VOLUME 76 □ NUMBER 7 □ JULY 1990

FEDERAL RESERVE BULLETIN

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, WASHINGTON, D.C.

The *Federal Reserve Bulletin* is issued monthly under the direction of the staff publications committee. This committee is responsible for opinions expressed except in official statements and signed articles. It is assisted by the Economic Editing Section headed by Mendelle T. Berenson, the Graphic Communications Section under the direction of Peter G. Thomas, and Publications Services supervised by Linda C. Kyles.

Table of Contents

Developments Affecting the Profitability of Commercial Banks

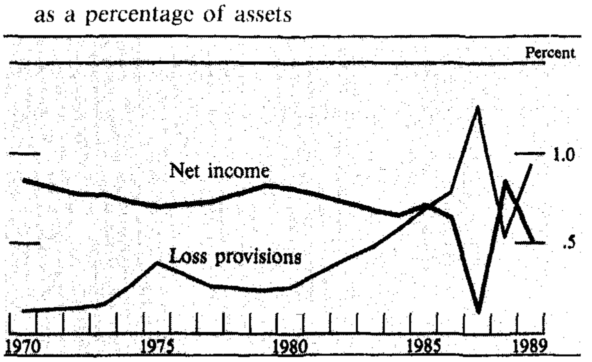
John V. Duca and Mary M. McLaughlin, of the Board's Division of Monetary Affairs, prepared this article. Douglas Carpenter and Vernon McKinley provided research assistance.

In 1989, the profitability of U.S.-chartered insured commercial banks declined after having rebounded in 1988. In recent years, variations in loss provisioning have accounted for variations in profits; abstracting loss provisions, net income has been quite stable as a share of assets. Last year, another surge in loan loss provisions, concentrated at large banks with substantial loans to developing countries, pulled down the industry's return on assets to 0.51 percent, the second lowest level since 1970 (chart 1), and its return on equity to 7.94 percent. Despite the decline in profitability, dividends paid as a share of assets continued at high levels, reducing retained earnings to very low levels. In the aggregate, the primary capital ratio of banks decreased, but most of the decline was at money center banks, which dipped into capital to pay dividends. Banks increased loss provisions more than net charge-offs and ended the year with somewhat higher loan loss reserves (chart 2).

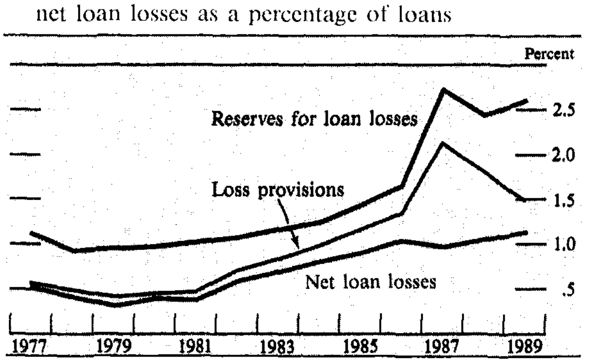
After peaking early in 1989, short-term interest rates declined from the spring through the end of the year as the Federal Reserve took steps to sustain economic growth (chart 3). Nevertheless, by the end of 1989, short-term market rates were still well above their 1988 averages. Reflecting the higher average level of rates, interest expense as a share of assets rose about 1 percentage point. Increases in delinquent loans restrained the pickup in the rate of return on banks' loan portfolios stemming from higher market rates. As a result, the spread between interest income and interest expense (net interest margin) narrowed slightly, although it remained above the average of recent years (table 1).

On a year-end basis, overall growth of interest-earning assets at U.S. banks picked up to a moderate rate, reflecting mainly stronger expansion of bank holdings of securities (table 2). Bank loan growth was near the pace of 1988 as reduced runoffs in foreign loans and a turnaround in security loans roughly offset a moderation of growth in consumer loans and domestic commercial and industrial (C&I) loans. Much of the slowing in business loans to domestic addressees occurred in lending that was unrelated to mergers. Growth in consumer loans held by banks was reduced by the issuance of securities backed by consumer loan receivables, a transaction that removes loans from bank balance sheets. By

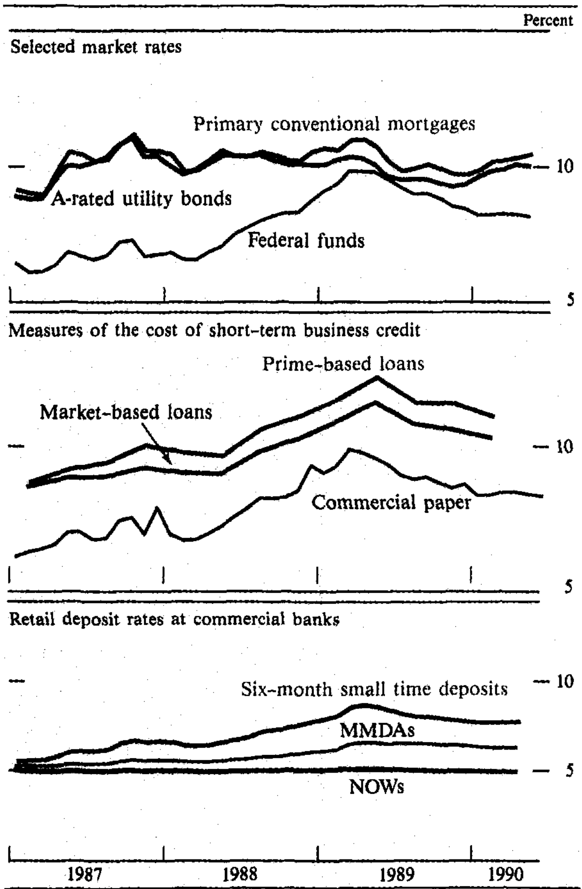
1. Net income and loss provisions as a percentage of assets



2. Reserves for loan losses, loss provisions, and net loan losses as a percentage of loans



3. Selected market and commercial bank interest rates



contrast, holdings of U.S. government securities, especially of mortgage-backed securities issued by government-sponsored agencies, picked up. This strength was particularly pronounced late in the year, when loan growth slowed and deposit inflows surged as households shifted funds out of thrift institutions and thrift institutions sold off mortgage assets.

Events in the thrift industry enabled commercial banks in 1989 to rely more on retail deposits for funding relative to managed liabilities, such as large time deposits. Banks gained retail deposits directly from thrift institutions by purchasing the deposits in several resolutions of failed institutions. In another and likely more important development, many households shifted or diverted their deposits from savings and loan associations into bank accounts in response to concerns about the viability of thrift institutions or in response to declines in very high deposit rates offered by troubled institutions.

A record 204 federally insured commercial banks failed last year, up slightly from 1988. As in recent years, the majority of the nation's failed banks were located in the Southwest, where banks continued to post high real estate losses. However, the number of banks classified by the Federal Deposit Insurance Corporation as being in danger of becoming insolvent fell sharply last year.

BALANCE SHEET DEVELOPMENTS

Changes in the balance sheet of the banking industry during 1989 largely reflected responses of banks to impending capital requirements, problems in loan quality, and circumstances in the thrift industry.

Assets

As measured from year-end 1988 to year-end 1989, the expansion of bank credit strengthened to a moderate pace last year, mainly because of a pickup in the acquisition of U.S. government guaranteed mortgage-backed securities. Real es-

1. Income and expense as a percentage of average net assets, all insured commercial banks, 1985–89[1]

Item	1985	1986	1987	1988	1989
Gross interest income	9.58	8.50	8.34	8.95	9.92
Gross interest expense	6.08	5.11	4.95	5.42	6.41
Net interest margin	3.50	3.39	3.40	3.53	3.51
Noninterest income	1.20	1.28	1.41	1.47	1.55
Loss provisions	.68	.78	1.27	.54	.93
Other noninterest expense	3.17	3.22	3.30	3.33	3.37
Securities gains	.06	.14	.05	.01	.02
Income before tax	.90	.80	.28	1.14	.80
Taxes[2]	.21	.19	.18	.33	.31
Extraordinary items	.01	.01	.01	.03	.01
Net income	.70	.62	.11	.84	.51
Cash dividends declared	.33	.33	.36	.44	.44
Net retained earnings	.37	.29	−.24	.40	.07
MEMO					
Net interest margin, taxable equivalent[3]	3.88	3.79	3.61	3.78	3.70

1. Assets are fully consolidated and net of loss reserves.
2. Includes all taxes estimated to be due on income, extraordinary gains, and security gains.
3. For each bank with profits before tax greater than zero, income from tax-exempt state and local obligations was increased by $[t/(1-t)]$ times the lesser of profits before tax or interest earned on tax-exempt obligations (t is the marginal federal income-tax rate). This adjustment approximates the equivalent pretax return on tax-exempt obligations.

tate loans continued to grow at a fast pace partly because the role of banks in residential mortgage markets increased as the thrift industry contracted.

Commercial and Industrial Loans. C&I loans grew somewhat faster in 1989, as those to foreign addressees declined at a slower rate than in 1988. By contrast, the growth of C&I loans made by U.S. commercial banks to domestic addressees eased to about 5 percent in 1989 from about 7 percent in 1988 (table 2). Domestic C&I loans grew at a moderate pace in the first half of 1989, when stronger expansion in estimated merger-related loans—those associated with acquisitions, mergers, and other corporate restructurings—outweighed declines in loans for other business purposes. However, despite renewed growth in nonmerger-related loans, domestic C&I loan expansion slowed in the second half because of a deceleration in merger-related loans. Merger-related loans had been the primary source of growth in business loans over recent years; indeed, abstracting from such loans, C&I loans were about unchanged last year. The slowdown in business borrowing from banks that was unrelated to mergers apparently owed, in part, to corporations' reliance on commercial paper, which increased sharply last year. Responses to the May 1990 Lending Practices Survey (LPS) of sixty large banks indicated that the major reasons for this deceleration in more traditional C&I lending were, in order of importance, weaker loan demand, tighter credit standards, and greater use of commercial paper by large businesses.

The slowdown in merger-related lending and merger-related activity late last year was in part a result of more caution in providing such financing. In the January 1990 LPS, many respondents indicated that they had tightened their credit standards and credit terms for loans to finance mergers during the last half of 1989, mainly because of a less favorable economic outlook, problems specific to different industries, and problems in asset quality. Respondents to the February 1990 LPS, indicated, on balance, that although the charge-off rate on merger-related loans remained lower than that on other C&I loans, it had risen somewhat from the rate in 1988. With respect to loans unrelated to mergers, very few respondents reported that they had tightened their credit standards on loans to firms

2. Annual growth rate of selected balance sheet items, all insured commercial banks, 1985–89[1]
Percent, except as noted

Item	1985	1986	1987	1988	1989	Outstanding Dec. 31, 1989 (billions of dollars)
Assets						
Interest-earning assets	9.3	8.0	3.9	4.1	6.3	2,862
Total loans	7.6	7.6	4.2	6.1	6.8	2,019
C&I loans	1.8	4.0	−1.2	2.5	3.3	616
U.S. addressees	6.0	10.7	.4	6.9	4.9	533
Foreign addressees	−6.2	−12.1	−5.5	−14.0	−.7	83
Consumer	14.2	7.3	3.3	6.3	5.9	375
Real estate	13.1	17.7	16.6	13.8	13.6	744
Foreign government	−3.8	−.3	−.2	−9.7	−19.4	28
Agricultural	−10.0	−11.1	−6.2	3.2	3.4	31
Security	21.5	−22.2	−11.2	−.4	15.8	18
Total securities	13.9	10.2	7.2	1.9	5.0	541
U.S. government	2.5	17.3	10.0	5.0	10.4	356
State and local government	32.9	−12.6	−13.7	−12.0	−10.2	133
Liabilities						
Deposits	7.7	7.8	2.3	4.2	5.5	2,489
Foreign office	1.2	−2.7	8.8	−7.8	−.5	311
Domestic office	9.0	9.7	1.4	6.3	6.4	2,177
Demand	8.9	13.6	−10.3	1.4	.7	454
OCD	17.8	33.4	8.3	8.1	2.8	204
Savings (includes MMDAs)	16.6	17.5	−.9	1.3	.9	531
Small time	3.4	−1.1	7.6	14.6	17.7	613
Large time	2.0	−1.5	13.0	8.9	7.1	375
Other liabilities for borrowed money	36.1	13.4	10.3	14.0	1.2	147

1. Growth rates calculated from year-end to year-end.

that were below investment grade, but about half indicated that loan policies had become more restrictive toward lower-rated businesses, which probably include many smaller firms. Respondents indicated that a deterioration in the general economic outlook and the problems specific to various industries were the two most important factors motivating the tightening of lending policies on C&I loans during the last half of 1989.

Consumer Loans. The growth of consumer loans held by banks was restrained by the securitization of more than $11 billion of consumer receivables last year—mostly credit card debt—up substantially from the pace in 1988. Even so, credit card receivables edged up as a share of bank assets. By reducing loans held on balance sheets, securitization lowers the amount of capital that banks are required to hold. For banks that package enough loans to offset the fixed costs of issuance, securitization is a less-expensive way of funding loans than holding them on the balance sheet, which entails the cost of maintaining or raising expensive capital. Securitization thereby reduces lending costs while enabling banks to continue to earn fee income from originating and servicing the loans backing the securities. Since the announcement in May 1987 that risked-based capital standards would be imposed—effectively raising the capital requirement on most loans—banks have securitized consumer loans at a quickening pace. These factors may promote some consolidation of the credit card market: Several banks and thrift institutions have sold their credit card accounts to larger banks that specialize in securitizing and servicing this type of credit.

Real Estate Loans. In recent years, real estate credit has grown to become the largest type of loan held by banks. In 1989, real estate loans again increased as a share of bank assets as expansion in mortgage credit continued at about the strong pace of 1988. However, the composition of growth shifted away from commercial and toward residential mortgages, likely reflecting a deterioration in commercial real estate markets, the shrinking role of thrifts in residential mortgage markets, regulatory pressures, and the relatively more favorable treatment of residential mortgages under impending risk-based capital guidelines.

The largest category of real estate loans outstanding on commercial bank balance sheets is that secured by one- to four-family residences. Expansion of this component in 1989 continued at about the pace of 1988, as a deceleration in revolving home equity loans was roughly offset by stronger growth in more traditional residential mortgages. Helping to boost the growth rate and portfolio share of residential mortgages, excluding home equity loans, last year was the increased role of banks in the primary mortgage market as the thrift industry contracted.

Home equity credit has expanded rapidly since the passage of the Tax Reform Act of 1986, which phased out the interest deductibility of most nonmortgage debt. Although home equity loans continued growing as a share of bank assets, expansion in this loan category eased last year. This deceleration likely reflected the probable lessening over time in the share of eligible households without home equity lines and a consequent slowing in the number of new lines being put in place. Also, survey data suggest that individuals' use of home equity lines may taper off after initial drawdowns. Responses to the February 1990 LPS indicated that other factors holding down the growth of home equity credit, at least in the second half of 1989, may have been banks' efforts to reduce the size of such lines and the attractiveness of initial teaser rates offered on these loans.

Expansion in longer-term credit secured by nonresidential commercial real estate also slowed in 1989, particularly in the last half when there was heightened concern about high vacancy rates, especially in the commercial office market. Respondents to the November 1989 LPS indicated that they had, on balance, tightened their credit standards for approving commercial real estate loans in the last half of 1989. However, expansion in the commercial mortgage credit category has been increased somewhat in recent years—and may continue to be supported—by a shift from straight C&I lending to C&I lending secured by real estate.

On a year-end basis, the growth of real estate loans for construction and land development also moderated last year. Overbuilding in commercial, and to some extent in condominium, markets has contributed to losses on such loans. These losses have been particularly noteworthy in the Northeast—where problems have recently emerged—and in the Southwest—where charge-offs have cut into the amounts outstanding. Overall, net charge-offs of construction and land development loans noticeably held down growth of this category in the fourth quarter of 1989. Also, poor prospects in real estate, coupled with closer regulatory scrutiny, evidently induced banks to be more cautious in making such loans in the last half of 1989.

In the January 1990 Lending Practices Survey, nearly four-fifths of respondents reported a reduced willingness, compared with that of six months earlier, to make loans for construction and land development. Of these banks, nearly three-fifths reduced permissible loan-to-value ratios, and substantial proportions reported restricting credit for the building of income-generating properties and of single-family homes that were not sold before construction.

