-based ratio, a simple leverage ratio, or a leverage ratio modified to incorporate certain off-balance-sheet exposures.

The advance notice solicits public comment on the agencies’ preliminary views, particularly on the following issues:

- Defining a non-complex institution
- Identifying the factors for determining eligibility for a simplified capital framework
- Setting an appropriate minimum capital threshold for non-complex institutions that maintains prudent capital levels and minimizes the regulatory burden associated with calculating that level
- Considering additional options for measuring regulatory capital at non-complex institutions
- Resolving the implementation issues associated with a simplified capital framework.

INTERAGENCY PROPOSAL TO LIMIT SHARING OF CONSUMER DATA AMONG FINANCIAL AFFILIATES

The federal bank and thrift regulatory agencies on October 20, 2000, proposed rules to implement the

Fair Credit Reporting Act's (FCRA) notice and opt-out provisions governing the sharing of information among financial institution affiliates.

The rules, proposed by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision, explain how to comply with affiliate sharing provisions of the FCRA that have been in place since 1996. Comments are due by December 4, 2000.

The Gramm–Leach–Bliley Act (GLBA) restored the agencies' authority to conduct regular examinations for compliance with the FCRA. In addition, the GLBA authorized the agencies to issue joint rules implementing the FCRA.

The agencies minimized the compliance burden on banks and thrift institutions by making the proposed rules for notice and opt-out provisions generally consistent with recently adopted privacy regulations that were required under the GLBA. The proposed rules apply to any institution that wants to share consumer information, other than transaction or experience information, with its affiliates, but does not wish to be considered a consumer reporting agency. The consumer information subject to the rule must bear on a consumer's creditworthiness, credit standing, credit capacity, character, general reputation, personal characteristics, or mode of living. An institution intending to share this information with affiliates without becoming a consumer reporting agency must first provide consumers with a notice advising them of their right to opt out of this information sharing, as well as a reasonable opportunity and convenient means to exercise this right.

ENFORCEMENT ACTIONS

The Federal Reserve Board announced on October 23, 2000, the execution of a written agreement by and between Citizens Deposit Bank and Trust, Vanceburg, Kentucky, and the Federal Reserve Bank of Cleveland.

The Federal Reserve Board announced on October 11, 2000, the execution of a written agreement by and between Bay View Capital Corporation, San Mateo, California, and the Federal Reserve Bank of San Francisco.

The Federal Reserve Board announced on October 6, 2000, the issuance of a final decision and order of prohibition against Carolyn D. Nelson, former assistant vice president, Lone Star National Bank, Pharr, Texas. The order, the result of an action brought by the Office of the Comptroller of the Currency, prohibits Ms. Nelson from participating in the conduct of the affairs of any financial institution or holding company.

CHANGE IN BOARD STAFF

The Board of Governors announced that Oliver Ireland, associate general counsel, would be leaving the Board on Friday, November 24, 2000, after twenty-six years of service with the Federal Reserve System. □

Legal Developments

FINAL RULE—AMENDMENT TO RULES OF PRACTICE FOR HEARINGS

The Board of Governors is amending 12 C.F.R. Part 263, its rules of practice and procedure to adjust the maximum amount, as set by statute, of each civil money penalty (CMP) within its jurisdiction to account for inflation. This action is required under the Federal Civil Penalties Inflation Adjustment Act of 1990, as amended by the Debt Collection Improvement Act of 1996.

Effective October 12, 2000, 12 C.F.R. Part 263 is amended as follows:

Part 263—Rules of Practice for Hearings

1. The authority citation for Part 263 continues to read as follows:

Authority: 5 U.S.C. 504; 12 U.S.C. 248, 324, 504, 505, 1817(j), 1818, 1828(c), 1831o, 1831p-1, 1847(b), 1847(d), 1884(b), 1972(2)(F), 3105, 3107, 3108, 3907, 3909; 15 U.S.C. 21, 78o-4, 78o-5, 78u-2; and 28 U.S.C. 2461 note.

2. Section 263.65 is revised to read as follows:

Section 263.65—Civil penalty inflation adjustments

(a) *Inflation adjustments.* In accordance with the Federal Civil Penalties Inflation Adjustment Act of 1990 (28 U.S.C. 2461 note), the Board has set forth in paragraph (b) of this section adjusted maximum penalty amounts for each civil money penalty provided by law within its jurisdiction. The adjusted civil penalty amounts provided in paragraph (b) of this section replace only the amounts published in the statutes authorizing the assessment of penalties and the previously-adjusted amounts adopted as of October 24, 1996. The authorizing statutes contain the complete provisions under which the Board may seek a civil money penalty. The increased penalty amounts apply only to violations occurring after the effective date of this rule.

(b) *Maximum civil money penalties.* The maximum civil money penalties as set forth in the referenced statutory sections are adjusted as follows:

- (1) 12 U.S.C. 324:
 - (i) Inadvertently late or misleading reports, *inter alia* — \$2200.
 - (ii) Other late or misleading reports, *inter alia* — \$22,000.
 - (iii) Knowingly or recklessly false or misleading reports, *inter alia* — \$1,175,000.

- (2) 12 U.S.C. 504, 505, 1817(j)(16), 1818(i)(2) and 1972(F):
 - (i) First tier — \$5,500.
 - (ii) Second tier — \$27,500.
 - (iii) Third tier — \$1,175,000.
- (3) 12 U.S.C. 1832(c) — \$1,100.
- (4) 12 U.S.C. 1847(b), 3110(a) — \$27,500.
- (5) 12 U.S.C. 1847(d), 3110(c):
 - (i) First tier — \$2,200.
 - (ii) Second tier — \$22,000.
 - (iii) Third tier — \$1,175,000.
- (6) 12 U.S.C. 334, 374a, 1884 — \$110.
- (7) 12 U.S.C. 3909(d) — \$1,100.
- (8) 15 U.S.C. 78u-2:
 - (i) 15 U.S.C. 78u-2(b)(1) — \$5,500 for a natural person and \$60,000 for any other person.
 - (ii) 15 U.S.C. 78u-2(b)(2) — \$60,000 for a natural person and \$300,000 for any other person.
 - (iii) 15 U.S.C. 78u-2(b)(3) — \$120,000 for a natural person and \$575,000 for any other person.
- (9) 42 U.S.C. 4012a(f)(5):
 - (i) For each violation — \$350.
 - (ii) For the total amount of penalties assessed under 42 U.S.C. 4012a(f)(5) against an institution or enterprise during any calendar year — \$115,000.

ORDERS ISSUED UNDER BANK HOLDING COMPANY ACT

Orders Issued Under Section 4 of the Bank Holding Company Act

UniCredito Italiano S.p.A. Milan, Italy

Order Approving Notice to Engage in Nonbanking Activities

UniCredito Italiano S.p.A. (“UniCredito”), a foreign bank subject to the provisions of the Bank Holding Company Act (“BHC Act”),¹ has requested the Board’s approval under sections 4(c)(8) and 4(j) of the BHC Act (12 U.S.C. §§ 1843(c)(8) and 1843(j)) and section 225.24 of the Board’s Regulation Y (12 C.F.R. 225.24) to acquire

1. As a foreign bank operating a branch and representative offices in the United States, UniCredito is subject to certain provisions of the BHC Act by operation of section 8(a) of the International Banking Act of 1978 (12 U.S.C. § 3106(a)).

The Pioneer Group, Inc., Boston, Massachusetts (collectively with its subsidiaries "Pioneer"), and thereby engage in the following nonbanking activities:

1. Providing financial and investment advisory services, pursuant to section 225.28(b)(6) of Regulation Y (12 C.F.R. 225.28(b)(6));
2. Providing certain administrative services for open-end investment companies ("mutual funds");
3. Providing agency transactional services, in accordance with section 225.28(b)(7) of Regulation Y (12 C.F.R. 225.28(b)(7));
4. Acting as a general partner or managing member for certain private investment funds that invest in assets in which a bank holding company is permitted to invest; and
5. Acting as a commodity pool operator for private investment funds organized as commodity pools that invest in assets in which a bank holding company is permitted to invest.

Notice of the proposal affording interested persons an opportunity to submit comments has been published (65 *Federal Register* 43,763 (2000)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4 of the BHC Act.

UniCredito, with total consolidated assets of approximately \$180 billion, is the second largest banking organization in Italy and the 54th largest banking organization in the world.² In the United States, UniCredito operates a branch in New York, New York; and representative offices in Los Angeles, California; Chicago, Illinois; and New York, New York. Pioneer, with total consolidated assets of approximately \$300 million and total assets under management of approximately \$24 billion,³ engages in investment and financial advisory activities and provides administrative services to mutual funds and other institutional customers.⁴

2. UniCredito asset data are as of June 30, 2000, and are based on foreign exchange rates as of that date. Foreign and world ranking data are as of December 31, 1999, and are based on foreign exchange rates as of that date.

3. Pioneer asset data are as of December 31, 1999.

4. Pioneer currently engages in certain activities, including the distribution of mutual fund shares, and controls certain investment vehicles that have investments that are not permissible for a bank holding company. UniCredito has committed to conform the activities, investments, and relationships of Pioneer to those permissible for a bank holding company within two years of acquiring Pioneer. In some cases, mutual funds advised and administered by Pioneer would not have a distributor. In these cases, UniCredito has committed to ensure that Pioneer would not be engaged in distributing these funds. See *Lloyds TSB Group plc*, 84 *Federal Reserve Bulletin* 116 (1998) ("Lloyds"). Among these commitments are that the so-called distributorless funds would employ a marketing officer who is independent of UniCredito and Pioneer, and who would initiate contact with financial intermediaries regarding the sale of fund shares, negotiate broker selling agreements on behalf of the funds, and be responsible for placing, reviewing, and filing with regulators advertisements on behalf of the funds.

Pioneer is, and after consummation of the proposal will continue to be, registered with the Securities and Exchange Commission ("SEC") as an investment advisor under the Investment Advisors Act of 1940 ("1940 Act"), as a broker-dealer under the Securities Exchange Act of 1934 (15 U.S.C. § 78a *et seq.*) ("1934 Act"), and a member of the National Association of Securities Dealers, Inc. ("NASD"). Accordingly, Pioneer is subject to the record-keeping and reporting obligations, fiduciary standards, and other requirements of the 1934 Act, the 1940 Act, the SEC, and the NASD.

Mutual Fund Activities

The Board previously has determined that providing administrative services to mutual funds is closely related to banking within the meaning of section 4(c)(8) of the BHC Act.⁵ UniCredito proposes to provide through Pioneer investment advisory, securities brokerage, and mutual fund administrative services that previously have been approved by the Board, and UniCredito has committed that the proposed activities will be conducted in compliance with Regulation Y and subject to the prudential and other limitations established by the Board.⁶

UniCredito also proposes to have certain director and officer interlocks with the funds. In particular, UniCredito proposes that up to 25 percent of the directors of a mutual fund would be employees, officers, or directors of UniCredito or one of its subsidiaries, including Pioneer. UniCredito proposes that one of these directors may serve as chairman of the board of the fund. In addition, UniCredito seeks to have up to three directors, officers, or employees of UniCredito or its subsidiaries serve as senior officers of the fund and other UniCredito personnel serve as junior-level officers of the fund.⁷

The Board previously has authorized a bank holding company and its nonbank subsidiaries to have limited director and officer interlocks with mutual funds that the bank holding company advises and administers.⁸ As in previous cases, the funds in this case would be controlled by their independent directors, and the independent direc-

5. See, e.g., *Societe Generale*, 84 *Federal Reserve Bulletin* 680 (1998) ("SoGen"); *Bankers Trust New York Corporation*, 83 *Federal Reserve Bulletin* 780 (1997) ("BTNY"); *Commerzbank AG*, 83 *Federal Reserve Bulletin* 679 (1997).

6. See, e.g., *SoGen*, *BTNY*. The administrative services that UniCredito would provide to mutual funds through Pioneer include computing the funds' financial data, maintaining and preserving the records of the funds, providing office facilities and clerical support for the funds, and preparing and filing tax returns for the funds. The services are listed in the Appendix.

7. Senior officers include the president, secretary, treasurer, and vice-presidents with policymaking functions. Junior officers include assistant secretaries, assistant treasurers and assistant vice-presidents of the funds. Junior officers are fund employees who have no authority or responsibility to make policy.

8. See, e.g., *SoGen*; *BTNY*; *Lloyds*; *Travelers Group Inc.*, 84 *Federal Reserve Bulletin* 985 (1998); *BankAmerica Corporation*, 83 *Federal Reserve Bulletin* 913 (1997); *The Governor and Company of the Bank of Ireland*, 82 *Federal Reserve Bulletin* 1129 (1996).

tors would be responsible for the selection and review of the investment adviser, the underwriter, and other major service contractors of the fund.⁹

Other Activities Approved by Regulation or Order

The Board has previously determined that providing financial and investment advisory services, providing agency transactional services for customer investments, acting as a general partner or managing member for private investment funds that make investments that a bank holding company may make, and acting as a commodity pool operator are all closely related to banking within the meaning of section 4(c)(8) of the BHC Act.¹⁰ UniCredito has committed that it will conduct these activities in accordance with the limitations set forth in Regulation Y and the Board's orders and interpretations relating to each of the activities.¹¹

Other Considerations

In order to approve the proposal, the Board is required by section 4(j)(2)(A) of the BHC Act to determine that the acquisition of Pioneer by UniCredito "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."¹²

As part of its evaluation of these factors, the Board considers the financial and managerial resources of UniCredito and its subsidiaries, including the companies to be acquired, and the effect of the proposed transaction on those resources.¹³ UniCredito's capital ratios satisfy applicable risk-based standards under the Basle Accord and are considered equivalent to the capital ratios that would be required of a United States banking organization. Based on all the facts of record, the Board has concluded that financial and managerial considerations are consistent with approval of the notice.

The Board also has considered the competitive effects of the proposed acquisition of Pioneer by UniCredito. To the extent that UniCredito and Pioneer offer different types of products and services, the proposal would result in no loss of competition. In those markets where the product offerings of UniCredito and its subsidiaries and Pioneer do overlap, there are numerous existing and potential compet-

itors. As a result, consummation of the proposal would have a *de minimis* effect on competition for these services, and the Board has concluded that the proposal would not result in a significantly adverse effect on competition in any relevant market.

The Board also expects that the proposed transaction would give UniCredito an increased ability to serve the needs of its customers. In addition, there are public benefits to be derived from permitting capital markets to operate so that bank holding companies can make potentially profitable investments in nonbanking companies and from permitting banking organizations to allocate their resources in the manner they consider to be most efficient when such investments are consistent, as in this case, with the relevant considerations under the BHC Act.

The Board previously has determined that the provision of administrative services to mutual funds within the parameters established by the Board is not likely to result in certain types of subtle hazards or in other significant adverse effects. UniCredito also would be required to comply with the Board's interpretive rule on Investment Adviser Activities,¹⁴ which was designed to mitigate potential conflicts of interests and the potential for customer confusion associated with the proposed activities. Based on the foregoing and all the facts of record, the Board concludes that there is no evidence in the record to indicate that consummation of this proposal is likely to result in significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices, that would outweigh the public benefits of the proposal. Accordingly, based on all the facts of record, the Board has determined that the balance of public interest factors that the Board must consider under section 4(j)(2)(A) of the BHC Act is favorable and consistent with approval of the proposal.

Conclusion

Based on the foregoing, and in light of all the facts of record, the Board has determined that the notice should be, and hereby is, approved. Approval of the notice is specifically conditioned on compliance by UniCredito with all the commitments made in connection with the proposal and with the conditions stated or referred to in this order, including the Board's reservation of authority to establish additional limitations to ensure that UniCredito's activities are consistent with safety and soundness, avoidance of conflicts of interests, and other relevant considerations under the BHC Act.

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 225.25(c) (12 C.F.R. 225.7 and 225.25(c)), and 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 eva-

9. Under the 1940 Act, at least 40 percent of the board of directors of a mutual fund must be individuals who are not affiliated with the mutual fund. The 1940 Act and related regulatory provisions require that the independent directors annually review and approve the mutual fund's investment advisory contract and any plan of distribution or related agreement.

10. See 12 C.F.R. 225.28(b)(6) and (7); *Dresdner Bank AG*, 84 *Federal Reserve Bulletin* 361 (1998) ("*Dresdner*").

11. See 12 C.F.R. 225.28(b)(6) and (7); *Dresdner*.

12. 12 U.S.C. § 1843(j)(2)(A).

13. See 12 C.F.R. 225.26(b); see also *The Fuji Bank, Limited*, 75 *Federal Reserve Bulletin* 94 (1989).

14. 12 C.F.R. 225.125.

sion of, the provisions of the BHC Act and the Board's regulations and orders thereunder. For purposes of the transaction, the commitments and conditions referred to in this order shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective October 23, 2000.

Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Kelley, Meyer, and Gramlich.

ROBERT DEV. FRIERSON
Associate Secretary of the Board

Appendix

List of Administrative Services

1. Maintaining and preserving the records of the funds, including financial and corporate records.
2. Computing net asset value, dividends, performance data, and financial information regarding the funds.
3. Furnishing statistical and research data to the funds.
4. Preparing and filing with the SEC and state securities regulators registration statements, notices, reports, and other materials required to be filed under applicable laws.
5. Preparing reports and other informational materials regarding the funds, including proxies and other shareholder communications, and reviewing prospectuses.
6. Providing legal and other regulatory advice to the funds in connection with their other administrative functions.
7. Providing office facilities and clerical support for the funds.
8. Developing and implementing procedures for monitoring compliance with regulatory requirements and compliance with the funds' investment objectives, policies, and restrictions as established by the boards of directors of the funds.
9. Providing routine accounting services to the funds and liaison with outside auditors.
10. Preparing and filing tax returns.
11. Reviewing and arranging for payment of expenses for the funds.
12. Providing communication and coordination services with regard to the funds' transfer agent, custodian, distributor, and other service organizations that render distribution, recordkeeping, or shareholder communication services.
13. Preparing advertising materials, sales literature, and marketing plans for the funds.
14. Providing information to the distributor's personnel concerning performance and administration of the funds.
15. Participating in seminars, meetings, and conferences designed to present information to financial intermediaries concerning the operations of the funds, including administrative services provided by Pioneer to the funds, but not in connection with the sale of shares of the funds to the public.
16. Assisting in the development of additional funds.
17. Providing reports to the boards of directors of the funds.
18. Providing telephone shareholder services through a toll-free number (telephone service operators will not solicit callers to purchase shares in particular funds or make outgoing calls to solicit investors, but on request of a caller may provide historical performance information concerning a fund or general information concerning a fund's investment objectives).

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

Wells Fargo & Company *San Francisco, California*

Order Approving the Acquisition of a Bank Holding Company

Wells Fargo & Company ("Wells Fargo"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire Brenton Banks, Inc., ("Brenton") and its subsidiary bank, Brenton Bank, both of Des Moines, Iowa. Wells Fargo also has requested the Board's approval under sections 4(c)(8) and 4(j) of the BHC Act (12 U.S.C. §§ 1843(c)(8) and 1843(j)) and section 225.24 of the Board's Regulation Y (12 C.F.R. 225.24) to acquire Brenton's nonbanking subsidiaries, including Brenton Savings Bank, FSB, Ames, Iowa ("Brenton Savings").

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (65 *Federal Register* 54,533 (2000)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in sections 3 and 4 of the BHC Act.

Wells Fargo, with total consolidated assets of \$234 billion, is the seventh largest commercial banking organization in the United States, controlling 3.4 percent of total assets of insured commercial banks in the United States.¹ Wells Fargo operates a large network of subsidiary banks in 23 states, including Iowa.² Wells Fargo is the largest

1. Asset and ranking data are as of June 30, 2000.

2. Wells Fargo operates in Alaska, Arizona, California, Colorado, Idaho, Iowa, Illinois, Indiana, Michigan, Minnesota, Montana, Nebraska, Nevada, New Mexico, North Dakota, Ohio, Oregon, South Dakota, Texas, Utah, Washington, Wisconsin, and Wyoming.

commercial banking organization in Iowa, controlling deposits of \$4.3 billion, representing approximately 10.4 percent of total deposits in depository institutions in the state ("state deposits").³ Brenton, with total consolidated assets of \$2 billion, also operates depository institutions in Iowa. Brenton is the fifth largest commercial banking organization in Iowa, controlling deposits of \$1.5 billion, representing approximately 3.5 percent of state deposits. On consummation of the proposal, and taking into account the proposed divestitures discussed in this order, Wells Fargo would remain the largest commercial banking organization in Iowa, controlling deposits of approximately \$5.7 billion, representing approximately 13.6 percent of state deposits.

Interstate Analysis

Section 3(d) of the BHC Act allows the Board to approve an application by a bank holding company to acquire control of a bank located in a state other than the home state of the bank holding company if certain conditions are met.⁴ For purposes of the BHC Act, the home state of Wells Fargo is California, and Brenton Bank is located in Iowa.⁵

All the conditions for an interstate acquisition enumerated in section 3(d) of the BHC Act are met in this case.⁶ In view of all the facts of record, the Board is permitted to approve the proposal under section 3(d) of the BHC Act.

Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving an application if the proposal would result in a monopoly or would be in furtherance of any attempt to monopolize the business of banking in any relevant market. The BHC Act also prohibits the Board from approving a proposed combination that would substantially lessen competition or tend to create a monopoly in any relevant banking

market, unless the Board finds that the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effects of the proposal in meeting the convenience and needs of the community to be served.⁷

The Board has carefully reviewed the competitive effects of the proposal in the relevant banking markets in light of all the facts of record, including the number of competitors that would remain in the markets, the relative shares of total deposits in depository institutions in the markets ("market deposits") controlled by the companies involved in the transaction,⁸ the concentration levels of market deposits and the increase in these levels as measured by the Herfindahl-Hirschman Index ("HHI") under the Department of Justice Merger Guidelines ("DOJ Guidelines"), and other characteristics of the markets.⁹

Wells Fargo and Brenton compete directly in five banking markets: Ames,¹⁰ Cedar Rapids,¹¹ Des Moines,¹² and Marshall County,¹³ all in Iowa, and Rock Island-Davenport,¹⁴ in Iowa and Illinois. In the Ames, Cedar Rapids, and Rock Island-Davenport banking markets, con-

7. 12 U.S.C. § 1842(c).

8. Market share data are as of June 30, 1999, and are based on calculations that include the deposits of thrift institutions at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. See *WM Bancorp*, 76 *Federal Reserve Bulletin* 788 (1990); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Thus, the Board has regularly included thrift deposits in the calculation of market share on a 50-percent weighted basis. See, e.g., *First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52 (1991). Because the Board has analyzed the competitive factors in this case as if Wells Fargo and Brenton were a combined entity, the deposits of Brenton Savings 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 DOJ Guidelines, 49 *Federal Register* 26,823 (1984), a market in which the post-merger HHI is more than 1800 is considered highly concentrated. The Department of Justice has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Department of Justice has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effects of limited-purpose lenders and other nondepository financial institutions.

10. The Ames banking market is defined as Boone and Story Counties, and Clear Lake, Ellsworth, Lincoln, Lyon, Marion, and Scott Townships in Hamilton County, Iowa.

11. The Cedar Rapids banking market is defined as Linn County and Jefferson Township in Johnson County, Iowa.

12. The Des Moines banking market is defined as Polk County and Linn Township in Warren County, Iowa.

13. The Marshall County banking market is defined as Marshall County and Carlton, Highland, Indian Village, and Spring Creek Townships in Tama County, Iowa.

14. The Rock Island-Davenport banking market is defined as Scott County and Farmington Township in Cedar County, Iowa, and Rock Island County except for Buffalo Prairie and Drury Townships, and Colona, Edgord, Geneseo, and Western Townships in Henry County, Illinois.

3. Deposit data are as of June 30, 1999. In this context, depository institutions include commercial banks, savings banks, and savings associations.

4. See 12 U.S.C. § 1842(d). A bank holding company's home state is the state in which the total deposits of all banking subsidiaries of the company were largest on July 1, 1966, or on the date when the company became a bank holding company, whichever is later. 12 U.S.C. § 1841(o)(4)(C).

5. For purposes of section 3(d) of the BHC Act, the Board considers a bank to be located in the state in which the bank operates a branch or is chartered or headquartered. *NationsBank Corporation*, 84 *Federal Reserve Bulletin* 858 (1998).

6. See 12 U.S.C. §§ 1842(d)(1)(A) and (B) and 1842(d)(2)(A) and (B). Brenton Bank has been in existence and continuously operated for the minimum period required under state law. See Iowa Code Ann. § 524.1805(1) (five year minimum). In addition, on consummation of the proposal, Wells Fargo and its affiliates would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States and would not exceed applicable deposit limitations as calculated under state law. See Iowa Code Ann. § 524.1802(2)(b) (establishing a 15-percent deposit cap). Wells Fargo also meets the capital, managerial, and other requirements established under applicable law.

summation of the proposal without divestitures would be consistent with the DOJ Guidelines and Board precedent.¹⁵

A. Des Moines Banking Market

Wells Fargo's subsidiary bank, Wells Fargo Bank Iowa, National Association, Des Moines, Iowa ("Wells Iowa"), is the largest depository institution in the Des Moines banking market and controls deposits of approximately \$1.9 billion, representing 34.5 percent of market deposits. Brenton Bank is the fifth largest depository institution in the market and controls deposits of approximately \$372.1 million, representing 6.9 percent of market deposits. In order to mitigate the potential anticompetitive effects of the proposal in this market, Wells Fargo has committed to divest three branches of Brenton Bank with at least \$110 million in total deposits at the time of divestiture to a commercial bank that currently does not operate in the market.¹⁶ With this divestiture, the HHI for the market would increase 314 points to 1930, and Wells Fargo would remain the largest depository institution in the Des Moines market with 39.3 percent of market deposits.

B. Marshall County Banking Market

In the Marshall County banking market, Wells Iowa is the seventh largest depository institution and controls deposits of approximately \$24.3 million, representing 3.7 percent of market deposits. Brenton Bank is the second largest depository institution in the market and controls deposits of \$184.7 million, representing 28.4 percent of market deposits. On consummation of the proposal, the HHI would increase 213 points to 2393.

C. Mitigating Factors

As the Board has indicated in previous cases, in a market in which the competitive effects of a proposal exceed the

DOJ Guidelines, the Board will consider whether other factors tend to mitigate the competitive effects of the proposal. The number and strength of factors necessary to mitigate the competitive effects of a proposal depend on the level of market concentration and the size of the increase in market concentration.¹⁷

In reviewing the competitive effects of this proposal, the Board has considered that several factors appear to mitigate the likely effect of the proposal on competition in the Des Moines and Marshall County banking markets. For example, in the Des Moines banking market, 27 banking organizations excluding Wells Fargo would remain in the market after the proposed acquisition. Three of these organizations would each control more than 8.8 percent of market deposits. The market also appears to be attractive to out-of-market and *de novo* competitors. Since 1997, ten depository institutions have entered the Des Moines banking market, five by opening branches, and five *de novo*. An eleventh market entrant is in formation. In addition, Des Moines is the largest market in Iowa in terms of deposits and is increasing in population more rapidly than other metropolitan areas in the state.

In the Marshall County banking market, 11 banking organizations excluding Wells Fargo would remain in the market after the proposed acquisition, including several large multistate banking organizations. Brenton is currently the second largest banking organization in the market, and a merged Wells Fargo/Brenton organization would retain that position in the market. In addition, Marshall County appears to be relatively attractive for entry by out-of-market competitors, as it has increased in population more rapidly and is wealthier than other rural markets in Iowa. Specifically, the population of Marshall County has increased slightly from 1996 to 1999, while other rural Iowa counties decreased in population, on average, during the same period. In addition, per capita income in Marshall County in 1998 was almost 10 percent higher than the average for rural counties in Iowa, and in 1999, the average deposits per bank branch in Marshall County were 60 percent higher than the average for all rural Iowa counties. Seven banking organizations have entered the Marshall County market by acquisition in the last three years.

The Department of Justice has also conducted a detailed review of the anticipated competitive effects of the proposal. The Department of Justice has advised the Board that, in light of the proposed divestitures, consummation of the proposal would not have a significantly adverse effect on competition in any relevant banking market.

After carefully reviewing all the facts of record, and for the reasons discussed in the order, the Board concludes that consummation of the proposal would not likely result in a significantly adverse effect on competition or on the concentration of banking resources in any of the banking markets in which Wells Fargo and Brenton directly com-

15. On consummation of the proposal, Wells Fargo would become the third largest banking organization in the Ames banking market and control \$119.3 million in deposits, representing 9.3 percent of market deposits. The HHI would increase 30 points to 1839. In the Cedar Rapids banking market, Wells Fargo would become the largest banking organization in the market and control \$572 million in deposits, representing 26.9 percent of market deposits. The HHI would increase 268 points to 1662. In the Rock Island-Davenport banking market, Wells Fargo would become the largest banking organization in the market and control \$976.6 million in deposits, representing 21.2 percent of market deposits. The HHI would increase 107 points to 1111.

16. Wells Fargo has committed to execute sales agreements for the proposed divestitures, before consummation of the acquisition of Brenton, with a purchaser determined by the Board to be competitively suitable. Wells Fargo also has committed that, if it is unsuccessful in completing any divestiture within 180 days of consummation, it will transfer the unsold office(s) to an independent trustee that is acceptable to the Board and will instruct the trustee to sell the office(s) promptly to one or more alternative purchasers acceptable to the Board. See *BankAmerica Corporation*, 78 *Federal Reserve Bulletin* 338 (1992); *United New Mexico Financial Corporation*, 77 *Federal Reserve Bulletin* 484 (1991).

17. See *NationsBank Corporation*, 84 *Federal Reserve Bulletin* 129 (1998).

pete or in any other relevant banking market. Accordingly, based on all the facts of record, and subject to completion of the proposed divestitures and compliance with the related commitments, the Board has determined that the competitive factors are consistent with approval of the proposal.

Other Considerations

The BHC Act requires the Board, in acting on an application, to consider the financial and managerial resources and future prospects of the companies and banks involved, the convenience and needs of the communities to be served, and certain supervisory factors. The Board has reviewed these factors in light of the record, including supervisory reports of examination assessing the financial and managerial resources of the organizations and financial information provided by Wells Fargo. Based on all the facts of record, the Board concludes that the financial and managerial resources and the future prospects of Wells Fargo, Brenton, and their respective depository institutions are consistent with approval, as are the other supervisory factors the Board must consider under section 3 of the BHC Act. In addition, considerations related to the convenience and needs of the communities to be served, including the records of performance of the relevant institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) (“CRA”), are consistent with approval of the proposal.¹⁸

Nonbanking Activities

Wells Fargo has filed notice under sections 4(c)(8) and 4(j) of the BHC Act to acquire Brenton’s nonbanking subsidiaries and thereby engage in operating a savings association and in lending activities. The Board has determined by regulation that these activities are closely related to banking for purposes of the BHC Act.¹⁹ Wells Fargo has committed to conduct these nonbanking activities in accordance with the limitations set forth in Regulation Y and the Board’s orders and interpretations.

In order to approve this notice, the Board is required by section 4(j)(2) of the BHC Act to determine that the acquisition of the nonbanking subsidiaries of Brenton by Wells Fargo “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.”²⁰

As part of its evaluation of these factors, the Board considers the financial and managerial resources of Wells Fargo and its subsidiaries, including the companies to be acquired, and the effect of the proposed transaction on those resources. For the reasons noted above, and based on all the facts of record, the Board has concluded that financial and managerial considerations are consistent with approval of the notice.

The Board also has considered the competitive effects of Wells Fargo’s proposed acquisition of the nonbanking subsidiaries of Brenton in light of all the facts of record. For the reasons already discussed, the Board has concluded that Wells Fargo’s proposed acquisition of Brenton Savings would not likely result in decreased or unfair competition or undue concentration of resources in the Ames, Iowa, banking market.

The Board also expects that the proposed transaction would give Wells Fargo an increased ability to serve the needs of its customers through the expansion of its affiliates’ branch network in Iowa, and would give customers of Brenton Bank and Brenton Savings access to products and services offered by Wells Fargo’s other bank and nonbank affiliates, including mortgage and investment banking, insurance agency services, venture capital financing, consumer financing, trust services, international trade financing, leasing, and asset-backed lending. In addition, there are public benefits to be derived from permitting capital markets to operate so that bank holding companies can make potentially profitable investments in nonbanking companies and from permitting banking organizations to allocate their resources in the manner they consider to be most efficient when such investments are consistent, as in this case, with the relevant considerations under the BHC Act.

The Board concludes that the conduct of the proposed nonbanking activities within the framework of Regulation Y and Board precedent is not likely to result in adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices, that would outweigh the public benefits of the proposal, such as increased customer convenience and gains in efficiency. Accordingly, based on all the facts of record, the Board has determined that the balance of public interest factors that the Board must consider under section 4(j)(2)(A) of the BHC Act is favorable and consistent with approval of the proposal.

Conclusion

Based on the foregoing, and in light of all the facts of record, the Board has determined that the application and notice should be, and hereby are, approved. Approval of the application and notice is specifically conditioned on

18. Wells Fargo’s lead bank, Wells Fargo Bank, N.A., San Francisco, California, which accounts for approximately 45 percent of the total consolidated assets of Wells Fargo, received an “outstanding” rating at its most recent examination for CRA performance by its primary federal supervisor, the Office of the Comptroller of the Currency, as of June 1998. All of Wells Fargo’s other subsidiary banks received ratings of either “outstanding” or “satisfactory” at the most recent examinations of their CRA performance. Brenton Bank received a CRA rating of “satisfactory” from the Federal Deposit Insurance Corporation, as of August 1999, and Brenton Savings received a CRA rating of “satisfactory” from the Office of Thrift Supervision, as of January 1998.

19. See 12 C.F.R. 225.28(b)(1) and (4).

20. 12 U.S.C. § 1843(j)(2)(A).

compliance by Wells Fargo with all the commitments made in connection with the proposal and with the conditions stated or referred to in this order, including Wells Fargo's divestiture commitments. The Board's determination on the nonbanking activities also is subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.7 and 225.25(c) (12 C.F.R. 225.7 and 225.25(c)), and 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 thereunder. For purposes of the transaction, the commitments and conditions referred to in this order shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective October 23, 2000.

Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Kelley, Meyer, and Gramlich.

ROBERT DEV. FRIERSON
Associate Secretary of the Board

Wells Fargo & Company
San Francisco, California

Order Approving Acquisition of a Bank Holding Company

Wells Fargo & Company ("Wells Fargo"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire First Security Corporation, Salt Lake City, Utah ("First Security"), and thereby acquire the subsidiary banks of First Security.¹ Wells Fargo also has requested the Board's approval under sections 4(c)(8) and 4(j) of the BHC Act (12 U.S.C. §§ 1843(c)(8) and 1843(j)) and section 225.24 of the Board's Regulation Y (12 C.F.R. 225.24) to acquire certain nonbanking subsidiaries of First Security

and thereby engage in permissible nonbanking activities.² In addition, Wells Fargo has filed an application under section 25 of the Federal Reserve Act (12 U.S.C. §§ 601 *et seq.*) and the Board's Regulation K (12 C.F.R. Part 211) to acquire certain foreign operations and agreement corporation subsidiaries of First Security.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (65 *Federal Register* 45,081 and 45,986 (2000)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in sections 3 and 4 of the BHC Act.

Wells Fargo, with total consolidated assets of \$236.9 billion, is the seventh largest commercial banking organization in the United States, controlling approximately 3.4 percent of banking assets in the United States ("total U.S. banking assets").³ Wells Fargo operates subsidiary banks in 23 western and midwestern states. Wells Fargo is the third largest commercial banking organization in California, controlling deposits of \$55.6 billion, representing approximately 13 percent of total deposits in insured depository institutions in the state ("state deposits").⁴ Wells Fargo also engages in a broad range of permissible nonbanking activities, including mortgage banking, consumer finance, securities brokerage, and equipment leasing.

First Security, with total consolidated assets of \$22.5 billion, is the 39th largest commercial banking organization in the United States, controlling less than 1 percent of total U.S. banking assets. First Security is the largest commercial banking organization in Utah, controlling deposits of \$5.1 billion, representing approximately 26.5 percent of state deposits. First Security also engages in a broad range of permissible nonbanking activities in the United States, including underwriting and dealing in debt and equity securities, providing financial consulting services, and providing data processing services.

After consummation of the proposal and accounting for the proposed divestitures discussed in this order, Wells Fargo would remain the seventh largest commercial banking organization in the United States, with total consolidated assets of \$259.4 billion, representing approximately 3.8 percent of total U.S. banking assets. Wells Fargo also would become the largest commercial banking organization in Utah, controlling deposits of \$5.5 billion, representing approximately 28.8 percent of state deposits. In addition, Wells Fargo would become the largest commercial banking organization in Idaho and Nevada.

2. These nonbanking activities are listed in Appendix A. Wells Fargo also is a financial holding company and intends to acquire the remaining nonbanking subsidiaries of First Security under section 4(k)(4) of the BHC Act.

3. Asset and ranking data are as of June 30, 2000.

4. Deposit data are as of June 30, 1999, and are adjusted to reflect mergers and acquisitions approved after this date. In this context, depository institutions include commercial banks, savings banks, and savings associations.

1. First Security controls the following subsidiary banks: First Security Bank, National Association, Ogden, Utah; First Security Bank of California, National Association, West Covina, California; First Security Bank of Nevada, Las Vegas, Nevada; and First Security Bank of New Mexico, National Association, Albuquerque, New Mexico.

Interstate Analysis

Section 3(d) of the BHC Act allows the Board to approve an application by a bank holding company to acquire control of a bank located in a state other than the home state of the bank holding company if certain conditions are met. For purposes of the BHC Act, the home state of Wells Fargo is California,⁵ and the subsidiary banks of First Security are located in California, Idaho, Nevada, New Mexico, Oregon, Utah, and Wyoming.⁶ All the conditions for an interstate acquisition enumerated in section 3(d) are met in this case.⁷ In light of all the facts of record, the Board is permitted to approve the proposed transaction under section 3(d) of the BHC Act.

Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or would be in furtherance of any attempt to monopolize the business of banking in any relevant market. The BHC Act also prohibits the Board from approving a proposed bank acquisition that would substantially lessen competition in any relevant banking market, unless the Board finds that the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in

meeting the convenience and needs of the community to be served.⁸

Wells Fargo and First Security are among the largest providers of banking services in the western United States and compete directly in 31 local banking markets in eight states.⁹ The Board has reviewed carefully the competitive effects of the proposal in these banking markets in light of all the facts of record, including the number of competitors that would remain in the markets, the relative share of total deposits in depository institutions in the markets ("market deposits") controlled by Wells Fargo and First Security,¹⁰ the concentration level of market deposits and the increase in this level as measured by the Herfindahl-Hirschman Index ("HHI") under the Department of Justice Guidelines ("DOJ Guidelines"),¹¹ and other characteristics of the markets.¹²

A. Certain Banking Markets without Divestitures

Consummation of the proposal without divestitures would be consistent with Board precedent and the DOJ Guidelines in 18 banking markets.¹³ After consummation of the proposal, nine of these banking markets would remain moderately concentrated as measured by the HHI.¹⁴ The other nine banking markets would be highly concentrated

5. A bank holding company's home state is that state in which the total deposits of all banking subsidiaries of the company were the largest on July 1, 1966, or the date on which the company became a bank holding company, whichever is later. 12 U.S.C. § 1841(o)(4)(C).

6. For purposes of section 3(d), the Board considers a bank to be located in the states in which the bank is chartered, headquartered, or operates a branch. In addition to the interstate aspects of this proposal, Wells Fargo would acquire a California bank in an intrastate transaction.

7. Wells Fargo is adequately capitalized and adequately managed, as defined by applicable law. 12 U.S.C. § 1842(d)(1)(A). Each subsidiary bank of First Security has been in existence and operated continuously for at least the period of time required by applicable state law. See 12 U.S.C. § 1841(d)(1)(B). On consummation of the proposal and after accounting for the proposed divestitures, Wells Fargo and its affiliates would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States, and less than 30 percent, or the applicable percentage established by state law, of total deposits held by insured depository institutions in each state in which the insured depository institutions of Wells Fargo and First Security both operate, except as discussed below. See Idaho Code § 26-1606 (LEXIS 1999). Wells Fargo would control more than 30 percent of state deposits in Idaho. However, the state deposit cap contained in section 3(d) does not bar Board approval of a proposal if the appropriate state bank supervisor approves a transaction that exceeds the cap under a provision of state law that does not discriminate against out-of-state banking organizations. See 12 U.S.C. § 1842(d)(2)(D)(ii). The Idaho state bank supervisor has approved the proposed transaction under an appropriate provision of law and, consequently, the state deposit cap contained in section 3(d) does not prevent the Board from approving the proposal. After reviewing the laws of each state in which Wells Fargo would acquire banking operations and consulting with the appropriate state banking regulator in each of those states about the proposed transaction, the Board has concluded that all other requirements of section 3(d) would be met on consummation of the proposal.

8. 12 U.S.C. § 1842(c)(1).

9. The banking markets are described in Appendix B.

10. Market share data are as of June 30, 1999, and are based on calculations in which the deposits of thrift institutions are included at 50 percent, except as discussed in the order. The Board has indicated previously that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. See, e.g., *Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Thus, the Board has regularly included thrift deposits in the calculation of market share on a 50-percent weighted basis. See, e.g., *First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52 (1991).

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

12. Several commenters expressed concern that the proposal would have anticompetitive effects in the relevant banking markets. The Board has carefully reviewed these comments in connection with its consideration of the competitive effects of the proposal.

13. These markets are: Hesperia-Apple Valley-Victorville, Los Angeles, and Riverside-San Bernardino, California; Idaho Falls and Sandpoint, Idaho; Reno, Nevada; Rio Arriba County, Roswell-Artesia, and Santa Fe, New Mexico; Corvallis, Deschutes, Ontario, Portland, and Salem, Oregon; El Paso, Texas; Ogden, and Provo-Orem, Utah; and Spokane, Washington. The effects of the proposal on the concentration of banking resources in these markets are described in Appendix C.

14. These markets are: Hesperia-Apple Valley-Victorville, Los Angeles, Riverside-San Bernardino, Roswell-Artesia, Santa Fe, Corvallis, Ontario, Salem, and Spokane.

as measured by the HHI, but the increase in the HHI would be within the threshold levels in the DOJ Guidelines.¹⁵

B. Certain Banking Markets with Divestitures

To reduce the potential for adverse effects on competition in nine of the 13 remaining markets in which Wells Fargo and First Security compete directly,¹⁶ Wells Fargo has committed to divest 37 branches, which account for approximately \$1.4 billion in deposits.¹⁷ In light of the proposed divestitures, consummation of the proposal would be consistent with Board precedent and the DOJ Guidelines in eight of the markets.¹⁸ The transaction would result in no increase in the HHI in four of these markets: South Lake Tahoe, Hailey, Box Elder, and Park City. In three of the remaining markets, Boise, Carson City, and Albuquerque, the increase in the HHI would be within the threshold levels in the DOJ Guidelines. In the Las Cruces market, a large number of competitors relative to total market deposits would remain, and the market would remain moderately concentrated as measured by the HHI.

C. Other Banking Markets

In the Las Vegas, Nevada; Salt Lake City, Utah; Pocatello and Twin Falls, Idaho; and Truckee-Tahoe California, markets, consummation of the proposed acquisition, accounting for the proposed divestitures in the Las Vegas market,

15. These markets are: Idaho Falls, Sandpoint, Reno, Rio Arriba County, Deschutes, Portland, El Paso, Ogden, and Provo-Orem.

16. Several commenters criticized Wells Fargo for not identifying the specific branches that it would divest in the Box Elder, Carson City, Park City, Sandpoint, and South Lake Tahoe markets during the public comment period and indicated that this omission hindered their ability to comment on the competitive effects of the proposal in these markets. The Board has concluded, however, that the public information provided by Wells Fargo on the proposed divestitures, including the resulting structural effects in each market, was sufficient for interested persons to evaluate and comment on the competitive effects of the proposal.

17. These markets are: South Lake Tahoe, California; Boise and Hailey, Idaho; Carson City and Las Vegas, Nevada; Albuquerque and Las Cruces, New Mexico; and Box Elder and Park City, Utah. With respect to each market in which Wells Fargo has committed to divest offices to mitigate the anticompetitive effects of the proposal, Wells Fargo has committed to execute, before consummation of the proposal, a sales agreement for the proposed divestiture with a purchaser determined by the Board to be competitively suitable and to complete the divestiture within 180 days after consummation of the proposal. Wells Fargo also has committed that, if it is unsuccessful in completing any divestiture within 180 days of consummation, it will transfer the unsold branch(es) to an independent trustee that is acceptable to the Board and will instruct the trustee to sell the branch(es) promptly to one or more alternative purchasers acceptable to the Board. See *BankAmerica Corporation*, 78 *Federal Reserve Bulletin* 338 (1992); *United New Mexico Financial Corporation*, 77 *Federal Reserve Bulletin* 484 (1991). Wells Fargo also has committed to submit to the Board, before consummation of the proposal, an executed trust agreement acceptable to the Board stating the terms of the divestitures.

18. These markets are: Albuquerque, Boise, Box Elder, Carson City, Hailey, Las Cruces, Park City, and South Lake Tahoe. The effects of the proposed merger and divestitures on the concentration of banking resources in these markets are described in Appendix D.

would exceed the DOJ Guidelines. In these markets, the Board has considered whether other factors either mitigate the competitive effects of the proposal in the market or indicate that the proposal would have a significantly adverse effect on competition in the market.¹⁹

Las Vegas, Nevada. Wells Fargo operates the second largest depository institution in the market, controlling deposits of \$2.8 billion, representing approximately 26.2 percent of market deposits. First Security operates the fourth largest depository institution in the market, controlling deposits of \$904 million, representing approximately 8.3 percent of market deposits. Wells Fargo proposes to divest seven branches in the market, with \$392.5 million of deposits, representing approximately 3.6 percent of market deposits, to an out-of-market competitor. After the proposed merger and divestiture, Wells Fargo would operate the largest depository institution in the market, controlling deposits of \$3.3 billion, representing 30.9 percent of market deposits. The HHI would increase by 213 points to 2062.

Several factors indicate that the increase in market concentration in the Las Vegas banking market, as measured by the HHI, does not reflect a significantly adverse effect on competition. Twenty-two other commercial banks and savings associations would remain in the market as competitors of Wells Fargo, including one large multistate banking organization with more than 30 percent of market deposits and another large multistate banking organization with more than 10 percent of market deposits. The market also has several factors that make it attractive for entry by out-of-market competitors. From 1990 to 1999, the population in the Las Vegas Metropolitan Statistical Area (“MSA”) increased 73.5 percent, which was the largest percentage increase in population in any MSA during this period. From 1990 to 1999, employment in Clark County, Nevada, the location of the City of Las Vegas, increased 57.6 percent and, from 1990 to 1998, per capita income in the Las Vegas MSA increased 43 percent. In the Las Vegas banking market, from June 1995 to June 1999, deposits increased 71.4 percent, compared with a national rate of increase of 18 percent during this period. Ten depository institutions have entered the market *de novo* since 1995.

Salt Lake City, Utah. Wells Fargo operates the sixth largest depository institution in the market, controlling deposits of \$387.1 million, representing approximately 4.9 percent of market deposits. First Security operates the largest depository institution in the market, controlling deposits of \$2.8 billion, representing approximately 34.8 percent of market deposits. On consummation of the proposal, Wells Fargo would operate the largest depository institution in the market, controlling deposits of \$3.1 billion, representing approximately 39.7 percent of market deposits. The HHI would increase by 340 points to 2234.

19. The number and strength of factors necessary to mitigate the competitive effects of a proposal depend on the level of concentration and size of the increase in market concentration. See *NationsBank Corporation*, 84 *Federal Reserve Bulletin* 129 (1998).

The presence of numerous bank and thrift competitors is an important consideration in this market. Eighteen other commercial banks and three savings associations would remain after consummation of the proposal, including a large bank holding company that would control more than 18 percent of market deposits. The third, fourth, and fifth largest depository institutions in the market are operated by large multistate banking organizations, each of which controls between 4 percent and 10 percent of market deposits.

In reviewing the competitive effects of the proposal, the Board also has taken into account that credit unions are particularly active competitors in the Salt Lake City market. The Board has noted previously that numerous credit unions in the market are open to all or a substantial majority of persons in the market and operate through street-level branches that are accessible to the public.²⁰ In light of the activities, open membership, branch operations, size, number, and market share of credit unions in the market, the Board has concluded that credit unions exert a competitive influence that mitigates in part the potential anticompetitive effects of the proposal.²¹

In addition, the Salt Lake City market is attractive for entry by additional depository institutions. The population in the Salt Lake City Ranally Marketing Area ("RMA") increased 17.6 percent from 1990 to 1999, which was significantly higher than the national rate of increase. Employment in the City of Salt Lake City increased 30 percent during this period, which was more than twice the national rate.²²

Pocatello, Idaho. Wells Fargo operates the fifth largest depository institution in the market, controlling deposits of \$18.7 million, representing approximately 5 percent of market deposits. First Security operates the largest depository institution in the market, controlling deposits of \$127.2 million, representing approximately 34.4 percent of market deposits. On consummation of the proposal, Wells Fargo would operate the largest depository institution in the market, controlling deposits of approximately \$145.9 million, representing approximately 39.4 percent of market deposits. The HHI would increase by 347 points to 2541.

Several factors mitigate the potential adverse effects that may result from the proposal in the Pocatello banking market. A large number of competing depository institutions, relative to total market deposits, would remain in the market. Eight commercial banks, including Wells Fargo,

and two savings associations would remain in the market after consummation of the proposal. One of these savings institutions is a significant source of commercial loans in the market. Twelve credit unions also compete in the market and control approximately 29 percent of insured deposits in the market. The largest credit union in the market controls approximately 4.9 percent of insured deposits in the market and is open for membership by substantially all residents of the market.²³

The market also has several characteristics that make it attractive for entry. From 1990 to 1999, population in the market increased 12.7 percent; employment in the City of Pocatello increased 31.9 percent; and per capita income in the Pocatello MSA increased 39.4 percent. Four commercial banks and one thrift institution have entered the market *de novo* since 1995. One of these commercial banks has become the fourth largest depository institution in the market and controls 7.9 percent of market deposits. Moreover, the market is becoming less concentrated. From June 1996 to June 1999, the market's HHI decreased approximately 500 points.

Twin Falls, Idaho. Wells Fargo operates the seventh largest depository institution in the market, controlling deposits of \$24.5 million, representing approximately 2.6 percent of market deposits. First Security operates the largest depository institution in the market, controlling deposits of \$379.7 million, representing approximately 39.6 percent of market deposits. On consummation of the proposal, Wells Fargo would operate the largest depository institution in the market, controlling deposits of approximately \$404.2 million, representing approximately 42.2 percent of market deposits. The HHI would increase by 203 points to 2471.

Several factors mitigate the adverse competitive effects that might result from the proposal in the Twin Falls market. From 1990 to 1999, the population in the City of Twin Falls increased 23 percent and employment increased 27 percent. Eleven depository institutions, including Wells Fargo, would remain in the market. Two commercial bank competitors of Wells Fargo each would control more than 15 percent of market deposits, and three large multistate banking organizations operate in the market. Two banks and one savings association have entered the market *de novo* since 1994.

Truckee-Tahoe, California. Wells Fargo operates the fourth largest depository institution in the market, controlling deposits of \$71 million, representing approximately 12.9 percent of market deposits. First Security operates the fifth largest depository institution in the market, controlling deposits of \$45.8 million, representing approximately 8.3 percent of market deposits. On consummation of the proposal, Wells Fargo would operate the third largest depository institution in the market, controlling deposits of approximately \$116.8 million, representing approximately

20. See *First Security Corporation*, 86 *Federal Reserve Bulletin* 122, 126 (2000) ("*First Security Order*").

21. Thirty-one credit unions with competitively significant characteristics compete with banks in the Salt Lake City market and account for approximately 19.9 percent of total deposits in the market. Credit unions control approximately 8.5 percent of all insured deposits in the United States. Although these credit unions are a competitive force, the Board has not considered them to be full competitors of banks because they do not provide the full range of banking products and services. If the Board were to include the deposits of these credit unions in the market and weight them at 50 percent, Wells Fargo would have a post-merger market share of 35.2 percent, and the HHI would increase by 267 points to 1768.

22. Employment increased 12.4 percent in the United States between 1990 and 1998.

23. If the Board were to include the deposits of this credit union in the market at 50 percent, Wells Fargo would have a post-merger market share of 38.1 percent and the HHI would increase by 324 points to 2390.

21.2 percent of market deposits. The HHI would increase by 214 points to 2485.

A number of factors indicate that the competitive effects of the proposal are not likely to be significantly adverse in this market. First, a large number of financial institutions compete in this market relative to the size of total market deposits. Five commercial banks, including Wells Fargo, and one savings association would remain in the market. Three of the competing commercial banks, including the two largest depository institutions in the market, are subsidiaries of large multistate banking organizations. Second, the Truckee-Tahoe banking market has characteristics that make it attractive for entry. From 1990 to 1998, the population in the market's principal towns increased 15 percent, more than twice the average for California. From 1990 to 1999, employment increased 21 percent in Truckee and 32.4 percent in the north shore area of Lake Tahoe. From June 1996 to June 1999, total market deposits in Truckee-Tahoe increased 18.9 percent. One commercial bank entered the market *de novo* in 1995.

D. Views of Other Agencies and Conclusion

The Department of Justice also has conducted a detailed review of the anticipated competitive effects of the proposal. The Department has advised the Board that, in light of the proposed divestitures, consummation of the proposal would not be likely to have a significantly adverse effect on competition in any relevant banking market. The Office of the Comptroller of the Currency ("OCC") and the Federal Deposit Insurance Corporation ("FDIC") have been afforded an opportunity to comment and have not objected to consummation of the proposal.

After carefully reviewing all the facts of record, including public comments on the competitive effects of the proposal, and for the reasons discussed in the order and appendices, the Board has concluded that consummation of the proposal would not be likely to result in a significantly adverse effect on competition or on the concentration of banking resources in any of the 31 markets in which Wells Fargo and First Security both compete or in any other relevant banking market. Accordingly, based on all the facts of record and subject to completion of the proposed divestitures, the Board has determined that competitive factors are consistent with approval of the proposal.

Financial, Managerial, and Other Supervisory Factors

Section 3 of the BHC Act requires the Board to consider the financial and managerial resources and future prospects of the companies and banks involved in the proposal and other supervisory factors. The Board has carefully considered these factors in light of all the facts of record, including public comments.²⁴

Wells Fargo is, and after the proposed transaction would remain, well capitalized and the earnings of the company are strong. The proposed acquisition is structured as an exchange of shares of Wells Fargo for shares of First Security, and Wells Fargo would not incur any debt as a result of the transaction. The Board has considered that Wells Fargo recently acquired other bank holding companies and that Wells Fargo's management successfully integrated the acquired institutions into Wells Fargo's existing operations.

