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Trends in the Structure of Federally Insured Depository Institutions, 1984–94

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On September 29, 1995, bank holding companies were given the right to purchase banks throughout the United States for the first time since passage of the Bank Holding Company Act in 1956. The Riegle–Neal Interstate Banking and Branching Efficiency Act of 1994, which permitted the expansion, will also, by June 1997, allow banks to branch across state lines. Full implementation of this legislation is likely to lead to a continuation of the consolidation of the U.S. banking industry that has occurred over the past ten years.

From 1984 through 1994, the number of federally insured depository institutions of all types—banking organizations (bank holding companies and independent banks), thrift institutions (savings and loan associations and savings banks), and credit unions—declined considerably. This consolidation of depository institutions resulted mainly from mergers and acquisitions, many made possible by or stimulated by relaxed legal constraints on the geographic expansion of depository institutions, and from failures of depository institutions. Regulatory policies affecting the expansion of credit union membership also played a role.

This article looks at changes in the number and size of federally insured depository institutions over the past ten years.[1] The focus is on retail banking—the sector of activity that deals mainly with small businesses and households in local banking markets. The structure of the retail banking industry is of interest because these firms serve large numbers of consumers within local markets and changes in structure could affect firm performance and competition in some markets. Deposits serve as the measure of firm size.

The use of deposits as the measure of change in the size of depository institutions ignores changes in the volume of nondeposit liabilities and off-balance-sheet activity. Most, though not all, nondeposit liabilities are used by institutions to fund their wholesale activities. Changes in the structure of the wholesale banking industry are not addressed in the article because of the greater number of competitors in wholesale markets and the greater expertise and knowledge about financial services of wholesale customers. The wholesale banking industry includes a large number of investment banks, foreign banks, and other financial institutions that fund large corporations and international institutions in national, and in many cases global, markets. Because of its focus on deposits, this article does not attempt to provide a complete picture of the activity of depository institutions. Although the volume of federally insured deposits is very large ($3.3 trillion) and increased 26 percent over the ten years covered here, the rate of increase of deposit liabilities was much smaller than the rate of increase of U.S. financial assets. Insured deposits constitute a unique financial product, but it is a product of declining importance to the U.S. economy.

Deposits are far from a perfect measure of retail banking, but they are the best measure of the retail activity of depository institutions available at the national, state, and local levels. Although deposits include a large uninsured component (deposits in excess of $100,000) and are used to fund some non-retail activity, these factors should not appreciably affect the structural analysis.

The article begins with a discussion of the major causes of recent structural change among federally insured depository institutions. Changes in number, size, and deposit concentration at the national, state, and local levels are then analyzed. The data reveal large increases in deposit concentration at the national and state levels but only small increases in local banking markets, where fewer competitors would be most likely to affect competition. Concluding the article is a discussion of the possible consequences of these changes.

1. The data presented in this article cover only federally insured institutions. Some uninsured credit unions, and a few uninsured banks, continue to operate in this country. However, these firms tend to be very small, and their omission should not have a substantive effect on the data presented.

Causes of Recent Structural Change

A major cause of structural change among federally insured depository institutions over the past ten years has been mergers and acquisitions. Other important reasons for changes have been unusually high rates of failure among depository institutions and relaxed constraints on credit union membership.

Mergers and Acquisitions among Depository Institutions

During 1984–94, the pace of mergers and acquisitions among depository institutions in the United States reached a level not seen in at least fifty years.[2] Acquisitions of healthy banking organizations by other healthy domestic banking organizations, for example, resulted in a decline of 4,509 in the number of banking organizations. The annual number of acquisitions of healthy firms was relatively steady throughout the period, ranging from a high of 649 in 1987 to a low of 345 in 1991. The total number of acquisitions was greater than the net decrease in the number of banking organizations over the decade because of a steady influx of new banking organizations, which partly offset the decline in the number of banks due to acquisitions and failures.

The extent of mergers and acquisitions among depository institutions can be seen in the data on acquisitions of the largest firms: Of the 200 largest firms at the end of 1984, only 99 existed ten years later; the remaining 101 had been acquired, many of them thrift institutions that the federal government had taken over because of poor financial condition. Of the one hundred largest depositories in 1984, only fifty-seven survived as independent firms ten years later; eighteen of the fifty largest firms and nine of the twenty-five largest had been absorbed by competitors by year-end 1994.

The increased merger and acquisition activity over the past ten years has mostly involved domestic depository institutions; acquisitions by foreign corporations of banks chartered in the United States have been limited. Foreign banks have greatly expanded their role in wholesale banking in recent years, but they have not made major inroads into the U.S. retail banking industry. For example, the percentage of insured U.S. deposits held by foreign organizations has increased only a small amount since 1984, from 4.5 percent of all deposits to 5.3 percent.[3]

The rise in mergers and acquisitions most likely had numerous causes; empirical work attempting to determine the reasons for merger activity has found no clear single motivating factor. One set of possible causes reflects the interests of stockholders in reducing costs, increasing profits, and maximizing the value of the firm. Competition from nondepository institutions, much of it brought about by technological change, may have increased the need to reduce costs. For example, technology has broadened access to the commercial paper market, reducing the role of commercial banks in lending to large corporations. Technology has also produced economies of scale in some back-office operations, reducing costs for large firms relative to small firms. In addition, acquisitions may have been seen as a way to increase stockholder value by increasing profits through increased market share and market power. Finally, interstate acquisitions may have been viewed as a means of reducing the risk of failure by diversifying a firm's loan risk.

Another set of possible reasons for increased merger and acquisition activity reflects the interests of managers more than those of stockholders. For example, problems resulting from dispersed stockholdings and lack of stockholder control over managers may have allowed managers to pursue growth as an objective, whether or not that growth increased the firm's value.

Regardless of the reasons for individual mergers and acquisitions, much of the activity clearly could not have occurred without legislative and regulatory changes that allowed greater geographic expansion by banking organizations and thrift institutions. Many of these changes occurred at the state level and were prompted by pressure from firms that sought to acquire or to be acquired. In a few states, widespread financial difficulties in the late 1980s necessitated the entry of out-of-state firms, which were the only potential acquirers for troubled depository institutions.

Legislative Changes Affecting Interstate Expansion

Passage of the McFadden Act in 1927 effectively restricted national banks from establishing branches across state lines. The act subjected national banks to the same branching restrictions faced by state-

2. The terms *merger* and *acquisition* are used interchangeably.

3. Although foreign banks have made only limited inroads into U.S. retail banking, the total volume of assets held by U.S. subsidiaries and U.S. branches and agencies of foreign banks has more than doubled in the past ten years. Indeed, by 1994 these foreign-owned institutions accounted for more than 40 percent of the dollar volume of all business loans made by banking offices in the United States.

chartered banks, and because no state allowed out-of-state banks to open branches within its borders, the act in effect prohibited interstate branching. Until 1956, however, no law prevented bank holding companies from expanding across state borders through the formation of separate banking subsidiaries in other states. Passage of the Bank Holding Company Act of 1956 limited that route of expansion by allowing bank holding companies to own banking subsidiaries only in the state in which they were headquartered unless other states expressly permitted their entry. Bank holding companies that had expanded across state lines before 1956 were grandfathered under the act, but there were few such firms. Though states could allow out-of-state bank holding companies to own banks in their states, no state did so until Maine passed enabling legislation in 1975. Thrift institutions were also restricted, by federal regulators, to operating in only one state. Credit unions were not legally prohibited from operating across state lines, but they were limited to serving members having a common bond. This limitation tended to restrict the interstate activities of credit unions to a few large institutions serving the armed forces or large, multistate corporations.

In the 1970s and 1980s, states began to relax their geographic restrictions on banking organizations. By the end of 1984, eight states had enacted legislation that allowed entry by banking organizations headquartered in other states. Six of the eight required reciprocity by the state in which the entering banking firm was headquartered; that is, an out-of-state bank holding company was allowed to acquire an existing bank only if banking organizations in that bank's state were allowed to do so in the home state of the acquiring firm. Also, five of the eight states restricted entry to banking organizations headquartered in a region around the acting state; only three states permitted entry from any other state. As a result of the small number of states allowing interstate banking and the restrictions imposed by these states, interstate expansion before 1985 was quite limited.

Within ten years, by the end of 1994, every state but Hawaii had enacted laws allowing some degree of interstate banking. Although many states still required reciprocity, that requirement had become less restrictive as more states passed nationwide interstate banking laws. Twelve states still had regional restrictions, but thirty-seven allowed entry from any other state having a reciprocal law, and three of the twelve with regional restrictions had passed legislation allowing entry from all other states after a trigger date in 1995 or 1996. Passage of the Riegle–Neal Act in 1994 completed the move to nationwide banking by overriding all remaining restrictions on bank holding company expansion and by initiating interstate banking in Hawaii as of September 1995. As a result of state legislative changes, the share of deposits controlled by firms headquartered in states other than the state of deposit rose from 4.7 percent to 27.2 percent between year-end 1984 and year-end 1994.

Legislative Changes Affecting Expansion by Branching

At the same time that restrictions on bank holding company expansion were being eased, states were also relaxing restrictions on intrastate branching by state-chartered banks. By the end of 1994, states were also beginning to permit interstate branching by banking organizations, thus granting them the geographic freedom that thrift institutions had gained in 1992.

Intrastate Bank Branching. At the end of 1984, seven states still prohibited full-service branches; in these "unit banking" states, a banking organization that wanted to open more than one full-service office was required to form a multibank holding company, which could then control two or more separately chartered banks. By year-end 1994, no unit banking states remained, and only two states still prohibited statewide branching. However, some states allowed statewide expansion only through acquisition and restricted de novo expansion to a part of the state, such as within the county of a bank's head office; in these states, a bank or holding company could branch statewide only by acquiring existing banks or branches or by chartering new banks and then converting them to branches.

Many states did not restrict intrastate branching by thrift institutions as they did such expansion by banks; some states that restricted bank branching allowed thrifts to branch throughout the state. The Office of the Comptroller of the Currency (OCC), the federal regulator of national banks, relied on this different treatment to relax restrictions on branching by national banks and thereby to spur passage of less restrictive state branching laws. The OCC ruled that national banks compete with state-chartered thrift institutions and therefore, under the McFadden Act, could branch to the same extent. In February 1987, a federal appeals court upheld the Comptroller's ruling that national banks in Mississippi could branch statewide because thrifts in that state were allowed to branch statewide; in the following April, Texas became the first of several states in which national banks sought to expand statewide on the same grounds. Two months later, the U.S. Supreme Court let the appeals court ruling stand. Many states responded to this endorsement of the OCC's rulings, or to fears that the OCC would apply the same reasoning to their states, by relaxing their restrictions on intrastate branching by state-chartered banks. Without such action, state-chartered banks in these states would have faced more stringent branching restrictions than the national banks with which they competed.

Interstate Bank Branching. Rulings by the OCC also spurred states to relax restrictions on interstate branching. Under a long-standing rule, a national bank was allowed to move its head office up to thirty miles and to maintain the previous head office as a branch. In February 1985, the Comptroller first used this "thirty-mile rule" to facilitate interstate branching: A national bank that had an office within thirty miles of a state line could make that its head office and use the rule to branch into the adjacent state. The rule was used sparingly until 1994, but after surviving court challenges, it has since been used by some bank holding companies for branching across state lines despite an absence of state laws allowing such branching. A few bank holding companies have merged banks in more than two states by repeatedly moving their banks' head offices near a state border, then across the border (but less than thirty miles), then across the new "home" state to within thirty miles of another state border. This practice has encouraged some states to allow interstate branching by state banks before the 1997 date set by the Riegle–Neal Act so that state-chartered banks are not at a disadvantage relative to national banks that branch interstate. Although the Riegle–Neal Act allows states to prohibit interstate branching after 1997, only Texas has taken advantage of this "opt out" provision to date.

Branching by Thrift Institutions. In contrast to interstate expansion by banking organizations, which was initiated mainly by the states, interstate expansion by thrift institutions was begun in large part by federal regulators. The greater federal involvement arose from the difficulties of and, in many cases, the failure of a large number of thrift institutions whose deposits were insured by the federal government. The limited number of potential acquirers of these troubled thrifts in many states posed a problem for federal regulators, who sought to sell the firms at the least cost to the thrift deposit insurance fund.

In April 1986 the Federal Home Loan Bank Board, which at the time was the federal regulator of thrift institutions, proposed that buyers of failing thrift institutions be allowed to branch into any three states of their choice. As the thrift institution crisis worsened, the Congress formed the Resolution Trust Corporation (RTC) to dispose of the assets and liabilities of failed thrifts. In July 1990, in a case involving a New Mexico thrift institution, a federal appeals court upheld the RTC's right to allow purchasing banks to convert failed thrifts into branches, even if the conversion violated state branching laws. In May 1992 the Office of Thrift Supervision, successor agency to the Federal Home Loan Bank Board, acted to allow nationwide branching by all thrift institutions. Thus, thrift institutions achieved interstate branching rights in 1992 that most banking organizations will not achieve until 1997.

Changes in Credit Union Membership Regulations

Unlike other depository institutions, credit unions were not, over 1984–94, directly affected by legislative changes concerning their geographic distribution. Throughout the period, credit unions were allowed to expand nationwide so long as they met the requirement of the Federal Credit Union Act that members of a single credit union "be limited to groups having a common bond of occupation or association." The structure of credit unions—both their size and their geographic location—has, however, been affected by rulings by the National Credit Union Administration (NCUA), regulator of federally chartered credit unions.

In 1982 the NCUA, in an expansive interpretation of the common bond requirement, ruled that in some cases a single credit union could serve more than one unrelated group, each of which shared a common bond. This ruling, which has survived many court challenges, led to credit union mergers and to an expansion of the definition of "common bond." Though a court in one case ruled that a proposed common bond was too ephemeral to qualify under the act (a credit union asserted that individuals over the age of fifty living within twenty-five miles of Houston had a common bond), the courts have generally looked favorably upon attempts by credit unions to expand their memberships.

Another regulatory change had the effect of encouraging the geographic expansion of credit unions. In 1991, the NCUA began to allow credit unions to share branches, giving them an inexpensive way of expanding their geographic coverage as well as their appeal to potential members.

Failures of Depository Institutions

In the late 1980s and early 1990s, failures of depository institutions rose to levels not seen since the depression of the 1930s. For example, 1,276 *banks* failed during 1984–94, according to the Federal Deposit Insurance Corporation. This number overstates the net loss of *banking organizations*, however, partly because in some cases more than one bank owned by the same multibank holding company failed. Also, some failed banks were reopened by investors who were not operating a banking organization at the time, so the failure did not result in a reduction in the number of banks. In fact, the actual decrease in the number of banking organizations resulting from bank failures is likely less than one-fourth as large as the decline attributable to mergers and acquisitions of healthy banking organizations during the ten-year period.

Credit union failures during 1984–94 totaled 987 and accounted for 27 percent of the net decline in credit union numbers over the period. Because the formation of new credit unions during the ten years partly offset the decline resulting from failures and mergers, however, failures accounted for a lesser percentage of the total decline of credit unions. Mergers were the primary cause of the loss of credit unions during 1984–94. However, the line between credit union mergers and failures can be murky because many credit union mergers have been prompted by the poor financial condition of one of the firms involved.

Failures played a prominent role in the decline in the number of thrift institutions. Between 1984 and 1994, 1,129 thrifts failed, more than three quarters of the decline of 1,466 in the number of thrift institutions over the period. Overall, however, mergers and acquisitions among healthy depository institutions appear to have played a greater role in the consolidation of depository institutions than did failures.

AGGREGATE STRUCTURAL CHANGE

Structural change can be measured by changes in the number of depository institutions and the redistribution of deposits among these institutions. It can also be seen in the movement of depository institutions among size classes and in changes in the concentration of deposits among the largest depository institutions.

Changes in Number and Deposits

Between year-end 1984 and year-end 1994, the number of federally insured thrift institutions declined nearly 40 percent, the number of banking organizations more than 30 percent, and the number of credit unions more than 20 percent. At the end of 1994, more than half of all federally insured depository institutions were credit unions and fewer than one-tenth were thrifts (table 1).

1. Distribution of federally insured depository institutions by type of institution, 1984 and 1994

Type of institution	1984					1994				
	Number of firms	Percent of total	Deposits (billions of dollars)	Percent of deposits	Mean deposits per firm (millions of dollars)	Number of firms	Percent of total	Deposits (billions of dollars)	Percent of deposits	Mean deposits per firm (millions of dollars)
Banking organizations	11,342	38.0	1,613.7	61.4	142.3	7,898	36.1	2,382.7	71.7	301.7
Independent banks	5,698	19.1	209.9	8.0	36.8	2,634	12.0	170.0	5.1	64.5
One-bank holding companies	4,926	16.5	467.7	17.8	94.9	4,464	20.4	523.0	15.7	117.2
Multibank holding companies	718	2.4	936.1	35.6	1,303.7	800	3.7	1,689.6	50.9	2,112.1
Thrift institutions	3,414	11.4	929.8	35.4	272.3	2,058	9.4	684.5	20.6	332.6
Savings and loan associations	2,882	9.6	697.5	26.5	242.0	776	3.5	147.2	4.4	189.7
Federal savings banks	264	.9	121.6	4.6	460.6	756	3.5	357.5	10.8	472.9
State savings banks	268	.9	110.7	4.2	413.0	526	2.4	179.8	5.4	341.8
Credit unions	15,126	50.6	84.1	3.2	5.6	11,927	54.5	254.0	7.6	21.3
Total	**29,882**	**100.0**	**2,627.6**	**100.0**	**87.9**	**21,883**	**100.0**	**3,321.2**	**100.0**	**151.8**

NOTE. The data in this table are, to the extent possible, aggregated within categories. Thus, banks that are part of the same multibank holding company are aggregated into one banking organization. Banking organizations and thrift institutions that are affiliated are counted separately, as are any combinations of the three different types of thrift institution that are under common ownership. "Chain banking" organizations—banks owned by an individual or a group of individuals but not legally affiliated—are not consolidated, owing to data limitations.

Data in tables 1–4 are as of year-end. In this and subsequent tables, components may not sum to totals, and calculations may not yield the percentages shown, because of rounding.

Within the banking industry, the number of independent banks (banks not owned by a bank holding company) dropped more than 50 percent, not only because of acquisitions and failures but also because some independent banks converted to one-bank holding companies (most conversions were for tax purposes and did not reflect an inability of independent banks to compete). Nevertheless, the number of one-bank holding companies also declined. Because the decline was smaller than that for all depository institutions, however, one-bank holding companies as a proportion of all insured depositories increased, to more than 20 percent. The number of multibank holding companies increased over the period, to 800, though the opposite might have been expected, as the relaxation of intrastate branching laws allowed multibank holding companies to merge their subsidiary banks into one bank. The increase indicates that this effect was more than offset by an increase in the number of such companies resulting from mergers and acquisitions among banking organizations; for example, because of the widespread prohibition on interstate branching during the period, interstate banking tended to increase the number of multibank holding companies.

Among thrift institutions, the number of savings and loan associations declined markedly while the number of federal and state savings banks increased. The number of savings and loans fell almost three-fourths, owing mainly to failures or acquisitions by banks or other thrifts. The decline was also due to the conversions of some savings and loans to savings banks, many of which were undertaken because of differences in fees and regulations applied to the two types of institutions. The number of federal savings banks nearly tripled, and that of state savings banks almost doubled, but both types of institution remained relatively uncommon.

The extent of the decline of thrift institutions relative to other depository institutions can be seen clearly in the data on deposits (table 1). The share of all deposits held by federally insured thrifts fell from 35 percent in 1984 to just over 20 percent in 1994. Over the same period, the share held by banking organizations increased from about 60 percent to more than 70 percent, and the share held by credit unions more than doubled, to almost 8 percent.

Among banking organizations, multibank holding companies gained deposit share while independent banks and one-bank holding companies lost share. By the end of 1994, multibank holding companies controlled more than 50 percent of all deposits of federally insured depository institutions, compared with only 5 percent for independent banks. Among thrift institutions, savings and loans lost 80 percent of their deposit share, going from more than 25 percent of all deposits to less than 5 percent. In contrast, federal savings banks more than doubled their share, and state-chartered savings banks increased their share slightly; combined, the groups hold about 15 percent of total deposits.

Historically, the average thrift institution has been larger than the average banking organization (as measured by deposits), probably owing in part to less restrictive geographic limitations on thrift branching. This size differential decreased over the past ten years: The average size of banking organizations more than doubled while the average size of thrift institutions increased just 22 percent. In fact, because the percentage increase for thrift institutions was less than inflation over 1984–94 (38.6 percent as measured by the implicit gross domestic product deflator), the average thrift institution's deposits shrank in real terms. The average size of credit unions nearly quadrupled over the decade, but credit unions remain much smaller than other types of depository institutions.

Multibank holding companies had the greatest absolute increase in size over the ten years and the third largest percentage increase among all types of depository institutions, behind credit unions and independent banks. At the other extreme, both savings and loan associations and state-chartered savings banks were smaller, on average, at year-end 1994 than at year-end 1984.

Changes in Size Distributions

Between year-end 1984 and year-end 1994, federally insured depository institutions tended to grow larger (as measured by deposits): The percentage of institutions in all size groups but the smallest rose whereas the percentage in the smallest size group fell, from 26 percent to 12 percent (table 2). Institutions controlling less than $5 billion in deposits tended to lose deposit share whereas those controlling more than $5 billion gained share, from about 30 percent to more than 50 percent.

When 1994 deposits are deflated to account for inflation and the growth in deposits resulting from a growing economy, so that total 1994 "adjusted" deposits equal total 1984 nominal deposits, the picture is slightly different: The percentage of institutions in the smallest size group again shrinks, from 26 percent to less than 15 percent, but the percentage of institutions in the medium and large size groups—$500 million to $5 billion in deposits—also drops slightly. The decrease in the number of medium and large firms may herald the development of a two-tiered distribution, with a large number of smaller depositories and a small number of very large depositories. Such a two-tiered distribution may have resulted from the many acquisitions by very large interstate depository institutions. Although smaller firms—those with $1 million to $500 million in deposits—are increasing as a percentage of all depository institutions, they generally are not main-

2. Distribution of federally insured depository institutions based on nominal and growth adjusted deposits, 1984 and 1994

Deposits (millions of dollars)	1984				1994							
					Nominal deposits				Adjusted deposits			
	Number of firms	Percent of total	Total deposits (billions of dollars)	Percent of deposits	Number of firms	Percent of total	Total deposits (billions of dollars)	Percent of deposits	Number of firms	Percent of total	Total deposits (billions of dollars)	Percent of deposits
All Depository Institutions												
Less than 1	7,812	26.2	2.8	.1	2,668	12.3	1.2	*	3,146	14.5	1.4	.1
1–5	4,924	16.5	12.1	.5	3,942	18.1	10.3	.3	4,140	19.0	10.7	.4
5–10	2,475	8.3	18.3	.7	2,071	9.5	15.0	.5	2,186	10.0	15.9	.6
10–50	8,816	29.5	221.0	8.4	6,811	31.3	177.7	5.3	7,113	32.7	182.2	6.9
50–100	2,785	9.3	194.2	7.4	2,889	13.3	204.5	6.2	2,525	11.6	177.9	6.8
100–500	2,328	7.8	468.0	17.8	2,772	12.7	549.0	16.5	2,158	9.9	420.1	16.0
500–1,000	344	1.2	241.9	9.2	278	1.3	192.9	5.8	218	1.0	150.4	5.7
1,000–5,000	319	1.1	687.0	26.1	231	1.1	476.8	14.4	196	.9	417.6	15.9
5,000–10,000	39	.1	279.1	10.6	52	.2	364.4	11.0	42	.2	288.1	11.0
10,000–50,000	24	.1	438.4	16.7	40	.2	873.9	26.3	32	.1	686.4	26.1
50,000–100,000	1	*	64.7	2.5	5	*	328.7	9.9	3	*	176.5	6.7
More than 100,000	0	...	...	...	1	*	126.8	3.8	1	*	100.3	3.8
Total	**29,867**	**100.0**	**2,627.6**	**100.0**	**21,760**	**100.0**	**3,321.2**	**100.0**	**21,760**	**100.0**	**2,627.6**	**100.0**
Banking Organizations												
Less than 1	14	.1	**	*	21	.3	**	*	22	.3	**	*
1–5	379	3.3	1.4	.1	54	.7	.2	*	105	1.3	.4	*
5–10	1,203	10.6	9.2	.6	294	3.7	2.3	.1	489	6.2	3.8	.2
10–50	6,463	57.0	162.8	10.1	3,671	46.5	103.4	4.3	4,151	52.6	112.1	5.9
50–100	1,861	16.4	128.2	7.9	1,943	24.6	137.9	5.8	1,683	21.3	118.2	6.3
100–500	1,081	9.5	204.6	12.7	1,577	20.0	300.1	12.6	1,170	14.8	222.8	11.8
500–1,000	131	1.2	94.3	5.8	145	1.8	101.6	4.3	104	1.3	70.3	3.7
1,000–5,000	163	1.4	396.2	24.6	115	1.5	247.8	10.4	109	1.4	236.6	12.5
5,000–10,000	26	.2	192.3	11.9	36	.5	252.6	10.6	32	.4	222.5	11.8
10,000–50,000	20	.2	360.0	22.3	37	.5	833.5	35.0	29	.4	623.1	33.1
50,000–100,000	1	*	64.7	4.0	4	.1	278.1	11.7	4	.1	275.4	14.6
More than 100,000	0	...	...	...	1	*	125.1	5.3	0	...	...	...
Total	**11,342**	**100.0**	**1,613.7**	**100.0**	**7,898**	**100.0**	**2,382.7**	**100.0**	**7,898**	**100.0**	**1,885.1**	**100.0**
Thrift Institutions												
Less than 1	8	.2	**	*	4	.2	**	*	4	.2	**	*
1–5	36	1.1	.1	*	12	.6	**	*	19	.9	**	*
5–10	100	2.9	.8	.1	33	1.6	.2	*	58	2.8	.4	.1
10–50	1,006	29.5	29.8	3.2	534	25.9	16.1	2.4	655	31.8	19.3	3.6
50–100	725	21.2	52.3	5.6	459	22.3	33.0	4.8	456	22.2	32.5	6.0
100–500	1,151	33.7	246.9	26.6	781	37.9	169.2	24.7	676	32.8	140.2	25.9
500–1,000	211	6.2	145.8	15.7	106	5.2	73.1	10.7	94	4.6	67.4	12.4
1,000–5,000	161	4.7	304.3	32.7	111	5.4	229.3	33.5	85	4.1	182.9	33.8
5,000–10,000	12	.4	79.8	8.6	14	.7	92.2	13.5	8	.4	50.4	9.3
10,000–50,000	4	.1	70.0	7.5	4	.2	71.3	10.4	3	.1	48.3	8.9
Total	**3,414**	**100.0**	**929.8**	**100.0**	**2,058**	**100.0**	**684.5**	**100.0**	**2,058**	**100.0**	**541.6**	**100.0**
Credit Unions												
Less than 1	7,790	51.5	2.8	3.4	2,644	22.2	1.2	.5	3,121	26.2	1.4	.7
1–5	4,509	29.8	10.6	12.6	3,877	32.5	10.0	4.0	4,017	33.7	10.3	5.1
5–10	1,173	7.8	8.3	9.9	1,746	14.6	12.4	4.9	1,641	13.8	11.7	5.8
10–50	1,349	8.9	28.4	33.8	2,635	22.1	59.0	23.2	2,341	19.6	51.8	25.8
50–100	204	1.3	14.1	16.8	516	4.3	35.8	14.1	416	3.5	29.3	14.6
100–500	98	.6	16.8	20.0	462	3.9	88.9	35.0	360	3.0	66.6	33.1
500–1,000	2	*	1.5	1.7	35	.3	23.1	9.1	23	.2	14.8	7.4
1,000–5,000	1	*	1.5	1.8	11	.1	17.2	6.8	8	.1	15.3	7.6
5,000–10,000	0	...	...	...	1	*	6.3	2.5	0	...	...	...
Total	**15,126**	**100.0**	**84.1**	**100.0**	**11,927**	**100.0**	**254.0**	**100.0**	**11,927**	**100.0**	**201.0**	**100.0**

Note. Adjusted deposits were calculated by deflating 1994 total nominal deposits for all depository institutions to equal 1984 total deposits.

Depository institutions that are under common ownership are consolidated within the category of depository institution examined.

* Less than 0.05 percent.

** Less than $50,000,000.

. . . Not applicable.

taining their share of deposits: The share controlled by firms with less than $500 million in deposits declined between 1984 and 1994 while the share controlled by firms with more than $5 billion in deposits increased, from less than one-third to nearly one-half.

A breakdown of the data by depository type gives a picture of the elements of the structural change. The overall changes appear to result from the growth of very large banks and a few very large thrifts (the acquirers in interstate banking) combined with an increase in the number of moderate-sized thrifts and credit unions.

Banking Organizations. The proportion of very small banking organizations increased slightly over the ten years, but the total number remains quite small. The proportion of somewhat larger banking organizations—those controlling $1 million to $50 million in deposits—decreased whereas the proportion in every larger size category increased. Banking organizations with less than $10 billion in deposits tended to lose deposit share while larger banking organizations tended to gain share.

When 1994 deposits are adjusted to control for the growth of deposits, the picture of changes in the distribution of banking organizations is similar: The proportion of firms controlling $1 million to $50 million in deposits declines whereas the proportion in other size categories increases. Changes in the distribution of deposit share are also similar, with firms controlling $10 billion or more in deposits increasing their share and those in all smaller size categories continuing to lose share. These numbers indicate that large banks have gained and small banks have lost, and they give no hint that a two-tiered distribution is developing within the banking industry. Economies of scale provide one possible explanation for this trend. A number of studies have found economies of scale in the banking industry up to the level of roughly $100 million. The removal of geographic barriers to entry is another, complementary, explanation.

Thrift Institutions. Small thrift institutions—those controlling less than $50 million in deposits—constituted a smaller proportion of all thrift institutions at year-end 1984 than at year-end 1994, as did thrifts with $500 million to $1 billion in deposits. Thrifts in other small and medium categories, however—those controlling $50 million to $500 million in deposits—and large thrifts—those controlling more than $1 billion in deposits—became relatively more common. When 1994 deposits are adjusted for deposit growth, the smallest thrifts (deposits of less than $10 million) become relatively less common, small and medium-sized thrifts (deposits of $10 million to $100 million) more common, larger thrifts (deposits of $100 million to $5 billion) less common, and the largest thrifts more common. This pattern of change suggests that thrift institutions may be developing a two-tiered distribution, with a small number of very large firms and a large number of medium-sized firms.

The data also indicate that a bifurcated pattern in the distribution of deposit shares may be developing for thrift institutions. The deposit shares for all size groups controlling less than $1 billion in 1994 nominal deposits declined. When 1994 deposits are adjusted for deposit growth, however, thrifts controlling less than $100 million in deposits gain share or hold their own, those controlling $100 billion to $1 billion in deposits lose share, and those above $1 billion gain share. The latter pattern is, in part, the result of the rapid interstate expansion by large thrifts in recent years: Those large thrifts that survived the industry shakeout in the 1980s have grown through acquisitions of both healthy and struggling rivals, and the quickest route to expansion has been the acquisition of a few relatively large institutions rather than of numerous smaller firms.

Credit Unions. The changes in the distribution of credit unions by size between year-end 1984 and year-end 1994 are similar to the changes among banking organizations, though credit unions are much smaller, on average, than banking organizations: All but the smallest credit unions became relatively more common, whether 1994 deposits are measured in nominal or adjusted terms. The deposit share for credit unions controlling up to $100 million in deposits declined whereas the share for larger credit unions increased, from less than one-quarter to more than one-half (just under one-half for 1994 adjusted deposits). The share controlled by the largest credit unions—those with more than $500 million in deposits—more than quadrupled.

In summary, the data for size distributions of depository institutions in terms of the number of institutions and deposit share show that larger banking organizations and credit unions have gained relative to small firms and that among thrift institutions a two-tiered structure may be emerging, with a small number of very large thrifts and a large number of medium-sized thrifts. Because credit unions are so much smaller, on average, than other depositories, the growth of large credit unions over 1984–94 has increased the proportion and deposit share of medium-sized depository institutions.

Changes in Distribution of Deposits

Among federally insured depository institutions, very large firms are clearly gaining control of an increasing share of all deposits. A breakdown of depositories by percentile class allows a closer look at this trend (table 3).

From year-end 1984 to year-end 1994, the share of federally insured deposits controlled by the largest 1 percent of depository institutions (about 300 firms in 1984 and 220 in 1994) increased from 52 percent to 61 percent. Almost all the increase came at the expense of other very large firms: The share for firms in the largest decile but not in the largest percentile fell from 30 percent to 22 percent. Depositories in the second-, third-, and fourth-largest deciles also lost share, but to a much smaller extent. Depositories in the six smallest deciles gained share, though their share of total deposits remained very small. This pattern is similar to that seen in the data in table 2, with the largest firms and the smaller firms showing relatively greater growth.

The picture for banking organizations is somewhat different. Like depository institutions as a whole, banking organizations in the largest percentile increased their deposit share substantially, and the remainder of the organizations in the largest decile lost share. However, banking organizations in all deciles below the largest also lost share. Thus, only the largest 1 percent of banking organizations (about 100 firms) grew faster than the mean growth rate among such organizations between 1984 and 1994.

Thrift institutions in all deciles but the largest also lost share. However, in contrast to banking organizations, thrifts in the entire largest decile, not just those in the largest percentile, gained share. Thus, unlike the largest banking organizations, the largest thrift institutions grew not by taking deposit share from firms almost as large as they were, but rather by taking share from smaller ones.

Credit unions generally did not show a great change in concentration of deposits at the decile level. Firms in the largest decile and the two smallest deciles lost a little deposit share, and firms in all other deciles gained share.

Combining these trends for banking organizations, thrift institutions, and credit unions, the change in the structure of depository institutions over 1984–94 is one of consolidation, with very large banks buying large banks and very large thrifts buying smaller thrifts, and of rapid growth by medium-sized credit unions, which resulted in an increase in the share held by the smallest 60 percent of depository institutions.

[illegible]

A breakdown of the data for just the 200 largest depository institutions shows that the pattern of change in deposit concentration within this group of very large depositories was similar to that for depository institutions as a whole: The largest 100 deposi-

3. Distribution of deposits, by size class of federally insured depository institutions, 1984 and 1994

Size class percentile	1984: Deposits (billions of dollars)	1984: Percent of total	1994: Deposits (billions of dollars)	1994: Percent of total
ALL DEPOSITORY INSTITUTIONS				
99	1,371.1	52.2	2,029.8	61.1
90–98	801.3	30.5	736.9	22.2
80–89	207.7	7.9	233.2	7.0
70–79	111.9	4.3	131.6	4.0
60–69	66.4	2.5	82.1	2.5
50–59	38.6	1.5	51.6	1.6
40–49	19.1	.7	30.1	.9
30–39	7.2	.3	15.3	.5
20–29	2.8	.1	7.1	.2
10–19	1.1	*	2.9	.1
0–9	.3	*	.7	*
Total	**2,627.6**	**100.0**	**3,321.2**	**100.0**
BANKING ORGANIZATIONS				
99	853.3	52.9	1,494.2	62.7
90–98	427.3	26.5	484.9	20.3
80–89	100.8	6.2	123.5	5.2
70–79	64.8	4.0	78.0	3.3
60–69	47.3	2.9	57.1	2.4
50–59	36.2	2.2	43.7	1.8
40–49	28.0	1.7	33.7	1.4
30–39	21.6	1.3	26.2	1.1
20–29	16.3	1.0	19.9	.8
10–19	11.7	.7	13.9	.6
0–9	6.4	.4	7.7	.3
Total	**1,613.7**	**100.0**	**2,382.7**	**100.0**
THRIFT INSTITUTIONS				
99	227.7	24.5	177.7	26.0
90–98	350.5	37.7	275.6	40.3
80–89	129.2	13.9	81.8	11.9
70–79	73.1	7.9	47.6	7.0
60–69	48.3	5.2	32.6	4.8
50–59	34.2	3.7	23.2	3.4
40–49	24.5	2.6	16.8	2.5
30–39	17.8	1.9	12.4	1.8
20–29	12.6	1.4	8.7	1.3
10–19	8.1	.9	5.8	.8
0–9	3.7	.4	2.4	.3
Total	**929.8**	**100.0**	**684.5**	**100.0**
CREDIT UNIONS				
99	24.3	28.9	72.6	28.6
90–98	36.5	43.4	106.4	41.9
80–89	10.8	12.8	33.6	13.2
70–79	5.1	6.1	16.8	6.6
60–69	2.9	3.5	9.7	3.8
50–59	1.8	2.2	6.1	2.4
40–49	1.1	1.3	3.9	1.5
30–39	.7	.8	2.4	1.0
20–29	.4	.5	1.4	.6
10–19	.2	.3	.7	.3
0–9	.1	.1	.2	.1
Total	**84.1**	**100.0**	**254.0**	**100.0**

NOTE. All depository institutions that are under common ownership are consolidated within the type of depository institution examined.

* Less than 0.05 percent.

tories gained deposit share between year-end 1984 and year-end 1994 while the next-largest 100 depositories lost share (table 4). Also, the percentage increase in deposit share over the ten years was largest for the largest firms: The share of deposits controlled by the ten largest depository institutions increased 68 percent; the share for those ranked 11 through 25, 55 percent; for those ranked 26 through 50, 33 percent; and for those ranked 51 through 100, 7 percent. The next-largest 100 depositories lost 13 percent of their deposit share over the ten years.

Among the 200 largest banking organizations, the 50 largest gained deposit share while the others lost share. As for depository institutions as a whole, the rate of increase in deposit share was greatest for the largest banking organizations and was progressively smaller for smaller banking organizations. The picture for the 200 largest thrift institutions was somewhat different: All subsets of the 200 largest firms gained share, though the gain for firms ranked 101 through 200 was marginal. Also, the percentage increase in deposit share was not uniformly greater the larger the firm: Thrifts ranked 26 through 50 grew at a faster rate than larger thrifts. Credit unions showed the same general pattern as banking organizations, with larger firms growing most rapidly, though differences among the subsets were smaller.

4. Shares of deposits controlled by the largest federally insured depository institutions, 1984 and 1994

Percent

Rank (by volume of deposits)	Share of deposits		Change, 1984–94
	1984	1994	
All Depository Institutions			
1–10	10.9	18.3	67.8
11–25	7.8	12.0	55.0
26–50	7.6	10.0	32.5
51–100	9.4	10.0	6.7
101–200	10.4	9.1	–12.5
Banking Organizations			
1–10	17.4	25.6	46.8
11–25	11.2	16.4	46.8
26–50	10.5	12.9	22.4
51–100	11.7	11.2	–4.2
101–200	11.3	7.1	–37.3
Thrift Institutions			
1–10	12.4	17.0	37.1
11–25	8.7	11.8	34.9
26–50	8.4	12.1	44.9
51–100	10.4	12.2	17.9
101–200	12.3	12.5	1.6
Credit Unions			
1–10	6.8	8.5	23.9
11–25	4.4	4.9	11.7
26–50	5.0	5.5	10.4
51–100	7.2	7.4	3.0
101–200	9.7	10.0	2.6

The increase in concentration among depository institutions can also be seen by comparing the amounts of deposits held by depository institutions of the same rank in 1984 and 1994 (not shown in table). The 164 largest depositories were larger in 1994 than in 1984; however, the depositories ranked 165 and lower (some 21,719 institutions) were smaller in 1994, even in nominal dollars, than the firms of the same rank in 1984—despite inflation and the growth of the economy, which would tend to lead to larger depository institutions. For example, the largest depository institution in 1994 controlled $126.76 billion in deposits (in nominal dollars), the largest in 1984, $64.65 billion; and the 100th largest depository institution in 1994 controlled $4.86 billion in deposits, the 100th largest in 1984, $3.75 billion. However, the 165th largest firm in 1994 controlled $2.35 billion in deposits, down from $2.36 billion in 1984; the 250th largest firm controlled $1.44 billion in 1994, down from $1.63 billion in 1984; and the 500th largest firm controlled $623.4 million in 1994, down from $757.4 million in 1984. This pattern is consistent with the conclusions drawn from the data in table 3: Consolidation has involved the acquisition of firms in the second tier by the very largest firms. Acquisitions by very large depository institutions of other, merely "large" institutions reduced the number of firms that control a few billion dollars of deposits. For example, the number of firms controlling between $2 billion and $5 billion in deposits dropped from 140 in 1984 to 90 in 1994.

These data showing the concentration of deposits among the largest depository institutions likely understate the true extent of the increase in the concentration of resources among depositories. By focusing on deposits, this article focuses on retail activities and ignores the rapid growth of some wholesale and other nondepository activities of the largest depository institutions. The rate of growth of nondeposit liabilities and off-balance-sheet activity, which is concentrated among the largest firms, has been greater than the rate of growth of deposits.

Structural Change at the State Level

The increase in the nationwide concentration of deposits clearly is due, at least in part, to the interstate expansion of depository institutions over the past decade. Shifts in the proportion of deposits controlled by the three major categories of depository institutions—banking organizations, thrift institutions, and credit unions—and changes in deposit concentration also occurred at the state level.[4]

Deposit Shares Held, by Type of Depository Institution

Data on the distribution of deposits in each of the fifty states and the District of Columbia show that although the importance of the three types of institution varies considerably from state to state, the decline of thrift institutions and the growth of credit unions over 1984–94 occurred throughout the country (table 5).

In 1984, the percentage of deposits within a state held by banking organizations ranged from a high of 83 percent in South Dakota to a low of 36 percent in Connecticut. The high percentages for two of the three states in which banking organizations controlled more than 80 percent of the state's deposits—Delaware and South Dakota—were due in large part to an unusually large presence of credit card banks in those states.[5] However, many other states were dominated by banking organizations to nearly the same extent: In thirteen states, banking organizations controlled 70 percent to 80 percent of all deposits; in only six states did banking organizations control less than 50 percent of all deposits.

In 1984, the share of deposits controlled by thrift institutions ranged from a high of 61 percent in Connecticut to a low of 9 percent in Alaska. In five states—Connecticut, Florida, Maine, New Hampshire, and New Jersey—thrift institutions held a greater share of deposits than did banks, and in California the two types of depository were nearly equal in importance. Thrifts controlled more than 40 percent of deposits in eight states and less than 20 percent of deposits in eight.

The presence of credit unions was small in almost all states in 1984. In Alaska, credit unions controlled 18 percent of all deposits; Utah was the only other state in which they exceeded a 10 percent deposit share. Credit unions controlled less than 5 percent of deposits in thirty-one states, with a low of 0.2 percent of deposits in Wisconsin.

By 1994, the distribution of deposits had changed considerably. The percentage of deposits at thrift institutions had declined in every state except New Hampshire and Rhode Island. The share held by thrifts exceeded that held by banking organizations only in Connecticut and New Hampshire, and in both states there were large thrifts that were controlled by bank holding companies. In many states the decline in thrift deposits was precipitous. For example, thrifts' share fell roughly 90 percent in both Arizona and Delaware. The decline in Arizona was due primarily to the failure of the state's large thrift institutions, whereas the decline in Delaware was connected to an increase in size of the state's credit card banks. The number of states in which thrifts controlled more than 40 percent of deposits fell from eight in 1984 to two in 1994, with New Hampshire's thrifts, at 55 percent of deposits, topping the list. The number of states in which thrifts held less than 20 percent of deposits rose from eight in 1984 to thirty-one (plus the District of Columbia) in 1994, and the number in which they held less than 10 percent of deposits grew from one to thirteen.

As the importance of thrift institutions declined, the importance of both banking organizations and credit unions grew. In 1994, the share of deposits within a state held by banking organizations ranged from 96 percent in Delaware to 37 percent in New Hampshire. Banking organizations held 80 percent or more of deposits in nineteen states, up from three in 1984, and less than 70 percent of deposits in only fourteen states (plus the District of Columbia), down from thirty-four states (and the District) in 1984.

The growth of credit unions was as uniform across states as the decline of thrifts: The deposit share controlled by credit unions increased in every state but Delaware, a result that again is due to the growth of credit card banks in that state. By 1994, credit unions' shares ranged from 29 percent in Alaska to 2 percent in Delaware. The number of states in which credit unions controlled at least 10 percent of state deposits rose from two to fourteen (plus the District of Columbia), and the number in which they held less than 5 percent of deposits fell from thirty-one to eight.

Concentration of Deposits

The increase in concentration of deposits seen at the national level also occurred at the state level. One

4. Because of data limitations, all credit union deposits are assigned to the state and local market in which the credit union is headquartered, so deposits in any interstate branches are assigned incorrectly. However, because interstate credit unions control a very small share of all deposits, incorrect assignment should not materially affect the data.

5. A credit card bank is a bank with a commercial bank charter that specializes in processing credit card accounts, usually from throughout the nation, and does not compete with local retail banks for other types of retail banking business.

measure of concentration at the state level is the percentage of deposits controlled by the three largest depository institutions in the state—the three-firm concentration ratio. From 1984 to 1994, the three-firm concentration ratio increased in every state but South Dakota (table 6). The anomalous decline in South Dakota was due largely to the relative decline in the size of a large credit card bank. In some states the increase in the three-firm concentration ratio was substantial. For example, it tripled in Louisiana and more than doubled in Florida, Indiana, Kansas, and West Virginia. The ratio increased more than 20 percentage points in five states—Alaska, Arizona, Florida, Louisiana, and West Virginia—and at least 10 percentage points in an additional seventeen states.

A second measure of concentration of deposits is the Herfindahl–Hirschman Index (HHI)—the measure used by federal antitrust authorities to examine

5. Distribution of deposits among federally insured depository institutions, by state, 1984 and 1994

Shares in percent; change in percentage points

State	Banking organizations			Thrift institutions			Credit unions		
	1984	1994	Change, 1984–94	1984	1994	Change, 1984–94	1984	1994	Change, 1984–94
Alabama	71.8	85.2	13.4	21.6	4.8	−16.8	6.6	10.0	3.4
Alaska	72.7	67.9	−4.8	9.0	3.5	−5.6	18.3	28.6	10.4
Arizona	61.2	87.7	26.5	33.7	2.9	−30.8	5.1	9.4	4.3
Arkansas	66.7	88.4	21.7	32.0	8.9	−23.1	1.3	2.7	1.4
California	48.3	58.3	10.0	48.0	31.1	−16.9	3.7	10.6	6.9
Colorado	58.3	72.2	13.9	35.6	15.8	−19.8	6.1	12.0	5.9
Connecticut	35.5	41.6	6.1	60.6	52.8	−7.8	3.8	5.5	1.7
Delaware	80.7	96.3	15.6	16.5	1.7	−14.9	2.8	2.1	−.7
District of Columbia	64.0	67.4	3.4	27.9	14.6	−13.4	8.1	18.0	9.9
Florida	47.9	69.3	21.4	49.2	23.8	−25.4	3.0	6.9	3.9
Georgia	66.8	85.6	18.8	29.1	6.9	−22.2	4.2	7.6	3.4
Hawaii	62.7	56.7	−6.1	28.8	27.1	−1.6	8.5	16.2	7.7
Idaho	77.4	82.6	5.3	17.6	8.5	−9.1	5.1	8.9	3.8
Illinois	64.8	71.8	7.0	33.0	22.8	−10.2	2.2	5.4	3.2
Indiana	71.2	73.9	2.7	23.0	16.2	−6.8	5.8	9.9	4.1
Iowa	74.3	81.8	7.5	22.8	12.5	−10.2	2.9	5.7	2.8
Kansas	65.9	71.8	6.0	30.8	23.1	−7.7	3.4	5.1	1.7
Kentucky	74.5	82.1	7.6	23.1	13.3	−9.8	2.5	4.6	2.2
Louisiana	68.9	82.5	13.5	28.3	10.3	−18.0	2.7	7.2	4.5
Maine	43.3	50.0	6.6	48.7	37.1	−11.6	8.0	13.0	5.0
Maryland	61.7	65.3	3.6	33.4	25.0	−8.5	4.9	9.7	4.8
Massachusetts	61.1	55.9	−5.2	36.1	35.5	−.6	2.8	8.6	5.8
Michigan	67.8	70.2	2.4	24.9	16.3	−8.6	7.3	13.5	6.3
Minnesota	73.2	81.2	8.0	23.2	10.8	−12.4	3.6	8.0	4.4
Mississippi	79.3	88.4	9.1	18.1	6.8	−11.3	2.6	4.8	2.2
Missouri	65.0	80.9	15.9	32.0	14.0	−18.0	3.0	5.1	2.1
Montana	77.5	73.9	−3.7	16.7	15.0	−1.7	5.7	11.1	5.4
Nebraska	68.7	82.1	13.3	28.4	13.4	−15.0	2.8	4.5	1.7
Nevada	59.6	72.9	13.3	33.5	17.5	−16.1	6.8	9.6	2.8
New Hampshire	46.0	36.8	−9.2	48.5	54.9	6.4	5.5	8.3	2.8
New Jersey	45.2	59.2	14.0	52.6	36.4	−16.2	2.2	4.3	2.2
New Mexico	65.3	79.4	14.1	28.9	7.8	−21.2	5.8	12.9	7.1
New York	60.0	72.4	12.4	38.3	23.5	−14.9	1.6	4.1	2.5
North Carolina	65.0	80.0	15.0	29.8	10.6	−19.2	5.2	9.4	4.2
North Dakota	65.9	72.2	6.3	29.9	21.4	−8.5	4.2	6.4	2.2
Ohio	55.6	70.8	15.2	41.5	23.8	−17.7	2.9	5.4	2.5
Oklahoma	74.7	80.2	5.5	21.0	10.9	−10.1	4.3	8.9	4.6
Oregon	57.9	73.1	15.2	35.9	13.9	−22.0	6.1	13.0	6.9
Pennsylvania	70.5	77.7	7.2	26.4	15.7	−10.6	3.1	6.6	3.4
Rhode Island	67.9	64.0	−3.9	27.7	29.3	1.6	4.4	6.7	2.3
South Carolina	51.2	71.7	20.5	42.9	20.0	−22.9	5.8	8.3	2.4
South Dakota	83.4	88.8	5.4	14.4	7.0	−7.4	2.3	4.2	1.9
Tennessee	72.4	82.2	9.8	24.0	9.2	−14.8	3.7	8.6	5.0
Texas	69.5	77.6	8.1	27.4	12.2	−15.2	3.1	10.2	7.1
Utah	69.3	74.1	4.8	18.8	5.0	−13.8	12.0	20.9	8.9
Vermont	69.8	66.9	−2.8	26.2	25.7	−.5	4.0	7.4	3.4
Virginia	64.3	72.0	7.7	26.2	10.5	−15.8	9.5	17.6	8.1
Washington	56.1	58.7	2.6	38.0	27.8	−10.2	5.9	13.5	7.6
West Virginia	83.1	86.4	3.3	14.0	6.8	−7.1	3.0	6.8	3.8
Wisconsin	68.2	67.1	−1.1	31.6	24.0	−7.6	.2	8.9	8.7
Wyoming	74.0	80.3	6.3	22.8	12.5	−10.3	3.2	7.1	4.0

NOTE. In this and subsequent tables, data on banking organizations and thrift institutions are as of June 30 rather than December 31 for both 1984 and 1994 because data on deposits at branches are collected only once a year, on June 30.

concentration in local banking markets and in markets in other industries. The HHI for a state is determined by calculating the percentage of deposits held by every depository institution in the state, then squaring these numbers and summing the results. If all deposits in a state were controlled by a single depository institution, the HHI for the state would be 10000 (100 percent squared); as the number of firms increases and their deposit shares become more equal, the HHI decreases toward its lower bound of zero. Unlike the share of deposits held by the three largest firms, the HHI incorporates information on the deposit shares held by *all* firms operating in a state.

Measuring concentration with the HHI yields results similar to those for the three-firm concentration ratio. Between 1984 and 1994, the HHI increased in every state but three—Hawaii (which had been the second most concentrated state in 1984), Montana, and South Dakota; in all three states the decline was less than 100 points. The increases in the HHI tended to be larger than these decreases. For example, the HHI increased more than fourfold in Louisiana and

6. Concentration of deposits at federally insured depository institutions, by state, 1984 and 1994

State	Percent held by 3 largest firms		Change, 1984–94 (percentage points)	Herfindahl–Hirschman Index		Change, 1984–94 (index points)
	1984	1994		1984	1994	
Alabama	31.2	45.9	14.7	453	819	366
Alaska	38.2	65.0	26.8	835	1684	850
Arizona	49.6	70.7	21.2	1153	1800	647
Arkansas	20.5	26.8	6.3	227	357	130
California	31.0	42.1	11.0	522	825	303
Colorado	23.8	36.5	12.7	395	578	183
Connecticut	25.7	34.1	8.4	342	539	196
Delaware	38.1	43.7	5.6	871	920	49
District of Columbia	45.2	47.8	2.6	965	1024	59
Florida	19.3	39.5	20.1	215	680	465
Georgia	31.0	32.9	1.9	437	532	95
Hawaii	60.0	62.6	2.7	1608	1575	–33
Idaho	57.4	63.6	6.1	1359	1676	317
Illinois	19.2	19.2	0	192	210	18
Indiana	12.4	27.4	14.9	90	345	255
Iowa	14.9	19.3	4.3	129	193	64
Kansas	11.9	25.0	13.1	94	299	205
Kentucky	18.8	29.5	10.8	174	368	194
Louisiana	10.4	34.4	24.0	96	472	376
Maine	28.4	42.3	13.9	477	709	232
Maryland	26.0	34.4	8.3	418	570	151
Massachusetts	30.7	31.8	1.1	475	494	20
Michigan	28.3	38.0	9.7	437	661	223
Minnesota	42.3	42.5	.2	722	768	46
Mississippi	23.1	36.6	13.4	282	586	305
Missouri	20.3	35.5	15.2	274	582	308
Montana	32.9	34.0	1.1	535	501	–34
Nebraska	20.4	30.0	9.6	224	393	169
Nevada	54.3	60.2	5.8	1413	1503	90
New Hampshire	23.7	35.2	11.4	345	613	268
New Jersey	16.1	19.0	2.9	197	273	76
New Mexico	30.9	37.4	6.5	509	677	168
New York	25.3	36.4	11.1	362	580	218
North Carolina	35.9	38.8	2.8	550	731	181
North Dakota	29.2	32.2	2.9	443	506	63
Ohio	21.9	31.9	10.0	257	465	208
Oklahoma	17.8	19.2	1.4	153	205	53
Oregon	48.7	52.0	3.3	970	1201	231
Pennsylvania	24.2	35.7	11.5	301	571	271
Rhode Island	67.2	77.6	10.4	1970	2175	204
South Carolina	28.4	38.4	10.0	437	669	232
South Dakota	44.4	41.2	–3.1	909	817	–92
Tennessee	25.4	31.0	5.6	318	492	174
Texas	19.8	28.6	8.8	245	346	101
Utah	42.5	48.6	6.1	810	1093	283
Vermont	33.3	43.6	10.3	659	883	224
Virginia	29.0	31.5	2.5	453	568	114
Washington	35.5	40.1	4.6	563	762	199
West Virginia	11.7	32.8	21.1	122	559	437
Wisconsin	20.2	31.6	11.4	204	403	199
Wyoming	29.4	33.1	3.7	446	636	190

West Virginia; more than tripled in Florida, Indiana, and Kansas; and more than doubled in Alaska, Kentucky, Mississippi, and Missouri. The number of states with an HHI greater than 1000 increased from five in 1984 to nine in 1994. Despite these sizable increases in concentration, however, deposits remain relatively unconcentrated in most states.

STRUCTURAL CHANGE AT THE LOCAL LEVEL

Analyses at the national and state levels show how financial resources in the aggregate are concentrated. Analyses of competition among depository institutions usually focus on concentration within local markets. Empirical evidence indicates that, despite technological developments allowing depository services to be provided by mail, telephone, home computer, and automated teller machine and despite the growth of nondepository financial firms, most households and small businesses continue to rely on local depository institutions when they seek depository services. This continued preference for local providers is reflected in data on the number of offices maintained by banking organizations and thrift institutions: Between 1984 and 1994, the number of such offices decreased by a much smaller percentage than did the number of such firms (8 percent compared with 33 percent). Further, the number of banks and bank branches rose 5 percent, despite a 30 percent decrease in the number of banking organizations.

Theory and empirical evidence suggest that an increase in local market concentration may reduce competition among providers of depository services. For this reason, antitrust authorities tend to focus on the number and size of other depository institutions in the local market when they analyze the effects on competition of proposed mergers and acquisitions among depository institutions. Specifically, they look at the market's HHI and the change in the HHI that would arise from the proposed merger.[6] Standard benchmarks are that a market with an HHI below 1000 is unconcentrated, a market with an HHI between 1000 and 1800 is moderately concentrated, and a market with an HHI above 1800 is highly concentrated. The greater the existing concentration in the market, the more serious an increase in the HHI resulting from a merger is considered.

6. In an antitrust analysis of a proposed merger among depository institutions, a careful assessment would be made of the geographic extent of the local market and the extent to which banks, thrifts, and credit unions compete with each other in the provision of financial services.

Given in table 7 are average HHIs for local markets in 1984 and 1994 and the changes in these averages over the period. To simplify the calculation, urban banking markets are assumed to be Metropolitan Statistical Areas (MSAs) and rural markets, non-MSA counties. The mean HHI for deposits increased for every category of market, although many of the increases were not large. For local deposit markets as a group, the average HHI rose 143 points, from 3291 to 3434. Because this overall average covers about 300 urban markets and nearly 2,600 rural markets, it is useful to examine the two types of markets separately.

The average HHI for urban markets increased 181 points during the ten years, from 1119 in 1984 to 1300 in 1994. Despite this increase, the average urban market remained moderately concentrated in 1994. The average HHI tended to be lower in larger urban markets than in smaller urban markets in both years, reflecting the fact that larger markets typically have more depository institutions, each of which would tend to have a smaller market share than would the relatively few firms in smaller markets. The average HHI for the largest urban markets was 939 in 1994, while the average HHI for the smallest urban markets was nearly twice as high. These smallest urban areas constituted the only group of urban markets that were, on average, highly concentrated. However, the increase in the HHI over 1984–94 was smaller for these small urban areas as a group than for any other group of urban markets.

The average concentration also rose in rural markets: The average rural market had an HHI of 3724 in

7. Mean Herfindahl-Hirschman Index for local markets based on deposits at federally insured depository institutions, 1984 and 1994

Local market population	1984	1994	Change, 1984–94 (index points)
All local markets	3291	3434	143
Urban markets			
All	1119	1300	181
More than 1 million	717	939	221
500,000–1 million	1066	1183	116
250,000–500,000	1017	1241	224
100,000–250,000	1286	1460	174
Less than 100,000	1715	1810	95
Rural markets			
All	3584	3724	140
More than 100,000	1403	1568	166
50,000–100,000	1816	1952	136
25,000–50,000	2271	2381	110
10,000–25,000	3319	3478	159
Less than 10,000	5419	5616	197

NOTE. Urban markets are defined as Metropolitan Statistical Areas, and rural markets as non-MSA counties.

1994, 140 points higher than in 1984. Concentration is considerably greater in rural markets than in urban markets. This is to be expected, as less populous areas cannot support as many competitors as can larger markets. Nevertheless, concentration levels in rural and urban markets of comparable size were about the same: Just as urban markets with populations of more than 100,000 were moderately concentrated, on average, the average rural market with more than 100,000 residents also was moderately concentrated. The very high average HHI for rural markets as a group is the result of the large number of rural counties with less than 25,000 residents; most of these markets have only a few depository institutions and thus are very highly concentrated.

The increase in local market concentration over the past ten years is probably due in large part to the decline in the number of thrift institutions operating in these markets. Analyses of bank deposits only (not reported here) do not show the increase in local market concentration that is found when deposits at all types of depository institution are examined.

Even the increase in local market concentration reported here is modest relative to the changes at the national and state levels. There are at least three reasons for the difference. First, most mergers have been between firms operating primarily in different banking markets. Such mergers increase national or statewide concentration but not local market concentration. Second, smaller banks have been able to retain their market share and profitability in competition with larger banks in the same market. Finally, constraints imposed by antitrust laws have limited increases in concentration at the local level.

CONCLUSIONS

The concentration of deposits at federally insured institutions increased considerably over the past ten years owing to the ongoing consolidation of the industry. The increase in concentration occurred at the national and state levels and, to a small extent, at the local level. Between year-end 1984 and year-end 1994, the number of thrift institutions and the share of deposits held by these firms declined considerably while the share held by credit unions more than doubled. Larger firms generally increased their share of deposits relative to smaller firms; however, there is some evidence that a two-tiered size distribution is developing, with a small number of very large firms and a large number of moderate-sized firms. The intense merger activity of the past decade led to the acquisition of a sizable percentage of all depository institutions, even among the largest such firms.

The concentration of deposits will probably continue to increase. The recent enactment of the Riegle–Neal Act will likely spur more and larger interstate bank acquisitions and result in the first truly national depository institutions in the nation's history. The recent trend toward increasing dominance of the banking industry by multibank holding companies may be reversed as these firms convert their banking subsidiaries into branches and become one-bank holding companies. The Congress has made some changes to reduce distinctions between banks and thrift institutions and is considering additional legislation that would have the effect of inducing further consolidation. Large thrifts will likely contribute to concentration; these firms have rebounded from the industry's shakeout and began, in 1994, to resume their growth.

Although the past decade has seen an increase in the concentration of deposits at the national and state levels, the extent of aggregate concentration of deposits is still much less than for many nonfinancial industries. A continuation of the recent small increases in the concentration of deposits in rural and small urban banking markets could, because of the already-high levels of concentration in these markets, lead to concerns about competitiveness in those markets. However, the implementation of antitrust laws will likely limit any future increases in local market concentration. □

A Revision to Industrial Production and Capacity Utilization, 1991–95

Richard D. Raddock, of the Board's Division of Research and Statistics, prepared this article.

The Federal Reserve's index of industrial production (IP) and its related measures of capacity and utilization for January 1991 onward have been revised (tables 1.A. and 1.B). The updated indexes for total IP and for manufacturing show slower growth for 1993 and faster growth for 1994 than was previously estimated. For 1995, the level of the revised production indexes for both major aggregates are, on balance, about the same as previously reported. Capacity growth, however, is now estimated to have been a fraction of a percentage point higher over the period of the revision. As a result, the rates of capacity utilization last summer for total IP and for manufacturing are slightly lower than previously reported. The updated measures continue to paint the same

1.A. Revised data for industrial production, capacity, and utilization for total industry, 1988–95

Seasonally adjusted data, except as noted

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual avg.[1]
							Industrial production (percentage change)										
1988	.3	.2	.0	.8	-.3	.0	.6	.6	-.5	.3	.6	.6	3.8	3.0	2.9	3.0	4.4
1989	.3	-.5	.9	.0	-.3	-.3	-1.0	.5	-.4	-.4	.4	.7	3.9	.3	-4.4	-.2	1.5
1990	-.5	.5	.3	-.7	.7	.2	-.2	.3	.0	-.5	-1.3	-.4	2.1	1.1	1.6	-5.2	.0
1991	-.5	-1.0	-.8	.3	.8	1.1	.2	.3	.8	.1	-.1	-.5	-8.4	1.1	6.7	2.0	-1.8
1992	-.1	.6	.9	.7	.5	-.3	.8	-.2	.2	.7	.6	.2	.8	7.0	3.1	4.9	3.4
1993	.3	.4	.0	.2	-.5	.2	.6	.0	.7	.1	.7	.9	3.7	.5	3.2	5.5	3.5
1994	.4	.8	.8	.3	.5	.5	.2	.5	.1	.7	.5	.8	8.4	7.0	4.6	6.4	5.9
1995	.3	-.1	.1	-.4	.0	.1	.1	1.1	.1	-.4	...	...	3.9	-1.4	3.6	...	...
							Industrial production										
1988	103.2	103.4	103.4	104.3	104.0	104.0	104.6	105.2	104.7	105.0	105.6	106.3	103.3	104.1	104.8	105.6	104.4
1989	106.6	106.2	107.1	107.1	106.7	106.4	105.3	105.8	105.4	105.0	105.4	106.1	106.6	106.7	105.5	105.5	106.0
1990	105.5	106.1	106.4	105.7	106.5	106.7	106.5	106.8	106.8	106.3	105.0	104.5	106.0	106.3	106.7	105.3	106.0
1991	104.0	102.9	102.1	102.4	103.2	104.3	104.5	104.8	105.7	105.8	105.6	105.1	103.0	103.3	105.0	105.5	104.2
1992	105.0	105.6	106.5	107.3	107.8	107.5	108.4	108.2	108.4	109.2	109.8	110.0	105.7	107.5	108.3	109.7	107.7
1993	110.4	110.8	110.8	111.1	110.6	110.8	111.4	111.4	112.2	112.3	113.1	114.1	110.7	110.8	111.7	113.2	111.5
1994	114.6	115.5	116.4	116.8	117.5	118.1	118.4	118.9	119.1	119.9	120.5	121.5	115.5	117.5	118.8	120.6	118.1
1995	121.8	121.7	121.9	121.4	121.3	121.4	121.5	122.9	123.0	122.5	...	...	121.8	121.4	122.5	...	...
							Capacity										
1988	123.9	124.1	124.2	124.4	124.5	124.7	124.8	125.0	125.1	125.3	125.4	125.5	124.1	124.5	125.0	125.4	124.7
1989	125.7	125.9	126.1	126.3	126.5	126.7	126.9	127.1	127.3	127.5	127.7	127.9	125.9	126.5	127.1	127.7	126.8
1990	128.1	128.3	128.5	128.7	128.9	129.1	129.3	129.5	129.7	129.9	130.1	130.3	128.3	128.9	129.5	130.1	129.2
1991	130.5	130.7	130.9	131.1	131.3	131.5	131.7	131.9	132.1	132.3	132.5	132.7	130.7	131.3	131.9	132.5	131.6
1992	132.9	133.2	133.4	133.6	133.9	134.1	134.3	134.6	134.8	135.1	135.3	135.5	133.2	133.9	134.6	135.3	134.2
1993	135.8	136.0	136.3	136.5	136.7	137.0	137.2	137.5	137.7	137.9	138.2	138.4	136.0	136.7	137.5	138.2	137.1
1994	138.7	139.1	139.5	139.8	140.2	140.5	140.9	141.3	141.7	142.0	142.4	142.8	139.1	140.2	141.3	142.4	140.8
1995	143.2	143.6	144.1	144.5	145.0	145.5	145.9	146.4	146.9	147.3	...	...	143.7	145.0	146.4	...	...
							Utilization										
1988	83.2	83.3	83.2	83.8	83.5	83.4	83.8	84.2	83.7	83.8	84.2	84.6	83.3	83.6	83.9	84.2	83.7
1989	84.8	84.3	84.9	84.8	84.3	83.9	83.0	83.3	82.8	82.3	82.5	82.9	84.7	84.3	83.0	82.6	83.7
1990	82.4	82.7	82.8	82.1	82.6	82.6	82.4	82.5	82.4	81.8	80.7	80.2	82.6	82.5	82.4	80.9	82.1
1991	79.7	78.7	78.0	78.1	78.6	79.3	79.4	79.4	80.0	79.9	79.7	79.2	78.8	78.7	79.6	79.6	79.2
1992	78.9	79.3	79.9	80.3	80.5	80.2	80.7	80.4	80.4	80.8	81.2	81.2	79.4	80.3	80.5	81.0	80.3
1993	81.3	81.5	81.4	81.4	80.9	80.9	81.2	81.1	81.5	81.4	81.8	82.4	81.4	81.0	81.2	81.9	81.4
1994	82.6	83.0	83.5	83.6	83.8	84.0	84.0	84.2	84.0	84.4	84.6	85.1	83.0	83.8	84.1	84.7	83.9
1995	85.1	84.7	84.6	84.0	83.7	83.5	83.3	83.9	83.7	83.2	...	...	84.8	83.7	83.6	...	...

NOTE. Estimates from August 1995 through October 1995 are subject to further revision in the upcoming monthly releases.

1. Annual averages of industrial production are calculated from not seasonally adjusted indexes.

broad picture of recovery in industrial activity from the 1990 recession through 1994, followed by a slowdown in early 1995 (chart 1).

PRODUCTION

The new estimates of production incorporate additional or updated figures from several sources. Revised annual figures include the following: data from the 1992 Census of Manufactures, preliminary results of the 1993 Annual Survey of Manufactures, physical data on mining for 1994, and data for 1994 reported in selected Current Industrial Reports published by the Bureau of the Census. The revision also incorporated updated monthly source data. The downward revision to IP growth for 1993 largely resulted from incorporating the data from the Annual Survey of Manufactures (table 2). However, the inclusion of the new annual and monthly data produced higher estimates of growth for 1994. Other aspects of the revision included revised seasonal factors, which were calculated using the X-11 ARIMA program from Statistics Canada, through mid-1995, and the updating of the productivity relationships that are applied to input-based estimates. The weights used since 1992 to aggregate the series continue to be proportions based on value added by industries in 1992. The production and capacity indexes continue to be expressed as percentages of output in 1987.

Despite noticeable changes in some component series, the indexes for the output of business equipment and durable materials continue to show the strong upward trends that emerged in 1991 (chart 2). The sustained, exceptionally rapid growth in output of high technology goods has been a major factor in these trends. The indexes for consumer durables and construction supplies still show a substantial falloff from the beginning of 1995, although the production of consumer durables is now estimated to have been at a higher level before beginning its drop. The

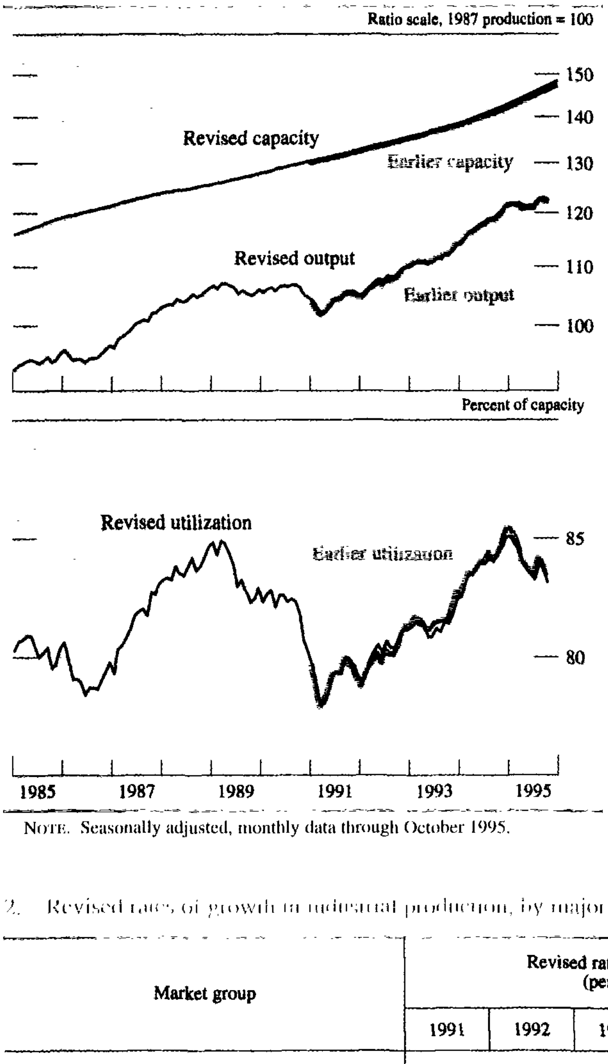
1.B Revised data on industrial production, capacity, and utilization for manufacturing industries, 1988–95

Seasonally adjusted data, except as noted

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual avg.[1]
									Industrial production (percentage change)								
1988	.2	.1	.2	.7	−.1	.0	.5	.4	.0	.1	.9	.6	3.6	3.3	3.0	4.4	4.7
1989	.8	−.9	.6	.2	−.5	−.2	−1.2	.4	−.4	−.5	.3	.2	4.3	−.3	−5.3	−1.3	1.6
1990	−.1	.9	.4	−.9	.5	.0	−.3	.5	−.1	−.6	−1.2	−.5	3.7	.2	1.0	−5.5	−.3
1991	−.9	−.9	−.9	.3	.7	1.3	.3	.3	1.0	.1	−.2	−.4	−9.8	1.0	8.1	2.5	−2.1
1992	.1	.8	.9	.6	.6	.0	.8	−.1	.1	.6	.6	.0	2.3	7.6	3.8	4.3	4.2
1993	.8	.3	.0	.4	−.4	.0	.6	−.1	.9	.0	.8	1.1	4.6	1.2	3.0	6.0	3.9
1994	.2	.9	1.0	.6	.6	.3	.4	.6	.2	.9	.6	.9	8.9	8.5	5.1	7.9	6.6
1995	.3	−.2	.1	−.4	−.3	.1	.0	.9	.5	−.3	...	...	3.9	−2.2	3.1	...	...
									Industrial production								
1988	103.2	103.4	103.6	104.3	104.2	104.2	104.7	105.1	105.2	105.3	106.2	106.8	103.4	104.2	105.0	106.1	104.7
1989	107.7	106.7	107.3	107.6	107.1	106.8	105.5	106.0	105.6	105.1	105.4	105.6	107.2	107.2	105.7	105.4	106.4
1990	105.5	106.5	107.0	106.0	106.6	106.6	106.3	106.9	106.8	106.2	104.9	104.4	106.3	106.4	106.6	105.1	106.1
1991	103.4	102.5	101.5	101.8	102.5	103.8	104.2	104.5	105.6	105.7	105.5	105.1	102.5	102.7	104.8	105.4	103.8
1992	105.1	105.9	106.9	107.6	108.2	108.1	109.0	108.9	109.0	109.7	110.4	110.3	106.0	108.0	109.0	110.1	108.2
1993	111.2	111.5	111.5	112.0	111.6	111.6	112.3	112.2	113.2	113.2	114.1	115.3	111.4	111.7	112.5	114.2	112.3
1994	115.5	116.6	117.8	118.5	119.1	119.5	120.0	120.7	120.9	122.0	122.7	123.8	116.6	119.0	120.5	122.8	119.7
1995	124.1	123.9	124.0	123.5	123.2	123.3	123.3	124.5	125.0	124.7	...	...	124.0	123.3	124.3	...	...
									Capacity								
1988	124.1	124.3	124.5	124.7	124.9	125.1	125.3	125.5	125.7	125.9	126.0	126.2	124.3	124.9	125.5	126.0	125.2
1989	126.5	126.7	127.0	127.2	127.4	127.7	127.9	128.2	128.4	128.7	128.9	129.2	126.7	127.4	128.2	128.9	127.8
1990	129.4	129.6	129.8	130.1	130.3	130.5	130.7	130.9	131.2	131.4	131.6	131.8	129.6	130.3	130.9	131.6	130.6
1991	132.0	132.2	132.5	132.7	132.9	133.1	133.3	133.5	133.7	133.9	134.2	134.4	132.2	132.9	133.5	134.2	133.2
1992	134.6	134.9	135.2	135.5	135.7	136.0	136.3	136.6	136.8	137.1	137.4	137.7	134.9	135.7	136.6	137.4	136.1
1993	138.0	138.2	138.5	138.8	139.1	139.4	139.7	139.9	140.2	140.5	140.8	141.1	138.2	139.1	139.9	140.8	139.5
1994	141.5	141.9	142.3	142.7	143.1	143.6	144.0	144.4	144.9	145.3	145.7	146.2	141.9	143.1	144.4	145.7	143.8
1995	146.6	147.2	147.7	148.2	148.7	149.2	149.8	150.3	150.9	151.4	...	...	147.2	148.7	150.3	...	...
									Utilization								
1988	83.2	83.1	83.2	83.6	83.4	83.3	83.6	83.8	83.7	83.7	84.3	84.6	83.2	83.5	83.7	84.2	83.6
1989	85.2	84.2	84.6	84.6	84.0	83.7	82.5	82.7	82.2	81.7	81.8	81.8	84.6	84.1	82.5	81.7	83.2
1990	81.6	82.2	82.4	81.5	81.8	81.7	81.3	81.6	81.4	80.8	79.7	79.2	82.0	81.7	81.4	79.9	81.3
1991	78.3	77.5	76.6	76.8	77.2	78.0	78.2	78.3	78.9	78.9	78.6	78.2	77.5	77.3	78.5	78.6	78.0
1992	78.1	78.5	79.1	79.4	79.7	79.5	80.0	79.8	79.7	80.0	80.3	80.1	78.6	79.6	79.8	80.2	79.5
1993	80.6	80.6	80.5	80.7	80.2	80.0	80.4	80.2	80.7	80.6	81.0	81.7	80.6	80.3	80.4	81.1	80.6
1994	81.7	82.2	82.8	83.0	83.2	83.2	83.3	83.6	83.5	83.9	84.2	84.7	82.2	83.2	83.4	84.3	83.3
1995	84.6	84.2	84.0	83.3	82.8	82.6	82.3	82.8	82.9	82.3	...	...	84.3	82.9	82.7	...	...

For notes, see table 1.A.

1. Revised and earlier industrial production, capacity, and utilization, 1985–95



NOTE. Seasonally adjusted, monthly data through October 1995.

indexes for nondurable consumer goods and business supplies, which had grown at below average rates over the 1991–95 period, are now somewhat lower and show less growth in 1993 and 1995. The cumulative drop in the output of defense and space equipment is about the same—about a third from early 1991 through October 1995.

Among the major industry groups, the bulk of the revisions to the index for 1993 and 1994 were concentrated in manufacturing (table 3). Most notably, the growth in output of computer and office equipment was revised down sharply in 1993 and raised significantly in 1994 and 1995. In other manufacturing industries, the revision also produced some changes: The growth in electrical machinery and in chemicals in 1993 is now noticeably lower than previously estimated; however, the growth rates for these industries were revised up in 1994. The small downward revision to growth of total IP in 1995 reflected sizable revisions to both mining and utilities as well as a slight reduction in the growth in manufacturing.

CAPACITY AND UTILIZATION

The new estimates of capacity and utilization also incorporate new data as well as the revised production indexes. The new data include preliminary survey data on manufacturing utilization rates, typically

2. Revised rates of growth in industrial production, by major market group, 1991–95

Market group	Revised rate of growth[1] (percent)					Difference between revised and earlier growth rates (percentage points)				
	1991	1992	1993	1994	1995	1991	1992	1993	1994	1995
Total index	.2	4.0	3.2	6.6	2.0	.0	.0	-.4	.6	-.2
Products, total	-.3	4.1	2.5	5.6	1.6	-.2	-.2	-.4	.6	-.5
Final products	.3	4.4	2.5	5.4	2.4	-.3	-.2	-.3	.8	-.5
Consumer goods	2.7	3.4	1.9	4.1	1.0	.2	.0	-.2	.7	-.4
Durable	5.9	6.9	10.6	6.1	-2.5	.5	.4	2.4	1.0	.6
Automotive products	6.7	11.4	14.4	7.3	-2.4	1.4	-.5	2.9	.0	1.3
Other durable goods	5.3	3.2	7.3	4.9	-2.5	-.1	.9	1.9	1.8	.0
Nondurable	1.8	2.6	-.2	3.5	2.0	.0	.0	-.9	.6	-.6
Equipment, total	-2.8	5.8	3.5	7.5	4.4	-.8	-.5	-.4	1.1	-.6
Business equipment	.1	8.2	5.9	11.4	6.3	-.7	-.8	-1.0	1.8	-.4
Industrial	-6.9	4.4	5.9	8.6	4.0	-.2	.9	-.1	-.1	-.7
Information processing and related	3.7	14.9	7.5	17.8	13.2	-.8	-1.6	-3.1	4.1	.6
Transit	5.8	.5	.9	2.6	-2.3	-2.1	-.6	3.6	2.4	-3.0
Other	-5.4	4.8	10.0	7.9	-3.2	-.1	-1.9	-1.8	-2.5	-1.2
Defense and space equipment	-9.3	-5.8	-7.0	-10.4	-6.6	-1.2	.2	2.8	-1.0	-1.1
Intermediate products	-2.2	3.2	2.6	6.3	-.8	.3	-.1	-.8	.0	-.5
Construction supplies	-3.6	4.0	6.0	8.0	-2.5	.0	-.3	-.2	-.4	-.2
Business supplies	-1.4	2.7	.6	5.3	.3	.5	-.1	-1.3	.2	-.6
Materials	.9	3.7	4.2	8.1	2.6	.2	.0	-.4	.6	.2
Durable	1.5	6.2	7.2	11.2	4.6	.6	.0	-.2	.5	.2
Nondurable	.4	2.3	2.3	6.9	-2.2	-.3	.2	-1.7	1.3	1.1
Energy	.1	.0	-.5	1.9	2.3	-.1	.1	.4	.1	-1.0
Aggregates, excluding computer and office equipment										
Total index	.0	3.3	2.8	6.1	1.2	.0	-.1	-.3	.5	-.4
Business equipment	-1.2	4.8	3.5	8.6	1.7	-.8	-.5	-.3	.7	-1.3

1. Growth rates are calculated as the percentage change in the seasonally adjusted index from the fourth quarter of the previous year to the fourth quarter of the year specified in the column heading. For 1995, the annual growth rates are calculated from the fourth quarter of 1994 to the third quarter of 1995.

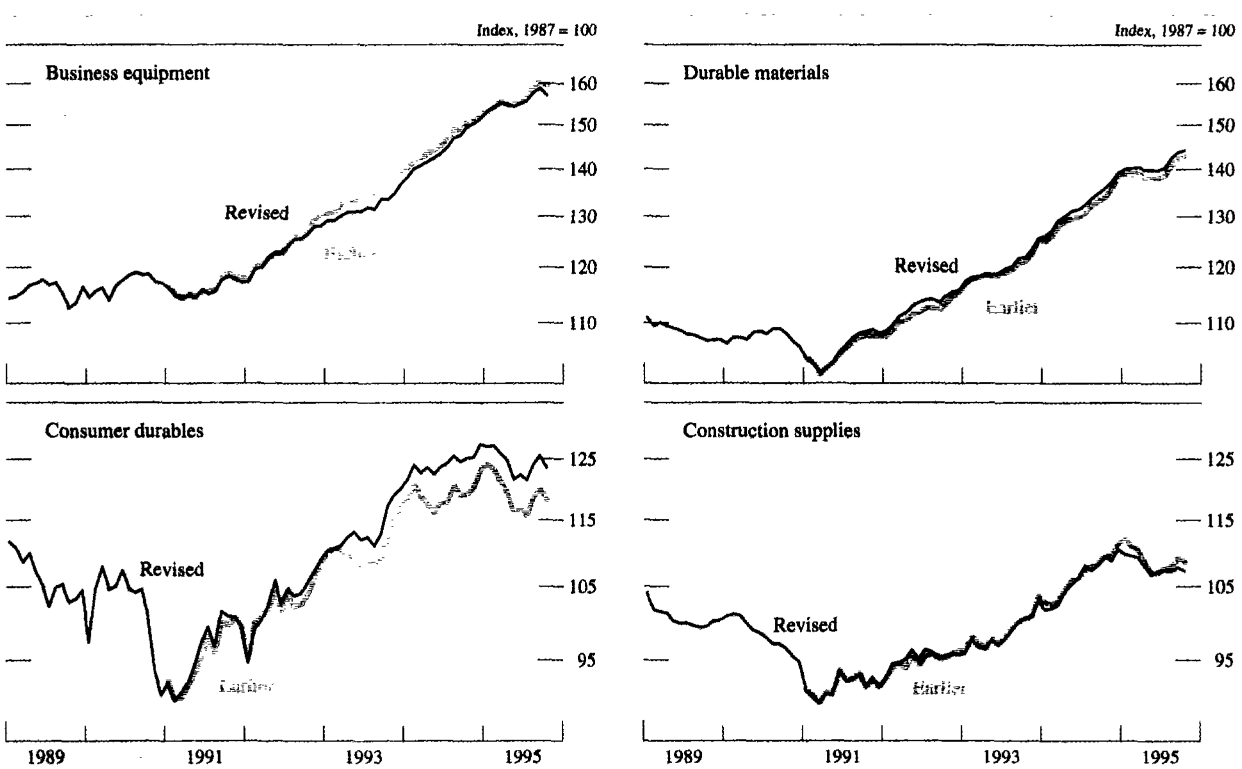
at the two-digit level in the Standard Industrial Classification (SIC), for the fourth quarters of 1993 and 1994 from the Bureau of the Census and updated information on physical capacity and utilization in selected industries for 1994 and 1995 as reported mainly by trade associations. In estimating capacity for most manufacturing industries, the annual growth is related to the growth in the industry's capital input. The estimates of capital input were revised as a result of the inclusion of investment data from the 1993 Annual Survey of Manufactures and updated results from the 1995 Investment Plans Survey by the Bureau of the Census.

Industrial capacity is now estimated to have expanded a bit faster over 1991–95. As before, sharp increases in actual and planned investment spending led to an estimated acceleration of capacity growth in 1994 and 1995. The annual rate of growth of industrial capacity increased from 2.1 percent in 1992 and 1993 to 3.6 percent over the first three quarters of 1995. The upward revision occurred in 1994 and was concentrated in durable goods manufacturing, notably for steel, motor vehicles and parts, and office and computing equipment (table 4). Survey results suggest that operating rates in the computer industry were much lower than those previously estimated, and given the revised estimates for production, the lower operating rates imply that capacity growth was much higher. Among nondurable goods, capacity growth is now higher for textiles, apparel, and paper products, but lower for chemicals and products.

As a result of the revisions to the production and capacity indexes, capacity utilization—the ratio of output to capacity—is a fraction of a percentage point lower than the earlier estimate for the 1993–95 period (table 5). For the third quarter of 1995, capacity utilization in manufacturing is estimated at 82.7 percent, 0.3 percentage point below the rate previously estimated. Besides the large downward revision in the operating rate for the computer industry, the revisions lowered the estimates of utilization rates for the plastics materials and the electrical machinery industries. Within manufacturing, the downward revision to utilization is sizable, both for durable manufacturing and for advanced-processing industries. Among primary-processing industries, operating rates were altered little, on balance, in 1994 and 1995; upward revisions to primary metals and to petroleum products offset downward revisions in other categories.

The capacity growth estimate for mining revised up a bit, and utilization was 0.8 percentage point lower in the third quarter of 1995. The utilization rate for utilities was raised largely because the

Industrial pr[illegible]



NOTE. Seasonally adjusted, monthly data through October 1995.

North American Electric Reliability Council reported slower growth in generating capacity. The strong demand for electricity to operate air conditioners during last summer's heat wave increased the operating rate at electric utilities to a relatively high level.

METHODOLOGICAL ASPECTS OF THE REVISION

The revision to the IP index and measures of capacity involved some small modifications to value-added weights, changes in series structure, and updating of monthly data on inputs to production. The most significant methodological change was the use of a different method of aggregation to estimate measures of industry capital input, which are used in estimating capacity.

Weighting of the Indexes

To combine individual series into market or industry aggregates, the individual indexes are multiplied by their proportionate contribution to industrial value added in 1992. As in the revision a year ago, the 1992 Census of Manufactures and the 1992 Census of Mineral Industries were used for measures of value

3. Revised rates of growth in industrial production, by major industry group, 1991–95

Industry group	SIC code[1]	Revised rate of growth[2] (percent)					Difference between revised and earlier growth rates (percentage points)				
		1991	1992	1993	1994	1995	1991	1992	1993	1994	1995
Total index		.2	4.0	3.2	6.6	2.0	.0	.0	–.4	.6	–.2
Manufacturing		.3	4.5	3.7	7.6	1.6	.1	–.1	–.5	.7	–.1
Primary processing		–.6	4.0	4.3	7.0	–1.7	.0	.2	–.8	.6	.5
Advanced processing		.6	4.7	3.4	7.8	3.0	.0	–.3	–.3	.7	–.3
Durable		.0	5.5	6.2	9.3	3.3	.0	–.3	–.1	.8	.0
Lumber and products	24	–.5	5.8	3.9	5.7	–2.0	–.3	–1.5	–1.8	1.6	1.0
Furniture and fixtures	25	–.5	4.9	5.2	7.3	–3.0	.5	–.6	.7	–.7	–2.3
Stone, clay, and glass products	32	–5.7	3.8	4.2	4.0	–1.8	1.1	–1.9	–.8	–1.5	.5
Primary metals	33	–3.1	1.0	7.5	9.8	–4.3	–.2	–.1	.7	1.0	.5
Iron and steel	331,2	–5.4	1.1	9.1	8.3	–3.0	–.2	–.5	.9	.7	1.7
Raw steel		–8.5	1.6	5.8	6.4	4	–.3	–.1	–.1	.0	1.2
Nonferrous	333–6,9	.4	.9	5.4	11.8	–6.0	–.2	.6	.3	1.4	–1.1
Fabricated metal products	34	–1.8	5.1	3.9	8.4	.8	–.4	.6	–1.0	.8	–.5
Industrial machinery and equipment	35	–1.6	10.4	12.9	14.9	10.7	–.4	–.9	–1.2	1.7	1.8
Computer and office equipment	357	5.5	28.0	26.7	29.6	32.7	–.1	–2.6	–6.8	9.4	4.6
Electrical machinery	36	5.3	9.9	8.2	17.7	12.5	1.3	–1.5	–4.9	1.2	–.5
Transportation equipment	37	.8	2.9	4.9	3.2	–3.3	–.4	.6	4.4	.7	–.5
Motor vehicles and parts	371	10.0	10.7	16.8	8.6	–3.4	–.2	–1.0	2.8	.7	1.5
Autos and light trucks		12.3	8.8	15.7	6.0	–3.9	–.4	.0	.8	–.1	2.1
Aerospace and miscellaneous	372–6,9	–6.3	–4.3	–7.9	–4.1	–3.2	–.5	2.0	6.5	1.5	–3.8
Instruments	38	.0	1.0	–1.1	4.0	.9	–.7	.5	1.0	.8	.2
Miscellaneous	39	.3	2.1	6.0	6.2	.0	–.2	1.5	2.2	.1	1.4
Nondurable		.6	3.2	.9	5.5	–.6	.1	.0	–.9	.5	–.2
Foods	20	.9	1.6	2.6	3.6	1.2	.1	–.3	.5	.1	–1.1
Tobacco products	21	–11.8	5.6	–19.6	24.7	4.3	.3	–4.4	–4.1	–2.2	4.5
Textile mill products	22	5.0	6.3	4.6	5.0	–6.3	–.6	1.9	3.2	–.5	2.2
Apparel products	23	5.8	.9	1.3	4.0	–9.1	–.1	.9	2.5	1.3	.6
Paper and products	26	2.0	.4	6.8	4.2	–2.6	.2	.8	–.4	.3	–.7
Printing and publishing	27	–1.9	2.3	–1.4	2.6	–1.1	.5	.2	–1.2	.0	.4
Chemicals and products	28	.2	4.4	–1.0	7.0	1.4	–.3	.0	–4.0	2.3	–1.0
Petroleum products	29	–1.6	3.6	3.1	.0	2.7	.4	.3	.6	–.4	1.6
Rubber and plastics products	30	3.4	8.7	6.7	10.4	–1.6	.2	.3	.7	.3	.1
Leather and products	31	–4.5	5.1	–2.6	–3.2	–9.4	1.2	–.2	2.2	–1.7	1.5
Mining		–3.1	.3	–.5	1.2	.4	.0	.0	.3	.4	–1.4
Metal mining	10	–.4	6.1	2.5	–2.8	7.5	–.6	.3	1.8	2.3	–.9
Coal mining	12	–2.0	–.5	–3.2	9.1	.5	.5	.2	.1	–.1	1.1
Oil and gas extraction	13	–3.5	–.5	–.6	–.7	–1.0	–.2	.1	.3	.4	–2.1
Stone and earth minerals	14	–4.5	4.5	2.9	6.4	4.8	.6	–.3	.2	–.4	–1.5
Utilities		2.7	2.0	1.5	.2	9.1	.1	.1	.4	.0	–1.1
Electric	491,3pt	1.6	1.9	.9	1.8	8.4	.1	.0	.3	–.1	–1.1
Gas	492,3pt	7.0	2.1	3.9	–6.0	11.9	.2	.2	.7	.0	–.9
Aggregates, excluding computer and office equipment											
Manufacturing		.0	3.7	3.2	7.0	.6	.0	–.1	–.3	.5	–.2

1. Standard Industrial Classification.

2. Growth rates are calculated as the percentage change in the seasonally adjusted index from the fourth quarter of the previous year to the fourth quarter of the year specified in the column heading. For 1995, the annual growth rates are calculated from the fourth quarter of 1994 to the third quarter of 1995.

added by individual manufacturing and mining industries. Value-added estimates for electric and gas utilities were compiled from income and expense information published by the Department of Energy, the Edison Electric Institute, and the American Gas Association.

Although the overall 1992 value-added weights were essentially unchanged in this revision, the weights of some series were modified to reflect small changes to value-added data as initially reported in the 1992 preliminary Census of Manufactures and preliminary Census of Mineral Industries. In addition, weights for detailed series (typically product series or series split according to market group) below the four-digit SIC level were adjusted to reflect some data on the 1992 value of product that were not available for the 1994 revision.

This revision updates the supplementary series on the gross value of products. The gross value series are derived from production indexes for products, and they exclude materials series to avoid double counting. Formerly in 1987 dollars, the gross value

4 Revised rates of growth in capacity, by major industry group, 1991–95

Industry group	SIC code[1]	Revised rate of growth[2] (percent)					Difference between revised and earlier growth rates (percentage points)				
		1991	1992	1993	1994	1995	1991	1992	1993	1994	1995
Total index		1.8	2.1	2.1	3.1	3.6	–.1	.0	.0	.4	.0
Manufacturing		1.9	2.4	2.5	3.5	4.1	–.2	.0	.1	.5	.1
Primary processing		1.2	1.4	1.5	2.2	2.6	.0	.0	.1	.2	–.1
Advanced processing		2.4	2.9	2.9	4.1	4.7	–.1	.0	.1	.6	.1
Durable		2.3	2.5	3.1	4.6	5.3	–.2	–.1	.5	.9	.1
Lumber and products	24	.0	.6	1.2	.9	1.6	.3	.3	.5	–.6	–.9
Furniture and fixtures	25	.5	.9	1.9	1.9	2.7	–.4	–.7	–.5	–.9	.3
Stone, clay, and glass products	32	.6	.7	.3	.9	1.4	.4	.2	–.7	–.7	–.2
Primary metals	33	–.8	–1.2	–.3	1.8	1.5	–.2	–.2	.3	1.2	–1.7
Iron and steel	331,2	–1.2	–2.3	–1.0	2.8	2.0	.0	.0	.0	1.7	–2.3
Raw steel		–1.6	–3.0	–4.2	.9	.9	.0	–.4	–.5	3.1	–3.1
Nonferrous	333–6,9	.1	.4	.5	.6	1.0	–.3	–.3	.5	.6	–.9
Fabricated metal products	34	–.2	.3	1.1	1.9	2.0	–.6	–.6	.2	.9	.3
Industrial machinery and equipment	35	5.1	4.1	5.8	8.7	9.9	–.4	–.7	1.4	3.0	.3
Computer and office equipment	357	14.1	14.0	18.6	24.9	25.0	–1.3	–1.6	4.2	9.5	3.4
Electrical machinery	36	4.8	6.4	7.3	9.7	12.0	–.9	–.2	–.2	.2	.1
Transportation equipment	37	1.5	2.0	2.0	3.4	3.1	.2	.5	1.5	1.6	.3
Motor vehicles and parts	371	2.9	3.8	4.5	6.6	5.8	–.1	.6	2.0	2.2	–.1
Autos and light trucks		1.0	2.4	2.7	5.8	3.9	.0	.0	1.9	1.2	–.8
Aerospace and miscellaneous	372–6,9	–.1	.2	–.8	–.3	–.1	.1	.5	.8	.9	.7
Instruments	38	1.2	1.3	.9	.9	1.0	.0	.1	–.4	–.5	–.3
Miscellaneous	39	2.6	4.8	3.7	3.9	4.0	1.1	1.3	.5	.3	2.2
Nondurable		1.8	2.3	1.8	2.1	2.5	.1	.1	–.4	–.2	.1
Foods	20	1.7	2.2	2.1	2.0	2.0	–.2	.0	–.1	–.1	–.3
Tobacco products	21	–2.1	–1.0	.4	2.5	2.6	–1.6	–.3	–.6	2.0	1.0
Textile mill products	22	1.5	2.5	3.4	3.1	3.1	1.0	1.3	1.7	1.0	.7
Apparel products	23	–.5	2.1	2.5	1.0	1.0	–.1	1.2	2.5	.5	–.2
Paper and products	26	2.7	2.3	2.2	2.1	2.6	.4	.4	.6	.3	.3
Printing and publishing	27	.8	.9	–.8	1.6	2.3	–.5	–.8	–2.5	.5	1.5
Chemicals and products	28	3.1	4.0	2.6	2.2	2.4	.5	.5	–.7	–1.5	–1.3
Petroleum products	29	–.8	–1.3	–.5	.3	.5	.0	.0	.0	.7	.1
Rubber and plastics products	30	3.5	4.2	4.1	4.6	6.5	.0	–.2	–.3	–.1	1.5
Leather and products	31	–4.3	–2.7	–2.2	–2.5	–1.7	–.5	–.3	.5	–.3	1.2
Mining		–.3	–1.1	–1.0	–.1	.1	.0	.0	.4	.1	.2
Metal mining	10	2.2	2.5	1.7	–.4	.3	–.1	.0	.0	–.9	.2
Coal mining	12	2.1	1.0	1.1	1.1	1.1	.0	.0	.0	.0	.0
Oil and gas extraction	13	–1.0	–2.1	–1.9	–.6	–.6	.0	.0	.5	.0	–.1
Stone and earth minerals	14	–.5	.5	.8	1.5	2.6	.0	.0	.8	1.7	2.6
Utilities		1.3	1.2	.6	.5	.9	.0	.0	–.5	–.7	–.5
Electric	491,3pt	1.8	1.5	.7	.5	1.0	.0	.0	–.7	–1.0	–.6
Gas	492,3pt	.0	.0	.2	.5	.6	.0	.0	.2	.2	.0
Aggregates, excluding computer and office equipment											
Total index		1.4	1.9	1.8	2.5	3.0	–.1	.1	.0	.1	–.1
Manufacturing		1.6	2.1	2.1	2.9	3.4	.0	.0	.0	.2	–.1

NOTE. Primary processing manufacturing includes textile mill products, paper and products, industrial chemicals, synthetic materials, and fertilizers, petroleum products, rubber and plastics products, lumber and products, primary metals, fabricated metals, and stone, clay, and glass products. Advanced processing manufacturing includes foods, tobacco products, apparel products, printing and publishing, chemical products and other agricultural chemicals, leather and products, furniture and fixtures, industrial and commercial machinery and computer equipment, electrical machinery, transportation equipment, instruments, and miscellaneous manufactures.

1. Standard Industrial Classification.

2. Growth rates are calculated as the percentage change in the seasonally adjusted index from the fourth quarter of the previous year to the fourth quarter of the year specified in the column heading. For 1995, the annual growth rates are calculated from the fourth quarter of 1994 to the third quarter of 1995.

series are now expressed in 1992 dollars. The dollar weights that are applied to individual manufacturing series are derived from the value of products figures from the 1992 Census of Manufactures.

[illegible]

The series structure of the index of industrial production, which now comprises 260 individual series, remains basically the same. To improve coverage and reliability, a net of five series were added and source data for three other series were modified. With the changes, the proportion of the IP series derived from physical product data rises 2 percentage points, in 1992 value-added terms, to 41 percent.

Industrial organic chemicals (SIC 286), formerly an input-based series, is now derived from quarterly production data reported by the National Petroleum Refiners Association. These data cover major petrochemicals, such as benzene, ethylene, propylene, and styrene. The production quantity of each chemical is multiplied by an estimate of value added per unit in 1992.