Loans to Foreign Addressees. The sum of loans to foreign governments and C&I loans to foreign addressees, which includes many loans made to developing countries, contracted again last year, reflecting the ongoing retrenchment of international lending by U.S. banks. Large banks, which hold almost all of these loans, continued the process of restructuring and reducing their loans to heavily indebted developing countries. (Table A.2 presents detailed balance sheet ratios by size of bank.) This process was most evident at large regional banks, where—owing in part to charge-offs—loans to foreign governments fell nearly one-third and C&I loans to foreign addressees declined 6½ percent. As in 1988, loans to foreign governments declined more slowly at the money center banks. Business loans to foreigners were flat at these very large banks.

Agricultural Loans. The volume of farm lending by banks (including unsecured loans to finance agricultural production and other loans to farmers and loans secured by farmland) rose for the second consecutive year, the increase reflecting in part the continued improvement in the farm economy. Banks also garnered a larger share of the total farm lending market, as total farm debt continued a decline that had begun in 1985.

Positive developments in the farm economy have continued to benefit small banks, the size group that encompasses almost all of the agricultural banks. All small banks reduced their loss provisions relative to assets—in contrast to the industrywide rise—and the decline at agricultural banks was a little faster than at their peers. Nonperforming assets represented a smaller proportion of total loans for agricultural banks than they did for other small banks and for the whole industry (table 3). Partly because of these differences and the relatively lower deposit rates at agricultural banks, the return on assets at agricultural banks was higher than that at other small banks and was almost double that for the industry. This position contrasts sharply with the relative profitability of agricultural banks early in the 1980s.

Securities. In 1989, expansion in security holdings picked up. Strong inflows of retail deposits spurred by thrift industry problems coupled with moderating loan growth encouraged banks to purchase U.S. government securities. Bank holdings of mortgage-backed securities guaranteed by the U.S. government (MBSs) surged. According to respondents in the November 1989 LPS, banks found these securities attractive for two reasons. The first reason was that yields on MBSs rose somewhat relative to those on U.S. Treasury issues, partly because troubled thrifts sold off many MBSs to pare down their balance sheets. The second, but less frequently indicated, factor was that risk-based capital guidelines require less capital to be maintained for government-guaranteed MBSs than for most other items on a bank's balance sheet. To some extent, increased holdings of MBSs and of one- to four-family mortgages reflect the expansion of banks' role in mortgage markets as the thrift industry contracts. By contrast, bank holdings of state and local government securities continued to decline as they have since the passage of the Tax Reform Act of 1986, which ended a tax advantage of holding such securities. Indeed, runoffs

3. Nonperforming assets, all insured commercial banks, 1988–89
Percent of total loans outstanding, except as noted

Year and size of bank[1]	Past due	Nonaccrual loans				Total nonaccrual loans plus other real estate owned[3]
		Total	Selected components[2]			
			Real estate	Commercial and industrial		
				Foreign	Domestic	
1989						
All banks	2.31	2.46	2.33	n.a.	n.a.	3.06
Less than $300 million	2.77	1.32	1.23	n.a.	n.a.	2.39
$300 million to $5 billion	2.39	1.53	2.12	4.51	1.81	2.12
$5 billion or more						
Money center banks	1.61	5.29	3.08	8.12	3.30	5.71
Other	2.40	2.19	3.16	3.97	1.93	2.63
1988						
All banks	2.09	2.37	1.72	n.a.	n.a.	2.87
Less than $300 million	2.62	1.33	1.25	n.a.	n.a.	2.39
$300 million to $5 billion	2.11	1.25	1.62	7.14	1.52	1.75
$5 billion or more						
Money center banks	1.59	5.56	2.25	10.06	3.34	5.90
Other	2.08	1.95	1.98	6.47	1.47	2.24

1. Size categories are based on year-end fully consolidated assets.
2. As a percentage of total loans in that category.
3. As a percentage of total loans outstanding plus other real estate owned.
n.a. Not available.

of tax-exempt securities in 1989 were especially pronounced at banks posting large losses, banks that were not in need of sheltering income from taxation. Also, the less favorable treatment of municipal securities compared with that of U.S. Treasury securities under risk-based capital guidelines may have contributed to the decline in holdings of these securities, from 7½ percent of bank assets in 1986 to about 3 percent in 1989.

Liabilities

Commercial bank deposits grew somewhat faster at 5½ percent in 1989 compared with their rate of growth in 1988; at the same time, several factors worked to change the composition of bank liabilities. Demand deposits were about flat, declining sharply in relation to bank assets. To a large extent, the weakness in demand deposits reflected higher average interest rates, which lowered required deposits under compensating-balance arrangements and encouraged depositors to minimize their non-interest-bearing balances. Also, over the past decade businesses have tended increasingly to compensate their banks for services with fees rather than through holding idle balances.

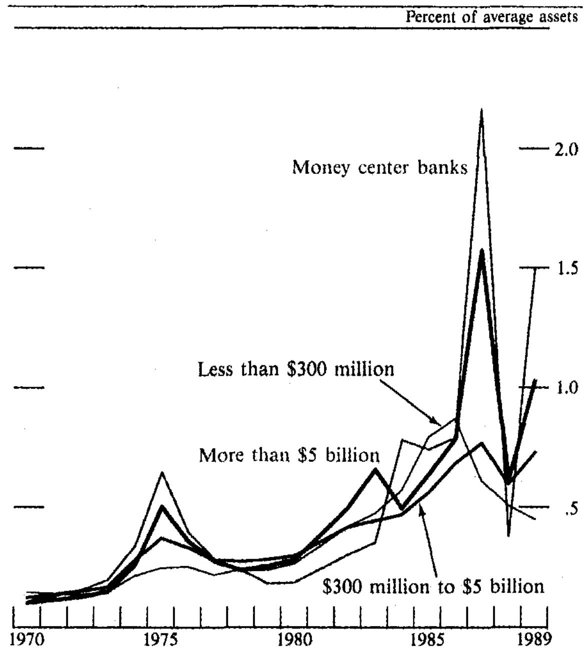
By contrast, retail deposits became a larger source of funding for banks partly because of the situation in the thrift industry. A portion of the 1989 growth in commercial bank retail deposits reflected funds transferred out of or diverted from savings and loan institutions. Most of the strength in retail-type accounts occurred in small time deposits, which traditionally have been the main source of thrift funding. These inflows helped reduce the need for banks to issue managed liabilities to fund moderate asset growth in the face of flat demand deposits. Because these inflows were not spurred primarily by increased advertising or by the rapid expansion of deposit offices and because spreads between yields on U.S. Treasury securities and rates on retail deposit widened, such retail deposit inflows likely helped bank profitability, as rates paid on managed liabilities, such as term Eurodollars and large time deposits, are typically higher than those on retail deposits. Growth in the more liquid retail bank deposits, such as money market deposit accounts (MMDAs), other checkable deposits, and savings deposits, slowed from the pace of 1988. The deceleration in the growth of liquid retail deposits and the acceleration in the growth of small time deposits at banks reflect, in part, the more sluggish adjustment of rates offered on liquid retail deposits to higher market interest rates than that of yields on small time deposits. Indeed, rates on money market mutual funds (MMMFs), a close substitute for MMDAs, rose more in line with market rates than did MMDA rates. As a result, households shifted or diverted funds into MMMFs last year.

Trends in Profitability

While small banks continued to post healthy profits in 1989, the money center banks reported a loss, and other large banks recorded a drop in their profits (table 4). Most of this difference reflects sizable additions to loss provisions by large banks for loans to developing countries (chart 4). A saw-tooth pattern in loss provisioning has developed in recent years as large banks have adopted a strategy of periodically declaring huge loss provisions virtually en masse, possibly on the theory that shareholders and others will more likely regard additions to loss provisions as one-time occurrences if one's major peers are also declaring large loss provisions.

When viewed from the perspective of banks' domestic business, net income in 1989, at 0.70 percent of average assets, remained close to that of 1988. The commercial banking industry increased its loss provisions attributable to domestic loans by 30 percent over those of the previous year, less than half the increase in total provisions. This difference reflects the rise of about 350 percent last year in loss provisions on loans to foreign addressees.

4. Loss provisions by size of bank



In 1987, when all large banks registered large losses, profits on domestic business barely kept the industry's return on assets positive. Seventeen percent of commercial banks ended 1987 in the red. In both 1987 and 1989, loss provisions attributable to business abroad more than accounted for the total negative income actually registered. In 1989, however, fewer large regional banks and only half the money center

4. Profit rates, all insured commercial banks, 1985–89
Percent

Type of return and size of bank[1]	1985	1986	1987	1988	1989
Return on assets[2]					
All banks	.70	.62	.11	.84	.51
Less than $300 million	.74	.58	.63	.74	.88
$300 million to $5 billion	.83	.76	.58	.76	.74
$5 billion or more					
Money center banks	.45	.46	−.86	1.06	−.30
Other	.74	.68	−.02	.82	.58
Return on equity[3]					
All banks	11.18	9.97	1.80	13.52	7.94
Less than $300 million	9.19	7.21	7.76	8.89	10.32
$300 million to $5 billion	12.83	11.52	8.79	11.39	10.93
$5 billion or more					
Money center banks	9.60	9.50	−19.46	23.40	−6.17
Other	13.56	12.18	−.28	15.16	10.34

1. Size categories are based on year-end fully consolidated assets.
2. Net income as a percentage of average fully consolidated assets net of loss reserves.
3. Net income as a percentage of average equity capital.

banks showed negative income, and losses attributable to international operations offset only one-fourth of domestic net income. Also, the share of banks with net losses continued to decline, to 10 percent.

At money center banks, the percentage of loss provisions attributable to international business rose to 88 percent in 1989, near the high reached in 1987. As in 1987, much of the high level reflected provisioning against loans to developing countries. Since the third quarter of 1989, many of the money center banks have made large additions to reserves for such loans. For this reason, somewhat less scope exists for problems with loans to developing countries to affect further the recorded profitability of money center banks.

These very large banks achieved a 0.55 percent return on their domestic business. Operations at home accounted for three-fourths of their net interest margin and 60 percent of their noninterest income, up slightly over results in 1988.

Loss provisions made by other large banks nearly doubled as a share of assets last year, likely reflecting a deterioration in the quality of real estate loans as well as developing country debt (table 5). For all banks with foreign offices, reported income losses from business abroad were somewhat larger than the positive net income reported on a consolidated basis; at money center banks, foreign income losses were almost three times the total net loss reported by this group.

Unlike the experience in 1987, large banks other than the money center banks in 1989 outperformed the industry as a whole in total profitability, and profits on their domestic business were only slightly lower than that of the industry. Those among this group with foreign offices showed virtually the same domestic return on assets in 1989 as that two years earlier; the difference in consolidated net income was attributable entirely to their international operations.

To some extent, after-tax income has been held down in 1988 and 1989 by higher tax liabilities that probably owe, in part, to the phasing in of tax provisions approved in 1986. Before the Tax Reform Act of 1986, banks could deduct from taxable income their additions to the reserve for loan losses. This legislation, however, denies the reserve method and limits banks to deducting their actual net charge-offs. Provisions for loan losses are deducted from net income on their financial reports but must be excluded from the calculation of their taxable income. The result is a higher tax liability.

The regional pattern of loss provisioning was reflected in the profitability of banks by Federal Reserve District (chart 5). The return on assets turned negative in the Boston District—where large provisions were made for real estate loans—and in the New York District—where the money center banks added to reserves for loans to developing countries. On the brighter side, additions to loss provisions at banks in the Dallas

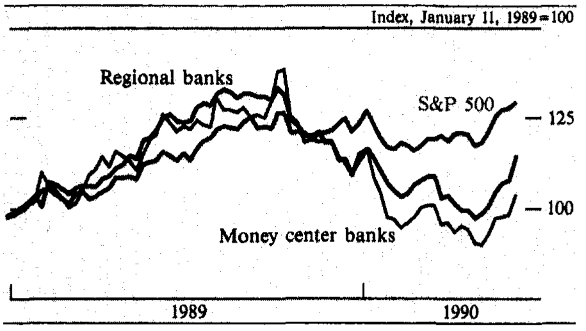
5. Loan losses and recoveries, all insured commercial banks, 1988–89

Millions of dollars, except as noted

Year and size of bank[1]	Losses charged	Recoveries	Net charge-offs: Amount	Net charge-offs: Percent of loans	Loss provisions
1989					
All banks	25,240	3,870	21,370	1.09	28,702
Less than $300 million	3,213	735	2,478	.67	2,947
$300 million to $5 billion	5,791	959	4,831	.88	6,154
$5 billion or more					
Money center banks	6,719	961	5,758	1.46	9,638
Other	9,516	1,215	8,302	1.30	9,963
1988					
All banks	21,742	4,024	17,718	.97	15,825
Less than $300 million	3,545	779	2,766	.78	3,280
$300 million to $5 billion	5,260	898	4,362	.85	4,864
$5 billion or more					
Money center banks	4,589	1,107	3,482	.90	2,324
Other	8,348	1,240	7,108	1.25	5,358

1. Size categories are based on year-end fully consolidated assets.

5. Bank stock indexes and the Standard and Poor's 500



District diminished last year, reversing the worsening trend between 1985 and 1988. This development reflected, in part, improved economic conditions in this area and the declining, albeit still large, backlog of troubled loans from the mid-1980s. Banks in the Dallas District continued reducing their exposure to commercial real estate loans and increased the share of U.S. government securities in their portfolios.

For the banking system as a whole, the net charge-off rate on all loans rose from 0.96 percent of loans in 1988 to 1.09 percent last year. Detailed data on charge-offs net of recoveries by type of loan are available for banks with assets of more than $300 million (table 6). At this large subset of the banking industry, which accounts for nearly 80 percent of bank assets, the net charge-off rate on all loans rose from 1.03 percent in 1988 to 1.21 percent last year. This development reflected not only a steep rise in charge-offs of loans to developing countries but also increased charge-offs against real estate and consumer loans, as well as loans to depository institutions.

6. Net charge-offs, by type of loan, large insured commercial banks, 1985–89[1]
Percent of average loans

Item	1985	1986	1987	1988	1989
Total loans	.75	.89	.91	1.03	1.21
Commercial and industrial	1.02	1.14	.96	.95	.93
U.S. addressees	.94	1.10	.86	.82	.78
Foreign addressees	1.25	1.29	1.35	1.55	1.70
Consumer	1.24	1.58	1.58	1.52	1.63
Credit-card	2.57	3.28	3.26	3.08	3.05
Other	.63	.75	.74	.73	.90
Real estate	.22	.38	.47	.42	.52
Foreign government	.84	.47	2.58	9.35	17.01
Depository institutions	.15	.36	.56	.98	1.35
U.S. depositories	.12	.33	.11	.15	.19
Foreign banks	.15	.36	.96	1.83	2.52

1. Banks with assets of $300 million or more or with foreign offices.

Noninterest Income and Expense and Security Gains

The increase in noninterest income in 1989 was twice as large as the increase in noninterest expense (excluding loss provisions). As a consequence, the negative spread between these two components continued to contract. On the expense side, layoffs and consolidations at several large banks prevented employment in the banking industry from growing much last year. Partly as a result, salaries and employee benefits grew no faster than total industry assets last year.

One source of increased noninterest income was fee income from merger-related financing activities, particularly at money center banks, which originate most of these loans. The ratio of noninterest income to assets was bolstered further by the pickup in issuance of consumer-loan-backed securities last year as banks recorded income from originating and servicing the underlying loans. Noninterest income also was supported by a small rise in fees received for deposit services. To some extent, such fee income reflects the ongoing shift by businesses away from compensating balances and toward fees as a means of paying banks for services.

Capital gains on the sale of investment account securities edged up last year but were still low relative to the high levels earned between 1985 and 1987. As in recent years, money center banks have outperformed other banks in realizing gains on holdings of securities.

Net Interest Margins

The banking industry's net interest margin edged down, as declines at money center banks outweighed slight increases at small- and medium-sized banks. As a result of higher average market interest rates during 1989, interest expense and income rose. However, interest expense increased somewhat more, particularly for money center and large banks, which, as a group, rely more on managed liabilities for funding than do smaller banks. The interest costs of managed liabilities, such as large time deposits and foreign deposits (for example, Eurodollar deposits), adjust more quickly to changes in market interest rates than do yields on retail deposits. Net interest margins were depressed at very large banks by a sharp rise in interest paid on Treasury tax and loan note balances and other borrowed funds.