Based on all the facts of record, including confidential reports of examination and other supervisory information received from the primary federal banking agency that supervises each institution, the Board has concluded that considerations relating to the financial and managerial resources and future prospects of Wells Fargo, First Security, and their respective banking subsidiaries are consistent with approval, as are the other supervisory factors that the Board must consider under section 3 of the BHC Act.

Convenience and Needs Considerations

In acting on a proposal under section 3 of the BHC Act, the Board is required to consider the effects of the proposal on the convenience and needs of the community to be served and take into account the records of the relevant depository institutions under the Community Reinvestment Act ("CRA").²⁵ The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of local communities in which they operate, consistent with safe and sound operation, and requires the appropriate federal supervisory agency to take into account an institution's record of meeting the credit needs of its entire community, including low- and moderate-income ("LMI") neighborhoods, in evaluating bank expansion proposals. The Board has carefully considered the convenience and needs factor and the CRA performance records of the subsidiary depository institutions of Wells Fargo and First Security in light of all the facts of record, including public comments received on the effect the proposal would have on the communities to be served by the combined organization.

A. Summary of Public Comments

The Board received approximately 25 comments on the proposal. Most comments expressed concerns about the records of either Wells Fargo, First Security, or both in meeting the convenience and needs of the communities they serve.²⁶ Commenters asserted that Wells Fargo's commitment to lending, community investment, and local deci-

bank acquisitions has compromised its ability to operate in a safe and sound manner. Commenters also noted that First Security recently experienced a decline in earnings.

25. 12 U.S.C. § 2901 *et seq.*

26. Several commenters who objected to the transaction stated that, if the Board were to approve the transaction, the approval should be subject to conditions suggested by the commenters.

24. Several commenters expressed concern about the financial and managerial resources of Wells Fargo and First Security. Some commenters asserted that the rate of Wells Fargo's expansion through

sion making had declined after previous bank acquisitions, particularly in Wells Fargo's home state of California, and expressed concern that Wells Fargo's proposed acquisition of First Security would worsen this perceived trend. Commenters also expressed concern about Wells Fargo's record of lending to LMI and minority individuals and small businesses in various areas and about Wells Fargo's record of providing banking services, particularly in LMI areas.²⁷ One commenter alleged specifically that Wells Fargo Home Mortgage, Inc. ("WFHM", formerly Norwest Mortgage, Inc.), a nonbanking subsidiary engaged in mortgage lending, denied applications by minority individuals at a disproportionately high rate. Some commenters also expressed concern that Wells Fargo had unusually high default rates on mortgage loans made in Washington. In addition, several commenters questioned the business practices of Wells Fargo's subprime lending operations.²⁸

Some commenters also criticized First Security's record of home mortgage lending to LMI and minority individuals, particularly in Idaho, Oregon, Nevada, and Washington. These commenters alleged that First Security's subsidiary banks did not market conventional and government-subsidized loan products adequately to LMI and minority individuals, and that the banks denied loan applications of LMI and minority applicants at a disproportionately high rate. They also asserted that First Security had a poor record of providing banking products and services to LMI individuals and communities in Idaho, Oregon, and Washington.

B. CRA Performance Examinations

The Board long has held that consideration of the convenience and needs factor includes a review of the records of the relevant depository institutions under the CRA. As provided in the CRA, the Board evaluates the record of performance of an institution in light of examinations by the appropriate federal supervisors of the CRA performance records of the relevant institutions. An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because

27. Commenters expressed concern about Wells Fargo's record of home mortgage and small business lending to LMI and minority borrowers in California, Idaho, Montana, Nevada, New Mexico, Oregon, South Dakota, Utah, Washington, and Wisconsin. A coalition of commenters provided survey data from several states in support of its allegations. In particular, commenters alleged that Wells Fargo made a disproportionately low share of its mortgage loans to LMI and minority borrowers relative to these borrower's share of the general population and lagged behind other lenders in the share of its mortgage loans originated among these groups.

28. A coalition of commenters also asserted that Wells Fargo's record of lending to minority individuals suffered as a result of a lack of diversity among Wells Fargo's employees. The BHC Act does not authorize the Board to consider the racial composition of any organization's employees. Under regulations of the Department of Labor, the banking subsidiaries of Wells Fargo are required to file reports with the Equal Employment Opportunity Commission ("EEOC") concerning all employees, and the EEOC has jurisdiction to determine whether companies are in compliance with equal employment opportunity statutes. See 41 C.F.R. 60-1.7(a), 60-1.40.

it represents a detailed, on-site evaluation of the institution's overall record of performance under the CRA by its appropriate federal supervisor.²⁹

All Wells Fargo's subsidiary banks received either "outstanding" or "satisfactory" ratings at the most recent examinations of their CRA performance. In particular, Wells Fargo's lead bank, Wells Fargo Bank, N.A., San Francisco, California ("Wells Fargo Bank"),³⁰ which accounts for approximately 45 percent of the total consolidated assets of Wells Fargo, received an "outstanding" rating at its most recent CRA examination by its primary federal supervisory agency, the OCC, as of June 1998.³¹ All First Security's subsidiary banks received either "outstanding" or "satisfactory" ratings at the most recent examinations of their CRA performance. In particular, First Security Bank, N.A., Salt Lake City, Utah, ("First Security Bank"), which is First Security's lead bank and represents approximately 76 percent of the assets controlled by First Security, received an "outstanding" rating from the OCC, as of May 1999.³²

29. See *Interagency Questions and Answers Regarding Community Reinvestment*, 64 *Federal Register* 23,618 and 23,641 (1999).

30. Wells Fargo Bank operates in California, where it holds 81 percent of its deposits, and eight other western states.

31. Norwest Corporation acquired Wells Fargo in 1998 and retained the Wells Fargo name and is in the process of merging and renaming banks under the combined organization. See *Norwest Corporation*, 84 *Federal Reserve Bulletin* 1088 (1998). Norwest Bank Montana, N.A., Billings, Montana (now Wells Fargo Bank Montana, N.A.), received an "outstanding" CRA performance rating from the OCC, as of August 1997. Although Wells Fargo Bank Wisconsin, N.A., Milwaukee, Wisconsin, has not been examined for CRA performance, each of its predecessor banks received at least a "satisfactory" CRA performance rating from its appropriate federal supervisory agency: Norwest Bank Wisconsin, N.A., Milwaukee, Wisconsin, received an "outstanding" CRA performance rating from the OCC, as of November 1996; Norwest Bank La Crosse, N.A., La Crosse, Wisconsin, received a "satisfactory" CRA performance rating from the OCC, as of February 1997; and Midamerica Bank Hudson, Hudson, Wisconsin, received a "satisfactory" CRA performance rating from the FDIC, as of March 1995 (before the acquisition of the bank by Norwest Corporation). Norwest Bank South Dakota, N.A., Sioux Falls, South Dakota, received an "outstanding" CRA performance rating from the OCC, as of November 1996. Norwest Bank New Mexico, N.A., Albuquerque, New Mexico (now Wells Fargo Bank New Mexico, N.A.), received a "satisfactory" CRA performance rating from the OCC, as of July 1997. Norwest Bank Nevada, N.A., Las Vegas, Nevada (now Wells Fargo Bank Nevada, N.A.), received a "satisfactory" CRA performance rating from the OCC, as of August 1999. Dial Bank, Sioux Falls, South Dakota (now Wells Fargo Financial Bank), a credit card bank controlled by Wells Fargo, received an "outstanding" CRA performance rating from the FDIC, as of June 1999.

32. First Security Bank New Mexico, National Association, Albuquerque, New Mexico, received an "outstanding" CRA performance rating from the OCC, as of December 1995; First Security Bank of Nevada, Las Vegas, Nevada, received a "satisfactory" CRA performance rating from the Federal Reserve Bank of San Francisco, as of January 1999. Although First Security Bank California, West Covina, California, has not been examined for CRA performance, its predecessor banks received "satisfactory" CRA performance ratings from their appropriate federal financial supervisory agencies: California State Bank, West Covina, California, received a "satisfactory" CRA performance rating from the FDIC, as of July 1996; and Marine

Examiners found no evidence of prohibited discrimination or other illegal credit practices, and identified no violations of fair lending laws, at any subsidiary bank of Wells Fargo or First Security.³³ Examiners also reviewed the assessment areas delineated by the subsidiary banks of Wells Fargo and First Security and found that these assessment areas were reasonable and did not arbitrarily exclude LMI areas.³⁴

C. Wells Fargo's CRA Performance Record Overview³⁵

Examiners of Wells Fargo Bank noted that the bank had adopted a business strategy that concentrated on small business lending and de-emphasized residential lending. As a result, the bank's small business lending in California increased by \$2.7 billion compared with the period covered in its previous examination, while its residential lending decreased by \$2.2 billion.³⁶ During the review period, which covered 1996, 1997, and the first quarter of 1998, Wells Fargo Bank made approximately 239,000 small business loans, totaling approximately \$9.3 billion.³⁷ Twenty-six percent of these loans were made to businesses located in LMI areas. Examiners concluded that Wells Fargo Bank's gains in small business lending more than offset the decline in its residential lending.³⁸ Moreover, of the resi-

dential loans made by the bank, 36 percent, totaling \$240 million, were made to LMI borrowers. Examiners of Wells Fargo's other subsidiary banks observed that these banks were active in residential lending and, in general, that their residential lending was well distributed among borrowers and geographies of different income levels.

Examiners stated that Wells Fargo Bank exhibited a strong level of community development lending, particularly in California, Arizona, and Washington, where it originated 149 community development loans, totaling approximately \$651 million. In addition, the bank made more than 2,000 qualified community development investments, totaling more than \$227 million, to capitalize loan pools, community development corporations, and government-subsidized programs and to support nonprofit developers, social services, and support groups. Approximately \$26 million was invested in regional and national organizations that helped to address affordable housing and small business credit needs.³⁹

Examiners determined that Wells Fargo Bank's delivery systems were reasonably accessible to individuals and geographical areas of all income levels throughout the bank's 58 assessment areas. Examiners reported that Wells Fargo Bank offered a variety of loan and deposit products through its branch network, and that the bank offered several alternative delivery systems and products that improved the availability of these products to LMI individuals.⁴⁰

California. Wells Fargo Bank's business and residential lending in California represented 77 percent of the bank's total lending activity. Examiners found that Wells Fargo Bank had a very strong lending record in California, the bank's primary geographic market, based on the bank's large volume of community development lending to support low-income and very-low-income housing develop-

National Bank, Irvine, California, received a "satisfactory" CRA performance rating from the OCC, as of September 1996.

33. One commenter opposed to the proposal alleged that Wells Fargo discriminated against him in a loan transaction. A copy of the comment was provided to the OCC, the primary federal supervisor of the subsidiary bank engaged in the alleged discrimination. The Board also has reviewed this comment in light of all the facts of record, including examinations of the relevant bank under the CRA.

34. Wells Fargo Bank engages in subprime lending through two business units of WFHM, Wells Fargo Mortgage Resources (formerly Directors Acceptance) and Wells Fargo Equity Resources. In addition, Wells Fargo engages in subprime lending through Wells Fargo Financial, Inc. (formerly Norwest Financial, Inc.). Commenters alleged that these subprime lending units engage in predatory lending by targeting minority individuals for subprime loan products. The Board forwarded comments containing these allegations to the Department of Housing and Urban Development, the Department of Justice, and the Federal Trade Commission, which have responsibility for enforcing fair lending laws for nondepository lending companies. Wells Fargo has stated that its subprime lending subsidiaries provide financing to customers who may not otherwise qualify for credit and has provided information about steps these subsidiaries take to ensure that individuals who qualify for conventional loans are informed about prime credit products.

35. The Board recently reviewed in detail the record of Wells Fargo Bank under the CRA. See *Wells Fargo & Company*, 86 *Federal Reserve Bulletin* 602 (2000).

36. Numerous commenters criticized Wells Fargo for its declining record of residential lending and expressed concern that this trend would continue after it acquired First Security.

37. In this context, "small business loans" means loans to businesses in amounts less than \$1 million. Wells Fargo Bank also made 33 percent of its small business loans to businesses with gross annual revenues less than \$1 million ("loans to small businesses").

38. Although the Board has recognized that banks help to serve the banking needs of communities by making a variety of products and services available, the CRA does not require an institution to provide any specific types of products or services, such as mortgage or small business loans, in their assessment areas.

39. One commenter criticized Wells Fargo's record of serving Native American communities and individuals. Examiners found that Wells Fargo Bank provided three loan facilities, totaling \$32 million, to a Native American tribal organization to support construction of a shopping center and recreational facility in a low-income area of a reservation in Arizona and provided economic development loans, totaling \$7 million, to Native American tribes in Oregon. Moreover, Wells Fargo represented that it has various programs and investments designed to meet the needs of Native American communities. Examples of such programs include the Native American Banking Services Program, which offers credit for reservation development and infrastructure improvements; a \$300,000 contribution in 1999 to the First Nations Development Institute to support training and technical assistance for Native American communities to increase their ability to use working capital; and a commitment to invest more than \$2 million in the formation of the Native American National Bank, which would be based in Denver and would serve Native American tribes nationwide.

40. Wells Fargo provided additional information to the Board about the low-cost and basic deposit services its subsidiary banks offer and the methods Wells Fargo uses to promote these services to LMI individuals and communities. For example, Wells Fargo Bank represented that it offers free checking accounts throughout its retail banking territory and provides electronic benefits transfer services designed to assist low-income individuals who do not have a banking relationship or are otherwise underserved to receive federal benefits electronically. Wells Fargo also represented that almost one-half of its retail branches are within one mile of an LMI area and that it has an extensive supermarket retail network.

ment and the bank's large volume of small business loans in LMI areas.⁴¹ Wells Fargo Bank also made approximately 7,000 residential loans in California, totaling approximately \$700 million.

Examiners considered Wells Fargo Bank to be a leader in providing financing for affordable housing. During the review period, Wells Fargo Bank originated 99 community development loans, totaling \$469 million. These loans included financing for 64 affordable housing projects to help construct more than 4,300 affordable housing units, which helped meet an important housing-related lending need in California. The examination report observed that more than one-half of Wells Fargo Bank's financing for affordable housing projects was classified as highly complex under CRA regulations, including arrangements using low-income housing tax credits ("LIHTCs") and government-sponsored programs.

Examiners particularly commended the bank for its innovative approach to and overall level of small business lending in California, where the bank made approximately 191,000 small business loans, totaling more than \$7 billion. Wells Fargo Bank was the leading small business lender in most of its assessment areas and in the state overall and was a leading small business lender in LMI areas in California. The bank originated one out of every three small business loans made by retail banks and savings associations in LMI areas in the state.

Examiners also found that the bank's delivery systems were accessible throughout the state, including LMI areas. Twenty-eight percent of California census tracts were designated as LMI areas, and 22 percent of Wells Fargo Bank's branches were in LMI areas. In addition, 7 percent of the bank's branches were on the border of LMI areas and an additional 20 percent of its branches were within one mile of LMI areas. Examiners concluded that the bank's geographic branch distribution compared favorably with the geographic distribution of residents by income level in the state. Branch hours were reasonable and convenient to LMI areas and individuals, and branch opening and closing activity during the review period did not adversely affect access to the bank's delivery systems by LMI individuals.

Idaho. Wells Fargo Bank originated 2,164 small business loans in Idaho, totaling \$107 million. More than 50 percent of the bank's small business loans were made to

businesses with gross annual revenues less than \$1 million, and 90 percent of the bank's small business loans were in amounts less than \$100,000. Examiners found that Wells Fargo Bank made 80 percent of its small business loans in LMI areas, compared with 17 percent for reporting lenders in the aggregate.

Examiners found that Wells Fargo Bank's distribution of residential lending reflected an adequate penetration among borrowers of all income levels and that the amount of the bank's residential loans to LMI borrowers, as a percentage of the bank's residential lending in Idaho compared favorably to the percentage of LMI households among all Idaho households. The bank generated 806 residential loans in Idaho, totaling \$30 million.

Wells Fargo Bank made three community development loans in Idaho, totaling \$7 million. Examiners noted that these loans helped to provide 180 units of low-income housing, which was a significant need in the assessment areas in which the loans were made. The bank also purchased \$1 million in LIHTCs to provide affordable housing for LMI individuals and granted a nonprofit organization \$150,000 to support micro- and startup-loans for small businesses and provide technical business assistance. Examiners commented that each of these statewide investments was either the largest or the only investment of its kind in Idaho by a commercial bank.

Montana. Examiners found that Norwest Bank Montana, N.A., Billings, Montana ("Norwest Bank Montana"), along with its mortgage lending affiliate, Norwest Mortgage, Inc. ("NMI"), was a leader in conventional residential lending in the Billings MSA and Great Falls MSA, extending more loans reported under the Home Mortgage Disclosure Act ("HMDA") ("HMDA-reported loans"),⁴² measured by number and dollar amount, than any other lender in the market.⁴³ Norwest Bank Montana employed flexible underwriting terms for LMI applicants under its Community Home Ownership Program ("CHOP"), and made 384 home purchase loans, totaling approximately \$18 million, under the program during the CRA review period. Examiners also reported that NMI had a strong record of originating government-sponsored real estate loans under programs sponsored by the Federal Housing Authority, the Department of Veteran's Affairs, and the Farmers Home Administration, and that Norwest Bank Montana and NMI made a significant volume of residential loans to LMI borrowers and in LMI areas.

Examiners found that Norwest Bank Montana demonstrated a strong commitment to supporting community

41. Several commenters from California alleged that Wells Fargo had downgraded its CRA and community development functions. Wells Fargo responded that it had upgraded its community development structure in California to make the company more responsive to local credit needs and provided information about the company's current CRA structure in the state. Moreover, Wells Fargo stated that it extended more than \$195 million in community development loans in 1999 and provided \$205 million in community development loans in California communities during the first seven months of 2000. Wells Fargo indicated that a large portion of these loans were designed to help provide affordable housing. In addition, Wells Fargo indicated that it had recorded a total of \$190 million in qualified community development investments in California, as of July 31, 2000.

42. 12 U.S.C. § 2801 *et seq.*

43. In the Billings banking market, Wells Fargo (including Norwest Bank Montana, NMI, and Norwest Home Improvement) controlled approximately 16 percent of market deposits and made 17 percent of all HMDA-reported loans in the market in 1998 and controlled approximately 14 percent of market deposits and made 14 percent of HMDA-reported loans in 1999. In the Great Falls banking market, Wells Fargo controlled approximately 20 percent of market deposits and made 39 percent of all HMDA-reported loans in the market in 1998 and controlled approximately 19 percent of market deposits and made 40 percent of HMDA-reported loans in 1999.

development and redevelopment initiatives by providing financial support and technical assistance to various organizations and community groups. For example, the bank provided a construction loan of \$956,000 for a 24-unit low-income senior citizen housing complex in Billings and \$1.2 million in permanent financing for a 48-unit affordable housing complex in Great Falls. Norwest Bank Montana also provided bridge loans that assisted nonprofit organizations in constructing housing for LMI individuals.

Norwest Bank Montana was a Small Business Administration ("SBA") designated preferred lender and originated 207 SBA loans in Montana, totaling \$19.2 million, during the review period. Norwest also supported nonprofit organizations that benefited LMI families, small businesses, and farms by providing direct financial contributions and technical expertise.

Nevada. Wells Fargo Bank was a major small business lender in Nevada, making 2,694 small business loans in that state, totaling \$111 million, during the review period. Examiners commented favorably on the bank's lending to small businesses, including small businesses in LMI census tracts. According to examiners, Norwest Bank Nevada, N.A., Las Vegas, Nevada ("Norwest Bank Nevada") also had a good geographic distribution of its small business loans. The bank was commended for its small business loans in LMI census tracts, particularly in the Las Vegas MSA, where the amount of small business loans in low-income census tracts, as a percentage of the bank's total small business lending in the MSA, exceeded both the percentage of small businesses in the state that were located in low-income areas and the bank's overall market share of small business lending. Examiners also noted that Norwest Bank Nevada had an excellent record of lending to businesses of different sizes, with 74 percent of its small business loans originated to businesses with gross annual revenues of \$100,000 or less. Examiners stated that this percentage exceeded the percentage of businesses of this size in the state and was significantly higher than the level of lending to such borrowers by market lenders in the aggregate. Examiners also commented favorably on the bank's record of lending to small farms.⁴⁴

Wells Fargo Bank made 459 residential loans in Nevada, totaling \$15 million. Although the bank's volume of residential lending was relatively low, examiners found that Wells Fargo Bank's loan distribution among areas representing different income levels was good, and that the bank's market share of lending in LMI areas approximated its overall market share of residential loans. The examina-

tion report commended Wells Fargo Bank for the distribution of its residential loans to low-income borrowers.⁴⁵

Norwest Bank Nevada, together with the home mortgage lending subsidiaries of Norwest Corporation, made more residential loans in Nevada than Wells Fargo Bank.⁴⁶ Examiners of Norwest Bank Nevada found that the bank made 9,742 home purchase loans from January 1997 through December 1998 and that it ranked first in the Reno MSA, second in the bank's rural Nevada assessment area, and fourth in the Las Vegas Multistate MSA in the number of home purchase loans originated.⁴⁷ Examiners commended the bank for its distribution of home purchase loans to low-income census tracts in the Las Vegas Multistate MSA and found that the bank's market share of home purchase loans in low-income census tracts was significantly higher than its overall market share of home purchase loans.

In the Las Vegas Multistate MSA, Wells Fargo Bank made loans to two affordable housing projects, totaling \$21 million, that helped to provide 456 affordable housing rental units for low-income families. The bank also made two investments in Nevada to support affordable housing and provided 35 grants, totaling more than \$3 million, to organizations that developed affordable housing. Examiners considered this to be a significant volume of investment relative to the amount of the bank's deposits collected in the state. Examiners of Norwest Bank Nevada also determined that the bank made a significant number of qualified community development investments that all addressed identified needs in its assessment areas. For example, in the Reno MSA, Norwest Bank Nevada invested \$9.6 million

45. In the Reno MSA, where low-income families represented 17 percent of all households, Wells Fargo Bank made 35 percent of its residential loans to low-income borrowers. In the Las Vegas Multistate MSA, which includes portions of Arizona, LMI families represented 37 percent of the population of the MSA and Wells Fargo Bank made 39 percent of its residential loans to LMI borrowers. In rural Nevada, where LMI families represented 37 percent of the population, Wells Fargo Bank made 37 percent of its residential loans to LMI borrowers, and its performance in providing residential credit to low-income borrowers exceeded that of lenders in the aggregate.

46. Examiners stated that Norwest Bank Nevada had a high volume of loan originations in Nevada in 1997 compared with similarly situated commercial banks and noted particularly that the number and dollar volume of the bank's loans increased significantly during the period of 1997 to the end of 1998.

47. One commenter argued that the most recent CRA examination for Norwest Bank Nevada demonstrated that the bank has a poor record of compliance with the CRA. Examiners noted that Norwest Bank Nevada had a poor record of home purchase lending in moderate-income areas of the Las Vegas Multistate MSA. However, the examination report also stated that the bank's distribution of home purchase loans in low-income areas of the Las Vegas Multistate MSA was excellent and that the bank's market share of home purchase loans in low-income areas was significantly higher than its market share of home purchase loans in all geographies. Similarly, although examiners noted that the bank had an uneven distribution of home improvement loans in the Reno MSA, they found that the bank's geographic distribution of home improvement loans was excellent in rural Nevada, adequate in the Las Vegas Multistate MSA, and adequate for the state overall. Examiners rated Norwest Bank Nevada's performance under the lending test component of its overall CRA rating as "high satisfactory."

44. The examination report indicated that there were some low-income areas in which Norwest Bank Nevada made very few or no residential, small business, or small farm loans. However, examiners determined that these gaps resulted primarily from a lack of lending opportunities in these areas because of small population, few owner-occupied homes, or a small number of businesses. Furthermore, examiners concluded that there were no gaps in the bank's lending that were unexplained or that reflected poorly on its lending performance in any assessment area.

in multifamily Fannie Mae Delegated Underwriting and Service LIHTC bonds and \$1.8 million in privately pooled mortgage-backed securities. In the Las Vegas Multistate MSA, the bank made grants to nonprofit organizations, affordable housing projects, small business lenders, and providers of educational and social services for at-risk youth.

New Mexico. During the period covered by its most recent CRA performance examination, Wells Fargo Bank made almost 1,000 small business loans, totaling \$21 million, in New Mexico that were almost all in amounts of less than \$100,000. Examiners found that the bank's percentage of small business loans made in LMI areas was comparable to the percentage of the state's small businesses located in these areas and slightly exceeded the percentage of small business loans made in LMI areas by market lenders in the aggregate. Similarly, examiners determined that Norwest Bank NM's distribution of small business loans was responsive to the credit needs of small businesses. The bank was an active SBA lender with preferred lender status and ranked first in SBA lending in the Albuquerque MSA in 1996. The bank established a Business Solutions Center in Albuquerque to process credit requests of \$250,000 or less from small businesses with gross annual revenues not exceeding \$2 million.

Consistent with its strategic concentration on small business lending, Wells Fargo Bank originated only 34 residential loans in New Mexico, totaling \$2 million, to borrowers in the Santa Fe MSA. Fifty percent of the loans were to low-income borrowers and 29 percent of the loans were in LMI census tracts.

Examiners in the most recent CRA performance examination of Norwest Bank New Mexico, N.A., Albuquerque, New Mexico ("Norwest Bank NM"), considered the bank, along with its affiliate NMI, to be a leading residential lender in its assessment areas. In 1995 and 1996, Norwest Bank NM made 107 CHOP loans, totaling \$16.3 million, and examiners found that the bank's distribution of loans in its assessment area, including LMI areas, was reasonable.⁴⁸

Wells Fargo Bank made one community development investment and 29 grants, totaling \$366,000, in New Mexico during the review period. Examiners concluded that this level of investment was significant when compared to the amount of deposits the bank collected in the state. The bank was the largest provider of funds to an Hispanic community development organization that facilitated small business micro-lending to minorities in economically distressed areas of the state. Examiners also determined that Norwest Bank NM and NMI supported community development projects. The bank provided a \$100,000 line of credit to a nonprofit micro-lender and a revolving line of

credit to a nonprofit economic development organization that made guaranteed and direct loans and offered technical assistance to economically disadvantaged businesses. Norwest Bank NM also issued a \$8.6 million letter of credit to support the expansion of two manufacturing plants in LMI areas, thereby significantly improving employment opportunities for LMI residents in the area.

Oregon. Examiners found that Wells Fargo Bank was a major small business lender in Oregon. The bank made approximately 5,000 small business loans, totaling approximately \$180 million, and examiners considered it to be responsive to the credit needs of small businesses in the state. Wells Fargo Bank's distribution of lending to small businesses in LMI areas compared favorably to the percentage of small businesses located in these areas. The bank made 94 percent of its small business loans in amounts of less than \$100,000 and 53 percent of all its small business loans to businesses with gross annual revenues of less than \$1 million.

Wells Fargo Bank originated 1,618 residential loans in Oregon, totaling \$69 million, during the examination period, and examiners found that the distribution of these loans reflected good penetration among borrowers of all income levels. The percentage of the bank's residential loans made in LMI areas equaled the percentage of all owner-occupied housing units in LMI areas that were in the bank's assessment area. Moreover, Wells Fargo Bank's market share of residential loans to LMI borrowers represented 88 percent of its overall market share of residential loans.

Wells Fargo Bank made seven affordable housing loans in Oregon, totaling \$5 million. Examiners found that these loans helped to provide low-income housing units for senior citizens and families and addressed significant needs in the bank's assessment areas. Wells Fargo Bank also made two economic development loans to Native American tribes, totaling almost \$7 million. In addition, the bank made \$8 million of LIHTC investments that helped finance the acquisition, rehabilitation, and construction of affordable housing units for LMI individuals in Oregon. Wells Fargo Bank also made 76 grants, totaling \$616,000, to support community development, affordable housing, and economic and small business development, and to provide food, shelter, health, and relief services to LMI individuals and families.

*South Dakota.*⁴⁹ Examiners found that Norwest Bank South Dakota, N.A., Sioux Falls, South Dakota ("Norwest Bank SD"), and NMI made more conventional HMDA-

48. Wells Fargo (including Wells Fargo Bank, Wells Fargo Bank NM, NMI, and Norwest Home Improvement) made 22.6 percent of its HMDA-reported loans to LMI individuals in 1998 and 23.9 percent to LMI individuals in 1999. Wells Fargo's record of lending to LMI individuals, however, somewhat lagged the record of lenders in the aggregate for both 1998 and 1999.

49. Wells Fargo also controls a credit card bank, Wells Fargo Financial Bank, Sioux Falls, South Dakota (formerly Dial Bank). At its most recent CRA examination, examiners noted that Dial Bank had a high volume of community development loans, a very high volume of qualified community development investments, and had assumed a leadership role in many projects related to these qualified investments. Examiners concluded that the CRA performance of Dial Bank was commendable in light of "somewhat limited" community development lending and investment opportunities in the Sioux Falls area and intense competition from several other limited-purpose institutions in the area for these types of projects.

reported loans, measured by number and dollar amount, than any other conventional home mortgage lender in the Sioux Falls and Rapid City MSAs. Moreover, Norwest Bank SD and NMI were the leading originators of HMDA-reported loans in moderate-income census tracts and to LMI borrowers in both MSAs.⁵⁰ Norwest Bank SD and NMI made 67 CHOP loans, totaling \$2.6 million, and 926 Community Home Improvement Program ("CHIP") loans, which also used flexible underwriting criteria for LMI applicants, during the CRA examination review period.

According to examiners, Norwest Bank SD participated actively in community development and redevelopment initiatives and provided leadership, technical support, and financial support throughout its assessment area. For example, the bank assumed a leadership role in forming the Sioux Empire Housing Partnership ("SEHP"), a nonprofit corporation devoted to providing affordable housing to LMI individuals in Sioux Falls, and committed \$1 million to SEHP projects and \$500,000 to the SEHP equity fund for the purchase of tax credits. Norwest Bank SD provided over \$7.6 million to finance multifamily LMI housing projects in South Dakota and extended a \$2.8 million loan to the Rapid City YMCA Center, which is in a moderate-income area, to build child care and health facilities and to support gymnastics programs.

Examiners concluded that Norwest Bank SD made a sizeable volume of loans to small businesses and small farms in South Dakota. As of June 30, 1996, Norwest Bank SD had outstanding 9,003 small business loans, totaling \$294 million, and 5,616 small farm loans, totaling \$203 million. Eighty-four percent of these loans were originated in amounts less than \$100,000.

Utah. Wells Fargo Bank made more than 2,000 small business loans in Utah, totaling almost \$138 million, of which 89 percent were in amounts of less than \$100,000, and 46 percent were to businesses with gross annual revenue less than \$1 million. Examiners found that the bank's small business lending in LMI census tracts was good, and that the amount of small business loans made in LMI census tracts, as a percentage of the bank's total small business lending in the state, exceeded the percentage of the state's small businesses located in these areas.

Wells Fargo Bank made 294 residential loans, totaling \$29 million, in the state, and examiners found that the

bank's lending was distributed reasonably among borrowers and geographic areas of all income levels. The amount of residential loans made in LMI areas, as a percentage of the bank's total residential lending in Utah, approximated the percentage of the state's owner-occupied housing units located in these areas. Similarly, the amount of residential loans made to LMI households, as a percentage of the bank's total residential lending in Utah, exceeded the percentage of all Utah households that were LMI.

Wells Fargo Bank made 10 community development loans in Utah, totaling \$21 million, during the bank's review period that supported the development of 428 low-income housing units. The bank also made two community development investments in the Salt Lake City MSA, totaling \$448,000. One investment assisted LMI individuals and families to maintain home ownership, and the other provided financing and management support to start-up and existing small businesses that did not qualify for conventional financing. Wells Fargo Bank also made 59 grants, totaling \$259,000, that were used to provide assistance in the areas of affordable housing, small business development, and economic development and to provide a variety of other services to LMI families in Utah.

Washington. Wells Fargo Bank made more than 8,000 small business loans, totaling almost \$394 million, in Washington, of which 92 percent were in amounts less than \$100,000 and 47 percent went to businesses with gross annual revenue less than \$1 million. Examiners found that these loans were dispersed throughout the state. The amount of the bank's loans to small businesses located in LMI areas, as a percentage of the bank's total business lending, approximated the percentage of the state's small businesses that were located in these areas.

Wells Fargo Bank made 2,118 residential loans in Washington, totaling \$103 million, and examiners found that the amount of residential loans made in LMI census tracts, as a percentage of the bank's total residential lending, approximated the percentage of the state's owner-occupied housing units located in these areas. The bank's residential lending also was well distributed among borrowers of all income levels, and the percentage of the bank's residential loans made to LMI households exceeded the percentage of all Washington households that were LMI.⁵¹

Wells Fargo Bank made nine community development loans in Washington, including \$31 million to support the development of 638 low-income housing units and other affordable housing initiatives and \$6 million to provide community services for LMI individuals. Examiners commended Wells Fargo Bank for its community development investments, totaling almost \$8 million. These investments

50. In 1998, Wells Fargo (including Norwest Bank SD, NMI, and Norwest Home Improvement) controlled approximately 34 percent of market deposits in the Rapid City banking market and made 29 percent of all HMDA-reported loans in the Rapid City MSA; in 1999 Wells Fargo controlled 32 percent of market deposits and made 25 percent of these loans. Wells Fargo controlled approximately 11 percent of market deposits in the Sioux Falls banking market in 1998 and made 33 percent of all HMDA-reported loans in the Sioux Falls MSA; in 1999 the organization controlled approximately 12 percent of market deposits and made 30 percent of these loans. Wells Fargo made 21.2 percent of all its HMDA-reported loans in the Sioux Falls MSA to LMI individuals in 1998. In 1999, the organization made 23.2 percent of its HMDA-reported loans to LMI individuals in the MSA. Lenders in the aggregate in the Rapid City and Sioux Falls MSAs slightly exceeded Wells Fargo in the percentage of loans made to LMI individuals and in LMI census tracts during this time period.

51. Commenters from Washington alleged that Wells Fargo's subsidiaries generally experienced higher default rates on their mortgage loans compared with loan originators in the aggregate. Wells Fargo has indicated that WFHM had received the highest servicing performance rating from Freddie Mac, based on the company's default performance and the effectiveness of its loss mitigation efforts, and that Fannie Mae had recognized WFHM for good performance on defaults and loss mitigation.

helped to provide capital, loan financing, and technical assistance to low-income entrepreneurs and to support the rehabilitation of affordable housing. In addition, Wells Fargo Bank made 198 grants, totaling almost \$2 million, primarily to nonprofit organizations engaged in providing affordable housing, supporting small businesses, and other community revitalization efforts.

*Wisconsin.*⁵² Examiners generally found that each of the predecessor banks to Wells Fargo Bank Wisconsin had made good efforts to address housing, small business, small farm, and consumer credit needs in its communities, that each bank actively invested in its community, and that each bank had a good record of originating loans to LMI individuals and in LMI areas.⁵³

Examiners found, in an examination conducted as of November 1996, that Norwest Bank Wisconsin provided a comprehensive array of loan products to meet community credit needs. Between January 1994 and September 30, 1996, Norwest Bank Wisconsin originated 2,575 small business loans and small farm loans in amounts of less than \$1 million, totaling \$304 million. Examiners found that, in 1996, 72 percent of these loans were to businesses and farms with gross annual revenues of less than \$1 million. As of June 30, 1996, Norwest Bank La Crosse had outstanding 1,150 small business loans, totaling \$54.8 million, and 246 small farm loans, totaling \$2.3 million, of which 83 percent were in amounts of less than \$100,000. Examiners also determined that Midamerica actively participated in economic development projects and made loans that facilitated the start-up, expansion, and relocation of businesses, including women-owned businesses.

Norwest Bank Wisconsin made 50 CHOP loans, totaling \$1.9 million, from January 1995 to June 30, 1996. Similarly, Norwest Bank La Crosse made 17 CHOP loans, totaling approximately \$600,000, in 1994 and 1995. Examiners found that each of the three former Norwest banks in Wisconsin, together with NMI, consistently originated loans through federal government-sponsored loan pro-

grams. Norwest Bank Wisconsin and Norwest Bank La Crosse also participated actively with the Wisconsin Housing and Economic Development Authority ("WHEDA") in its programs to assist LMI individuals to become homeowners.⁵⁴ Examiners also found that all three banks and NMI had a reasonable distribution of loans to LMI individuals and in LMI areas. For example, Norwest Bank Wisconsin and NMI generated 2,455 residential loans to LMI individuals and 1,165 residential loans in LMI areas from January 1994 to September 30, 1996.⁵⁵ Moreover, Norwest Bank Wisconsin's and NMI's market share of residential loans to LMI borrowers was equal to the organizations' overall market share.⁵⁶

Examiners stated that Norwest Bank Wisconsin participated actively in community development initiatives, often assuming a leadership role. The bank provided \$3 million in financing to help build 250 housing units for LMI individuals in Milwaukee and participated in a program to provide matching funds to assist LMI loan applicants with down payments. Norwest Bank Wisconsin also provided \$10 million in funding to seven projects devoted to developing LMI multi-family housing in various communities in Wisconsin and provided capital to projects designed to expand job opportunities for LMI individuals. Examiners found that Norwest Bank La Crosse participated in projects to provide rental housing to students and in LMI communities and originated loans to support revitalization and job growth in the inner city area of La Crosse. Examiners reported that Midamerica had funded the expansion of community facilities, such as a hospital and a YMCA, and provided check cashing and other banking services at a retirement home to meet the special needs of elderly community members.

D. First Security's CRA Performance Record⁵⁷

As noted above, First Security Bank received an overall rating of "outstanding" at its most recent examination for CRA performance. Examiners commented favorably on

52. As of June 24, 2000, Norwest Bank Wisconsin, N.A., Milwaukee, Wisconsin ("Norwest Bank Wisconsin"), was renamed Wells Fargo Bank Wisconsin, N.A. ("Wells Fargo Bank Wisconsin"), and consolidated with Norwest Bank La Crosse, N.A., La Crosse, Wisconsin ("Norwest Bank La Crosse"), and Midamerica Bank Hudson, Hudson, Wisconsin ("Midamerica").

53. One commenter criticized Wells Fargo's record of residential lending to LMI and minority borrowers in Wisconsin based on data available after the most recent CRA examinations of Wells Fargo's Wisconsin banks. Wells Fargo has represented that, in 1999, the percentage of conventional home mortgage loans made to minority individuals in Wisconsin by Wells Fargo's subsidiaries was comparable with the percentage of these loans to minority individuals in Wisconsin by lenders in the aggregate. Moreover, Wells Fargo has stated that, in 1999, the percentage of conventional home mortgage loans to LMI individuals in Wisconsin by Wells Fargo's subsidiaries approximated the percentage of these loans by lenders in the aggregate in all but the La Crosse and the Milwaukee-Waukesha MSAs. Wells Fargo further has represented that, based on 1998 market share data, the percentage of home purchase loans by Wells Fargo's subsidiaries in the La Crosse and Milwaukee-Waukesha MSAs was comparable with the percentage of loans by Wells Fargo to all borrowers in those MSAs, regardless of the borrower's income.

54. Wells Fargo has indicated that demand for WHEDA loans from Midamerica may have been limited by the relatively high income levels of the communities the bank serves.

55. In the eight MSAs included in Wells Fargo's Wisconsin assessment area, Wells Fargo (including the three former Norwest banks, NMI, and Norwest Home Improvement) made 2,297 HMDA-reported loans to LMI individuals in 1998, which represented 19.9 percent of all HMDA-reported loans by Wells Fargo. In 1999, Wells Fargo made 2,140 HMDA-reported loans to LMI individuals in these assessment areas, which represented 27.2 percent of all HMDA-reported loans by the bank. The percentage of Wells Fargo's HMDA-reported loans to LMI individuals in these areas in 1998 and 1999 was slightly below that of lenders in the aggregate.

56. One commenter questioned whether Wells Fargo's subsidiary banks in Wisconsin complied with section 109 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (12 U.S.C. § 1835a). The Board has been advised by the appropriate federal banking supervisors that all Wells Fargo's subsidiary banks satisfy the provision.

57. The Board recently reviewed in detail the record of First Security's subsidiary banks under the CRA. See *First Security Order* at 131-132.

the bank's responsiveness to community lending needs and rated the institution's lending activities "outstanding" on the lending test component of its CRA performance rating.⁵⁸ At the state level, examiners rated First Security Bank's lending activities "outstanding" in Utah and "high satisfactory" in Idaho and Oregon. Examiners found that the bank had a good distribution of home mortgage loans to borrowers of all income levels. The bank's record of home purchase lending to low-income individuals in Idaho and Oregon was good and its record of home purchase lending to moderate-income individuals was excellent. First Security Bank also was responsive to the credit needs of small businesses in the bank's assessment areas and had a good record of lending to businesses of different sizes. In addition, examiners commended the bank for its responsiveness to the credit needs of small farms. Examiners noted that First Security Bank regularly used flexible underwriting practices to meet the credit needs of LMI homebuyers and small businesses in Idaho and Oregon.

Examiners stated that First Security Bank had a high level of community development lending and investment activity, and rated the bank "high satisfactory" on the investment test component of its CRA performance evaluation. Of particular note was the bank's level of investment in affordable housing projects. In Idaho, First Security Bank made qualified loans totaling \$12 million, which helped to develop 442 affordable housing units. The bank also made complex investments involving LIHTCs that generated an additional 58 units of affordable housing. In Oregon, the bank made three loans, totaling \$2.2 million, to support the development of 156 affordable housing units, made a qualified loan of \$130,000 to support other affordable housing initiatives, and provided \$3.9 million to a project to develop government-subsidized affordable housing. In addition, First Security Bank made 20 community development investments, totaling \$801,000, which examiners characterized as an adequate response to community needs in light of the investment opportunities available in the area.

First Security Bank received a rating of "outstanding" on the service test component of its CRA evaluation. Examiners commended the bank for the geographical distribution of its branches and ATMs throughout in its Idaho assessment areas, noting that the percentage of the bank's branches and ATMs located in LMI areas exceeded the percentage of all state geographies that were designated

LMI areas. Examiners also determined that First Security Bank's business hours in Idaho were reasonable and accommodated customer needs, noting that 27 percent of the bank's branches, including several branches in LMI geographies, offered Saturday hours. Similarly, examiners concluded that First Security Bank's branches and ATMs in Oregon were well distributed, and that the bank's business hours accommodated customer needs.

E. HMDA Data

The Board also has considered Wells Fargo's and First Security's records in light of comments on data provided by the organizations' subsidiaries under HMDA.⁵⁹ HMDA data for 1998 and 1999 indicate that Wells Fargo generally lagged the aggregate of lenders in its assessment areas in the percentage of its housing-related loans that were made to LMI individuals and for properties in LMI census tracts. The data do not indicate, however, that Wells Fargo neglected home mortgage lending or systematically omitted any particular racial, economic, or geographic segment of its communities under its home mortgage lending programs. The 1998 and 1999 data also show generally that the percentage of Wells Fargo's housing-related loans to Native Americans, African Americans, and Hispanics approximated the percentage of such loans to minority individuals by lenders in the aggregate in Wells Fargo's assessment areas. Typically, however, the percentages of housing-related loans to minority individuals by Wells Fargo and lenders in the aggregate were less than the percentage of these individuals in the total population of the assessment areas. Similarly, although denial disparity ratios vary widely among groups of applicants and by area, Wells Fargo's denial disparity ratios for minority individuals were generally higher than the denial disparity ratios for lenders in the aggregate in its assessment areas.

The 1998 and 1999 HMDA data for First Security in the MSAs cited by commenters indicate that the percentage of housing-related loans by the organization to LMI individuals and in LMI census tracts was comparable with or exceeded the lending activities by lenders in the aggregate to LMI individuals and in LMI areas. The percentage of First Security's housing-related loans to minority individuals was comparable with the percentage of these loans by lenders in the aggregate in the State of Utah and the percentage of First Security's housing-related loans to Hispanics approximated or exceeded the percentage of these loans by lenders in the aggregate in the other cited markets. With limited exceptions, however, there were too few Native Americans or African Americans in the other cited

58. A Nevada commenter particularly criticized First Security's record of making small business and residential loans to minority individuals and its record of making small business loans in LMI areas. First Security Bank of Nevada focuses on providing loans and services to businesses in its assessment areas. At the bank's most recent CRA performance evaluation, examiners reviewed its small business lending, which accounted for the largest portion of the bank's loan portfolio, and found that the distribution of lending in its assessment areas, including LMI areas, was good. The performance examination also stated that First Security Bank of Nevada had a good record of lending to businesses of all sizes. Moreover, examiners did not identify any violations of applicable antidiscrimination laws by the bank.

59. Commenters criticized Wells Fargo's record of home mortgage lending to LMI and minority individuals in California, Idaho, Montana, Nevada, New Mexico, Oregon, South Dakota, Washington, and Wisconsin. Commenters also alleged that First Security made an inadequate number of home mortgage loans to LMI and minority individuals in Idaho, Oregon, and Washington in light of the percentage of the general population in these states that these individuals constituted.

markets and First Security received too few housing-related loan applications from members of these groups to evaluate the organization's lending to members of these groups in these areas.⁶⁰

The Board is concerned when the record of an institution indicates disparities in lending 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 their race or income level. The Board recognizes, however, that HMDA data alone provide an incomplete measure of an institution's lending in its community because these data cover only a few categories of housing-related lending. HMDA data, moreover, provide only limited information about the covered loans.⁶¹ HMDA data, therefore, have limitations that make them an inadequate basis, absent other information, for concluding that an institution has not assisted adequately in meeting its community's credit needs or has engaged in illegal lending discrimination.

Because of the limitations of HMDA data, the Board has considered these data carefully in light of other information. As noted above, examiners found no evidence of prohibited discrimination or other illegal credit practices at the subsidiary banks of Wells Fargo and First Security at their most recent examinations. Examiners reviewed fair lending policies and procedures of the banks and found the policies and procedures to be comprehensive and appropriate for monitoring compliance with fair lending laws. The Board also has considered the HMDA data in light of Wells Fargo's and First Security's lending records, which show that the organizations' subsidiary banks assist significantly in helping to meet the credit needs of their communities, including LMI areas.

F. Branch Closings

One commenter alleged that Wells Fargo had a poor record of retaining branches and several commenters expressed concern about the effect of possible branch closings that might result from this proposal. Wells Fargo has provided the Board with its branch closing policy, and Board has considered the public comments about potential branch closings in light of all the facts of record, including information provided by Wells Fargo.

The Board has carefully considered the branch closing policy of Wells Fargo and Wells Fargo's record of opening and closing branches. The Board notes that the branch closing policy provides that local bank management in the areas of proposed branch closings must review the impact that each branch closing would have on the community. Examiners have reviewed the performance of Wells Fargo's subsidiary banks under the branch closing policy on several occasions. In addition, the most recent CRA examination of Wells Fargo Bank indicated that the bank had a satisfactory record of opening and closing branches, noted generally that the branch closings did not affect LMI communities in a materially adverse manner, and concluded that Wells Fargo Bank's delivery systems were reasonably accessible to LMI individuals and areas. Examiners also concluded that First Security's subsidiary banks had a good record of opening and closing branches.

The Board expects that the subsidiary banks of the combined organization would continue to use a satisfactory branch closing policy for any branch closings that might result from the proposed transaction. The Board also notes that the appropriate federal supervisor for each of Wells Fargo's subsidiary banks will, in the course of conducting CRA performance examinations, continue to review the branch closing record of these banks.

G. Conclusion on Convenience and Needs

In reviewing the effect of the proposal on the convenience and needs of the communities to be served, the Board has carefully considered all the facts of records, including the public comments received, Wells Fargo's responses to the comments, and evaluations of the performance of each of Wells Fargo's and First Security's insured depository institution subsidiaries under the CRA.⁶² In connection with the proposal, Wells Fargo has indicated that the combined organization generally would follow the CRA policies and procedures currently used by Wells Fargo's subsidiary banks and has provided the Board with detailed information about the proposed CRA policies, procedures, and programs it intends to use in the future. Moreover, Wells Fargo has informed the Board that the combined organization would honor the existing CRA lending and contribution commitments of First Security and retain various First

60. In the Boise MSA, First Security's housing-related lending to Native Americans exceeded the percentage of these loans by lenders in the aggregate.

61. The data, for example, do not account for the possibility that an institution's outreach efforts may attract a larger proportion of marginally qualified applicants than other institutions attract and do not provide a basis for an independent assessment of whether an applicant who was denied credit was, in fact, creditworthy. Credit history problems and excessive debt levels relative to income (reasons most frequently cited for a credit denial) are not available from HMDA data. HMDA data also may be incomplete and may not identify all applicants with regard to income level, ethnicity, or other demographic factors.

62. One commenter alleged that Wells Fargo has indirectly supported predatory lending through the business relationships of Norwest Bank Minnesota, N.A., Minneapolis, Minnesota ("Norwest Bank Minnesota"), with Delta Funding Corporation and First Alliance Mortgage, which the commenter characterized as predatory lenders. Wells Fargo has stated that Norwest Bank Minnesota's only relationship with Delta Funding Corporation and First Alliance Mortgage is to serve as a trustee on bond issues secured by pools of mortgage loans originated by these two parties and that the bank's sole duty is to the bondholders. Wells Fargo has represented that Norwest Bank Minnesota has no role in the initial funding of the loans that are included in the mortgage loan pools and has no knowledge of the lending practices followed by the party originating the loans.

Security products and programs that are designed to help meet the credit needs of LMI individuals and areas.⁶³

Based on a review of the entire record and for the reasons discussed above, the Board concludes that convenience and needs considerations, including the CRA performance records of the subsidiary banks of Wells Fargo and First Security, are consistent with approval of the proposal.⁶⁴

Nonbanking Activities

Wells Fargo also has filed notice under section 4(c)(8) of the BHC Act to acquire certain nonbanking subsidiaries of First Security. Wells Fargo would engage through these subsidiaries in a number of permissible nonbanking activities, including providing credit-related insurance, data processing services, and equipment leasing. The Board has determined by regulation that each activity conducted by a First Security subsidiary for which Wells Fargo provided notice under section 4 of the BHC Act is closely related to banking for purposes of the BHC Act. In order to approve the notice filed by Wells Fargo to acquire certain nonbanking subsidiaries of First Security, the Board is required by section 4(j)(2)(A) of the BHC Act to determine that the acquisition of these subsidiaries "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."⁶⁵

As part of its evaluation of these factors, the Board considers the financial condition and managerial resources of the notificant, its subsidiaries, and the companies to be acquired, and the effect of the proposed transaction on those resources. For the reasons discussed above and based on all the facts of record, the Board has concluded that financial and managerial considerations are consistent with approval of the notice.

The Board also has considered the competitive effects of the proposed acquisition by Wells Fargo of the nonbanking subsidiaries of First Security. Each of the markets in which the nonbanking subsidiaries of Wells Fargo and First Security compete is unconcentrated, and there are numerous providers of each service. As a result, the Board ex-

pects that consummation of the proposal would have a *de minimis* effect on competition for these services. Based on all the facts of record, the Board concludes that it is unlikely that significantly adverse competitive effects would result from the nonbanking acquisitions proposed in this transaction.

Wells Fargo has indicated that consummation of the proposal would provide customers of Wells Fargo and First Security with access to a wider range of products and services than Wells Fargo or First Security individually could provide. In addition, there are public benefits to be derived from permitting capital markets to operate so that bank holding companies can make potentially profitable investments in nonbanking companies and from permitting banking organizations to allocate their resources in the manner they consider to be most efficient when the investments and actions are consistent, as in this case, with the relevant considerations under the BHC Act.

The Board also has concluded that the conduct of the proposed activities within the framework of Regulation Y and Board precedent is not likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices, that would outweigh the public benefits of the proposal, such as increased customer convenience and gains in efficiency. Accordingly, based on all the facts of record, the Board has determined that the balance of public benefits that the Board must consider under section 4(j) of the BHC Act is favorable and consistent with approval of the notice.

As required by section 25 of the Federal Reserve Act and section 211.4(f) of the Board's Regulation K (12 C.F.R. 211.4(f)), Wells Fargo also has applied to acquire First Security Hong Kong Agreement Corporation, Salt Lake City, Utah, which is organized under section 25 of the Federal Reserve Act, and its subsidiary. The Board concludes that all the factors it is required to consider under the Federal Reserve Act and the Board's Regulation K in connection with this application are consistent with approval of the proposal.

Conclusion

Based on the foregoing and in light of all the facts of record, the Board has determined that the applications and notice should be, and hereby are, approved.⁶⁶ In reaching

63. Wells Fargo has specifically identified certain affordable housing programs provided by First Security that the combined organization would continue to offer. These programs include Federal Home Loan Bank, state housing agency first-time homebuyer, and nonprofit LMI home mortgage loan programs.

64. Certain commenters questioned whether Wells Fargo had fulfilled previous CRA pledges it had made in the past, and requested the Board to investigate Wells Fargo's performance. Neither the CRA nor the federal banking agencies' CRA regulations require depository institutions to make pledges or enter into agreements with any organization. The Board, therefore, views such pledges and agreements and their enforceability as matters outside the CRA and focuses on the existing record of an applicant and the programs that the applicant has in place to serve the credit needs of its community. See *Fleet Financial Group, Inc.*, 85 *Federal Reserve Bulletin* 747, 765 (1999); *First Union Corporation*, 84 *Federal Reserve Bulletin* 489, 500 (1998).

65. 12 U.S.C. § 1843(j)(2)(A).

66. Several commenters requested that the Board hold a public meeting or hearing on the proposal. Section 3(b) of the BHC Act does not require the Board to hold a public hearing on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial of the application. The Board has not received such a recommendation from the appropriate supervisory authorities.

Under its rules, the Board also may, in its discretion, hold a public meeting or hearing on an application to acquire a bank if a meeting or hearing is necessary or appropriate to clarify factual issues related to the application and to provide an opportunity for testimony. 12 C.F.R. 225.16(e). Section 4 of the BHC Act and the Board's rules thereunder provide for a hearing on a notice to acquire nonbanking companies if

its conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act and other applicable statutes.⁶⁷ The Board's approval is specifically conditioned on compliance by Wells Fargo with all the commitments made in connection with the applications and notice, including the commitments discussed in this order, and the conditions set forth in this order and the above-noted Board regulations and orders. The Board's approval of the nonbanking aspects of the proposal also is subject to all the conditions set forth in Regulation Y, including those in sections 225.7 and 225.25(c) of Regulation Y (12 C.F.R. 225.7 and 225.25(c)), 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 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 the subsidiary banks of First Security may not be consummated before the fifteenth calendar day after the effective date of this order, and the proposal may 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 10, 2000.

there are disputed issues of material fact that cannot be resolved in some other manner. 12 U.S.C. § 1843(c)(8); 12 C.F.R. 225.25(a)(2). The Board has considered carefully these commenters' requests in light of all the facts of record. In the Board's view, commenters have had ample opportunity to submit their views, and they submitted written comments that have been considered carefully by the Board in acting on the proposal. The commenters' requests fail to demonstrate why their written comments do not present their evidence adequately and fail to identify disputed issues of fact that are material to the Board's decision that would be clarified by a public meeting or hearing. For these reasons, and based on all the facts of record, the Board has determined that a public meeting or hearing is not required or warranted in this case. Accordingly, the requests for a public meeting on the proposal are denied.