[illegible]

Industry group	SIC code[1]	Revised rate (percentage of capacity)						Difference between revised and earlier growth rates (percentage points)			
		1967–94 avg.	1989–90 high	1991–92 low	1993:Q4	1994:Q4	1995:Q3	1991–92 low	1993:Q4	1994:Q4	1995:Q3
Total index		81.8	84.9	78.0	81.9	84.7	83.6	.0	–.4	–.2	–.4
Manufacturing		81.1	85.2	76.6	81.1	84.3	82.7	.0	–.4	–.2	–.3
Primary processing		82.4	89.0	77.9	85.2	89.3	86.4	.0	–.6	–.2	.2
Advanced processing		80.5	83.5	76.1	79.3	82.1	81.1	.0	–.4	–.4	–.6
Durable		78.9	84.0	73.7	80.2	83.8	82.6	–.1	–.5	–.7	–.7
Lumber and products	24	83.0	91.1	76.1	86.4	90.6	88.0	–.3	–4.0	–2.1	–.7
Furniture and fixtures	25	81.5	84.7	72.2	81.7	86.0	82.9	1.2	1.8	2.1	1.1
Stone, clay, and glass products	32	78.0	83.8	71.0	78.4	80.8	78.8	–.5	–1.0	–1.8	–1.3
Primary metals	33	80.3	92.8	74.2	88.4	95.3	91.3	.2	.4	.1	1.6
Iron and steel	331,2	80.0	95.7	72.0	90.1	94.9	90.9	–.1	.1	–.9	1.1
Raw steel		79.6	89.9	71.5	90.6	95.5	95.4	.1	.3	–2.7	.3
Nonferrous	333–6,9	81.1	88.5	75.2	86.2	95.8	90.7	.2	.6	1.2	1.1
Fabricated metal products	34	77.2	82.0	71.3	79.7	84.8	84.5	–.4	.1	–.1	–.1
Industrial machinery and equipment	35	80.6	84.0	71.8	82.5	87.2	87.6	–.7	–2.4	–3.7	–2.9
Computer and office equipment	357	80.2	80.0	64.5	79.5	82.5	85.6	–.1	–7.1	–7.7	–8.3
Electrical machinery	36	80.3	84.2	77.0	81.6	87.7	87.6	1.5	–2.8	–2.2	–2.6
Transportation equipment	37	74.8	84.4	69.7	77.4	77.3	73.8	–.5	1.8	1.2	.7
Motor vehicles and parts	371	76.0	85.1	56.6	83.6	85.1	79.7	–1.0	–.8	–2.1	–1.0
Autos and light trucks[2]		...	89.1	55.6	85.0	85.2	80.8	–2.1	–1.4	–2.4	–.4
Aerospace and miscellaneous	372–6,9	74.9	88.4	75.6	70.4	67.8	66.2	1.2	4.9	5.2	3.0
Instruments	38	81.8	80.8	76.4	75.6	78.0	78.5	–.3	.9	1.9	2.8
Miscellaneous	39	75.1	79.8	72.1	74.1	75.8	73.4	–.8	.3	.2	–.4
Nondurable		83.4	86.7	80.3	82.0	84.7	82.8	–.1	–.4	.1	.0
Foods	20	82.2	83.3	80.8	81.6	82.9	82.3	.3	.6	.7	.0
Tobacco products	21	90.8	102.4	76.7	71.1	86.5	86.3	–.4	–4.5	–9.0	–7.9
Textile mill products	22	86.1	92.1	78.8	88.9	90.5	84.3	–.1	.4	–.9	.3
Apparel products	23	80.9	82.3	75.0	78.9	81.3	74.8	–.1	–.2	.3	.6
Paper and products	26	89.8	94.6	86.7	91.9	93.8	90.1	.2	–.6	–.6	–1.3
Printing and publishing	27	86.0	90.4	78.9	81.2	82.0	79.9	.7	2.5	2.2	1.5
Chemicals and products	28	79.9	85.5	78.5	77.1	80.7	80.1	–.4	–3.6	–.7	–.6
Petroleum products	29	85.4	91.4	84.6	93.0	92.7	94.1	.9	1.2	.2	1.2
Rubber and plastics products	30	84.1	90.5	78.0	88.8	93.7	88.0	–.4	1.4	1.8	.8
Leather and products	31	82.0	84.9	76.0	85.4	84.8	79.5	1.3	3.1	1.9	1.8
Mining		87.6	89.5	85.6	88.1	89.3	89.5	–.1	.0	.3	–.8
Metal mining	10	78.5	88.8	80.0	86.4	84.4	88.6	–.6	1.3	4.0	3.6
Coal mining	12	86.7	93.5	82.6	80.2	86.6	86.2	.3	.7	.7	1.4
Oil and gas extraction	13	88.4	90.7	86.0	90.3	90.2	90.0	.1	–.2	.3	–1.1
Stone and earth minerals	14	84.3	90.0	79.4	86.2	90.3	91.6	.0	–.5	–2.4	–5.3
Utilities		86.5	92.6	83.1	87.3	87.1	92.2	–.1	.9	1.4	1.2
Electric	491,3pt	88.5	94.8	84.4	88.3	89.5	94.3	–.4	.9	1.7	1.5
Gas	492,3pt	82.3	85.5	71.2	83.6	78.2	84.7	–.2	.7	.6	.1
Aggregates, excluding computer and office equipment											
Total index		81.5	85.0	78.3	81.9	84.7	83.5	.0	–.2	.0	–.2
Manufacturing		80.7	85.3	76.9	81.0	84.2	82.4	.0	–.4	–.2	–.3

NOTE. The "high" columns refer to periods in which utilization generally peaked; the "low" columns refer to recession years in which utilization generally bottomed out. The monthly highs and lows are specific to each series, and all did not occur in the same month.

1. Standard Industrial Classification
2. Series begins in 1977.

Before the current revision, three unpublished series represented service industry machines (SIC 358). As part of the revision, six individual IP series, four of which are new, were used to construct a new aggregate index for the industry's largest four-digit component, heating and refrigeration equipment (SIC 3585). The following new series were added to the existing series on room air conditioners and unitary air conditioners: (1) an estimate of air conditioners for motor vehicles that uses motor vehicle assemblies as a monthly indicator and that is based on the annual output in units reported by the Census Bureau; (2) an index for warm air furnaces based on data in units reported by the Gas Appliance Manufacturers Association; (3) an estimate of commercial heating and cooling equipment developed from annual output in units reported by the Census Bureau; and (4) an estimate of compressors, condensers, and other parts for heating and cooling equipment (including home appliances) based on unit output of the assembled equipment.

The plumbing and heating products group (SIC 343), which had been covered by one input-based series, has been split into three series. The first is plumbing fixtures (SIC 3431,2), which is based on monthly kilowatt hours. The other two series cover SIC 3433: (1) boilers, unit heaters, and furnaces, except warm air, a series based on units reported by the Gas Appliance Manufacturers Association, and (2) burners and parts for boilers, water heaters, and furnaces, a series based on source data for related IP indexes.

The monthly series on household audio and video equipment (SIC 3651) is now based solely on units of direct-view color television sets, with screens that measure at least 19 inches, as reported by the Electronic Industries Association, less comparable imports. Monochromatic TVs and smaller color TVs are no longer produced in the United States.

Formerly, the output of carpets (SIC 227) was represented by two series based on shipments of woven and tufted carpets. Because the Carpet and Rug Institute has discontinued issuing data on woven carpets, this small series has been dropped. In the revised IP index, the carpet industry is now represented by only production of tufted carpets, which accounts for the bulk of carpet output.

New Monthly Data and Seasonal Factors in the Production Indexes

Series based on input measures are used to estimate monthly production indexes for more than half of industrial production. These measures, either monthly production worker hours or kilowatt-hours of electricity consumed by industry, were revised in three main ways. First, the monthly production worker hours data were revised by the Bureau of Labor Statistics to reflect the benchmarking of monthly employment data to the number of employees covered by unemployment insurance in March 1994. As a result of the benchmarking, employment in manufacturing rose and employment in mining declined slightly. Second, as part of a major revision of the electric power data collected by the Federal Reserve, revised kilowatt-hour data on the sales of electric power to industries since 1990 have been introduced in this revision. The new estimates more accurately account for cogeneration and are benchmarked to electric power use reported in the Census and Annual Survey of Manufactures. After the completion of review and documentation, the revised electric power series back to 1972 will be published in a supplement to the Federal Reserve's statistical release G.17 "Industrial Production and Capacity Utilization." Third, new productivity factors were applied to input data since 1991, based on productivity trends derived from annual input and output data.

Monthly physical output measures in tons, barrels, and so on were also updated. In many cases, the monthly product data are not comprehensive and may cover only part of the output of an industry. In such instances, the updated monthly product data are adjusted to annual levels based on more comprehensive annual indexes of output, such as those provided by the Bureau of the Census and the Bureau of Mines.

Seasonal factors based on the X-11 ARIMA model were calculated through mid-1995. When appropriate, the original observations are modified before applying the X-11 program so that abrupt changes due to business cycles or other causes do not distort the factors. Moreover, each of the main types of monthly data involves some custom handling. For example, physical product data are expressed as daily averages before seasonal adjustment to adjust for the different numbers of working days per week in different industries.

Seasonal adjustment of the series for production worker hours—the product of employment and the length of the workweek—requires some special treatment because the monthly BLS employment survey covers only the pay period that includes the twelfth of the month. Two special kinds of preadjustments are made before using X-11 ARIMA. The length of the workweek is affected by holidays that fall within the survey period because overtime hours are typically reduced. Thus an adjustment to the workweek is made when a holiday such as Easter or Labor Day falls in the survey week. Adjustments are also made to account for the interval between surveys, which may be either four or five weeks. The size of the interval adjustment tends to be larger at times when monthly movements in the unadjusted hours series are particularly large.

Seasonal factors for the electric power data were reestimated on the basis of data through March 1995. In estimating the seasonal factors for the revised kilowatt-hour series, the original observations were initially modified to remove abrupt changes that might distort the factors. The modified series were then seasonally adjusted by the X-11 ARIMA program. After the first adjustment, the seasonal factors for individual series within two-digit SIC groups were pooled to more efficiently estimate common seasonal patterns. The seasonal factors for individual series resulting from the joint seasonal estimation technique exhibit reduced sensitivity to random shocks and are less prone to revision when new data are added.[1]

Revised Estimates of Industrial Capacity

The revised capacity indexes, which are designed to accompany the production indexes, incorporate the new IP indexes as well as updated measures of capital input and the latest utilization rates from various sources. The latest Census survey of manufacturing plant utilization, a major source of new data, provided preliminary utilization rates through 1993 and 1994, mainly at the two-digit SIC level. For those industries that provide utilization rates as well as output and capacity data expressed in physical units, the data were updated for such items as raw steel, copper, plastics resins, automobiles and light truck assembly, and generation of electricity.

As a first step in estimating the capacity indexes, preliminary end-of-year indexes of industrial capacity (*IC*) are calculated by dividing a production index (*IP*) by a utilization rate obtained from a survey (U_S) for that end-of-year period. Thus $IC_t = IP_t/U_{s,t}$. These preliminary indexes are indirect, or implied, estimates of capacity and are expressed, like the indexes of industrial production, as percentages of production in a base year, currently 1987. Each implied capacity index number is an estimate of sustainable potential output expressed as a percentage of output in 1987 and gives the general level and trend of capacity.[2]

The annual movements of the preliminary capacity indexes are then adjusted to give consideration to alternative indicators of annual capacity change; these alternatives include capacity data in physical units and estimates of capital input. In general, the adjusted estimates of capacity are the fitted values from regressions that recalibrate the physical capacity or capital input estimates to the trend growth path of the preliminary implied capacities:

$$(IC_t = IP_t/U_{s,t}).^3$$

In this revision, the capital measures used to calculate many series on manufacturing capacity have been reconfigured. As before, estimates are made of each industry's real net capital stock of a diverse set of assets. These real net capital stocks continue to be estimated by the perpetual inventory method. Elements included in these estimations are (1) time series of investments in new equipment and structures by three-digit manufacturing industries; (2) corresponding decompositions of the annual investments into twenty-nine asset types; (3) asset-type deflators and service lives; and (4) estimates of losses in capital efficiency because of discards and economic decay as assets age.[4]

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1. Eric J. Bartelsman and William P. Cleveland, "Joint Seasonal Adjustment of Economic Time Series," Finance and Economics Discussion Series No. 93-28 (August 1993), Board of Governors of the Federal Reserve System, Washington, D.C.

2. For a discussion of the calculation of the utilization rates published by the Federal Reserve, see the appendix in Richard D. Raddock, "Recent Developments in Industrial Capacity and Utilization," *Federal Reserve Bulletin*, vol. 76 (June 1990), pp. 424–35.

3. The fitted values from a regression of the equation below give an estimate of the difference in the trends of the implied capacity and the annual capacity indicator.

$$\log(IC_t/K_t) = a + \sum_i b_i f_i(t) + e_t,$$

where

IC_t = implied capacity index in period t

K_t = annual capacity indicator

$f_i(t)$ = specified functions of time

a, b_i = parameters to be estimated

e_t = error term.

The refined capacity estimates are taken to be the annual capacity indicators multiplied by the antilogarithms of the fitted values from the equation.

4. M.F. Mohr and C.E. Gilbert, "Capital Stock Estimates for Manufacturing Industries: Methods and Data" (Industrial Output Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, December 1995, unpublished).

Data Availability

Current data are published monthly in the Federal Reserve's statistical release G.17 "Industrial Production and Capacity Utilization." The release as well as diskettes containing either historical data (through 1985) or more recent data (1986 through those most recently published in the G.17 statistical release) are available from Publications Services, Board of Governors of the Federal Reserve System, Washington, DC 20551 (202-452-3245). Files containing the revised data and the text and tables from the current release are also available through the Economic Bulletin Board of the Department of Commerce; for information call 202-482-1986.

A document with printed tables of the revised estimates of series shown in the G.17 release is also available on written request to the Industrial Output Section, Mail Stop 82, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, DC 20551.

Revisions to the growth in the constant-dollar net capital stocks for the different assets since 1990 are the result of incorporating new data from several sources. The data used were current-dollar expenditures on new capital, by industry, from the revised 1992 Census of Manufactures and the preliminary 1993 Annual Survey of Manufactures; revised estimates by the Bureau of Economic Analysis of both current-dollar new investment and related price deflators, by asset type, for 1994 through the second quarter of 1995; and revised estimates of 1995 investment by manufacturing industries in new plant and equipment from the latest Investment Plans Survey. Taken together, this new information led to lower estimates of the growth of the real capital stock over 1993–94 and about the same rate of growth in 1995 as previously indicated.

Formerly, the real net stocks of specific assets, such as computers, metalworking machinery, and industrial buildings, were simply summed to obtain an industry's total net capital stock. In this revision, a different method of aggregation was used to estimate industry capital input. The new capital input measures, which are calculated using a Tornqvist index number formula, weight growth rates in the net stocks of individual assets by an estimate of that asset's share of the aggregate marginal product of the industry's capital.[5] Following standard practice, asset-specific rental prices were constructed and used to approximate the profile of each asset's marginal product over time. □

5. This method is similar to the one used by the Bureau of Labor Statistics to calculate multifactor productivity. The BLS capital input measures are documented in appendix C of *Trends in Multifactor Productivity, 1948–81*, Bulletin 2178 (U.S. Department of Labor, Bureau of Labor Statistics, 1983). For an early application of this method, see L.R. Christensen and D.W. Jorgenson, "The Measurement of U.S. Real Capital Input, 1929–67," *Review of Income and Wealth*, Series 15 (December 1969), pp. 293–320.

Staff Studies

The staff members of the Board of Governors of the Federal Reserve System and of the Federal Reserve Banks undertake studies that cover a wide range of economic and financial subjects. From time to time the studies that are of general interest are published in the Staff Studies series and summarized in the Federal Reserve Bulletin. *The analyses and conclusions set forth are those of the authors and do not necessarily indicate concurrence by the Board of Governors, by the Federal Reserve Banks, or by members of their staffs.*

Single copies of the full text of each study are available without charge. The titles available are shown under "Staff Studies" in the list of Federal Reserve Board publications at the back of each Bulletin.

STUDY SUMMARY

THE ECONOMICS OF THE PRIVATE EQUITY MARKET

George W. Fenn, Nellie Liang, and Stephen Prowse

The private equity market has become an important source of funds for start-up firms, private middle-market firms, firms in financial distress, and public firms seeking buyout financing. Between 1980 and 1994, the amount of private equity outstanding rose from less than $5 billion to $100 billion. Despite the market's extraordinary growth and its importance to many types of firms, it has received little attention in the financial press or the academic literature.

This study examines the economic foundations of the private equity market and discusses in detail the market's organizational structure. Drawing on publicly available data and extensive fieldwork, it describes the major issuers, intermediaries, investors, and agents in the market and their interactions with each other. It examines the reasons for the market's explosive growth over the past fifteen years and highlights the main characteristics of that growth. Finally, the study provides data on returns to private equity investors and analyzes the major secular and cyclical influences on returns.

The study emphasizes two major themes. One is that the growth of private equity is a classic example of the way organizational innovation, aided by regulatory and tax changes, can ignite activity in a particular market. In this case, the innovation was the widespread adoption of the limited partnership. Until the late 1970s, private equity investments were undertaken mainly by wealthy families, industrial corporations, and financial institutions that invested directly in issuing firms. Much of the investment since 1980, by contrast, has been undertaken by professional private equity managers on behalf of institutional investors. The vehicle for organizing this activity is the limited partnership, with the institutional investors serving as limited partners and investment managers as general partners.

The emergence of the limited partnership as the dominant form of intermediary is a result of the extreme information asymmetries and potential incentive problems that arise in the private equity market. The specific advantages of limited partnerships are rooted in the ways in which they address these problems. The general partners specialize in finding, structuring, and managing equity investments in closely held private companies. Because they are among the largest and most active shareholders, partnerships have significant means of exercising both formal and informal control, and thus they are able to direct companies to serve the interests of their shareholders. At the same time, partnerships use organizational and contractual mechanisms to align the interests of the general and limited partners.

The second theme of the study is that the growth of the private equity market has expanded access to outside equity capital for both classic start-up companies and established private companies. Some observers have characterized the growth of non-venture private equity as a shift away from traditional venture capital. They attribute the shift of investment funds to several factors, including the presence of large institutional investors that do not want to invest in small funds or small deals, a change in the culture of private equity firms, and a decline in venture opportunities. Although these factors may have played a role, the argument that non-venture private equity has driven out venture capital seems insupportable, as both types of investment have grown rapidly. We argue that the increase in non-venture private equity investment has been due principally to an abundance of profitable investment opportunities. Moreover, the available data on returns on private equity investments indicate that during the 1980s, non-venture investing generated higher returns than did venture investing, suggesting that private equity capital has flowed to its most productive uses. □

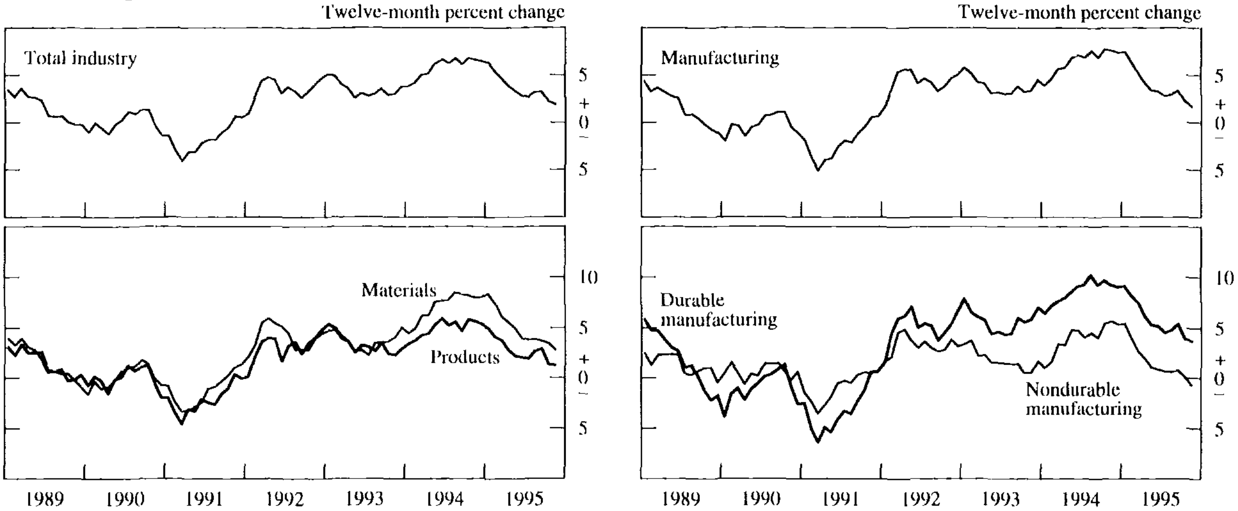
Industrial Production and Capacity Utilization for November 1995

Released for publication December 14

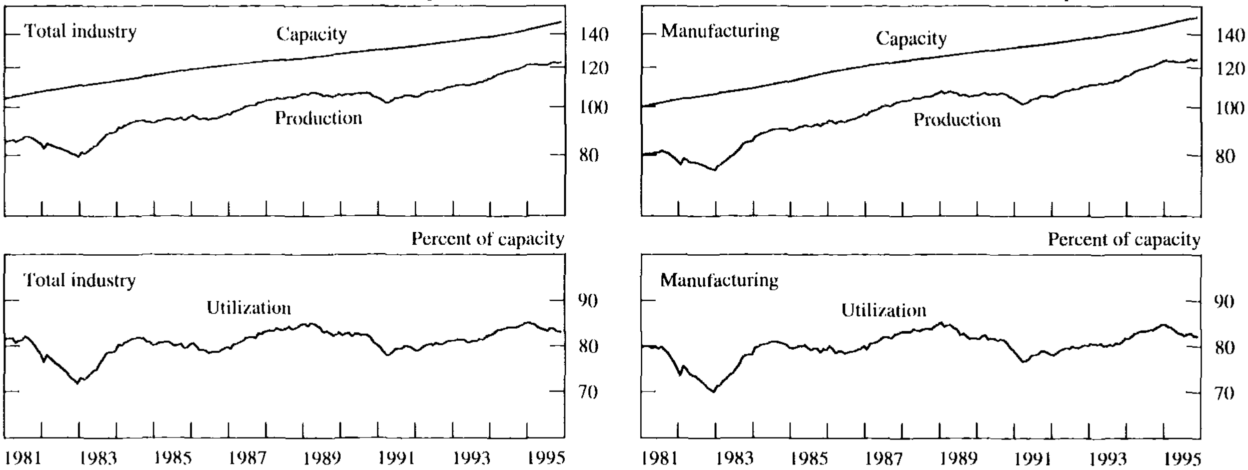
Industrial production rose 0.2 percent in November after having fallen 0.3 percent in October. The strike at a major aircraft producer reduced the growth rate for total output about 0.2 percentage point in October and about 0.1 percentage point in November; the effects of the strike were concentrated in business equipment and in durable goods materials. In November, small gains in production occurred in consumer goods, equipment, and materials. At 122.8 percent of its 1987 average, industrial production in November was 1.9 percent higher than it was in November 1994. Capacity utilization edged down about 0.1 percentage point, to 83.1 percent.

When analyzed by market group, the data show that among consumer goods, the output of durables rose 1.0 percent as light truck production rebounded

Industrial production indexes



Capacity and industrial production



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

Industrial production and capacity utilization, November 1995

Category	Industrial production, index, 1987=100								
	1995				Percentage change				
					1995[1]				Nov. 1994 to Nov. 1995
	Aug.[r]	Sept.[r]	Oct.[r]	Nov.[p]	Aug.[r]	Sept.[r]	Oct.[r]	Nov.[p]	
Total	**122.7**	**122.9**	**122.5**	**122.8**	**1.0**	**.2**	**–.3**	**.2**	**1.9**
Previous estimate	122.9	123.0	122.5	...	1.1	.1	–.4	...	...
Major market groups									
Products, total[2]	119.2	119.4	118.7	119.0	1.0	.2	–.5	.2	1.3
Consumer goods	115.9	115.9	115.4	115.8	1.1	.0	–.4	.3	.8
Business equipment	157.5	158.3	156.8	157.6	1.1	.5	–1.0	.5	4.9
Construction supplies	107.0	108.8	108.5	108.0	–.3	1.8	–.3	–.5	–.7
Materials	128.1	128.3	128.4	128.7	1.0	.2	.1	.3	2.8
Major industry groups									
Manufacturing	124.2	124.9	124.7	124.9	.7	.6	–.2	.2	1.7
Durable	133.2	134.5	133.8	134.3	1.3	1.0	–.5	.4	3.7
Nondurable	114.3	114.3	114.5	114.4	.0	.0	.2	–.2	–.7
Mining	100.0	100.0	98.9	98.8	–.8	.1	–1.2	.0	–1.1
Utilities	128.8	123.1	122.5	124.1	5.0	–4.5	–.4	1.3	6.3

Category	Capacity utilization, percent								MEMO Capacity, percentage change, Nov. 1994 to Nov. 1995
	Average, 1967–94	Low, 1982	High, 1988–89	1994	1995				
				Nov.	Aug.[r]	Sept.[r]	Oct.[r]	Nov.[p]	
Total	**82.0**	**71.8**	**84.9**	**84.6**	**83.8**	**83.7**	**83.2**	**83.1**	**3.8**
Previous estimate	...	...	...	...	83.9	83.7	83.2	...	...
Manufacturing	81.3	70.0	85.2	84.2	82.6	82.8	82.3	82.2	4.3
Advanced processing	80.7	71.4	83.5	82.1	81.2	81.1	80.7	80.5	4.8
Primary processing	82.5	66.8	89.0	89.1	86.1	86.8	86.4	86.0	2.8
Mining	87.4	80.6	86.5	89.2	89.2	89.3	88.2	88.2	.1
Utilities	86.7	76.2	92.6	87.0	95.3	90.9	90.5	91.5	1.0

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.

and appliance output increased. The production of nondurable consumer goods increased 0.2 percent, reflecting a weather-related jump in utility output for residential use; in other categories of this sector, production again was little changed, held down by continuing weakness in the output of clothing. The production of business equipment increased 0.5 percent, led by another substantial rise in the output of information processing equipment, particularly computers. The production of industrial equipment, which had eased in September and October, picked up. The decline in the output of transit equipment mainly reflected a further strike-related loss in aircraft and parts. The production of construction supplies declined on average about 0.4 percent in the past two months, reversing about half the sharp gain in September. Materials output rose 0.3 percent, held down by weakness in nondurable materials, mainly paper. The production of durables materials rose 0.5 percent, led by gains in the output of parts for the high-technology industries. The output of energy materials rose noticeably as a weather-related increase in utility production and an increase in crude oil output more than offset another sharp decline in coal mining.

When analyzed by industry group, the data show that manufacturing output rose 0.2 percent after having dipped the same amount in October. The production of durables increased 0.4 percent, boosted by another large gain in the output of industrial machinery and computer equipment; the only significant decline among the major industries was in the strike-affected aerospace industry. The output of nondurable goods remained sluggish overall because of ongoing weakness in paper, apparel, and textiles; over the past few months, only chemicals and rubber and plastic products have, on balance, posted noticeable gains. In mining, output was flat, while production at utilities rose in response to the unusually cold weather.

The utilization rate in manufacturing eased 0.1 percentage point in November, to 82.2 percent. Utilization rates declined a bit in both the primary- and advanced-processing industries. Among the primary-processing industries, the drop in utilization was concentrated in paper and in lumber. Among the advanced-processing industries, the utilization rate in aerospace and miscellaneous transportation equipment fell sharply; changes in most other industries were relatively small. Since the beginning of 1995, utilization rates for most manufacturing industries have eased with the exception of industrial machinery and computer equipment. In mining, the utilization rate was unchanged in November, while the operating rates at utilities moved higher at both electric and gas plants.

NOTICE

An annual revision to the measures of industrial production, capacity, and capacity utilization was published on November 30, 1995. The revisions to the production indexes begin with January 1991 and incorporate updated figures from the 1992 *Census of Manufactures*, new results from the 1993 *Annual Survey of Manufactures*, more comprehensive physical data on mining and utilities for 1994, and updated monthly source data, seasonal factors, and productivity relationships.

The revision to capacity and utilization reflects the revised production indexes and the incorporation of preliminary results of the Census Bureau's 1994 *Survey of Plant Capacity*, updated manufacturing capital stocks, and new data on physical capacity and utilization for selected industries. The estimates of capital stocks incorporate data on manufacturing investment in 1993 from the *Annual Survey of Manufactures* as well as investment plans for 1994 and 1995 reported in the Census Bureau's *Investment Plans Survey.*

Diskettes containing either historical data (through 1985) or more recent data (1986 to those most recently published in the G.17 statistical release) are available from Publications Services, Board of Governors of the Federal Reserve System, Washington, DC 20551 (202-452-3245). Files containing the revised data and the text and tables from this release are also available through the Economic Bulletin Board of the Department of Commerce; for information, call 202-482-1986.

A document with printed tables of the revised estimates of series shown in the G.17 release is available upon written request to the Industrial Output Section, Mail Stop 82, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, DC 20551.

Statements to the Congress

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, November 27, 1995

I appreciate the opportunity to discuss with you today the issues raised by the recent events relating to the U.S. operations of Daiwa Bank and to provide you with our preliminary conclusions on these issues. I believe the basic facts are known and need not be recounted in detail. A short chronology is provided in an attachment, and I will briefly summarize the key events.[1] Of course, I would be pleased to answer, to the extent that I can, any questions that you might wish to ask regarding these events.

Very briefly, as background, on September 18, 1995, Daiwa Bank met with a Federal Reserve representative and reported that Daiwa's New York branch had incurred losses of $1.1 billion from trading activities undertaken by Toshihide Iguchi, a branch official, over a period of eleven years. These losses were not reflected in the books and records of the bank or in its financial statements, and their existence was concealed through liquidations of securities held in the bank's custody accounts and falsification of its custody records. Although Daiwa indicates that its senior management learned about these trading losses in July, they concealed the losses from U.S. banking regulators for almost two months thereafter. Moreover, they directed Mr. Iguchi to continue transactions during the two-month period that avoided the disclosure of the losses.

We understand that some officials at the Japanese Ministry of Finance were informed in early August about Daiwa's losses. They did not instruct Daiwa to inform the U.S. authorities; nor did they themselves do so. This lapse on the part of the Ministry of Finance is regrettable because open communication and close cooperation among supervisory authorities are essential to the maintenance of the integrity of the international financial system. Finance Minister Takemura has acknowledged the ministry's failure in this regard and has pledged that in the future the ministry will promptly and appropriately contact U.S. authorities on such matters of U.S. interest. We have been assured that the ministry is taking steps to implement this pledge. In addition, we have been pleased that once the Daiwa problem was disclosed, the Japanese authorities have fully cooperated with U.S. supervisors in dealing with the consequences.

On October 9, Daiwa also announced that its separate federally insured bank subsidiary in New York had incurred losses of approximately $97 million as a result of trading activities, at least some of them unauthorized, between 1984 and 1987. These losses should have been reflected in the books and records and financial statements of the subsidiary but were not. Instead, the losses were concealed from federal and state regulatory authorities through a device that transferred the losses to offshore affiliates, apparently with the knowledge of senior management.

On October 2, 1995, the New York Superintendent of Banks and the Federal Deposit Insurance Corporation (FDIC), together with the Federal Reserve Board, issued cease-and-desist orders against Daiwa requiring a virtual cessation of trading activities in the United States. On November 2, Daiwa was indicted on federal criminal charges. At the same time, the Federal Reserve, the FDIC, the New York Superintendent, and a number of other state banking authorities jointly issued consent orders under which Daiwa must terminate its banking operations in the United States by February 1996.

This matter has troubling implications for supervision and regulation in a world of multinational banking and increasing interrelationships of financial systems. Not only were bank employees able to conceal massive losses over an extended period of time, but senior management of Daiwa also took steps to conceal the events in question from U.S. regulatory authorities. This is particularly disturbing given that it would obviously have been in the best interest of both the bank and its management to have dealt with the problems openly and in compliance with host country regulations and operational standards.

The action taken by the Federal Reserve and the other regulatory authorities in terminating the U.S. operations of Daiwa was quite stern, particularly given that no U.S. depositor or U.S. counterparty ultimately lost any money. We, however, were united in the belief that this supervisory response was neces-

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

sary because actions such as Daiwa's carry the threat of significant damage to a major asset of our nation—the integrity of our financial system.

Trust is a principle of central importance to all effective financial systems. Our system is strong and vibrant in large part because we demand that financial institutions participating in our markets operate with integrity and that any information made available to depositors and investors be accurate. When confidence in the integrity of a financial institution is shaken or its commitment to the honest conduct of business is in doubt, public trust erodes and the entire system is weakened.

The need to trust other participants is essential in a complex marketplace. For example, on the basis of trust, counterparties typically trade millions of dollars on an oral commitment that may not be formalized for hours. A breach of that trust by failure to honor such commitments—presumably because markets turn adverse—would inevitably lead to an institution being drummed out of the marketplace. No set of statutes can ensure the effective functioning of a market if a critical mass of financial counterparties is deemed untrustworthy. Any risk that counterparties will not honor their obligations will be reflected in a widening of bid–ask spreads, a reduction in liquidity and, as a consequence, a less efficient financial system. Consequently, actions such as I have recounted in the Daiwa case cannot be tolerated. The potential cost to our financial system and hence to our economy is too large.

What is true for the financial system in general is particularly true for the supervision of financial institutions. Indeed, the whole system of supervision proceeds upon the basis of trust, whether in terms of the veracity of representations or reports filed by management or transparency with regard to any material developments affecting the financial condition of the institution. Supervisors need to trust the ability of bank management to carry out their duties in a responsible and honest manner with adherence to systems and operational controls designed to ensure the safe and sound conduct of business.

This is not to say that supervision can be based solely on trust. Supervisors must test a bank and its management in its compliance with law and sound business practice. This is, after all, one reason for the conduct of on-site examinations. An appropriate balance, however, must be struck between a supervisor's reliance on the institution's systems and management to function properly and the need to verify that its systems are being appropriately implemented and that management is addressing any significant problems. Without reliance on trust, an army of permanent resident examiners would be necessary to assure that the operations of a bank are conducted in a manner that is safe and sound and otherwise consistent with the requirements of law. Such an approach to supervision clearly would be counterproductive to the desired support of a vibrant, innovative banking system. For a supervisor to become a bank's internal auditor would either stifle the independence of management in the bank or create an unacceptably adversarial supervisory process.

In this context, we have sought to review the examinations in question in an effort to determine whether the supervision of Daiwa should have proceeded on a different basis and how such problems, to the extent that it is feasible, might be avoided in the future. Accordingly, we have reviewed the steps taken to implement the authority vested in the Federal Reserve Board in December 1991 in the Foreign Bank Supervision Enhancement Act (FBSEA) with regard to the examination and supervision of the operations of foreign banks in the United States. We have carefully reviewed the examination reports and other relevant documents that are presently available to seek to determine what, if anything, could or should have been done differently that might have brought to light the events in question at an earlier date.

A review of the Federal Reserve's three examinations of Daiwa's New York branch in the period between 1992 and 1994 indicates that the examiners identified and instructed management to address a number of internal control weaknesses at the branch. Specifically, when the examiners learned that a single person, Mr. Iguchi, was responsible for both securities trading and custody operations and some related back office functions, branch management was told that his duties should be separated. The examiners explored whether Mr. Iguchi was able to use his position as overseer of the custody account to gain improper advantage in carrying out the bank's own trading activities. The examiners, however, did not focus on the possibility that this breakdown in internal controls had the potential for the misappropriation of customer and bank funds.

The Federal Reserve accepted statements by branch management that the basic internal control problems, which in retrospect helped Mr. Iguchi to carry out his illegal activities, had been corrected. Obviously, the examiners and their supervisors did not at the time believe that employees of Daiwa's New York branch would be engaged in criminal activities.

With the benefit of hindsight, there were some clues that were missed in the examination of Daiwa.

With a more robust follow-up, the problem might have been found sooner. Our examinations were conducted after the passage of FBSEA in the context of a rapid buildup of examination staff in 1992 and 1993 to meet our new responsibilities under that act. It is possible that we had not yet developed adequate experience to implement our new responsibilities. The Federal Reserve was still in the process of developing improved examination procedures and assessment systems (including, as I discuss below, an improved supervisory program, rating system, and examination manual). This was being done, following enactment of the legislation, to ensure that the U.S. banking operations of foreign banks are supervised with the same attention to safety and soundness issues as are domestic banks. Nonetheless, the bottom line is that we did not succeed in unearthing Daiwa's transgressions where we might have. Hopefully, this event will stiffen our resolve.

While internal controls have long been a focus of examinations, the growth in bank trading activities in the early 1990s also led to Federal Reserve initiatives to enhance our examination of trading activities. A number of these examination procedures address the need to have a proper separation of duties between the front office and the back office, as well as effective audit procedures. In the aftermath of Barings and Daiwa, our supervisory sensitivities have been heightened to the potential magnitude of the risks associated with a combination of trading and back office functions. Barings confirmed the importance of the increasing emphasis the Federal Reserve's supervisory staff had been placing upon the review of foreign bank's internal controls and risk management systems. The circumstances of the Daiwa case reinforce the need to pay close attention to these areas during examinations and to take heed of potential red flags that might suggest the possibility of rogue employees or a breakdown of internal controls. Both cases demonstrate the need, once serious deficiencies in internal controls are identified, to ensure that relevant books and records are reconciled and verified in an expeditious and thorough manner.

In the past two years, the Federal Reserve has implemented a number of initiatives that address these concerns. The Federal Reserve, together with the state banking departments and other federal regulators, has worked to coordinate better and enhance further the supervision of the U.S. activities of foreign banks. To that end, we have developed a new supervisory program for the U.S. operations of foreign banks. One important aspect of this program is to ensure that the information available to the U.S. supervisors is utilized and disseminated in a logical, uniform, and timely manner. The program was formally adopted earlier this year, and the implementation phase is now under way.

The new supervisory program also emphasizes enhanced contacts between U.S. supervisors and the home country supervisors of foreign banks. This case and the effect that it has had on Daiwa's activities, both in the United States and abroad, illustrate that problems of a bank in one market ultimately will affect its operations globally, including in its home country. In the end, there will be a mutuality of interest between home and host country supervisors that underscores the need for effective communication and increased cooperation. In this regard, although there were delays in the disclosure of Daiwa's problems to the U.S. authorities, once the matter was disclosed there was effective cooperation among U.S. and Japanese regulatory authorities in dealing with the consequences in an orderly manner that avoided losses to customers and systemic disruption.

I believe that, like ourselves, supervisors throughout the world recognize that more needs to be done to ensure better coordination and timely communication of material information. The Basle Committee on Banking Supervision has emphasized the importance of such international cooperation through issuance of international standards for supervision of multinational banking organizations and is discussing ways to broaden further and strengthen lines of communication. We will support those efforts and will continue our own initiatives to improve communication with foreign supervisors under the new supervisory program.

The Federal Reserve has also committed extensive resources over the past few years to enhancing the supervisory tools available to examiners and financial analysts to improve further our supervision of the U.S. operations of foreign banks. In 1994, the federal and state banking supervisory agencies adopted a new uniform examination rating system for U.S. branches and agencies of foreign banks that places higher priority on the effectiveness of risk management processes and operational controls. The new rating system, commonly referred to as the ROCA system, focuses on the following elements: Risk management, Operational controls, Compliance with U.S. laws and regulations, and Asset quality. The first three of these components evaluate the major activities or processes of a branch or agency that may raise supervisory concerns. The ROCA system will direct examiners' attention to the combination of front- and back-office duties, such as occurred in Daiwa, as a significant flaw in internal controls.

Another new supervisory tool is the *Examination Manual for the U.S. Branches and Agencies of Foreign Banking Organizations.* The Federal Reserve, in cooperation with state and other federal banking agencies, has developed the manual for conducting individual examinations of the U.S. branches and agencies of foreign banks. The manual serves as a primary, comprehensive reference source for examination guidelines and procedures and is beneficial to both new and experienced examiners. The manual is also being widely used as a reference tool by the foreign banking community in the United States to improve its own internal systems of controls.

In addition, in 1994, the Federal Reserve adopted a new *Trading Activities Manual.* Although the manual has been developed primarily for U.S. commercial banks, it also applies to the U.S. branches and agencies of foreign banks, many of which are actively engaged in transactions involving trading activities. This manual includes detailed examination procedures for evaluating controls in trading activities and emphasizes the importance of separation of duties in a trading operation such as Daiwa's.

The Federal Reserve has also taken steps to enhance training of examiners. For example, we have developed an internal controls school that was designed initially for examiners of branches and agencies of foreign banks and expanded to meet the needs of other examiners. We are also initiating a comprehensive capital markets examiner training program covering risk assessment, trading exposure management, and advanced derivative products. This program addresses skill needs at a variety of levels and utilizes instructors from the financial sector to supply expertise to train our examiners in these specialized areas.

Even given the new supervisory program and tools as well as our heightened sensitivity to possible red flags, no system of supervision will uncover all fraud. As the Board stated in 1991 in support of FBSEA, fraud is very hard for any regulatory authority to detect, especially when bank employees actively conspire to prevent official scrutiny. But if, after the fraud is discovered, swift and stern corrective action is taken by the supervisory authorities, financial institutions will hopefully recognize that deception pays no dividend. The FBSEA legislation was designed to minimize the potential for illegal activities by establishing uniform standards for entry by foreign banks, and, if illegal activities are suspected, to provide as many regulatory and supervisory tools as possible to investigate and enforce compliance. The Daiwa matter illustrates that the 1991 legislation provided the appropriate remedial tools to address serious failures to comply with law and regulation.

I believe that there are valuable lessons to be learned by bankers and supervisors from this unfortunate case. The loss of more than $1 billion suffered by Daiwa and the catastrophic losses suffered by Barings in Singapore because of a rogue trader illustrate the enormity of the damage that can be incurred by global trading banks when internal control systems are less than adequate. These losses and the institutional injury incurred are far greater than the losses banks have encountered from their authorized proprietary risk-taking positions. The lesson forcefully taught by these cases is that management must pay as much attention to such seemingly mundane tasks as back-office settlement and internal audit functions as to the more exotic high-technology front-end trading systems. Banks that neglect making the requisite investments in these areas do so at their peril. While the adequacy of internal controls has long been a point of major emphasis of supervisors, these recent events reinforce the need for supervisors to pursue rigorously the expeditious correction of internal control deficiencies in financial institutions. Moreover, in an era of mergers and aggressive cost control, supervisors must clearly emphasize to bank officials that key control and processing areas in banks must remain fully staffed by competent and experienced personnel.

Looking more broadly at the supervisory system and its functions within the international banking system, I would like to conclude by discussing a few general points that are raised by this case. No supervisory system can, nor should endeavor to, stop all losses. Any system that attempted to be fail-safe would impose intolerable costs on the public and the banking industry and almost certainly would stifle legitimate financial innovation. Moreover, in any supervisory regime, the ultimate responsibility for the protection of a privately owned bank must rest with the top management of the bank and its directors. After all, it is in their long-term interest to operate the bank in a safe and sound manner and to obey the law. Supervisors must, to some extent, rely on this mutuality of interest in performing their tasks. While good examiners are not naive and do not expect bankers to bare their souls, normally they must rely on a basic trust that they will not be deceived as they raise issues through successive layers of management. An assumption that most bankers are truthful should remain the rule, not the exception. However, when a bank has shown through repeated actions that it cannot be trusted, even at the highest levels of the corporation, supervisors should resort to extraordinary regulatory measures.

In such circumstances, the Congress has provided the supervisors with what I believe to be a full and appropriate range of powers, including cease-and-desist authority, civil money penalties, and, in the case of foreign banks, the authority to terminate their U.S. operations. This episode demonstrates that the supervisors will use these powers when, through a pattern of unacceptable behavior, the basic bond of trust that needs to exist between banks and their regulators is irreparably broken. However, if our further review of the events in question suggests additional authority is needed, we will of course convey that view to this committee.

We are considering a number of initiatives that may be implemented at an administrative level, especially with respect to internal and external audit standards. For example, we are presently reviewing our general policies in this area to determine the extent to which more specific guidance can be given to examiners for purposes of evaluating the adequacy of audit coverage. Consideration also will be given to requiring targeted external audits in banking institutions, whether foreign or domestic, when deficiencies in operations or concerns over the adequacy of internal audit have not been addressed.

Clearly, we also need to fully implement our enhanced supervisory program in an expeditious manner. In doing so, the Federal Reserve will be reviewing the Daiwa case, Barings, and other major international banking events to identify further specific improvements to the supervisory process as it applies to both foreign and U.S. banks, as well as our existing statutory authority. We will report to the Congress on the conclusions of our review.

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Subcommittee on Telecommunications and Finance, Committee on Commerce, U.S. House of Representatives, November 30, 1995

Thank you for this opportunity to present the views of the Federal Reserve Board on securities margin requirements. The Board commends the subcommittee for its willingness to reconsider the public policy objectives of margin regulation and to consider amendments to the relevant statutes. Today, I shall present the Board's views on the objectives of Federal Reserve margin regulation and the need for statutory amendments to promote those objectives. As I shall discuss, the Board has concluded that federal oversight of securities credit is appropriate as part of comprehensive systems of oversight of safety and soundness of certain lenders—broker–dealers and banks. However, the Board is not convinced that the existing statutes authorizing Federal Reserve margin regulations—section 7 and subsection 8(a) of the Securities Exchange Act of 1934—effectively serve the purposes that apparently motivated their passage. Consequently, as it has for many years, the Board continues to believe that self-regulatory organizations should be given greater responsibility for margin regulation. Repeal of sections 7 and 8(a) of the Securities and Exchange Act of 1934 would leave federal oversight of securities credit extensions by broker–dealers to securities regulators, including self-regulatory organizations (SROs). It would also allow banking regulators to develop an approach to prudential oversight of securities credit extensions by banks that is more compatible with their overall system for overseeing bank safety and soundness.

We understand that implementation of this approach raises many important issues that would take some time to resolve. The Securities and Exchange Commission (SEC) has expressed concerns about the interplay of margin with other financial responsibility rules for broker–dealers, competition between market participants, the solvency of financial institutions, and systemic issues. We look forward to working with the SEC and with other members of the Working Group on Financial Markets to determine what other regulatory changes would be necessitated by repeal of sections 7 and 8(a). In addition, the SROs would need to work with the SEC to modify their margin rules, a process that likely would take some time. Therefore, if the Congress decides to repeal sections 7 and 8(a), it may wish to consider delaying the effective date of such action.

Objectives of Margin Regulation

As I noted, the statutory basis for federal margin regulation is contained in the Securities Exchange Act of 1934, which gives the Federal Reserve Board the authority to regulate margins—that is, the minimum downpayments or, equivalently, the maximum collateral values for loans—on all securities other than government securities and other "exempted" securities. Reflecting views that were widely held when the 1934 act was passed, the Congress apparently intended this margin regulation to achieve three main objectives: (1) to constrain the diversion of credit from productive uses in commerce, industry, and agriculture to "speculation" in the stock market; (2) to protect unsophisticated investors from using margin credit to establish excessively risky positions; and (3) to forestall excessive fluctuations in stock prices.

The Board believes that experience and regulatory changes during the six decades since the passage of the 1934 act support the conclusion that margin regulation is not the best way to achieve those objectives. Concerns about a diversion of credit, which apparently weighed most heavily in 1934, were exaggerated. It is now widely recognized that the use of credit to finance securities does not materially reduce the amount of credit available for other uses. The borrowed funds do not disappear; rather, they are transferred to the seller, who reinvests the proceeds.

Customer protection concerns today are more reliably addressed by other regulations and policies applicable to the issuance and distribution of securities and to the conduct of broker–dealers. These include disclosure requirements, sales practices rules, and investor education efforts such as those recently initiated by the SEC.

Finally, the view that the existing margin statutes are necessary to control stock price volatility is not supported by empirical evidence that has accumulated since 1934. Numerous statistical studies of the relationship between margins and stock price volatility have been conducted, and the preponderance of that evidence suggests that changes in margins have not affected price volatility in any measurable way. To be sure, experience with the effects of changes in securities margin requirements is both limited and dated (initial margin requirements on equities have changed only about twenty times since 1934 and have not changed at all since 1974). But the view that changes in margin requirements do not affect asset price volatility is also supported by numerous studies of exchange-traded futures and options, including contracts on equities and equity indexes.

The Federal Reserve Board also has doubts about the effectiveness of margin regulation for achieving the purposes of sections 7 and 8(a) of the 1934 act. The underlying assumption is that the ability of investors to leverage can be restricted by regulating margins on loans collateralized by securities. Although in 1934 many investors may have had no other means of borrowing funds to invest in securities, today investors have many alternatives. With these alternatives available, margin requirements cannot effectively limit leverage.

In the Federal Reserve Board's view, federal oversight of securities credit makes sense only as part of broader systems to ensure the safety and soundness of financial institutions such as broker–dealers and banks. Safety and soundness oversight necessarily must address all sources of risk to those institutions. When such institutions make loans against collateral in the form of securities, the margin required is an important element in the risks they face and, as such, is an appropriate object of prudential supervision and regulation.

As I shall discuss later, however, the most effective approach to prudential oversight of securities credit depends on the nature of the overall safety and soundness regime applied to the financial institution. Indeed, there are several regulatory models for achieving safety and soundness—all potentially effective. U.S. authorities take quite different approaches to ensuring the safety and soundness of broker–dealers and banks, for example. Different approaches to oversight of securities credit may well be desirable. In any event, the best approaches to prudential oversight do not appear compatible with the statutory framework of sections 7 and 8(a) of the 1934 act, which, as I have noted earlier, was designed for entirely different purposes.

The Margin Provisions of H.R.2131

The Board has evaluated the margin provisions of the Capital Markets Deregulation and Liberalization Act of 1995 (H.R.2131) against the view that the objective of margin oversight should be the safety and soundness of financial institutions subject to comprehensive prudential oversight. H.R.2131 would repeal section 8(a) of the 1934 act and amend section 7 substantially. The Board believes that repeal of section 8(a) is consistent with safety and soundness but has difficulty reconciling the amendments to section 7 with that objective.

Section 8(a) restricts broker–dealers from borrowing from lenders other than broker–dealers and banks when using exchange-listed equity securities as collateral. Removal of these financing constraints would promote the safety and soundness of broker–dealers by permitting more financing alternatives and hence more effective liquidity management.

Section 7 is the section that provides the Board with authority to regulate securities credit. Among the amendments to the section contained in H.R.2131, the Board views the restrictions on the authority of SROs to impose margin requirements on their members as fundamentally inconsistent with prudential objectives. The inclusion of these provisions in the bill evidently reflects dissatisfaction by some firms with their SRO's administration of margin requirements on debt instruments traded in the over-the-counter markets. If there have been problems in this area, those problems should be resolved by the members of the SROs, if necessary with the assistance of the SEC. The Board does not believe that the solution to these problems is to abandon the principle of self-regulation of broker–dealers.

Although we support a lowering of regulatory burdens in general, the Board finds it difficult to support the various exclusions from margin regulation that the bill would provide. These proposed exclusions would appear to reflect a view that the objective of margin regulation should be customer protection, an objective that I have indicated the Board believes is far more effectively addressed through other regulations and initiatives.

Ultimately, the Board has concluded that, because section 7 was originally enacted for completely different purposes, margin regulation cannot be successfully reoriented toward prudential objectives through amendments to that statute. Although regulatory burdens associated with the statute could be reduced through amendments, the residual framework would continue to impose compliance costs and would not effectively serve any public policy purpose.

An Alternative Approach to Margin Reform

Instead, the Board believes that the safety and soundness objective that is appropriate for margin oversight could best be achieved by repealing both section 7 and subsection 8(a) of the 1934 act. I have already discussed the case for repeal of subsection 8(a). Repeal of section 7 would promote safety and soundness by leaving responsibility for oversight of securities credit to those entities responsible for comprehensive oversight of financial institutions. Specifically, securities credit extended by broker–dealers would be overseen by the SEC and their respective SROs. Securities credit extended by banks would be supervised by their respective primary banking regulators. Extensions of securities credit by other entities would be subject to federal oversight only if their overall safety and soundness is subject to such oversight.

In the case of broker–dealers, the Federal Reserve Board sees no public policy purpose in it being involved in overseeing their securities credit extensions. The SROs and the SEC are much more likely to develop an oversight regime that is most consistent with their overall approach. The Board has already incorporated SRO rules into its margin regulations for some debt instruments and securities options. Whenever possible, the SROs have set margin requirements that better reflect the credit risks to lenders than the uniform and arbitrary initial requirements that currently apply to equities. The Board would expect that if the SROs were given responsibility for initial margins on equities, they would replace the existing requirements with more risk-sensitive standards. The self-interest of the SROs in the safety and soundness of their members and the integrity of their markets should ensure that such changes are consistent with safety and soundness. If these incentives proved inadequate, the SEC would have the authority to enforce changes in SRO oversight.

Just as oversight of the safety and soundness of SROs is best left to the SROs and the SEC, prudential oversight of banks is best left to the respective banking regulators. If section 7 were repealed, the Board would expect to work with the other federal banking regulators to develop a framework for the oversight of bank securities credit that is consistent with the overall framework of banking supervision and regulation. From its perspective as a banking regulator, the Board sees existing margin regulations under sections 7 and 8(a) as an anomaly, reflecting the nonprudential purposes underlying the existing margin statutes and regulations. These margin regulations involve a regulatory assignment of a maximum collateral value (or, equivalently, a minimum loan-to-value ratio) for securities. Banks make far larger volumes of real estate loans and auto loans than securities loans. But, except in limited instances required by statute, banking regulators do not regulate collateral values (or, equivalently, loan-to-value ratios) for such assets. Banking regulators typically leave such judgments to bank management and seek, through general policy guidance and on-site review of loans, to ensure that the banks' judgments are consistent with safety and soundness.

Given the opportunity, we would urge banking regulators to take a similar approach to the supervision and regulation of loans against securities collateral. General guidance on prudential considerations with respect to such lending might be provided in the form of a supervisory policy statement. Examiners could then ensure that lending decisions by banks were consistent with those prudential considerations. This approach would allow banks discretion in setting collateral requirements to take account of factors such as the price volatility and market liquidity of the securities, the time period allowed for borrowers to eliminate collateral deficiencies, and the general creditworthiness of the borrower.

The Board sees no compelling public policy reason for federal oversight of securities credit extended by lenders that are not subject to comprehensive federal safety and soundness oversight. In any event, with the exception of loans involving employee stock ownership plans (ESOPs), securities credit extensions by lenders other than broker–dealers and banks currently are negligible (most recent data show credit extensions by such lenders totaled just over $400 million). Credit extensions that are part of ESOPs have already been exempted from most requirements of margin regulations, including minimum initial margins. Other lenders have been important in the past, but generally only when margin requirements have been set higher than currently and well above levels necessary for prudential reasons. If broker–dealers and banks are not required to set margins at levels higher than necessary for safety and soundness, it seems unlikely that other lenders would again play a prominent role.

Some may argue that the approach to margin regulation that the Board is advocating would not provide a level playing field for all providers of securities credit. It is not clear how relevant an issue that would be, if so. The Board does not believe that competitive equity requires that an identical oversight regime be applied to all players in a marketplace, provided competition from whatever source ensures adequate customer choice. Banks and broker–dealers already compete effectively with one another in a wide range of markets, including markets for credit secured by government securities, despite fundamental differences in approaches to prudential oversight of the two types of entities. In any event, the Board would expect that the repeal of section 7 would over time lead both the SROs and the banking regulators to adopt more flexible and more compatible approaches to prudential oversight of credit extensions collateralized by securities.

With respect to competition from other lenders, as I have argued, such competition is unlikely to be serious if securities and banking regulators do not handicap broker–dealers and banks by requiring margin levels higher than necessary for safety and soundness. More fundamentally, the Board is concerned by the implications of a view that the notion of a level playing field requires federal oversight of all providers of services that compete with services provided by regulated financial institutions. So long as we have a limited safety net for banking institutions, there will inevitably be some disparities in the competitive environment for financial institutions. However, we believe that their impact on overall competition is minor and that the endeavor to rectify them is far more costly than any perceived benefits.

In conclusion, the Board believes that the primary objective of federal oversight of securities credit should be the safety and soundness of institutions, such as broker–dealers and banks, which are subject to comprehensive prudential regulation. Subsequent experience, analysis, and regulatory and market developments support the conclusion that section 7 and subsection 8(a) of the 1934 act may not effectively serve the purposes for which they were originally enacted. Repeal of these sections would leave federal oversight of securities credit extensions by broker–dealers to their SROs and the SEC and would allow banking regulators to develop an approach to oversight of bank securities credit that is more compatible with their overall approach to bank safety and soundness.

The Board looks forward to working with the SEC and other members of the Working Group on Financial Markets to determine what other regulatory changes would be necessitated by repeal of sections 7 and 8(a). If the Congress decides to repeal sections 7 and 8(a), it may wish to consider delaying the effective date of such action to allow time for such interagency discussions and time for the SROs to modify their margin rules. □

Announcements

APPOINTMENTS OF CHAIRMEN AND DEPUTY CHAIRMEN OF THE FEDERAL RESERVE BANKS

The Federal Reserve Board announced on November 21, 1995, the appointments of Chairmen and Deputy Chairmen of the twelve Federal Reserve Banks for 1996.

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

Following are the names of the Chairmen and Deputy Chairmen appointed by the Board for 1996:

Boston

Jerome H. Grossman, Chairman of the Outcomes and Health Services Research and Development Center, Boston, renamed Chairman.

William C. Brainard, Professor of Economics and Chairman of the Department of Economics, Yale University, New Haven, Connecticut, renamed Deputy Chairman.

New York

John C. Whitehead, Chairman, AEA Investors Inc., New York City, Chairman.

Thomas W. Jones, President and Chief Operating Officer, Teachers Insurance and Annuity Association–College Retirement Equities Fund, New York City, Deputy Chairman.

Philadelphia

Donald J. Kennedy, Business Manager, International Brotherhood of Electrical Workers, Local Union No. 269, Trenton, Chairman.

Joan Carter, President and Chief Operating Officer, UM Holdings Ltd., Haddonfield, New Jersey, Deputy Chairman.

Cleveland

A. William Reynolds, Chief Executive, Old Mill Group, Hudson, Ohio, renamed Chairman.

G. Watts Humphrey, Jr., President, GWH Holdings, Inc., Pittsburgh, renamed Deputy Chairman.

Richmond

Claudine B. Malone, President, Financial & Management Consulting Inc., McLean, Virginia, Chairman.

Robert L. Strickland, Chairman, Lowe's Companies, Inc., Winston-Salem, North Carolina, Deputy Chairman.

Atlanta

Hugh M. Brown, President and Chief Executive Officer, BAMSI, Inc., Titusville, Florida, Chairman.

Daniel E. Sweat, Jr., Program Director, The America Project, Atlanta, Deputy Chairman.

Chicago

Robert M. Healey, Member, Illinois State Labor Relations Board, Chicago, renamed Chairman.

Lester H. McKeever, Jr., Managing Partner, Washington, Pittman & McKeever, Chicago, Deputy Chairman.

St. Louis

John F. McDonnell, Chairman, McDonnell Douglas Corp., St. Louis, Chairman.

Susan S. Elliott, President, Systems Service Enterprises, Inc., St. Louis, Deputy Chairman.

Minneapolis

Jean D. Kinsey, Professor, Consumption and Consumer Economics, Department of Applied Economics, University of Minnesota, St. Paul, Chairman.

David A. Koch, Chairman and Chief Executive Officer, Graco, Inc., Golden Valley, Minnesota, Deputy Chairman.

Kansas City

Herman Cain, Chairman and Chief Executive Officer, Godfather's Pizza, Inc., Omaha, renamed Chairman.

A. Drue Jennings, Chairman, President, and Chief Executive Officer, Kansas City Power and Light Company, Kansas City, renamed Deputy Chairman.

Dallas

Cece Smith, General Partner, Phillips–Smith Specialty Retail Group, Dallas, renamed Chairman.

Roger R. Hemminghaus, Chairman, President, and Chief Executive Officer, Diamond Shamrock, Inc., San Antonio, renamed Deputy Chairman.

San Francisco

Judith M. Runstad, Partner, Foster Pepper and Shefelman, Seattle, renamed Chairman.

James A. Vohs, Chairman Emeritus, Kaiser Foundation Health Plan, Inc., and Kaiser Foundation Hospitals, Oakland, renamed Deputy Chairman.

Issuance of a Report on Public Disclosure of International Trading and Derivatives Activities by Banks and Securities Firms

A joint report on the public disclosure of trading and derivatives activities of banks and securities firms worldwide has been issued by the Basle Committee on Banking Supervision and the Technical Committee of the International Organisation of Securities Commissions (IOSCO).

This joint report provides an overview of the disclosures about trading and derivatives activities in the 1994 annual reports of a sample of the largest, internationally active banks and securities firms in the Group of Ten countries and also notes improvements since 1993. The analysis builds, in part, on a framework used by the Federal Reserve in analyzing the trading and derivatives disclosures of major U.S. banking organizations.

The sample that was reviewed comprised seventy-nine institutions, in total, representing more than $12 trillion in total assets and more than $62 trillion in notional amounts of derivative instruments.

The analysis revealed that there have been general improvements as well as significant voluntary innovations in the annual report disclosures of a number of large, internationally active banks and securities firms. However, despite encouraging advances in disclosure practices by a number of institutions in the G-10 countries, many institutions continued to disclose very little about their trading and derivatives activities.

In addition, the report makes recommendations for further improvements in disclosures of qualitative and quantitative information about institutions' involvement in trading and derivatives activities, including their risk exposures and risk management policies, and the effect of these activities on earnings.

The report's recommendations draw on concepts developed in the *Discussion Paper on Public Disclosure of Market and Credit Risks by Financial Intermediaries* released by the Euro-currency Standing Committee of the G-10 central banks in September 1994 and in the joint report of the Basle Committee and the IOSCO Technical Committee, *Framework for Supervisory Information About the Derivatives Activities of Banks and Securities Firms*, issued in May 1995.

The joint report, including an executive summary, is available on request from Publications Services, Mail Stop 127, Board of Governors of the Federal Reserve System, Washington, DC 20551.

Availability of New Fee Schedules for Services Provided by the Federal Reserve Banks

The Federal Reserve Board announced on November 3, 1995, the 1996 fee schedules for services provided by the Federal Reserve Banks. The fees became effective January 2, 1996.

The fees apply to the check, automated clearinghouse, funds transfer and net settlement, book-entry securities, noncash collection, and special cash services, as well as electronic connections to the Federal Reserve. The 1996 fees are available from the Reserve Banks.

In 1996, total costs for priced services, including float, a portion of special project costs, and the private sector adjustment factor (PSAF), are projected to be $749.3 million. Total revenue is projected to be $791.6 million, resulting in net income of $42.3 million, compared with a targeted return on equity of $36.7 million.

At the same time, the Board has approved the 1996 PSAF for Reserve Bank priced services of $85.8 million, a decrease of $8.9 million, or 9.4 percent compared with the 1995 PSAF of $94.7 million.

The PSAF is an allowance for the taxes and other imputed costs that would have been paid and the return on capital that would have been earned had the Federal Reserve's priced services been provided by a private business firm.

A Decrease in the Net Transaction Accounts to Which a 3 Percent Reserve Requirement Will Apply in 1996

The Federal Reserve Board on November 16, 1995, announced a decrease from $54.0 million to $52.0 million in the net transaction accounts to which a 3 percent reserve requirement will apply in 1996.

The Board also changed from $4.2 million to $4.3 million the amount of reservable liabilities of each depository institution that is subject to a reserve requirement of 0 percent.

Additionally, the Board increased the deposit cutoff levels that are used in conjunction with the exemption level to determine the frequency and detail of deposit reporting required for each institution from $55.4 million to $57.0 million for nonexempt depository institutions and from $45.1 million to $46.4 million for exempt depository institutions.

The effective date of these actions was December 19, 1995.

PROPOSED ACTION

The Federal Reserve Board on November 22, 1995, requested public comment on a proposed definition of "capital stock and surplus" for purposes of section 23A of the Federal Reserve Act. Comments were requested by January 2, 1996.

PUBLICATION OF THE ANNUAL STATISTICAL DIGEST, 1994

The *Annual Statistical Digest, 1994* is now available. This one-year *Digest* is designed as a compact source of economic, and especially financial, data. The *Digest* provides a single source of historical continuations of the statistics carried regularly in the *Federal Reserve Bulletin.*

This issue of the *Digest* covers only 1994 unless data were revised for earlier years. It serves to maintain the historical series first published in *Banking and Monetary Statistics, 1941–1970,* and the *Digest* for 1970–79, for 1980–89, and yearly issues. A *Concordance of Statistics* will be included with all orders. The *Concordance* provides a guide to tables that cover the same material in the current and the previous single-year issues of the *Digest,* the ten-year *Digest* for 1980–89, and the *Bulletin.*

Copies of the *Digest* at $25.00 each are available from Publications Services, Mail Stop 127, Board of Governors of the Federal Reserve System, Washington, DC 20551.

BULLETIN TABLE: ERRATA

In table 2 of "Credit Risk and the Provision of Mortgages to Lower Income and Minority Homebuyers," *Federal Reserve Bulletin,* vol. 81 (November 1995), p. 999, some of the data in the "Total" columns were incorrect. The corrected data, shown in bold below, in most cases differ only slightly from the published data and in no case affect the conclusions in the text.

2. Mortgage loans, grouped by size and distributed by type of holder and use of insurance, 1994

Type of holder and insurance status	FHA-eligible		GSEO-eligible		Jumbo		Total	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
GOVERNMENT INSURED								
FHA	367,397	24.1	25,656	4.4	258	.2	393,311	**17.3**
VA	104,591	6.9	50,183	8.7	188	.1	154,962	**6.8**
WITHOUT MORTGAGE INSURANCE								
Originators[1]								
Depository institution	357,450	23.5	126,382	21.9	68,919	40.1	552,751	**24.3**
Independent mortgage company	31,881	2.1	12,769	2.2	6,849	4.0	51,499	**2.3**
Purchasers								
Fannie Mae or Freddie Mac	258,606	17.0	135,623	23.5	3,961	2.3	398,190	**17.5**
Bank or savings association not affiliated with a mortgage originator	14,777	1.0	9,437	1.6	5,083	3.0	29,297	**1.3**
Other[2]	101,969	6.7	44,836	7.8	44,663	26.0	191,468	**8.4**
Affiliate, from an independent mortgage company	13,537	.9	4,455	.8	7,451	4.3	**25,443**	**1.1**
Affiliate, from a depository institution or its subsidiary	47,566	3.1	22,221	3.9	12,579	7.3	82,366	**3.6**
WITH PRIVATE MORTGAGE INSURANCE								
Originators[1]								
Depository institution	56,583	3.7	34,610	6.0	8,075	4.7	99,268	**4.4**
Independent mortgage company	8,360	.5	5,523	1.0	1,187	.7	15,070	**.7**
Purchasers								
Fannie Mae or Freddie Mac	111,988	7.3	70,152	12.2	680	.4	182,820	**8.0**
A bank or savings association not affiliated with a mortgage originator	5,056	.3	4,081	.7	1,130	.7	10,267	**.5**
Other[2]	24,365	1.6	17,887	3.1	7,689	4.5	49,941	**2.2**
Affiliate, from an independent mortgage company	2,763	.2	2,155	.4	749	.4	5,667	.2
Affiliate, from a depository institution or its subsidiary	17,365	1.1	11,061	1.9	2,283	1.3	30,709	**1.4**
Total[3]	1,524,254	100	577,031	100	171,744	100	**2,273,029**	100

NOTE. See general note to table 1.

1. Covers mortgages originated in 1994 and not sold to a secondary market purchaser in that year.

2. Life insurance companies, pension funds, and other private-sector purchasers.

3. Totals differ from totals in table 1 because, for a few loans, status of purchaser was not reported.

SOURCE. 1994 HMDA data and PMI data from FFIEC.

Minutes of the Federal Open Market Committee Meeting Held on September 26, 1995

A meeting of the Federal Open Market Committee was held in the offices of the Board of Governors of the Federal Reserve System in Washington, D.C., on Tuesday, September 26, 1995, at 9:00 a.m.

Present:

Mr. Greenspan, Chairman
Mr. McDonough, Vice Chairman
Mr. Blinder
Mr. Hoenig
Mr. Kelley
Mr. Lindsey
Mr. Melzer
Ms. Minehan
Mr. Moskow
Ms. Phillips
Ms. Yellen

Messrs. Boehne, Jordan, McTeer, and Stern, Alternate Members of the Federal Open Market Committee

Messrs. Broaddus, Forrestal, and Parry, Presidents of the Federal Reserve Banks of Richmond, Atlanta, and San Francisco respectively

Mr. Kohn, Secretary and Economist
Mr. Bernard, Deputy Secretary
Mr. Coyne, Assistant Secretary
Mr. Gillum, Assistant Secretary
Mr. Mattingly, General Counsel
Mr. Prell, Economist
Mr. Truman, Economist

Messrs. Davis, Dewald, Hunter, Lindsey, Mishkin, Slifman, and Stockton, Associate Economists

Mr. Fisher, Manager, System Open Market Account

Mr. Winn, Assistant to the Board, Office of Board Members, Board of Governors
Mr. Ettin, Deputy Director, Division of Research and Statistics, Board of Governors
Mr. Madigan, Associate Director, Division of Monetary Affairs, Board of Governors
Mr. Simpson, Associate Director, Division of Research and Statistics, Board of Governors
Mr. Hooper and Ms. Johnson, Assistant Directors, Division of International Finance, Board of Governors
Mr. Ramm,[1] Section Chief, Division of Research and Statistics, Board of Governors
Ms. Low, Open Market Secretariat Assistant, Division of Monetary Affairs, Board of Governors

Ms. Pianalto, First Vice President, Federal Reserve Bank of Cleveland

Messrs. Lang, Rolnick, Sniderman, and Ms. Tschinkel, Senior Vice Presidents, Federal Reserve Banks of Philadelphia, Minneapolis, Cleveland, and Atlanta respectively

Messrs. Cox, Hetzel, Judd, and McNees, Vice Presidents, Federal Reserve Banks of Dallas, Richmond, San Francisco, and Boston respectively

Ms. Meulendyke, Adviser, Federal Reserve Bank of New York

By unanimous vote, the minutes of the meeting of the Federal Open Market Committee held on August 22, 1995, were approved.

The Manager of the System Open Market Account reported on developments in foreign exchange markets since the August meeting. There were no transactions in these markets for the System Account during this period, and thus no vote was required of the Committee.

The Manager also reported on developments in domestic financial markets and on System open market transactions in government securities and federal agency obligations during the period August 22, 1995, through September 25, 1995. By unanimous vote, the Committee ratified these transactions.

The Committee then turned to a discussion of the economic and financial outlook and the implementation of monetary policy over the intermeeting period ahead. A summary of the economic and financial information available at the time of the meeting and of the Committee's discussion is provided below,

1. Attended portion of meeting relating to the Committee's economic discussion.

followed by the domestic policy directive that was approved by the Committee and issued to the Federal Reserve Bank of New York.

The information reviewed at this meeting suggested that economic activity was expanding at a moderate rate in the current quarter. Consumer spending appeared to be advancing somewhat further after a sizable gain in the second quarter; housing demand had strengthened in response to earlier reductions in mortgage rates; and business investment remained on a solid uptrend. Although business efforts to pare inventories apparently were still in progress, both production and employment were advancing moderately. After having increased at elevated rates in the early part of the year, consumer and producer prices had risen more slowly in recent months.

Private nonfarm payroll employment increased considerably in August after changing little in July. Much of the rise reflected a pickup in hiring in the services industry, notably in business services. Manufacturing payrolls were up modestly in August; the gain followed substantial declines in the previous four months. Construction employment changed little on balance over July and August, with only small changes being posted each month. The civilian unemployment rate edged down to 5.6 percent in August, remaining in the narrow range that had prevailed since late 1994.

Industrial production jumped in August to a level moderately above its average for the second quarter. Manufacturing output rose sharply, posting its first increase since January; a surge in the production of motor vehicles and parts accounted for some of the advance, but the output of non-automotive consumer goods in August more than reversed a sizable drop in July, and the production of business equipment recorded another robust gain. A steep rise in electricity generation associated with unusually hot weather over much of the country more than offset a decline in mining production. Total utilization of industrial capacity moved higher in August but remained below the average rate for the first quarter.

Retail sales were up slightly on balance over July and August after having risen appreciably in the previous two months. Abstracting from the volatile sales of motor vehicles during this period, spending on goods changed little on balance over the two months, as increased outlays for durable goods were offset by flagging purchases of apparel. Spending on services rose in July (latest data available), in part because of elevated demand for energy-related services during that month's unseasonably warm weather. Housing market activity increased further in July and August. Sales of both new and existing homes in July (latest data) reached their highest levels in more than a year, and housing starts edged up in August after a substantial rise in July.

Shipments of nondefense capital goods fell appreciably in July after having risen rapidly over the first half of the year, and sales of heavy trucks also were down substantially. New orders for nondefense capital goods declined steeply in July; however, the still-large backlog of outstanding orders, coupled with the favorable effects on the user cost of capital of lower interest rates and higher equity prices this year, pointed to further substantial expansion of spending on business equipment over coming months. Nonresidential construction posted another sizable gain in July. Outlays for office, industrial, and institutional structures registered healthy increases, but other commercial building activity was unchanged.

Business inventory accumulation slowed in June and July from a very rapid rate earlier in the year; stockpiling continued at a brisk pace in manufacturing and wholesale trade, but retail stocks were drawn down. In manufacturing, stocks increased in July at about the average rate seen in the second quarter; however, the stocks-to-shipments ratio rose somewhat, reflecting in part a reduction in shipments that might have been exaggerated by difficulties of seasonal adjustment. Wholesale inventories also advanced at about the second-quarter pace, and the inventory-to-sales ratio for this sector moved up to the upper end of its range for recent years. At the retail level, reduced stocks at automotive dealers accounted for much of the July decline in inventories; the ratio of inventories to sales edged lower but remained near the middle of the range for recent years.

The nominal deficit on U.S. trade in goods and services widened slightly in July from its average rate in the second quarter. The value of both exports and imports decreased. For exports, the largest decline was in aircraft and automotive products. The decrease in imports was concentrated in automotive products and gold. Available indicators of economic activity suggested that expansion was continuing in most of the major foreign industrial countries in the third quarter and that the average rate of growth remained near the subdued pace of the first half of the year.

As in other recent months, consumer prices rose more slowly in August than in the early months of the year. Sizable declines in energy prices were a contributing factor, but price increases also had moderated for nonfood, non-energy items; the moderation largely reflected a downturn in automobile finance charges and used-car prices along with smaller increases in airline fares. For the twelve months ending in August, nonfood, non-energy prices rose by the same amount as in the year-earlier period. At the producer level, prices of finished goods edged lower in August after being unchanged in July. Although declines in prices of finished energy goods held down the overall index in both months, prices of finished goods other than food and energy rose more slowly than in the early months of the year; for the twelve months ending in August, nonfood, non-energy prices of finished goods increased slightly more than in the comparable year-earlier period.

At its meeting on August 22, 1995, the Committee adopted a directive that called for maintaining the existing degree of pressure on reserve positions and that did not include a presumption about the likely direction of any adjustments to policy during the intermeeting period. The directive stated that in the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, slightly greater reserve restraint or slightly lesser reserve restraint would be acceptable during the intermeeting period. The reserve conditions associated with this directive were expected to be consistent with more moderate growth of M2 and M3 over coming months.

Open market operations were directed toward maintaining the existing degree of pressure on reserve positions throughout the intermeeting period. Adjustment plus seasonal borrowing and the federal funds rate generally were in line with expectations, with the funds rate averaging close to 5¾ percent. Other market interest rates fell appreciably over much of the period, though these declines were partially reversed near the end of the period. Further evidence of subdued price pressures, indications that the rebound in growth of GDP would be modest, and increasing confidence that significant reductions in federal deficits might be in train contributed to the drop in rates. The lower interest rates, optimistic assessments of corporate earnings, and the brisk pace of merger announcements and share buybacks helped lift major indexes of equity prices to new record levels during the period, though they ended the period below those highs.

In foreign exchange markets, the trade-weighted value of the dollar in terms of the other G-10 currencies declined over the intermeeting period. The dollar moved higher over most of the period, partly in response to monetary easing actions in Germany, which were quickly followed by similar steps in other European countries, and in Japan. The policy easing in Japan was accompanied, inter alia, by statements by U.S. and Japanese officials that they would welcome a weaker yen. The dollar reversed course late in the intermeeting period, however, following the announcement of a new Japanese fiscal package and emerging uncertainties about the prospects for European monetary union. On balance over the period, the dollar moved lower against most European currencies while appreciating significantly further against the yen.

After further strong expansion in August, M2 and M3 appeared to be growing at a somewhat more moderate rate in September. The still-brisk demand for M2 assets was associated with the lower market interest rates now prevailing and the related decline in the opportunity costs associated with holding these assets. The relatively robust growth of M3 reflected inflows to institution-only money market funds as well as bank acquisitions of wholesale funds to meet loan demand. For the year through August, M2 expanded at a rate somewhat below the upper end of its range for 1995 and M3 grew at a rate appreciably above its range. Total domestic nonfinancial debt had grown at a rate around the midpoint of its monitoring range in recent months.

The staff forecast prepared for this meeting suggested that growth in economic activity over the forecast horizon would be higher than the weak pace of the second quarter. The process of bringing inventories into better alignment with sales was well under way, and the favorable wealth and interest-cost effects of the extended rally in the debt and equity markets would tend to support moderate expansion of final sales. Consumer spending was expected to grow at a pace generally in line with incomes; the favorable effects on spending of higher prices for financial assets held by households would be offset to a degree in this forecast by less robust labor market conditions and the difficulties that growing numbers of households would encounter in servicing their enlarged debts. Homebuilding was expected to be somewhat stronger in response to the earlier decline in mortgage rates and the related improvement in housing affordability. In anticipation of slower growth of sales and profits, business investment in new equipment and structures was projected to slow from the very rapid pace of the past few years, although the lower cost of capital and the ready availability of financing would help to sustain appreciable expansion in such investment. Export growth would pick up in response to some expected strengthening in the economies of major trading partners. A great deal of uncertainty surrounded the fiscal outlook, but the staff continued to build a considerable degree of fiscal restraint into its forecast. In the staff's judgment, the prospects for some further easing of pressures on labor and other resources suggested that price inflation likely would not deviate significantly from recent trends.

In the Committee's discussion of current and prospective economic developments, members commented that the information available since the August meeting had tended to confirm earlier indications of a pickup in the expansion after a period of sluggish growth during the spring. The economy did not display uniform strength across industries or regions, but it appeared on balance to have considerable and desirable expansionary momentum. Growth at a pace averaging close to, or perhaps slightly below, the economy's potential was viewed as the most likely prospect for the year ahead. The outlook for economic activity remained subject to a variety of uncertainties, including the still unsettled course of the federal budget, and many members saw the risks of a shortfall from expectations as slightly greater than those of significantly faster growth. With regard to inflation, the slower increases in key measures of consumer and producer prices since earlier in the year were a welcome development, and a number of members commented that inflation was likely to remain contained, given likely developments. Many expressed concern, however, that significant further progress toward achieving stable prices might not be made over the next year or two.

In keeping with indicators of nationwide economic performance, anecdotal and other reports on regional activity suggested somewhat uneven business conditions in different parts of the country, but collectively the reports pointed to moderate overall growth. Business activity in most regions had tended to improve or to remain firm during the summer months, though declining growth or very sluggish activity characterized some areas. The level of business confidence generally appeared to have stayed high, but several members indicated that they sensed from their contacts that business expectations were somewhat fragile and vulnerable to adverse developments.

In their discussion of developments in key sectors of the economy, members generally viewed comparatively moderate growth in consumer spending as a likely prospect over the forecast period. After recording sizable gains in late spring, retail sales had been well maintained in recent months, with some strengthening in the motor vehicles sector in August apparently carrying over to September. Favorable factors in the outlook for consumer spending included the increases that had occurred in the value of financial assets and the demand for household appliances and other durables that was expected to be generated by stronger housing activity. On the other hand, overall gains in consumer spending were likely to be restrained by cyclically waning pent-up demands for consumer durables, especially motor vehicles; still widespread concerns about job security associated with ongoing business restructuring and downsizing activities; and higher consumer debt loads.

Housing demand was continuing to respond to more attractive mortgage rates, as evidenced by nationwide data and anecdotal reports from many parts of the country. Increases in construction activity were lagging the improvement in housing demand and had been limited thus far, but considerable strength in homebuilding activity could be expected over the next several months. The extent of further lagged responses to reduced mortgage rates could not be foreseen with any degree of certainty, and in any event housing demand would depend on broad economic developments such as trends in employment and income. Housing activity appeared to have weakened over recent months in one major market where economic conditions were described as relatively sluggish. In many other areas, however, persons in the real estate industry were reported to be optimistic about the outlook for housing.

Business fixed investment remained a strongly positive factor in the economy and was expected to provide further impetus to growth over the next several quarters. The contribution of this sector could be expected to lessen, however, as capital spending was adjusted to expectations of a maturing expansion characterized by the emergence of slower growth in final demand and business profits. In particular, the outsized growth in business spending for equipment did not appear to be sustainable under foreseeable economic conditions.

Diminished growth in inventories still seemed to be retarding the expansion in overall business activity, as evidenced in part by continuing reports of efforts by various business firms to bring their inventories into better balance with sales. Nonetheless, such adjustments now appeared to have been largely completed, or were expected to be completed over the months immediately ahead, so that inventory investment could be expected to have little effect on the course of the economy during 1996. It was noted, however, that projections of inventory behavior were subject to a high degree of uncertainty.

A number of members commented that fiscal policy developments constituted a major uncertainty in the outlook for economic activity. While measures incorporating substantial reductions in spending from current trends were widely expected to be enacted into law, it was not possible to predict the outcome of the continuing debate on the federal budget in the Congress and the Administration. Further complicating any efforts to assess the potential damping influence of prospective fiscal policy were uncertainties regarding the time frame during which the new expenditure and tax measures would be put in place—including the extent to which they would be implemented over the year ahead—and the effects of the new fiscal measures on economic incentives and financial markets. Favorable business and financial market reactions would tend to mitigate, at least for a time, the restraining effects of fiscal measures on aggregate demand. On the other hand, if the deficit reduction measures that eventually were enacted were to fall substantially short of current expectations, there would be adverse repercussions in financial markets and possibly on business confidence.

The nation's trade deficit was expected to diminish somewhat over the next several quarters and in the process to exert less restraint on domestic economic activity. The better trade performance was projected to result from a number of factors, including the improved competitive position of U.S. producers and the lagged effects of earlier declines in the value of the dollar in foreign exchange markets. It also was associated with forecasts of somewhat stronger growth in economic activity abroad than in the United States. While there were continuing anecdotal reports of expanding export markets, some members expressed reservations about the extent to which the economies of major foreign trading partners would strengthen over the forecast period and the related prospects for growth of foreign demand for U.S. goods and services.

Views on the outlook for inflation centered on forecasts of little change or some slight decline in the rate of increase in consumer prices over the year ahead. The appreciable moderation in inflation in recent months had checked the deteriorating trend that seemed to be emerging during the early months of the year, but the members generally believed that recent developments did not point to a significant further decline in inflation. Pressures on producer resources had eased since the early part of the year, but the labor market remained tight and capacity utilization was still above its historical average. In this connection, a few members commented that current forecasts were subject to a range of error that included a risk of some intensification of inflationary pressures.

One uncertainty bearing on the outlook for inflation was the extent to which potentially greater pressures on labor costs would be translated into higher prices. Increases in labor expenses had been held down by markedly reduced advances in the costs of benefits, notably medical benefits. The economies from the latter source might well lessen over coming quarters as the most easily implemented reductions in the costs of providing medical care were achieved. Moreover, the rise in worker compensation had been unusually restrained in recent years in relation to the strong demand for workers, evidently reflecting the effects of worker concerns about job security in a period of business restructurings and downsizings, but continued strength in the demand for labor might be expected to induce more rapid increases in labor compensation over time. Some members commented, however, that the underlying factors affecting employment costs were not likely to change greatly over the forecast period. In addition, the prospect that intense competitive pressures would persist in many markets under projected economic conditions suggested that business firms would continue to find it very difficult to pass on rising costs through higher prices. It also was possible that the rates of capacity utilization and employment associated with a steady rate of inflation had changed in the direction of providing the economy greater leeway to operate at a somewhat higher level without generating more inflation.

In the Committee's discussion of policy for the intermeeting period ahead, all the members supported a proposal to maintain an unchanged degree of pressure on reserve positions. The expansion seemed for now to have a desirable and sustainable momentum that did not call for any change in policy. Furthermore, the outlook remained clouded by the uncertainties stemming from the ongoing federal budget debate. In any event, the Committee would need to remain alert to a broader range of developments that might warrant a policy change at some point. In this connection, several members expressed the opinion that policy might have to be eased eventually in light of the downside risks that they saw in the economy and a current policy stance that they viewed as slightly restrictive. However, the current performance of the economy suggested that the timing of an easing action was not an immediate concern. Other members who preferred an unchanged policy placed more emphasis on current forecasts of little or no progress in reducing inflation from recent levels. They thought it would be premature to ease policy without greater assurance that inflation had been contained in the current cyclical expansion and that prospects for significant further progress toward the long-run objective of price level stability had improved. Indeed, the direction of the next policy move was not clear in the view of some members, and they believed that any easing should await a firm indication that the outlook for economic activity was becoming less favorable or that inflation was decreasing more rapidly than expected.

With regard to possible adjustments to policy during the intermeeting period, the members all endorsed a proposal to retain an intermeeting instruction in the directive that did not incorporate any bias concerning the direction of possible intermeeting policy changes. At this juncture, there was no specific reason to anticipate developments that would call for an adjustment to policy during the weeks ahead. While a change in policy certainly could not be ruled out, the reasons for the change likely would involve sensitive issues that would warrant Committee consultation regardless of the intermeeting instruction.

At the conclusion of the Committee's discussion, all the members indicated a preference for a directive that called for maintaining the existing degree of pressure on reserve positions and that did not include a presumption about the likely direction of any adjustments to policy during the intermeeting period. Accordingly, in the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, the Committee decided that slightly greater or slightly lesser reserve restraint would be acceptable during the intermeeting period. The reserve conditions contemplated at this meeting were expected to be consistent with growth in M2 and M3 over the balance of the year at a pace near that experienced in recent months.

The Federal Reserve Bank of New York was authorized and directed, until instructed otherwise by the Committee, to execute transactions in the System Account in accordance with the following domestic policy directive:

The information reviewed at this meeting suggests that economic activity is expanding at a moderate rate in the current quarter. Nonfarm payroll employment increased considerably in August after essentially no growth in July; the civilian unemployment rate edged down to 5.6 percent in August. Industrial production posted a large increase in August to a level moderately above the average of the second quarter. Total nominal retail sales rose slightly on balance over July and August after registering appreciable gains in the prior two months. Housing starts were up a little in August after increasing sharply in July. Orders for non-defense capital goods have softened but still point to substantial expansion of spending on business equipment over coming months; nonresidential construction has been strong of late. The nominal deficit on U.S. trade in goods and services widened slightly in July from its average rate in the second quarter. After increasing at elevated rates in the early part of the year, consumer and producer prices have risen more slowly in recent months.

Market interest rates have fallen somewhat since the Committee meeting on August 22. In foreign exchange markets, the trade-weighted value of the dollar in terms of the other G-10 currencies has declined over the intermeeting period, with most of the decline occurring over the past several days.

M2 and M3 continued to register sizable increases in August but growth of those aggregates appears to have moderated somewhat in September. For the year through August, M2 expanded at a rate somewhat below the upper end of its range for 1995 and M3 grew at a rate appreciably above its range. Total domestic nonfinancial debt has grown at a rate around the midpoint of its monitoring range in recent months.

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. In furtherance of these objectives, the Committee at its meeting in July reaffirmed the range it had established on January 31–February 1 for growth of M2 of 1 to 5 percent, measured from the fourth quarter of 1994 to the fourth quarter of 1995. The Committee also retained the monitoring range of 3 to 7 percent for the year that it had set for growth of total domestic nonfinancial debt. The Committee raised the 1995 range for M3 to 2 to 6 percent as a technical adjustment to take account of changing intermediation patterns. For 1996, the Committee established on a tentative basis the same ranges as in 1995 for growth of the monetary aggregates and debt, measured from the fourth quarter of 1995 to the fourth quarter of 1996. The behavior of the monetary aggregates will continue to be evaluated in the light of progress toward price level stability, movements in their velocities, and developments in the economy and financial markets.

In the implementation of policy for the immediate future, the Committee seeks to maintain the existing degree of pressure on reserve positions. In the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, slightly greater reserve restraint or slightly lesser reserve restraint would be acceptable in the intermeeting period. The contemplated reserve conditions are expected to be consistent with growth in M2 and M3 over the balance of the year near the pace of recent months.

Votes for this action: Messrs. Greenspan, McDonough, Blinder, Hoenig, Kelley, Lindsey, Melzer, Ms. Minehan, Mr. Moskow, Mses. Phillips and Yellen. Votes against this action: None.

DISCUSSION OF PROPOSED LEGISLATION

At this meeting, the Committee discussed a bill, titled the "Economic Growth and Price Stability Act of 1995," that recently had been introduced in the U.S. Senate. The bill would make price stability the primary long-run policy goal of the Federal Reserve and require the Federal Reserve to establish a numerical definition of price stability and to implement a policy that would effectively promote such stability over time. It would repeal the Full Employment and

Balanced Growth Act of 1978 (the "Humphrey–Hawkins Act") and certain related provisions in the Employment Act of 1946 and the Congressional Budget Act of 1974. The Federal Reserve had not yet been asked its views of the bill, but testimony was likely at some point and a preliminary discussion would help to identify important issues.

The members had not had time to review the bill in detail or to consider fully all its implications. Nonetheless, their initial reaction was favorable in regard to the overall thrust of the bill's monetary policy provisions. These would make clear that price stability was the primary long-run objective of monetary policy and would restructure the monetary policy reporting requirements to permit the Congress to carry out its oversight responsibilities more effectively. Many members felt that in the context of seeking and maintaining price stability, monetary policy should have the flexibility to react to short-run fluctuations in output and employment, and they believed the bill would be improved if its intent in this regard were clarified. A few members expressed strong reservations about the part of the bill that would delete the employment objectives set forth in the Employment Act of 1946.

It was agreed that the next meeting of the Committee would be held on Wednesday, November 15, 1995.

The meeting adjourned at 1:20 p.m.

Donald L. Kohn
Secretary

Legal Developments

Final Rule—Amendment to Regulation D

The Board of Governors is amending 12 C.F.R. Part 204, its Regulation D (Reserve Requirements of Depository Institutions), to decrease the amount of transaction accounts subject to a reserve requirement ratio of three percent, as required by section 19(b)(2)(C) of the Federal Reserve Act, from $54.0 million to $52.0 million of net transaction accounts. This adjustment is known as the low reserve tranche adjustment. The Board has increased from $4.2 million to $4.3 million the amount of reservable liabilities of each depository institution that is subject to a reserve requirement of zero percent. This action is required by section 19(b)(11)(B) of the Federal Reserve Act, and the adjustment is known as the reservable liabilities exemption adjustment. The Board is also increasing the deposit cutoff levels that are used in conjunction with the reservable liabilities exemption to determine the frequency of deposit reporting from $55.4 million to $57.0 million for nonexempt depository institutions and from $45.1 million to $46.4 million for exempt institutions. (Nonexempt institutions are those with total reservable liabilities exceeding the amount exempted from reserve requirements while exempt institutions are those with total reservable liabilities not exceeding the amount exempted from reserve requirements.) Thus nonexempt institutions with total deposits of $57.0 million or more will be required to report weekly while nonexempt institutions with total deposits less than $57.0 million may report quarterly, in both cases on form FR 2900. Similarly, exempt institutions with total deposits of $46.4 million or more will be required to report quarterly on form FR 2910q while exempt institutions with total deposits less than $46.4 million may report annually on form FR 2910a.

Effective December 19, 1995, 12 C.F.R. Part 204 is amended as follows.

Compliance dates: For depository institutions that report weekly, the low reserve tranche adjustment and the reservable liabilities exemption adjustment will apply to the reserve computation period that begins Tuesday, December 19, 1995, and on the corresponding reserve maintenance period that begins Thursday, December 21, 1995. For institutions that report quarterly, the low reserve tranche adjustment and the reservable liabilities exemption adjustment will apply to the reserve computation period that begins Tuesday, December 19, 1995, and on the corresponding reserve maintenance period that begins Thursday, January 18, 1996. For all depository institutions, the deposit cutoff levels will be used to screen institutions in the second quarter of 1996 to determine the reporting frequency for the twelve month period that begins in September 1996.

Part 204—Reserve Requirements of Depository Institutions (Regulation D)

1. The authority citation for Part 204 continues to read as follows:

Authority: 12 U.S.C. 248(a), 248(c), 371a, 461, 601, 611, and 3105.

2. In section 204.9, paragraph (a) is revised to read as follows:

Section 204.9—Reserve requirement ratios.

(a)(1) *Reserve percentages*. The following reserve ratios are prescribed for all depository institutions, Edge and Agreement corporations, and United States branches and agencies of foreign banks:

Category	Reserve requirement[1]
Net transaction accounts	
$0 to $52.0 million	3 percent of amount.
over $52.0 million	$1,560,000 plus 10 percent of $52.0 million.
Nonpersonal time deposits	0 percent.
Eurocurrency liabilities	0 percent.

[1] Before deducting the adjustment to be made by the paragraph (a)(2) of this section.

(2) *Exemption from reserve requirements*. Each depository institution, Edge or agreement corporation, and U.S. branch or agency of a foreign bank is subject to a zero percent reserve requirement on an amount of its transaction accounts subject to the low reserve tranche in paragraph (a)(1) of this section not in excess of $4.3 million determined in accordance with section 204.3(a)(3).

Orders Issued Under Bank Holding Company Act

Orders Issued Under Section 3 of the Bank Holding Company Act

Fleet Financial Group, Inc.
Providence, Rhode Island

Order Approving the Acquisition of a Bank Holding Company, Merger of Banks, Establishment of Branches, and Engaging in Nonbanking Activities

Fleet Financial Group, Inc., Providence, Rhode Island ("Fleet"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), and certain of its affiliates have filed applications under section 3 of the BHC Act (12 U.S.C. § 1842), section 5(d)(3) of the Federal Deposit Insurance Act (the "FDI Act") (12 U.S.C. § 1815(d)(3)), section 18(c) of the FDI Act (12 U.S.C. § 1828(c)) ("Bank Merger Act"), and section 9 of the Federal Reserve Act (12 U.S.C. § 321),[1] and notices under section 4 of the BHC Act (12 U.S.C. § 1843),[2] in connection with Fleet's proposal to acquire all the voting shares of Shawmut National Corporation, Hartford, Connecticut, and Boston, Massachusetts ("Shawmut"), and thereby indirectly acquire its banking and nonbanking subsidiaries.[3]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (60 *Federal Register* 37,642 and 39,394 (1995)). The Board extended the public comment period in this case, providing interested persons approximately 60 days to submit written comments on this proposal (Press Release dated July 27, 1995). In light of the size and geographic scope of the organization that would result from consummation of this proposal, and the extensive public interest in it, the Board also held public meetings at three sites to permit interested persons an opportunity to present written information and oral testimony to members of the Federal Reserve System's staff. The meetings were held, beginning on August 26, 1995, in Boston, Massachusetts; Hartford, Connecticut; and Albany, New York.

The Board received comments on the proposal from approximately 278 commenters. Of these commenters, 161 testified at the public meetings. Written comments were received from approximately 117 commenters who did not testify at the public meetings and from 21 commenters who testified at the meetings.

Reports on the competitive effects of the merger were requested from the United States Attorney General, the Federal Deposit Insurance Corporation ("FDIC"), and the Office of the Comptroller of the Currency ("OCC") as required by the Bank Merger Act. The time for filing comments has expired, and the Board has considered the applications and notices and all comments received in light of the factors set forth in the BHC Act, the Bank Merger Act, and the Federal Reserve Act.

Fleet, with total consolidated assets of approximately \$51.3 billion, operates subsidiary banks in Rhode Island, Massachusetts, Connecticut, New York, New Hampshire, and Maine.[4] Fleet is the 16th largest commercial banking organization in the United States, controlling approximately 1.3 percent of total banking assets in the United States. Fleet also engages in a number of permissible nonbanking activities nationwide. Shawmut, with total consolidated assets of approximately \$36.3 billion, operates subsidiary banks with branches in Connecticut, Massachusetts, New York, New Hampshire, and Rhode Island. Shawmut is the 25th largest commercial banking organization in the United States, controlling approximately 1 percent of total banking assets in the United States. Upon consummation of the proposal, Fleet would become the tenth largest commercial banking organization in the United States, with total consolidated assets of approximately \$86.2 billion, and would control approximately 2.3 percent of total banking assets in the United States and 1.7 percent of the total deposits in banks and savings associations insured by the FDIC.[5]

Interstate Analysis

Section 3(d) of the BHC Act, as amended by Section 101 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, allows the Board to approve an application by a bank holding company to acquire control of a bank located in a state other than the home state of such bank holding company, if certain conditions are met.[6] These conditions are met in this case.[7] In view of all the

1. These applications are described in Appendix A, and the branches to be established pursuant to section 9 of the Federal Reserve Act are listed in Appendix B.

2. The nonbanking subsidiaries to be acquired by Fleet are listed in Appendix C.

3. In connection with the proposal, Fleet and Shawmut each have applied to acquire options to purchase up to 19.9 percent of the voting shares of the other. These options would become moot upon consummation of Fleet's application to acquire Shawmut.

4. Asset and deposit data are as of June 30, 1995.

5. Asset and deposit data take into account Fleet's commitments to divest certain assets and deposits, which are discussed in this order.

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

7. 12 U.S.C. §§ 1842(d)(1)(A) and (B) and 1842(d)(2)(A) and (B). Fleet is adequately capitalized and adequately managed. Shawmut's subsidiary banks in Connecticut and New Hampshire have been in existence and continuously operated for the minimum period of time required under applicable state law. In addition, upon consummation of this proposal, Fleet and its affiliates would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States, and less than 30 percent of the total amount of deposits of insured depository institutions, or the applicable state deposit limit, in Connecticut, Massachusetts, New Hampshire, and New York. Fleet would control over 30 percent of the total deposits in depository institutions in Rhode Island after the merger. However, the Rhode Island Director of the Department of Business Regulation has indicated that the transaction is permissible under

facts of record, the Board is permitted to approve this proposal under section 3(d) of the BHC Act.

Competitive Considerations

Fleet and Shawmut both operate subsidiary banks with branches in Connecticut, Massachusetts, New Hampshire, New York, and Rhode Island.[8] Fleet and Shawmut compete directly in 26 banking markets in these states.[9] The Board has carefully considered the effects that consummation of this proposal would have on competition in these banking markets, in light of all the facts of record, including the characteristics of these markets, the increase in the concentration of total deposits in depository institutions[10] in these markets ("market deposits") as measured by the Herfindahl–Hirschman Index ("HHI"),[11] and commitments made by Fleet to divest certain branches. In evaluating the competitive factors in this case, the Board also has carefully considered the information and views presented by commenters.[12]

In 14 banking markets, consummation of this proposal would not exceed Department of Justice ("DOJ") guidelines.[13] In 12 other banking markets,[14] the increase in the concentration of market deposits, as measured by the HHI, indicates that the combination of Fleet and Shawmut, without divestitures, could result in significantly adverse competitive effects. In order to mitigate the potential that this proposal may result in adverse competitive effects in these markets, Fleet has committed to divest branches in each of these banking markets to one or more acquirors, whose purchase of branches would not substantially lessen competition in these markets.[15] After consummation of this proposal and the divestiture of branches in these markets, the competitive effect of this proposal would be consistent with the DOJ Merger Guidelines and the parameters ap-

relevant Rhode Island law. Accordingly, in this case, the acquisition by Fleet of deposits in Rhode Island is permitted under section 3(d)(2)(D) of the BHC Act (12 U.S.C. § 1842(d)(2)(D)).

8. The deposit size, percentage of deposits, and ranking for Fleet and Shawmut in each of these states are listed in Appendix D.

9. A description of these banking markets is contained in Appendix E.

10. Market deposit data are as of June 30, 1994. In this context, depository institutions include commercial banks, savings banks, and savings associations. Based on the particular characteristics of the institutions and markets involved, the Board previously has determined that certain savings associations in Maine and Connecticut offer significant competition to commercial banks in the provision of the full range of financial services, and has weighted the deposits of these savings associations at more than 50 percent in calculating market share. *See Fleet/Norstar Financial Group, Inc.*, 77 *Federal Reserve Bulletin* 750 (1991); *Cenvest, Inc.*, 74 *Federal Reserve Bulletin* 807 (1988); *Hartford National Corporation*, 73 *Federal Reserve Bulletin* 720 (1987). The Board has determined to include the deposits of savings associations in Connecticut, Massachusetts, Rhode Island, and New Hampshire banking markets at up to 100 percent, based on a number of factors indicating their commitment to commercial lending, including their ratio of commercial and industrial loans (other than those secured by real estate) to total assets, percentage of small business loans in the market, resources committed to commercial lending, and the legal authority of the association to make commercial loans.

11. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is above 1800 is considered to be highly concentrated. In such markets, the Department of Justice (the "DOJ") is likely to challenge a merger that increases the HHI by more than 50 points. The DOJ has informed the Board that a bank acquisition or merger generally will not be challenged (in the absence of other factors indicating anti-competitive effects) unless the post-merger HHI is at least 1800 and the merger or acquisition increases the HHI by at least 200 points. The DOJ has stated that the higher than normal threshold for anti-competitive effects implicitly recognizes the competitive effect of limited-purpose lenders and other non-depository financial entities.

12. The Board received comments from several groups and individuals who expressed concern that the proposed transaction would have a significantly adverse effect on competition or the concentration of resources in various banking markets. These comments included allegations that:

(1) Fleet's resulting market share in Connecticut and Massachusetts would result in or lead to the creation of a monopoly; and

(2) The variety, convenience, and quality of banking services would decrease and the price would increase.

13. These markets and the HHI increases are as follows. In Connecticut, Bridgeport (169 points to 1970), Danielson (287 points to 1692), Fairfield (303 points to 1309), New Haven (190 points to 1053), New London (277 points to 1466), Torrington (208 points to 1431), and Waterbury (7 points to 1729). In Massachusetts, Boston (164 points to 952), and Springfield (291 points to 1197). In New Hampshire, Concord (132 points to 1536), Hanover-Lebanon (178 points to 1030), Laconia (106 points to 2481), and Portsmouth-Dover-Rochester (137 points to 1524). In New York, Albany (306 points to 1484).

A commenter contended that the Board should separately consider the competitive effects of this proposal on small business borrowers and other particular segments of the Albany market and other relevant banking markets, in light of an article reviewing a year of call report data on small business lending in the Federal Reserve System's Tenth District. The commenter asserted that the article indicates that multistate bank holding companies tend to lend less to small businesses than small single-state bank holding companies. For reasons explained in previous orders, the Board continues to believe that the competitive analysis of banking expansionary proposals should be based on the availability of the cluster of banking services to a range of customers in the local banking market. *See, e.g., First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52 (1991); *see also United States v. Philadelphia National Bank*, 374 U.S. 321 (1963). In addition, the Board notes that the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA") requires that every bank, including a bank owned by a multi-state bank holding company, be examined and rated regularly on its performance in helping to meet the credit needs of its community.

14. These banking markets are as follows. In Connecticut, Hartford and Old Saybrook. In Massachusetts, Amherst-Northampton, Fitchburg-Leominster, Greenfield, New Bedford, Southbridge, Taunton, and Worcester. In New Hampshire, Littleton and Manchester. In Rhode Island, Providence.