The ongoing resolution of problems in the thrift industry, however, is helping reduce upward pressures on retail deposit rates. In recent years, troubled thrift institutions had attracted small time deposits by offering unusually high rates and thereby put upward pressures on deposit rates at sound thrift institutions and banks. Regulatory intervention over several quarters before the passage of thrift legislation in the summer of 1989 had curtailed such practices. Since August 1989, when regulators obtained funds to resolve some insolvent thrift institutions, such deposit pricing practices have abated further. Partly as a result, spreads of short-term market interest rates over small time deposit rates at banks have recently widened.

Dividends and Retained Earnings

Despite the drop in profitability (table A.1), commercial banks paid dividends of 0.44 percent of assets in 1989, equaling the record performance of 1988. Smaller institutions continued paying out about two-thirds of profits in dividends. But dividends as a share of profits surged at large banks other than money centers, reflecting mainly the maintenance of dividend payouts in the face of a substantial decline in profitability. Money center banks, as a group, dipped into

7. Sources of changes in total equity capital, all insured commercial banks, 1985–89

Millions of dollars, except as noted

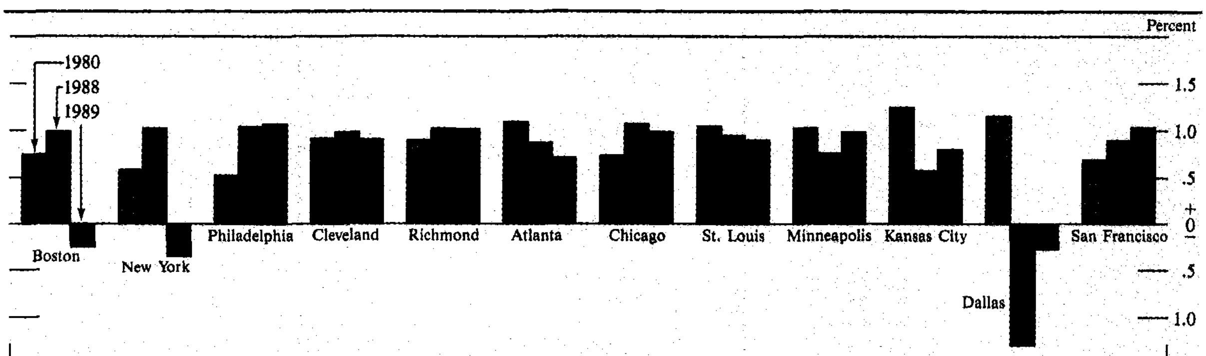
Item	1985	1986	1987	1988	1989
Retained earnings[1]					
All banks	9,348	8,069	−7,324	11,691	2,065
Large banks[2]	4,177	4,121	−10,142	7,567	−2,565
Net change in equity capital					
All banks	15,399	16,103	2,226	19,340	11,322
Large banks	5,559	7,446	−5,554	10,914	2,638
Percent of change in equity capital from retained earnings[3]					
All banks	61	50	n.m.	60	18
Large banks	75	55	n.m.	69	n.m.

1. Net income less cash dividends declared on preferred and common stock.
2. Banks with fully consolidated assets of $5 billion or more at year-end.
3. Retained earnings divided by the net change in equity capital.
n.m. Not meaningful.

capital to pay dividends, as they had in 1987 when they also boosted loss provisions against loans to developing countries. Reflecting differences in dividend policy as well as changes in relative profitability, retained earnings as a share of assets at small and medium-sized banks continued at levels near those of 1988 but fell for large banks and turned negative for money center banks (table 7).

Stock price indexes for money center and regional banks generally had increased somewhat faster than the Standard and Poor's 500 index through the third quarter (chart 6). However, in the fourth quarter both bank indexes fell, partly on information suggesting that the performance of merger-related and real estate loans was deteriorating. Such problems particularly affected stock prices of several New England bank holding companies. Concerns over eco-

6. Return on assets by Federal Reserve District



nomic problems in several heavily indebted developing countries further depressed the stock prices of money center banks with large loan exposures to these nations.

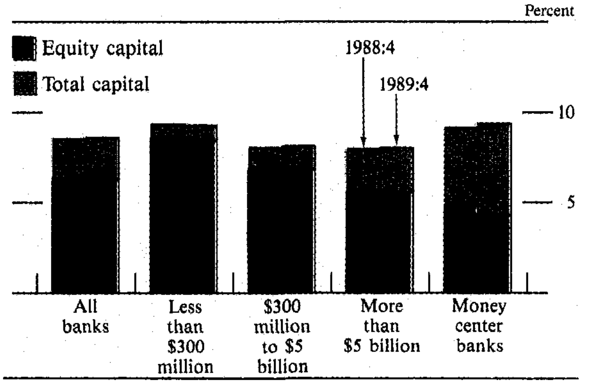
Capital

As a whole, the banking industry added less equity last year than it did in 1988, reflecting the very low level of retained earnings and the damping effect of the fall in bank stock prices in late 1989 on the incentive to issue new equity. However, some banks that are less well capitalized continued raising equity, securitizing loans, and paring down low-earning assets last year in advance of the initial phase-in of risk-based capital standards at the end of 1990.

By year-end 1992, banks must meet three basic required capital ratios. First, they must maintain tier 1 capital, mainly common equity and perpetual preferred stock, equal to at least 4 percent of their risk-based assets. Second, tier 1 capital must equal at least 3 percent of their unweighted total assets. Third, total capital must equal at least 8 percent of risk-adjusted assets. Currently, many banks already meet the interim 1990 and the final 1992 capital standards with respect to tier 1 capital. Besides tier 1 capital, total capital includes other types of preferred stock, subordinated debt, loan loss reserves (up to 1.25 percent of risk-based capital), and mandatory convertible debt. In the calculation of the risk-based capital ratio, 0 percent weights are applied to U.S. Treasury securities, FHA and VA mortgages, and MBSs guaranteed by GNMA. The risk-based weights are 20 percent for most other MBSs and agency securities, 50 percent for qualifying one- to four-family conventional mortgages, and 100 percent for most other loans, including C&I, consumer, and commercial real estate. To varying degrees, capital also must be maintained on off-balance-sheet exposures to risk.

Across banks of different size categories, the ratio of total capital to assets was about the same. However, as illustrated in chart 7, equity capital composed a greater share of total capital at smaller banks, whereas subordinated debt, mandatory convertible debt, and loan loss reserves constituted a greater share at large banks. Indeed, at money center banks, that loan loss

7. Equity and total capital as a percentage of assets, by size of bank



reserves were almost as large as equity capital reflected in part that money center banks account for most loans made to developing countries.

DEVELOPMENTS IN EARLY 1990

Concerns about credit quality continued to trouble the commercial banking industry into 1990. In the Northeast and some other areas of the country, real estate loan problems mounted further, and banks set aside additional loss provisions. In response to problems of loan quality, some New England banks have sold off a large volume of assets to meet capital requirements. Concerns about the quality of real estate loans appear strongest in areas in which land prices had risen sharply in previous years. For example, a number of banks in the Southeast reported a decline in profitability in the first quarter of 1990 because of increased provisioning for nonperforming commercial real estate loans. In addition, signs of a possible deterioration in the performance of merger-related lending have grown stronger.

The profitability of money center banks suffered in the first quarter of 1990 mainly because of mounting real estate loss provisions, declining performance of loans to highly leveraged firms, a drop in fee income from arranging merger financing, and the failure of Brazil to make interest payments. These developments likely induced much of the additional decline in the stock indexes for regional and money center banks.

Thus far in 1990, banks and a number of countries, including Mexico, have started implementing debt-restructuring packages. The package with Mexico has resulted mainly in debt and debt-service reduction and, to a lesser extent, some provision of new credits.

Survey responses to the May 1990 LPS indicated that banks had continued to tighten selectively their credit standards and nonprice terms of credit for riskier types of loans in early 1990. Such tightening was particularly pronounced for commercial real estate loans. Somewhat fewer banks, about half, indicated that loan policies became more restrictive for nonmerger-related C&I loans to small- and medium-sized businesses, but few reported that they had tightened their credit standards on such loans to large firms. Respondents indicated that a decline in the general economic outlook and a deterioration in loan quality were the most important reasons for tighter lending policies toward small- and medium-sized firms. Other factors frequently mentioned included regulatory pressures and industry-specific problems. Although large numbers of banks reported tightening credit standards for certain types of loans, the extent of the tightening is not clear, and the impact of more restrictive lending policies on firms is even less quantifiable, especially amid signs of weakening bank loan demand. Other surveys conducted by Federal Reserve Banks generally confirmed that credit standards were tightened for loans to real estate developers but suggested that business loan demands from banks continued to be met for most of the firms that were contacted.

Issuance of securities backed by consumer loans surged in the first quarter and enabled banks to reduce consumer loans on their balance sheets around $6 billion, about twice the quarterly rate of 1989. As a result, consumer loans held on the balance sheets at large banks actually declined in the first quarter.

On the liability side of their balance sheets, deposit outflows from the thrift industry enabled banks to continue substituting retail deposits for more expensive, managed liabilities while funding a more moderate expansion in assets. Indeed, large time deposits issued by banks have run off since the new year. This development will help support net interest margins in 1990.

A.1. Report of income, all insured commercial banks, 1985–89
Millions of dollars

Item	1985	1986	1987	1988	1989
Operating income, total	**275,741**	**269,152**	**281,218**	**308,580**	**357,033**
Interest, total	245,152	233,961	240,548	264,999	308,691
Loans	181,368	172,712	177,217	196,119	231,711
Balances with banks	13,660	11,139	11,874	13,198	14,750
Gross federal funds sold and reverse repurchase agreements	9,404	8,918	8,810	10,025	12,585
Securities (excluding trading accounts)	37,387	37,860	38,698	40,738	45,219
Tax-exempt	8,752	10,594	9,085	8,014	7,186
Taxable	28,635	27,266	29,613	32,724	38,033
Trading account assets	3,333	3,332	3,948	4,918	4,427
Service charges on deposits	7,333	7,908	8,659	9,323	10,151
Other operating income	23,257	27,282	32,012	34,258	38,192
Operating expense, total	**254,184**	**250,821**	**274,330**	**275,050**	**332,889**
Interest, total	155,549	140,762	142,649	160,455	199,342
Deposits	129,439	115,898	113,687	125,961	153,466
Large certificates of deposit	22,705	19,281	18,935	21,907	28,739
Deposits in foreign offices	30,117	24,440	25,946	28,248	33,436
Other deposits	76,618	72,177	68,806	75,806	91,290
Gross federal funds purchased and repurchase agreements	16,432	15,745	15,472	18,146	24,007
Other borrowed money	9,677	9,119	13,220	16,347	21,869
Salaries, wages, and employee benefits	39,467	42,262	44,463	45,595	48,129
Occupancy expense	13,137	14,291	15,041	15,496	16,249
Loss provisions	17,504	21,538	36,534	15,990	28,806
Other operating expense	28,527	31,968	35,643	37,515	40,363
Securities gains	1,506	3,785	1,397	285	774
Income before tax	23,063	22,115	8,286	33,815	24,918
Taxes	5,499	5,184	5,267	9,871	9,504
Extraordinary items	237	271	162	833	315
Net income	17,802	17,202	3,181	24,777	15,730
Cash dividends	8,455	9,133	10,505	13,086	13,665

A.2. Portfolio composition, interest rates, and income and expenses, insured commercial banks, 1985–89[1]

A. All banks

Item	1985	1986	1987	1988	1989
	Balance sheet items as a percentage of average consolidated assets				
Interest-earning assets	86.05	86.02	86.62	87.94	87.84
Loans	58.51	57.86	58.36	60.59	61.30
Commercial and industrial	22.26	20.96	20.04	19.55	19.20
U.S. addressees	17.50	16.93	16.60	16.55	16.60
Foreign addressees	4.76	4.03	3.44	3.00	2.60
Real estate	15.71	16.71	18.69	20.56	22.18
Construction	3.20	3.49	3.87	4.01	4.14
Farmland	.41	.43	.46	.49	.51
One- to four-family residential	7.20	7.31	8.00	9.03	9.94
Home equity	...	...	.97	1.13	1.41
Other	...	...	7.74	7.90	8.53
Multifamily residential	.44	.49	.56	.58	.59
Nonfarm nonresidential	4.00	4.43	5.21	5.77	6.29
Consumer	10.80	11.06	11.10	11.31	11.40
Credit card	2.48	2.75	2.97	3.13	3.26
Installment and other	8.32	8.31	8.13	8.18	8.14
Foreign government	1.56	1.43	1.34	1.23	1.03
Agricultural production	1.51	1.22	1.03	.99	.96
Security	.83	.79	.63	.53	.54
Other	7.19	7.27	6.92	6.42	5.97
Securities	17.58	18.29	18.58	16.84	16.74
U.S. government	9.50	9.26	10.03	10.35	10.78
U.S. Treasury	4.40	4.29	5.58	5.47	4.75
Government-backed mortgage pools	.96	1.16	2.08	2.59	3.27
Other	4.05	3.80	2.38	2.29	2.75
State and local government	6.99	7.49	6.25	3.69	3.14
Taxable	...	...	.06	.06	.08
Tax-exempt	...	...	3.35	3.63	3.06
Other bonds and stocks	1.08	1.55	2.29	2.80	2.82
Trading account assets	1.24	1.55	1.32	1.26	1.25
Gross federal funds sold and reverse repurchase agreements	4.43	4.72	4.43	4.26	4.20
Interest-bearing deposits	5.53	5.15	5.26	4.99	4.36
Other assets	12.62	12.10	11.20	10.52	10.66
Deposit liabilities	77.30	76.72	76.43	76.22	76.01
In foreign offices	12.61	11.61	11.38	10.85	10.05
In domestic offices	64.69	65.11	65.06	65.37	65.96
Demand deposits	15.63	16.03	15.41	14.34	13.63
Other checkable deposits	4.57	5.21	6.01	6.27	6.16
MMDAs	11.72	12.64	12.32	11.44	10.55
Other savings	4.64	4.79	5.76	6.08	5.81
Small time deposits	16.67	15.68	14.95	16.16	18.15
Large time deposits	11.46	10.76	10.60	11.08	11.66
Gross federal funds purchased and repurchase agreements	7.68	8.25	8.06	7.72	7.95
Other liabilities for borrowed money	3.44	4.02	4.45	4.93	4.87
Other borrowings	5.70	5.17	4.90	3.49	3.39
MEMO					
Money market liabilities	35.19	34.63	34.49	34.58	34.53
Loss reserves	.80	.92	1.36	1.54	1.50
Total equity capital	6.17	6.21	6.06	6.10	6.27

1. See notes to tables in the text.

A.2. Portfolio composition, interest rates, and income and expenses, insured commercial banks, 1985–89[1] – Continued

A. All banks – Continued

Item	1985	1986	1987	1988	1989
	Effective interest rates (percent)				
Rates earned					
Securities	9.27	8.34	7.89	8.06	8.58
State and local government	7.42	7.20	7.28	7.38	7.46
Loans, gross	12.07	10.84	10.44	10.80	11.97
Net of loss provisions	10.87	9.46	8.24	9.92	10.48
Taxable equivalent					
Securities	11.45	10.52	9.11	8.06	9.32
Securities and gross loans	11.93	10.77	10.12	10.31	11.48
Rates paid					
Interest-bearing deposits	8.20	6.98	5.82	6.81	7.84
In foreign offices	9.48	7.78	7.90	8.92	10.89
In domestic offices	7.66	6.67	5.10	5.34	...
NOW accounts	...	...	...	...	4.81
MMDAs	...	...	...	...	6.51
Other savings	...	...	...	...	5.49
Small time deposits	...	...	...	...	8.25
Large time deposits	8.72	7.31	6.86	7.39	8.63
All interest-bearing liabilities	8.29	7.01	6.11	7.26	8.52
	Income and expenses as a percentage of average net consolidated assets				
Gross interest income	9.45	8.38	8.21	8.95	9.92
Gross interest expense	6.06	5.10	4.94	5.42	6.41
Net interest margin	3.38	3.27	3.27	3.53	3.51
Taxable equivalent	3.77	3.68	3.50	3.61	3.70
Noninterest income	1.33	1.40	1.55	1.47	1.55
Loss provisions	.68	.78	1.27	.54	.93
Other noninterest expense	3.18	3.23	3.31	3.33	3.37
Securities gains	.06	.14	.05	.01	.02
Income before tax	.90	.80	.29	1.14	.80
Taxes	.21	.19	.18	.33	.31
Extraordinary items	.01	.01	.01	.03	.01
Net income	.70	.62	.11	.84	.51
Cash dividends declared	.33	.33	.36	.44	.44
Net retained earnings	.37	.29	–.25	.40	.07
MEMO					
Average assets (billions of dollars)	2,559	2,753	2,883	2,959	3,112
Number of banks	13,898	13,733	13,273	12,691	12,323