67. A number of commenters requested that the Board delay action or extend the comment period on the proposal. The Board has accumulated a significant record in this case, including reports of examination, supervisory information, public reports and information, and considerable public comment. In the Board's view, for the reasons discussed above, commenters have had ample opportunity to submit their views and, in fact, have provided substantial written submissions that have been considered carefully by the Board in acting on the proposal. Moreover, the BHC Act and Regulation Y require the Board to act on proposals submitted under those provisions within certain time periods. Based on a review of all the facts of record, the Board has concluded that the record in this case is sufficient to warrant Board action at this time, and that a further delay in considering the proposal, extension of the comment period, or a denial of the proposal on the grounds discussed above or on the basis of informational insufficiency is not warranted.

Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Kelley, Meyer, and Gramlich.

ROBERT DEV. FRIERSON
Associate Secretary of the Board

Appendix A

Nonbanking Activities of First Security to Be Acquired under Section 4 of the BHC Act

- (i) First Security Mortgage Company and its wholly owned subsidiary, Asset Recovery, Inc., both of Salt Lake City, Utah, and thereby engage in extending credit and servicing loans, in accordance with section 225.28(b)(1) of Regulation Y (12 C.F.R. 225.28(b)(1));
- (ii) First Security Leasing Company and its wholly owned subsidiary, First Security Leasing Company of Nevada, and Banker's Equipment Alliance, Inc., all of Salt Lake City, Utah, and thereby engage in personal property leasing, in accordance with section 225.28(b)(3) of Regulation Y (12 C.F.R. 225.28(b)(3));
- (iii) First Security Investment Services, Inc. and its wholly owned subsidiary, First Security Investment Management, Inc., both of Salt Lake City, Utah, and thereby engage in providing investment management and investment advisory services, in accordance with section 225.28(b)(6) of Regulation Y (12 C.F.R. 225.28(b)(6));
- (iv) First Security Specialized Services, Inc., Salt Lake City, Utah, and thereby engage in providing financial consulting services, in accordance with sections 225.28(b)(6) and (9) of Regulation Y (12 C.F.R. 225.28(b)(6) and (9));
- (v) First Security Life Insurance Company of Arizona, Salt Lake City, Utah, and thereby engage in credit life and disability insurance underwriting, in accordance with section 225.28(b)(11)(i) of Regulation Y (12 C.F.R. 225.28(b)(11)(i)); and
- (vi) First Security Processing Services, Inc., Salt Lake City, Utah, and thereby engage in data processing and data transmission services, in accordance with section 225.28(b)(14) of Regulation Y (12 C.F.R. 225.28(b)(14)).

Appendix B

Banking Markets in which Wells Fargo and First Security Compete Directly

California

Hesperia-Apple Valley-Victorville: Hesperia-Apple Valley-Victorville RMA and the towns of Helendale, Lucerne Valley, Phelan, and Wrightwood.

Los Angeles: Los Angeles RMA and the towns of Rancho Santa Margarita and Rosamond.

Riverside-San Bernardino: Riverside-San Bernardino RMA and the towns of Banning, Beaumont, and Nuevo.
South Lake Tahoe: The towns of South Lake Tahoe in California and Stateline and Zephyr Cove in Nevada.
Truckee-Tahoe: The towns of Kings Beach, Tahoe City, and Truckee in California and Incline Village in Nevada.

Idaho

Boise: Boise RMA and the towns of Emmett, Homedale, Marsing, Parma, and Wilder.
Hailey: The towns of Bellevue, Hailey, Ketchum, and Sun Valley.
Idaho Falls: Idaho Falls RMA and the towns of Shelley and Ririe.
Pocatello: Pocatello RMA.
Sandpoint: The towns of Ponderay, Priest River, and Sandpoint in Idaho and Newport in Washington.
Twin Falls: The towns of Buhl, Filer, Gooding, Hagerman, Hazelton, Jerome, Kimberly, Richfield, Shoshone, Twin Falls, and Wendell.

Nevada

Carson City: The towns of Carson City, Dayton, Gardnerville, Minden, and Virginia City.
Las Vegas: Las Vegas RMA.
Reno: Reno RMA and the town of Fernley.

New Mexico

Albuquerque: Albuquerque MSA and Guadalupe and Torrance Counties.
Las Cruces: Las Cruces MSA, excluding the towns of Anthony, Santa Teresa, and Sunland Park in Dona Ana County.
Rio Arriba County: Rio Arriba County.
Roswell-Artesia: Chaves County and the northern half of Eddy County.
Santa Fe: Santa Fe RMA.

Oregon

Corvallis: Corvallis RMA.
Deschutes: The towns of Bend, La Pine, Redmond, Sisters, Sunriver, and Terrebonne.
Ontario: The towns of Nyssa, Ontario, and Vale in Oregon and Fruitland, New Plymouth, Payette, and Weiser in Idaho.
Portland: Portland RMA and the towns of Mount Angel, Scappoose, St. Helens, and Vernonia in Oregon and Yacolt in Washington.
Salem: Salem RMA and the town of Silverton.

Texas

El Paso: El Paso MSA and the towns of Anthony, Santa Teresa, and Sunland Park in Dona Ana County, New Mexico.

Utah

Box Elder: The towns of Brigham City and Tremonton.
Ogden: Ogden RMA.
Park City: The towns of Coalville, Heber City, Kamas, and Park City.
Provo-Orem: Provo-Orem RMA.
Salt Lake City: Salt Lake City RMA and the towns of Tooele and Grantsville.

Washington

Spokane: Spokane RMA and the town of Medical Lake in Washington and the towns of Coeur d'Alene, Hayden, Hyden Lake, and Rathdrum in Idaho.

Appendix C

Certain Banking Markets without Divestitures

California

Hesperia-Apple Valley-Victorville: Wells Fargo operates the sixth largest depository institution in the market, controlling deposits of \$71.3 million, representing approximately 6.6 percent of market deposits. First Security operates the 12th largest depository institution in the market, controlling deposits of \$20.9 million, representing approximately 1.9 percent of market deposits. On consummation of the proposal, Wells Fargo would operate the fifth largest depository institution in the market, controlling deposits of \$92.2 million, representing approximately 8.5 percent of market deposits. The HHI would increase by 26 points to 1162.

Los Angeles: Wells Fargo operates the second largest depository institution in the market, controlling deposits of \$14.2 billion, representing approximately 10.2 percent of market deposits. First Security operates the 27th largest depository institution in the market, controlling deposits of \$962.6 million, representing less than 1 percent of market deposits. On consummation of the proposal, Wells Fargo would continue to operate the second largest depository institution in the market, controlling deposits of \$15.2 billion, representing approximately 10.9 percent of market deposits. The HHI would increase by 14 points to 1032.

Riverside-San Bernardino: Wells Fargo operates the third largest depository institution in the market, controlling deposits of \$547 million, representing approximately 10.1 percent of market deposits. First Security operates the 21st largest depository institution in the market, controlling deposits of \$36.1 million, representing less than 1 percent of market deposits. On consummation of the proposal, Wells Fargo would operate the second largest depository institution in the market, controlling deposits of \$583.1 million, representing approximately 10.7 percent of market deposits. The HHI would increase by 13 points to 1622.

Idaho

Idaho Falls: Wells Fargo operates the sixth largest depository institution in the market, controlling deposits of \$29.7 million, representing approximately 3.8 percent of market deposits. First Security operates the second largest depository institution in the market, controlling deposits of \$198.7 million, representing approximately 25.3 percent of market deposits. On consummation of the proposal, Wells Fargo would operate the largest depository institution in the market, controlling deposits of \$228.4 million, representing approximately 29.1 percent of market deposits. The HHI would increase by 191 points to 2156.

Sandpoint: Wells Fargo operates the sixth largest depository institution in the market, controlling deposits of \$18.5 million, representing approximately 5.4 percent of market deposits. First Security operates the fourth largest depository institution in the market, controlling deposits of \$52.1 million, representing approximately 15.3 percent of market deposits. On consummation of the proposal, Wells Fargo would operate the second largest depository institution in the market, controlling deposits of \$70.6 million, representing approximately 20.7 percent of market deposits. The HHI would increase by 166 points to 2218.

Nevada

Reno: Wells Fargo operates the largest depository institution in the market, controlling deposits of \$828.9 million, representing approximately 27 percent of market deposits. First Security operates the seventh largest depository institution in the market, controlling deposits of \$106.1 million, representing approximately 3.5 percent of market deposits. On consummation of the proposal, Wells Fargo would continue to operate the largest depository institution in the market, controlling deposits of \$935 million, representing approximately 30.5 percent of market deposits. The HHI would increase by 187 points to 2082.

New Mexico

Rio Arriba County: Wells Fargo operates the fifth largest depository institution in the market, controlling deposits of \$2.9 million, representing approximately 1.1 percent of market deposits. First Security operates the fourth largest depository institution in the market, controlling deposits of \$33.7 million, representing approximately 12.5 percent of market deposits. On consummation of the proposal, Wells Fargo would operate the fourth largest depository institution in the market, controlling deposits of approximately \$36.6 million, representing approximately 13.6 percent of market deposits. The HHI would increase by 26 points to 3349.

Roswell-Artesia: Wells Fargo operates the largest depository institution in the market, controlling deposits of \$128.5 million, representing approximately 20.6 percent of market deposits. First Security operates the eighth largest depository institution in the market, controlling deposits of \$25.5 million, representing approximately 4.1 percent of

market deposits. On consummation of the proposal, Wells Fargo would continue to operate the largest depository institution in the market, controlling deposits of \$154 million, representing approximately 24.7 percent of market deposits. The HHI would increase by 169 points to 1583.

Santa Fe: Wells Fargo operates the fourth largest depository institution in the market, controlling deposits of \$110.1 million, representing approximately 10.6 percent of market deposits. First Security operates the eighth largest depository institution in the market, controlling deposits of \$41.2 million, representing approximately 4 percent of market deposits. On consummation of the proposal, Wells Fargo would operate the third largest depository institution in the market, controlling deposits of approximately \$151.3 million, representing approximately 14.6 percent of market deposits. The HHI would increase by 85 points to 1575.

Oregon

Corvallis: Wells Fargo operates the third largest depository institution in the market, controlling deposits of \$99.3 million, representing approximately 13 percent of market deposits. First Security operates the fourth largest depository institution in the market, controlling deposits of \$64.2 million, representing approximately 8.4 percent of market deposits. On consummation of the proposal, Wells Fargo would operate the second largest depository institution in the market, controlling deposits of approximately \$163.5 million, representing approximately 21.4 percent of market deposits. The HHI would increase by 220 points to 1623.

Deschutes: Wells Fargo operates the sixth largest depository institution in the market, controlling deposits of \$61.6 million, representing approximately 6.9 percent of market deposits. First Security operates the fourth largest depository institution in the market, controlling deposits of \$76.2 million, representing approximately 8.5 percent of market deposits. On consummation of the proposal, Wells Fargo would operate the third largest depository institution in the market, controlling deposits of approximately \$137.8 million, representing approximately 15.4 percent of market deposits. The HHI would increase by 115 points to 2072.

Ontario: Wells Fargo operates the eighth largest depository institution in the market, controlling deposits of \$25.3 million, representing approximately 4.5 percent of market deposits. First Security operates the third largest depository institution in the market, controlling deposits of \$88.1 million, representing approximately 15.7 percent of market deposits. On consummation of the proposal, Wells Fargo would operate the third largest depository institution in the market, controlling deposits of \$113.4 million, representing approximately 20.2 percent of market deposits. The HHI would increase by 141 points to 1755.

Portland: Wells Fargo operates the third largest depository institution in the market, controlling deposits of \$1.6 billion, representing approximately 11.6 percent of market deposits. First Security operates the 20th largest depository institution in the market, controlling deposits of \$36.3 million, representing less than 1 percent of market

deposits. On consummation of the proposal, Wells Fargo would continue to operate the third largest depository institution in the market, controlling deposits of \$1.7 billion, representing approximately 11.9 percent of market deposits. The HHI would increase by 6 points to 2087.

Salem: Wells Fargo operates the fourth largest depository institution in the market, controlling deposits of \$158 million, representing approximately 8.2 percent of market deposits. First Security operates the third largest depository institution in the market, controlling deposits of \$271.3 million, representing approximately 14 percent of market deposits. On consummation of the proposal, Wells Fargo would operate the second largest depository institution in the market, controlling deposits of \$429.3 million, representing approximately 22.2 percent of market deposits. The HHI would increase by 230 points to 1585.

Texas

El Paso: Wells Fargo operates the second largest depository institution in the market, controlling deposits of \$892.6 million, representing approximately 27 percent of market deposits. First Security operates the seventh largest depository institution in the market, controlling deposits of \$72.8 million, representing approximately 2.2 percent of market deposits. On consummation of the proposal, Wells Fargo would continue to operate the second largest depository institution in the market, controlling deposits of \$965.4 million, representing approximately 29.2 percent of market deposits. The HHI would increase by 119 points to 2286.

Utah

Ogden: Wells Fargo operates the tenth largest depository institution in the market, controlling deposits of \$17.5 million, representing approximately 1.4 percent of market deposits. First Security operates the largest depository institution in the market, controlling deposits of \$458 million, representing approximately 37.4 percent of market deposits. On consummation of the proposal, Wells Fargo would operate the largest depository institution in the market, controlling deposits of approximately \$475.5 million, representing approximately 38.8 percent of market deposits. The HHI would increase by 107 points to 2134.

Provo-Orem: Wells Fargo operates the seventh largest depository institution in the market, controlling deposits of \$39.1 million, representing approximately 2.1 percent of market deposits. First Security operates the largest depository institution in the market, controlling deposits of \$571.8 million, representing approximately 30.5 percent of market deposits. On consummation of the proposal, Wells Fargo would operate the largest depository institution in the market, controlling deposits of \$610.9 million, representing approximately 32.6 percent of market deposits. The HHI would increase by 127 points to 2157.

Washington

Spokane: Wells Fargo operates the fifth largest depository institution in the market, controlling deposits of \$210.9 million, representing approximately 6 percent of market deposits. First Security operates the sixth largest depository institution in the market, controlling deposits of \$195.8 million, representing approximately 5.6 percent of market deposits. On consummation of the proposal, Wells Fargo would operate the fourth largest depository institution in the market, controlling deposits of \$406.7 million, representing approximately 11.6 percent of market deposits. The HHI would increase by 68 points to 1641.

Appendix D

Certain Banking Markets with Divestitures

California

South Lake Tahoe: Wells Fargo operates the second largest depository institution in the market, controlling deposits of \$74.2 million, representing approximately 22.6 percent of market deposits. First Security operates the fifth largest depository institution in the market, controlling deposits of \$31.9 million, representing approximately 9.7 percent of market deposits. Wells Fargo proposes to divest one branch in the market, with deposits of \$31.9 million, representing approximately 9.7 percent of market deposits, to a suitable out-of-market competitor. After the proposed merger and divestiture, Wells Fargo would continue to operate the second largest depository institution in the market, controlling deposits of \$74.2 million, representing approximately 22.6 percent of market deposits. The HHI would remain unchanged at 2010.

Idaho

Boise: Wells Fargo operates the fourth largest depository institution in the market, controlling deposits of \$205 million, representing approximately 6.1 percent of market deposits. First Security operates the second largest depository institution in the market, controlling deposits of \$1.1 billion, representing approximately 31.8 percent of market deposits. Wells Fargo proposes to divest three branches in the market, with deposits of \$94.1 million, representing approximately 2.8 percent of market deposits, to a suitable in-market competitor. After the proposed merger and divestiture, Wells Fargo would operate the largest depository institution in the market, controlling deposits of \$1.2 billion, representing approximately 35.1 percent of market deposits. The HHI would increase by not more than 192 points to 2555.

Hailey: Wells Fargo operates the fourth largest depository institution in the market, controlling deposits of \$24.9 million, representing approximately 10.9 percent of market deposits. First Security operates the largest depository institution in the market, controlling deposits of \$87.4 million, representing approximately 38.3 percent of market

deposits. Wells Fargo proposes to divest two branches in the market, with \$24.9 million of deposits, representing approximately 10.9 percent of market deposits, to a suitable out-of-market competitor. After the proposed merger and divestiture, Wells Fargo would operate the largest depository institution in the market, controlling deposits of \$87.4 million, representing approximately 38.3 percent of market deposits. The HHI would remain unchanged at 2562.

Nevada

Carson City: Wells Fargo operates the largest depository institution in the market, controlling deposits of \$272.3 million, representing approximately 32.2 percent of market deposits. First Security operates the third largest depository institution in the market, controlling deposits of \$106.4 million, representing approximately 12.6 percent of market deposits. Wells Fargo proposes to divest one branch in the market, with \$74.8 million of deposits, representing approximately 8.9 percent of market deposits, to a suitable out-of-market competitor. After the proposed merger and divestiture, Wells Fargo would continue to operate the largest depository institution in the market, controlling deposits of \$303.9 million, representing approximately 36 percent of market deposits. The HHI would increase by 175 points to 2004.

New Mexico

Albuquerque: Wells Fargo operates the third largest depository institution in the market, controlling deposits of \$1.2 billion, representing approximately 23.7 percent of market deposits. First Security operates the second largest depository institution in the market, controlling deposits of \$1.3 billion, representing approximately 24.2 percent of market deposits. Wells Fargo proposes to divest 20 branches in the market, with \$725 million of deposits, representing approximately 14 percent of market deposits, to a suitable out-of-market competitor. After the proposed merger and divestiture, Wells Fargo would operate the largest depository institution in the market, controlling deposits of \$1.7 billion, representing approximately 33.8 percent of market deposits. The HHI would increase by 196 points to 2247.

Las Cruces: Wells Fargo operates the fifth largest depository institution in the market, controlling deposits of \$79.3 million, representing approximately 7.4 percent of market deposits. First Security operates the second largest depository institution in the market, controlling deposits of \$236.3 million, representing approximately 22 percent of market deposits. Wells Fargo proposes to divest one branch in the market, with \$14.6 million of deposits, representing approximately 1.3 percent of market deposits, to a suitable out-of-market depository institution. After the proposed merger and divestiture, Wells Fargo would operate the largest depository institution in the market, controlling deposits of approximately \$301 million, representing

approximately 27.1 percent of market deposits. The HHI would increase by 234 points to 1750.¹

Utah

Box Elder: Wells Fargo operates the second largest depository institution in the market, controlling deposits of \$34.7 million, representing approximately 14.6 percent of market deposits. First Security operates the largest depository institution in the market, controlling deposits of \$128.4 million, representing approximately 53.9 percent of market deposits. Wells Fargo proposes to divest one branch in the market, with \$34.7 million of deposits, representing approximately 14.6 percent of market deposits, to a suitable out-of-market competitor. After the proposed merger and divestiture, Wells Fargo would operate the largest depository institution in the market, controlling deposits of \$128.4 million, representing approximately 53.9 percent of market deposits. The HHI would remain unchanged at 3361.

Park City: Wells Fargo operates the fourth largest depository institution in the market, controlling deposits of \$30.2 million, representing approximately 6.9 percent of market deposits. First Security operates the largest depository institution in the market, controlling deposits of \$167.3 million, representing approximately 38.2 percent of market deposits. Wells Fargo proposes to divest one branch in the market, with \$30.2 million of deposits, representing approximately 6.9 percent of market deposits, to a suitable out-of-market competitor. After the proposed merger and divestiture, Wells Fargo would operate the largest depository institution in the market, controlling deposits of \$167.3 million, representing approximately 38.2 percent of market deposits. The HHI would remain unchanged at 2668.

ORDERS ISSUED UNDER INTERNATIONAL BANKING ACT

Banco Itaú S.A. Sao Paulo, Brazil

Order Approving Establishment of a Representative Office

Banco Itaú S.A. ("Bank"), Sao Paulo, Brazil, 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 Miami, Florida. The Foreign Bank Supervision Enhancement Act of 1991 ("FBSEA"), which amended the IBA, provides that a foreign bank must obtain the approval of

1. These market share calculations may overstate the competitive significance of one savings association in the market, based on the unique business focus of the institution. Based on all the facts of record, however, including the presence of two other savings associations as active commercial lenders in the market, the Board has determined that the increase in HHI in the market is consistent with approval of the proposal.

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 Miami (*The Miami Herald*, March 12, 2000). The time for filing comments has expired and all comments have been considered.

Bank, with assets of \$30 billion (as of June 30, 2000), is the fourth largest banking organization in Brazil. Bank is 78 percent owned by Itaúsa-Investimentos Itaú S.A. ("Itaúsa") and its subsidiaries. Approximately 60 percent of Itaúsa is owned by members of two related Brazilian families, either directly or through related companies. The remaining 40 percent of Itaúsa's shares is owned by the public (18 percent), two foundations associated with Bank (12 percent), and an unrelated Brazilian company (10 percent).

Bank provides commercial and retail banking services, investment banking services, and other financial services such as securities brokerage and insurance. Bank operates branches in New York and the Cayman Islands, banking subsidiaries in the Cayman Islands, Argentina, and Uruguay, and a representative office in Frankfurt, Germany. Bank also owns less than 20 percent of the shares of banks operating in Luxembourg and Portugal. Bank's parent, Itaúsa, owns most of the remaining shares of these banks.

The representative office would market the products of Bank in the United States, act as a liaison between head office and U.S.-based customers, and facilitate correspondent banking activities in the United States.

In acting on an application to establish a representative office, the IBA and Regulation K provide that the Board shall take into account whether the foreign bank engages directly in the business of banking outside of the United States and has furnished to the Board the information it needs to assess the application adequately. The Board also shall take into account whether the foreign bank and any foreign bank parent is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor.¹ In addition, the Board may take into account additional standards set forth in the IBA and

Regulation K.² The Board previously has 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.³

As noted above, Bank engages directly in the business of banking outside the United States through its banking operations in Brazil and elsewhere. Bank has provided the Board with the information necessary to assess the application through submissions that address the relevant issues.

With respect to home country supervision of Bank, the Board has considered the following information. Bank is subject to the regulatory and supervisory authority of the Central Bank of Brazil (the "Central Bank"), which has primary responsibility for the regulation of financial institutions in Brazil. The Board previously has determined that the Central Bank exercises a significant degree of supervision over the activities of three other Brazilian banks, each of which were approved to establish representative offices in the United States.⁴ Bank is supervised by the Central Bank on substantially the same terms and conditions as the other Brazilian banks. Based on all the facts of record, the Board has determined that factors relating to the supervision of Bank by its home country supervisor are consistent with approval of the proposed representative office. The Board has taken into account the additional standards set forth in the IBA and in Regulation K.⁵ The Central Bank has authorized Bank to establish the proposed office. With respect to the financial and managerial resources of Bank, taking into consideration Bank's record of operations in its home country, its overall financial resources, and its standing with its home country supervisor, the Board has determined that financial and managerial considerations are consistent with approval. In addition, Bank appears to have the experience and capacity to support the proposed office and has established controls and procedures in the branch to ensure compliance with applicable U.S. law, as well as controls and procedures for its worldwide operations generally.

With respect to access to information, the Board has reviewed the restrictions on disclosure in relevant jurisdictions in which Bank operates and has communicated with relevant government authorities about access to information. Bank and Itaúsa 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, and other applicable federal law.

1. See 12 U.S.C. § 3107(a)(2); 12 CFR 211.24(d)(2). In assessing this standard, the Board considers, among other factors, the extent to which the home country supervisors:

- (i) Ensure that the bank has adequate procedures for monitoring and controlling its activities worldwide;
- (ii) Obtain information on the condition of the bank and its subsidiaries and offices through regular examination reports, audit reports, or otherwise;
- (iii) Obtain information on the dealings with and relationship between the bank and its affiliates, both foreign and domestic;
- (iv) Receive from the bank financial reports that are consolidated on a worldwide basis, or comparable information that permits analysis of the bank's financial condition on a worldwide consolidated basis;
- (v) Evaluate prudential standards, such as capital adequacy and risk asset exposure, on a worldwide basis. These are indicia of comprehensive consolidated supervision; no single factor is essential and other elements may inform the Board's determination.

2. See 12 U.S.C. § 3105(d)(3) and (4); 12 C.F.R. 211.24(c)(2).

3. See 58 *Federal Register* 6348, 6351 (1993). See also *Banco de la Ciudad de Buenos Aires*, 85 *Federal Reserve Bulletin* 647 (1999); *Agricultural Bank of China*, 83 *Federal Reserve Bulletin* 617 (1997); *Citizens National Bank*, 79 *Federal Reserve Bulletin* 805 (1993).

4. See *Banco Bandeirantes, S.A.*, 81 *Federal Reserve Bulletin* 742 (1995); *Unibanco-Uniao do Banco Brasileiros, S.A.*, 82 *Federal Reserve Bulletin* 1148 (1996); *Banco BBA-Creditanstalt S.A.*, 85 *Federal Reserve Bulletin* 518 (1999).

5. See 12 U.S.C. § 3105(d)(3) and (4); 12 C.F.R. 211.24(c)(2).

To the extent that the provision of such information may be prohibited or impeded by law or otherwise, Bank and Itaúsa have committed to cooperate with the Board to obtain any necessary consents or waivers that might be required from third parties in connection with disclosure of certain information. In addition, subject to certain conditions, the Central Bank may share information on Bank's operations with other supervisors, including the Board. In light of these commitments and other facts of record, and subject to the condition described below, the Board has concluded that Bank has provided adequate assurances of access to any necessary information the Board may request.

On the basis of all the facts of record, and subject to the commitments made by Bank, as well as the terms and conditions set forth in this order, the Board has determined that Bank's application to establish a representative office in Miami should be, and hereby is, approved. Should any restrictions on access to information on the operations or activities of Bank or any of its affiliates subsequently interfere with the Board's ability to determine and enforce compliance by Bank or its affiliates with applicable federal statutes, the Board may require or recommend termination of any of Bank's direct or indirect activities in the United

States. Approval of this application also is specifically conditioned on Bank's compliance with the commitments made in connection with this application and with the conditions in this order.⁶ The commitments and conditions referred to above are conditions imposed in writing by the Board in connection with its decision and may be enforced in proceedings against Bank and its affiliates under applicable law.

By order of the Board of Governors, effective October 16, 2000.

Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Kelley and Gramlich. Absent and not voting: Governor Meyer.

ROBERT DEV. FRIERSON
Associate Secretary of the Board

⁶ The Board's authority to approve the establishment of the proposed office parallels the continuing authority of the State of Florida to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the State of Florida or its agent, the Florida Department of Banking and Finance, to license the proposed office of Bank in accordance with any terms or conditions that the Florida Department of Banking and Finance may impose.

APPLICATIONS APPROVED UNDER BANK HOLDING COMPANY ACT

By the Secretary of the Board

Recent applications have been approved by the Secretary of the Board as listed below. Copies are available upon request to the Freedom of Information Office, Office of the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Section 3

Applicant(s)	Bank(s)	Effective Date
Pinnacle Financial Partners, Inc., Nashville, Tennessee	Pinnacle National Bank, Nashville, Tennessee	October 12, 2000

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
Alpena Banking Corporation, Alpena, Michigan	The Bank of Alpena, Alpena, Michigan	Chicago	October 5, 2000
ANB Holdings, Inc., Oakland Park, Florida	American National Bank, Oakland Park, Florida	Atlanta	October 23, 2000
Atlantic National Corporation, Brunswick, Georgia	Atlantic National Bank, Brunswick, Georgia	Atlanta	October 12, 2000

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Avant Financial, LLC, Syracuse, New York	Reliance Bank, White Plains, New York	New York	October 25, 2000
The Avoca Company, Omaha, Nebraska	First State Bank of Nebraska, Nebraska City, Nebraska	Kansas City	October 11, 2000
Farmers State Bank of Nebraska, Bennet, Nebraska			
Basile Bancshares, Inc., Basile, Louisiana	Basile State Bank, Basile, Louisiana	Atlanta	October 6, 2000
BB&T Corporation, Winston-Salem, North Carolina	FCNB Corp., Frederick, Maryland	Richmond	October 19, 2000
Big Mac Bancshares, Inc., Hoxie, Kansas	Peoples State Bank, McDonald, Kansas	Kansas City	October 13, 2000
BOK Financial Corporation, Tulsa, Oklahoma	CNBT Bancshares, Inc., Bellaire, Texas	Kansas City	October 26, 2000
BOU Bancorp, Ogden, Utah	Bank of Utah, Ogden, Utah	San Francisco	September 21, 2000
Capitol Bancorp Ltd., Lansing, Michigan	Yuma Community Bank, Yuma, Arizona	Chicago	October 18, 2000
Sun Community Bancorp Limited, Phoenix, Arizona			
Central Banc, Inc., Geneseo, Illinois	Marquette Bank Fulton, Fulton, Illinois	Chicago	October 26, 2000
Central Financial Corporation, Hutchinson, Kansas	Bank of Nevada, Las Vegas, Nevada	Kansas City	September 25, 2000
Central Financial Corporation, Hutchinson, Kansas	New Frontier Bancshares, Inc., St. Charles, Missouri	Kansas City	September 28, 2000
CommunityOne BancShares, Inc., Plymouth, Minnesota	Community Bank Plymouth, Plymouth, Minnesota	Minneapolis	September 25, 2000
Coronado Financial Corporation, Lyons, Kansas	Lyons State Bank, Lyons, Kansas	Kansas City	October 25, 2000
Cumberland Bancorp, Inc., Nashville, Tennessee	Insurors Bank of Tennessee, Nashville, Tennessee	Atlanta	October 16, 2000
Custer Bancorp, Westcliffe, Colorado	Orchard Valley Financial Corp., Englewood, Colorado	Kansas City	October 6, 2000
Dinsdale Brothers, Inc., Palmer, Nebraska	Pinnacle Bank-Wyoming, Torrington, Wyoming	Kansas City	October 5, 2000
Elmer Bancorp, Inc., Elmer, New Jersey	The First National Bank of Elmer, Elmer, New Jersey	Philadelphia	October 19, 2000
F.F. Holding Corporation, West Chicago, Illinois	Rush-Oak Corporation, Chicago, Illinois	Chicago	September 26, 2000
	Oak Bank, Chicago, Illinois		
First Banks, Inc., St. Louis, Missouri	Commercial Bank of San Francisco, San Francisco, California	St. Louis	October 10, 2000
First Banks America, Inc., St. Louis, Missouri			
First Liberty Capital Corporation Employee Stock Ownership Plan, Hugo, Colorado	First Liberty Capital Corporation, Hugo, Colorado	Kansas City	September 26, 2000
	The First National Bank of Hugo, Hugo, Colorado		
InsCorp, Inc., Nashville, Tennessee	Insurors Bank of Tennessee, Nashville, Tennessee	Atlanta	October 16, 2000

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Marquette County Financial Corporation, Negaunee, Michigan	Tanis, Inc., Calumet, Michigan	Minneapolis	October 2, 2000
Mercantile Bancorp, Inc., Quincy, Illinois	New Frontier Bancshares, Inc., St. Charles, Missouri	St. Louis	September 27, 2000
New Frontier Bancshares, Inc., St. Charles, Missouri	New Frontier Bank, St. Charles, Missouri	St. Louis	September 27, 2000
North Valley Bancorp, Redding, California	Six Rivers National Bank, Eureka, California	San Francisco	September 22, 2000
Northwest Financial Corp., Spencer, Iowa	Plymouth Bancorporation, Inc., Le Mars, Iowa	Chicago	October 26, 2000
Ogden Bancshares, Inc., Ogden, Iowa	First National Bank, Sioux City, Iowa	Chicago	October 20, 2000
PAB Bankshares, Inc., Valdosta, Georgia	Ames Community Bank, Ames, Iowa	Chicago	October 20, 2000
PCB Bancorp, Inc., Largo, Florida	Baxley Federal Savings Bank, F.S.B., Baxley, Georgia	Atlanta	October 19, 2000
Premier Bancorp, Inc., Wilmette, Illinois	Premier Community Bank of Southwest Florida, Lehigh Acres, Florida	Atlanta	October 13, 2000
Prime Pacific Financial Services, Inc., Lynnwood, Washington	Premier Bank, Wilmette, Illinois	Chicago	September 29, 2000
Quality Bancshares, Inc., Fargo, North Dakota	Prime Pacific Bank, N.A., Lynnwood, Washington	San Francisco	October 17, 2000
Sterling City Bancshares, Inc., Sterling City, Texas	Fingal State Bank, Fingal, North Dakota	Minneapolis	October 4, 2000
Sterling City Delaware Financial Corporation, Dover, Delaware	The First National Bank of Sterling City, Sterling City, Texas	Dallas	October 25, 2000
UB Financial Corporation, Plantation, Florida	Union Bank of Florida, Plantation, Florida	Atlanta	September 28, 2000
Whitney Holding Corporation, New Orleans, Louisiana	First Ascension Bancorp, Inc., Gonzales, Louisiana	Atlanta	October 16, 2000
Wintrust Financial Corporation, Lake Forest, Illinois	Northbrook Bank & Trust Company, Northbrook, Illinois	Chicago	October 12, 2000

Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Allegiant Bancorp, Inc., St. Louis, Missouri	Equality Bancorp, Inc., St. Louis, Missouri	St. Louis	October 20, 2000
Bank of Montreal, Ontario, Canada	Equality Savings Bank, St. Louis, Missouri	Chicago	October 20, 2000
Bank of Montreal, Chicago, Illinois	Bankmont Financial Corporation, Chicago, Illinois	Chicago	October 20, 2000
Bank One Corporation, Chicago, Illinois	To engage in nonbanking activities	Chicago	October 6, 2000

Section 4—Continued

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
F&M Financial Services, Inc., Preston, Minnesota	MDS On-line, LLC, La Crosse, Wisconsin	Minneapolis	October 18, 2000
Uwharrie Capital Corporation, Albemarle, North Carolina	Albemarle Heritage, LLC, Albemarle, North Carolina	Richmond	October 13, 2000

Sections 3 and 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Grace Investment Company, Alva, Oklahoma	The First National Bank in Okeene, Okeene, Oklahoma	Kansas City	October 25, 2000
The Sumitomo Bank, Limited, Osaka, Japan	The Sakura Bank, Limited, Tokyo, Japan Manufacturers Bank, Los Angeles, California	San Francisco	October 20, 2000

*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
Arvest Bank, Norman, Oklahoma	Arvest United Bank, Oklahoma City, Oklahoma	St. Louis	September 27, 2000
BancFirst, Oklahoma City, Oklahoma	First State Bank, Oklahoma City, Oklahoma	Kansas City	October 12, 2000
Bank of Lancaster, Kilmarnock, Virginia	First Virginia Bank, Falls Church, Virginia First Virginia Bank-Hampton Roads, Norfolk, Virginia	Richmond	September 29, 2000
Bank of the Orient, San Francisco, California	Bank of Honolulu, Honolulu, Hawaii	San Francisco	October 13, 2000
Bank of Tazewell County, Tazewell, Virginia	AmSouth Bank, Birmingham, Alabama	Richmond	October 18, 2000
Bankwest of Kansas, Goodland, Kansas	Citizens State Bank, Keenesburg, Colorado	Kansas City	October 3, 2000
Commerce Bank, Petersburg, Virginia	County Bank of Chesterfield, Midlothian, Virginia Commerce Bank of Virginia, Richmond, Virginia	Richmond	October 19, 2000
Community Banks of Southern Colorado, Rocky Ford, Colorado	First National Bank of Walsenburg, Walsenburg, Colorado	Kansas City	October 19, 2000
First American Bank and Trust Company, Purcell, Oklahoma	First American Bank, N.A., Woodward, Oklahoma	Kansas City	October 16, 2000
First Arvest Bank, Siloam, Springs, Arkansas	Arvest Bank, Joplin, Missouri	St. Louis	September 25, 2000
Iron and Glass Bank, Pittsburgh, Pennsylvania	Laurel Bank, Johnstown, Pennsylvania	Cleveland	October 5, 2000

Applications Approved Under Bank Merger Act—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Northern Neck State Bank, Warsaw, Virginia	First Virginia Bank-Hampton Roads, Norfolk, Virginia Bank of Lancaster, Kilmarnock, Virginia	Richmond	October 13, 2000
Peninsula Trust Bank, Gloucester, Virginia	United Community Bank, Franklin, Virginia	Richmond	October 4, 2000
People First Bank, Hennessey, Oklahoma	American Heritage Bank, El Reno, Oklahoma Citizens Bank of Tulsa, Tulsa, Oklahoma	Kansas City	October 19, 2000
Pinnacle Bank, Papillion, Nebraska	Pinnacle Bank, N.A., Wisner, Nebraska	Kansas City	October 25, 2000
Pinnacle Bank-Wyoming, Torrington, Wyoming	Pinnacle Bank, Cody, Wyoming Pinnacle Bank, Newcastle, Wyoming Pinnacle Bank, Mitchell, Nebraska	Kansas City	September 29, 2000

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.

El Bey v. United States, No. 00-5293 (D.C. Cir., filed August 31, 2000). Appeal from district court order dismissing *pro se* action as lacking arguable basis in law. The government filed a motion for summary affirmance on October 26, 2000.

Trans Union LLC v. Board of Governors, et al., No. 00-CV-2087 (ESH) (D.D.C., filed August 30, 2000). Action under Administrative Procedure Act challenging a portion of interagency rule regarding Privacy of Consumer Financial Information.

Sedgwick v. Board of Governors, No. 00-16525 (9th Cir., filed August 7, 2000). Appeal of district court dismissal of action under Federal Tort Claims Act alleging violation of bank supervision requirements.

Individual Reference Services Group, Inc., v. Board of Governors, et al., No. 00-CV-1828 (ESH) (D.D.C., filed July 28, 2000). Action under Administrative Procedure Act challenging a portion of interagency rule regarding Privacy of Consumer Finance Information.

Reed Elsevier Inc. v. Board of Governors, No. 00-1289 (D.C. Cir., filed June 30, 2000). Petition for review of interagency rule regarding Privacy of Consumer Financial Information.

Board of Governors v. Interfinancial Services, Ltd., No. 00-5233 (D.C. Cir., filed June 27, 2000). Appeal of district court order enforcing administrative subpoena issued by the

Board. On June 30, 2000, the court of appeals denied the appellant's motion for a stay of the district court order.

Bettsworth v. Board of Governors, No. 00-50262 (5th Cir., filed April 14, 2000). Appeal of district court's dismissal of Privacy Act claims.

Hunter v. Board of Governors, No. 00-CV-735 (ESH) (D.D.C., filed April 5, 2000). Action claiming retaliation for whistleblowing activity.

Bennett v. Federal Bureau of Investigation, et al., No. H-00-0707 (S.D. Texas, filed March 1, 2000). Action alleging Board interference with a private investment. On August 23, 2000, the government filed a motion to dismiss the action.

Albrecht v. Board of Governors, No. 00-CV-317 (CKK) (D.D.C., filed February 18, 2000). Action challenging the funding of the retirement plan for certain Board employees.

Folstad v. Board of Governors, No. 00-1056 (6th Cir., filed January 14, 2000). Appeal of district court order granting summary judgment to the Board in a Freedom of Information Act case. On October 26, 2000, the court of appeals affirmed the district court's order.

Toland v. Internal Revenue Service, Federal Reserve System, et al., No. CV-S-99-1769-JBR-RJJ (D. Nevada, filed December 29, 1999). Challenge to income taxation and Federal Reserve notes. On February 16, 2000, the government filed a motion to dismiss the action.

Artis v. Greenspan, No. 1:99CV02073 (EGS) (D.D.C., filed August 3, 1999). Employment discrimination action.

Sheriff Gerry Ali v. U.S. State Department, No. 99-7438 (C.D. Cal., filed July 21, 1999). Action relating to impounded bank drafts.

Kerr v. Department of the Treasury, No. 99-16263 (9th Cir., filed April 28, 1999). Appeal of dismissal of action challenging income taxation and Federal Reserve notes.

Fraternal Order of Police v. Board of Governors, No. 1:98CV03116 (WBB)(D.D.C., filed December 22, 1998). Declaratory judgment action challenging Board labor practices. On February 26, 1999, the Board filed a motion to dismiss the action.

Board of Governors v. Carrasco, No. 98 Civ. 3474 (LAK) (S.D.N.Y., filed May 15, 1998). Action to freeze assets of individual pending administrative adjudication of civil money penalty assessment by the Board. On May 26, 1998, the court issued a preliminary injunction restraining the transfer or disposition of the individual's assets and appointing the Federal Reserve Bank of New York as receiver for those assets. Following entry of the Board's order requiring restitution, 85 Federal Reserve Bulletin 142 (1998), the court granted the Board's motion for judgment in the asset freeze action and authorized a judicial sale of the seized property.

Board of Governors v. Pharaon, No. 98-6101 (2d Cir., filed May 4, 1998). Appeal and cross-appeal of district court order granting in part and denying in part the Board's motion for summary judgment seeking prejudgment interest and a statutory surcharge in connection with a civil money penalty assessed by the Board. On February 24, 1999, the court granted the Board's appeal and denied the cross-appeal, and remanded the matter to the district court for determination of prejudgment interest due to the Board.

FINAL ENFORCEMENT DECISION ISSUED BY THE BOARD OF GOVERNORS

In the Matter of Incus Co., Ltd. Tortola, British Virgin Islands and Carlos Hank Rhon

An Institution-Affiliated Party Of Incus Co., Ltd., and Laredo National Bancshares, Laredo, Texas

Docket No. 98-038-B-FHC, 98-038, B-I, 98-038-CMP-FHC, 98-038-CMP-I, 98-038-E-I

Determination on Request for Interlocutory Review

Respondents Incus Co., Ltd. and Carlos Hank Rhon have requested interlocutory review of an order dated June 8, 2000, issued by administrative law judge ("ALJ") Arthur L. Shipe, denying Respondents' motions to amend a stipulated confidentiality order, to strike from the record a motion filed by Board Enforcement Counsel, and to order

Enforcement Counsel to show cause why they should not be ordered to cease and desist from "abusing the public record." The Board denies the request for interlocutory review.

Requests for interlocutory review of pre-hearing orders of an ALJ are governed by section 263.28 of the Board's Rules of Practice for Hearings, 12 C.F.R. 263.28 ("Rule 28"). Under that rule, the Board "may exercise interlocutory review" of an ALJ order if the Board finds that at least one of four circumstances exists:

- (1) The ruling involves a controlling question of law or policy as to which substantial grounds exist for a difference of opinion;
- (2) Immediate review of the ruling may materially advance the ultimate termination of the proceeding;
- (3) Subsequent modification of the ruling at the conclusion of the proceeding would be an inadequate remedy; or
- (4) Subsequent modification of the ruling would cause unusual delay or expense. 12 C.F.R. 263.28(b).

As the Board has previously had occasion to rule in this matter, interlocutory review is discretionary, and the scope within which such discretion should be exercised is extremely narrow. *In the Matter of Incus Co.*, 86 Federal Reserve Bulletin 246 (2000). Thus, a finding of one of the four circumstances identified in Rule 28 is necessary, but may not be sufficient, to justify interlocutory review by the Board. *Id.* Rather, the Board will exercise its discretion to grant interlocutory review "where at least one of the prerequisites is met, using all of the prerequisites as guideposts in the exercise of that discretion." *Id.*

Here, Respondents have objected in a variety of ways to the consequences of the Board's prior decision not to close the hearing in this matter to the public. *See In the Matter of Incus Co.*, 85 Federal Reserve Bulletin 284 (1999). First, they claim that Enforcement Counsel's reference in filings in this proceeding to financial information relating to various individuals is an "abuse" of the record, designed to embarrass Respondents and the Hank Rhon family. From this premise they conclude that a stipulated protective order must be revised by the Board to provide protection for deposition testimony, and that Enforcement Counsel must be ordered to "cease and desist" such alleged abuse.

Respondents provide no support for their allegation of abuse apart from the fact that certain information contained in Enforcement Counsel's filings was picked up in press reports. Press coverage is one of the consequences of the Congressional mandate that, absent extraordinary circumstances, enforcement proceedings such as these be open to the public. Moreover, Respondents have not established that this alleged abuse meets any of the criteria for interlocutory review of an ALJ's order. While they argue that the ALJ's decision not to amend the stipulated protective order was based on an erroneous reading of the law, their legal arguments are not persuasive. The Board's regulations relating to release of confidential financial information pursuant to the Freedom of Information Act or in response to a third-party request have no application to these en-

forcement proceedings and would provide no basis for amending the protective order in this case. And no case cited by Respondents suggests that a court or agency is constitutionally required to seal the record of a public proceeding to protect personal financial information relevant to the proceeding.¹

Similarly, the Board sees no basis to disturb the ALJ's decision not to strike the so-called "Halmos Motion" from the record. Respondents claim that the text of the motion as submitted by Enforcement Counsel mischaracterizes a witness's declaration. The declaration speaks for itself and is included in the record; moreover, Respondents have pointed out in the record the areas in which they consider the characterizations to be inaccurate. There is no need to strike a filing on this basis.

For these reasons, Respondents' request for interlocutory review is denied.

So ordered, this 11th day of October, 2000.

Board of Governors of the
Federal Reserve System

JENNIFER J. JOHNSON
Secretary of the Board

1. Indeed, Respondents' own cases establish that to whatever extent personal financial information is entitled to constitutional protection, that protection is frequently overridden by legitimate governmental interests. See *Strathoros v. New York City Taxi and Limousine Comm'n*, 198 F.3d 317 (2d Cir. 1999); *AFGE v. Dep't of Housing and Urban Dev.*, 118 F.3d 786 (D.C. Cir. 1997), reversing *AFGE v. U.S. Dep't of Housing and Urban Dev.*, 924 F. Supp. 225 (D.D.C. 1996). In this case, Congress has made the judgment that the public interest in open proceedings outweighs the privacy interests of the individuals and third parties involved. In *the Matter of Incus*, 85 *Federal Reserve Bulletin* 284, 285 (1999).

WRITTEN AGREEMENTS APPROVED BY FEDERAL RESERVE BANKS

*Bay View Capital Corporation
San Mateo, California*

The Federal Reserve Board announced on October 11, 2000, the execution of a Written Agreement by and between Bay View Capital Corporation, San Mateo, California, and the Federal Reserve Bank of San Francisco.

*Citizens Deposit Bank and Trust Company
Vanceburg, Kentucky*

The Federal Reserve Board announced on October 23, 2000, the execution of a Written Agreement by and between the Citizens Deposit Bank and Trust Company, Vanceburg, Kentucky, and the Federal Reserve Bank of Cleveland.

*Independent Southern Bancshares, Inc.
Employee Stock Ownership Trust
Brownsville, Tennessee*

The Federal Reserve Board announced on October 2, 2000 the execution of a Written Agreement by and among Independent Southern Bancshares, Inc. Employee Stock Ownership Trust, and Independent Southern Bancshares, Inc., both of Brownsville, Tennessee, and the Federal Reserve Bank of St. Louis.

Financial and Business Statistics

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SYMBOLS AND ABBREVIATIONS

c	Corrected	GDP	Gross domestic product
e	Estimated	GNMA	Government National Mortgage Association
n.a.	Not available	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.)	IOs	Interest only, stripped, mortgage-back securities
*	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	OCDs	Other checkable deposits
CMO	Collateralized mortgage obligation	OPEC	Organization of Petroleum Exporting Countries
CRA	Community Reinvestment Act of 1977	OTS	Office of Thrift Supervision
FFB	Federal Financing Bank	PMI	Private mortgage insurance
FHA	Federal Housing Administration	POs	Principal only, stripped, mortgage-back securities
FHLBB	Federal Home Loan Bank Board	REIT	Real estate investment trust
FHLMC	Federal Home Loan Mortgage Corporation	REMICs	Real estate mortgage investment conduits
FmHA	Farmers Home Administration	RHS	Rural Housing Service
FNMA	Federal National Mortgage Association	RP	Repurchase agreement
FSA	Farm Service Agency	RTC	Resolution Trust Corporation
FSLIC	Federal Savings and Loan Insurance Corporation	SCO	Securitized credit obligation
G-7	Group of Seven	SDR	Special drawing right
G-10	Group of Ten	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 2000

1.10 RESERVES, MONEY STOCK, AND DEBT MEASURES

Percent annual rate of change, seasonally adjusted¹

Monetary or credit aggregate	1999	2000			2000				
	Q4	Q1	Q2	Q3	May	June	July ^f	Aug. ^f	Sept.
<i>Reserves of depository institutions²</i>									
1 Total	-3.4	1.8	-9.5	-7.1	12.5	-40.6	9.0	-9.4	-2.4
2 Required	-4.5	.1	-5.9	-7.5	19.0	-45.1	9.1	-8.0	-5.6
3 Nonborrowed	-3.0	2.4	-11.1	-8.8	10.9	-44.4	6.4	-9.8	.7
4 Monetary base ³	20.4	4.3	-3.2	2.5	2.5	2.8	3.7	.4	2.9
<i>Concepts of money and debt⁴</i>									
5 M1	4.8	.0	-1.2	-2.8	-10.9	-1.7	1.1	-3.7	-6.6
6 M2	5.2	6.1	6.3	4.5	-5	3.8	3.5	7.3	8.5
7 M3	10.4 ^f	11.1 ^f	8.5 ^f	8.1	3.9 ^f	7.7 ^f	8.6	9.7	8.0
8 Debt	6.3	5.6	6.2 ^f	n.a.	5.1 ^f	5.6 ^f	5.1	5.4	n.a.
<i>Nontransaction components</i>									
9 In M2 ⁵	5.3	8.0	8.6	6.7	2.7	5.4	4.3	10.5	12.9
10 In M3 only ⁶	24.8 ^f	24.3 ^f	13.9 ^f	17.0	14.9 ^f	17.4 ^f	21.1	15.6	7.0
<i>Time and savings deposits</i>									
<i>Commercial banks</i>									
11 Savings, including MMDAs	4.2	3.6	8.1	10.5	-2.4	7.3	10.1	14.5	22.3
12 Small time ^{8,9}	7.0	9.3	13.7	10.3	10.9	17.5	8.2	9.2	3.7
13 Large time ^{8,9}	38.5	22.2	17.7	9.5	1.7	19.1	9.7	18.5	-20.4
<i>Thrift institutions</i>									
14 Savings, including MMDAs	-3.3	-1.7	1.9	2.5	11.5	-1.9	-5	6.6	3.4
15 Small time ⁸	5.1	7.2	3.7	11.6	7.0	9.2	12.0	16.2	9.6
16 Large time ⁸	6.0	17.9	-7	20.3	-12.7	24.4	26.4	27.0	10.8
<i>Money market mutual funds</i>									
17 Retail	10.8	19.3	10.9	-1.2	-1.9	-3.9	-7.9	5.4	11.7
18 Institution-only	22.0	23.8	13.7	33.4	17.0	15.5	51.8	28.2	32.7
<i>Repurchase agreements and eurodollars</i>									
19 Repurchase agreements ¹⁰	19.5	22.4	10.8	8.0	33.1	28.8	5.9	-16.9	-1.3
20 Eurodollars ¹⁰	10.0 ^f	41.1 ^f	15.4 ^f	1.4	32.7 ^f	-5.7 ^f	-20.5	16.3	21.8
<i>Debt components⁴</i>									
21 Federal	-4.4	-4.8	-7.5	n.a.	-18.1	-8.4	-3.7	-7.3	n.a.
22 Nonfederal	9.3	8.4	9.7 ^f	n.a.	11.0 ^f	9.0 ^f	7.2	8.4	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 I.20.)

3. The seasonally adjusted, break-adjusted monetary base consists of (1) seasonally adjusted, break-adjusted total reserves (line 1), plus (2) the seasonally adjusted currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all weekly reporters whose vault cash exceeds their required reserves) the seasonally adjusted, break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

4. Composition of the money stock measures and debt is as follows:

M1: (1) currency outside the U.S. Treasury, Federal Reserve Banks, and the vaults of depository institutions, (2) travelers checks of nonbank issuers, (3) demand deposits at all commercial banks other than those owed to depository institutions, the U.S. government, and foreign banks and official institutions, less cash items in the process of collection and Federal Reserve float, and (4) other checkable deposits (OCDs), consisting of negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at depository institutions, credit union share draft accounts, and demand deposits at thrift institutions. Seasonally adjusted M1 is computed by summing currency, travelers checks, demand deposits, and OCDs, each seasonally adjusted separately.

M2: M1 plus (1) savings (including MMDAs), (2) small-denomination time deposits (time deposits—including retail RPs—in amounts of less than \$100,000), and (3) balances in retail money market mutual funds. Excludes individual retirement accounts (IRAs) and Keogh balances at depository institutions and money market funds. Seasonally adjusted M2 is calculated by summing savings deposits, small-denomination time deposits, and retail money fund balances, each seasonally adjusted separately, and adding this result to seasonally adjusted M1.

M3: M2 plus (1) large-denomination time deposits (in amounts of \$100,000 or more), (2) balances in institutional money funds, (3) RP liabilities (overnight and term) issued by all

depository institutions, and (4) eurodollars (overnight and term) held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Seasonally adjusted M3 is calculated by summing large time deposits, institutional money fund balances, RP liabilities, and eurodollars, each seasonally adjusted separately, and adding this result to seasonally adjusted M2.

Debt: The debt aggregate is the outstanding credit market debt of the domestic nonfinancial sectors—the federal sector (U.S. government, not including government-sponsored enterprises or federally related mortgage pools) and the nonfederal sectors (state and local governments, households and nonprofit organizations, nonfinancial corporate and nonfarm noncorporate businesses, and farms). Nonfederal debt consists of mortgages, tax-exempt and corporate bonds, consumer credit, bank loans, commercial paper, and other loans. The data, which are derived from the Federal Reserve Board's flow of funds accounts, are break-adjusted (that is, discontinuities in the data have been smoothed into the series) and month-averaged (that is, the data have been derived by averaging adjacent month-end levels).

5. Sum of (1) savings deposits (including MMDAs), (2) small time deposits, and (3) retail money fund balances, each seasonally adjusted separately.

6. Sum of (1) large time deposits, (2) institutional money fund balances, (3) RP liabilities (overnight and term) issued by depository institutions, and (4) eurodollars (overnight and term) of U.S. addressees, each seasonally adjusted separately.