15. Fleet has entered into agreements to sell these branches either to organizations that do not currently operate in these markets or to competitors already operating in the markets whose resulting market share would not cause the HHI to exceed DOJ guidelines, except as further discussed in this order. In addition, Fleet has committed that if it is unsuccessful in completing these divestitures within six months of consummation of this proposal, it will transfer the unsold branches to an independent trustee that will be instructed to sell the branches promptly. *See BankAmerica Corporation*, 78 *Federal Reserve Bulletin* 338 (1992); *United New Mexico Financial Corporation*, 77 *Federal Reserve Bulletin* 484 (1991). Fleet also has committed to submit to the Board, prior to consummation of the acquisition, an executed trust agreement acceptable to the Board stating the terms of these divestitures.

plied by the Board in previous decisions in all markets, except the Hartford and Old Saybrook banking markets.[16]

Hartford Banking Market. Fleet currently is the second largest depository institution in the Hartford banking market. Upon acquiring Shawmut, Fleet would become the largest depository institution in the market, controlling approximately $9.5 billion in deposits, representing 47.8 percent of market deposits. To mitigate the potential anti-competitive effects of this acquisition in the Hartford banking market, Fleet has entered into divestiture agreements to sell 25 branches and approximately $1.6 billion of deposits to two, full-service depository institutions that already operate in the market. This divestiture would include approximately $62.4 million of loans to small businesses.[17] Upon consummation of the proposed divestiture, the HHI in the Hartford banking market would increase by no more than 469 points to 1827.

A number of additional factors indicate, however, that the increase in concentration levels in the Hartford banking market, as measured by the HHI, tends to overstate the competitive effects of this proposal. For example, as a result of the proposed divestiture, one depository institution in the market would acquire approximately $1.3 billion of deposits and control approximately 9.7 percent of market deposits, becoming the second largest depository institution in the market. A second depository institution in the market would acquire approximately $300 million of deposits and control approximately 4.2 percent of market deposits, becoming the fourth largest depository institution in the market. In addition, upon consummation of this proposal, 49 depository institutions would remain in the market, including 18 commercial banks. The Hartford banking market, moreover, is relatively attractive for entry. The market is more than twice as large as any other banking market in Connecticut, and three multi-billion dollar bank holding companies have entered the market since 1990. Several other very large bank holding companies have entered other banking markets in Connecticut since 1993, and their proximity to the Hartford banking market may affect the competitive behavior of depository institutions in the market.

Old Saybrook Banking Market. Fleet currently is the fourth largest depository institution in the Old Saybrook banking market. Upon the acquisition of Shawmut, Fleet would become the largest depository institution in the market, controlling approximately $167 million of deposits, representing 33.2 percent of market deposits. To mitigate the potential anti-competitive effects of this acquisition in the Old Saybrook banking market, Fleet has entered into an agreement to divest two branches and approximately $32.3 million in deposits to a depository institution in the market. Upon consummation of the proposed divestiture, the HHI in the market would increase by no more than 298 points to 1904.

The potential adverse competitive effects of this proposal are substantially mitigated, however, by consideration of certain factors in the Old Saybrook banking market.[18] First, six other depository institutions would remain in the market, three of which would control 10 percent or more of market deposits. Two of the remaining competitors are multi-billion dollar bank holding companies. Second, the Board has previously determined that many of the thrift institutions in the Old Saybrook banking market provide a full range of commercial banking services in addition to offering traditional thrift products.[19] Third, the Old Saybrook banking market is surrounded by three Ranally Metropolitan Areas and is in close proximity to two other central business districts, which presents an unusually large number of commercial, employment, and banking alternatives to residents of this very small banking market. More than 30 percent of the Old Saybrook banking market work force commutes to work outside the banking market.

The Board has sought comments from the DOJ on the competitive effects of this proposal in all the banking markets in which Fleet and Shawmut compete. The DOJ has advised the Board that, in light of the proposed divestitures, the proposal would not have a significantly adverse effect on competition in any relevant banking market.

Based on all the facts of record, and taking into consideration the views expressed by commenters on the potential competitive effects of this proposal, and for the reasons discussed in this order, the Board concludes that consummation of this proposal is not likely to have a significantly adverse effect on competition or on the concentration of resources in any relevant banking market.[20] This determi-

16. Based on the divestiture agreements into which Fleet has entered, the HHI in these banking markets (other than Hartford and Old Saybrook) would increase as follows. In Massachusetts, Amherst-Northampton (213 points to 1742), Fitchburg-Leominster (no increase), Greenfield (no increase), New Bedford (116 points to 2284), Southbridge (99 points to 2096), Taunton (148 points to 2493), and Worcester (43 points to 2216). In New Hampshire, Littleton (48 points to 2458), and Manchester (no increase). In Rhode Island, Providence (75 points to 2965).

17. In this context, loans to small businesses include loans in the amount of $1 million or less.

18. The Board previously has discussed the factors that would tend to reduce the adverse competitive effects of a combination of depository institutions in this banking market. *See Hartford National Corporation*, 73 *Federal Reserve Bulletin* 720 (1987).

19. *Id.* at 721.

20. A commenter contended that the Board's broad definition of the Albany banking market and its inclusion of all savings association deposits in the market at more than 20 percent understated the concentration of resources in the market that would result from consummation of this proposal. The commenter suggested that the definition of the market should be the same as what Shawmut's New York subsidiary bank has defined as its delineated community under the CRA. A bank's delineated community under the CRA, however, identifies the bank's primary service area, and does not necessarily take into account the presence of other banks, access by the bank's customers to banks located in other communities, or economic and demographic factors that contribute to competition. *See St. Joseph Valley Bank*, 68 *Federal Reserve Bulletin* 673 (1982). The Albany banking market, as considered by the Board, includes six counties that constitute the Albany Metropolitan Statistical Area ("MSA") and six counties that are closely linked to it by commuting patterns and other factors. Even if the counties outside the Albany MSA were excluded

nation is subject to completion of the divestitures proposed by Fleet in connection with these applications.[21]

Financial, Managerial and Future Prospects Considerations

The Board has reviewed the financial resources of the companies and banks involved in this proposal and the effect of the proposed acquisition on the future prospects of these organizations. The Board notes that both Fleet and Shawmut and their subsidiary banks are adequately capitalized, and that Fleet's consolidated capital ratios would be at the "well capitalized" threshold on consummation of this transaction. In addition, this proposal involves an exchange of stock, and no new debt would be incurred. Based on all the facts of record, including all comments that have been received relating to the financial factors in this proposal, the Board concludes that financial considerations, including the future prospects of Fleet, are consistent with approval.[22] The Board also has reviewed the managerial resources of Fleet in light of comments received in connection with this proposal,[23] and has concluded that based on all the facts of record, including examination reports and other supervisory information, managerial factors are consistent with approval.[24]

The Board has concluded that the other supervisory factors that the Board must consider under section 3 of the BHC Act, the Bank Merger Act, and section 9 of the Federal Reserve Act are consistent with approval of this proposal.[25]

from the definition of this banking market, the resulting HHI would not violate the DOJ Merger Guidelines.

The Board has regularly included savings association deposits in the calculation of market share on a 50 percent weighted basis. See *e.g.*, *Comerica, Inc.*, 81 *Federal Reserve Bulletin* 476 (1995); *First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52 (1991). On average, savings associations in the Albany banking market are engaged more extensively in commercial and industrial lending and consumer lending than are savings associations nationwide.

21. The Board has carefully considered comments suggesting that Fleet should be required to divest branch assets in Connecticut to small, community development banks that can better serve the needs of minorities and low- to moderate-income communities. The proposed divestitures in Connecticut have been structured to maintain significant competition to Fleet in providing banking products and services in the relevant banking markets. The Board notes, moreover, that there is no evidence in the record to suggest that this proposal would prevent the establishment of any other bank to serve minority and low- to moderate-income communities or impair the ability of existing banks to serve such communities. Furthermore, the Board notes that the CRA requires it to carefully consider how banks making acquisitions have fulfilled their responsibilities under the CRA. As discussed in this order, the Board has carefully considered Fleet's record in helping to meet the credit needs of the communities that it serves, including minority and low- to moderate-income communities.

22. Several commenters expressed concerns about Fleet's financial resources, including concerns that Fleet has not accurately stated its financial condition in light of the dollar amount of CRA-related commitments that it has made, the contingent liabilities stemming from various lawsuits filed against it, and the loss of fee income from the anticipated termination of its agreement to manage FDIC assets in New England through its subsidiary, RECOLL Management Corporation, Boston, Massachusetts ("RECOLL"). Some commenters also alleged that Fleet has misstated its financial condition by understating the number of delinquent loans and foreclosures in the portfolio of its consumer finance subsidiary, Fleet Finance, Inc. ("FFI"). The Board has reviewed these comments in light of the overall financial condition of Fleet and its subsidiaries and all other facts of record in this case, including the examination reports by appropriate federal supervisors and other supervisory information. Based on this review and all facts of record, including Fleet's current capital level and the level of capital that would result from consummation of this proposal, the earnings of Fleet and Shawmut, and other facts, the Board concludes that these comments do not warrant denial of this proposal.

23. Some commenters suggested that allegations relating to the convenience and needs factor also raise adverse managerial concerns. For the reasons discussed in reviewing the convenience and needs considerations, the Board concludes that these comments do not warrant denial of this proposal under managerial considerations.

The Board also received a copy of a lawsuit recently filed against Fleet's subsidiary bank operating in Rhode Island in connection with alleged breaches of a collective bargaining agreement in violation of the Labor Management Relations Act and the Employee Retirement Income Security Act. The Board notes that the civil courts are empowered to provide an appropriate remedy if plaintiffs' claims can be substantiated.

24. One commenter raised issues involving the loan collection and servicing practices of RECOLL, including foreclosure by RECOLL on property owned by commenter. These comments were reviewed previously by the Board in connection with another application, and for the reasons explained in the Board's order, did not warrant denial of the proposal. *See Fleet Financial Group, Inc.*, 80 *Federal Reserve Bulletin* 818 (1994). The Board also notes that a pending lawsuit against Fleet Bank of Maine and RECOLL, cited by the commenter as an adverse managerial factor, involves a dispute concerning whether Fleet properly "put" a loan back to the FDIC. Fleet has denied any wrongdoing and the Board notes that the FDIC reviewed the transaction before accepting the "put." This suit is still pending, and there has been no finding of wrongdoing on the part of Fleet. This commenter also objected to Shawmut's refusal to let him distribute a flyer opposing the merger at a Shawmut shareholder meeting. Shawmut's actions do not appear to violate relevant Federal securities laws or state corporate law.

Another commenter criticized Fleet's managerial resources on the basis of a loan made to the campaign committee of a New York City official when Fleet was bidding to provide municipal bond services to the City. The Board has reviewed these comments in light of all the facts of record, including confidential supervisory information, and a report on this matter by the New York City Department of Investigation, and concluded that they do not warrant denial of this proposal. This commenter also contended, without any substantiation, that the selection of Fleet to provide banking services to Albany County, New York, was improper. Finance officials for the County have indicated publicly that Fleet's bid to provide these services was the most attractive when all factors were considered.

25. The Board also received comments alleging that the proposal would result in substantial job losses among Fleet's and Shawmut's employees and would have adverse effects on the New England economy, particularly in Connecticut. Fleet has taken several steps to minimize any adverse effects on employment or the economy. As discussed in this order, Fleet has entered into an agreement with the Connecticut Office of the Attorney General to establish a $207.5 million economic development program, which includes initiatives to encourage job retention and support for small- to medium-sized businesses. In addition, Fleet has reported that the proposed acquirors of Fleet's divested branches have indicated that they intend to retain existing Fleet or Shawmut personnel in the branches.

Convenience and Needs Considerations

In acting on applications under the relevant banking statutes, the Board must consider the convenience and needs of the communities to be served and take into account the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate, consistent with their safe and sound operation. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess the institution's record of meeting the credit needs of its entire community, including low- to moderate-income neighborhoods, consistent with the safe and sound operation of such institution," and to take that record into account in its evaluation of bank expansion proposals.[26]

A. Public Comments on Convenience and Needs

The Board provided an extended period of time for comment in this case and, as previously noted, held three public meetings at which interested persons could present testimony on the convenience and needs factors and the CRA performance records of the depository institutions in this case. The Board received comments related to the convenience and needs aspects of the proposal from more than 260 commenters, including individuals, representatives of community-based and nonprofit organizations, small business owners, members of Congress, and local and state government officials.

Approximately 167 commenters supported the proposal or commented favorably about the CRA performance records of Fleet or Shawmut.[27] More than 95 commenters either opposed the merger, raised concerns about the CRA performance of Fleet or Shawmut, or requested that the Board approve the merger subject to conditions proposed by the commenters.[28]

Many of the commenters favoring the proposal or supporting the CRA performance records of Fleet or Shawmut commended Fleet's sponsorship of community development activities through intermediaries and loan pools, participation in programs providing home mortgage financing for low- to moderate-income residents, and financial support of nonprofit organizations engaged in these activities. Various commenters also praised Fleet's economic development activities, including support for the development of minority businesses. Some commenters commended Fleet's participation with community-based and nonprofit organizations in homebuyer, consumer credit, small business, and other educational programs. Other commenters related their favorable experiences with specific loan programs and banking services offered by Fleet or Shawmut.

Commenters objecting to the proposal criticized the CRA performance record of Fleet or Shawmut in helping to meet the credit needs of low- to moderate-income neighborhoods and communities with predominately minority populations in Massachusetts, Connecticut, New York, Rhode Island, and New Hampshire. In general, these commenters maintained that:

(1) Fleet has a poor record of lending to minorities and residents of low- to moderate-income communities;

(2) Data reported under the Home Mortgage Disclosure Act ("HMDA")[29] suggest illegal discrimination;

(3) Fleet should make more home mortgage and small business loans in minority, low- to moderate-income, inner-city, and rural communities;

(4) Fleet engages in inadequate ascertainment and outreach efforts for minority, low- to moderate-income, inner-city, and rural communities;[30]

(5) Fleet has not participated sufficiently in developing affordable housing for low- to moderate-income resi-

26. 12 U.S.C. § 2903.

27. The commenters included:

(1) *Massachusetts*—community development corporations, affordable housing organizations, and one member of Congress;

(2) *Connecticut*—local urban leagues, a purchasing council for minority-owned businesses, and an economic development corporation;

(3) *New York*—a business association for minority women, a rural development advisory organization, an alliance of minority ministers, an affordable housing partnership, and several members of Congress;

(4) *Rhode Island*—a representative of a national community development corporation and several members of Congress; and

(5) *New Hampshire*—a business development corporation, an affordable housing organization, and a local economic development organization.

28. The commenters included:

(1) *Massachusetts*—several affordable housing organizations and advocacy groups, a municipal housing and community development office, a Latino community organization, a member of Congress, and a state senator;

(2) *Connecticut*—a local coalition of small business and community groups, a local economic development corporation, and a city treasurer;

(3) *New York*—a statewide coalition of community groups and several community-based and nonprofit organizations;

(4) *Rhode Island*—a community reinvestment association and an affordable housing organization;

(5) *New Hampshire*—a community reinvestment association and a state legislator; and

(6) *Michigan*—a local advocacy group for the elderly.

29. 12 U.S.C. § 2801 *et seq.*

30. Some commenters also maintained that Fleet charges higher fees for basic banking services in some states than in certain other states and higher fees, in general, than Shawmut. While the Board has recognized that banks help serve the banking needs of their communities by making available basic banking services at nominal or no charge, the CRA does not require that banks limit the fees that are charged for services. As explained in this order, Fleet provides a full range of banking services throughout its delineated communities, including lending services to assist low- to moderate-income residents, and it offers basic banking accounts with reduced charges in some states. There is no evidence in the record of this case that higher fees charged by Fleet for certain services are based in any manner on a factor prohibited under antidiscrimination laws.

dents ("affordable housing"), or in community development and economic development projects;[31]

(6) Fleet lacks a sufficient number of branches located in or that serve low- to moderate-income and minority communities, and that it should not be permitted to close any branches in those underserved communities; and

(7) Fleet subsidiaries have a record of violating the Equal Credit Opportunity Act (15 U.S.C. § 1691 *et seq.*) ("ECOA") and the Fair Housing Act (42 U.S.C. § 3601 *et seq.*) ("FHA") (collectively, "fair lending laws").

The Board has carefully reviewed the CRA performance records of Fleet and Shawmut, and their subsidiary depository institutions, the comments and testimony presented at the public meetings and in written submissions, Fleet's responses to those comments, and all other relevant facts of record in light of the CRA, the fair lending laws and other relevant credit-related laws, the Board's regulations, and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").[32] This review has considered the overall aspects of Fleet's performance record as well as the performance records of Fleet's subsidiary banks in their respective states.[33]

B. Overview of Fleet's CRA Performance Record

Examination Evaluation of CRA Performance. The Agency CRA Statement provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record and that reports of these examinations will be given great weight in the applications process.[34] All of Fleet's subsidiary banks received "outstanding" or "satisfactory" ratings at the most recent examinations of their CRA performance by their primary federal supervisors.[35] Examiners found no evidence of prohibited discrimination or other illegal credit practices at any of Fleet's subsidiary banks, or practices intended to discourage applications for the types of credit listed in the banks' CRA statements. All of Shawmut's subsidiary banks received at least "satisfactory" ratings from their primary federal supervisors in the most recent examinations of their CRA performance, and no evidence of illegal discrimination was noted in their examinations.[36]

Fleet Bank, Albany, New York ("Fleet-New York"), Fleet's subsidiary bank operating in New York, has been examined and rated for compliance under New York community reinvestment laws (N.Y. Banking Law § 28-b).[37] Fleet-New York received a "satisfactory" rating from the New York State Banking Department in its most recent off-site CRA assessment report, as of December 31, 1994.[38]

Corporate CRA Programs and Policies. Fleet has implemented a variety of corporate programs and policies that assist its subsidiary banks in helping to meet the credit needs of all their communities, including low- to moderate-income areas, consistent with the CRA. In late 1993, Fleet established a separate department in the holding company to provide a coordinated approach to community development and reinvestment efforts of its subsidiary banks. Banking policies and practices that address the credit needs of communities are established and implemented through this corporate department, in consultation with Fleet's subsidiary banks and their banking communities. The department has a steering committee made up of senior and mid-level managers from different corporate departments. This committee meets quarterly to address community development and fair lending issues. In addition, Fleet

31. Several commenters also expressed concern that, after the merger, Fleet would not provide sufficient financial support for community-based and nonprofit organizations and their affordable housing, community development, and economic development activities.

32. 54 *Federal Register* 13,742 (1989). Several commenters contended that Fleet representatives have been uncooperative in meeting with community-based organizations and unwilling to reach agreements to provide loans, grants or assistance in specific amounts, or to participate in particular programs or projects. The Board previously has stated that, while communication by depository institutions with community groups provides a valuable method of assessing and determining how best to address the credit needs of the community, neither the CRA nor the Agency CRA Statement requires depository institutions to enter into agreements with particular organizations. Accordingly, in reviewing this proposal, the Board has focused on the programs and policies that Fleet has in place to serve the credit needs of its entire community. *See Chase Manhattan Corporation*, 81 *Federal Reserve Bulletin* 467 (1995).

33. Several commenters believed that Fleet should acquire more goods and services from small businesses and businesses owned by women and minorities. Fleet responded that it participates in purchasing programs designed to assist minority-owned businesses in Massachusetts and Connecticut. While the Board fully supports programs designed to stimulate and create economic opportunity for all members of society, the Board believes that consideration of Fleet's third-party contracting activities are beyond the scope of the CRA and other relevant banking statutes.

34. Agency CRA Statement at 13,745.

35. The CRA performance examination ratings for Fleet's subsidiary banks in Massachusetts, Connecticut, New York, Rhode Island, and New Hampshire are discussed in detail in this order as part of the state-by-state performance evaluations. In addition, Fleet Bank of Maine, Portland, Maine, was rated "satisfactory" by the Federal Reserve Bank of Boston, as of August 8, 1994.

36. The following Shawmut subsidiary banks received a "satisfactory" rating:

(1) Shawmut Bank, N.A., Boston, Massachusetts, and Shawmut Bank Connecticut, N.A., Hartford, Connecticut, both as of December 31, 1993, from the OCC; and

(2) Shawmut Bank NH, Manchester, New Hampshire, as of April 11, 1994, from the FDIC.

Shawmut Bank, F.S.B., Boca Raton, Florida, was acquired from the Resolution Trust Corporation in July 1994, and Shawmut Bank New York, N.A., Schenectady, New York, began operations in June 1995. Neither depository institution has been examined for CRA performance by its primary federal supervisor since it was acquired or established by Shawmut.

37. In connection with this proposal, the Board has taken into account Fleet's record of compliance with applicable state community reinvestment laws.

38. In reaching this assessment, the New York State Banking Department reviewed, among other things, the bank's community delineation, ascertainment of community credit needs, civic involvement, affordable housing and community development activities, HMDA data and lending programs, marketing activities, and compliance with applicable consumer laws and regulations.

senior management has adopted a "corporate functional strategy" for 1995 through 1997, with a stated goal of increasing Fleet's market share in all its communities through lending, investment, and other banking services, particularly in low- to moderate-income communities.[39]

To further coordinate its community reinvestment activity, Fleet implemented its INCITY series of initiatives ("INCITY") in February 1994. This three-year, $8 billion plan focuses on credit, economic revitalization and community development, and provides a centrally coordinated set of programs and products for low- to moderate-income individuals and communities. The initiatives include an advisory board, made up of Fleet senior officers and individuals active in business and community development in the Northeast and nationally, that meets regularly to review and provide input on issues relating to lending to small and minority-owned businesses and community development.[40]

The INCITY credit initiatives include a commitment to affordable mortgage lending under a Fleet affordable housing program and a mortgage program conducted in coordination with a community-based group in Boston. Both programs offer products designed to accommodate low- to moderate-income borrowers through low or no down payments or closing costs and/or flexible underwriting criteria. Fleet's affordable housing program is operated by Fleet Mortgage Group, Inc. ("Fleet Mortgage"), which provides borrowers with access to a variety of secondary market mortgage products, including Federal Housing Authority ("FHA") and Veterans Administration ("VA") loans, Federal National Mortgage Association ("FNMA") Community Homebuyer Program loans, loans under state housing agency programs, and bank portfolio loans through the low- to moderate-income residential mortgage product. This portfolio loan product is available to first-time homebuyers as well as current homeowners. The INCITY credit initiatives also include a consumer loan program, which provides a closer review of consumer loan applications from low- to moderate-income borrowers to ensure that every consideration is given to approve a loan,[41] and affordable housing development initiatives, whereby subsidiary banks participate in affordable housing programs for low- to moderate-income individuals in their local communities.

Fleet's INCITY economic revitalization initiatives focus on the needs of small businesses through special loan programs and other activities. For example, Fleet's small business micro-loan program provides loan assistance to small businesses located in or serving low- to moderate-income neighborhoods, particularly focusing on minorities and women who are operating small businesses. These loans range from $10,000 to $500,000, and provide lower pricing and more flexible underwriting guidelines than standard small business loan products.[42] In April 1994, Fleet introduced its "easy business banking" program, which is available to small businesses with sales below $1 million. This program provides loans of $100,000 or less under a streamlined application process, including a guaranteed loan decision within three business days. Fleet also participates in government-sponsored programs, including programs sponsored by the Federal Small Business Administration ("SBA"). In May 1995, Fleet became the first banking organization to be designated an SBA regional preferred lender, which allows all of its subsidiary banks to process loan applications more quickly and provide direct approval of SBA-guaranteed loans.

As part of INCITY, Fleet established the Fleet Community Development Corporation ("CDC") in November 1994, to provide financial assistance to small businesses located in or serving residents of low- to moderate-income areas. The CDC offers low-interest loans, long-term loans, equity investments, and small grants to not-for-profit community projects and programs. Loans in amounts from $1,500 to $500,000 are available to small businesses, and the CDC can apply flexible underwriting criteria for start-up businesses that may not be eligible for a more standard banking product.[43]

In an effort to address commenter's concerns about the loss of Shawmut's support of community groups and their programs, Fleet has committed that it will maintain Fleet's and Shawmut's aggregate 1994-1997 commitments for affordable housing and economic development. In addition, Fleet will maintain, through 1997, Fleet's and Shawmut's aggregate charitable and sponsorship contributions at their 1994 level of approximately $11 million per year.

39. Several commenters maintained that Fleet's centralization would limit the decision-making authority of local bank and branch management, making its banks less responsive to the needs of local communities. Other commenters believed that branch employees with special knowledge of the local communities' credit needs would not retain their jobs after the merger. Although Fleet provides corporate oversight and support of CRA activities, the boards of directors, community development steering committees, and community development officers at each subsidiary bank participate in developing and implementing Fleet's community reinvestment initiatives on a local level, including modifying these initiatives as required to meet the credit needs of each specific community. Fleet's subsidiary banks would continue to operate in this manner after the proposed merger.

40. Several commenters criticized INCITY as being a public relations campaign rather than a means of providing new funding or creating new programs focused on low- to moderate-income neighborhoods. Fleet indicated that 90 percent of this initiative is devoted to new funding for existing programs and 10 percent will be devoted to entirely new products and programs. Fleet also stated that several new loan products have been developed as a result of INCITY, which have increased Fleet's level of lending in low- to moderate- income census tracts. Fleet noted, for example, that small business lending, which is an important aspect of INCITY, increased by approximately 40 percent from 1993 to 1994.

41. Underwriting criteria under this program allow for lower minimum loan amounts, longer loan terms, and higher debt-to-income ratios.

42. One commenter contended that INCITY's $500,000 limit for a micro-loan is too high and noted that Fleet did not consider the record of service of organizations in low- to moderate-income census tracts before awarding grants under INCITY.

43. During its start-up phase, the CDC has closed a total of $199,000 in loans and $80,325 in grants. The CDC is active in Connecticut, Rhode Island, Maine, and Massachusetts.

C. State-by-State Assessment of Fleet's CRA Performance Records

1. Massachusetts

Commenters focused on disparities in HMDA data that varied by race and income for the number of applications from and the number of loans made to residents of Boston. Other commenters believed that Fleet[44] should increase its lending in minority and low- to moderate-income communities in Somerville, Worcester, City of Lynn, Jamaica Plain, and any other community in Massachusetts that has been neglected by the banking industry. Some commenters expressed concern about the loss of Shawmut as an independent provider of services and maintained that Shawmut's record of addressing community banking needs was superior to Fleet's, particularly in Somerville.

Fleet Bank of Massachusetts, N.A., Boston, Massachusetts ("Fleet-Massachusetts"), received an overall CRA performance rating of "satisfactory" from the OCC, its primary federal supervisor, at its most recent examination for CRA performance, as of March 31, 1995. Examiners favorably noted the formal CRA program in place at the bank, and concluded that the bank's community delineation was reasonable and did not arbitrarily exclude low- to moderate-income neighborhoods. The geographic distribution of credit extensions, applications, and denials for Fleet-Massachusetts were also considered by examiners to demonstrate a reasonable penetration of all segments of the delineated community.

HMDA Data and Lending Activities. The Board has carefully reviewed 1993 and 1994 HMDA data for the Fleet affiliates that originate mortgage loans in all the Metropolitan Statistical Areas ("MSAs") in Massachusetts.[45] These data generally indicate that Fleet has provided housing-related loans to minority and low- to moderate-income individuals and neighborhoods throughout the communities it serves in Massachusetts. For example, in 1994, more than 16 percent of HMDA-reportable applications in Massachusetts were from African-American and Hispanic applicants, which is almost twice their representation in the population of the state's MSAs, and was an increase over the 7.6 percent received in 1993. In addition, Fleet has increased its lending to minorities and in low- to moderate-income census tracts in Boston. For example, from 1993 to 1994, mortgage originations to African Americans increased from 267 to 435, and originations to Hispanics increased from 88 to 173. From 1993 to 1994, originations to borrowers in low- to moderate-income census tracts increased from 600 to 765. Fleet indicates that it was the largest mortgage lender in Somerville for 1994, originating more than twice the level of mortgages as the second largest mortgage lender in the market.

Fleet also offers special mortgage products to assist in meeting housing-related credit needs of low- to moderate-income individuals in Massachusetts. Through its ascertainment efforts, Fleet developed a portfolio mortgage product that offers reduced pricing and more flexible underwriting standards to low- to moderate-income borrowers. Fleet provided $82 million in portfolio mortgage loans in Massachusetts in 1994, and $17.5 million of these mortgage loans in the first quarter of 1995. Fleet also originated more than $20 million in mortgages under the mortgage program conducted in cooperation with a Boston-based community group.[46] In addition, Fleet offers FHA and VA mortgages and loan products under programs sponsored by FNMA, the Massachusetts Housing Finance Agency, and the Massachusetts Affordable Housing Alliance ("MAHA").[47]

Fleet participates in the Soft Second First-Time Homebuyers Program sponsored by MAHA for low- to moderate-income families, which provides public subsidies to make monthly mortgage payments affordable for first-time, low- to moderate-income homebuyers. Fleet has provided more than $12 million in mortgages under this program to homebuyers in Boston. Fleet also participates in other soft second programs, providing $2 million in mortgages through the Housing Allowance Project in Springfield, $500,000 in the Northampton/Amherst region through the Valley Community Development Corp., and $500,000 in Chelsea. In addition, Fleet committed $1 million each to the Soft Second Programs in Worcester and the City of Lynn. Fleet also participates in the Buy Worcester Program, a local community-based program that provides financing for the rehabilitation of houses that are sold to first-time homebuyers.

Fleet-Massachusetts originated $117 million in small business loans in 1994, and an additional $92 million in small business loans were closed during the first eight months of 1995. Over $74 million of those loans were made under the bank's preferred pricing program for small businesses in low- to moderate-income areas, established as part of INCITY. The bank also encourages small busi-

44. For purposes of discussing CRA-related activities in the state-by-state performance evaluations, references to "Fleet" include the holding company and its bank and nonbank affiliates.

45. The affiliates include Fleet-Massachusetts, Fleet Mortgage and Fleet National Bank, Providence, Rhode Island ("Fleet-RI").

46. These loans were made under Fleet's three-year commitment to provide $36 million in mortgages to low- to moderate-income homebuyers and owners under this program that began in 1994.

47. One commenter alleged that Fleet financed the purchase of rehabilitated residential property in the Dorchester area of Boston at inflated prices, resulting in excessive debt service for minority and low- to moderate-income purchasers of these properties. Fleet has denied any complicity with redevelopers in these transactions and maintains that all loans were made on the basis of independent appraisals. Fleet also is working with a community-based organization to investigate certain transactions that have occurred in this area, and has arranged to have several properties reappraised and inspected. Fleet also has initiated additional steps to verify the fair market value of future rehabilitated properties financed in the Dorchester area. Based on all the facts of record, the Board concludes that these allegations do not warrant denial of this proposal.

ness lending through its "easy business banking" program, and is an SBA preferred lender.[48]

Affordable Housing and Community Development. Fleet-Massachusetts participates in various affordable mortgage programs and community development activities. In 1992, for example, Fleet-Massachusetts made a $63.7 million multi-year commitment to the Massachusetts Housing Partnership to provide long-term financing for the rehabilitation of low- to moderate-income rental housing. The bank recently offered enhanced pricing on $10 million of the commitment to further facilitate the development of housing for low-to moderate-income individuals.[49] Fleet-Massachusetts provided the Massachusetts Housing Investment Corporation ("MHIC") with a $10 million line of credit to finance the construction of affordable housing in Massachusetts. In collaboration with MHIC, Fleet-Massachusetts also provided $10.4 million in equity to 13 projects throughout Massachusetts that have produced a total of 633 affordable housing units in Springfield, Chicopee, Amherst, Worcester, Holyoke, and the Boston neighborhoods of Chinatown, Fenway, South Boston, Dorchester, and Jamaica Plain.[50] Fleet-Massachusetts also provided $3.5 million in bridge financing for the rehabilitation of 75 units of affordable rental housing in the South End of Boston, and has provided equity to the National Equity Fund National Partnership, which invests in affordable rental housing developments sponsored by community development corporations.

During 1994 and 1995, Fleet-Massachusetts extended $1.9 million in loans to the Housing Assistance Corporation, which operates four housing shelters in Hyannis and Falmouth, and $393,000 to convert an existing property into a shelter for homeless families with children. Fleet-Massachusetts intends to introduce several purchase-rehabilitation programs on a trial basis in Somerville in early 1996 to assist low- to moderate-income home purchasers.

Fleet-Massachusetts also provided a $2.7 million line of credit to the Boston Local Development Corporation to support its role as a lender to Boston small businesses that provide jobs to Boston residents,[51] and $1 million in equity and a $3 million line of credit to the Massachusetts Minority Enterprise Investment Corporation. In addition, the bank participates in a number of loan pools in Massachusetts that are designed to provide credit to small businesses that may not qualify for traditional small business banking products. For example, the bank committed $2 million to a loan pool sponsored by the Southeastern Economic Development Corporation, an SBA-certified nonprofit corporation serving small businesses, and $2.5 million to a loan pool designed to provide financing for companies and commercial businesses in Lawrence, Massachusetts. Fleet-Massachusetts also committed $667,000 to the New Bedford Corporation Loan Fund, which provides below-market loans to fishermen and suppliers in the fishing industry.

Ascertainment and Marketing. The bank's 1995 performance examination found that Fleet-Massachusetts effectively ascertains community credit needs through call programs, consumer surveys, and contacts with community groups and civic leaders and organizations. Fleet-Massachusetts and Fleet Mortgage conducted 85 low- to moderate-income homebuyer seminars in Massachusetts in 1994, many in Spanish. Fleet-Massachusetts conducted other presentations throughout the state on such topics as "easy business banking;" INCITY; and basic banking, budgeting and credit. The bank also sponsors community loan days for low- to moderate-income individuals. People who attend these events can open accounts, inquire about mortgages and other loan products, and meet with Fleet bankers to discuss their personal banking needs.

Branches and Products. Fleet-Massachusetts offers its products and services through 188 branches in Massachusetts. In addition to offering access to a full range of bank services, public assistance checks can be cashed at every branch, and food stamps are issued at more than half of the branches. Fleet-Massachusetts also participates in the Massachusetts Community and Banking Council's "Basic Banking for Massachusetts" program, offering low-cost checking and savings accounts to low-income customers.[52]

2. *Connecticut*

Connecticut commenters criticized Fleet's record of lending to minorities and low- to moderate-income and inner-city communities in Connecticut, particularly Hartford, and have requested that Fleet commit to provide more home mortgage and small business loans in these communities, and increase funding for community development purposes. The commenters alleged that HMDA data show disparities in lending by race and income in Hartford, and said that Fleet should increase its ascertainment and lending efforts directed to small businesses (including minority-owned small businesses) and inner-city residents. Other commenters expressed concern about the impact of the loss of Shawmut's corporate headquarters in Hartford, the adverse impact of this proposal on small businesses, and the

48. The bank also participates in the Stafford and Parent Plus government-guaranteed student loan programs, originating $96 million in student loans in 1994, and $38 million in the first five months of 1995.

49. Under this commitment, the bank has funded a total of $18.5 million, including $7.8 million in 1994, to finance 714 housing units.

50. The bank also committed $2 million in 1994 and $2.8 million in 1995 to a housing equity fund operated by the Massachusetts Housing Equity Corporation, Inc., an affiliate of MHIC.

51. The bank also provided a $250,000 line of credit to this organization's small business fund, which provides loans of up to $15,000 to local businesses.

52. A few commenters submitted copies of a newspaper article alleging that Fleet Mortgage violates Massachusetts insurance law by receiving service fees in connection with the collection of credit-related mortgage insurance premiums for an unaffiliated insurance company. The Board has been informally advised by the Massachusetts Insurance Division that it has reviewed these allegations and found no violations of applicable state law.

availability of banking products and services at reasonable cost.

Fleet Bank, N.A., Hartford, Connecticut ("Fleet-Connecticut"), received an "outstanding" rating from the OCC, its primary federal supervisor, at its most recent examination for CRA performance, as of March 31, 1995. Examiners found that the bank's board of directors and management were actively involved in administering and monitoring its CRA program, and that management provided a high level of ongoing and meaningful support for community development projects and programs throughout the state. In addition, examiners found that the bank and its affiliates addressed a substantial portion of identified credit needs, and that the bank's credit extensions, applications, and denials were reasonably distributed throughout the bank's delineated community, which is the entire state of Connecticut.

HMDA Data and Lending Activities. The Board has carefully reviewed 1993 and 1994 HMDA data for the Fleet affiliates that originate loans in all MSAs in Connecticut.[53] These data generally indicate that Fleet has provided housing-related loans to minority and low- to moderate-income individuals and neighborhoods throughout the communities it serves in Connecticut. For example, despite a sharp decline in overall mortgage loan activity in 1994, Fleet's mortgage loan originations to minorities and in low- to moderate-income areas increased as a percentage of total loans.[54] In Hartford, from 1993 to 1994, Fleet increased its percentage of loan originations to African Americans and Hispanics from 7 percent to 11.1 percent, and to borrowers in low- to moderate-income census tracts from 7.9 percent to 10.7 percent.

In 1993, Fleet developed an affordable mortgage product with low down payments and flexible underwriting criteria, which increased the percentage of applications and loan originations in low- to moderate-income areas. Fleet also participates in government lending programs, including programs sponsored by the VA, FHA, FNMA, and the Connecticut Housing Finance Authority.

Fleet has participated in various affordable housing programs in Connecticut, including programs that benefit residents of cities in Connecticut. Fleet committed $10 million to the Connecticut Homebuyers Affordable Mortgage Program, which offers mortgage loans with flexible underwriting standards and affordable pricing.[55] Fleet committed $4 million to the HART/Frog Hollow First Time Homebuyers Program, which has provided loans to 33 first-time, low- to moderate-income borrowers for the purchase of homes in Hartford. The bank also committed $1 million to the Urban League of Greater Hartford Affordable Mortgage Program, which provides affordable mortgages with flexible underwriting guidelines to first-time homebuyers.

Fleet committed $1 million each to the New Haven Department of Housing Program for Homebuyers, a mortgage program for low- to moderate-income homebuyers, and the New Haven Anti-Blight Program, which provides mortgages to low- to moderate-income individuals who purchase a fully renovated home in New Haven. In 1994, Fleet committed $250,000 to the Bridgeport Neighborhood Trust Home Ownership Initiative Program, which assists first-time homebuyers in purchasing rehabilitated homes in Bridgeport. Fleet-Connecticut committed $1 million to the Norwalk Redevelopment Agency Affordable Mortgage Program, which is designed to assist low- to moderate-income, first-time homebuyers with low down payments, flexible underwriting, and homebuying study courses.[56] In addition, Fleet committed $500,000 to a mortgage assistance program sponsored by Southside Institutions Neighborhood Alliance, which helps employees of participating organizations purchase homes in the South End of Hartford. As noted above, Fleet also has committed to maintain the Fleet/Shawmut 1994 combined level of affordable housing and economic development commitments through 1997. This includes Shawmut's commitment to the "Affordable Home Ownership Made Easy" program sponsored by the Citizens for Action in New Britain. This program provides affordable mortgages to low- to moderate-income residents by offering zero-point mortgages at reduced interest rates and closing costs and provides homebuyer counseling.

Fleet-Connecticut originated $104 million in small business loans in 1994, and an additional $141 million in small business loans were closed during the first eight months of 1995. Approximately $37 million of the small business loans made in 1994 were originated under INCITY, which focuses on businesses in low- to moderate-income areas, and $51 million of the small business loans made during the first eight months of 1995 were originated under this initiative. In Hartford County, Fleet-Connecticut has extended $48 million in loans to businesses in low- to moderate-income communities. Approximately $47 million of the bank's small business loans made in 1994, and $92 million of the small business loans made during the first eight months of 1995, were originated under Fleet's "easy business banking" program.

The bank worked with the Connecticut Development Authority to develop the Connecticut Works business loan program,[57] and has been involved in the Authority's URBANK program, which is designed to provide small loans and technical assistance to small- and medium-sized

53. The affiliates include Fleet-Connecticut, Fleet Mortgage, and Fleet-RI.

54. For example, from 1993 to 1994, loans to African-American and Hispanic borrowers increased from 6.1 percent to almost 14 percent of total loans, and loans to borrowers in low- to moderate-income census tracts increased from 8.2 percent to 13.1 percent. The 1994 percentage of HMDA-reportable loans to African-American and Hispanic borrowers is roughly equal to their representation in the state.

55. The bank funded approximately $1 million in affordable mortgage loans under this program, before it was discontinued due to a lack of state funds.

56. To date, Fleet has funded mortgages totaling $470,000 under this program.

57. Fleet has funded 29 loans aggregating $89.7 million under this program, with $7 million of these loans made in Hartford, including $3 million in an enterprise zone in the North End.

businesses in urban areas. Through URBANK, Fleet-Connecticut has provided 23 loans totalling $2.5 million, with $1.3 million in direct loans made to small businesses in Hartford.[58]

Affordable Housing and Community Development. Fleet-Connecticut has a variety of programs designed to promote affordable housing and community development initiatives in Connecticut. In addition, Fleet has entered into an agreement with the Connecticut Office of the Attorney General to establish a $207.5 million economic development program designed to promote home ownership, encourage job retention and creation, and help small- to medium-size businesses in Connecticut. The program includes $90 million in loans to small- and medium-size companies through the Connecticut Works loan guarantee program (which will be in addition to loans in an amount equivalent to the average annual combined Fleet and Shawmut level of participation over the past two years); $3 million in small business loans through the URBANK program to help create and retain jobs in urban centers and distressed regions (which will be in addition to loans in an amount equivalent to the average annual combined Fleet and Shawmut level of participation over the past two years); a $25 million initial capital contribution to a fund that will provide short-term and permanent financing for the acquisition, rehabilitation, and new construction of single-family and rental housing units for low- to moderate-income families; and $50 million to purchase Connecticut Housing Finance Authority bonds to provide funding for existing low- to moderate-income housing programs.

Fleet-Connecticut also has committed $5 million to the Affordable Housing Fund for Connecticut, which provides affordable housing to low- to moderate-income families.[59] Fleet-Connecticut has committed $1.3 million to programs sponsored by the Capital Housing Corporation in Hartford, which was organized to increase the quality and availability of affordable housing.[60] The Jefferson/Seymour project in Hartford, sponsored by Broad Park Development Corporation, received $1.1 million of construction and long-term financing from Fleet-Connecticut to provide 30 housing units for low- to moderate-income families. In addition, Fleet-Connecticut participated in the pre-development financing for Amistad Court in Hartford's North End. This cooperative residence provides housing for 14 families.

Fleet-Connecticut has a $1 million participation in the Greater New Haven Community Loan Fund, which finances the construction and rehabilitation of affordable housing units. In addition, the bank committed $1 million to the Bridgeport Neighborhood Fund, which provides loans to developers and not-for-profit agencies for affordable housing.[61]

Fleet-Connecticut provided $1 million in equity in 1994 to the Community Economic Development Fund, a Connecticut government program that provides financing and technical assistance for small businesses in Connecticut's major cities. Fleet also is an equity participant in the Hartford Economic Development Corporation, which works to provide small business loans and create and retain jobs in economically depressed areas.[62] Finally, Fleet-Connecticut committed $10 million to the Community Investment Loan Program, a loan partnership developed with municipal officials from Enfield, Manchester, East Hartford, and West Haven, which provides small business loans on flexible terms to revitalize the downtown areas of these communities.[63]

Ascertainment and Marketing. The bank's 1995 examination concluded that Fleet-Connecticut effectively ascertained the credit needs of its community through outreach, surveys, and demographic research, and that those needs are addressed in the bank's strategic plan, with comprehensive action steps and measurable goals set out in the plan. Examiners also found that marketing programs effectively informed all segments of the bank's community of available products and services.

Fleet-Connecticut uses a variety of advertising and other methods to publicize its products and services to all segments of its delineated community.[64] For example, the bank and Fleet Mortgage held 76 seminars for low- to moderate-income homebuyers in 1994, and 15 more seminars in the first quarter of 1995. The bank also gave various presentations on its "easy business banking" program, INCITY, and basic banking, budgeting, credit and homebuyer education. The bank held community loan days in Bridgeport and other cities in Connecticut to familiarize low- to moderate-income individuals with Fleet's products and services.

Branches and Products. Fleet-Connecticut has 134 branches in Connecticut, including 30 in low- to moderate-income communities. Fleet-Connecticut employs Spanish-speaking staff in various branches and brochures

58. Several commenters criticized certain aspects of Fleet's small business lending, including allegations that: the loan process is too lengthy; the $10,000 minimum requirement for micro-loans is too high; more small business lending is needed for certain inner-city areas, including the Blue Hills section of Hartford; and small business needs in the Upper Albany and Clay Hill sections of Hartford should be surveyed. Fleet generally responded that increased small business lending activity will continue to be a significant focus of INCITY, and that one of Fleet's goals is to expedite processing of these loans. Fleet also noted that small business loans, including loans for start-up businesses, are available from its CDC in amounts as low as $1,500.

59. This fund has developed 429 units of affordable housing in five years. Its projects include the rehabilitation of the New Haven YMCA for use as single-occupancy residences and development of projects in Hartford and Bridgeport.

60. This Corporation has built or rehabilitated 2,600 units of affordable housing in the last ten years.

61. This fund, which focuses on providing affordable housing, has helped develop 195 new housing units and rehabilitate 171 units.

62. Fleet-Connecticut contributed $240,000 in equity to this organization, and Fleet's CDC participated with this organization in a loan to a small business in Hartford.

63. Thirty-four loans totaling $1.6 million are outstanding under this program.

64. The marketing plan for 1995 includes strategies designed to achieve community development loan goals, promote low- to moderate-income credit products, and increase the bank's market share among low- to moderate-income households.

describing bank products and services are available in Spanish. In addition, Fleet-Connecticut cashes public assistance checks in each of its 134 branches, and issues food stamps in 96 of them.

3. New York

Based on HMDA data, commenters alleged that Fleet-New York has failed to meet the housing-related credit needs of low- to moderate-income and minority borrowers throughout New York State, and that it denies a higher percentage of housing-related loan applications from minorities than from non-minorities in all MSAs in New York, including Albany, Rochester, and Buffalo. In addition, some commenters maintained that Fleet-New York offered fewer products and services, engaged in less community development activity, and made fewer loans, including INCITY loans, in New York than in other states where Fleet subsidiary banks operate.[65] Several commenters also contended that Fleet had an inadequate number of branches in low- to moderate-income and minority neighborhoods in New York, particularly in Rochester, Syracuse, Buffalo, Albany, Binghamton, and the Bronx and Harlem sections of New York City.[66]

Fleet-New York received a "satisfactory" rating at its most recent CRA performance examination by the Federal Reserve Bank of New York ("NY Reserve Bank"), as of January 1994.[67] Examiners found that Fleet-New York had undertaken significant efforts to meet the credit needs of its communities through the development of a variety of special loan products. Examiners also concluded that Fleet-New York's community delineation was reasonable, did not arbitrarily exclude any low- to moderate-income areas, and was supported by a geographic analysis of Fleet's HMDA data and small business loan applications.[68] In addition, examiners found no evidence of prohibited discrimination or illegal credit practices, or practices intended to discourage applications for the types of credit listed in the bank's CRA statement.[69]

HMDA Data and Lending Practices. The Board has carefully reviewed 1993 and 1994 HMDA data for the Fleet affiliates that originate loans in all MSAs in New York.[70] These data generally indicate that Fleet is providing housing-related loans to low- to moderate-income communities, and that it has increased its housing-related lending to minorities in New York. For example, although Fleet experienced an overall decline in applications received from all potential borrowers in 1994, Fleet's 1994 data indicate an increase in the number of applications received from, and loan originations to, African Americans and Hispanics in New York. In addition, these data indicate that Fleet received a higher percentage of its loan applications from low- to moderate-income census tracts in New York in 1994 than in 1993, and that Fleet's percentage of applications from such census tracts exceeded the percentage for lenders in the aggregate in 1994. In the Albany, Buffalo, and Syracuse MSAs, Fleet increased its percentage of loan applications from, and originations to, African Americans, Hispanics, and residents of low- to moderate-income census tracts from 1993 to 1994, and these percentages in 1994 exceeded the percentages for lenders in the aggregate in these MSAs. The 1994 performance examination also found that the geographic distribution of Fleet's HMDA data indicated reasonable penetration of low- to moderate-income communities, and noted that the number of mortgage applications received by Fleet from low- to moderate-income census tracts was representative of the available owner-occupied housing stock within these tracts.[71]

65. Some commenters asserted that Fleet-New York held over $1 billion of deposits in Erie County, but originated less than $72 million in housing-related loans in the county in 1994. Fleet responded that it held $1.3 billion in deposits and $1.3 billion in loans of all types in the Buffalo MSA (which includes Erie County), as of December 31, 1994.

66. A few commenters alleged that the distribution of Fleet's branches in New York violates the fair lending laws, or that Fleet's branches in low- to moderate-income and minority communities generally provide fewer services and are not as well maintained as branches in more affluent areas.

67. Fleet-New York was formed in July 1994, through the merger of Fleet Bank of New York, Albany, New York, and Fleet Bank, Melville, New York. The 1994 performance examination reviewed the CRA record of performance of Fleet Bank of New York in its delineated community, which included most of New York State, except for New York City and Long Island. Fleet Bank (Melville), which operated in Long Island and New York City prior to the merger, received an "outstanding" rating from the NY Reserve Bank at its most recent examination for CRA performance, as of May 1992 ("NYC Performance Examination").

68. Several commenters highlighted discrete portions of the bank's 1994 performance examination, including examiner concerns about the bank's ascertainment efforts in the Central/Mohawk Valley and other upstate regions, marketing efforts, small business lending and the number of automated teller machines ("ATMs") in rural counties, deposit interest rates, and loan minimums. Nevertheless, examiners determined that the overall performance rating of the bank was "satisfactory." Examiners also noted that Fleet-New York had taken measures to address concerns about its reduced marketing efforts, including the implementation of CRA-related marketing initiatives, and had developed specific loan products for low- to moderate-income borrowers. Fleet also hired a community development officer for the Central/Mohawk Valley Region, improved its program for community development ascertainment calls, and increased substantially its community development marketing budget. The Board notes that the steps taken by Fleet-New York to address concerns noted in the 1994 performance examination will be evaluated in future CRA performance examinations.

69. The bank's 1994 examination noted some violations of the reporting requirements under Regulation C, the requirements relating to the maintenance of public files under Regulation BB, and the failure to issue adverse action notices under Regulation B. Examiners found that Fleet-New York took appropriate action before the close of the examination to correct these violations and to implement adequate controls and procedures to ensure future compliance. Although the NYC Performance Examination also noted violations of Regulation B, examiners concluded that these violations were isolated and that they did not involve any discriminatory practices.

70. The affiliates include Fleet-New York, Fleet Mortgage, and Fleet-RI.

71. Some commenters criticized Fleet-New York's 1994 performance examination for providing a tabular analysis of home improve-

Fleet-New York has taken steps to increase its lending to low- to moderate-income and minority borrowers, which included the development of several housing-related products specifically designed to meet the credit needs of these borrowers. Although Fleet does not offer the no down payment/no-fee mortgage in New York that it makes available in other states, in 1993, Fleet introduced its low- to moderate-income residential mortgage product in New York to assist low- to moderate-income borrowers by offering flexible underwriting criteria, reduced down payment minimums, and no private mortgage insurance requirement for loans with at least a 95 percent loan-to-value ratio.[72] Fleet-New York also offers a community revitalization mortgage program for low- to moderate-income homebuyers. This program, which was developed in conjunction with Neighborhood Housing Services, is offered through participating community housing organizations and provides 98 percent loan-to-value mortgages with substantially reduced fees to borrowers purchasing property in areas selected by the participating community organizations.[73] In 1994, Fleet affiliates originated 146 mortgage loans for over $12 million under this program.

Fleet also introduced in 1993 a home equity/home improvement loan product and an unsecured consumer installment loan product designed specifically for low- to moderate-income individuals in New York. Both products are available to borrowers with incomes of 95 percent or less of the state's non-metropolitan median income, and they use non-traditional underwriting guidelines, including a debt-to-income ratio of 45 percent. The minimum loan amounts for the home equity/home improvement loan and the consumer installment loan are $4,000 and $500, respectively.

The credit needs of small businesses in New York also are addressed by several Fleet programs. Fleet is an active participant in SBA loan programs, and Fleet-New York was the leader in SBA loan originations during 1992 and 1993 among New York banks.[74] In 1993, Fleet-New York also developed a $3 million minority contractor loan guarantee program in conjunction with the New York State Urban Development Corporation ("UDC"), which provides working capital loans at the bank's prime rate to businesses owned by women and minorities to support government contracting work.[75] In 1994, Fleet provided a total of over $263 million in small business loans in New York, including over $58 million in low- to moderate-income areas through INCITY.[76] Many of the small business loan products offered by Fleet in other states, including the "easy business banking" and INCITY micro-loan programs, also are available in New York.[77]

Affordable Housing and Community Development. The 1994 performance examination found that Fleet-New York had developed productive relationships with government, nonprofit, and private sector organizations that resulted in many affordable housing and community revitalization initiatives throughout the bank's community. Examiners noted that, as of January 1994, Fleet-New York had a total of $55.8 million in loans, lines of credit, and commitments to support affordable housing and economic development.[78]

Fleet-New York invested $2 million in the New York Equity Fund, which purchases limited partnership interests in development projects organized by community housing and development organizations throughout the state. Fleet also provided a $1.4 million construction line of credit and a $2.9 million permanent line of credit to the Community Lending Corporation, which seeks to rehabilitate and construct affordable housing units in upstate New York. In Buffalo, Fleet provided an $8 million loan to finance construction of the Ellicott Town Center project.[79] Fleet also provided a $2.8 million construction loan to finance 126 units of rental housing for low-income senior citizens in Buffalo. Furthermore, in 1994, Fleet-New York established a $1 million mortgage loan pool to provide home mortgage and home equity loans to members of the Seneca Nation of Indians that live on tribal lands. The Orange County Rural Advisory Corporation reported that Fleet has committed to provide permanent financing to support two of its affordable housing developments with a total of 77 units.

Fleet-New York has committed $2.5 million to the Affordable Housing Partnership and its funding division for below-market rate mortgages to low- to moderate-income homebuyers and developers of affordable housing

ment HMDA lending only. The text of the examination, however, makes clear that examiners reviewed all categories of Fleet's HMDA lending in connection with their performance examination, and, as discussed above, the Board independently reviewed certain HMDA data for New York.

72. In 1994, Fleet originated 4,027 mortgage loans totalling $319.7 million in New York under INCITY, which includes this affordable mortgage product.

73. Fleet waives all points, application fees, and credit report fees on community revitalization program mortgages. In addition, the program requires that only $500 of the minimum down payment must be provided from the borrower's own funds.

74. During the SBA's 1992-1993 fiscal year, Fleet-New York originated 232 SBA-guaranteed loans, and it received the SBA's New York State Top Lender Award in 1992.

75. UDC guarantees up to 80 percent of the loans made to eligible businesses owned by minorities and women.

76. A few commenters contended that the Board should not consider aggregate data provided by Fleet on its small business lending activities, because Fleet refused to provide the commenters with small business loan data broken down into geographical sub-units. Fleet responded that it does not maintain the data in the format requested by the commenters. The aggregate small business lending data submitted by Fleet, while not as detailed as requested by commenters, is relevant to the convenience and needs factor that the Board must consider under applicable statutes, and the Board has reviewed such data in light of all the facts of record.

77. In 1994, Fleet made 218 INCITY micro-loans to small businesses in New York, totalling $12.9 million.

78. Fleet also contributed more than $1.5 million to charitable and non-profit organizations throughout the state in 1994.

79. The first phase of this project involves the renovation of two vacant public housing towers to create over 120 rental units for persons with incomes of 60 percent or less of the area's median income. The project eventually will provide 500 rental and townhouse units for low- to moderate-income families, and it is the initial stage of a program to revitalize an area in downtown Buffalo.

in the Albany region. Rental units built with Partnership loans must be leased at rents that are affordable to low- to moderate-income families.[80] Fleet participates in similar housing partnerships in Rochester, Syracuse, and Utica.[81] Fleet also provided more than $21 million in 1994 to finance construction of 279 low-income housing units in Brooklyn and the Bronx.[82] In addition, Fleet has supported the Long Island Housing Partnership by providing construction loans for Partnership projects, and has supported the Bellport Hagerman East Patchogue Alliance by providing a line of credit to support the Alliance's housing rehabilitation program. In 1993 and 1994, Fleet-New York sponsored several affordable housing conferences in New York, including conferences organized by the Governor's Housing Conference, Neighborhood Preservation Coalition of New York State, and the New York State Rural Housing Coalition.

Fleet also provides credit and technical assistance to small businesses in New York through its support of regional and local organizations. For example, Fleet invested $200,000 in Ibero-American Investors Corporation, a small business investment company in Rochester that provides equity and debt financing for businesses owned by minorities and women. Fleet also provided working capital and grants to the Pace-Harlem Small Business Development Corporation, which provides technical assistance to small business owners in Harlem and East Harlem. In 1994, Fleet committed $13 million to 23 projects sponsored by the Long Island Development Corporation, an SBA development company. Finally, Fleet has funded or co-sponsored conferences and workshops held by the Brooklyn Minority Business Development Center ("MBDC"), the Bronx MBDC, and the Nassau-Suffolk MBDC that provide information to businesses owned by minorities and women regarding government and bank programs and contract opportunities.

In addition to Fleet's existing lending, affordable housing and community development activities, Fleet intends to introduce other CRA-related activities in New York that Fleet offers in other states where it is located. For example, Fleet intends to operate its CDC, which was initiated in some states on a trial basis, in New York in the near future. Fleet also notes that in 1994, borrowers in New York received the largest amount of INCITY mortgage, consumer, and small business lending, in terms of both the number of loans and dollar volume.

Ascertainment and Marketing. Fleet's 1994 performance evaluation concluded that Fleet-New York has undertaken significant efforts to ascertain the credit needs of its community.[83] Examiners also noted that Fleet-New York used market research tools to determine the effectiveness of its loan penetration in minority communities, and, based on such analyses, had concentrated its marketing and outreach efforts on these communities. The bank's outreach program is primarily implemented through its call program and regional CRA officers, who make direct contact with representatives from housing, economic development, business, and government organizations. To supplement the direct call program, Fleet-New York appointed an affordable housing officer with responsibility for determining community housing needs throughout the state. The credit needs of small businesses also are ascertained through the statewide community banking CRA manager and regional community bankers of the community banking group. Finally, examiners noted that Fleet-New York uses a variety of market research tools as an effective means to ascertain consumer credit needs. These research tools included the use of an outside consultant to analyze the geographic distribution of the bank's HMDA data and loans and deposits, and focus groups composed of community residents, including minorities. Examiners credited these ascertainment efforts with Fleet's development of new affordable housing programs, including the community revitalization program.

Examiners also found that Fleet had implemented adequate marketing and advertising programs to inform its communities of the credit products it offered. In 1993, Fleet established a marketing program for its low- to moderate-income consumer products using newspaper and radio advertisements focusing on minorities. Fleet has taken measures to address concerns expressed by examiners about the significant decrease in Fleet's credit-related advertisements in 1993, especially through the implementation of CRA-related marketing initiatives.[84] In addition,

80. Fleet also acts as agent bank for the Affordable Housing Partnership's funding corporation.

81. Fleet participated in a $5 million capitalization loan to the Greater Rochester Housing Partnership, which seeks to leverage these funds to build or rehabilitate 500 units of low- to moderate-income housing. Fleet is one of eight banks that committed a total of $4.9 million in below-market rate loans to the Syracuse Housing Partnership for the rehabilitation and construction of affordable homes. Fleet also will provide $300,000 to the Utica Housing Partnership's $2.1 million mortgage loan pool to assist low income mortgage applicants in that city. In addition, Fleet participates in the Affordable Housing Program of the Fulton Community Development Agency.

82. A few commenters contended that Fleet's lending activities through government guaranteed loan programs and the New York City Housing Partnership ("NYCHP") should not be accorded full weight under the CRA. The Agency CRA Statement, however, specifically notes that financial institutions may seek to fulfill their CRA responsibilities by participating in government insured lending programs, such as programs sponsored by the FHA, VA, and SBA. Moreover, the NYC Performance Examination favorably noted Fleet's participation in the NYCHP programs.

83. The NYC Performance Examination also concluded that Fleet Bank had a strong and effective ascertainment program in New York City and Long Island that included ongoing and meaningful contact with numerous and diverse organizations. Examiners found that Fleet Bank and Fleet Mortgage had been especially responsive to the needs of low- to moderate-income neighborhoods, as evidenced by their level of mortgage loans made in support of affordable housing initiatives and their substantial volume of indirect home improvement lending in low- to moderate-income areas.

84. A few commenters claimed that the CRA performance examinations of Fleet Bank (Melville) and Fleet Bank of New York should not be given significant weight in these applications because the examinations took place prior to the merger of these two banks to form Fleet New York, and that Fleet's record of performance in New York

in 1994, Fleet introduced special advertising campaigns in the areas in which it operated that highlighted the mortgage, small business, and consumer loan products available through INCITY.[85]

Branches and Products. Fleet-New York offers a "basic checking" account that requires a $25 opening balance and no subsequent minimum balance, is subject to a $3 monthly fee, and permits depositors to make eight free transactions a month.[86] As of January 1994, Fleet-New York had over 52,000 basic checking accounts. The 1994 performance examination also noted that Fleet offered a senior checking account for individuals 60 years or older. The senior account requires no minimum balances, and imposes no per check or monthly service charges.

Fleet-New York has 335 branches in New York, including 71 in low- to moderate-income census tracts and 12 in minority census tracts.[87] The 1994 performance examination found that Fleet-New York's branches were reasonably accessible to all segments of its community, including low- to moderate-income communities, and that the bank's products and services were accessible throughout its delineated community.[88] Fleet-New York also maintains a formal branch closing policy that provides for communication with community groups and civic leaders prior to branch closings.[89] In 1994, examiners reviewed Fleet-New York's branch closings in Upstate New York during 1992 and 1993,[90] and concluded that the branch closings in low- to moderate-income neighborhoods were reasonable, and that comparable banking services were available within a short distance of the closed branches.[91]

4. Rhode Island

Several commenters alleged that HMDA data and other lending data show disparities by race in Fleet's lending in Rhode Island and claimed that neither Fleet nor Shawmut are meeting the credit needs of low- to moderate-income neighborhoods in Providence. In addition, commenters alleged that Fleet:

(1) Has a poor record of mortgage loan processing and servicing in Rhode Island;[92]

City and Long Island has not been reviewed since 1992. The Board notes that the most recent CRA performance examination of Fleet Bank of New York was completed as of January 1994, and reviewed most of the operations acquired by Fleet-New York. The Board has considered the limitations of these examinations in reviewing this proposal, and also has considered the HMDA data discussed in this order and Fleet-New York's activities since the most recent CRA examination.

85. In 1994, Fleet initiated two corporate INCITY marketing campaigns that used more than 100 newspapers and 20 radio stations throughout New England and New York, including numerous newspapers and radio programs intended for minority audiences. Each advertisement included Fleet's 24-hour toll-free number, and many of the advertisements were in Spanish, Portuguese, Chinese, or Cambodian.

86. Some commenters contended that Fleet-New York's branch network has fewer ATMs, including bilingual ATMs, than Fleet's branch networks in other states. Fleet has 231 ATMs in New York, including 80 with bilingual capability. Fleet indicated that it has installed ATMs in eight branches in low- to moderate-income neighborhoods this year. As noted in this order, the 1994 performance examination found that the bank's products and services were accessible throughout its delineated community.

87. Two of Fleet-New York's three branches in Albany are located in low- to moderate-income census tracts. In Rochester, three of Fleet-New York's five branches are located in low- to moderate-income census tracts. Certain commenters contended that various Fleet branches located in downtown low- to moderate-income census tracts in New York do not, in fact, serve low- to moderate-income neighborhoods, and that Fleet-New York has no branches in minority neighborhoods in Albany. As discussed in this order, examiners found that Fleet-New York used various means to ascertain the credit needs of low- to moderate-income and minority borrowers in New York, and that its lending programs, including programs for low- to moderate-income and minority borrowers, were available throughout its delineated community. The Board also notes that each census tract in Albany with a minority population of 50 percent or greater is adjacent to a census tract with a Fleet branch.

88. The NYC Performance Examination also concluded that the bank's branches in New York City and Long Island were reasonably accessible to all segments of the community.

89. Certain New York commenters objected to Fleet-New York's June 1995 closure of its Genesee Street-Michigan Avenue branch in Buffalo, and its October 1994 closure of the Water Street and Erie Plaza branches in Elmira. Commenters also contended that Fleet representatives failed to meet with community leaders before closing the Buffalo branch. Fleet responded that branches of 26 financial institutions, including three Fleet branches, remained within one mile of the Buffalo branch at the time of its closing. In addition, Fleet indicated that savings from the closure of the Buffalo branch were used to install ATMs in two other branches located in low- to moderate-income census tracts in Buffalo, including one branch that is only half a mile from the closed branch. Fleet also stated that, before it closed the branch, its representatives met with 11 local government and community leaders, including several city council members. Fleet stated that the Elmira branches had experienced a significant decline in aggregate deposits over the past few years, and that the deposits of these branches were transferred to a new branch with drive-up banking facilities and increased parking.

90. Several commenters alleged that Fleet-New York improperly closed its only branch in Binghamton, and removed Broome County (which includes Binghamton) from its CRA-delineated community in February 1993. Examiners reviewed the closure of Fleet's Binghamton branch during the 1994 performance examination, and noted that, at the time of the closing, 20 branches of other financial institutions were located within a four mile radius of the closed branch. Fleet also indicated that, at the time of the closing, the branch controlled less than 1 percent of total deposits in the Binghamton market. In addition, in 1994, examiners reviewed Fleet-New York's community delineation in upstate New York, and found that it was reasonable, did not arbitrarily exclude any low- to moderate-income areas, and was supported by a geographic analysis of Fleet's HMDA data and small business loan applications. Examiners noted that the bank received less than 1 percent of its HMDA-reportable loan applications in 1993 from the five New York counties (including Broome County) that were not included in the bank's delineated community.

91. A few commenters also objected to Fleet Bank's 1991 closure of its branch on the Grand Concourse in the Bronx, New York. The NYC Performance Examination reviewed this closure, and noted that, at the time of the closing, nine branches of other financial institutions were located within a half-mile radius of the branch. Examiners also noted that Fleet had unsuccessfully attempted to find an alternative site for the branch.

92. One commenter alleged that Fleet has not sufficiently assisted mortgage customers experiencing financial difficulties. Fleet denied this allegation, noting that it has worked with the commenter to resolve the customers' cases. This commenter also alleged, without providing specific facts, that Fleet failed to honor certain commitments in CRA agreements that it made with the commenter in 1986

(2) Has not actively ascertained the credit needs of low- to moderate-income areas of Providence; and
(3) Has an insufficient number of branches serving low- to moderate-income neighborhoods in South Providence.

Fleet National Bank, Providence, Rhode Island ("Fleet-RI"), received a "satisfactory" rating from the OCC at its most recent CRA performance examination, as of March 31, 1995.[93] Examiners found that Fleet-RI's community delineation was reasonable and did not exclude low- to moderate-income areas, and that the bank affirmatively solicited credit applications from all segments of its community, including low- to moderate-income and minority census tracts.

HMDA Data and Lending Activities. The Board has carefully reviewed 1993 and 1994 HMDA data for the Fleet affiliates that originate loans in all MSAs in Rhode Island.[94] These data indicate that the percentages of home-related loan applications from and loans by Fleet to African Americans, Hispanics, and residents in low- to moderate-income census tracts increased from 1993 to 1994.

In addition, examiners in the 1995 performance examination noted that although the 1993 and 1994 HMDA data indicated that Fleet's loan approval rates for residents in low- to moderate-income census tracts remained well below approval rates for applicants living in higher income census tracts, Fleet had approximately doubled the number and volume of HMDA-reportable loan originations in low- to moderate-income census tracts between 1993 and 1994.[95] Examiners also found that, in 1994, the percentage of all HMDA reportable applications from minority applicants (approximately 11 percent) was generally equivalent to minority representation in Rhode Island's population.

Fleet-RI has taken steps to strengthen its record of helping to meet the housing-related credit needs in low- to moderate-income communities in Rhode Island. In addition to offering its portfolio mortgage loans,[96] Fleet participates in the following programs sponsored by the Rhode Island Housing and Mortgage Finance Corporation ("RIHMFC"):

(1) The First Home Program, which offers first mortgage loans with below-market interest rates, low down payments, and flexible underwriting standards to first-time homebuyers; and
(2) The JumpStart program, through which creditworthy low- to moderate-income borrowers receive down payment assistance and mortgage financing at below market interest rates for purchases of 1–4 family owner-occupied residences.[97]

The 1995 performance examination characterized Fleet as a leader among Rhode Island financial institutions in originating loans through RIHMFC programs in 1994,[98] with 406 such loans totalling $31.2 million, including 139 JumpStart loans totalling more than $9.6 million.[99] Examiners also found that, during 1993 and 1994, Fleet made 377 FHA loans totalling more than $39 million and 178 VA loans totalling almost $19 million in Rhode Island.[100] In 1994, Fleet also conducted a direct mail program on a trial basis in Providence that offered pre-approved, consumer installment loans to residents of low- to moderate-income neighborhoods of Providence, which generated more than 400 new loans totalling $1.3 million.

To address the credit needs of small businesses in Rhode Island, Fleet-RI provides small business loans through Fleet's "easy business banking" program and its community banking program, which includes loans ranging from $100,000 to $500,000 to businesses with sales of less than $5 million. The 1995 performance examination noted that, during 1994 and the first five months of 1995, Fleet-RI made 465 "easy business banking" loans totalling approximately $21.5 million and more than 300 community banking loans totalling approximately $58.7 million. In addition, the report of examination found that Fleet led the state in SBA loans in 1993 and 1994, with 126 loans totalling $25.7 million.

Affordable Housing and Community Development. To help meet the needs of low- to moderate-income residents, Fleet-RI also provides financing for the construction and renovation of rental and owner-occupied housing units in coordination with RIHMFC and local and national non-profit housing organizations. For example, OCC examiners

and 1989. Fleet responded that it is in substantial compliance with the 1986 agreement, but that it has no record of any 1989 written agreement with the commenter. The Board notes, moreover, that agreements between banking organizations and community groups are private arrangements that are not enforceable by the Board.

93. The Board also carefully considered the most recent CRA performance examination of Shawmut Bank Connecticut, National Association ("Shawmut Bank-CT"), which has branches in Rhode Island, by its primary federal supervisor, the OCC. The OCC rated Shawmut Bank-CT "satisfactory," as of December 31, 1993. The Board also notes that, in order to address the competitive issues raised by this proposal, Fleet will divest all but one of Shawmut Bank-CT's branches in Rhode Island.

94. The affiliates include Fleet-RI and Fleet Mortgage.

95. The HMDA reportable loans in the OCC's analysis included purchase money residential mortgages, residential refinance loans, and home improvement loans.

96. Fleet reported that it made 152 loans totalling $11 million in Rhode Island in 1994 under its special portfolio loan program for low- to moderate-income borrowers.

97. Under the JumpStart program, RIHMFC provides first and second mortgage financing, and Fleet provides unsecured financing to support down payment and closing costs at below market rates.

98. A commenter alleged that Fleet has made very few mortgages in South Providence under the RIHMFC's low-income housing program. Fleet responded that, as of July 31, 1995, it had 106 RIHMFC loans in its servicing portfolio with outstanding balances totalling more than $6 million in four low- to moderate-income census tracts in South Providence.

99. In 1994, Shawmut Mortgage Company ("Shawmut Mortgage") made 205 RIHMFC loans totalling more than $16 million.

100. Fleet reported that it made 749 mortgage loans totalling $61.3 million under the INCITY credit initiatives in 1994, including portfolio loans, RIHMFC program loans, FHA and VA loans, and FNMA Homebuyer loans.

noted that, since 1993, Fleet has provided $749,000 in financing for the construction of 43 units of affordable single-family housing in Providence and assisted RIHMFC in financing a 27-unit affordable housing project in South Providence. Fleet-RI also provided a $100,000 loan to the Stop Wasting Abandoned Property Gallup Street Project to help rehabilitate four homes in South Providence to be sold to low-income residents. In addition, Fleet-RI is one of four lenders participating in the Providence Plan Housing Corporation's Bank Lines Program, a $30 million mortgage program designed to provide homeownership opportunities for low- to moderate-income households in Providence. Fleet-RI also has made a commitment to provide $750,000 in financing for the East Providence Neighborhood Housing Service's affordable housing program. Under this program, the bank provides first mortgage financing subject to flexible underwriting guidelines and participates in a loan pool with other lenders for second mortgage financing. Moreover, Fleet-RI made a capitalization deposit pledge of $200,000 to Oasis Community Development Federal Credit Union, a new credit union being formed to serve residents of South Providence.

Fleet-RI introduced special loan programs totalling more than $20 million under the Northern Rhode Island Initiative to address needs arising from the region's depressed economic conditions, including a reduced rate home equity/home improvement loan, a no-down-payment first mortgage for first-time homebuyers, and a commercial mortgage for financing 5-to-15 unit investment properties.[101] Fleet-RI also has committed $1 million to a low-interest housing fund that provides below-market interest rate loans to Rhode Island non-profit housing agencies for development costs. In addition, Fleet-RI participates in the Minority Contractor Program of the Rhode Island Department of Transportation ("RIDOT") through which firms that are owned by women and minorities that are awarded RIDOT contracts receive short-term working capital loans from Fleet. Fleet also made a $500,000 equity investment in the Minority Investment Development Corporation, which provides loans, equity investments, and technical assistance for businesses owned by minorities.

Ascertainment and Marketing. The 1995 performance examination concluded that Fleet-RI had a good record of activities to ascertain community credit needs. Examiners found that Fleet-RI ascertains credit needs through community-based contacts, a formal branch manager call program, open house programs at which community and civic leaders meet with Fleet's senior management, periodic meetings with local community groups to discuss their concerns and the performance of Fleet's INCITY initiatives, use of outside consultants, and other ongoing working relationships with governmental and private sector representatives. Examiners also noted that after ascertaining that Rhode Island communities' most significant credit needs were for affordable mortgage loans and small business loans, Fleet developed and introduced its portfolio loan and "easy business banking" programs. In addition, examiners concluded that Fleet-RI aggressively publicized its products and services throughout its delineated community, using a variety of media and other means.

Branches and Products. The OCC's 1995 examination found Fleet-RI's branches to be reasonably accessible to all segments of its delineated community, including low- to moderate-income areas.[102] Examiners noted that Fleet-RI operates 57 branches and 104 automated teller machines, many of which offer service in Spanish, French, and Portuguese. Examiners further noted that Fleet's corporate level branch closing policy was satisfactory, and that Fleet-RI had followed the policy in closing or consolidating ten branches since January 1993. Examiners added that each of these closings was related to an acquisition and involved consolidation with nearby branches.

5. New Hampshire

New Hampshire commenters contended that Fleet has not made a sufficient number of loans to low-income residents in New Hampshire's rural communities or adequately participated in affordable housing projects, particularly those projects eligible for low-income housing tax credits.[103]

Fleet Bank-NH, Nashua, New Hampshire ("Fleet-NH"), received an "outstanding" rating from the Federal Reserve Bank of Boston ("Boston Reserve Bank") at its most recent examination for CRA performance, as of August 8, 1994. The examination found that Fleet-NH's community delineation was reasonable, that it included most of the populated areas of the state, and that it did not exclude low- to moderate-income neighborhoods. Examiners also noted that, although Fleet's lending activity was weaker in several rural counties than in the state's more urban counties, its 1993 HMDA data indicated that 63 percent of its HMDA-reportable loan applications came from rural areas outside the state's three MSAs, and that low- to moderate-income applicants were treated consistently throughout the state.

Examiners also concluded that Fleet's home mortgage and small business lending were reasonably distributed throughout the state. In addition, examiners found that the bank affirmatively solicited credit applications from all segments of its community. The 1994 performance examination concluded that the bank's branches were accessible to all segments of its delineated community.

101. Fleet-RI introduced a similar series of loan programs in the Bristol County area and in the Attleboro and New Bedford communities in Rhode Island.

102. Commenters alleged that only one Fleet branch serves the low- to moderate-income neighborhoods of South Providence. Fleet reported that it has ten branches in low- to moderate-income census tracts in Rhode Island, including five in Providence, and noted that three of the branches serve low- to moderate-income neighborhoods in South Providence.

103. In addition, commenters argued that Fleet should cash government checks for customers and non-customers at all its branches in New Hampshire.

Lending Activities. Fleet-NH has taken a number of steps to improve its record of helping to meet the housing-related credit needs in low- to moderate-income areas throughout its designated communities. For example, Fleet-NH and its affiliates offer several loan products to low- to moderate-income borrowers, including a portfolio home mortgage loan that requires a 5 percent down payment, half of which can be a gift, grant or seller concession. The 1994 performance examination noted that for the first seven months of 1994, the bank made $7.4 million of mortgages under this program. Examiners found that, during 1993 and the first six months of 1994, Fleet's mortgage lending in New Hampshire included 52 New Hampshire Housing Finance Authority ("NHHFA") loans for low- to moderate-income families totalling $4.3 million, 335 FHA loans totalling $34.5 million, and 363 VA loans totalling $45.2 million.[104] In addition, examiners noted that Fleet-NH offers a home improvement loan that permits higher-than-usual loan-to-value and debt-to-income ratios, and an unsecured personal loan that permits a higher-than-usual debt-to-income ratio and a longer repayment term.

As part of its small business lending activities in New Hampshire, Fleet-NH provides SBA-sponsored loan products, including loans through the Granite State Economic Development Corporation/SBA 504 Loan Program, and loans sponsored by the New Hampshire Business Finance Authority ("BFA"). The 1994 performance examination found that the bank approved 80 SBA loans totalling $32.9 million and 20 BFA loans totalling more than $9 million in the first nine months of 1994.[105] In addition, examiners noted that Fleet-NH extended 99 "easy business banking" loans totalling $3.2 million during the first nine months of 1994. Fleet reported that it approved 411 such loans totalling $22 million during 1994 and the first eight months of 1995.

Affordable Housing and Community Development. Fleet-NH also participates in various affordable housing and community development projects, including low-income housing tax credit investments. For example, Fleet-NH made a $950,000 low-income housing tax credit investment in Merrimack Place, a 16-unit townhouse project for low- to moderate-income residents in the Center City area of Manchester sponsored by the Manchester Neighborhood Housing Service ("MNHS"), a non-profit organization dedicated to the revitalization of Manchester's inner-city neighborhoods.[106] Fleet-NH also participates in several multi-bank loan pools designed to assist in the rehabilitation and development of permanent affordable housing. For example, Fleet-NH has committed financial and staff support to the New Hampshire Community Reinvestment Corporation's $30 million loan pool that is being formed to finance affordable housing projects, and it expects to provide the third largest share of this pool. In addition, Fleet-NH provided $500,000 to the Concord Community Housing Investment Pool, $1 million to the Seacoast Community Banking Council's loan pool, and $200,000 to the MNHS loan pool. Fleet-NH also participated in the formation of a grant pool through the NH Charitable Foundation, which will provide operating capital to affordable housing groups, and provided operating funds directly to MNHS and French Hill Neighborhood Housing Services. The bank also donated $40,000 to the New Hampshire Community Loan Fund, which helps residents of mobile home parks and apartment buildings become homeowners.[107] In addition, Fleet-NH provided a $125,000 line of credit to The Working Capital Program, which is a peer lending program that extends credit to self-employed business owners throughout New Hampshire. Most borrowers in this program are women who operate home-based businesses. Fleet-NH also has agreed to participate in the Governor's Loan Pool for Economic Development throughout the state.[108]

D. Other Convenience and Needs Considerations

HMDA Data In General. In addition to the state-specific HMDA data discussed above, the Board has reviewed, on an aggregate basis, 1993 and 1994 HMDA data reported by Fleet affiliates in Massachusetts, Connecticut, New York, Rhode Island, New Hampshire, and Maine, and in certain MSAs identified by the commenters.[109] These data indicate that Fleet has generally improved its lending record of housing-related loans to residents of low- to moderate-income census tracts and African-American and Hispanic borrowers. For example, HMDA data for Fleet subsidiaries

104. Fleet reported that it originated NHHFA mortgages totalling more that $5.7 million during 1994 and the first eight months of 1995.

105. Fleet reported that Fleet-NH was the leading bank participant in the various SBA programs in New Hampshire as of September 30, 1994. Fleet also noted that 93 small business loans, totalling $10 million, were made in low- to moderate-income communities during the first eight months of 1995.

106. A commenter maintained that Fleet has established minimum limits for investing in low-income housing tax credit projects and that this policy has the effect of excluding small projects in rural and small urban communities. Fleet denied that it has such a policy, noting that each proposal is evaluated individually. Fleet also stated that it is currently discussing a pooled approach to investments in low-income housing tax credit projects throughout the state with the New Hampshire Community Reinvestment Corporation.

107. One commenter criticized Fleet Bank-NH for not becoming a member of the Federal Home Loan Bank of Boston ("FHLBB") and thereby increasing its access to low-costs funds to finance affordable housing. This commenter also commended Shawmut Bank NH for its membership in the FHLBB. Fleet has indicated that it recently reached an agreement with the FHLBB to gain access to its affordable housing funds.

108. Under this program, Fleet Bank-NH has committed that $20 million of its total loan production will be comprised of SBA and BFA program loans.

109. The MSAs include Boston, Hartford, Providence, and all the MSAs in New York. One commenter contended that Fleet also has a poor record of lending to African Americans in Milwaukee, Wisconsin, Chicago, Illinois, and Oakland, California. The Board notes that Fleet has no banks serving these cities, and that special mortgage programs are not currently available from Fleet's mortgage subsidiary that operates in these areas. Fleet's mortgage subsidiary, however, is in the process of forming a national low- to moderate-income lending unit to develop products that address the needs of low- to moderate-income borrowers and an outreach program to reach those borrowers.

indicate that, while the overall number of applications generally declined from 1993 to 1994, the percentage of applications from and originations to residents of low- to moderate-income census tracts and African-American and Hispanic borrowers increased. In some categories and areas, Fleet's subsidiaries lend at a level that equals or exceeds that of their peers. In other categories and areas in these states and MSAs, the data show a low number of housing-related loans to minorities and low- to moderate-income applicants, and disparities in the declination rates for minorities compared to those for non-minority applicants.

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

As discussed above, the most recent CRA examinations of Fleet's subsidiary banks found no evidence of illegal discrimination or policies that discourage applicants from pursuing credit applications. Fleet also has implemented a comprehensive corporate program designed to help ensure equal treatment of loan applicants and compliance with fair lending laws and other credit-related laws by all its subsidiaries. This program includes a second review of all mortgage, consumer, and small business loan applications recommended for denial from low- to moderate-income applicants or applicants located in low- to moderate-income areas.

This program also includes policies and procedures for compliance with those laws, as well as compliance and diversity training for all management officials, loan officers, and any staff members who have contact with the public. Fleet has implemented management reviews of compliance and self-evaluation systems to analyze lending patterns and compliance,[110] including self-testing procedures as part of regularly scheduled consumer compliance reviews. Fleet also has established a fair lending policy committee to oversee the corporation's fair lending activities and to manage compliance with applicable federal and state laws and regulations. Furthermore, Fleet has taken a variety of steps discussed above at its subsidiary banks that assist in meeting the housing-related credit needs in areas with predominately low- to moderate-income and minority residents.

Branch Closings. A number of commenters have raised concerns that branch closures that would result from consolidating the operations of Fleet and Shawmut would have a material adverse effect on low- to moderate-income neighborhoods. Fleet has represented that it does not have a final branch closing plan but stated its intent to remain in all communities where Fleet and Shawmut currently operate branches, except where divestiture is required to address the competitive issues raised by this proposal.

The Board has carefully reviewed Fleet's branch closing policy, which has been implemented at all Fleet subsidiary banks, in light of these comments. Under this policy, the bank is required to assess and consider the impact of any branch closures on the banking convenience and needs of the public in the communities in which such branches are located. Fleet also is required under this policy to evaluate alternatives to closure, such as changing services offered and hours of service, upgrading facilities, and increasing automation. Examiners found the branch closing policy to be satisfactory and determined that Fleet's subsidiary banks have followed this policy in closing or consolidating branches since the previous CRA performance examinations. No materially adverse effects on low- to moderate-income neighborhoods from branch closings were identified in any performance examination.

Recent amendments to the FDI Act require an insured depository institution to submit a notice of any proposed branch closing to the appropriate federal banking agency no later than 90 days before the date of the proposed branch closing.[111] Customers of the insured depository institution also must be notified. The Joint Agency Policy Statement on Branch Closings ("Joint Policy Statement") requires that the notice:

(1) Identify the branch to be closed and specify the proposed date of closing;

(2) Provide a detailed statement of the reasons for the decision to close the branch; and

(3) Provide statistical or other information in support of such reasons consistent with the institution's written policy for branch closings.[112]

Based on all the facts of record, and in light of the requirements imposed by Fleet's branch closing policy and the Joint Policy Statement, which both afford interested persons notice of branch closings, the Board believes that concerns about branch closures do not warrant denial of

110. The Board notes that in 1993, Fleet implemented a corporate HMDA compliance program that uses an automated collection, management, and reporting system. With this system, management can analyze lending patterns in all its communities and use these analyses to monitor progress in meeting its CRA and fair lending goals.

111. See section 228 of the Federal Deposit Insurance Corporation Improvement Act of 1991, which added a new section 42 to the FDI Act (12 U.S.C. § 1831r-1).

112. 58 *Federal Register* 49,083 (1993). The Joint Policy Statement also provides that the branch closing notice procedure does not apply to the movement of branches within the same immediate neighborhood that does not substantially affect the nature of the business or the customers served. Such occurrences involving only short distances are viewed essentially as branch consolidations or relocations under the Joint Policy Statement.

this proposal. The Board's action on these applications and notices is conditioned on Fleet submitting quarterly reports on all branch closings to the appropriate Reserve Bank for 18 months after consummation of this proposal. These reports must include the underlying reasons and statistical information supporting the decision to close the branch, and detail the efforts made by Fleet to minimize the impact of any closure in low- to moderate-income neighborhoods. The Board also notes that any branch closings by Fleet, particularly in low- to moderate-income neighborhoods, will be assessed by examiners as part of the institution's CRA performance evaluation, and will be reviewed by the Board in future applications to acquire a depository facility.

Compliance with Fair Lending Laws and Other Credit-Related Laws. Several commenters have cited past and pending lawsuits against Fleet's nonbanking lending subsidiaries alleging violations of fair lending laws and other credit-related laws, that previously have been considered by the Board.[113] In particular, the Board has carefully reviewed past and pending lawsuits filed against, and state investigations of, Fleet and its nonbanking finance subsidiary, Fleet Finance, Inc. ("FFI"), in *Fleet Bank of New York*.[114]

A few commenters raised new compliance issues related to Fleet's lending and debt collection practices in Michigan. These allegations form the basis of a recently filed class action lawsuit against FFI.[115] The Board notes that this civil action is in its preliminary stages and that no conclusions of wrongdoing have been determined.[116] In addition, this proceeding would provide parties who were injured by FFI's practices with an adequate remedy if the allegations of improper practices could be substantiated. If a court determines, or an examination finds, that Fleet or any of its subsidiaries has engaged in illegal activities, or that the Fleet initiatives described below are insufficient, the Board or the primary federal supervisor of a Fleet subsidiary retains jurisdiction and full supervisory authority to take appropriate action.

Fleet and FFI have taken a number of steps to address the issues raised by the allegations concerning FFI's lending practices. These steps, which were reviewed by the Board in the Fleet New York Order, include discontinuing the practice of purchasing individual loans from third parties (except for bulk loan packages from regulated financial institutions, certain institutional investors, or a federal agency) and making significant changes in senior management and managerial practices, including management review and oversight, at both the holding company and the subsidiary. Fleet also has complied with its commitment to inform the Board promptly of each material development in any litigation involving FFI.[117]

In connection with its examination of a nonbank mortgage subsidiary of Fleet, the Board reviewed a loan pricing policy used by the mortgage company as a means of maximizing earnings and compensating loan officers, to determine if this policy was being applied in a manner consistent with the fair lending laws. The policy under review allowed employees of the mortgage company to share with the mortgage company any excess in origination charges or interest rates above the mortgage company's base rates that the employee was able to charge the borrower. This practice is commonly referred to in the industry as "overages" and involves customers who have been granted credit by the mortgage company.

Based on statistical analyses of overages in connection with loans that closed during a six-month period in 1993 and an on-site inspection, the Board identified concerns under the fair lending laws regarding the implementation of the overage policy of the mortgage company at two of the mortgage company's offices regarding loans to African Americans and Hispanics. The analyses did not raise concerns at the other offices of the mortgage company. Upon notification of these concerns, Fleet terminated this practice at all of the offices of its mortgage subsidiary. Fleet

113. One commenter also filed a complaint with the United States Department of Housing and Urban Development ("HUD") alleging that Shawmut's subsidiary bank in Massachusetts treated minority "testers" in a disparate manner. The Board believes that HUD and the DOJ, under a Consent Decree filed December 13, 1993, in the case styled *United States v. Shawmut Mortgage Company*, Civ. No. 3:93CV-2453 (D. Conn.), have adequate authority to address any violations that the commenter can substantiate. Moreover, after the proposed merger, Fleet would become subject to the Consent Decree, for its remaining term with respect to the operations of Shawmut Mortgage acquired by Fleet. The Board notes that, since this Consent Decree was entered, Shawmut's subsidiary banks and Shawmut Mortgage have undergone fair lending examinations by the OCC, which found that all the Shawmut subsidiaries were in compliance with the substantive provisions of antidiscrimination laws and regulations and revealed no evidence of illegal discrimination or prescreening of loan applicants.

114. *Fleet Bank of New York*, 80 *Federal Reserve Bulletin* 170 (1994) ("Fleet New York Order"); *see also Fleet Financial Group, Inc.*, 80 *Federal Reserve Bulletin* 818 (1994). This review included a number of complaints filed in Georgia and other states against Fleet and FFI. The Board noted that Fleet had entered into settlement agreements with the Attorneys General of Georgia and Massachusetts concerning FFI's mortgage lending practices in those states. Some of those cases have been settled, including a racial discrimination case in Georgia, a Virginia case involving premium payments to third party loan brokers, and mortgage escrow account and adjustable rate mortgage overcharge cases in a number of states. In other cases, courts found Fleet's practices to be consistent with applicable law. Several cases are still pending trial.

115. *Noel v. Fleet Finance, Inc.*, No. 95-73457 (E.D. Mich. filed August 25, 1995). These allegations were also raised in television news reports that profiled some Michigan homeowners who were adversely affected by FFI's alleged improper practices. A videotape of the news reports has been made part of this record and considered by the Board under the "fair use" exception in the Copyright Act of 1976 (17 U.S.C. § 107). *See Harper & Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 549 (1985).

116. The Michigan Office of the Attorney General also is reviewing the allegations in this complaint.

117. One commenter also alleged that Fleet participated in the credit decisions made by the NYCHP, but failed to provide adverse action notices to applicants who were denied credit or to report such denials in HMDA data. As discussed below, the Boston Reserve Bank recently completed an examination of the Fleet mortgage subsidiary engaged in this lending program, and has full supervisory authority to ensure compliance with applicable notice and reporting requirements.

also has cooperated with the Board in its review of this matter.

The Board brought this matter to the attention of the DOJ and provided the DOJ with the data and analyses compiled by the Board. The matter is under review by the DOJ and the Board.

In view of the circumstances noted above, the corrective actions taken by Fleet, and the limited number of offices affected, the Board has determined that this matter does not warrant denial of Fleet's applications to acquire Shawmut or delay pending resolution of the matter. The Board has authority to take supervisory action, if appropriate, upon any resolution of this matter. The Board's action on the applications in this case is conditioned on continuation of the commitment previously given by Fleet not to resume the practice of overaging without Board approval.

Conclusion Regarding Convenience and Needs Considerations

The Board has carefully considered the entire record, including the substantial public comment in this case, in reviewing the convenience and needs factors under the relevant banking statutes.[118] A number of commenters raised specific and general concerns about the adequacy of Fleet's existing CRA record and the effect of this proposal on the future availability of banking products and services in low- to moderate-income areas. Other commenters indicated that Fleet's current CRA programs by Fleet were very productive in their communities and expressed their belief that their communities would benefit by the merger of Fleet and Shawmut. Based on a review of the entire record of performance, including information provided by the commenters, and the performance examinations by the banks' primary supervisors, the Board believes that efforts by Fleet and Shawmut to help meet the credit needs of all segments of the communities served by these banks, including low- to moderate-income neighborhoods, are generally satisfactory.

The Board recognizes that the record compiled in these applications points to areas for improvement in the CRA performance of Fleet. As noted in this order, Fleet has taken steps to implement and strengthen its record of CRA-related activities, including implementation of its INCITY lending program to low- to moderate-income areas. The Board believes that these initiatives demonstrate Fleet's ability and willingness to help to meet the credit needs of its communities, including low- to moderate-income neighborhoods, and could help Fleet's subsidiary banks improve their CRA performance and address the weaknesses described by commenters.

After carefully considering all the facts of record, including the testimony at the public meetings, the comments received, Fleet's responses, and relevant reports of examination, the Board concludes that the convenience and needs considerations, including the CRA records of performance of Fleet and Shawmut, are consistent with approval of these applications. The Board expects Fleet to continue to strengthen its CRA performance through its initiatives, and will monitor Fleet's progress and its compliance with the conditions discussed in this order in future applications to acquire deposit-taking facilities.[119]

Other Considerations

Fleet also has filed notice under section 4(c)(8) of the BHC Act to operate a savings association and engage in trust company, investment advisory, and data processing activities. In addition, Fleet has filed notice to increase its ownership interest in a joint venture with other banking organizations that operates a retail electronic funds transfer network. The Board has determined by regulation that the operation of a savings association and trust company, investment advisory, and data processing activities are closely related to banking for purposes of section 4(c)(8) of the BHC Act.[120] The Board also has determined that the activities of the joint venture in which Fleet proposes to increase its investment are so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act.[121] Moreover, the Federal Reserve System previously has approved applications by Shawmut to engage in all the proposed activities. Applicants have committed that they will conduct these activi-

118. Some commenters suggested that the Board delay consideration of, or extend the public comment period for, this proposal in order that more information could be considered, including results of a new CRA examination of Fleet-New York (especially for New York City and Long Island) requested by commenters, results of a fair lending examination of Fleet's mortgage operations requested by commenters, resolution of pending litigation, detailed information on branch closings, and additional data on small business, rural, and other lending activities by county or branch. The Board is required under applicable law and its processing procedures to act on applications submitted under the BHC Act and the Bank Merger Act within specified time periods. The Board notes, moreover, that the commenters and Fleet have had an extended opportunity, including three public meetings, to submit information for the record and have, in fact, provided substantial submissions. As discussed above, the Board has carefully reviewed the record in this case, including information provided by commenters and Fleet about its CRA performance since the most recent performance examinations of its subsidiary banks and information relating to the prospective effects of this merger on the convenience and needs of the communities to be served. Based on all the facts of record, the Board concludes that the record is sufficient to act on this proposal at this time, and that delay or denial of this proposal on the grounds of informational insufficiency is not warranted.

119. The Board received comments from several individuals and small business owners relating to specific loan applications or transactions with several Fleet subsidiary banks. These comments related to private disputes arising out of individual transactions that, in light of all the facts of record, do not warrant denial of this proposal. The Board has provided copies of these comments to the appropriate federal agency responsible for supervising the relevant Fleet subsidiary.

120. *See* 12 C.F.R. 225.25(b)(3), (b)(4), (b)(7), and (b)(9).

121. *The Bank of New York Company, Inc.*, 80 *Federal Reserve Bulletin* 1107 (1994).

ties in accordance with the Board's regulations and orders approving these activities for bank holding companies.[122]

In order to approve these notices, the Board also must determine that the acquisition of Shawmut's nonbanking subsidiaries and performance of the proposed activities by Fleet "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."[123] Consummation of the proposal would expand the products and services that Fleet offers its customers. The record in this case indicates that there are numerous providers of these nonbanking services, and there is no evidence in the record to indicate that consummation of this proposal is likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices that would outweigh the public benefits of this proposal. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval.

In addition, the Board has considered the specific factors it must review under section 5(d)(3) of the FDI Act, and the record in this case shows that:

(1) The transaction will not result in the transfer of any insured depository institution's federal deposit insurance from one federal deposit insurance fund to the other;

(2) Fleet-New York currently meets, and upon consummation of the proposed transaction will continue to meet, all applicable capital standards; and

(3) The proposed transaction would comply with the interstate banking provisions of the BHC Act (12 U.S.C. § 1842(d)) if Shawmut Bank New York, N.A. was a state bank that Fleet was applying to acquire directly.[124]

Conclusion

Based on the foregoing, including the commitments made to the Board by Fleet in connection with these applications and notices, and in light of all the facts of record, the Board has determined that these applications and notices should be, and hereby are, approved.[125] The Board's approval is specifically conditioned on compliance by Fleet with all commitments made in connection with these applications and notices as well as the conditions discussed in this order.

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

The acquisition of Shawmut's subsidiary banks shall not be consummated before the fifteenth calendar day following the effective date of this order, and the banking and nonbanking transactions shall not be consummated later than three months following the effective date of this order, unless such period is extended for good cause by the Board or by the Boston Reserve Bank or the NY Reserve Bank, acting pursuant to delegated authority.

By order of the Board of Governors, effective November 14, 1995.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Appendix A

Fleet Financial Group, Inc., Providence, Rhode Island ("Fleet"), Fleet Bank-NH, Nashua, New Hampshire ("Fleet-NH"), and Fleet Bank, Albany, New York ("Fleet-NY"), have filed the following applications in connection with Fleet's proposal to acquire Shawmut National Corporation, Boston, Massachusetts, and Hartford, Connecticut ("Shawmut"):

(1) Fleet to acquire Shawmut by merging Shawmut with and into Fleet, pursuant to section 3 of the BHC Act, and thereby indirectly acquire Shawmut New Hampshire Corporation ("SNHC"), and its bank subsidiary, Shawmut Bank NH ("Shawmut-NH"), both of Manchester, New Hampshire; Shawmut New York Corporation, and

122. Applicants also have committed that they will not reactivate any currently inactive subsidiaries of Shawmut without the Board's prior approval.

123. 12 U.S.C. § 1843(c)(8).

124. *See* 12 U.S.C. § 1815(d)(3).

125. Several commenters also alleged that Fleet and its subsidiary banks have not appointed a sufficient number of African Americans and other minorities to positions in senior management and that they discriminate against minorities in their employment practices. Other commenters allege that the proposal would result in a loss of jobs that currently are held by minorities. The Board notes that, because Fleet's subsidiary banks employ more than 50 people, serve as depositories of government funds, and act as agents in selling or redeeming U.S. savings bonds and notes, they are required by regulations of the Department of Labor to:

(1) File annual reports with the Equal Employment Opportunity Commission; and

(2) Have in place a written affirmative action compliance program which states efforts and plans to achieve equal opportunity in the employment, hiring, promotion, and separation of personnel.

See 41 C.F.R. 60–1.7(a), 60–1.40. The Board also notes that, pursuant to regulations of the Department of Labor, Fleet, as the parent company, also is required to file an annual report with the Equal Employment Opportunity Corporation covering all employees in its entire corporate structure.

its bank subsidiary, Shawmut Bank New York, N.A. ("Shawmut-NY"), both of Schenectady, New York; Shawmut Bank, N.A., Boston, Massachusetts; and Shawmut Bank Connecticut, N.A., Hartford, Connecticut.
(2) Fleet to merge SNHC with and into Indian Head Banks, Inc., Nashua, New Hampshire, pursuant to section 3 of the BHC Act;
(3) Fleet-NH to merge with Shawmut-NH, pursuant to section 18(c) of the FDI Act (12 U.S.C. § 1828(c));
(4) Fleet-NH to establish branches at each of the locations where Shawmut-NH now operates a branch, pursuant to section 9 of the Federal Reserve Act (12 U.S.C. § 321);
(5) Fleet-NY to merge with Shawmut-NY, pursuant to sections 5(d)(3) and 18(c) of the FDI Act (12 U.S.C. §§ 1815(d)(3), 1828(c)); and
(6) Fleet-NY to establish branches at each of the locations where Shawmut-NY now operates a branch, pursuant to section 9 of the Federal Reserve Act (12 U.S.C. § 321).

Appendix B

Branches to be Established Pursuant to Section 9 of the Federal Reserve Act

New Hampshire

Route 101 and Chestnut Street, Bedford, NH*
Belknap Mall, Belmont, NH
100 Loudon Road, Concord, NH
27 North State Street, Concord, NH
D.W. Highway South, Connell's Shopping Center, Merrimack, NH
Main Street, Contoocook, NH
Crystal Avenue, Derry, NH
Route 302, Globe Shopping Center, Littleton, NH
542 Mast Road, Goffstown, NH
177 Main Street, Gorham, NH
369 Lafayette Road, Hampton, NH
44–46 South Main Street, Hanover, NH
9 Ash Street, Hollis, NH
1090 D.W. Highway North, Hooksett, NH
Hudson Mall, Hudson, NH
277 Union Avenue, Laconia, NH
Route 112, Lincoln, NH
85 Main Street, Littleton, NH*
175 Mammoth Road, Londonderry, NH
2626 Brown Avenue, Manchester, NH
135 D.W. Highway North, Manchester, NH
1155 Main Street, Manchester, NH
156 Hanover Street, Manchester, NH*
31 Harrison Street, Manchester, NH
1255 South Willow Street, Manchester, NH*
105 D.W. Highway South, Merrimack, NH
223 Main Street, Nashua, NH
4 Northwest Boulevard, Nashua, NH*
30 Pines Place, Concord, NH
39 Main Street, Pittsfield, NH
Pentucket Shopping Center, Plaistow, NH
Hatch Plaza, Plymouth, NH
82 Congress Street, Portsmouth, NH
150 Mirona Road, Portsmouth, NH
125 Main Street, Salem, NH
489 Lafayette Road, Seabrook, NH
One John Parsons Drive, Somersworth, NH

New York

900 Central Avenue, Albany, NY
Amsterdam Mall, Amsterdam, NY**
15 Park Avenue, Clifton Park, NY
98 Wolf Road, Colonie, NY
579 Troy-Schenectady Road, Latham, NY
800 New Loudon Road, Latham, NY
501 East Columbia Turnpike, East Greenbush, NY
Glenmont Plaza, Route 9W, Glenmont, NY
14 La Rose Street, Glens Falls, NY
200 Saratoga Road, Scotia, NY
475 Shaker Road, Loudonville, NY
211 Park Avenue, Mechanicville, NY
420 Balltown Road, Schenectady, NY
189 Ballston Avenue, Saratoga Springs, NY
500 State Street, Schenectady, NY
2525 Broadway, Schenectady, NY
13 Maple Road, Vorheesville, NY

* Designates branches to be divested.
** Shawmut-NY has filed an application with the OCC to relocate this branch to Samford Farms Shopping Center, Route 30, Amsterdam, NY.