A.2. Portfolio composition, interest rates, and income and expenses, insured commercial banks, 1985–89[1]—Continued

B. Banks with less than $300 million in assets

Item	1985	1986	1987	1988	1989
	Balance sheet items as a percentage of average consolidated assets				
Interest-earning assets	90.86	90.77	91.10	90.83	90.97
Loans	54.22	52.84	52.96	54.32	55.11
Commercial and industrial	15.00	14.01	13.23	12.74	12.45
U.S. addressees	14.96	13.99	13.21	12.72	12.42
Foreign addressees	.04	.02	.02	.02	.03
Real estate	20.69	21.75	23.78	25.69	27.02
Construction	2.22	2.22	2.22	2.19	2.27
Farmland	1.27	1.38	1.55	1.73	1.81
One- to four-family residential	11.20	11.48	12.55	13.89	14.59
Home equity	...	...	.64	.72	.95
Other	...	...	12.96	13.16	13.64
Multifamily residential	.49	.53	.59	.60	.61
Nonfarm nonresidential	5.70	6.14	6.87	7.29	7.74
Consumer	12.78	12.15	11.51	11.28	11.22
Credit card	.48	.53	.66	.74	.82
Installment and other	12.29	11.62	10.85	10.53	10.40
Foreign government	.02	.02	.01	.01	.01
Agricultural production	4.27	3.62	3.23	3.24	3.28
Security	.08	.07	.06	.06	.05
Other	1.37	1.48	1.47	1.30	1.08
Securities	28.23	27.89	28.44	28.07	27.79
U.S. government	18.39	17.73	18.70	19.64	20.13
U.S. Treasury	...	...	9.11	9.77	8.79
Government-backed mortgage pools	1.52	1.40	2.58	3.25	3.76
Other	...	...	7.01	6.61	7.59
State and local government	9.16	9.10	7.65	5.72	4.99
Taxable	...	...	.17	.20	.22
Tax-exempt	...	...	5.08	5.52	4.77
Other bonds and stocks	.68	1.06	2.09	2.71	2.67
Trading account assets	.03	.06	.07	.05	.07
Gross federal funds sold and reverse repurchase agreements	5.55	7.01	6.45	5.29	5.66
Interest-bearing deposits	2.86	3.03	3.25	3.10	2.35
Other assets	9.47	9.23	8.66	8.31	8.17
Deposit liabilities	87.81	88.14	88.11	87.96	87.71
In foreign offices	.09	.06	.03	.04	.08
In domestic offices	87.71	88.08	88.09	87.92	87.63
Demand deposits	15.39	15.03	14.41	13.74	13.20
Other checkable deposits	8.03	9.00	10.30	10.68	10.47
MMDAs	13.99	14.94	14.77	13.21	11.34
Other savings	7.07	7.25	8.41	8.73	8.20
Small time deposits	31.61	30.46	29.25	30.67	33.22
Large time deposits	11.61	11.40	10.95	10.89	11.20
Gross federal funds purchased and repurchase agreements	1.59	1.36	1.34	1.32	1.32
Other liabilities for borrowed money	.49	.50	.53	.55	.57
Other borrowings	1.73	1.54	1.38	1.05	1.14
MEMO					
Money market liabilities	13.79	13.32	12.85	12.80	13.16
Loss reserves	.68	.77	.84	.85	.86
Total equity capital	8.04	8.01	8.09	8.26	8.40

A.2. Portfolio composition, interest rates, and income and expenses, insured commercial banks, 1985–89[1]—Continued

B. Banks with less than $300 million in assets—Continued

Item	1985	1986	1987	1988	1989
	Effective interest rates (percent)				
Rates earned					
Securities	9.61	8.69	7.88	7.91	8.37
State and local government	7.65	7.55	7.53	7.58	7.59
Loans, gross	12.50	11.52	10.84	10.96	11.70
Net of loss provisions	11.01	9.85	9.63	10.04	10.89
Taxable equivalent					
Securities	11.36	10.40	9.24	7.91	9.19
Securities and gross loans	12.11	11.13	10.27	9.98	10.91
Rates paid					
Interest-bearing deposits	7.92	6.91	5.47	6.34	7.07
In foreign offices	...	...	...	...	...
In domestic offices	7.79	6.84	5.31	5.46	...
NOW accounts	...	...	...	...	5.07
MMDAs	...	...	...	...	6.11
Other savings	...	...	...	...	5.36
Small time deposits	...	...	...	...	8.00
Large time deposits	8.67	7.31	6.54	7.09	8.35
All interest-bearing liabilities	7.92	6.91	5.50	6.36	7.11
	Income and expenses as a percentage of average net consolidated assets				
Gross interest income	10.17	9.18	8.63	8.91	9.60
Gross interest expense	5.98	5.20	4.67	4.89	5.48
Net interest margin	4.18	3.97	3.97	4.03	4.12
Taxable equivalent	4.68	4.45	4.35	4.07	4.39
Noninterest income	.81	.82	.83	.85	.90
Loss provisions	.79	.87	.64	.51	.45
Other noninterest expense	3.35	3.36	3.33	3.35	3.37
Securities gains	.07	.15	.03	.01	.01
Income before tax	.92	.71	.86	1.01	1.22
Taxes	.19	.15	.24	.29	.36
Extraordinary items	.01	.02	.02	.02	.02
Net income	.74	.58	.63	.74	.88
Cash dividends declared	.43	.40	.41	.47	.51
Net retained earnings	.32	.19	.23	.27	.37
MEMO					
Average assets (billions of dollars)	652	664	666	647	656
Number of banks	13,100	12,871	12,414	11,796	11,393

A.2. Portfolio composition, interest rates, and income and expenses, insured commercial banks, 1985-89[1]—Continued

C. Banks with $300 million to $5 billion in assets

Item	1985	1986	1987	1988	1989
	Balance sheet items as a percentage of average consolidated assets				
Interest-earning assets	87.98	88.04	88.60	88.82	88.96
Loans	57.25	57.74	59.71	63.23	64.28
Commercial and industrial	19.32	18.70	18.51	18.22	17.73
U.S. addressees	18.79	18.33	18.13	17.92	17.56
Foreign addressees	.53	.37	.38	.23	.17
Real estate	17.99	19.66	22.00	24.23	25.95
Construction	4.05	4.42	4.82	4.80	4.83
Farmland	.20	.23	.24	.27	.27
One- to four-family residential	7.93	8.23	9.07	10.49	11.50
Home equity	...	...	1.51	1.70	2.04
Other	...	...	8.47	8.79	9.46
Multifamily residential	.55	.64	.65	.66	.68
Nonfarm nonresidential	5.25	6.13	7.21	8.01	8.65
Consumer	13.93	13.96	14.28	14.66	15.15
Credit card	3.28	3.46	4.01	4.02	4.43
Installment and other	10.65	10.50	10.28	10.64	10.72
Foreign government	.43	.33	.33	.23	.15
Agricultural production	.69	.57	.46	.46	.43
Security	.65	.61	.54	.39	.36
Other	6.62	6.59	5.86	5.03	4.51
Securities	21.56	21.66	20.98	18.17	18.08
U.S. government	11.09	10.43	11.01	11.18	11.77
U.S. Treasury	7.96	7.20	6.86	6.37	5.63
Government-backed mortgage pools	1.01	1.18	2.13	2.39	3.08
Other	2.12	2.04	2.02	2.43	3.07
State and local government	9.28	9.73	7.80	6.45	3.52
Taxable	...	...	.05	.05	.05
Tax-exempt	...	...	3.81	4.14	3.47
Other bonds and stocks	1.19	1.50	2.17	2.84	2.79
Trading account assets	.29	.34	.26	.32	.37
Gross federal funds sold and reverse repurchase agreements	5.14	5.26	4.71	4.16	3.91
Interest-bearing deposits	4.03	3.38	3.21	2.94	2.33
Other assets	11.80	11.48	10.71	10.16	10.01
Deposit liabilities	79.74	79.90	78.56	78.75	78.77
In foreign offices	2.69	2.42	2.50	2.31	1.96
In domestic offices	77.05	77.49	76.05	76.44	76.81
Demand deposits	18.72	18.68	17.43	16.10	15.15
Other checkable deposits	5.36	6.31	7.08	7.44	7.26
MMDAs	14.75	15.92	15.22	13.87	12.77
Other savings	5.98	6.12	6.90	7.37	7.09
Small time deposits	18.68	17.91	16.88	19.13	21.87
Large time deposits	13.57	12.55	12.54	12.53	12.66
Gross federal funds purchased and repurchase agreements	8.56	8.60	9.17	8.79	8.60
Other liabilities for borrowed money	2.33	2.27	3.03	3.20	3.20
Other borrowings	3.13	2.82	2.70	1.65	1.66
MEMO					
Money market liabilities	27.14	25.84	27.24	26.83	26.43
Loss reserves	.77	.85	1.02	1.02	1.03
Total equity capital	6.39	6.52	6.51	6.59	6.74

A.2. Portfolio composition, interest rates, and income and expenses, insured commercial banks, 1985–89[1]—Continued
C. Banks with $300 million to $5 billion in assets—Continued

Item	1985	1986	1987	1988	1989
	Effective interest rates (percent)				
Rates earned					
Securities	9.01	8.14	7.66	7.86	8.36
State and local government	7.35	7.13	7.19	7.14	7.33
Loans, gross	11.94	10.89	10.37	10.59	11.55
Net of loss provisions	10.94	9.68	9.04	9.63	10.42
Taxable equivalent					
Securities	11.36	10.49	9.19	7.86	9.21
Securities and gross loans	11.79	10.78	10.06	10.12	11.15
Rates paid					
Interest-bearing deposits	7.82	6.77	5.46	6.47	7.33
In foreign offices	8.63	6.96	6.79	7.65	8.97
In domestic offices	7.58	6.64	5.11	5.37	...
NOW accounts	...	...	...	...	4.85
MMDAs	...	...	...	...	6.58
Other savings	...	...	...	...	5.33
Small time deposits	...	...	...	...	8.27
Large time deposits	8.55	7.23	6.79	7.39	8.72
All interest-bearing liabilities	7.82	6.75	5.63	6.68	7.66
	Income and expenses as a percentage of average net consolidated assets				
Gross interest income	9.41	8.52	8.23	8.73	9.62
Gross interest expense	5.66	4.86	4.56	4.98	5.78
Net interest margin	3.75	3.66	3.67	3.75	3.84
Taxable equivalent	4.25	4.17	3.99	3.87	4.09
Noninterest income	1.34	1.29	1.33	1.33	1.35
Loss provisions	.56	.69	.78	.61	.73
Other noninterest expense	3.57	3.45	3.44	3.41	3.42
Securities gains	.04	.11	.04	.00	.01
Income before tax	1.00	.93	.83	1.06	1.05
Taxes	.18	.18	.26	.31	.31
Extraordinary items	.01	.01	.01	.01	.01
Net income	.83	.76	.58	.76	.74
Cash dividends declared	.37	.39	.42	.46	.48
Net retained earnings	.45	.37	.16	.30	.26
MEMO					
Average assets (billions of dollars)	685	738	808	804	842
Number of banks	724	779	777	800	831

A.2. Portfolio composition, interest rates, and income and expenses, insured commercial banks, 1985-89[1] —Continued

D. Nine money center banks

Item	1985	1986	1987	1988	1989
	Balance sheet items as a percentage of average consolidated assets				
Interest-earning assets	80.56	80.09	80.65	84.84	84.64
Loans	61.91	60.07	58.41	58.53	59.31
Commercial and industrial	29.46	26.49	24.23	22.77	21.77
U.S. addressees	14.34	13.24	12.57	12.04	11.90
Foreign addressees	15.12	13.25	11.60	10.73	9.87
Real estate	10.49	11.45	12.52	13.71	16.10
Construction	2.18	2.52	2.88	2.96	3.14
Farmland	.07	.06	.04	.04	.05
One- to four-family residential	4.22	4.17	4.35	5.03	6.46
Home equity	...	...	.43	.55	.81
Other	...	...	4.26	4.48	5.66
Multifamily residential	.38	.45	.56	.60	.63
Nonfarm nonresidential	1.89	2.09	2.33	2.34	2.75
Consumer	5.78	6.13	5.99	5.82	5.84
Credit card	2.21	2.21	2.05	1.77	1.68
Installment and other	3.57	3.92	3.94	4.04	4.16
Foreign government	3.92	3.82	3.65	3.67	3.47
Agricultural production	.49	.36	.28	.26	.23
Security	1.21	1.16	.82	.65	.64
Other	11.57	11.67	11.75	11.65	11.26
Securities	7.15	8.49	9.38	8.65	8.90
U.S. government	2.31	2.28	2.75	3.08	3.24
U.S. Treasury	1.85	1.58	1.43	1.34	1.18
Government-backed mortgage pools	.38	.61	1.25	1.64	1.83
Other	.09	.09	.07	.10	.24
State and local government	3.02	3.48	3.23	1.85	1.60
Taxable	...	...	.01	.01	.02
Tax-exempt	...	...	1.57	1.84	1.58
Other bonds and stocks	1.82	2.73	3.40	3.72	4.07
Trading account assets	3.67	4.90	4.52	4.33	4.29
Gross federal funds sold and reverse repurchase agreements	3.54	3.62	3.95	4.64	4.10
Interest-bearing deposits	7.95	7.91	8.91	8.69	8.03
Other assets	15.31	14.38	13.13	12.47	12.55
Deposit liabilities	70.74	69.92	70.16	69.57	69.03
In foreign offices	35.86	34.64	35.03	34.02	32.62
In domestic offices	34.88	35.28	35.13	35.56	36.42
Demand deposits	11.51	12.46	12.34	11.53	11.09
Other checkable deposits	1.30	1.63	2.03	2.23	2.25
MMDAs	7.35	7.70	6.89	6.72	6.51
Other savings	1.77	2.06	3.09	3.56	3.73
Small time deposits	4.76	4.12	3.95	4.38	4.98
Large time deposits	8.18	7.30	6.83	7.14	7.87
Gross federal funds purchased and repurchase agreements	7.66	8.17	6.83	6.02	6.15
Other liabilities for borrowed money	6.51	7.95	8.69	9.52	9.80
Other borrowings	11.02	9.93	9.64	7.78	7.54
MEMO					
Money market liabilities	58.21	58.07	57.41	56.69	56.44
Loss reserves	.83	1.02	2.11	2.69	2.81
Total equity capital	4.69	4.78	4.33	4.42	4.66

A.2. Portfolio composition, interest rates, and income and expenses, insured commercial banks, 1985–89[1]—Continued

D. Nine money center banks—Continued

Item	1985	1986	1987	1988	1989
	Effective interest rates (percent)				
Rates earned					
Securities	9.41	8.51	8.48	8.67	9.16
State and local government	7.24	7.09	7.26	7.70	7.65
Loans, gross	12.08	10.53	10.41	11.40	13.35
Net of loss provisions	10.85	9.18	6.67	10.77	10.88
Taxable equivalent					
Securities	11.75	10.89	8.76	8.67	9.32
Securities and gross loans	12.05	10.58	10.18	11.13	12.82
Rates paid					
Interest-bearing deposits	8.91	7.41	6.70	7.89	9.39
In foreign offices	9.59	7.88	8.01	9.01	10.97
In domestic offices	7.43	6.47	4.47	5.00	...
NOW accounts	...	...	...	...	4.56
MMDAs	...	...	...	...	6.66
Other savings	...	...	...	...	6.23
Small time deposits	...	...	...	...	8.50
Large time deposits	9.07	7.45	7.33	8.04	8.68
All interest-bearing liabilities	7.96	7.57	7.30	8.89	11.02
	Income and expenses as a percentage of average net consolidated assets				
Gross interest income	9.10	7.85	7.90	9.55	10.92
Gross interest expense	6.74	5.57	7.93	6.63	8.24
Net interest margin	2.36	2.28	2.06	2.91	2.68
Taxable equivalent	2.53	2.49	2.09	2.97	2.70
Noninterest income	1.75	2.02	2.50	2.11	2.22
Loss provisions	.75	.79	2.16	.38	1.50
Other noninterest expense	2.71	2.96	3.18	3.27	3.42
Securities gains	.06	.13	.08	.03	.04
Income before tax	.71	.68	−.70	1.40	.02
Taxes	.26	.22	.15	.41	.35
Extraordinary items	.00	.00	.00	.08	.03
Net income	.45	.46	−.86	1.06	−.30
Cash dividends declared	.25	.21	.28	.38	.36
Net retained earnings	.21	.25	−1.14	.69	−.66
MEMO					
Average assets (billions of dollars)	618	645	650	641	643
Number of banks	9	9	9	9	9