7. Small time deposits—including retail RPs—are those issued in amounts of less than \$100,000. All IRA and Keogh account balances at commercial banks and thrift institutions are subtracted from small time deposits.

8. Large time deposits are those issued in amounts of \$100,000 or more, excluding those booked at international banking facilities.

9. Large time deposits at commercial banks less those held by money market funds, depository institutions, the U.S. government, and foreign banks and official institutions.

10. Includes both overnight and term.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT ¹

Millions of dollars

Factor	Average of daily figures			Average of daily figures for week ending on date indicated						
	2000			2000						
	July	Aug.	Sept.	Aug. 16	Aug. 23	Aug. 30	Sept. 6	Sept. 13	Sept. 20	Sept. 27
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	559,982	557,962	561,086	558,150	557,929	556,799	562,878	559,406	562,208	558,792
U.S. government securities ²										
2 Bought outright—System account ³	506,116	509,923	510,925	510,753	509,767	511,147	511,123	512,218	509,013	511,153
3 Held under repurchase agreements	0	0	0	0	0	0	0	0	0	0
Federal agency obligations										
4 Bought outright	140	140	133	140	140	140	140	136	130	130
5 Held under repurchase agreements	0	0	0	0	0	0	0	0	0	0
6 Repurchase agreements—triparty ⁴	17,642	12,059	14,427	10,822	13,281	10,761	17,664	11,205	17,286	11,425
7 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
8 Adjustment credit	64	24	52	9	14	54	36	4	135	18
9 Seasonal credit	513	559	424	539	565	586	531	422	384	398
10 Special Liquidity Facility credit	0	0	0	0	0	0	0	0	0	0
11 Extended credit	0	0	0	0	0	0	0	0	0	0
12 Float	469	896	776	899	959	492	-10	1,462	977	677
13 Other Federal Reserve assets	35,038	34,362	34,349	34,988	33,204	33,619	33,394	33,959	34,284	34,991
14 Gold stock	11,046	11,046	11,046	11,046	11,046	11,046	11,046	11,046	11,046	11,046
15 Special drawing rights certificate account	4,200	4,200	3,667	4,200	4,200	4,200	4,200	4,200	3,343	3,200
16 Treasury currency outstanding	30,167	30,444	30,687	30,432	30,471	30,510	30,549	30,657	30,708	30,759
ABSORBING RESERVE FUNDS										
17 Currency in circulation	570,798	569,532	570,465	570,072	569,067	568,790	572,637	572,073	569,649	568,349
18 Reverse repurchase agreements—triparty ⁴	0	0	0	0	0	0	0	0	0	0
19 Treasury cash holdings	85	146	170	140	157	161	166	167	164	177
Deposits, other than reserve balances, with Federal Reserve Banks										
20 Treasury	5,172	5,047	6,695	5,226	4,824	5,245	5,594	4,627	8,574	7,357
21 Foreign	120	87	84	80	101	77	74	80	86	77
22 Service-related balances and adjustments	6,784	6,745 ⁵	6,704	6,824	6,821 ¹	6,693 ¹	6,788	6,588	6,473	6,894
23 Other	233	239	227	255	234	205	248	237	199	242
24 Other Federal Reserve liabilities and capital	15,652	15,269	15,260	15,246	15,234	15,301	15,156	15,278	15,261	15,333
25 Reserve balances with Federal Reserve Banks ⁵	6,552	6,588 ¹	6,881	5,984	7,208	6,083 ¹	8,011	6,259	6,899	5,369
End-of-month figures				Wednesday figures						
	July	Aug.	Sept.	Aug. 16	Aug. 23	Aug. 30	Sept. 6	Sept. 13	Sept. 20	Sept. 27
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	560,828	562,882 ¹	565,382	557,033	563,303	559,930	564,390	559,863	566,465	561,557
U.S. government securities ²										
2 Bought outright—System account ³	506,103	510,182	511,413	513,023	510,664	513,095	512,447	510,829	510,434	512,472
3 Held under repurchase agreements	0	0	0	0	0	0	0	0	0	0
Federal agency obligations										
4 Bought outright	140	140	130	140	140	140	140	130	130	130
5 Held under repurchase agreements	0	0	0	0	0	0	0	0	0	0
6 Repurchase agreements—triparty ⁴	17,490	18,525	17,320	10,020	18,330	11,935	16,680	11,840	19,885	12,170
7 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
8 Adjustment credit	45	30	4	12	7	20	129	8	908	7
9 Seasonal credit	584	567	368	545	580	586	504	387	392	407
10 Special Liquidity Facility credit	0	0	0	0	0	0	0	0	0	0
11 Extended credit	0	0	0	0	0	0	0	0	0	0
12 Float	1,348	198 ¹	372	280	143	319	741	2,508	124	642
13 Other Federal Reserve assets	35,119	33,240	35,774	33,012	33,440	33,835	33,749	34,161	34,591	35,728
14 Gold stock	11,046	11,046	11,046	11,046	11,046	11,046	11,046	11,046	11,046	11,046
15 Special drawing rights certificate account	4,200	4,200	3,200	4,200	4,200	4,200	4,200	4,200	3,200	3,200
16 Treasury currency outstanding	30,283	30,549	30,811	30,432	30,471	30,510	30,549	30,657	30,708	30,759
ABSORBING RESERVE FUNDS										
17 Currency in circulation	568,806	571,430	568,612	570,789	569,588	570,948	573,995	571,790	569,742	569,672
18 Reverse repurchase agreements—triparty ⁴	0	0	0	0	0	0	0	0	0	0
19 Treasury cash holdings	118	166	184	156	161	161	168	162	175	184
Deposits, other than reserve balances, with Federal Reserve Banks										
20 Treasury	5,392	5,961	8,459	3,943	5,150	5,948	4,359	5,348	7,413	7,986
21 Foreign	76	79	139	83	71	99	75	74	66	75
22 Service-related balances and adjustments	6,553	6,788 ¹	6,894	6,824	6,821 ¹	6,693 ¹	6,788	6,588	6,473	6,897
23 Other	228	214	177	259	203	202	247	188	192	189
24 Other Federal Reserve liabilities and capital	15,331	15,180	15,243	14,908	14,947	14,915	14,928	14,949	15,003	15,034
25 Reserve balances with Federal Reserve Banks ⁵	9,852	8,859 ¹	10,731	5,748	12,079	6,720 ¹	9,625	6,667	12,355	6,527

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. Includes compensation that adjusts for the effects of inflation on the principal of inflation-indexed securities.
4. Cash value of agreements arranged through third-party custodial banks. These agreements are collateralized by U.S. government and federal agency securities.
5. Excludes required clearing balances and adjustments to compensate for float.

A6 Domestic Financial Statistics □ December 2000

1.12 RESERVES AND BORROWINGS Depository Institutions¹

Millions of dollars

Reserve classification	Prorated monthly averages of biweekly averages									
	1997	1998	1999	2000						
	Dec.	Dec.	Dec.	Mar.	Apr.	May	June	July	Aug.	Sept.
1 Reserve balances with Reserve Banks ²	10,664	9,026	5,263	6,515	7,081	7,661	6,460	6,582	6,875 ^f	6,826
2 Total vault cash ³	44,742	44,294	60,630	48,952	46,456	44,643	44,560	45,475	45,322	44,802
3 Applied vault cash ⁴	37,255	36,183	36,392	33,237	33,512	33,898	32,757	33,086	32,611 ^f	32,435
4 Surplus vault cash ⁵	7,486	8,111	24,238	15,715	12,944	10,745	11,802	12,389	12,711 ^f	12,367
5 Total reserves ⁶	47,919	45,209	41,655	39,752	40,593	41,558	39,217	39,668	39,486 ^f	39,261
6 Required reserves	46,235	43,695	40,348	38,547	39,448	40,616	38,153	38,600	38,471	38,144
7 Excess reserve balances at Reserve Banks ⁷	1,685	1,514	1,307	1,205	1,145	943	1,064	1,068	1,014 ^f	1,117
8 Total borrowing at Reserve Banks	324	117	320	179	304	362	479	570	579	477
9 Adjustment	245	101	179	101	184	86	90	60	25	50
10 Seasonal	79	15	67	71	120	276	389	510	554	427
11 Special Liquidity Facility ⁸	...	...	74	7	0	...	...	...	...	...
12 Extended credit ⁹	0	0	0	0	0	0	0	0	0	0
Biweekly averages of daily figures for two-week periods ending on dates indicated										
2000										
	May 31	June 14	June 28	July 12	July 26	Aug. 9	Aug. 23	Sept. 6 ^f	Sept. 20	Oct. 4
1 Reserve balances with Reserve Banks ²	7,741	6,498	6,413	6,524	6,388	7,267	6,603	6,911	6,578	7,123
2 Total vault cash ³	45,164	43,847	45,098	45,781	44,921	46,291	45,398	44,099	44,814	45,208
3 Applied vault cash ⁴	34,458	32,184	33,333	32,742	33,184	33,638	32,195	32,184	32,077	33,087
4 Surplus vault cash ⁵	10,706	11,663	11,765	13,041	11,737	12,654	13,204	11,915	12,737	12,121
5 Total reserves ⁶	42,199	38,682	39,746	39,266	39,572	40,904	38,797	39,095	38,655	40,209
6 Required reserves	41,223	37,769	38,545	38,103	38,596	39,802	37,818	38,118	37,612	38,906
7 Excess reserve balances at Reserve Banks ⁷	976	913	1,200	1,162	975	1,102	979	977	1,043	1,303
8 Total borrowing at Reserve Banks	440	472	471	589	549	581	564	604	473	409
9 Adjustment	100	134	43	117	22	27	12	45	70	26
10 Seasonal	340	339	428	472	527	555	552	559	403	383
11 Special Liquidity Facility ⁸	...	...	...	...	...	...	...	...	...	...
12 Extended credit ⁹	0	0	0	0	0	0	0	0	0	0

1. Data in this table also appear in the Board's H.3 (502) weekly statistical release. For ordering address, see inside front cover. Data are not break-adjusted or seasonally adjusted.

2. Excludes required clearing balances and adjustments to compensate for float and includes other off-balance-sheet "as-of" adjustments.

3. Vault cash eligible to satisfy reserve requirements. It includes only vault cash held by those banks and thrift institutions that are not exempt from reserve requirements. Dates refer to the maintenance periods in which the vault cash can be used to satisfy reserve requirements.

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. Borrowing at the discount window under the terms and conditions established for the Century Date Change Special Liquidity Facility in effect from October 1, 1999 through April 7, 2000.

9. Consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as with traditional short-term adjustment credit, the money market effect of extended credit is similar to that of nonborrowed reserves.

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per year

Current and previous levels

Federal Reserve Bank	Adjustment credit ¹			Seasonal credit ²			Extended credit ³		
	On 11/3/00	Effective date	Previous rate	On 11/3/00	Effective date	Previous rate	On 11/3/00	Effective date	Previous rate
Boston	6.00 ↑	5/16/00	5.50 ↑	6.60 ↑	10/5/00	6.55 ↑	7.10 ↑	10/5/00	7.05 ↑
New York		5/19/00							
Philadelphia		5/18/00							
Cleveland		5/16/00							
Richmond		5/16/00							
Atlanta		5/17/00							
Chicago	6.00 ↓	5/17/00	5.50 ↓	6.60 ↓	10/5/00	6.55 ↓	7.10 ↓	10/5/00	7.05 ↓
St. Louis		5/18/00							
Minneapolis		5/18/00							
Kansas City		5/17/00							
Dallas		5/17/00							
San Francisco		5/16/00							

Range of rates for adjustment credit in recent years⁴

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	1982—Oct. 12	9.5–10	9.5	1994—May 17	3–3.5	3.5
1978—Jan. 9	6–6.5	6.5	13	9.5	9.5	18	3.5	3.5
20	6.5	6.5	Nov. 22	9–9.5	9	Aug. 16	3.5–4	4
May 11	6.5–7	7	26	9	9	18	4	4
12	7	7	Dec. 14	8.5–9	9	Nov. 15	4–4.75	4.75
July 3	7–7.25	7.25	15	8.5–9	8.5	17	4.75	4.75
10	7.25	7.25	17	8.5	8.5	1995—Feb. 1	4.75–5.25	5.25
Aug. 21	7.75	7.75	1984—Apr. 9	8.5–9	9	9	5.25	5.25
Sept. 22	8	8	13	9	9	1996—Jan. 31	5.00–5.25	5.00
Oct. 16	8–8.5	8.5	Nov. 21	8.5–9	8.5	Feb. 5	5.00	5.00
20	8.5	8.5	26	8.5	8.5	1998—Oct. 15	4.75–5.00	4.75
Nov. 1	8.5–9.5	9.5	Dec. 24	8	8	16	4.75	4.75
3	9.5	9.5	1985—May 20	7.5–8	7.5	Nov. 17	4.50–4.75	4.50
1979—July 20	10	10	24	7.5	7.5	19	4.50	4.50
Aug. 17	10–10.5	10.5	1986—Mar. 7	7–7.5	7	1999—Aug. 24	4.50–4.75	4.75
20	10.5	10.5	10	7	7	26	4.75	4.75
Sept. 19	10.5–11	11	Apr. 21	6.5–7	6.5	Nov. 16	4.75–5.00	4.75
21	11	11	23	6.5	6.5	18	5.00	5.00
Oct. 8	11–12	12	July 11	6	6	2000—Feb. 2	5.00–5.25	5.25
10	12	12	Aug. 21	5.5–6	5.5	4	5.25	5.25
1980—Feb. 15	12–13	13	22	5.5	5.5	Mar. 21	5.25–5.50	5.50
19	13	13	1987—Sept. 4	5.5–6	6	23	5.50	5.50
May 29	12–13	13	11	6	6	May 16	5.50–6.00	5.50
30	12	12	1988—Aug. 9	6–6.5	6.5	19	6.00	6.00
June 13	11–12	11	11	6.5	6.5	In effect Nov. 3, 2000	6.00	6.00
16	11	11	1989—Feb. 24	6.5–7	7			
July 28	10–11	10	27	7	7			
29	10	10	1990—Dec. 19	6.5	6.5			
Sept. 26	11	11	1991—Feb. 1	6–6.5	6			
Nov. 17	12	12	4	6	6			
Dec. 5	12–13	13	Apr. 30	5.5–6	5.5			
8	13	13	May 2	5.5	5.5			
1981—May 5	13–14	14	Sept. 13	5–5.5	5			
8	14	14	17	5	5			
Nov. 2	13–14	13	Nov. 6	4.5–5	4.5			
6	13	13	7	4.5	4.5			
Dec. 4	12	12	Dec. 20	3.5–4.5	3.5			
1982—July 20	11.5–12	11.5	24	3.5	3.5			
23	11.5	11.5	1992—July 2	3–3.5	3			
Aug. 2	11–11.5	11	7	3	3			
3	11	11						
16	10.5	10.5						
27	10–10.5	10						
30	10	10						

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.

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS¹

Type of deposit	Requirement	
	Percentage of deposits	Effective date
<i>Net transaction accounts</i> ²		
1 \$0 million–\$42.8 million ³	3	12/28/00
2 More than \$42.8 million ⁴	10	12/28/00
3 Nonpersonal time deposits ⁵	0	12/27/90
4 Eurocurrency liabilities ⁶	0	12/27/90

1. Required reserves must be held in the form of deposits with Federal Reserve Banks or vault cash. Nonmember institutions may maintain reserve balances with a Federal Reserve Bank indirectly, on a pass-through basis, with certain approved institutions. For previous reserve requirements, see earlier editions of the *Annual Report* or the *Federal Reserve Bulletin*. Under the Monetary Control Act of 1980, depository institutions include commercial banks, savings banks, savings and loan associations, credit unions, agencies and branches of foreign banks, and Edge Act corporations.

2. Transaction accounts include all deposits against which the account holder is permitted to make withdrawals by negotiable or transferable instruments, payment orders of withdrawal, or telephone or preauthorized transfers for the purpose of making payments to third persons or others. However, accounts subject to the rules that permit no more than six preauthorized, automatic, or other transfers per month (of which no more than three may be by check, draft, debit card, or similar order payable directly to third parties) are savings deposits, not transaction accounts.

3. The Monetary Control Act of 1980 requires that the amount of transaction accounts against which the 3 percent reserve requirement applies be modified annually by 80 percent of the percentage change in transaction accounts held by all depository institutions, determined as of June 30 of each year. Effective with the reserve maintenance period beginning December 28, 2000, for depository institutions that report weekly, and with the period beginning January 18, 2001, for institutions that report quarterly, the amount was decreased from \$44.3 million to \$42.8 million.

Under the Garn-St Germain Depository Institutions Act of 1982, the Board adjusts the amount of reservable liabilities subject to a zero percent reserve requirement each year for the

succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is made in the event of a decrease. The exemption applies only to accounts that would be subject to a 3 percent reserve requirement. Effective with the reserve maintenance period beginning December 28, 2000, for depository institutions that report weekly, and with the period beginning January 18, 2001, for institutions that report quarterly, the exemption was raised from \$5.0 million to \$5.5 million.

4. The reserve requirement was reduced from 12 percent to 10 percent on Apr. 2, 1992, for institutions that report weekly, and on Apr. 16, 1992, for institutions that report quarterly.

5. For institutions that report weekly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years was reduced from 3 percent to 1½ percent for the maintenance period that began Dec. 13, 1990, and to zero for the maintenance period that began Dec. 27, 1990. For institutions that report quarterly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years was reduced from 3 percent to zero on Jan. 17, 1991.

The reserve requirement on nonpersonal time deposits with an original maturity of 1½ years or more has been zero since Oct. 6, 1983.

6. The reserve requirement on Eurocurrency liabilities was reduced from 3 percent to zero in the same manner and on the same dates as the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years (see note 5).

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS¹

Millions of dollars

Type of transaction and maturity	1997	1998	1999	2000						
				Feb.	Mar.	Apr.	May	June	July	Aug.
U.S. TREASURY SECURITIES²										
<i>Outright transactions (excluding matched transactions)</i>										
<i>Treasury bills</i>										
1 Gross purchases	9,147	3,550	0	0	0	2,294	0	0	1,825	531
2 Gross sales	0	0	0	0	0	0	0	0	0	0
3 Exchanges	435,907	450,835	464,218	38,607	48,459	37,141	36,386	44,008	33,718	42,797
4 For new bills	435,907	450,835	464,218	38,607	48,459	37,141	36,386	44,008	33,718	42,797
5 Redemptions	0	2,000	0	0	198	779	2,297	4,188	4,902	3,438
<i>Others within one year</i>										
6 Gross purchases	5,549	6,297	11,895	0	0	0	164	1,875	1,284	2,770
7 Gross sales	0	0	0	0	0	0	0	0	0	0
8 Maturity shifts	41,716	46,062	50,590	6,877	5,034	0	13,063	4,672	5,152	7,040
9 Exchanges	-27,499	-49,434	-53,315	-6,688	-3,515	0	-12,633	-3,109	-3,333	-7,396
10 Redemptions	1,996	2,676	1,429	0	0	568	0	0	367	887
<i>One to five years</i>										
11 Gross purchases	20,080	12,901	19,731	0	740	1,723	890	706	2,259	2,508
12 Gross sales	0	0	0	0	0	0	0	0	0	0
13 Maturity shifts	-37,987	-37,777	-44,032	-5,210	-5,034	0	-10,334	-4,672	-5,152	-3,439
14 Exchanges	20,274	37,154	42,604	4,348	3,515	0	10,063	3,109	3,333	5,418
<i>Five to ten years</i>										
15 Gross purchases	3,449	2,294	4,303	0	489	930	0	0	0	1,956
16 Gross sales	0	0	0	0	0	0	0	0	0	0
17 Maturity shifts	-1,954	-5,908	-5,841	-949	0	0	-1,552	0	0	-3,601
18 Exchanges	5,215	7,439	7,583	1,170	0	0	2,570	0	0	1,254
<i>More than ten years</i>										
19 Gross purchases	5,897	4,884	9,428	0	330	0	528	1,151	500	727
20 Gross sales	0	0	0	0	0	0	0	0	0	0
21 Maturity shifts	-1,775	-2,377	-717	-717	0	0	-1,177	0	0	0
22 Exchanges	2,360	4,842	3,139	1,170	0	0	0	0	0	724
<i>All maturities</i>										
23 Gross purchases	44,122	29,926	45,357	0	1,559	4,947	1,582	3,732	5,868	8,492
24 Gross sales	0	0	0	0	0	0	0	0	0	0
25 Redemptions	1,996	4,676	1,429	0	198	1,347	2,297	4,188	5,269	4,325
<i>Matched transactions</i>										
26 Gross purchases	3,591,210	4,430,457	4,413,430	340,127	401,404	336,103 ²	357,355	368,396	344,935	381,349
27 Gross sales	3,593,530	4,434,358	4,431,685	339,585	401,841	334,751 ²	356,640	369,739	344,384	381,475
<i>Repurchase agreements</i>										
28 Gross purchases	810,485	512,671	281,599	0	0	0	0	0	0	0
29 Gross sales	809,268	514,186	301,273	0	0	0	0	0	0	0
30 Net change in U.S. Treasury securities	41,022	19,835	5,999	542	923	4,952	-1	-1,800	1,150	4,041
FEDERAL AGENCY OBLIGATIONS										
<i>Outright transactions</i>										
31 Gross purchases	0	0	0	0	0	0	0	0	0	0
32 Gross sales	0	25	0	0	0	0	0	0	0	0
33 Redemptions	1,540	322	157	25	0	10	0	0	0	0
<i>Repurchase agreements</i>										
34 Gross purchases	160,409	284,316	360,069	0	0	0	0	0	0	0
35 Gross sales	159,369	276,266	370,772	0	0	0	0	0	0	0
36 Net change in federal agency obligations	-500	7,703	-10,859	-25	0	-10	0	0	0	0
<i>Reverse repurchase agreements</i>										
37 Gross purchases	0	0	0	0	0	0	0	0	0	0
38 Gross sales	0	0	0	0	0	0	0	0	0	0
<i>Repurchase agreements</i>										
39 Gross purchases	0	0	304,989	82,998	61,230	79,585	107,375	70,850	66,485	47,265
40 Gross sales	0	0	164,349	81,335	62,253	78,425	105,885	70,315	75,925	46,230
41 Net change in triparty obligations	0	0	140,640	1,663	-1,023	1,160	1,490	535	-9,440	1,035
42 Total net change in System Open Market Account	40,522	27,538	135,780	2,180	-100	6,102	1,489	-1,265	-8,290	5,076

1. Sales, redemptions, and negative figures reduce holdings of the System Open Market Account; all other figures increase such holdings.

2. Transactions exclude changes in compensation for the effects of inflation on the principal of inflation-indexed securities.

A10 Domestic Financial Statistics □ December 2000

1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements¹

Millions of dollars

Account	Wednesday					End of month		
	2000					2000		
	Aug. 30	Sept. 6	Sept. 13	Sept. 20	Sept. 27	July 31	Aug. 31	Sept. 30
Consolidated condition statement								
ASSETS								
1 Gold certificate account	11,046	11,046	11,046	11,046	11,046	11,046	11,046	11,046
2 Special drawing rights certificate account	4,200	4,200	4,200	3,200	3,200	4,200	4,200	3,200
3 Coin	760	729	735	765	790	754	760	831
<i>Loans</i>								
4 To depository institutions	606	633	395	1,300	414	628	597	372
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>Triparty Obligations</i>								
7 Repurchase agreements—triparty ²	11,935	16,680	11,840	19,885	12,170	17,490	18,525	17,320
<i>Federal agency obligations³</i>								
8 Bought outright	140	140	130	130	130	140	140	130
9 Held under repurchase agreements	0	0	0	0	0	0	0	0
10 Total U.S. Treasury securities³	513,095	512,447	510,829	510,434	512,472	506,103	510,182	511,413
11 Bought outright ⁴	513,095	512,447	510,829	510,434	512,472	506,103	510,182	511,413
12 Bills	189,260	188,995	186,477	184,032	185,416	190,265	187,232	184,356
13 Notes	233,656	232,772	233,651	235,256	235,724	228,503	232,770	235,725
14 Bonds	90,179	90,679	90,700	91,147	91,332	87,335	90,180	91,332
15 Held under repurchase agreements	0	0	0	0	0	0	0	0
16 Total loans and securities	525,776	529,899	523,193	531,750	525,186	524,361	529,444	529,235
17 Items in process of collection	7,111	11,517	9,980	7,863	7,072	3,414	5,391	5,424
18 Bank premises	1,412	1,419	1,420	1,422	1,425	1,418	1,421	1,430
<i>Other assets</i>								
19 Denominated in foreign currencies ⁵	15,115	15,092	15,097	15,102	15,777	15,092	15,088	15,642
20 All other ⁶	17,339	17,275	17,704	18,175	18,626	18,600	16,755	18,817
21 Total assets	582,759	591,178	583,375	589,323	583,123	578,886	584,103	585,625
LIABILITIES								
22 Federal Reserve notes	541,360	544,342	542,030	539,974	539,886	539,396	541,806	538,816
23 Reverse repurchase agreements—triparty ⁷	0	0	0	0	0	0	0	0
24 Total deposits	19,761	21,932	18,480	27,012	21,276	22,006	21,855	26,399
25 Depository institutions	13,511	17,250	12,871	19,341	13,027	16,309	15,601	17,624
26 U.S. Treasury—General account	5,948	4,359	5,348	7,413	7,986	5,392	5,961	8,459
27 Foreign—Official accounts	99	75	74	66	75	76	79	139
28 Other	202	247	188	192	189	228	214	177
29 Deferred credit items	6,724	9,976	7,916	7,334	6,927	2,154	5,263	5,168
30 Other liabilities and accrued dividends ⁷	4,374	4,427	4,369	4,328	4,338	4,839	4,585	4,447
31 Total liabilities	572,219	580,677	572,794	578,648	572,427	568,394	573,508	574,830
CAPITAL ACCOUNTS								
32 Capital paid in	6,856	6,874	6,920	6,935	6,949	6,881	6,856	6,933
33 Surplus	2,679	2,679	2,679	2,679	2,679	2,615	2,679	2,679
34 Other capital accounts	1,005	948	982	1,060	1,067	995	1,060	1,184
35 Total liabilities and capital accounts	582,759	591,178	583,375	589,323	583,123	578,886	584,103	585,625
MEMO								
36 Marketable U.S. Treasury securities held in custody for foreign and international accounts	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Federal Reserve note statement								
37 Federal Reserve notes outstanding (issued to Banks)	767,117	766,252	765,862	765,300	765,043	769,994	766,982	764,756
38 LESS: Held by Federal Reserve Banks	225,757	221,910	223,832	225,326	225,157	220,598	225,175	225,940
39 Federal Reserve notes, net	541,360	544,342	542,030	539,974	539,886	539,396	541,806	538,816
<i>Collateral held against notes, net</i>								
40 Gold certificate account	11,046	11,046	11,046	11,046	11,046	11,046	11,046	11,046
41 Special drawing rights certificate account	4,200	4,200	4,200	3,200	3,200	4,200	4,200	3,200
42 Other eligible assets	944	0	3,985	0	869	417	0	0
43 U.S. Treasury and agency securities	525,170	529,097	522,799	525,728	524,772	523,733	526,560	524,570
44 Total collateral	541,360	544,342	542,030	539,974	539,886	539,396	541,806	538,816

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. Cash value of agreements arranged through third-party custodial banks.
 3. Face value of the securities.
 4. Includes securities loaned—fully guaranteed by U.S. Treasury securities pledged with Federal Reserve Banks—and includes compensation that adjusts for the effects of inflation on the principal of inflation-indexed securities. Excludes securities sold and scheduled to be bought back under matched sale—purchase transactions.

5. Valued monthly at market exchange rates.
 6. Includes special investment account at the Federal Reserve Bank of Chicago in Treasury bills maturing within ninety days.
 7. Includes exchange-translation account reflecting the monthly revaluation at market exchange rates of foreign exchange commitments.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holding

Millions of dollars

Type of holding and maturity	Wednesday					End of month		
	2000					2000		
	Aug. 30	Sept. 6	Sept. 13	Sept. 20	Sept. 27	July 31	Aug. 31	Sept. 30
1 Total loans	606	633	395	1,300	415	577	597	372
2 Within fifteen days ¹	538	234	82	1,255	365	371	398	221
3 Sixteen days to ninety days	68	398	313	46	49	206	200	151
4 91 days to 1 year	0	0	0	0	0	0	0	0
5 Total U.S. Treasury securities²	513,095	512,447	510,829	510,434	512,472	506,103	510,182	511,413
6 Within fifteen days ¹	17,840	15,459	18,333	17,138	19,796	13,568	4,891	8,978
7 Sixteen days to ninety days	111,192	111,753	110,937	109,017	107,557	108,730	111,192	116,776
8 Ninety-one days to one year	129,090	131,447	126,872	128,256	128,442	136,104	140,813	128,981
9 One year to five years	131,290	129,601	130,499	131,337	131,987	125,108	129,601	131,987
10 Five years to ten years	53,071	53,074	53,075	53,525	53,527	53,440	53,072	53,527
11 More than ten years	70,613	71,112	71,113	71,162	71,162	69,153	70,613	71,162
12 Total federal agency obligations	140	140	130	130	130	140	140	130
13 Within fifteen days ¹	0	10	0	0	0	0	0	0
14 Sixteen days to ninety days	0	0	0	0	0	10	10	0
15 Ninety-one days to one year	0	0	0	0	0	0	0	0
16 One year to five years	10	10	30	30	30	10	10	30
17 Five years to ten years	120	120	100	100	100	120	120	100
18 More than ten years	0	0	0	0	0	0	0	0

1. Holdings under repurchase agreements are classified as maturing within fifteen days in accordance with maximum maturity of the agreements.

2. Includes compensation that adjusts for the effects of inflation on the principal of inflation-indexed securities.

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE¹

Billions of dollars, averages of daily figures

Item	1996 Dec.	1997 Dec.	1998 Dec.	1999 Dec.	2000							
					Feb.	Mar.	Apr.	May	June	July	Aug. ^f	Sept.
Seasonally adjusted												
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS ²												
1 Total reserves ³	50.17	46.87	45.19	41.74	41.64	40.46	40.93	41.36	39.96	40.26	39.94	39.87
2 Nonborrowed reserves	50.02	46.54	45.07	41.42	41.53	40.28	40.63	41.00	39.48	39.69	39.37	39.39
3 Nonborrowed reserves plus extended credit ³	50.02	46.54	45.07	41.42	41.53	40.28	40.63	41.00	39.48	39.69	39.37	39.39
4 Required reserves	48.76	45.18	43.68	40.44	40.53	39.26	39.78	40.41	38.89	39.19	38.93	38.75
5 Monetary base ⁶	451.62	479.17	512.75	591.18	573.59	571.44	573.08	574.29	575.63	577.41	577.58	578.96
Not seasonally adjusted												
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS ¹⁰												
6 Total reserves ⁷	51.45	48.01	45.31	41.89	42.10	39.76	40.61	41.58	39.24	39.70	39.52	39.30
7 Nonborrowed reserves	51.30	47.69	45.19	41.57	42.00	39.59	40.31	41.22	38.76	39.13	38.94	38.82
8 Nonborrowed reserves plus extended credit	51.30	47.69	45.19	41.57	42.00	39.59	40.31	41.22	38.76	39.13	38.94	38.82
9 Required reserves ⁸	50.04	46.33	43.80	40.58	40.99	38.56	39.47	40.64	38.18	38.63	38.50	38.18
10 Monetary base ⁹	456.63	484.98	518.27	600.63	571.86	570.24	571.51	573.26	574.55	577.18	576.48	576.49
11 Total reserves ¹¹	51.17	47.92	45.21	41.66	42.10	39.75	40.59	41.56	39.22	39.67	39.49	39.26
12 Nonborrowed reserves	51.02	47.60	45.09	41.33	41.99	39.57	40.29	41.20	38.74	39.10	38.91	38.78
13 Nonborrowed reserves plus extended credit	51.02	47.60	45.09	41.33	41.99	39.57	40.29	41.20	38.74	39.10	38.91	38.78
14 Required reserves	49.76	46.24	43.70	40.35	40.99	38.55	39.45	40.62	38.15	38.60	38.47	38.14
15 Monetary base ¹²	463.40	491.79	525.06	607.94	579.21	577.13	578.33	580.09	581.44	583.98	583.22	583.18
16 Excess reserves ¹³	1.42	1.69	1.51	1.31	1.11	1.21	1.15	.94	1.06	1.07	1.01	1.12
17 Borrowings from the Federal Reserve	.16	.32	.12	.32	.11	.18	.30	.36	.48	.57	.58	.48

1. Latest monthly and biweekly figures are available from the Board's H.3 (502) weekly statistical release. Historical data starting in 1959 and estimates of the effect on required reserves of changes in reserve requirements are available from the Money and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

2. Figures reflect adjustments for discontinuities, or "breaks," associated with regulatory changes in reserve requirements. (See also table 1.10.)

3. Seasonally adjusted, break-adjusted total reserves equal seasonally adjusted, break-adjusted required reserves (line 4) plus excess reserves (line 16).

4. Seasonally adjusted, break-adjusted nonborrowed reserves equal seasonally adjusted, break-adjusted total reserves (line 1) less total borrowings of depository institutions from the Federal Reserve (line 17).

5. Extended credit consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as with traditional short-term adjustment credit, the money market effect of extended credit is similar to that of nonborrowed reserves.

6. The seasonally adjusted, break-adjusted monetary base consists of (1) seasonally adjusted, break-adjusted total reserves (line 1), plus (2) the seasonally adjusted currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the seasonally adjusted, break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

7. Break-adjusted total reserves equal break-adjusted required reserves (line 9) plus excess reserves (line 16).

8. To adjust required reserves for discontinuities that are due to regulatory changes in reserve requirements, a multiplicative procedure is used to estimate what required reserves would have been in past periods had current reserve requirements been in effect. Break-adjusted required reserves include required reserves against transactions deposits and nonpersonal time and savings deposits (but not reservable nondeposit liabilities).

9. The break-adjusted monetary base equals (1) break-adjusted total reserves (line 6), plus (2) the (unadjusted) currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

10. Reflects actual reserve requirements, including those on nondeposit liabilities, with no adjustments to eliminate the effects of discontinuities associated with regulatory changes in reserve requirements.

11. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements.

12. The monetary base, not break-adjusted and not seasonally adjusted, consists of (1) total reserves (line 11), plus (2) required clearing balances and adjustments to compensate for float at Federal Reserve Banks, plus (3) the currency component of the money stock, plus (4) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the difference between current vault cash and the amount applied to satisfy current reserve requirements. Since February 1984, currency and vault cash figures have been measured over the computation periods ending on Mondays.

13. Unadjusted total reserves (line 11) less unadjusted required reserves (line 14).

1.21 MONEY STOCK AND DEBT MEASURES¹

Billions of dollars, averages of daily figures

Item	1996 Dec.	1997 Dec.	1998 Dec.	1999 Dec.	2000			
					June	July ^f	Aug. ^f	Sept.
Seasonally adjusted								
<i>Measures²</i>								
1 M1	1,081.1	1,073.9	1,097.4	1,122.9	1,103.4	1,104.4	1,101.0	1,094.9
2 M2	3,821.6	4,040.2	4,395.0	4,656.2	4,783.8	4,797.9	4,826.9	4,860.9
3 M3	4,952.4	5,403.2	5,996.7	6,487.4 ^f	6,749.7 ^f	6,798.3	6,853.3	6,899.1
4 Debt	14,430.8	15,223.1	16,276.4	17,377.2	17,877.2 ^f	17,952.5	18,032.6	n.a.
<i>M1 components</i>								
5 Currency ³	394.3	424.8	459.5	515.5	520.8	522.3	523.0	523.9
6 Travelers checks ⁴	8.3	8.1	8.2	8.3	8.8	9.3	9.2	8.8
7 Demand deposits ⁵	402.3	395.3	379.3	355.2	331.9	332.8	328.1	323.8
8 Other checkable deposits ⁶	276.1	245.8	250.3	244.0	241.8 ^f	240.0	240.7	238.3
<i>Nontransaction components</i>								
9 In M2 ⁷	2,740.5	2,966.3	3,297.6	3,533.3	3,680.4	3,693.5	3,725.9	3,766.0
10 In M3 only ⁸	1,130.8	1,363.0	1,601.7	1,831.2 ^f	1,965.9 ^f	2,000.4	2,026.4	2,038.2
<i>Commercial banks</i>								
11 Savings deposits, including MMDAs	904.0	1,020.5	1,184.8	1,285.7	1,330.7	1,341.9	1,358.1	1,383.3
12 Small time deposits ^{10, 11}	593.3	625.4	626.1	634.7	675.3	679.9	685.1	687.2
13 Large time deposits	413.9	488.3	539.3	614.1	656.0	661.3	671.5	660.1
<i>Thrift institutions</i>								
14 Savings deposits, including MMDAs	366.6	376.6	413.8	448.7	452.5	452.3	454.8	456.1
15 Small time deposits ⁹	353.6	342.8	325.6	320.6	329.8	333.1	337.6	340.3
16 Large time deposits ¹⁰	78.3	85.6	88.9	91.5	95.5	97.6	99.8	100.7
<i>Money market mutual funds</i>								
17 Retail	523.0	601.1	747.4	843.7	892.2	886.3	890.3	899.0
18 Institution-only	313.3	382.4	520.1	610.1	660.2	688.7	704.9	724.1
<i>Repurchase agreements and eurodollars</i>								
19 Repurchase agreements ¹²	210.7	256.0	300.8	344.2	366.7	368.5	363.3	362.9
20 Eurodollars ¹²	114.6	150.7	152.6	171.3 ^f	187.6 ^f	184.4	186.9	190.3
<i>Debt components</i>								
21 Federal debt	3,781.3	3,800.6	3,751.2	3,660.2	3,521.2	3,510.2	3,488.9	n.a.
22 Nonfederal debt	10,649.5	11,422.5	12,525.2	13,717.0 ^f	14,355.9 ^f	14,442.3	14,543.8	n.a.
Not seasonally adjusted								
<i>Measures²</i>								
23 M1	1,105.1	1,097.7	1,121.3	1,147.4	1,101.0	1,103.2	1,094.8	1,087.5
24 M2	3,843.8	4,063.4	4,420.2	4,684.5	4,764.3 ^f	4,782.2	4,813.6	4,846.8
25 M3	4,973.4	5,427.2	6,026.3	6,522.3 ^f	6,726.2 ^f	6,758.2	6,825.3	6,867.2
26 Debt	14,428.4	15,218.5	16,271.3 ^f	17,372.6	17,810.9 ^f	17,880.6	17,969.8	n.a.
<i>M1 components</i>								
27 Currency ³	397.9	428.9	464.1	521.2	520.3	522.4	521.7	522.4
28 Travelers checks ⁴	8.6	8.3	8.4	8.4	8.7	8.9	8.9	8.7
29 Demand deposits ⁵	419.9	412.4	395.9	371.2	330.0	333.6	326.1	320.7
30 Other checkable deposits ⁶	278.8	248.2	252.8	246.7	242.1	238.3	238.1	235.8
<i>Nontransaction components</i>								
31 In M2 ⁷	2,738.7	2,965.7	3,298.9	3,537.0	3,663.3	3,678.9	3,718.9	3,759.3
32 In M3 only ⁸	1,129.6	1,363.8	1,606.1	1,837.9 ^f	1,961.9 ^f	1,976.0	2,011.6	2,020.4
<i>Commercial banks</i>								
33 Savings deposits, including MMDAs	903.3	1,020.4	1,186.0	1,288.5	1,331.6	1,343.7	1,355.7	1,380.3
34 Small time deposits ⁹	592.7	625.3	626.5	635.5	671.1	677.6	683.1	686.6
35 Large time deposits ^{10, 11}	413.2	487.2	537.8	612.2	657.6	662.0	669.6	663.1
<i>Thrift institutions</i>								
36 Savings deposits, including MMDAs	366.3	376.5	414.2	449.7	452.8	452.9	454.1	455.1
37 Small time deposits ⁹	353.2	342.8	325.8	321.0	327.7	332.0	336.6	340.0
38 Large time deposits ¹⁰	78.1	85.4	88.6	91.2	95.7	97.7	99.5	101.2
<i>Money market mutual funds</i>								
39 Retail	523.0	600.7	746.3	842.4	880.1	872.6	889.3	897.3
40 Institution-only	316.9	388.4	529.7	621.7	652.9	668.5	693.6	705.6
<i>Repurchase agreements and eurodollars</i>								
41 Repurchase agreements ¹²	205.7	250.5	295.4	339.4	367.9	365.7	363.0	361.8
42 Eurodollars ¹²	115.7	152.3	154.5	173.4 ^f	187.9 ^f	182.2	185.9	188.7
<i>Debt components</i>								
43 Federal debt	3,787.9	3,805.8	3,754.9	3,663.1	3,475.5	3,448.3	3,437.7	n.a.
44 Nonfederal debt	10,640.4	11,412.7	12,516.3	13,709.5	14,335.4 ^f	14,432.3	14,532.1	n.a.

Footnotes appear on following page.

NOTES TO TABLE I.21

1. Latest monthly and weekly figures are available from the Board's H.6 (508) weekly statistical release. Historical data starting in 1959 are available from the Money and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

2. Composition of the money stock measures and debt is as follows:

M1: (1) currency outside the U.S. Treasury, Federal Reserve Banks, and the vaults of depository institutions, (2) travelers checks of nonbank issuers, (3) demand deposits at all commercial banks other than those owed to depository institutions, the U.S. government, and foreign banks and official institutions, less cash items in the process of collection and Federal Reserve float, and (4) other checkable deposits (OCDs), consisting of negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at depository institutions, credit union share draft accounts, and demand deposits at thrift institutions. Seasonally adjusted M1 is computed by summing currency, travelers checks, demand deposits, and OCDs, each seasonally adjusted separately.

M2: M1 plus (1) savings deposits (including MMDAs), (2) small-denomination time deposits (time deposits—including retail RPs—in amounts of less than \$100,000), and (3) balances in retail money market mutual funds. Excludes individual retirement accounts (IRAs) and Keogh balances at depository institutions and money market funds. Seasonally adjusted M2 is calculated by summing savings deposits, small-denomination time deposits, and retail money fund balances, each seasonally adjusted separately, and adding this result to seasonally adjusted M1.

M3: M2 plus (1) large-denomination time deposits (in amounts of \$100,000 or more) issued by all depository institutions, (2) balances in institutional money funds, (3) RP liabilities (overnight and term) issued by all depository institutions, and (4) Eurodollars (overnight and term) held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Seasonally adjusted M3 is calculated by summing large time deposits, institutional money fund balances, RP liabilities, and Eurodollars, each seasonally adjusted separately, and adding this result to seasonally adjusted M2.

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 enter-

prises or federally related mortgage pools) and the nonfederal sectors (state and local governments, households and nonprofit organizations, nonfinancial corporate and nonfarm noncorporate businesses, and farms). Nonfederal debt consists of mortgages, tax-exempt and corporate bonds, consumer credit, bank loans, commercial paper, and other loans. The data, which are derived from the Federal Reserve Board's flow of funds accounts, are break-adjusted (that is, discontinuities in the data have been smoothed into the series) and month-averaged (that is, the data have been derived by averaging adjacent month-end levels).

3. Currency outside the U.S. Treasury, Federal Reserve Banks, and vaults of depository institutions.

4. Outstanding amount of U.S. dollar-denominated travelers checks of nonbank issuers. Travelers checks issued by depository institutions are included in demand deposits.

5. Demand deposits at commercial banks and foreign-related institutions other than those owed to depository institutions, the U.S. government, and foreign banks and official institutions, less cash items in the process of collection and Federal Reserve float.

6. Consists of NOW and ATS account balances at all depository institutions, credit union share draft account balances, and demand deposits at thrift institutions.

7. Sum of (1) savings deposits (including MMDAs), (2) small time deposits, and (3) retail money fund balances.

8. Sum of (1) large time deposits, (2) institutional money fund balances, (3) RP liabilities (overnight and term) issued by depository institutions, and (4) Eurodollars (overnight and term) of U.S. addressees.

9. Small time deposits—including retail RPs—are those issued in amounts of less than \$100,000. All IRAs and Keogh accounts at commercial banks and thrift institutions are subtracted from small time deposits.

10. Large time deposits are those issued in amounts of \$100,000 or more, excluding those booked at international banking facilities.

11. Large time deposits at commercial banks less those held by money market funds, depository institutions, the U.S. government, and foreign banks and official institutions.

12. Includes both overnight and term.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities¹—Continued

C. Large domestically chartered commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1999	2000							2000			
	Sept.	Mar.	Apr.	May	June	July	Aug.	Sept.	Sept. 6	Sept. 13	Sept. 20	Sept. 27
	Seasonally adjusted											
<i>Assets</i>												
1 Bank credit	2,299.1	2,428.5	2,443.0	2,479.8	2,496.2	2,506.6	2,524.9	2,549.7	2,548.2	2,548.0	2,558.5	2,550.1
2 Securities in bank credit	544.0	565.4	568.2	578.6	580.1	577.5	575.5	583.6	581.9	586.7	585.9	581.4
3 U.S. government securities	360.7	358.2	356.7	358.5	361.4	362.1	357.9	355.9	354.2	357.2	357.1	355.9
4 Trading account	20.8	20.5	21.3	23.5	22.7	24.3	23.7	23.2	22.9	24.3	22.9	23.7
5 Investment account	339.9	337.7	335.4	335.0	338.7	337.8	334.2	332.7	331.3	332.9	334.2	332.1
6 Other securities	183.3	207.2	211.5	220.1	218.7	215.4	217.6	227.7	227.7	229.4	228.9	225.5
7 Trading account	77.7	91.1	92.9	101.2	100.2	97.2	102.5	114.5	114.4	115.6	115.2	112.9
8 Investment account	105.5	116.1	118.6	118.9	118.5	118.1	115.1	113.3	113.4	113.8	113.7	112.6
9 State and local government	23.5	24.7	25.1	25.4	25.6	26.1	25.9	25.8	25.8	25.8	25.8	25.8
10 Other	82.0	91.4	93.5	93.5	92.9	92.0	89.2	87.5	87.6	88.0	87.9	86.8
11 Loans and leases in bank credit ²	1,755.1	1,863.2	1,874.8	1,901.2	1,916.1	1,929.1	1,949.3	1,966.0	1,966.3	1,961.4	1,972.6	1,968.7
12 Commercial and industrial	537.7	564.3	568.7	580.0	584.2	585.3	589.2	590.3	590.3	587.7	592.6	591.4
13 Bankers acceptances	1.1	1.0	1.1	1.1	1.0	1.0	.9	.8	.9	.8	.9	.8
14 Other	536.6	563.3	567.6	579.0	583.2	584.4	588.3	589.5	589.4	586.8	591.8	590.5
15 Real estate	699.2	764.6	779.2	792.3	797.8	805.8	810.6	812.2	816.0	817.2	813.3	805.9
16 Revolving home equity	64.7	69.7	72.5	74.2	74.6	75.5	76.4	74.8	76.4	74.2	74.7	74.3
17 Other	634.5	694.9	706.7	718.1	723.2	730.3	734.3	737.3	739.6	743.0	738.7	731.6
18 Consumer	217.7	224.0	226.9	227.6	228.8	230.1	232.8	234.1	233.6	232.5	234.3	235.9
19 Security ³	60.4	70.3	59.3	57.8	62.1	63.2	70.2	81.3	78.2	80.0	83.2	85.2
20 Federal funds sold to and repurchase agreements with broker-dealers	43.4	48.9	38.2	38.9	43.9	44.6	51.5	61.9	59.0	61.7	63.1	65.8
21 Other	17.0	21.4	21.1	18.9	18.2	18.6	18.7	19.3	19.2	18.2	20.1	19.3
22 State and local government	11.6	12.4	12.4	12.4	12.3	12.3	12.4	12.6	12.8	12.5	12.6	12.6
23 Agricultural	8.4	9.5	9.5	9.6	9.6	9.5	9.6	9.5	9.6	9.4	9.4	9.4
24 Federal funds sold to and repurchase agreements with others	11.2	14.5	13.6	13.2	13.6	12.9	13.2	12.7	13.4	11.9	12.9	12.5
25 All other loans	94.9	85.6	85.7	87.6	84.7	84.3	84.2	85.4	84.8	82.6	86.3	88.1
26 Lease-financing receivables	114.1	118.1	119.4	120.7	123.0	125.8	127.1	127.9	127.6	127.6	127.9	127.8
27 Interbank loans	125.8	133.0	124.9	130.2	132.7	140.0	137.9	127.8	126.2	119.6	133.3	131.8
28 Federal funds sold to and repurchase agreements with commercial banks	73.0	64.3	62.1	67.0	68.1	73.8	66.1	56.4	54.3	49.1	61.2	61.2
29 Other	52.8	68.7	62.8	63.2	64.6	66.2	71.8	71.4	71.9	70.5	72.1	70.6
30 Cash assets ⁴	142.3	146.2	154.9	149.4	145.6	143.6	144.3	141.4	147.9	138.3	151.1	131.0
31 Other assets ⁵	232.2	220.4	219.7	223.7	225.0	245.5	248.2	249.9	243.7	247.8	251.3	251.8
32 Total assets⁶	2,763.9	2,893.6	2,907.8	2,948.4	2,964.9	3,000.8	3,019.9	3,033.4	3,030.3	3,018.3	3,058.7	3,029.3
<i>Liabilities</i>												
33 Deposits	1,590.1	1,611.8	1,634.8	1,640.5	1,634.0	1,634.4	1,629.8	1,629.3	1,651.3	1,627.5	1,627.8	1,612.8
34 Transaction	325.3	313.1	311.8	315.6	308.3	301.8	304.3	300.4	302.3	294.4	308.4	301.2
35 Nontransaction	1,264.7	1,298.7	1,322.9	1,324.9	1,325.7	1,332.6	1,325.5	1,328.9	1,349.0	1,333.1	1,319.4	1,311.7
36 Large time	213.1	235.7	244.2	251.8	258.5	266.4	265.2	257.1	260.7	256.2	255.6	256.5
37 Other	1,051.6	1,063.0	1,078.7	1,073.1	1,067.1	1,066.1	1,060.3	1,071.8	1,088.2	1,076.9	1,063.8	1,055.2
38 Borrowings	584.6	640.4	649.5	650.9	655.8	678.2	688.4	672.4	670.8	675.9	676.2	670.6
39 From banks in the U.S.	168.0	194.0	197.7	202.9	196.7	204.9	207.2	193.8	197.2	198.1	187.2	192.7
40 From others	416.7	446.5	451.8	448.1	459.0	473.3	481.2	478.6	473.7	477.8	489.0	477.9
41 Net due to related foreign offices	149.3	208.0	205.6	226.3	233.9	221.5	222.5	224.4	228.7	216.2	231.4	220.0
42 Other liabilities	161.7	164.0	161.3	174.0	175.7	179.7	195.8	209.8	202.1	210.4	213.2	211.8
43 Total liabilities	2,485.6	2,624.2	2,651.2	2,691.7	2,699.4	2,713.9	2,736.5	2,735.9	2,752.8	2,730.0	2,748.6	2,715.3
44 Residual (assets less liabilities) ⁷	278.3	269.3	256.6	256.6	265.5	286.9	283.4	297.5	277.5	288.3	310.1	314.0

Footnotes appear on p. A21.