Appendix C

Fleet has filed the following notices under section 4(c)(8) of the BHC Act to acquire nonbanking subsidiaries of Shawmut and/or to increase the investment in an existing nonbanking subsidiary of Fleet:

(1) To acquire Shawmut Bank, FSB, Boca Raton, Florida, and thereby operate a savings association pursuant to section 225.25(b)(9) of the Board's Regulation Y (12 C.F.R. 225.25(b)(9));
(2) To acquire Hartford National Corporation, Hartford, Connecticut, and its direct and indirect subsidiaries, Shawmut National Trust Company, Stuart, Florida, and Shawmut Trust Company, New York, New York, and thereby engage in operating trust companies pursuant to section 225.25(b)(3) of Regulation Y (12 C.F.R. 225.25(b)(3));
(3) To acquire Shawmut Corporation, Boston, Massachusetts ("Shawmut Corp."), and its subsidiary, Shawmut Investment Advisers, Inc., Hartford, Connecticut, and thereby engage in asset management and investment advisory services pursuant to section 225.25(b)(4) of Regulation Y (12 C.F.R. 225.25(b)(4));

(4) To acquire Business Benefits Administrators, Inc., Boston, Massachusetts, and its subsidiary, Interpay, Inc., Mansfield, Massachusetts, and thereby engage in trust and data processing services (including payroll processing and related activities) pursuant to sections 225.25(b)(3) and (b)(7) of Regulation Y (12 C.F.R. 225.25(b)(3) and (b)(7));

(5) To acquire the following inactive subsidiaries of Shawmut Corp., Nobility Hill Realty Corporation, Worcester, Massachusetts; Shawmut Association Incorporated, Shawmut Credit Corp., and Shawmut Financial Corporation, all of Boston, Massachusetts; and Shawmut Life Insurance Company, Inc., Phoenix, Arizona; and

(6) To increase its ownership interest in Infinet Payment Systems, Inc., Hackensack, New Jersey, a joint venture with other banking organizations, to 21.1 percent, and thereby engage in operating retail electronic funds transfer networks and engage in data processing and related activities pursuant to section 225.25(b)(7) of Regulation Y (12 C.F.R. 225.25(b)(7)) and previous Board orders.

Appendix D

Deposit Size, Percentage of Deposits, and Ranking for Fleet and Shawmut in the States Where They Compete[1]

Connecticut

Fleet controls deposits of approximately $5.9 billion, representing 10.8 percent of all deposits in depository institutions in the state ("state deposits"), and is the second largest depository institution. Shawmut controls deposits of approximately $9.3 billion, representing 16.9 percent of state deposits, and is the largest depository institution. Upon consummation of this proposal, Fleet would control deposits of approximately $15.2 billion, representing 27.7 percent of state deposits, and would become the largest depository institution in the state. Upon completion of the proposed branch divestitures, Fleet would control deposits of approximately $13.7 billion, representing 24.9 percent of state deposits, and would remain the largest depository institution in the state.

Massachusetts

Fleet controls deposits of approximately $5.8 billion, representing 5.9 percent of state deposits, and is the fifth largest depository institution. Shawmut controls deposits of approximately $8 billion, representing 8.1 percent of state deposits, and is the third largest depository institution. Upon consummation of this proposal, Fleet would control deposits of approximately $13.8 billion, representing 14 percent of state deposits, and would become the second largest depository institution in the state. Upon completion of the proposed branch divestitures, Fleet would control deposits of approximately $13.1 billion, representing 13.1 percent of state deposits, and would remain the second largest depository institution in the state.

New Hampshire

Fleet controls deposits of approximately $1.3 billion, representing 10 percent of state deposits, and is the third largest depository institution. Shawmut controls deposits of approximately $1.5 billion, representing 11.7 percent of state deposits, and is the second largest depository institution. Upon consummation of this proposal, Fleet would control deposits of approximately $2.8 billion, representing 21.7 percent of state deposits, and would become the largest depository institution in the state. Upon completion of the proposed branch divestitures, Fleet would control deposits of approximately $2.6 billion, representing 18 percent of state deposits, and would remain the largest depository institution in the state.

New York

Fleet controls deposits of approximately $10.4 billion, representing 2.9 percent of state deposits, and is the seventh largest depository institution. Shawmut controls deposits of approximately $1.4 billion, representing less than 1 percent of state deposits, and is the 32d largest depository institution. Upon consummation of this proposal, Fleet would control deposits of approximately $11.8 billion, representing 3.3 percent of state deposits, and would remain the seventh largest depository institution in the state. No branches in New York would be divested.

Rhode Island

Fleet controls deposits of approximately $4.6 billion, representing 32.2 percent of state deposits, and is the second largest depository institution. Shawmut controls approximately $470 million of deposits, representing 3.3 percent of state deposits, and is the fourth largest depository institution. Upon consummation of this proposal, Fleet would control deposits of approximately $5 billion, representing 35.5 percent of state deposits, and would become the largest depository institution in the state. Upon completion of the proposed branch divestitures, Fleet would control deposits of approximately $4.6 billion, representing 32.4 percent of state deposits, and would be the second largest depository institution in the state.

Appendix E

Description of Local Banking Markets in Which Fleet and Shawmut Compete:

Connecticut

Bridgeport	Bridgeport RMA
Danielson	City of Putnam and the townships of

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

	Brooklyn, Danielson, Eastford, Killingly, Pomfret, Thompson, and Woodstock in Windham County
Fairfield	Connecticut portion of the New York Ranally Metro Area ("RMA") and the townships of Kent, Roxbury, Warren, and Washington in Litchfield County
Hartford	Hartford RMA and the townships of Hartland in Hartford County, Ashford in Windham County, and Union in Tolland County
New Haven	New Haven RMA
New London	New London RMA and the townships of Lyme and Voluntown in New London County and Plainfield and Sterling in Windham County
Old Saybrook	Townships of Chester, Essex, Old Saybrook, Saybrook, and Westbrook in Middlesex County
Torrington	Torrington RMA and the townships of Colebrook, Goshen, and Norfolk in Litchfield County
Waterbury	Waterbury RMA

Massachusetts

Amherst-Northampton	Amherst RMA, Northampton RMA, and the towns of Deerfield, Shutesbury, and Whately in Franklin County, and Chesterfield, Cummington, Goshen, Plainfield, and Westhampton in Hampshire County
Boston	Boston RMA and the towns of Greenville, Lyndeborough, Mason, and New Ipswich in Hillsborough County in New Hampshire
Fitchburg-Leominster	Fitchburg-Leominster RMA
Greenfield	Franklin County, other than the towns of Deerfield, Leverett, Monroe, New Salem, Orange, Shutesbury, Sunderland, Warwick, and Whately
New Bedford	New Bedford RMA and the town of Wareham in Plymouth County
Southbridge	Towns of Southbridge and Sturbridge in Worcester County and Brimfield, Holland, and Wales in Hampden County
Springfield	Springfield RMA and the towns of Otis in Berkshire County, Blandford, Chester, Granville, and Tolland in Hampden County, Ware and Worthington in Hampshire County, and Hardwick and Warren in Worcester County
Taunton	Taunton RMA
Worcester	Worcester RMA and the towns of Hubbardston, New Braintree, Oakham, and West Brookfield in Worcester County

New Hampshire

Concord	Concord RMA, the city of Franklin, and the towns of Barnstead in Belknap County and Andover, Bradford, Canterbury, Dunbarton, Henniker, Hill, Loudon, Salisbury, Warner, and Webster in Merrimack County
Hanover-Lebanon	Towns of Canaan, Enfield, Grafton, Hanover, Lebanon, Lyme, Orange, Orford, and Piermont in Grafton County, Grantham and Plainfield in Sullivan County, Bradford, Corinth, Fairlee, Strafford, Thetford, Vershire, and West Fairlee in Orange County, Vermont, and Hartford, Hartland, Norwich, Sharon, West Windsor, and Windsor in Windsor County, Vermont
Laconia	Belknap County, other than the town of Barnstead, and the towns of Northfield in Merrimack County and Moultonboro and Sandwich in Carroll County
Littleton	Towns of Bethlehem, Easton, Franconia, Landaff, Lisbon, Littleton, and Lyman in Grafton County and Carroll, Dalton, and Whitefield in Coos County
Manchester	Manchester RMA and the towns of New Boston and Weare in Hillsborough County and Chester, Deerfield, and Raymond in Rockingham County
Portsmouth-Dover-Rochester	Portsmouth-Dover-Rochester RMA and the towns of Wakefield in Carroll County, Brookfield, Epping, Freemont, Hampton Falls, Kensington, Northwood, and Nottingham in Rockingham County, and Middleton Corners, New Durham, and Strafford in Strafford County, and Lebanon in York County in Maine

New York

Albany	Counties of Albany, Columbia, Fulton, Greene, Hamilton, Montgomery, Rensselaer, Saratoga, Schenectady, Schoharie, Warren, and Washington

Rhode Island

Providence	Providence-Warwick RMA and the towns of Charlestown in Washington County and West Greenwich Center in Kent County

Premier Bancorp, Inc.
Baton Rouge, Louisiana

Order Approving the Merger of Bank Holding Companies

Premier Bancorp, Inc., Baton Rouge, Louisiana ("Premier"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 3 of the BHC Act (12 U.S.C. § 1842) to merge with HNB Corporation ("HNB"), and thereby indirectly acquire Homer National Bank ("Homer Bank"), both of Homer, Louisiana.[1]

Notice of the application, affording interested persons an opportunity to submit comments, has been published (60 *Federal Register* 43,151 (1995)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3 of the BHC Act.

Premier, with total consolidated assets of $5.5 billion, is the third largest commercial banking organization in Louisiana, controlling one subsidiary bank with aggregate deposits of $4.3 billion, representing approximately 12 percent of the total deposits in commercial banking organizations in the state.[2] HNB, with total consolidated assets of $98 million, is the 57th largest commercial banking organization in Louisiana, controlling deposits of $88.4 million, representing less than 1 percent of the total deposits in commercial banking organizations in the state. Upon consummation of this proposal, Premier would remain the third largest commercial banking organization in Louisiana, controlling deposits of $4.4 billion, representing approximately 12.3 percent of the total deposits in commercial banking organizations in the state. Premier and HNB do not compete in any banking market. Based on all the facts of record, the Board has concluded that consummation of this proposal would not result in a significantly adverse effect on competition or the concentration of banking resources in any relevant banking market.

The Board also has concluded that the financial and managerial resources and future prospects of Premier, HNB, and their respective subsidiaries, are consistent with approval of this proposal, as are all other supervisory factors that the Board must consider under section 3 of the BHC Act.

Convenience and Needs Considerations

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

The Board received comments from the Plaisance Development Corporation ("Protestant") maintaining that Premier and its subsidiary bank have failed to meet the banking needs of all segments of its communities, especially African-American neighborhoods,[4] and have failed to comply with fair lending laws.[5] Protestant also contends that the rates of home-related loan applications from and loan originations to African Americans, compared with those for white residents, indicate illegal discrimination by Premier Bank.

The Board has carefully reviewed the CRA performance records of Premier, Premier Bank, HNB, and Homer Bank; all comments received on this application; all responses to those comments; and all other relevant facts of record in light of the CRA, the Board's regulations, and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").[6]

Record of Performance Under the CRA

A. CRA Performance Examinations

The Agency CRA Statement provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record and that reports of these examinations will be given great weight in

1. Premier proposes to merge Homer Bank with and into Premier's subsidiary bank, Premier Bank National Association, Baton Rouge, Louisiana ("Premier Bank"). On August 3, 1995, Premier Bank's primary supervisor, the Office of the Comptroller of the Currency ("OCC"), approved this merger.

2. Asset and deposit data are as of June 30, 1995.

3. 12 U.S.C. § 2903.

4. In particular, Protestant alleges that Premier and Premier Bank have failed to:

(1) Provide capital and financing to African-American homeowners;

(2) Provide funds, grants, and loans to African-American community organizations;

(3) Provide capital to businesses owned by African Americans;

(4) Participate in community development projects to improve economic opportunities in the African-American community;

(5) Locate branches in African-American communities; and

(6) Develop and implement adequate CRA policies.

5. With respect to this allegation, Protestant maintains that Premier and Premier Bank employ few African-American loan officers; use a compensation program for lending officers that provides incentives to solicit and originate mortgages only on higher-priced homes; fail to use media and images oriented to the African-American community in advertising its loan products; and fail to adequately market its Federal Housing Administration ("FHA"), Veterans Administration ("VA"), and Small Business Administration ("SBA") loan products in the African-American community.

6. 54 *Federal Register* 13,742 (1989).

the applications process.[7] The Board notes that Premier Bank received a "satisfactory" rating from its primary federal supervisor, the OCC, at its most recent examination for CRA performance as of March 31, 1994 ("CRA Examination"). Homer Bank also received a performance rating of "satisfactory" from the OCC at its most recent CRA examination as of October 13, 1993.

B. HMDA Data and Lending Activities

The Board has carefully reviewed data submitted by Premier Bank under the Home Mortgage Disclosure Act ("HMDA") for 1993 and 1994 in light of Protestant's comments. These data show that, since 1993, the total number of loans made to African Americans by Premier Bank increased for all categories of loans reported under HMDA.[8] These data also show that, since 1993, Premier Bank increased the overall number of applications from and originations to African Americans in its delineated community. Premier Bank also decreased its denial rates to African-American credit applicants, and the ratio of denials of African-American applicants compared to white applicants also fell from 1993 to 1994. HMDA data also show that Premier Bank's loans to African Americans, on a percentage basis, approximates that of the aggregate of all lenders in its delineated community. In addition, at Premier Bank's mortgage company subsidiary, Premier Mortgage Company, Baton Rouge, Louisiana ("Premier Mortgage"), the number of applications by African Americans increased from 1993 to 1994, and the denial rate of African-American credit applicants compared to white applicants decreased.[9]

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

The Board has carefully reviewed Protestant's allegations in light of information from the OCC, Premier Bank's primary supervisor. The CRA Examination found no evidence of prohibited discriminatory or other illegal credit practices, such as practices or policies that would tend to discourage credit applications.[10] The CRA Examination also found that Premier Bank had implemented policies, procedures, and training programs that effectively address fair lending issues and the requirements of the Equal Credit Opportunity Act, the Fair Housing Act, and other fair lending laws. Steps developed to ensure equal treatment included fair lending and cultural diversity training and implementation of a second review process for residential real estate applications that have received an initial denial recommendation. The CRA Examination found no substantive violations of any fair lending laws or regulations. Examiners found that applications for credit were generally solicited from all segments of Premier Bank's delineated community, and that the bank's community delineation was reasonable and did not arbitrarily exclude low- and moderate-income areas. In addition, Premier Bank's management annually analyzes annually the geographic distribution of its HMDA credit extensions, applications, and denials, and reports the results of this analysis to the bank's board of directors.

Examiners also concluded that Premier Bank effectively addresses a portion of the community's housing-related credit needs through the origination of residential mortgages and by traditional and non-traditional banking products and services. In addition to offering traditional home mortgage products, Premier has instituted a Community Home Buyers Program that offers long-term, fixed-rate mortgages to qualified low- and moderate-income borrowers.[11] This program offers up to 95 percent loan-to-value financing, increased maximum debt-to-income ratios, and non-traditional verification of closing funds and credit references.[12]

Premier Bank and Premier Mortgage also participate in government-sponsored lending programs, such as those offered by the SBA, FHA, VA, and Farmers Home Administration, as well as guaranteed student loans. The CRA Examination found that in 1992 and 1993, Premier Bank funded 40 SBA loans for a total of approximately $11.6 million. In 1994, Premier Bank was the leading SBA lender in Louisiana in terms of the total dollar amount of loans outstanding, and second in the number of credits originated. Premier Mortgage also has made FHA and VA loans, which comprise 24 percent of all loans made in 1994 by Premier Mortgage. During that period, Premier Mortgage's FHA and VA lending to members of minority

7. *Id.* at 13,745.

8. Under HMDA, lenders are required to report data about home improvement loans, conventional home purchase loans, refinancings of home purchase loans, and loans made under government-sponsored home mortgage programs.

9. The Board notes that Premier made 638 loans to African Americas in 1993 and 702 loans in 1994.

10. The examination included a fair-lending review of more than 400 conventional and government-guaranteed purchase money residential mortgage loan applications received over a period of 12 months. These applications were dispersed throughout Premier Bank's communities.

11. Premier Mortgage also provides an incentive program to loan officers making affordable housing loans to low- and moderate-income borrowers by compensating loan officers on a basis other than the dollar amount of the loan.

12. Examiners noted that in the first year of this program Premier Bank approved and funded more than $300,000 of mortgages through this program.

groups accounted for approximately 39 percent of its loans to minority applicants that were reportable under HMDA.

The CRA Examination noted that Premier actively participated in the SBA Loan Program and that Premier was a certified SBA lender for the entire state of Louisiana. Premier Bank also provides technical assistance and various education programs to small businesses and businesses owned by women and minorities throughout its communities. Its involvement in small business lending programs benefitting low- and moderate-income communities was cited by examiners as having created or helped support existing jobs in those communities. In 1993, Premier developed a new business loan product to provide small businesses with lines of credit, and Premier approved 83 lines of credit under this program with total commitments of over $1.5 million in the first year. As of August 1995, 486 business lines had been established under this program, with total commitments of $13.8 million.

The CRA Examination also noted that Premier Bank was involved in a variety of community development programs designed to benefit its communities, including low- and moderate-income and African-American residents. For example, Premier has invested $350,000 in the Gulf Coast Business and Industrial Development Corporation, a minority-owned organization that provides financing to minority-owned small businesses in distressed areas. Premier Bank also has invested $135,000 in the New Orleans Small Business and Industrial Development Corporation ("SBIDCO"). SBIDCO provides financial and technical support to small businesses and businesses owned by women and minorities in designated industries and areas in New Orleans. Premier also participates in various state and local economic development programs, such as the Louisiana Economic Development Corporation and the Lafayette Neighborhood Economic Development Corporation.

In Baton Rouge, Premier Bank participates in the Local Initiatives Support Corporation ("LISC"). Premier contributed $75,000 to assist this organization in establishing a program in Baton Rouge and a representative of Premier Bank serves on its local board of directors.[13] Premier also has contributed $30,000 to the Southern University Education & Counseling Center, a non-profit credit education and counseling center that provides financial counseling services primarily to minority and disadvantaged people. In addition, Premier participates in the Southern University Community Development Project ("SUCDP"), a program that assists low- and moderate-income families to purchase homes.[14]

C. Other Aspects of CRA Performance

Ascertainment and Marketing Efforts. The CRA Examination noted that Premier Bank had regular contact with a wide range of individuals, neighborhood groups and community-based organizations to ascertain community credit needs. The examination found that Premier had implemented an officer call program through which a substantial number of officer calls were made to ascertain the community's credit needs. Premier also had contacted a significant number of neighborhood and local government organizations, including organizations representing religious and minority groups and civic or neighborhood coalitions.

The CRA Examination found that Premier had participated throughout the state in seminars and workshops designed to provide education about the bank's products and services and to assist customers in understanding the loan application process and requirements. Since the previous CRA examination, Premier's management contracted an outside research firm to conduct group meetings in seven locations throughout the state to identify ways for Premier to serve its customers better and to ascertain what new products were needed.

The CRA Examination found that Premier's marketing program was designed to reach all segments of its delineated community. Premier was found to have used traditional marketing methods effectively to reach all sections of its community, including advertising in several minority-owned newspapers that focus on communities with predominantly minority populations.[15] The CRA Examination also noted that Premier complemented its traditional marketing efforts with non-traditional methods such as Premier Bank's Community Home Buyers Workshop.[16]

Branch Locations. The CRA Examination concluded that Premier Bank had a satisfactory record of opening, closing, and relocating its offices, and that the bank's branches were reasonably accessible to all segments of its communities. Examiners found that Premier Bank had developed a good distribution of branch locations, especially in low- and moderate-income areas. At the time of the CRA Examination, Premier Bank had 109 full-service branches throughout the communities it services. More than 40 percent of these branches were located in low-income census tracts.

Policies and Programs. The CRA Examination found that Premier Bank's directors and senior management had

13. The CRA Examination favorably noted that LISC will work to establish and assist six locally-based community development corporations with affordable housing and commercial development projects in low-income neighborhoods in Baton Rouge.

14. Premier Bank agreed to participate in loans for up to five qualified families, and to waive origination fees for these loans. A representative of the bank serves on SUCDP's Finance Advisory and Project Advisory committees.

15. In 1994, the Premier Bank formulated and adopted a comprehensive and specific African-American marketing policy and strategy that includes the use of African-American models in advertisements portraying customers and bank employees.

16. This workshop was designed to prepare low- and moderate-income individuals for participation in Premier's Community Home Buyers Program. The workshop provides an overview of the home purchase process, including credit related matters such as the loan application process, understanding a credit report, and the importance of a good credit history.

actively participated in CRA-related matters and provided oversight through policy review, self-assessments, and internal audits. CRA training was provided throughout the bank on an on-going basis to all persons in contact with the public, members of management, and lending staff. The CRA Examination also found that Premier performed regular self-assessments and other reviews to ensure satisfactory CRA performance. In addition to this self-assessment, the Audit Division performs comprehensive reviews of the bank's compliance with the technical requirements of CRA.

D. Conclusion on Convenience and Needs Considerations

On the basis of all the facts of record, including information provided by the Protestant, Premier's responses, and relevant reports of examination, the Board has concluded that convenience and needs considerations, including the overall CRA performance records of the institutions involved in this proposal, are consistent with approval of this application.

Based on the foregoing, and in light of all the facts of record, the Board has determined that this application should be, and hereby is, approved.[17] The Board's approval is specifically conditioned on compliance by Premier with all commitments made in connection with this application. The commitments and conditions relied on by the Board are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

17. Protestant implies that Premier discriminates against African Americans in its employment practices. The Board notes that, because Premier Bank employs more than 50 people, serves as a depository of government funds, and acts as agent in selling or redeeming U.S. savings bonds and notes, it is subject to Department of Labor regulations that require:

(1) The filing of annual reports with the Equal Employment Opportunity Commission; and

(2) A written affirmative action compliance program which states its efforts and plans to achieve equal opportunity in the employment, hiring, promotion, and separation of personnel.

See 41 C.F.R. 60–1.7(a), 60–1.40. The Board notes that, pursuant to Department of Labor regulations, Premier as the parent company, also is required to file an annual report with the Equal Employment Opportunity Commission covering all employees in its entire corporate structure.

By order of the Board of Governors, effective November 9, 1995.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Union Planters Corporation
Memphis, Tennessee

Order Approving Merger of Bank Holding Companies

Union Planters Corporation, Memphis, Tennessee ("Union Planters"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 3 of the BHC Act (12 U.S.C. § 1842) to merge with Capital Bancorporation, Inc., Cape Girardeau; Maryland Avenue Bancorporation, Clayton; and Century State Bancshares, Jackson, all in Missouri (collectively, "Capital"), and thereby indirectly acquire Capital's subsidiary banks listed in the Appendix.[1]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (60 *Federal Register* 44,891 (1995)). The time for filing comments has expired, and the Board has considered the applications and notice and all comments received in light of the factors set forth in section 3 of the BHC Act.

Union Planters, with total consolidated assets of $9.7 billion, operates subsidiary banks in Alabama, Arkansas, Kentucky, Louisiana, Mississippi, and Tennessee.[2] Capital, with total consolidated assets of $1 billion, is the ninth largest commercial banking organization in Missouri, controlling deposits of $912.3 million, representing 1.6 percent of total deposits in commercial banking organizations in the state.

Interstate Analysis

Section 3(d) of the BHC Act, as amended by Section 101 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, allows the Board to approve an application by a bank holding company to acquire control of a bank located in a state other than the home state of such a

1. Union Planters would acquire Capital by merger with an interim bank holding company, CBI Acquisition Company, Inc., Memphis, Tennessee ("Interim"). Interim, as the surviving entity, would be named Capital Bancorporation, Inc., and has applied under section 3 to become a second tier bank holding company. Union Planters also would acquire Capital Bank, FSB, Jonesboro, Arkansas, a subsidiary savings association of Capital ("Capital Savings Bank"), by merger with its subsidiary bank, Union Planters Bank of Northeast Arkansas, Jonesboro, Arkansas. This acquisition would occur simultaneously with the merger with Capital, and at no time would Union Planters operate Capital Savings Bank as a thrift institution. Union Planters has committed not to acquire Capital Savings Bank until all appropriate federal and state regulators have given their approval.

2. Asset and state deposit data are as of June 30, 1995.

bank holding company, if certain conditions are met.[3] These conditions are met in this case.[4] In view of all the facts of record, the Board is permitted to approve this proposal under section 3(d) of the BHC Act.

Competitive Considerations

Union Planters and Capital compete directly in the Jonesboro, Arkansas, banking market ("Jonesboro banking market").[5] Union Planters is the largest banking or thrift organization ("depository institution") in the Jonesboro banking market, controlling deposits of $232.9 million, representing approximately 21.9 percent of total deposits in depository institutions in the market ("market deposits").[6] Capital is the sixth largest depository institution in the Jonesboro banking market, controlling deposits of $62.7 million, representing approximately 5.9 percent of market deposits. On consummation of this proposal, Union Planters would remain the largest depository institution in the market, controlling deposits of $295.6 million, representing approximately 27.8 percent of market deposits. The market would remain moderately concentrated, as measured by the Herfindahl–Hirschman Index ("HHI"),[7] and numerous competitors would remain in this market. Based on all the facts of record, the Board concludes that consummation of this proposal would not result in any significantly adverse effect on competition or concentration of banking resources in the Jonesboro or any other relevant banking market.

Convenience and Needs Considerations

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

The Board has received comments from the Mid-South Peace and Justice Center, Memphis, Tennessee ("Protestant"), criticizing the CRA performance of Union Planters in helping to meet the credit needs of its entire community. In particular, Protestant maintains that data filed under the Home Mortgage Disclosure Act ("HMDA")[9] demonstrate that Union Planters's lead subsidiary bank, Union Planters National Bank, Memphis, Tennessee ("UPNB"), has not increased its housing-related lending in low- and moderate-income neighborhoods and neighborhoods with predominantly African-American populations in Memphis since 1990. Protestant also contends that UPNB's branches do not serve the credit needs of low- and moderate-income and minority customers.

The Board has carefully reviewed the CRA performance records of Union Planters, Capital, and their respective subsidiary banks and thrifts; all comments received on this proposal, responses to those comments submitted by Union Planters; and all other relevant facts of record, in light of the CRA, the Board's regulations, and the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").[10]

3. Pub. L. No. 103–328, 108 Stat. 2338 (1994). A bank holding company's home state is that state in which the operations of the bank holding company's banking subsidiaries were principally conducted on July 1, 1966, or the date on which the company became a bank holding company, whichever is later. For purposes of the BHC Act, the home state of Union Planters is Tennessee.

4. 12 U.S.C. §§ 1842(d)(1)(A) and (B) and 1842(d)(2)(A) and (B). Union Planters is adequately capitalized and adequately managed. Upon consummation, Union Planters and its affiliates would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States and less than 30 percent of the total amount of deposits in Missouri. Capital's banks have been in existence and continuously operated for the minimum period of time required under Missouri law. All other requirements of section 3(d) of the BHC Act would also be met on consummation of this proposal.

5. The Jonesboro, Arkansas, banking market is approximated by Craighead and Poinsett Counties, Arkansas.

6. Market data are as of June 30, 1994. Market share data are based on calculations in which the deposits of thrift institutions, except the deposits of Capital Savings Bank, are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Thus, the Board has regularly included thrift deposits in the calculation of market share on a 50-percent weighted basis. *See, e.g., First Hawaiian Inc.*, 77 *Federal Reserve Bulletin* 52 (1991). Because the deposits of Capital Savings Bank are controlled by a commercial banking organization, and would be controlled by a commercial banking organization after consummation of the proposal, they have been included at 100 percent in the calculation of the market share of Union Planters before and after consummation of the proposed merger. *See Norwest Corporation*, 78 *Federal Reserve Bulletin* 452 (1992); *First Banks, Inc.*, 76 *Federal Reserve Bulletin* 669, 670 n. 9 (1990).

7. On consummation of this proposal, the HHI would increase by 285 points to 1647. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is between 1000 and 1800 is considered moderately concentrated. The Justice Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Justice Department has stated that the higher than normal threshold for an increase in the HHI when screening bank mergers and acquisitions for anticompetitive effects implicitly recognizes the competitive effect of limited-purpose lenders and other non-depository financial entities.

8. 12 U.S.C. § 2903.

9. 12 U.S.C. § 2801 *et seq.*

10. 54 *Federal Register* 13,742 (1989). Protestant also commented on matters that are not related to the factors considered under the BHC Act. Protestant criticized the Board for denying only a small number

Record of Performance Under the CRA

In the *First State Order*, the Board reviewed the CRA performance of Union Planters, taking into account substantially similar comments from Protestant. In evaluating that proposal, the Board carefully considered the CRA performance record of Union Planters, and in particular, the record of UPNB in helping to meet the credit needs of communities of low- and moderate-income and minority residents in the Memphis area. For the reasons discussed in detail in the *First State Order*, and incorporated herein by reference, the Board concluded that the convenience and needs factor, including the CRA performance record of UPNB, was consistent with approval of an acquisition under the BHC Act.

The UPNB performance record reviewed in the *First State Order* included the bank's "satisfactory" rating in its most recent CRA performance evaluation by its primary federal supervisor, the Office of the Comptroller of the Currency ("OCC") as of October 1994 ("1994 Examination").[11] Examiners found that UPNB had made sufficient efforts to address a significant portion of the credit needs of its communities by offering several types of loan products. In addition, the 1994 Examination concluded that the bank's distribution of loans, applications, and denials were reasonable. The examination also concluded that UPNB had a satisfactory record of ascertaining community credit needs and that the bank's marketing program effectively informed all segments of its delineated community of the availability of credit products and services. All of Union Planters's other subsidiary banks and thrifts that have been examined for CRA performance received an "outstanding" or "satisfactory" rating from their primary federal supervisory in their most recent examination for CRA performance.[12]

of applications on the basis of CRA performance and criticized the Office of the Comptroller of the Currency ("OCC") for rating only a small number of institutions "needs to improve" under the CRA. In addition, Protestant complained that the Federal Deposit Insurance Corporation ("FDIC") and the Board have failed to investigate Protestant's allegations of wrongdoing at a Mississippi state nonmember bank acquired by Union Planters. These allegations were referred to the FDIC, the bank's primary supervisor, for investigation and appropriate supervisory action, if Protestant's allegations are substantiated. *See Union Planters Corporation*, 81 *Federal Reserve Bulletin* 800 (1995) ("*First State Order*").

11. The Agency CRA Statement provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record, and that reports of these examinations will be given great weight in the applications process. See 54 *Federal Register* 13,745 (1989).

12. On July 1, 1994, Union Planters established four *de novo* banks in Chattanooga, Jackson, Knoxville, and Nashville, all in Tennessee. None of these banks has been examined for CRA or consumer compliance. All of Capital's subsidiary banks received "satisfactory" or better ratings from their primary federal supervisors in their most recent CRA performance examinations.

A. HMDA Data and Lending Practices

The Board also has considered supplemental data and information on Union Planters's CRA performance since the *First State Order* that were included in this application. In particular, the Board has carefully reviewed the HMDA data reported by Union Planters for the period 1990 through 1994, in light of Protestant's comments that UPNB has not increased its lending to minority residents of Memphis since 1990.

In general, HMDA data reflect reasonable efforts by UPNB to assist in meeting the credit needs of communities with low- and moderate-income and minority residents in the Memphis area. For example, the percentage of the total number of applications received by UPNB from African Americans has increased every year since 1992. In addition, since 1992, UPNB has received a greater percentage of loan applications from, and originated a greater percentage of loans to, African Americans than the aggregate average of banking institutions in the Memphis MSA. Despite a decline of 38.3 percent in the absolute number of applications received by UPNB, the number of applications it received from African Americans increased slightly from 1993 to 1994.

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

The Board has carefully reviewed Protestant's allegations of illegal discriminatory practices in UPNB's lending activities, in light of publicly available and other information from the OCC. The 1994 Examination found no evidence of prohibited discrimination or other illegal credit practices.[13] Examiners also found no evidence of practices intended to discourage applications for the types of credit listed in the bank's CRA statements.

The 1994 Examination also concluded that UPNB extended credit throughout its community, and that the bank has generally been responsive to the community's credit needs. For example, UPNB has initiated a number of steps to strengthen its record of meeting consumer, small busi-

13. Examiners conducted a review of all first mortgage and home improvement loan applications for the first six months of 1994, which included a comparison of white applicants whose loans were approved with African-American applicants whose loans were denied. The review disclosed no instances, practices or policies to indicate that customers were treated in an illegal or prohibited manner.

ness, commercial, and housing-related credit needs in low- to moderate-income areas. UPNB instituted a "second look" program for its retail and mortgage loan divisions and instituted sensitivity and diversity training for bank personnel. In addition, UPNB offers a special "buy-down" loan to home buyers in the low- and moderate-income areas of Shelby County, Tennessee, which includes Memphis. Under this program, the bank subsidizes the discount points necessary to reduce the permanent interest rate on a loan by one percent. As of December 31, 1994, 31 loans, totalling $1.1 million, were made under this program. UPNB, in conjunction with the Division of Housing and Community Development of the City of Memphis, also participates in a down payment assistance program.[14]

UPNB's lending efforts in low- to moderate-income areas also have been enhanced through the appointment of an Urban Banking Officer, who serves as a manager of one of UPNB's branches in a low- and moderate-income area of Memphis. The Urban Banking Officer is responsible for reviewing loan packages, counseling prospective loan applicants, assisting with applications and referring applications. In 1994, UPNB's Urban Banking Officer received approximately 42 applications and approved 40 percent of them.

UPNB also participates in loans guaranteed by the Federal Housing Administration ("FHA"), Veterans Administration ("VA"), Tennessee Housing Development Authority ("THDA"), and Small Business Administration ("SBA"). In 1994, UPNB made 298 VA loans totalling $17.9 million within its delineated community. Also in 1994, UPNB originated over $4 million in SBA loans and its Small Business Lending Department approved, committed, or renewed $29 million of small business loans, of which 31 percent, or $8.9 million were in low- to moderate-income census tracts.

B. Branch Locations

The OCC reviewed UPNB's record of providing services at its branches and found that UPNB operated full-service branches, limited service branches and automated teller machines ("ATMs") at locations reasonably accessible to all segments of its community, including low- to moderate-income neighborhoods. UPNB operates 35 branches throughout Shelby County and 13 of the branches were designated "Home Buyer Centers."[15] One of UPNB's seven branches in low- and moderate- income areas is a Home Buyer Center. In addition, seven of the bank's 54 ATMs are located in low- and moderate-income areas.

The 1994 Examination also noted that the bank had a comprehensive branch closing/service reduction policy that attempts to minimize the impact of any reduction in services. Examiners found that UPNB had an acceptable record of opening and closing branch offices.[16]

C. Conclusion Regarding Convenience and Needs Factors

The Board has carefully considered the entire record in its review of the convenience and needs factors under the BHC Act.[17] Based on this review, which took into consideration information provided by Protestant and Union Planters, the CRA performance examinations and other information from the FDIC and the OCC, and the review in the *First Bank Order*, the Board believes that the efforts of Union Planters to help meet the credit needs of all segments of the communities served by its subsidiary banks and thrifts, including low- and moderate-income neighborhoods, are consistent with approval. For these reasons, and for the reasons discussed in the *First Bank Order*, and based on all the facts of record, the Board concludes that convenience and needs considerations, including the CRA performance records of the companies and banks involved in this proposal, are consistent with approval of this application.

14. As of December 31, 1994, 101 loans had been originated under this program.

15. Home Buyer Centers have employees with particular knowledge of all the bank's mortgage products, including special housing related lending programs. UPNB has an incentive plan for managers of its Home Buyer Centers that encourages them to focus on property located in low- and moderate-income areas.

16. Protestant alleged that communities have been adversely affected by the branch closings that resulted from Union Planters 1994 acquisition of Grenada Sunburst Corporation. *See Union Planters Corporation*, 81 *Federal Reserve Bulletin* 49 (1995). Union Planters noted that nine branches have been sold as a result of this acquisition, including seven divestitures that were required to address competitive concerns raised by the Grenada acquisition. Four other branches have been consolidated into existing branches, including two branches located in low- and moderate income neighborhoods. Union Planters anticipates nine additional branch consolidations by the end of 1995, including three branches located in low- and moderate-income areas. All branch closings have been conducted in accordance with Union Planters's branch closing policy, and the Joint Policy Statement on Branch Closings, 58 *Federal Register* 49,083 (1993), implementing section 228 of the Federal Deposit Insurance Corporation Improvement Act of 1991.

17. Protestant maintained that this proposal does not serve the convenience and needs of the community because it involves the acquisition of a Missouri bank by an out-of-state bank holding company. In support of this contention, Protestant cites a general report on retail fees and services of depository institutions that suggested that out-of-state banks charge higher average fees than in-state banks. The study also found, however, that out-of-state banks were more likely to offer free checking accounts and to require lower minimum balances for their accounts.

Convenience and needs considerations, including an institution's record of performance under the CRA, focus on local communities served by a banking organization. These considerations do not require that the pricing of services be comparable between geographic regions. As discussed above, Union Planters's record of lending to all its communities in Tennessee has been determined by the OCC to be "satisfactory" as of October 1994, and there is no evidence that Union Planters's fees are disproportionately high or that it discriminates in any manner on a basis prohibited by law. Based on all the facts of record, the Board concludes that these comments do not warrant denial of this proposal.

Other Considerations

The Board also has concluded that the financial and managerial resources and future prospects of Union Planters, Capital, and their respective subsidiaries, are consistent with approval of this proposal, as are the other supervisory factors the Board must consider under section 3 of the BHC Act.

Conclusion

Based on all the facts of record, the Board has determined that this application should be, and hereby is, approved. The Board's approval is specifically conditioned on compliance by Union Planters with all commitments made in connection with this application. For purposes of this action, these commitments and conditions will be considered conditions imposed in writing and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective November 20, 1995.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Appendix

Bank Subsidiaries of Capital Bancorporation

1. Capital Bank of Cape Girardeau County, Cape Girardeau, Missouri.
2. Capital Bank of Southwest Missouri, Ozark, Missouri.
3. Capital Bank of Sikeston, Sikeston, Missouri.
4. Capital Bank of Perryville, N.A., Perryville, Missouri.

Bank Subsidiary of Maryland Avenue Bancorporation
(Second-tiered Subsidiary of Capital Bancorporation)

1. Capital Bank and Trust, Clayton, Missouri.

Bank Subsidiary of Century State Bancshares
(Second-tiered Subsidiary of Capital Bancorporation)

1. Capital Bank of Columbia, Columbia, Missouri.

Orders Issued Under Section 4 of the Bank Holding Company Act

First National of Nebraska, Inc.
Omaha, Nebraska

Order Approving Notice to Provide Computer Network Advice and Assistance to Insured Depository Institutions

First National of Nebraska, Inc., Omaha, Nebraska ("Applicant"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has given notice under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a) of the Board's Regulation Y (12 C.F.R. 225.23(a)) to engage *de novo* through its wholly owned subsidiary, First Technology Solutions, Inc., Omaha, Nebraska ("Company"), in providing certain data processing and data transmission services to insured depository institutions, such as banks and savings associations, nationwide, pursuant to section 225.25(b)(7) of Regulation Y (12 C.F.R. 225.25(b)(7)). In particular, Company would provide advice and assistance to unaffiliated insured depository institutions in the design, selection, acquisition, installation, and operation of computer networks as described in the Appendix.[1]

Notice of this proposal, affording interested persons an opportunity to submit comments, has been published (60 *Federal Register* 54,503 (1995)). 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(c)(8) of the BHC Act.

Applicant, with approximately $5.7 billion in consolidated assets, operates ten subsidiary banks in Nebraska, South Dakota, Kansas, and Colorado, and engages through its subsidiaries in a variety of nonbanking activities.[2] Applicant is the largest commercial banking organization in Nebraska, controlling approximately $3.2 billion of deposits in the state.[3] Company has received approval to engage in the development of software to process banking, financial, or economic data for insured depository institutions and other clients, pursuant to section 225.25(b)(7) of Regulation Y.

Section 4(c)(8) of the BHC Act provides that a bank holding company may, with Board approval, engage in any activity that the Board determines to be "so closely related to banking or managing or controlling banks as to be a proper incident thereto."[4] The Board previously has determined by regulation that certain data processing and trans-

1. Company also proposes to provide this advice and assistance, as an incidental activity, to affiliates of an insured depository institution if these services also are provided to the related insured depository institution, if the affiliates' use of the computer network constitutes a relatively small portion of the computer network's operations, and if it is not feasible to provide these services to the insured depository institution separately.
2. Asset data are as of June 30, 1995.
3. Deposit data are as of June 30, 1994.
4. 12 U.S.C. § 1843(c)(8).

mission activities are closely related to banking and permissible for bank holding companies under section 4(c)(8) of the BHC Act. Regulation Y permits bank holding companies to provide data processing and data transmission services, facilities, data bases, or access to such services, facilities, or data bases by any technological means, if the data to be processed or furnished are "financial, banking, or economic" in nature.[5] Applicant would provide advice and assistance to support data processing and transmission activities of insured depository institutions.[6] Because of the specialized operations of insured depository institutions, these activities generally would involve data that is financial, banking, or economic in nature and, therefore, would be permissible activities under section 4(c)(8) of the BHC Act and the Board's regulations.[7] In addition, as a result of Applicant's experience establishing and operating computer networks for its subsidiary banks, Applicant has particular expertise and knowledge of the specialized data processing and transmission requirements of insured depository institutions, which should equip it particularly well to provide the proposed services to unaffiliated insured depository institutions.

In connection with providing these services, Applicant also proposes to provide advice and assistance to insured depository institutions in obtaining and operating facilities for the processing and transmission of nonfinancial data. Specifically, computer networks that are operated within insured depository institutions may be used for processing and transmitting nonfinancial data, such as personnel information, that the institutions use in their internal operations, for nonfinancial functions, such as word processing and electronic mail, that support the primarily financial data processing and transmission needs of these institutions. Applicant contends that, for marketing, customer service, and technological reasons, computer networks that it provides to its clients must perform these related nonfinancial functions in addition to its primary financial functions. Applicant would provide advice and assistance related to the processing and transmission of nonfinancial data, however, only as a relatively small part of a larger package of services to insured depository institutions, and Applicant would not offer these services on a stand-alone basis or to customers other than insured depository institutions.

The Board previously has permitted a bank holding company to process and transmit electronic data for unaffiliated insured depository institutions. In *BNCCORP*, the Board recognized that, while data processing services for financial institutions relate largely to financial and banking data, financial institutions must also process some nonfinancial information to support their internal operations.[8] Because nonfinancial information represented a relatively small percentage of the data processed as part of the services provided by the bank holding company to unaffiliated insured depository institutions, the Board found that processing nonfinancial data was a necessary part of providing general data processing services to such institutions and, as such, was permissible under section 4 of the BHC Act and Regulation Y as an incidental activity.[9]

In this light, the Board concludes that the advice and assistance related to nonfinancial data processing and data transmission that Applicant proposes to provide are a necessary part of providing advice and assistance to insured depository institutions regarding the data processing requirements of such institutions. Accordingly, these aspects of Company's proposal are incidental to its primary activities, and, therefore, are permissible under section 4 of the BHC Act and Regulation Y.[10]

In order to approve this proposal, the Board also must determine that the proposed activity is a proper incident to banking that "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."[11] The record indicates that Company's *de novo* entry into this market would enhance competition and provide greater services and convenience to insured depository institutions. There is no evidence in the record to indicate that the proposed activity would lead to any undue concentration of resources, conflicts of interests, unsound banking practices, or other adverse effects,[12]

5. *See* 12 C.F.R. 225.25(b)(7). Regulation Y also requires that the services be provided pursuant to a written agreement and places certain limitations on the facilities and hardware provided with the data processing services. In particular, the facilities must be designed, marketed, and operated for the processing and transmission of financial, banking, or economic data; hardware must be provided only in conjunction with permissible software; and general purpose hardware must not constitute more than 30 percent of the cost of any packaged offering. *Id.* Applicant has committed to the Board that Company will comply with these limitations in providing services under this proposal.

Company would maintain a small inventory of computer hardware that it would make available to its clients as "loaners" to replace defective computer network hardware on a temporary basis. The Board has determined that a bank holding company or its subsidiary may engage in any incidental activities that are necessary to carry on an approved nonbanking activity. The Board finds that providing computer hardware in this context would be incidental to Company's primary proposal to provide computer network advice and assistance, and, therefore, is permissible under section 4 of the BHC Act and Regulation Y. *See* 12 C.F.R. 225.21(a)(2); *National Courier Association v. Board of Governors*, 516 F.2d 1229, 1239–41 (D.C. Cir. 1975).

6. Company's services would not include providing management advice or assistance to any unaffiliated insured depository institution, and Company would not make lending or credit decisions for its clients or provide software or services that incorporate the underwriting or credit standards of any affiliated bank.

7. *See BNCCORP, Inc.*, 81 *Federal Reserve Bulletin* 295, 296 (1995) ("*BNCCORP*").

8. *Id.*

9. *Id.*

10. *See* 12 C.F.R. 225.21(a)(2).

11. 12 U.S.C. § 1843(c)(8).

12. Applicant has committed that Company will not disclose any confidential information it may obtain concerning its clients and its clients' customers to Applicant or its affiliates without the client's express consent, or to any other person without the client's express consent, or as necessary to fulfill its contractual obligations to the client. Company also is prohibited by the Board's regulations from

and financial and managerial considerations are consistent with approval.[13] Accordingly, the Board has determined that the balance of the public interest factors it is required to consider under the proper incident to banking standard of section 4(c)(8) of the BHC Act is favorable and consistent with approval of this notice.

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

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

By order of the Board of Governors, effective November 27, 1995.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Appendix

List of Computer Network Services

(1) Evaluating the client's needs in processing banking, financial, or economic data, such as deposit account processing (including account opening, calculating deposits, withdrawals, interest and fees, and generating statements and reports); loan processing (including preparing application forms and disclosures and calculating advances, payments, interest, and fees); item processing; check imaging; lockbox processing; safe deposit box accounting; asset/liability monitoring and management; credit bureau reporting; collecting call report data; geographic activity tracking; application tracking and consumer compliance monitoring; large cash transaction reporting; general ledger accounting; fixed asset accounting; tax accounting and producing customer tax forms; analyzing bank and branch profitability; automated clearing house transactions; wire transfers; and telephone and electronic funds transfers initiated by customers: and determining what hardware and software are available to satisfy these needs;

(2) Recommending combinations of hardware and software that could be assembled to perform the required data processing and transmission functions, such as those described in paragraph (1) above;

(3) Developing a plan for the orderly and timely acquisition and assembly of computer network components by the client, and assisting the client in acquiring these components;[1]

(4) Setting up individual personal computers and other workstations, such as teller stations and personal banker stations, on the client's computer network; connecting these components to the computer network; installing and testing software components of the computer network; and training the client in the use of the computer network;[2] and

(5) Providing telephone support to help the client resolve computer network operating problems; isolating and identifying hardware or software defects in the computer network; and helping the client obtain service for these computer network defects from the appropriate vendor or other maintenance provider.

Keystone Financial, Inc.
Harrisburg, Pennsylvania

Order Approving Application to Acquire a Nonbanking Company and Engage in Certain Investment Advisory Activities

Keystone Financial, Inc., Harrisburg, Pennsylvania ("Applicant"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) to acquire all the voting shares of Martindale Andres & Company, Inc., West Conshohocken, Pennsylvania ("Company"). Applicant proposes that Company continue serving as investment adviser to investment companies and providing portfolio investment advice and management services, including

tying the provision of its services to an extension of credit or the sale or lease of any other product or service of its bank affiliates. *See* 12 C.F.R. 225.7.

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

1. Other than a limited amount of software that Company may develop for use in an individual client's computer network, Company's clients would acquire hardware and software directly from third parties. Company would not be a vendor or distributor of any hardware or software or an agent of any third party provider of hardware or software.

2. Installation services would not include laying local area or wide area telecommunications cables.

discretionary investment management services, to institutional customers, pursuant to sections 225.25(b)(4)(ii) and (iii) of Regulation Y.[1] Applicant also proposes that Company continue to provide limited discretionary investment management services to customers who may not qualify as institutional customers under Regulation Y.[2]

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been published (59 *Federal Register* 47,585 (1995)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

Applicant, with total consolidated assets of $4.7 billion, operates commercial banking organizations in Pennsylvania, West Virginia, and Maryland.[3] Applicant engages through its subsidiaries in a broad range of banking and permissible nonbanking activities. Company is registered as an investment adviser under the Investment Advisers Act of 1940 (15 U.S.C. § 80b-1 *et seq.*) ("Investment Advisers Act").

Section 4(c)(8) of the BHC Act provides that a bank holding company may, with Board approval, engage in any activity that the Board determines to be "closely related to banking or managing or controlling banks." The Board also must determine that the activity is a proper incident to banking. In judging whether the performance of an activity meets the proper incident to banking test, the Board must determine whether the proposed activity may be reasonably expected to produce public benefits that outweigh any possible adverse effects.

The Board previously has determined by regulation that acting as investment adviser to registered investment companies and providing portfolio investment advice are closely related to banking.[4] The Board also previously has determined that, subject to a number of commitments and limitations,[5] the provision of discretionary investment advice to non-institutional customers is so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act.[6]

In every case involving a nonbanking acquisition under section 4 of the BHC Act, the Board also must consider the financial condition and resources of the applicant and its subsidiaries and the effect of the proposal on these resources.[7] Based on all the facts of record, the Board has concluded that financial and managerial considerations are consistent with approval of this proposal.

The Board also expects that Company's conduct of the proposed activities would enable Applicant to provide added convenience and services to its customers, and would not significantly reduce the level of competition among existing providers of these services. Accordingly, based on all of the facts of record, including the commitments provided by Applicant, the Board has concluded that the performance of the proposed activities by Company can reasonably be expected to produce public benefits that would outweigh possible adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

Based on the foregoing and all the facts of record, including the commitments discussed above and all other commitments made in connection with the application, the Board has determined to, and hereby does, approve the application.[8] The Board's approval is specifically conditioned upon compliance with the commitments made in connection with this application and with the conditions referred to in this order. The Board's determination also is subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.4(d) and 225.23(g)

1. Applicant proposes to effect the acquisition by organizing a first-tier subsidiary, KFMA Subsidiary, and merging KFMA Subsidiary with and into Company, with KFMA Subsidiary as the surviving corporation. KFMA Subsidiary, however, would change its name to Martindale Andres & Company, Inc.

2. 12 C.F.R. 225.2(g). Customers who may not qualify as institutional customers are participants in asset management programs sponsored by various unaffiliated broker-dealers or financial consultants ("wrap accounts"). In connection with these wrap accounts, Company provides discretionary investment advisory services to clients of these unaffiliated broker-dealers, who offer investment advisory and related services for a single, all inclusive or "wrap" fee. Company has indicated that its fee for managing the assets in a wrap account is based on a percentage of assets under management and is paid by the unaffiliated broker-dealer. Applicant and its affiliates will not execute transactions for the wrap accounts and the wrap fees are not based on transactions. Because wrap accounts are managed by an independent third party broker that deals directly with customers, the third party broker monitors activities in wrap accounts and can replace the adviser anytime if the adviser engages in transactions that are not in the best interests of the broker's customers.

3. Asset data are as of June 30, 1995.

4. *See* 12 C.F.R. 225.25(b)(4)(ii) and (iii).

5. In particular, Applicant has committed that no transactions on behalf of discretionary investment advisory accounts for non-institutional customers would be executed by Applicant or any of its affiliates. Applicant also has committed that the fees charged by Company for its discretionary advisory accounts for non-institutional customers would not be based upon the number of account transactions executed.

6. *CoreStates Financial Corp.*, 80 *Federal Reserve Bulletin* 644 (1994) ("*CoreStates Order*"). Applicant has committed that Company will conduct these activities pursuant to the conditions and limitations specified in the Board's regulations and the *CoreStates Order*, with one exception. Applicant proposes to permit employees of the trust departments of its subsidiary banks also to be employees of Company. These employees would continue to provide investment advice to trust customers and would provide advice to institutional customers and to customers through wrap accounts. Applicant has indicated that these employees would not engage in general marketing on behalf of Company and would not have contact with non-institutional customers of the banks for purposes unrelated to trust business. Based on all the facts of record, the Board has determined that this is consistent with the BHC Act.

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

8. This approval is limited to Applicant's proposal to acquire Company and for Company to engage in providing discretionary investment management services subject to the terms and conditions of this order. This order does not otherwise authorize Applicant to engage in providing discretionary investment management services to non-institutional customers without prior Board approval.

of Regulation Y, and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. For purposes of this action, these commitments and conditions are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective November 6, 1995.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Mercantile Bancorporation Inc. St. Louis, Missouri

Order Approving the Acquisition of a Savings Association

Mercantile Bancorporation Inc., St. Louis, Missouri ("Mercantile"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has given notice under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23)) of its proposal to acquire Security Bank of Conway, F.S.B., Conway, Arkansas ("Security"), a savings association for the purposes of the BHC Act.[1]

Notice of this proposal, affording interested persons an opportunity to submit comments, has been published (60 *Federal Register* 52,917 (1995)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

The Board has determined that the operation of a savings association by a bank holding company is closely related to banking and permissible for bank holding companies. 12 C.F.R. 225.25(b)(9). In making this determination, the Board requires that savings associations acquired by bank holding companies conform their direct and indirect activities to those permitted for bank holding companies under section 4 of the BHC Act. Mercantile has committed to conform all activities of Security to the requirements of section 4 of the BHC Act and Regulation Y.[2]

Competitive Considerations

Mercantile, with total consolidated assets of $16 billion, controls banks in Missouri, Illinois, Iowa, Kansas, and Arkansas. Mercantile is the third largest bank holding company in Arkansas, controlling total deposits of $1.3 billion,[3] representing approximately 4.5 percent of total deposits in depository institutions in the state.[4] Security is the 76th largest depository institution in Arkansas, controlling deposits of approximately $80.7 million, representing less than 1 percent of total deposits in depository institutions in the state. Upon consummation of this proposal, Mercantile would remain the third largest depository institution in the state, controlling approximately $1.4 billion in deposits, representing 4.8 percent of total deposits in depository institutions in the state.

Mercantile and Security compete directly in the Faulkner County banking market[5] and the Conway County banking market.[6] In the Faulkner County banking market, Mercantile is the smallest of six competitors, controlling deposits of $9.7 million, representing 1.9 percent of total deposits in depository institutions in the market ("market deposits").[7]

1. Upon consummation, Twin City Bank, North Little Rock, Arkansas, and Mercantile Bank of Conway, N.A., Morrilton, Arkansas, two subsidiary banks of Mercantile's wholly owned, second-tier bank holding company, Mercantile Bancorporation, Inc. of Arkansas, St. Louis, Missouri, would acquire the assets and assume the liabilities of Security.

2. Security engages in certain securities and real estate activities that are impermissible for bank holding companies under the BHC Act. Mercantile has committed that:

(1) All impermissible real estate activities will be divested or terminated within two years of consummation of the proposal;

(2) No new impermissible projects or investments will be undertaken; and

(3) Capital adequacy guidelines will be met excluding specified real estate investments.

Mercantile also has committed that any impermissible securities activities conducted by Security will cease on or before consummation of the proposal.

3. All banking data are as of June 30, 1994. Deposit data are adjusted to reflect commercial bank mergers consummated, bank holding company acquisitions approved, and thrift mergers through September 15, 1995.

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

5. The Faulkner County banking market is approximated by Faulkner County, Arkansas.

6. The Conway County banking market is approximated by Conway County, Arkansas.

7. Market share data before consummation are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become significant competitors of commercial banks. *See WM Bancorp*, 76 *Federal Reserve Bulletin* 788 (1990); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Because the deposits of Security would be transferred to a commercial banking organization under this proposal, they are included at 100 percent in the calculation of *pro forma* market share. *See Norwest Corporation*, 78 *Federal Reserve Bulletin* 458 (1992).

Security is the fourth largest depository institution in the market, controlling deposits of $75.6 million, representing 7.5 percent of market deposits. On consummation of this proposal, competition as measured by the Herfindahl Hirschman Index ("HHI") would not increase.[8]

Mercantile is the largest of four depository institutions that operate in the Conway County banking market, controlling deposits of $73.2 million, representing 42.1 percent of market deposits. Security is the smallest depository institution in the market, controlling $5.1 million in deposits, representing 1.5 percent of market deposits. Upon consummation of this proposal, Mercantile would control 44.3 percent of market deposits, and the HHI for the Conway County market would increase by 147 points to 3540. This increase in market concentration as measured by the HHI would not exceed the Department of Justice Merger Guidelines. Three competitors would remain in the market, including the two largest bank holding companies in Arkansas.[9] In addition, the market may be attractive for entry to new competitors, because data indicate that the per capita income and growth of deposits in the market is higher than average for rural counties in Arkansas.[10]

The Board sought comments from the United States Attorney General, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision on the competitive effects of the proposal. Neither the Attorney General nor any federal supervisory agency objected to the proposal.

For the reasons discussed above, and based on all the facts of record, the Board concludes that consummation of this proposal would not have a significantly adverse effect on competition or the concentration of banking resources in the Faulkner County and Conway County banking markets or in any other relevant market.

8. The post-merger HHI would be 3021 points. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is above 1800 is considered highly concentrated. The Justice Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effect of limited-purpose lenders and other non depository financial entities.

9. Boatmen's Bancshares, Inc., St. Louis, Missouri, and First Commercial Corporation, Little Rock, Arkansas, both operate in the market.

10. 1989 income data indicate that the per capital income for Conway County was $9,126 compared to the average of $8,983 for all rural counties in the state. U.S. Department of Commerce County Book 1994 (13th Edition). From 1991 through 1994, total deposits in the Conway County banking market increased by 3.9 percent while deposits for other rural markets in Arkansas increased by only 3.4 percent.

Other Considerations

The financial and managerial resources of Mercantile, Security, and the respective subsidiaries are consistent with approval. Because Security would be merged into Mercantile's subsidiary banks, Security's customers would have access to Mercantile's products and services, including commercial loans, which Security has not emphasized in the Conway County banking market. The record does not indicate that consummation of this proposal is likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices that are not likely to be outweighed by the public benefits of this proposal.[11] Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval.

Based on all the facts of record, including all the commitments made by Mercantile, the Board has determined that the notice should be, and hereby is, approved. The Board's approval is specifically conditioned on Mercantile's compliance with all the commitments made in connection with this notice. The Board's determination also is subject to all the conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(g), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. For purposes of this action, the commitments and conditions relied on in reaching this decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective November 29, 1995.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

11. 12 U.S.C. § 1843(c)(8).

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

Banc One Corporation
Columbus, Ohio

Premier Acquisition Corporation
Columbus, Ohio

Order Approving the Acquisition of a Bank Holding Company

Banc One Corporation, Columbus, Ohio ("Banc One"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 3 of the BHC Act (12 U.S.C. § 1842) to form Premier Acquisition Corporation, Columbus, Ohio ("PAC"), and through PAC, to acquire Premier Bancorp, Inc. ("Premier"), thereby indirectly acquiring Premier's subsidiary bank, Premier Bank, N.A. ("Premier Bank"), both of Baton Rouge, Louisiana.[1]

Banc One and PAC have also provided notice pursuant to section 4 of the BHC Act (12 U.S.C. § 1843) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) to acquire Premier Securities Corporation, Baton Rouge, Louisiana, and thereby engage in discount securities brokerage activities as provided in Regulation Y.[2]

Notice of this proposal, affording interested persons an opportunity to submit comments, has been published (60 *Federal Register* 52,184 (1995)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in sections 3 and 4 of the BHC Act.

Banc One, with total consolidated assets of approximately $87.1 billion, operates subsidiary banks in Ohio, Indiana, Wisconsin, Illinois, Texas, Colorado, Kentucky, West Virginia, Arizona, Oklahoma, and Utah.[3] Banc One is the tenth largest commercial banking organization in the United States, controlling approximately 2.7 percent of total banking assets in the United States. Banc One also engages through its subsidiaries in a broad range of permissible nonbanking activities in the United States. Premier, with total consolidated assets of $5.5 billion, is the third largest commercial banking organization in Louisiana, controlling $4.3 billion in deposits, representing approximately 12 percent of the total deposits in commercial banking organizations in the state.

Interstate Analysis

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

Competitive and Other Considerations

Banc One and Premier do not compete in any banking market. On the basis of these considerations and all other facts of record, the Board has concluded that consummation of this proposal would not result in any significantly adverse effect on competition or the concentration of banking resources in any relevant banking market. The Board also has concluded in light of all facts of record that the financial and managerial resources and future prospects of Banc One, Premier, and their respective subsidiaries, and other supervisory factors the Board must consider under section 3 of the BHC Act, are consistent with approval.[6]

Convenience and Needs Considerations

In acting on an application to acquire a depository institution under the BHC Act, the Board must consider the convenience and needs of the communities to be served, and take into account the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate, consistent with their safe and sound operation. To accomplish this end, the CRA requires the appropriate federal supervisory authority to

1. Banc One proposes to merge Premier with and into PAC, with PAC as the survivor, to be named "Banc One Louisiana Corporation." PAC also has applied under section 3 of the BHC Act to become a bank holding company.

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

3. Asset and deposit data are as of June 30, 1995.

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

5. 12 U.S.C. §§ 1842(d)(1)(A) and (B) and 1842(d)(2)(A) and (B). Banc One is adequately capitalized and adequately managed. Upon consummation of this proposal, Banc One and its affiliates would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States and less than 30 percent of the total amount of deposits in Louisiana. Premier Bank has been in existence and continuously operated for the minimum period of time required under Louisiana law. All other requirements of section 3(d) of the BHC Act would also be met upon consummation of this proposal.

6. The Board received comments from an individual who has filed a lawsuit now pending against Premier that describe events which preceded Premier's acquisition of the subsidiary bank involved in this dispute. This individual does not oppose this transaction. The Board received comments that criticized Banc One for assuming that this proposal would be consummated and for focusing on future acquisitions. The Board has carefully considered these comments in light of all the facts of record, including reports of examination assessing the financial and managerial resources of the organizations, and concludes that these comments do not warrant denial of this proposal.

"assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of such institution," and to take that record into account in its evaluation of bank holding company applications.[7]

The Board received comments on this proposal from two organizations[8] and an individual affiliated with one of those organizations (collectively, "Protestants") opposing this proposal. On the basis of data collected under the Home Mortgage Disclosure Act ("HMDA"),[9] Protestants alleged that Banc One; Banc One Mortgage Corporation, Indianapolis, Indiana ("BOMC"), and Premier have illegally discriminated against minorities in violation of the Equal Credit Opportunity Act and the Fair Housing Act (collectively, "fair lending laws").[10] Protestants also maintain that Banc One has generally failed to meet its responsibilities under the CRA by not making sufficient outreach efforts to communities with predominately minority populations ("minority communities") and by failing to provide a plan to improve Premier's alleged discriminatory lending activities. Protestants also alleged that Premier has failed to perform satisfactorily under the CRA, particularly in the low- and moderate-income and minority communities of North and East Baton Rouge, and has not (1) established enough branches or made enough loans in these communities, (2) made enough small business loans, or (3) sufficiently marketed credit products to all of its communities.[11]

The Board has carefully reviewed the CRA performance records of Banc One, Premier, and their respective subsidiary banks, as well as all comments received on these applications, Banc One's responses to those comments, and all other relevant facts of record, in light of the CRA, the Board's regulations, and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").[12]

Records of Performance Under the CRA

A. CRA Performance Examinations

The Agency CRA Statement provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record, and that reports of these examinations will be given great weight in the applications process.[13] The Board notes that all 60 of Banc One's subsidiary banks that have been examined for CRA performance since public ratings became available received either "outstanding" or "satisfactory" ratings from their primary federal supervisors at their most recent examinations, and that, in addition, 29 of the banks, representing approximately 40 percent of Banc One's total banking assets, received "outstanding" ratings. Moreover, Banc One's lead subsidiary bank, Bank One, Columbus, N.A., Columbus, Ohio ("Columbus Bank"), received an "outstanding" rating from its primary federal supervisor, the Office of the Comptroller of the Currency ("OCC"), at its most recent examination for CRA performance as of

7. 12 U.S.C. § 2903.

8. The organizations are Inner City Press/Community on the Move and its members and affiliates ("ICP"), and the Louisiana Association of Community Organizations for Reform Now ("Louisiana ACORN"). ICP questioned the fees charged by Banc One for the production and duplication of certain HMDA-related data, call reports, and the public portion of CRA examination reports. Applicable regulations do not prohibit an institution from charging a reasonable fee for reproduction of documents, and, in the case of HMDA data, an institution is expressly authorized to charge a reasonable fee. *See* 12 C.F.R. 203.5(d). Banc One's fees appear to be consistent with similar fees charged by other organizations for producing and duplicating this type of information. The Board also notes that Banc One furnished copies of all the documents requested for a substantial number of Banc One's subsidiary banks within five days of ICP's request, and indicated that if certain of those documents were returned by ICP after use by ICP, there would be no charge. In light of these considerations and all the facts of record, the Board has determined that the fees assessed by Banc One for producing and duplicating the documents were reasonable. Based on all the facts of record, the Board does not believe that ICP's objections on the basis of the fees or access to the information requested warrant denial of this proposal.

9. 12 U.S.C. § 2903.

10. Protestants particularly alleged that BOMC's record of marketing to communities with predominately minority populations is inadequate, the number of applications received from minorities is low, and the percentage of these applications that are withdrawn or denied is high. ICP has requested that a fair lending examination of BOMC be conducted.

11. ICP also has maintained that alleged deficiencies in Premier's record of CRA performance reflect adversely on Banc One in light of Banc One's 1992 agreements to purchase a subordinated capital note of Premier, receive warrants, and, in the future, acquire all of Premier's outstanding stock. In addition, ICP argued that such "two-step" acquisitions inhibit effective enforcement of the CRA because a bank with a poor performance record could be controlled by an organization that does not own all of its outstanding voting stock. ICP also alleged that Banc One has illegally exercised control over Premier under the 1992 agreements. In particular, ICP contended that Banc One's warrants, and other features of the agreements that were reviewed by the Board, indicate that Banc One has imposed a penalty on the cancellation of the acquisition, and thereby exercised control over Premier. After reviewing a restructured proposal by Banc One in 1992, including these features, the Board found that Banc One would not control Premier by virtue of the passive investment it proposed to make at that time. *See* Letter from William W. Wiles, Secretary of the Board, to Mark A. Weiss, Esq. (January 22, 1992). ICP has not provided any evidence to indicate that Banc One did, in fact, control Premier after the agreements were entered into in 1992. After consummation of this proposal, Banc One would control Premier, and would be responsible for the CRA performance of Premier's subsidiary banks. Based on these and other facts of record, the Board does not believe that ICP's comments on this matter warrant denial of this proposal.

12. 54 *Federal Register* 13,742 (1989). Louisiana ACORN alleged that Premier and Banc One have refused to address adequately or negotiate issues concerning minority outreach. The Board has indicated in previous orders and in the Agency CRA Statement that communication by depository institutions with community groups provides a valuable method of assessing and determining how best to address the credit needs of the community. Neither the CRA nor the Agency CRA Statement, however, requires depository institutions to enter into agreements with particular organizations. Accordingly, the Board's review has focused on the programs and policies that Banc One and Premier have in place to assist in meeting the credit needs of their entire communities. *See Third Bancorp*, 80 *Federal Reserve Bulletin* 838 (1994).

13. *Id.* at 13,745.

January 31, 1995. Premier Bank also received a "satisfactory" rating from its primary federal supervisor, the OCC, at its most recent examination for CRA performance as of March 31, 1994.

B. Corporate CRA Policies of Banc One

The Board notes that Banc One has the types of policies and programs in effect and working well that assist in providing an effective record of CRA performance. Upon consummation of this proposal, Premier would be integrated into the Banc One corporate CRA structure, and Banc One's CRA policies and practices would be implemented at Premier Bank.

Banc One provides management supervision of CRA compliance at both the affiliate and the corporate levels. Banc One has established a Corporate CRA Committee that monitors community reinvestment performance throughout the Banc One organization that reports directly to Banc One's Board of Directors. The Committee is composed of CRA officers of several of Banc One's statewide bank holding companies and senior corporate management representatives. The Committee reviews and updates corporate CRA policy, monitors local issues that might become significant throughout the organization, and conducts CRA training. The record indicates that all of Banc One's subsidiary banks have implemented policies and programs designed to help meet the community credit needs of their delineated communities.

Banc One also has established a community development corporation ("CDC") whose resources are available to all Banc One subsidiaries. The CDC helps these subsidiaries finance projects designed to promote community development, and most of the CDC's investments have been for the acquisition and rehabilitation of affordable housing for low- and moderate-income individuals.

The effectiveness of these policies and programs is reflected in the CRA record of performance of Banc One's lead bank, Columbus Bank. The OCC's CRA performance examination for Columbus Bank ("1995 Examination") found that the bank, directly or through BOMC, offered a wide array of conventional and government-insured loans for home purchase and home renovation. One such affordable home loan product for low- and moderate-income borrowers, called the "Easy Mortgage," was developed in response to the need for a more flexible mortgage product with a low down payment.[14] Columbus Bank also actively participates in all types of government sponsored lending programs, such as those offered by the Small Business Administration ("SBA"), Federal Housing Administration ("FHA"), Veterans Administration ("VA"), and Farmers Home Administration ("FmHA") as well as guaranteed student loans.[15] In addition, OCC examiners found that Columbus Bank actively engages in small business lending, and noted that the bank has become one of the largest producers of SBA loans in its district, making approximately 8 percent of the total SBA loans.

The 1995 Examination found the marketing program of Columbus Bank to be comprehensive, employing a wide range of media sources and marketing techniques, including those designed to reach minorities and low- and moderate-income census tracts. Columbus Bank also was noted as having placed advertising in several newspapers and a radio station with predominately minority audiences. During 1994, Columbus Bank established a new banking group, the Community Development Division ("CDD"), to help serve the needs of low- and moderate-income individuals, small businesses in low- and moderate-income and minority census tracts, businesses owned by minorities and women, and non profit businesses.[16] CDD staff members also identify and coordinate complex community development projects.[17]

C. HMDA Data and Lending Activities of Banc One

The Board has carefully reviewed HMDA data submitted by BOMC and Banc One for 1993 and 1994 in light of Protestant's comments.[18] HMDA data for BOMC indicate that the proportion of applications received from and loans made to African Americans increased from 1993 to 1994 as a percentage of total applications and loans. The dollar amount of loans made to African Americans also increased as a percentage of total loan volume over the same period. Overall, BOMC made 1,885 purchase money mortgage loans to African Americans in 1994, for a total of more

14. The Easy Mortgage is marketed by special loan originators in low- and moderate income areas, and the bank and BOMC made 182 Easy Mortgage loans totalling $8.9 million in 1994.

15. During 1994, Columbus Bank made loans under SBA programs totalling approximately $12.8 million, FmHA loans totalling approximately $1.2 million, FHA loans totalling approximately $2.7 million, and VA loans totalling approximately $2.3 million. In each category except FHA and VA loans, Columbus Bank's 1994 loan data demonstrate an increase in lending over 1993 data. OCC examiners attributed the decrease in FHA/VA loans to the introduction of the Easy Mortgage product and to higher interest rates. The 1995 Examination found that the bank's lending under all government-sponsored loan programs was $24.5 million in 1994, a 9 percent increase over 1993 lending.

16. The CDD made 23 small business loans totalling $2.4 million in its first quarter of operation. Of these loans, 57 percent were in low- and moderate-income areas, with approximately 43 percent to businesses owned by minorities and approximately 13 percent to businesses owned by women.

17. During 1993 and 1994, Columbus Bank made loans totalling $51 million for 33 community development projects, including $23 million for new construction or the refinancing of existing affordable housing in low- and moderate-income areas. These loans included $7 million for economic development projects, 18 of which were in low- and moderate-income areas or neighborhoods designated by the city of Columbus for revitalization or job creation opportunities.

18. Under HMDA, lenders are required to report data about home improvement loans, conventional home purchase loans, refinancings of home mortgage loans, and loans made under government-sponsored home mortgage programs.

than $120 million. HMDA data also show that the disparity between the denial rate for African-American credit applicants and that for non-minority applicants decreased from 1993 to 1994 for both refinancings and purchase money mortgage loans.

Aggregate HMDA data for all of Banc One's subsidiary banks for 1993 and 1994 show that the disparity in the denial rates for African-American credit applicants and non-minority applicants remained constant in some lending categories and that it decreased for other types of loans.[19] Overall, Banc One's subsidiary banks made over 5,500 HMDA-related loans to African Americans in 1994 (primarily in the category of home improvement loans). From 1993 to 1994, the number of applications received from and loans made to African Americans increased as a percentage of the total in the categories of refinancings and home improvement loans.[20]

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

The Board has carefully reviewed all the facts of record in light of HMDA data and Protestant's allegations. The most recent CRA performance examinations conducted by Banc One's primary federal supervisors found no substantive evidence of prohibited discrimination or other illegal credit practices at any of Banc One's subsidiary banks.[21] Examiners also found no evidence of practices intended to discourage applications for the types of credit listed in the banks' CRA statements.

Banc One's compliance with fair lending laws are effectively overseen by its corporate compliance department, which has implemented new training and monitoring procedures to address areas such as fair lending and HMDA data reporting. Banc One's corporate audit department also has responsibility for identifying weaknesses at affiliate banks, and assisting the compliance department in monitoring for compliance with consumer lending laws and regulations.

In addition, Banc One has established a "Fair Lending Steering Committee" with responsibilities for implementing Banc One's fair lending programs at its subsidiaries, including second review programs,[22] fair lending training, and fair lending testing. In 1994, the Fair Lending Training Subcommittee, a subcommittee of the Fair Lending Steering Committee, developed a training program entitled, "Fair Lending — Just Good Business."[23]

These corporate fair lending policies and procedures are followed at nonbanking lending subsidiaries like BOMC, and BOMC has implemented several types of fair lending programs.[24] A second review program at BOMC applies to all applications denied in the initial underwriting process, as well as all withdrawn applications, to ensure the uniform treatment of all applicants. Underwriters receive regular feedback from the second review process. BOMC also conducts a mystery shopper "Fair Lending Shopping Program" through a third party vendor to identify any disparities in the quality of service or information in the application process.

D. CRA Performance Record of Premier

The Board recently reviewed the CRA performance record of Premier, in connection with its application to acquire HNB Corporation, and Homer National Bank, both of

19. For example, the denial disparity ratio remained at 1.9 for home improvement loans and decreased from 1.7 to 1.2 for purchase money mortgage loans.

20. In the category of purchase money mortgage loans, the number of loans made to African Americans remained constant as a percentage of the total, while the dollar volume of loans decreased slightly, and the number of applications received decreased by approximately 25 percent.

21. The 1994 CRA Examination for Bank One, Green Bay, Green Bay, Wisconsin, with assets of approximately $522 million, noted an apparent violation of the Fair Housing regulation for the bank's failure to obtain monitoring information from certain withdrawn applications. An isolated violation of the Fair Housing regulation was also cited at this examination. OCC examiners also noted in a 1993 CRA Examination of Bank One, Bloomington, N.A., Bloomington, Indiana, which had assets of approximately $540 million, that the bank failed to comply with a provision of the Equal Credit Opportunity Act, but that senior management and the board of directors of the bank took appropriate corrective actions when this matter was identified. Examiners also noted that this practice was not widespread.

22. The Columbus Bank has implemented two types of second review programs. One program covers applications for real-estate-related consumer loans that otherwise might be denied in which the applicant has an income of less than $35,000. This program uses a credit scoring model developed to improve the approval rate for low- and moderate-income applicants. Another second review program involves applications by businesses located in low- and moderate-income census tracts that otherwise might be denied. The purpose of this program is to ensure that underwriting guidelines have been properly applied and that government lending programs and financing alternatives have been fully considered. The 1995 Examination also favorably noted the bank's compliance monitoring and internal testing for loan discrimination.

23. This program provided training in fair lending laws, appropriate customer contact and lending practices, and checklists to increase fair lending effectiveness. Banc One also provides diversity training to combat stereotyping.

24. BOMC participates in Banc One's Fair Lending training program, and approximately 1,200 BOMC employees have participated in this program since 1994. BOMC also requires diversity training for its managers, supervisors, and other salaried employees, and the training also is available to non-salaried employees.

Homer, Louisiana.[25] In evaluating that proposal, the Board carefully considered Premier's CRA performance record, in particular, its record in helping to meet the credit needs of residents of low- and moderate-income and minority communities. For reasons discussed in detail in the *Premier/HNB Order*, and incorporated herein by reference, the Board concluded that the convenience and needs factor, including the CRA performance record of Premier, was consistent with approval of an acquisition under the BHC Act.

The performance record that was reviewed in the *Premier/HNB Order* included Premier Bank's "satisfactory" rating at its most recent evaluation for CRA performance. Examiners found that Premier Bank effectively addresses a portion of the community's housing-related credit needs through the origination of residential mortgages and by traditional and non-traditional banking products and services. The examination also noted that Premier Bank participated in government sponsored lending programs, such as those offered by the SBA, FHA, VA and FmHA, as well as guaranteed student loans. Premier Bank actively participates in the SBA Loan Program, and its involvement in small business lending programs benefitting low- and moderate-income communities was cited by examiners as having created or helped to support existing jobs in those communities.

Premier Bank's ascertainment efforts included contact with a wide range of individuals, neighborhood groups and community-based organizations, and examiners found that its marketing programs were designed to reach all segments of its delineated community and to inform its community about Bank's products and services. Premier Bank's CRA performance examination also noted that the bank was involved in a variety of community development programs designed to benefit its communities, including low- and moderate-income and African-American residents.[26]

Examiners concluded that Premier Bank had a satisfactory record of opening, closing, and relocating its offices. The examination found that the bank had developed a good distribution of branch locations, especially in low- and moderate-income areas, and that those branches offered a full range of banking products and services. In East Baton Rouge, five of its 24 branches (21 percent) are located in low- and moderate-income census tracts, and four branches (17 percent) are located in integrated or predominantly minority census tract.[27]

The *Premier/HNB Order* also carefully reviewed Premier Bank's HMDA data for 1993 and 1994, noting that the data reflect some improving trends but that there were still some disparities in the rate of loan originations, denials, and applications by racial group and income level.[28] Premier Bank's CRA performance examination found no evidence of prohibited discriminatory or other illegal credit practices, such as practices or policies that would tend to discourage credit applications. Examiners also found that Premier Bank had implemented policies, procedures, and training programs that effectively addressed fair lending issues and the requirements of fair lending laws.

E. Conclusion Regarding Convenience and Needs Factors

On the basis of all the facts of record, including information provided by the Protestants, Banc One's responses, and relevant reports of examination, the Board has concluded that convenience and needs considerations, including the overall CRA performance records of the institutions involved in this proposal, are consistent with approval of these applications.[29]

Nonbanking Activities

Banc One and PAC have also given notice, pursuant to section 4(c)(8) of the BHC Act, to acquire Premier Securities Corporation, Baton Rouge, Louisiana ("PSC"), and thereby engage in discount securities brokerage activities. Section 4(c)(8) of the BHC Act provides that a bank

25. *Premier Bancorp, Inc.*, 82 *Federal Reserve Bulletin* 75 (1996) ("*Premier/HNB Order*").

26. In Baton Rouge, Premier Bank participates in the Local Initiatives Support Corporation ("LISC"). The bank contributed $75,000 to assist in establishing a LISC program, and a representative of Premier Bank serves on its local board of directors.

27. Premier has closed four branches since Premier Bank's 1994 examination, none of which were in East Baton Rouge.

28. The data for Baton Rouge indicate that the number and percentage of applications from African Americans substantially increased between 1993 and 1994, while the disparity in denial rates between African Americans and non minorities decreased during this same period.

29. Protestants asserted that communities are adversely affected in general by a lessening of competition from the loss of smaller statewide banks, and that the remaining multi-state banking organizations would tend to serve more affluent customers, charge higher fees for banking services, and provide less competitive loan rates. As a general matter, the Board does not believe that one form of corporate organization provides superior services to the public over another. *See The Bank of New York Company, Inc.*, 74 *Federal Reserve Bulletin* 257 (1988). The Board also notes that convenience and needs considerations, including an institution's record of performance under the CRA, focus on local communities served by a banking organization. Under the CRA, any bank, including a bank owned by an out-of-state bank holding company, must be examined regularly and rated on its performance in helping to meet the credit needs of its community. The Board also notes that any diminution of CRA-related activities resulting from this proposal would be reviewed by federal supervisors in future performance examinations, and by the Board in future applications to acquire a depository facility under the BHC Act. The Board also notes that convenience and needs considerations do not require that the pricing of services be comparable among geographic regions. As discussed above, Banc One's record of helping to meet the credit needs of all its communities, including low- and moderate-income neighborhoods, through its subsidiary banks has been rated "satisfactory" or "outstanding" in the most recent CRA performance examinations, and there is no evidence that Banc One's fees are disproportionately high or that Banc One discriminates on any basis prohibited by law. In addition, as noted above, this proposal would not result in any significantly adverse effect on competition in any relevant banking market. Based on all the facts of record, the Board concludes that these comments do not warrant denial of this proposal.

holding company may, with Board approval, engage in any activity that the Board determines to be "so closely related to banking or managing or controlling banks as to be a proper incident thereto". The Board previously has determined by regulation that the proposed discount securities brokerage activities are closely related to banking within the meaning of section 4(c)(8) of the BHC Act.[30] Banc One has committed that PSC will conduct these activities in accordance with Regulation Y.

In order to approve this proposal, the Board also must determine that the proposed activities represent a proper incident to banking, that is, that the proposed transaction "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, or unsound banking practices."[31] On the basis of the record, the Board believes that this proposal should enable PSC to provide greater convenience and improved services to its customers. In addition, while Banc One operates subsidiaries that engage in these activities in competition with PSC, the market for securities brokerage services is unconcentrated, and there are numerous providers of these services. As a result, consummation of this proposal would have a de minimis effect on competition for these services, and the Board concludes that this proposal would not have a significantly adverse effect on competition in any relevant market. Financial and managerial considerations also are consistent with approval.[32] On the basis of these considerations and all other facts of record, the Board has determined that there is no evidence in the record to indicate that consummation of this proposal is likely to result in any adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices, that would not be outweighed by the public benefits reasonably to be expected to result from this proposal. Accordingly, the Board has concluded that the balance of the public interest factors it must consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval of Banc One's proposal to acquire PSC.

Conclusion

Based on the foregoing and all other facts of record, including all the commitments provided by Banc One in connection with this proposal, the Board has determined that the applications and notices should be, and hereby are, approved. The Board's approval is expressly conditioned upon compliance by Banc One with all the commitments made by Banc One in connection with this proposal and with the conditions referred to in this order. The Board's determinations on the proposed nonbanking activities also are subject to all the conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(g) of Regulation Y, and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, or to prevent evasions of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. These commitments and conditions shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective November 29, 1995.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

30. *See* 12 C.F.R. 225.25(b)(15)(i).

31. *See* 12 U.S.C. § 1843(c)(8).

32. *See* 12 C.F.R. 225.24(b).

NBD Bancorp, Inc.
Detroit, Michigan

Order Approving Merger of Bank Holding Companies

NBD Bancorp, Inc., Detroit, Michigan ("NBD"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 3 of the BHC Act (12 U.S.C. § 1842) to merge with First Chicago Corporation and American National Corporation, both of Chicago, Illinois (collectively, "First Chicago"), and thereby indirectly acquire First Chicago's subsidiary banks: First National Bank of Chicago ("FNB-Chicago"), American National Bank & Trust Company ("American National"), both of Chicago, Illinois, and FCC National Bank, Wilmington, Delaware.[1] In addition, NBD has given notice under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) of its proposal to acquire the nonbanking subsidiaries of First Chicago listed in the Appendix and thereby engage nationwide in permissible nonbanking activities.[2]

NBD also proposes to acquire, pursuant to section 211.5 of the Board's Regulation K (12 C.F.R. 211.5), all of First

1. After consummation of the merger, NBD would change its name to First Chicago NBD Corporation and would relocate its corporate headquarters from Detroit to Chicago.

2. NBD and First Chicago also have applied for the Board's approval to exercise cross options to purchase up to 19.9 percent of the voting shares of the other banking organization. These options would become moot upon consummation of this proposal

Chicago's subsidiaries, joint ventures, and portfolio investments relating to activities outside the United States pursuant to section 4(c)(13) of the BHC Act (12 U.S.C. § 1843(c)(13)). In addition, NBD has given notice, pursuant to sections 211.4 and 211.5 of Regulation K (12 C.F.R. 211.4 and 211.5) to acquire First Chicago International, Chicago International Finance Corporation, and First Chicago Overseas Investment Corporation, all of Chicago, Illinois, which are corporations chartered pursuant to section 25(a) of the Federal Reserve Act (the "Edge Act") (12 U.S.C. §§ 611–13).

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (60 *Federal Register* 46,126 (1995)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in sections 3 and 4 of the BHC Act and the Edge Act.

NBD, with approximately $48.1 billion in consolidated assets, is the 18th largest banking organization in the United States.[3] NBD operates subsidiary banks in Florida, Illinois, Indiana, Michigan, and Ohio, and controls approximately 1.3 percent of total banking assets of insured commercial banks ("total banking assets") in the United States. NBD also engages in a number of permissible nonbanking activities nationwide. First Chicago, with approximately $75.3 billion in consolidated assets, is the tenth largest banking organization in the United States. First Chicago controls approximately 1.2 percent of total banking assets in the United States. Upon consummation of this proposal, NBD would become the seventh largest banking organization in the country, with consolidated assets of approximately $123.4 billion, and would control approximately 2.5 percent of total banking assets in the United States.

Interstate Analysis

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

Competitive Considerations

NBD and First Chicago compete directly with other banking and savings organizations ("depository institutions")[6] in the Chicago, Elgin, and Joliet, Illinois, banking markets.[7] Upon consummation of this proposal, all these banking markets would remain unconcentrated or moderately concentrated as measured by the Herfindahl–Hirschman Index ("HHI"),[8] and numerous competitors would remain in each market.

The Board sought comments from the United States Attorney General, the Office of the Comptroller of the Currency ("OCC"), and the Federal Deposit Insurance Corporation ("FDIC") on the competitive effects of this proposal. The Attorney General has indicated that the proposed transaction would not have a significantly adverse effect on competition. The OCC and the FDIC have not objected to consummation of the proposal or indicated that it would have any significantly adverse competitive effects in any relevant banking market. Based on all the facts of record, including the relatively small increase in

3. Asset and ranking data are as of June 30, 1995.

4. Pub. L. No. 103 328, 108 Stat. 2338 (1994). A bank holding company's home state is that state in which the operations of the bank holding company's banking subsidiaries were principally conducted on July 1, 1966, or the date on which the company became a bank holding company, whichever is later. For purposes of the BHC Act, the home state of NBD is Michigan. Under the circumstances presented in this proposal, the Board has also conducted the interstate analysis as if First Chicago, with a home state of Illinois, were acquiring NBD.

5. 12 U.S.C. §§ 1842(d)(1)(A) and (B) and 1842(d)(2)(A) and (B). NBD and First Chicago are adequately capitalized and adequately managed. Upon consummation, NBD and its affiliates would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States and less than 30 percent of the total amount of deposits in Illinois, the only state in which both NBD and First Chicago operate. This transaction would meet applicable minimum age requirements imposed by all relevant states, including Delaware, Florida, Indiana, and Wisconsin. All other requirements of section 3(d) of the BHC Act would also be met on consummation of this proposal.

6. Market data are as of June 30, 1994. Market concentration calculations include deposits of thrift institutions at 50 percent. The Board has previously indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve* Bulletin 743 (1984). Thus, the Board has regularly included thrift deposits in the calculation of market concentration on a 50-percent weighted basis. *See e.g.*, *First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52 (1991).

7. The Chicago banking market is approximated by Cook, Lake, and DuPage Counties, all in Illinois. The Elgin banking market is approximated by Marengo, Seneca, Nunda, Riley, Coral, Grafton, and Algonquin townships in McHenry County; and portions of Kane County, all in Illinois. The Joliet banking market is approximated by Will County except for Florence, Wilmington, Reed, Custer, and Wesley townships; Aux Sable township in Grundy County; and Naausay and Seward townships in Kendall County, all in Illinois.

8. The HHI would increase in these banking markets as follows: Chicago (106 points to 733); Elgin (108 points to 981); and Joliet (94 points to 1230). Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is less than 1000 is considered unconcentrated, and a market in which the post-merger HHI is between 1000 and 1800 is considered moderately concentrated. The Justice Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effect of limited-purpose lenders and other non-depository financial institutions.

concentration as measured by the HHI and the number of remaining competitors in these markets, and after carefully considering public comments on the competitive factor,[9] the Board concludes that consummation of the proposal would not result in a significantly adverse effect on competition in any relevant banking market.[10]

Based on all the facts of record, the Board also concludes that the financial and managerial resources[11] and future prospects of the institutions involved are consistent with approval, as are the other supervisory factors that the Board is required to consider under section 3 of the BHC Act.[12]

Convenience and Needs Considerations

In acting on an application to acquire a depository institution under the BHC Act, the Board must consider the convenience and needs of the communities to be served, and take into account the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate, consistent with their safe and sound operation. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of such institution," and to take that record into account in its evaluation of applications.[13]

The Board received comments supporting and opposing the proposal. Thirteen commenters, including Lake County Affordable Housing Commission, Neighborhood Housing Services of Lake County, DuPage Homeownership Center, and a member of the United States Senate, commented favorably on the CRA performance records of NBD and First Chicago. These commenters commended the assistance of both organizations in community redevelopment activities, noted that both NBD and First Chicago have strong records of reinvesting in their communities, and indicated their belief that the proposed merger should benefit the communities that would be served by the combined entity.

Three commenters ("Protestants") objected to this proposal and criticized the CRA performance records of NBD and First Chicago.[14] On the basis of data filed under the Home Mortgage Disclosure Act ("HMDA"),[15] Protestants maintained that the subsidiary banks of both organizations illegally discriminate in their housing related lending activities.[16] Protestants also contended that both institutions have deficiencies in their CRA performance records, including housing related and small business lending;[17] ascertainment and marketing; community development activities and support of community-based organizations;[18] and

9. An individual submitted comments maintaining that the merger of NBD and First Chicago would result in significant anticompetitive effects in Chicago due to the market share and size of the two organizations.

10. A commenter maintained that First Chicago's passive investment in Indecorp, Inc. ("Indecorp"), and The Shorebank Corporation ("Shorebank"), both of Chicago, Illinois, would permit NBD to eliminate competition from other banks, particularly banks owned by minorities. The Board carefully considered the effect of the investment by First Chicago in Shorebank in the Board's review of Shorebank's proposal to acquire Indecorp. NBD and First Chicago do not propose to change the investment in Shorebank from the passive investment permitted by the Board. For the reasons stated in the Board's order approving Shorebank's acquisition of Indecorp, and incorporated herein, the Board has concluded that no adverse competitive effects would result from this passive investment. *See The Shorebank Corporation*, 81 *Federal Reserve Bulletin* 1107 (1995).

11. The Board also received a comment from an individual objecting to severance packages offered to the senior executives of both NBD and First Chicago in connection with this transaction. Based on all the facts of record, including the recent approval of the severance packages by the shareholders of NBD and First Chicago, and the current level of compensation for these officers, the Board does not believe that these comments raise issues that would warrant denial under the factors required to be considered under the BHC Act.

12. The Board considered all of Protestants' comments in assessing these factors and concluded that none of these comments warrant denial of this proposal.

13. *See* 12 U.S.C. § 2903.

14. Protestants include: Inner City Press/Community on the Move, Bronx, New York; Positive Systematic Transformations, Inc., Waukegan, Illinois ("PST"); and an individual from Evanston, Illinois, representing several community based groups. In addition, the Board received a number of submissions supporting PST's comments.

15. 12 U.S.C. § 2801 *et seq.*

16. These allegations included NBD's mortgage subsidiary, NBD Mortgage Company, Detroit, Michigan ("NBD Mortgage").

17. On the basis of an article concluding that multi-state bank holding companies tend to lend less to small businesses than banks controlled by small single state bank holding companies, one Protestant contended that this proposal would have a generally adverse effect on small business lending in Detroit and other areas served by NBD. The article reviewed one year of call report data from the Federal Reserve System's Tenth District and did not consider the record of the organizations involved in this proposal. As explained above, the Board has carefully reviewed the records of both NBD and First Chicago in ascertaining and serving the needs of their communities, and making loans, including small business loans, in their communities. Based on all the facts of record, and for the reasons discussed above, the Board does not believe that Protestant's comments warrant denial of this proposal. The Board notes that the CRA requires that every bank, including a bank owned by an out-of-state bank holding company, be regularly examined and rated on its performance in helping to meet the credit needs of its community. The Board also notes that any diminution in CRA related activities resulting from this proposal would be reviewed by federal supervisors in future performance examinations as well as by the Board in future applications to acquire a depository facility under the BHC Act.

18. One Protestant also criticized First Chicago for not accepting its proposal for investment in Lake County. The Board has indicated in previous orders and in the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement") that communication by depository institutions with community groups provides a valuable method of assessing and determining how best to address the credit needs of the community. However, neither the CRA nor the Agency CRA Statement requires depository institutions to enter into agreements with particular organizations. Accordingly, the Board's review has focused on the programs and policies that NBD and First Chicago have in place to assist in meeting the credit needs of their entire communities. *See Fifth Third Bancorp*, 80 *Federal Reserve Bulletin* 838 (1994).

the number of branches serving low- and moderate-income areas and areas with predominately minority populations ("minority areas"). These allegations focus on NBD's performance in Detroit, and both organizations' performance in Chicago, and in the greater Chicago area including Lake County and Evanston, Illinois.

The Board has carefully reviewed the CRA performance records of NBD and First Chicago and their respective subsidiaries, in light of the CRA, the Agency CRA Statement,[19] and all comments received and the response of NBD and First Chicago to these comments.

Record of CRA Performance

A. Evaluation of CRA Performance

The Agency CRA Statement provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record, and that reports of these examinations will be given great weight in the applications process.[20] The Board notes that all the subsidiary banks of NBD and First Chicago received "outstanding" or "satisfactory" ratings at the most recent examinations of their CRA performance. NBD's lead bank subsidiary, NBD Bank, Detroit, Michigan ("NBD-Detroit"), received an "outstanding" rating at the most recent examination for CRA performance from the OCC, as of March 1993.[21] First Chicago's lead bank subsidiary, FNB-Chicago, received a "satisfactory" rating from the OCC at its most recent examination for CRA performance as of November 1993.[22] The Board has carefully considered the results of these performance evaluations in reviewing this proposal.[23]

B. HMDA Data

The Board has reviewed the 1993 and 1994 HMDA data reported by NBD's bank subsidiaries and NBD Mortgage in light of Protestants' comments.[24] These data generally indicate that NBD has improved its record of home mortgage lending in low- to moderate-income and minority neighborhoods throughout the communities served by NBD-Detroit. In particular, 1994 HMDA data for areas served by NBD-Detroit indicate an increase in the number of loan applications received from, and loans extended to, low- to moderate-income individuals, Hispanics, and African Americans.[25] NBD also has shown improvement in its record of home mortgage lending to Hispanics in the communities served by NBD-Illinois.

The Board also reviewed the 1993 and 1994 HMDA data reported by FNB-Chicago and American National, in light of Protestants' comments. These data generally indicate that First Chicago has improved its record of home mortgage lending in low- to moderate-income areas and to minority applicants.[26] Based on 1993 and 1994 HMDA data, FNB-Chicago's loan origination rate for low- to moderate-income areas and minorities exceeded the average origination rate for all the lending institutions in the Chicago MSA combined.[27]

However, HMDA data for First Chicago and NBD, as well as NBD Mortgage, also indicate some disparities in

19. 54 *Federal Register* 13,742 (1989).

20. *Id.* at 13,745.

21. NBD Bank, N.A., Indianapolis, Indiana (formerly known as INB National Bank), received an "outstanding" rating from the OCC at its most recent examination as of April 1993. NBD Bank, Wheaton, Illinois ("NBD-Illinois"), and NBD Bank, Columbus, Ohio, also received "outstanding" ratings from their primary federal supervisor, the FDIC, at their most recent examinations for CRA performance, as of October 1993 and May 1994, respectively. In addition, NBD Bank, Elkhart, Indiana; NBD Bank, Venice, Florida (formerly known as NBD Bank, FSB) ("NBD-Florida"); and NBD Skokie Bank, N.A., Skokie, Illinois ("NBD- Skokie"), received "satisfactory" ratings from the Federal Reserve Bank of Chicago as of June 1993; the Office of Thrift Supervision as of June 1994; and the OCC as of March 1995. NBD's remaining bank subsidiary, National Bank of Detroit-Dearborn, Dearborn, Michigan, a limited purpose bank engaged in asset management, does not accept deposits or make loans, and has not been examined for CRA performance by the OCC since 1987. No CRA performance examination report is publicly available for this bank.

22. In addition, American National received a "satisfactory" rating from the OCC at its most recent examination for CRA performance, as of February 1995; and FCC National Bank, Wilmington, Delaware, received an "outstanding" rating from the OCC at its most recent examination for CRA performance, as of April 1995.

23. One Protestant maintained that the "satisfactory" performance ratings of FNB-Chicago and NBD-Florida are contradicted by weaknesses in performance discussed in the public sections of these examinations. The Board notes that each institution's overall performance was considered satisfactory by the examiners, although certain areas were identified for improvement. The Board also notes that NBD-Florida was acquired in connection with the sale of a failed thrift and represents less than 1 percent of NBD's consolidated assets. In addition, NBD has responded to the issues raised by the examination, and the Board expects NBD to implement fully programs responsive to examiners' comments. FNB-Chicago's record of performance is reviewed above in light of this examination and its more recent activities.

24. The Board notes that NBD conducts most of its housing-related lending through NBD Mortgage. Accordingly, the Board has considered HMDA data reported by NBD Mortgage for areas served by NBD's bank subsidiaries.

25. For example, in the Metropolitan Statistical Areas ("MSAs") served by NBD-Detroit, applications from African Americans increased from 1,109 in 1993 to 1,935 in 1994, and applications from Hispanics increased from 156 to 282. In addition, applications from individuals in low- to moderate-income census tracts increased from 2,008 to 3,702.

26. The number of loan applications FNB-Chicago received from African Americans increased from 858 in 1993 to 868 in 1994, despite an overall decrease in applications received. In addition, the number of loan applications received by FNB-Chicago from low- to moderate-income census tracts increased from 1,398 in 1993 to 1,523 in 1994.

27. FNB-Chicago's origination rates of 77 percent in 1993 and 70.1 percent in 1994 in low- to moderate-income census tracts in the Chicago MSA exceeded the origination rates of aggregate lenders in the community (68.8 percent and 61.2 percent in 1993 and 1994, respectively) during the same time periods. FNB-Chicago's origination rates of 77.3 percent in 1993 and 74.6 percent in 1994 for African Americans, as well as origination rates of 83.4 percent in 1993 and 77.8 percent in 1994 for Hispanics, also exceeded those of its competitors in the Chicago MSA. The average origination rates for aggregate lenders in the Chicago MSA were 69.7 percent in 1993 and 65.8 percent in 1994 for African Americans, and 78.7 percent in 1993 and 76.1 percent in 1994 for Hispanics.

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

The Board notes that the most recent CRA performance examinations for all the subsidiary banks of NBD and First Chicago found no evidence of prohibited discrimination or other illegal credit practices.[28] The examinations also found no evidence of practices intended to discourage applications for the types of credit listed in the banks' CRA statements.[29]

The bank subsidiaries of First Chicago and NBD, and NBD Mortgage, have instituted a formal second review procedure for all initial denials of home mortgage applications. In addition, in early 1993, FNB-Chicago's management developed and implemented a diversity training program to discuss the concept of disparate treatment of applicants and to promote fair lending. All bank employees were required to attend the training. Furthermore, in 1995, NBD instituted a fair lending training process for all branch offices, including post-training testing to confirm its effectiveness.

C. NBD's Record of Performance in Detroit

Lending Activities. The 1993 CRA performance examination for NBD-Detroit considered the bank's record of lending to be outstanding and found that the bank offered a range of lending products to its communities, including products specifically for low- and moderate-income individuals. Examiners also commended NBD-Detroit's record of originating and purchasing housing-related and small business loans within its delineated community, and favorably noted NBD-Detroit's efforts to increase applications from low- and moderate-income areas.