A.2. Portfolio composition, interest rates, and income and expenses, insured commercial banks, 1985–89[1]—Continued
E. Large banks other than money center banks

Item	1985	1986	1987	1988	1989
	Balance sheet items as a percentage of average consolidated assets				
Interest-earning assets	84.28	84.88	85.78	87.30	86.92
Loans	61.07	60.68	61.58	64.33	64.21
Commercial and industrial	26.02	24.79	23.98	23.42	23.29
U.S. addressees	21.96	21.60	21.36	21.42	21.74
Foreign addressees	4.06	3.19	2.62	1.99	1.55
Real estate	13.09	13.72	16.05	18.49	19.77
Construction	4.33	4.61	5.15	5.43	5.46
Farmland	.08	.10	.11	.12	.14
One- to four-family residential	5.29	5.32	6.04	7.08	7.79
Home equity	...	...	1.16	1.33	1.57
Other	...	...	5.43	5.75	6.22
Multifamily residential	.33	.34	.44	.47	.48
Nonfarm nonresidential	2.91	3.18	4.11	5.15	5.66
Consumer	10.25	11.52	11.78	12.35	12.02
Credit card	4.00	4.60	4.68	5.09	4.95
Installment and other	6.26	6.91	7.10	7.26	7.07
Foreign government	2.08	1.71	1.59	1.23	.84
Agricultural production	.50	.42	.38	.35	.35
Security	1.43	1.32	1.04	.91	.98
Other	9.64	9.40	8.63	7.57	6.97
Securities	12.24	14.74	15.37	13.42	13.42
U.S. government	5.47	6.46	7.73	8.15	8.70
U.S. Treasury	4.14	4.45	4.72	4.55	3.69
Government-backed mortgage pools	.88	1.41	2.29	3.00	4.08
Other	.45	.60	.71	.60	.93
State and local government	6.13	7.30	6.00	3.14	2.61
Taxable	...	...	.02	.01	.05
Tax-exempt	...	...	2.90	3.13	2.56
Other bonds and stocks	.64	.97	1.64	2.13	2.11
Trading account assets	1.12	1.14	.79	.74	.77
Gross federal funds sold and reverse repurchase agreements	3.33	3.01	2.80	3.31	3.52
Interest-bearing deposits	7.64	6.46	6.03	5.50	4.99
Other assets	14.18	13.37	12.29	11.02	11.62
Deposit liabilities	69.94	68.90	69.41	70.17	70.48
In foreign offices	13.57	10.97	10.28	9.40	8.58
In domestic offices	56.37	57.93	59.13	60.77	61.90
Demand deposits	16.61	17.48	16.77	15.26	14.31
Other checkable deposits	3.26	3.77	4.59	4.96	4.96
MMDAs	10.29	11.56	11.79	11.40	10.80
Other savings	3.44	3.60	4.56	4.83	4.51
Small time deposits	10.48	10.06	9.91	11.48	13.67
Large time deposits	12.28	11.45	11.50	12.84	13.64
Gross federal funds purchased and repurchase agreements	13.24	14.40	13.76	12.73	13.03
Other liabilities for borrowed money	4.75	5.55	5.73	6.34	5.90
Other borrowings	7.46	6.67	6.22	3.79	3.60
MEMO					
Money market liabilities	43.84	42.37	41.27	41.31	41.15
Loss reserves	.92	1.06	1.54	1.68	1.46
Total equity capital	5.42	5.50	5.29	5.29	5.53

A.2. Portfolio composition, interest rates, and income and expenses, insured commercial banks, 1985–89[1]–Continued
E. Large banks other than money center banks–Continued

Item	1985	1986	1987	1988	1989
	Effective interest rates (percent)				
Rates earned					
Securities	8.87	7.94	7.90	8.25	8.86
State and local government	7.25	6.92	7.14	7.26	7.35
Loans, gross	11.76	10.52	10.24	10.49	11.63
Net of loss provisions	10.69	9.16	7.63	9.54	10.05
Taxable equivalent					
Securities	11.70	10.60	8.99	8.25	9.63
Securities and gross loans	11.75	10.54	9.98	10.22	11.38
Rates paid					
Interest-bearing deposits	8.34	6.90	5.88	6.82	7.98
In foreign offices	9.37	7.67	7.83	8.93	11.07
In domestic offices	7.68	6.47	6.63	5.29	...
NOW accounts	...	...	...	...	4.48
MMDAs	...	...	...	...	6.67
Other savings	...	...	...	...	5.43
Small time deposits	...	...	...	...	8.55
Large time deposits	8.80	7.34	7.06	7.40	8.70
All interest-bearing liabilities	8.09	6.87	6.18	7.27	8.58
	Income and expenses as a percentage of average net consolidated assets				
Gross interest income	9.08	7.95	8.08	8.76	9.73
Gross interest expense	5.92	4.84	4.81	5.33	6.36
Net interest margin	3.16	3.12	3.27	3.42	3.37
Taxable equivalent	3.50	3.51	3.44	3.52	3.55
Noninterest income	1.43	1.49	1.59	1.61	1.73
Loss provisions	.64	.79	1.58	.62	1.03
Other noninterest expense	3.04	3.10	3.27	3.29	3.29
Securities gains	.07	.16	.05	.00	.04
Income before tax	.96	.88	.06	1.13	.82
Taxes	.23	.21	.08	.33	.24
Extraordinary items	.01	.01	.00	.02	.00
Net income	.74	.68	–.02	.82	.58
Cash dividends declared	.26	.32	.35	.45	.41
Net retained earnings	.48	.36	–.36	.37	.17
MEMO					
Average assets (billions of dollars)	605	707	759	867	971
Number of banks	65	74	73	86	90

Treasury and Federal Reserve Foreign Exchange Operations

This quarterly report, covering the period February through April 1990, provides information on Treasury and System foreign exchange operations. It was presented by Sam Y. Cross, Manager of Foreign Operations of the System Open Market Account and Executive Vice President in charge of the Foreign Group of the Federal Reserve Bank of New York. George G. Bentley was primarily responsible for preparation of the report.[1]

The dollar gained support during the February–April reporting period as the prospects for U.S. growth came to be viewed as somewhat better, and earlier expectations that monetary policy would ease were replaced by consideration of a possible tightening. At the same time, factors abroad strongly influenced individual exchange rates. Accordingly, the dollar moved up the most against the Japanese yen, which was affected by political uncertainties and weakness in Japan's stock market. The dollar also stopped its decline against the German mark amid concern about the potential inflationary implications for Germany of economic and monetary union between East and West.

During the three-month period, the dollar declined less than ½ percent against the mark and more against some other European currencies, ending the period about 18 percent below its mid-June 1989 highs against the mark. In contrast, the dollar rose 10 percent against the yen to trade nearly 5 percent above its mid-June 1989 levels. On a trade-weighted basis, as measured by the staff of the Board of Governors of the Federal Reserve System, the dollar rose more than 1 percent to end the period 12½ percent below its highs of mid-June 1989.

Intervention operations carried out by the U.S. monetary authorities during the period were aimed primarily at moderating the rise of the dollar against the yen. During the three-month period, the Trading Desk at the Federal Reserve Bank of New York sold a total of $1,780 million, of which $1,580 million was sold against yen and the remainder against marks. Of these totals, $375 million of the dollar sales against yen was financed by the Federal Reserve System. The remaining $1,205 million sold against yen, together with the entire $200 million sold against marks, was financed by the U.S. Treasury through the Exchange Stabilization Fund (ESF).

February through the Beginning of April

Reports indicating that U.S. economic growth was quickening helped improve sentiment toward the dollar as the period opened, tending to dispel the prevailing impression that U.S. monetary policy was likely to ease. In the first weeks of February, data were released showing strong increases in employment, a strengthening of retail sales, and a sharp rise in producer prices for January. About the same time, comments from some Federal Reserve officials suggested that the likelihood of a recession in the United States had diminished. Subsequent data and testimony by U.S monetary officials reinforced the view that the balance of policy concerns had shifted from supporting growth to restraining inflation.

This shift in assessments of economic and policy conditions in the United States provided a foundation for a firmer tone to the dollar for much of the period under review. Within that frame-

1. The charts for the report are available on request from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

1. Federal Reserve reciprocal currency arrangements
Millions of dollars

Institution	Amount of facility, April 30, 1990
Austrian National Bank	250
National Bank of Belgium	1,000
Bank of Canada	2,000
National Bank of Denmark	250
Bank of England	3,000
Bank of France	2,000
Deutsche Bundesbank	6,000
Bank of Italy	3,000
Bank of Japan	5,000
Bank of Mexico	700
Netherlands Bank	500
Bank of Norway	250
Bank of Sweden	300
Swiss National Bank	4,000
Bank for International Settlements	
Dollars against Swiss Francs	600
Dollars against other authorized European currencies	1,250
Total	**30,100**

work, the extent to which the dollar advanced against another country's currency depended very much on developments in that country.

Thus, as the period began, the European currencies continued to gain support from the enthusiasm engendered late last year by reforms in Eastern Europe. With institutional investors, especially Japanese investors, reportedly expanding their portfolio investments in European currencies, the dollar extended the decline against the mark that had begun when the Berlin Wall was opened in October. On February 7, the dollar reached DM 1.6490—its lowest level against the mark in almost two years.

Then on February 7, the West German government announced plans for immediate talks on monetary union between East and West Germany, and the dollar began to firm against the mark as attention quickly focused on the possible inflationary consequences of such a move. Market participants feared that the conversion of East German marks into West German marks would result in a worrisome increase in German monetary aggregates or unleash pent-up demand for German products. They noted that the new source of demand would materialize at the same time that West German residents would be feeling the effects of a tax cut. A new round of wage negotiations by the country's largest trade union was an additional source of concern. As inflation anxieties mounted, German bond prices softened, and yields hit levels above comparable U.S. bond yields for the first time in ten years.

Against the yen, the dollar was trading in a fairly narrow range when the period opened, as market participants awaited the results of parliamentary elections in Japan on February 18 to see whether the ruling Liberal Democratic party (LDP) could maintain control in the lower house. On news that the LDP had won a majority larger than expected, the dollar declined to touch its period low against the yen of ¥143.60 on February 19. But soon thereafter, the dollar began to firm as market participants questioned whether the LDP's strong showing would be sufficient to ward off pressures from the opposition-dominated upper house and address in a meaningful way the challenging economic and trade issues confronting Japan. Before the elections, Japanese short- and long-term money market yields had been rising slowly in the expectation that an increase in the Bank of Japan's discount rate would be announced soon afterward. In the event, concerns over escalating interest rates abroad and accelerating monetary expansion at home combined to trigger a sharp drop in Japanese stock and bond prices in the weeks following the elections. The Nikkei Dow index of the Tokyo stock market fell 10 percent, and the yields of Japanese government bonds climbed well above 7 percent. Market participants came to believe that the Bank of Japan would be reluctant to tighten monetary policy in these circumstances, but they remained concerned about whether adequate measures would be taken to break the rapidly deteriorating sentiment surrounding Japan's financial markets.

Against this background, upward pressure on the dollar against the yen intensified. On February 23, the U.S. monetary authorities, in keeping with the Group of Seven (G-7) understandings on exchange rate cooperation, intervened to resist the dollar's rise against the Japanese currency. As upward pressure on the dollar against the yen continued, the U.S. authorities intervened in moderate amounts through March 2, selling a total of $650 million against yen. Financing of these operations was shared equally by the Federal Reserve and the U.S. Treasury.

At that time, the dollar also came under more intense upward pressure against the mark as fears of German inflation intensified. As the dollar advanced to DM1.7237 on March 1, its highest level against that currency since January, widespread reports circulated through the markets that the Bundesbank and other European central banks were intervening in the foreign exchange markets to support the mark and resist the dollar's rise. On March 5, with the dollar rising against both currencies, U.S. Treasury officials decided to reinforce their intervention in yen with sales of dollars against marks. Before those mark sales, several officials within the Federal Reserve had expressed concern that the size of the intervention operations might contribute to uncertainty about the Federal Reserve's priority toward achieving price stability. Concerns were also voiced that expanding the operations to include other currencies might be seen as an attempt to promote a broad-based decline in dollar exchange rates. At the time, Federal Reserve holdings of foreign currencies, taking into account anticipated further interest earnings, were approaching the limit of $21 billion authorized by the Federal Open Market Committee (FOMC). Under these circumstances, the decision was made not to seek authorization from the FOMC for continued Federal Reserve operations pending a review of Federal Reserve foreign currency operations at the FOMC's March 27 meeting. Thus, from March 5 through March 27, all U.S. intervention operations, totaling $830 million against yen and $200 million against marks, were financed solely by the U.S. Treasury through the ESF. At the March 27 meeting, the FOMC voted to approve an increase in the authorized limit on Federal Reserve holdings of foreign currencies from $21 billion to $25 billion. When the dollar again came under upward pressure against the yen on March 28, the Desk intervened to sell $50 million against yen, financed once more by the Federal Reserve and the U.S. Treasury equally.

As April began, sentiment toward the yen was still negative, and Japanese stock and bond prices remained under downward pressure amid market concerns about political leadership and economic policy in Japan. A March 20 increase of 1 percentage point in the Bank of Japan's discount rate had not immediately relieved the pressures against the yen. An important round of negotiations under the Structural Impediments Initiative was getting under way between the United States and Japan in an atmosphere of growing U.S. concern and considerable uncertainty in Japan over their possible outcome. On the first trading day of the Japanese new fiscal year, the Nikkei Dow index closed nearly 25 percent below—and yields on Japanese government bonds about 75 basis points above—levels prevailing at the beginning of the period. Against that background, the dollar reached ¥160.35 on April 2, the highest level for the dollar against that currency since December 1986.

Up to that point, most market participants had not expected the upcoming G-7 meeting to focus strongly on currency issues. But as developments in Japan unfolded, reports began to circulate that the G-7 might implement a massive package supporting the yen. Market participants therefore adopted a more cautious attitude as the April 7 meeting approached, and the dollar began to ease somewhat against the yen.

April Developments after the Paris G-7 Meeting

The statement released after the G-7 meeting on April 7 reported that the G-7 "Ministers and Governors discussed developments in global financial markets, especially the decline of the yen against other currencies, and its undesirable consequences for the global adjustment process and . . . reaffirmed their commitment to economic policy coordination, including cooperation in the exchange markets."

On the Monday after the G-7 meeting, the dollar moved erratically as market participants assessed the implications of the statement. In Far Eastern trading before the opening of the Tokyo market, the dollar rose sharply against the yen as market participants interpreted the statement as indicating a lack of G-7 commitment to aggressive intervention in support of the yen. In Tokyo, however, market reports predicting stepped-up concerted intervention by the G-7 countries brought the dollar under strong downward pressure, and the dollar moved down from ¥160 to ¥155.45 within a few hours. During the day, the dollar began to rise once again on reports of

2. Drawings and repayments by foreign central banks[1]

Millions of dollars; drawings or repayments (−)

Central bank	Amount of facility	Outstanding as of January 31, 1990	February	March	April	Outstanding as of April 30, 1990
	Under reciprocal currency arrangements with the Federal Reserve System					
Bank of Mexico	700.0[2]	700.0[2]	−700.0[2]	...	...	0
	700.0[3]	...	...	700.0[3]	−158.2[3]	541.8[3]
	Under special swap arrangements with the Federal Reserve System					
Bank of Mexico[2]	125.0	34.1	−34.1	...	...	...

1. Data are on a value-date basis.
2. Drawn as part of the $2,000 million near-term credit facility established on September 14, 1989. Facility expired on February 15, 1990.
3. Represents the FOMC portion of a $1,300 million short-term credit facility established on March 23, 1990.