A18 Domestic Financial Statistics □ December 2000

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities¹—Continued

C. Large domestically chartered commercial banks—Continued

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1999	2000							2000			
	Sept.	Mar.	Apr.	May	June	July	Aug.	Sept.	Sept. 6	Sept. 13	Sept. 20	Sept. 27
	Not seasonally adjusted											
<i>Assets</i>												
45 Bank credit	2,284.0	2,429.9	2,446.3	2,473.1	2,483.5	2,485.1	2,502.4	2,532.4	2,530.2	2,528.8	2,540.3	2,530.0
46 Securities in bank credit	539.4	568.7	569.3	575.4	573.7	567.9	569.0	579.7	580.7	582.6	579.8	575.9
47 U.S. government securities	355.2	364.0	361.4	359.5	358.3	354.9	351.3	350.9	351.9	352.1	350.0	349.7
48 Trading account	20.2	21.4	21.5	22.0	22.5	22.6	23.0	22.5	23.5	24.1	22.0	21.5
49 Investment account	335.0	342.6	339.8	337.5	335.9	332.3	328.3	328.4	328.4	328.0	328.0	328.1
50 Mortgage-backed securities	219.7	223.0	221.5	218.8	217.4	211.9	207.4	207.7	208.2	207.5	206.4	207.4
51 Other	115.3	119.6	118.4	118.7	118.4	120.4	120.9	120.7	120.2	120.5	121.6	120.7
52 One year or less	22.3	29.1	29.0	30.7	30.5	30.5	31.5	32.3	32.3	32.7	32.9	31.5
53 One to five years	55.6	52.9	51.8	51.9	52.7	53.6	52.6	52.1	52.1	52.1	52.3	52.2
54 More than five years	37.3	37.6	37.6	36.1	35.2	36.4	36.8	36.3	35.8	35.7	36.4	37.0
55 Other securities	184.2	204.6	207.9	215.9	215.4	213.1	217.8	228.8	228.8	230.5	229.8	226.2
56 Trading account	77.7	91.1	92.9	101.2	100.2	97.2	102.5	114.5	114.4	115.6	115.2	112.9
57 Investment account	106.5	113.6	115.0	114.7	115.2	115.8	114.3	114.5	114.5	114.9	114.6	113.4
58 State and local government	23.4	24.8	25.1	25.3	25.5	25.6	25.6	25.7	25.6	25.6	25.6	25.7
59 Other	83.1	88.8	89.8	89.3	89.7	90.3	89.7	88.6	88.9	89.2	89.0	87.7
60 Loans and leases in bank credit ²	1,744.7	1,861.2	1,877.0	1,897.7	1,909.8	1,917.1	1,933.3	1,952.7	1,949.4	1,946.2	1,960.5	1,954.0
61 Commercial and industrial	535.5	566.5	575.3	584.5	584.8	583.0	583.5	587.9	585.2	584.1	591.8	589.5
62 Bankers acceptances	1.1	1.0	1.1	1.1	1.0	1.0	.9	.8	.9	.8	.9	.8
63 Other	534.4	565.5	574.3	583.4	583.8	582.0	582.6	587.1	584.3	583.3	591.0	588.7
64 Real estate	697.3	762.8	776.3	789.5	793.6	801.2	808.1	809.8	813.8	815.6	809.6	802.6
65 Revolving home equity	65.1	68.9	71.8	73.9	74.7	75.7	76.7	75.2	76.7	74.7	75.0	74.5
66 Other	381.8	420.9	427.2	435.6	438.3	445.1	448.9	451.8	454.6	458.0	451.9	445.0
67 Commercial	250.4	273.1	277.3	280.0	280.5	280.3	282.5	282.8	282.5	282.9	282.7	283.1
68 Consumer	216.8	224.2	226.8	227.1	227.3	227.6	230.9	233.1	232.4	231.6	233.7	234.9
69 Credit cards and related plans	n.a.	n.a.	n.a.	n.a.	n.a.	72.3	73.4	74.5	73.8	73.6	75.0	75.7
70 Other	n.a.	n.a.	n.a.	n.a.	n.a.	155.4	157.5	158.6	158.6	158.1	158.7	159.2
71 Security ³	55.3	69.0	59.8	56.4	61.7	60.5	64.8	74.1	68.3	71.6	77.6	77.8
72 Federal funds sold to and repurchase agreements with broker-dealers	38.6	47.3	38.2	36.8	42.6	41.8	46.5	55.1	50.0	53.5	57.2	58.8
73 Other	16.7	21.7	21.6	19.6	19.1	18.7	18.3	19.0	18.2	18.1	20.5	19.0
74 State and local government	11.8	12.2	12.3	12.3	12.2	12.3	12.6	12.8	13.0	12.7	12.8	12.8
75 Agricultural	8.6	9.2	9.3	9.4	9.6	9.7	9.7	9.7	9.8	9.6	9.6	9.6
76 Federal funds sold to and repurchase agreements with others	11.2	14.5	13.6	13.2	13.6	12.9	13.2	12.7	13.4	11.9	12.9	12.5
77 All other loans	95.8	83.1	83.6	84.5	84.3	85.0	84.4	86.3	87.4	83.2	86.6	88.2
78 Lease-financing receivables	112.5	119.6	120.1	120.7	122.9	125.1	126.1	126.3	126.3	125.9	125.9	126.1
79 Interbank loans	122.2	135.6	129.7	133.7	135.6	140.1	132.0	124.3	123.4	116.2	129.6	128.0
80 Federal funds sold to and repurchase agreements with commercial banks	70.7	66.2	64.7	67.6	68.6	73.2	62.3	54.7	52.3	47.2	59.3	59.6
81 Other	51.5	69.4	65.0	66.1	67.0	67.0	69.7	69.7	71.1	68.9	70.3	68.4
82 Cash assets ⁴	139.1	140.8	154.8	148.6	143.1	137.4	136.3	138.3	154.1	136.9	142.4	125.5
83 Other assets ⁵	232.0	222.5	223.0	228.2	228.8	244.9	245.4	249.5	245.5	247.2	249.2	251.9
84 Total assets⁶	2,741.7	2,894.4	2,919.4	2,948.9	2,956.4	2,972.6	2,980.6	3,008.9	3,017.2	2,993.3	3,025.9	3,000.1
<i>Liabilities</i>												
85 Deposits	1,582.2	1,611.6	1,644.5	1,625.7	1,629.1	1,623.9	1,614.1	1,621.6	1,659.2	1,627.8	1,607.7	1,592.3
86 Transaction	320.2	308.5	319.0	309.2	307.2	298.1	293.2	295.8	305.6	293.7	295.4	292.8
87 Nontransaction	1,262.0	1,303.0	1,325.5	1,316.5	1,322.0	1,325.8	1,320.9	1,325.8	1,353.6	1,334.2	1,312.2	1,299.5
88 Large time	209.3	237.4	241.8	246.5	253.1	258.3	259.8	252.6	257.3	252.6	251.0	249.6
89 Other	1,052.7	1,065.6	1,083.7	1,070.0	1,068.9	1,067.5	1,061.1	1,073.2	1,096.3	1,081.6	1,061.3	1,049.9
90 Borrowings	575.3	642.4	652.3	659.0	656.8	662.6	657.7	662.0	644.5	651.6	681.4	671.7
91 From banks in the U.S.	163.7	197.6	201.6	204.1	195.9	199.5	199.8	189.7	191.4	191.5	187.3	188.8
92 From nonbanks in the U.S.	411.5	444.8	450.7	454.9	460.9	463.2	457.9	472.3	453.1	460.0	494.1	482.9
93 Net due to related foreign offices	146.4	211.0	199.6	231.0	225.8	214.0	219.9	220.0	215.4	208.6	227.6	230.3
94 Other liabilities	161.7	164.0	161.3	174.0	175.7	179.7	195.8	209.8	202.1	210.4	213.2	211.8
95 Total liabilities	2,465.5	2,628.9	2,657.6	2,689.7	2,687.4	2,680.3	2,687.5	2,713.4	2,721.2	2,698.5	2,729.9	2,706.2
96 Residual (assets less liabilities) ⁷	276.2	265.5	261.8	259.2	269.0	292.3	293.1	295.5	296.0	294.7	295.9	293.9

Footnotes appear on p. A21.

A20 Domestic Financial Statistics □ December 2000

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities¹—Continued

E. Foreign-related institutions

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1999	2000							2000			
	Sept.	Mar.	Apr.	May	June	July	Aug.	Sept.	Sept. 6	Sept. 13	Sept. 20	Sept. 27
	Seasonally adjusted											
<i>Assets</i>												
1 Bank credit	519.4	543.5	569.6	583.2	575.8	576.3	582.0	589.7	590.2	593.7	596.9	584.3
2 Securities in bank credit	189.3	195.6	204.4	210.5	205.4	205.1	206.1	204.5	212.2	210.3	201.6	200.1
3 U.S. government securities	82.8	78.1	79.6	79.7	78.9	79.7	79.9	77.4	81.0	79.1	74.5	77.6
4 Other securities	106.5	117.5	124.8	130.8	126.5	125.4	126.2	127.1	131.2	131.3	127.1	122.5
5 Loans and leases in bank credit ²	330.0	347.9	365.2	372.7	370.4	371.1	375.9	385.2	378.1	383.4	395.3	384.1
6 Commercial and industrial	194.8	196.3	199.2	204.9	205.1	203.5	205.8	203.7	205.6	203.0	204.9	202.7
7 Real estate	17.8	18.0	18.4	18.7	19.0	18.9	18.8	19.3	19.1	19.4	19.6	19.3
8 Security ³	52.0	66.5	77.9	81.0	81.0	81.8	82.2	94.8	84.5	93.5	102.7	96.4
9 Other loans and leases	65.5	67.1	69.7	68.0	65.2	66.9	69.0	67.3	68.9	67.5	68.1	65.7
10 Interbank loans	25.0	28.6	29.4	31.8	28.6	26.2	24.2	25.7	24.3	26.3	27.7	24.3
11 Cash assets ⁴	43.3	47.6	47.4	43.9	44.6	44.9	44.4	44.6	45.0	45.9	45.2	42.6
12 Other assets ⁵	30.5	39.2	40.0	41.1	43.5	43.0	42.1	40.6	43.8	42.2	40.7	37.4
13 Total assets ⁶	617.9	658.6	686.0	699.7	692.2	690.0	692.3	700.3	703.0	707.8	710.3	688.2
<i>Liabilities</i>												
14 Deposits	314.8	378.0	387.5	382.0	382.4	386.7	391.6	384.5	385.8	387.4	384.8	382.0
15 Transaction	10.2	11.1	10.9	11.2	11.4	11.4	10.9	9.8	9.9	9.5	10.2	9.1
16 Nontransaction	304.6	366.9	376.7	370.8	371.0	375.3	380.7	374.7	375.9	377.9	374.6	372.9
17 Borrowings	172.1	177.1	199.6	204.4	205.3	205.7	202.0	217.4	207.3	218.1	232.4	212.5
18 From banks in the U.S.	24.2	19.7	20.9	17.9	18.9	20.8	16.9	19.2	19.6	20.3	21.2	16.4
19 From others	147.9	157.4	178.7	186.5	186.3	184.9	185.1	198.3	187.7	197.7	211.2	196.1
20 Net due to related foreign offices	67.3	20.3	15.3	21.3	19.5	17.8	23.6	24.1	34.6	24.5	18.6	20.0
21 Other liabilities	64.1	71.3	75.6	82.2	75.1	72.4	71.6	75.2	77.9	78.8	75.7	70.9
22 Total liabilities	618.3	646.8	678.1	689.9	682.4	682.5	688.8	701.3	705.6	708.7	711.5	685.4
23 Residual (assets less liabilities) ⁷	-4	11.8	8.0	9.8	9.9	7.5	3.5	-1.0	-2.5	-1.0	-1.2	2.8
	Not seasonally adjusted											
<i>Assets</i>												
24 Bank credit	517.5	542.1	563.2	574.7	566.2	565.7	572.3	588.8	583.6	589.6	597.0	588.2
25 Securities in bank credit	188.5	192.7	200.7	207.4	199.4	198.3	200.5	204.5	209.5	208.7	202.2	202.4
26 U.S. government securities	80.7	77.9	80.3	80.7	78.9	78.7	78.3	75.3	78.6	76.7	72.6	75.8
27 Trading account	14.9	9.3	11.8	12.3	11.8	11.8	13.7	14.1	14.7	12.8	12.8	16.5
28 Investment account	65.8	68.6	68.6	68.4	67.1	66.8	64.6	61.3	63.8	63.9	59.8	59.3
29 Other securities	107.8	114.7	120.4	126.7	120.5	119.7	122.2	129.2	131.0	132.0	129.6	126.7
30 Trading account	69.2	71.5	76.5	83.0	77.5	76.8	78.7	87.3	87.8	89.2	88.3	85.5
31 Investment account	38.6	43.2	43.9	43.7	42.9	42.9	43.6	41.9	43.2	42.8	41.3	41.2
32 Loans and leases in bank credit ²	329.0	349.4	362.5	367.3	366.8	367.3	371.8	384.3	374.1	380.9	394.8	385.8
33 Commercial and industrial	194.7	198.0	197.4	200.7	201.8	201.1	203.1	203.7	203.4	202.0	205.3	204.5
34 Real estate	17.6	18.1	18.3	18.7	18.9	18.7	18.6	19.1	18.7	19.0	19.4	19.2
35 Security ³	51.8	66.8	77.9	80.8	81.3	81.5	82.4	94.7	83.9	93.2	102.9	96.4
36 Other loans and leases	64.9	66.6	68.8	67.1	64.7	66.1	67.7	66.8	68.1	66.7	67.2	65.7
37 Interbank loans	25.0	28.6	29.4	31.8	28.6	26.2	24.2	25.7	24.3	26.3	27.7	24.3
38 Cash assets ⁴	42.6	46.6	45.3	42.8	43.9	43.3	42.9	43.8	43.4	44.0	44.1	43.5
39 Other assets ⁵	30.0	40.5	39.3	40.6	41.3	41.0	41.4	39.9	43.7	41.7	39.6	36.6
40 Total assets ⁶	614.9	657.5	676.9	689.5	679.6	675.8	680.4	697.8	694.7	701.1	708.0	692.2
<i>Liabilities</i>												
41 Deposits	310.1	384.1	388.6	382.9	378.1	378.0	379.8	378.2	375.2	378.5	378.8	380.8
42 Transaction	10.8	10.9	10.5	10.7	11.1	11.3	10.8	10.3	10.2	9.9	10.7	10.1
43 Nontransaction	299.3	373.2	378.1	372.1	367.0	366.7	368.9	367.9	365.0	368.6	368.1	370.7
44 Borrowings	172.1	177.1	199.6	204.4	205.3	205.7	202.0	217.4	207.3	218.1	232.4	212.5
45 From banks in the U.S.	24.2	19.7	20.9	17.9	18.9	20.8	16.9	19.2	19.6	20.3	21.2	16.4
46 From others	147.9	157.4	178.7	186.5	186.3	184.9	185.1	198.3	187.7	197.7	211.2	196.1
47 Net due to related foreign offices	66.3	20.8	10.6	17.1	18.1	16.9	23.4	23.5	30.7	21.9	18.2	24.2
48 Other liabilities	63.7	71.7	73.7	80.6	73.6	70.7	71.2	74.8	77.5	78.5	74.8	70.9
49 Total liabilities	612.2	653.7	672.6	685.0	675.1	671.2	676.4	693.9	690.8	697.0	704.3	688.4
50 Residual (assets less liabilities) ⁷	2.7	3.8	4.3	4.5	4.5	4.6	4.0	3.9	3.9	4.2	3.7	3.8

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities¹—Continued

E. Foreign-related institutions—Continued

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1999	2000							2000			
	Sept.	Mar.	Apr.	May	June	July	Aug.	Sept.	Sept. 6	Sept. 13	Sept. 20	Sept. 27
	Not seasonally adjusted											
MEMO												
Large domestically chartered banks, adjusted for mergers												
51 Revaluation gains on off-balance-sheet items ⁸	59.9	65.7	65.1	72.4	68.3	63.1	66.5	74.4	75.3	74.9	74.2	72.8
52 Revaluation losses on off-balance-sheet items ⁸	59.7	64.0	65.0	72.9	68.5	62.9	67.3	73.9	73.2	73.9	74.1	72.8
53 Mortgage-backed securities ⁹	249.2	253.5	255.2	252.4	249.8	242.0	237.5	237.7	238.3	237.6	236.5	237.1
54 Pass-through	170.1	176.5	179.4	177.8	177.6	172.8	169.5	170.1	170.2	169.4	168.6	170.6
55 CMO, REMIC, and other	79.1	77.0	75.8	74.6	72.2	69.2	68.0	67.6	68.1	68.2	67.9	66.5
56 Net unrealized gains (losses) on available-for-sale securities ¹⁰	-7.5	-9.6	-16.3	-16.5	-15.0	-10.8	-11.2	-10.2	-10.3	-10.1	-10.4	-10.3
57 Off-shore credit to U.S. residents ¹¹	27.8	24.1	24.4	23.5	22.4	22.2	22.1	22.1	22.1	21.9	22.2	22.3
58 Securitized consumer loans ¹²	n.a.	n.a.	n.a.	n.a.	n.a.	87.4	86.7	85.9	86.6	86.7	86.2	86.1
59 Credit cards and related plans	n.a.	n.a.	n.a.	n.a.	n.a.	72.4	72.0	71.8	72.3	72.5	71.9	71.9
60 Other	n.a.	n.a.	n.a.	n.a.	n.a.	15.0	14.7	14.2	14.3	14.2	14.2	14.2
61 Securitized business loans ¹²	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Small domestically chartered commercial banks, adjusted for mergers												
62 Mortgage-backed securities ⁹	199.6	205.5	206.2	205.7	204.5	204.0	206.8	208.9	209.9	209.5	207.5	208.1
63 Securitized consumer loans ¹²	n.a.	n.a.	n.a.	n.a.	n.a.	220.2	220.6	221.2	221.4	221.8	220.5	221.1
64 Credit cards and related plans	n.a.	n.a.	n.a.	n.a.	n.a.	211.2	211.7	212.6	212.7	213.2	211.9	212.6
65 Other	n.a.	n.a.	n.a.	n.a.	n.a.	9.0	8.8	8.6	8.7	8.6	8.6	8.5
Foreign-related institutions												
66 Revaluation gains on off-balance-sheet items ⁸	37.8	39.3	41.7	47.1	41.1	38.1	39.9	45.4	44.6	47.6	46.0	45.0
67 Revaluation losses on off-balance-sheet items ⁸	36.9	38.3	38.6	44.5	38.0	35.7	37.7	43.0	42.5	45.9	43.6	41.3
68 Securitized business loans ¹²	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

NOTE: Tables 1.26, 1.27, and 1.28 have been revised to reflect changes in the Board's H.8 statistical release, "Assets and Liabilities of Commercial Banks in the United States," Table 1.27, "Assets and Liabilities of Large Weekly Reporting Commercial Banks," and table 1.28, "Large Weekly Reporting U.S. Branches and Agencies of Foreign Banks," are no longer being published in the *Bulletin*. Instead, abbreviated balance sheets for both large and small domestically chartered banks have been included in table 1.26, parts C and D. Data are both merger-adjusted and break-adjusted. In addition, data from large weekly reporting U.S. branches and agencies of foreign banks have been replaced by balance sheet estimates of all foreign-related institutions and are included in table 1.26, part E. These data are break-adjusted.

The not-seasonally-adjusted data for all tables now contain additional balance sheet items, which were available as of October 2, 1996.

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, 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.

The data for large and small domestic banks presented on pp. A17-19 are adjusted to remove the estimated effects of mergers between these two groups. The adjustment for mergers changes past levels to make them comparable with current levels. Estimated quantities of balance sheet items acquired in mergers are removed from past data for the bank group that contained the acquired bank and put into past data for the group containing the

acquiring bank. Balance sheet data for acquired banks are obtained from Call Reports, and a ratio procedure is used to adjust past levels.

2. Excludes federal funds sold to, reverse RPs with, and loans made to commercial banks in the United States, all of which are included in "Interbank loans."

3. Consists of reverse RPs with brokers and dealers and loans to purchase and carry securities.

4. Includes vault cash, cash items in process of collection, balances due from depository institutions, and balances due from Federal Reserve Banks.

5. Excludes the due-from position with related foreign offices, which is included in "Net due to related foreign offices."

6. Excludes unearned income, reserves for losses on loans and leases, and reserves for transfer risk. Loans are reported gross of these items.

7. This balancing item is not intended as a measure of equity capital for use in capital adequacy analysis. On a seasonally adjusted basis this item reflects any differences in the seasonal patterns estimated for total assets and total liabilities.

8. Fair value of derivative contracts (interest rate, foreign exchange rate, other commodity and equity contracts) in a gain/loss position, as determined under FASB Interpretation No. 39.

9. Includes mortgage-backed securities issued by U.S. government agencies, U.S. government-sponsored enterprises, and private entities.

10. Difference between fair value and historical cost for securities classified as available-for-sale under FASB Statement No. 115. Data are reported net of tax effects. Data shown are restated to include an estimate of these tax effects.

11. Mainly commercial and industrial loans but also includes an unknown amount of credit extended to other than nonfinancial businesses.

12. Total amount outstanding.

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1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

A. Commercial Paper

Millions of dollars, seasonally adjusted, end of period

Item	Year ending December					2000					
	1995	1996	1997	1998	1999	Mar.	Apr.	May	June	July	Aug.
1 All issuers	674,904	775,371	966,699	1,163,303	1,403,023	1,449,143	1,465,697	1,497,712	1,516,205	1,551,668	1,559,054
Financial companies ¹											
2 Dealer-placed paper, total ²	275,815	361,147	513,307	614,142	786,643	849,198	860,843	884,299	884,578	900,651	905,634
3 Directly placed paper, total ³	210,829	229,662	252,536	322,030	337,240	302,885	294,328	302,305	300,718	309,076	303,307
4 Nonfinancial companies ⁴	188,260	184,563	200,857	227,132	279,140	297,060	310,526	311,109	330,909	341,941	350,113

1. Institutions engaged primarily in commercial, savings, and mortgage banking; sales, personal, and mortgage financing; factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.

2. Includes all financial-company paper sold by dealers in the open market.

3. As reported by financial companies that place their paper directly with investors.

4. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.

B. Bankers Dollar Acceptances¹

Millions of dollars, not seasonally adjusted, year ending September²

Item	1997	1998	1999	2000
1 Total amount of reporting banks' acceptances in existence	25,774	14,363	10,094	9,881
2 Amount of other banks' eligible acceptances held by reporting banks	736	523	461	462
3 Amount of own eligible acceptances held by reporting banks (included in item 1)	6,862	4,884	4,261	3,789
4 Amount of eligible acceptances representing goods stored in, or shipped between, foreign countries (included in item 1)	10,467	5,413	3,498	3,689

1. Includes eligible, dollar-denominated bankers acceptances legally payable in the United States. Eligible acceptances are those that are eligible for discount by Federal Reserve Banks; that is, those acceptances that meet the criteria of Paragraph 7 of Section 13 of the Federal Reserve Act (12 U.S.C. §372).

2. Data on bankers dollar acceptances are gathered from approximately 40 institutions; includes U.S. chartered commercial banks (domestic and foreign offices), U.S. branches and agencies of foreign banks, and Edge and agreement corporations. The reporting group is revised every year.

1.33 PRIME RATE CHARGED BY BANKS Short-Term Business Loans¹

Percent per year

Date of change	Rate	Period	Average rate	Period	Average rate	Period	Average rate
1997—Jan. 1	8.25	1997	8.44	1997—Jan.	8.50	1997—Jan.	7.75
Mar. 26	8.50	1998	8.35	Feb.	8.50	Feb.	7.75
		1999	8.00	Mar.	8.50	Mar.	7.75
1998—Sept. 30	8.25			Apr.	8.50	Apr.	7.75
Oct. 16	8.00	1997—Jan.	8.25	May	8.50	May	7.75
Nov. 18	7.75	Feb.	8.25	June	8.50	June	7.75
1999—July 1	8.00	Mar.	8.30	July	8.50	July	8.00
Aug. 25	8.25	Apr.	8.50	Aug.	8.50	Aug.	8.06
Nov. 17	8.50	May	8.50	Sept.	8.49	Sept.	8.25
2000—Feb. 3	8.75	June	8.50	Oct.	8.12	Oct.	8.25
Mar. 22	9.00	July	8.50	Nov.	7.89	Nov.	8.37
May 17	9.50	Aug.	8.50	Dec.	7.75	Dec.	8.50
		Sept.	8.50			2000—Jan.	8.50
		Oct.	8.50			Feb.	8.73
		Nov.	8.50			Mar.	8.83
		Dec.	8.50			Apr.	9.00
						May	9.24
						June	9.50
						July	9.50
						Aug.	9.50
						Sept.	9.50
						Oct.	9.50

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	1997	1998	1999	2000				2000, week ending				
				June	July	Aug.	Sept.	Sept. 1	Sept. 8	Sept. 15	Sept. 22	Sept. 29
MONEY MARKET INSTRUMENTS												
1 Federal funds ^{1,2,3}	5.46	5.35	4.97	6.53	6.54	6.50	6.52	6.54	6.56	6.50	6.50	6.50
2 Discount window borrowing ^{2,4}	5.00	4.92	4.62	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
<i>Commercial paper</i> ^{3,5,6}												
Nonfinancial												
3 1-month	5.57	5.40	5.09	6.53	6.49	6.47	6.48	6.48	6.47	6.48	6.48	6.49
4 2-month	5.57	5.38	5.14	6.55	6.50	6.48	6.47	6.48	6.47	6.47	6.47	6.48
5 3-month	5.56	5.34	5.18	6.57	6.52	6.49	6.47	6.48	6.47	6.47	6.46	6.47
Financial												
6 1-month	5.59	5.42	5.11	6.53	6.50	6.49	6.49	6.47	6.49	6.49	6.50	6.49
7 2-month	5.59	5.40	5.16	6.56	6.51	6.49	6.48	6.49	6.49	6.48	6.48	6.48
8 3-month	5.60	5.37	5.22	6.59	6.54	6.49	6.47	6.49	6.47	6.47	6.46	6.47
<i>Commercial paper (historical)</i> ^{3,5,7}												
9 1-month	5.54	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 3-month	5.58	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
11 6-month	5.62	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<i>Finance paper, directly placed (historical)</i> ^{3,5,8}												
12 1-month	5.44	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
13 3-month	5.48	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
14 6-month	5.48	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<i>Bankers acceptances</i> ^{3,5,9}												
15 3-month	5.54	5.39	5.24	6.63	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
16 6-month	5.57	5.30	5.30	6.74	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<i>Certificates of deposit, secondary market</i> ^{3,10}												
17 1-month	5.54	5.49	5.19	6.60	6.57	6.55	6.56	6.54	6.55	6.56	6.56	6.57
18 3-month	5.62	5.47	5.33	6.73	6.67	6.61	6.60	6.59	6.59	6.59	6.58	6.63
19 6-month	5.73	5.44	5.46	6.91	6.86	6.76	6.68	6.72	6.70	6.69	6.66	6.67
20 Eurodollar deposits, 3-month ^{3,11}	5.61	5.45	5.31	6.73	6.67	6.61	6.59	6.59	6.58	6.58	6.58	6.62
<i>U.S. Treasury bills</i>												
Secondary market ^{3,5}												
21 3-month	5.06	4.78	4.64	5.69	5.96	6.09	6.00	6.13	6.02	5.95	5.98	6.03
22 6-month	5.18	4.83	4.75	5.97	6.00	6.07	5.98	6.10	6.02	5.94	5.96	6.00
23 1-year	5.32	4.80	4.81	5.83	5.75	5.87	5.79	5.90	5.85	5.80	5.76	5.76
Auction high ^{3,5,12}												
24 3-month	5.07	4.81	4.66	5.74	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
25 6-month	5.18	4.85	4.76	6.02	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
26 1-year	5.36	4.85	4.78	6.00	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
U.S. TREASURY NOTES AND BONDS												
<i>Constant maturities</i> ¹³												
27 1-year	5.63	5.05	5.08	6.17	6.08	6.18	6.13	6.23	6.20	6.14	6.09	6.08
28 2-year	5.99	5.13	5.43	6.48	6.34	6.23	6.08	6.20	6.11	6.10	6.08	6.04
29 3-year	6.10	5.14	5.49	6.43	6.28	6.17	6.02	6.13	6.03	6.03	6.03	5.97
30 5-year	6.22	5.15	5.55	6.30	6.18	6.06	5.93	6.02	5.95	5.95	5.95	5.90
31 7-year	6.33	5.28	5.79	6.33	6.22	6.05	5.98	6.01	5.96	5.99	6.02	5.96
32 10-year	6.35	5.26	5.65	6.10	6.05	5.83	5.80	5.76	5.73	5.78	5.88	5.82
33 20-year	6.69	5.72	6.20	6.28	6.20	6.02	6.09	6.00	5.99	6.06	6.19	6.14
34 30-year	6.61	5.58	5.87	5.93	5.85	5.72	5.83	5.71	5.70	5.79	5.94	5.89
<i>Composite</i>												
35 More than 10 years (long-term)	6.67	5.69	6.14	6.23	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
STATE AND LOCAL NOTES AND BONDS												
<i>Moody's series</i> ¹⁴												
36 Aaa	5.32	4.93	5.28	5.69	5.53	5.43	5.40	5.38	5.35	5.35	5.39	5.50
37 Baa	5.50	5.14	5.70	6.24	6.09	6.01	6.12	6.00	5.98	6.02	6.20	6.27
38 Bond Buyer series ¹⁵	5.52	5.09	5.43	5.80	5.63	5.51	5.56	5.49	5.49	5.51	5.59	5.63
CORPORATE BONDS												
39 Seasoned issues, all industries ¹⁶	7.54	6.87	7.45	8.05	7.98	7.88	7.98	7.90	7.89	7.98	8.08	7.99
<i>Rating group</i>												
40 Aaa	7.27	6.53	7.05	7.67	7.65	7.55	7.62	7.55	7.54	7.60	7.71	7.65
41 Aa	7.48	6.80	7.36	7.87	7.81	7.70	7.83	7.71	7.72	7.83	7.93	7.85
42 A	7.54	6.93	7.53	8.18	8.11	8.02	8.13	8.05	8.05	8.13	8.23	8.13
43 Baa	7.87	7.22	7.88	8.48	8.35	8.26	8.35	8.27	8.25	8.35	8.44	8.35
MEMO												
44 Dividend-price ratio ¹⁷	1.77	1.49	1.25	1.12	1.10	1.09	1.10	1.08	1.08	1.08	1.10	1.12

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. The daily effective federal funds rate is a weighted average of rates on trades through New York brokers.

2. Weekly figures are averages of seven calendar days ending on Wednesday of the current week; monthly figures include each calendar day in the month.

3. Annualized using a 360-day year or bank interest.

4. Rate for the Federal Reserve Bank of New York.

5. Quoted on a discount basis.

6. Interest rates interpolated from data on certain commercial paper trades settled by the Depository Trust Company. The trades represent sales of commercial paper by dealers or direct issuers to investors (that is, the offer side). See Board's Commercial Paper Web pages (<http://www.federalreserve.gov/releases/cp>) for more information.

7. An average of offering rates on commercial paper for firms whose bond rating is AA or the equivalent. Series ended August 29, 1997.

8. An average of offering rates on paper directly placed by finance companies. Series ended August 29, 1997.

9. Representative closing yields for acceptances of the highest-rated money center banks.

10. An average of dealer offering rates on nationally traded certificates of deposit.

11. Bid rates for eurodollar deposits collected around 9:30 a.m. Eastern time. Data are for indication purposes only.

12. Auction date for daily data; weekly and monthly averages computed on an issue-date basis. On or after October 28, 1998, data are stop yields from uniform-price auctions. For that, they are weighted average yields from multiple-price auctions.

13. Yields on actively traded issues adjusted to constant maturities. Source: U.S. Department of the Treasury.

14. General obligation bonds based on Thursday figures; Moody's Investors Service.

15. 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.

16. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.

17. Standard & Poor's corporate series. Common stock ratio is based on the 500 stocks in the price index.

1.36 STOCK MARKET Selected Statistics

Indicator	1997	1998	1999	2000								
				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) ¹	456.99	550.65	619.52	634.07	606.03	622.28	646.82	640.07	649.61	653.27	666.14	667.05
2 Industrial	574.97	684.35	775.29	814.73	767.08	790.35	822.76	814.75	819.54	825.28	837.23	829.99
3 Transportation	415.08	468.61	491.62	456.35	398.69	384.39	406.14	411.50	395.09	410.67	419.84	404.23
4 Utility	143.87	190.52	284.82	483.82	482.30	509.59	502.78	487.17	501.93	484.19	459.91	463.76
5 Finance	424.84	516.65	530.97	495.23	471.65	491.29	524.05	523.22	544.51	556.32	597.17	616.89
6 Standard & Poor's Corporation (1941-43 = 10) ¹	873.43	1,085.50	1,327.33	1,425.59	1,388.88	1,442.21	1,461.36	1,418.48	1,461.96	1,473.00	1,485.46	1,468.06
7 American Stock Exchange (Aug. 31, 1973 = 50) ²	628.34	682.69	770.90	878.73	910.00	1,014.03	918.77	917.76	934.90	930.66	920.54	952.74
<i>Volume of trading (thousands of shares)</i>												
8 New York Stock Exchange	523,254	666,534	799,554	1,058,021	1,032,791	1,124,097	1,047,960	893,896	971,137	941,694	875,087	1,026,597
9 American Stock Exchange	24,390	28,870	32,629	47,530	51,134	59,449	63,054	44,146	42,490	36,486	35,695	47,047
Customer financing (millions of dollars, end-of-period balances)												
10 Margin credit at broker-dealers ³	1,361,600	1,685,820	2,130,152	243,490	265,210	278,530	251,700	240,660	247,200	244,970	247,560	250,780
<i>Free credit balances at brokers⁴</i>												
11 Margin accounts ⁵	293,000	405,180	532,500	57,800	56,470	65,020	65,930	66,170	64,970	71,730	68,020	70,959
12 Cash accounts	517,030	633,725	757,345	75,760	79,700	85,530	76,190	73,500	74,140	74,970	72,640	74,766
Margin requirements (percent of market value and effective date) ⁶												
	Mar. 11, 1968		June 8, 1968		May 6, 1970		Dec. 6, 1971		Nov. 24, 1972		Jan. 3, 1974	
13 Margin stocks	70		80		65		55		65		50	
14 Convertible bonds	50		60		50		50		50		50	
15 Short sales	70		80		65		55		65		50	

1. In July 1976 a financial group, composed of banks and insurance companies, was added to the group of stocks on which the index is based. The index is now based on 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.

2. On July 5, 1983, the American Stock Exchange rebased its index, effectively cutting previous readings in half.

3. Since July 1983, under the revised Regulation T, margin credit at broker-dealers has included credit extended against stocks, convertible bonds, stocks acquired through the exercise of subscription rights, corporate bonds, and government securities. Separate reporting of data for margin stocks, convertible bonds, and subscription issues was discontinued in April 1984.

4. Free credit balances are amounts in accounts with no unfulfilled commitments to brokers and are subject to withdrawal by customers on demand.

5. Series initiated in June 1984.

6. Margin requirements, stated in regulations adopted by the Board of Governors pursuant to the Securities Exchange Act of 1934, limit the amount of credit that can be used to purchase and carry "margin securities" (as defined in the regulations) when such credit is collateralized by securities. Margin requirements on securities 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.

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year			Calendar year					
	1998	1999	2000	2000					
				Apr.	May	June	July	Aug.	Sept.
<i>U.S. budget¹</i>									
1 Receipts, total	1,721,798	1,827,454	2,025,038	295,148	146,002	214,875	134,074	138,128	219,471
2 On-budget	1,305,999	1,382,986	1,544,455	244,662	107,469	168,319	97,681	101,429	176,692
3 Off-budget	415,799	444,468	480,583	50,486	38,533	46,556	36,393	36,699	42,779
4 Outlays, total	1,652,552	1,702,940	1,788,045	135,651	149,612	158,987	129,013	148,555	153,649
5 On-budget	1,335,948	1,382,262	1,457,280	105,742	114,829	152,308	99,404	115,539	114,748
6 Off-budget	316,604	320,778	330,765	29,909	34,783	6,679	29,609	33,016	38,901
7 Surplus or deficit (-), total	69,246	124,414	236,993	159,497	-3,611	55,888	5,061	-10,427	65,822
8 On-budget	-29,949	724	87,175	138,920	-7,360	16,011	-1,723	-14,110	61,944
9 Off-budget	99,195	123,690	149,818	20,577	3,750	39,877	6,784	3,683	3,878
<i>Source of financing (total)</i>									
10 Borrowing from the public	-51,211	-88,674	-222,672	-112,667	-53,755	-23,131	-31,307	9,995	-32,334
11 Operating cash (decrease, or increase (-))	4,743	-17,580	3,799	-47,787	69,470	-34,350	23,384	20,873	-39,479
12 Other	-22,778	-18,160	-18,120	957	-12,104	1,593	2,862	-20,441	5,991
MEMO									
13 Treasury operating balance (level, end of period)	38,878	56,458	52,659	92,557	23,087	57,437	34,053	13,180	52,659
14 Federal Reserve Banks	4,952	6,641	8,459	15,868	5,445	6,208	5,392	5,961	8,459
15 Tax and loan accounts	33,926	49,817	44,199	76,689	17,642	51,229	28,661	7,218	44,199

1. Since 1990, off-budget items have been the social security trust funds (Federal Old-Age, Survivors, and Disability Insurance) and the U.S. Postal Service.

2. Includes special drawing rights (SDRs); reserve position on the U.S. quota in the International Monetary Fund (IMF); loans to the IMF; other cash and monetary assets; accrued interest payable to the public; allocations of SDRs; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seigniorage; increment on gold;

net gain or loss for U.S. currency valuation adjustment; net gain or loss for IMF loan-valuation adjustment; and profit on sale of gold.

SOURCE: Monthly totals: U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*; fiscal year totals: U.S. Office of Management and Budget, *Budget of the U.S. Government*.

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1.39 U.S. BUDGET RECEIPTS AND OUTLAYS¹

Millions of dollars

Source or type	Fiscal year		Calendar year						
	1999	2000	1998	1999		2000	2000		
			H2	H1	H2	H1	July	Aug.	Sept.
RECEIPTS									
1 All sources	1,827,454	2,025,038	825,057	966,045	892,266	1,089,760	134,074	138,128	219,471
2 Individual income taxes, net	879,480	1,004,461	392,332	481,907	425,451	550,208	66,301	68,033	104,402
3 Withheld	693,940	780,397	339,144	351,068	372,012	388,526	64,474	62,057	59,766
4 Nonwithheld	308,185	358,049	65,204	240,278	68,302	281,103	4,066	7,850	48,229
5 Refunds	122,706	134,046	12,032	109,467	14,841	119,477	2,241	1,874	3,593
Corporation income taxes									
6 Gross receipts	216,324	235,655	104,163	106,861	110,111	119,166	6,605	6,577	46,183
7 Refunds	31,645	28,367	14,250	17,092	13,996	13,781	1,592	1,903	2,746
8 Social insurance taxes and contributions, net	611,833	652,851	268,466	324,831	292,551	353,514	49,650	52,082	56,293
9 Employment taxes and contributions ²	580,880	620,447	256,142	306,235	280,059	333,584	47,136	48,132	55,682
10 Unemployment insurance	26,480	27,641	10,121	16,378	10,173	17,562	2,145	3,584	168
11 Other net receipts ³	4,473	4,763	2,202	2,216	2,319	2,368	369	366	443
12 Excise taxes	70,414	68,866	33,366	31,015	34,262	33,532	6,022	5,580	7,769
13 Customs deposits	18,336	19,913	9,838	8,440	10,287	9,218	1,781	2,071	1,823
14 Estate and gift taxes	27,782	29,010	12,359	14,915	14,001	15,073	1,872	2,304	2,168
15 Miscellaneous receipts ⁴	34,929	42,647	18,735	15,140	19,569	22,831	3,435	3,383	3,579
OUTLAYS									
16 All types	1,702,940	1,788,045	877,414	817,227	882,465⁵	892,947	129,013	148,555	153,649
17 National defense	274,873	293,856	140,196	134,414	149,820	143,476	19,542	24,767	28,243
18 International affairs	15,243	17,252	8,297	6,879	8,530	7,250	3,067	-667	1,553
19 General science, space, and technology	18,125	19,707	10,142	9,319	10,089	9,601	1,524	1,829	1,716
20 Energy	912	-1,020	699	797	-90	-893	42	-223	530
21 Natural resources and environment	23,970	23,295	12,671	10,351	12,100	10,814	1,783	2,267	2,542
22 Agriculture	23,011	38,472	16,757	9,803	20,887	11,164	496	1,449	6,842
23 Commerce and housing credit	2,649	3,321	4,046	-1,629	7,353	-2,497	423	-1,295	4,591
24 Transportation	42,531	46,211	20,836	17,082	22,972	21,054	3,781	4,866	4,209
25 Community and regional development	11,870	11,687	6,972	5,368	7,135	5,050	814	1,007	975
26 Education, training, employment, and social services	56,402	58,364	27,762	29,003	27,532	31,234	3,874	5,576	3,616
27 Health	141,079	154,215	67,838	69,320	74,490	75,871	12,450	14,512	13,566
28 Social security and Medicare	580,488	606,552	316,809	261,146	295,030	306,966	47,415	52,206	50,381
29 Income security	237,707	247,380	109,481	126,552	113,504	133,915	15,343	18,521	20,031
30 Veterans benefits and services	43,212	47,084	22,750	20,105	23,412	23,174	1,910	3,700	5,619
31 Administration of justice	25,924	27,704	12,041	13,149	13,459	13,981	2,051	2,405	2,398
32 General government	15,771	13,721	9,136	6,641	7,006	6,198	960	906	1,017
33 Net interest ⁵	229,735	222,825	116,954	116,655	112,420	115,545	17,660	20,004	12,584
34 Undistributed offsetting receipts ⁶	-40,445	-42,581	-25,793	-17,724	-22,850	-19,346	-3,818	-3,275	-6,766

1. Functional details do not sum to total outlays for calendar year data because revisions to monthly totals have not been distributed among functions. Fiscal year total for receipts and outlays do not correspond to calendar year data because revisions from the Budget have not been fully distributed across months.

2. Old-age, disability, and hospital insurance, and railroad retirement accounts.

3. Federal employe retirement contributions and civil service retirement and disability fund.

4. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.

5. Includes interest received by trust funds.

6. Rents and royalties for the outer continental shelf, U.S. government contributions for employee retirement, and certain asset sales.

SOURCE: Fiscal year totals: U.S. Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 2001*; monthly and half-year totals: U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*.

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars, end of month

Item	1998		1999				2000		
	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30
1 Federal debt outstanding	5,556	5,643	5,681	5,668	5,685	5,805	5,802	5,714	5,702
2 Public debt securities	5,526	5,614	5,652	5,639	5,656	5,776	5,773	5,686	5,674
3 Held by public	3,761	3,787	3,795	3,685	3,667	3,716	3,688	n.a.	n.a.
4 Held by agencies	1,766	1,827	1,857	1,954	1,989	2,061	2,085	n.a.	n.a.
5 Agency securities	29	29	29	29	29	29	28	28	28
6 Held by public	26	29	28	28	28	28	28	n.a.	n.a.
7 Held by agencies	4	1	1	1	1	1	0	n.a.	n.a.
8 Debt subject to statutory limit	5,440	5,530	5,566	5,552	5,568	5,687	5,687	5,601	5,592
9 Public debt securities	5,439	5,530	5,566	5,552	5,568	5,687	5,686	5,601	5,591
10 Other debt	0	0	0	0	0	0	0	0	0
MEMO									
11 Statutory debt limit	5,950	5,950	5,950	5,950	5,950	5,950	5,950	5,950	5,950

1. Consists of guaranteed debt of U.S. Treasury and other federal agencies, specified participation certificates, notes to international lending organizations, and District of Columbia stadium bonds.

SOURCE: U.S. Department of the Treasury, *Monthly Statement of the Public Debt of the United States and Treasury Bulletin*.

1.41 GROSS PUBLIC DEBT OF U.S. TREASURY Types and Ownership

Billions of dollars, end of period

Type and holder	1996	1997	1998	1999	1999	2000		
					Q4	Q1	Q2	Q3
1 Total gross public debt	5,323.2	5,502.4	5,614.2	5,776.1	5,776.1	5,773.4	5,685.9	5,674.2
<i>By type</i>								
2 Interest-bearing	5,317.2	5,494.9	5,605.4	5,766.1	5,766.1	5,763.8	5,675.9	5,622.1
3 Marketable	3,459.7	3,456.8	3,355.5	3,281.0	3,281.0	3,261.2	3,070.7	2,992.8
4 Bills	777.4	715.4	691.0	737.1	737.1	753.3	629.9	616.2
5 Notes	2,112.3	2,106.1	1,960.7	1,784.5	1,784.5	1,732.6	1,679.1	1,611.3
6 Bonds	555.0	587.3	621.2	643.7	643.7	653.0	637.7	635.3
7 Inflation-indexed notes and bonds ¹	n.a.	33.0	67.6	100.7	100.7	107.4	109.0	115.0
8 Nonmarketable ²	1,857.5	2,038.1	2,249.9	2,485.1	2,485.1	2,502.6	2,605.2	2,629.3
9 State and local government series	101.3	124.1	165.3	165.7	165.7	161.9	160.4	153.3
10 Foreign issues ³	37.4	36.2	34.3	31.3	31.3	28.8	27.7	25.4
11 Government	47.4	36.2	34.3	31.3	31.3	28.8	27.7	25.4
12 Public	0	0	0	0	0	0	0	0
13 Savings bonds and notes	182.4	181.2	180.3	179.4	179.4	178.6	177.7	177.7
14 Government account series ⁴	1,505.9	1,666.7	1,840.0	2,078.7	2,078.7	2,103.3	2,209.4	2,242.9
15 Non-interest-bearing	6.0	7.5	8.8	10.0	10.0	9.6	10.1	52.1
<i>By holder⁵</i>								
16 U.S. Treasury and other federal agencies and trust funds	1,497.2	1,655.7	1,826.8	2,060.6	2,060.6	2,085.4	2,190.2	n.a.
17 Federal Reserve Banks	410.9	451.9	471.7	477.7	477.7	501.7	505.0	n.a.
18 Private investors	3,431.2	3,414.6	3,334.0	3,233.9	3,233.9	3,182.8	2,987.4	n.a.
19 Depository institutions	296.6	300.3	237.3	246.3	246.3	234.9	n.a.	n.a.
20 Mutual funds	315.8	321.5	343.2	349.5	349.5	343.7	n.a.	n.a.
21 Insurance companies	214.1	176.6	144.5	140.0	140.0	138.7	n.a.	n.a.
22 State and local treasuries ⁶	257.0	239.3	269.3	266.8	266.8	257.2	n.a.	n.a.
23 Individuals	187.0	186.5	186.7	186.5	186.5	185.3	184.7	n.a.
24 Pension funds	392.7	421.0	434.7	445.5	445.5	432.3	n.a.	n.a.
25 Private	189.2	204.1	218.1	234.5	234.5	230.8	n.a.	n.a.
26 State and Local	203.5	216.9	216.6	211.0	211.0	201.5	n.a.	n.a.
27 Foreign and international ⁷	1,102.1	1,241.6	1,278.7	1,268.8	1,268.8	1,274.0	1,248.9	n.a.
28 Other miscellaneous investors ^{6,8}	665.9	527.9	438.5	330.5	330.5	316.7	n.a.	n.a.

1. The U.S. Treasury first issued inflation-indexed securities during the first quarter of 1997.

2. Includes (not shown separately) securities issued to the Rural Electrification Administration, depository bonds, retirement plan bonds, and individual retirement bonds.

3. Nonmarketable series denominated in dollars, and series denominated in foreign currency held by foreigners.

4. Held almost entirely by U.S. Treasury and other federal agencies and trust funds.

5. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.

6. In March 1996, in a redefinition of series, fully defeased debt backed by nonmarketable federal securities was removed from "Other miscellaneous investors" and added to "State and local treasuries." The data shown here have been revised accordingly.

7. Includes nonmarketable foreign series treasury securities and treasury deposit funds.

8. Excludes treasury securities held under repurchase agreements in custody accounts at the Federal Reserve Bank of New York.

8. Includes individuals, government-sponsored enterprises, brokers and dealers, bank personal trusts and estates, corporate and noncorporate businesses, and other investors.

SOURCE: U.S. Treasury Department, data by type of security, *Monthly Statement of the Public Debt of the United States*; data by holder, *Treasury Bulletin*.

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1.42 U.S. GOVERNMENT SECURITIES DEALERS Transactions¹

Millions of dollars, daily averages

Item	2000			2000, week ending								
	June	July	Aug.	Aug. 2	Aug. 9	Aug. 16	Aug. 23	Aug. 30	Sept. 6	Sept. 13	Sept. 20	Sept. 27
OUTRIGHT TRANSACTIONS²												
<i>By type of security</i>												
1 U.S. Treasury bills	20,474	16,467	21,487	18,878	14,037	26,057	17,685	27,255	31,270	23,896	22,297	22,099
Coupon securities, by maturity												
2 Five years or less	102,265	96,709	84,941	92,640	94,852	85,623	78,770	75,257	95,849	90,909	133,824	140,680
3 More than five years	64,492	57,055	62,777	62,388	76,071	72,768	49,068	53,359	62,764	56,674	92,418	63,927
4 Inflation-indexed	955	1,261	1,185	974	1,553	730	1,144	1,219	2,086	1,683	1,043	1,584
Federal agency												
5 Discount notes	49,638	53,649	53,668	49,882	48,162	52,526	56,654	58,435	55,704	50,911	46,575	48,146
Coupon securities, by maturity												
6 One year or less	864	1,299	1,314	939	1,086	1,290	1,397	1,710	935	1,271	1,208	1,175
7 More than one year, but less than or equal to five years	7,304	7,939	8,879	8,927	11,721	8,571	8,420	7,163	6,995	12,658	10,972	7,646
8 More than five years	9,031	9,286	7,002	12,443	7,651	5,969	6,852	5,534	6,129	7,644	16,190	8,844
9 Mortgage-backed	64,884	68,080	67,487	49,239	78,965	114,415	47,010	37,714	63,208	111,898	79,310	53,823
<i>By type of counterparty</i>												
With interdealer broker												
10 U.S. Treasury	92,504	81,757	81,566	79,015	92,325	88,900	70,397	74,830	85,739	83,155	119,564	112,466
11 Federal agency	8,398	7,497	8,089	7,312	9,255	7,947	9,018	6,690	6,865	10,062	12,497	9,130
12 Mortgage-backed	24,768	22,785	25,460	18,662	28,771	39,793	20,486	16,444	20,792	39,863	25,681	27,664
With other												
13 U.S. Treasury	95,682	89,735	88,823	95,865	94,187	96,279	76,270	82,260	106,229	90,006	130,018	115,824
14 Federal agency	58,438	64,677	62,774	64,879	59,364	60,409	64,305	66,152	62,898	62,422	62,448	56,681
15 Mortgage-backed	40,116	45,294	42,027	30,577	50,194	74,622	26,524	21,270	42,416	72,017	53,628	26,159
FUTURES TRANSACTIONS³												
<i>By type of deliverable security</i>												
16 U.S. Treasury bills	0	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Coupon securities, by maturity												
17 Five years or less	3,549	2,571	3,467	2,212	2,387	2,930	3,715	5,025	5,032	3,346	3,255	2,185
18 More than five years	13,282	8,991	10,960	10,291	10,456	11,118	10,149	12,228	11,749	9,846	15,512	10,460
19 Inflation-indexed	0	0	0	0	0	0	0	0	0	0	0	0
Federal agency												
20 Discount notes	0	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity												
21 One year or less	0	0	0	0	0	0	0	0	0	0	0	0
22 More than one year, but less than or equal to five years	0	0	0	0	0	0	0	0	0	0	0	0
23 More than five years	245	51	109	29	130	83	118	150	49	138	237	189
24 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0	0
OPTIONS TRANSACTIONS⁴												
<i>By type of underlying security</i>												
25 U.S. Treasury bills	0	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity												
26 Five years or less	1,398	1,214	1,149	1,057	991	1,000	1,505	1,201	831	1,569	1,606	1,425
27 More than five years	3,185	2,634	2,821	2,627	3,389	2,656	2,981	2,313	2,923	3,070	4,131	3,117
28 Inflation-indexed	0	0	0	0	0	0	0	0	0	0	0	0
Federal agency												
29 Discount notes	0	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity												
30 One year or less	0	0	0	0	0	0	0	0	0	0	0	0
31 More than one year, but less than or equal to five years	0	12	34	52	n.a.	0	0	61	38	n.a.	n.a.	0
32 More than five years	20	3	2	0	n.a.	n.a.	0	n.a.	16	0	n.a.	n.a.
33 Mortgage-backed	1,306	898	1,145	1,206	2,527	817	650	581	1,049	1,446	851	832

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 to be 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. Outright transactions include immediate and forward transactions. Immediate delivery refers to purchases or sales of securities (other than mortgage-backed federal agency securities) for which delivery is scheduled in five business days or less and "when-issued" securities that settle on the issue date of offering. Transactions for immediate delivery of mortgage-backed agency securities include purchases and sales for which delivery is scheduled in thirty business days or less. Stripped securities are reported at market value by maturity of coupon or corpus.

Forward transactions are agreements made in the over-the-counter market that specify delayed delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.

3. Futures transactions are standardized agreements arranged on an exchange. All futures transactions are included regardless of time to delivery.

4. Options transactions are purchases or sales of put and call options, whether arranged on an organized exchange or in the over-the-counter market, and include options on futures contracts on U.S. Treasury and federal agency securities.

NOTE: "n.a." indicates that data are not published because of insufficient activity.

1.43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing¹

Millions of dollars

Item	2000			2000, week ending							
	June	July	Aug.	Aug. 2	Aug. 9	Aug. 16	Aug. 23	Aug. 30	Sept. 6	Sept. 13	Sept. 20
Positions ²											
NET OUTRIGHT POSITIONS ³											
<i>By type of security</i>											
1 U.S. Treasury bills	3,514	3,951	2,426	-409	1,064	2,938	3,184	1,111	17,945	17,068	5,563
<i>Coupon securities, by maturity</i>											
2 Five years or less	-38,615	-31,279	-29,287	-33,081	-26,247	-33,122	-29,917	-27,175	-26,519	-27,258	-31,407
3 More than five years	-21,306	-21,335	-18,943	-23,220	-22,566	-18,402	-16,430	-17,471	-16,718	-16,789	-15,425
4 Inflation-indexed	1,668	2,564	2,711	2,607	2,633	2,784	2,926	2,635	1,982	2,477	2,742
<i>Federal agency</i>											
5 Discount notes	32,775	35,531	31,912	35,904	34,631	34,206	26,436	31,262	31,726	36,160	39,899
<i>Coupon securities, by maturity</i>											
6 One year or less	10,016	12,896	13,638	14,075	13,084	13,948	14,028	13,549	12,380	14,792	14,447
7 More than one year, but less than or equal to five years	1,925	3,249	5,089	4,441	3,631	5,810	4,975	5,991	6,016	4,327	4,873
8 More than five years	899	1,268	1,281	2,378	2,693	1,113	842	197	1,035	34	1,838
9 Mortgage-backed	23,442	20,713	18,646	20,035	20,354	21,329	17,537	15,766	13,051	15,083	15,283
NET FUTURES POSITIONS ⁴											
<i>By type of deliverable security</i>											
10 U.S. Treasury bills	0	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<i>Coupon securities, by maturity</i>											
11 Five years or less	12,969	14,350	11,726	13,974	12,400	13,275	10,909	10,071	8,981	6,799	2,138
12 More than five years	-165	71	-329	1,362	54	538	-1,969	-546	544	124	2,638
13 Inflation-indexed	0	0	0	0	0	0	0	0	0	0	0
<i>Federal agency</i>											
14 Discount notes	0	0	0	0	0	0	0	0	0	0	0
<i>Coupon securities, by maturity</i>											
15 One year or less	0	0	0	0	0	0	0	0	0	0	0
16 More than one year, but less than or equal to five years	0	0	0	0	0	0	0	0	0	0	0
17 More than five years	-740	-261	-582	-309	-713	-709	-523	-470	-528	-638	-922
18 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0
NET OPTIONS POSITIONS											
<i>By type of deliverable security</i>											
19 U.S. Treasury bills	0	0	0	0	0	0	0	0	0	0	0
<i>Coupon securities, by maturity</i>											
20 Five years or less	376	1,143	1,723	1,127	1,688	1,484	1,868	2,052	1,528	3,134	2,875
21 More than five years	400	1,699	1,324	2,498	1,218	908	2,041	765	1,522	870	1,789
22 Inflation-indexed	0	0	0	0	0	0	0	0	0	0	0
<i>Federal agency</i>											
23 Discount notes	0	0	0	0	0	0	0	0	0	0	0
<i>Coupon securities, by maturity</i>											
24 One year or less	0	0	0	0	0	0	0	0	0	0	0
25 More than one year, but less than or equal to five years	194	233	208	233	237	223	273	108	105	150	82
26 More than five years	522	309	181	409	336	327	0	17	22	15	35
27 Mortgage-backed	929	2,236	5,009	3,886	4,008	4,634	5,429	6,177	5,772	3,926	4,191
Financing ⁵											
<i>Reverse repurchase agreements</i>											
28 Overnight and continuing	294,802	282,999	283,661	289,789	282,395	303,063	278,813	267,642	290,528	274,009	289,304
29 Term	850,521	828,512	782,717	884,781	926,331	692,080	732,843	757,389	734,160	773,814	778,606
<i>Securities borrowed</i>											
30 Overnight and continuing	292,038	299,289	285,382	294,119	289,814	285,773	287,751	275,653	285,659	283,829	285,836
31 Term	112,854	113,572	114,470	116,718	118,211	112,955	110,811	116,175	108,057	110,917	111,445
<i>Securities received as pledge</i>											
32 Overnight and continuing	n.a.	2,454	2,367	2,535	n.a.	2,374	2,561	2,109	2,422	2,272	2,057
33 Term	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<i>Repurchase agreements</i>											
34 Overnight and continuing	744,475	750,138	748,503	749,157	751,407	786,525	735,461	719,039	758,248	737,204	739,576
35 Term	746,986	736,488	689,557	780,594	834,622	594,522	636,948	671,941	648,849	688,139	720,286
<i>Securities loaned</i>											
36 Overnight and continuing	7,698	7,433	7,705	8,214	8,153	8,060	7,237	7,317	7,060	7,290	6,999
37 Term	6,567	5,295	4,295	3,400	3,415	3,734	3,725	6,234	6,594	6,597	6,597
<i>Securities pledged</i>											
38 Overnight and continuing	61,667	63,077	60,868	60,855	59,469	60,006	61,715	62,275	60,931	64,044	61,419
39 Term	4,249	4,358	4,203	4,493	4,576	4,086	4,031	4,072	3,952	4,247	4,367
<i>Collateralized loans</i>											
40 Total	16,826	20,706	23,695	27,895	25,145	20,826	26,452	21,204	23,375	30,761	18,582

1. Data for positions and financing are obtained from reports submitted to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Weekly figures are close-of-business Wednesday data. Positions for calendar days of the report week are assumed to be constant. Monthly averages are based on the number of calendar days in the month.