NBD-Detroit has taken additional steps to assist in meeting the housing-related credit needs of its communities, including low- to moderate-income and minority areas. For example, in February 1995, NBD-Detroit announced a comprehensive strategic plan developed in cooperation with the Alliance for Fair Banking Practices, a Detroit-based coalition of community organizations. The plan, which reflects a proposed investment of $678 million in Detroit over the next three years, establishes targets for small business, mortgage, consumer, business, commercial, and real estate lending. In addition, NBD-Detroit introduced the 97 Plus Mortgage Program to its communities in January 1993 to respond to an ascertained need for affordable mortgage products. This program, which requires borrowers to complete a homebuyer education program in order to qualify, provides for a loan of up to 97 percent of the value of a property, with a separate 10-year fixed rate loan at a below-market rate to finance up to $3,000 of down payment and closing costs.[30]

NBD-Detroit also offers home equity loans in amounts as low as $500 through its Community Pride Loan Program. This program, which provides unsecured financing to low- to moderate-income individuals for renovations and improvements of residential dwellings, has a maximum loan amount of $5,000, and permits debt-to-income ratios as high as 50 percent. NBD-Detroit originated 122 Community Pride loans totalling over $410,000 in the Detroit area in 1994, and 311 loans totalling over $1 million as of August 1995.

NBD-Detroit also participates in programs designed to meet the small business credit needs of its delineated communities. NBD-Detroit actively participates in governmentally sponsored programs, such as those of the Small Business Administration ("SBA") and the Michigan Strategic Fund Capital Access Program ("Capital Access Program").[31] NBD-Detroit originated 113 SBA loans totalling approximately $31.6 million in 1994, including 11 loans totalling approximately $2.2 million in Detroit; and 137 loans totalling approximately $45.2 million, as of September 1995, including 9 loans totalling approximately $1.3 million in Detroit. In addition, NBD-Detroit originated 247 Capital Access Program loans totalling approximately $14.7 million in 1994, including 37 loans totalling approximately $2.4 million in Detroit; and 70 Capital Access Program loans totalling approximately $9.8 million, as of August 1995, including 28 loans totalling approximately $1.3 million in Detroit.

Marketing and Outreach Activities. The bank's 1993 CRA performance examination found that NBD-Detroit used mass media to reach all its communities, including low- to moderate-income areas. The OCC examiners also noted that, in addition to regularly employing standard mass-media such as general circulation newspapers and radio stations, NBD-Detroit regularly advertised its prod-

28. In addition, the fair lending examinations of NBD-Detroit and NBD-Indiana, which comprise more than 85 percent of NBD's assets, each included a review of sample loan files from NBD Mortgage for HMDA- related loans originated in the banks' delineated communities.

29. FNB Chicago was cited for noncompliance with certain record keeping requirements of the Equal Credit Opportunity Act ("ECOA") and HMDA. Since its 1993 CRA performance examination, FNB Chicago has implemented procedures to address the OCC's concerns.

30. The 97 Plus Program is specifically for low- and moderate-income applicants in urban areas throughout Michigan. NBD-Detroit originated 49 loans totalling approximately $1.7 million in Southeast Michigan under this program in 1994, and 70 loans totalling approximately $2.6 million as of October 1995.

31. Under the Capital Access Program, a reserve fund is established through funds paid by the borrower, and matched by the bank and the program. This fund is used to offset any loan losses, with the bank at risk for amounts in excess of the fund.

ucts and services in minority publications such as the *Michigan Chronicle*, the *Arab American*, and *El Central*.

NBD-Detroit also sponsors specialized programs to inform its community of its credit products. For example, NBD-Detroit is currently sponsoring a "Bank at Work" program in Southeast Michigan to introduce small businesses and their employees to NBD's products and services. Under this program, NBD-Detroit representatives visit offices during working hours to take loan applications, open savings and checking accounts, and assist in financial planning. In addition, in a monthly publication entitled "NBD in the Community," NBD-Detroit informs its community leaders and organizations of ongoing outreach plans and programs. The edition for the bank's Southeast Region, which includes Detroit, has a circulation of 27,000, including 4,000 community, business, and religious leaders.[32]

Community Development Activities. NBD engages in a number of community development activities to help meet the credit needs of its communities. For example, NBD Community Development Corporation, Detroit, Michigan ("NBD-CDC"), has been an active equity partner in housing partnerships that acquire and renovate foreclosed or abandoned single and multifamily homes for low-income residents. In NBD-Detroit's Southeast Michigan region, NBD-CDC has participated in projects in Pontiac, Wyandotte, Ann Arbor, and six neighborhoods in the City of Detroit. As of June 1995, NBD-CDC held a portfolio of community development loans, commitments, and investments aggregating $11.3 million.[33]

In addition, NBD-Detroit participates in the Business Consortium Fund established by the National Minority Supplier Development Council. The fund purchases up to a 75 percent participation in loans to finance expenses or purchases related to specific business orders or contracts in which minority owned vendors supply goods or services to corporations. NBD-Detroit also is active in the Detroit Business Retention and Expansion Program which is geared toward retention of existing Detroit businesses and further expansion of new businesses into downtown Detroit.

Branch Locations and Closings. The OCC reviewed NBD-Detroit's record of providing services at its branch offices and concluded that the bank had demonstrated a strong record of maintaining accessible offices with equitable services. The bank has 35 branches in Detroit, including 24 in low- to moderate-income areas. In addition, NBD maintains ATMs at 31 of its 35 branch locations, including 21 in low- to moderate-income areas.[34]

NBD-Detroit has adopted a Branch Closing Policy that requires a formal evaluation of the impact of closing or reducing services at any branch offices. The OCC concluded that the branch closing policy is consistent with current regulatory guidelines, and that this policy includes consideration of input from local community groups and political leaders in order to minimize any impact a closing would have on an area.[35] In addition, the 1993 CRA performance examination noted that branch office closings have not materially reduced the services available to the bank's communities.[36]

D. First Chicago's Record of Performance in Chicago

Lending Activities. The 1993 CRA performance examination for FNB-Chicago found that the bank extended credit throughout its community and has generally been responsive to the community's credit needs. Although weaknesses in the bank's mortgage lending to minorities and the effectiveness of its small business lending program were noted, examiners also noted that a significant amount of credit had been extended for the rehabilitation of single and multi-family housing by FNB Chicago. FNB-Chicago also has taken a number of steps to strengthen its record of meeting consumer, small business, commercial, and housing-related credit needs in low- to moderate-income areas. For example, in March 1995, FNB-Chicago announced a plan to invest $2 billion in low- to moderate-income neighborhoods in its delineated community by the year 2000. This plan calls for investing $500 million for single-family mortgages, $700 million in small businesses loans,[37] $350 million in commercial loans, and $250 million in consumer loans.

32. In addition, the bank's Small Business Development Office provides educational workshops and seminars to assist the small business customer, and provides information on special loan programs.

33. NBD-CDC also helped a number of community groups become eligible to participate in the Federal National Mortgage Association ("Fannie Mae") Community Lending Initiative Program, which enables low-income families to buy homes under a lease-purchase agreement.

34. NBD-Detroit also maintains a Telephone Banking Center, through which customers conduct routine banking transactions.

35. The Board also has considered the comments of one Protestant who believes that this proposal would have adverse effects in Uniondale and New York City, both of New York, where First Chicago's trust company and credit card service subsidiaries operate. This same Protestant also notes that the proposed transaction would result in layoffs and branch closures in the areas served by First Chicago and NBD. In considering these comments, in addition to the other factors noted in this order, the Board has considered that NBD and First Chicago are each developing new severance policies for employees that will become effective as of the date of consummation of the proposed transaction.

36. Examiners noted that since its last examination, NBD-Detroit closed four branches, two of which were located in low- and moderate-income areas ("low- to moderate-income branches"). The bank retained its branch in a supermarket across the street from one of the closed branches and retained a drive-through facility on a corner adjacent to the other. In addition, two low- to moderate-income branches closed their drive-through facilities, and one low- to moderate-income branch (with only a drive-through facility) was converted to an off-site ATM.

37. The head of the City of Chicago's empowerment zone initiative has also invited First Chicago to participate in the city's efforts. Neighborhood-based small business centers established in the empow-

Marketing and Outreach. As noted in the 1993 CRA performance examination, FNB-Chicago has used various methods, including print, television, radio, and direct mail advertisements in an attempt to reach all members of its delineated communities.[38] Advertisements for the bank's products and services were placed in over 90 daily newspapers, local weekly news and trade publications throughout the bank's delineated community, including some journals and special audience publications that focus on specific minority groups. FNB-Chicago also advertises on a number of ethnic radio stations to reach members of the minority community.

Since 1992, FNB-Chicago has mailed over a million direct mail solicitations of its unsecured line of credit and over 50,000 direct mail solicitations of its installment loan products to individuals residing in low income census tract areas.[39] FNB-Chicago also created a special CRA marketing group in mid-1992 in order to attract additional minority mortgage applicants to FNB-Chicago.[40]

ernment zones would be operated jointly by the SBA and community representatives.

38. One Protestant, however, also contends that FNB-Chicago markets a special service, the First Direct program, primarily to affluent non- minority customers. This program, which is designed to retain customers who move out of the Chicago area, permits customers to engage in certain banking transactions and purchase several banking products by telephone or computer, including opening a checking or savings account; transferring funds from one account to another; purchasing certificates of deposit; applying for credit cards, personal loans and mortgages; and purchasing a range of investment products. The Board notes that FNB-Chicago offers these services to all customers, regardless of account balance, who move from the Chicago area, and markets these services in mass media newspapers serving communities outside the Chicago area.

39. FNB-Chicago has extended credit to more than 3 percent of the 50,000 individuals solicited for installment loan products.

40. First Chicago recently implemented a program that charges customers a $3.00 fee for certain transactions done with a teller's assistance unless the customer maintains a specified minimum account balance with First Chicago. Several Protestants claim that First Chicago's fees in general, and this teller fee in particular, discriminate against low- and moderate income individuals and minority customers and indicate that First Chicago is not adequately serving the banking needs of its community.

The Board believes that the information provided by Protestant on First Chicago's fees, including its teller fees, provides an incomplete picture. The teller fee addressed by the Protestants is charged for routine transactions that may be conducted at an ATM or through another means. Customers continue to receive free teller assistance on a number of banking matters, including inquiring about account statements, submitting loan payments, seeking assistance to solve errors in or problems with an account, depositing coins, making change, and purchasing consumer payment instruments (such as money orders and cashier's checks). In addition, customers may obtain free teller assistance or equivalent services under other account programs offered by First Chicago. For example, FNB-Chicago's Choice Checking Account requires a $250 minimum balance and allows the customer four transactions per month, including teller-assisted transactions, before a fee is imposed. Thus, all banking services ordinarily offered through a teller continue to be available to all customers of First Chicago at nominal or no charge in some form, either through a teller, at an ATM, at a deposit facility, or by phone, and teller access continues to be available at no charge for services that require individual attention.

Community Development Activities. FNB-Chicago chartered The First Chicago Neighborhood Development Corporation ("Development Corp") in 1979 to expand its capacity to participate in community development initiatives. As of June 1995, Development Corp's assets totalled $3.2 million, including investments in equity funds, direct loans, and investments secured by note receivables. FNB-Chicago also has committed nearly $200,000 to the Northern Cook County Microloan Lending Program.[41]

Since 1985, FNB-Chicago has invested $250,000 annually in the Chicago Equity Fund, which has created over 3,600 units of housing in low- to moderate-income neighborhoods. FNB-Chicago also extends loans for community development purposes through its Neighborhood Banking Department, which was created in 1984 as part of the Neighborhood Lending Program, a multi-bank community lending agreement. As part of this program FNB-Chicago made a commitment to lend $225 million over 10 years for qualifying developments in low- to moderate-income neighborhoods. FNB-Chicago has exceeded its $225 million goal and continues to make loans under this program. FNB-Chicago also has committed to provide approximately $100 million over six years to the Community Investment Corporation ("CIC"), a partnership of major financial institutions and corporations dedicated to the purchase and/or rehabilitation of single and multi-family residential units.[42] In addition, FNB-Chicago's $2 billion investment plan also calls for the donation of approximately $17 million in direct grants to community groups and agencies.

Branch Locations and Closings. The OCC examination reviewed FNB Chicago's record of providing services at its branch offices and concluded that the bank's entire delineated community had reasonable access to FNB-Chicago's branch offices. In addition, examiners noted that FNB-Chicago has adopted a Branch Closing Policy that requires a formal evaluation of the impact of closing or reducing services at any branch offices. The OCC examination concluded that the branch closing policy is consistent with current regulatory guidelines.

The 1993 examination noted, however, that the bank's branch offices were less accessible from certain areas of its delineated community. In recent years, FNB-Chicago has

While the Board has recognized that banks help serve the banking needs of their communities by making available basic banking services at a nominal or no charge, the CRA does not require that banks limit the fees that are charged for services. As explained above, First Chicago provides a full range of banking services in its delineated community, including substantial lending services, and offers access to a full range of retail banking services through various accounts. There is no evidence in the record in this case that the teller fees or any other fees charged by First Chicago for certain accounts are based in any way on any factor that is prohibited by law, such as race, gender, ethnicity or religion.

41. First Chicago, along with nine other Chicago area banks, supports its small business initiatives through the Northern Cook County Microloan Lending Program.

42. FNB Chicago also has provided CIC with a $7.5 million line of credit.

addressed this situation in several ways. FNB-Chicago opened four new full-service branches in 1993, including a branch in an African-American community on the Southeast side of Chicago. FNB-Chicago also recently opened a branch in a supermarket in Chatham, another predominantly African-American neighborhood on the Southside of Chicago, and plans to open three more branches in 1996 in African-American communities on the Southside or the South suburbs of Chicago.[43]

E. Records of Performance in the Greater Chicago Area

NBD-Illinois. NBD-Illinois, headquartered in Wheaton and operating in the central business district of Chicago and the surrounding north and western suburbs, has a number of programs designed to increase its lending to low- and moderate-income residents in the Chicago area, including Evanston and Lake County.[44] For example, NBD-Illinois recently introduced a First-Time Homebuyer's Program to assist in addressing the need for affordable mortgage products for first-time homebuyers. In 1994, NBD-Illinois originated 286 First-Time Home Buyer loans totalling approximately $28.3 million, including 27 loans totalling approximately $2.9 million in Lake County, and 11 loans totalling approximately $1 million in Evanston. In addition, as of June 1995, NBD-Illinois had originated 248 First-Time Home Buyer loans totalling approximately $24.4 million, including 25 loans totalling approximately $2.6 million in Lake County, and 5 loans totalling almost $450,000 in Evanston.[45]

NBD-Illinois also offers a number of home equity products to meet the credit needs of low- to moderate-income individuals. For example, NBD-Illinois introduced a Mini-Equity Loan Program in 1993.[46] Under this program a borrower may borrow up to $15,000 (minimum loan amount of $3,000), with a maximum loan-to-value ratio of 100 percent. In 1994, NBD-Illinois originated 100 Mini-Equity loans totalling over $900,000, including 18 loans totalling over $180,000 in Lake County. In addition, as of June 1995, NBD-Illinois had originated 113 Mini-Equity loans totalling over $1.3 million, including 24 loans totalling over $300,000 in Lake County.

The 1993 CRA performance examination for NBD-Illinois noted with approval the bank's advertising program and special credit-related programs. The examiners also noted that the bank advertises its credit products in a wide variety of newspapers circulated throughout its delineated community.[47] In addition, in March 1994, the Chicago branch of NBD-Illinois launched a home equity sale under which NBD-Illinois offered a low rate no fee home equity loan product, with the bank paying the customer's first month's interest payment up to $200. As a result of this campaign, the Chicago branch increased its home equity loan originations from 2,181 loans totalling approximately $119 million in 1994 to 3,032 loans totalling approximately $189.9 million in 1994.[48] NBD-Illinois also sponsored educational workshops on home financing at 11 locations throughout Illinois, including Evanston and Lake Zurich in Lake County. The seminars, which were attended by a total of 170 people, focused on the mortgage pre-approval process, first-time homebuyer products, and other mortgage products available through NBD-Illinois.

NBD-Illinois also actively participates in outreach and educational efforts for small businesses in Lake County. In recent years, these efforts have included an annual seminar on alternative financing co-sponsored in conjunction with the Economic Development Council of Lake County, and a seminar entitled "Start Small Grow Big," sponsored in conjunction with the Service Corps of Retired Executives.[49]

NBD's community development activities in the greater Chicago area include Evanston and Lake County. In the Lake County area, NBD has worked with the Neighborhood Housing Services of Lake County ("NHS") and the Lake County Affordable Housing Commission

43. One of the Protestants alleged that the subsidiary banks of First Chicago and NBD have placed their ATMs in such a manner as to have a disparate impact on racial minorities. The Board notes that ATMs are but one component in the systems that depository institutions use to deliver their products and are not used in the credit extension process. As noted above, NBD and First Chicago have branches throughout their delineated communities. NBD-Detroit, for example, maintains a majority of its branches in Detroit in low- to moderate-income areas. As discussed above, both organizations engage in outreach, ascertainment, and lending throughout their communities.

44. NBD Illinois has a branch in Evanston, and ten branch offices in Lake County, including three branch offices acquired through the July 1995 acquisition of Deerfield Federal Savings and Loan Association. These programs also are available at NBD-Skokie which operates in the northern part of the greater Chicago area.

45. In addition, NBD-Illinois began offering the NBD Community Home Buyer and NBD Community Home Buyer with 3/2 Option Programs in 1993 in response to ascertained need for affordable mortgage programs for low- to moderate-income individuals. Both programs provide for flexible underwriting standards, with the NBD Community Home Buyer with 3/2 Option permitting borrowers to make down payments as low as 3 percent. These programs are both available in Evanston and Lake County.

46. This program responded to a need for a home improvement loan product for borrowers who would not typically qualify for the standard NBD Home Equity Loan Product because of insufficient home equity.

47. For example, the Lake Zurich Branch of NBD-Illinois regularly advertises its credit products in the Lakeland Newspaper, which serves Wauconda, Island Lake, Lake Zurich, Libertyville, Mundelein, and Vernon Hills, all in Lake County.

48. In addition, in the Fall of 1994, the Evanston branch of NBD-Illinois actively promoted a special package of banking services for students at Northwestern University, Loyola University and other area colleges. The package included an offer of free financial counseling on student loans; a credit card application; and a regular checking account with no minimum balance, no monthly maintenance fee, and no per-check charge.

49. In addition, in April 1994, the Evanston branch of NBD-Detroit participated in the Evanston Chamber of Commerce Small Business Trade Show.

("LCAHC").[50] This collaboration has led to NBD's funding $115,000 of a $1.3 million line of credit. NBD also participates in the annual Affordable Housing Commission Symposium sponsored by LCAHC.[51]

FNB-Chicago. In addition to the CRA-related activities in Chicago discussed above, First Chicago engages in a number of activities in the greater Chicago area.[52] For example, FNB-Chicago and American National extended 132 mortgages to low- to moderate-income individuals in 1993 and 1994. Twenty-seven mortgages were extended to low- to moderate-income individuals in the first six months of 1995. In addition, many of the housing-related lending and credit initiatives undertaken by FNB-Chicago, also benefit Lake County. Through the Chicago Equity Fund, FNB-Chicago has helped create 222 new affordable housing units in Waukegan, Illinois, and invested in the only two developments qualifying for Low Income Housing Tax Credits in Waukegan and North Chicago during the 1990s. FNB-Chicago also has provided over $3 million in debt financing, in addition to equity financing, through the Chicago Equity Fund, for a venture sponsored by the Lake County Community Action Project involving the redevelopment of 150 housing units for low- to moderate-income individuals. A similar combination of equity and debt financing was provided by FNB-Chicago to assist the Lake County Urban League in converting abandoned properties into over 70 new affordable housing units in downtown Waukegan, Illinois. The debt financing for the Lake County Urban League project was in excess of $980,000. FNB-Chicago is also a participant in the Lake County Affordable Housing Commission's first-time homebuyers program and continues to assist customers in the renovation of homes, apartments and mixed-use properties through the bank's Neighborhood Banking Division.

FNB-Chicago also made $8.2 million in small business loans in Lake County during this period. In addition, FNB-Chicago and its affiliate, American National, have created a special program designed to specifically meet the credit needs of small businesses in Lake County. In mid-1994, FNB-Chicago introduced its Small Business Lending Initiative ("SBLI"), a program designed for businesses with annual sales of less than $2.5 million and with credit needs of less than $250,000.[53] First Chicago's bank subsidiaries are also participants in the Main Street Area Loan Pool Program, a program created to help businesses in Lake County improve and maintain the exterior of their office buildings.

F. Conclusion on Convenience and Needs Considerations

The Board has carefully considered all the facts of record, including the comments received from all commenters and responses to those comments and the CRA performance records of the subsidiary banks of NBD and First Chicago, including relevant reports of examination from their primary federal supervisors. Based on a review of the entire record, the Board concludes that convenience and needs considerations, including the CRA records of performance of both organizations' subsidiary banks, are consistent with approval of this proposal.

Nonbanking Activities

Section 4(c)(8) of the BHC Act provides that a bank holding company may, with the Board's approval, engage in any activity that the Board determines to be "so closely related to banking or managing or controlling banks, as to be a proper incident thereto." The Board must also determine that the performance of the proposed activities by an applicant "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."

A. Electronic Funds Transfer Activities

After consummation of this proposal, NBD would own 25 percent or more of two ATM and point of sale ("POS") networks[54] in the north-central United States: ML Inc., Detroit, Michigan, doing business as "Magic Line,"[55] and

50. NHS is an outgrowth of a consortium of banks which chartered the Lake County Community Investment Program in 1990 to promote low- and moderate-income housing development in the area.

51. LCAHC was established to advocate affordable housing throughout Lake County through educational efforts, liaison with governmental officials and other groups, as well as direct programs to plan, design, finance, and produce affordable housing. NBD also sponsored an exhibit at LCAHC's May 1995 Homebuyer Fair, presenting a seminar entitled "How to Apply for a Mortgage" to a group of first-time homebuyers.

52. Protestants have alleged that FNB-Chicago re-delineated its service community to exclude arbitrarily Lake County's low- to moderate-income and minority areas. In its examination of FNB-Chicago, the OCC reviewed this new delineation, which is based on lending at its branch locations, and preliminarily concluded that it is reasonable. After consummation of this proposal, the new organization would control 17 branch offices offering banking products and services in the Lake County area. The Board notes that the delineation of FNB-Chicago and its NBD affiliates would effectively include all of Lake County after consummation of this proposal.

53. Six loans totalling $151,480 have been extended under SBLI to date.

54. In general, an ATM network is an arrangement whereby more than one ATM and more than one depository institution (or the depository records of such institutions) are connected by electronic or telecommunications means to one or more computers, processors, or switches for the purpose of providing ATM services to retail customers of depository institutions. POS terminals are generally located in the establishments of merchants. They accept ATM or similar cards, and using the ATM network or a parallel POS-only network, access the cardholder's account to transfer funds to the merchant's account. The Board has previously determined that operating an ATM and POS network is an activity closely related to banking within the meaning of section 4 of the BHC Act. *See Banc One Corporation, et al.*, 81 *Federal Reserve Bulletin* 491 (1995) ("Banc One/EPS Order").

55. Magic Line is the resulting network from the 1993 merger of Magic Line, Network One and Money Mover.

Cash Station, Inc., Chicago, Illinois, doing business as "Cash Station."[56]

In order to determine whether a particular transaction is likely to decrease competition, the Board traditionally has considered the area of effective competition between the parties. The area of effective competition has been defined by reference to the line of commerce, or product market, and a geographic market. The Board previously has identified three separate product lines that are relevant to an assessment of competition between ATM networks. These products lines are:

(1) Network access (access to an ATM network identified by a common trademark or logo displayed on ATMs and ATM cards);

(2) Network services (the switching functions for the network); and

(3) ATM processing (the data processing and telecommunications facilities used to operate, monitor, and support a bank's ATMs).

The Board has also previously concluded that the market for network access is an area significantly larger than local banking markets, and that the markets for network services and ATM processing are at least regional in nature.[57]

Magic Line and Cash Station both operate "shared" networks[58] in different areas and there is little competition for ATM network access between the networks.[59] Numerous competitors would remain to provide ATM network access services, including many of the nation's largest ATM networks. In addition, Magic Line and Cash Station currently use different third-party organizations to provide network services and numerous providers of these services would remain.[60] Finally, neither Magic Line nor Cash Station (nor NBD and First Chicago) provide ATM processing services to third parties and neither network restricts a member's choice for obtaining processing services from a number of processors competing in this product line. Based on all the facts of record, the Board concludes that NBD's acquisition of the proposed interests in Magic Line and Cash Station would not result in an undue concentration of resources or decreased or unfair competition.[61]

B. Other Nonbanking Activities

NBD also has provided notice pursuant to section 4 of the BHC Act to acquire the nonbanking subsidiaries of First Chicago.[62] The Board has determined by regulation or order, subject to certain prudential limitations approving these activities, that each of the activities of First Chicago's subsidiaries is permissible for bank holding companies under section 4(c)(8) of the BHC Act.[63] NBD has committed to conduct these activities in accordance with the Board's regulations and the commitments made by First Chicago, as well as the conditions and limitations imposed by the Board in the orders approving these activities.

NBD operates subsidiaries engaged in nonbanking activities that compete with the nonbanking activities of First Chicago. In each case, the markets for these nonbanking services are unconcentrated, and there are numerous providers of these services. As a result, consummation of this proposal would have a de minimis effect on competition for these services, and the Board concludes that the proposal would not result in a significantly adverse effect on competition in any relevant market.

C. Public Interest Factor

There is also no evidence in the record to indicate that consummation of this proposal is likely to result in any significantly adverse effects, such as undue concentration

56. One Protestant also alleges that NBD's resulting control of Magic Line and Cash Station would lead to anticompetitive effects in the ATM and POS product markets, including network servicing and network processing. This Protestant also contends that NBD's control of both Magic Line and Cash Station would lead to the likely merger of the two networks, which Protestant asserts would adversely affect competition for electronic funds services in the Midwest. The Board has carefully considered the effects that consummation of this proposal would have on competition in these product markets, in light of all the facts of record, including Protestant's comments, NBD's responses to these comments, and the characteristics of these product markets.

57. *See* Banc One/EPS Order and the data and precedent cited therein.

58. A shared network generally is accessible to cardholders of many unaffiliated institutions that elect to become members of the network, and is often a joint venture owned by some or all of the network's members.

59. Magic Line's member institutions are headquartered primarily in Michigan (83 percent), with other members headquartered primarily in Indiana (17 percent). Cash Station's member institutions are almost all headquartered in Illinois (98 percent), with the remaining 2 percent of members headquartered primarily in Indiana (seven members) and Michigan (two members).

60. NBD provides switching services to Magic Line and EDS provides switching services to Cash Station. The 12 ATM networks operating in the north central United States use 10 different firms to switch their transactions.

61. The Board also has considered the competitive effect of this proposal on POS or debit card activities. Neither NBD nor First Chicago is a significant participant in providing POS services and there is little direct overlap in the geographic scope of their POS activities. The Board notes, moreover, that there are numerous providers of POS services, and that advances in technology have permitted some providers to operate on a national level. In this light, and based on all the facts of record, the Board concludes that this proposal would not result in significant anticompetitive effects on the provision of POS or debit card services.

62. One Protestant contends that NBD has not received Board approval to acquire the following nonbanking subsidiaries it currently owns: NBD Equity Corporation ("Equity"), Woodward Asset Management Corporation ("Woodward"), and Sacore Capital Management Ltd ("Sacore"). Equity is an investment company (that is not a bank holding company) that is engaged only in the business of investing in securities that do not include more than 5 percent of the voting shares of any company. Section 4(c)(6) of the BHC Act permits NBD to control Equity without obtaining Board approval. Woodward and Sacore are inactive subsidiaries, and NBD has committed to notify the Board prior to activating any inactive subsidiary so the Board can determine whether a notice or application is necessary.

63. *See e.g., First Chicago Corporation*, 74 *Federal Reserve Bulletin* 706 (1988); 80 *Federal Reserve Bulletin* 448 (1994).

of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices that would outweigh the public benefits of this proposal, such as an increased selection of services to retail and business customers and added convenience to users of electronic funds transfer services. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval of NBD proposed electronic funds transfer activities and First Chicago's nonbanking subsidiaries.

NBD also has given notice of its intent to acquire First Chicago International Finance Corporation, First Chicago International, and First Chicago Overseas Investment Corporation, corporations of First Chicago, chartered pursuant to the Edge Act. Based on all the facts of record, and for the reasons discussed in this order, the Board concludes that the financial and managerial resources of NBD are consistent with the acquisition of these corporations. The acquisition would also result in the continuation of the international services currently provided, and would be in the pubic interest. Accordingly, the Board finds that the continued operation of these corporations upon acquisition by NBD is consistent with the Edge Act and Regulation K. The Board also concludes that the acquisition of all the investments held by First Chicago under section 4(c)(13) of the BHC Act and Regulation K are consistent with the relevant factors specified therein. Based on all the facts of record, the Board has determined that disapproval of these investments is not warranted.

Other Considerations

In every case involving a nonbanking acquisition under section 4 of the BHC Act, the Board also must consider the financial condition and resources of the applicant and its subsidiaries and the effect of the proposal on these resources.[64] Based on all the facts of record, the Board has concluded that financial and mangerial considerations are consistent with approval of this proposal.

Request for a Hearing

Protestants have requested that the Board hold a public hearing or meeting in connection with this proposal. Protestants contend that a hearing is necessary to discuss First Chicago's implementation of a $3.00 teller fee for certain transactions done with a teller's assistance; to provide a forum for community groups in the midwest to comment upon the applications and notices; and to examine the relationship between Federal Reserve System staff and the parties to this transaction. Section 3(b) of the BHC Act does not require the Board to hold a public hearing on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial of the application. In this case, the Board has not received such a recommendation from any state or federal supervisory authority. Under section 4 of the BHC Act, the Board may order a hearing on an application "if there are disputed issues of material fact that cannot be resolved in some other manner." 12 C.F.R. 225.23(g). In addition, under the Board's rules, the Board may, in its discretion, hold a public hearing or meeting on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 C.F.R. 262.3(e) and 262.25(d). The Board has carefully considered these requests in light of all the facts of record. In the Board's view, Protestants have had ample opportunity to submit their views, and have in fact submitted numerous materials that have been considered by the Board in acting on this application. Protestants' requests fail to demonstrate why their substantial written submissions do not adequately present their allegations. After a careful review of all the facts of record, the Board concludes that Protestants' requests dispute the weight that should be accorded to, and the conclusions that may be drawn from, the existing facts of record, but do not identify any genuine dispute about facts that are material to the Board's decision. Based on all the facts of record, the Board has determined that a public hearing or meeting is not necessary to clarify the factual record in this application, or otherwise warranted in this case, and the requests for a public hearing or meeting on this application are denied.[65]

Conclusion

The Board has considered all of the issues raised in public comments filed in connection with this proposal in light of the factors that the Board is required to consider under the BHC Act. Based on the foregoing and all the facts of record, the Board has determined that this transaction should be, and hereby is, approved. The Board's approval of this proposal is specifically conditioned on compliance by NBD with all the commitments made in connection with this proposal and with the conditions referenced in this order. The Board's determination on the proposed nonbanking activities also is subject to all the conditions

64. *See* 12 C.F.R. 225.24.

65. One Protestant also has raised a question about whether ex parte communications may have been made by members of the Federal Reserve System to First Chicago. Protestant bases this allegation on statements made by First Chicago in a filing with the Securities and Exchange Commission concerning advice First Chicago received about the expected timing of the Board's action on this proposal. First Chicago has stated that the advice it received regarding timing came not from the Federal Reserve System but from its attorneys. This advice was based on the date that the application was accepted for processing and the schedule for processing applications of this type that is set forth in the Board's Regulation Y. First Chicago stated that the advice was given to assist First Chicago in complying with certain requirements of the Investment Company Act of 1940. Board staff also conducted an informal investigation and found that System staff did not inform applicants when this proposal would be scheduled for Board action.

set forth in Regulation Y, including those in sections 225.4(d) and 225.23(g) of Regulation Y, and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. For purposes of this action, these commitments and conditions 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 First Chicago's subsidiary banks may not be consummated before the fifteenth calendar day after the effective date of this order, and this proposal may not be consummated later than three months after the effective date of this order, unless such period is extended by the Board or by the Federal Reserve Bank of Chicago, acting pursuant to delegated authority.

By order of the Board of Governors, effective November 7, 1995.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Appendix

Nonbanking Subsidiaries of First Chicago to be Acquired by NBD:

(1) ANB Mezzanine Corporation, Chicago, Illinois, and thereby engage in making, acquiring, and servicing loans or other extensions of credit pursuant to section 225.25(b)(1) of the Board's Regulation Y;
(2) First Chicago Capital Corporation, Chicago, Illinois, and thereby engage in making, acquiring, and servicing loans or other extensions of credit pursuant to section 225.25(b)(1) of the Board's Regulation Y;
(3) First Chicago Investment Corporation, Chicago, Illinois, and thereby engage in making, acquiring, and servicing loans or other extensions of credit pursuant to section 225.25(b)(1) of the Board's Regulation Y;
(4) First Chicago Realty Services Corporation, Chicago, Illinois, and thereby engage in making, acquiring, and servicing loans or other extensions of credit pursuant to section 225.25(b)(1) of the Board's Regulation Y;
(5) First Chicago Leasing Corporation, Chicago, Illinois, and thereby engage in making, acquiring, and servicing loans, or other extensions of credit, commercial leasing activities, and community development activities pursuant to section 225.25(b)(1), (5), and (6) of the Board's Regulation Y;
(6) First Chicago Trust Company of New York, New York, New York, and thereby engage in performing functions and activities that may be performed by a trust company pursuant to section 225.25(b)(3) of the Board's Regulation Y;
(7) First Chicago Capital Markets, Inc., Chicago, Illinois, and thereby engage in providing financial and transaction advice, in providing full-service securities brokerage services, and in underwriting and dealing in securities that state member banks are permitted to underwrite and deal in pursuant to section 225.25(b)(4), (15), and (16), of the Board's Regulation Y as well as the following: underwriting and dealing, to a limited extent, in certain debt securities that a state member bank may not underwrite or deal in, purchasing and selling securities as a "riskless principal," and acting as an agent in the private placement of securities, all pursuant to *First Chicago Corporation*, 74 *Federal Reserve Bulletin* 706 (1988), and *First Chicago Corporation*, 80 *Federal Reserve Bulletin* 448 (1994);
(8) Palo Verde Lease Holdings, Inc., Chicago, Illinois, and thereby engage in commercial leasing activities pursuant to section 225.25(b)(5) of the Board's Regulation Y;
(9) First Chicago Lease Holding, Inc., Chicago, Illinois, and thereby engage in commercial leasing activities pursuant to section 225.25(b)(5) of the Board's Regulation Y;
(10) Cash Station, Inc., Chicago, Illinois, and thereby engage in data processing activities pursuant to section 225.25(b)(7) of the Board's Regulation Y;
(11) G-W Life Insurance Company, Phoenix, Arizona, and thereby engage in underwriting credit life, accident and health insurance related to certain extensions of credit pursuant to section 225.25(b)(8) (i) of the Board's Regulation Y.

ORDERS ISSUED UNDER INTERNATIONAL BANKING ACT

Crédit Communal de Belgique S.A. Brussels, Belgium

Order Approving Establishment of a Branch

Crédit Communal de Belgique S.A. ("Bank"), Brussels, Belgium, a foreign bank within the meaning of the International Banking Act ("IBA"), has applied under section 7(d) of the IBA (12 U.S.C. § 105(d)) to establish a state-licensed branch in New York, New York. The Foreign Bank Supervision Enhancement Act of 1991 ("FBSEA"), which amended the IBA, provides that a foreign bank must obtain the approval of the Board to establish a branch in the United States.

Notice of the application, affording interested persons an opportunity to submit comments, has been published in a newspaper of general circulation in New York, New York (*The Daily News*, February 13, 1995). The time for filing comments has expired and all comments have been considered.

Bank has total consolidated assets of approximately $100 billion.[1] Bank's shares are held by ten Belgian provincial and 589 Belgian municipal authorities. The City of Antwerp, Belgium, which owns 6.4 percent of Bank's shares, is the only entity with an ownership interest of greater than 5 percent.

Bank, which operates numerous local agencies throughout Belgium, also owns 51 percent of the shares of Banque Internationale a Luxembourg ("BIL") and 100 percent of the shares of Cregem International Bank S.A. ("Cregem"), both in Luxembourg. In addition, Bank operates ten subsidiaries and affiliates in Belgium, Ireland, The Netherlands and Luxembourg.[2] Bank's current U.S. activities consist of two wholly owned commercial paper issuing subsidiaries in Delaware, Cregem North America, Inc., and BIL North America, Inc., and the New York representative office of BIL.

Bank's primary purpose for establishing the branch is to engage in municipal bond financing in the U.S. market. The branch also would conduct corporate lending and project finance activities. Bank would be a qualifying foreign banking organization within the meaning of Regulation K after establishing the proposed branch. 12 C.F.R. 211.23(b).

Bank has received approvals to establish the proposed branch from the Belgian Banking and Finance Commission ("BFC") and the New York State Banking Department.

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

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

Regulation K provides that a foreign bank will be considered to be subject to comprehensive supervision or regulation on a consolidated basis if the Board determines that the bank is supervised and regulated in such a manner that its home country supervisor receives sufficient information on the foreign bank's worldwide operations, including the relationship of the foreign bank to any affiliate, to assess the overall financial condition of the foreign bank and its compliance with law and regulation (12 C.F.R. 211.24(c)(1)).[3] In making its determination under this standard, the Board has considered the following information.

Bank is supervised and regulated by the BFC.[4] The BFC is responsible for the prudential supervision and regulation of credit institutions. In addition, the National Bank of Belgium ("NBB"), in its capacity as Belgium's central bank and lender of last resort, has limited oversight authority.

The BFC may obtain any information required to assess the bank's compliance with law and regulation, the accuracy of financial statements, the soundness of its operations, and the adequacy of internal control systems. Bank must report to the BFC on its financial condition on a consolidated basis. Bank submits monthly, quarterly, semi-annual and annual reports including information on:

(i) Financial statements,
(ii) Solvency ratios,
(iii) Large exposures and problem risks,
(iv) Exchange position in foreign currencies, and
(v) Positions in securities and other financial instruments.

Based on an analysis of this information with respect to Bank, as well as information available from Bank's external auditor, the BFC may require follow-up examinations by its examiners. In addition, the BFC maintains regular direct contact with Bank, including formal and informal meetings.

While the BFC has its own powers of on-site inspection, to monitor the financial condition and operations of Bel-

1. All data are as of December 31, 1994.

2. Activities of these ten companies include holding investment vehicles for tax and other purposes, insurance sales, reinsurance, and home mortgage lending.

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

(i) Ensure that the bank has adequate procedures for monitoring and controlling its activities worldwide;
(ii) Obtain information on the condition of the bank and its subsidiaries and offices through regular examination reports, audit reports, or otherwise;
(iii) Obtain information on the dealings with and relationship between the bank and its affiliates, both foreign and domestic;
(iv) Receive from the bank financial reports that are consolidated on a worldwide basis, or comparable information that permits analysis of the bank's financial condition on a worldwide consolidated basis;
(v) Evaluate prudential standards, such as capital adequacy and risk asset exposure, on a worldwide basis.

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

4. In addition to supervision by the BFC, Bank's operations are reviewed by two government commissioners appointed by the King of Belgium, after consultation with the Minister of Finance and the Minister of the Interior. The commissioners attend meetings of the administrative and supervisory bodies of Bank and participate in an advisory capacity. Commissioners are charged with monitoring the Bank's activities for compliance with the law, the Bank's articles, and the public interest. Each commissioner may appeal any decision of the board within three days of the decision to the appropriate Ministers, with the appeal having a suspending effect on such decision until a ruling has been made by the Belgian government.

gian banks, it relies primarily on the review of reports prepared by Bank's statutory auditor, and on the required periodic financial and regulatory reports. Bank's external auditors must be accredited by the BFC. The external auditor is appointed by Bank with the prior consent of the BFC and must collaborate with the BFC in its prudential supervision. As part of their accreditation requirements and their bank review functions, the external auditors meet regularly with the BFC. In general, as mandated by the BFC, the external auditor reviews the reports of and coordinates with Bank's internal auditors with respect to Bank's asset quality, internal controls and dealings with affiliates. However, the external auditor will, if necessary, conduct its own reviews directly and independently. Specifically, the external auditors' duties include:

(i) Verification of periodic reports on administrative, accounting and internal control systems;

(ii) Verification of compliance with law;

(iii) Semiannual reporting to the BFC on major developments relating to the organization, its activities and financial structure; and

(iv) Immediate reporting to the BFC on violations or irregularities.[5]

The frequency and scope of internal audits of domestic and foreign offices and subsidiaries depend on the type of operation involved. All activities of Bank and its subsidiaries are considered for audit purposes, including compliance, general operations, financial operations, internal controls, and EDP systems. Audits performed by the internal auditors of subsidiaries are reviewed by the audit department of the parent bank. When there is no audit function in a subsidiary, the audits are performed by the internal audit team of the parent bank.[6] Bank is also required to provide annual reports to the BFC concerning certain of its relationships with subsidiaries and affiliates, including breakdowns of intercompany assets, liabilities, contingencies, and income and expense items. Based on all the facts of record, including the information described above, the Board concludes that Bank is subject to comprehensive supervision on a consolidated basis by its home country supervisor.

The Board has also taken into account the additional standards set forth in section 7 of the IBA (*See* 12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)). Bank has provided the Board with the information necessary to assess the application through submissions that address the relevant issues. As noted above, Bank has received the consent of the BFC to establish the proposed state-licensed branch. In addition, the BFC may share information on Bank's operations with other supervisors, including the Board.

Belgium is a signatory to the Basle risk-based capital standards, and Belgian risk-based capital standards meet those established by the Basle Capital Accord and the European Union. Bank's capital is in excess of the minimum levels that would be required by the Basle Capital Accord and is considered equivalent to capital that would be required of a U.S. banking organization. Managerial and other financial resources of Bank also are considered consistent with approval, and Bank appears to have the experience and capacity to support the proposed branch. Bank has established controls and procedures for the proposed branch in order to ensure compliance with U.S. law, as well as controls and procedures for its worldwide operations in general.

Finally, the Board has reviewed the restrictions on disclosure in Belgium and Luxembourg and has communicated with relevant government authorities about access to information. Bank has committed that it will make available to the Board such information on the operations of Bank and any affiliate of Bank that the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act of 1956, as amended, and other applicable federal law. To the extent that the provision of such information is prohibited or impeded by law, Bank has 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 BFC may share information on Bank's operations with other supervisors, including the Board. In light of these commitments and other facts of record, and subject to the condition described below, the Board concludes that Bank has provided adequate assurances of access to any necessary information the Board may request.

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

5. The BFC has the authority to enforce the Belgian banking laws through intervention or imposition of other penalties. When a bank is found to be experiencing problems, the BFC will first attempt to find a solution by consulting with a bank's management. If the problem is not corrected within a certain period of time, the BFC may appoint a special inspector, suspend certain of the bank's activities, replace managers or directors, or revoke the bank's license.

6. BIL and Cregem are also directly supervised by the Institut Monetaire Luxembourgeois ("IML"). Bank states that the IML shares information with the BFC concerning the financial condition and operations of BIL and Cregem and that the IML makes regular visits to Belgium to discuss the Belgian banks that have operations in Luxembourg. BIL and Cregem also have adopted the management reporting and planning systems used by Bank. BIL's board of directors includes four representatives from Bank, including Bank's chairman and vice- chairman. In addition, a liaison committee has been established and includes Bank's four representatives on BIL's board of directors. The liaison committee supervises all matters concerning policies and management of BIL.

States. Approval of this application is also specificallyconditioned on Bank's compliance with the commitments made in connection with this application, and with the conditions in this order.[7] The commitments and conditions referred to above are conditions imposed in writing by the Board in connection with its decision, and may be enforced in proceedings under 12 U.S.C. § 1818 or 12 U.S.C. § 1847 against Bank, its office, and its affiliates.

By order of the Board of Governors, effective November 20, 1995.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

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

Index of Orders Issued or Actions Taken by the Board of Governors of the Federal Reserve System (July 1, 1995–September 30, 1995)

Applicant	Merged or Acquired Bank or Activity	Date of Approval	*Bulletin* Volume and Page
Bank Austria Aktiengesellschaft, Vienna, Austria	To establish a representative office in the United States	August 16, 1995	81, 979
BOK Financial Corporation, Tulsa, Oklahoma	Liberty Bancorp, Inc., Oklahoma City, Oklahoma Liberty Bank and Trust Company of Oklahoma City, N.A., Oklahoma City, Oklahoma Liberty Bank and Trust Company of Tulsa, N.A., Tulsa, Oklahoma	September 11, 1995	81, 1052
Caisse Nationale de Credit Agricole, Paris, France	To establish a representative office in Houston, Texas	September 5, 1995	81, 1055
Canadian Imperial Bank of Commerce, Toronto, Ontario, Canada	The Argosy Securities Group, L.P., New York, New York The Argosy Group, L.P., New York, New York	July 31, 1995	81, 878
The Chase Manhattan Corporation, New York, New York	U.S. Trust Company of Wyoming, Cody, Wyoming Mutual Funds Service Company, Boston, Massachusetts	July 24, 1995	81, 883
The Chase Manhattan Corporation, New York, New York	U.S. Trust Corporation, New York, New York United States Trust Company of New York, New York, New York	July 24, 1995	81, 883
The Fifth Third Bank, Cincinnati, Ohio	PNC Bank, Ohio, N.A., Cincinnati, Ohio	August 23, 1995	81, 976
First Commerce Corporation, New Orleans, Louisiana	Central Corporation, Monroe, Louisiana Central Bank, Monroe, Louisiana	September 25, 1995	81, 1033
First Union Corporation, Charlotte, North Carolina	Education Financing Services, LLC, Winston-Salem, North Carolina	September 25, 1995	81, 1042

Applicant	Merged or Acquired Bank or Activity	Date of Approval	*Bulletin* Volume and Page
NationsBank Corporation, Charlotte, North Carolina Southern National Corporation, Winston-Salem, North Carolina Wachovia Corporation, Winston-Salem, North Carolina Fulton Financial Corporation, Lancaster, Pennsylvania	Delaware National Bankshares Corporation, Georgetown, Delaware Delaware National Bank, Georgetown, Delaware	August 14, 1995	81, 970
Henderson Bancshares, Inc., Troy, Alabama The Charles Henderson Trust, Troy Alabama	Troy Bank & Trust Company, Troy, Alabama	July 24, 1995	81, 873
The Hongkong and Shanghai Banking Corporation, Limited, Hong Kong	To establish a representative office in Dallas, Texas	July 20, 1995	81, 902
HSBC Holdings plc, London, United Kingdom HSBC Holdings BV, Amsterdam, The Netherlands Marine Midland Banks, Inc., Buffalo, New York	United Northern Bancorp, Inc., Watertown, New York United Northern Federal Savings Bank, Watertown, New York	September 11, 1995	81, 1044
Liu Chong Hing Bank Limited, Hong Kong	To establish a state-licensed branch in San Francisco, California	July 20, 1995	81, 905
Marine Midland Bank, Buffalo, New York	United Northern Federal Savings Bank, Watertown, New York	September 11, 1995	81, 1045
Mercantile Bankshares Corporation, Baltimore, Maryland	The Sparks State Bank, Sparks, Maryland	September 22, 1995	81, 1034
Norwest Corporation, Minneapolis, Minnesota	Orlandi Valuta, Los Angeles, California Orlandi Valuta Nacionale, Boulder City, Nevada	August 28, 1995	81, 974
Pilot Bancshares, Inc., Tampa, Florida	The Terrace Bank of Florida, Tampa, Florida	July 3, 1995	81, 874
The Provident Bank, Cincinnati, Ohio	Heritage Savings Bank, Cincinnati, Ohio	July 31, 1995	81, 907
Republic Bank, Philadelphia, Pennsylvania	To establish a branch at 233 Lancaster Avenue, Ardmore, Pennsylvania	August 16, 1995	81, 977
Societe Generale, Paris, France FIMAT Futures USA, Inc., Chicago, Illinois	Brody, White & Company, Inc., New York, New York	July 14, 1995	81, 880
State Street Boston Corporation, Boston, Massachusetts	Boston Financial Data Services, Inc., Quincy, Massachusetts BancBoston State Street Investor Services, L.P., Canton, Massachusetts The First National Bank of Boston, N.A., Boston, Massachusetts	September 25, 1995	81, 1049
Terrace Bank of Florida, Tampa, Florida	University State Bank, Tampa, Florida	July 3, 1995	81, 874

Applicant	Merged or Acquired Bank or Activity	Date of Approval	*Bulletin* Volume and Page
Totalbank Corporation of Florida, Miami, Florida	Florida International Bank, Perrine, Florida	July 12, 1995	81, 876
U.S. Trust Corporation, New York, New York United States Trust Company of New York, New York, New York New USTC Holdings Corporation, New York, New York New U.S. Trust Company of New York, New York, New York	Order approving the formation of a bank holding company, merger of banks, establishment of branches, membership in the Federal Reserve System, and notice to engage in nonbanking activities	July 24, 1995	81, 893
Wells Fargo & Company, San Francisco, California HSBC Holdings plc, London, United Kingdom HSBC Holdings BV, Amsterdam, The Netherlands Marine Midland Banks, Inc., Buffalo, New York	Wells Fargo HSBC Trade Bank, N.A., San Francisco, California	September 18, 1995	81, 1037
Westamerica Bank, San Rafael, California	Bank of America, NT & SA, San Francisco, California	July 31, 1995	81, 900

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
Doniphan Baneshares, Inc., Doniphan, Nebraska	Bank of Doniphan, Doniphan, Nebraska	November 9, 1995
Union Planters Corporation, Memphis, Tennessee	First Bancshares of Eastern Arkansas, Inc., West Memphis, Arkansas	November 21, 1995
Union Planters Corporation, Memphis, Tennessee	First Bancshares of N.E. Arkansas, Inc., Osceola, Arkansas	November 21, 1995

Section 4

Applicant(s)	Bank(s)	Effective Date
First National of Nebraska, Inc., Omaha, Nebraska	Integrated Planning Systems, Inc., Bellevue, Nebraska	November 30, 1985
Keystone Financial, Inc., Harrisburg, Pennsylvania	National Security American Life Insurance Company, Towanda, Pennsylvania	November 16, 1995
Whitney Holding Corporation, New Orleans, Louisiana	WCDC, Inc., New Orleans, Louisiana	November 24, 1995

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
American Bank Shares, Inc., Rapid City, South Dakota	American State Bank of Rapid City, Rapid City, South Dakota	Minneapolis	October 26, 1995
Area Bancshares Corporation, Owensboro, Kentucky	Citizens Deposit Bancshares, Inc., Calhoun, Kentucky	St. Louis	November 1, 1995
ASB Corporation, Osceola, Arkansas	American State Bank, Osceola, Arkansas	St. Louis	November 15, 1995
BANKFIRST Corporation, Inc., Sioux Falls, South Dakota	BANKFIRST, N.A., Sioux Falls, South Dakota	Minneapolis	November 22, 1995
Berkshire Bancorp, Pittsfield, Massachusetts	Berkshire County Savings Bank, Pittsfield, Massachusetts	Boston	October 27, 1995
Bren-Mar Properties, Inc., Columbia, Missouri	Jack's Fork Bancorporation, Inc., Columbia, Missouri	St. Louis	November 13, 1995
BT Financial Corporation, Johnstown, Pennsylvania	The Huntington National Bank of Pennsylvania, Uniontown, Pennsylvania	Philadelphia	November 21, 1995
Century South Banks, Inc., Dahlonega, Georgia	Bank of Danielsville, Danielsville, Georgia	Atlanta	November 16, 1995
Coronado, Inc., Sterling, Kansas	Lyons Bankshares, Inc., Lyons, Kansas	Kansas City	November 22, 1995
First Financial Bankshares, Inc., Abilene, Texas First Financial Bankshares of Delaware, Inc., Wilmington, Delaware	Citizens Equity Corporation, Weatherford, Texas	Dallas	November 20, 1995
First National Security Company, DeQueen, Arkansas	First National Bank of Lewisville, Lewisville, Arkansas	St. Louis	November 20, 1995
First United Bancorp, Inc., Madisonville, Kentucky	First United Bank of Hopkins County, Inc., Madisonville, Kentucky	St. Louis	November 14, 1995
Greene County Bancshares, Inc., Greeneville, Tennessee	Premier Bancshares, Inc., Niota, Tennessee	Atlanta	November 3, 1995
Hillister Enterprises II, Inc., Beaumont, Texas	Umphrey II Family Limited Partnership, Beaumont, Texas Southeast Texas Bancshares, Inc., Beaumont, Texas Community Bank of Texas, Beaumont, Texas	Dallas	November 16, 1995
Magnolia Partnership Investments, Ltd., Beaumont, Texas	First of Groves Corporation, Groves, Texas First Bank & Trust Company, Groves, Texas First National Bank, Silsbee, Texas	Dallas	November 2, 1995
Mercantile Bancorporation Inc., St. Louis, Missouri	First Sterling Bancorp, Inc., Sterling, Illinois	St. Louis	November 13, 1995

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Mercantile Bancorporation Inc., St. Louis, Missouri	Hawkeye Bancorporation, Des Moines, Iowa	St. Louis	November 10, 1995
Milton Bancshares, Inc., Milton, Wisconsin	Bank of Milton, Milton, Wisconsin	Chicago	November 3, 1995
Mountain West Financial Corp., Helena, Montana	Mountain West Bank of Great Falls, N.A., Great Falls, Montana	Minneapolis	November 1, 1995
Naperville Bancorp, Inc., Naperville, Illinois	Naperville Bank, Naperville, Illinois	Chicago	October 26, 1995
NEMO Bancshares, Inc., Madison, Missouri	Madison-Hunnewell Bank, Madison, Missouri	St. Louis	November 8, 1995
Norcon Financial Corp., Conway Springs, Kansas	The First National Bank of Conway Springs, Conway Springs, Kansas The Farmers State Bank of Norwich, Norwich, Kansas	Kansas City	November 14, 1995
Norwest Corporation, Minneapolis, Minnesota	The Bank of Robstown, Robstown, Texas	Minneapolis	November 21, 1995
Pan American Bancshares, Inc., Chicago, Illinois	Pan American Bank, Chicago, Illinois	Chicago	October 27, 1995
Parkers Prairie Bancshares, Inc., Parkers Prairie, Minnesota	Waubun Bancshares, Inc., Waubun, Minnesota	Minneapolis	November 22, 1995
The Queensborough Company, Lousiville, Georgia	Ogeechee Valley Bank, Millen, Georgia	Atlanta	November 10, 1995
SNBNY Holdings Limited, Marina Bay, City of Gibraltar	Safra National Bank of New York, New York, New York	New York	November 10, 1995
Star Valley Banc Shares, Inc., Afton, Wyoming	The Bank of Star Valley, Afton, Wyoming	Kansas City	November 20, 1995
Texas Financial Bancorporation, Inc., Minneapolis, Minnesota First Bancorp, Inc., Denton, Texas First Delaware Bancorp, Inc., Dover, Delaware	United Commerce Bank of Highland Village, N.A., Highland Village, Texas	Dallas	November 9, 1995
UMB Financial Corporation, Kansas City, Missouri	First Sooner Bancshares, Inc., Oklahoma City, Oklahoma	Kansas City	November 9, 1995
Umphrey II Family Limited Partnership, Beaumont, Texas	Southeast Texas Bancshares, Inc., Beaumont, Texas Community Bank of Texas, Beaumont, Texas	Dallas	November 16, 1995
Westfield Mutual Holding Company, Westfield, Massachusetts	Westfield Savings Bank, Westfield, Massachusetts	Boston	November 2, 1995

Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Barnett Banks, Inc., Jacksonville, Florida	First Financial Bancshares of Polk County, Inc., Lake Wales, Florida	Atlanta	November 6, 1995
CNB Bancshares, Inc., Evansville, Indiana	Citizens Trust Company of Indiana, N.A., Evansville, Indiana	St. Louis	November 6, 1995
Community First Bankshares, Inc., Fargo, North Dakota	Boelke Insurance Agency, Hankinson, North Dakota	Minneapolis	November 9, 1995
Community Bank Shares of Indiana, Inc., New Albany, Indiana	Heritage Bank of Southern Indiana, Jeffersonville, Indiana	St. Louis	November 1, 1995
DFC Acquisition Corporation Two, Kansas City, Missouri Dickinson Financial Corporation, Kansas City, Missouri	UMB Financial Corporation, Kansas City, Missouri	Kansas City	November 7, 1995
First Western Bancorp, Inc., Huron, South Dakota	Owen Johnson Insurance Agency, Inc., Hill City, South Dakota	Minneapolis	November 10, 1995
Independence Community Bank Corp., Brooklyn, New York	Bay Ridge Bancorp, Inc., Brooklyn, New York	New York	November 6, 1995
National Bank of Canada, Montreal, Quebec, Canada	Lévesque Beaubien Geoffrion Ltd., New York, New York	New York	November 1, 1995
National Westminster Bank Plc, London, England	Gleacher & Co., Inc., New York, New York	New York	November 22, 1995
National Westminster Bank Plc, London, England	To engage in making equity investments in corporations or projects designed primarily to promote community welfare	New York	November 22, 1995
South Florida Banking Corporation, Bonita Springs, Florida	First National Bank of Florida at Bonita Springs, Bonita Springs, Florida	Atlanta	November 14, 1995
Susquehanna Bancshares, Inc., Lititz, Pennsylvania	Fairfax Financial Corporation, Baltimore, Maryland	Philadelphia	November 21, 1995
UJB Financial Corp., Princeton, New Jersey	Berkeley Federal Bank and Trust, FSB, Palisades Park, New Jersey	New York	October 31, 1995
Waterhouse Investor Services, Inc., New York, New York	National Investor Services Corp., New York, New York	New York	October 27, 1995

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
Byron Center State Bank, Byron Center, Michigan	First of America-Michigan, National Association, Grand Rapids, Michigan	Chicago	October 27, 1995
Central Trust Company, Lander, Wyoming	Buffalo Investment Corporation, Edina, Minnesota	Kansas City	November 10, 1995
Marine Midland Bank, Buffalo, New York	Hang Seng Bank Limited, Hong Kong	New York	November 21, 1995
Republic Security Bank, West Palm Beach, Florida	Banyan Bank, Boca Raton, Florida	Atlanta	November 22, 1995

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.

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

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

Lee v. Board of Governors, No. 94-4134 (2nd Cir., filed August 22, 1995). Petition for review of Board orders dated July 24, 1995, approving certain steps of a corporate reorganization of U.S. Trust Corporation, New York, New York, and the acquisition of U.S. Trust by Chase Manhattan Corporation, New York, New York. On September 12, 1995, the court denied petitioners' motion for an emergency stay of the Board's orders.

Jones v. Board of Governors, No. 95-1359 (D.C. Cir., filed July 17, 1995). Petition for review of a Board order dated June 19, 1995, approving the application by First Commerce Corporation, New Orleans, Louisiana, to acquire Lakeside Bancshares, Lake Charles, Louisiana. On November 15, 1995, the court granted the Board's motion to dismiss.

Money Station, Inc. v. Board of Governors, No. 95-1182 (D.C. Cir., filed March 30, 1995). Petition for review of a Board order dated March 1, 1995, approving notices by Bank One Corporation, Columbus, Ohio; CoreStates Financial Corp., Philadelphia, Pennsylvania; PNC Bank Corp., Pittsburgh, Pennsylvania; and KeyCorp, Cleveland, Ohio, to acquire certain data processing assets of National City Corporation, Cleveland, Ohio, through a joint venture subsidiary. The Board's brief was filed November 16, 1995. Oral argument is scheduled for February 2, 1996.

Jones v. Board of Governors, No. 95-1142 (D.C. Cir., filed March 3, 1995). Petition for review of a Board order dated February 2, 1995, approving the applications by First Commerce Corporation, New Orleans, Louisiana, to merge with City Bancorp, Inc., New Iberia, Louisiana, and First Bankshares, Inc., Slidell, Louisiana. Petitioner filed a motion for injunctive relief and for a stay of the Board's order on April 3, 1995. On August 17, 1995, the court denied the motion. Oral argument on the petition for review is scheduled for February 27, 1996.

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

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

Board of Governors v. Ghaith R. Pharaon, No. 91-CIV-6250 (S.D. New York, filed September 17, 1991). Action to freeze assets of individual pending administrative adjudication of civil money penalty assessment by the Board. On

September 17, 1991, the court issued an order temporarily restraining the transfer or disposition of the individual's assets.

FINAL ENFORCEMENT ORDERS ISSUED BY THE BOARD OF GOVERNORS

Constantinos I. Costalas
Voorhees, New Jersey

The Federal Reserve Board announced on November 27, 1995, the issuance of a combined Order of Prohibition and Order of Assessment of a Civil Money Penalty against Constantinos I. Costalas, the former chairman of the board, president, and chief executive officer of Glendale Bancorporation, Voorhees, New Jersey, and the Glendale National Bank of New Jersey, Voorhees, New Jersey; and the former chairman of the board of the Glendale Bank of Pennsylvania, Upper Darby, Pennsylvania.

TERMINATION OF ENFORCEMENT ACTIONS

Piedmont Trust Bank
Martinsville, Virginia

The Federal Reserve Board announced on November 3, 1995, the termination of the following enforcement action: Piedmont Trust Bank, Martinsville, Virginia — Cease and Desist Order dated August 5, 1993; terminated October 3, 1995.

Financial and Business Statistics

Guide to Tabular Presentation

Symbols and Abbreviations

c	Corrected
e	Estimated
n.a.	Not available
n.e.c.	Not elsewhere classified
p	Preliminary
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)
*	Amounts insignificant in terms of the last decimal place shown in the table (for example, less than 500,000 when the smallest unit given is millions)
0	Calculated to be zero
. . .	Cell not applicable
ATS	Automatic transfer service
BIF	Bank insurance fund
CD	Certificate of deposit
CMO	Collateralized mortgage obligation
FFB	Federal Financing Bank
FHA	Federal Housing Administration
FHLBB	Federal Home Loan Bank Board
FHLMC	Federal Home Loan Mortgage Corporation
FmHA	Farmers Home Administration
FNMA	Federal National Mortgage Association
FSLIC	Federal Savings and Loan Insurance Corporation
G-7	Group of Seven
G-10	Group of Ten
GNMA	Government National Mortgage Association
GDP	Gross domestic product
HUD	Department of Housing and Urban Development
IMF	International Monetary Fund
IO	Interest only
IPCs	Individuals, partnerships, and corporations
IRA	Individual retirement account
MMDA	Money market deposit account
MSA	Metropolitan statistical area
NOW	Negotiable order of withdrawal
OCD	Other checkable deposit
OPEC	Organization of Petroleum Exporting Countries
OTS	Office of Thrift Supervision
PO	Principal only
REIT	Real estate investment trust
REMIC	Real estate mortgage investment conduit
RP	Repurchase agreement
RTC	Resolution Trust Corporation
SAIF	Savings Association Insurance Fund
SCO	Securitized credit obligation
SDR	Special drawing right
SIC	Standard Industrial Classification
VA	Department of Veterans Affairs

General Information

In many of the tables, components do not sum to totals because of rounding.

Minus signs are used to indicate (1) a decrease, (2) a negative figure, or (3) an outflow.

"U.S. government securities" may include guaranteed issues of U.S. government agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct obligations of the Treasury. "State and local government" also includes municipalities, special districts, and other political subdivisions.

1.10 RESERVES, MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES

Percent annual rate of change, seasonally adjusted[1]

Monetary or credit aggregate	1994	1995			1995				
	Q4	Q1	Q2	Q3	June	July	Aug.	Sept.	Oct
Reserves of depository institutions[2]									
1 Total	3.3	3.7	8.0	1.2	8.5	6.3	2.9	3.1	11.5
2 Required	3.0	4.0	-7.0	2.3	10.4	3.8	.8	2.3	14.4
3 Nonborrowed	2.1	2.4	8.6	-2.2	11.1	4.3	1.1	3.0	10.8
4 Monetary base[3]	6.9	6.4	6.3	1.0	2.6	.3	3.3	1.1	3.3
Concepts of money, liquid assets, and debt[4]									
5 M1	1.2	.0	.9	1.0[r]	.9	1.0[r]	1.6[r]	3.9[r]	10.4
6 M2	.3	1.7	4.4	7.7	11.9	6.2	8.3	4.4[r]	-.7
7 M3	1.7	4.4	7.1	8.8	12.8	8.4	7.7[r]	4.3	3.3
8 L	2.2	6.4	7.6	9.2	8.3	11.5	7.9[r]	8.9	n.a.
9 Debt	5.3[r]	5.4[r]	6.7	4.5	5.3[r]	3.5[r]	3.7[r]	3.1	n.a.
Nontransaction components									
10 In M2[5]	.2	2.5	6.9	11.7[r]	16.9[r]	8.5	12.8[r]	8.0[r]	3.5
11 In M3 only[6]	12.3[r]	18.5	20.6[r]	14.1[r]	17.4[r]	18.8[r]	5.0[r]	3.6[r]	22.7
Time and savings deposits									
Commercial banks									
12 Savings, including MMDAs	8.5	13.2	-7.3	10.3	18.2	4.3	14.5	11.7	11.2
13 Small time[7]	16.0	24.3	23.4	9.8[r]	13.4	10.0[r]	5.5[r]	1.9	1.5
14 Large time[8,9]	17.7	12.7	15.8	14.6[r]	12.9	19.6	5.6	10.3[r]	42.4
Thrift institutions									
15 Savings, including MMDAs	17.6	20.5	14.5	5.8[r]	4.0	7.6	7.0[r]	.3	.0
16 Small time[7]	10.9	21.5	26.6	3.7[r]	2.7	.3[r]	2.0[r]	2.3[r]	2.7
17 Large time[8]	14.1	23.3	14.6	13.4	6.8	30.5	9.9	8.2	17.9
Money market mutual funds									
18 General purpose and broker dealer	7.5	7.9	18.1	43.3	61.6	44.5	37.7	17.6	9.9
19 Institution-only	7.3	10.0	27.1	29.3	66.5	39.7	9.0	15.4	12.9
Debt components[4]									
20 Federal	5.9	5.3	5.3	4.4	8.4	4.1	1.9	.7	n.a.
21 Nonfederal	5.1[r]	5.5[r]	7.2	4.5	4.2[r]	3.3[r]	4.4[r]	4.0	n.a.

1. Unless otherwise noted, rates of change are calculated from average amounts outstanding during preceding month or quarter.

2. Figures incorporate adjustments for discontinuities, or "breaks," associated with regulatory changes in reserve requirements. (See also table 1.20.)

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

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

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

M2: M1 plus (1) overnight (and continuing contract) repurchase agreements (RPs) issued by all depository institutions and overnight Eurodollars issued to U.S. residents by foreign branches of U.S. banks worldwide, (2) savings (including MMDAs) and small time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and (3) balances in both taxable and tax exempt general-purpose and broker dealer money market funds. Excludes individual retirement accounts (IRAs) and Keogh balances at depository institutions and money market funds. Also excludes all balances held by U.S. commercial banks, money market funds (general purpose and broker dealer), foreign governments and commercial banks, and the U.S. government. Seasonally adjusted M2 is computed by adjusting its non-M1 component as a whole and then adding this result to seasonally adjusted M1.

M3: M2 plus (1) large time deposits and term RP liabilities (in amounts of $100,000 or more) issued by all depository institutions, (2) term Eurodollars held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada, and (3) balances in both taxable and tax-exempt, institution-only money market funds. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Also excluded is the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds. Seasonally adjusted M3 is computed by adjusting its non-M2 component as a whole and then adding this result to seasonally adjusted M2.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, net of money market fund holdings of these assets. Seasonally adjusted L is computed by summing U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, each seasonally adjusted separately, and then adding this result to M3.

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

5. Sum of (1) overnight RPs and overnight Eurodollars, (2) money market fund balances (general purpose and broker dealer), (3) savings deposits (including MMDAs), and (4) small time deposits.

6. Sum of (1) large time deposits, (2) term RPs, (3) term Eurodollars of U.S. residents, and (4) money market fund balances (institution-only), less (5) a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds. This sum is seasonally adjusted as a whole.

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

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

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

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT[1]

Millions of dollars

Factor	Average of daily figures			Average of daily figures for week ending on date indicated						
	1995			1995						
	Aug.	Sept.	Oct.	Sept. 13	Sept. 20	Sept. 27	Oct. 4	Oct. 11	Oct. 18	Oct. 25
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	409,402	410,892[r]	410,695	411,208	413,459	409,638	410,395	411,744	411,856	410,282
U.S. government securities[2]										
2 Bought outright—System account	371,942	371,068	370,901	371,236	371,826	371,349	369,583	371,478	371,359	370,796
3 Held under repurchase agreements	133	4,206	3,227	4,540	5,880	2,487	4,742	3,551	4,112	2,876
Federal agency obligations										
4 Bought outright	3,019	2,932	2,876	2,941	2,941	2,921	2,895	2,895	2,895	2,883
5 Held under repurchase agreements	52	106	479	327	0	21	32	0	400	989
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	112	28	45	8	2	23	75	121	22	24
8 Seasonal credit	259	254	204	243	255	267	255	224	217	190
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	291	408	537	295	652	476	348	942	381	304
11 Other Federal Reserve assets	33,595	31,890[r]	32,425	31,618	31,904	32,093	32,465	32,533	32,469	32,219
12 Gold stock	11,053	11,052	11,051	11,053	11,053	11,052	11,051	11,051	11,051	11,051
13 Special drawing rights certificate account	10,518	10,366	10,168	10,518	10,368	10,168	10,168	10,168	10,168	10,168
14 Treasury currency outstanding	23,623	23,721[r]	23,799	23,704[r]	23,726[r]	23,747[r]	23,769	23,783	23,797	23,811
ABSORBING RESERVE FUNDS										
15 Currency in circulation	410,420	411,003[r]	411,565	412,575[r]	410,777[r]	409,302[r]	410,131	412,617	412,499	410,989
16 Treasury cash holdings	310	322	315	318	332	322	321	317	313	313
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	5,257	6,850	5,384	4,903	10,002	6,651	6,829	5,630	4,941	5,275
18 Foreign	184	179	179	182	174	181	186	168	181	184
19 Service-related balances and adjustments	4,599	4,688	4,874	4,643	4,693	4,759	4,766	4,743	4,829	4,996
20 Other	289	348	386	339	362	329	345	349	546	333
21 Other Federal Reserve liabilities and capital	12,758	12,176	12,938	11,876	12,241	12,694	12,998	12,963	12,813	12,983
22 Reserve balances with Federal Reserve Banks[3]	20,779	20,466[r]	20,070	21,648	20,024	20,368	19,807	19,959	20,748	20,239
	End-of-month figures			Wednesday figures						
	Aug.	Sept.	Oct.	Sept. 13	Sept. 20	Sept. 27	Oct. 4	Oct. 11	Oct. 18	Oct. 25
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	408,461	410,266[r]	409,827	416,668	420,340	412,324	410,408	414,886	409,976	414,760
U.S. government securities[2]										
2 Bought outright—System account	369,818	367,669	371,227	372,102	370,992	369,652	371,264	372,427	370,980	370,173
3 Held under repurchase agreements	3,055	6,445	2,290	8,175	13,020	6,487	3,080	4,833	4,112	7,780
Federal agency obligations										
4 Bought outright	2,941	2,895	2,812	2,941	2,941	2,895	2,895	2,895	2,895	2,812
5 Held under repurchase agreements	100	75	210	1,209	0	150	0	0	400	975
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	4	160	1	3	1	70	3	834	8	124
8 Seasonal credit	266	261	123	246	266	270	234	226	213	172
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	686	73	830	−25	611	651	605	1,246	−1,038	−345
11 Other Federal Reserve assets	31,592	32,687[r]	32,334	32,018	32,509	32,150	32,327	32,426	32,405	33,069
12 Gold stock	11,053	11,051	11,051	11,053	11,053	11,051	11,051	11,051	11,051	11,051
13 Special drawing rights certificate account	10,518	10,168	10,168	10,518	10,168	10,168	10,168	10,168	10,168	10,168
14 Treasury currency outstanding	23,682	23,769[r]	23,825	23,704[r]	23,726[r]	23,747[r]	23,769	23,783	23,797	23,811
ABSORBING RESERVE FUNDS										
15 Currency in circulation	410,984	409,275[r]	411,767	412,625[r]	410,856[r]	410,225[r]	411,794	413,758	412,491	411,416
16 Treasury cash holdings	316	322	314	334	322	322	318	313	313	314
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	4,767	8,620	7,018	6,086	17,499	6,553	5,779	5,092	5,710	5,336
18 Foreign	166	201	275	177	167	170	170	164	162	269
19 Service-related balances and adjustments	4,612	4,766[r]	5,009	4,643	4,693	4,759	4,766	4,743	4,829	4,996
20 Other	298	332	375	339	330	331	353	346	349	326
21 Other Federal Reserve liabilities and capital	11,438	13,088	13,073	12,084	12,323	12,663	12,796	12,645	12,562	12,723
22 Reserve balances with Federal Reserve Banks[3]	21,134	18,650[r]	17,041	25,654	19,097	22,268	19,419	22,826	18,574	24,409

1. Amounts of cash held as reserves are shown in table 1.12, line 2.
2. Includes securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale–purchase transactions.
3. Excludes required clearing balances and adjustments to compensate for float.

1.12 RESERVES AND BORROWINGS Depository Institutions[1]

Millions of dollars

Reserve classification	1992 Dec.	1993 Dec.	1994 Dec.	1995 Apr.	1995 May	1995 June	1995 July	1995 Aug.	1995 Sept.	1995 Oct.
	Prorated monthly averages of biweekly averages									
1 Reserve balances with Reserve Banks[2]	25,368	29,374	24,658	24,217	21,476	21,058	20,840	20,565	20,519	20,054
2 Total vault cash[3]	34,541	36,818	40,365	38,099	39,038	39,839	40,522	40,177	40,648	40,561
3 Applied vault cash[4]	31,172	33,484	36,682	34,657	35,281	35,986	36,550	36,255	36,640	36,345
4 Surplus vault cash[5]	3,370	3,334	3,683	3,442	3,757	3,853	3,971	3,923	4,008	4,216
5 Total reserves[6]	56,540	62,858	61,340	58,874	56,757	57,044	57,390	56,819	57,159	56,400
6 Required reserves	55,385	61,795	60,172	58,120	55,877	56,079	56,300	55,832	56,209	55,319
7 Excess reserve balances at Reserve Banks[7]	1,155	1,063	1,168	753	880	964	1,090	988	950	1,081
8 Total borrowings at Reserve Banks[8]	124	82	209	111	150	272	371	282	278	245
9 Seasonal borrowings	18	31	100	82	137	172	231	258	252	199
10 Extended credit[9]	1	0	0	0	0	0	0	0	0	0
	Biweekly averages of daily figures for two week periods ending on dates indicated									
	1995									
	July 5	July 19	Aug. 2	Aug. 16	Aug. 30	Sept. 13	Sept. 27	Oct. 11	Oct. 25	Nov. 8
1 Reserve balances with Reserve Banks[2]	20,546	21,733	19,920	20,793	20,395	21,029	20,182	19,886[r]	20,496	19,332
2 Total vault cash[3]	39,724	40,411	40,983	40,889	39,324	40,554	40,628	41,153	39,855	41,123
3 Applied vault cash[4]	35,930	36,491	36,878	36,898	35,491	36,693	36,556	36,805	35,770	36,847
4 Surplus vault cash[5]	3,794	3,920	4,106	3,991	3,833	3,862	4,072	4,348	4,086	4,276
5 Total reserves[6]	56,476	58,224	56,798	57,691	55,886	57,722	56,738	56,690[r]	56,265	56,179
6 Required reserves	55,462	57,334	55,443	56,491	55,153	56,879	55,781	55,312	55,406	55,129
7 Excess reserve balances at Reserve Banks[7]	1,014	890	1,354	1,200	733	843	957	1,378[r]	860	1,051
8 Total borrowings at Reserve Banks[8]	336	293	478	250	288	268	274	338	227	121
9 Seasonal borrowings	214	224	245	247	272	245	261	240	204	116
10 Extended credit[9]	0	0	0	0	0	0	0	0	0	0

1. Data in this table also appear in the Board's H.3 (502) weekly statistical release. For ordering address, see inside front cover. Data are not break-adjusted or seasonally adjusted.
2. Excludes required clearing balances and adjustments to compensate for float and includes other off-balance-sheet "as of" adjustments.
3. Total "lagged" vault cash held by depository institutions subject to reserve requirements. Dates refer to the maintenance periods during which the vault cash may be used to satisfy reserve requirements. The maintenance period for weekly reporters ends sixteen days after the lagged computation period during which the vault cash is held. Before Nov. 25, 1992, the maintenance period ended thirty days after the lagged computation period.
4. All vault cash held during the lagged computation period by "bound" institutions (that is, those whose required reserves exceed their vault cash) plus the amount of vault cash applied during the maintenance period by "nonbound" institutions (that is, those whose vault cash exceeds their required reserves) to satisfy current reserve requirements.
5. Total vault cash (line 2) less applied vault cash (line 3).
6. Reserve balances with Federal Reserve Banks (line 1) plus applied vault cash (line 3).
7. Total reserves (line 5) less required reserves (line 6).
8. Also includes adjustment credit.
9. Consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as with traditional short-term adjustment credit, the money market effect of extended credit is similar to that of nonborrowed reserves.

1.13 SELECTED BORROWINGS IN IMMEDIATELY AVAILABLE FUNDS Large Banks[1]

Millions of dollars, averages of daily figures

Source and maturity	1995, week ending Monday								
	Sept. 4	Sept. 11	Sept. 18	Sept. 25	Oct. 2	Oct. 9	Oct. 16	Oct. 23	Oct. 30
Federal funds purchased, repurchase agreements, and other selected borrowings									
From commercial banks in the United States									
1 For one day or under continuing contract	80,287	79,342	77,611	74,600	81,613	83,098	80,898	80,764	87,443
2 For all other maturities	18,086	16,701	16,473	16,001	16,120	15,150	14,701	15,224	15,906
From other depository institutions, foreign banks and official institutions, and U.S. government agencies									
3 For one day or under continuing contract	24,256	23,443	22,768	26,575	22,771	20,172	23,263	21,530	18,531
4 For all other maturities	27,651	27,431	25,979	24,595	23,101	23,104	23,054	22,142	22,598
Repurchase agreements on U.S. government and federal agency securities									
Brokers and nonbank dealers in securities									
5 For one day or under continuing contract	19,873	19,126	18,285	18,985	21,188	18,310	20,503	17,911	17,892
6 For all other maturities	34,723	33,827	35,204	33,489	29,906	33,907	34,083	36,211	36,216
All other customers									
7 For one day or under continuing contract	42,318	41,470	40,377	39,681	40,403	38,988	40,657	40,997	42,351
8 For all other maturities	19,004	18,585	18,440	17,692	17,869	18,266	17,335	17,254	16,833
MEMO									
Federal funds loans and resale agreements in immediately available funds in maturities of one day or under continuing contract									
9 To commercial banks in the United States	58,363	55,344	55,844	55,159	59,325	53,810	55,932	59,787	61,281
10 To all other specified customers[2]	29,034	29,813	32,721	28,334	26,019	29,275	28,075	28,031	27,924

1. Banks with assets of $4 billion or more as of Dec. 31, 1988.
Data in this table also appear in the Board's H.5 (507) weekly statistical release. For ordering address, see inside front cover.

2. Brokers and nonbank dealers in securities, other depository institutions, foreign banks and official institutions, and U.S. government agencies.

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per year

Current and previous levels

Federal Reserve Bank	Adjustment credit[1]			Seasonal credit[2]			Extended credit[3]		
	On 12/8/95	Effective date	Previous rate	On 12/8/95	Effective date	Previous rate	On 12/8/95	Effective date	Previous rate
Boston	5.25	2/1/95	4.75	5.75	12/7/95	5.75	6.25	12/7/95	6.25
New York		2/1/95							
Philadelphia		2/2/95							
Cleveland		2/9/95							
Richmond		2/1/95							
Atlanta		2/2/95							
Chicago		2/1/95							
St. Louis		2/1/95							
Minneapolis		2/2/95							
Kansas City		2/1/95							
Dallas		2/2/95							
San Francisco	5.25	2/1/95	4.75	5.75	12/7/95	5.75	6.25	12/7/95	6.25

Range of rates for adjustment credit in recent years[4]

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1977	6	6
1978—Jan. 9	6-6.5	6.5
20	6.5	6.5
May 11	6.5-7	7
12	7	7
July 3	7-7.25	7.25
10	7.25	7.25
Aug. 21	7.75	7.75
Sept. 22	8	8
Oct. 16	8-8.5	8.5
20	8.5	8.5
Nov. 1	8.5-9.5	9.5
3	9.5	9.5
1979—July 20	10	10
Aug. 17	10-10.5	10.5
20	10.5	10.5
Sept. 19	10.5-11	11
21	11	11
Oct. 8	11-12	12
10	12	12
1980—Feb. 15	12-13	13
19	13	13
May 29	12-13	13
30	12	12
June 13	11-12	11
16	11	11
July 28	10-11	10
29	10	10
Sept. 26	11	11
Nov. 17	12	12
Dec. 5	12-13	13
8	13	13
1981—May 5	13-14	14
8	14	14

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1981—Nov. 2	13-14	13
6	13	13
Dec. 4	12	12
1982—July 20	11.5-12	11.5
23	11.5	11.5
Aug. 2	11-11.5	11
3	11	11
16	10.5	10.5
27	10-10.5	10
30	10	10
Oct. 12	9.5-10	9.5
13	9.5	9.5
Nov. 22	9-9.5	9
26	9	9
Dec. 14	8.5-9	9
15	8.5-9	8.5
17	8.5	8.5
1984—Apr. 9	8.5-9	9
13	9	9
Nov. 21	8.5-9	8.5
26	8.5	8.5
Dec. 24	8	8
1985—May 20	7.5-8	7.5
24	7.5	7.5
1986—Mar. 7	7-7.5	7
10	7	7
Apr. 21	6.5-7	6.5
23	6.5	6.5
July 11	6	6
Aug. 21	5.5-6	5.5
22	5.5	5.5

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1987—Sept. 4	5.5-6	6
11	6	6
1988—Aug. 9	6-6.5	6.5
11	6.5	6.5
1989—Feb. 24	6.5-7	7
27	7	7
1990—Dec. 19	6.5	6.5
1991—Feb. 1	6-6.5	6
4	6	6
Apr. 30	5.5-6	5.5
May 2	5.5	5.5
Sept. 13	5-5.5	5
17	5	5
Nov. 6	4.5-5	4.5
7	4.5	4.5
Dec. 20	3.5-4.5	3.5
24	3.5	3.5
1992—July 2	3-3.5	3
7	3	3
1994—May 17	3-3.5	3.5
18	3.5	3.5
Aug. 16	3.5-4	4
18	4	4
Nov. 15	4-4.75	4.75
17	4.75	4.75
1995—Feb. 1	4.75-5.25	5.25
9	5.25	5.25
In effect Dec. 8, 1995	5.25	5.25

1. Available on a short-term basis to help depository institutions meet temporary needs for funds that cannot be met through reasonable alternative sources. The highest rate established for loans to depository institutions may be charged on adjustment credit loans of unusual size that result from a major operating problem at the borrower's facility.

2. Available to help relatively small depository institutions meet regular seasonal needs for funds that arise from a clear pattern of intrayearly movements in their deposits and loans and that cannot be met through special industry lenders. The discount rate on seasonal credit takes into account rates charged by market sources of funds and ordinarily is reestablished on the first business day of each two-week reserve maintenance period; however, it is never less than the discount rate applicable to adjustment credit.

3. May be made available to depository institutions when similar assistance is not reasonably available from other sources, including special industry lenders. Such credit may be provided when exceptional circumstances (including sustained deposit drains, impaired access to money market funds, or sudden deterioration in loan repayment performance) or practices involve only a particular institution, or to meet the needs of institutions experiencing difficulties adjusting to changing market conditions over a longer period (particularly at times of deposit disintermediation). The discount rate applicable to adjustment credit ordinarily is charged on extended-credit loans outstanding less than thirty days; however, at the discretion of the Federal Reserve Bank, this time period may be shortened. Beyond this initial period, a flexible rate somewhat above rates charged on market sources of funds is charged. The rate ordinarily is reestablished on the first business day of each two-week reserve maintenance period, but it is never less than the discount rate applicable to adjustment credit plus 50 basis points.

4. For earlier data, see the following publications of the Board of Governors: *Banking and Monetary Statistics, 1914–1941*, and *1941–1970*; and the *Annual Statistical Digest, 1970–1979*.

In 1980 and 1981, the Federal Reserve applied a surcharge to short-term adjustment-credit borrowings by institutions with deposits of $500 million or more that had borrowed in successive weeks or in more than four weeks in a calendar quarter. A 3 percent surcharge was in effect from Mar. 17, 1980, through May 7, 1980. A surcharge of 2 percent was reimposed on Nov. 17, 1980; the surcharge was subsequently raised to 3 percent on Dec. 5, 1980, and to 4 percent on May 5, 1981. The surcharge was reduced to 3 percent effective Sept. 22, 1981, and to 2 percent effective Oct. 12, 1981. As of Oct. 1, 1981, the formula for applying the surcharge was changed from a calendar quarter to a moving thirteen-week period. The surcharge was eliminated on Nov. 17, 1981.

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Type of deposit[2]	Requirement	
	Percentage of deposits	Effective date
Net transaction accounts[3]		
1 $0 million-$52.0 million	3	12/19/95
2 More than $52.0 million[4]	10	12/19/95
3 Nonpersonal time deposits[5]	0	12/27/90
4 Eurocurrency liabilities[6]	0	12/27/90

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

2. 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. Effective Dec. 19, 1995, the exemption was raised from $4.2 million to $4.3 million. The exemption applies only to accounts that would be subject to a 3 percent reserve requirement.

3. Transaction accounts include all deposits against which the account holder is permitted to make withdrawals by negotiable or transferable instruments, payment orders of withdrawal, and telephone and preauthorized transfers for the purpose of making payments to third persons or others. However, money market deposit accounts (MMDAs) and similar accounts subject to the rules that permit no more than six preauthorized, automatic, or other transfers per month, of which no more than three may be checks, are savings deposits, not transaction accounts.

The Monetary Control Act of 1980 requires that the amount of transaction accounts against which the 3 percent reserve requirement applies be modified annually by 80 percent of the percentage change in transaction accounts held by all depository institutions, determined as of June 30 of each year. Effective Dec. 19, 1995 the amount was decreased from $54.0 million to $52.0 million.

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

5. For institutions that report weekly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years was reduced from 3 percent to 1½ percent for the maintenance period that began Dec. 13, 1990, and to zero for the maintenance period that began Dec. 27, 1990. The reserve requirement on nonpersonal time deposits with an original maturity of 1½ years or more has been zero since Oct. 6, 1983.

For institutions that report quarterly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years was reduced from 3 percent to zero on Jan. 17, 1991.

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

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

Type of transaction and maturity	1992	1993	1994	1995						
				Mar	Apr	May	June	July	Aug.	Sept.
U.S. TREASURY SECURITIES										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	14,714	17,717	17,484	0	0	0	4,470	0	433	409
2 Gross sales	1,628	0	0	0	0	0	0	0	0	0
3 Exchanges	308,699	332,229	376,277	36,449	30,983	31,663	42,983	25,213	39,195	30,333
4 Redemptions	1,600	0	0	0	0	0	0	0	0	0
Others within one year										
5 Gross purchases	1,096	1,223	1,238	0	0	0	0	0	0	0
6 Gross sales	0	0	0	0	0	0	0	0	0	0
7 Maturity shifts	36,662	31,368	0	4,802	2,993	7,174	2,177	2,063	8,717	0
8 Exchanges	30,543	36,582	21,444	2,096	0	7,374	−1,392	562	7,805	0
9 Redemptions	0	0	0	0	370	0	0	300	0	0
One to five years										
10 Gross purchases	13,118	10,350	9,168	0	2,549	0	0	0	0	100
11 Gross sales	0	0	0	0	0	0	0	0	0	0
12 Maturity shifts	34,478	27,140	6,004	4,802	477	6,694	2,177	2,063	7,873	0
13 Exchanges	25,811	0	17,801	1,050	0	5,374	1,392	562	4,905	0
Five to ten years										
14 Gross purchases	2,818	4,168	3,818	0	839	0	0	0	0	0
15 Gross sales	0	0	0	0	0	0	0	0	0	0
16 Maturity shifts	1,915	0	3,145	0	2,516	1,248	0	0	319	0
17 Exchanges	3,532	0	2,903	1,046	0	2,000	0	0	1,800	0
More than ten years										
18 Gross purchases	2,333	3,457	3,606	0	1,138	0	0	0	0	100
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shifts	269	0	918	0	0	1,728	0	0	525	0
21 Exchanges	1,200	0	775	0	0	0	0	0	1,100	0
All maturities										
22 Gross purchases	34,079	36,915	35,314	0	4,526	0	4,470	0	433	609
23 Gross sales	1,628	0	0	0	0	0	0	0	0	0
24 Redemptions	1,600	767	2,337	0	370	0	0	300	0	0
Matched transactions										
25 Gross purchases	1,480,140	1,475,941	1,700,836	168,800	148,306	155,027	170,083	166,674	179,130	195,830
26 Gross sales	1,482,467	1,475,085	1,701,309	170,724	147,616	153,534	171,959	163,490	185,270	198,587
Repurchase agreements										
27 Gross purchases	378,374	475,447	309,276	22,070	36,314	35,158	40,989	8,527	4,130	43,286
28 Gross sales	386,257	470,723	311,898	16,477	39,157	34,377	28,196	24,851	1,075	39,896
29 Net change in U.S. Treasury securities	20,642	41,729	29,882	3,669	2,004	2,274	15,387	13,141	2,651	1,241
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
30 Gross purchases	0	0	0	0	0	0	0	0	0	0
31 Gross sales	0	0	0	0	0	0	0	0	0	0
32 Redemptions	632	774	1,002	83	20	30	262	333	122	46
Repurchase agreements										
33 Gross purchases	14,565	35,063	52,696	4,926	4,415	6,155	1,941	711	1,610	1,434
34 Gross sales	14,486	34,669	52,696	3,821	5,020	5,955	2,180	1,172	1,510	1,459
35 Net change in federal agency obligations	554	380	1,002	1,022	625	170	501	794	22	71
36 Total net change in System Open Market Account	**20,089**	**41,348**	**28,880**	**4,691**	**1,379**	**2,444**	**14,886**	**−13,935**	**−2,673**	**1,170**

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

1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements[1]

Millions of dollars

Account	Wednesday 1995					End of month 1995		
	Sept. 27	Oct. 4	Oct. 11	Oct. 18	Oct. 25	Aug. 31	Sept. 30	Oct. 31
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,051	11,051	11,051	11,051	11,051	11,053	11,051	11,051
2 Special drawing rights certificate account	10,168	10,168	10,168	10,168	10,168	10,518	10,168	10,168
3 Coin	405	421	429	451	459	369	435	460
Loans								
4 To depository institutions	340	237	1,059	222	296	269	421	124
5 Other	0	0	0	0	0	0	0	0
6 Acceptances held under repurchase agreements	0	0	0	0	0	0	0	0
Federal agency obligations								
7 Bought outright	2,895	2,895	2,895	2,895	2,812	2,941	2,895	2,812
8 Held under repurchase agreements	150	0	0	400	975	100	75	210
9 **Total U.S. Treasury securities**	**376,139**	**374,344**	**377,260**	**375,092**	**377,953**	**372,873**	**374,114**	**373,517**
10 Bought outright[2]	369,652	371,264	372,427	370,980	370,173	369,818	367,669	371,227
11 Bills	179,076	180,688	181,851	180,889	180,082	179,441	177,093	181,136
12 Notes	147,904	147,904	147,904	147,418	147,418	147,804	147,904	147,418
13 Bonds	42,673	42,673	42,673	42,673	42,673	42,573	42,673	42,673
14 Held under repurchase agreements	6,487	3,080	4,833	4,112	7,780	3,055	6,445	2,290
15 **Total loans and securities**	**379,524**	**377,476**	**381,214**	**378,608**	**382,036**	**376,183**	**377,505**	**376,663**
16 Items in process of collection	5,594	6,236	9,782	5,468	5,069	3,929	3,978	8,015
17 Bank premises	1,112	1,114	1,117	1,118	1,140	1,107	1,114	1,139
Other assets								
18 Denominated in foreign currencies[3]	21,405	21,659	21,317	21,329	21,340	21,473	21,653	21,376
19 All other[4]	9,599	9,476	9,888	9,900	10,525	8,948	9,814	9,876
20 **Total assets**	**438,858**	**437,600**	**444,966**	**438,094**	**441,787**	**433,580**	**435,717**	**438,748**
LIABILITIES								
21 Federal Reserve notes	387,204	388,763	390,718	389,458	388,378	387,987	386,263	388,715
22 **Total deposits**	**34,323**	**30,610**	**33,475**	**30,894**	**35,812**	**30,316**	**32,585**	**29,911**
23 Depository institutions	27,269	24,308	27,873	24,672	29,881	25,086	23,432	22,284
24 U.S. Treasury—General account	6,553	5,779	5,092	5,710	5,336	4,767	8,620	7,018
25 Foreign—Official accounts	170	170	164	162	269	166	201	275
26 Other	331	353	346	349	326	298	332	375
27 Deferred credit items	4,668	5,431	8,128	5,180	4,871	3,839	3,781	7,049
28 Other liabilities and accrued dividends[5]	4,623	4,423	4,382	4,270	4,425	4,697	4,617	4,432
29 **Total liabilities**	**430,818**	**429,227**	**436,702**	**429,802**	**433,489**	**426,839**	**427,247**	**430,107**
CAPITAL ACCOUNTS								
30 Capital paid in	3,918	3,917	3,922	3,923	3,924	3,910	3,915	3,923
31 Surplus	3,617	3,674	3,683	3,683	3,683	2,832	3,624	3,683
32 Other capital accounts	505	782	658	686	691	0	931	1,034
33 **Total liabilities and capital accounts**	**438,858**	**437,600**	**444,966**	**438,094**	**441,787**	**433,580**	**435,717**	**438,748**
MEMO								
34 Marketable U.S. Treasury securities held in custody for foreign and international accounts	479,346	484,600	485,542	481,636	482,862	479,521	484,601	488,911
	Federal Reserve note statement							
35 Federal Reserve notes outstanding (issued to Banks)	472,233	473,758	475,149	477,968	480,298	470,405	472,874	482,369
36 LESS: Held by Federal Reserve Banks	85,029	84,995	84,431	88,510	91,920	82,418	86,611	93,654
37 Federal Reserve notes, net	387,204	388,763	390,718	389,458	388,378	387,987	386,263	388,715
Collateral held against notes, net								
38 Gold certificate account	11,051	11,051	11,051	11,051	11,051	11,053	11,051	11,051
39 Special drawing rights certificate account	10,168	10,168	10,168	10,168	10,168	10,518	10,168	10,168
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities	365,985	367,544	369,499	368,239	367,159	366,417	365,044	367,496
42 **Total collateral**	**387,204**	**388,763**	**390,718**	**389,458**	**388,378**	**387,987**	**386,263**	**388,715**

1. Some of the data in this table also appear in the Board's H.4.1 (503) weekly statistical release. For ordering address, see inside front cover.
2. Includes securities loaned—fully guaranteed by U.S. Treasury securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale–purchase transactions.
3. Valued monthly at market exchange rates.
4. Includes special investment account at the Federal Reserve Bank of Chicago in Treasury bills maturing within ninety days.
5. Includes exchange-translation account reflecting the monthly revaluation at market exchange rates of foreign exchange commitments.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holding

Millions of dollars

Type of holding and maturity	Wednesday					End of month		
	1995					1995		
	Sept. 27	Oct. 4	Oct. 11	Oct. 18	Oct. 25	Aug. 31	Sept. 30	Oct. 31
1 **Total loans**	**340**	**237**	**1,059**	**222**	**296**	**299**	**421**	**124**
2 Within fifteen days[1]	306	50	877	197	270	262	273	48
3 Sixteen days to ninety days	35	187	182	24	26	37	149	76
4 **Total U.S. Treasury securities**	**376,139**	**374,344**	**377,260**	**375,092**	**377,953**	**369,818**	**367,669**	**371,227**
5 Within fifteen days[1]	15,187	17,507	20,071	19,232	18,124	2,215	2,645	11,078
6 Sixteen days to ninety days	88,437	85,383	86,243	90,792	90,561	86,645	92,851	88,044
7 Ninety-one days to one year	121,022	120,565	120,056	114,553	118,753	129,665	120,681	121,873
8 One year to five years	85,870	85,268	85,268	84,893	84,893	85,770	85,870	84,610
9 Five years to ten years	29,992	29,992	29,992	29,992	29,992	29,992	29,992	29,992
10 More than ten years	35,630	35,630	35,630	35,630	35,630	35,530	35,630	35,630
11 **Total federal agency obligations**	**3,045**	**2,895**	**2,894**	**3,295**	**3,787**	**2,941**	**2,895**	**2,812**
12 Within fifteen days[1]	335	0	83	607	1,099	265	185	224
13 Sixteen days to ninety days	747	987	904	780	780	658	747	680
14 Ninety-one days to one year	431	376	476	476	538	479	431	538
15 One year to five years	1,081	1,081	981	981	918	1,098	1,081	918
16 Five years to ten years	427	427	427	427	427	417	427	427
17 More than ten years	25	25	25	25	25	25	25	25

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

NOTE. Total acceptances data have been deleted from this table because data are no longer available.