3. Drawings and repayments by foreign central banks under special swap arrangements with the U.S. Treasury[1]

Millions of dollars; drawings or repayments (−)

Central bank drawing on the U.S. Treasury	Amount of facility	Outstanding as of January 31, 1990	February	March	April	Outstanding as of April 30, 1990
Bank of Mexico	425.0[2]	334.1[2]	−334.1[2]	...	...	...
	600.0[3]	...	...	600.0[3]	−135.6[3]	464.4[3]
Central Bank of Venezuela[4]	104.0	...	...	25.0	−25.0	...
National Bank of Poland[5]	200.0	86.0	−86.0	0	0	0

1. Data are on a value-date basis.
2. Represents the ESF portion of $2,000 million near-term credit facility that expired on February 15, 1990.
3. Represents the ESF portion of a $1,300 million short-term credit facility established on March 23, 1990.
4. Represents the ESF portion of a $400 million near-term support facility that expired on April 30, 1990.
5. Represents the ESF portion of a $500 million short-term credit facility established on December 27, 1989. The ESF facility will expire on May 31, 1990.

coordinated, but not large-scale, intervention. As the dollar continued to rise against the yen in New York, the U.S. monetary authorities, in their only intervention in April, sold $50 million against yen, shared equally between the Federal Reserve and the U.S. Treasury.

In the weeks that followed, several developments combined to lessen negative sentiment toward the yen. First, market participants came to view the Bank of Japan's discount rate increase in March as sufficient, at least for the time being, and expectations of a further rise in interest rates dissipated. Furthermore, in retrospect, market participants came to see the variety of international negotiations leading up to the Structural Impediments Initiative talks and the G-7 meeting as being rather successful and diminishing the strains within the Japanese leadership. Finally, Japanese stock and bond markets became more settled in early April, recouping some of the losses sustained earlier in the period.

In Europe, the focus of market attention during April remained on Germany and German monetary union. Market participants began to feel that the inflationary risks of monetary union had been exaggerated. As confidence grew that Bundesbank policy would be sufficiently restrictive to contain pressures that might emerge, sentiment toward the mark became more favorable.

Under these circumstances, the dollar stopped advancing against the mark and yen during April. But at the same time that sentiment toward these other currencies was improving, the dollar continued to draw support from U.S. data releases suggesting strong economic activity and from the belief that U.S. monetary policy would remain directed at dealing with price pressures. The dollar therefore closed the period near its three-month high against the yen at ¥158.90 and around the midpoint of its three-month trading range against the mark at DM1.6790.

TOTAL OPERATIONS OF U.S. MONETARY AUTHORITIES

For the period as a whole, the U.S. monetary authorities sold a total of $1,780 million—$1,580 million against Japanese yen and $200 million against German marks. The U.S. Treasury, through the ESF, sold $1,205 million against yen and $200 million against marks, while the Federal Reserve sold $375 million against yen. During March, the ESF "warehoused" $2,000 million equivalent of foreign currencies with the Federal Reserve, bringing the total of warehoused funds to $9,000 million equivalent. The warehousing transactions resulted in realized profits of $292.4 million for the ESF, reflecting the difference between the rate at which the warehoused funds had originally been acquired in the market and the rate at which they were exchanged with the Federal Reserve.

Other operations during the period were the following:

- On February 9, 1990, Poland repaid in full its outstanding commitment to the ESF of $86.0 million. The commitment was from a drawing made at the end of 1989 under a $500 million short-term support package established with the ESF and the Bank for International Settlements (acting for certain participating member banks).
- Also in February, Mexico repaid in full its outstanding commitments under the $2,000 million multilateral facility established on September 14, 1989. Mexico made partial repayments of $6.1 million each to the Federal Reserve and the ESF on February 2. Final repayments of $728.0 million and $328.0 million were made to the Federal Reserve and ESF respectively on February 15.
- On March 23, the Federal Reserve and Treasury agreed to establish a $1,300 million short-term credit facility with Mexico. The Federal Reserve's share of $700 million was provided under an existing reciprocal swap line, while the ESF's share of $600 million was provided under a special swap arrangement. On March 28, Mexico drew the entire amount of the facility. Subsequently, Mexico made partial repayments on two occasions in April, reducing its outstanding commitments to $541.8 million for the Federal Reserve and $464.4 million for the ESF by the end of the period.

4. Net profits or losses (−) on U.S. Treasury and Federal Reserve current foreign exchange operations[1]

Millions of dollars

Period and item	Federal Reserve	U.S. Treasury Exchange Stabilization Fund
February 1, 1990–April 30, 1990		
Realized	0	292.4
Valuation profits and losses on outstanding assets and liabilities as of April 30, 1990	1,996.9	881.8

1. Data are on a value-date basis.

- On March 16, 1990, the U.S. Treasury and the Bank for International Settlements (acting for certain participating member banks) agreed to provide the Republic of Venezuela with short-term support of $400 million for economic adjustment efforts. The ESF's share in the facility was $104 million, of which $25.0 million was drawn on March 30. Venezuela repaid $15.3 million to the ESF on April 6 and the balance on April 30, thereby liquidating the facility.

As of the end of April, cumulative bookkeeping or valuation gains on outstanding foreign currency balances were $1,996.9 million for the Federal Reserve and $881.8 million for the ESF (the latter figure includes valuation gains on warehoused funds). These valuation gains represent the increase in dollar value of outstanding currency assets valued at end-of-period exchange rates, compared with the rates prevailing at the time the foreign currencies were acquired.

The Federal Reserve and the ESF regularly invest their foreign currency balances in a variety of instruments that yield market-related rates of return and that have a high degree of quality and liquidity. A portion of the balances is invested in securities issued by foreign governments. As of the end of April, holdings of such securities by the Federal Reserve amounted to $6,631.3 million equivalent, and holdings by the Treasury amounted to the equivalent of $6,977.3 million valued at end-of-period exchange rates.

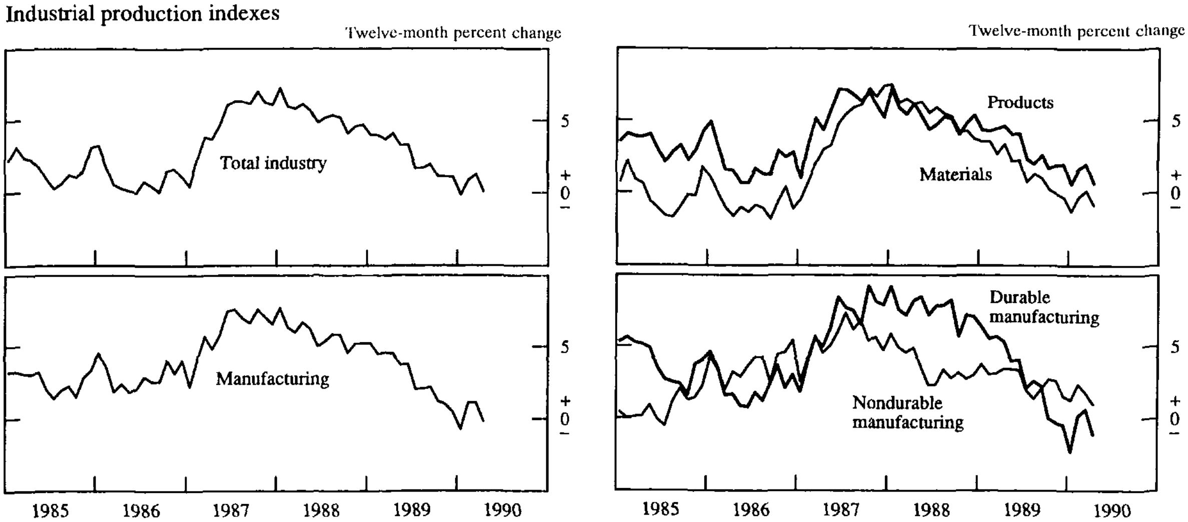
Industrial Production and Capacity Utilization

Released for publication May 15

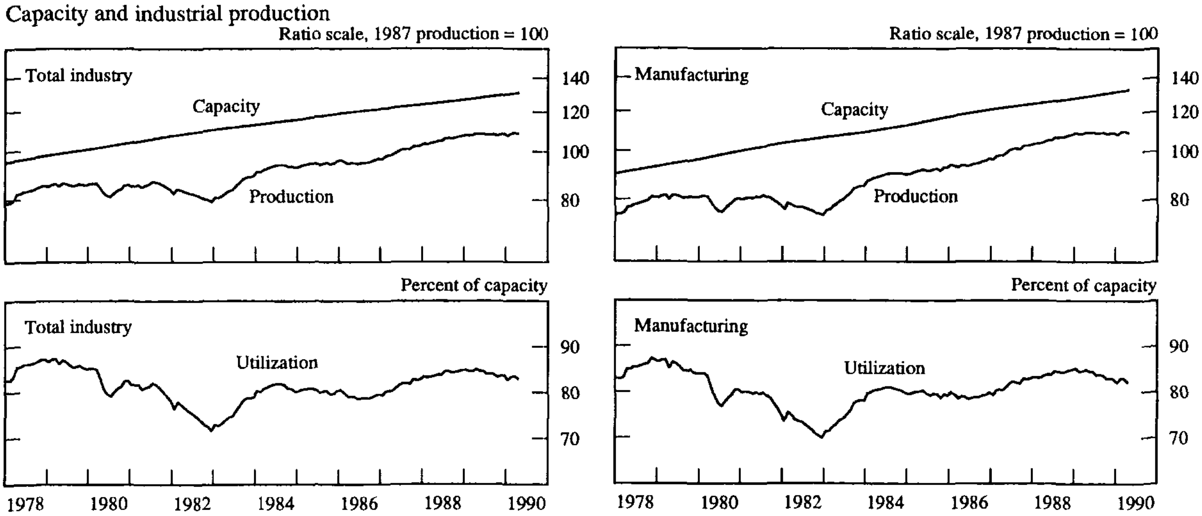
Industrial production fell 0.4 percent in April after having increased 0.5 percent in March; industrial capacity utilization decreased 0.5 percentage point in April to 83.0 percent.

A sharp drop in the production of motor vehicles and parts, affecting both consumer goods and business equipment, accounted for the April decline in industrial production. Industrial production excluding motor vehicles and parts was unchanged in April and has shown little movement since January. Total industrial production fell in April to 108.7 percent of its 1987 annual average, about the same as its level a year earlier. The decline in output lowered capacity utilization 2.0 percentage points below last April's level.

Industrial production indexes



Capacity and industrial production



All series are seasonally adjusted. Latest figures: April.

In market groups, output of consumer goods declined 1.0 percent in April as production of autos and light trucks fell nearly 14 percent. Apart from autos and trucks, production of durable consumer goods declined 0.7 percent owing mainly to a drop in output of appliances. The output of nondurable consumer goods remained sluggish in April. Production of business equipment excluding motor vehicles declined slightly in April and has changed little, on balance, since January. Output of construction supplies dropped sharply in both March and April, retracing the gains posted during the fall and winter months. Materials output was little changed again in April as increases in paper, chemicals, and coal were about offset by a decline in production of parts and materials for the motor vehicle industry.

In industry groups, manufacturing output fell 0.6 percent in April, bringing the factory operating rate down 0.7 percentage point to 82.2 percent. Excluding the output of motor vehicles and parts, manufacturing output declined 0.2 percent. In contrast, output in mining and at utilities rose significantly in April. The increase for mining resulted from gains in oil and gas extraction and continued strength in coal mining. The operating rate for coal mines reached 94.3 percent in April, its highest level in more than a year.

Within manufacturing, capacity utilization in both primary and advanced processing industries fell more than 0.5 percent in April. Operating rates for most industries declined, reflecting widespread weakness in output. Aside from motor vehicles and parts, the largest drops in utilization in April came in the nonferrous metals and fabricated metals products industries. Output in both these industries has retreated substantially since the start of 1989: Production of nonferrous metals has fallen nearly 7 percent, bringing its operating rate down to 84 percent, and output of fabricated metals products has fallen about 4 percent, bringing its utilization rate down to 80 percent. Nonetheless, the operating rates for both are still above their long-run averages.

Industrial production	1987 = 100				Percentage change from preceding month				Percentage change, Apr. 1989 to Apr. 1990
	1990				1990				
	Jan.	Feb.	Mar.	Apr.[p]	Jan.[r]	Feb.[r]	Mar.[r]	Apr.[p]	
Total index	**107.5**	**108.5**	**109.1**	**108.7**	**−1.0**	**.9**	**.5**	**−.4**	**.1**
Previous estimates	107.2	108.1	108.8	...	−1.3	.8	.7	...	...
Major market groups									
Products, total	**108.5**	**109.8**	**110.9**	**110.0**	**−1.6**	**1.2**	**1.1**	**−.8**	**.5**
Consumer goods	106.0	107.2	108.2	107.1	−2.1	1.1	.9	−1.0	.1
Business equipment	118.0	119.9	121.8	120.6	−1.6	1.6	1.5	−.9	.9
Construction supplies	107.9	108.3	106.2	105.2	.5	.3	−1.9	−.9	−1.1
Materials	106.2	107.0	107.0	107.1	−.6	.7	.0	.1	−.9
Major industry groups									
Manufacturing	108.1	109.5	109.9	109.2	−.6	1.3	.3	−.6	−.2
Durable	108.6	110.7	111.6	110.4	−1.7	1.9	.8	−1.0	−1.1
Nondurable	107.5	108.0	107.7	107.6	.8	.5	−.3	−.1	1.0
Mining	101.7	100.3	101.0	101.9	1.5	−1.4	.7	.9	.2
Utilities	106.8	105.9	109.2	109.9	−8.1	−.8	3.2	.6	3.3

Capacity utilization	Percent of capacity								Capacity growth, Apr. 1989 to Apr. 1990
	Average, 1967–89	Low, 1982	High, 1988–89	1989	1990				
				Apr.	Jan.[r]	Feb.[r]	Mar.[r]	Apr.[p]	
Total industry	**82.2**	**71.8**	**85.0**	**85.0**	**82.7**	**83.2**	**83.5**	**83.0**	**2.5**
Manufacturing	81.5	70.0	85.1	84.8	82.0	82.9	82.9	82.2	3.0
Advanced processing	81.1	71.4	83.6	83.6	80.5	81.6	82.0	81.2	3.3
Primary processing	82.3	66.8	89.0	87.8	85.7	86.0	85.1	84.5	2.4
Mining	87.3	80.6	87.2	86.6	87.8	86.7	87.4	88.3	−1.7
Utilities	86.8	76.2	92.3	84.9	84.8	84.0	86.6	87.1	.8

NOTE. Indexes are seasonally adjusted.

Statements to the Congress

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, in Chicago, Illinois, before the Subcommittee on Financial Institutions Supervision, Regulation and Insurance of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, May 14, 1990.

I am pleased to appear before the subcommittee this morning. The issues you are raising are both wide-ranging and of immense importance to the evolution of the financial system. I could not possibly do justice to all of them this morning. What I will attempt to do, and what I hope will be useful to you, is first to describe the global environment in which U.S. financial firms are likely to be operating over the foreseeable future. Against this background, I will comment on the effectiveness of U.S. banks' competition today and will then discuss some policy implications. I will also comment briefly on competition in securities and financial futures markets and on proposals to change regulatory jurisdiction in these markets.

GLOBALIZATION OF FINANCIAL MARKETS

Globalization and interdependence are becoming the dominant elements of world finance. Foreign-based financial intermediaries play an increasingly prominent role in U.S. financial markets, and foreign investors are adding to their already significant holdings of U.S. financial and other assets. The volume of transactions by foreigners in U.S. securities markets has increased even more dramatically than foreign holdings. For example, foreign purchases and sales of U.S. Treasury securities surpassed $4 trillion on a gross basis in 1989, up from $100 billion to $200 billion early in the decade. Similarly, foreign purchases and sales of U.S. corporate stocks and bonds have been running dramatically above rates early in the decade. U.S. purchases and sales of foreign stocks and bonds also increased sharply during the 1980s, as did the activities abroad of U.S. financial intermediaries. This surge in cross-border financial transactions has paralleled a large advance in the magnitude of cross-border trade of goods and services.

A key factor behind these trends in international trade and securities transactions is a process that I have described elsewhere as the "downsizing of economic output." By this I mean that the creation of economic value has shifted increasingly toward conceptual values with decidedly less reliance on physical volumes. Today, for example, major new insights have led to thin fiber optics replacing vast tonnages of copper in communications. Financial transactions historically buttressed with reams of paper are being progressively reduced to electronic charges. Such advances not only reduce the amount of human physical effort required in making and completing financial transactions across national borders, but facilitate more accuracy, speed, and ease in execution.