2. Securities positions are reported at market value.

3. Net outright positions include immediate and forward positions. Net immediate positions include securities purchased or sold (other than mortgage-backed agency securities) that have been delivered or are scheduled to be delivered in five business days or less and "when-issued" securities that settle on the issue date of offering. Net immediate positions for mortgage-backed agency securities include securities purchased or sold that have been delivered or are scheduled to be delivered in thirty business days or less.

Forward positions reflect agreements made in the over-the-counter market that specify delayed delivery. Forward contracts for U.S. Treasury securities and federal agency debt

securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.

4. Futures positions reflect standardized agreements arranged on an exchange. All futures positions are included regardless of time to delivery.

5. Overnight financing refers to agreements made on one business day that mature on the next business day; continuing contracts are agreements that remain in effect for more than one business day but have no specific maturity and can be terminated without advance notice by either party; term agreements have a fixed maturity of more than one business day. Financing data are reported in terms of actual funds paid or received, including accrued interest.

NOTE: "n.a." indicates that data are not published because of insufficient activity.

A30 Domestic Financial Statistics □ December 2000

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1996	1997	1998	1999	2000				
					Mar.	Apr.	May	June	July
1 Federal and federally sponsored agencies	925,823	1,022,609	1,296,477	1,616,492	1,644,276	n.a.	193,776	194,673	n.a.
2 Federal agencies	29,380	27,792	26,502	26,376	26,231	26,011	26,052	26,669	26,094
3 Defense Department ¹	6	6	6	6	6	6	6	6	6
4 Export-Import Bank ^{2,3}	1,447	552	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5 Federal Housing Administration ⁴	84	102	205	126	168	173	184	185	205
6 Government National Mortgage Association certificates of participation ⁵	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
7 Postal Service ⁶	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
8 Tennessee Valley Authority	27,853	27,786	26,496	26,370	26,225	26,005	26,046	26,663	26,088
9 United States Railway Association ⁶	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 Federally sponsored agencies ⁷	896,443	994,817	1,269,975	1,590,116	1,618,045	164,298	167,726	168,004	n.a.
11 Federal Home Loan Banks	263,404	313,919	382,131	529,005	535,284	541,673	557,506	568,438	565,037
12 Federal Home Loan Mortgage Corporation	156,980	169,200	287,396	360,711	378,006	388,261	392,555	384,286	399,370
13 Federal National Mortgage Association	331,270	369,774	460,291	547,619	557,543	561,700	571,800	578,500	579,448
14 Farm Credit Banks ⁸	60,053	63,517	63,488	68,883	67,154	69,036	70,036	69,541	69,757
15 Student Loan Marketing Association ⁹	44,763	37,717	35,399	41,988	38,089	40,119	43,144	37,263	n.a.
16 Financing Corporation ¹⁰	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170
17 Farm Credit Financial Assistance Corporation ¹¹	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261
18 Resolution Funding Corporation ¹²	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996
MEMO									
19 Federal Financing Bank debt¹³	58,172	49,090	44,129	42,152	39,306	38,700	39,102	38,513	38,143
<i>Lending to federal and federally sponsored agencies</i>									
20 Export-Import Bank ³	1,431	552	↑	↑	↑	↑	↑	↑	↑
21 Postal Service ⁶	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	↑
22 Student Loan Marketing Association	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	↑
23 Tennessee Valley Authority	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	↓
24 United States Railway Association ⁶	n.a.	n.a.	↓	↓	↓	↓	↓	↓	↓
<i>Other lending¹⁴</i>									
25 Farmers Home Administration	18,325	13,530	9,500	6,665	6,350	6,240	6,140	6,040	5,760
26 Rural Electrification Administration	16,702	14,898	14,091	14,085	13,152	13,167	13,221	13,121	13,165
27 Other	21,714	20,110	20,538	21,402	19,804	19,293	19,741	19,352	19,218

1. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.
 2. Includes participation certificates reclassified as debt beginning Oct. 1, 1976.
 3. On-budget since Sept. 30, 1976.
 4. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.
 5. Certificates of participation issued before fiscal year 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration, the Department of Health, Education, and Welfare, the Department of Housing and Urban Development, the Small Business Administration, and the Veterans Administration.
 6. Off-budget.
 7. Includes outstanding noncontingent liabilities: notes, bonds, and debentures. Includes Federal Agricultural Mortgage Corporation; therefore, details do not sum to total. Some data are estimated.
 8. Excludes borrowing by the Farm Credit Financial Assistance Corporation, which is shown on line 17.
 9. Before late 1982, the association obtained financing through the Federal Financing Bank (FFB). Borrowing excludes that obtained from the FFB, which is shown on line 22.

10. The Financing Corporation, established in August 1987 to recapitalize the Federal Savings and Loan Insurance Corporation, undertook its first borrowing in October 1987.
 11. The Farm Credit Financial Assistance Corporation, established in January 1988 to provide assistance to the Farm Credit System, undertook its first borrowing in July 1988.
 12. The Resolution Funding Corporation, established by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, undertook its first borrowing in October 1989.
 13. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Because FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table to avoid double counting.
 14. Includes FFB purchases of agency assets and guaranteed loans; the latter are loans guaranteed by numerous agencies, with the amounts guaranteed by any one agency generally being small. The Farmers Home Administration entry consists exclusively of agency assets, whereas the Rural Electrification Administration entry consists of both agency assets and guaranteed loans.

1.45 NEW SECURITY ISSUES Tax-Exempt State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1997	1998	1999	2000							
				Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.
1 All issues, new and refunding¹	214,694	262,342	215,427	10,905	16,780	14,233	14,136	20,208	12,827	15,284	15,598
<i>By type of issue</i>											
2 General obligation	69,934	87,015	73,308	4,473	5,008	4,598	6,051	8,581	4,256	5,194	6,888
3 Revenue	134,989	175,327	142,120	6,433	11,773	9,635	8,086	11,628	8,572	10,090	8,710
<i>By type of issuer</i>											
4 State	18,237	23,506	16,376	1,730	1,570	1,371	1,102	2,907	783	1,011	2,022
5 Special district or statutory authority ²	134,919	178,421	152,418	7,414	11,098	10,229	9,639	13,520	8,545	10,728	10,152
6 Municipality, county, or township	70,558	60,173	46,634	1,761	4,112	2,633	3,396	3,782	3,500	3,545	3,424
7 Issues for new capital	135,519	160,568	161,065	9,382	13,508	12,029	12,481	16,987	11,297	12,402	13,968
<i>By use of proceeds</i>											
8 Education	31,860	36,904	36,563	2,548	3,436	2,484	3,662	4,465	3,185	3,630	3,210
9 Transportation	13,951	19,926	17,394	723	2,723	768	1,778	1,093	1,947	1,979	1,574
10 Utilities and conservation	12,219	21,037	15,098	115	1,086	729	537	1,141	353	1,409	1,408
11 Social welfare	27,794	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
12 Industrial aid	6,667	8,594	9,099	647	747	762	585	1,150	632	281	387
13 Other purposes	35,095	42,450	47,896	2,804	2,426	3,903	3,557	5,776	2,543	3,564	5,243

1. Par amounts of long-term issues based on date of sale.
2. Includes school districts.

SOURCE: Securities Data Company beginning January 1990; *Investment Dealer's Digest* before then.

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue, offering, or issuer	1997	1998	1999	2000							
				Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.
1 All issues¹	929,256	1,128,491	1,072,866	55,714	85,679	113,093	61,963	62,939	100,615	65,511	81,964
2 Bonds²	811,376	1,001,736	941,298	44,220	63,391	96,148	40,941	58,233	92,742	57,476	69,875
<i>By type of offering</i>											
3 Sold in the United States	708,188	923,771	818,683	30,784	56,727	87,603	36,724	45,986	75,271	40,753	56,132
4 Sold abroad	103,188	77,965	122,615	13,436	6,664	8,545	4,217	12,247	17,471	16,723	13,742
MEMO											
5 Private placements, domestic	n.a.	n.a.	n.a.	967	65	0	228	2,694	3,391	1,038	241
<i>By industry group</i>											
6 Nonfinancial	222,603	307,935	293,963	14,599	26,598	28,086	8,060	20,832	29,412	15,885	17,947
7 Financial	588,773	693,801	647,335	29,620	36,792	68,062	32,881	37,401	63,331	41,592	51,928
8 Stocks³	173,330	205,605	217,868	11,494	22,288	16,945	21,022	4,706	7,873	8,035	12,265
<i>By type of offering</i>											
9 Public	117,880	126,755	131,568	11,494	22,288	16,945	21,022	4,706	7,873	8,035	12,265
10 Private placement ⁴	55,450	78,850	86,300	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<i>By industry group</i>											
11 Nonfinancial	60,386	74,113	110,284	9,247	21,796	15,679	16,763	4,522	6,521	7,773	8,083
12 Financial	57,494	52,642	21,284	2,247	492	1,266	4,259	184	1,352	262	4,182

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, and Yankee bonds. Stock data include ownership securities issued by limited partnerships.

2. Monthly data include 144(a) offerings.
3. Monthly data cover only public offerings.
4. Data are not available.

SOURCE: Securities Data Company and the Board of Governors of the Federal Reserve System.

A32 Domestic Financial Statistics □ December 2000

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Assets¹

Millions of dollars

Item	1998	1999	2000							
			Feb.	Mar.	Apr.	May	June	July	Aug. ^f	Sept.
1 Sales of own shares ²	1,461,430	1,791,894	237,861	269,118	202,248	172,718	181,866	166,815	179,890	160,272
2 Redemptions of own shares	1,217,022	1,621,987	197,423	243,194	176,671	162,984	161,462	151,717	159,027	148,200
3 Net sales ³	244,408	169,906	40,438	25,924	25,577	9,735	20,404	15,098	20,864	12,072
4 Assets ⁴	4,173,531	5,233,191	5,375,874	5,606,254	5,391,187	5,232,319	5,458,914	5,392,308	5,745,264	5,551,051
5 Cash ⁵	191,393	219,189	231,480	221,623	254,819	260,426	259,241	258,472	261,967	280,160
6 Other	3,982,138	5,014,002	5,144,394	5,384,630	5,136,368	4,971,892	5,199,673	5,133,836	5,483,298	5,270,891

1. Data include stock, hybrid, and bond mutual funds and exclude money market mutual funds.

2. Excludes reinvestment of net income dividends and 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	1997	1998	1999	1998		1999				2000	
				Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2 ^f
				1 Profits with inventory valuation and capital consumption adjustment	833.8	815.0	856.0	818.0	803.4	852.0	836.8	842.0	893.2	936.3	963.6
2 Profits before taxes	792.4	758.2	823.0	760.1	742.3	797.6	804.5	819.0	870.7	920.7	942.5
3 Profits-tax liability	237.2	244.6	255.9	249.0	239.4	247.8	250.8	254.2	270.8	286.3	292.0
4 Profits after taxes	555.2	513.6	567.1	511.1	502.9	549.9	553.7	564.8	599.9	634.4	650.4
5 Dividends	335.2	351.5	370.7	351.4	356.1	361.1	367.2	373.9	380.6	387.3	393.0
6 Undistributed profits	220.0	162.1	196.4	159.7	146.9	188.7	186.5	190.9	219.3	247.1	257.4
7 Inventory valuation	8.4	17.0	-9.1	17.7	19.9	11.4	-8.9	-19.7	-19.2	-25.0	-13.6
8 Capital consumption adjustment	32.9	39.9	42.1	40.2	41.2	42.9	41.2	42.7	41.6	40.6	34.7

SOURCE: U.S. Department of Commerce, *Survey of Current Business*.

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities¹

Billions of dollars, end of period; not seasonally adjusted

Account	1997	1998	1999	1999				2000		
				Q1	Q2	Q3	Q4	Q1	Q2	Q3
ASSETS										
1 Accounts receivable, gross ²	663.3	711.7	811.5	733.8	756.5	776.3	811.5	848.7	884.4 ^f	n.a.
2 Consumer	256.8	261.8	279.8	261.7	269.2	271.0	279.8	285.4	294.1	n.a.
3 Business	318.5	347.5	405.2	362.8	373.7	383.0	405.2	434.6	454.1 ^f	n.a.
4 Real estate	87.9	102.3	126.5	109.2	113.5	122.3	126.5	128.8	136.2 ^f	n.a.
5 LESS: Reserves for unearned income	52.7	56.3	53.5	52.9	53.4	54.0	53.5	54.0	57.0	n.a.
6 Reserves for losses	13.0	13.8	13.5	13.4	13.4	13.6	13.5	14.0	14.4	n.a.
7 Accounts receivable, net	597.6	641.6	744.6	667.6	689.7	708.6	744.6	780.7	813.1 ^f	n.a.
8 All other	312.4	337.9	406.3	363.3	373.2	368.5	406.3	412.7	419.4	n.a.
9 Total assets	910.0	979.5	1,150.9	1,030.8	1,062.9	1,077.2	1,150.9	1,193.4	1,232.4 ^f	n.a.
LIABILITIES AND CAPITAL										
10 Bank loans	24.1	26.3	35.1	24.8	25.1	27.0	35.1	28.5	33.3	n.a.
11 Commercial paper	201.5	231.5	227.9	222.9	231.0	205.3	227.9	230.2	234.2	n.a.
<i>Debt</i>										
12 Owed to parent	64.7	61.8	123.8	64.6	65.4	84.5	123.8	145.1	136.8	n.a.
13 Not elsewhere classified	328.8	339.7	397.0	366.7	383.1	396.2	397.0	412.0	445.1	n.a.
14 All other liabilities	189.6	203.2	222.7	220.3	226.1	216.0	222.7	247.6	249.6	n.a.
15 Capital, surplus, and undivided profits	101.3	117.0	144.5	131.5	132.2	148.2	144.5	130.1	135.3	n.a.
16 Total liabilities and capital	910.0	979.5	1,150.9	1,030.8	1,062.9	1,077.2	1,150.9	1,193.4	1,234.4	n.a.

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. Excludes pools of securitized assets.

1.52 DOMESTIC FINANCE COMPANIES Owned and Managed Receivables¹

Billions of dollars, amounts outstanding

Type of credit	1997	1998	1999	2000						
				Feb.	Mar.	Apr.	May	June	July	Aug.
Seasonally adjusted										
1 Total	810.5	875.8	993.9	1,032.2	1,054.1	1,073.3	1,088.7	1,108.5	1,089.1	1,094.1
2 Consumer	327.9	352.8	385.3	395.5	396.7	398.0	400.7	401.4	405.9	411.1
3 Real estate	121.1	131.4	154.7	162.3	167.9	173.1	178.4	185.7	167.5	169.0
4 Business	361.5	391.6	453.9	474.4	489.4	502.2	509.5	521.4	515.8	514.1
Not seasonally adjusted										
5 Total	818.1	884.0	1,003.2	1,031.9	1,057.0	1,073.6	1,088.5	1,114.0	1,082.3	1,087.9
6 Consumer	330.9	356.1	388.8	392.3	392.8	394.4	399.4	403.9	408.3	412.3
7 Motor vehicles loans	87.0	103.1	114.7	121.3	121.1	120.9	124.1	126.5	129.4	130.7
8 Motor vehicle leases	96.8	93.3	98.3	100.7	101.7	102.8	104.1	103.9	104.4	105.4
9 Revolving ²	38.6	32.3	33.8	32.9	31.5	31.9	31.6	33.1	33.6	33.6
10 Other ³	34.4	33.1	33.1	32.7	31.2	31.2	31.9	30.7	31.5	32.3
Securitized assets ⁴										
11 Motor vehicle loans	44.3	54.8	71.1	67.8	71.2	72.1	71.9	74.1	74.5	76.2
12 Motor vehicle leases	10.8	12.7	9.7	9.2	8.8	8.5	8.2	7.9	7.6	7.4
13 Revolving	0	8.7	10.5	10.4	10.3	10.1	11.1	11.1	10.9	10.7
14 Other	19.0	18.1	17.7	17.3	17.1	16.8	16.5	16.6	16.4	16.2
Real estate	121.1	131.4	154.7	162.3	167.9	173.1	178.4	185.7	167.5	169.0
16 One- to four-family	59.0	75.7	88.3	91.7	90.4	93.6	97.3	97.2	100.5	101.7
17 Other	28.9	26.6	38.3	38.4	38.4	39.0	39.4	39.6	39.7	40.2
Securitized real estate assets ⁴										
18 One- to four-family	33.0	29.0	28.0	32.0	38.9	40.2	41.5	48.6	27.1	26.8
19 Other	2	1	2	2	2	2	2	2	0.2	0.2
Business	366.1	396.5	459.6	477.4	496.3	506.1	510.7	524.5	506.4	506.7
21 Motor vehicles	63.5	79.6	87.8	89.6	90.2	93.6	94.8	94.5	89.4	89.6
22 Retail loans	25.6	28.1	33.2	33.7	32.3	32.7	33.3	33.8	34.1	34.3
23 Wholesale loans ⁵	27.7	32.8	34.7	35.8	37.9	38.9	39.5	38.4	32.9	32.6
24 Leases	10.2	18.7	19.9	20.1	19.9	22.0	22.0	22.3	22.3	22.7
25 Equipment	203.9	198.0	221.9	225.1	238.0	243.1	247.3	250.9	248.6	250.0
26 Loans	51.5	50.4	52.2	52.8	54.9	55.6	55.9	56.7	54.8	54.3
27 Leases	152.3	147.6	169.7	172.3	183.1	187.5	191.5	194.2	193.9	195.8
28 Other business receivables ⁶	51.1	69.9	95.5	101.4	106.4	107.4	106.6	109.8	109.4	108.3
Securitized assets ⁴										
29 Motor vehicles	33.0	29.2	31.5	31.0	31.5	32.3	32.0	31.7	29.8	29.6
30 Retail loans	2.4	2.6	2.9	2.8	3.2	3.1	3.0	2.9	2.8	2.7
31 Wholesale loans	30.5	24.7	26.4	26.1	25.9	26.8	26.7	26.4	24.6	24.5
32 Leases	0	1.9	2.1	2.1	2.4	2.4	2.4	2.4	2.4	2.4
33 Equipment	10.7	13.0	14.6	22.5	22.0	21.7	21.5	31.1	22.5	22.4
34 Loans	4.2	6.6	7.9	15.9	15.4	15.2	15.0	15.8	16.0	15.9
35 Leases	6.5	6.4	6.7	6.6	6.5	6.5	6.5	15.2	6.5	6.5
36 Other business receivables ⁶	4.0	6.8	8.4	7.7	8.3	8.0	8.4	6.6	6.8	6.8

NOTE. This table has been revised to incorporate several changes resulting from the benchmarking of finance company receivables to the June 1996 Survey of Finance Companies. In that benchmark survey, and in the monthly surveys that have followed, more detailed breakdowns have been obtained for some components. In addition, previously unavailable data on securitized real estate loans are now included in this table. The new information has resulted in some reclassification of receivables among the three major categories (consumer, real estate, and business) and in discontinuities in some component series between May and June 1996.

Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data in this table also appear in the Board's G.20 (422) monthly statistical release. For ordering address, see inside front cover.

1. Owned receivables are those carried on the balance sheet of the institution. Managed receivables are outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator. Data are shown

before deductions for unearned income and losses. Components may not sum to totals because of rounding.

2. Excludes revolving credit reported as held by depository institutions that are subsidiaries of finance companies.

3. Includes personal cash loans, mobile home loans, and loans to purchase other types of consumer goods such as appliances, apparel, boats, 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. Credit arising from transactions between manufacturers and dealers, that is, floor plan financing.

6. 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.

A34 Domestic Financial Statistics □ December 2000

1.53 MORTGAGE MARKETS Mortgages on New Homes

Millions of dollars except as noted

Item	1997	1998	1999	2000						
				Mar.	Apr.	May	June	July	Aug.	Sept.
Terms and yields in primary and secondary markets										
PRIMARY MARKETS										
<i>Terms¹</i>										
1 Purchase price (thousands of dollars)	180.1	195.2	210.7	226.0	224.2	232.2	238.6	235.8	237.0	241.9
2 Amount of loan (thousands of dollars)	140.3	151.1	161.7	170.7	170.2	176.3	178.3	178.3	179.7	182.5
3 Loan-to-price ratio (percent)	80.4	80.0	78.7	77.7	77.9	78.0	76.9	77.7	77.7	77.1
4 Maturity (years)	28.2	28.4	28.8	29.0	29.1	29.2	29.2	29.3	29.1	29.2
5 Fees and charges (percent of loan amount) ²	1.02	.89	.77	.68	.68	.71	.69	.66	.68	.70
<i>Yield (percent per year)</i>										
6 Contract rate ³	7.57	6.95	6.94	7.49	7.52	7.44	7.40	7.41	7.44	7.41
7 Effective rate ³	7.73	7.08	7.06	7.60	7.63	7.55	7.50	7.51	7.54	7.52
8 Contract rate (HUD series) ⁴	7.76	7.00	7.45	8.19	8.29	8.26	n.a.	n.a.	n.a.	n.a.
SECONDARY MARKETS										
<i>Yield (percent per year)</i>										
9 FHA mortgages (Section 203) ⁵	7.89	7.04	7.74	8.35	8.33	8.58	n.a.	n.a.	n.a.	n.a.
10 GNMA securities ⁶	7.26	6.43	7.03	7.79	7.64	8.06	7.69	7.59	7.44	7.43
Activity in secondary markets										
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
<i>Mortgage holdings (end of period)</i>										
11 Total	316,678	414,515	523,941	538,751	539,181	545,803	552,166	561,045	568,187	574,087
12 FHA/VA insured	31,925	33,770	55,318	58,451	58,899	59,140	59,703	60,397	60,150	59,961
13 Conventional	284,753	380,745	468,623	480,300	480,282	486,663	492,463	500,648	508,037	514,126
14 Mortgage transactions purchased (during period)	70,465	188,448	195,210	8,801	6,257	12,872	12,842	15,128	13,352	11,501
<i>Mortgage commitments (during period)</i>										
15 Issued	69,965	193,795	187,948	10,051	12,524	10,450	11,825	16,660	14,253	16,143
16 To sell ⁷	1,298	1,880	5,900	1,954	1,340	1,594	1,254	436	236	693
FEDERAL HOME LOAN MORTGAGE CORPORATION										
<i>Mortgage holdings (end of period)⁸</i>										
17 Total	164,421	255,010	324,443	336,338	339,207	347,370	350,836	354,020	357,002	361,624
18 FHA/VA insured	177	785	1,836	2,521	1,987	3,116	2,892	2,858	2,903 ⁹	3,517
19 Conventional	164,244	254,225	322,607	333,817	337,220	344,254	347,944	351,162	354,099 ⁹	358,107
<i>Mortgage transactions (during period)</i>										
20 Purchases	117,401	267,402	239,793	9,323	8,393	15,741	12,271	10,912	16,056	21,748
21 Sales	114,258	250,565	233,031	8,569	8,077	15,261	11,806	10,539	15,558	21,189
22 Mortgage commitments contracted (during period) ⁹	120,089	281,899	228,432	10,122	8,750	13,807	13,596	10,803	17,468	19,481

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups for purchase of newly built homes; compiled by the Federal Housing Finance Board in cooperation with the Federal Deposit Insurance Corporation.

2. Includes all fees, commissions, discounts, and "points" paid by the borrower or the seller to obtain a loan.

3. Average effective interest rate on loans closed for purchase of newly built homes, assuming prepayment at the end of ten years.

4. Average contract rate on new commitments for conventional first mortgages; from U.S. Department of Housing and Urban Development (HUD). Based on transactions on the first day of the subsequent month.

5. Average gross yield on thirty-year, minimum-downpayment first mortgages insured by the Federal Housing Administration (FHA) for immediate delivery in the private secondary market. Based on transactions on first day of subsequent month.

6. Average net yields to investors on fully modified pass-through securities backed by mortgages and guaranteed by the Government National Mortgage Association (GNMA), assuming prepayment in twelve years on pools of thirty-year mortgages insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs.

7. Does not include standby commitments issued, but includes standby commitments converted.

8. Includes participation loans as well as whole loans.

9. Includes conventional and government-underwritten loans. The Federal Home Loan Mortgage Corporation's mortgage commitments and mortgage transactions include activity under mortgage securities swap programs, whereas the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING¹

Millions of dollars, end of period

Type of holder and property	1996	1997	1998	1999			2000	
				Q2	Q3	Q4	Q1	Q2
1 All holders	4,865,412	5,197,838	5,722,645	6,015,365	6,224,771	6,375,447	6,489,770	6,659,097
<i>By type of property</i>								
2 One- to four-family residences	3,716,055	3,967,842	4,353,048	4,559,021	4,690,310	4,786,609	4,862,747	4,982,853
3 Multifamily residences	288,579	301,838	329,813	348,658	359,323	373,189	381,699	392,919
4 Nonfarm, nonresidential	773,643	837,859	943,278	1,008,048	1,073,743	1,112,686	1,141,577	1,175,641
5 Farm	87,134	90,299	96,506	99,638	101,395	102,962	103,748	107,685
<i>By type of holder</i>								
6 Major financial institutions	1,981,886	2,083,881	2,194,813	2,242,431	2,321,356	2,394,923	2,456,786	2,551,751
7 Commercial banks ²	1,145,389	1,245,315	1,337,217	1,361,365	1,418,819	1,495,502	1,546,816	1,614,307
8 One- to four-family	677,603	745,510	797,492	790,372	827,291	879,552	904,581	948,496
9 Multifamily	45,451	49,670	54,116	60,529	63,964	67,591	72,431	75,713
10 Nonfarm, nonresidential	397,452	423,148	456,574	479,930	496,246	516,520	537,131	556,382
11 Farm	24,883	26,986	29,035	30,536	31,320	31,839	32,673	33,717
12 Savings institutions ³	628,335	631,726	643,957	656,518	676,346	668,634	680,745	701,992
13 One- to four-family	513,712	520,682	533,918	544,962	560,622	549,072	560,046	578,641
14 Multifamily	61,570	59,540	56,821	55,016	57,282	59,138	57,759	59,142
15 Nonfarm, nonresidential	52,723	51,150	52,801	56,096	57,983	59,948	62,447	63,691
16 Farm	331	354	417	443	459	475	493	518
17 Life insurance companies	208,162	206,840	213,640	224,548	226,190	230,787	229,225	235,452
18 One- to four-family	6,977	7,187	6,590	7,292	7,432	5,934	5,874	4,826
19 Multifamily	30,750	30,402	31,522	31,800	31,998	32,818	32,602	33,669
20 Nonfarm, nonresidential	160,315	158,779	164,004	173,495	174,571	179,048	177,870	182,514
21 Farm	10,120	10,472	11,524	11,961	12,189	12,987	12,879	14,444
22 Federal and related agencies	295,192	286,194	293,613	289,519	322,572	322,352	323,145	334,715
23 Government National Mortgage Association	2	8	7	8	8	7	7	7
24 One- to four-family	0	0	0	0	0	0	0	0
25 Multifamily	0	0	0	0	0	0	0	0
26 Farmers Home Administration ⁴	41,596	41,195	40,851	40,766	73,705	73,871	72,899	72,896
27 One- to four-family	17,303	17,253	16,895	16,653	16,583	16,506	16,456	16,435
28 Multifamily	11,685	11,720	11,739	11,735	11,745	11,741	11,732	11,729
29 Nonfarm, nonresidential	6,841	7,370	7,705	7,943	41,068	41,355	40,509	40,554
30 Farm	5,768	4,852	4,513	4,435	4,308	4,268	4,202	4,179
31 Federal Housing and Veterans' Administrations	6,244	3,811	3,674	3,490	3,889	3,712	3,794	3,845
32 One- to four-family	3,524	1,767	1,849	1,623	2,013	1,851	1,847	1,832
33 Multifamily	2,719	2,044	1,825	1,867	1,876	1,861	1,947	2,013
34 Resolution Trust Corporation	0	0	0	0	0	0	0	0
35 One- to four-family	0	0	0	0	0	0	0	0
36 Multifamily	0	0	0	0	0	0	0	0
37 Nonfarm, nonresidential	0	0	0	0	0	0	0	0
38 Farm	0	0	0	0	0	0	0	0
39 Federal Deposit Insurance Corporation	2,431	724	361	189	163	152	98	72
40 One- to four-family	365	109	54	28	24	23	15	11
41 Multifamily	413	123	61	32	28	26	17	12
42 Nonfarm, nonresidential	1,653	492	245	129	111	103	67	49
43 Farm	0	0	0	0	0	0	0	0
44 Federal National Mortgage Association	168,813	161,308	157,675	155,637	153,172	151,500	150,312	155,364
45 One- to four-family	155,008	149,831	147,594	145,033	142,982	141,195	139,986	144,335
46 Multifamily	13,805	11,477	10,081	10,604	10,190	10,305	10,326	11,029
47 Federal Land Banks	29,602	30,657	32,983	33,666	34,217	34,187	34,142	34,820
48 One- to four-family	1,742	1,804	1,941	1,981	2,013	2,012	2,009	2,039
49 Farm	0	0	0	0	0	0	0	0
50 Federal Home Loan Mortgage Corporation	46,504	48,454	57,085	54,282	55,695	56,676	57,009	56,972
51 One- to four-family	41,758	42,629	49,106	43,574	44,010	44,321	43,384	42,892
52 Multifamily	4,746	5,825	7,979	10,708	11,685	12,355	13,625	14,080
53 Mortgage pools or trusts ⁵	4,865,412	5,197,838	5,722,645	6,015,365	6,224,771	6,375,447	6,489,770	6,659,097
54 Government National Mortgage Association	506,246	536,879	537,446	553,196	569,038	582,263	589,203	590,903
55 One- to four-family	494,064	523,225	522,498	537,287	552,670	565,189	571,517	572,856
56 Multifamily	12,182	13,654	14,948	15,909	16,368	17,074	17,686	18,047
57 Federal Home Loan Mortgage Corporation	554,260	579,385	646,459	718,085	738,581	749,081	757,106	768,641
58 One- to four-family	551,513	576,846	643,465	714,844	735,088	744,619	752,607	763,890
59 Multifamily	2,747	2,539	2,994	3,241	3,493	4,462	4,499	4,751
60 Federal National Mortgage Association	650,779	709,582	834,517	911,435	938,484	960,883	975,815	995,815
61 One- to four-family	633,209	687,981	804,204	877,863	903,531	924,941	938,898	957,584
62 Multifamily	17,570	21,601	30,313	33,572	34,953	35,942	36,917	38,231
63 Farmers Home Administration ⁴	3	2	1	1	0	0	0	0
64 One- to four-family	0	0	0	0	0	0	0	0
65 Multifamily	0	0	0	0	0	0	0	0
66 Nonfarm, nonresidential	0	0	0	0	0	0	0	0
67 Farm	3	2	1	1	0	0	0	0
68 Private mortgage conduits	329,559	413,502	571,340	627,402	645,084	662,565	678,156	686,037
69 One- to four-family ⁶	258,800	316,400	412,700	447,938	455,276	462,600	471,390	471,000
70 Multifamily	16,369	21,591	34,323	39,435	40,936	42,628	43,835	44,931
71 Nonfarm, nonresidential	54,390	75,511	124,317	140,029	148,873	157,337	162,930	170,106
72 Farm	0	0	0	0	0	0	0	0
73 Individuals and others ⁷	547,486	588,413	644,456	673,297	689,656	703,379	709,560	731,235
74 One- to four-family	360,476	376,574	413,770	428,202	439,219	446,771	449,496	467,572
75 Multifamily	68,572	71,651	73,081	74,090	74,629	77,016	78,074	79,272
76 Nonfarm, nonresidential	100,269	121,409	137,632	150,428	154,892	158,375	160,622	162,345
77 Farm	18,169	18,779	19,974	20,577	20,916	21,217	21,368	22,046

1. Multifamily debt refers to loans on structures of five or more units.

2. Includes loans held by nondeposit trust companies but not loans held by bank trust departments.

3. Includes savings banks and savings and loan associations.

4. FmHA-guaranteed securities sold to the Federal Financing Bank were reallocated from FmHA mortgage pools to FmHA mortgage holdings in 1986:Q4 because of accounting changes by the Farmers Home Administration.

5. Outstanding principal balances of mortgage-backed securities insured or guaranteed by the agency indicated.

6. Includes securitized home equity loans.

7. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and finance companies.

SOURCE: Based on data from various institutional and government sources. Separation of nonfarm mortgage debt by type of property, if not reported directly, and interpolations and extrapolations, when required for some quarters, are estimated in part by the Federal Reserve. Line 69 from Inside Mortgage Securities and other sources.

A36 Domestic Financial Statistics □ December 2000

1.55 CONSUMER CREDIT¹

Millions of dollars, amounts outstanding, end of period

Holder and type of credit	1997	1998	1999	2000					
				Mar.	Apr.	May	June	July	Aug.
Seasonally adjusted									
1 Total	1,234,461	1,301,023	1,393,657	1,429,166 ^f	1,435,583 ^f	1,447,368 ^f	1,462,821 ^f	1,469,515	1,481,833
2 Revolving	531,163	560,504	595,610	615,452 ^f	622,223 ^f	628,764 ^f	634,652	638,172	644,856
3 Nonrevolving	703,297	740,519	798,047	813,715 ^f	813,360 ^f	818,604 ^f	828,170 ^f	831,344	836,976
Not seasonally adjusted									
4 Total	1,264,103	1,331,742	1,426,151	1,415,965 ^f	1,423,396 ^f	1,434,251 ^f	1,454,035 ^f	1,462,042	1,483,787
<i>By major holder</i>									
5 Commercial banks	512,563	508,932	499,758	497,120	499,696	502,030	506,245	505,314	518,787
6 Finance companies	160,022	168,491	181,573	183,705	184,050	187,610	190,268	194,438	196,555
7 Credit unions	152,362	155,406	167,921	169,225 ^f	171,038 ^f	173,471 ^f	176,030 ^f	178,034	180,679
8 Savings institutions	47,172	51,611	61,527	58,968	59,628	60,289	60,951	61,188	61,426
9 Nonfinancial business	78,927	74,877	80,311	72,907 ^f	72,973 ^f	73,523 ^f	73,500 ^f	71,951	73,024
10 Pools of securitized assets ³	313,057	372,425	435,061	434,040	436,011	437,328	447,041	451,117	453,316
<i>By major type of credit⁴</i>									
11 Revolving	555,858	586,528	623,245	609,028 ^f	615,354 ^f	621,127 ^f	627,909 ^f	630,402	641,035
12 Commercial banks	219,826	210,346	189,352	184,901	188,691	192,352	194,793	194,591	204,406
13 Finance companies	38,608	32,309	33,814	31,456	31,928	31,628	33,063	33,565	33,558
14 Credit unions	19,552	19,930	20,641	19,706 ^f	19,851 ^f	19,930 ^f	20,172 ^f	20,476	20,796
15 Savings institutions	11,441	12,450	15,838	14,975	15,135	15,295	15,455	15,419	15,383
16 Nonfinancial business	44,966	39,166	42,783	37,430	37,418	37,766	37,098 ^f	36,078	36,669
17 Pools of securitized assets	221,465	272,327	320,817	320,560	322,331	324,156	327,328	330,273	330,223
18 Nonrevolving	708,245	745,214	802,906	806,937 ^f	808,042 ^f	813,124 ^f	826,126 ^f	831,640	842,752
19 Commercial banks	292,737	298,586	310,406	312,219	311,005	309,678	311,452	310,723	314,381
20 Finance companies	121,414	136,182	147,759	152,249	152,122	155,982	157,205	160,873	162,997
21 Credit unions	132,810	135,476	147,280	149,519 ^f	151,187 ^f	153,541 ^f	155,858 ^f	157,558	159,883
22 Savings institutions	35,731	39,161	45,689	43,993	44,493	44,994	45,496	45,769	46,043
23 Nonfinancial business	33,961	35,711	37,528	35,477 ^f	35,555 ^f	35,757 ^f	36,402 ^f	35,873	36,355
24 Pools of securitized assets	91,592	100,098	114,244	113,480	113,680	113,172	119,713	120,844	123,093

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals, excluding loans secured by real estate. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.

2. Comprises motor vehicle loans, mobile home loans, and all other loans that are not included in revolving credit, such as loans for education, boats, trailers, or vacations. These loans may be secured or unsecured.

3. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.

4. Totals include estimates for certain holders for which only consumer credit totals are available.

1.56 TERMS OF CONSUMER CREDIT¹

Percent per year except as noted

Item	1997	1998	1999	2000						
				Feb.	Mar.	Apr.	May	June	July	Aug.
INTEREST RATES										
<i>Commercial banks²</i>										
1 48-month new car	9.02	8.72	8.44	8.88	n.a.	n.a.	9.21	n.a.	n.a.	9.62
2 24-month personal	13.90	13.74	13.39	13.76	n.a.	n.a.	13.88	n.a.	n.a.	13.85
<i>Credit card plan</i>										
3 All accounts	15.77	15.71	15.21	15.47	n.a.	n.a.	15.39	n.a.	n.a.	15.98
4 Accounts assessed interest	15.57	15.59	14.81	14.32	n.a.	n.a.	14.74	n.a.	n.a.	15.35
<i>Auto finance companies</i>										
5 New car	7.12	6.30	6.66	7.34	6.76	6.38	6.51	6.40 ^f	6.55 ^f	7.46
6 Used car	13.27	12.64	12.60	13.27	13.45	13.52	13.47	13.58	13.64	13.70
OTHER TERMS³										
<i>Maturity (months)</i>										
7 New car	54.1	52.1	52.7	52.7	53.1	53.8	53.5	55.6 ^f	55.6 ^f	55.7
8 Used car	51.0	53.5	55.9	57.1	57.1	57.1	57.1	57.3	57.2	57.2
<i>Loan-to-value ratio</i>										
9 New car	92	92	92	92	93	93	93	92 ^f	92	92
10 Used car	99	99	99	98	99	98	99	99	100	100
<i>Amount financed (dollars)</i>										
11 New car	18,077	19,083	19,880	20,206	20,395	20,542	20,621	20,349 ^f	20,406 ^f	20,664
12 Used car	12,281	12,691	13,642	13,697	13,666	13,871	14,132	14,245 ^f	14,269 ^f	14,166

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.

2. Data are available for only the second month of each quarter.

3. At auto finance companies.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS¹

Billions of dollars; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1994	1995	1996	1997	1998	1998	1999				2000	
						Q4	Q1	Q2	Q3	Q4	Q1	Q2
Nonfinancial sectors												
1 Total net borrowing by domestic nonfinancial sectors	559.3	711.3	731.4	804.3	1,042.9	1,065.8	1,278.3	939.4	1,170.7	1,095.5	947.3	994.4
<i>By sector and instrument</i>												
2 Federal government	155.9	144.4	145.0	23.1	-52.6	-65.2	-83.4	-98.5	-71.4	-31.5	-215.5	-414.0
3 Treasury securities	153.7	142.9	146.6	23.2	-54.6	-77.4	-81.9	-99.1	-71.5	-31.5	-213.5	-415.8
4 Budget agency securities and mortgages	.2	1.5	-1.6	-1	2.0	12.2	-1.5	.6	.0	.0	-2.1	1.8
5 Nonfederal	403.4	566.9	586.3	781.2	1,095.5	1,131.0	1,361.8	1,037.9	1,242.2	1,126.9	1,162.9	1,408.4
<i>By instrument</i>												
6 Commercial paper	21.4	18.1	-9	13.7	24.4	-43.0	58.3	-2.6	49.8	44.0	36.2	116.9
7 Municipal securities and loans	-35.9	-48.2	2.6	71.4	96.8	92.8	92.1	56.8	71.3	52.5	8.9	34.0
8 Corporate bonds	23.3	91.1	116.3	150.5	218.7	193.2	274.0	287.6	202.8	155.2	186.2	153.8
9 Bank loans n.e.c.	75.2	103.7	70.5	106.5	108.2	107.5	86.0	24.0	112.3	108.6	131.9	159.7
10 Other loans and advances	34.0	67.2	33.5	69.1	74.3	101.4	148.0	2.3	79.2	55.4	162.1	144.6
11 Mortgages	160.5	196.0	275.7	317.5	505.5	609.2	572.8	608.4	650.7	601.7	494.5	667.6
12 Home	183.2	180.7	242.5	252.3	386.9	444.1	411.8	440.8	480.0	398.9	346.2	500.6
13 Multifamily residential	-3.6	5.8	9.4	8.3	20.3	26.9	35.5	33.1	44.2	47.9	31.5	36.6
14 Commercial	-21.3	7.9	21.3	53.7	92.0	129.6	122.0	125.6	119.4	152.4	109.9	118.5
15 Farm	2.2	1.6	2.6	3.2	6.2	8.6	3.6	9.0	7.0	2.5	6.9	11.9
16 Consumer credit	124.9	138.9	88.8	52.5	67.6	69.9	130.5	61.4	76.2	109.5	143.1	131.8
<i>By borrowing sector</i>												
17 Household	313.4	348.8	347.6	333.4	480.5	526.7	554.6	520.7	588.5	509.6	531.4	635.4
18 Nonfinancial business	136.3	269.5	245.5	391.8	534.7	527.4	727.4	473.5	601.3	583.7	627.7	747.9
19 Corporate	128.7	236.1	157.0	270.6	417.2	404.9	626.3	372.0	467.2	455.4	503.4	615.5
20 Nonfarm noncorporate	3.3	30.6	83.8	115.0	109.8	115.3	96.2	99.8	125.5	122.7	109.5	120.8
21 Farm	4.4	2.9	4.8	6.2	7.7	7.2	4.9	1.7	8.5	5.6	14.7	11.6
22 State and local government	-46.2	-51.5	-6.8	56.1	80.3	76.9	79.8	43.6	52.5	33.6	3.8	25.0
23 Foreign net borrowing in United States	-13.9	78.5	88.4	71.8	43.3	-25.6	30.7	-24.5	77.3	17.6	116.9	-10.5
24 Commercial paper	-26.1	13.5	11.3	3.7	7.8	-4.7	18.0	-27.5	41.1	33.6	56.7	10.9
25 Bonds	12.2	57.1	67.0	61.4	34.8	-21.5	15.4	.2	44.0	-2.7	45.7	-29.6
26 Bank loans n.e.c.	1.4	8.5	9.1	8.5	6.7	9.8	4.9	5.6	-6.6	2.3	15.4	6.1
27 Other loans and advances	-1.4	-5	1.0	-1.8	-6.0	-9.1	-3.5	-2.8	-1.1	-15.5	-9	2.0
28 Total domestic plus foreign	545.3	789.8	819.8	876.1	1,086.2	1,040.2	1,309.1	914.9	1,248.1	1,113.1	1,064.2	983.8
Financial sectors												
29 Total net borrowing by financial sectors	468.4	453.9	545.8	653.7	1,073.9	1,295.7	1,228.8	995.3	1,064.2	1,063.4	618.3	842.9
<i>By instrument</i>												
30 Federal government-related	287.5	204.1	231.5	212.8	470.9	677.6	589.5	576.6	651.6	550.3	249.2	356.4
31 Government-sponsored enterprise securities	176.9	105.9	90.4	98.4	278.3	510.5	193.0	304.7	407.1	367.9	104.9	234.8
32 Mortgage pool securities	115.4	98.2	141.1	114.5	192.6	167.1	396.6	271.9	244.5	182.4	144.3	121.6
33 Loans from U.S. government	-4.8	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
34 Private	180.9	249.8	314.4	440.9	603.0	618.1	639.2	418.8	412.6	513.0	369.2	486.5
35 Open market paper	40.5	42.7	92.2	166.7	161.0	130.9	78.7	57.3	89.9	479.0	130.9	77.4
36 Corporate bonds	121.8	195.9	173.8	210.5	296.9	292.6	473.8	254.8	179.5	-21.0	166.5	268.1
37 Bank loans n.e.c.	-13.7	2.5	12.6	13.2	30.1	9.9	-6.7	11.0	-5.9	-55.6	.3	8.8
38 Other loans and advances	22.6	3.4	27.9	35.6	90.2	154.2	73.3	107.9	139.8	107.5	64.4	122.3
39 Mortgages	9.8	5.3	7.9	14.9	24.8	30.6	20.1	-12.3	9.4	3.2	7.0	10.0
<i>By borrowing sector</i>												
40 Commercial banking	20.1	22.5	13.0	46.1	72.9	65.3	46.1	61.5	107.0	54.1	72.4	115.1
41 Savings institutions	12.8	2.6	25.5	19.7	52.2	88.6	75.2	59.2	51.9	5.8	40.6	56.3
42 Credit unions	.2	-1	.1	.1	.6	.4	1.5	1.4	2.8	3.3	-2.9	.9
43 Life insurance companies	.3	-1	1.1	.2	.7	1.8	3.3	3.0	1.1	-4.4	-7	-1.1
44 Government-sponsored enterprises	172.1	105.9	90.4	98.4	278.3	510.5	193.0	304.7	407.1	367.9	104.9	234.8
45 Federally related mortgage pools	115.4	98.2	141.1	114.5	192.6	167.1	396.6	271.9	244.5	182.4	144.3	121.6
46 Issuers of asset-backed securities (ABSs)	76.5	142.4	150.8	202.2	321.4	340.1	289.7	301.5	220.5	124.2	166.0	193.2
47 Finance companies	48.6	50.2	45.9	48.7	43.0	6.8	77.0	90.5	-17.2	99.2	52.3	157.6
48 Mortgage companies	-11.5	-2.2	4.1	-4.6	1.6	3.0	-4.6	5.1	-6.1	6.2	-3.0	2.7
49 Real estate investment trusts (REITs)	10.2	4.5	11.9	39.6	62.7	44.0	25.6	-19.7	7.9	11.3	11.5	9.8
50 Brokers and dealers	.5	-5.0	-2.0	8.1	7.2	12.4	-31.1	-17.4	16.9	-37.3	44.4	-7
51 Funding corporations	23.1	34.9	64.1	80.7	40.7	55.7	156.5	-66.2	27.9	250.6	-11.4	-47.4

A38 Domestic Financial Statistics □ December 2000

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS¹—Continued

Billions of dollars; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1994	1995	1996	1997	1998	1998	1999				2000	
						Q4	Q1	Q2	Q3	Q4	Q1	Q2
All sectors												
52 Total net borrowing, all sectors	1,013.8	1,243.8	1,365.6	1,529.8	2,160.1	2,335.9	2,537.8	1,910.2	2,312.3	2,176.5	1,682.6	1,826.7
53 Open market paper	35.7	74.3	102.6	184.1	193.1	83.2	155.1	27.2	180.7	556.6	223.7	205.1
54 U.S. government securities	448.1	348.5	376.5	235.9	418.3	612.4	506.1	478.1	580.1	518.9	33.6	-57.6
55 Municipal securities	-35.9	-48.2	2.6	71.4	96.8	92.8	92.1	56.8	71.3	52.5	8.9	34.0
56 Corporate and foreign bonds	157.3	344.1	357.0	422.4	550.4	464.3	763.1	542.6	426.3	131.5	398.4	392.3
57 Bank loans n.e.c.	62.9	114.7	92.1	128.2	145.0	127.1	80.1	40.6	99.8	55.2	147.7	174.6
58 Other loans and advances	50.4	70.1	62.5	102.8	158.5	246.4	217.8	107.5	217.9	147.3	225.7	268.9
59 Mortgages	170.3	201.3	283.6	332.4	530.3	639.8	593.0	596.2	660.0	604.9	501.5	677.6
60 Consumer credit	124.9	138.9	88.8	52.5	67.6	69.9	130.5	61.4	76.2	109.5	143.1	131.8
Funds raised through mutual funds and corporate equities												
61 Total net issues	113.4	131.5	231.9	181.2	100.0	9.9	154.2	178.5	120.4	172.8	414.3	125.4
62 Corporate equities	12.8	-16.0	-5.7	-83.9	-174.6	-215.6	-86.4	-33.9	-7.0	.0	105.2	-123.0
63 Nonfinancial corporations	-44.9	-58.3	-69.5	-114.4	-267.0	-491.3	-52.1	-338.4	-128.4	-55.0	62.8	-248.0
64 Foreign shares purchased by U.S. residents	48.1	50.4	82.8	57.6	101.2	330.2	-19.8	284.4	121.7	71.3	63.3	135.0
65 Financial corporations	9.6	-8.1	-19.0	-27.1	-8.9	-54.5	-14.5	20.2	-3	-16.3	-20.8	-10.0
66 Mutual fund shares	100.6	147.4	237.6	265.1	274.6	225.5	240.6	212.4	127.5	172.8	309.0	248.4

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.2 through F.4. For ordering address, see inside front cover.

A42 Domestic Nonfinancial Statistics □ December 2000

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

Monthly data seasonally adjusted, and indexes 1992=100, except as noted

Measure	1997	1998	1999	2000								
				Jan.	Feb.	Mar.	Apr.	May	June ^f	July ^f	Aug.	Sept. ^p
1 Industrial production¹	127.1	132.4	137.1	141.1	141.6	142.4	143.5	144.7	145.3	145.0	145.6	146.0
<i>Market groupings</i>												
2 Products, total	119.6	123.7	126.5	129.7	130.1	130.3	131.0	131.2	131.6	131.7	131.7	132.1
3 Final, total	121.1	125.4	128.0	131.6	131.8	132.0	132.8	133.1	134.0	134.3	134.5	135.0
4 Consumer goods	115.1	116.2	116.9	118.8	118.7	118.0	118.6	118.8	119.4	119.0	119.1	120.1
5 Equipment	132.1	142.7	148.9	154.2	155.0	156.9	158.1	158.8	160.1	161.7	162.2	161.8
6 Intermediate	115.3	118.8	122.1	123.7	124.8	125.1	125.3	125.1	124.3	123.7	122.9	123.4
7 Materials	139.0	146.5	154.8	160.5	161.2	163.1	165.0	168.1	169.1	168.0	169.9	169.9
<i>Industry groupings</i>												
8 Manufacturing	130.1	136.4	142.3	146.7	147.2	148.4	149.3	150.3	151.0	151.0	151.3	151.8
9 Capacity utilization, manufacturing (percent) ² ..	82.4	80.9	79.8	80.7	80.7	81.1	81.3	81.5	81.6	81.3	81.3	81.2
10 Construction contracts ³	144.2	161.3	177.5 ^f	176.0	180.0 ^f	194.0 ^f	186.0	178.0 ^f	186.0	184.0	181.0	181.0
11 Nonagricultural employment, total ⁴	120.3	123.4	126.2	127.9	128.0	128.5	128.9	129.1	129.1	129.1	129.0	129.2
12 Goods-producing, total	101.2	102.7	102.3	104.1	103.9	104.3	104.3	104.1	104.2	104.4	103.9	103.8
13 Manufacturing, total	98.3	98.8	97.0	97.4	97.2	97.3	97.3	97.3	97.3	97.6	97.0	96.7
14 Manufacturing, production workers	99.6	99.8	97.8	98.2	98.0	97.9	98.0	97.9	97.9	98.4	97.5	97.1
15 Service-producing	126.5	130.0	133.8	135.5	135.7	136.2	136.8	137.0	137.1	137.0	137.0	137.3
16 Personal income, total	175.1	186.5	196.6	203.3	204.4	206.0	207.2 ^f	207.9 ^f	208.9	209.5	210.3	212.6
17 Wages and salary disbursements	171.3	184.6	196.9	204.3	205.2	206.4	208.2 ^f	208.4 ^f	209.8	210.9	211.4	212.6
18 Manufacturing	144.6	152.3	157.4	161.1	161.6	162.0	163.6 ^f	162.9 ^f	164.3	165.8	164.9	164.5
19 Disposable personal income ⁵	172.5	182.7	191.9	197.4	198.3	199.8	200.6 ^f	201.3 ^f	202.1	202.6	203.1	205.3
20 Retail sales ⁶	169.8	178.4	194.6	205.5	208.3	209.3	208.3	208.5	209.3	211.1	211.2	213.1
<i>Prices⁶</i>												
21 Consumer (1982-84=100)	160.5	163.0	166.6	168.8 ^f	169.8 ^f	171.2 ^f	171.3 ^f	171.5 ^f	172.4	172.8	172.8	173.7
22 Producer finished goods (1982=100)	131.8	130.7	133.0	134.7	136.0	136.8	136.7	137.3 ^f	138.4	138.3	138.1	139.2

1. Data in this table appear in the Board's G.17 (419) monthly statistical release. The data are also available on the Board's web site, <http://www.federalreserve.gov/releases/g17>. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1999. The recent annual revision is described in an article in the March 2000 issue of the *Bulletin*. For a description of the methods of estimating industrial production and capacity utilization, see "Industrial Production and Capacity Utilization: Historical Revision and Recent Developments," *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67-92, and the references cited therein. For details about the construction of individual industrial production series, 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, 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 the U.S. Department of Labor, *Employment and Earnings*. Series covers employees only, excluding personnel in the armed forces.

5. Based on data from U.S. Department of Commerce, *Survey of Current Business*.

6. Based on data not seasonally adjusted. Seasonally adjusted data for changes in the price indexes can be obtained from the U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*.