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE[1]

Billions of dollars, averages of daily figures

Item	1991 Dec.	1992 Dec.	1993 Dec.	1994 Dec.	1995 Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.
							Seasonally adjusted					
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]												
1 Total reserves[3]	45.54	54.35	60.50	59.34	58.55	57.96	57.76	57.35	57.66	57.52	57.37	56.82
2 Nonborrowed reserves[4]	45.34	54.23	60.42	59.13	58.48	57.85	57.61	57.08	57.28	57.23	57.09	56.58
3 Nonborrowed reserves plus extended credit[5]	45.34	54.23	60.42	59.13	58.48	57.85	57.61	57.08	57.28	57.23	57.09	56.58
4 Required reserves	44.56	53.20	59.44	58.17	57.76	57.20	56.88	56.39	56.57	56.53	56.42	55.74
5 Monetary base[6]	317.43	351.12	386.60	418.22	425.35	428.13	430.69	429.76	429.66	430.86	431.25r	432.43
							Not seasonally adjusted					
6 Total reserves[7]	46.98	56.06	62.37	61.13	57.62	58.93	56.82	57.13	57.49	56.93	57.29	56.54
7 Nonborrowed reserves	46.78	55.93	62.29	60.92	57.55	58.82	56.68	56.85	57.12	56.65	57.01	56.30
8 Nonborrowed reserves plus extended credit[5]	46.78	55.93	62.29	60.92	57.55	58.82	56.68	56.85	57.12	56.65	57.01	56.30
9 Required reserves[8]	46.00	54.90	61.31	59.96	56.83	58.18	55.95	56.16	56.40	55.95	56.34	55.46
10 Monetary base[9]	321.07	354.55	390.59	422.51	423.27	428.74	429.29	430.26	431.30	431.08	431.62r	431.57
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[10]												
11 Total reserves[11]	55.53	56.54	62.86	61.34	57.58	58.87	56.76	57.04	57.39	56.82	57.16	56.40
12 Nonborrowed reserves	55.34	56.42	62.78	61.13	57.51	58.76	56.61	56.77	57.02	56.54	56.88	56.15
13 Nonborrowed reserves plus extended credit[5]	55.34	56.42	62.78	61.13	57.51	58.76	56.61	56.77	57.02	56.54	56.88	56.15
14 Required reserves	54.55	55.39	61.80	60.17	56.79	58.12	55.88	56.08	56.30	55.83	56.21	55.32
15 Monetary base[12]	333.61	360.90	397.62	427.25	427.56	432.79	433.47	434.57	435.56	435.59	436.20r	436.33
16 Excess reserves[13]	.98	1.16	1.06	1.17	.79	.75	.88	.96	1.09	.99	.95	1.08
17 Borrowings from the Federal Reserve	.19	.12	.08	.21	.07	.11	.15	.27	.37	.28	.28	.25

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

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

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

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

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

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

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

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

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

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

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

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

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

1.22 DEPOSIT INTEREST RATES AND AMOUNTS OUTSTANDING Commercial and BIF-insured saving banks[1]

Item	1993 Dec.[r]	1994 Dec.	1995 Feb.	1995 Mar.	1995 Apr.	1995 May	1995 June	1995 July	1995 Aug.	1995 Sept.[r]	1995 Oct.
	Interest rates (annual effective yields)[2]										
INSURED COMMERCIAL BANKS											
1 Negotiable order of withdrawal accounts	1.86	1.96	2.01	2.00	1.95	1.96	1.94	1.91	1.93	1.94	1.93
2 Savings deposits[3]	2.46	2.91	3.09	3.14	3.17	3.20	3.19	3.15	3.12	3.14	3.11
Interest-bearing time deposits with balances of less than $100,000, by maturity											
3 7 to 91 days	2.65	3.81	4.19	4.24	4.28	4.25	4.19	4.17	4.10	4.10	4.11
4 92 to 182 days	2.91	4.44	4.83	4.97	4.94	4.93	4.81	4.77	4.77	4.75	4.75
5 183 days to 1 year	3.13	5.12	5.57	5.60	5.60	5.49	5.27	5.18	5.15	5.14	5.15
6 More than 1 year to 2½ years	3.55	5.74	6.12	6.12	6.05	5.83	5.53	5.38	5.39	5.32	5.31
7 More than 2½ years	4.28[r]	6.30	6.52	6.45	6.37	6.11	5.79	5.62	5.63	5.60	5.56
BIF-INSURED SAVINGS BANKS[4]											
8 Negotiable order of withdrawal accounts	1.87	1.95	2.04	1.99	1.99	2.00	1.98	1.96	1.98	1.98	1.97
9 Savings deposits[3]	2.63	2.88	2.95	2.94	2.93	2.95	2.97	2.97	2.95	2.96	2.97
Interest-bearing time deposits with balances of less than $100,000, by maturity											
10 7 to 91 days	2.81[r]	3.80	4.17	4.21	4.18	4.24	4.24	4.28	4.34	4.29	4.34
11 92 to 182 days	3.02	4.89	5.33	5.37	5.38	5.31	5.22	5.16	5.12	5.08	5.07
12 183 days to 1 year	3.31	5.52	5.94	5.94	5.87	5.83	5.61	5.47	5.45	5.35	5.32
13 More than 1 year to 2½ years	3.67[r]	6.09	6.37	6.32	6.25	6.08	5.78	5.62	5.60	5.51	5.51
14 More than 2½ years	4.62	6.43	6.75	6.68	6.59	6.32	5.98	5.82	5.78	5.74	5.70
	Amounts outstanding (millions of dollars)										
INSURED COMMERCIAL BANKS											
15 Negotiable order of withdrawal accounts	305,237[r]	303,724	290,188	292,811	286,987	274,281	274,573	271,777	266,715	253,174	258,097
16 Savings deposits[3]	767,035[r]	734,519	714,955	713,440	698,963	714,989	718,393	723,302	733,011	744,839	746,419
17 Personal	598,276[r]	578,459	564,877	564,086	550,674	560,563	563,795	567,624	572,916	584,239	586,044
18 Nonpersonal	168,759[r]	156,060	150,078	149,354	148,289	154,426	154,599	155,678	160,096	160,600	160,375
Interest-bearing time deposits with balances of less than $100,000, by maturity											
19 7 to 91 days	29,362[r]	32,375	31,777	31,623	31,530	31,472	32,140	32,950	30,722	29,804	29,809
20 92 to 182 days	109,050[r]	95,901	98,248	95,583	94,368	93,188	91,999	91,347	89,896	92,220	93,792
21 183 days to 1 year	145,386[r]	161,831	169,103	176,657	179,625	184,560	187,185	186,716	187,141	189,338	187,697
22 More than 1 year to 2½ years	139,781[r]	162,486	176,877	183,275	189,652	194,963	198,541	201,761	203,466	203,548	205,400
23 More than 2½ years	180,461[r]	190,897	191,383	194,722	194,426	192,542	195,024	194,500	199,944	200,182	199,101
24 IRA and Keogh plan deposits	144,011[r]	143,428	145,040	145,959	146,679	146,842	148,894	148,878	149,320	149,570	150,328
BIF-INSURED SAVINGS BANKS[4]											
25 Negotiable order of withdrawal accounts	11,191[r]	11,317	10,950	11,218	11,005	11,019	11,354	11,262	11,104	11,408	11,329
26 Savings deposits[3]	80,376[r]	70,642	69,982	68,595	67,453	67,322	67,185	66,706	66,776	69,752	69,755
27 Personal	77,263[r]	67,673	67,144	65,692	64,204	64,484	63,966	63,524	63,483	66,403	66,316
28 Nonpersonal	3,113[r]	2,969	2,837	2,902	3,248	2,838	3,219	3,182	3,293	3,349	3,439
Interest-bearing time deposits with balances of less than $100,000, by maturity											
29 7 to 91 days	2,746[r]	2,166	2,086	1,943	1,780	1,885	1,567	1,784	1,873	1,739	1,779
30 92 to 182 days	12,974[r]	11,793	11,953	11,707	11,245	11,449	11,025	11,131	11,183	11,258	11,298
31 183 days to 1 year	17,469[r]	18,753	19,979	20,277	21,051	20,956	21,702	22,157	22,488	24,837	25,184
32 More than 1 year to 2½ years	16,589[r]	17,842	21,870	22,648	23,445	24,014	24,658	25,141	25,296	27,825	27,937
33 More than 2½ years	20,501[r]	21,600	22,275	22,446	22,671	22,819	22,935	22,930	22,780	23,351	23,600
34 IRA and Keogh plan accounts	19,791[r]	19,325	20,099	20,221	20,388	20,236	20,499	20,568	20,531	21,913	21,892

1. BIF, Bank Insurance Fund. Data in this table also appear in the Board's H.6 (508) Special Supplementary Table monthly statistical release. For ordering address, see inside front cover. Estimates are based on data collected by the Federal Reserve System from a stratified random sample of about 425 commercial banks and 75 savings banks on the last day of each month. Data are not seasonally adjusted and include IRA and Keogh deposits and foreign currency-denominated deposits. Data exclude retail repurchase agreements and deposits held in U.S. branches and agencies of foreign banks.

2. As of October 31, 1994, interest rate data for NOW accounts and savings deposits reflect a series break caused by a change in the survey used to collect these data.

3. Includes personal and nonpersonal money market deposits.

4. Includes both mutual and federal savings banks.

1.23 BANK DEBITS AND DEPOSIT TURNOVER[1]

Debits are in billions of dollars; turnover is ratio of debits to deposits; monthly data are at annual rates

Bank group, or type of deposit	1992[2]	1993[2]	1994[2]	1995 Mar.	1995 Apr.[r]	1995 May[r]	1995 June[r]	1995 July[r]	1995 Aug.
DEBITS	Seasonally adjusted								
Demand deposits[3]									
1 All insured banks	313,128.1	334,784.1	369,029.1	393,325.4[r]	367,823.2	423,264.5	413,088.5	391,048.2	407,358.0
2 Major New York City banks	165,447.7	171,224.3	191,168.8	197,666.4	185,842.3	217,587.7	203,342.1	197,712.2	206,835.9
3 Other banks	147,680.4	163,559.7	177,860.3	195,659.0[r]	181,981.0	205,676.7	209,746.3	193,336.1	200,522.1
4 Other checkable deposits[4]	3,780.3	3,481.5	3,798.6	4,044.4	3,707.7	4,236.4	4,005.4	3,591.0	4,236.1
5 Savings deposits (including MMDAs)[5]	3,309.1	3,497.4	3,766.3	3,889.3	3,565.4	4,022.4	4,413.5	4,018.1	4,778.2
DEPOSIT TURNOVER									
Demand deposits[3]									
6 All insured banks	825.9	785.9	817.4	880.4	817.2	943.3	905.5	849.2	887.8
7 Major New York City banks	4,795.3	4,198.1	4,481.5	4,754.1	4,553.3	5,170.7	4,780.2	4,625.9	4,970.9
8 Other banks	428.7	424.6	435.1	482.9	444.6	505.8	507.1	462.8	480.6
9 Other checkable deposits[4]	14.4	11.9	12.6	13.9	12.7	15.0	14.4	12.9	15.5
10 Savings deposits (including MMDAs)[5]	4.7	4.6	4.9	5.4	5.0	5.6	6.1	5.5	6.5
DEBITS	Not seasonally adjusted								
Demand deposits[3]									
11 All insured banks	313,344.9	334,899.2	369,121.8	412,197.1[r]	362,784.7	412,762.0	425,601.0	390,221.1	421,842.7
12 Major New York City banks	165,595.0	171,283.5	191,226.0[r]	209,255.5	180,169.1	207,259.8	209,349.5	196,873.1	213,958.6
13 Other banks	147,749.9	163,615.7	177,895.7	202,941.6[r]	182,615.6	205,502.2	216,251.5	193,348.0	207,884.1
14 Other checkable deposits[4]	3,783.6	3,481.7	3,795.6	4,083.4[r]	3,918.1	4,070.1	4,120.8	3,522.7	4,203.2
15 Savings deposits (including MMDAs)[5]	3,310.0	3,498.3	3,764.4	3,989.3	3,726.8	3,982.3	4,521.4	4,086.1	4,782.9
DEPOSIT TURNOVER									
Demand deposits[3]									
16 All insured banks	826.1	786.1	818.2	946.3	805.8	936.5	945.2	848.0	936.6
17 Major New York City banks	4,803.5	4,197.9	4,490.3	5,145.1	4,459.5	5,095.1	5,037.0	4,658.7	5,343.0
18 Other banks	428.8	424.8	435.3	513.9	445.6	513.6	529.1	462.7	506.6
19 Other checkable deposits[4]	14.4	11.9	12.6	14.0	13.2	14.5	15.0	12.9	15.6
20 Savings deposits (including MMDAs)[5]	4.7	4.6	4.9	5.6	5.2	5.6	6.2	5.6	6.5

1. Historical tables containing revised data for earlier periods can be obtained from the Publications Section, Division of Support Services, Board of Governors of the Federal Reserve System, Washington, DC 20551.

Data in this table also appear in the Board's G.6 (406) monthly statistical release. For ordering address, see inside front cover.

2. Annual averages of monthly figures.

3. Represents accounts of individuals, partnerships, and corporations and of states and political subdivisions.

4. As of January 1994, other checkable deposits (OCDs), previously defined as automatic transfer to demand deposits (ATSs) and negotiable order of withdrawal (NOW) accounts, were expanded to include telephone and preauthorized transfer accounts. This change redefined OCDs for debits data to be consistent with OCDs for deposits data.

5. Money market deposit accounts.

1.26 ASSETS AND LIABILITIES OF COMMERCIAL BANKS[1]

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1994	1995[r]							1995			
	Oct.[r]	Apr.	May	June	July	Aug.	Sept.	Oct.	Oct. 4	Oct. 11	Oct. 18	Oct. 25
ALL COMMERCIAL BANKING INSTITUTIONS	Seasonally adjusted											
Assets												
1 Bank credit	3,295.4	3,456.1	3,483.4	3,499.0	3,516.2	3,531.3	3,552.2	3,555.0	3,547.8	3,552.0	3,550.5	3,561.8
2 Securities in bank credit	964.4	980.8	976.7	973.4	964.4	971.5	977.1	975.8	978.4	975.1	972.9	981.0
3 U.S. government securities	740.4	710.8	713.7	711.5	705.9	710.3	707.7	712.5	711.7	712.8	709.9	714.6
4 Other securities	224.0	270.0	263.0	261.9	258.5	261.2	269.4	263.2	266.7	262.4	263.0	266.4
5 Loans and leases in bank credit[2]	2,331.0	2,475.3	2,506.7	2,525.6	2,551.8	2,559.8	2,575.2	2,579.2	2,569.5	2,576.9	2,577.6	2,580.8
6 Commercial and industrial	632.8	681.1	689.1	691.9	697.4	698.7	702.6	703.5	701.0	701.9	701.8	704.3
7 Real estate	986.1	1,037.0	1,042.6	1,051.6	1,062.6	1,067.8	1,071.7	1,074.3	1,072.4	1,075.1	1,073.9	1,074.6
8 Revolving home equity	74.4	76.5	77.2	77.6	78.0	78.4	78.7	78.7	78.5	78.7	78.6	78.8
9 Other	911.6	960.4	965.5	974.0	984.6	989.4	993.0	995.6	993.9	996.4	995.3	995.9
10 Consumer	441.2	471.2	473.0	478.1	481.1	486.3	489.2	489.1	488.0	489.3	489.2	489.2
11 Security[3]	74.5	78.5	90.1	89.9	89.3	84.6	87.1	84.7	82.1	83.5	85.7	84.1
12 Other	196.5	207.6	211.9	214.0	221.4	222.3	224.6	227.6	225.9	227.1	226.9	228.7
13 Interbank loans[4]	164.0	180.2	185.0	187.1	194.7	191.7	195.5	199.5	190.5	199.1	194.2	209.6
14 Cash assets[5]	208.9	208.7	210.8	211.3	214.2	208.9	212.4	220.5	217.8	228.6	199.9	224.7
15 Other assets[6]	220.2	226.2	225.2	225.4	225.8	225.6	230.0	229.0	232.7	227.6	228.1	227.2
16 Total assets[7]	**3,831.8**	**4,014.3**	**4,047.5**	**4,065.9**	**4,093.9**	**4,100.8**	**4,133.4**	**4,147.4**	**4,132.2**	**4,150.7**	**4,115.9**	**4,166.7**
Liabilities												
17 Deposits	2,526.3	2,554.7	2,567.3	2,584.5	2,608.5	2,614.6	2,628.1	2,642.8	2,635.3	2,648.1	2,618.9	2,653.5
18 Transaction	804.6	788.6	785.3	781.2	793.4	784.9	782.4	780.0	777.3	790.2	758.5	787.8
19 Nontransaction	1,721.7	1,766.1	1,782.0	1,803.3	1,815.1	1,829.8	1,845.7	1,862.8	1,858.0	1,857.9	1,860.4	1,865.7
20 Large time	354.9	388.6	392.9	395.9	400.8	407.3	414.0	423.3	420.5	419.0	424.7	424.0
21 Other	1,366.8	1,377.5	1,389.2	1,407.4	1,414.3	1,422.5	1,431.7	1,439.6	1,437.5	1,438.9	1,435.7	1,441.7
22 Borrowings	584.0	682.3	688.6	676.1	691.2	671.6	676.0	674.1	677.5	672.6	667.1	682.4
23 From banks in the U.S.	165.1	186.1	187.6	187.6	201.5	197.0	200.7	205.6	192.5	204.7	201.3	219.4
24 From nonbanks in the U.S.	418.9	496.2	500.9	488.5	489.7	474.6	475.3	468.5	484.9	467.9	465.8	463.0
25 Net due to related foreign offices	214.9	234.8	239.8	244.8	236.4	248.0	253.9	259.2	249.3	248.7	257.0	269.4
26 Other liabilities[8]	178.8	218.2	213.9	212.7	203.9	206.5	215.6	211.8	208.7	214.7	213.9	210.0
27 Total liabilities	**3,504.0**	**3,689.9**	**3,709.7**	**3,718.1**	**3,740.0**	**3,740.8**	**3,773.7**	**3,788.0**	**3,770.7**	**3,784.0**	**3,756.8**	**3,815.2**
28 Residual (assets less liabilities)[9]	327.8	324.4	337.9	347.8	353.8	360.0	359.7	359.4	361.4	366.7	359.1	351.4
	Not seasonally adjusted											
Assets												
29 Bank credit	3,295.5	3,457.5	3,475.1	3,495.5	3,503.1	3,521.4	3,547.3	3,553.4	3,543.1	3,546.4	3,552.3	3,551.4
30 Securities in bank credit	963.2	987.4	978.0	974.2	959.9	969.0	972.6	973.5	973.7	972.0	971.8	975.5
31 U.S. government securities	739.8	715.1	712.8	711.2	702.1	711.0	709.4	711.2	710.9	710.1	709.7	712.3
32 Other securities	223.3	272.3	265.2	263.0	257.9	258.0	263.2	262.3	262.8	261.9	262.1	263.2
33 Loans and leases in bank credit[2]	2,332.4	2,470.1	2,497.1	2,521.3	2,543.1	2,552.4	2,574.6	2,579.9	2,569.4	2,574.4	2,580.5	2,575.9
34 Commercial and industrial	630.6	685.6	692.2	693.9	696.7	695.3	698.8	701.0	700.0	698.5	699.4	700.2
35 Real estate	988.7	1,032.8	1,041.0	1,051.4	1,061.9	1,067.1	1,073.0	1,077.0	1,074.8	1,078.1	1,076.9	1,076.4
36 Revolving home equity	75.1	76.0	77.0	77.7	78.0	78.5	79.1	79.4	79.2	79.3	79.3	79.4
37 Other	913.6	956.8	963.9	973.7	983.9	988.6	993.9	997.6	995.7	998.8	997.6	997.0
38 Consumer	441.2	468.0	471.5	475.5	478.8	485.8	490.3	489.1	488.4	488.4	489.3	489.4
39 Security[3]	74.1	79.3	83.9	85.9	83.9	81.5	85.4	84.1	77.3	81.3	86.4	83.1
40 Other	197.7	204.5	208.6	214.6	221.8	222.6	227.1	228.7	229.0	228.1	228.5	226.8
41 Interbank loans[4]	162.2	179.8	179.4	184.1	190.6	187.0	191.9	197.9	190.3	199.4	193.3	200.8
42 Cash assets[5]	209.3	205.0	208.3	209.5	211.1	201.3	213.9	220.9	213.8	239.3	205.2	208.5
43 Other assets[6]	222.0	222.4	224.4	224.0	225.4	227.4	230.5	230.8	234.8	231.0	228.1	225.6
44 Total assets[7]	**3,832.6**	**4,008.0**	**4,030.4**	**4,056.1**	**4,073.5**	**4,080.2**	**4,126.5**	**4,146.6**	**4,125.3**	**4,159.7**	**4,122.5**	**4,129.9**
Liabilities												
45 Deposits	2,521.9	2,557.7	2,558.3	2,581.6	2,599.4	2,600.5	2,624.5	2,638.4	2,642.6	2,660.3	2,618.3	2,609.4
46 Transaction	801.9	793.5	774.1	775.6	784.1	768.8	779.6	777.7	784.3	800.7	760.8	749.9
47 Nontransaction	1,720.0	1,764.2	1,784.1	1,806.0	1,815.3	1,831.7	1,844.9	1,860.7	1,858.2	1,859.6	1,857.5	1,859.5
48 Large time	352.8	387.2	397.1	398.4	400.2	408.0	413.9	421.0	419.0	417.2	421.5	422.1
49 Other	1,367.2	1,377.0	1,387.0	1,407.6	1,415.1	1,423.7	1,430.9	1,439.6	1,439.2	1,442.3	1,435.9	1,437.4
50 Borrowings	591.9	663.5	674.4	683.1	692.1	680.6	686.0	681.4	681.1	682.4	680.0	677.1
51 From banks in the U.S.	163.2	182.5	182.1	187.5	197.8	194.8	198.7	203.1	195.6	204.7	198.6	206.1
52 From nonbanks in the U.S.	428.7	481.1	492.2	495.6	494.3	485.8	487.3	478.3	485.5	477.6	481.4	471.1
53 Net due to related foreign offices	214.7	237.0	245.2	238.9	233.9	243.2	247.5	258.4	239.6	247.9	255.3	276.0
54 Other liabilities[8]	180.7	213.2	212.1	208.0	201.2	205.8	215.2	213.5	209.9	214.9	213.8	211.6
55 Total liabilities	**3,509.1**	**3,671.4**	**3,689.9**	**3,711.6**	**3,726.6**	**3,730.1**	**3,773.2**	**3,791.7**	**3,773.2**	**3,805.5**	**3,767.3**	**3,774.1**
56 Residual (assets less liabilities)[9]	323.5	336.6	340.5	344.5	346.9	350.2	353.4	354.9	352.1	354.3	355.2	355.8

Footnotes appear on last page.

1.26 ASSETS AND LIABILITIES OF COMMERCIAL BANKS[1]—Continued

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1994	1995[r]							1995			
	Oct.[r]	Apr.	May	June	July	Aug.	Sept.	Oct.	Oct. 4	Oct. 11	Oct. 18	Oct. 25
DOMESTICALLY CHARTERED COMMERCIAL BANKS	Seasonally adjusted											
Assets												
57 Bank credit	2,944.4	3,057.1	3,081.7	3,099.1	3,110.6	3,123.8	3,139.1	3,146.4	3,136.4	3,145.1	3,141.3	3,152.5
58 Securities in bank credit	878.2	862.6	860.2	858.5	849.4	852.6	857.3	856.6	857.9	856.7	852.5	861.1
59 U.S. government securities	675.1	645.5	647.0	647.0	641.6	643.2	643.3	648.5	647.3	649.9	646.1	650.6
60 Other securities	203.1	217.1	213.1	211.6	207.8	209.4	213.9	208.1	210.6	206.9	206.4	210.6
61 Loans and leases in bank credit[2]	2,066.1	2,194.5	2,221.5	2,240.6	2,261.2	2,271.2	2,281.9	2,289.8	2,278.5	2,288.4	2,288.7	2,291.3
62 Commercial and industrial	473.6	510.5	516.6	519.0	523.6	524.6	526.8	529.3	527.0	528.1	527.7	529.8
63 Real estate	944.8	997.9	1,004.3	1,013.4	1,024.7	1,030.9	1,035.2	1,037.4	1,035.3	1,037.9	1,036.8	1,037.9
64 Revolving home equity	74.4	76.5	77.2	77.6	78.0	78.4	78.7	78.7	78.5	78.7	78.6	78.8
65 Other	870.4	921.4	927.1	935.8	946.7	952.5	956.5	958.7	956.8	959.3	958.2	959.1
66 Consumer	441.2	471.2	473.0	478.1	481.1	486.3	489.2	489.1	488.0	489.3	489.2	489.2
67 Security[3]	45.5	45.5	54.0	55.4	52.1	50.4	50.8	50.4	47.2	50.2	50.7	50.4
68 Other	161.0	169.4	173.6	174.6	179.7	179.1	179.9	183.6	180.9	182.9	184.3	184.1
69 Interbank loans[4]	139.4	157.9	160.6	164.4	172.8	165.2	168.1	168.0	163.8	171.2	166.4	174.0
70 Cash assets[5]	185.2	182.5	182.6	184.5	187.5	182.7	187.1	194.1	191.6	201.5	174.3	198.4
71 Other assets[6]	166.5	173.4	170.6	170.3	172.5	172.0	174.2	175.5	180.0	173.8	174.1	175.1
72 **Total assets**[7]	**3,378.8**	**3,514.0**	**3,538.7**	**3,561.3**	**3,586.3**	**3,586.9**	**3,611.9**	**3,627.5**	**3,615.3**	**3,635.0**	**3,599.3**	**3,643.4**
Liabilities												
73 Deposits	2,371.2	2,398.6	2,409.5	2,424.2	2,447.5	2,448.3	2,457.3	2,468.1	2,461.0	2,474.1	2,443.8	2,478.3
74 Transaction	794.7	778.7	775.9	771.9	784.0	775.5	773.4	770.9	768.6	780.9	749.5	778.5
75 Nontransaction	1,576.5	1,619.9	1,633.6	1,652.2	1,663.5	1,672.8	1,683.9	1,697.2	1,692.4	1,693.2	1,694.3	1,699.7
76 Large time	213.4	244.4	247.1	247.6	247.9	248.9	252.6	258.4	254.3	253.8	257.9	261.0
77 Other	1,363.1	1,375.5	1,386.6	1,404.6	1,415.6	1,423.9	1,431.4	1,438.7	1,438.2	1,439.4	1,436.4	1,438.7
78 Borrowings	485.0	565.1	569.6	563.2	572.7	555.6	561.6	565.0	569.3	561.1	555.8	575.0
79 From banks in the U.S.	149.4	165.3	164.9	168.2	181.9	178.9	182.6	186.5	176.3	184.3	180.5	200.1
80 From nonbanks in the U.S.	335.6	399.9	404.8	395.0	390.8	376.7	379.0	378.5	393.0	376.8	375.4	374.9
81 Net due to related foreign offices	65.4	82.0	84.0	90.2	82.1	91.0	93.4	94.7	90.2	95.0	96.9	97.8
82 Other liabilities[8]	133.4	151.9	147.4	146.7	139.2	139.3	146.2	143.8	142.0	145.2	145.0	143.2
83 **Total liabilities**	**3,055.0**	**3,197.7**	**3,210.5**	**3,224.3**	**3,241.5**	**3,234.2**	**3,258.5**	**3,271.6**	**3,262.5**	**3,275.4**	**3,241.5**	**3,294.2**
84 Residual (assets less liabilities)[9]	323.9	316.2	328.2	337.0	344.8	352.7	353.4	355.9	352.8	359.6	357.8	349.2
	Not seasonally adjusted											
Assets												
85 Bank credit	2,946.4	3,061.4	3,080.1	3,100.0	3,100.9	3,115.7	3,137.5	3,147.4	3,138.4	3,144.0	3,144.8	3,144.9
86 Securities in bank credit	876.6	870.5	862.6	861.6	845.8	850.4	854.3	853.9	854.4	853.1	850.7	855.6
87 U.S. government securities	674.2	650.9	647.9	647.9	638.6	644.2	645.6	647.0	647.4	647.3	645.4	647.9
88 Other securities	202.3	219.6	214.7	213.7	207.2	206.1	208.7	206.8	207.0	205.8	205.3	207.7
89 Loans and leases in bank credit[2]	2,069.8	2,190.9	2,217.5	2,238.4	2,255.1	2,265.3	2,283.3	2,293.5	2,284.0	2,290.9	2,294.1	2,289.3
90 Commercial and industrial	472.4	514.8	520.5	520.8	522.4	520.8	523.5	527.9	526.4	526.1	526.6	527.3
91 Real estate	947.5	994.1	1,002.7	1,013.2	1,024.1	1,030.0	1,036.2	1,040.1	1,037.7	1,041.0	1,039.9	1,039.7
92 Revolving home equity	75.1	76.0	77.0	77.6	78.0	78.5	79.1	79.4	79.2	79.3	79.3	79.4
93 Other	872.4	918.1	925.7	935.6	946.1	951.4	957.1	960.7	958.5	961.7	960.6	960.3
94 Consumer	441.2	468.0	471.5	475.5	478.8	485.8	490.3	489.1	488.4	488.4	489.3	489.4
95 Security[3]	46.0	46.8	51.9	54.2	50.1	49.3	50.9	51.1	47.1	50.3	52.2	49.9
96 Other	162.7	167.2	171.0	174.6	179.7	179.4	182.4	185.3	184.5	185.1	186.1	183.0
97 Interbank loans[4]	136.7	157.7	155.4	162.7	168.4	161.6	163.5	165.1	163.3	169.1	162.7	162.7
98 Cash assets[5]	184.9	179.6	181.4	182.0	184.1	174.3	187.2	193.7	186.6	211.1	178.7	181.4
99 Other assets[6]	168.7	170.9	169.9	169.6	172.9	172.9	175.7	177.7	182.9	177.7	174.9	174.0
100 **Total assets**[7]	**3,380.2**	**3,513.0**	**3,530.0**	**3,557.4**	**3,569.6**	**3,567.8**	**3,607.0**	**3,627.5**	**3,614.6**	**3,645.7**	**3,604.7**	**3,606.7**
Liabilities												
101 Deposits	2,370.4	2,402.9	2,398.5	2,418.3	2,438.5	2,434.6	2,454.6	2,467.6	2,470.0	2,490.6	2,448.1	2,438.1
102 Transaction	791.7	784.0	765.2	766.5	774.7	759.6	770.0	768.3	775.1	791.2	751.7	740.5
103 Nontransaction	1,578.7	1,618.8	1,633.3	1,651.8	1,663.8	1,675.0	1,684.6	1,699.3	1,694.9	1,699.5	1,696.3	1,697.6
104 Large time	214.2	243.7	248.7	247.2	248.0	250.7	253.6	259.4	254.6	255.4	258.8	262.1
105 Other	1,364.5	1,375.2	1,384.6	1,404.6	1,415.8	1,424.4	1,431.0	1,439.9	1,440.4	1,444.1	1,437.6	1,435.4
106 Borrowings	492.8	546.6	560.0	568.3	570.9	562.5	570.8	572.5	572.8	572.0	568.1	571.1
107 From banks in the U.S.	148.0	162.8	161.6	167.9	177.9	176.9	180.0	185.0	179.3	185.5	178.8	189.1
108 From nonbanks in the U.S.	344.7	383.8	398.5	400.4	393.1	385.6	390.8	387.5	393.5	386.4	389.3	382.0
109 Net due to related foreign offices	63.2	84.1	91.8	89.6	81.7	89.1	88.7	92.0	81.7	88.2	92.8	101.5
110 Other liabilities[8]	135.9	148.7	145.2	142.9	138.1	138.2	145.9	146.5	144.0	146.6	146.5	146.0
111 **Total liabilities**	**3,062.3**	**3,182.3**	**3,195.5**	**3,219.1**	**3,229.3**	**3,224.4**	**3,260.0**	**3,278.6**	**3,268.5**	**3,297.4**	**3,255.5**	**3,256.7**
112 Residual (assets less liabilities)[9]	317.9	330.6	334.5	338.3	340.4	343.4	347.0	349.0	346.1	348.3	349.2	350.0

Footnotes appear on following page.

NOTES TO TABLE 1.26

1. Covers the following types of institutions in the fifty states and the District of Columbia: domestically chartered commercial banks that submit a weekly report of condition (large domestic); other domestically chartered commercial banks (small domestic); branches and agencies of foreign banks; New York State investment companies, and Edge Act and agreement corporations (foreign-related institutions). Excludes international banking facilities. Data are Wednesday values, or pro rata averages of Wednesday values. Large domestic banks constitute a universe; data for small domestic banks and foreign-related institutions are estimates based on weekly samples and on quarter-end condition reports. Data are adjusted for breaks caused by reclassifications of assets and liabilities.

2. Excludes federal funds sold to, reverse repurchase agreements with, and loans to commercial banks in the United States.

3. Consists of reserve repurchase agreements with broker-dealers and loans to purchase and carry securities.

4. Consists of federal funds sold to, reverse repurchase agreements with, and loans to commercial banks in the United States.

5. Includes vault cash, cash items in process of collection, demand balances due from depository institutions in the United States, balances due from Federal Reserve Banks, and other cash assets.

6. Excludes the due-from position with related foreign offices, which is included in lines 25, 53, 81, and 109.

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

8. Excludes the due-to position with related foreign offices, which is included in lines 25, 53, 81, and 109.

9. This balancing item is not intended as a measure of equity capital for use in capital adequacy analysis.

1.27 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS

Millions of dollars, Wednesday figures

Account	1995								
	Aug. 30	Sept. 6	Sept. 13	Sept. 20	Sept. 27	Oct. 4	Oct. 11	Oct. 18	Oct. 25
ASSETS									
1 Cash and balances due from depository institutions	103,108[r]	124,919[r]	114,472[r]	114,893[r]	115,893[r]	116,244	132,703	110,528	114,278
2 U.S. Treasury and government securities	297,556[r]	298,932[r]	297,246[r]	295,021[r]	296,670	299,726	298,965	298,085	300,052
3 Trading account	18,970	20,964	21,641	19,806	20,331	23,486	23,542	23,691	23,368
4 Investment account	278,585[r]	277,968[r]	275,606[r]	275,215[r]	276,339	276,241	275,423	274,395	276,684
5 Mortgage-backed securities[1]	102,228[r]	102,229[r]	101,864[r]	103,387[r]	104,683[r]	104,882	104,595	105,329	106,893
All others, by maturity									
6 One year or less	44,201	45,051	43,900	43,506	42,979[r]	42,976	43,573	43,518	44,054
7 One year through five years	72,960[r]	71,725[r]	70,781[r]	69,712[r]	70,606[r]	70,450	69,661	69,308	69,438
8 More than five years	59,197[r]	58,962[r]	59,061[r]	58,610[r]	58,071[r]	57,933	57,593	56,240	56,298
9 Other securities	124,709	124,435	126,387	125,020[r]	123,943[r]	123,583	122,389	121,772	123,910
10 Trading account	1,600	1,475	1,484	1,429	1,487	1,435	1,253	1,265	1,326
11 Investment account	62,690	62,833	63,015	62,873	62,687	62,567	62,595	62,697	63,282
12 State and local government, by maturity	20,065	19,926	19,970	19,992	19,936	19,612	19,609	19,602	19,663
13 One year or less	5,215	5,196	5,193	5,216	5,189	4,983	5,034	5,029	5,019
14 More than one year	14,850	14,729	14,777	14,776	14,747	14,629	14,576	14,573	14,644
15 Other bonds, corporate stocks, and securities	42,625	42,907	43,045	42,882	42,751	42,955	42,985	43,095	43,620
16 Other trading account assets	60,419	60,127	61,888	60,717[r]	59,769[r]	59,580	58,542	57,810	59,302
17 Federal funds sold[2]	98,693	101,769	102,962	104,314	102,266	95,791	102,149	101,652	106,067
18 To commercial banks in the United States	66,042	66,164	67,357	66,766	68,694	62,837	67,852	66,760	71,189
19 To nonbank brokers and dealers in securities	27,503	29,466	28,139	32,080	28,741	27,758	28,886	31,466	29,198
20 To others[3]	5,147	6,140	7,467	5,469	4,830	5,197	5,110	6,426	5,680
21 Other loans and leases, gross	1,247,129[r]	1,249,205[r]	1,248,462[r]	1,256,914[r]	1,256,850[r]	1,254,996	1,259,006	1,256,123	1,252,079
22 Commercial and industrial	340,084[r]	341,597[r]	341,560[r]	345,620[r]	344,059[r]	345,458	345,000	345,293	346,061
23 Bankers acceptances and commercial paper	1,556	1,423	1,496	1,568	1,561	1,604	1,682	1,527	1,505
24 All other	338,527[r]	340,174[r]	340,064[r]	344,052[r]	342,498[r]	343,854	343,318	343,767	344,556
25 U.S. addressees	336,021[r]	337,631[r]	337,528[r]	341,538[r]	340,026[r]	341,276	340,698	341,165	341,970
26 Non-U.S. addressees	2,506	2,540	2,536	2,514	2,473	2,578	2,620	2,602	2,585
27 Real estate loans	495,409	496,236	499,311	497,282[r]	498,361[r]	499,075	501,503	499,973	499,576
28 Revolving, home equity	48,557	47,988	47,738	47,797	47,882	47,751	47,864	47,826	47,824
29 All other	446,852	448,248	451,573	449,485[r]	450,478[r]	451,323	453,639	452,147	451,752
30 To individuals for personal expenditures	250,541	249,537	247,711	249,014	249,581	247,017	246,792	245,936	245,260
31 To depository and financial institutions	66,049[r]	65,625[r]	65,345[r]	64,876[r]	65,473[r]	66,772	66,445	65,335	62,286
32 Commercial banks in the United States	42,535[r]	41,743[r]	41,625[r]	38,011[r]	38,512[r]	39,100	39,162	37,954	35,336
33 Banks in foreign countries	2,858	2,814	2,986	2,860	2,987	3,354	2,738	2,907	2,687
34 Nonbank depository and other financial institutions	20,656	21,068	20,734	24,005	23,974	24,318	24,545	24,475	24,263
35 For purchasing and carrying securities	15,896	14,552	14,764	17,843	16,877	13,442	15,501	15,096	15,227
36 To finance agricultural production	6,742[r]	6,719[r]	6,713[r]	6,733[r]	6,727[r]	6,762	6,706	6,649	6,582
37 To states and political subdivisions	10,991	10,939	10,946	10,941	10,935	10,926	10,805	10,874	10,839
38 To foreign governments and official institutions	1,086	1,243	994	1,020	1,125	997	1,089	975	1,003
39 All other loans	24,111[r]	26,224[r]	24,333[r]	26,646[r]	26,440[r]	26,770	27,057	27,815	26,921
40 Lease-financing receivables	36,221	36,534	36,785	36,941	37,271	37,778	38,108	38,177	38,325
41 LESS: Unearned income	1,646	1,625	1,671	1,669	1,672	1,693	1,761	1,764	1,764
42 Loan and lease reserve[3]	34,185	34,272[r]	34,292	34,346	34,194	33,889	33,495	33,497	33,434
43 Other loans and leases, net	1,211,298[r]	1,213,307[r]	1,212,499[r]	1,220,899[r]	1,220,983[r]	1,219,413	1,223,749	1,220,862	1,216,881
44 All other assets	135,170[r]	138,922[r]	138,666[r]	139,308[r]	138,834	146,514	139,198	138,983	136,407
45 **Total assets**	**1,970,533[r]**	**2,002,284[r]**	**1,992,232[r]**	**1,999,455[r]**	**1,998,589[r]**	**2,001,272**	**2,019,151**	**1,994,884**	**1,997,595**

Footnotes appear on the following page

1.27 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS—Continued

Millions of dollars, Wednesday figures

Account	1995								
	Aug. 30	Sept. 6	Sept. 13	Sept. 20	Sept. 27	Oct. 4	Oct. 11	Oct. 18	Oct. 25
LIABILITIES									
46 Deposits	1,164,205r	1,202,891r	1,184,999r	1,176,604r	1,167,621r	1,190,011	1,201,515	1,176,001	1,169,197
47 Demand deposits	289,972	315,409r	300,154r	301,359r	298,117r	307,972	319,624	296,111	290,007
48 Individuals, partnerships, and corporations	247,413	266,411r	254,781r	249,794r	246,938r	261,306	267,694	250,439	245,085
49 Other holders	42,559	48,997	45,373	51,565	51,180	46,666	51,930	45,672	44,921
50 States and political subdivisions	8,226	7,955	7,999	9,447	8,930	8,230	7,826	7,895	8,195
51 U.S. government	1,523	1,798	2,425	3,188	1,844	1,874	1,584	1,745	1,549
52 Depository institutions in the United States	17,994	23,487	19,406	20,711	20,709	21,147	23,359	19,358	20,448
53 Banks in foreign countries	5,113	4,873	4,755	4,915	4,719	5,642	5,419	6,243	5,219
54 Foreign governments and official institutions	702	924	892	759	852	921	613	575	675
55 Certified and officers' checks	9,000	9,961	9,895	12,545	14,126	8,852	13,129	9,856	8,836
56 Transaction balances other than demand deposits[4]	104,213	109,468	106,876	102,951	97,980	101,570	99,962	98,883	97,222
57 Nontransaction balances	770,019r	778,014r	777,969r	772,294r	771,524	780,469	781,929	781,008	781,969
58 Individuals, partnerships, and corporations	747,219r	755,002r	754,790r	749,384r	748,543	757,664	758,868	757,870	758,389
59 Other holders	22,800	23,012	23,179	22,910	22,981	22,805	23,061	23,137	23,579
60 States and political subdivisions	18,584	18,835	18,929	18,705	18,835	19,143	19,219	19,201	19,676
61 U.S. government	2,339	2,247	2,276	2,274	2,299	2,301	2,306	2,243	2,195
62 Depository institutions in the United States	1,580	1,631	1,648	1,593	1,532	1,048	1,222	1,380	1,400
63 Foreign governments, official institutions, and banks	298	300	325	338	315	313	314	313	308
64 Liabilities for borrowed money[5]	403,995r	400,951r	397,580r	419,210r	421,013r	413,846	411,666	408,700	410,795
65 Borrowings from Federal Reserve Banks	50	0	0	0	0	0	825	0	120
66 Treasury tax and loan notes	3,804	1,007r	2,489	30,692r	26,005	11,614	7,706	6,166	7,300
67 Other liabilities for borrowed money[6]	400,140r	399,944r	395,091r	388,517r	395,008r	402,232	403,135	402,534	403,376
68 Other liabilities (including subordinated notes and debentures)	215,436r	209,584r	220,043r	213,848r	220,890r	207,994	215,372	219,411	226,552
69 Total liabilities	**1,783,636r**	**1,813,426r**	**1,802,622r**	**1,809,661r**	**1,809,525r**	**1,811,851**	**1,828,553**	**1,804,112**	**1,806,544**
70 Residual (total assets less total liabilities)[7]	186,897	188,857	189,611	189,794	189,064	189,421	190,598	190,772	191,051
MEMO									
71 Total loans and leases, gross, adjusted, plus securities[8]	1,659,509r	1,666,434r	1,666,076r	1,676,492r	1,672,522r	1,672,159	1,675,494	1,675,920	1,675,584
72 Time deposits in amounts of $100,000 or more	110,409r	111,262r	112,209r	110,727r	108,281	109,984	110,190	112,781	115,549
73 Loans sold outright to affiliates[9]	1,485	1,476	1,465	1,453	1,443	1,432	1,422	1,411	1,402
74 Commercial and industrial	281	281	281	281	281	280	281	281	281
75 Other	1,204	1,195	1,184	1,172	1,162	1,151	1,141	1,130	1,121
76 Foreign branch credit extended to U.S. residents[10]	25,692	25,733	25,539	25,759	25,951	25,941	26,430	25,896	26,545
77 Net owed to related institutions abroad	91,245	78,667	85,794	80,893r	91,136	76,443	82,673	87,340	96,166

1. Includes certificates of participation, issued or guaranteed by agencies of the U.S. government, in pools of residential mortgages.
2. Includes securities purchased under agreements to resell.
3. Includes allocated transfer risk reserve.
4. Includes negotiable order of withdrawal (NOWs) and automatic transfer service (ATS) accounts, and telephone and preauthorized transfers of savings deposits.
5. Includes borrowings only from other than directly related institutions.
6. Includes federal funds purchased and securities sold under agreements to repurchase.
7. This balancing item is not intended as a measure of equity capital for use in capital-adequacy analysis.
8. Excludes loans to and federal funds transactions with commercial banks in the United States.
9. Affiliates include a bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company.
10. Credit extended by foreign branches of domestically chartered weekly reporting banks to nonbank U.S. residents. Consists mainly of commercial and industrial loans, but includes an unknown amount of credit extended to other than nonfinancial businesses.

1.28 LARGE WEEKLY REPORTING U.S. BRANCHES AND AGENCIES OF FOREIGN BANKS Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1995								
	Aug. 30	Sept. 6	Sept. 13	Sept. 20	Sept. 27	Oct. 4	Oct. 11	Oct. 18	Oct. 25
ASSETS									
1 Cash and balances due from depository institutions	17,337	16,504	17,156	16,850	16,941	17,055	17,711	16,562	17,104
2 U.S. Treasury and government agency securities	44,921	41,726	43,212	41,854	41,450	41,884	41,476	42,896	43,129
3 Other securities	32,125	32,074	34,459	33,823	33,534	37,947	38,155	38,119	37,482
4 Federal funds sold[1]	32,716	31,618	32,223	31,029	37,903	28,563	31,249	33,468	37,246
5 To commercial banks in the United States	11,093	7,616	9,185	8,226	15,333	9,391	10,981	10,986	14,813
6 To others[2]	21,622	24,002	23,038	22,803	22,570	19,172	20,267	22,482	22,433
7 Other loans and leases, gross	176,350	177,517	178,154	180,123	180,667	178,188	176,148	176,077	176,725
8 Commercial and industrial	113,267[r]	113,843[r]	113,693[r]	114,649[r]	114,118[r]	113,059	112,442	112,497	113,102
9 Bankers acceptances and commercial paper	3,512	3,508	3,469	3,667	3,703	3,842	3,758	3,858	3,831
10 All other	109,755[r]	110,335[r]	110,224[r]	110,982[r]	110,415[r]	109,217	108,684	108,638	109,271
11 U.S. addressees	104,851[r]	105,425[r]	105,314[r]	106,028[r]	105,368[r]	104,209	103,718	103,767	104,415
12 Non-U.S. addressees	1,904	4,910	4,910	4,954	5,048	5,007	4,966	4,872	4,856
13 *Loans secured by real estate*	*22,905*	*22,775*	*22,777*	*22,811*	*22,803*	*23,102*	*23,101*	22,960	*22,931*
14 Loans to depository and financial institutions	28,359[r]	28,908[r]	29,124[r]	29,674[r]	29,763[r]	29,198	28,162	28,278	28,408
15 Commercial banks in the United States	4,116	4,141	3,912	3,758	3,863	4,022	4,046	4,219	3,974
16 Banks in foreign countries	1,974	2,144	2,201	2,277	2,355	2,416	2,369	2,402	2,912
17 Nonbank financial institutions	22,269[r]	22,622[r]	23,011[r]	23,640[r]	23,545[r]	22,760	21,747	21,658	21,522
18 For purchasing and carrying securities	4,842	5,680	6,048	6,540	7,304	6,255	5,925	6,401	6,019
19 To foreign governments and official institutions	876	858	961	892	872	898	899	867	517
20 All other	4,576	4,090	4,164	4,167	4,354	4,257	4,213	3,806	4,312
21 Other assets (claims on nonrelated parties)	40,230	41,351	43,941	38,145	37,778	37,087	38,223	38,077	37,655
22 **Total assets**[3]	**373,932**	**370,787**	**378,199**	**368,468**	**374,477**	**366,163**	**368,638**	**370,111**	**373,176**
LIABILITIES									
23 Deposits or credit balances owed to other than directly related institutions	110,414	109,310	108,448	107,077	112,108	111,124	108,831	108,976	108,105
24 Demand deposits[4]	4,484	3,818	3,964	3,992	4,515	3,837	3,998	3,710	3,803
25 Individuals, partnerships, and corporations	3,012	3,134	3,074	3,048	3,449	3,024	3,131	2,772	3,112
26 Other	1,472	684	890	944	1,066	813	867	939	692
27 Nontransaction accounts	105,930	105,492	104,485	103,085	107,593	107,287	104,833	105,265	104,301
28 Individuals, partnerships, and corporations	73,348	73,572	73,237	72,023	75,201	75,410	73,581	74,664	74,131
29 Other	32,581	31,919	31,248	31,061	32,392	31,878	31,252	30,601	30,170
30 Borrowings from other than directly related institutions	82,841	82,242	84,412	80,464	76,784	75,572	77,136	78,617	73,873
31 Federal funds purchased[5]	40,698	41,679	43,938	43,902	40,378	40,464	43,623	45,052	44,936
32 From commercial banks in the United States	5,605	8,621	8,946	7,644	6,611	6,779	8,178	8,884	7,302
33 From others	35,092	33,058	34,992	36,257	33,767	33,685	35,446	36,168	37,634
34 Other liabilities for borrowed money	42,143	40,564	40,474	36,562	36,406	35,109	33,513	33,565	28,937
35 To commercial banks in the United States	5,461	5,372	5,694	4,812	4,697	4,955	4,914	4,395	4,234
36 To others	36,683	35,192	34,780	31,750	31,709	30,154	28,599	29,169	24,703
37 Other liabilities to nonrelated parties	53,965	53,474	58,204	51,257	50,905	53,392	55,261	54,234	52,455
38 **Total liabilities**[6]	**373,932**	**370,787**	**378,199**	**368,468**	**374,477**	**366,163**	**368,638**	**370,111**	**373,176**
MEMO									
39 Total loans (gross) and securities, adjusted[7]	270,901	271,177	274,950	274,845	274,358	273,168	272,000	275,356	275,796
40 Net owed to related institutions abroad	96,458	95,763	98,079	103,026	108,476	100,635	101,734	103,373	114,909

1. Includes securities purchased under agreements to resell.
2. Includes transactions with nonbank brokers and dealers in securities.
3. For U.S. branches and agencies of foreign banks having a net "due from" position, includes net due from related institutions abroad.
4. Includes other transaction deposits.
5. Includes securities sold under agreements to repurchase.
6. For U.S. branches and agencies of foreign banks having a net "due to" position, includes net owed to related institutions abroad.
7. Excludes loans to and federal funds transactions with commercial banks in the United States.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Item	Year ending December					1995					
	1990	1991	1992	1993	1994	Apr	May	June	July	Aug.	Sept.
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**562,656**	**528,832**	**545,619**	**555,075**	**595,382**	**651,128**	**650,580**	**648,819**	**657,938**	**660,719**	**669,805**
Financial companies[1]											
2 Dealer-placed paper[2], total	214,706	212,999	226,456	218,947	223,038	252,846	258,006	251,555	262,695	261,904	268,838
3 Directly placed paper[3], total	200,036	182,463	171,605	180,389	207,701	219,281	216,879	218,005	215,473	215,361	214,002
4 Nonfinancial companies[4]	147,914	133,370	147,558	155,739	164,643	179,001	175,695	179,259	179,770	183,454	186,965
	Bankers dollar acceptances (not seasonally adjusted)[5]										
5 **Total**	**54,771**	**43,770**	**38,194**	**32,348**	**29,835**						
By holder											
6 Accepting banks	9,017	11,017	10,555	12,421	11,783						
7 Own bills	7,930	9,347	9,097	10,707	10,462						
8 Bills bought from other banks	1,087	1,670	1,458	1,714	1,321						
Federal Reserve Banks[6]											
9 Foreign correspondents	918	1,739	1,276	725	410	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 Others	44,836	31,014	26,364	19,202	17,642						
By basis											
11 Imports into United States	13,095	12,843	12,209	10,217	10,062						
12 Exports from United States	12,703	10,351	8,096	7,293	6,355						
13 All other	28,973	20,577	17,890	14,838	13,417						

1. Institutions engaged primarily in commercial, savings, and mortgage banking, sales, personal, and mortgage financing, factoring, finance leasing, and other business lending, insurance underwriting, and other investment activities.
2. Includes all financial-company paper sold by dealers in the open market.
3. As reported by financial companies that place their paper directly with investors.
4. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.
5. Data on bankers dollar acceptances are gathered from approximately 100 institutions. The reporting group is revised every January. Beginning January 1995, data for Bankers dollar acceptances will be reported annually in September.
6. In 1977 the Federal Reserve discontinued operations in bankers dollar acceptances for its own account.

1.33 PRIME RATE CHARGED BY BANKS Short-Term Business Loans[1]

Percent per year

Date of change	Rate	Period	Average rate	Period	Average rate	Period	Average rate
1992—July 2	6.00	1992	6.25	1993—Jan.	6.00	1994—Sept.	7.75
		1993	6.00	Feb.	6.00	Oct.	7.75
1994—Mar. 24	6.25	1994	7.15	Mar.	6.00	Nov.	8.15
Apr. 19	6.75			Apr.	6.00	Dec.	8.50
May 17	7.25	1992—Jan.	6.50	May	6.00		
Aug. 16	7.75	Feb.	6.50	June	6.00	1995—Jan.	8.50
Nov. 15	8.50	Mar.	6.50	July	6.00	Feb.	9.00
		Apr.	6.50	Aug.	6.00	Mar.	9.00
1995—Feb. 1	9.00	May	6.50	Sept.	6.00	Apr.	9.00
July 7	8.75	June	6.50	Oct.	6.00	May	9.00
		July	6.02	Nov.	6.00	June	9.00
		Aug.	6.00	Dec.	6.00	July	8.80
		Sept.	6.00			Aug.	8.75
		Oct.	6.00	1994—Jan.	6.00	Sept.	8.75
		Nov.	6.00	Feb.	6.00	Oct.	8.75
		Dec.	6.00	Mar.	6.06	Nov.	8.75
				Apr.	6.45		
				May	6.99		
				June	7.25		
				July	7.25		
				Aug.	7.51		

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	1992	1993	1994	1995				1995, week ending				
				July	Aug.	Sept	Oct.	Sept. 29	Oct. 6	Oct. 13	Oct. 20	Oct. 27
MONEY MARKET INSTRUMENTS												
1 Federal funds[1,2,3]	3.52	3.02	4.21	5.85	5.74	5.80	5.76	5.80	6.00	5.72	5.71	5.76
2 Discount window borrowing[2,4]	3.25	3.00	3.60	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25
Commercial paper[3,5,6]												
3 1-month	3.71	3.17	4.43	5.87	5.85	5.82	5.81	5.85	5.84	5.82	5.80	5.81
4 3-month	3.75	3.22	4.66	5.79	5.82	5.74	5.82	5.76	5.81	5.82	5.80	5.82
5 6-month	3.80	3.30	4.93	5.68	5.75	5.66	5.71	5.70	5.74	5.73	5.70	5.70
Finance paper, directly placed[3,5,7]												
6 1-month	3.62	3.12	4.33	5.74	5.72	5.71	5.71	5.72	5.73	5.71	5.71	5.71
7 3-month	3.65	3.16	4.53	5.60	5.64	5.58	5.66	5.60	5.66	5.66	5.66	5.67
8 6-month	3.63	3.15	4.56	5.39	5.51	5.45	5.51	5.47	5.53	5.51	5.51	5.51
Bankers acceptances[3,5,8]												
9 3-month	3.62	3.13	4.56	5.66	5.68	5.66	5.71	5.70	5.70	5.70	5.71	5.73
10 6-month	3.67	3.21	4.83	5.56	5.62	5.58	5.61	5.63	5.61	5.61	5.60	5.62
Certificates of deposit, secondary market[3,9]												
11 1-month	3.64	3.11	4.38	5.80	5.77	5.74	5.75	5.76	5.76	5.75	5.75	5.75
12 3-month	3.68	3.17	4.63	5.77	5.77	5.73	5.79	5.78	5.79	5.79	5.78	5.79
13 6-month	3.76	3.28	4.96	5.73	5.79	5.73	5.76	5.79	5.79	5.76	5.74	5.75
14 Eurodollar deposits, 3-month[3,10]	3.70	3.18	4.63	5.79	5.79	5.74	5.81	5.78	5.81	5.81	5.81	5.82
U.S. Treasury bills												
Secondary market[3,5]												
15 3-month	3.43	3.00	4.25	5.42	5.40	5.28	5.28	5.26	5.30	5.30	5.27	5.24
16 6-month	3.54	3.12	4.64	5.37	5.41	5.30	5.32	5.35	5.35	5.33	5.32	5.31
17 1-year	3.71	3.29	5.02	5.28	5.43	5.31	5.28	5.37	5.30	5.29	5.28	5.27
Auction average[3,5,11]												
18 3-month	3.45	3.02	4.29	5.47	5.41	5.26	5.30	5.14	5.34	5.31	5.32	5.22
19 6-month	3.57	3.14	4.66	5.41	5.40	5.28	5.34	5.27	5.38	5.32	5.34	5.33
20 1-year	3.75	3.33	5.02	5.38	5.55	5.21	5.30	n.a.	n.a.	n.a.	5.30	n.a.
U.S. TREASURY NOTES AND BONDS												
Constant maturities[12]												
21 1-year	3.89	3.43	5.32	5.59	5.75	5.62	5.59	5.69	5.61	5.60	5.59	5.58
22 2-year	4.77	4.05	5.94	5.78	5.98	5.81	5.70	5.89	5.76	5.72	5.68	5.67
23 3-year	5.30	4.44	6.27	5.89	6.10	5.89	5.77	5.97	5.84	5.79	5.74	5.75
24 5-year	6.19	5.14	6.69	6.01	6.24	6.00	5.86	6.08	5.92	5.88	5.83	5.84
25 7-year	6.63	5.54	6.91	6.20	6.41	6.13	5.97	6.20	6.04	5.97	5.92	5.95
26 10-year	7.01	5.87	7.09	6.28	6.49	6.20	6.04	6.26	6.10	6.05	5.99	6.04
27 20-year	n.a.	6.29	7.49	6.74	6.92	6.65	6.45	6.70	6.55	6.47	6.38	6.40
28 30-year	7.67	6.59	7.37	6.72	6.86	6.55	6.37	6.57	6.45	6.40	6.32	6.35
Composite												
29 More than 10 years (long-term)	7.52	6.45	7.41	6.71	6.90	6.63	6.43	6.68	6.53	6.45	6.37	6.39
STATE AND LOCAL NOTES AND BONDS												
Moody's series[13]												
30 Aaa	6.09	5.38	5.77	5.68	5.83	5.71	5.74	5.70	5.76	5.76	5.70	5.72
31 Baa	6.48	5.83	6.17	5.91	5.95	5.90	5.95	5.98	6.05	5.93	5.90	5.90
32 *Bond Buyer* series[14]	6.44	5.60	6.18	5.92	6.06	5.91	5.80	6.00	5.88	5.82	5.72	5.76
CORPORATE BONDS												
33 Seasoned issues, all industries[15]	8.55	7.54	8.26	7.66	7.81	7.56	7.39	7.58	7.46	7.40	7.34	7.37
Rating group												
34 Aaa	8.14	7.22	7.97	7.41	7.57	7.32	7.12	7.33	7.20	7.14	7.08	7.10
35 Aa	8.46	7.40	8.15	7.54	7.69	7.45	7.27	7.47	7.34	7.28	7.22	7.25
36 A	8.62	7.58	8.28	7.65	7.79	7.56	7.39	7.58	7.46	7.40	7.35	7.37
37 Baa	8.98	7.93	8.63	8.04	8.19	7.93	7.75	7.95	7.82	7.76	7.70	7.73
38 A-rated, recently offered utility bonds[16]	8.52	7.46	8.29	7.72	7.84	7.55	7.36	7.49	7.41	7.27	7.32	7.40
MEMO												
Dividend price ratio[17]												
39 Common stocks	2.99	2.78	2.82	2.50	2.49	2.42	2.41	2.41	2.41	2.42	2.39	2.41

1. The daily effective federal funds rate is a weighted average of rates on trades through New York brokers.
2. Weekly figures are averages of seven calendar days ending on Wednesday of the current week; monthly figures include each calendar day in the month.
3. Annualized using a 360-day year for bank interest.
4. Rate for the Federal Reserve Bank of New York.
5. Quoted on a discount basis.
6. An average of offering rates on commercial paper placed by several leading dealers for firms whose bond rating is AA or the equivalent.
7. An average of offering rates on paper directly placed by finance companies.
8. Representative closing yields for acceptances of the highest-rated money center banks.
9. An average of dealer offering rates on nationally traded certificates of deposit.
10. Bid rates for Eurodollar deposits at 11:00 a.m. London time. Data are for indication purposes only.
11. Auction date for daily data; weekly and monthly averages computed on an issue-date basis.
12. Yields on actively traded issues adjusted to constant maturities. Source: U.S. Department of the Treasury.
13. General obligation bonds based on Thursday figures; Moody's Investors Service.
14. State and local government general obligation bonds maturing in twenty years are used in compiling this index. The twenty-bond index has a rating roughly equivalent to Moody's' A1 rating. Based on Thursday figures.
15. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
16. Compilation of the Federal Reserve. This series is an estimate of the yield on recently offered, A-rated utility bonds with a thirty-year maturity and five years of call protection. Weekly data are based on Friday quotations.
17. Standard & Poor's corporate series. Common stock ratio is based on the 500 stocks in the price index.

NOTE. Some of the data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

1.36 STOCK MARKET Selected Statistics

Indicator	1992	1993	1994	1995 Feb	1995 Mar.	1995 Apr.	1995 May	1995 June	1995 July	1995 Aug	1995 Sept.	1995 Oct.
	Prices and trading volume (averages of daily figures)											
Common stock prices (indexes)												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	229.00	249.71	254.16	261.86	266.81	274.38	281.81	289.52	298.18	300.05	310.41	311.78
2 Industrial	284.26	300.10	315.32	328.98	337.96	347.69	357.01	366.75	379.13	379.79	390.42	389.63
3 Transportation	201.02	242.68	247.17	237.29	252.37	254.36	254.70	256.80	279.15	285.63	295.51	291.16
4 Utility	99.48	114.55	104.96	103.87	102.08	104.70	106.02	108.12	109.59	111.06	114.67	123.59
5 Finance	179.29	216.55	209.75	211.76	213.29	219.38	228.45	236.26	240.49	245.27	260.72	265.12
6 Standard & Poor's Corporation (1941–43 = 10)[1]	415.75	451.63	460.42	481.92	493.20	507.91	523.83	539.35	557.37	559.11	578.77	582.92
7 American Stock Exchange (Aug. 31, 1973 = 50)[2]	391.28	438.77	449.49	446.37	456.06	471.54	487.03	492.60	513.25	526.86	547.64	530.26
Volume of trading (thousands of shares)												
8 New York Stock Exchange	202,558	263,374	290,652	333,020	338,733	331,184	341,905	345,547	363,780	309,879	352,184	369,386
9 American Stock Exchange	14,171	18,188	17,951	18,424	17,905	19,404	19,266	24,622	23,283	21,825	25,422	17,865
	Customer financing (millions of dollars, end-of-period balances)											
10 Margin credit at broker-dealers[3]	**43,990**	**60,310**	**61,160**	**59,800**	**60,270**	**62,520**	**64,070**	**66,340**	**67,600**	**71,440**	**77,076**	**75,005**
Free credit balances at brokers[4]												
11 Margin accounts[5]	8,970	12,360	14,095	12,380	12,745	12,440	13,403	13,710	13,830	13,900	14,806	14,753
12 Cash accounts	22,510	27,715	28,870	25,860	26,680	26,670	27,464	29,860	28,600	29,190	29,796	29,908

Indicator	*Margin requirements (percent of market value and effective date)[6]* Mar. 11, 1968	June 8, 1968	May 6, 1970	Dec. 6, 1971	Nov. 24, 1972	Jan. 3, 1974
13 Margin stocks	70	80	65	55	65	50
14 Convertible bonds	50	60	50	50	50	50
15 Short sales	70	80	65	55	65	50

1. In July 1976 a financial group, composed of banks and insurance companies, was added to the group of stocks on which the index is based. The index is now based on 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.

2. On July 5, 1983, the American Stock Exchange rebased its index, effectively cutting previous readings in half.

3. Since July 1983, under the revised Regulation T, margin credit at broker-dealers has included credit extended against stocks, convertible bonds, stocks acquired through the exercise of subscription rights, corporate bonds, and government securities. Separate reporting of data for margin stocks, convertible bonds, and subscription issues was discontinued in April 1984.

4. Free credit balances are amounts in accounts with no unfulfilled commitments to brokers and are subject to withdrawal by customers on demand.

5. Series initiated in June 1984.

6. Margin requirements, stated in regulations adopted by the Board of Governors pursuant to the Securities Exchange Act of 1934, limit the amount of credit that can be used to purchase and carry "margin securities" (as defined in the regulations) when such credit is collateralized by securities. Margin requirements on securities other than options are the difference between the market value (100 percent) and the maximum loan value of collateral as prescribed by the Board. Regulation T was adopted effective Oct. 15, 1934; Regulation U, effective May 1, 1936; Regulation G, effective Mar. 11, 1968; and Regulation X, effective Nov. 1, 1971.

On Jan. 1, 1977, the Board of Governors for the first time established in Regulation T the initial margin required for writing options on securities, setting it at 30 percent of the current market value of the stock underlying the option. On Sept. 30, 1985, the Board changed the required initial margin, allowing it to be the same as the option maintenance margin required by the appropriate exchange or self-regulatory organization; such maintenance margin rules must be approved by the Securities and Exchange Commission. Effective Jan. 31, 1986, the SEC approved new maintenance margin rules, permitting margins to be the price of the option plus 15 percent of the market value of the stock underlying the option.

Effective June 8, 1988, margins were set to be the price of the option plus 20 percent of the market value of the stock underlying the option (or 15 percent in the case of stock index options).

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year			Calendar year					
	1993	1994	1995	1995					
				May	June	July	Aug.	Sept.	Oct.
U.S. budget[1]									
1 Receipts, total	1,153,226	1,257,451[r]	1,350,576	90,405	147,868	92,749	96,560	143,219	95,593
2 On-budget	841,292	922,425[r]	999,496	61,027	115,998	65,788	69,265	112,510	72,200
3 Off budget	311,934	335,026	351,080	29,378	31,870	26,961	27,295	30,709	23,393
4 Outlays, total	1,408,532	1,460,553[r]	1,514,389	129,958	135,054	106,328	130,411	135,933	118,352
5 On-budget	1,141,945	1,181,181[r]	1,225,724	103,184	120,236	80,931	104,135	105,098	92,151
6 Off-budget	266,587	279,372	288,665	26,773	14,818	25,397	26,276	30,836	26,200
7 Surplus or deficit ( ), total	255,306	203,370	163,813	39,553	12,814	13,579	33,851	7,286	22,758
8 On budget	300,653	258,756[r]	-226,228	42,157	4,237	15,143	34,870	7,412	19,951
9 Off-budget	45,347	55,654	62,415	2,604	17,051	1,564	1,019	126	2,807
Source of financing (total)									
10 Borrowing from the public	248,594	184,696[r]	171,288	44,740	8,491	10,627	16,071	6,618	13,353
11 Operating cash (decrease, or increase ( ))	6,283	16,564	2,007	11,841	34,312	11,635	30,776	19,820	16,755
12 Other[2]	429	1,842[r]	-5,468	22,578	12,250	15,523	12,996	19,152	-7,350
MEMO									
13 Treasury operating balance (level, end of period)	52,506	35,942	37,949	26,228	60,540	48,905	18,129	37,949	21,194
14 Federal Reserve Banks	17,289	6,848	8,620	4,646	20,977	11,206	4,767	8,620	7,018
15 Tax and loan accounts	35,217	29,094	29,329	21,582	39,563	37,700	13,363	29,329	14,176

1 Since 1990, off-budget items have been the social security trust funds (federal old-age survivors insurance and federal disability insurance) and the U.S. Postal Service.

2. Includes special drawing rights (SDRs); reserve position on the U.S. quota in the International Monetary Fund (IMF); loans to the IMF; other cash and monetary assets; accrued interest payable to the public; allocations of SDRs; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seigniorage; increment on gold; net gain or loss for U.S. currency valuation adjustment; net gain or loss for IMF loan-valuation adjustment; and profit on sale of gold.

SOURCE. U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*; and U.S. Office of Management and Budget, *Budget of the U.S. Government*.

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS[1]

Millions of dollars

Source or type	Fiscal year 1994	Fiscal year 1995	Calendar year 1993 H2	Calendar year 1994 H1	Calendar year 1994 H2	Calendar year 1995 H1	Calendar year 1995 Aug.	Calendar year 1995 Sept.	Calendar year 1995 Oct.
RECEIPTS									
1 **All sources**	**1,257,453**	**1,350,576**	**582,038**	**652,234**	**625,557**	**710,542**	**96,560**	**143,219**	**95,593**
2 Individual income taxes, net	543,055	590,157	262,073	275,052	273,474	307,498	44,122	60,909	51,840
3 Withheld	459,699	499,898	228,423	225,387	240,062	251,398	41,631	36,295	46,918
4 Presidential Election Campaign Fund	70	69	2	63	10	58	1	1	0
5 Nonwithheld	160,047	175,815	41,768	117,937	42,031	132,006	4,146	24,743	5,899
6 Refunds	76,761	85,624	8,115	68,325	9,207	75,958	1,657	2,551	978
Corporation income taxes									
7 Gross receipts	154,205	174,422	68,266	80,536	78,392	92,132	3,284	33,719	4,813
8 *Refunds*	13,820	17,334	6,514	6,933	7,331	10,399	782	730	2,633
9 Social insurance taxes and contributions, net	461,475	484,474	206,176	248,301	220,141	261,837	39,804	39,902	32,104
10 Employment taxes and contributions[2]	428,810	451,046	192,749	228,714	206,613	228,663	34,914	39,304	30,549
11 Self-employment taxes and contributions[3]	24,433	27,127	4,335	20,762	4,135	23,429	135	2,910	98
12 Unemployment insurance	28,004	28,878	11,010	17,301	11,177	18,001	4,454	235	1,214
13 Other net receipts[4]	4,661	4,550	2,417	2,284	2,349	2,267	436	364	342
14 Excise taxes	55,225	57,485	25,994	26,444	30,062	27,452	4,757	5,706	4,453
15 *Customs deposits*	20,099	19,300	10,215	9,500	11,042	8,847	1,794	1,634	1,786
16 Estate and gift taxes	15,225	14,764	6,617	8,197	7,071	7,424	1,500	1,289	1,160
17 Miscellaneous receipts[5]	21,988	27,306	9,227	11,170	13,305	15,749	2,081	789	2,070
OUTLAYS									
18 **All types**	**1,460,553**	**1,514,428**[r]	**727,685**	**710,620**	**752,150**	**760,824**	**130,411**	**135,972**[r]	**118,352**
19 *National defense*	281,563	272,179	146,672	133,844	141,884[r]	135,931	23,882	26,040	18,353
20 International affairs	17,083	16,448	10,186	5,800	11,889	4,727	1,877	1,479	1,074
21 General science, space, and technology	16,227	17,563	8,880	8,502	7,603	8,611	1,668	1,612	1,427
22 Energy	5,219	5,146	1,663	2,237	2,923	2,358	13	969	348
23 Natural resources and environment	21,064	23,328	11,221	10,111	11,911	10,273	2,116	1,915	2,835
24 Agriculture	15,057	9,763	7,516	7,451	7,623	4,039	462	102	1,109
25 Commerce and housing credit	5,122	18,740	1,490	4,962	4,270	13,936	2,592	2,490	1,661
26 *Transportation*	38,134	38,555	19,570	16,739	21,835	18,192	3,359	3,719	3,128
27 Community and regional development	10,454	11,000	4,288	4,571	6,283	4,858	909	1,043	943
28 Education, training, employment, and social services	46,307	52,706	26,753	19,262	27,448[r]	25,738	5,785	4,802	3,556
29 Health	106,836	114,760	52,958	53,195	54,147	58,759	10,422	9,401	9,657
30 Social security and Medicare	464,312	495,701	223,735	232,777	236,817	251,975	42,790	42,605	40,732
31 Income security	214,036	220,214	102,380	109,080	101,806	117,639	16,919	19,591	14,522
32 Veterans benefits and services	37,642	37,935	19,852	16,686	19,761	19,267	3,267	4,517	1,594
33 Administration of justice	15,238	16,255	7,400	7,718	7,753	8,062	1,400	1,335	1,223
34 General government	11,316	13,856	6,531	5,084	7,356	5,797	1,464	1,385	1,712
35 Net interest[6]	202,957	232,175	99,914	99,844	109,435	116,170	20,619	18,929	20,565
36 *Undistributed offsetting receipts*[7]	37,772	44,455	20,344	17,308	20,066	17,632	3,022	5,796	2,765

1. Functional details do not sum to total outlays for calendar year data because revisions to monthly totals have not been distributed among functions. Fiscal year total for outlays does not correspond to calendar year data because revisions from the *Budget* have not been fully distributed across months.

2. Old-age, disability, and hospital insurance, and railroad retirement accounts.

3. Old age, disability, and hospital insurance.

4. Federal employee retirement contributions and civil service retirement and disability fund.

5. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.

6. Includes interest received by trust funds.

7. Rents and royalties for the outer continental shelf, U.S. government contributions for employee retirement, and certain asset sales.

SOURCE. U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*, and U.S. Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 1996*.

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars, end of month

Item	1993		1994				1995		
	Sept 30	Dec 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30
1 **Federal debt outstanding**	**4,436**	**4,562**	**4,602**	**4,673**	**4,721**	**4,827**	**4,891**	**4,978**	**5,001**
2 Public debt securities	4,412	4,536	4,576	4,646	4,693	4,800	4,864	4,951	4,974
3 Held by public	3,295	3,382	3,434	3,443	3,480	3,543	3,610	3,635	n.a.
4 Held by agencies	1,117	1,154	1,142	1,203	1,213	1,257	1,255	1,317	n.a.
5 Agency securities	25	27	26	28	29	27	27	27	27
6 Held by public	25	27	26	27	29	27	26	27	n.a.
7 Held by agencies	0	0	0	0	0	0	0	0	n.a.
8 **Debt subject to statutory limit**	**4,316**	**4,446**	**4,491**	**4,559**	**4,605**	**4,711**	**4,775**	**4,861**	**4,885**
9 Public debt securities	4,315	4,445	4,491	4,559	4,605	4,711	4,774	4,861	4,885
10 Other debt[1]	0	0	0	0	0	0	0	0	0
MEMO									
11 Statutory debt limit	4,900	4,900	4,900	4,900	4,900	4,900	4,900	4,900	4,900

1. Consists of guaranteed debt of U.S. Treasury and other federal agencies, specified participation certificates, notes to international lending organizations, and District of Columbia stadium bonds.

SOURCES. U.S. Department of the Treasury, *Monthly Statement of the Public Debt of the United States* and *Treasury Bulletin*

1.41 GROSS PUBLIC DEBT OF U.S. TREASURY Types and Ownership

Billions of dollars, end of period

Type and holder	1991	1992	1993	1994	1994	1995		
					Q4	Q1	Q2	Q3
1 **Total gross public debt**	**3,801.7**	**4,177.0**	**4,535.7**	**4,800.2**	**4,800.2**	**4,864.1**	**4,951.4**	**4,974.0**
By type								
2 Interest-bearing	3,798.9	4,173.9	4,532.3	4,769.2	4,769.2	4,860.5	4,947.8	4,950.6
3 Marketable	2,471 6	2,754.1	2,989 5	3,126.0	3,126.0	3,227.3	3,252.6	3,260.5
4 Bills	590.4	657.7	714.6	733.8	733.8	756.5	748.3	742.5
5 Notes	1,430.8	1,608.9	1,764.0	1,867.0	1,867.0	1,938.2	1,974.7	1,980.3
6 Bonds	435.5	472.5	495.9	510.3	510.3	517.7	514.7	522.6
7 Nonmarketable[1]	1,327.2	1,419.8	1,542.9	1,643.1	1,643.1	1,633.2	1,695.2	1,690.2
8 State and local government series	159 7	153.5	149.5	132.6	132.6	122.9	121.2	113.4
9 Foreign issues[2]	41.9	37.4	43.5	42.5	42.5	41.8	41.4	41.0
10 Government	41 9	37 4	43.5	42 5	42.5	41.8	41.4	41.0
11 Public	.0	.0	.0	.0	.0	.0	.0	.0
12 Savings bonds and notes	135.9	155.0	169.4	177.8	177.8	178.8	180.1	181.2
13 Government account series[3]	959.2	1,043.5	1,150.0	1,259.8	1,259.8	1,259.2	1,322.0	1,324.3
14 Non-interest-bearing	2.8	3.1	3.4	31 0	31 0	3.6	3 6	23.3
By holder[4]								
15 U.S. Treasury and other federal agencies and trust funds	968.7	1,047.8	1,153.5	1,257.1	1,257.1	1,254 7	1,316.6	n.a
16 Federal Reserve Banks	281.8	302.5	334.2	374.1	374.1	369.3	389.0	n.a
17 Private investors	2,563 2	2,839.9	3,047.7	3,168.0	3,168.0	3,239.1	3,244.6	n.a
18 Commercial banks	232.5	294.4	322.2	290.6	290.6	303.5	305.0	n.a
19 Money market funds	80.0	79.7	80.8	67.6	67.6	67.7	58.7	n.a
20 Insurance companies	181 8	197.5	234 5	242.8	242.8	259.0	260.0	n.a
21 Other companies	150 8	192 5	213 0	226.5	226.5	230.3	227.7	n.a
22 State and local treasuries	485.1	476.7	508.9	443.3	443.3	415.2	415.0	n.a
Individuals								
23 Savings bonds	138.1	157.3	171.9	180 5	180 5	181 4	182 6	n.a
24 Other securities	125.8	131.9	137 9	152 5	152.5	161 4	161.6	n.a
25 Foreign and international[5]	491.7	549.7	623.0	688.6	688.6	729.6	783.7	n.a
26 Other miscellaneous investors[6]	677 4	760.2	755.4	875.6	875.6	891.0	850.4	n.a

1. Includes (not shown separately) securities issued to the Rural Electrification Administration, depository bonds, retirement plan bonds, and individual retirement bonds.

2. Nonmarketable series denominated in dollars, and series denominated in foreign currency held by foreigners.

3. Held almost entirely by U.S. Treasury and other federal agencies and trust funds.

4. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.

5. Consists of investments of foreign balances and international accounts in the United States

6. Includes savings and loan associations, nonprofit institutions, credit unions, mutual savings banks, corporate pension trust funds, dealers and brokers, certain U.S. Treasury deposit accounts, and federally sponsored agencies.

SOURCES. U.S Treasury Department, data by type of security, *Monthly Statement of the Public Debt of the United States*, data by holder, *Treasury Bulletin*

1.42 U.S. GOVERNMENT SECURITIES DEALERS Transactions[1]

Millions of dollars, daily averages

Item	1995			1995, week ending								
	July	Aug.	Sept.	Aug. 30	Sept. 6	Sept. 13	Sept. 20	Sept. 27	Oct. 4	Oct. 11	Oct. 18	Oct. 25
OUTRIGHT TRANSACTIONS[2]												
By type of security												
1 U.S. Treasury bills	42,521	44,812	48,527	46,234	50,858	46,628	48,928	50,634	42,343	43,957	48,337	41,331
Coupon securities, by maturity												
2 Five years or less	88,585	88,513	89,933	83,590	79,347	74,783	87,213	118,160	85,213	76,008	89,090	98,718
3 More than five years	48,238	51,000	49,005	47,257	48,983	45,900	52,648	49,971	45,286	45,596	56,156	48,121
4 Federal agency	21,442	21,039	24,972	23,049	22,997	22,975	24,819	27,798	27,231	21,597	23,937	24,225
5 Mortgage-backed	29,364	27,588	29,574	18,769	26,438	46,352	23,911	23,504	23,234	41,187	34,205	20,949
By type of counterparty												
With interdealer broker												
6 U.S. Treasury	105,382	107,723	110,578	106,013	103,750	100,114	110,626	130,628	100,148	96,410	112,366	109,545
7 Federal agency	673	757	661	835	374	769	749	657	757	723	583	666
8 Mortgage-backed	10,315	8,587	11,127	6,339	9,023	16,930	9,008	10,174	8,511	15,046	13,277	8,369
With other												
9 U.S. Treasury	73,961	76,601	76,887	71,068	75,438	67,198	78,164	88,137	72,694	69,151	81,217	78,625
10 Federal agency	20,770	20,282	24,311	22,213	22,623	22,206	24,070	27,141	26,475	20,875	23,354	23,559
11 Mortgage-backed	19,049	19,001	18,447	12,431	17,415	29,422	14,904	13,329	14,723	26,141	20,928	12,579
FUTURES TRANSACTIONS[3]												
By type of deliverable security												
12 U.S. Treasury bills	493	764	990	1,240	1,424	1,177	800	887	390	378	585	743
Coupon securities, by maturity												
13 Five years or less	1,773	1,747	2,070	2,973	2,440	2,009	1,779	2,347	1,519	1,452	1,448	1,742
14 More than five years	13,585	13,206	16,073	13,914	16,211	14,983	16,563	16,948	15,109	13,858	15,320	13,797
15 Federal agency	0	0	0	0	0	0	0	0	0	0	0	0
16 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0	0
OPTIONS TRANSACTIONS[4]												
By type of underlying security												
17 U.S. Treasury bills	0	0	0	0	n.a.	0	n.a.	0	0	0	0	0
Coupon securities, by maturity												
18 Five years or less	2,808[r]	2,262[r]	1,602	1,975	1,588	1,044	1,699	1,850	2,162	2,497	2,092	1,486
19 More than five years	4,297[r]	4,032[r]	4,257	3,152[r]	4,374	4,425	4,120	4,273	3,907	4,808	6,107	3,764
20 Federal agency	0	0	0	0	0	0	0	0	0	0	0	0
21 Mortgage-backed	1,117	1,123	897	1,429	767	1,353	609	710	1,201	1,243	1,334	572

1. Transactions are market purchases and sales of securities as reported to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Monthly averages are based on the number of trading days in the month. Transactions are assumed evenly distributed among the trading days of the report week. Immediate, forward, and futures transactions are reported at principal value, which does not include accrued interest; options transactions are reported at the face value of the underlying securities.

Dealers report cumulative transactions for each week ending Wednesday.

2. Outright transactions include immediate and forward transactions. Immediate delivery refers to purchases or sales of securities (other than mortgage-backed federal agency securities) for which delivery is scheduled in five business days or less and "when-issued" securities that settle on the issue date of offering. Transactions for immediate delivery of mortgage-backed agency securities include purchases and sales for which delivery is scheduled in thirty business days or less. Stripped securities are reported at market value by maturity of coupon or corpus.

Forward transactions are agreements made in the over-the-counter market that specify delayed delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.

3. Futures transactions are standardized agreements arranged on an exchange. All futures transactions are included regardless of time to delivery.

4. Options transactions are purchases or sales of put and call options, whether arranged on an organized exchange or in the over-the-counter market, and include options on futures contracts on U.S. Treasury and federal agency securities.

NOTE. "n.a." indicates that data are not published because of insufficient activity.

Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending July 6, 1994.

1.43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing[1]

Millions of dollars

Item	1995 July	1995 Aug.	1995 Sept.	1995, week ending Aug. 30	Sept. 6	Sept. 13	Sept. 20	Sept. 27	Oct. 4	Oct. 11	Oct. 18
	Positions[2]										
NET OUTRIGHT POSITIONS[3]											
By type of security											
1 U.S. Treasury bills	8,454	5,044	7,744	1,492	18,803	11,173	8,738	−1,935	−2,108	−349	3,679
Coupon securities, by maturity											
2 Five years or less	2,934	778	7,088	169	6,781	7,447	2,771	8,658	13,277	7,447	8,169
3 More than five years	−17,954	−17,786	−17,370	−16,364	−17,106	−15,742	−16,475	−20,317	−16,905	−15,567	−14,084
4 Federal agency	20,134	19,128	21,837	19,133	23,026	21,239	20,380	21,444	25,168	23,566	22,486
5 Mortgage-backed	32,714	30,040	32,596	29,738	31,054	31,607	33,770	33,567	32,985	38,074	38,282
NET FUTURES POSITIONS[4]											
By type of deliverable security											
6 U.S. Treasury bills	−5,615	−3,539	−2,440	−3,453	−3,656	−3,569	−997	−1,854	−2,109	−2,100	−3,439
Coupon securities, by maturity											
7 Five years or less	1,913	2,329	952	1,831	990	1,086	535	1,200	961	−376	−646
8 More than five years	−1,271	−1,283	−8,204	−2,677	−5,033	−8,322	−11,675	−7,043	−8,879	−11,754	−14,280
9 Federal agency	0	0	0	0	0	0	0	0	0	0	0
10 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0
NET OPTIONS POSITIONS											
By type of deliverable security											
11 U.S. Treasury bills	0	0	n.a.	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Coupon securities, by maturity											
12 Five years or less	846	2,239	2,175	2,514	2,536	2,085	2,355	1,814	2,089	3,962	3,613
13 More than five years	−3,260	−2,883	−3,203	−3,057	−2,895	−4,441	−1,833	−4,043	−2,163	−1,606	−1,516
14 Federal agency	0	0	0	0	0	0	0	0	0	0	0
15 Mortgage-backed	1,802	1,567	1,111	2,136	465	1,195	1,294	1,119	1,758	891	2,063
	Financing[5]										
Reverse repurchase agreements											
16 Overnight and continuing	222,594	222,035	218,987	211,239	208,646	213,107	230,402	224,873	213,015	221,947	234,239
17 Term	419,813	406,450	418,204	396,801	379,952	420,523	437,529	434,254	406,756	404,185	428,007
Securities borrowed											
18 Overnight and continuing	156,460	156,456	164,552	156,079	164,046	167,213	167,421	158,507	166,763	162,135	161,437
19 Term	59,037	62,392	64,797	63,666	61,276	61,460	68,088	68,516	63,271	63,979	67,270
Securities received as pledge											
20 Overnight and continuing	2,740	2,063	2,547	1,930	2,514	2,654	2,517	2,502	2,538	2,568	2,693
21 Term	81	112	87	91	180	113	45	44	42	49	33
Repurchase agreements											
22 Overnight and continuing	479,826	476,058	494,244	464,861	497,826	501,084	510,364	467,875	495,031	502,149	510,367
23 Term	357,225	344,449	355,324	333,828	308,141	353,552	380,314	381,601	334,203	333,239	363,293
Securities loaned											
24 Overnight and continuing	5,717	4,631	6,312	4,820	6,793	6,669	6,350	5,638	6,004	5,995	6,165
25 Term	2,132	2,102	2,478	2,067	2,194	2,534	2,530	2,384	3,012	2,896	2,738
Securities pledged											
26 Overnight and continuing	30,162	28,712	33,053	30,836	32,290	31,225	29,361	39,885	31,518	29,612	30,590
27 Term	3,909	3,062	3,643	2,803	2,503	2,277	4,427	5,099	3,880	3,929	3,864
Collateralized loans											
28 Overnight and continuing	18,645	16,913	14,509	16,050	15,511	14,345	13,927	14,513	14,236	17,183	18,057
29 Term	4,177	n.a.	2,528	n.a.	n.a.	n.a.	n.a.	n.a.	2,528	1,184	2,958
MEMO: Matched book[6]											
Securities in											
30 Overnight and continuing	214,055[r]	214,020[r]	217,301	197,995[r]	206,305	215,693	226,512	216,745	222,846	226,314	237,025
31 Term	403,020[r]	394,908[r]	402,615	390,988[r]	358,637	404,962	427,363	416,480	394,998	394,221	419,566
Securities out											
32 Overnight and continuing	298,309	306,428	316,398	297,731	320,041	326,389	330,499	292,040	309,734	317,824	333,114
33 Term	304,492	291,160	299,663	282,980	255,589	300,029	321,887	322,423	281,991	283,389	305,638

1. Data for positions and financing are obtained from reports submitted to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Weekly figures are close-of-business Wednesday data. Positions for calendar days of the report week are assumed to be constant. Monthly averages are based on the number of calendar days in the month.

2. Securities positions are reported at market value.

3. Net outright positions include immediate and forward positions. Net immediate positions include securities purchased or sold (other than mortgage-backed agency securities) that have been delivered or are scheduled to be delivered in five business days or less and "when-issued" securities that settle on the issue date of offering. Net immediate positions for mortgage-backed agency securities include securities purchased or sold that have been delivered or are scheduled to be delivered in thirty business days or less.

Forward positions reflect agreements made in the over-the-counter market that specify delayed delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.

4. Futures positions reflect standardized agreements arranged on an exchange. All futures positions are included regardless of time to delivery.

5. Overnight financing refers to agreements made on one business day that mature on the next business day; continuing contracts are agreements that remain in effect for more than one business day but have no specific maturity and can be terminated without advance notice by either party; term agreements have a fixed maturity of more than one business day. Financing data are reported in terms of actual funds paid or received, including accrued interest.

6. Matched-book data reflect financial intermediation activity in which the borrowing and lending transactions are matched. Matched-book data are included in the financing breakdowns given above. The reverse repurchase and repurchase numbers are not always equal because of the "matching" of securities of different values or different types of collateralization.

NOTE. "n.a." indicates that data are not published because of insufficient activity.

Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending July 6, 1994.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1991	1992	1993	1994	1995				
					Apr.	May	June	July	Aug.
1 **Federal and federally sponsored agencies**	**442,772**	**483,970**	**570,711**	**738,928**	**759,681**	**771,524**	**785,982[r]**	**788,323**	**801,819**
2 Federal agencies	41,035	41,829	45,193	39,186	38,777	38,720	38,412	39,403	39,581
3 Defense Department[1]	7	7	6	6	6	6	6	6	6
4 Export-Import Bank[2,3]	9,809	7,208	5,315	3,455	3,156	3,156	2,652	2,652	2,652
5 Federal Housing Administration[4]	397	374	255	116	70	78	81	84	83
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]	8,421	10,660	9,732	8,073	7,873	7,615	7,615	8,615	8,615
8 Tennessee Valley Authority	22,401	23,580	29,885	27,536	27,672	27,865	28,058	28,046	28,225
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]	401,737	442,141	523,452	699,742	720,904	732,804	747,570	748,920	762,238
11 Federal Home Loan Banks	107,543	114,733	139,512	205,817	211,944	218,131	223,089	223,100	228,299
12 Federal Home Loan Mortgage Corporation	30,262	29,631	49,993	93,279	106,432	107,686	108,484	111,427	112,341
13 Federal National Mortgage Association	133,937	166,300	201,112	257,230	258,176	263,023	270,937	268,458	275,271
14 Farm Credit Banks[8]	52,199	51,910	53,123	53,175	53,629	54,054	53,915	54,635	54,979
15 Student Loan Marketing Association[9]	38,319	39,650	39,784	50,335	50,758	49,993	51,268	51,325	51,323
16 Financing Corporation[10]	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170
17 Farm Credit Financial Assistance Corporation[11]	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261
18 Resolution Funding Corporation[12]	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996
MEMO									
19 **Federal Financing Bank debt[13]**	**185,576**	**154,994**	**128,187**	**103,817**	**95,374**	**92,739**	**90,638**	**88,892**	**86,776**
Lending to federal and federally sponsored agencies									
20 Export-Import Bank[3]	9,803	7,202	5,309	3,449	3,150	3,150	2,646	2,646	2,646
21 Postal Service[6]	8,201	10,440	9,732	8,073	7,873	7,615	7,615	8,615	8,615
22 Student Loan Marketing Association	4,820	4,790	4,760	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
23 Tennessee Valley Authority	10,725	6,975	6,325	3,200	3,200	3,200	3,200	3,200	3,200
24 United States Railway Association[6]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other lending[14]									
25 Farmers Home Administration	48,534	42,979	38,619	33,719	31,769	30,759	30,004	28,419	27,384
26 Rural Electrification Administration	18,562	18,172	17,578	17,392	17,299	17,313	17,256	17,274	17,276
27 Other	84,931	64,436	45,864	37,984	32,083	30,702	29,917	28,738	27,655

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	1992	1993	1994	1995 Mar.	Apr.	May	June	July	Aug.	Sept	Oct
1 **All issues, new and refunding**[1]	**226,818**	**279,945**	**153,950**	**11,844**	**8,552**	**11,804**	**17,956**	**9,777**	**12,308**	**9,764**	**13,574**
By type of issue											
2 General obligation	78,611	90,599	54,404	5,459	3,536	4,332	5,755	3,529	4,519	3,635	6,252
3 Revenue	136,580	189,346	99,546	6,385	5,016	7,472	12,201	6,248	7,789	6,129	7,322
By type of issuer											
4 State	24,874	27,999	19,186	2,315	994	1,315	1,329	645	617	1,510	1,825
5 Special district or statutory authority[2]	138,327	178,714	95,896	6,572	5,814	8,039	11,382	7,399	7,491	5,821	7,831
6 Municipality, county, or township	63,617	73,232	38,868	2,957	1,744	2,450	5,245	1,733	4,200	2,433	3,918
7 **Issues for new capital**	**101,865**	**91,434**	**105,972**	**10,538**	**6,497**	**8,406**	**13,796**	**8,384**	**7,142**	**6,843**	**8,054**
By use of proceeds											
8 Education	18,852	16,831	21,267	1,666	1,863	2,594	2,494	1,924	1,180	1,929	1,725
9 Transportation	14,357	9,167	10,836	454	615	606	3,127	1,926	869	446	631
10 Utilities and conservation	12,164	12,014	10,192	633	345	1,282	1,235	485	1,504	563	1,794
11 Social welfare	16,744	13,837	20,289	2,556	1,547	1,738	2,062	1,333	1,421	1,228	1,587
12 Industrial aid	6,188	6,862	8,161	1,011	391	416	411	500	201	627	203
13 Other purposes	33,560	32,723	35,227	4,218	1,736	1,770	4,467	2,216	1,967	2,050	2,114

1. Par amounts of long-term issues based on date of sale.
2. Includes school districts.

SOURCES. Securities Data Company beginning January 1993; *Investment Dealer's Digest* before then.

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue, offering, or issuer	1992	1993	1994	1995 Feb	Mar.	Apr.[r]	May	June	July[r]	Aug.	Sept.
1 **All issues**[1]	**559,827**	**754,969**	n.a.	**42,181**[r]	**40,098**[r]	**30,438**	**54,577**	**55,682**	**33,200**	**47,001**	**55,869**
2 **Bonds**[2]	**471,502**	**641,498**	n.a.	**37,350**[r]	**37,178**[r]	**26,909**	**48,579**	**48,585**	**29,075**	**41,070**	**49,000**
By type of offering											
3 Public, domestic	378,058	486,879	365,050	29,452[r]	32,990[r]	22,756	40,052	42,398	23,147	32,351	43,000
4 Private placement, domestic[3]	65,853	116,240	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5 Sold abroad	27,591	38,379	56,238	7,898	4,188	4,153	8,528	6,186	5,928	8,718	6,000
By industry group											
6 Manufacturing	82,058	88,002	31,981	4,450	2,174[r]	2,876	2,139	6,330	4,456	3,982	4,580
7 Commercial and miscellaneous	43,111	60,293	27,900	3,038	1,978	1,815	6,085	4,528	1,078	2,480	2,182
8 Transportation	9,979	10,756	4,573	110[r]	403	800	955	657	10	133	908
9 Public utility	48,055	56,272	11,713	265[r]	959	331	2,530	2,661	498	620	1,819
10 Communication	15,394	31,950	11,986	1,127	411	336	1,767	1,745	1,520	1,089	2,787
11 Real estate and financial	272,904	394,226	333,135	28,360	31,254[r]	20,752	35,103	32,664	21,513	32,764	36,724
12 **Stocks**[2]	**88,325**	**113,472**	n.a.	**4,831**	**2,920**	**3,876**	**6,208**	**7,651**	**4,503**	**6,098**	**6,869**
By type of offering											
13 Public preferred	21,339	18,897	12,432	296	205	656	1,507	726	753	1,234	1,010
14 Common	57,118	82,657	47,881	4,535	2,715	3,221	4,701	6,925	3,750	4,864	5,859
15 Private placement[3]	9,867	11,917		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By industry group											
16 Manufacturing	22,723	22,271		1,582	1,010	634	2,369	2,324	1,306	2,215	2,064
17 Commercial and miscellaneous	20,231	25,761	n.a.	1,502[r]	907	2,150	1,133	2,742	1,882	1,431	2,677
18 Transportation	2,595	2,237		15	60	48	101	0	0	78	93
19 Public utility	6,532	7,050		258	137	141	185	209	133	91	190
20 Communication	2,366	3,439		0	20	0	0	0	64	0	41
21 Real estate and financial	33,879	52,021		1,475[r]	786	903	2,322	2,376	1,117	2,277	1,804

1. Figures represent gross proceeds of issues maturing in more than one year; they are the principal amount or number of units calculated by multiplying by the offering price. Figures exclude secondary offerings, employee stock plans, investment companies other than closed-end, intracorporate transactions, equities sold abroad, and Yankee bonds. Stock data include ownership securities issued by limited partnerships.
2. Monthly data cover only public offerings.
3. Monthly data are not available.

SOURCES. Beginning July 1993, Securities Data Company and the Board of Governors of the Federal Reserve System.

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Assets[1]

Millions of dollars

Item	1993	1994	1995							
			Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.
1 **Sales of own shares**[2]	**851,885**	**841,286**	**59,121**	**69,898**	**68,294**	**70,798**	**74,749**	**76,081**	**72,113**	**68,772**
2 Redemptions of own shares	567,881	699,823	50,738	60,970	59,957	57,033	61,932	56,344	57,610	54,443
3 Net sales[3]	284,004	141,463	8,383	8,928	8,337	13,765	12,817	19,736	14,503	14,329
4 **Assets**[4]	**1,510,209**	**1,550,490**	**1,619,705**	**1,657,370**	**1,710,280**	**1,769,287**	**1,808,753**	**1,880,754**	**1,908,525**	**1,963,184**
5 Cash[5]	100,209	121,296	126,307	121,424	124,092	128,375	122,461	126,340	127,173	127,682
6 Other	1,409,838	1,429,195	1,493,399	1,535,946	1,586,187	1,640,913	1,686,292	1,754,415	1,781,352	1,835,502

1. Data on sales and redemptions exclude money market mutual funds but include limited-maturity municipal bond funds. Data on asset positions exclude both money market mutual funds and limited maturity municipal bond funds.
2. Includes reinvestment of net income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.
3. Excludes sales and redemptions resulting from transfers of shares into or out of money market mutual funds within the same fund family.
4. Market value at end of period, less current liabilities.
5. Includes all U.S. Treasury securities and other short-term debt securities.

SOURCE. Investment Company Institute. Data based on reports of membership, which comprises substantially all open-end investment companies registered with the Securities and Exchange Commission. Data reflect underwritings of newly formed companies after their initial offering of securities.

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data at seasonally adjusted annual rates

Account	1992	1993	1994	1993	1994				1995		
				Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
1 Profits with inventory valuation and capital consumption adjustment	405.1	485.8	542.7	533.9	508.2	546.4	556.0	560.3	569.7	581.1	n.a.
2 Profits before taxes	395.9	462.4	524.5	501.7	483.5	523.1	538.1	553.5	570.6	574.1	n.a.
3 Profits-tax liability	139.7	173.2	202.5	191.5	184.1	201.7	208.6	215.6	220.0	220.4	n.a.
4 Profits after taxes	256.2	289.2	322.0	310.2	299.4	321.4	329.5	337.9	350.7	353.6	n.a.
5 Dividends	171.1	191.7	205.2	194.6	196.3	202.5	207.9	213.9	217.1	219.9	223.7
6 Undistributed profits	85.1	97.5	116.9	115.6	103.0	118.9	121.6	124.0	133.5	133.8	n.a.
7 Inventory valuation	6.4	6.2	19.5	6.5	12.3	14.1	19.6	32.1	39.0	28.2	7.4
8 Capital consumption adjustment	15.7	29.5	37.7	38.8	37.0	37.4	37.5	38.8	38.1	35.2	35.4

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

1.50 NONFARM BUSINESS EXPENDITURES New Plant and Equipment

Billions of dollars; quarterly data at seasonally adjusted annual rates

Industry	1992	1993	1994[1]	1993				1994			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4[1]
1 **Total nonfarm business**	**546.60**	**586.73**	**638.37**	**563.48**	**578.95**	**594.56**	**604.51**	**619.34**	**637.08**	**651.92**	**645.13**
Manufacturing											
2 Durable goods industries	73.32	81.15	92.78	78.19	80.33	82.74	83.64	86.03	91.71	98.97	94.44
3 Nondurable goods industries	100.69	98.02	99.77	95.80	97.22	99.74	98.51	99.02	102.28	98.39	99.39
Nonmanufacturing											
4 Mining	8.88	10.08	11.24	8.98	9.10	11.09	10.92	11.43	10.70	11.57	11.27
Transportation											
5 Railroad	6.67	6.14	6.72	6.16	5.94	5.89	6.55	7.46	5.36	6.65	7.40
6 Air	8.93	6.42	3.95	7.26	6.63	6.70	5.06	4.23	4.53	3.86	3.16
7 Other	7.04	9.22	10.53	8.96	8.92	8.74	10.23	10.77	9.70	10.22	11.42
Public utilities											
8 Electric	48.22	52.55	52.25	49.98	50.61	52.96	55.60	48.68	53.55	54.15	52.60
9 Gas and other	23.99	23.43	24.20	23.79	23.83	22.98	23.27	24.51	22.96	24.35	24.97
10 Commercial and other[2]	268.84	299.44	336.93	284.35	296.35	303.74	310.73	327.20	336.28	343.76	340.48

1. Figures are amounts anticipated by business.
2. "Other" consists of construction, wholesale and retail trade, finance and insurance, personal and business services, and communication.

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities[1]

Billions of dollars, end of period; not seasonally adjusted

Account	1992	1993	1994	1994 Q1	1994 Q2	1994 Q3	1994 Q4	1995 Q1	1995 Q2	1995 Q3
ASSETS										
1 Accounts receivable, gross[2]	491.8	482.8	551.0	494.5	511.3	524.1	551.0	568.5	586.9	594.1
2 Consumer	118.3	116.5	134.8	120.1	124.3	130.3	134.8	135.8	141.7	146.2
3 Business	301.3	294.6	337.6	302.3	313.2	317.2	337.6	351.9	361.8	361.8
4 Real estate	72.2	71.7	78.5	72.1	73.8	76.6	78.5	80.8	83.4	86.1
5 LESS: Reserves for unearned income	53.2	50.7	55.0	51.2	51.9	51.1	55.0	58.9	62.1[r]	61.2
6 Reserves for losses	16.2	11.2	12.4	11.6	12.1	12.1	12.4	12.9	13.7	13.8
7 Accounts receivable, net	422.4	420.9	483.5	431.7	447.3	460.9	483.5	496.7	511.1	519.0
8 All other	142.5	170.9	183.4	171.2	174.6	177.2	183.4	194.6	198.1[r]	198.1
9 **Total assets**	**564.9**	**591.8**	**666.9**	**602.9**	**621.9**	**638.1**	**666.9**	**691.4**	**709.2[r]**	**717.1**
LIABILITIES AND CAPITAL										
10 Bank loans	37.6	25.3	21.2	24.2	23.3	21.6	21.2	21.0	21.5	21.8
11 Commercial paper	156.4	159.2	184.6	165.9	171.2	171.0	184.6	181.3	181.3	178.0
Debt										
12 Owed to parent	39.5	42.7	51.0	41.1	44.7	50.0	51.0	52.5	57.5	59.0
13 Not elsewhere classified	196.3	206.0	235.0	211.7	219.6	228.2	235.0	254.4	264.4	272.1
14 All other liabilities	68.0	87.1	99.5	90.5	89.9	95.0	99.5	102.5	102.1	101.7
15 Capital, surplus, and undivided profits	67.1	71.4	75.7	69.5	73.2	72.3	75.7	79.7	82.5	84.4
16 **Total liabilities and capital**	**564.9**	**591.8**	**666.9**	**602.9**	**621.9**	**638.1**	**666.9**	**691.4**	**709.2[r]**	**717.1**

1. Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data are amounts carried on the balance sheets of finance companies; securitized pools are not shown, as they are not on the books.

2. Before deduction for unearned income and losses.

1.52 DOMESTIC FINANCE COMPANIES Consumer, Real Estate, and Business Credit[1]

Millions of dollars, amounts outstanding, end of period

Type of credit	1992	1993	1994	1995 Apr.	1995 May	1995 June	1995 July[r]	1995 Aug.[r]	1995 Sept.
	Seasonally adjusted								
1 **Total**	**539,996**	**545,533**	**614,784**	**644,041**	**653,872**	**660,714**	**661,656**	**670,755**	**673,546**
2 Consumer	157,579	160,349	176,198	181,775	186,584	188,666	189,898	191,199	192,630
3 Real estate[2]	72,473	71,965	78,770	81,877	82,843	84,198	84,886	85,756	86,121
4 Business	309,944	313,219	359,816	380,389	384,446	387,850	386,872	393,800	394,795
	Not seasonally adjusted								
5 **Total**	**544,691**	**550,751**	**620,975**	**646,621**	**653,503**	**661,910**	**658,140**	**664,492**	**670,957**
6 Consumer	159,558	162,770	178,999	181,598	184,616	187,303	187,803	190,226	192,690
7 Motor vehicles	57,259	56,057	61,609	62,435	63,689	65,162	65,861	67,667	68,857
8 Other consumer[3]	61,020	60,396	73,221	75,369	75,943	76,581	76,302	77,251	77,345
9 Securitized motor vehicles[4]	29,734	36,024	31,897	31,261	32,117	32,135	32,381	31,551	31,117
10 Securitized other consumer[4]	11,545	10,293	12,272	12,533	12,867	13,425	13,259	13,757	15,371
11 Real estate[2]	72,243	71,727	78,479	82,104	82,735	83,351	84,987	86,107	86,128
12 Business	312,890	316,254	363,497	382,919	386,152	391,256	385,350	388,159	392,139
13 Motor vehicles	89,011	95,173	118,197	128,572	128,312	127,487	124,005	124,048	124,400
14 Retail[5]	20,541	18,091	21,514	22,370	21,228	22,142	22,953	23,487	25,006
15 Wholesale[6]	29,890	31,148	35,037	39,574	39,512	36,989	32,147	31,392	29,313
16 Leasing	38,580	45,934	61,646	66,628	67,572	68,356	68,905	69,169	70,081
17 Equipment	151,424	145,452	157,953	162,623	165,219	169,995	170,253	170,825	171,239
18 Retail	33,521	35,513	39,680	40,880	41,264	42,008	42,541	43,121	42,823
19 Wholesale[6]	8,680	8,001	9,678	9,661	10,643	11,725	12,111	12,278	12,210
20 Leasing	109,223	101,938	108,595	112,082	113,312	116,262	115,601	115,426	116,206
21 Other business[7]	60,856	53,997	61,495	64,426	64,099	64,365	63,869	64,898	66,111
22 Securitized business assets[4]	11,599	21,632	25,852	27,298	28,522	29,409	27,223	28,388	30,389
23 Retail	1,120	2,869	4,494	4,937	5,224	4,989	4,784	4,587	5,293
24 Wholesale	5,756	10,584	14,826	16,561	17,676	18,310	16,469	17,986	19,180
25 Leasing	4,723	8,179	6,532	5,800	5,622	6,110	5,970	5,815	5,916

1. Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data are before deductions for unearned income and losses. Data in this table also appear in the Board's G.20 (422) monthly statistical release. For ordering address, see inside front cover.