Underlying this process have been quantum advances in technology, spurred by economic forces. In recent years, the explosive growth in information-gathering and processing techniques has greatly extended our analytic capabilities of substituting ideas for physical volume. The purpose of production of economic value has not changed and will not change. It will continue as before to serve human needs and values. But the form of output increasingly will be less tangible and hence more easily traded across international borders. It should not come as a surprise, therefore, that in recent decades the growth in world trade has far outstripped the growth in domestic demand for goods and services. This development, of necessity, implies that on average the share of imports as a percentage of gross domestic product has grown dramatically worldwide. Since irreversible conceptual gains are propelling the downsizing process, these trends almost surely will continue into the twenty-first century and beyond.

New technology—especially computer and telecommunications technology—is boosting gross financial transactions across national borders at an even faster pace than the net transactions supporting the increase in trade in goods and services. Rapidly expanding data processing capabilities and virtually instantaneous information transmission are facilitating the development of a broad spectrum of complex financial instruments that can be tailored to the hedging, funding, and investment needs of a growing array of market participants. These types of instruments were simply not feasible a decade or two ago. Some of this activity has involved an unbundling of financial risk to meet the increasingly specialized risk management requirements of market participants. Exchange rate and interest rate swaps, together with financial futures and options, have become important means by which currency and interest rate risks are shifted to those more willing to take them on. The proliferation of financial instruments, in turn, implies an increasing number of arbitrage opportunities, which tend to boost further the volume of gross financial transactions in relation to output and trade. Moreover, these technological advances and innovations have reduced the costs of managing operations around the globe and have facilitated international investment.

Investment considerations also are playing an important role in the globalization of securities markets. As the economy of the United States becomes increasingly intertwined with foreign economies, it is to be expected that both individual investors and institutions will raise the share of foreign securities in their investment portfolios. Such diversification provides investors a means of protecting against the prospect of depreciation of the local currency on foreign exchange markets and against domestic economic disturbances affecting asset values on local markets. As international trade continues to expand more rapidly than global output and as domestic economies become even more closely linked to those abroad, the objective of diversifying portfolios of international securities will become increasingly important. Moreover, since the U.S. dollar is still the key international currency, such diversification has been, and may continue to be, disproportionately into assets denominated in the dollar. For the same reason, many foreign financial institutions find it beneficial to be represented by banking offices in this country so that they can play an intermediary role based in dollars.

Another factor facilitating the globalization of capital markets and the growth of foreign investments in the United States has been deregulation here and abroad. Technological change and innovations that have tied international economies more closely together have increased opportunities for arbitrage around domestic regulations, controls, and taxes, undermining the effectiveness of these policies. Many governments have responded by dismantling increasingly less effective domestic regulations designed to allocate credit and by removing controls on international capital flows, relying more heavily instead on market forces to allocate capital.

The globalization of capital markets offers many benefits in terms of increased competition, reduced costs of financial intermediation benefiting both savers and borrowers, more efficient allocation of capital, and the more rapid spread of innovations.

Competitive Position of U.S. Banks

A proper assessment of how well U.S. banks are competing today in the new globally competitive setting must recognize several points. First, U.S. banks are not all alike. In particular, only a very small subset of U.S. banks is active internationally. Second, among those internationally active banks, the extent to which they are competitive varies across products and over time. Third, particularly with the considerable intermediation involving foreign lenders and borrowers in this country and U.S. lenders and borrowers abroad, it follows that simple measures of competitiveness based on gross assets of national banking systems must be interpreted with care. Let me elaborate on these points.

We have nearly 10,000 banking organizations in this country—treating a multibank holding company as one firm. They vary significantly in terms of size, the nature of their business, and the areas they serve.

The great bulk of U.S. banking organizations, by number, are fairly small, functioning as intermediaries largely between local savers and local household and business borrowers. However, some of these local banks have become quite large and have evolved into sizable regional banks. The regional, or superregional, banks draw on a large base of core retail deposits and serve needs of retail borrowers in their regions, but they also do a large and growing corporate business. These banks generally are strongly capitalized and so can support growth in their portfolios. It is these banks that have experienced the fastest growth in the United States over the past decade, benefiting importantly from existing interstate banking compacts.

International banking—that is, involving transactions that extend across geographic borders—has not been an important business for regional banks. International assets typically have been less than 5 percent of a regional bank's total assets. Instead, international banking is, and has been, concentrated in a small number of U.S. banks. Four out of the 10,000 U.S. banking organizations account for roughly half of international assets; ten of them account for a little more than 80 percent.

For those banks involved in it, the nature of international business has changed. As I noted previously, technological innovations, as well as the need for large investors and borrowers to protect themselves against the increased volatility in asset prices that we experienced in the 1980s, have led to an unbundling of financial products. With this unbundling and the more efficient dissemination of information, the value of the banking franchise—to the extent that it was based on a unique role in evaluating credit risks—has eroded. The international role of the banks has changed from one of simply extending credit to one of facilitating transactions. Partly for this reason, and partly also to economize on costly equity capital, U.S. banks have tended to cut back on those activities that result in assets that must be booked on a balance sheet. For example, they have chosen to reduce drastically their interbank lending business, which is essentially a high-volume, low-spread business. U.S. banks have devoted their resources instead to banking services that often do not result in assets held by the bank. These activities, such as risk management involving relatively high-tech, sophisticated products, are also the areas in which U.S. banks remain among the world's leaders.

Outside the banking arena, our markets for securities and securities derivatives—most notably futures and options—also have become part of a globally integrated marketplace. In these areas, especially in the financial futures markets, we have been world leaders, developing new and highly popular risk-shifting instruments along with generally sound clearing and settlement systems. Today, most major international financial markets depend on futures and options for enhancing liquidity and, in the case of futures, price discovery. In the period just ahead we are likely to remain in the vanguard of financial innovation, especially through the introduction of new electronic trading systems such as the Globex and Aurora systems being developed by the Chicago Mercantile Exchange and the Chicago Board of Trade respectively. However, as in the area of banking, global competition has become intense in the markets for securities and derivatives, and we cannot be assured that our lead in these markets will be preserved.

It has become commonplace to express concern about the increasing share of U.S. banking markets that is controlled by foreign banks or the declining standing of major U.S. banks in international rankings of the world's largest banks. However, measures of total assets, or market shares related to particular national markets, can be very misleading as measures of international competitiveness, partly for reasons I have already mentioned: Only a handful of U.S. banks are internationally active, and a significant element of their international business does not show up on their balance sheets. Moreover, banks' operations can be booked at locations throughout the world, and the large businesses that borrow from foreign banks in the United States themselves operate around the world and can and do borrow from the same lenders at many spots on the globe.

Nevertheless, some have argued that U.S. banks are becoming less competitive as a result of the increasing relative size of their foreign bank rivals. While it is important to make sure that we understand why foreign banks have grown relatively quickly, there is no evidence in the professional literature that the size of an internationally active bank *by itself* has a significant bearing on a bank's costs or efficiency. To be sure, that literature has not specifically addressed the possibility that some economies of scale could be realized by extremely large banks. But even if so-called economies of superscale exist, such economies would need to be of significant magnitude to draw inferences about competitiveness among major internationally active banks. Our research suggests that cost controls and differences in management across banks of the same size are more relevant for competitiveness than any economies of superscale are likely to be.

Having said that, I hasten to confess that I cannot offer you satisfactory alternative measures of competitiveness. Conceptually, I believe that profitability, as measured by rates of return on equity or assets, is a proper measure of competitiveness. In practice, it is difficult to obtain comparable, up-to-date data on banks from various countries or to adjust the data we do have for differences in tax or accounting systems. It would be necessary also to adjust realized rates of return for risk; banks can realize higher rates of return at least over some period of time by engaging in riskier activities, but of course those returns are likely to be more volatile.

However, rather than dwell on comparing the competitiveness of U.S. banks versus foreign banks, I suggest that it is more important to focus on the performance of U.S. banks themselves. From the perspectives of the U.S. financial system, of shareholders of U.S. banks, and, most important, of U.S. consumers of financial services, it is desirable that U.S. banks be operated in as low cost and efficient a manner as possible, subject to concerns about their safety and soundness. This would be true even if U.S. banks already were the most competitive banks in the world. If we get bogged down in struggling to make comparisons of competitiveness, policymakers risk losing sight of the fundamental need to ensure that government policy does not hinder but rather enhances in an absolute sense the competitiveness of U.S. banks and other financial firms.

Policy Implications

What, then, can the government do to enhance the competitiveness of U.S. banks? Perhaps the most important thing to do is to reduce the cost of capital to U.S. banks. By the cost of capital, I mean broadly the cost to a bank of raising equity and debt, or more precisely the real pretax rate of return that it must pay to attract debt and equity funds to finance its portfolio of assets. It is often argued that U.S. banks are at a competitive disadvantage because their cost of capital is more than that of their foreign rivals.

For example, the Japanese stock market places very high price–earnings ratios on Japanese equities, and some have argued that the resulting lower cost of equity capital gives Japanese firms a competitive edge over U.S. firms. However, the use of different accounting conventions in Japan tends to understate Japanese firms' earnings relative to earnings of U.S. firms and hence to overstate price–earnings ratios in Japan. Minority interests are not completely consolidated in Japanese financial statements. Japanese firms issue the same report for tax purposes and for stockholders, so that their financial statements fully reflect the maximum deductions from earnings for such items as depreciation that can be taken for tax purposes; in contrast, U.S. firms issue different reports for tax purposes and for stockholders. Japanese share prices also reflect considerable cross-holdings of equities and of land, both of which have risen sharply in value in recent years without contributing commensurately to reported earnings. It remains to be seen whether the weakening earlier this year in Japanese stock markets is signaling an end to such increases, but in any event the benefits of such holdings will not be captured in earnings unless the assets are sold.

However, even after adjusting for accounting differences, one is left with real economic differences. Besides Japanese firms' holdings of equities and land, analysts point to the high Japanese savings rate, an expectation of strong growth of earnings, and more generally, the overall macroeconomic performance of Japan. These latter economic differences are under the influence of the policymakers. I, among many others, refer often to the substantial decline in the national savings rate in the United States. All other things being equal, our lower savings causes a higher real interest rate, raising the cost of capital in the United States and lowering private investment. Although higher real interest rates themselves may encourage more private savings, reducing our fiscal deficit would be a more certain way to add to savings available for private investment, lower the cost of capital, and thereby increase the potential competitiveness of U.S. financial and nonfinancial firms.

Government policy also has a constructive role to play in avoiding macroeconomic instability. If investors think that U.S. banks, for example, face a more risky macroeconomic environment, they will expect lower or less stable earnings and, therefore, will be willing to pay less for each dollar of such earnings.

Beyond changing the macroeconomic environment, the government should consider structural policies that could also help the competitiveness of U.S. banks. For example, there is reason to believe that the opportunity for a bank to diversify the products or services it offers or to diversify geographically may, in some cases, raise its rate of return and lower its risk. In addition, our laws greatly inhibit the ability of U.S. banks to evolve along with technological and other changes and to achieve the synergies that come from producing multiple, but similar, products and services. Particularly burdensome in this regard is the Glass–Steagall Act. There has been some liberalization in recent years both in geographic restrictions, through regional banking compacts, and in securities activities, through section 20 securities subsidiaries. But the ad hoc nature of this process of liberalization is not a desirable way of approaching significant structural reform. The Federal Reserve has supported, and continues to support, congressional efforts to address these matters in a more systematic way.

We also are facing important regulatory issues in the area of securities markets, in particular jurisdiction over securities and their financial futures and option derivatives. Some have argued that existing split jurisdiction over securities and derivatives—with the SEC having regulatory authority over securities and securities options and the Commodity Futures Trading Commission (CFTC) having regulatory authority over financial futures and options on such futures—has added to volatility in these markets. The Board has not found convincing evidence to support this view nor have we found convincing evidence that differences in margin treatment across these instruments—another frequent assertion—have contributed to price volatility. However, as I have noted in other congressional testimony, we do see a role for federal oversight of margins on equities index futures and equity-related options to ensure that margins are maintained at levels that are adequate for prudential purposes.

All of the frequently mentioned proposals for jurisdictional reform in this area—transferring equity index products to the SEC, transferring all financial futures to the SEC, and merging the two agencies—have important costs that must be weighed carefully against any potential benefits. For our part, we are concerned about any jurisdictional restructuring that would limit innovation, a danger that rises as jurisdiction becomes concentrated in a single regulatory authority. We also are concerned about existing impediments to innovation in this area, in particular, the so-called exclusivity provision of the Commodity Exchange Act. As the Board has already noted, we favor changes to this provision that would enhance the process of financial innovation without compromising the original objectives of the act.

Competitiveness of U.S. financial firms and markets also is affected by those rules and regulations that can impinge on costs. Examples include noninterest-bearing reserve requirements, deposit insurance premiums, capital standards, antitrust laws, consumer protection laws, and laws to deal with money laundering. I am not suggesting that they be abandoned simply because they impose costs on banks. What I am suggesting, however, is that we be cognizant of such costs when we weigh the benefits of our policies in terms of our other objectives. Social and regulatory policies are not free, no matter how desirable they may be perceived to be.

On the bank supervisory side, we are proceeding with the implementation of the risk-based capital standards that were negotiated in Basle. Efforts also are under way to coordinate other aspects of supervisory policy, with respect to both banking and other financial services. As banking and other financial services become increasingly indistinct, banking and securities supervisors must work more closely together. The aims of such coordination are basically twofold. One is to monitor and ultimately guard against risks to the financial system—risks that are becoming increasingly global and complex in nature. The other is to minimize the extent to which legitimate prudential concerns distort the opportunities for different kinds of financial firms, from different countries, to compete fairly with one another.

That leads me to my final point. We should continue our informal and formal, bilateral and multilateral, efforts to open domestic markets abroad to U.S. and other foreign banks, both in terms of access and scope of activities. Much progress has been made in this area over recent years, in large part, I believe, because the worldwide process of financial integration I discussed earlier is forcing a liberalization of markets. In some instances, diplomatic initiatives on our part may also have affected the nature of that progress or its timing; such efforts should continue.

In this regard, however, it would clearly be counterproductive to close our own markets to foreign competition merely because foreign markets are less open than we would like. Such an action would invite retaliation and would not be very effective in any case. The globalization of financial markets means that most of the business that foreign banks do with U.S. customers could alternatively be done offshore. To the limited extent that closing of our markets to foreigners was effective, and that U.S. firms were thereby protected from foreign competition, the result would be reduced pressure on U.S. banks and on U.S. policymakers to implement the policies and management procedures necessary to improve the underlying competitiveness of U.S. banks. In the long run, this would clearly be harmful to the best interests of both U.S. consumers and U.S. producers of financial services. □

Chairman Greenspan presented similar testimony before the Task Force on the International Competitiveness of U.S. Financial Institutions, Subcommittee on Financial Institutions Supervision, Regulation and Insurance of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, April 4, 1990.

Statement by John P. LaWare, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Consumer and Regulatory Affairs of the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, May 16, 1990.

Thank you very much for this opportunity to speak to the subcommittee in follow-up to our testimony on mortgage lending discrimination last October. I am pleased to report to you on the progress made on initiatives envisioned at that time, as well as other activities developed more recently through the Federal Reserve System's ongoing programs to ensure equal access to housing credit and to promote private sector reinvestment in low and moderate income communities.

On an interagency level, our efforts have been focused for the past several months on two major fronts, both of which have important implications for our work in enforcing fair housing and fair lending laws. The first involves changes in the Community Reinvestment Act (CRA), under which the agencies have been charged with encouraging financial institutions to help meet the credit needs of their entire communities, for example, for housing, small business, and rural economic development, and with assessing their performance in doing so. Traditionally, those CRA assessments, like all other findings reached by the agencies during the course of examination, have been kept strictly confidential as part of the supervisory dialogue between us as regulators and the institutions we supervise.

Starting with examinations conducted on or after July 1 of this year, that tradition will be broken in a dramatic way. Provisions contained in the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) require the agencies to prepare and to make public written evaluations of institutions' CRA performance, based on our examination findings, along with the ratings assigned using a descriptive, four-tiered rating system. This mandate makes clear the need for a concerted effort by all four agencies, under the umbrella of the Federal Financial Institutions Examination Council (FFIEC), to take a uniform approach to assigning ratings, presenting the evaluations in a consistent, readily understandable manner and ensuring that the public has access to these evaluations.