NOTE: Basic data (not indexes) for series mentioned in notes 4 and 5, and indexes for series mentioned in notes 3 and 6, can also be found in the *Survey of Current Business*.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data seasonally adjusted

Category	1997	1998	1999	2000							
				Feb.	Mar.	Apr.	May	June	July ^f	Aug.	Sept. ^p
HOUSEHOLD SURVEY DATA¹											
1 Civilian labor force ²	136,297	137,673	139,368	141,165	140,867	141,230	140,489	140,762	140,399	140,742	140,639
Employment	126,159	128,085	130,207	131,954	131,801	132,351	131,417	131,858	131,450	131,569	131,821
3 Agriculture	3,399	3,378	3,281	3,408	3,359	3,355	3,298	3,321	3,299	3,344	3,340
Unemployment	6,739	6,210	5,880	5,804	5,708	5,524	5,774	5,583	5,650	5,829	5,477
5 Rate (percent of civilian labor force)	4.9	4.5	4.2	4.1	4.1	3.9	4.1	4.0	4.0	4.1	3.9
ESTABLISHMENT SURVEY DATA											
6 Nonagricultural payroll employment ⁴	122,690	125,826	128,616	130,482	131,009	131,419	131,590	131,647	131,607	131,516	131,768
7 Manufacturing	18,675	18,772	18,431	18,473	18,476	18,492	18,479	18,493	18,548	18,431	18,365
8 Mining	596	590	535	533	536	539	539	539	538	537	536
9 Contract construction	5,691	5,985	6,273	6,618	6,726	6,694	6,666	6,668	6,670	6,675	6,705
10 Transportation and public utilities	6,408	6,600	6,792	6,937	6,953	6,970	6,962	6,985	7,010	6,941	7,046
11 Trade	28,614	29,127	29,792	29,989	30,060	30,252	30,112	30,171	30,246	30,250	30,254
12 Finance	7,109	7,407	7,632	7,624	7,621	7,610	7,600	7,588	7,586	7,606	7,622
13 Service	36,040	37,526	39,000	39,914	40,090	40,195	40,220	40,401	40,403	40,578	40,778
14 Government	19,557	19,819	20,161	20,394	20,547	20,667	21,012	20,802	20,606	20,498	20,462

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 UTILIZATION¹

Seasonally adjusted

Series	1999	2000			1999	2000			1999	2000		
	Q4	Q1	Q2 ^r	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2 ^r	Q3
	Output (1992=100)				Capacity (percent of 1992 output)				Capacity utilization rate (percent) ²			
1 Total industry	139.5	141.7	144.5	145.5	172.3	173.8	175.5	177.1	81.0	81.5	82.3	82.2
2 Manufacturing	144.9	147.4	150.2	151.4	180.6	182.4	184.4	186.3	80.3	80.8	81.5	81.3
3 Primary processing ³	125.4	126.0	125.8	124.1	149.8	150.4	150.9	151.2	83.7	83.8	83.4	82.1
4 Advanced processing ⁴	155.2	158.7	163.1	165.8	196.1	198.7	201.6	204.3	79.1	79.9	80.9	81.2
5 Durable goods	177.4	182.5	188.9	191.7	221.0	224.8	229.1	233.2	80.3	81.2	82.5	82.2
6 Lumber and products	120.6	121.3	119.1	114.9	148.4	149.0	149.1	149.0	81.2	81.4	79.9	77.2
7 Primary metals	130.9	132.4	133.1	129.4	150.1	150.7	151.5	152.2	87.2	87.9	87.9	85.0
8 Iron and steel	129.1	130.9	132.4	126.3	152.5	153.5	154.4	155.3	84.6	85.3	85.7	81.3
9 Nonferrous	133.3	134.3	134.0	133.0	147.2	147.5	148.0	148.6	90.5	91.0	90.5	89.5
10 Industrial machinery and equipment	239.9	252.3	263.4	270.1	295.8	306.1	315.2	323.5	81.1	82.4	83.6	83.5
11 Electrical machinery	419.0	458.1	514.3	555.8	514.6	537.2	570.7	607.0	81.4	85.3	90.1	91.6
12 Motor vehicles and parts	154.7	155.2	158.0	149.4	185.0	185.7	186.7	187.7	83.6	83.6	84.6	79.6
13 Aerospace and miscellaneous transportation equipment	89.9	88.0	87.2	88.0	125.8	125.2	124.5	123.9	71.5	70.3	70.0	71.0
14 Nondurable goods	113.4	113.7	113.3	113.1	140.3	140.5	140.6	140.6	80.9	80.9	80.6	80.4
15 Textile mill products	111.4	111.3	109.7	105.6	131.8	131.9	131.9	131.9	84.5	84.4	83.2	80.0
16 Paper and products	117.9	117.0	117.2	113.1	136.1	136.6	136.7	136.5	86.6	85.6	85.8	82.9
17 Chemicals and products	121.8	121.7	120.3	121.3	151.0	151.4	151.7	152.1	80.7	80.4	79.3	79.7
18 Plastics materials	132.3	134.0	131.3	124.2	139.6	140.8	141.9	143.0	94.8	95.2	92.5	86.9
19 Petroleum products	114.1	115.8	117.9	117.2	123.1	123.4	123.6	123.7	92.7	93.9	95.4	94.8
20 Mining	99.5	100.4	102.1	102.4	120.2	119.8	119.3	118.8	82.8	83.8	85.5	86.1
21 Utilities	113.2	113.6	117.5	117.3	128.2	128.6	129.0	129.4	88.3	88.3	91.1	90.7
22 Electric	116.5	115.5	120.4	120.1	126.1	126.6	127.1	127.7	92.4	91.2	94.7	94.0

Series	1973	1975	Previous cycle ⁵		Latest cycle ⁶		1999	2000					
	High	Low	High	Low	High	Low	Sept.	Apr.	May	June ^f	July ^f	Aug.	Sept. ^g
	Capacity utilization rate (percent) ²												
1 Total industry	89.2	72.6	87.3	71.1	85.4	78.1	80.6	82.0	82.4	82.5	82.1	82.2	82.2
2 Manufacturing	88.5	70.5	86.9	69.0	85.7	76.6	79.7	81.3	81.5	81.6	81.3	81.3	81.2
3 Primary processing ³	91.2	68.2	88.1	66.2	88.9	77.7	82.8	83.8	83.3	83.2	82.4	81.9	81.9
4 Advanced processing ⁴	87.2	71.8	86.7	70.4	84.2	76.1	78.7	80.5	81.0	81.1	81.1	81.2	81.2
5 Durable goods	89.2	68.9	87.7	63.9	84.6	73.1	80.0	82.1	82.6	82.7	82.2	82.3	82.1
6 Lumber and products	88.7	61.2	87.9	60.8	93.6	75.5	81.0	81.0	80.1	78.5	78.2	76.2	77.1
7 Primary metals	100.2	65.9	94.2	45.1	92.7	73.7	85.8	88.5	87.8	87.3	85.3	84.8	84.9
8 Iron and steel	105.8	66.6	95.8	37.0	95.2	71.8	83.0	86.1	85.5	85.5	81.0	81.7	81.4
9 Nonferrous	90.8	59.8	91.1	60.1	89.3	74.2	89.3	91.5	90.7	89.3	90.6	88.6	89.4
10 Industrial machinery and equipment	96.0	74.3	93.2	64.0	85.4	72.3	81.6	83.4	83.6	83.7	83.5	83.5	83.4
11 Electrical machinery	89.2	64.7	89.4	71.6	84.0	75.0	79.8	88.7	90.5	91.2	92.2	91.2	91.4
12 Motor vehicles and parts	93.4	51.3	95.0	45.5	89.1	55.9	84.1	83.9	85.4	84.7	77.0	81.9	79.8
13 Aerospace and miscellaneous transportation equipment	78.4	67.6	81.9	66.6	87.3	79.2	73.1	69.8	69.2	71.1	72.3	71.0	69.8
14 Nondurable goods	87.8	71.7	87.5	76.4	87.3	80.7	79.9	80.8	80.5	80.5	80.5	80.3	80.5
15 Textile mill products	91.4	60.0	91.2	72.3	90.4	77.7	84.1	84.4	82.4	82.7	81.3	78.9	79.9
16 Paper and products	97.1	69.2	96.1	80.6	93.5	85.0	86.4	86.2	84.5	86.7	83.1	82.6	82.9
17 Chemicals and products	87.6	69.7	84.6	69.9	86.2	79.3	77.8	79.3	79.3	79.2	79.0	79.9	80.3
18 Plastics materials	102.0	50.6	90.9	63.4	97.0	74.8	90.5	93.4	92.3	91.8	85.9	88.1	86.5
19 Petroleum products	96.7	81.1	90.0	66.8	88.5	85.1	93.3	94.8	95.8	95.6	94.5	95.0	94.8
20 Mining	94.3	88.2	96.0	80.3	88.0	87.0	81.8	84.7	85.7	86.3	86.3	86.4	85.7
21 Utilities	96.2	82.9	89.1	75.9	92.6	83.4	92.0	89.2	92.3	91.9	88.4	91.5	92.1
22 Electric	99.0	82.7	88.2	78.9	95.0	87.1	95.2	92.9	95.9	95.3	91.6	95.0	95.5

1. Data in this table appear in the Board's G.17 (419) monthly statistical release. The data are also available on the Board's web site, <http://www.federalreserve.gov/releases/g17>. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1999. The recent annual revision is described in an article in the March 2000 issue of the *Bulletin*. For a description of the methods of estimating industrial production and capacity utilization, see "Industrial Production and Capacity Utilization: Historical Revision and Recent Developments," *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67-92, and the references cited therein. For details about the construction of individual industrial production series, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187-204.

2. Capacity utilization is calculated as the ratio of the Federal Reserve's seasonally adjusted index of industrial production to the corresponding index of capacity.

3. Primary processing includes textiles; lumber; paper; industrial chemicals; synthetic materials; fertilizer materials; petroleum products; rubber and plastics; stone, clay, and glass; primary metals; and fabricated metals.

4. Advanced processing includes foods; tobacco; apparel; furniture and fixtures; printing and publishing; chemical products such as drugs and toiletries; agricultural chemicals; leather and products; machinery; transportation equipment; instruments; and miscellaneous manufactures.

5. Monthly highs, 1978-80; monthly lows, 1982.

6. Monthly highs, 1988-89; monthly lows, 1990-91.

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2.14 HOUSING AND CONSTRUCTION

Monthly figures at seasonally adjusted annual rates except as noted

Item	1997	1998	1999	1999		2000							
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July ¹	Aug.
Private residential real estate activity (thousands of units except as noted)													
NEW UNITS													
1 Permits authorized	1,441	1,612	1,664	1,678	1,683	1,762	1,661	1,597	1,559	1,511	1,528	1,511	1,486
2 One-family	1,062	1,188	1,247	1,238	1,266	1,317	1,223	1,238	1,164	1,150	1,127	1,117	1,140
3 Two-family or more	379	425	417	440	417	445	438	359	395	361	401	394	346
4 Started	1,474	1,617	1,667	1,663	1,769	1,744	1,822	1,630	1,652	1,591	1,571	1,527	1,525
5 One-family	1,134	1,271	1,335	1,344	1,441	1,361	1,324	1,327	1,310	1,258	1,227	1,201	1,249
6 Two-family or more	340	346	332	319	328	383	498	303	342	333	344	326	276
7 Under construction at end of period	847	971	993	1,022	1,025	1,033	1,041	1,031	1,029	1,023	1,024	1,021	1,014
8 One-family	555	659	679	708	710	712	712	706	703	697	696	691	690
9 Two-family or more	292	312	314	314	315	321	329	325	326	326	328	330	324
10 Completed	1,400	1,474	1,636	1,653	1,675	1,599	1,732	1,728	1,660	1,705	1,545	1,539	1,619
11 One-family	1,116	1,160	1,307	1,345	1,340	1,296	1,382	1,375	1,354	1,377	1,222	1,224	1,274
12 Two-family or more	284	315	329	308	335	303	350	353	306	328	323	315	345
13 Mobile homes shipped	354	374	348	316	304	307	291	287	271	265	262	251	249
<i>Merchant builder activity in one-family units</i>													
14 Number sold	804	886	907	895	916	927	905	947	865	875	824	921	893
15 Number for sale at end of period	287	300	326	317	320	321	309	321	305	308	309	303	303
<i>Price of units sold (thousands of dollars)²</i>													
16 Median	146.0	152.5	160.0	172.9	165.0	163.0	162.3	165.7	163.1	165.0	160.0	166.1	165.0
17 Average	176.2	181.9	195.8	212.4	203.0	200.1	199.6	205.3	207.5	200.1	196.0	197.1	203.0
EXISTING UNITS (one-family)													
18 Number sold	4,382	4,970	5,197	5,150	5,140	4,450	4,760	5,200	4,880	5,090	5,310	4,820	5,280
<i>Price of units sold (thousands of dollars)²</i>													
19 Median	121.8	128.4	133.3	133.2	133.7	132.2	133.7	134.7	136.1	137.6	140.2	143.3	143.2
20 Average	150.5	159.1	168.3	168.9	168.8	168.9	168.1	171.5	173.3	176.0	178.9	177.7	183.0
Value of new construction (millions of dollars) ³													
CONSTRUCTION													
21 Total put in place	656,084	710,104	765,719	776,476	791,698	806,099	816,012	829,517	816,156⁴	811,816	798,860	783,468	794,517
22 Private	501,426	550,983	592,037	596,942	605,802	614,584	629,590	637,743	629,491 ¹	629,820	624,383	613,831	619,269
23 Residential	289,101	314,058	348,584	353,854	358,223	365,149	368,745	372,118	368,948 ¹	367,653	363,756	354,982	355,666
24 Nonresidential	212,325	236,925	243,454	243,088	247,579	249,435	260,845	265,625	260,543 ¹	262,167	260,627	258,849	263,603
25 Industrial buildings	36,696	40,464	35,016	32,244	33,262	33,947	38,538	39,030	38,670 ¹	39,814	39,951	41,731	41,095
26 Commercial buildings	86,151	95,753	103,759	107,305	107,187	107,961	115,440	116,030	115,042 ¹	113,381	112,834	112,616	114,056
27 Other buildings	37,193	39,607	41,279	42,095	43,392	43,350	45,553	45,808	44,136 ¹	45,540	44,559	45,076	45,224
28 Public utilities and other	52,287	61,101	63,400	61,444	63,738	64,177	61,314	64,757	62,695 ¹	63,432	63,283	59,426	63,228
29 Public	154,657	159,121	173,682	179,534	185,895	191,515	186,422	191,774	186,665 ¹	181,995	174,477	169,637	175,248
30 Military	2,361	2,538	2,122	1,944	2,332	1,782	3,011	2,249	2,180 ¹	2,246	2,157	2,092	2,359
31 Highway	43,886	48,339	54,447	56,547	60,218	63,368	53,145	59,007	55,923	51,966	48,148	48,540	48,310
32 Conservation and development	5,708	5,421	6,002	6,585	7,001	6,223	6,975	6,494	5,840 ¹	5,363	5,832	4,708	5,534
33 Other	102,502	102,823	111,110	114,458	116,344	120,142	123,291	124,024	122,722 ¹	122,420	118,340	114,297	119,045

1. Not at annual rates.

2. Not seasonally adjusted.

3. Recent data on value of new construction may not be strictly comparable with data for previous periods because of changes by the Bureau of the Census in its estimating techniques. For a description of these changes, see *Construction Reports* (C-30-76-5), issued by the Census Bureau in July 1976.

SOURCE: Bureau of the Census estimates for all series except (1) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (2) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from the originating agency. Permit authorizations are those reported to the Census Bureau from 19,000 jurisdictions beginning in 1994.

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data except as noted

Item	Change from 12 months earlier		Change from 3 months earlier (annual rate)				Change from 1 month earlier					Index level, Sept. 2000 ¹
	1999 Sept.	2000 Sept.	1999 Dec.	2000			2000					
				Mar.	June	Sept.	May	June	July	Aug.	Sept.	
CONSUMER PRICES² (1982-84=100)												
1 All items	2.6	3.5	2.4	6.1^f	2.6	2.8	.1	.5^r	.2	-.1	.5	173.7
2 Food	2.2	2.6	2.2	1.7	2.7	3.9	.5	.1	.5	.2	.2	168.9
3 Energy items	10.2	15.4	7.8	50.5	6.6	3.5	-1.9	5.6	.1	-2.9	3.8	130.6
4 All items less food and energy	2.0	2.6	1.8	3.4 ^f	2.2 ^r	2.7	.2	.2	.2	.2	.3	182.3
5 Commodities	1.0	.3	-.6	.3	.0	1.7	.0	-.2	.0	-.1	.5	145.1
6 Services	2.5	3.5	3.1	4.7 ^f	3.0 ^f	3.0	.3 ^f	.3	.3 ^r	.3	.1	203.5
PRODUCER PRICES (1982=100)												
7 Finished goods	3.1	3.3	-.9	7.9	1.8	2.6	.1 ^f	.7 ^r	.0	-.2	.9	139.2
8 Consumer foods	1.0	.3	-2.0	3.6	1.8	-1.4	-.2 ^r	-.4 ^r	.0	-.7	.4	137.1
9 Consumer energy	13.8	17.2	5.9	51.8	5.7	11.4	-.2 ^r	5.8 ^r	-.7	-.2	3.7	100.6
10 Other consumer goods	2.9	1.3	1.1	.8	.8	2.4	.3 ^r	-.1	.1	.1	.4	153.6
11 Capital equipment .....	.0	1.2	1.2	.9	1.5	1.4	.2 ^r	.1 ^r	.1	.0	.2	138.4
<i>Intermediate materials</i>												
12 Excluding foods and feeds	2.1	4.8	3.6	9.5	2.8	3.4	-.1	.9	.3	-.2	.7	132.1
13 Excluding energy .....	.6	2.3	2.1	4.2	2.7	.3	.1 ^f	.1 ^r	.2	-.1	.0	137.0
<i>Crude materials</i>												
14 Foods	-1.2	-2.5	-3.6	21.5	-11.1	-13.3	-1.4 ^f	-2.9 ^r	-2.7	-4.5	3.9	97.6
15 Energy	53.4	40.8	-27.9	84.9	106.7	42.6	8.8 ^f	15.4 ^r	.4	.6	8.1	134.3
16 Other .....	.9	2.5	26.2	9.9	-10.5	-10.7	-.2 ^r	-1.5 ^r	-1.8	-1.3	.3	142.6

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	1997	1998	1999	1999			2000	
				Q2	Q3	Q4	Q1	Q2 ^f
GROSS DOMESTIC PRODUCT								
1 Total	8,318.4	8,790.2	9,299.2	9,191.5	9,340.9	9,559.7	9,752.7	9,945.7
<i>By source</i>								
2 Personal consumption expenditures	5,529.3	5,850.9	6,268.7	6,213.2	6,319.9	6,446.2	6,621.7	6,706.3
3 Durable goods	642.5	693.9	761.3	756.3	767.2	787.6	826.3	814.3
4 Nondurable goods	1,641.6	1,707.6	1,845.5	1,825.3	1,860.0	1,910.2	1,963.9	1,997.6
5 Services	3,245.2	3,449.3	3,661.9	3,631.5	3,692.7	3,748.5	3,831.6	3,894.4
6 Gross private domestic investment	1,390.5	1,549.9	1,650.1	1,607.9	1,659.1	1,723.7	1,755.7	1,852.6
7 Fixed investment	1,327.7	1,472.9	1,606.8	1,593.4	1,622.4	1,651.0	1,725.8	1,780.5
8 Nonresidential	999.4	1,107.5	1,203.1	1,188.0	1,216.8	1,242.2	1,308.5	1,359.2
9 Structures	255.8	283.2	285.6	283.7	281.2	290.4	308.9	315.1
10 Producers' durable equipment	743.6	824.3	917.4	904.3	935.6	951.8	999.6	1,044.1
11 Residential structures	328.2	365.4	403.8	405.4	405.6	408.8	417.3	421.3
12 Change in business inventories	62.9	77.0	43.3	14.5	36.7	72.7	29.9	72.0
13 Nonfarm	60.0	76.4	43.6	13.4	42.0	71.8	32.4	72.2
14 Net exports of goods and services	-89.3	-151.5	-254.0	-240.4	-280.5	-299.1	-335.2	-355.4
15 Exports	966.4	966.0	990.2	973.0	999.5	1,031.0	1,051.9	1,092.9
16 Imports	1,055.8	1,117.5	1,244.2	1,213.4	1,280.0	1,330.1	1,387.1	1,448.3
17 Government consumption expenditures and gross investment	1,487.9	1,540.9	1,634.4	1,610.9	1,642.4	1,688.8	1,710.4	1,742.2
18 Federal	538.2	540.6	568.6	558.3	570.4	591.6	580.1	604.5
19 State and local	949.7	1,000.3	1,065.8	1,052.6	1,072.1	1,097.3	1,130.4	1,137.7
<i>By major type of product</i>								
20 Final sales, total	8,255.5	8,713.2	9,255.9	9,177.0	9,304.2	9,486.9	9,722.8	9,873.7
21 Goods	3,082.5	3,239.3	3,467.7	3,436.7	3,490.6	3,566.0	3,680.3	3,734.1
22 Durable	1,436.2	1,532.3	1,651.1	1,635.9	1,669.4	1,701.8	1,773.7	1,809.6
23 Nondurable	1,646.4	1,707.1	1,815.8	1,800.8	1,821.1	1,864.1	1,906.6	1,924.5
24 Services	4,442.1	4,673.0	4,934.6	4,891.2	4,965.2	5,050.3	5,135.2	5,231.4
25 Structures	730.9	800.9	854.3	849.1	848.5	870.7	907.4	908.2
26 Change in business inventories	62.9	77.0	43.3	14.5	36.7	72.7	29.9	72.0
27 Durable goods	33.1	45.8	27.2	5.0	27.6	47.5	20.7	48.3
28 Nondurable goods	29.8	31.2	16.1	9.5	9.1	25.2	9.2	23.7
MEMO								
29 Total GDP in chained 1996 dollars	8,159.5	8,515.7	8,875.8	8,783.2	8,905.8	9,084.1	9,191.8	9,318.9
NATIONAL INCOME								
30 Total	6,618.4	7,038.1	7,469.7	7,392.3	7,493.1	7,680.7	7,833.5	7,983.2
31 Compensation of employees	4,651.3	4,984.2	5,299.8	5,255.4	5,340.9	5,421.1	5,512.2	5,603.5
32 Wages and salaries	3,886.0	4,192.8	4,475.1	4,435.5	4,512.2	4,583.5	4,660.4	4,740.1
33 Government and government enterprises	664.3	692.7	724.4	720.3	727.5	734.5	749.9	760.2
34 Other	3,221.7	3,500.1	3,750.7	3,715.2	3,784.7	3,849.0	3,910.5	3,980.0
35 Supplement to wages and salaries	765.3	791.4	824.6	819.9	828.7	837.7	851.8	863.3
36 Employer contributions for social insurance	289.9	305.9	323.6	321.2	325.9	330.3	337.8	342.9
37 Other labor income	475.4	485.5	501.0	498.7	502.8	507.4	514.0	520.5
38 Proprietors' income ¹	581.2	620.7	663.5	660.4	659.7	689.6	693.9	709.5
39 Business and professional ¹	551.5	595.2	638.2	631.4	644.2	657.9	674.8	688.1
40 Farm ¹	29.7	25.4	25.3	29.0	15.5	31.7	19.1	21.5
41 Rental income of persons ²	128.3	135.4	143.4	145.7	136.6	146.2	145.6	140.8
42 Corporate profits ¹	833.8	815.0	856.0	836.8	842.0	893.2	936.3	963.6
43 Profits before tax ³	792.4	758.2	823.0	804.5	819.0	870.7	920.7	942.5
44 Inventory valuation adjustment	8.4	17.0	-9.1	-8.9	-19.7	-19.2	-25.0	-13.6
45 Capital consumption adjustment	32.9	39.9	42.1	41.2	42.7	41.6	40.6	34.7
46 Net interest	423.9	482.7	507.1	494.1	513.8	530.6	545.4	565.9

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	1997	1998	1999	1999			2000	
				Q2	Q3	Q4	Q1	Q2 ^f
PERSONAL INCOME AND SAVING								
1 Total personal income	6,937.0	7,391.0	7,789.6	7,729.7	7,828.5	7,972.3	8,105.8	8,242.1
2 Wage and salary disbursements	3,888.9	4,190.7	4,470.0	4,430.4	4,507.0	4,578.3	4,660.4	4,740.1
3 Commodity-producing industries	975.1	1,038.6	1,089.2	1,081.6	1,097.8	1,111.2	1,130.9	1,147.1
4 Manufacturing	718.4	756.6	782.4	777.4	789.0	795.1	802.8	813.1
5 Distributive industries	879.6	949.1	1,020.3	1,009.9	1,029.9	1,049.4	1,070.9	1,095.7
6 Service industries	1,369.9	1,510.3	1,636.0	1,618.6	1,651.8	1,683.2	1,708.6	1,737.2
7 Government and government enterprises	664.3	692.7	724.4	720.3	727.5	734.5	749.9	760.2
8 Other labor income	475.4	485.5	501.0	498.7	502.8	507.4	514.0	520.5
9 Proprietors' income ¹	581.2	620.7	663.5	660.4	659.7	689.6	693.9	709.5
10 Business and professional	551.5	595.2	638.2	631.4	644.2	657.9	674.8	688.1
11 Farm	29.7	25.4	25.3	29.0	15.5	31.7	19.1	21.5
12 Rental income of persons ²	128.3	135.4	143.4	145.7	136.6	146.2	145.6	140.8
13 Dividends	334.9	351.1	370.3	366.8	373.5	380.2	386.9	392.6
14 Personal interest income	864.0	940.8	963.7	951.3	969.4	989.0	1,011.6	1,031.3
15 Transfer payments	962.2	983.0	1,016.2	1,012.2	1,020.3	1,027.4	1,046.9	1,066.1
16 Old-age survivors, disability, and health insurance benefits	565.8	578.0	588.0	586.1	589.7	592.8	607.9	624.3
17 LESS: Personal contributions for social insurance	297.9	316.2	338.5	335.8	341.0	345.9	353.4	358.8
18 EQUALS: Personal income	6,937.0	7,391.0	7,789.6	7,729.7	7,828.5	7,972.3	8,105.8	8,242.1
19 LESS: Personal tax and nontax payments	968.8	1,070.9	1,152.0	1,133.4	1,164.0	1,197.3	1,239.3	1,277.2
20 EQUALS: Disposable personal income	5,968.2	6,320.0	6,637.7	6,596.3	6,664.5	6,775.0	6,866.5	6,964.9
21 LESS: Personal outlays	5,715.3	6,054.7	6,490.1	6,432.8	6,543.3	6,674.1	6,855.6	6,944.3
22 EQUALS: Personal saving	252.9	265.4	147.6	163.6	121.1	101.0	11.0	20.6
MEMO								
<i>Per capita (chained 1996 dollars)</i>								
23 Gross domestic product	30,434.4	31,469.5	32,511.9	32,220.0	32,586.0	33,153.5	33,485.6	33,874.7
24 Personal consumption expenditures	20,230.9	20,985.4	21,900.4	21,791.0	22,004.4	22,266.4	22,635.5	22,757.7
25 Disposable personal income	21,838.0	22,672.0	23,191.0	23,133.0	23,203.0	23,404.0	23,472.0	23,639.0
26 Saving rate (percent)	4.2	4.2	2.2	2.5	1.8	1.5	.2	.3
GROSS SAVING								
27 Gross saving	1,502.3	1,654.4	1,717.6	1,691.7	1,716.8	1,746.3	1,777.0	1,844.5
28 Gross private saving	1,343.7	1,375.7	1,343.5	1,338.5	1,321.1	1,331.4	1,279.2	1,328.8
29 Personal saving	252.9	265.4	147.6	163.6	121.1	101.0	11.0	20.6
30 Undistributed corporate profits ¹	261.3	218.9	229.4	218.7	214.0	241.7	262.7	278.5
31 Corporate inventory valuation adjustment	8.4	17.0	-9.1	-8.9	-19.7	-19.2	-25.0	-13.6
<i>Capital consumption allowances</i>								
32 Corporate	581.5	624.3	676.9	670.7	687.7	694.8	711.5	731.1
33 Noncorporate	250.9	265.1	284.5	280.3	293.1	288.7	294.1	298.7
34 Gross government saving	158.6	278.7	374.1	353.3	395.7	414.9	497.7	515.7
35 Federal	33.4	137.4	217.3	209.5	240.6	238.4	333.0	339.9
36 Consumption of fixed capital	86.8	88.4	92.8	92.0	93.4	95.0	97.2	98.9
37 Current surplus or deficit (-), national accounts	-53.3	49.0	124.4	117.5	147.3	143.3	235.8	240.9
38 State and local	125.2	141.3	156.8	143.7	155.1	176.6	164.7	175.8
39 Consumption of fixed capital	94.2	99.5	106.8	105.8	107.7	109.9	112.7	115.6
40 Current surplus or deficit (-), national accounts	31.0	41.7	50.0	38.0	47.4	66.6	52.0	60.1
41 Gross investment	1,532.1	1,629.6	1,645.6	1,614.9	1,627.3	1,678.5	1,699.3	1,771.9
42 Gross private domestic investment	1,390.5	1,549.9	1,650.1	1,607.9	1,659.1	1,723.7	1,755.7	1,852.6
43 Gross government investment	264.6	278.8	308.7	303.5	308.0	324.4	334.2	331.9
44 Net foreign investment	-123.1	-199.1	-313.2	-296.5	-339.8	-369.6	-390.7	-412.5
45 Statistical discrepancy	29.7	-24.8	-71.9	-76.8	-89.5	-67.8	-77.7	-72.5

1. With inventory valuation and capital consumption adjustments.

2. With capital consumption adjustment.

SOURCE: U.S. Department of Commerce, *Survey of Current Business*.

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars; quarterly data seasonally adjusted except as noted¹

Item credits or debits	1997	1998	1999	1999			2000	
				Q2	Q3	Q4	Q1	Q2
1 Balance on current account	-140,540	-217,138	-331,479	-78,982	-89,649	-96,223	-101,505	-106,138
2 Balance on goods and services	-105,932	-166,898	-264,971	-63,300	-72,718	-76,280	-85,117	-89,259
3 Exports	936,937	932,977	956,242	234,297	241,969	249,653	255,977	265,133
4 Imports	-1,042,869	-1,099,875	-1,221,213	-297,597	-314,687	-325,933	-341,094	-354,392
5 Income, net	6,186	-6,211	-18,483	-4,145	-5,535	-5,683	-4,364	-4,543
6 Investment, net	11,050	-1,036	-13,102	-2,813	-4,193	-4,319	-2,987	-3,145
7 Direct	71,935	67,728	62,704	14,698	15,701	16,275	17,068	18,421
8 Portfolio	-60,885	-68,764	-75,806	-17,511	-19,894	-20,594	-20,055	-21,566
9 Compensation of employees	-4,864	-5,175	-5,381	-1,332	-1,342	-1,364	-1,377	-1,398
10 Unilateral current transfers, net	-40,794	-44,029	-48,025	-11,537	-11,396	-14,260	-12,024	-12,336
11 Change in U.S. government assets other than official reserve assets, net (increase, -)	68	-422	2,751	-392	-686	3,711	-131	-572
12 Change in U.S. official reserve assets (increase, -)	-1,010	-6,783	8,747	1,159	1,951	1,569	-554	2,020
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	-350	-147	10	-190	-184	-178	-180	-180
15 Reserve position in International Monetary Fund	-3,575	-5,119	5,484	1,413	2,268	1,800	-237	2,328
16 Foreign currencies	2,915	-1,517	3,253	-64	-133	-53	-137	-128
17 Change in U.S. private assets abroad (increase, -)	-487,998	-328,231	-441,685	-171,609	-124,174	-120,162	-178,273	-75,096
18 Bank-reported claims ³	-141,118	-35,572	-69,862	-41,786	-11,259	-45,304	-55,511	14,861
19 Nonbank-reported claims	-122,888	-10,612	-92,328	-25,734	-27,943	-24,428	-52,563	-26,112
20 U.S. purchases of foreign securities, net	-118,976	-135,995	-128,594	-71,131	-41,420	-17,150	-27,236	-26,350
21 U.S. direct investments abroad, net	-105,016	-146,052	-150,901	-32,958	-43,552	-33,280	-42,963	-37,495
22 Change in foreign official assets in United States (increase, +)	18,876	-20,127	42,864	-1,096	12,191	27,495	22,015	5,905
23 U.S. Treasury securities	-6,690	-9,921	12,177	-6,708	12,963	5,122	16,198	-4,000
24 Other U.S. government obligations	4,529	6,332	20,350	5,792	1,835	6,730	8,107	10,334
25 Other U.S. government liabilities ³	-1,041	-3,550	-3,255	-1,099	-760	89	-644	-772
26 Other U.S. liabilities reported by U.S. banks ³	22,286	-9,501	12,692	1,436	-2,032	14,427	-2,577	-561
27 Other foreign official assets ⁴	-208	-3,487	900	-517	185	1,127	931	904
28 Change in foreign private assets in United States (increase, +)	738,086	502,362	710,700	273,104	182,019	157,072	214,520	216,831
29 U.S. bank-reported liabilities ²	149,026	39,769	67,403	37,151	24,585	19,618	-8,824	48,660
30 U.S. nonbank-reported liabilities	113,921	-7,001	34,298	13,663	-8,085	792	58,061	21,597
31 Foreign private purchases of U.S. Treasury securities, net	146,433	48,581	-20,464	-5,407	9,639	-17,191	-9,248	-20,661
32 U.S. currency flows	24,782	16,622	22,407	3,057	4,697	12,213	-6,847	989
33 Foreign purchases of other U.S. securities, net	197,892	218,075	331,523	80,838	95,620	92,250	132,416	86,547
34 Foreign direct investments in United States, net	106,032	186,316	275,533	143,802	55,563	49,390	48,962	79,699
35 Capital account transactions, net ⁵	350	637	-3,500	165	171	-3,993	166	163
36 Discrepancy	-127,832	69,702	11,602	-22,349	18,177	30,531	43,762	-43,113
37 Due to seasonal adjustment	..	..	..	-1,511	-9,739	5,738	5,724	-2,505
38 Before seasonal adjustment	-127,832	69,702	11,602	-20,838	27,916	24,793	38,038	-40,608
MEMO								
<i>Changes in official assets</i>								
39 U.S. official reserve assets (increase, -)	-1,010	-6,783	8,747	1,159	1,951	1,569	-554	2,020
40 Foreign official assets in United States, excluding line 25 (increase, +)	19,917	-16,577	46,119	3	12,951	27,406	22,659	6,677
41 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22)	12,124	-11,531	1,331	1,632	-783	-1,673	6,109	1,922

1. Seasonal factors are not calculated for lines 11-16, 18-20, 22-35, and 38-41.

2. Reporting banks included all types of depository institutions as well as some brokers and dealers.

3. Associated primarily with military sales contracts and other transactions arranged with or through foreign official agencies.

4. Consists of investments in U.S. corporate stocks and in debt securities of private

corporations and state and local governments.

5. Consists of capital transfers (such as those of accompanying migrants entering or leaving the country and debt forgiveness) and the acquisition and disposal of nonproduced nonfinancial assets.

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*.

3.11 U.S. FOREIGN TRADE¹

Millions of dollars; monthly data seasonally adjusted

Item	1997	1998	1999	2000						
				Feb.	Mar.	Apr.	May	June	July ^f	Aug. ^g
1 Goods and services, balance	-105,932	-166,898	-264,971	-27,481	-30,370	-29,637	-29,794	-29,846	-31,692	-29,440
2 Merchandise	-196,665	-246,854	-345,559	-34,641	-37,148	-36,894	-36,475	-36,862	-38,523	-36,408
3 Services	90,733	79,956	80,588	7,160	6,778	7,257	6,681	7,016	-6,831	6,968
4 Goods and services, exports	936,937	932,977	956,242	85,312	86,975	87,268	86,846	90,991	89,799	93,022
5 Merchandise	679,702	670,324	684,358	60,894	62,513	62,566	62,749	66,468	65,096	67,963
6 Services	257,235	262,653	271,884	24,418	24,462	24,702	24,097	24,523	24,703	25,059
7 Goods and services, imports	1,042,869	1,099,875	1,221,213	-112,793	-117,345	-116,905	-116,640	-120,837	-121,492	-122,462
8 Merchandise	876,367	917,178	1,029,917	-95,535	-99,661	-99,460	-99,224	-103,330	-103,620	-104,371
9 Services	166,502	182,697	191,296	-17,258	-17,684	-17,445	-17,416	-17,507	-17,872	-18,091

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	1997	1998	1999	2000							
				Mar.	Apr.	May	June	July	Aug.	Sept.	Oct. ^P
1 Total	69,954	81,755	71,516	70,789	66,587	67,160	67,957	66,516	65,333	66,256	65,257
2 Gold stock, including Exchange Stabilization Fund ¹	11,050	11,041	11,089	11,048	11,048	11,048	11,048	11,046	11,046	11,046	11,046
3 Special drawing rights ^{2,3}	10,027	10,603	10,336	10,335	10,122	10,310	10,444	10,257	10,371	10,316	10,169
4 Reserve position in International Monetary Fund ²	18,071	24,111	17,950	17,871	15,403	15,373	15,428	15,083	13,798	13,685	13,528
5 Foreign currencies ⁴	30,809	36,001	32,182	31,535	30,014	30,429	31,037	30,130	30,118	31,209	30,514

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 BANKS¹

Millions of dollars, end of period

Asset	1997	1998	1999	2000							
				Mar.	Apr.	May	June	July	Aug.	Sept.	Oct. ^P
1 Deposits	457	167	71	125	142	110	104	76	78	139	115
Held in custody											
2 U.S. Treasury securities ²	620,885	607,574	632,482	641,830	632,216	623,553	627,081	624,177	628,001	611,641	595,591
3 Earmarked gold ³	10,763	10,343	9,933	9,711	9,711	9,711	9,688	9,688	9,674	9,620	9,565

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	1998	1999	2000						
			Feb.	Mar.	Apr.	May	June	July	Aug. ^P
1 Total¹	759,928	806,288	812,353	828,947	834,154	826,302	836,075	848,298	849,722
<i>By type</i>									
2 Liabilities reported by banks in the United States ²	125,883	138,817	130,268	136,240	137,724	135,802	136,129	141,186	137,242
3 U.S. Treasury bills and certificates ³	134,177	156,177	156,995	164,781	157,607	148,820	157,190	160,093	159,781
4 U.S. Treasury bonds and notes	432,127	422,266	430,806	430,237	436,640	435,235	433,823	433,184	433,633
5 Nonmarketable ⁴	6,074	6,111	6,191	5,734	5,770	5,808	5,740	5,180	5,213
6 U.S. securities other than U.S. Treasury securities ⁵	61,667	82,917	88,093	91,955	96,413	100,637	103,193	108,655	113,853
<i>By area</i>									
7 Europe	256,026	244,805	248,792	251,571	249,685	250,706	253,416	258,923	255,820
8 Canada	10,552 ^b	12,503 ^b	13,195 ^b	13,683 ^b	13,338 ^b	13,027 ^b	13,542 ^b	13,728 ^b	12,992 ^b
9 Latin America and Caribbean	79,503	73,518	71,180	77,014	72,407	69,508	71,220	73,616	76,317
10 Asia	400,631	463,673	466,087	474,355	486,133	482,134	485,424	487,490	490,210
11 Africa	10,059	7,523	7,976	7,979	8,024	7,709	7,849	8,656	8,706
12 Other countries	3,157 ^f	4,266 ^f	5,123 ^f	4,345 ^f	4,567 ^f	3,618 ^f	4,624 ^f	5,884 ^f	5,677 ^f

1. Includes the Bank for International Settlements.

2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.

3. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.

4. Excludes notes issued to foreign official nonreserve agencies. Includes current value of zero-coupon Treasury bond issues to foreign governments as follows: Mexico, beginning March 1988, 20-year maturity issue and beginning March 1990, 30-year maturity issue;

Venezuela, beginning December 1990, 30-year maturity issue; Argentina, beginning April 1993, 30-year maturity issue.

5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.

SOURCE: Based on U.S. Department of the Treasury data and on data reported to the department by banks (including Federal Reserve Banks) and securities dealers in the United States, and on the 1994 benchmark survey of foreign portfolio investment in the United States.

3.16 LIABILITIES TO, AND CLAIMS ON, FOREIGNERS Reported by Banks in the United States¹
Payable in Foreign Currencies

Millions of dollars, end of period

Item	1996	1997	1998	1999		2000	
				Sept.	Dec.	Mar.	June
1 Banks' liabilities	103,383	117,524	101,125	100,112	88,537	85,649	78,603
2 Banks' claims	66,018	83,038	78,162	67,032	67,365	63,492	62,631
3 Deposits	22,467	28,661	45,985	32,713	34,426	32,967	31,224
4 Other claims	43,551	54,377	32,177	34,319	32,939	30,525	31,407
5 Claims of banks' domestic customers ²	10,978	8,191	20,718	11,534	20,826	21,753	18,802

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 States¹
Payable in U.S. dollars
Millions of dollars, end of period

Item	1997	1998	1999	2000						
				Feb.	Mar. ⁷	Apr.	May	June	July	Aug. ⁸
BY HOLDER AND TYPE OF LIABILITY										
1 Total, all foreigners	1,283,027	1,347,837	1,413,622^f	1,409,358^f	1,407,854	1,408,223^f	1,457,629^c	1,456,560^f	1,486,294^c	1,449,669^c
2 Banks' own liabilities	882,980	884,939	976,400	972,870 ^f	961,754	976,662 ^f	1,036,677 ^c	1,017,559 ^c	1,056,443 ^c	1,018,607 ^c
3 Demand deposits	31,344	29,558	42,884	39,611	29,255	30,202	29,097	30,719 ^f	34,914 ^f	30,100
4 Time deposits ²	198,546	151,761	163,595 ^f	165,657 ^f	167,001	182,657 ^f	176,927	182,787 ^f	186,305 ^f	184,634
5 Other ³	168,011	140,752	162,749	163,884	161,906	165,626	179,090	175,905 ^f	178,880 ^f	179,510
6 Own foreign offices ⁴	485,079	562,868	607,172 ^f	603,718 ^f	603,592	598,177 ^f	651,563	628,148	656,344 ^f	624,363
7 Banks' custodial liabilities ⁵	400,047	462,898	437,222 ^f	436,488 ^f	446,100	431,561 ^f	420,952	439,001	429,851	431,062
8 U.S. Treasury bills and certificates ⁶	193,239	183,494	185,736 ^f	184,553 ^f	194,987	184,159 ^f	174,310	180,951	182,699	180,925
9 Other negotiable and readily transferable instruments ⁷	93,641	141,699	132,575	128,671 ^f	127,628	124,207 ^f	123,580	124,670	120,624	119,212
10 Other	113,167	137,705	118,911 ^f	123,264 ^f	123,485	123,195 ^f	123,062	133,380	126,528	130,925
11 Nonmonetary international and regional organizations ⁸	11,690	11,883	15,276	20,436	18,729	20,590	22,807	21,366	16,689	14,630
12 Banks' own liabilities	11,486	10,850	14,357	19,513	17,954	19,800	22,109	20,924	16,294	14,377
13 Demand deposits	16	172	98	148	71	58	36	34	30	26
14 Time deposits ²	5,466	5,793	10,349	9,251	9,741	11,338	11,393	12,545	10,305	9,062
15 Other ³	6,004	4,885	3,910	10,114	8,142	8,404	10,680	8,345	9,599	5,289
16 Banks' custodial liabilities ⁵	204	1,033	919	923	775	790	698	442	395	253
17 U.S. Treasury bills and certificates ⁶	69	636	680	704	695	623	582	432	371	217
18 Other negotiable and readily transferable instruments ⁷	133	397	233	213	71	77	113	10	21	26
19 Other	2	0	6	6	9	90	3	0	3	10
20 Official institutions ⁹	283,685	260,060	294,994	287,263	301,021	295,331	284,622	293,319	299,775 ^f	297,023
21 Banks' own liabilities	102,028	80,256	97,615	79,652	87,187	87,379	87,931	88,449	92,794 ^f	91,238
22 Demand deposits	2,314	3,003	3,341	3,306	2,381	2,620	2,781	2,887	4,063 ^f	4,573
23 Time deposits ²	41,396	29,506	28,942	27,690	30,117	36,587	31,645	33,520	34,463 ^f	31,841
24 Other ³	58,318	47,747	65,332	48,656	54,689	48,172	53,505	52,042	54,268 ^f	54,824
25 Banks' custodial liabilities ⁵	181,657	179,804	197,379	207,611	213,834	207,952	196,691	204,870	206,981	205,785
26 U.S. Treasury bills and certificates ⁶	148,301	134,177	156,177	156,995	164,781	157,607	148,820	157,190	160,093	159,781
27 Other negotiable and readily transferable instruments ⁷	33,151	44,953	41,152	50,298	48,689	50,118	47,734	47,611	46,363	45,644
28 Other	205	674	50	318	364	227	137	69	525	360
29 Banks ¹⁰	815,247	885,336	905,347 ^f	895,134 ^f	888,905	892,804 ^f	941,920	930,663 ^f	960,487 ^f	925,495
30 Banks' own liabilities	641,447	676,057	733,381 ^f	733,010 ^f	724,870	732,303 ^f	781,795	759,887 ^f	797,353 ^f	758,407
31 Unaffiliated foreign banks	156,368	113,189	126,209	129,292	121,278	134,126	130,232	131,739 ^f	141,009 ^f	134,044
32 Demand deposits	16,767	14,071	17,583	12,424	13,930	14,404	13,254	14,543 ^f	17,508 ^f	11,961
33 Time deposits ²	83,433	45,904	48,140	51,510	49,712	57,240	55,167	58,095 ^f	60,703	62,841
34 Other ³	56,168	53,214	60,486	65,358	57,636	62,482	61,811	59,101 ^f	62,798 ^f	59,242
35 Own foreign offices ⁴	485,079	562,868	607,172 ^f	603,718 ^f	603,592	598,177 ^f	651,563	628,148	656,344 ^f	624,363
36 Banks' custodial liabilities ⁵	173,800	209,279	171,966 ^f	162,124 ^f	164,035	160,501	160,125	170,776	163,134	167,088
37 U.S. Treasury bills and certificates ⁶	31,915	35,359	16,875 ^f	14,584 ^f	15,708	13,931	14,179	13,239	12,657	12,251
38 Other negotiable and readily transferable instruments ⁷	35,393	45,332	45,695	34,629	35,453	33,790	33,667	34,657	34,018	33,893
39 Other	106,492	128,588	109,396	112,911	112,874	112,780	112,279	122,880	116,459	120,944
40 Other foreigners	172,405	190,558	198,005 ^f	206,525 ^f	199,199	199,498 ^f	208,280	211,212 ^f	209,343 ^f	212,521
41 Banks' own liabilities	128,019	117,776	131,047 ^f	140,695 ^f	131,743	137,180 ^f	144,842	148,299 ^f	150,002 ^f	154,585
42 Demand deposits	12,247	12,312	21,862	23,733	12,873	13,120	13,026	13,255 ^f	13,313 ^f	13,540
43 Time deposits ²	68,251	70,558	76,164 ^f	77,206 ^f	77,431	77,492 ^f	78,722	78,627 ^f	80,834 ^f	80,890
44 Other ³	47,521	34,906	33,021	39,756	41,439	46,568	53,094	56,417	55,855 ^f	60,155
45 Banks' custodial liabilities ⁵	44,386	72,782	66,958	65,830 ^f	67,456	62,318 ^f	63,438	62,913	59,381	57,936
46 U.S. Treasury bills and certificates ⁶	12,954	13,322	12,004	12,270	13,803	11,998 ^f	10,729	10,090	9,579	8,676
47 Other negotiable and readily transferable instruments ⁷	24,964	51,017	45,495	43,531 ^f	43,415	40,222 ^f	42,066	42,392	40,222	39,649
48 Other	6,468	8,443	9,459	10,029 ^f	10,238	10,098 ^f	10,643	10,431	9,541	9,611
MEMO										
49 Negotiable time certificates of deposit in custody for foreigners	16,083	27,026	30,345	27,266	28,056	26,087	27,238	26,571	26,186	25,911

1. Reporting banks include all types of depository institutions as well as some brokers and dealers. Excludes bonds and notes of maturities longer than one year.

2. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."

3. Includes borrowing under repurchase agreements.

4. For U.S. banks, includes amounts owed to own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts owed to the head office or parent foreign bank, and to foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.

5. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks for foreign customers.

6. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.

7. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.

8. Principally the International Bank for Reconstruction and Development, the Inter-American Development Bank, and the Asian Development Bank. Excludes "holdings of dollars" of the International Monetary Fund.

9. Foreign central banks, foreign central governments, and the Bank for International Settlements.

10. Excludes central banks, which are included in "Official institutions."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States¹
Payable in U.S. Dollars

Millions of dollars, end of period

Area or country	1997	1998	1999	2000						
				Feb.	Mar.	Apr.	May	June	July	Aug. ^P
1 Total, all foreigners	708,225	734,995	795,377	750,972	813,890	815,083	820,782	825,898	827,987	800,707
2 Foreign countries	705,762	731,378	790,814	746,305	809,581	810,081	816,439	820,887	824,111	796,930
3 Europe	199,880	233,321	315,905	314,504	361,470	350,067	359,895	357,243	361,814	331,612
4 Austria	1,354	1,043	2,643	2,471	2,493	2,429	2,242	2,148	2,646	1,985
5 Belgium and Luxembourg	6,641	7,187	10,193	9,777	8,022	7,939	5,959	6,393	6,261	5,814
6 Denmark	980	2,383	1,669	1,743	1,625	1,940	2,001	3,440	3,349	3,271
7 Finland	1,233	1,070	2,020	1,846	2,093	2,087	2,414	2,650	2,946	2,750
8 France	16,239	15,251	29,142	28,303	28,127	30,958	35,217	28,633	25,848	23,232
9 Germany	12,676	15,923	29,205	28,890	35,371	33,991	31,521	33,585	30,454	31,800
10 Greece	402	575	806	683	842	864	828	837	754	557
11 Italy	6,230	7,284	8,496	6,785	7,048	7,034	6,565	7,724	6,483	7,393
12 Netherlands	6,141	5,697	11,810	11,484	14,089	13,932	14,377	15,668	13,155	14,998
13 Norway	555	827	1,000	1,146	1,132	1,499	1,832	1,935	2,404	1,451
14 Portugal	777	669	1,571	1,155	1,043	1,085	1,268	1,424	1,454	1,273
15 Russia	1,248	789	713	743	709	709	715	744	718	666
16 Spain	2,942	5,735	3,796	4,339	3,187	3,217	3,126	3,844	4,768	3,521
17 Sweden	1,854	4,223	3,264	5,382	7,492	8,100	7,112	8,744	8,460	8,811
18 Switzerland	28,846	46,874	79,158	70,250	111,544	97,688	105,573	86,284	94,549	87,172
19 Turkey	1,558	1,982	2,617	3,031	3,053	3,148	3,269	3,189	2,736	4,413
20 United Kingdom	103,143	106,349	120,190	128,252	125,162	125,935	128,259	141,769	147,138	125,897
21 Yugoslavia ²	52	53	50	50	50	51	49	49	69	49
22 Other Europe and other former U.S.S.R. ³	7,009	9,407	7,562	8,174	8,388	7,461	7,568	8,183	7,622	6,559
23 Canada	27,189	47,037	37,206	38,541	42,686	43,300	45,481	42,591	40,383	37,872
24 Latin America and Caribbean	343,730	342,654	353,416	314,839	323,816	328,769	321,219	328,629	329,170	338,811
25 Argentina	8,924	9,552	10,167	10,095	9,845	9,732	9,507	9,386	9,428	10,549
26 Bahamas	89,379	96,455	99,324	68,914	74,018	72,312	71,459	80,393	73,275	78,896
27 Bermuda	8,782	5,011	8,007	11,771	7,441	5,685	6,478	6,285	6,906	4,684
28 Brazil	21,696	16,184	15,706	15,382	14,981	16,210	16,376	16,544	16,902	18,555
29 British West Indies	145,471	153,749	167,189	156,776	166,284	173,907	165,920	164,969	172,262	176,032
30 Chile	7,913	8,250	6,607	6,224	6,511	6,447	6,399	6,213	6,072	5,985
31 Colombia	6,945	6,507	4,524	4,176	3,937	3,907	4,032	3,796	3,907	3,952
32 Cuba	0	0	0	0	0	0	0	0	0	3
33 Ecuador	1,311	1,400	760	730	688	662	640	613	610	607
34 Guatemala	886	1,127	1,135	1,170	1,181	1,252	1,245	1,235	1,215	1,277
35 Jamaica	424	239	295	332	328	316	300	291	299	305
36 Mexico	19,428	21,212	17,899	17,489	16,998	16,944	16,771	17,066	16,432	16,840
37 Netherlands Antilles	17,838	6,779	5,982	6,341	6,385	6,388	6,579	6,502	6,652	5,804
38 Panama	4,364	3,584	3,387	2,972	2,912	2,844	2,984	3,063	2,981	2,882
39 Peru	3,491	3,275	2,529	2,414	2,223	2,356	2,515	2,458	2,488	2,487
40 Uruguay	629	1,126	801	777	761	714	708	620	649	777
41 Venezuela	2,129	3,089	3,494	3,524	3,580	3,474	3,595	3,471	3,357	3,410
42 Other	4,120	5,115	5,610	5,752	5,743	5,619	5,711	5,724	5,735	5,766
43 Asia	125,092	98,607	74,914	69,074	72,692	78,257	80,221	82,415	83,137	79,013
44 China										
45 Mainland	1,579	1,261	2,090	2,726	3,161	4,532	2,611	1,688	1,822	1,596
46 Taiwan	922	1,041	1,390	1,501	925	1,080	1,732	1,339	926	794
47 Hong Kong	13,991	9,080	5,893	4,453	4,519	4,546	4,573	4,266	5,782	5,408
48 India	2,200	1,440	1,738	1,802	1,749	1,786	1,941	1,905	2,013	2,037
49 Indonesia	2,651	1,942	1,776	1,743	1,817	1,821	1,819	1,856	1,940	1,880
48 Israel	768	1,166	1,875	1,832	3,412	3,293	2,857	1,610	1,982	2,261
50 Japan	59,549	46,713	28,636	25,559	27,310	30,381	31,689	33,256	31,207	32,494
51 Korea (South)	18,162	8,289	9,262	12,066	11,466	12,209	14,018	15,866	18,924	16,931
52 Philippines	1,689	1,465	1,410	1,058	1,698	1,714	1,884	1,865	1,802	1,483
53 Thailand	2,259	1,807	1,515	1,275	1,154	1,081	1,137	1,255	1,051	1,059
54 Middle Eastern oil-exporting countries ⁴	10,790	16,130	14,252	10,947	11,612	10,765	11,666	12,128	10,366	10,006
55 Other	10,532	8,273	5,077	4,112	3,869	5,049	4,294	5,381	5,322	3,064
56 Africa	3,530	3,122	2,268	2,453	1,991	2,054	2,109	2,494	2,517	2,227
57 Egypt	247	257	258	207	243	206	218	230	217	186
58 Morocco	511	372	352	313	279	300	271	259	272	247
59 South Africa	805	643	622	889	428	360	341	772	423	370
60 Zaire	0	0	24	0	0	0	0	0	0	0
61 Oil-exporting countries ⁵	1,212	936	276	228	198	394	508	430	751	866
62 Other	755	914	736	816	843	794	771	803	854	558
63 Other	6,341	6,637	7,105	6,894	6,926	7,634	7,514	7,515	7,090	7,395
64 Australia	5,300	6,173	6,824	6,682	6,674	7,225	7,139	7,240	6,890	7,036
65 Other	1,041	464	281	212	252	409	375	275	200	359
66 Nonmonetary international and regional organizations ⁶	2,463	3,617	4,563	4,667	4,309	5,002	4,343	5,011	3,876	3,777

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 States¹
Payable in U.S. Dollars
Millions of dollars, end of period

Type of claim	1997	1998	1999	2000						
				Feb.	Mar.	Apr.	May	June	July	Aug. ^P
1 Total	852,852	875,891	947,176	...	1,010,415	...	...	1,010,005	...	...
2 Banks' claims	708,225	734,995	795,377	750,972	813,890	815,083	820,782	825,898	827,987	800,707
3 Foreign public borrowers	20,581	23,542	35,090	36,541	36,036	37,300	43,092	41,461	48,499	41,406
4 Own foreign offices ²	431,685	484,535	528,397	496,771	552,218	557,339	549,165	553,262	553,133	544,118
5 Unaffiliated foreign banks	109,230	106,206	101,227	87,666	96,030	91,849	92,280	92,911	89,236	82,469
6 Deposits	30,995	27,230	34,360	21,275	24,361	22,399	24,769	22,373	21,861	21,674
7 Other	78,235	78,976	66,867	66,391	71,669	69,450	67,511	70,538	67,375	60,795
8 All other foreigners	146,729	120,712	130,663	129,994	129,606	128,595	136,245	138,264	137,119	132,714
9 Claims of banks' domestic customers ³	144,627	140,896	151,799	...	196,525	...	...	184,107	...	...
10 Deposits	73,110	79,363	88,006	...	128,490	...	...	106,055	...	...
11 Negotiable and readily transferable instruments ⁴	53,967	47,914	51,161	...	56,032	...	...	62,975	...	...
12 Outstanding collections and other claims	17,550	13,619	12,632	...	12,003	...	...	15,077	...	...
MEMO										
13 Customer liability on acceptances	9,624	4,520	4,553	...	4,464	...	...	5,082	...	...
14 Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States ⁵	33,816	39,978	31,125	48,225	53,657	45,383	44,868	44,139	46,337 [*]	55,164

1. For banks' claims, data are monthly; for claims of banks' domestic customers, data are for quarter ending with month indicated.