2. Includes all loans secured by liens on any type of real estate, for example, first and junior mortgages and home equity loans.

3. Includes personal cash loans, mobile home loans, and loans to purchase other types of consumer goods such as appliances, apparel, general merchandise, and recreation vehicles.

4. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.

5. Passenger car fleets and commercial land vehicles for which licenses are required.

6. Credit arising from transactions between manufacturers and dealers, that is, floor plan financing.

7. Includes loans on commercial accounts receivable, factored commercial accounts, and receivable dealer capital; small loans used primarily for business or farm purposes; and wholesale and lease paper for mobile homes, campers, and travel trailers.

1.53 MORTGAGE MARKETS Mortgages on New Homes

Millions of dollars except as noted

Item	1992	1993	1994	1995 Apr.	1995 May	1995 June	1995 July	1995 Aug.	1995 Sept.	1995 Oct.
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Terms[1]										
1 Purchase price (thousands of dollars)	158.1	163.1	170.4	174.7	178.1	181.7	169.4	170.4	174.8	174.3
2 Amount of loan (thousands of dollars)	118.1	123.0	130.8	134.6	136.3	137.7	130.4	130.6	131.8	133.0
3 Loan-to-price ratio (percent)	76.6	78.0	78.8	79.2	78.7	78.2	78.9	78.9	78.1	77.8
4 Maturity (years)	25.6	26.1	27.5	28.1	28.4	27.2	26.6	27.3	28.0	26.6
5 Fees and charges (percent of loan amount)[2]	1.60	1.30	1.29	1.14	1.30	1.18	1.18	1.12	1.20	1.11
Yield (percent per year)										
6 Contract rate[1]	7.98	7.03	7.26	7.96	7.79	7.54	7.58	7.56	7.50	7.39
7 Effective rate[1,3]	8.25	7.24	7.47	8.15	7.99	7.73	7.78	7.75	7.69	7.58
8 Contract rate (HUD series)[4]	8.43	7.37	8.58	8.44	7.84	7.80	7.98	7.91	7.78	7.62
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (Section 203)[5]	8.46	7.46	8.68	8.56	8.03	8.00	8.09	8.03	8.03	7.61
10 GNMA securities[6]	7.71	6.65	7.96	7.96	7.53	7.24	7.27	7.49	7.26	7.16
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	158,119	190,861	222,057	226,197	228,078	232,534	235,882	238,850	241,378	246,234
12 FHA/VA insured	22,593	23,857	28,377	28,664	28,576	28,886	28,761	28,640	28,515	28,442
13 Conventional	135,526	167,004	194,499	198,161	200,004	204,022	207,227	210,063	212,652	217,469
14 Mortgage transactions purchased (during period)	75,905	92,037	62,389	3,709	3,787	6,575	5,657	5,688	5,002	7,443
Mortgage commitments (during period)										
15 Issued[7]	74,970	92,537	54,038	3,277	6,085	5,605	4,512	6,284	6,019	6,732
16 To sell[8]	10,493	5,097	1,820	22	28	9	26	53	9	0
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	33,665	55,012	72,693	79,147	81,008	85,532	88,874	91,544	94,989	99,758
18 FHA/VA insured	352	321	276	262	257	253	250	246	281r	276
19 Conventional	33,313	54,691	72,416	78,885	80,751	85,278	88,624	91,298	94,708r	99,482
Mortgage transactions (during period)										
20 Purchases	191,125	229,242	124,697	4,530	10,982	7,001	7,316	9,594	11,458	11,092
21 Sales	179,208	208,723	117,110	3,805	10,479	5,326	6,074	8,161	10,239	9,856
22 Mortgage commitments contracted (during period)[9]	261,637	274,599	136,067	13,437	4,549	6,198	8,106	10,578	12,469	10,388

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups for purchase of newly built homes; compiled by the Federal Housing Finance Board in cooperation with the Federal Deposit Insurance Corporation.
2. Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) to obtain a loan.
3. Average effective interest rate on loans closed for purchase of newly built homes, assuming prepayment at the end of ten years.
4. Average contract rate on new commitments for conventional first mortgages; from U.S. Department of Housing and Urban Development (HUD). Based on transactions on the first day of the subsequent month.
5. Average gross yield on thirty-year, minimum-downpayment first mortgages insured by the Federal Housing Administration (FHA) for immediate delivery in the private secondary market. Based on transactions on first day of subsequent month.
6. Average net yields to investors on fully modified pass-through securities backed by mortgages and guaranteed by the Government National Mortgage Association (GNMA), assuming prepayment in twelve years on pools of thirty-year mortgages insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs.
7. Does not include standby commitments issued, but includes standby commitments converted.
8. Includes participation loans as well as whole loans.
9. Includes conventional and government-underwritten loans. The Federal Home Loan Mortgage Corporation's mortgage commitments and mortgage transactions include activity under mortgage securities swap programs, whereas the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING[1]

Millions of dollars, end of period

Type of holder and property	1991	1992	1993	1994 Q2	1994 Q3	1994 Q4	1995 Q1	1995 Q2[p]
1 **All holders**	**3,926,337**	**4,056,233**	**4,229,592**	**4,315,839**	**4,375,155**	**4,426,606**	**4,474,715**	**4,527,103**
By type of property								
2 One- to four-family residences	2,781,327	2,963,391	3,149,634	3,235,939	3,292,201	3,344,791	3,383,139	3,431,841
3 Multifamily residences	306,551	295,417	291,985	295,013	297,650	296,902	298,230	300,629
4 Commercial	759,154	716,687	706,780	702,821	702,679	701,941	709,942	710,266
5 Farm	79,305	80,738	81,194	82,066	82,625	82,971	83,404	84,367
By type of holder								
6 Major financial institutions	1,846,726	1,769,187	1,767,835	1,763,227	1,786,074	1,815,810	1,841,815	1,865,145
7 Commercial banks[2]	876,100	894,513	940,444	956,840	981,365	1,004,280	1,024,854	1,052,882
8 One- to four-family	483,623	507,780	556,538	569,512	592,021	611,697	625,378	648,815
9 Multifamily	36,935	38,024	38,635	38,609	38,004	38,916	39,746	40,519
10 Commercial	337,095	328,826	324,409	326,800	328,931	331,100	336,795	339,983
11 Farm	18,447	19,882	20,862	21,918	22,408	22,567	22,936	23,564
12 Savings institutions[3]	705,367	627,972	598,330	585,671	587,545	596,198	601,777	598,876
13 One- to four-family	538,358	489,622	469,959	462,219	466,704	477,499	483,625	481,434
14 Multifamily	79,881	69,791	67,362	66,281	65,532	64,400	63,778	64,373
15 Commercial	86,741	68,235	60,701	56,872	55,017	54,011	54,085	52,788
16 Farm	388	324	305	299	291	289	288	281
17 Life insurance companies	265,258	246,702	229,061	220,716	217,165	215,332	215,184	213,387
18 One- to four-family	11,547	11,441	9,458	8,122	7,984	7,910	7,892	7,817
19 Multifamily	29,562	27,770	25,814	24,958	24,534	24,306	24,250	24,019
20 Commercial	214,105	198,269	184,305	178,194	175,168	173,539	173,142	171,493
21 Farm	10,044	9,222	9,484	9,442	9,479	9,577	9,900	10,058
22 Federal and related agencies	266,146	286,263	328,598	329,725	329,304	323,491	319,770	315,211
23 Government National Mortgage Association	19	30	22	12	12	6	15	10
24 One- to four-family	19	30	15	12	12	6	15	10
25 Multifamily	0	0	7	0	0	0	0	0
26 Farmers Home Administration[4]	41,713	41,695	41,386	41,370	41,587	41,781	41,857	41,917
27 One- to four-family	18,496	16,912	15,303	14,459	14,084	13,826	13,507	13,217
28 Multifamily	10,141	10,575	10,940	11,147	11,243	11,319	11,418	11,512
29 Commercial	4,905	5,158	5,406	5,526	5,608	5,670	5,807	5,949
30 Farm	8,171	9,050	9,739	10,239	10,652	10,966	11,124	11,239
31 Federal Housing and Veterans' Administrations	10,733	12,581	12,215	11,169	10,533	10,964	10,890	10,098
32 One- to four-family	4,036	5,153	5,364	4,826	4,321	4,753	4,715	4,838
33 Multifamily	6,697	7,428	6,851	6,343	6,212	6,211	6,175	5,260
34 Resolution Trust Corporation	45,822	32,045	17,284	13,908	15,403	10,428	9,342	6,456
35 One- to four-family	14,535	12,960	7,203	6,045	6,998	5,200	4,755	2,870
36 Multifamily	15,018	9,621	5,327	4,230	4,569	2,859	2,494	1,940
37 Commercial	16,269	9,464	4,754	3,633	3,836	2,369	2,092	1,645
38 Farm	0	0	0	0	0	0	0	0
39 Federal Deposit Insurance Corporation	0	0	14,112	11,407	9,169	7,821	6,730	6,039
40 One- to four-family	0	0	2,367	1,706	1,241	1,049	840	731
41 Multifamily	0	0	1,426	1,701	2,090	1,595	1,310	1,135
42 Commercial	0	0	10,319	8,000	5,838	5,177	4,580	4,173
43 Farm	0	0	0	0	0	0	0	0
44 Federal National Mortgage Association	112,283	137,584	166,642	175,377	177,200	178,059	177,615	178,462
45 One- to four-family	100,387	124,016	151,310	159,437	161,255	162,160	161,780	162,674
46 Multifamily	11,896	13,568	15,332	15,940	15,945	15,899	15,835	15,788
47 Federal Land Banks	28,767	28,664	28,460	28,475	28,538	28,555	28,065	28,005
48 One- to four-family	1,693	1,687	1,675	1,675	1,679	1,671	1,651	1,648
49 Farm	27,074	26,977	26,785	26,800	26,859	26,885	26,414	26,357
50 Federal Home Loan Mortgage Corporation	26,809	33,665	48,476	48,007	46,863	45,876	45,256	44,224
51 One- to four-family	24,125	31,032	45,929	45,427	44,208	43,046	42,122	40,963
52 Multifamily	2,684	2,633	2,547	2,580	2,655	2,830	3,134	3,261
53 Mortgage pools or trusts[5]	1,250,666	1,425,546	1,553,818	1,652,999	1,682,421	1,703,076	1,714,357	1,737,483
54 Government National Mortgage Association	425,295	419,516	414,066	435,709	444,976	450,934	454,401	457,101
55 One- to four-family	415,767	410,675	404,864	426,363	435,511	441,198	444,632	446,855
56 Multifamily	9,528	8,841	9,202	9,346	9,465	9,736	9,769	10,246
57 Federal Home Loan Mortgage Corporation	359,163	407,514	446,029	479,555	482,987	486,480	488,723	496,139
58 One- to four-family	351,906	401,525	441,494	475,733	479,539	483,354	485,643	493,105
59 Multifamily	7,257	5,989	4,535	3,822	3,448	3,126	3,080	3,034
60 Federal National Mortgage Association	371,984	444,979	495,525	514,855	523,512	530,343	533,262	543,669
61 One- to four-family	362,667	435,979	486,804	505,730	514,375	520,763	523,903	533,091
62 Multifamily	9,317	9,000	8,721	9,125	9,137	9,580	9,359	10,578
63 Farmers Home Administration[4]	47	38	28	22	20	19	14	13
64 One- to four-family	11	8	5	4	4	3	2	2
65 Multifamily	0	0	0	0	0	0	0	0
66 Commercial	19	17	13	10	9	9	7	6
67 Farm	17	13	10	8	7	7	5	5
68 Private mortgage conduits	94,177	153,499	198,171	222,858	230,926	235,300	237,957	240,561
69 One- to four-family	84,000	132,000	164,000	179,500	182,300	183,600	184,400	187,000
70 Multifamily	3,698	6,305	8,701	11,514	13,891	14,925	15,743	15,745
71 Commercial	6,479	15,194	25,469	31,844	34,735	36,774	37,814	37,816
72 Farm	0	0	0	0	0	0	0	0
73 Individuals and others[6]	562,798	575,237	579,341	569,887	577,356	584,229	598,772	609,264
74 One- to four-family	370,157	382,572	387,345	375,167	379,964	387,057	398,279	406,770
75 Multifamily	83,937	85,871	86,586	89,417	90,924	91,201	92,137	93,218
76 Commercial	93,541	91,524	91,401	91,943	93,538	93,292	95,620	96,413
77 Farm	15,164	15,270	14,009	13,360	12,929	12,681	12,736	12,863

1. Multifamily debt refers to loans on structures of five or more units.
2. Includes loans held by nondeposit trust companies but not loans held by bank trust departments.
3. Includes savings banks and savings and loan associations.
4. FmHA-guaranteed securities sold to the Federal Financing Bank were reallocated from FmHA mortgage pools to FmHA mortgage holdings in 1986:Q4 because of accounting changes by the Farmers Home Administration.
5. Outstanding principal balances of mortgage-backed securities insured or guaranteed by the agency indicated.
6. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and finance companies.

SOURCES. Based on data from various institutional and government sources. Separation of nonfarm mortgage debt by type of property, if not reported directly, and interpolations and extrapolations, when required for some quarters, are estimated *in part by the Federal Reserve*. Line 69 from Inside Mortgage Securities.

1.55 CONSUMER INSTALLMENT CREDIT[1]

Millions of dollars, amounts outstanding, end of period

Holder and type of credit	1992	1993	1994	1995 Apr.	1995 May	1995 June	1995 July	1995 Aug.[r]	1995 Sept
				Seasonally adjusted					
1 **Total**	**730,847**	**790,351**	**902,853**	**946,452**	**959,593**	**970,741**	**979,387**[r]	**989,720**	**995,136**
2 Automobile	257,436	280,566	317,237	326,431	330,390	333,164	337,588	339,634	341,387
3 Revolving	258,081	286,588	334,511	359,655	367,117	373,572	376,802[r]	381,188	384,025
4 Other[2]	215,331	223,197	251,106	260,366	262,086	264,005	264,998[r]	268,898	269,724
				Not seasonally adjusted					
5 **Total**	**748,057**	**809,440**	**925,000**	**938,108**	**951,096**	**964,362**	**971,416**[r]	**988,988**	**997,869**
By major holder									
6 Commercial banks	330,088	367,566	427,851	431,444	434,863	437,498	441,165	451,784	449,502
7 Finance companies	118,279	116,453	134,830	137,804	139,632	141,743	142,163	144,918	146,202
8 Credit unions	91,691	101,634	119,594	123,233	125,052	126,352	127,413[r]	129,683	131,203
9 Savings institutions	37,049	37,855	38,468	37,499	37,500	37,501	38,001	38,000	38,000
10 Nonfinancial business[3]	49,561	55,296	60,957	55,116	55,914	56,349	56,360	55,723	54,177
11 Pools of securitized assets[4]	121,386	130,636	143,300	153,012	158,135	164,919	166,314[r]	168,880	178,785
By major type of credit[5]									
12 Automobile	258,226	281,458	318,213	324,146	328,932	333,194	336,614	341,579	344,636
13 Commercial banks	109,623	122,000	141,851	142,014	142,865	144,761	146,149	148,549	148,901
14 Finance companies	57,259	56,057	61,609	62,435	63,689	65,162	65,861	67,667	68,857
15 Pools of securitized assets[4]	33,888	39,481	34,918	35,319	36,244	36,690	37,071	36,681	37,476
16 Revolving	271,850	301,837	352,266	355,012	362,283	368,809	372,030[r]	379,295	382,263
17 Commercial banks	132,966	149,920	180,183	180,609	183,006	182,950	184,245	189,163	185,572
18 Nonfinancial business[3]	41,466	50,125	55,341	49,773	50,595	51,040	51,077	50,437	48,906
19 Pools of securitized assets[4]	74,921	79,878	94,376	103,188	106,811	112,575	113,782	116,268	123,811
20 Other	217,981	226,145	254,521	258,950	259,881	262,359	262,772[r]	268,114	270,970
21 Commercial banks	87,499	95,646	105,817	108,821	108,992	109,787	110,771	114,072	115,029
22 Finance companies	61,020	60,396	73,221	75,369	75,943	76,581	76,302	77,251	77,345
23 Nonfinancial business[3]	5,095	5,171	5,616	5,343	5,319	5,309	5,283	5,286	5,271
24 Pools of securitized assets[4]	12,577	11,277	14,006	14,505	15,080	15,654	15,461[r]	15,931	17,498

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals that is scheduled to be repaid (or has the option of repayment) in two or more installments. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.

2. Comprises mobile home loans and all other installment loans that are not included in automobile or revolving credit, such as loans for education, boats, trailers, or vacations. These loans may be secured or unsecured.

3. Includes retailers and gasoline companies.

4. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.

5. Totals include estimates for certain holders for which only consumer credit totals are available.

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT[1]

Percent per year except as noted

Item	1992	1993	1994	1995 Mar.	1995 Apr.	1995 May	1995 June	1995 July	1995 Aug.	1995 Sept
INTEREST RATES										
Commercial banks[2]										
1 48-month new car	9.29	8.09	8.12	n.a.	n.a.	9.78	n.a.	n.a.	9.44	n.a.
2 24-month personal	14.04	13.47	13.19	n.a.	n.a.	14.03	n.a.	n.a.	13.84	n.a.
Credit card plan										
3 All accounts	n.a.	n.a.	15.69	n.a.	n.a.	16.15	n.a.	n.a.	15.98	n.a.
4 Accounts assessed interest	n.a.	n.a.	15.77	n.a.	n.a.	16.23	n.a.	n.a.	15.94	n.a.
Auto finance companies										
5 New car	9.93	9.48	9.79	11.95	11.74	11.43	11.08	11.01	10.85	10.75
6 Used car	13.80	12.79	13.49	15.10	14.99	14.78	14.63	14.35	14.23	14.12
OTHER TERMS[3]										
Maturity (months)										
7 New car	54.0	54.5	54.0	54.5	54.6	54.4	53.9	54.1	53.5	53.4
8 Used car	47.9	48.8	50.2	52.1	52.2	52.2	52.3	52.4	52.3	52.3
Loan-to-value ratio										
9 New car	89	91	92	92	92	92	92	92	92	92
10 Used car	97	98	99	99	100	99	99	100	99	100
Amount financed (dollars)										
11 New car	13,584	14,332	15,375	15,826	16,029	16,155	16,083	16,086	16,056	16,102
12 Used car	9,119	9,875	10,709	11,220	11,505	11,396	11,518	11,637	11,662	11,725

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals that is scheduled to be repaid (or has the option of repayment) in two or more installments. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.

2. Data are available for only the second month of each quarter.

3. At auto finance companies.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]

Billions of dollars; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1990	1991	1992	1993	1994	1993	1994				1995	
						Q4	Q1	Q2	Q3	Q4	Q1	Q2
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**635.3**	**478.7**	**540.6**	**618.5**	**602.4**	**660.0**	**650.3**	**527.8**	**607.6**	**623.9**	**842.4**	**819.6**
By sector and instrument												
2 U.S. government	246.9	278.2	304.0	256.1	155.9	274.2	210.5	122.9	133.6	156.4	271.8	193.6
3 Treasury securities	238.7	292.0	303.8	248.3	155.7	266.5	211.8	118.2	130.7	162.1	273.0	192.0
4 Budget agency issues and mortgages	8.2	13.8	2	7.8	2	7.7	1.3	4.7	2.9	5.7	1.2	1.6
5 Private	388.4	200.4	236.7	362.4	446.6	385.8	439.7	404.9	474.0	467.5	570.6	626.0
By instrument												
6 Tax-exempt obligations	48.7	68.7	31.1	75.5	29.9	27.3	13.1	28.4	46.4	57.9	57.4	20.3
7 Corporate bonds	47.1	78.8	67.6	75.2	22.0	67.4	35.4	35.9	14.2	2.7	41.4	119.5
8 Mortgages	199.5	161.4	123.9	155.7	187.2	148.5	166.4	170.3	221.0	191.3	241.1	163.2
9 Home mortgages	185.6	163.8	179.5	183.9	195.2	184.6	194.7	164.4	220.8	200.7	207.2	153.3
10 Multifamily residential	4.8	3.1	11.2	6.0	1.7	2.3	.4	4.4	6.6	4.6	3.6	8.0
11 Commercial	9.3	.4	45.5	22.6	11.4	33.9	29.3	1.4	8.6	6.2	28.6	1.9
12 Farm	3	.4	1.1	5	1.8	.2	6	2.9	2.2	1.4	1.7	3.9
13 Consumer credit	15.6	14.8	7.3	58.9	121.2	110.1	68.7	122.8	131.6	161.5	100.3	147.9
14 Bank loans n.e.c.	.4	40.9	13.8	4.8	71.4	26.9	69.1	53.6	89.5	73.6	139.8	102.2
15 Commercial paper	9.7	18.4	8.6	10.0	21.4	3.8	8.2	16.4	33.8	27.2	1.1	44.8
16 Other loans	67.5	34.4	11.9	17.7	53.2	1.8	78.9	34.3	30.2	69.2	104.3	68.6
By borrowing sector												
17 Household	218.5	171.1	214.2	280.9	353.5	335.0	307.4	308.0	392.1	406.4	324.4	324.7
18 Nonfinancial business	123.9	33.3	.8	18.5	137.1	33.8	135.2	144.2	135.2	133.8	302.4	328.8
19 Farm	2.3	2.1	1.0	2.0	2.8	3.6	2.9	8.7	2.2	2.4	6	6.8
20 Nonfarm noncorporate	10.1	27.9	43.5	24.6	15.5	15.3	11.8	12.7	18.1	19.2	71.8	32.0
21 Corporate	111.4	7.4	43.2	41.1	118.8	45.5	120.6	122.7	115.0	117.0	230.0	289.9
22 State and local government	46.0	62.6	21.7	63.0	44.0	17.0	2.9	47.2	53.4	-72.6	56.2	27.5
23 Foreign net borrowing in United States	23.9	14.8	22.6	68.8	20.3	41.8	98.0	37.0	20.6	32.9	64.3	36.0
24 Bonds	21.4	15.0	15.7	81.3	7.1	60.1	2.6	17.4	20.8	27.7	13.5	46.7
25 Bank loans n.e.c.	2.9	3.1	2.3	7	1.4	6.3	6.0	4.5	4.7	.5	8.1	5.6
26 Commercial paper	12.3	6.4	5.2	9.0	27.3	12.0	101.8	5.2	8.1	5.9	37.9	9.6
27 U.S. government and other loans	7.0	9.8	6	4.2	1.6	.0	5	9.9	3.3	.2	4.9	6.7
28 **Total domestic plus foreign**	**659.2**	**493.4**	**563.3**	**687.3**	**582.1**	**701.8**	**552.3**	**490.9**	**628.2**	**656.8**	**906.7**	**855.6**
	Financial sectors											
29 **Total net borrowing by financial sectors**	**202.6**	**151.7**	**239.2**	**289.5**	**456.3**	**364.3**	**520.6**	**370.8**	**412.1**	**521.9**	**315.3**	**381.7**
By instrument												
30 U.S. government-related	167.4	145.7	155.8	164.2	284.3	143.3	336.8	254.7	243.1	302.4	125.4	186.1
31 Government-sponsored enterprises securities	17.1	9.2	40.3	80.6	176.9	53.4	160.0	146.6	152.1	249.0	62.9	127.2
32 Mortgage pool securities	150.3	136.6	115.6	83.6	112.1	89.9	196.0	108.1	91.0	53.4	62.5	59.0
33 Loans from U.S. government	1	.0	.0	.0	4.8	.0	19.2	.0	0	.0	.0	.0
34 Private	35.3	6.0	83.4	125.3	172.1	221.0	183.8	116.1	169.0	219.5	189.9	195.6
35 Corporate bonds	46.0	66.8	80.5	118.6	110.2	140.8	158.1	95.4	95.9	91.2	150.3	145.3
36 Mortgages	.6	.5	6	3.6	9.8	5.5	9.8	12.4	12.0	4.9	5.1	4.8
37 Bank loans n.e.c.	4.7	8.8	2.2	14.0	12.3	18.0	9.9	27.7	11.9	5	17.8	10.1
38 Open market paper	8.6	32.0	7	6.2	41.6	76.0	36.6	3.6	42.3	84.0	40.3	33.3
39 Loans from Federal Home Loan Banks	24.7	38.0	.8	23.3	22.8	16.8	10.8	32.3	30.7	38.8	-23.6	2.2
By borrowing sector												
40 Government-sponsored enterprises	17.0	9.1	40.2	80.6	172.1	53.4	140.8	146.6	152.1	249.0	62.9	127.2
41 Federally related mortgage pools	150.3	136.6	115.6	83.6	112.1	89.9	196.0	108.1	91.0	53.4	62.5	59.0
42 Private	35.3	6.0	83.4	125.3	172.1	221.0	183.8	116.1	169.0	219.5	189.9	195.6
43 Commercial banks	7	11.7	8.8	5.6	10.0	1.2	2.0	12.4	22.8	2.9	9.3	18.4
44 Bank holding companies	27.7	2.5	2.3	8.8	10.3	12.2	3.5	10.1	11.5	16.0	13.4	20.3
45 Funding corporations	15.4	6.5	13.2	2.9	24.2	36.7	48.8	17.2	47.2	17.9	62.3	10.4
46 Savings institutions	30.2	44.5	6.7	11.1	12.8	8.8	5.6	5.8	14.8	36.1	19.2	-6.9
47 Credit unions	0	0	.0	.2	2	.1	.1	.2	.5	.2	.3	1
48 Life insurance companies	.0	0	0	.2	.3	.4	0	.0	.0	1.3	.0	.1
49 Finance companies	23.8	17.7	1.6	.2	50.2	16.3	63.3	67.0	16.9	53.7	82.5	61.1
50 Mortgage companies	0	2.4	8.0	1.0	11.5	10.4	21.6	18.2	7.0	1.0	8.2	1.2
51 Real estate investment trusts (REITs)	8	1.2	.3	3.4	13.7	6.1	14.5	15.3	18.8	6.3	6.9	6.4
52 Brokers and dealers	1.5	3.7	2.7	12.0	5	29.3	9.9	3	7.6	19.3	29.5	.1
53 Issuers of asset-backed securities (ABSs)	52.3	51.0	56.3	81.8	61.2	120.3	88.7	40.5	51.1	64.7	56.3	84.7

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1] - Continued

Transaction category or sector	1990	1991	1992	1993	1994	1993	1994				1995	
						Q4	Q1	Q2	Q3	Q4	Q1	Q2
	All sectors											
54 **Total net borrowing, all sectors**	**861.8**	**645.2**	**802.5**	**976.8**	**1,038.4**	**1,066.1**	**1,072.9**	**861.7**	**1,040.3**	**1,178.7**	**1,222.0**	**1,237.3**
55 U.S. government securities	414.4	424.0	459.8	420.3	444.9	417.5	566.5	377.6	376.7	458.8	397.2	379.8
56 Tax exempt securities	48.7	68.7	31.1	75.5	29.9	27.3	13.1	28.4	46.4	57.9	57.4	20.3
57 Corporate and foreign bonds	114.5	160.6	163.8	275.1	139.3	268.3	190.9	113.8	130.9	121.7	205.1	311.5
58 Mortgages	200.1	161.9	124.5	159.2	197.0	154.0	176.2	182.7	233.0	196.2	246.2	168.0
59 Consumer credit	15.6	14.8	7.3	58.9	121.2	110.1	68.7	122.8	131.6	161.5	100.3	147.9
60 Bank loans n.e.c.	2.2	29.1	9.4	-8.5	60.6	2.6	65.1	21.4	82.2	73.6	165.6	117.9
61 Open market paper	30.7	44.0	13.1	5.1	35.7	67.7	57.0	14.8	68.0	117.1	79.3	68.5
62 Other loans	35.8	82.2	12.1	1.3	69.6	18.6	49.4	56.8	64.3	107.8	85.6	64.1
	Funds raised through mutual funds and corporate equities											
63 **Total net share issues**	**19.7**	**215.4**	**296.0**	**440.1**	**162.1**	**429.5**	**343.7**	**207.9**	**159.6**	**−62.9**	**49.6**	**146.6**
64 Mutual funds	65.3	151.5	211.9	320.0	138.3	287.7	236.4	144.0	165.4	7.6	104.5	178.5
65 Corporate equities	-45.6	64.0	84.1	120.1	23.7	141.8	107.3	63.9	5.7	70.5	54.9	31.9
66 Nonfinancial corporations	63.0	18.3	27.0	21.3	44.9	21.5	9.6	2.0	50.0	118.0	68.4	73.2
67 Financial corporations	10.0	15.1	26.4	38.3	26.0	41.0	48.4	20.0	21.2	14.3	.7	5.6
68 Foreign shares purchased in United States	7.4	30.7	30.7	60.5	42.7	79.3	68.5	45.9	23.1	33.2	12.8	35.7

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.2 through F.5. For ordering address, see inside front cover

1.58 SUMMARY OF FINANCIAL TRANSACTIONS[1]

Billions of dollars except as noted; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1990	1991	1992	1993	1994	1993	1994				1995	
						Q4	Q1	Q2	Q3	Q4	Q1	Q2
NET LENDING IN CREDIT MARKETS[2]												
1 **Total net lending in credit markets**	**861.8**	**645.2**	**802.5**	**976.8**	**1,038.4**	**1,066.1**	**1,072.9**	**861.7**	**1,040.3**	**1,178.7**	**1,222.0**	**1,237.3**
2 Private domestic nonfinancial sectors	189.9	7.4	75.9	15.8	234.9	104.4	288.8	270.4	141.9	238.5	33.8	238.2
3 Households	157.0	39.6	74.2	3.1	317.4	196.7	337.0	385.9	186.2	360.3	148.3	157.1
4 Nonfarm noncorporate business	1.7	3.7	1.1	3.2	2.0	3.5	3.6	1.8	-1.9	.5	.9	.9
5 Nonfinancial corporate business	3.7	6.7	29.6	14.5	24.1	12.2	19.9	12.2	25.1	39.2	6.2	26.6
6 State and local governments	38.3	29.2	26.8	1.5	104.6	101.0	64.4	125.9	67.6	160.5	189.2	108.6
7 U.S. government	33.7	10.5	11.9	18.4	24.2	7.7	46.5	-16.2	9.3	24.7	13.0	25.7
8 Foreign	85.5	26.6	101.2	121.7	132.1	204.2	123.9	64.3	132.2	208.1	260.1	340.8
9 Financial sectors	552.7	615.4	637.3	857.7	695.6	765.2	706.7	543.2	775.6	756.8	1,008.8	1,160.5
10 Government sponsored enterprises	13.9	15.2	69.0	90.2	123.3	71.2	92.4	101.1	125.6	174.3	12.2	86.7
11 Federally related mortgage pools	150.3	136.6	115.6	83.6	112.1	89.9	196.0	108.1	91.0	53.4	62.5	59.0
12 Monetary authority	8.1	31.1	27.9	36.2	31.5	38.5	48.8	17.9	24.0	35.4	24.8	12.6
13 Commercial banking	125.1	80.8	95.3	142.2	162.0	188.1	184.7	109.1	191.1	163.3	359.6	292.8
14 U.S. commercial banks	94.9	35.7	69.5	149.6	148.1	197.3	120.6	128.4	164.4	178.9	177.5	212.6
15 Foreign banking offices	28.4	48.5	16.5	9.8	11.2	-6.5	59.0	21.5	22.1	15.0	182.3	75.4
16 Bank holding companies	2.8	1.5	5.6	.0	.9	4.8	3.1	2	2.7	2.4	1.9	3.2
17 Banks in U.S. affiliated areas	4.5	1.9	3.7	2.4	1.9	2.1	2.1	1.9	1.9	1.8	1.7	1.7
18 Funding corporations	16.1	15.8	23.5	18.1	13.8	42.6	19.5	33.5	25.1	-23.0	22.3	36.6
19 Thrift institutions	154.0	123.5	61.3	1.7	34.9	13.3	13.6	42.6	52.8	30.5	29.4	5.4
20 Life insurance companies	94.4	83.2	79.1	105.1	58.1	86.4	47.6	6.4	80.5	98.1	109.9	91.1
21 Other insurance companies	26.5	32.6	12.8	33.3	21.1	32.1	27.9	20.8	16.0	19.7	13.0	14.9
22 Private pension funds	17.2	85.7	37.3	40.2	42.4	-60.1	97.7	30.7	17.6	23.6	97.6	138.9
23 State and local government retirement funds	34.9	46.0	34.4	25.5	60.8	36.9	72.9	69.3	26.3	74.6	64.5	65.7
24 Finance companies	28.8	9.8	5.0	9.0	68.2	22.6	72.1	49.8	58.9	91.8	95.7	56.1
25 Mortgage companies	0	11.2	1	.0	22.9	13.3	43.5	36.3	14.0	2.1	16.5	2.3
26 Mutual funds	41.4	90.3	123.7	169.6	7.6	138.9	61.7	9.4	24.2	64.8	10.1	25.2
27 Closed-end funds	.2	14.7	17.4	10.2	3.5	7.7	8.3	3.2	1.4	1.0	8	1.1
28 Money market funds	80.9	30.1	1.3	14.6	28.5	56.9	-45.0	32.2	50.0	76.7	25.5	138.2
29 Real estate investment trusts (REITs)	7	.7	1.1	.6	4.7	.2	6.6	6.6	5.5	.2	2.5	3.1
30 Brokers and dealers	2.8	17.5	6.9	9.2	34.0	82.8	55.7	52.6	19.3	8.6	30.7	124.2
31 Asset-backed securities issuers (ABSs)	51.1	48.9	53.8	80.5	57.8	113.7	87.9	42.8	46.3	54.3	49.8	78.3
32 Bank personal trusts	15.9	10.0	8.0	9.5	7.1	8.9	8.9	10.2	7.7	1.4	1.6	1.8
RELATION OF LIABILITIES TO FINANCIAL ASSETS												
33 **Net flows through credit markets**	**861.8**	**645.2**	**802.5**	**976.8**	**1,038.4**	**1,066.1**	**1,072.9**	**861.7**	**1,040.3**	**1,178.7**	**1,222.0**	**1,237.3**
Other financial sources												
34 Official foreign exchange	2.0	5.9	1.6	.8	5.8	2.2	.2	14.6	.2	8.6	17.8	10.3
35 Special drawing rights certificates	1.5	.0	2.0	.0	.0	.0	.0	.0	.0	.0	.0	0
36 Treasury currency	1.0	.0	.2	.4	.7	7	.7	.6	.8	.7	.7	7
37 Life insurance reserves	25.7	25.7	27.3	35.2	20.1	35.5	20.0	10.6	23.8	26.2	25.4	25.3
38 Pension fund reserves	165.1	360.3	249.7	309.2	103.6	251.6	6.8	102.6	155.4	149.6	393.6	311.2
39 Interbank claims	35.0	3.4	43.5	50.9	85.5	4.7	173.0	165.8	55.0	58.0	27.4	119.4
40 Checkable deposits and currency	43.6	86.3	113.5	117.3	10.1	81.9	173.1	66.1	89.6	-57.7	117.7	103.0
41 Small time and savings deposits	63.7	1.5	57.2	70.3	40.5	36.6	2.5	62.4	57.2	44.9	52.9	134.3
42 Large time deposits	66.1	58.5	73.2	23.5	19.0	13.7	39.6	4.4	81.2	39.0	95.1	44.0
43 Money market fund shares	70.3	41.2	3.9	19.2	45.4	61.1	35.1	68.5	49.9	98.4	16.6	275.4
44 Security repurchase agreements	24.2	16.5	35.5	65.5	84.3	14.4	23.0	176.4	82.8	54.8	167.0	127.5
45 Foreign deposits	38.2	16.7	7.2	11.7	30.1	32.8	16.0	16.9	23.2	64.3	5.0	10.0
46 Mutual fund shares	65.3	151.5	211.9	320.0	138.3	287.7	236.4	144.0	165.4	7.6	104.5	178.5
47 Corporate equities	45.6	64.0	84.1	120.1	23.7	141.8	107.3	63.9	5.7	70.5	54.9	31.9
48 Security credit	3.5	51.4	4.2	61.9	-2.3	86.5	29.9	17.7	62.3	40.9	15.1	12.6
49 Trade debt	37.0	3.8	41.1	50.0	93.4	54.4	36.6	96.3	115.8	125.0	74.7	65.3
50 Taxes payable	4.8	6.2	8.5	4.6	3.0	4.9	15.3	14.4	8.2	3.0	20.9	5.8
51 Noncorporate proprietors' equity	27.1	4.2	18.3	11.7	30.0	27.5	49.5	25.0	17.2	28.3	-40.8	13.1
52 Investment in bank personal trusts	29.7	16.1	7.1	1.6	18.8	17.6	15.0	24.7	23.6	11.9	21.0	22.3
53 Miscellaneous	139.0	203.4	270.2	315.6	269.6	389.9	386.7	223.1	320.1	148.7	534.7	298.8
54 **Total financial sources**	**1,414.5**	**1,539.0**	**1,765.9**	**2,332.1**	**1,885.5**	**2,454.6**	**2,190.7**	**1,750.6**	**1,803.7**	**1,796.9**	**2,786.1**	**2,925.1**
Floats not included in assets (-)												
55 U.S. government checkable deposits	3.3	13.1	.7	1.5	4.8	15.5	2.4	1.4	15.2	30.7	13.9	19.0
56 Other checkable deposits	8.5	4.5	1.6	1.3	2.8	6.2	6	1.1	6.2	1.3	5.0	5.4
57 Trade credit	9.1	9.7	4.5	14.2	5.6	10.5	27.7	16.0	29.4	4.9	18.0	5.4
Liabilities not identified as assets (-)												
58 Treasury currency	2	.6	.2	.2	.2	.2	.2	.2	.2	.2	.2	.1
59 Interbank claims	1.6	26.2	4.9	4.2	2.7	24.0	29.1	5.3	11.6	1.2	3.9	9.7
60 Security repurchase agreements	24.0	6.2	27.9	82.5	48.6	22.8	13.5	117.0	66.8	-3.0	87.6	32.8
61 Taxes payable	.1	1.3	14.0	1.0	2.0	8.6	8	1.4	1.0	11.1	16.3	30.6
62 Miscellaneous	32.2	31.6	51.8	44.9	29.1	23.0	41.3	170.0	149.4	95.6	90.2	122.3
63 **Total identified to sectors as assets**	**1,447.9**	**1,536.4**	**1,774.2**	**2,278.1**	**1,814.7**	**2,404.6**	**2,194.1**	**1,783.4**	**1,536.9**	**1,744.5**	**2,818.2**	**3,069.9**

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.6 and F.7. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

1.59 SUMMARY OF CREDIT MARKET DEBT OUTSTANDING[1]

Billions of dollars, end of period

Transaction category or sector	1991	1992	1993	1994	1993 Q4	1994 Q1	1994 Q2	1994 Q3	1994 Q4	1995 Q1	1995 Q2
					Nonfinancial sectors						
1 **Total credit market debt owed by domestic nonfinancial sectors**	**11,184.1**	**11,727.9**	**12,368.3**	**12,970.5**	**12,368.3**	**12,490.8**	**12,620.8**	**12,776.8**	**12,970.5**	**13,140.6**	**13,343.2**
By sector and instrument											
2 U.S. government	2,776.4	3,080.3	3,336.5	3,492.3	3,336.5	3,387.7	3,395.4	3,432.3	3,492.3	3,557.9	3,583.5
3 Treasury securities	2,757.8	3,061.6	3,309.9	3,465.6	3,309.9	3,361.4	3,368.0	3,404.1	3,465.6	3,531.5	3,556.7
4 Budget agency issues and mortgages	18.6	18.8	26.6	26.7	26.6	26.3	27.3	28.2	26.7	26.4	26.8
5 Private	8,407.7	8,647.6	9,031.8	9,478.2	9,031.8	9,103.1	9,225.3	9,344.5	9,478.2	9,582.7	9,759.7
By instrument											
6 Tax-exempt obligations	1,108.6	1,139.7	1,215.2	1,185.2	1,215.2	1,217.6	1,209.9	1,200.9	1,185.2	1,170.2	1,164.6
7 Corporate bonds	1,086.9	1,154.5	1,229.7	1,251.7	1,229.7	1,238.6	1,247.5	1,251.1	1,251.7	1,262.1	1,292.0
8 Mortgages	3,920.0	4,043.9	4,220.6	4,407.9	4,220.6	4,248.3	4,301.3	4,357.6	4,407.9	4,454.7	4,505.9
9 Home mortgages	2,780.0	2,959.6	3,149.6	3,344.8	3,149.6	3,184.4	3,235.9	3,292.2	3,344.8	3,383.1	3,431.8
10 Multifamily residential	304.8	293.6	289.0	290.7	289.0	289.1	290.2	291.9	290.7	291.6	293.6
11 Commercial	755.8	710.3	700.8	689.4	700.8	693.5	693.1	691.0	689.4	696.5	696.1
12 Farm	79.3	80.4	81.2	83.0	81.2	81.3	82.1	82.6	83.0	83.4	84.4
13 Consumer credit	797.2	804.6	863.5	984.7	863.5	859.6	891.6	929.4	984.7	988.7	1,026.6
14 Bank loans n.e.c.	686.0	672.1	677.0	748.3	677.0	687.4	706.3	725.4	748.3	776.9	807.9
15 Commercial paper	98.5	107.1	117.8	139.2	117.8	129.9	135.7	138.7	139.2	149.8	162.5
16 Other loans	710.6	725.7	707.9	761.1	707.9	721.7	733.1	741.5	761.1	780.3	800.3
By borrowing sector											
17 Household	3,784.5	3,998.7	4,285.8	4,638.9	4,285.8	4,326.3	4,417.7	4,520.9	4,638.9	4,684.8	4,780.1
18 Nonfinancial business	3,712.1	3,716.1	3,750.1	3,887.5	3,750.1	3,782.5	3,825.8	3,852.5	3,887.5	3,960.8	4,050.0
19 Farm	135.0	136.0	138.3	141.2	138.3	136.7	141.5	143.1	141.2	138.9	143.4
20 Nonfarm noncorporate	1,116.9	1,075.0	1,050.4	1,065.8	1,050.4	1,052.6	1,056.3	1,060.2	1,065.8	1,083.0	1,091.5
21 Corporate	2,460.2	2,505.1	2,561.5	2,680.5	2,561.5	2,593.2	2,628.0	2,649.2	2,680.5	2,738.9	2,815.1
22 State and local government	911.1	932.8	995.9	951.8	995.9	994.3	981.9	971.1	951.8	937.1	929.6
23 **Foreign credit market debt held in United States**	**299.7**	**313.1**	**381.9**	**361.6**	**381.9**	**356.5**	**348.7**	**352.4**	**361.6**	**376.8**	**387.1**
24 Bonds	130.5	146.2	227.4	234.6	227.4	226.8	222.4	227.6	234.6	237.9	249.6
25 Bank loans n.e.c	21.6	23.9	24.6	26.1	24.6	26.2	25.1	26.3	26.1	28.2	29.6
26 Commercial paper	81.8	77.7	68.7	41.4	68.7	43.3	42.0	39.9	41.4	50.9	48.5
27 U.S. government and other loans	65.9	65.3	61.1	59.6	61.1	60.3	59.2	58.6	59.6	59.8	59.5
28 **Total credit market debt owed by nonfinancial sectors, domestic and foreign**	**11,483.8**	**12,041.0**	**12,750.2**	**13,332.2**	**12,750.2**	**12,847.3**	**12,969.5**	**13,129.2**	**13,332.2**	**13,517.4**	**13,730.4**
					Financial sectors						
29 **Total credit market debt owed by financial sectors**	**2,751.0**	**3,005.7**	**3,300.6**	**3,762.2**	**3,300.6**	**3,426.5**	**3,525.7**	**3,626.8**	**3,762.2**	**3,834.1**	**3,936.3**
By instrument											
30 U.S. government-related	1,564.2	1,720.0	1,884.1	2,168.4	1,884.1	1,961.5	2,030.5	2,089.8	2,168.4	2,192.7	2,245.0
31 Government-sponsored enterprises securities	402.9	443.1	523.7	700.6	523.7	563.7	600.3	638.3	700.6	716.3	748.1
32 Mortgage pool securities	1,156.5	1,272.0	1,355.6	1,467.8	1,355.6	1,397.8	1,430.1	1,451.5	1,467.8	1,476.4	1,496.9
33 Loans from U.S. government	4.8	4.8	4.8	.0	4.8	.0	.0	.0	.0	.0	.0
34 Private	1,186.8	1,285.8	1,416.5	1,593.8	1,416.5	1,465.1	1,495.2	1,537.0	1,593.8	1,641.4	1,691.3
35 Corporate bonds	638.9	725.8	844.4	952.1	844.4	882.0	906.6	930.4	952.1	990.2	1,027.3
36 Mortgages	4.8	5.4	8.9	18.7	8.9	11.4	14.5	17.5	18.7	20.0	21.2
37 Bank loans n.e.c.	78.4	80.5	66.5	54.3	66.5	62.4	55.3	52.4	54.3	57.1	59.4
38 Open market paper	385.7	394.3	393.5	442.8	393.5	408.8	410.3	420.5	442.8	454.1	462.8
39 Loans from Federal Home Loan Banks	79.1	79.9	103.1	125.9	103.1	100.4	108.5	116.2	125.9	120.0	120.5
By borrowing sector											
40 Government-sponsored enterprises	407.7	447.9	528.5	700.6	528.5	563.7	600.3	638.3	700.6	716.3	748.1
41 Federally related mortgage pools	1,156.5	1,272.0	1,355.6	1,467.8	1,355.6	1,397.8	1,430.1	1,451.5	1,467.8	1,476.4	1,496.9
42 Private financial sectors	1,186.8	1,285.8	1,416.5	1,593.8	1,416.5	1,465.1	1,495.2	1,537.0	1,593.8	1,641.4	1,691.3
43 Commercial banks	65.0	73.8	79.5	89.5	79.5	78.4	82.1	87.5	89.5	90.3	95.4
44 Bank holding companies	112.3	114.6	123.4	133.6	123.4	124.2	126.8	129.6	133.6	137.0	142.0
45 Funding corporations	139.1	161.6	169.9	199.3	169.9	190.7	191.5	200.6	199.3	221.2	229.1
46 Savings institutions	93.6	87.8	99.0	111.7	99.0	97.6	99.0	102.7	111.7	106.9	105.2
47 Credit unions	.0	.0	.2	.5	.2	.3	.3	.4	.5	.4	.3
48 Life insurance companies	.0	.0	.2	.6	.2	.3	.3	.3	.6	.6	.6
49 Finance companies	391.9	390.4	390.5	440.7	390.5	401.9	414.2	420.9	440.7	456.7	467.3
50 Mortgage companies	22.2	30.2	29.2	17.8	29.2	23.8	19.3	17.5	17.8	19.8	20.1
51 Real estate investment trusts (REITs)	13.6	13.9	17.4	31.1	17.4	21.0	24.8	29.5	31.1	32.8	34.4
52 Brokers and dealers	19.0	21.7	33.7	34.3	33.7	31.3	31.3	29.4	34.3	26.9	26.8
53 Issuers of asset-backed securities (ABSs)	329.1	391.7	473.5	534.7	473.5	495.7	505.8	518.6	534.7	548.8	570.0
					All sectors						
54 **Total credit market debt, domestic and foreign**	**14,234.8**	**15,046.7**	**16,050.7**	**17,094.3**	**16,050.7**	**16,273.8**	**16,495.2**	**16,756.0**	**17,094.3**	**17,351.5**	**17,666.7**
55 U.S. government securities	4,335.7	4,795.5	5,215.8	5,660.7	5,215.8	5,349.2	5,425.9	5,522.1	5,660.7	5,750.6	5,828.5
56 Tax-exempt securities	1,108.6	1,139.7	1,215.2	1,185.2	1,215.2	1,217.6	1,209.9	1,200.9	1,185.2	1,170.2	1,164.6
57 Corporate and foreign bonds	1,856.3	2,026.4	2,301.5	2,438.4	2,301.5	2,347.3	2,376.5	2,409.1	2,438.4	2,490.2	2,568.9
58 Mortgages	3,924.8	4,049.3	4,229.6	4,426.6	4,229.6	4,259.7	4,315.8	4,375.2	4,426.6	4,474.7	4,527.1
59 Consumer credit	797.2	804.6	863.5	984.7	863.5	859.6	891.6	929.4	984.7	988.7	1,026.6
60 Bank loans n.e.c.	785.9	776.6	768.2	828.8	768.2	776.0	786.7	804.0	828.8	862.1	896.9
61 Open market paper	565.9	579.0	580.0	623.5	580.0	582.0	587.9	599.2	623.5	654.7	673.8
62 Other loans	860.4	875.7	877.0	946.6	877.0	882.5	900.8	916.2	946.6	960.1	980.4

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.2 through L.4. For ordering address, see inside front cover.

1.60 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES[1]

Billions of dollars except as noted, end of period

Transaction category or sector	1991	1992	1993	1994	1993	1994				1995	
					Q4	Q1	Q2	Q3	Q4	Q1	Q2
CREDIT MARKET DEBT OUTSTANDING[2]											
1 **Total credit market assets**	**14,234.8**	**15,046.7**	**16,050.7**	**17,094.3**	**16,050.7**	**16,273.8**	**16,495.2**	**16,756.0**	**17,094.3**	**17,351.5**	**17,666.7**
2 Private domestic nonfinancial sectors	2,240.1	2,320.1	2,351.5	2,623.2	2,351.5	2,397.5	2,450.6	2,497.3	2,623.2	2,586.1	2,511.4
3 Households	1,446.5	1,524.8	1,541.7	1,926.4	1,541.7	1,640.7	1,717.1	1,779.9	1,926.4	1,946.9	1,885.7
4 Nonfarm noncorporate business	44.1	42.9	39.7	37.7	39.7	38.8	38.4	37.9	37.7	38.0	38.2
5 Nonfinancial corporate business	196.2	225.8	244.9	269.0	244.9	240.0	245.9	249.7	269.0	259.8	269.3
6 State and local governments	553.3	526.5	525.2	390.0	525.2	478.0	449.2	429.8	390.0	341.5	318.1
7 U.S. government	246.9	235.0	230.7	206.5	230.7	219.0	215.4	212.6	206.5	203.2	197.1
8 Foreign	958.0	1,055.0	1,172.2	1,272.7	1,172.2	1,203.0	1,218.4	1,254.4	1,272.7	1,336.5	1,421.4
9 Financial sectors	10,789.8	11,436.6	12,296.3	12,991.9	12,296.3	12,454.3	12,610.7	12,791.7	12,991.9	13,225.8	13,536.8
10 Government-sponsored enterprises	390.7	459.7	549.8	673.2	549.8	572.0	597.9	629.4	673.2	675.3	697.7
11 Federally related mortgage pools	1,156.5	1,272.0	1,355.6	1,467.8	1,355.6	1,397.8	1,430.1	1,451.5	1,467.8	1,476.4	1,496.9
12 Monetary authority	272.5	300.4	336.7	368.2	336.7	341.5	351.6	356.8	368.2	367.1	375.7
13 Commercial banking	2,853.3	2,948.6	3,090.8	3,252.8	3,090.8	3,120.2	3,156.2	3,204.1	3,252.8	3,326.1	3,407.9
14 U.S. commercial banks	2,502.5	2,571.9	2,721.5	2,869.6	2,721.5	2,743.8	2,780.3	2,822.3	2,869.6	2,906.5	2,963.5
15 Foreign banking offices	319.2	335.8	326.0	337.1	326.0	331.8	330.8	335.5	337.1	373.6	397.2
16 Bank holding companies	11.9	17.5	17.5	18.4	17.5	18.2	18.3	19.0	18.4	17.9	18.7
17 Banks in U.S. affiliated areas	19.7	23.4	25.8	27.8	25.8	26.4	26.8	27.3	27.8	28.2	28.6
18 Funding corporations	51.5	75.0	93.1	106.9	93.1	97.9	106.3	112.6	106.9	112.4	103.3
19 Thrift institutions	1,192.6	1,134.5	1,132.7	1,167.6	1,132.7	1,134.2	1,146.1	1,160.3	1,167.6	1,173.1	1,175.7
20 Life insurance companies	1,199.6	1,278.8	1,383.9	1,442.1	1,383.9	1,402.7	1,407.6	1,428.1	1,442.1	1,476.8	1,503.0
21 Other insurance companies	376.6	389.4	422.7	443.8	422.7	429.6	434.8	438.8	443.8	447.0	450.8
22 Private pension funds	693.0	730.4	770.6	728.2	770.6	746.2	738.5	734.1	728.2	752.6	787.3
23 State and local government retirement funds	479.9	514.3	542.6	603.3	542.6	560.8	578.1	584.7	603.3	619.5	635.9
24 Finance companies	487.5	492.6	482.8	551.0	482.8	494.5	511.3	524.1	551.0	568.5	586.7
25 Mortgage companies	60.3	60.5	60.4	37.5	60.4	49.5	40.4	37.0	37.5	41.6	42.2
26 Mutual funds	450.5	574.2	743.8	751.4	743.8	759.2	761.5	767.6	751.4	748.9	755.2
27 Closed-end funds	50.3	67.7	77.9	81.4	77.9	80.0	80.8	81.1	81.4	81.6	81.9
28 Money market funds	402.7	404.1	418.7	447.1	418.7	422.0	421.4	423.4	447.1	467.9	494.0
29 Real estate investment trusts (REITs)	7.0	8.1	8.6	13.3	8.6	10.3	11.9	13.3	13.3	13.9	14.7
30 Brokers and dealers	124.0	117.1	126.3	92.3	126.3	112.4	99.3	94.5	92.3	100.0	131.0
31 Asset-backed securities issuers (ABSs)	317.8	377.9	458.4	516.1	458.4	480.3	491.0	502.6	516.1	528.6	548.2
32 Bank personal trusts	223.5	231.5	240.9	248.0	240.9	243.2	245.7	247.7	248.0	248.4	248.8
RELATION OF LIABILITIES TO FINANCIAL ASSETS											
33 **Total credit market debt**	**14,234.8**	**15,046.7**	**16,050.7**	**17,094.3**	**16,050.7**	**16,273.8**	**16,495.2**	**16,756.0**	**17,094.3**	**17,351.5**	**17,666.7**
Other liabilities											
34 Official foreign exchange	55.4	51.8	53.4	53.2	53.4	56.4	54.9	55.5	53.2	64.1	67.1
35 Special drawing rights certificates	10.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
36 Treasury currency	16.3	16.5	17.0	17.6	17.0	17.1	17.3	17.5	17.6	17.8	18.0
37 Life insurance reserves	405.7	433.0	468.2	488.4	468.2	473.2	475.9	481.8	488.4	494.7	501.0
38 Pension fund reserves	4,138.3	4,516.5	4,974.7	5,017.0	4,974.7	4,896.4	4,898.5	5,013.4	5,017.0	5,252.7	5,472.4
39 Interbank claims	96.4	132.6	183.9	270.3	183.9	215.8	230.7	243.1	270.3	266.3	267.0
40 Deposits at financial institutions	5,045.1	5,059.1	5,155.5	5,283.8	5,155.5	5,163.7	5,186.2	5,211.8	5,283.8	5,369.1	5,531.6
41 Checkable deposits and currency	1,020.9	1,134.4	1,251.7	1,241.6	1,251.7	1,220.5	1,229.7	1,204.8	1,241.6	1,193.5	1,245.4
42 Small time and savings deposits	2,350.7	2,293.5	2,223.2	2,182.7	2,223.2	2,233.8	2,214.1	2,198.7	2,182.7	2,206.3	2,235.5
43 Large time deposits	488.4	415.2	391.7	410.7	391.7	382.6	379.0	402.2	410.7	435.2	444.0
44 Money market fund shares	539.6	543.6	562.7	608.2	562.7	579.7	573.9	583.5	608.2	638.9	684.1
45 Security repurchase agreements	355.8	392.3	457.8	542.1	457.8	474.9	512.9	540.2	542.1	595.4	620.5
46 Foreign deposits	289.6	280.1	268.4	298.5	268.4	272.4	276.6	282.4	298.5	299.7	302.2
47 Mutual fund shares	813.9	1,042.1	1,446.3	1,562.9	1,446.3	1,483.9	1,506.9	1,587.7	1,562.9	1,607.2	1,747.1
48 Security credit	188.9	217.3	279.3	277.0	279.3	282.8	278.0	263.2	277.0	268.8	271.6
49 Trade debt	936.1	977.4	1,027.4	1,120.8	1,027.4	1,024.9	1,049.2	1,086.0	1,120.8	1,127.6	1,144.4
50 Taxes payable	71.2	79.6	84.2	87.3	84.2	89.2	82.0	86.3	87.3	93.5	88.5
51 Investment in bank personal trusts	608.3	629.6	660.9	670.0	660.9	655.2	650.1	671.5	670.0	707.2	745.7
52 Miscellaneous	2,991.9	3,176.7	3,430.7	3,746.3	3,430.7	3,560.9	3,600.2	3,701.5	3,746.3	3,872.5	3,907.9
53 **Total liabilities**	**29,612.4**	**31,386.8**	**33,840.1**	**35,696.9**	**33,840.1**	**34,201.4**	**34,533.1**	**35,183.2**	**35,696.9**	**36,501.1**	**37,437.3**
Financial assets not included in liabilities (+)											
54 Gold and special drawing rights	22.3	19.6	20.1	21.1	20.1	20.4	20.8	21.0	21.1	22.7	22.9
55 Corporate equities	4,863.6	5,462.9	6,278.5	6,293.4	6,278.5	6,142.6	5,965.8	6,228.7	6,293.4	6,835.8	7,393.0
56 Household equity in noncorporate business	2,448.7	2,413.7	2,425.4	2,512.8	2,425.4	2,474.2	2,502.7	2,526.6	2,512.8	2,525.7	2,528.5
Floats not included in assets (–)											
57 U.S. government checkable deposits	3.8	6.8	5.6	3.4	5.6	.3	.9	1.2	3.4	4.2	2.0
58 Other checkable deposits	40.4	42.0	40.7	38.0	40.7	36.3	38.7	30.6	38.0	32.3	33.7
59 Trade credit	130.6	125.9	-107.1	101.4	-107.1	127.1	134.2	-126.9	101.4	-120.3	133.0
Liabilities not identified as assets (–)											
60 Treasury currency	4.7	4.9	5.1	-5.4	-5.1	5.2	-5.2	5.3	5.4	-5.4	5.4
61 Interbank claims	4.2	9.3	4.7	-6.5	4.7	7.7	-7.4	3.4	6.5	2.7	2.6
62 Security repurchase agreements	9.2	38.1	120.5	169.1	120.5	135.9	162.5	189.3	169.1	203.3	192.0
63 Taxes payable	17.8	25.2	26.2	24.2	26.2	15.5	21.3	22.0	24.2	6.6	21.2
64 Miscellaneous	320.7	378.2	457.3	347.8	457.3	398.7	-387.1	-395.6	347.8	382.3	390.3
65 **Total identified to sectors as assets**	**37,336.0**	**39,689.2**	**42,945.3**	**44,750.6**	**42,945.3**	**43,189.2**	**43,332.9**	**44,247.7**	**44,750.6**	**46,149.7**	**47,664.3**

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.6 and L.7. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

Monthly data seasonally adjusted, and indexes 1987 = 100, except as noted

Measure	1992	1993	1994	1995								
				Feb.	Mar.	Apr.	May	June	July	Aug.[r]	Sept.[r]	Oct.
1 **Industrial production**[1]	**107.6**	**112.0**	**118.1**	**122.1**	**122.0**	**121.2**	**121.4**	**121.4**	**121.5**	**122.9**	**123.1**	**122.7**
Market groupings												
2 Products, total	106.5	110.7	115.9	119.1	118.9	118.0	118.2	118.5	118.6[r]	120.0	120.2	119.4
3 Final, total	109.0	113.4	118.4	121.8	121.6	121.0	121.1	121.5	121.5[r]	123.2	123.3	122.4
4 Consumer goods	105.9	109.4	113.2	115.7	114.9	114.4	114.4	114.9	114.4[r]	116.0	115.7	115.2
5 Equipment	113.4	119.3	126.5	131.2	132.0	131.3	131.4	131.7	132.7	134.4	135.3	133.9
6 Intermediate	98.8	102.4	108.1	110.9	110.7	108.9	109.4	109.3	109.6[r]	110.4	110.7	110.2
7 Materials	109.2	114.1	121.5	126.7	126.7	126.1	126.3	125.8	126.1[r]	127.4	127.5	127.7
Industry groupings												
8 Manufacturing	108.0	112.9	119.7	124.2	124.2	123.3	123.2	123.2	123.2[r]	124.5	125.1	124.8
9 Capacity utilization, manufacturing (percent)[2]	79.2	80.9	83.4	84.7	84.4	83.5	83.1	82.8	82.5	83.1	83.3	82.8
10 Construction contracts[3]	97.5[r]	105.2	114.1[r]	114.0[r]	116.0	107.0	118.0[r]	121.0[r]	117.0[r]	121.0	116.0	112.0
11 Nonagricultural employment, total[4]	106.5	108.4	111.3	113.9	114.1	114.1	114.0	114.3	114.3	114.6	114.6	114.8
12 Goods-producing, total	94.2	94.3	95.6	98.6	98.8	98.6	98.2	98.2	97.9	97.9	97.9	97.9
13 Manufacturing, total	95.3	94.8	95.1	97.5	97.5	97.4	97.1	97.0	96.6	96.6	96.4	96.3
14 Manufacturing, production workers	94.9	94.9	96.1	99.1	99.1	99.0	98.6	98.3	97.8	97.9	97.7	97.7
15 Service-producing	110.5	112.9	116.3	118.8	119.0	119.0	119.1	119.4	119.6	119.9	120.0	120.1
16 Personal income, total	135.6	141.4	150.0	156.8	157.6	157.9	157.6	158.5	159.5	159.6	160.3	n.a.
17 Wages and salary disbursements	131.6	136.2	145.0	150.7	150.9	151.7	150.6	151.8	153.0	152.8	153.5	n.a.
18 Manufacturing	118.0	120.0	126.0	131.0	130.6	128.9	128.1	128.4	128.5[r]	128.9	129.3	n.a.
19 Disposable personal income[5]	137.0	142.5	150.8	157.6	158.4	157.1	158.3	159.0	159.9	160.0	160.6	n.a.
20 Retail sales[5]	126.4	134.7	145.1[r]	149.6	150.6	150.5	152.2	153.5	152.9	153.9	154.1	153.8
Prices[6]												
21 Consumer (1982–84 = 100)	140.3	144.5	148.2	150.9	151.4	151.9	152.2	152.5	152.5	152.9	153.2	153.7
22 Producer finished goods (1982 = 100)	123.2	124.7	125.5	126.9	127.1	127.6	128.1	128.2	128.3	128.1	127.9	128.5

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1994. See "*Industrial Production and Capacity Utilization: A Revision*," *Federal Reserve Bulletin*, vol. 81 (January 1995), pp. 16–26. For a detailed description of the industrial production index, see "Industrial Production, 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.

2. Ratio of index of production to index of capacity. Based on data from the Federal Reserve, DRI McGraw-Hill, U.S. Department of Commerce, and other sources.

3. Index of dollar value of total construction contracts, including residential, nonresidential, and heavy engineering, from McGraw-Hill Information Systems Company, F.W. Dodge Division.

4. Based on data from U.S. Department of Labor, *Employment and Earnings*. Series covers employees only, excluding personnel in the armed forces.

5. Based on data from U.S. Department of Commerce, *Survey of Current Business*.

6. Based on data not seasonally adjusted. Seasonally adjusted data for changes in the price indexes can be obtained from the U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*.

NOTE. Basic data (not indexes) for series mentioned in notes 4 and 5, and indexes for series mentioned in notes 3 and 6, can also be found in the *Survey of Current Business*.

Figures for industrial production for the latest month are preliminary, and many figures for the three months preceding the latest month have been revised. See "Recent Developments in Industrial Capacity and Utilization," *Federal Reserve Bulletin*, vol. 76 (June 1990), pp. 411–35. See also "Industrial Production Capacity and Capacity Utilization since 1987," *Federal Reserve Bulletin*, vol. 79 (June 1993), pp. 590–605.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data seasonally adjusted

Category	1992	1993	1994	1995							
				Mar.	Apr.	May	June	July	Aug.	Sept.[r]	Oct.
HOUSEHOLD SURVEY DATA[1]											
1 Civilian labor force[2]	126,982	128,040	131,056	132,511	132,737	131,811	131,869	132,519	132,211	132,591	132,648
Employment											
2 Nonagricultural industries[3]	114,391	116,232	119,651	121,576	121,478	120,962	121,034	121,550	121,417	121,867	121,944
3 Agriculture	3,207	3,074	3,409	3,698	3,594	3,357	3,451	3,409	3,362	3,273	3,455
Unemployment											
4 Number	9,384	8,734	7,996	7,237	7,665	7,492	7,384	7,559	7,431	7,451	7,249
5 Rate (percent of civilian labor force)	7.4	6.8	6.1	5.5	5.8	5.7	5.6	5.7	5.6	5.6	5.5
ESTABLISHMENT SURVEY DATA											
6 **Nonagricultural payroll employment**[4]	**108,604**	**110,525**	**113,423**	**116,302**	**116,310**	**116,248**	**116,547**	**116,575**	**116,838**[r]	**116,888**	**117,004**
7 Manufacturing	18,104	18,003	18,064	18,525	18,506	18,456	18,428	18,353	18,357	18,319	18,298
8 Mining	635	611	604	589	583	582	582	577	575	573	570
9 Contract construction	4,492	4,642	4,916	5,256	5,242	5,190	5,230	5,226	5,233[r]	5,258	5,286
10 Transportation and public utilities	5,721	5,787	5,842	6,175	6,184	6,177	6,192	6,195	6,217[r]	6,200	6,222
11 Trade	25,354	25,675	26,362	27,047	27,062	27,045	27,118	27,184	27,177[r]	27,226	27,246
12 Finance	6,602	6,712	6,789	6,938	6,924	6,925	6,930	6,938	6,947	6,956	6,974
13 Service	29,052	30,278	31,805	32,524	32,548	32,630	32,784	32,820	32,986[r]	33,053	33,110
14 Government	18,653	18,817	19,041	19,248	19,261	19,243	19,283	19,282	19,346[r]	19,303	19,298

1. Beginning January 1994, reflects redesign of current population survey and population controls from the 1990 census.

2. Persons sixteen years of age and older, including Resident Armed Forces. Monthly figures are based on sample data collected during the calendar week that contains the twelfth day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures.

3. Includes self-employed, unpaid family, and domestic service workers.

4. Includes all full- and part-time employees who worked during, or received pay for, the pay period that includes the twelfth day of the month; excludes proprietors, self-employed persons, household and unpaid family workers, and members of the armed forces. Data are adjusted to the March 1992 benchmark, and only seasonally adjusted data are available at this time.

SOURCE. Based on data from U.S. Department of Labor, *Employment and Earnings*.

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION[1]

Seasonally adjusted

Series	1994	1995			1994	1995			1994	1995		
	Q4	Q1	Q2	Q3[r]	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3[r]
	Output (1987=100)				Capacity (percent of 1987 output)				Capacity utilization rate (percent)[2]			
1 **Total industry**	**120.5**	**122.0**	**121.3**	**122.5**	**141.9**	**143.1**	**144.5**	**145.8**	**84.9**	**85.2**	**84.0**	**84.0**
2 Manufacturing	122.7	124.3	123.2	124.2	145.3	146.6	148.2	149.7	84.5	84.7	83.2	83.0
3 Primary processing[3]	118.4	119.3	117.2	116.4	132.3	133.2	134.2	135.1	89.5	89.5	87.4	86.2
4 Advanced processing[4]	124.8	126.6	126.1	127.9	151.3	152.9	154.7	156.5	82.5	82.8	81.5	81.7
5 Durable goods	129.4	131.6	130.4	132.6	153.1	154.9	157.1	159.2	84.6	84.9	83.0	83.3
6 Lumber and products	107.9	107.6	103.9	105.4	116.5	117.1	118.0	118.8	92.7	91.9	88.0	88.7
7 Primary metals	119.4	120.4	116.8	115.0	125.4	126.7	127.5	128.2	95.2	95.0	91.6	89.7
8 Iron and steel	123.3	125.4	120.6	118.9	128.8	130.9	131.7	132.5	95.8	95.9	91.6	89.8
9 Nonferrous	113.9	113.7	111.6	109.7	120.5	120.9	121.6	122.3	94.5	94.1	91.8	89.6
10 Industrial machinery and equipment	167.5	171.5	172.9	178.6	184.1	187.8	192.6	197.4	91.0	91.3	89.8	90.5
11 Electrical machinery	169.4	174.0	176.9	185.7	188.5	193.8	199.9	205.9	89.9	89.8	88.5	90.2
12 Motor vehicles and parts	141.5	145.9	136.0	136.3	162.2	164.2	166.5	168.8	87.2	88.8	81.7	80.8
13 Aerospace and miscellaneous transportation equipment	80.8	81.5	82.1	81.1	129.1	128.8	128.5	128.3	62.6	63.3	63.9	63.3
14 Nondurable goods	115.3	116.1	115.3	115.0	136.3	137.1	138.0	138.9	84.6	84.7	83.5	82.8
15 Textile mill products	111.6	111.8	108.7	104.4	122.0	122.7	123.5	124.3	91.4	91.1	88.1	84.0
16 Paper and products	120.6	120.3	119.7	118.9	127.7	128.4	129.3	130.1	94.4	93.6	92.6	91.4
17 Chemicals and products	126.0	129.7	127.9	128.3	154.7	156.2	157.6	159.0	81.4	83.1	81.2	80.7
18 Plastics materials	130.2	134.3	128.8	...	131.6	132.6	133.8	...	98.9	101.3	96.2	...
19 Petroleum products	106.5	107.8	106.4	107.3	115.1	115.1	115.3	115.5	92.5	93.7	92.2	92.9
20 Mining	99.2	100.3	100.5	100.5	111.4	111.4	111.4	111.4	89.0	90.0	90.2	90.3
21 Utilities	116.3	118.2	120.7	125.0	135.8	136.3	136.8	137.3	85.6	86.8	88.2	91.1
22 Electric	117.3	118.5	120.9	125.6	133.6	134.1	134.7	135.3	87.8	88.4	89.7	92.8

Series	1973	1975	Previous cycle[5]		Latest cycle[6]		1994	1995					
	High	Low	High	Low	High	Low	Oct.	May	June	July[r]	Aug.[r]	Sept.	Oct.[p]
	Capacity utilization rate (percent)[2]												
1 **Total industry**	**89.2**	**72.6**	**87.3**	**71.8**	**84.9**	**78.0**	**84.4**	**84.0**	**83.7**	**83.6**	**84.3**	**84.1**	**83.6**
2 Manufacturing	88.9	70.8	87.3	70.0	85.2	76.6	83.8	83.1	82.8	82.5	83.1	83.3	82.8
3 Primary processing[3]	92.2	68.9	89.7	66.8	89.0	77.9	88.3	87.5	86.6	86.2	86.1	86.3	85.8
4 Advanced processing[4]	87.5	72.0	86.3	71.4	83.5	76.2	82.1	81.4	81.3	81.1	82.0	82.1	81.7
5 Durable goods	88.8	68.5	86.9	65.0	84.0	73.7	83.9	82.8	82.7	82.5	83.4	83.8	83.2
6 Lumber and products	90.1	62.2	87.6	60.9	93.3	76.3	91.7	87.1	88.0	88.2	88.1	89.9	88.6
7 Primary metals	100.6	66.2	102.4	46.8	92.8	74.0	92.5	92.3	90.0	90.2	88.6	90.2	88.4
8 Iron and steel	105.8	66.6	110.4	38.3	95.7	72.1	92.4	92.7	88.9	87.8	87.9	93.7	89.4
9 Nonferrous	92.9	61.3	90.5	62.2	88.7	75.0	92.7	91.9	91.6	93.6	89.6	85.7	87.3
10 Industrial machinery and equipment	96.4	74.5	92.1	64.9	84.0	72.5	90.9	90.0	89.2	89.8	90.8	90.9	91.1
11 Electrical machinery	87.8	63.8	89.4	71.1	84.9	76.6	89.3	88.5	88.5	89.3	90.2	91.0	91.6
12 Motor vehicles and parts	93.4	51.1	93.0	44.5	85.1	57.6	85.7	80.7	80.5	78.8	81.6	81.8	79.8
13 Aerospace and miscellaneous transportation equipment	77.0	66.6	81.1	66.9	88.4	79.4	62.6	63.8	63.8	63.2	63.6	63.0	58.7
14 Nondurable goods	87.9	71.8	87.0	76.9	86.7	80.4	83.9	83.7	83.1	82.7	82.9	82.7	82.5
15 Textile mill products	92.0	60.4	91.7	73.8	92.1	78.9	90.8	88.7	85.2	82.6	85.9	83.5	83.2
16 Paper and products	96.9	69.0	94.2	82.0	94.8	86.5	93.2	93.8	91.2	92.7	91.1	90.3	90.3
17 Chemicals and products	87.9	69.9	85.1	70.1	85.9	78.9	80.2	81.1	81.1	80.6	80.6	80.9	81.1
18 Plastics materials	102.0	50.6	90.9	63.4	97.0	74.8	93.3	97.0	94.6	92.8	90.2	...	..
19 Petroleum products	96.7	81.1	89.5	68.2	88.5	83.7	90.4	92.1	91.8	92.6	92.0	94.2	91.5
20 Mining	94.4	88.4	96.6	80.6	86.5	86.0	89.0	90.2	90.1	90.6	90.0	90.3	88.7
21 Utilities	95.6	82.5	88.3	76.2	92.6	83.2	86.4	89.2	89.1	90.2	93.6	89.4	88.9
22 Electric	99.0	82.7	88.3	78.7	94.8	86.5	88.3	90.2	90.7	91.5	96.2	90.8	90.4

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For *the ordering address, see the inside front cover. The latest historical revision of the industrial* production index and the capacity utilization rates was released in November 1994. See "Industrial Production and Capacity Utilization: A Revision," *Federal Reserve Bulletin*, vol. 81 (January 1995), pp. 16–26. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.

2. Capacity utilization is calculated as the ratio of the Federal Reserve's seasonally adjusted index of industrial production to the corresponding index of capacity.

3. Primary processing includes textiles; lumber; paper; industrial chemicals; synthetic materials; fertilizer materials; petroleum products; rubber and plastics; stone, clay, and glass; primary metals; and fabricated metals.

4. Advanced processing includes foods; tobacco; apparel; furniture and fixtures; printing and publishing; chemical products such as drugs and toiletries; agricultural chemicals; leather and products; machinery; transportation equipment; instruments; and miscellaneous manufactures.

5. Monthly highs, 1978–80; monthly lows, 1982.

6. Monthly highs, 1988–89; monthly lows, 1990–91.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]

Monthly data seasonally adjusted

Group	1992 proportion	1994 avg.	1994 Oct.	1994 Nov.	1994 Dec.	1995 Jan.	1995 Feb.	1995 Mar.	1995 Apr.	1995 May	1995 June	1995 July[r]	1995 Aug.[r]	1995 Sept.	1995 Oct.[p]
			Index (1987 = 100)												
MAJOR MARKETS															
1 **Total index**	**100.0**	**118.1**	**119.5**	**120.3**	**121.7**	**122.0**	**122.1**	**122.0**	**121.2**	**121.4**	**121.4**	**121.5**	**122.9**	**123.1**	**122.7**
2 Products	60.9	115.9	116.9	117.5	118.7	119.1	119.1	118.9	118.0	118.2	118.5	118.6	120.0	120.2	119.4
3 Final products	46.6	118.4	119.2	119.8	121.2	121.6	121.8	121.6	121.0	121.1	121.5	121.5	123.2	123.3	122.4
4 Consumer goods, total	28.5	113.2	113.0	113.9	115.5	115.7	115.7	114.9	114.4	114.4	114.9	114.4	116.0	115.7	115.2
5 Durable consumer goods	5.5	119.4	119.4	120.5	123.4	124.5	123.4	121.4	119.4	116.5	117.1	115.8	119.0	120.1	118.4
6 Automotive products	2.5	125.5	124.5	127.1	131.1	131.7	132.3	129.7	126.1	121.1	122.9	119.7	125.1	127.2	124.0
7 Autos and trucks	1.6	125.4	122.3	126.5	131.4	132.7	133.5	130.8	124.9	119.0	120.2	115.4	123.8	124.9	121.0
8 Autos, consumer	.9	94.9	92.9	94.0	100.5	103.6	103.6	103.1	94.4	88.2	86.6	88.9	88.6	90.8	88.9
9 Trucks, consumer	.7	180.7	175.5	185.8	187.3	184.6	187.1	180.0	180.2	175.4	182.3	162.9	188.9	187.5	179.7
10 Auto parts and allied goods	.9	123.2	126.6	125.7	127.8	126.9	127.0	124.8	126.1	122.9	125.9	126.3	125.1	129.6	128.0
11 Other	3.0	114.1	115.2	115.0	116.8	118.3	115.9	114.3	113.8	112.6	112.2	112.5	113.9	114.0	113.7
12 Appliances, televisions, and air conditioners	.7	126.0	124.9	126.9	131.5	132.1	125.8	122.7	121.9	123.6	124.8	126.1	129.3	129.1	129.6
13 Carpeting and furniture	.8	105.0	107.4	105.9	108.0	110.2	107.9	106.5	106.9	104.1	101.9	103.9	104.2	104.4	104.8
14 Miscellaneous home goods	1.5	113.8	114.9	114.5	114.9	116.5	115.8	114.7	113.8	112.3	112.3	111.1	112.2	112.5	111.2
15 Nondurable consumer goods	23.0	111.8	111.5	112.4	113.7	113.6	113.9	113.5	113.3	114.0	114.5	114.2	115.4	114.7	114.5
16 Foods and tobacco	10.3	110.5	112.2	112.4	114.3	113.1	112.9	112.9	113.8	114.1	115.2	114.3	114.8	114.1	113.8
17 Clothing	2.4	95.9	96.2	96.2	96.8	96.1	94.7	94.6	93.6	93.3	91.1	89.6	89.6	88.4	87.7
18 Chemical products	4.5	129.7	127.2	130.5	134.0	137.0	136.6	135.9	133.7	133.5	135.4	134.8	137.5	139.0	140.4
19 Paper products	2.9	104.7	103.6	104.6	104.3	103.4	104.1	102.9	104.2	103.7	103.2	105.0	103.9	104.4	104.4
20 Energy	2.9	113.9	109.8	110.6	109.6	110.4	114.1	113.3	111.2	116.8	117.0	117.3	123.3	118.6	116.5
21 Fuels	.9	106.7	103.9	109.8	107.4	107.4	109.1	110.6	109.9	108.3	108.2	108.3	107.5	111.7	107.4
22 Residential utilities	2.1	116.8	112.2	110.7	110.3	111.6	116.0	114.3	111.6	120.4	120.6	121.1	130.0	121.4	120.3
23 Equipment	18.1	126.5	128.8	128.9	130.1	130.9	131.2	132.0	131.3	131.4	131.7	132.7	134.4	135.3	133.9
24 Business equipment	14.0	146.7	150.9	151.0	152.6	153.7	154.5	155.9	154.9	154.9	155.5	157.0	159.3	160.9	159.6
25 Information processing and related	5.7	176.4	183.2	184.2	188.3	188.7	189.1	192.3	193.7	194.3	196.3	198.4	202.6	206.2	209.4
26 Computer and office equipment	1.5	284.2	300.5	305.7	311.9	318.0	325.3	331.8	340.0	346.8	350.5	359.7	367.8	377.8	390.0
27 Industrial	4.0	120.9	124.4	124.1	124.1	125.9	126.1	126.2	124.8	125.6	125.8	127.2	129.3	129.2	129.4
28 Transit	2.6	137.9	137.1	137.5	137.8	139.7	143.4	144.7	140.8	137.4	138.0	138.0	137.9	138.6	124.9
29 Autos and trucks	1.2	148.0	149.2	151.6	152.6	157.2	157.7	154.9	147.1	142.2	142.8	145.7	146.2	147.9	141.8
30 Other	1.7	129.4	134.3	133.1	133.1	133.5	132.9	132.6	130.4	131.2	128.8	130.7	131.5	132.2	131.1
31 Defense and space equipment	3.4	71.0	68.7	69.0	68.7	68.6	67.7	67.5	66.8	66.8	66.9	66.5	66.2	65.2	64.6
32 Oil and gas well drilling	.5	90.8	88.3	86.0	86.0	86.7	89.1	85.7	89.2	91.9	86.4	89.6	89.6	91.3	83.7
33 Manufactured homes	.2	137.3	142.0	143.1	153.6	153.6	147.4	148.3	147.2	150.4	152.4	147.6	153.7	157.4	...
34 Intermediate products, total	14.3	108.1	109.9	110.6	110.9	111.3	110.9	110.7	108.9	109.4	109.3	109.6	110.4	110.7	110.2
35 Construction supplies	5.3	106.8	109.7	109.8	111.6	112.2	111.0	110.5	108.6	107.1	107.2	107.8	108.1	109.3	108.7
36 Business supplies	9.0	109.1	110.1	111.3	110.7	110.9	111.0	110.9	109.3	111.0	110.8	110.9	112.0	111.7	111.3
37 Materials	39.1	121.5	123.4	124.6	126.3	126.5	126.7	126.7	126.1	126.3	125.8	126.1	127.4	127.5	127.7
38 Durable goods materials	20.6	131.2	134.2	136.0	138.6	139.1	139.2	139.2	138.4	138.3	138.2	138.7	141.0	142.4	143.0
39 Durable consumer parts	3.9	132.2	133.8	135.8	139.7	139.1	139.1	138.3	134.7	132.7	132.8	130.4	135.3	135.9	136.1
40 Equipment parts	7.5	143.1	149.0	150.7	152.3	153.6	155.1	156.2	157.7	158.9	160.1	163.1	165.9	168.7	171.0
41 Other	9.1	121.3	122.7	124.6	127.3	127.6	126.7	126.3	124.9	124.7	123.6	123.5	124.1	124.8	124.4
42 Basic metal materials	3.0	119.7	121.3	123.2	126.0	125.6	124.8	125.2	123.5	123.6	120.9	122.3	120.9	121.9	119.4
43 Nondurable goods materials	8.9	118.4	120.3	121.5	122.8	122.3	121.8	121.7	120.9	121.4	119.5	118.5	118.9	118.1	118.2
44 Textile materials	1.1	105.3	106.9	110.3	108.7	109.8	108.5	108.8	108.1	106.7	102.4	95.8	102.7	100.1	99.4
45 Paper materials	1.8	118.7	120.5	122.1	121.3	120.8	122.1	124.1	121.9	125.8	120.4	123.9	122.0	118.1	118.6
46 Chemical materials	4.0	123.2	124.6	125.9	127.5	128.6	128.3	127.6	127.0	127.5	126.1	125.7	124.9	124.7	125.0
47 Other	2.0	116.9	119.5	119.3	123.4	119.1	116.8	116.0	115.8	114.7	116.0	113.5	114.0	115.9	115.8
48 Energy materials	9.6	105.2	105.2	104.9	105.3	105.6	106.6	106.6	106.7	107.1	107.2	107.9	108.4	106.7	106.2
49 Primary energy	6.3	100.3	100.3	100.7	101.7	101.7	102.0	102.5	102.4	102.1	102.6	102.5	101.5	101.7	100.7
50 Converted fuel materials	3.3	114.9	115.1	113.4	112.3	113.4	115.6	114.7	115.2	116.9	116.2	118.7	122.3	116.9	117.1
SPECIAL AGGREGATES															
51 Total excluding autos and trucks	97.2	117.6	119.1	119.8	121.1	121.4	121.4	121.4	120.8	121.2	121.1	121.3	122.6	122.7	122.5
52 Total excluding motor vehicles and parts	95.2	117.1	118.5	119.2	120.5	120.8	120.8	120.8	120.3	120.7	120.7	121.0	122.2	122.3	122.0
53 Total excluding computer and office equipment	98.3	115.4	116.6	117.4	118.7	118.9	118.9	118.7	117.9	118.0	117.9	118.0	119.3	119.3	118.8
54 Consumer goods excluding autos and trucks	26.9	112.4	112.4	113.1	114.5	114.6	114.5	113.9	113.8	114.1	114.6	114.3	115.6	115.1	114.8
55 Consumer goods excluding energy	25.6	113.1	113.3	114.2	116.2	116.3	115.9	115.1	114.8	114.1	114.7	114.0	115.2	115.3	115.0
56 Business equipment excluding autos and trucks	12.8	146.5	151.0	150.9	152.5	153.3	154.1	155.9	155.6	156.1	156.7	158.0	160.5	162.0	161.3
57 Business equipment excluding computer and office equipment	12.5	130.7	133.8	133.6	134.7	135.4	135.6	136.6	135.0	134.4	134.7	135.6	137.4	138.2	135.9
58 Materials excluding energy	29.5	127.3	129.9	131.6	133.8	134.0	133.9	133.9	133.0	133.1	132.5	132.5	134.2	135.0	135.4

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1] — Continued

Group	SIC code[2]	1992 proportion	1994 avg.	1994 Oct.	1994 Nov.	1994 Dec.	1995 Jan.	1995 Feb.	1995 Mar.	1995 Apr.	1995 May	1995 June	1995 July[r]	1995 Aug.[r]	1995 Sept.	1995 Oct.[p]
				Index (1987 = 100)												
MAJOR INDUSTRIES																
59 **Total index**	...	**100.0**	**118.1**	**119.5**	**120.3**	**121.7**	**122.0**	**122.1**	**122.0**	**121.2**	**121.4**	**121.4**	**121.5**	**122.9**	**123.1**	**122.7**
60 Manufacturing	...	85.5	119.7	121.5	122.6	124.2	124.5	124.2	124.2	123.3	123.2	123.2	123.2	124.5	125.1	124.8
61 Primary processing	...	26.5	115.3	116.6	118.4	120.3	119.8	119.1	118.9	117.7	117.4	116.5	116.1	116.3	116.9	116.5
62 Advanced processing	...	59.0	121.8	123.8	124.6	126.0	126.6	126.6	126.7	126.0	125.9	126.3	126.5	128.3	129.0	128.8
63 Durable goods	...	45.1	125.5	128.0	129.1	131.2	131.6	131.5	131.6	130.4	130.1	130.5	130.8	132.8	134.1	133.6
64 Lumber and products	24	2.0	106.0	106.7	106.7	110.4	110.2	107.4	105.2	104.9	102.7	104.0	104.5	104.7	107.1	105.8
65 Furniture and fixtures	25	1.4	111.4	114.8	113.0	114.7	116.0	115.6	113.8	112.7	111.4	112.3	113.2	113.4	114.1	113.6
66 Stone, clay, and glass products	32	2.1	101.9	105.4	106.9	110.1	108.7	107.4	108.1	105.8	106.1	106.8	105.4	105.6	105.8	105.8
67 Primary metals	33	3.1	114.5	115.9	119.1	123.0	120.9	119.8	120.5	117.8	117.7	115.0	115.5	113.6	115.9	113.9
68 Iron and steel	331,2	1.7	118.3	118.8	121.9	129.3	125.9	124.3	126.1	122.6	122.1	117.3	116.0	116.4	124.4	118.9
69 Raw steel	...	.1	107.9	109.0	114.2	121.9	114.6	117.2	117.2	114.3	112.4	112.7	110.9	113.6	118.5	...
70 Nonferrous	333–6,9	1.4	109.3	111.8	115.2	114.8	114.2	113.8	113.1	111.5	111.8	111.6	114.3	109.6	105.1	107.2
71 Fabricated metal products	34	5.0	110.8	112.2	113.3	115.3	115.3	114.9	114.6	112.9	113.8	114.5	112.8	115.3	116.1	115.6
72 Industrial machinery and equipment	35	7.9	159.9	166.5	167.5	168.5	171.4	171.1	172.0	172.3	173.3	173.1	175.8	179.1	180.9	182.7
73 Computer and office equipment	357	1.7	284.2	300.5	305.7	311.9	318.0	325.3	331.8	340.0	346.8	350.5	359.7	367.8	377.8	390.0
74 Electrical machinery	36	7.3	160.0	166.9	168.8	172.5	172.9	174.0	175.2	175.1	176.9	178.7	182.1	185.7	189.3	192.4
75 Transportation equipment	37	9.6	109.7	109.0	110.5	111.9	112.6	113.5	112.9	110.1	107.6	107.7	106.2	109.1	109.1	104.9
76 Motor vehicles and parts	371	4.8	137.9	138.1	141.1	144.6	146.1	146.7	144.8	139.0	134.4	134.7	132.4	137.7	138.7	136.0
77 Autos and light trucks	371	2.5	131.9	128.6	132.7	138.4	140.0	140.8	138.2	131.3	124.8	125.7	121.6	129.4	130.7	126.8
78 Aerospace and miscellaneous transportation equipment	372–6,9	4.8	82.6	80.8	80.9	80.6	80.4	81.7	82.3	82.4	82.0	82.0	81.1	81.6	80.7	75.2
79 Instruments	38	5.4	107.4	108.2	107.7	108.9	108.4	107.7	108.5	108.4	107.5	108.1	108.0	109.2	109.2	109.6
80 Miscellaneous	39	1.3	116.2	118.4	118.6	117.6	119.1	120.3	119.0	118.2	117.3	118.2	115.7	117.1	117.9	117.8
81 Nondurable goods		40.5	113.3	114.2	115.4	116.4	116.5	116.1	115.8	115.4	115.5	115.0	114.7	115.1	115.1	115.1
82 Foods	20	9.4	112.8	113.4	113.9	114.7	115.9	115.7	115.4	115.3	116.5	116.8	115.6	116.2	116.1	115.5
83 Tobacco products	21	1.6	96.5	101.5	101.5	108.0	97.3	96.4	97.9	104.1	101.4	104.3	106.4	104.9	102.1	103.8
84 Textile mill products	22	1.8	109.0	110.6	112.0	112.2	113.3	110.9	111.2	111.2	109.6	105.4	102.4	106.8	104.0	103.9
85 Apparel products	23	2.2	96.3	96.9	96.8	97.0	96.6	95.8	95.4	93.9	93.5	91.1	89.9	90.0	89.4	88.3
86 Paper and products	26	3.6	117.4	118.9	121.3	121.7	119.8	120.3	120.6	119.6	121.2	118.2	120.3	118.5	117.8	118.0
87 Printing and publishing	27	6.8	101.1	101.4	102.0	101.6	101.3	100.8	100.4	99.7	100.3	99.6	99.7	100.8	101.0	100.7
88 Chemicals and products	28	9.9	124.1	123.8	126.2	128.0	130.4	129.7	129.2	127.8	127.8	128.2	127.7	128.2	129.0	129.8
89 Petroleum products	29	1.4	105.3	104.0	107.6	107.7	107.4	107.6	108.5	106.9	106.2	105.9	106.9	106.3	108.8	105.8
90 Rubber and plastic products	30	3.5	133.5	136.7	138.3	140.0	140.2	140.5	139.1	139.6	136.6	136.3	135.9	136.6	137.2	138.0
91 Leather and products	31	.3	85.8	85.6	84.5	84.4	82.9	82.8	82.7	80.2	80.5	78.5	76.5	78.4	78.6	77.1
92 Mining	...	6.8	99.8	99.2	98.3	100.1	100.0	100.6	100.2	100.7	100.5	100.4	100.9	100.2	100.5	98.7
93 Metal	10	.4	159.4	158.9	151.3	156.2	158.5	160.4	159.3	158.7	159.9	162.5	167.1	167.1	164.7	163.8
94 Coal	12	1.0	112.0	110.2	110.1	117.8	117.9	118.6	117.4	114.1	109.7	111.9	114.5	108.4	113.7	109.9
95 Oil and gas extraction	13	4.7	93.0	92.2	91.2	92.2	91.2	92.3	91.6	93.0	93.7	93.1	92.7	93.0	92.4	90.9
96 Stone and earth minerals	14	.6	107.0	109.3	109.9	109.9	115.1	112.0	114.8	114.2	112.5	111.5	114.6	114.2	115.6	114.3
97 Utilities	...	7.7	118.1	117.2	116.5	115.2	116.5	119.2	118.9	118.0	122.1	122.0	123.7	128.5	122.9	122.4
98 Electric	491,3PT	6.1	117.8	117.9	117.5	116.5	117.2	119.0	119.3	118.6	121.6	122.4	123.6	130.2	123.0	122.7
99 Gas	492,3PT	1.6	119.2	114.4	112.3	109.8	113.7	120.1	117.3	115.9	123.9	120.4	123.9	122.1	122.4	121.0
SPECIAL AGGREGATES																
100 Manufacturing excluding motor vehicles and parts	...	80.7	118.6	120.5	121.5	122.9	123.2	122.9	122.9	122.4	122.5	122.5	122.6	123.7	124.3	124.2
101 Manufacturing excluding office and computing machines		83.8	116.5	118.1	119.1	120.6	120.8	120.5	120.4	119.4	119.2	119.1	119.0	120.2	120.7	120.3
			Gross value (billions of 1987 dollars, annual rates)													
MAJOR MARKETS																
102 **Products, total**	...	**1,707.0**	**2,006.2**	**2,020.4**	**2,037.2**	**2,056.5**	**2,063.2**	**2,066.5**	**2,065.1**	**2,049.6**	**2,051.8**	**2,056.4**	**2,058.1**	**2,083.5**	**2,092.2**	**2,072.4**
103 Final		1,314.6	1,576.3	1,584.4	1,598.4	1,615.1	1,621.1	1,626.4	1,626.1	1,615.5	1,616.5	1,621.6	1,621.1	1,644.9	1,651.6	1,633.9
104 Consumer goods	...	866.6	982.5	977.0	988.5	999.6	1,000.2	1,001.9	997.3	989.6	989.3	992.4	985.5	1,000.8	1,000.9	989.0
105 Equipment	...	448.0	593.8	607.3	609.9	615.5	620.9	624.5	628.7	625.9	627.2	629.3	635.6	644.1	650.7	644.9
106 Intermediate		392.5	429.8	436.0	438.8	441.4	442.0	440.1	439.0	434.1	435.3	434.7	437.0	438.5	440.6	438.6

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1994. See "Industrial Production and Capacity Utilization: A Revision," *Federal Reserve Bulletin*, vol. 81 (January 1995), pp. 16–26. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76, (April 1990), pp. 187–204.

2. Standard industrial classification.

2.14 HOUSING AND CONSTRUCTION

Monthly figures at seasonally adjusted annual rates except as noted

Item	1992	1993	1994	1994	1995								
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July[r]	Aug.[r]	Sept.
	Private residential real estate activity (thousands of units except as noted)												
NEW UNITS													
1 Permits authorized	1,095	1,199	1,372	1,420	1,293	1,282	1,235	1,243	1,243	1,275	1,355	1,368	1,405
2 One-family	911	987	1,068	1,105	990	931	911	905	930	958	1,011	1,044	1,073
3 Two-family or more	184	213	303	315	303	351	324	338	313	317	344	324	332
4 Started	1,200	1,288	1,457	1,545	1,366	1,319	1,238	1,269	1,282	1,298	1,432	1,392	1,389
5 One-family	1,030	1,126	1,198	1,250	1,055	1,048	987	1,009	988	1,034	1,107	1,126	1,121
6 Two-family or more	170	162	259	295	311	271	251	260	294	264	325	266	268
7 Under construction at end of period[1]	612	680	762	791	792	797	769	763	755	756	761	774	783
8 One-family	473	543	558	584	578	579	552	544	536	534	538	549	556
9 Two-family or more	140	137	204	207	214	218	217	219	219	222	223	225	227
10 Completed	1,158	1,193	1,347	1,388	1,436	1,302	1,443	1,334	1,342	1,256	1,345	1,226	1,229
11 One-family	964	1,040	1,160	1,173	1,209	1,080	1,222	1,089	1,072	1,053	1,037	998	979
12 Two-family or more	194	153	187	215	227	222	221	245	270	203	308	228	250
13 Mobile homes shipped	210	254	304	347	361	335	333	318	329	329	319	335	346
Merchant builder activity in one-family units													
14 Number sold	610	666	670	627	643	575	612	607	667	723[r]	792	704	727
15 Number for sale at end of period[1]	265	293	338	338	342	347	347	348	347	347	347	351	352
Price of units sold (thousands of dollars)[2]													
16 Median	121.3	126.1	130.4	135.0	127.9	135.0	130.0	134.0	133.9	133.7[r]	130.0	135.0	130.0
17 Average	144.9	147.6	153.7	159.6	147.4	160.2	153.3	157.8	158.0	160.2[r]	153.6	161.7	160.4
EXISTING UNITS (one family)													
18 Number sold	3,520	3,800	3,946	3,760	3,610	3,420	3,620	3,390	3,550	3,800	3,990	4,120	4,150
Price of units sold (thousands of dollars)[2]													
19 Median	103.6	106.5	109.6	109.1	108.1	107.0	107.9	108.1	109.0	116.2	115.9	117.6	115.2
20 Average	130.8	133.1	136.4	135.6	135.3	133.4	134.5	134.2	135.4	143.3	142.2	144.4	140.5
	Value of new construction (millions of dollars)[3]												
CONSTRUCTION													
21 **Total put in place**	**435,022**	**464,504**	**506,904**	**521,771**	**521,054**	**521,429**	**523,467**	**522,094[r]**	**514,515[r]**	**518,934[r]**	**528,185**	**528,715**	**535,000**
22 Private	315,695	339,161	376,566	386,103	384,806	383,652	383,301	382,220[r]	376,148[r]	377,486[r]	385,233	387,323	391,383
23 Residential	187,870	210,455	238,884	243,565	241,938	240,207	237,894	234,109[r]	231,342[r]	228,388[r]	232,415	235,964	240,366
24 Nonresidential	127,825	128,706	137,682	142,538	142,868	143,445	145,407	148,111	144,806	149,098	152,818	151,359	151,017
25 Industrial buildings	20,720	19,533	21,121	22,769	22,715	23,370	23,911	24,707	24,760	24,416	24,424	24,225	24,113
26 Commercial buildings	41,523	42,627	48,552	53,491	53,338	53,687	55,439	55,011	51,779	55,420	56,906	55,606	55,334
27 Other buildings	21,494	23,626	23,912	24,694	24,373	24,039	23,062	23,948	24,319	23,447	24,463	24,054	24,241
28 Public utilities and other	44,088	42,920	44,097	41,584	42,442	42,349	42,995	44,445	43,948	45,815	47,025	47,474	47,329
29 Public	119,322	125,342	130,337	135,668	136,248	137,777	140,166	139,874	138,367	141,447	142,952	141,392	143,617
30 Military	2,502	2,454	2,319	2,784	2,925	2,624	3,048	2,736	2,442	2,569	3,212	3,048	2,311
31 Highway	34,899	37,431	39,882	38,464	38,574	38,681	40,667	41,158	38,657	40,875	44,204	42,792	43,117
32 Conservation and development	6,021	5,978	6,228	7,466	6,681	7,128	7,139	6,273	5,531	6,117	5,326	5,607	5,030
33 Other	75,900	79,479	81,908	86,954	88,068	89,344	89,312	89,707	91,737	91,886	90,210	89,945	93,159

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, Oct. 1995[1]
	1994 Oct.	1995 Oct.	1994	1995			1995					
			Dec.	Mar.	June	Sept.	June	July	Aug.	Sept.	Oct.	
CONSUMER PRICES[2] (1982-84=100)												
1 **All items**	**2.6**	**2.8**	**1.9**	**3.2**	**3.2**	**1.8**	**.1**	**.2**	**.1**	**.1**	**.3**	**153.7**
2 Food	2.4	3.0	3.9	.0	3.6	3.6	.1	2	.2	.5	.3	149.4
3 Energy items	.4	1.2	.4	1.1	5.4	11.5	.5	.8	.8	1.4	.4	104.5
4 All items less food and energy	2.9	3.0	2.0	4.1	3.0	2.8	.2	.2	.2	.2	3	162.8
5 Commodities	1.7	1.6	.3	2.6	.6	2.3	.1	.1	.4	.1	.2	140.5
6 Services	3.5	3.7	2.6	4.8	4.3	3.0	.3	.3	1	.3	3	175.6
PRODUCER PRICES (1982=100)												
7 Finished goods	1.0	2.1	2.2	3.2	.6[1]	1.3[1]	.2	.1[1]	1	.3	.1	128.5
8 Consumer foods	6	2.9	9.2	1.2	4.6[1]	8.8[1]	.3[1]	1.1[1]	.0	1.0	.0	129.7
9 Consumer energy	2.2	.4	.0	11.3	1.5[1]	14.3[1]	1.1[1]	2.4[1]	.9	.5	9	76.8
10 Other consumer goods	1.7	2.6	6	2.9	3.2	2.3	.1	.2	.1	.3	1	143.2
11 Capital equipment	1.9	2.2	3	3.0	1.8[1]	2.1[1]	.0[1]	.3[1]	.1	.1	1	137.7
Intermediate materials												
12 Excluding foods and feeds	3.2	4.4	7.2	10.6	3.9	.6	.0	0	1	.1	.4	125.7
13 Excluding energy	4.2	5.1	8.3	10.5	4.2	1.8	.1	3	1	.1	3	135.8
Crude materials												
14 Foods	6.4	10.5	1.2	4.6	.8[1]	42.3[1]	3.8[1]	4.2[1]	.7	4.2	2.1	109.3
15 Energy	11.6	4.7	7.6	4.5	14.6[1]	22.0[1]	1.2[1]	5.3[1]	3.8	3.2	4	66.9
16 Other	13.1	4.0	27.9	21.9	4.6[1]	18.2[1]	.2[1]	-1.9[1]	.9	2.1	2.6	165.6

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	1992	1993	1994	1994 Q3	1994 Q4	1995 Q1	1995 Q2	1995 Q3
GROSS DOMESTIC PRODUCT								
1 **Total**	**6,020.2**	**6,343.3**	**6,738.4**	**6,791.7**	**6,897.2**	**6,977.4**	**7,030.0**	**7,113.2**
By source								
2 Personal consumption expenditures	4,136.9	4,378.2	4,628.4	4,657.5	4,734.8	4,782.1	4,851.0	4,898.1
3 Durable goods	492.7	538.0	591.5	591.5	617.7	615.2	620.3	632.4
4 Nondurable goods	1,295.5	1,339.2	1,394.3	1,406.1	1,420.7	1,432.2	1,446.2	1,449.1
5 Services	2,348.7	2,501.0	2,642.7	2,659.9	2,696.4	2,734.8	2,784.5	2,816.6
6 Gross private domestic investment	788.3	882.0	1,032.9	1,055.4	1,075.6	1,107.8	1,094.1	1,113.4
7 Fixed investment	785.2	866.7	980.7	992.5	1,020.8	1,053.3	1,056.9	1,074.5
8 Nonresidential	561.4	616.1	697.6	709.4	732.8	766.4	779.3	788.0
9 Structures	171.1	173.4	182.8	184.6	192.0	198.6	204.3	207.6
10 Producers' durable equipment	390.3	442.7	514.8	524.5	540.7	567.8	575.0	580.4
11 *Residential structures*	223.8	250.6	283.0	283.1	288.0	286.8	277.6	286.5
12 Change in business inventories	3.0	15.4	52.2	62.6	54.8	54.5	37.2	38.9
13 Nonfarm	2.7	20.1	45.9	53.4	47.4	51.1	37.9	33.5
14 Net exports of goods and services	30.3	65.3	98.2	109.6	98.9	111.1	124.7	118.3
15 Exports	638.1	659.1	718.7	730.5	765.5	778.8	797.5	802.0
16 Imports	668.4	724.3	816.9	840.1	864.4	889.9	922.2	920.3
17 Government purchases of goods and services	1,125.3	1,148.4	1,175.3	1,188.8	1,185.8	1,198.7	1,209.6	1,220.1
18 Federal	449.0	443.6	437.3	444.3	431.9	434.4	434.7	436.8
19 State and local	676.3	704.7	738.0	744.5	753.8	764.3	774.8	783.3
By major type of product								
20 Final sales, total	6,017.2	6,327.9	6,686.2	6,729.1	6,842.4	6,922.9	6,992.8	7,074.3
21 Goods	2,292.0	2,390.4	2,532.4	2,543.6	2,603.3	2,638.1	2,650.0	2,682.5
22 Durable	968.6	1,032.4	1,118.8	1,125.8	1,151.8	1,175.0	1,178.6	1,201.7
23 Nondurable	1,323.4	1,358.1	1,413.6	1,417.8	1,451.5	1,463.1	1,471.4	1,480.8
24 Services	3,227.2	3,405.5	3,576.2	3,603.6	3,641.9	3,680.6	3,741.0	3,777.3
25 Structures	498.1	532.0	577.6	581.9	597.3	604.3	601.8	614.6
26 Change in business inventories	3.0	15.4	52.2	62.6	54.8	54.5	37.2	38.9
27 Durable goods	13.0	8.6	34.8	44.1	36.3	48.0	28.3	26.3
28 Nondurable goods	16.0	6.7	17.4	18.5	18.5	6.5	8.9	12.6
MEMO								
29 **Total GDP in 1987 dollars**	**4,979.3**	**5,134.5**	**5,344.0**	**5,367.0**	**5,433.8**	**5,470.1**	**5,487.8**	**5,544.6**
NATIONAL INCOME								
30 **Total**	**4,829.5**	**5,131.4**	**5,458.4**	**5,494.9**	**5,599.4**	**5,688.4**	**5,719.4**	n.a.
31 Compensation of employees	3,591.2	3,780.4	4,004.6	4,023.7	4,095.3	4,157.3	4,183.0	4,230.9
32 Wages and salaries	2,954.8	3,100.8	3,279.0	3,293.9	3,356.4	3,403.4	3,422.3	3,462.7
33 Government and government enterprises	567.3	583.8	602.8	604.4	609.0	617.2	620.3	624.4
34 Other	2,387.5	2,517.0	2,676.2	2,689.6	2,747.4	2,786.2	2,802.0	2,838.2
35 Supplement to wages and salaries	636.4	679.6	725.6	729.7	738.9	753.9	760.8	768.2
36 Employer contributions for social insurance	307.7	324.3	344.6	346.0	350.2	354.3	356.8	360.4
37 Other labor income	328.7	355.3	381.0	383.7	388.7	399.6	403.9	407.8
38 Proprietors' income[1]	418.7	441.6	473.7	467.0	485.7	493.6	487.2	492.3
39 Business and professional[1]	374.4	404.3	434.2	437.1	444.0	449.2	452.2	458.3
40 Farm[1]	44.3	37.3	39.5	29.8	41.7	44.4	35.0	34.0
41 Rental income of persons[2]	5.5	24.1	27.7	32.6	29.0	25.4	24.2	20.5
42 Corporate profits[1]	405.1	485.8	542.7	556.0	560.3	569.7	581.1	n.a.
43 Profits before tax[3]	395.9	462.4	524.5	538.1	553.5	570.6	574.1	n.a.
44 Inventory valuation adjustment	6.4	6.2	19.5	19.6	32.1	39.0	28.2	7.4
45 Capital consumption adjustment	15.7	29.5	37.7	37.5	38.8	38.1	35.2	35.4
46 Net interest	420.0	399.5	409.7	415.7	429.2	442.4	444.0	n.a.

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	1992	1993	1994	1994		1995		
				Q3	Q4	Q1	Q2	Q3
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**5,154.3**	**5,375.1**	**5,701.7**	**5,734.5**	**5,856.6**	**5,962.0**	**6,008.1**	**6,075.8**
2 Wage and salary disbursements	2,974.8	3,080.8	3,279.0	3,293.9	3,356.4	3,403.4	3,422.3	3,462.7
3 Commodity producing industries	757.6	773.8	818.2	821.8	837.3	848.5	842.0	846.6
4 Manufacturing	578.3	588.4	617.5	618.3	629.5	638.1	629.6	631.9
5 Distributive industries	682.3	701.9	748.5	753.5	769.6	776.8	782.9	795.4
6 Service industries	967.6	1,021.4	1,109.5	1,114.3	1,140.5	1,160.9	1,177.0	1,196.3
7 Government and government enterprises	567.3	583.8	602.8	604.4	609.0	617.2	620.3	624.4
8 Other labor income	328.7	355.3	381.0	383.7	388.7	399.6	403.9	407.8
9 Proprietors' income[1]	418.7	441.6	473.7	467.0	485.7	493.6	487.2	492.3
10 Business and professional[1]	374.4	404.3	434.2	437.1	444.0	449.2	452.2	458.3
11 Farm[1]	44.4	37.3	39.5	29.8	41.7	44.4	35.0	34.0
12 Rental income of persons[2]	-5.5	24.1	27.7	32.6	29.0	25.4	24.2	20.5
13 Dividends	161.0	181.3	194.3	196.9	202.7	205.5	208.1	211.6
14 Personal interest income	665.2	637.9	664.0	674.2	701.1	723.6	739.3	748.3
15 Transfer payments	860.2	915.4	963.4	969.0	979.7	1,004.8	1,018.6	1,031.0
16 Old age survivors, disability, and health insurance benefits	414.0	444.4	473.5	476.5	483.1	496.7	503.4	508.3
17 LESS: Personal contributions for social insurance	248.7	261.3	281.4	282.9	286.6	293.8	295.4	298.4
18 EQUALS: Personal income	5,154.3	5,375.1	5,701.7	5,734.5	5,856.6	5,962.0	6,008.1	6,075.8
19 LESS: Personal tax and nontax payments	648.6	686.4	742.1	744.1	754.7	777.6	807.0	807.0
20 EQUALS: Disposable personal income	4,505.8	4,688.7	4,959.6	4,990.3	5,101.9	5,184.4	5,201.0	5,268.8
21 LESS: Personal outlays	4,257.8	4,496.2	4,756.5	4,787.0	4,869.3	4,920.7	4,994.9	5,045.9
22 EQUALS: Personal saving	247.9	192.6	203.1	203.3	232.6	263.7	206.1	222.9
MEMO								
Per capita (1987 dollars)								
23 Gross domestic product	19,489.7	19,878.8	20,475.8	20,536.5	20,739.8	20,836.3	20,858.6	21,023.3
24 Personal consumption expenditures	13,110.4	13,390.8	13,715.4	13,716.6	13,853.5	13,880.1	13,965.7	14,033.4
25 Disposable personal income	14,279.0	14,341.0	14,696.0	14,697.0	14,927.0	15,048.0	14,973.0	15,095.0
26 Saving rate (percent)	5.5	4.1	4.1	4.1	4.6	5.1	4.0	4.2
GROSS SAVING								
27 **Gross saving**	**722.9**	**787.5**	**920.6**	**922.6**	**950.3**	**1,006.0**	**983.8**	n.a.
28 Gross private saving	980.8	1,002.5	1,053.5	1,052.7	1,082.7	1,126.4	1,090.0	n.a.
29 Personal saving	247.9	192.6	203.1	203.3	232.6	263.7	206.1	222.9
30 Undistributed corporate profits[1]	94.3	120.9	135.1	139.5	130.7	132.6	140.8	n.a.
31 Corporate inventory valuation adjustment	-6.4	6.2	19.5	19.6	32.1	39.0	28.2	7.4
Capital consumption allowances								
32 Corporate	396.8	407.8	432.2	432.6	438.0	445.3	454.7	461.0
33 Noncorporate	261.8	261.2	283.1	277.3	281.3	284.7	288.4	292.0
34 Government surplus, or deficit (-), national income and product accounts	257.8	215.0	-132.9	130.1	132.3	-120.4	-106.2	n.a.
35 Federal	282.7	241.4	159.1	-154.0	161.1	-148.6	-129.6	n.a.
36 State and local	24.8	26.3	26.2	23.9	28.8	28.2	23.4	n.a.
37 **Gross investment**	**731.7**	**789.8**	**889.7**	**901.5**	**907.9**	**947.4**	**916.8**	n.a.
38 Gross private domestic investment	788.3	882.0	1,032.9	1,055.1	1,075.6	1,107.8	1,094.1	1,113.4
39 Net foreign investment	-56.6	-92.3	143.2	-153.6	167.7	160.4	177.3	n.a.
40 **Statistical discrepancy**	**8.8**	**2.3**	**-30.9**	**-21.1**	**-42.4**	**-58.6**	**-67.0**	n.a.

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment

SOURCE: U.S. Department of Commerce, *Survey of Current Business*

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars; quarterly data seasonally adjusted except as noted[1]

Item credits or debits	1992	1993	1994	1994			1995	
				Q2	Q3	Q4	Q1	Q2[p]
1 Balance on current account	61,548	-99,925	151,245	- 37,986	39,714	43,277	39,025	43,622
2 Merchandise trade balance[2]	96,106	132,618	166,099	41,494	44,627	43,488	45,050	49,040
3 Merchandise exports	440,352	456,823	502,485	122,730	127,384	133,926	138,061	142,543
4 Merchandise imports	536,458	589,441	668,584	164,224	172,011	177,414	183,111	191,583
5 Military transactions, net	2,142	448	2,148	376	1,124	679	542	537
6 Other service transactions, net	58,767	57,328	57,739	14,195	14,696	15,342	15,068	15,135
7 Investment income, net	10,080	9,000	9,272	2,285	2,533	4,571	1,961	2,874
8 U.S. government grants	15,083	16,311	15,814	3,703	3,488	6,245	2,867	2,356
9 U.S. government pensions and other transfers	3,735	-3,785	4,247	- 1,063	1,064	1,063	782	988
10 Private remittances and other transfers	13,330	13,988	15,700	4,012	3,822	3,931	3,975	4,036
11 Change in U.S. government assets other than official reserve assets, net (increase,)	1,661	330	322	491	283	931	152	157
12 Change in U.S. official reserve assets (increase,)	3,901	1,379	5,346	3,537	165	2,033	5,318	2,722
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	2,316	537	-441	108	111	121	867	156
15 Reserve position in International Monetary Fund	2,692	44	494	251	273	27	526	786
16 Foreign currencies	4,277	797	5,293	3,394	327	2,181	3,925	1,780
17 Change in U.S. private assets abroad (increase,)	68,115	182,880	130,875	10,001	27,492	56,258	69,873	72,228
18 Bank-reported claims[3]	20,895	29,947	915	15,107	1,590	16,651	29,284	35,534
19 Nonbank-reported claims	45	1,581	32,621	10,230	-8,051	12,449	11,518	
20 U.S. purchases of foreign securities, net	46,415	141,807	49,799	7,128	10,976	15,238	- 6,567	20,597
21 U.S. direct investments abroad, net	42,640	72,601	49,370	7,750	10,055	11,920	-22,504	16,097
22 Change in foreign official assets in United States (increase, +)	40,466	72,146	39,409	9,162	19,691	421	22,308	37,759
23 U.S. Treasury securities	18,454	48,952	30,723	5,919	16,477	7,470	10,131	25,169
24 Other U.S. government obligations	3,949	4,062	6,025	2,360	2,222	1,228	1,126	1,326
25 Other U.S. government liabilities[4]	2,180	1,706	2,211	174	494	692	154	513
26 Other U.S. liabilities reported by U.S. banks[3]	16,571	14,841	2,923	1,674	1,298	9,856	10,940	7,802
27 Other foreign official assets[5]	688	2,585	2,473	965	800	45	265	2,949
28 Change in foreign private assets in United States (increase, +)	113,357	176,382	251,956	37,364	60,045	85,136	72,533	76,459
29 U.S. bank-reported liabilities[3]	15,461	20,859	114,396	28,231	19,650	34,676	- 531	15,006
30 U.S. nonbank-reported liabilities	13,573	10,489	4,324	2,047	487	5,242	10,113	.
31 Foreign private purchases of U.S. Treasury securities, net	36,857	24,063	33,811	7,317	5,428	25,929	29,910	29,966
32 Foreign purchases of other U.S. securities, net	29,867	79,864	58,625	12,551	14,762	10,195	15,816	20,202
33 Foreign direct investments in United States, net	17,599	41,107	49,448	5,946	19,718	19,578	17,225	11,285
34 Allocation of special drawing rights	0	0	0	0	0	0	0	0
35 Discrepancy	26,399	35,985	14,269	2,567	12,082	13,718	19,527	4,511
36 Due to seasonal adjustment	.	...	...	587	6,641	782	6,183	410
37 Before seasonal adjustment	26,399	35,985	14,269	3,154	5,441	12,936	13,344	4,101
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase,)	3,901	1,379	5,346	3,537	165	2,033	5,318	2,722
39 Foreign official assets in United States, excluding line 25 (increase, +)	38,286	70,440	37,198	8,988	19,197	1,113	22,462	37,246
40 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22)	5,942	3,717	1,184	4,217	3,564	1,120	322	5

1. Seasonal factors are not calculated for lines 12-16, 18-20, 22-34, and 38-40.
2. Data are on an international accounts basis. The data differ from the Census basis data, shown in table 3.11, for reasons of coverage and timing. Military exports are excluded from merchandise trade data and are included in line 5.
3. Reporting banks include all types of depository institution as well as some brokers and dealers.
4. Associated primarily with military sales contracts and other transactions arranged with or through foreign official agencies.
5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*.

3.11 U.S. FOREIGN TRADE[1]

Millions of dollars; monthly data seasonally adjusted

Item	1992	1993	1994	1995						
				Mar.	Apr.	May	June	July	Aug.	Sept.[p]
1 Goods and services, balance	39,480	74,841	106,212	9,209	11,076	10,780	11,280	11,186	8,359	8,349
2 Merchandise	96,106	132,618	166,099	14,537	16,336	15,976	16,493	16,230	13,504	13,705
3 Services	56,626	57,777	59,887	5,328	5,260	5,196	5,213	5,044	5,145	5,356
4 Goods and services, exports	618,969	644,578	701,201	65,342	64,412	65,595	64,599	63,408	66,190	67,244
5 Merchandise	440,352	456,823	502,485	47,947	47,157	48,307	47,381	46,368	49,084	49,858
6 Services	178,617	187,755	198,716	17,395	17,255	17,288	17,218	17,040	17,106	17,386
7 Goods and services, imports	658,449	719,420	807,413	74,551	75,488	76,375	75,879	74,594	74,549	75,593
8 Merchandise	536,458	589,441	668,584	62,484	63,493	64,283	63,874	62,598	62,588	63,563
9 Services	121,991	129,979	138,829	12,067	11,995	12,092	12,005	11,996	11,961	12,030
MEMO										
10 **Balance on merchandise trade, Census basis**	**−84,501**	**−115,568**	**−150,630**	**−12,886**	**−14,797**	**−14,058**	**−14,730**	**−15,290**	**−12,507**	**−12,806**

1. Data show monthly values consistent with quarterly figures in the U.S. balance of payments accounts.

SOURCE. *FT900*, U.S. Department of Commerce, Bureau of the Census and Bureau of Economic Analysis.

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Asset	1992	1993	1994	1995							
				Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.[p]
1 **Total**	**71,323**	**73,442**	**74,335**	**86,761**	**88,756**	**90,549**	**90,063**	**91,534**	**86,648**	**87,152**	**86,224**
2 Gold stock, including Exchange Stabilization Fund[1]	11,056	11,053	11,051	11,053	11,055	11,054	11,054	11,053	11,053	11,051	11,051
3 Special drawing rights[2,3]	8,503	9,039	10,039	11,651	11,743	11,923	11,869	11,487	11,146	11,035	10,949
4 Reserve position in International Monetary Fund[2]	11,759	11,818	12,030	13,418	14,206	14,278	14,276	14,761	14,470	14,681	14,700
5 Foreign currencies[4]	40,005	41,532	41,215	50,639	51,752	53,294	52,864	54,233	49,979	50,385	49,524

1. Gold held "under earmark" at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13, line 3. Gold stock is valued at $42.22 per fine troy ounce.

2. Special drawing rights (SDRs) are valued according to a technique adopted by the International Monetary Fund (IMF) in July 1974. Values are based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, sixteen currencies were used; since January 1981, five currencies have been used. U.S. SDR holdings and reserve positions in the IMF also have been valued on this basis since July 1974.

3. Includes allocations of SDRs by the International Monetary Fund on Jan. 1 of the year indicated, as follows: 1970—$867 million; 1971—$717 million; 1972—$710 million; 1979—$1,139 million; 1980—$1,152 million; 1981—$1,093 million; plus net transactions in SDRs.

4. Valued at current market exchange rates.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS[1]

Millions of dollars, end of period

Asset	1992	1993	1994	1995							
				Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.[p]
1 ***Deposits***	***205***	***386***	***250***	***370***	***166***	***227***	***167***	***190***	***165***	***201***	***275***
Held in custody											
2 U.S. Treasury securities[2]	314,481	379,394	441,866	459,694	469,482	474,181	482,506	505,613	502,737	506,572	507,075
3 Earmarked gold[3]	13,118	12,327	12,033	11,964	11,897	11,800	11,725	11,728	11,728[r]	11,728	11,709

1. Excludes deposits and U.S. Treasury securities held for international and regional organizations.

2. Marketable U.S. Treasury bills, notes, and bonds and nonmarketable U.S. Treasury securities, in each case measured at face (not market) value.

3. Held in foreign and international accounts and valued at $42.22 per fine troy ounce; not included in the gold stock of the United States.

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1993	1994	1995						
			Mar.	Apr.	May	June	July	Aug.	Sept.[p]
1 **Total**[1]	**483,002**	**520,578**	**542,768**	**552,623**	**560,324**	**580,073**[r]	**604,392**[r]	**612,828**	**619,358**
By type									
2 Liabilities reported by banks in the United States[2]	69,808	73,031	83,697	85,564	84,859	91,583[r]	93,743[r]	104,745	109,981
3 U.S. Treasury bills and certificates[3]	151,100	139,570	141,716	146,417	154,575	154,517	159,654	157,516	163,093
U.S. Treasury bonds and notes									
4 Marketable	212,237	254,059	262,020	265,178	263,404	274,254	291,034	290,670	286,154
5 Nonmarketable[4]	5,652	6,109	6,135	6,174	6,209	6,245	6,288	6,329	6,366
6 U.S. securities other than U.S. Treasury securities[5]	44,205	47,809	49,200	49,290	51,277	53,474	53,673	53,568	53,764
By area									
7 Europe[1]	207,121	215,024	218,385	216,771	217,793	223,814	224,343	221,105	222,820
8 Canada	15,285	17,235	19,268	19,248	19,631	19,549	21,746	21,508	20,522
9 Latin America and Caribbean	55,898	41,492	39,847	42,475	44,707	50,288[r]	58,007[r]	63,264	63,305
10 Asia	197,702	236,819	256,845	266,089	270,519	278,767	290,878[r]	297,343	303,818
11 Africa	4,052	4,179	4,583	4,200	4,281	4,427	4,309	4,433	4,684
12 Other countries	2,942	5,827	3,838	3,838	3,391	3,226	5,107	5,173	4,207

1. Includes the Bank for International Settlements.
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
3. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes current value of zero coupon Treasury bond issues to foreign governments as follows Mexico, beginning March 1988, 20 year maturity issue and beginning March 1990, 30 year maturity issue, Venezuela, beginning December 1990, 30-year maturity issue; Argentina, beginning April 1993, 30 year maturity issue.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.

SOURCE. Based on U.S. Department of the Treasury data and on data reported to the department by banks (including Federal Reserve Banks) and securities dealers in the United States, and on the 1989 benchmark survey of foreign portfolio investment in the United States.

3.16 LIABILITIES TO, AND CLAIMS ON, FOREIGNERS Reported by Banks in the United States[1] Payable in Foreign Currencies

Millions of dollars, end of period

Item	1991	1992	1993	1994		1995	
				Sept.	Dec.	Mar.	June
1 Banks' liabilities	75,129	72,796	78,259	83,444	89,587	96,190	106,069
2 Banks' claims	73,195	62,799	61,425	64,161	60,249	72,511	77,195
3 Deposits	26,192	24,240	20,401	20,731	19,640	24,257	28,915
4 Other claims	47,003	38,559	41,024	43,430	40,609	48,254	48,280
5 Claims of banks' domestic customers[2]	3,398	4,432	9,103	12,719	15,020	11,637	13,070

1. Data on claims exclude foreign currencies held by U.S. monetary authorities.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of the domestic customers.

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]

Payable in U.S. dollars

Millions of dollars, end of period

Item	1992	1993	1994	1995 Mar.	1995 Apr.	1995 May	1995 June	1995 July	1995 Aug.	1995 Sept[p]
BY HOLDER AND TYPE OF LIABILITY										
1 **Total, all foreigners**	**810,259**	**926,793**	**1,017,047**	**1,031,278**	**1,037,624**	**1,041,439**	**1,057,301[r]**	**1,059,317[r]**	**1,075,124**	**1,070,861**
2 Banks' own liabilities	606,444	627,040	721,624	725,066	720,976	722,735	735,054[r]	730,208[r]	744,644	732,358
3 Demand deposits	21,828	21,573	23,376	22,746	22,950	23,567	22,226	24,100	21,771	23,745
4 Time deposits[2]	160,385	175,032	186,400	184,124	182,196	184,299	195,214[r]	191,739[r]	198,121	187,537
5 Other[3]	93,237	112,056	115,933	120,939	123,852	127,544	122,722[r]	140,910[r]	137,438	135,844
6 Own foreign offices[4]	330,994	318,379	395,915	397,257	391,978	387,325	394,892[r]	373,459[r]	387,314	385,232
7 Banks' custodial liabilities[5]	203,815	299,753	295,423	306,212	316,648	318,704	322,247	329,109	330,480	338,503
8 U.S. Treasury bills and certificates[6]	127,644	176,739	162,826	170,138	175,540	182,046	182,204	188,621	187,318	192,711
9 Other negotiable and readily transferable instruments[7]	21,974	36,289	42,177	44,921	48,278	40,331	45,112	44,252	44,908	47,241
10 Other	54,197	86,725	90,420	91,153	92,830	96,327	94,931	96,236	98,254	98,551
11 *Nonmonetary international and regional organizations*[8]	*9,350*	*10,936*	*8,606*	*9,263*	*8,710*	*8,576*	*9,776*	*11,955*	*9,963*	*12,370*
12 Banks' own liabilities	6,951	5,639	8,176	8,639	7,547	7,609	8,972	10,884	8,659	11,479
13 Demand deposits	46	15	29	31	214	34	114	43	40	64
14 Time deposits[2]	3,214	2,780	3,298	3,899	3,954	3,516	4,459	4,977	4,486	4,189
15 Other[3]	3,691	2,844	4,849	4,709	3,379	4,059	4,399	5,864	4,133	7,226
16 Banks' custodial liabilities[5]	2,399	5,297	430	624	1,163	967	804	1,071	1,304	891
17 U.S. Treasury bills and certificates[6]	1,908	4,275	281	314	763	510	312	551	826	354
18 Other negotiable and readily transferable instruments[7]	486	1,022	149	307	400	456	492	520	478	537
19 Other	5	0	0	3	0	1	0	0	0	0
20 Official institutions[9]	159,563	220,908	212,601	225,413	231,981	239,434	246,100[r]	253,397[r]	262,261	273,074
21 Banks' own liabilities	51,202	64,231	59,580	69,196	67,999	68,974	73,129[r]	75,379[r]	83,346	85,928
22 Demand deposits	1,302	1,601	1,564	1,705	1,485	1,575	1,398	1,429	1,547	1,362
23 Time deposits[2]	17,939	21,654	23,511	23,925	25,788	27,462	27,426[r]	29,502[r]	31,740	31,978
24 Other[3]	31,961	40,976	34,505	43,566	40,726	39,937	44,305	44,448[r]	50,059	52,588
25 Banks' custodial liabilities[5]	108,361	156,677	153,021	156,217	163,982	170,460	172,971	178,018	178,915	187,146
26 U.S. Treasury bills and certificates[6]	104,596	151,100	139,570	141,716	146,417	154,575	154,517	159,654	157,516	163,093
27 Other negotiable and readily transferable instruments[7]	3,726	5,482	13,245	14,351	17,473	15,771	18,325	18,159	20,735	23,777
28 Other	39	95	206	150	92	114	129	205	664	276
29 Banks[10]	547,320	592,208	680,738	685,733	681,438	680,063	685,718[r]	665,934[r]	684,101	669,050
30 Banks' own liabilities	476,117	478,792	566,647	565,555	558,903	560,440	566,247[r]	545,332[r]	562,661	546,467
31 Unaffiliated foreign banks	145,123	160,413	170,732	168,298	166,925	173,115	171,355[r]	171,873[r]	175,347	161,235
32 Demand deposits	10,170	9,719	10,633	10,878	10,701	11,406	10,554	12,121	10,061	11,817
33 Time deposits[2]	90,296	105,192	111,156	107,507	100,613	103,681	111,674[r]	104,806[r]	110,287	98,967
34 Other[3]	44,657	45,502	48,943	49,913	55,611	58,028	49,127[r]	54,946[r]	54,999	50,451
35 Own foreign offices[4]	330,994	318,379	395,915	397,257	391,978	387,325	394,892[r]	373,459[r]	387,314	385,232
36 Banks' custodial liabilities[5]	71,203	113,416	114,091	120,178	122,535	119,623	119,471	120,602	121,440	122,583
37 U.S. Treasury bills and certificates[6]	11,087	10,712	11,219	15,723	15,717	14,437	15,021	15,535	15,489	16,170
38 Other negotiable and readily transferable instruments[7]	7,555	17,020	14,234	15,254	15,815	10,955	11,188	10,583	10,142	9,665
39 Other	52,561	85,684	88,638	89,201	91,003	94,231	93,262	94,484	95,809	96,748
40 Other foreigners	94,026	102,741	115,102	110,869	115,495	113,366	115,707[r]	128,031[r]	118,799	116,367
41 Banks' own liabilities	72,174	78,378	87,221	81,676	86,527	85,712	86,706[r]	98,613[r]	89,978	88,484
42 Demand deposits	10,310	10,238	11,150	10,132	10,550	10,552	10,160	10,507	10,123	10,502
43 Time deposits[2]	48,936	45,406	48,435	48,793	51,841	49,640	51,655[r]	52,454[r]	51,608	52,403
44 Other[3]	12,928	22,734	27,636	22,751	24,136	25,520	24,891[r]	35,652[r]	28,247	25,579
45 Banks' custodial liabilities[5]	21,852	24,363	27,881	29,193	28,968	27,654	29,001	29,418	28,821	27,883
46 U.S. Treasury bills and certificates[6]	10,053	10,652	11,756	12,385	12,643	12,524	12,354	12,881	13,487	13,094
47 Other negotiable and readily transferable instruments[7]	10,207	12,765	14,549	15,009	14,590	13,149	15,107	14,990	13,553	13,262
48 Other	1,592	946	1,576	1,799	1,735	1,981	1,540	1,547	1,781	1,527
MEMO										
49 Negotiable time certificates of deposit in custody for foreigners	9,111	17,567	17,895	16,741	17,651	11,938	12,158	10,129	10,409	9,915

1. Reporting banks include all types of depository institutions as well as some brokers and dealers. Excludes bonds and notes of maturities longer than one year.
2. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
3. Includes borrowing under repurchase agreements.
4. For U.S. banks, includes amounts owed to own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts owed to the head office or parent foreign bank, and to foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.
5. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks for foreign customers.
6. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
7. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
8. Principally the International Bank for Reconstruction and Development, the Inter-American Development Bank, and the Asian Development Bank. Excludes "holdings of dollars" of the International Monetary Fund.
9. Foreign central banks, foreign central governments, and the Bank for International Settlements.
10. Excludes central banks, which are included in "Official institutions."

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]—Continued

Item	1992	1993	1994	1995 Mar.	1995 Apr.	1995 May	1995 June	1995 July	1995 Aug.	1995 Sept.[p]
AREA										
50 **Total, all foreigners**	**810,259**	**926,793**	**1,017,047**	**1,031,278**	**1,037,624**	**1,041,439**	**1,057,301**	**1,059,317**	**1,075,124**	**1,070,861**
51 **Foreign countries**	**800,909**	**915,857**	**1,008,441**	**1,022,015**	**1,028,914**	**1,032,863**	**1,047,525**	**1,047,362**	**1,065,161**	**1,058,491**
52 Europe	307,670	378,107	392,931	381,150	368,495	377,387	374,702	377,555	376,437	360,406
53 Austria	1,611	1,917	3,649	4,012	4,030	3,961	3,854	3,923	3,869	5,221
54 Belgium and Luxembourg	20,567	28,670	21,978	23,942	22,855	25,734	21,078	24,793	24,590	24,035
55 Denmark	3,060	4,517	2,784	2,396	2,567	2,811	2,432	2,131	2,468	2,476
56 Finland	1,299	1,872	1,436	1,222	2,028	1,708	1,455	2,390	2,270	1,972
57 France	41,411	40,316	45,207	41,447	38,668	40,976	45,034	42,870	43,307	38,094
58 Germany	18,630	26,685	27,190	28,285	28,496	31,968	34,342	33,790	31,252	31,385
59 Greece	913	1,519	1,393	2,264	2,195	2,160	2,351	2,297	2,384	2,105
60 Italy	10,041	11,759	10,882	8,686	9,414	9,810	10,371	10,218	10,811	8,935
61 Netherlands	7,365	16,096	15,971	15,784	12,545	14,622	11,449	11,743	10,685	13,106
62 Norway	3,314	2,966	2,338	2,066	1,374	1,289	1,305	1,119	2,087	1,011
63 Portugal	2,465	3,366	2,846	2,810	2,940	2,855	2,674	3,164	2,932	3,032
64 Russia	577	2,511	2,714	3,469	5,011	7,042	7,177	6,313	7,265	6,367
65 Spain	9,793	20,493	14,655	11,675	9,859	9,780	10,532	9,089	9,962	10,050
66 Sweden	2,953	2,738	3,093	2,474	1,845	1,437	3,471	2,187	2,876	3,143
67 Switzerland	39,440	41,561	41,881	39,355	41,258	39,984	47,243	42,192	41,644	41,375
68 Turkey	2,666	3,227	3,341	2,513	3,624	3,187	3,255	2,972	3,522	3,935
69 United Kingdom	111,805	133,993	163,768	160,162	153,431	151,052	141,110	151,339	150,779	140,014
70 Yugoslavia[11]	504	570	245	210	219	220	220	214	146	215
71 Other Europe and other former U.S.S.R.[12]	29,256	33,331	27,760	28,478	26,136	26,791	25,349	24,811	23,588	23,935
72 Canada	22,420	20,235	24,627	27,035	28,563	27,716	29,451	28,888	28,286	28,750
73 Latin America and Caribbean	317,228	362,161	422,781	422,812	431,632	429,741	444,638	435,628	446,797	433,818
74 Argentina	9,477	14,477	17,199	9,978	10,154	10,210	10,806	12,336	11,473	11,114
75 Bahamas	82,284	73,800	103,684	100,400	97,304	92,324	97,244	88,580	95,793	92,566
76 Bermuda	7,079	8,117	8,467	9,044	8,955	8,617	7,156	6,907	6,606	6,051
77 Brazil	5,584	5,301	9,140	10,860	13,114	15,563	18,242	21,224	26,734	27,580
78 British West Indies	153,033	193,649	229,620	236,331	244,233	242,895	252,372	245,018	244,220	234,613
79 Chile	3,035	3,183	3,114	3,587	3,446	2,911	3,304	2,661	2,876	2,689
80 Colombia	4,580	3,171	4,579	3,644	3,598	3,401	3,273	3,429	3,346	3,254
81 Cuba	3	33	13	5	6	5	5	5	3	4
82 Ecuador	993	880	873	1,117	1,054	1,048	1,179	1,118	1,160	1,130
83 Guatemala	1,377	1,207	1,121	1,062	1,094	1,069	1,128	1,099	1,121	1,196
84 Jamaica	371	410	529	491	422	542	449	426	444	484
85 Mexico	19,454	28,018	12,244	15,750	17,246	18,174	19,172	20,977	22,091	22,041
86 Netherlands Antilles	5,205	4,686	4,530	4,013	4,076	6,001	4,626	6,066	4,776	5,014
87 Panama	4,177	3,582	4,542	4,361	4,816	4,881	4,297	4,624	4,981	4,661
88 Peru	1,080	926	899	893	931	1,004	996	943	1,027	908
89 Uruguay	1,955	1,611	1,594	1,754	1,930	2,091	2,029	1,951	1,935	1,837
90 Venezuela	11,387	12,786	13,975	12,632	12,122	12,041	11,187	11,419	11,134	11,905
91 Other	6,154	6,324	6,658	6,890	7,131	6,964	7,173	6,845	7,077	6,771
92 Asia	143,540	144,529	155,556	178,417	187,634	186,272	188,284	192,175	199,526	222,897
China										
93 People's Republic of China	3,202	1,011	10,066	12,017	12,138	9,459	10,579	11,908	13,208	22,273
94 Republic of China (Taiwan)	8,408	10,627	9,826	10,021	9,630	9,137	9,740	9,152	9,819	10,229
95 Hong Kong	18,499	17,132	17,087	19,888	20,069	22,690	23,031	25,124	24,141	21,838
96 India	1,399	1,114	2,338	2,354	2,194	1,939	2,104	2,269	2,655	2,912
97 Indonesia	1,480	1,986	1,587	2,107	1,696	2,331	2,115	1,962	2,259	2,362
98 Israel	3,773	4,435	5,155	5,003	5,411	5,326	4,570	4,596	4,720	4,204
99 Japan	58,435	61,466	64,259	77,846	84,761	83,174	83,348	85,801	89,082	104,247
100 Korea (South)	3,337	4,913	5,124	4,374	4,760	5,030	4,982	5,061	4,876	5,438
101 Philippines	2,275	2,035	2,714	2,297	2,257	2,704	2,538	2,652	2,792	2,785
102 Thailand	5,582	6,137	6,466	9,564	10,416	11,582	11,497	11,239	11,172	11,798
103 Middle Eastern oil-exporting countries[13]	21,437	15,824	15,475	15,516	15,730	15,612	16,865	16,468	15,773	16,885
104 Other	15,713	14,849	15,459	17,430	18,572	17,288	16,915	15,943	19,029	17,926
105 Africa	5,884	6,633	6,511	6,817	6,583	6,707	6,779	6,962	6,983	7,027
106 Egypt	2,472	2,208	1,867	1,781	2,102	2,045	2,143	1,840	1,924	2,127
107 Morocco	76	99	97	70	66	72	90	94	87	79
108 South Africa	190	451	433	706	401	539	594	1,000	744	465
109 Zaire	19	12	9	9	12	10	18	13	15	9
110 Oil-exporting countries[14]	1,346	1,303	1,343	1,599	1,328	1,302	1,418	1,364	1,666	1,791
111 Other	1,781	2,560	2,762	2,652	2,674	2,739	2,516	2,651	2,547	2,556
112 Other	4,167	4,192	6,035	5,784	6,007	5,040	3,671	6,154	7,132	5,593
113 Australia	3,043	3,308	5,141	5,024	4,912	4,255	2,944	5,472	5,458	4,776
114 Other	1,124	884	894	760	1,095	785	727	682	1,674	817
115 Nonmonetary international and regional organizations	9,350	10,936	8,606	9,263	8,710	8,576	9,776	11,955	9,963	12,370
116 International[15]	7,434	6,851	7,537	8,092	7,173	6,597	8,124	10,266	7,918	10,638
117 Latin American regional[16]	1,415	3,218	613	576	666	1,067	804	834	1,039	876
118 Other regional[17]	501	867	456	595	871	912	848	855	1,006	856

11. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.
12. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.
13. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
14. Comprises Algeria, Gabon, Libya, and Nigeria.
15. Principally the International Bank for Reconstruction and Development. Excludes "holdings of dollars" of the International Monetary Fund.
16. Principally the Inter-American Development Bank.
17. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Area or country	1992	1993	1994	1995						
				Mar.	Apr.	May	June	July	Aug.	Sept.[p]
1 **Total, all foreigners**	**499,437**	**486,250**	**483,372**	**491,402**	**480,697**	**483,947**	**519,489[r]**	**506,828[r]**	**518,658**	**512,391**
2 **Foreign countries**	**494,355**	**483,845**	**478,781**	**487,668**	**477,760**	**482,337**	**516,856[r]**	**505,511[r]**	**517,241**	**509,564**
3 Europe	123,377	122,823	124,609	127,193	122,538	123,304	128,932	125,948	126,587	115,332
4 Austria	331	413	692	589	461	756	581	616	685	670
5 Belgium and Luxembourg	6,404	6,532	6,737	7,424	8,505	8,052	5,148	8,063	8,249	7,050
6 Denmark	707	382	1,030	723	549	508	599	443	428	410
7 Finland	1,418	594	691	564	700	431	394	967	1,001	1,221
8 France	14,723	11,822	12,767	13,480	13,132	14,083	15,362	15,419	15,192	13,926
9 Germany	4,222	7,722	6,732	7,097	7,156	6,644	7,986	6,272	7,827	7,797
10 Greece	717	680	592	611	560	407	442	445	393	385
11 Italy	9,047	8,836	6,041	6,396	6,209	6,219	6,734	6,066	5,746	5,910
12 Netherlands	2,468	3,063	2,957	3,182	3,551	5,998	4,356	4,478	4,354	4,696
13 Norway	355	396	504	1,442	1,295	1,382	1,019	1,206	1,047	1,392
14 Portugal	325	834	938	907	915	990	1,208	987	916	986
15 Russia	3,147	2,310	949	770	657	511	508	495	504	421
16 Spain	2,755	2,800	3,529	3,066	2,076	2,138	3,565	3,626	3,480	3,519
17 Sweden	4,923	4,252	4,096	3,394	3,522	3,319	2,939	3,557	2,819	2,676
18 Switzerland	4,717	6,603	7,492	7,854	7,398	7,631	10,290	7,539	7,361	7,183
19 Turkey	962	1,301	874	690	810	722	713	725	764	802
20 United Kingdom	63,430	61,963	66,558	67,724	63,642	62,218	65,790	63,746	64,479	54,277
21 Yugoslavia[2]	569	536	265	247	247	248	229	230	230	234
22 Other Europe and other former U.S.S.R.[3]	2,157	1,784	1,165	1,033	1,153	1,047	1,069	1,068	1,112	1,777
23 Canada	13,845	18,543	18,150	20,302	17,482	20,553	19,715	18,870	17,266	18,449
24 Latin America and Caribbean	218,078	223,997	222,541	224,955	224,901	223,659	243,232[r]	237,824[r]	248,907	249,100
25 Argentina	4,958	4,473	5,834	6,297	6,178	6,352	6,596	6,255	6,164	6,118
26 Bahamas	60,835	63,296	66,096	65,458	64,352	62,297	63,287[r]	59,446[r]	60,421	62,409
27 Bermuda	5,935	8,532	8,381	8,804	11,843	10,884	8,549	6,373	8,944	6,295
28 Brazil	10,773	11,845	9,579	10,871	10,896	11,192	11,522	12,528	12,974	13,081
29 British West Indies	101,507	98,708	95,609	96,422	94,155	95,284	113,870	113,951	117,416	119,298
30 Chile	3,397	3,619	3,794	4,348	4,247	3,867	4,316	4,245	4,642	4,436
31 Colombia	2,750	3,179	4,003	3,983	3,928	4,034	4,032	4,182	4,273	4,355
32 Cuba	0	0	0	0	0	0	0	0	0	0
33 Ecuador	884	680	680	567	565	663	767	767	724	782
34 Guatemala	262	288	366	379	359	353	344	340	350	361
35 Jamaica	162	195	258	275	262	258	264	277	290	287
36 Mexico	14,991	15,713	17,721	17,187	17,182	17,375	17,277	17,146	16,827	16,466
37 Netherlands Antilles	1,379	2,682	1,055	1,187	1,333	1,778	2,881[r]	2,730	6,314	5,602
38 Panama	4,654	2,893	2,179	2,470	2,507	2,433	2,506	2,512	2,494	2,504
39 Peru	730	656	996	1,096	1,116	1,095	1,359	1,332	1,366	1,461
40 Uruguay	936	969	503	355	366	398	377	424	424	387
41 Venezuela	2,525	2,907	1,828	1,649	1,679	1,662	1,608	1,647	1,601	1,457
42 Other	1,400	3,362	3,659	3,607	3,933	3,734	3,677	3,669	3,683	3,801
43 Asia	131,789	111,765	107,337	109,512	106,749	108,780	118,697	117,198[r]	118,189	120,204
China										
44 People's Republic of China	906	2,271	836	841	980	879	1,143	1,206	1,163	1,315
45 Republic of China (Taiwan)	2,046	2,623	1,444	1,549	1,534	1,519	1,794	1,913	1,600	1,558
46 Hong Kong	9,642	10,826	9,159	14,396	11,602	12,069	14,894	14,753[r]	14,493	15,644
47 India	529	589	994	1,040	1,139	1,126	1,210	1,732	1,903	1,944
48 Indonesia	1,189	1,527	1,470	1,513	1,463	1,427	1,443	1,516	1,618	1,569
49 Israel	820	826	688	811	683	783	949	748	699	711
50 Japan	79,172	60,029	59,425	55,602	55,191	58,475	61,039	61,268	63,286	63,007
51 Korea (South)	6,179	7,539	10,286	12,303	11,953	12,265	12,617	13,142	12,844	13,121
52 Philippines	2,145	1,409	660	550	496	532	916[r]	596	621	747
53 Thailand	1,867	2,170	2,902	2,778	2,757	2,755	2,688	2,670	2,594	2,594
54 Middle Eastern oil-exporting countries[4]	18,540	15,113	13,741	13,069	13,292	11,643	12,569[r]	11,946	11,401	11,721
55 Other	8,754	6,843	5,732	5,060	5,659	5,307	7,435	5,708	5,967	6,273
56 Africa	4,279	3,857	3,015	2,875	2,741	2,751	2,919	2,907	2,838	2,700
57 Egypt	186	196	225	205	181	237	204	193	194	202
58 Morocco	441	481	429	424	440	454	686	645	653	647
59 South Africa	1,041	633	671	644	584	579	563	531	544	449
60 Zaire	4	4	2	2	2	2	2	7	2	9
61 Oil-exporting countries[5]	1,002	1,129	842	731	700	658	657	659	614	620
62 Other	1,605	1,414	846	869	834	821	807	872	831	773
63 Other	2,987	2,860	3,129	2,831	3,349	3,290	3,361	2,764	3,454	3,779
64 Australia	2,243	2,037	2,186	1,723	1,768	1,877	1,999	2,072	2,072	2,632
65 Other	744	823	943	1,108	1,581	1,413	1,362	692	1,382	1,147
66 Nonmonetary international and regional organizations[6]	5,082	2,405	4,591	3,734	2,937	1,610	2,633	1,317	1,417	2,827

1. Reporting banks include all types of depository institutions as well as some brokers and dealers.
2. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.
3. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. Comprises Algeria, Gabon, Libya, and Nigeria.
6. Excludes the Bank for International Settlements, which is included in "Other Europe."

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1992	1993	1994	1995						
				Mar.	Apr.	May	June[r]	July[r]	Aug.	Sept.
1 **Total**	**559,495**	**560,040**	**580,496**	**593,011**	...	...	**625,934**	...	...	...
2 Banks' claims	499,437	486,250	483,372	491,402	480,697	483,947	519,489	506,828	518,658	512,391
3 Foreign public borrowers	31,367	29,004	23,470	23,722	22,193	19,075	23,772	19,716	21,423	22,291
4 Own foreign offices[2]	303,991	284,270	282,143	292,092	282,383	285,843	300,564	292,026	295,929	296,546
5 Unaffiliated foreign banks	109,342	100,169	111,494	105,406	104,883	104,005	112,162	113,309	111,557	106,688
6 Deposits	61,550	49,186	59,142	53,485	54,970	51,454	58,583	59,456	57,386	49,970
7 Other	47,792	50,983	52,352	51,921	49,913	52,551	53,579	53,853	54,171	56,718
8 All other foreigners	54,737	72,807	66,265	70,182	71,238	75,024	82,991	81,777	89,749	86,866
9 Claims of banks' domestic customers[3]	60,058	73,790	97,124	101,609	...	...	106,445	...	...	...
10 Deposits	15,452	34,291	56,649	56,584	...	...	58,526	...	...	...
11 Negotiable and readily transferable instruments[4]	31,471	25,819	27,188	30,565	...	...	31,591	...	...	...
12 Outstanding collections and other claims	13,132	13,680	13,287	14,460	...	...	16,328	...	...	...
MEMO										
13 Customer liability on acceptances	8,655	7,846	8,377	8,415	...	...	8,500	...	...	...
14 Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	38,623	29,287	32,004	35,259	26,429	29,437	35,409	34,221	35,133	n.a.

1. For banks' claims, data are monthly; for claims of banks' domestic customers, data are for quarter ending with month indicated.
Reporting banks include all types of depository institution as well as some brokers and dealers.
2. For U.S. banks, includes amounts due from own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts due from the head office or parent foreign bank, and from foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.
3. Assets held by reporting banks in the accounts of their domestic customers.
4. Principally negotiable time certificates of deposit, bankers acceptances, and commercial paper.
5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Maturity, by borrower and area[2]	1991	1992	1993	1994		1995	
				Sept.	Dec.	Mar.	June
1 **Total**	**195,302**	**195,119**	**201,611**	**196,600**	**201,117**	**198,959**	**217,954**
By borrower							
2 Maturity of one year or less	162,573	163,325	171,786	169,769	175,329	170,580	189,651
3 Foreign public borrowers	21,050	17,813	17,763	17,368	15,557	15,749	15,916
4 All other foreigners	141,523	145,512	154,023	152,401	159,872	154,831	173,735
5 Maturity of more than one year	32,729	31,794	29,825	26,831	25,688	28,379	28,303
6 Foreign public borrowers	15,859	13,266	10,880	7,414	7,670	7,689	7,726
7 All other foreigners	16,870	18,528	18,945	19,417	18,018	20,690	20,577
By area							
Maturity of one year or less							
8 Europe	51,835	53,300	57,392	59,803	58,188	54,389	60,573
9 Canada	6,443	6,091	7,673	7,304	7,360	7,417	8,210
10 Latin America and Caribbean	43,597	50,376	59,689	58,735	61,448	63,803	70,491
11 Asia	51,059	45,709	41,419	37,086	40,696	38,213	44,327
12 Africa	2,549	1,784	1,820	1,530	1,371	1,223	1,443
13 All other[3]	7,089	6,065	3,793	5,311	6,366	5,535	4,607
Maturity of more than one year							
14 Europe	3,878	5,367	5,276	4,038	3,865	4,496	3,700
15 Canada	3,595	3,287	2,558	2,683	2,495	3,596	3,084
16 Latin America and Caribbean	18,277	15,312	14,007	12,714	12,230	13,003	14,116
17 Asia	4,459	5,038	5,600	5,093	4,731	5,215	5,491
18 Africa	2,335	2,380	1,936	1,840	1,553	1,592	1,372
19 All other[3]	185	410	448	463	813	477	540

1. Reporting banks include all types of depository institutions as well as some brokers and dealers.
2. Maturity is time remaining until maturity.
3. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. and Foreign Offices of U.S. Banks[1]

Billions of dollars, end of period

Area or country	1991	1992	1993			1994				1995	
			June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June
1 **Total**	**343.5**	**344.7**	**376.3**	**387.4**	**405.2**	**476.4[r]**	**485.6[r]**	**485.2[r]**	**496.7[r]**	**537.6[r]**	**523.3[r]**
2 G-10 countries and Switzerland	137.5[r]	131.3[r]	149.0	152.0	161.6	180.3[r]	174.9[r]	183.7	191.7[r]	207.0[r]	199.2[r]
3 Belgium and Luxembourg	0	5.6	7.0	7.1	7.4	8.0[r]	8.6[r]	9.6[r]	7.0	8.3[r]	7.3[r]
4 France	11.3[r]	15.3	14.0	12.3	12.0	16.6	19.1	21.2	19.7	20.1	19.3
5 Germany	8.3	9.1	10.7	12.2	12.6	29.9[r]	25.0[r]	24.2[r]	23.8[r]	30.4	29.1
6 Italy	5.6	6.5	7.9	8.7	7.6	15.6	14.0	11.6	11.8	10.6	10.7
7 Netherlands	0	2.8	3.7	3.7	4.7	4.1	3.6	3.5	3.6	3.6	4.3
8 Sweden	1.9	2.3	2.5	2.5	2.7	2.9	3.0	2.6	2.7	3.1	3.0
9 Switzerland	3.4	4.8	4.7	5.6	5.9	6.3	6.5	6.2	6.9	6.2	6.1
10 United Kingdom	68.4	59.7	72.9	73.9	84.2	69.5[r]	64.6[r]	78.4[r]	85.5[r]	89.5[r]	86.5[r]
11 Canada	5.8	6.3	8.0	9.7	6.8	7.8	9.7	9.9	9.7	10.6	10.8
12 Japan	22.2	18.8	17.6	16.4	17.6	19.6[r]	20.7	16.5	21.0	24.5	22.1
13 Other industrialized countries	22.8	24.0	27.2	26.0	24.6	41.2[r]	41.7	41.6	45.2	43.9	43.2[r]
14 Austria	.6	1.2	1.3	.6	.4	1.0	1.0	1.0	1.1	.9	.7
15 Denmark	.9	.9	1.0	1.1	1.0	1.1	1.1	.9	1.2	1.6	1.1
16 Finland	.7	.7	.9	.6	.4	1.0	.8	.8	1.0	1.1	.5
17 Greece	2.6	3.0	3.1	3.2	3.2	3.8	4.6	4.3	4.5	4.9	5.0
18 Norway	1.4	1.2	1.8	2.1	1.7	1.6	1.6	1.6	2.0	2.4	1.8
19 Portugal	.6	.4	.9	1.0	.8	1.2	1.1	1.0	1.2	1.0	1.2
20 Spain	8.3	8.9	10.5	9.3	8.9	12.3	11.7	13.1	13.6	14.1	13.3[r]
21 Turkey	1.4	1.3	2.1	2.1	2.1	2.4	2.1	1.8	1.6	1.4	1.4
22 Other Western Europe	1.8	1.7	1.7	2.2	2.6	3.0	2.8	1.0	2.7	2.5	2.6
23 South Africa	1.9	1.7	1.3	1.2	1.1	1.2	1.2	1.2	1.0	1.4	1.4
24 Australia	2.7	2.9	2.5	2.8	2.3	12.7	13.7	15.0	15.4	12.6	14.3
25 OPEC[2]	14.5	15.8	15.7	14.8	17.4	22.9	21.6	21.6	23.8[r]	19.5	20.3
26 Ecuador	.7	.6	.6	.5	.5	.5	.5	.4	.5	.5	.7
27 Venezuela	5.4	5.2	5.5	5.4	5.1	4.7	4.4	1.9	3.7	3.5	3.5
28 Indonesia	2.7	2.7	3.1	2.8	3.3	3.4	3.2	3.3	3.8	4.0	4.1
29 Middle East countries	4.2	6.2	5.4	4.9	7.4	13.2	12.4	13.0	15.0[r]	10.7	11.4
30 African countries	1.5	1.1	1.1	1.1	1.2	1.1	1.1	1.0	.9	.7	.6
31 Non-OPEC developing countries	64.3	72.6	76.9	77.4	82.9	94.1[r]	94.5[r]	92.9[r]	95.9[r]	98.4[r]	103.5[r]
Latin America											
32 Argentina	4.8	6.6	6.6	7.2	7.7	8.7[r]	9.9[r]	10.5[r]	11.2	11.4	12.3
33 Brazil	9.6	10.8	12.3	11.7	12.0	12.7	12.0	9.3	8.4	9.2	10.0
34 Chile	3.6	4.4	4.6	4.7	4.7	5.1	5.1	5.4	6.1	6.3	7.0
35 Colombia	1.7	1.8	1.9	2.0	2.1	2.2	2.4	2.4	2.6	2.6	2.6
36 Mexico	15.5	16.0	16.8	17.5	17.6	18.8	18.4	19.6	18.4	17.8	17.6
37 Peru	.4	.5	.4	.3	.4	.6	.6	.6	.5	.6	.8
38 Other	2.1	2.6	2.7	2.7	3.1	2.8[r]	2.7[r]	2.8[r]	2.7[r]	2.4[r]	2.6
Asia											
China											
39 People's Republic of China	.3	.7	1.6	.5	2.0	.8	.8	1.0	1.1	1.1	1.4
40 Republic of China (Taiwan)	4.1	5.2	5.9	6.4	7.3	7.6	7.1	6.9	9.2	8.5[r]	9.0[r]
41 India	3.0	3.2	3.1	2.9	3.2	3.4[r]	3.7	3.9	4.2	3.8	4.0
42 Israel	.5	.4	.4	.4	.5	.4	.4	.4	.4	.6	.6
43 Korea (South)	6.8	6.6	6.9	6.5	6.7	14.1	14.3	14.4	16.2	16.9	18.7
44 Malaysia	2.3	3.1	3.7	4.1	4.4	5.2	5.2	3.9[r]	3.1	3.9	4.1
45 Philippines	3.7	3.6	2.9	2.6	3.1	3.4	3.2	2.9	3.3	3.0	3.6
46 Thailand	1.7	2.2	2.4	2.8	3.1	3.0	3.3	3.5	2.1[r]	3.3	3.8
47 Other Asia	2.4	3.1	2.9	3.4	3.1	3.1	3.2[r]	3.4[r]	4.7[r]	4.9[r]	3.5[r]
Africa											
48 Egypt	.4	.2	.2	.2	.4	.4	.5	.3	.3	.4	.4
49 Morocco	.7	.6	.6	.6	.7	.7	.7	.7	.6	.6	.9
50 Zaire	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
51 Other Africa[3]	.7	1.0	.9	.8	.8	1.0	.9	.9	.8	.7	.6
52 Eastern Europe	2.4	3.1	3.2	3.0	3.1	3.4	3.0	3.0	2.7	2.3[r]	1.8[r]
53 Russia[4]	.9	1.9	1.9	1.7	1.6	1.5	1.2	1.1	.8	.6	.4
54 Yugoslavia[5]	.9	.6	.6	.6	.6	.5	.5	.5	.5	.4	.3
55 Other	.7	.6	.8	.7	.9	1.4	1.4	1.5	1.4	1.2[r]	1.0[r]
56 *Offshore banking centers*	53.8[r]	58.1[r]	58.0	67.9	72.0	78.1[r]	79.9[r]	76.3[r]	70.5	84.4[r]	83.0[r]
57 Bahamas	11.9	6.9	7.1	12.7	10.8	13.4[r]	13.0[r]	13.4[r]	10.0	12.6	7.9[r]
58 Bermuda	2.3	6.2	4.5	5.5	8.6	8.9	6.5	6.0	8.3	8.7	8.5
59 Cayman Islands and other British West Indies	15.5[r]	21.5[r]	15.6	15.1	17.4	17.5[r]	23.5	21.1	19.8	19.3	23.3
60 Netherlands Antilles	1.2	1.1	2.5	2.8	2.6	3.5	2.5	1.7	1.0	.9	2.5[r]
61 Panama[6]	1.4	1.9	2.1	2.1	2.4	2.0	1.9	1.9	1.3	1.1	1.3
62 Lebanon	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
63 Hong Kong	14.3	13.9	16.9	19.1	18.7	19.7	21.8	20.3	19.9	22.4[r]	23.0[r]
64 Singapore	7.1	6.5	9.3	10.4	11.2	13.0	10.6	11.8	10.1	19.2	16.4
65 Other[7]	.0	.0	.0	.0	.1	.0	.0	.0	.1	.0	.0
66 Miscellaneous and unallocated[8]	47.9	39.7	46.1	46.2	43.4	55.9	69.7	65.8	66.6	82.0[r]	72.1[r]

1. The banking offices covered by these data include U.S. offices and foreign branches of U.S. banks, including U.S. banks that are subsidiaries of foreign banks. Offices not covered include U.S. agencies and branches of foreign banks. Beginning March 1994, the data include large foreign subsidiaries of U.S. banks. The data also include other types of U.S. depository institutions as well as some types of brokers and dealers. To eliminate duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution.

These data are on a gross claims basis and do not necessarily reflect the ultimate country risk or exposure of U.S. banks. More complete data on the country risk exposure of U.S. banks are available in the quarterly Country Exposure Lending Survey published by the Federal Financial Institutions Examination Council.

2. Organization of Petroleum Exporting Countries, shown individually; other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates); and Bahrain and Oman (not formally members of OPEC).
3. Excludes Liberia. Beginning March 1994 includes Namibia.
4. As of December 1992, excludes other republics of the former Soviet Union.
5. As of December 1992, excludes Croatia, Bosnia and Herzegovinia, and Slovenia.
6. Includes Canal Zone.
7. Foreign branch claims only.
8. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States

Millions of dollars, end of period

Type of liability, and area or country	1991	1992	1993	1994				1995	
				Mar.	June	Sept.	Dec.	Mar.	June[p]
1 **Total**	**44,708**	**45,511**	**50,330**	**52,102**	**55,350**	**57,190**	**54,586**	**51,092**	**50,565**
2 Payable in dollars	39,029	37,456	38,728	38,543	42,936	42,712	39,651	37,204	35,635
3 Payable in foreign currencies	5,679	8,055	11,602	13,559	12,414	14,478	14,935	13,888	14,930
By type									
4 Financial liabilities	22,518	23,841	28,959	30,485	33,245	35,871	32,852	29,752	28,832
5 Payable in dollars	18,104	16,960	18,545	18,930	22,819	23,262	19,792	17,645	15,876
6 Payable in foreign currencies	4,414	6,881	10,414	11,555	10,426	12,609	13,060	12,107	12,956
7 Commercial liabilities	22,190	21,670	21,371	21,617	22,105	21,319	21,734	21,340	21,733
8 Trade payables	9,252	9,566	8,802	8,979	9,911	9,550	10,005	9,908	10,558
9 Advance receipts and other liabilities	12,938	12,104	12,569	12,638	12,194	11,769	11,729	11,432	11,175
10 Payable in dollars	20,925	20,496	20,183	19,613	20,117	19,450	19,859	19,559	19,759
11 Payable in foreign currencies	1,265	1,174	1,188	2,004	1,988	1,869	1,875	1,781	1,974
By area or country									
Financial liabilities									
12 Europe	12,003	13,387	18,810	20,582	23,689	23,813	20,870	16,804	17,217
13 Belgium and Luxembourg	216	414	175	525	524	661	495	612	778
14 France	2,106	1,623	2,539	2,606	1,590	2,241	1,727	2,046	1,101
15 Germany	682	889	975	1,214	939	1,467	1,961	1,755	1,589
16 Netherlands	1,056	606	534	564	533	648	552	633	530
17 Switzerland	408	569	634	1,200	631	633	688	883	1,056
18 United Kingdom	6,528	8,610	13,332	13,865	18,255	16,848	14,709	10,025	11,133
19 Canada	292	544	859	508	698	618	629	1,817	894
20 Latin America and Caribbean	4,784	4,053	3,359	3,554	3,125	3,139	3,021	3,024	2,808
21 Bahamas	537	379	1,148	1,158	1,052	1,112	926	931	851
22 Bermuda	114	114	0	120	115	15	80	149	138
23 Brazil	6	19	18	18	18	7	207	58	58
24 British West Indies	3,524	2,850	1,533	1,613	1,297	1,344	1,160	1,231	1,118
25 Mexico	7	12	17	14	13	15	0	10	3
26 Venezuela	4	6	5	5	5	5	5	5	4
27 Asia	5,381	5,818	5,689	5,650	5,694	8,149	8,147	7,911	7,720
28 Japan	4,116	4,750	4,620	4,638	4,760	6,947	7,013	6,890	6,791
29 Middle Eastern oil-exporting countries[1]	13	19	23	24	24	31	35	27	25
30 Africa	6	6	133	133	9	133	135	156	151
31 Oil-exporting countries[2]	4	0	123	124	0	123	123	122	122
32 All other[3]	52	33	109	58	30	19	50	40	42
Commercial liabilities									
33 Europe	8,701	7,398	6,827	6,553	6,919	6,866	6,835	6,812	6,964
34 Belgium and Luxembourg	248	298	239	263	254	287	241	271	288
35 France	1,039	700	655	554	712	742	760	692	581
36 Germany	1,052	729	684	577	670	552	604	504	575
37 Netherlands	710	535	688	628	649	674	722	574	476
38 Switzerland	575	350	375	388	473	391	327	329	434
39 United Kingdom	2,297	2,505	2,039	2,142	2,309	2,350	2,444	2,848	2,902
40 Canada	1,014	1,002	879	1,039	1,070	1,068	1,037	1,198	1,107
41 Latin America and Caribbean	1,355	1,533	1,658	1,900	2,000	1,783	1,857	1,389	1,856
42 Bahamas	3	3	21	8	2	6	19	8	3
43 Bermuda	310	307	350	493	418	200	345	265	401
44 Brazil	219	209	214	209	215	147	161	97	108
45 British West Indies	107	33	27	20	24	33	23	29	12
46 Mexico	307	457	481	554	703	672	574	362	428
47 Venezuela	94	142	123	147	192	189	276	273	204
48 Asia	9,334	10,594	10,980	10,927	10,968	10,501	11,058	10,937	10,874
49 Japan	3,721	3,612	4,314	4,617	4,389	4,235	4,801	4,785	4,350
50 Middle Eastern oil-exporting countries[1]	1,498	1,889	1,534	1,534	1,834	1,680	1,603	1,800	1,810
51 Africa	715	568	453	478	510	468	428	463	482
52 Oil-exporting countries[2]	327	309	167	194	241	264	256	248	252
53 Other[3]	1,071	575	574	720	638	633	519	541	450

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	1991	1992	1993	1994				1995	
				Mar.	June	Sept.	Dec.	Mar.	June
1 **Total**	**45,262**	**45,073**	**48,881**	**50,716**	**49,513**	**51,406**	**56,743**	**52,177**	**57,666**
2 Payable in dollars	42,564	42,281	44,883	46,596	45,018	47,065	52,690	47,878	53,285
3 Payable in foreign currencies	2,698	2,792	3,998	4,120	4,495	4,341	4,053	4,299	4,381
By type									
4 Financial claims	27,882	26,509	27,528	29,379	27,337	28,930	32,876	28,651	33,574
5 Deposits	20,080	17,695	15,681	16,404	15,842	16,764	18,720	17,218	22,149
6 Payable in dollars	19,080	16,872	15,146	15,847	15,203	16,153	18,245	16,609	21,477
7 Payable in foreign currencies	1,000	823	535	557	639	611	475	609	672
8 Other financial claims	7,802	8,814	11,847	12,975	11,495	12,166	14,156	11,433	11,425
9 Payable in dollars	6,910	7,890	10,655	11,788	10,172	10,978	13,096	10,266	10,338
10 Payable in foreign currencies	892	924	1,192	1,187	1,323	1,188	1,060	1,167	1,087
11 Commercial claims	17,380	18,564	21,353	21,337	22,176	22,476	23,867	23,526	24,092
12 Trade receivables	14,468	16,007	18,390	18,480	19,375	19,713	21,034	20,581	21,151
13 *Advance payments and other claims*	2,912	2,557	2,963	2,857	2,801	2,763	2,833	2,945	2,941
14 Payable in dollars	16,574	17,519	19,082	18,961	19,643	19,934	21,349	21,003	21,470
15 Payable in foreign currencies	806	1,045	2,271	2,376	2,533	2,542	2,518	2,523	2,622
By area or country									
Financial claims									
16 Europe	13,441	9,331	7,249	7,411	6,763	8,156	7,679	7,277	7,456
17 Belgium and Luxembourg	13	8	134	125	83	114	86	69	81
18 France	269	764	826	790	995	831	800	808	706
19 Germany	283	326	526	466	459	413	540	443	355
20 Netherlands	334	515	502	503	472	503	429	606	601
21 Switzerland	581	490	530	535	509	747	523	490	499
22 United Kingdom	11,534	6,252	3,535	3,853	3,127	4,440	4,436	3,919	4,510
23 Canada	2,642	1,833	2,032	2,294	3,080	3,164	3,801	4,064	3,929
24 Latin America and Caribbean	10,717	13,893	16,031	16,645	14,799	14,952	18,841	15,500	20,597
25 Bahamas	827	778	1,310	1,385	1,288	1,086	2,369	905	2,322
26 Bermuda	8	40	125	34	39	52	27	37	85
27 Brazil	351	686	654	672	466	411	520	487	460
28 British West Indies	9,056	11,747	12,536	13,281	11,993	12,271	14,880	13,274	16,816
29 Mexico	212	445	868	850	614	655	606	475	524
30 Venezuela	40	29	161	26	33	32	35	27	27
31 Asia	640	864	1,657	2,550	2,234	2,175	1,838	1,457	1,226
32 Japan	350	668	892	1,657	1,349	662	931	584	467
33 Middle Eastern oil-exporting countries[1]	5	3	3	5	2	19	141	4	5
34 Africa	57	83	99	76	74	87	249	77	64
35 Oil-exporting countries[2]	1	9	1	0	1	1	0	9	9
36 All other[3]	385	505	460	403	387	396	468	276	302
Commercial claims									
37 Europe	8,193	8,451	9,105	8,793	8,952	8,812	9,517	9,047	9,224
38 Belgium and Luxembourg	194	189	184	182	189	179	213	198	216
39 France	1,585	1,537	1,947	1,830	1,779	1,766	1,879	1,783	1,673
40 Germany	955	933	1,018	950	940	883	1,027	995	1,023
41 Netherlands	645	552	423	355	294	331	307	335	349
42 Switzerland	295	362	432	415	686	538	557	562	620
43 United Kingdom	2,086	2,094	2,377	2,348	2,443	2,505	2,547	2,404	2,459
44 Canada	1,121	1,286	1,781	1,870	1,875	1,906	1,988	2,006	1,982
45 Latin America and Caribbean	2,655	3,043	3,274	3,560	3,900	3,960	4,117	4,146	4,341
46 Bahamas	13	28	11	13	18	34	9	17	21
47 Bermuda	264	255	182	222	295	246	234	202	207
48 Brazil	427	357	460	419	500	471	612	678	765
49 British West Indies	41	40	71	58	67	49	83	59	85
50 Mexico	842	924	990	1,011	1,048	1,136	1,243	1,114	1,112
51 Venezuela	203	345	293	292	303	388	348	294	318
52 Asia	4,591	4,866	5,979	5,932	6,266	6,561	6,881	7,013	7,173
53 Japan	1,899	1,903	2,275	2,447	2,490	2,586	2,623	2,725	2,805
54 Middle Eastern oil-exporting countries[1]	620	693	701	654	608	605	690	690	697
55 Africa	430	554	493	487	472	445	454	475	460
56 Oil-exporting countries[2]	95	78	72	88	78	59	67	75	61
57 Other[3]	390	364	721	695	711	792	910	839	912

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	1993	1994	1995 Jan.–Sept.	1995 Mar.	Apr.	May	June	July	Aug.	Sept.[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	319,664	350,558	332,857	35,332	30,082	38,769	45,429	42,444	41,908	44,448
2 Foreign sales	298,086	348,648	325,318	37,653	29,206	36,087	43,199	40,009	39,366	44,217
3 **Net purchases, or sales (−)**	**21,578**	**1,910**	**7,539**	**−2,321**	**876**	**2,682**	**2,230**	**2,435**	**2,542**	**231**
4 **Foreign countries**	**21,306**	**1,900**	**7,691**	**−2,291**	**877**	**2,692**	**2,238**	**2,443**	**2,565**	**294**
5 Europe	10,658	6,717	1,236	1,304	165	381	44	2,045	1,836	-1,319
6 France	103	201	605	250	80	66	79	261	17	126
7 Germany	1,642	2,110	1,700	243	261	528	224	8	104	136
8 Netherlands	602	2,251	2,391	296	349	174	70	364	431	197
9 Switzerland	2,986	30	3,150	475	673	476	201	20	847	9
10 United Kingdom	4,559	840	5,306	309	1,125	1,382	243	1,445	2,330	1,114
11 Canada	3,213	1,160	1,673	333	197	75	740	425	10	197
12 Latin America and Caribbean	5,719	2,108	7,152	213	570	26	1,651	881	1,811	751
13 Middle East[1]	321	1,142	461	73	59	87	99	24	5	77
14 Other Asia	8,198	1,207	1,217	342	314	2,013	1,358	107	961	1,048
15 Japan	3,825	1,190	3,606	321	29	86	466	141	1,076	598
16 Africa	63	29	46	10	10	41	15	5	17	34
17 Other countries	202	771	174	14	24	295	97	136	123	54
18 **Nonmonetary international and regional organizations**	**272**	**10**	**−152**	**−30**	**−1**	**−10**	**−8**	**−8**	**−23**	**−63**
BONDS[2]										
19 Foreign purchases	283,824	289,614	210,734	25,390	18,163	22,830	27,934	23,811[r]	24,742	25,808
20 Foreign sales	217,824	229,665	144,928	17,552	14,111	16,609	18,774	14,943	16,741	17,218
21 **Net purchases, or sales (−)**	**66,000**	**59,949**	**65,806**	**7,838**	**4,052**	**6,221**	**9,160**	**8,868[r]**	**8,001**	**8,590**
22 **Foreign countries**	**65,462**	**59,064**	**66,173**	**8,151**	**4,035**	**6,309**	**9,167**	**9,035[r]**	**7,982**	**8,568**
23 Europe	22,587	37,093	50,702	4,976	2,271	4,944	7,772	6,246[r]	5,561	6,088
24 France	2,346	242	173	85	-874	27	44	7	538	63
25 Germany	887	657	4,563	176	83	17	667	51	1,163	916
26 Netherlands	290	3,322	939	154	37	191	59	557	45	203
27 Switzerland	627	1,055	626	61	87	124	130	317	99	343
28 United Kingdom	19,686	31,592	43,070	5,248	3,396	4,764	7,062	4,969[r]	3,775	3,640
29 Canada	1,668	2,958	2,282	289	184	277	159	169	415	349
30 Latin America and Caribbean	15,691	5,442	5,625	1,285	889	678	289	1,145	754	1,720
31 Middle East[1]	3,248	771	1,740	328	326	26	64	348	281	241
32 Other Asia	20,846	12,153	5,538	1,150	356	426	785	1,189	919	146
33 Japan	11,569	5,486	3,415	570	275	871	293	1,026	1,008	364
34 Africa	1,149	7	131	22	11	5	47	13	64	23
35 Other countries	273	654	155	101	20	15	51	49	12	1
36 **Nonmonetary international and regional organizations**	**538**	**885**	**−367**	**−313**	**17**	**−88**	**−7**	**−167**	**19**	**22**
	Foreign securities									
37 Stocks, net purchases, or sales ( )	62,691	47,236	35,884	2,856	2,135	3,648	4,379	8,188	5,904	7,493
38 Foreign purchases	245,490	386,942	253,380	28,925	24,519	29,229	29,067	28,582	30,867	28,712
39 Foreign sales	308,181	434,178	289,264	31,781	26,654	32,877	33,446	36,770	36,771	36,205
40 Bonds, net purchases, or sales ( )	80,377	9,272	30,250	1,223	824	4,368	7,473	5,009[r]	3,810	4,951
41 Foreign purchases	745,952	848,288	655,956	79,170	53,639	75,199	96,154	66,737	72,222	83,171
42 Foreign sales	826,329	857,560	686,206	80,393	54,463	79,567	103,627	71,746[r]	76,032	88,122
43 **Net purchases, or sales ( ), of stocks and bonds**	**−143,068**	**−56,508**	**−66,134**	**−4,079**	**−2,959**	**−8,016**	**−11,852**	**−13,197[r]**	**−9,714**	**−12,444**
44 **Foreign countries**	**−143,232**	**−57,028**	**−65,457**	**−3,990**	**−3,115**	**−8,020**	**−11,541**	**−12,978[r]**	**−9,541**	**−12,499**
45 Europe	-100,872	2,712	29,835	1,892	1,893	7,561	5,857	7,961	2,539	2,462
46 Canada	15,664	7,475	8,809	1,154	1,193	1	1,425	1,751	906	3,046
47 Latin America and Caribbean	7,600	18,347	2,795	1,304	585	471	512	659[r]	817	611
48 Asia	15,159	24,276	24,850	9	558	1,388	2,941	3,158	7,250	7,533
49 Africa	185	467	307	85	14	68	67	45	34	117
50 Other countries	3,752	3,751	1,139	266	42	527	739	596	303	48
51 **Nonmonetary international and regional organizations**	**164**	**520**	**−677**	**−89**	**156**	**4**	**−311**	**−219**	**−173**	**55**

1. Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Includes state and local government securities and securities of U.S. government agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions[1]

Millions of dollars; net purchases, or sales (−) during period

Area or country	1993	1994	1995	1995						
			Jan.-Sept	Mar.	Apr.	May	June	July	Aug	Sept.[p]
1 **Total estimated**	**23,552**	**78,796**	**123,323**	**9,211**	**6,400**	**14,519**	**22,578**	**31,865**	**26,082**	**−11,013**
2 Foreign countries	23,368	78,632	123,004	9,107	6,416	14,568	22,395	31,382	26,442	10,943
3 Europe	2,373	38,608	54,870	3,109	3,152	509	2,665	13,336	9,170	6,377
4 Belgium and Luxembourg	1,218	1,098	364	51	62	−512	148	53	580	143
5 Germany	9,976	5,709	2,801	1,461	1,216	4,129	1,866	1,039	2,995	2,568
6 Netherlands	515	1,254	517	7	243	40	1,078	883	−1,468	1,915
7 Sweden	1,421	794	581	30	70	211	63	124	100	61
8 Switzerland	1,501	481	586	418	−173	353	9	206	515	818
9 United Kingdom	6,197	23,438	43,774	3,099	2,251	5,203	1,359	7,315	7,950	5,570
10 Other Europe and former U.S.S.R.	783	5,834	6,247	1,107	109	657	2,170	3,822	−472	868
11 Canada	10,309	3,491	2,010	434	1,391	201	433	720	825	2,225
12 Latin America and Caribbean	4,561	−10,179	13,898	2,332	3,212	3,803	5,368	513	11,265	5,299
13 Venezuela	390	319	203	387	184	16	121	114	359	524
14 Other Latin America and Caribbean	−5,795	−20,493	13,686	3,358	2,189	2,425	5,158	1,034	5,364	1,171
15 Netherlands Antilles	844	10,633	415	639	839	1,394	89	407	6,260	−5,946
16 Asia	20,582	47,042	51,148	8,445	1,189	9,845	12,605	16,490	7,322	10,055
17 Japan	17,070	29,518	31,357	4,167	1,487	6,291	5,585	6,658	5,430	4,021
18 Africa	1,156	240	253	9	36	39	242	−1	130	108
19 Other	1,745	570	825	540	290	171	1,082	324	−360	151
20 Nonmonetary international and regional organizations	184	164	319	104	−16	−49	183	483	−360	70
21 International	330	526	−14	458	294	356	409	311	140	196
22 Latin American regional	653	154	238	367	228	528	629	99	−10	6
MEMO										
23 Foreign countries	23,368	78,632	123,004	9,107	6,416	14,568	22,395	31,382	26,442	−10,943
24 Official institutions	1,306	41,822	32,095	4,022	3,158	1,774	10,850	16,780	364	−4,516
25 Other foreign	22,062	36,810	90,909	5,085	3,258	16,342	11,545	14,602	26,806	6,427
Oil-exporting countries										
26 Middle East[2]	−8,836	38	5,610	152	733	1,063	815	3,582	1,890	50
27 Africa[3]	5	0	2	1	0	0	1	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.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS[1]

Percent per year, averages of daily figures

Country	Rate on Nov. 30, 1995		Country	Rate on Nov. 30, 1995		Country	Rate on Nov. 30, 1995	
	Percent	Month effective		Percent	Month effective		Percent	Month effective
Austria	3.5	Aug. 1995	Germany	3.5	Aug. 1995	Norway	4.75	Feb. 1994
Belgium	3.5	Aug. 1995	Italy	9.0	June 1995	Switzerland	2.0	Sept. 1995
Canada	6.07	Nov. 1995	Japan	0.5	Sept. 1995	United Kingdom	12.0	Sept. 1992
Denmark	5.0	Aug. 1995	Netherlands	3.25	Nov. 1995			
France[2]	4.8	Nov. 1995						

1. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper or government securities for commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood that the central bank transacts the largest proportion of its credit operations.

2. Since February 1981, the rate has been that at which the Bank of France discounts Treasury bills for seven to ten days.

3.27 FOREIGN SHORT-TERM INTEREST RATES[1]

Percent per year, averages of daily figures

Type or country	1992	1993	1994	1995						
				May	June	July	Aug	Sept	Oct	Nov
1 Eurodollars	3.70	3.18	4.63	6.03	5.89	5.79	5.79	5.74	5.81	5.75
2 United Kingdom	9.56	5.88	5.45	6.64	6.63	6.73	6.74	6.71	6.69	6.61
3 Canada	6.76	5.14	5.57	7.56	7.07	6.69	6.62	6.66	6.66	6.02
4 Germany	9.42	7.17	5.25	4.49	4.43	4.46	4.35	4.09	4.00	3.91
5 Switzerland	7.67	4.79	4.03	3.29	3.09	2.77	2.79	2.67	2.15	1.98
6 Netherlands	9.25	6.73	5.09	4.41	4.21	4.14	4.02	3.85	3.88	3.73
7 France	10.14	8.30	5.72	7.29	7.04	6.31	5.81	5.86	6.73	5.74
8 Italy	13.91	10.09	8.45	10.38	10.91	10.93	10.45	10.36	10.74	10.65
9 Belgium	9.31	8.10	5.65	5.16	4.62	4.52	4.41	4.20	4.14	3.87
10 Japan	4.39	2.96	2.24	1.31	1.16	.91	.82	.56	.51	.54

1. Rates are for three-month interbank loans, with the following exceptions: Canada, finance company paper; Belgium, three-month Treasury bills; and Japan, CD rate.

3.28 FOREIGN EXCHANGE RATES[1]

Currency units per dollar except as noted

Country/currency unit	1992	1993	1994	1995 June	1995 July	1995 Aug.	1995 Sept.	1995 Oct.	1995 Nov.
1 Australia/dollar[2]	73.521	67.993	73.161	71.959	72.792	74.137	75.371	75.699	74.534
2 Austria/schilling	10.992	11.639	11.409	9.854	9.765	10.168	10.270	9.955	9.974
3 Belgium/franc	32.148	34.581	33.426	28.790	28.562	29.735	30.044	29.105	29.154
4 Canada/dollar	1.2085	1.2902	1.3664	1.3775	1.3612	1.3552	1.3509	1.3458	1.3534
5 China, P.R./yuan	5.5206	5.7795	8.6404	8.3206	8.3207	8.3253	8.3374	8.3353	8.3334
6 Denmark/krone	6.0372	6.4863	6.3561	5.4604	5.4073	5.6060	5.6587	5.4912	5.4923
7 Finland/markka	4.4865	5.7251	5.2340	4.3134	4.2592	4.3170	4.3754	4.2781	4.2489
8 France/franc	5.2935	5.6669	5.5159	4.9172	4.8307	4.9727	5.0352	4.9374	4.8882
9 Germany/deutsche mark	1.5618	1.6545	1.6216	1.4012	1.3886	1.4456	1.4601	1.4143	1.4173
10 Greece/drachma	190.81	229.64	242.50	226.56	225.45	232.38	235.65	232.65	234.16
11 Hong Kong/dollar	7.7402	7.7357	7.7290	7.7356	7.7385	7.7416	7.7368	7.7317	7.7338
12 India/rupee	28.156	31.291	31.394	31.404	31.385	31.592	33.310	34.656	34.710
13 Ireland/pound[2]	170.42	146.47	149.69	162.87	163.96	160.25	159.05	161.32	160.54
14 Italy/lira	1,232.17	1,573.41	1,611.49	1,639.75	1,609.71	1,607.18	1,613.41	1,605.69	1,592.67
15 Japan/yen	126.78	111.08	102.18	84.61	87.40	94.74	100.55	100.84	101.94
16 Malaysia/ringgit	2.5463	2.5738	2.6237	2.4396	2.4500	2.4813	2.5124	2.5324	2.5389
17 Netherlands/guilder	1.7587	1.8585	1.8190	1.5686	1.5557	1.6195	1.6354	1.5846	1.5877
18 New Zealand/dollar[2]	53.792	54.127	59.358	66.947	67.417	65.687	65.607	65.899	65.224
19 Norway/krone	6.2142	7.1009	7.0553	6.2387	6.1710	6.3438	6.3943	6.2397	6.2536
20 Portugal/escudo	135.07	161.08	165.93	147.63	145.88	149.88	152.11	148.94	148.68
21 Singapore/dollar	1.6294	1.6158	1.5275	1.3953	1.3984	1.4116	1.4331	1.4231	1.4128
22 South Africa/rand	2.8524	3.2729	3.5526	3.6627	3.6404	3.6402	3.6616	3.6502	3.6499
23 South Korea/won	784.66	805.75	806.93	763.88	760.05	768.88	772.04	767.20	769.78
24 Spain/peseta	102.38	127.48	133.88	121.71	119.71	123.45	125.41	122.51	121.81
25 Sri Lanka/rupee	44.013	48.211	49.170	50.210	50.899	51.227	52.547	52.539	53.199
26 Sweden/krona	5.8258	7.7956	7.7161	7.2631	7.1749	7.2383	7.1227	6.8301	6.6088
27 Switzerland/franc	1.4064	1.4781	1.3667	1.1588	1.1556	1.1962	1.1868	1.1453	1.1437
28 Taiwan/dollar	25.160	26.416	26.465	25.784	26.278	27.234	27.432	26.925	27.257
29 Thailand/baht	25.411	25.333	25.161	24.672	24.755	24.960	25.129	25.115	25.166
30 United Kingdom/pound[2]	176.63	150.16	153.19	159.48	159.52	156.68	155.90	157.79	156.25
MEMO									
31 United States/dollar[3]	86.61	93.18	91.32	82.27	81.90	84.59	85.69	84.10	84.14

1. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) monthly statistical release. For ordering address, see inside front cover.

2. Value in U.S. cents.

3. Index of weighted-average exchange value of U.S. dollar against the currencies of ten industrial countries. The weight for each of the ten countries is the 1972-76 average world trade of that country divided by the average world trade of all ten countries combined. Series revised as of August 1978 (see *Federal Reserve Bulletin*, vol. 64 (August 1978), p. 700).

Guide to Statistical Releases and Special Tables

STATISTICAL RELEASES—List Published Semiannually, with Latest Bulletin *Reference*

SPECIAL TABLES—Data Published Irregularly, with Latest Bulletin *Reference*

4.31 PRO FORMA FINANCIAL STATEMENTS FOR FEDERAL RESERVE PRICED SERVICES

A. Pro forma balance sheet

Millions of dollars

Item	Sept. 30, 1995	
Short-term assets (Note 1)		
Imputed reserve requirement on clearing balances	440.2	
Investment in marketable securities	3,961.8	
Receivables	59.4	
Materials and supplies	9.2	
Prepaid expenses	35.4	
Items in process of collection	1,914.2	
Total short-term assets		6,420.2
Long-term assets (Note 2)		
Premises	355.7	
Furniture and equipment	165.1	
Leases and leasehold improvements	22.4	
Prepaid pension costs	233.2	
Total long-term assets		776.4
Total assets		**7,196.6**
Short-term liabilities		
Clearing balances and balances arising from early credit of uncollected items	4,430.3	
Deferred-availability items	1,885.9	
Short-term debt	104.0	
Total short-term liabilities		6,420.2
Long-term liabilities		
Obligations under capital leases	3.8	
Long-term debt	162.0	
Postretirement/postemployment benefits obligation	173.4	
Total long-term liabilities		339.2
Total liabilities		**6,759.4**
Equity		437.2
Total liabilities and equity (Note 3)		**7,196.6**

NOTE. Components may not sum to totals because of rounding. The priced services financial statements consist of these tables and the accompanying notes.

B. Pro forma income statement

Millions of dollars

Item	Quarter ended Sept. 30, 1995		Nine months ended Sept. 30, 1995	
Revenue from services provided to depository institutions (Note 4)		182.4		547.5
Operating expenses (Note 5)		160.1		490.8
Income from operations		22.3		56.7
Imputed costs (Note 6)				
Interest on float	3.2		12.0	
Interest on debt	4.1		12.2	
Sales taxes	2.4		7.5	
FDIC insurance	.4	10.0	5.8	37.4
Income from operations after imputed costs		12.3		19.2
Other income and expenses (Note 7)				
Investment income on clearing balances	64.4		189.8	
Earnings credits	58.5	5.8	168.7	21.1
Income before income taxes		18.1		40.4
Imputed income taxes (Note 8)		5.6		12.5
Income before cumulative effect of a change in accounting principle		12.5		27.9
Cumulative effect on previous years from retroactive application of accrual method of accounting for postemployment benefits (net of $6.5 million tax) (Note 9)		—		14.6
Net income		**12.5**		**13.3**
MEMO				
Targeted return on equity (Note 10)		7.8		25.5

NOTE. Components may not sum to totals because of rounding. The priced services financial statements consist of these tables and the accompanying notes.

NOTES TO FINANCIAL STATEMENTS FOR FEDERAL RESERVE PRICED SERVICES

(1) Short-Term Assets

The imputed reserve requirement on clearing balances held at Reserve Banks by depository institutions reflects a treatment comparable to that of compensating balances held at correspondent banks by respondent institutions. The reserve requirement imposed on respondent balances must be held as vault cash or as nonearning balances maintained at a Reserve Bank; thus, a portion of priced services clearing balances held with the Federal Reserve is shown as required reserves on the asset side of the balance sheet. The remainder of clearing balances is assumed to be invested in three-month Treasury bills, shown as investment in marketable securities.

Receivables are (1) amounts due the Reserve Banks for priced services and (2) the share of suspense-account and difference-account balances related to priced services.

Materials and supplies are the inventory value of short-term assets.

Prepaid expenses include salary advances and travel advances for priced service personnel.

Items in process of collection is gross Federal Reserve cash items in process of collection (CIPC) stated on a basis comparable to that of a commercial bank. It reflects adjustments for intra-System items that would otherwise be double-counted on a consolidated Federal Reserve balance sheet; adjustments for items associated with non priced items, such as those collected for government agencies; and adjustments for items associated with providing fixed availability or credit before items are received and processed. Among the costs to be recovered under the Monetary Control Act is the cost of float, or net CIPC during the period (the difference between gross CIPC and deferred availability items which is the portion of gross CIPC that involves a financing cost), valued at the federal funds rate.

(2) Long-Term Assets

Consists of long-term assets used solely in priced services, the priced services portion of long-term assets shared with nonpriced services, and an estimate of the assets of the Board of Governors used in the development of priced services. Effective Jan. 1, 1987, the Reserve Banks implemented the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 87, *Employers' Accounting for Pensions* (SFAS 87). Accordingly, the Federal Reserve Banks recognized credits to expenses of $9.3 million in the third quarter of 1995, $8.7 million in the second quarter of 1995, and $7.2 million in the first quarter of 1995 and corresponding increases in this asset account.

(3) Liabilities and Equity

Under the matched-book capital structure for assets that are not "self-financing," short-term assets are financed with short-term debt. Long-term assets are financed with long-term debt and equity in a proportion equal to the ratio of long-term debt to equity for the fifty largest bank holding companies, which are used in the model for the private sector adjustment factor (PSAF). The PSAF consists of the taxes that would have been paid and the return on capital that would have been provided had priced services been furnished by a private sector firm. Other short-term liabilities include clearing balances maintained at Reserve Banks and deposit balances arising from float. Other long-term liabilities consist of obligations on capital leases.

(4) Revenue

Revenue represents charges to depository institutions for priced services and is realized from each institution through one of two methods: direct charges to an institution's account or charges against its accumulated earnings credits.

(5) Operating Expenses

Operating expenses consist of the direct, indirect, and other general administrative expenses of the Reserve Banks for priced services plus the expenses for staff members of the Board of Governors working directly on the development of priced services. The expenses for Board staff members were $.7 million per quarter in the first three quarters of 1995. The credit to expenses under SFAS 87 (see note 2) is reflected in operating expenses.

(6) Imputed Costs

Imputed costs consist of interest on float, interest on debt, sales taxes, and the FDIC assessment. Interest on float is derived from the value of float to be recovered, either explicitly or through per-item fees, during the period. Float costs include costs for checks, book-entry securities, noncash collection, ACH, and funds transfers.

Interest is imputed on the debt assumed necessary to finance priced service assets. The sales taxes and FDIC assessment that the Federal Reserve would have paid had it been a private sector firm are among the components of the PSAF (see note 3).

The following list shows the daily average recovery of float by the Reserve Banks for the third quarter of 1995 in millions of dollars:

Total float	391.2
Unrecovered float	4.6
Float subject to recovery	386.6
Sources of float recovery	
Income on clearing balances	38.5
As-of adjustments	174.1
Direct charges	66.2
Per-item fees	107.8

Unrecovered float includes float generated by services to government agencies and by other central bank services. Float recovered through income on clearing balances is the result of the increase in investable clearing balances; the increase is produced by a deduction for float for cash items in process of collection, which reduces imputed reserve requirements. The income on clearing balances reduces the float to be recovered through other means. As-of adjustments and direct charges are mid-week closing float and interterritory check float, which may be recovered from depositing institutions through adjustments to the institution's reserve or clearing balance or by valuing the float at the federal funds rate and billing the institution directly. Float recovered through per-item fees is valued at the federal funds rate and has been added to the cost base subject to recovery in the third quarter of 1995.

(7) Other Income and Expenses

Consists of investment income on clearing balances and the cost of earnings credits. Investment income on clearing balances represents the average coupon-equivalent yield on three-month Treasury bills applied to the *total* clearing balance maintained, adjusted for the effect of reserve requirements on clearing balances. Expenses for earnings credits granted to depository institutions on their clearing balances are derived by applying the average federal funds rate to the *required* portion of the clearing balances, adjusted for the net effect of reserve requirements on clearing balances.

(8) Income Taxes

Imputed income taxes are calculated at the effective tax rate derived from the PSAF model (see note 3).

(9) Postemployment Benefits

Effective Jan. 1, 1995, the Reserve Banks implemented SFAS 112, *Employers' Accounting for Postemployment Benefits*. Accordingly, in the first quarter of 1995 the Reserve Banks recognized a one-time cumulative charge of $21.1 million to reflect the retroactive application of this change in accounting principle.

(10) Return on Equity

Represents the after-tax rate of return on equity that the Federal Reserve would have earned had it been a private business firm, as derived from the PSAF model (see note 3). This amount is adjusted to reflect the recovery of automation consolidation costs of $1.7 million for the second quarter of 1995 and $.3 million for the first quarter of 1995. The Reserve Banks plan to recover these amounts, along with a finance charge, by the end of the year 2000.

Index to Statistical Tables

References are to pages A3–A69 although the prefix "A" is omitted in this index

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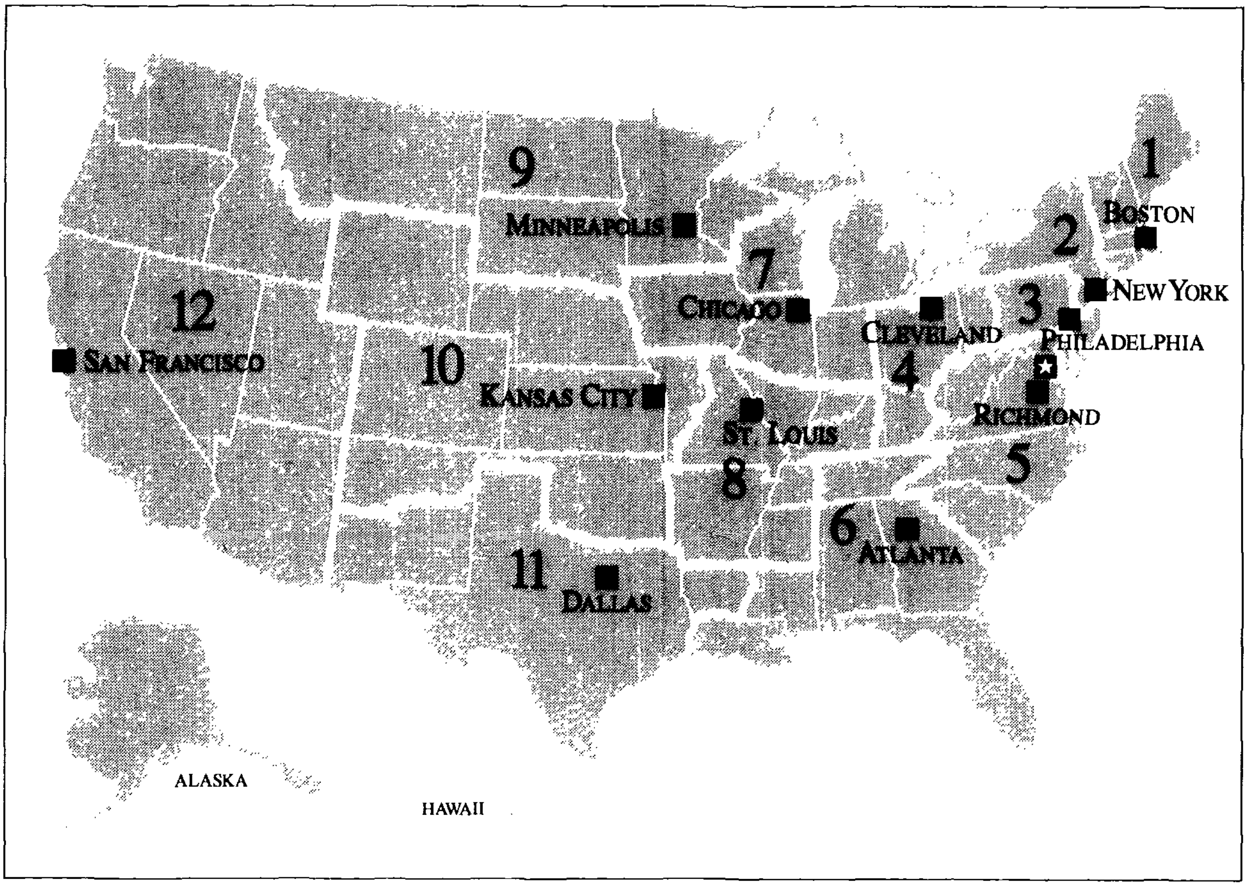


LEGEND

Both pages

- ■ Federal Reserve Bank city
- ⊡ Board of Governors of the Federal Reserve System, Washington, D.C.

Facing page

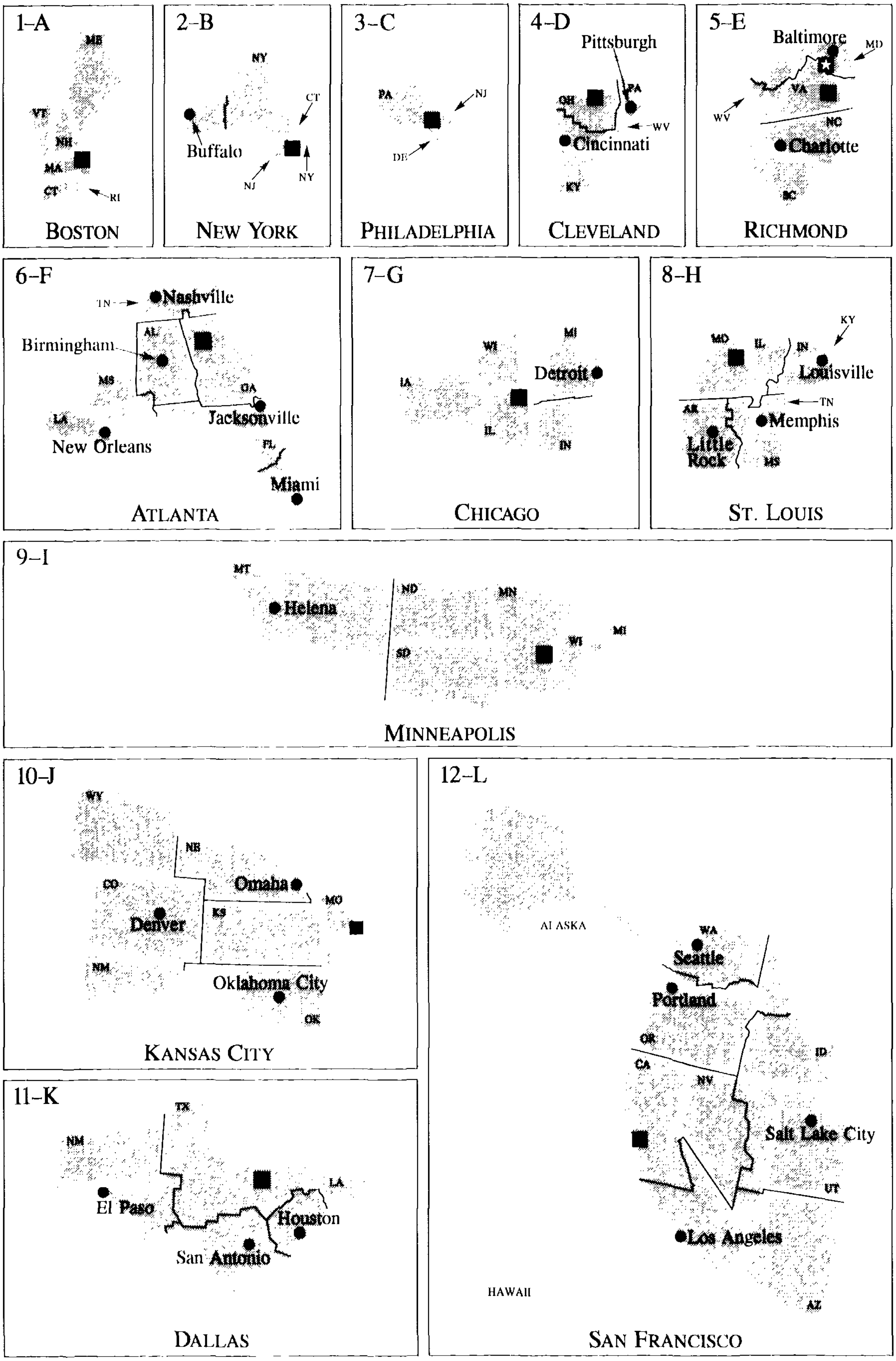
- • Federal Reserve Branch city
- — Branch boundary

NOTE

The Federal Reserve officially identifies Districts by number and Reserve Bank city (shown on both pages) and by letter (shown on the facing page).

In the 12th District, the Seattle Branch serves Alaska, and the San Francisco Bank serves Hawaii.

The System serves commonwealths and territories as follows: the New York Bank serves the Commonwealth of Puerto Rico and the U.S. Virgin Islands; the San Francisco Bank serves American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands. The Board of Governors revised the branch boundaries of the System most recently in December 1991.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