Reporting banks include all types of depository institution as well as some brokers and dealers.

2. For U.S. banks, includes amounts due from own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists

principally of amounts due from the head office or parent foreign bank, and from foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.

3. Assets held by reporting banks in the accounts of their domestic customers.

4. Principally negotiable time certificates of deposit, bankers acceptances, and commercial paper.

5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States¹
Payable in U.S. Dollars
Millions of dollars, end of period

Maturity, by borrower and area ²	1996	1997	1998	1999		2000	
				Sept.	Dec.	Mar.	June
1 Total	258,106	276,550	250,418	270,098	266,309	261,056	273,022
<i>By borrower</i>							
2 Maturity of one year or less	211,859	205,781	186,526	196,772	187,383	180,453	187,028
3 Foreign public borrowers	15,411	12,081	13,671	22,526	22,811	23,436	25,289
4 All other foreigners	196,448	193,700	172,855	174,246	164,572	157,017	161,739
5 Maturity of more than one year	46,247	70,769	63,892	73,326	78,926	80,603	85,994
6 Foreign public borrowers	6,790	8,499	9,839	12,162	12,013	12,802	15,484
7 All other foreigners	39,457	62,270	54,053	61,164	66,913	67,801	70,510
<i>By area</i>							
8 Maturity of one year or less							
9 Europe	55,690	58,294	68,679	82,566	80,842	79,639	76,366
10 Canada	8,339	9,917	10,968	8,544	7,859	8,408	7,353
11 Latin America and Caribbean	103,254	97,207	81,766	78,063	68,987	62,325	66,065
12 Asia	38,078	33,964	18,007	20,859	21,802	23,002	29,231
13 Africa	1,316	2,211	1,835	1,119	1,122	957	1,569
14 All other ³	5,182	4,188	5,271	5,621	6,771	6,122	6,444
15 Maturity of more than one year							
16 Europe	6,965	13,240	14,923	18,619	22,951	23,951	25,116
17 Canada	2,645	2,525	3,140	3,193	3,192	3,127	3,323
18 Latin America and Caribbean	24,943	42,049	33,442	38,154	38,789	39,194	41,758
19 Asia	9,392	10,235	10,018	10,641	11,257	11,612	12,446
20 Africa	1,361	1,236	1,232	1,087	1,065	965	924
21 All other ³	941	1,484	1,137	1,632	1,672	1,754	2,427

1. Reporting banks include all types of depository institutions as well as some brokers and dealers.

2. Maturity is time remaining until maturity.

3. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. and Foreign Offices of U.S. Banks¹

Billions of dollars, end of period

Area or country	1996	1997	1998			1999			2000		
			June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June
1 Total	645.8	721.8	1017.2	1071.9	1051.6	992.8	939.4	936.8^f	936.7	952.7	991.0
2 G-10 countries and Switzerland	228.3	242.8	273.9	240.0	217.7	208.7	223.1	206.4 ^f	236.5	284.1	323.3
3 Belgium and Luxembourg	11.7	11.0	14.0	11.7	10.7	15.6	16.1	15.7	14.3	14.2	13.8
4 France	16.6	15.4	21.7	20.3	18.4	21.6	20.4	19.9	29.0	27.1	32.6
5 Germany	29.8	28.6	30.5	31.4	30.9	34.7	32.1	37.4	38.7	37.3	31.5
6 Italy	16.0	15.5	21.1	18.5	11.5	17.8	16.4	15.0	18.1	20.0	20.0
7 Netherlands	4.0	6.2	8.6	8.4	7.8	10.7	13.3	10.6	12.3	17.1	16.1
8 Sweden	2.6	3.3	3.1	2.1	2.3	4.0	2.6	3.6	3.0	3.9	3.5
9 Switzerland	5.3	7.2	7.0	7.6	8.5	7.8	8.2	8.8	10.3	10.1	13.8
10 United Kingdom	104.7	113.4	125.9	100.1	85.4	56.1	74.3	51.9 ^f	72.4	113.5	148.3
11 Canada	14.0	13.7	16.7	15.9	16.8	15.9	17.1	17.9 ^f	16.3	17.5	18.2
12 Japan	23.7	28.6	25.3	23.9	25.4	24.6	22.6	25.6	22.0	23.5	25.4
13 Other industrialized countries	66.1	65.5	78.7	78.5	69.0	80.1	79.7	71.7	68.4	62.8	76.2
14 Austria	1.1	1.5	1.9	2.1	1.4	2.8	2.8	3.0	3.5	2.6	2.8
15 Denmark	1.5	2.4	2.2	3.0	2.2	3.4	2.9	2.1	2.6	1.5	1.2
16 Finland	.8	1.3	1.4	1.6	1.4	1.5	.9	.9	.9	.8	1.3
17 Greece	6.7	5.1	5.8	5.8	5.9	6.5	5.9	6.6	6.0	5.7	6.8
18 Norway	8.0	3.6	3.4	3.2	3.2	3.1	3.0	3.8	3.3	3.0	4.6
19 Portugal	.9	.9	1.4	1.1	1.4	1.4	1.2	1.2	1.0	1.0	2.0
20 Spain	13.3	12.6	17.5	19.5	13.7	15.7	16.6	15.1	12.1	11.3	12.2
21 Turkey	2.7	4.5	6.5	5.2	4.8	5.2	4.9	4.7	4.8	5.1	5.6
22 Other Western Europe	4.9	8.3	9.9	10.4	10.4	10.2	10.2	9.2	6.8	8.3	8.8
23 South Africa	2.0	2.2	6.9	5.4	4.4	4.8	4.7	4.0	3.8	4.8	4.6
24 Australia	24.0	23.1	21.8	21.4	20.3	25.4	26.6	21.1	23.5	18.6	26.3
25 OPEC ²	19.8	26.0	25.5	26.0	27.1	26.2	26.1	30.1	31.4	28.9	32.3
26 Ecuador	1.1	1.3	1.2	1.2	1.3	1.2	1.1	.9	.8	.7	.7
27 Venezuela	2.4	2.5	3.3	3.1	3.2	3.5	3.2	3.0	2.8	3.0	2.9
28 Indonesia	5.2	6.7	5.1	4.7	4.7	4.5	5.0	4.4	4.2	3.9	4.1
29 Middle East countries	10.7	14.4	15.6	16.1	17.0	16.7	16.5	21.4	23.0	21.1	24.0
30 African countries	4	1.2	.3	.8	1.0	.4	.4	.5	.5	.2	.7
31 Non-OPEC developing countries	130.3	139.2	146.1	140.4	143.4	146.7	148.6	142.5	147.3	152.5	155.6
<i>Latin America</i>											
32 Argentina	14.3	18.4	20.9	22.9	23.1	24.3	22.8	22.1	22.4	21.3	20.3
33 Brazil	20.7	28.6	30.3	24.0	24.7	24.2	25.1	22.1	26.4	26.9	27.0
34 Chile	7.0	8.7	9.1	8.5	8.3	8.6	8.2	7.7	7.4	8.2	8.1
35 Colombia	4.1	3.4	3.6	3.4	3.2	3.3	3.1	2.7	2.5	2.5	2.4
36 Mexico	16.2	17.4	18.1	18.7	18.9	19.7	18.5	19.4	18.7	18.3	20.5
37 Peru	1.6	2.0	2.2	2.2	2.2	2.2	2.1	1.8	1.7	1.9	2.1
38 Other	3.3	4.1	4.4	4.6	5.4	5.3	5.5	5.5	5.9	6.5	6.7
<i>Asia</i>											
39 China											
40 Mainland	2.5	3.2	3.9	2.8	3.0	5.0	5.3	3.3	3.6	4.6	3.8
41 Taiwan	10.3	9.5	11.8	12.5	13.3	11.8	12.6	12.3	12.0	12.6	12.6
42 India	4.3	4.9	4.9	5.3	5.5	5.5	6.7	7.0	7.7	7.9	8.2
43 Israel	.5	.7	.9	.9	1.1	1.1	2.0	1.0	1.8	3.3	1.5
44 Korea (South)	21.5	15.6	14.6	13.1	13.7	13.7	15.3	16.0	15.1	17.4	21.2
45 Malaysia	6.0	5.1	4.7	5.0	5.6	5.9	6.0	6.1	6.1	6.5	6.8
46 Philippines	5.8	5.7	5.4	4.7	5.1	5.4	5.7	5.8	6.2	5.3	5.3
47 Thailand	5.7	5.4	5.0	5.3	4.7	4.5	4.2	4.0	4.1	4.3	4.0
48 Other Asia	4.1	4.3	3.7	3.1	2.9	3.0	2.8	2.8	2.9	2.6	2.5
<i>Africa</i>											
49 Egypt	.7	.9	1.5	1.7	1.3	1.4	1.4	1.3	1.4	1.4	1.3
50 Morocco	.7	.6	.6	.5	.5	.5	.5	.5	.4	.3	.3
51 Zaire	.1	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
52 Other Africa ³	.9	.8	.8	1.1	1.0	1.2	1.0	1.0	1.0	.9	.9
53 Eastern Europe	6.9	9.1	11.3	6.3	5.5	7.1	5.8	5.4	5.2	6.3	9.4
54 Russia ⁴	3.7	5.1	6.9	2.8	2.2	2.3	2.1	2.0	1.6	1.7	1.5
55 Other	3.2	4.0	4.4	3.5	3.3	4.8	3.7	3.4	3.6	4.7	7.9
56 Offshore banking centers	135.1	140.2	130.0	121.0	93.9	93.6	75.9	89.4 ^f	60.1	42.0	52.4
57 Bahamas	20.5	24.2	28.6	30.7	35.4	32.6	20.4	28.6 ^f	13.9	2.4	.5
58 Bermuda	4.5	9.8	9.4	10.4	4.6	3.9	5.7	8.2	8.0	7.3	6.3
59 Cayman Islands and other British West Indies	37.2	43.4	34.3	27.8	12.8	13.9	7.2	6.3	1.3	.0	5.1
60 Netherlands Antilles	26.1	14.6	10.5	6.0	2.6	2.7	1.3	9.1	1.7	2.5	2.6
61 Panama ⁵	2.0	3.1	3.3	4.0	3.9	3.9	3.9	3.9	3.9	3.4	3.3
62 Lebanon	.1	.1	.1	.2	.1	.1	.1	.2	.1	.1	.1
63 Hong Kong, China	27.9	32.2	30.0	30.6	23.3	22.8	22.0	22.4	21.0	22.2	20.7
64 Singapore	16.7	12.7	13.6	11.1	11.1	13.5	15.2	10.6	10.1	4.1	13.6
65 Other ⁶	.1	.1	.2	.2	.2	.2	.1	.2	.1	.1	.1
66 Miscellaneous and unallocated ⁷	59.6	99.1	351.7	459.9	495.1	430.4	380.2	391.2	387.9	376.1	341.9

1. The banking offices covered by these data include U.S. offices and foreign branches of U.S. banks, including U.S. banks that are subsidiaries of foreign banks. Offices not covered include U.S. agencies and branches of foreign banks. Beginning March 1994, the data include large foreign subsidiaries of U.S. banks. The data also include other types of U.S. depository institutions as well as some types of brokers and dealers. To eliminate duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution.

These data are on a gross claims basis and do not necessarily reflect the ultimate country risk or exposure of U.S. banks. More complete data on the country risk exposure of U.S. banks are available in the quarterly Country Exposure Lending Survey published by the Federal Financial Institutions Examination Council.

2. Organization of Petroleum Exporting Countries, shown individually; other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates); and Bahrain and Oman (not formally members of OPEC).

3. Excludes Liberia. Beginning March 1994 includes Namibia.

4. As of December 1992, excludes other republics of the former Soviet Union.

5. Includes Canal Zone.

6. Foreign branch claims only.

7. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States

Millions of dollars, end of period

Type of liability, and area or country	1996	1997	1998	1999				2000	
				Mar.	June	Sept.	Dec.	Mar.	June ^P
1 Total	61,782	57,382	46,570	46,663	49,337	52,979	53,044	52,555	70,534
2 Payable in dollars	39,542	41,543	36,668	34,030	36,032	36,296	37,605	34,680	47,864
3 Payable in foreign currencies	22,240	15,839	9,902	12,633	13,305	16,683	15,415	17,875	22,670
<i>By type</i>									
4 Financial liabilities	33,049	26,877	19,255	22,458	25,058	27,422	27,980	28,246	44,068
5 Payable in dollars	11,913	12,630	10,371	11,225	13,205	12,231	13,883	11,924	22,803
6 Payable in foreign currencies	21,136	14,247	8,884	11,233	11,853	15,191	14,097	16,322	21,265
7 Commercial liabilities	28,733	30,505	27,315	24,205	24,279	25,557	25,064	24,309	26,466
8 Trade payables	12,720	10,904	10,978	9,999	10,935	12,651	12,857	12,401	13,764
9 Advance receipts and other liabilities	16,013	19,601	16,337	14,206	13,344	12,906	12,207	11,908	12,702
10 Payable in dollars	27,629	28,913	26,297	22,805	22,827	24,065	23,722	22,756	25,061
11 Payable in foreign currencies	1,104	1,592	1,018	1,400	1,452	1,492	1,318	1,553	1,405
<i>By area or country</i>									
<i>Financial liabilities</i>									
12 Europe	23,179	18,027	12,589	16,098	19,578	21,695	23,241	23,116	30,332
13 Belgium and Luxembourg	632	186	79	50	70	50	31	4	163
14 France	1,091	1,425	1,097	1,178	1,287	1,675	1,659	1,405	1,702
15 Germany	1,834	1,958	2,063	1,906	1,959	1,712	1,974	1,390	1,671
16 Netherlands	556	494	1,406	1,337	2,104	2,066	1,996	1,970	2,035
17 Switzerland	699	561	155	141	143	133	147	97	137
18 United Kingdom	17,161	11,667	5,980	9,729	13,097	15,096	16,521	16,579	21,463
19 Canada	1,401	2,374	693	781	320	344	284	313	714
20 Latin America and Caribbean	1,668	1,386	1,495	1,528	1,369	1,180	892	846	2,874
21 Bahamas	236	141	7	1	1	1	1	1	78
22 Bermuda	50	229	101	78	52	26	5	1	1,016
23 Brazil	78	143	152	137	131	122	126	128	146
24 British West Indies	1,030	604	957	1,064	944	786	492	489	463
25 Mexico	17	26	59	22	19	28	25	22	26
26 Venezuela	1	1	2	2	1	0	0	0	0
27 Asia	6,423	4,387	3,785	3,475	3,217	3,622	3,437	3,275	9,453
28 Japan	5,869	4,102	3,612	3,337	3,035	3,384	3,142	2,985	6,024
29 Middle Eastern oil-exporting countries ¹	25	27	0	1	2	3	3	4	5
30 Africa	38	60	28	31	29	31	28	28	33
31 Oil-exporting countries ²	0	0	0	2	0	0	0	0	0
32 All other ³	340	643	665	545	545	550	98	668	662
<i>Commercial liabilities</i>									
33 Europe	9,767	10,228	10,030	8,580	8,718	9,265	9,262	8,646	9,293
34 Belgium and Luxembourg	479	666	278	229	189	128	140	78	178
35 France	680	764	920	654	656	620	672	539	711
36 Germany	1,002	1,274	1,392	1,088	1,143	1,201	1,131	914	948
37 Netherlands	766	439	429	361	432	535	507	648	562
38 Switzerland	624	375	499	535	497	593	626	536	565
39 United Kingdom	4,303	4,086	3,697	3,008	2,959	3,175	3,071	2,661	2,982
40 Canada	1,090	1,175	1,390	1,597	1,670	1,753	1,775	2,024	2,053
41 Latin America and Caribbean	2,574	2,176	1,618	1,612	1,674	1,957	2,310	2,286	2,607
42 Bahamas	63	16	14	11	19	24	22	9	10
43 Bermuda	297	203	198	225	180	178	152	287	300
44 Brazil	196	220	152	107	112	120	145	115	119
45 British West Indies	14	12	10	7	5	39	48	23	22
46 Mexico	665	565	347	437	490	704	887	805	1,073
47 Venezuela	328	261	202	155	149	182	305	193	239
48 Asia	13,422	14,966	12,342	10,428	10,039	10,428	9,886	9,681	10,965
49 Japan	4,614	4,500	3,827	2,715	2,753	2,689	2,609	2,274	2,200
50 Middle Eastern oil-exporting countries ¹	2,168	3,111	2,852	2,479	2,209	2,618	2,551	2,308	3,489
51 Africa	1,040	874	794	727	832	959	950	943	950
52 Oil-exporting countries ²	532	408	393	377	392	584	499	536	575
53 Other ³	840	1,086	1,141	1,261	1,346	1,195	881	729	598

1. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Comprises Algeria, Gabon, Libya, and Nigeria.

3. Includes nonmonetary international and regional organizations.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States

Millions of dollars, end of period

Type of claim, and area or country	1996	1997	1998	1999				2000	
				Mar.	June	Sept.	Dec.	Mar.	June ^P
1 Total	65,897	68,128	77,462	69,054	63,884	67,566	76,669	84,266	80,685
2 Payable in dollars	59,156	62,173	72,171	64,026	57,006	60,456	69,170	74,331	72,254
3 Payable in foreign currencies	6,741	5,955	5,291	5,028	6,878	7,110	7,472	9,935	8,431
<i>By type</i>									
4 Financial claims	37,523	36,959	46,260	38,217	31,957	33,877	40,231	47,798	44,303
5 Deposits	21,624	22,909	30,199	18,686	13,350	15,192	18,566	23,316	17,462
6 Payable in dollars	20,852	21,060	28,549	17,101	11,636	13,240	16,373	21,442	15,361
7 Payable in foreign currencies	772	1,849	1,650	1,585	1,714	1,952	2,193	1,874	2,101
8 Other financial claims	15,899	14,050	16,061	19,531	18,607	18,685	21,665	24,482	26,841
9 Payable in dollars	12,374	11,806	14,049	17,457	14,800	15,718	18,593	19,659	22,384
10 Payable in foreign currencies	3,525	2,244	2,012	2,074	3,807	2,967	3,072	4,823	4,457
11 Commercial claims	28,374	31,169	31,202	30,837	31,927	33,689	36,438	36,468	36,382
12 Trade receivables	25,751	27,536	27,202	26,724	27,791	29,397	32,629	31,443	31,237
13 Advance payments and other claims	2,623	3,633	4,000	4,113	4,136	4,292	3,809	5,025	5,145
14 Payable in dollars	25,930	29,307	29,573	29,468	30,570	31,498	34,204	33,230	34,509
15 Payable in foreign currencies	2,444	1,862	1,629	1,369	1,357	2,191	2,207	3,238	1,873
<i>By area or country</i>									
<i>Financial claims</i>									
16 Europe	11,085	14,999	12,294	12,881	13,978	13,878	13,023	16,789	18,254
17 Belgium and Luxembourg	185	406	661	469	457	574	529	540	317
18 France	694	1,015	864	913	1,368	1,212	967	1,835	1,292
19 Germany	276	427	304	302	367	549	504	669	576
20 Netherlands	493	677	875	993	997	1,067	1,229	1,981	1,984
21 Switzerland	474	434	414	530	504	559	643	612	624
22 United Kingdom	7,922	10,337	7,766	8,400	8,631	8,157	7,561	9,044	11,668
23 Canada	3,442	3,313	2,503	3,111	2,828	3,172	2,553	3,175	5,799
24 Latin America and Caribbean	20,032	15,543	27,714	18,825	11,486	12,749	18,206	21,945	14,874
25 Bahamas	1,553	2,308	403	666	467	755	1,593	1,299	655
26 Bermuda	140	108	39	41	39	524	11	11	34
27 Brazil	1,468	1,313	835	1,112	1,102	1,265	1,476	1,646	1,666
28 British West Indies	15,536	10,462	24,388	14,621	7,393	7,263	12,099	15,814	7,751
29 Mexico	457	537	1,245	1,583	1,702	1,791	1,798	1,979	2,048
30 Venezuela	31	36	55	72	71	47	48	65	78
31 Asia	2,221	2,133	3,027	2,648	2,801	3,205	5,457	4,430	3,923
32 Japan	1,035	823	1,194	942	949	1,250	3,262	2,021	1,410
33 Middle Eastern oil-exporting countries ¹	22	11	9	8	5	5	21	29	42
34 Africa	174	319	159	174	228	251	286	232	320
35 Oil-exporting countries ²	14	15	16	26	5	12	15	15	39
36 All other ³	569	652	563	578	636	622	706	1,227	1,133
<i>Commercial claims</i>									
37 Europe	10,443	12,120	13,246	12,782	12,961	14,367	16,389	16,118	15,910
38 Belgium and Luxembourg	226	328	238	281	286	289	316	271	425
39 France	1,644	1,796	2,171	2,173	2,094	2,375	2,236	2,520	2,690
40 Germany	1,337	1,614	1,822	1,599	1,660	1,944	1,960	2,034	1,902
41 Netherlands	562	597	467	415	389	617	1,429	1,337	1,241
42 Switzerland	642	554	483	367	385	714	610	611	563
43 United Kingdom	2,946	3,660	4,769	4,529	4,615	4,789	5,827	5,354	4,928
44 Canada	2,165	2,660	2,617	2,983	2,855	2,638	2,757	3,088	3,246
45 Latin America and Caribbean	5,276	5,750	6,296	5,930	6,278	5,879	5,959	5,899	5,789
46 Bahamas	35	27	24	10	21	29	20	15	48
47 Bermuda	275	244	536	500	583	549	390	404	380
48 Brazil	1,303	1,162	1,024	936	887	763	905	849	894
49 British West Indies	190	109	104	117	127	157	181	95	51
50 Mexico	1,128	1,392	1,545	1,431	1,478	1,613	1,678	1,529	1,564
51 Venezuela	357	576	401	361	384	365	439	435	465
52 Asia	8,376	8,713	7,192	7,080	7,690	8,579	9,165	9,101	9,168
53 Japan	2,003	1,976	1,681	1,486	1,511	1,823	2,074	2,082	1,881
54 Middle Eastern oil-exporting countries ¹	971	1,107	1,135	1,286	1,465	1,479	1,625	1,533	1,241
55 Africa	746	680	711	685	738	682	631	716	765
56 Oil-exporting countries ²	166	119	165	116	202	221	171	82	160
57 Other ³	1,368	1,246	1,140	1,377	1,405	1,544	1,537	1,546	1,504

1. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Comprises Algeria, Gabon, Libya, and Nigeria.

3. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transaction, and area or country	1998	1999	2000							
			Jan.- Aug.	Feb.	Mar.	Apr.	May	June	July	Aug. ^P
U.S. corporate securities										
STOCKS										
1 Foreign purchases	1,574,192	2,340,659	2,395,465	293,110	402,373	309,778	268,454	300,356	270,618 ^f	286,830
2 Foreign sales	1,524,203	2,233,137	2,266,311	265,365	378,141	306,474	262,142	282,563	255,478 ^f	262,783
3 Net purchases, or sales (-)	49,989	107,522	129,154	27,745	24,232	3,304	6,312	17,793	15,140^f	24,047
4 Foreign countries	50,369	107,578	129,089	27,626	24,414	3,243	6,291	17,823	15,130^f	24,023
5 Europe	68,124	98,060	121,811	24,375	18,594	12,289	7,496	14,853	12,822 ^f	15,678
6 France	5,672	3,813	4,088	529	1,831	1,341	-588	-653	1,293	575
7 Germany	9,195	13,410	27,913	5,425	4,532	3,431	3,355	2,544	323 ^f	2,670
8 Netherlands	8,249	8,083	2,236	516	277	113	-113	584	546	594
9 Switzerland	5,001	5,650	11,974	4,804	-913	1,689	585	67	1,703 ^f	1,113
10 United Kingdom	23,952	42,902	35,822	6,685	4,794	558	1,440	7,026	5,975 ^f	7,098
11 Canada	-4,689	-335	3,532	890	286	9	834	-46	-145	1,038
12 Latin America and Caribbean	757	5,187	-4,258	1,989	4,840	-11,441	-2,633	1,898	1,369	4,910
13 Middle East ¹	-1,449	-1,066	7,766	1,179	2,124	2,071	705	4	98	908
14 Other Asia	-12,351	4,445	-807	-860	-1,716	42	-121	870	823	1,790
15 Japan	-1,171	5,723	-5,309	-1,115	-2,604	-446	-1,045	439	497	568
16 Africa	639	372	521	-2	203	228	-50	54	-66	2
17 Other countries	-662	915	524	55	81	35	60	190	229	-303
18 Nonmonetary international and regional organizations	-380	-56	65	119	-182	61	21	-30	10	24
BONDS ²										
19 Foreign purchases	905,782	856,804	766,010	99,605	106,302	88,155	89,760	107,281	87,302 ^f	108,560
20 Foreign sales	727,044	602,109	557,284	69,476	76,979	70,900	68,212	75,117	67,943 ^f	69,768
21 Net purchases, or sales (-)	178,738	254,695	208,726	30,129	29,323	17,255	21,548	32,164	19,359^f	38,792
22 Foreign countries	179,081	255,097	208,648	30,147	29,422	17,260	21,490	32,215	19,271^f	38,682
23 Europe	130,057	140,674	113,004	17,063	19,454	7,640	9,475	19,378	7,573 ^f	22,338
24 France	3,386	1,870	2,278	1,124	620	-34	104	159	85	334
25 Germany	4,369	7,723	3,129	702	348	288	175	897	152	1,185
26 Netherlands	3,443	2,446	642	-97	94	279	283	-169	-575	850
27 Switzerland	4,826	4,553	2,751	526	202	-18	9	324	998	757
28 United Kingdom	99,637	106,344	86,413	13,478	15,479	4,274	6,237	16,218	3,774 ^f	16,629
29 Canada	6,121	6,043	9,986	1,324	689	764	1,076	1,092	943	1,965
30 Latin America and Caribbean	23,938	60,861	37,221	9,659	3,680	4,724	2,786	4,390	3,748	3,576
31 Middle East ¹	1,997	1,979	1,124	-177	670	347	-47	99	264	54
32 Other Asia	12,662	42,842	45,645	2,545	4,506	3,753	7,996	7,059	6,601 ^f	10,562
33 Japan	8,384	17,541	21,296	1,173	2,010	580	3,491	3,945	3,320 ^f	5,664
34 Africa	190	1,411	730	-130	-11	35	40	72	10	37
35 Other countries	1,116	1,287	938	-137	434	-3	164	125	132	150
36 Nonmonetary international and regional organizations	-343	-402	78	-18	-99	-5	58	-51	88	110
Foreign securities										
37 Stocks, net purchases, or sales (-)	6,227	15,640	-22,616	-8,884	-8,173	723	8,535	-2,046	-14,860 ^f	982
38 Foreign purchases	929,923	1,177,303	1,214,678	176,940	177,090	154,322	145,408	152,149	132,247 ^f	141,573
39 Foreign sales	923,696	1,161,663	1,237,294	185,824	185,263	153,599	136,873	154,195	147,107 ^f	140,591
40 Bonds, net purchases, or sales (-)	-17,350	-5,676	2,218	-1,986	-3,431	798	4,263	5,770	2,831 ^f	-2,529
41 Foreign purchases	1,328,281	798,267	589,751	74,380	83,838	63,916	79,534	82,951	68,151	74,795
42 Foreign sales	1,345,631	803,943	587,533	76,366	87,269	63,118	75,271	77,181	65,320 ^f	77,324
43 Net purchases, or sales (-), of stocks and bonds	-11,123	9,964	-20,398	-10,870	-11,604	1,521	12,798	3,724	-12,029^f	-1,547
44 Foreign countries	-10,778	9,679	-20,382	-10,899	-11,703	1,356	12,722	3,874	-11,788^f	-1,393
45 Europe	12,632	59,247	-21,288	-4,969	-5,923	1,628	10,113	-1,434	-15,454 ^f	-6,003
46 Canada	-1,901	-999	-2,759	-1,865	-1,400	-422	-1,234	1,399	239	995
47 Latin America and Caribbean	-13,798	-4,726	-13,767	-4,252	-701	-5,155	-845	1,981	262	-189
48 Asia	-3,992	-42,961	16,191	-713	-4,086	5,695	4,971	1,878	3,235 ^f	3,256
49 Japan	-1,742	-43,637	17,950	-879	-1,458	4,688	5,978	3,243	3,985	1,527
50 Africa	-1,225	710	890	184	384	-143	-51	-33	531	-81
51 Other countries	-2,494	-1,592	351	716	23	-247	-232	83	-601	629
52 Nonmonetary international and regional organizations	-345	285	-16	29	99	165	76	-150	-241	-154

1. Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Includes state and local government securities and securities of U.S. government agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions¹

Millions of dollars; net purchases, or sales (-) during period

Area or country	1998	1999	2000							
			Jan.— Aug.	Feb.	Mar.	Apr.	May	June	July	Aug. ^P
1 Total estimated	49,039	-9,953	-18,349	5,563	-16,871	14,520	-7,018	-17,932	-6,068	-86
2 Foreign countries	46,570	-10,518	-17,520	5,770	-17,092	14,484	-6,820	-17,597	-5,753	-90
3 Europe	23,797	38,228	-27,917	-2,443	-9,971	-632	-2,526	-9,935	-6,358	3,734
4 Belgium and Luxembourg	3,805	-81	-77	65	116	-498	-743	252	-138	138
5 Germany	144	2,285	-3,740	-866	-1,352	-1,676	74	609	-2,199	-36
6 Netherlands	-5,533	2,122	2,479	2,475	539	700	-1,159	-389	-584	91
7 Sweden	1,486	1,699	762	-100	263	-289	266	-47	114	56
8 Switzerland	5,240	-1,761	-9,068	-1,382	5	-288	-337	-1,928	-1,393	-338
9 United Kingdom	14,384	-20,232	-17,789	-1,261	-5,150	-533	178	-9,243	-4,384	3,054
10 Other Europe and former U.S.S.R.	4,271	-22,260	-484	-1,374	-4,392	1,952	-805	811	2,226	769
11 Canada	615	7,348	780	8	640	1,819	-681	226	-872	222
12 Latin America and Caribbean	-3,662	-7,523	-3,146	6,844	-4,789	2,509	-3,122	-3,839	1,415	245
13 Venezuela	59	362	271	13	24	26	4	16	89	45
14 Other Latin America and Caribbean ..	9,523	1,661	-6,667	2,482	-1,596	258	-548	-4,748	1,261	61
15 Netherlands Antilles	-13,244	-9,546	3,250	4,349	-3,217	2,225	-2,578	893	65	139
16 Asia	27,433	29,359	11,388	1,064	-2,943	11,166	-908	-3,988	-488	-4,918
17 Japan	13,048	20,102	6,665	-1,874	494	10,855	-2,486	-2,660	672	367
18 Africa	751	-3,021	-209	80	-19	4	-114	-130	4	9
19 Other	-2,364	1,547	1,584	217	-10	-382	531	69	546	618
20 Nonmonetary international and regional organizations	2,469	565	-829	-207	221	36	-198	-335	-315	4
21 International	1,502	190	-782	-194	151	30	-158	-286	-333	15
22 Latin American regional	199	666	42	0	70	6	-14	-9	-1	-10
MEMO										
23 Foreign countries	46,570	-10,518	-17,520	5,770	-17,092	14,484	-6,820	-17,597	-5,753	-90
24 Official institutions	4,123	-9,861	11,367	1,777	-569	6,403	-1,405	-1,412	-639	449
25 Other foreign	42,447	-657	-28,887	3,993	-16,523	8,081	-5,415	-16,185	-5,114	-539
<i>Oil-exporting countries</i>										
26 Middle East ²	-16,554	2,207	6,092	170	283	811	572	859	267	217
27 Africa ³	2	0	0	0	0	0	0	0	0	0

1. Official and private transactions in marketable U.S. Treasury securities having an original maturity of more than one year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

3. Comprises Algeria, Gabon, Libya, and Nigeria.

3.28 FOREIGN EXCHANGE RATES AND INDEXES OF THE FOREIGN EXCHANGE VALUE OF THE U.S. DOLLAR¹

Currency units per U.S. dollar except as noted

Item	1997	1998	1999	2000					
				May	June	July	Aug.	Sept.	Oct.
Exchange Rates									
COUNTRY/CURRENCY UNIT									
1 Australia/dollar ²	74.37	62.91	64.54	57.84	59.49	58.70	58.08	55.21	52.80
2 Austria/schilling	12.206	12.379	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
3 Belgium/franc	35.81	36.31	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
4 Brazil/real	1.0779	1.1605	1.8207	1.8278	1.8099	1.7982	1.8091	1.8397	1.8813
5 Canada/dollar	1.3849	1.4836	1.4858	1.4957	1.4770	1.4778	1.4828	1.4864	1.5125
6 China, P.R./yuan	8.3193	8.3008	8.2781	8.2781	8.2772	8.2794	8.2796	8.2785	8.2785
7 Denmark/krone	6.6092	6.7030	6.9900	8.2329	7.8501	7.9471	8.2459	8.5849	8.7276
8 European Monetary Union/euro ³	n.a.	n.a.	1.0653	0.9059	0.9505	0.9386	0.9045	0.8695	0.8525
9 Finland/markka	5.1956	5.3473	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 France/franc	5.8393	5.8995	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
11 Germany/deutsche mark	1.7348	1.7597	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
12 Greece/drachma	273.28	295.70	306.30	371.63	354.14	359.04	372.97	389.67	398.29
13 Hong Kong/dollar	7.7431	7.7467	7.7594	7.7907	7.7934	7.7969	7.7995	7.7985	7.7977
14 India/rupee	36.36	41.36	43.13	44.08	44.76	44.84	45.77	45.97	46.43
15 Ireland/pound ²	151.63	142.48	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
16 Italy/lira	1,703.81	1,736.85	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
17 Japan/yen	121.06	130.99	113.73	108.32	106.13	108.21	108.08	106.84	108.44
18 Malaysia/ringgit	2.8173	3.9254	3.8000	3.8000	3.8000	3.8000	3.8000	3.8000	3.8000
19 Mexico/peso	7.918	9.152	9.553	9.506	9.834	9.419	9.272	9.362	9.537
20 Netherlands/guilder	1.9525	1.9837	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
21 New Zealand/dollar ²	66.25	53.61	52.94	47.08	47.05	45.97	44.52	41.71	40.01
22 Norway/krone	7.0857	7.5521	7.8071	9.0533	8.6807	8.7185	8.9526	9.2331	9.3794
23 Portugal/escudo	175.44	180.25	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
24 Singapore/dollar	1.4857	1.6722	1.6951	1.7286	1.7277	1.7414	1.7206	1.7406	1.7525
25 South Africa/rand	4.6072	5.5417	6.1191	7.0238	6.9147	6.8971	6.9570	7.1805	7.4902
26 South Korea/won	947.65	1,400.40	1,189.84	1,119.49	1,117.94	1,115.08	1,114.47	1,117.57	1,131.10
27 Spain/peseta	146.53	149.41	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
28 Sri Lanka/rupee	59.026	65.006	70.868	74.867	76.736	78.852	78.283	78.731	79.291
29 Sweden/krona	7.6446	7.9522	8.2740	9.0925	8.7471	8.9640	9.2771	9.6853	9.9930
30 Switzerland/franc	1.4514	1.4506	1.5045	1.7190	1.6420	1.6519	1.7149	1.7586	1.7745
31 Taiwan/dollar	28.775	33.547	32.322	30.772	30.831	30.984	31.106	31.198	31.846
32 Thailand/baht	31.072	41.262	37.887	38.951	39.087	40.318	40.889	41.992	43.334
33 United Kingdom/pound ²	163.76	165.73	161.72	150.90	150.92	150.76	148.89	143.36	145.06
34 Venezuela/bolivar	488.87	548.39	606.82	680.00	680.96	685.86	689.17	690.39	692.86
Indexes ⁴									
NOMINAL									
35 Broad (January 1997=100) ⁵	104.44	116.48	116.87	120.70	119.43	119.86	120.65	122.08	123.83
36 Major currencies (March 1973=100) ⁶	91.24	95.79	94.07	99.31	96.74	97.68	99.16	100.76	102.35
37 Other important trading partners (January 1997=100) ⁷	104.67	126.03	129.94	130.43	131.62	131.08	130.51	131.39	133.03
REAL									
38 Broad (March 1973=100) ⁵	91.24	99.25	98.66	102.77	102.02 ^f	102.46 ^f	103.01	104.04 ^f	105.54
39 Major currencies (March 1973=100) ⁶	92.26	97.25	96.74 ^f	103.70	101.31 ^f	102.42 ^f	104.01 ^f	105.66 ^f	107.60
40 Other important trading partners (March 1973=100) ⁷	95.58	108.20	107.44	107.95	109.35	108.90 ^f	108.09 ^f	108.39 ^f	109.41

1. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) monthly statistical release. For ordering address, see inside front cover.

2. U.S. cents per currency unit.

3. As of January 1999, the euro is reported in place of the individual euro area currencies. By convention, the rate is reported in U.S. dollars per euro. These currency rates can be derived from the euro rate by using the fixed conversion rates (in currencies per euro) as shown below:

Euro equals

13.7603	Austrian schillings	1936.27	Italian lire
40.3399	Belgian francs	40.3399	Luxembourg francs
5.94573	Finnish markkas	2.20371	Netherlands guilders
6.55957	French francs	200.482	Portuguese escudos
1.95583	German marks	166.386	Spanish pesetas
.787564	Irish pounds		

4. The December 1999 Bulletin contains revised index values resulting from the annual revision to the trade weights. For more information on the indexes of the foreign exchange value of the dollar, see *Federal Reserve Bulletin*, vol. 84 (October 1998), pp. 811-18.

5. Weighted average of the foreign exchange value of the U.S. dollar against the currencies of a broad group of U.S. trading partners. The weight for each currency is computed as an average of U.S. bilateral import shares from and export shares to the issuing country and of a measure of the importance to U.S. exporters of that country's trade in third country markets.

6. Weighted average of the foreign exchange value of the U.S. dollar against a subset of broad index currencies that circulate widely outside the country of issue. The weight for each currency is its broad index weight scaled so that the weights of the subset of currencies in the index sum to one.

7. Weighted average of the foreign exchange value of the U.S. dollar against a subset of broad index currencies that do not circulate widely outside the country of issue. The weight for each currency is its broad index weight scaled so that the weights of the subset of currencies in the index sum to one.

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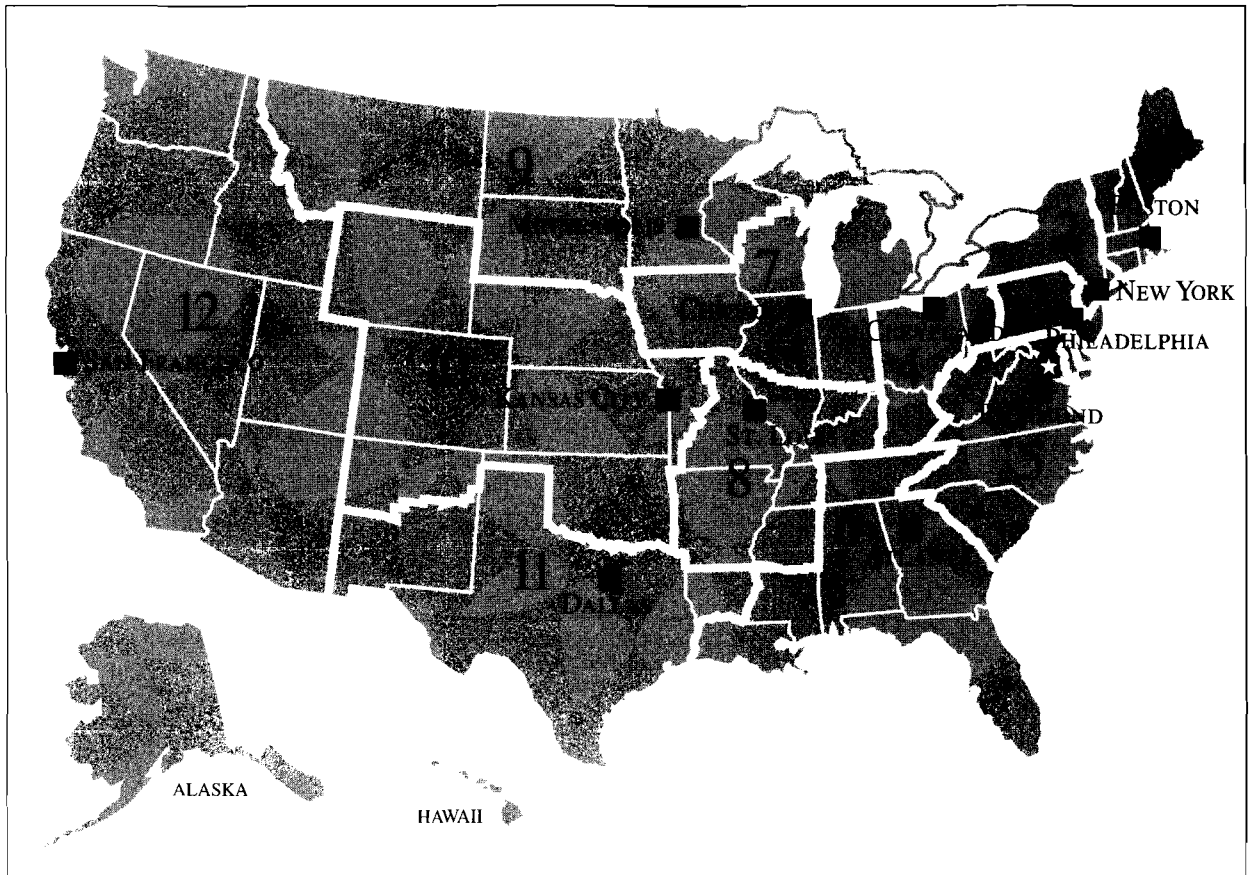
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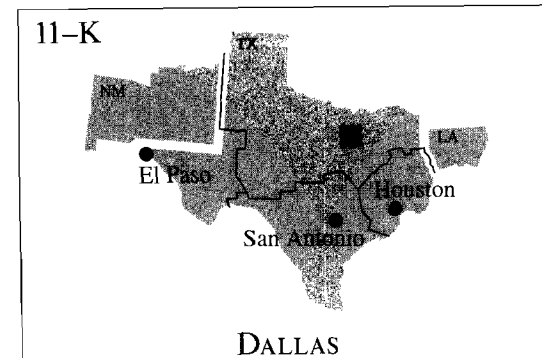
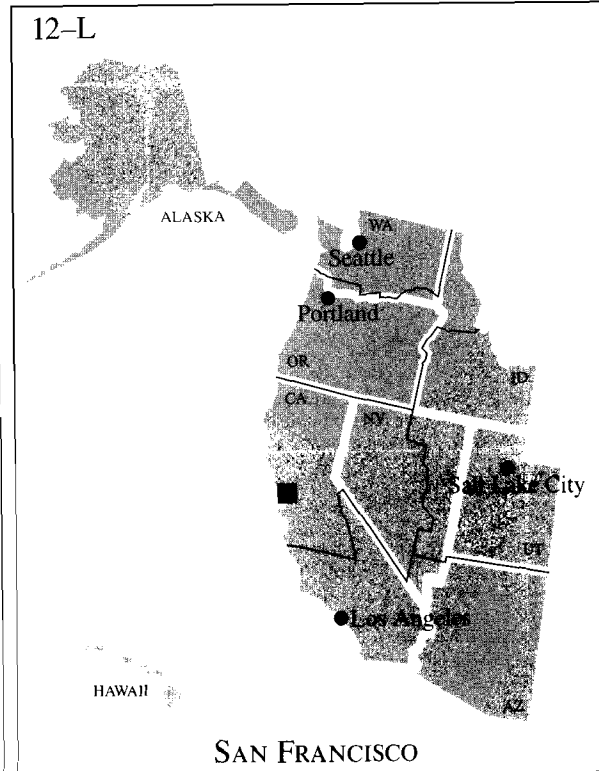
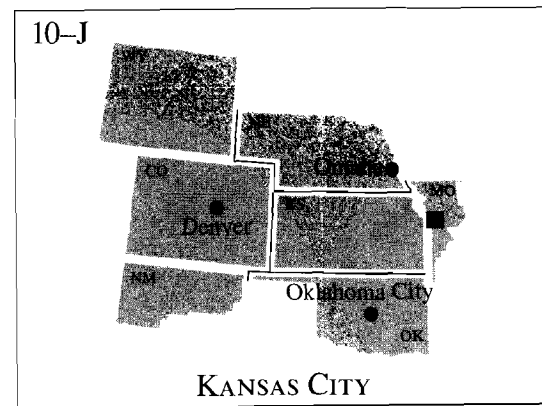
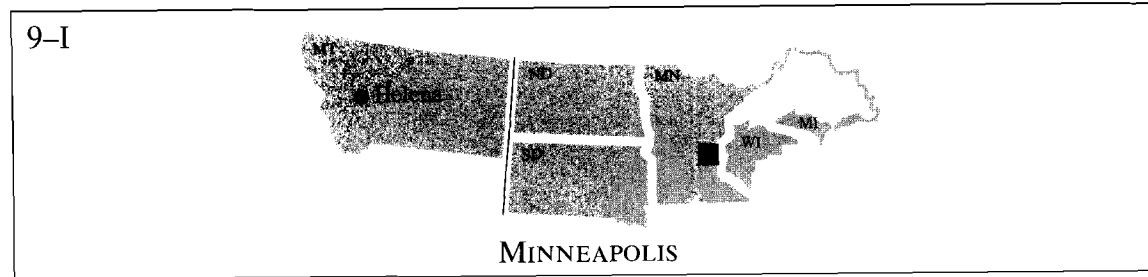
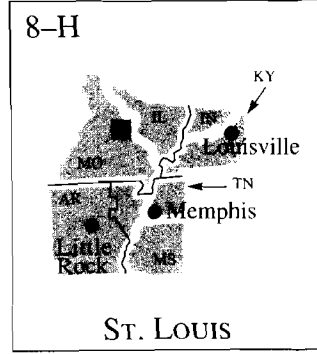
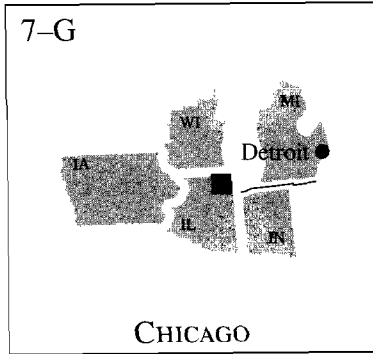
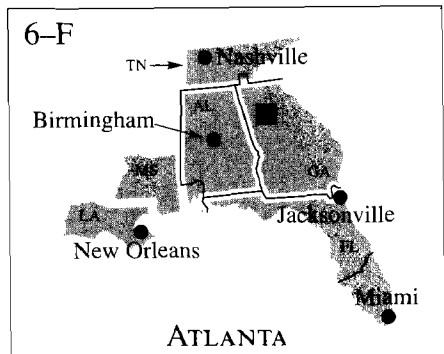
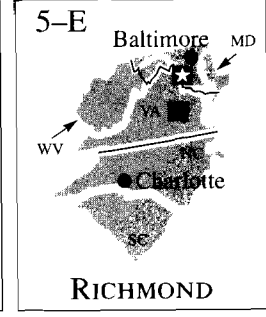
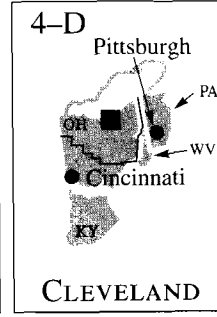
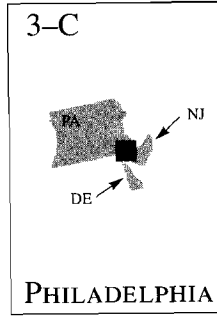
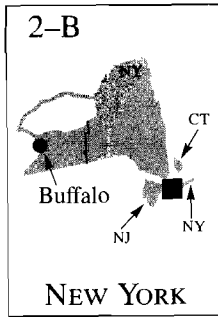
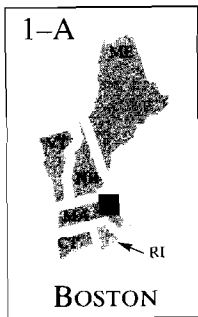
NOTE

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 February 1996.



Federal Reserve Banks, Branches, and Offices

FEDERAL RESERVE BANK branch, or <i>facility</i>	Zip	Chairman Deputy Chairman	President First Vice President	Vice President in charge of branch
BOSTON*	02106	William C. Brainard William O. Taylor	Cathy E. Minehan Paul M. Connolly	
NEW YORK*	10045	Peter G. Peterson Charles A. Heimbold, Jr.	William J. McDonough Jamie B. Stewart, Jr.	
Buffalo	14240	Bal Dixit		Barbara L. Walter ¹
PHILADELPHIA	19105	Joan Carter Charisse R. Lillie	Anthony M. Santomero William H. Stone, Jr.	
CLEVELAND*	44101	David H. Hoag Robert W. Mahoney	Jerry L. Jordan Sandra Pianalto	
Cincinnati	45201	George C. Juilfs		Barbara B. Henshaw
Pittsburgh	15230	John T. Ryan III		Robert B. Schaub
RICHMOND*	23219	Jeremiah J. Sheehan Wesley S. Williams, Jr.	J. Alfred Broaddus, Jr. Walter A. Varvel	
Baltimore	21203	George L. Russell, Jr.		William J. Tiganelli ¹
Charlotte	28230	Joan H. Zimmerman		Dan M. Bechter ¹
ATLANTA	30303	John F. Wieland Paula Lovell	Jack Guynn Patrick K. Barron	
Birmingham	35283	D. Bruce Carr		James M. McKee
Jacksonville	32231	William E. Flaherty		Andre T. Anderson
Miami	33152	Kaaren Johnson-Street		Robert J. Slack
Nashville	37203	Frances F. Marcum		James T. Curry III
New Orleans	70161	Dwight H. Evans		Melvyn K. Purcell ¹
Robert J. Musso ¹				
CHICAGO*	60690	Arthur C. Martinez Robert J. Darnall	Michael H. Moskow William C. Conrad	
Detroit	48231	Timothy D. Leuliette		David R. Allardice ¹
ST. LOUIS	63166	Susan S. Elliott Charles W. Mueller	William Poole W. LeGrande Rives	
Little Rock	72203	Diana T. Hueter		Robert A. Hopkins
Louisville	40232	J. Stephen Barger		Thomas A. Boone
Memphis	38101	Mike P. Sturdivant, Jr.		Martha Perine Beard
MINNEAPOLIS	55480	James J. Howard Ronald N. Zwieg	Gary H. Stern James M. Lyon	
Helena	59601	William P. Underiner		Samuel H. Gane
KANSAS CITY	64198	Jo Marie Dancik Terrence P. Dunn	Thomas M. Hoenig Richard K. Rasdall	
Denver	80217	Kathryn A. Paul		Carl M. Gamba ¹
Oklahoma City	73125	Patricia B. Fennell		Kelly J. Dubbert
Omaha	68102	Gladys Styles Johnston		Steven D. Evans
DALLAS	75201	Roger R. Hemminghaus H. B. Zachry, Jr.	Robert D. McTeer, Jr. Helen E. Holcomb	
El Paso	79999	Beauregard Brite White		Sammie C. Clay
Houston	77252	Edward O. Gaylord		Robert Smith III ¹
San Antonio	78295	Patty P. Mueller		James L. Stull ¹
SAN FRANCISCO	94120	Gary G. Michael Nelson C. Rising	Robert T. Parry John F. Moore	
Los Angeles	90051	Lonnie Kane		Mark L. Mullinix ²
Portland	97208	Nancy Wilgenbusch		Raymond H. Laurence ¹
Salt Lake City	84125	Barbara L. Wilson		Andrea P. Wolcott
Seattle	98124	Richard R. Sonstelie		Gordon R. G. Werkema ²

*Additional offices of these Banks are located at Windsor Locks, Connecticut 06096; East Rutherford, New Jersey 07016; Utica at Oriskany, New York 13424; Columbus, Ohio 43216; Columbia, South Carolina 29210; Charleston, West Virginia 25311; Des Moines, Iowa 50306; Indianapolis, Indiana 46204; Milwaukee, Wisconsin 53202; and Peoria, Illinois 61607.

1. Senior Vice President.
2. Executive Vice President

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