That is precisely what we have tried to do, through the efforts of the FFIEC. The FFIEC spearheaded the development of draft guidelines for implementing the CRA changes, which were issued for public comment last December. In light of input received from community organizations, financial institutions, members of the Congress, and others, the guidelines were finalized by the FFIEC last month, and it is currently putting on an extensive training program and revising the interagency examination procedures for CRA.

At the same time, work proceeded on equally significant changes to the Home Mortgage Disclosure Act (HMDA), which expand the coverage of the act to include mortgage lenders not affiliated with depository institutions or holding companies—effectively bringing all types of mortgage lenders in the United States under the act. The scope of data collected has also been expanded to include the race, sex, and income of borrowers and loan *applicants*, as well as the disposition of applications (approval, denial, or withdrawal by the applicant). These provisions should better equip us to determine whether mortgage credit standards are being fairly applied, and to judge a given lender's efforts in the context of a more complete picture of the entire mortgage market. Because the Federal Reserve Board has rulewriting responsibility for the regulation-implementing HMDA, Board staff members worked closely with staff members from the FFIEC agencies and from the Department of Housing and Urban Development (HUD) to draft the regulatory amendments and to develop a new loan register format designed to make the increased reporting requirements less cumbersome for lenders. After receipt of public comment, final amendments to HMDA were issued by the Board last December and became effective on January 1, 1990.

Our job with respect to implementing the new HMDA provisions has yet another phase, however. For the many years since HMDA's enactment in 1975, the Board has acted as the agent for the FFIEC to compile and aggregate the data and to produce tables that present lending patterns by factors such as the racial composition and income characteristics of the neighborhood as well as the age of the housing stock. Anticipating a significant increase in the volume of data to be reported next year for 1990, we are working to enhance our data processing capabilities, to encourage electronic submission of data from lenders through our Federal Reserve Banks to expedite its ultimate availability to the public, and to develop new disclosure formats to give a concise presentation of lending patterns using the new data.

These changes to both the CRA and the HMDA represent a considerable challenge for us. We are very much aware that the public disclosure provisions make the CRA examination process subject to greater scrutiny than ever before. It will be incumbent on our examiners to discuss each of the assessment factors relating to the state member bank's performance—including the assessment factor relating to discrimination or other illegal credit practices—and to show how each factor affects overall performance. They must fully justify their conclusions and assigned rating, without divulging the institution's financial condition, information about its employees or customers, or anything else the law instructs us to keep confidential. The new HMDA data promise to be valuable in the rating process, but usefulness will largely depend on the examiners' ability to analyze it and to draw appropriate conclusions from it.

A major step toward meeting the challenge is the interagency examiner training program being carried out this month at four locations nationwide. It involves eight sessions for approximately 800 examiners from the bank regulatory agencies. The training gives examiners guidance on how the disclosures should be prepared, how the rating system should be applied, and it emphasizes the importance of thorough, insightful, and well-supported evaluations.

While the spotlight is sure to fall on the work of our examiners after July 1, to an even greater degree the attention will fall on financial institutions themselves, and how well they are, or are not, helping to meet local credit needs. The new CRA and HMDA provisions come at a time when public concern for affordable housing, the adequacy of financial services within reach of the less affluent, the problems of economic development and growth, and the need to assure fair lending practices run high. Their combined impact in putting more information in the public domain will, we hope, foster a more open and productive dialogue about such concerns between financial institutions and the people they serve. We are also hopeful that the impact will bolster institutions' awareness of both their image and record as a fair lender and will further our efforts to promote compliance with the letter and spirit of the antidiscrimination laws.

Putting in place the changes mandated by FIRREA and the examiner training sessions has consumed a great deal of the agencies' staff time, especially of those having expertise in the fair lending and fair housing arena. Nevertheless, we have moved ahead on other interagency initiatives that I outlined when I last appeared before the subcommittee.

Through the FFIEC, the agencies have begun to take a close look at the concept of mortgage review boards, which bring together lenders and community representatives to provide an appeals mechanism in cases in which applicants feel that they have been unfairly denied credit for purchasing a home. As a first step, inquiries were made through the agencies' field offices around the country to determine the extent to which mortgage review boards exist. Follow-up visits were then made to Massachusetts and Michigan (the two states in which functioning boards were identified) to learn how they operate, the kinds of support they require, and the degree of success that each has achieved. The FFIEC is reviewing the information gathered to explore whether, and how, the formation of such boards should be encouraged on a wider scale. Initially a matter of concern is the very small number of appeals that have been brought forward in the experience of both states, and whether other, quite different localities around the country would be receptive to the notion.

In the course of its study, the FFIEC's attention was drawn to a somewhat similar vehicle that may have favorable prospects for replication in other communities. Under the Philadelphia Mortgage Plan (PMP), a group of large commercial banks agreed to refrain from rejecting mortgage applicants until the credit committee representing all PMP lenders has an opportunity to review the case and, if possible, place the loan with one of the other participating lenders. The lenders also offer "creative" mortgage products by providing some flexibility in underwriting criteria, such as considering rent receipts, landlord references, and utility bill payments to help establish credit histories. In its fifteen years of existence, the plan has secured loans for 13,000 families totaling $180 million, and was expanded to cover the entire Delaware Valley in January of this year. The FFIEC is committed to exploring this approach, as well as others that have worked well in widening access to mortgage credit in lower income and minority neighborhoods.

Another focus of our initiatives is education—for consumers as well as for lenders—on their rights and responsibilities under the law. Federal Reserve Board staff members are in the process of drafting a brochure designed to better acquaint potential homebuyers with the mortgage origination process, the factors lenders usually consider in determining whether a person is creditworthy, and the statutory protections and agency procedures that provide recourse to those who believe they have been subjected to unlawful discrimination. The FFIEC has also approved plans to produce a brochure targeted to mortgage lenders discussing how to avoid practices that may, even unintentionally, result in unfair lending patterns, or the appearance of them. We anticipate that both brochures will be ready for distribution in the second half of this year.

The emphasis on consumer education stems, at least in part, from our concern about the very small number of complaints that we and our sister agencies have received over the years alleging illegal credit discrimination. In an effort to make our work in investigating and responding to such complaints more visible, we have written to several hundred fair housing and civil rights-oriented groups to reacquaint them with our role in enforcing the legal protections afforded loan applicants, and to seek their cooperation in referring complainants to us.

Our testimony last October voiced the belief that much could be gained by the agencies sharing among themselves the information obtained through interviews with community contacts—including consumer advocacy and housing organizations, local business people, trade associations, realtors, government officials, and many others—during the course of CRA examinations. Their perceptions about the state of the local economy, what types of credit would most help the community grow and prosper, the role played by financial institutions in addressing credit needs, and whether credit is available to minority and low- and moderate-income persons have proved valuable to examiners in making a balanced assessment of CRA performance. I am pleased to say that the FFIEC has approved going forward with procedures for facilitating that flow of information.

We believe that we should aim not only to share the information we develop among fellow regulators but also to communicate effectively with institution management about what we find in analyzing their lending data. This effort takes on particular importance in light of the recently expanded HMDA requirements and the additional insight regarding lending patterns that the data should provide. With this in mind the FFIEC has approved an initiative to make better use of the HMDA data. Additionally, we are working to develop what might best be termed an "executive summary" of HMDA data—a succinct presentation of a given institution's mortgage and home improvement lending patterns broken down by demographic factors such as race and income, and compared with the record of lenders as a whole in the community. This summary could be conveyed to institution management during a CRA examination. By providing such a profile, we hope to draw management's attention to market segments the institution may be failing to reach, and to prompt a thorough self-assessment of geographic lending patterns and the reasons for them. Because it is being developed in tandem with the computer appplications to accommodate the new HMDA data, the summary probably will not be completed until 1991, although Board and Reserve Bank staff have been testing for several months the use of a very preliminary model. We have also revised the FFIEC publication, *A Guide to HMDA Reporting: Getting it Right!*, to facilitate accurate reporting under the law's new requirements.

Besides these interagency initiatives, the Federal Reserve System has, on its own, been utilizing various avenues to strengthen our enforcement efforts and to bring constructive approaches to resolve fair lending concerns to the forefront of public attention. For example, the Federal Reserve Board has continued to monitor closely developments in Atlanta, Detroit, and Boston. This effort has taken several forms. First, the Board has updated the statistical analysis presented in the Atlanta and Detroit newspapers to take account of the availability of more recent HMDA data. The 1987 and 1988 HMDA data continue to show disparities in home mortgage and home improvement lending. As before, predominately white middle-income neighborhoods received more home purchase loans per single family housing unit than did predominately minority middle-income areas, while the opposite pattern holds for home improvement loans. However, as we have indicated in prior testimony, while these patterns are suggestive of lending problems in the home purchase area, they do not allow one to conclude whether discrimination exists or not.

The Board, with the assistance of Reserve Bank staff, has also begun work on a new on-line consumer complaint and inquiry tracing system to be implemented in early 1991. We envision that the new tracing system will enhance the Board's ability to monitor and analyze its consumer complaint and inquiry data, including data involving allegations of illegal credit discrimination. We expect that the new system's reporting capabilities will enable us to spot more easily trends that might involve such practices.

We are using the resources of our Reserve

Banks in a number of ways. The Federal Reserve Bank of Atlanta has developed a computer model that illustrates how various lending parameters affect the affordability of home loans in connection with the lending consortium established for low- and moderate-income residents of Atlanta. The Federal Reserve Bank of Boston, together with the Boston Federal Home Loan Bank, recently cohosted a symposium of the National Association of Affordable Housing Lenders attended by more than 300 lenders from New England as well as others from throughout the country. Last year the Federal Reserve Bank of San Francisco was instrumental in the creation of the California Community Reinvestment Corporation (CCRC), a lender consortium pooling more than $100 million to provide long-term loans for affordable housing development throughout the state. With the California consortium off to a successful start, senior management and staff members of the Reserve Bank have been invited to Hawaii and Nevada to help bankers and community organizers launch similar programs in those states. Late last year, the Federal Reserve Bank of Chicago convened a seminar with some 250 area bankers to discuss specific CRA-related policies and activities that have worked well in that Federal Reserve District. In Philadelphia, the Federal Reserve Bank is planning to produce a video that will share some of the experiences and lessons learned relating to the CRA. This is but a sample of the activities of Reserve Banks undertaken in the past six months to promote sound and creative lending that is responsive to the special needs of low and moderate income communities. At the Board level, besides the initiatives discussed above, Board staff members have been participating in a series of HUD seminars dedicated to fair housing–fair lending issues at law schools.

We have also enlisted the help of the Federal Reserve's Consumer Advisory Council. In selecting new members this year, we gave special attention to adding council members who have expertise in the civil rights area. One of the new members, Bernard Parker, testified at your hearing last October. He is executive director of Community Resource Projects, a human services organization based in Detroit that helps economically depressed individuals. Mr. Parker is also Chairman of the Ad Hoc Coalition on Fair Banking Practices in Detroit, which was actively involved in a recent financial settlement with banks calling for reinvestment in low-income neighborhoods.

The Board also appointed to the council George C. Galster, Professor of Economics at the College of Wooster. Professor Galster is widely recognized as an expert in discrimination issues. He has been an expert witness and consultant in fair housing disputes and currently is a research consultant for the Metropolitan Milwaukee Fair Housing Council. He also serves on the advisory board for the HUD National Housing Discrimination Survey.

A special committee of the Consumer Advisory Council is looking into various aspects of the issue, including mortgage review boards, examination processes and examiner training, the use of testers, additional studies, and brochures that give guidance to lenders. Over the years we have often received helpful input from the council, and we feel fortunate to have this resource to assist us in this difficult area.

We have also sought to draw on the expertise of individuals and groups outside the bounds of the federal financial regulatory framework to gain a fresh perspective on our enforcement activities. Members of our staff have been in contact with representatives of the National Fair Housing Alliance to arrange for a briefing on their experience with credit discrimination cases. I have personally met with representatives from a civil rights group from Boston that was active in working with the Massachusetts Bankers Association on an ambitious housing and economic development program that is an outgrowth of the Federal Reserve Bank of Boston's mortgage discrimination study. We have consulted with the Department of Justice about its experiences in civil rights enforcement and its investigation, now in progress, of housing lending practices in Atlanta.

In line with the subcommittee's questions regarding our enforcement program (our detailed responses to the committee's questions accompany our testimony), we have taken a close look at our examination and consumer complaint experience over the past three years. In particular, we have completed a detailed analysis of System enforcement activity involving serious violations of the Fair Housing and Equal Credit Opportunity Acts by reviewing our examination and consumer complaint data bases. Additionally, we have asked experienced staff at the Reserve Banks for the types of problems that they are seeing involving the Fair Housing and Equal Credit Opportunity Acts and mortgage lending in particular. As we said at the October hearing, state member banks do not play a major role in the granting of mortgage credit in the United States. Examiners routinely review available mortgage lending data, including lending standards and appraisal practices. While we find violations during examinations and receive a few complaints involving the fair lending statutes, they typically involve marital status issues, such as improperly required spousal signatures. Only in very isolated cases do we find practices that involve racial discrimination in lending. From our discussions with examiners we know that they take their work and the issue of possible racial discrimination very seriously. They have been, and will continue, evaluating quite closely any questionable lending practices that could "effectively" result in subtle discrimination. We will continue to monitor our enforcement and complaint activities to ensure that practices involving possible racial discrimination are addressed and that corrective action is taken as needed. The new data and procedures I have mentioned above will help us in this effort.

In short, we have had our hands full in the past few months completing a number of major initiatives. And although we are in the early stages of development with others, we believe that they have considerable promise and will be pleased to report to you further on their progress. □

Statement by Clyde H. Farnsworth, Jr., Director, Division of Federal Reserve Bank Operations, Board of Governors of the Federal Reserve System, before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, May 18, 1990.

I am pleased to appear before the Committee on Banking, Housing, and Urban Affairs to comment on proposed legislation related to money laundering.

The Federal Reserve places a high priority on supporting efforts to attack the laundering of proceeds from illegal activities. We provide all available currency flow data, at any level of detail, to all federal law enforcement agencies, upon request. Every month, we send cash flow reports to relevant Treasury and Justice Department organizations for use by their investigative and intelligence experts. Individual Federal Reserve offices have also been providing additional detailed depository institution data to the Customs Service, Internal Revenue Service, Drug Enforcement Administration, and others with a need to know. Also, we continually engage in a dialogue with federal law enforcement officials to ensure that the Federal Reserve's contribution to the government's efforts to combat money laundering activities is maximized.

In the regulatory area, financial institutions under our jurisdiction are continually subjected to Bank Secrecy Act compliance audits as part of our examination process. Besides enforcement actions we may initiate as a result of violations of the Bank Secrecy Act, we provide quarterly reports to the Department of the Treasury, which detail all Bank Secrecy Act violations discovered during the examinations of the financial institutions. Additionally, financial institutions under our jurisdiction are required to file a Criminal Referral Form when criminal activity, specifically including Bank Secrecy Act money laundering violations, is suspected. The Criminal Referral Forms are forwarded to the appropriate law enforcement agency for further action.

I am emphasizing the System's active role to illustrate how strongly the Federal Reserve is in accord with the same objectives that the Congress has in combating money laundering. We have reviewed the various legislative proposals, and we appreciate the opportunity to provide you with comments.

REVOCATION OF CHARTERS; TERMINATION OF INSURANCE

The Federal Reserve recognizes that it is necessary for financial institution regulators and depository institutions to take an aggressive role in the battle against money laundering. S.2327, as well as the legislation passed by the House, addresses charter revocation or insurance termination of depository institutions convicted of money laundering or a cash transaction reporting offense. We have previously stated that any proposed sanctions should take into consideration the nature of the violation and the effect of the sanction on the depositors and creditors of the institution, as well as ensuring that procedures for imposing any such sanctions take into consideration requirements for due process. S.2327 and the legislation passed by the House have addressed the concerns raised by the Federal Reserve.

When the Congress enacted the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, federal bank regulators were given significantly enhanced enforcement powers. An expansion of these enforcement powers as proposed in S.2327, coupled with the banking regulators' traditional cease and desist and removal authority, should assist banking regulators in their efforts to eliminate the ability of persons and institutions to continue the illegal practices and to deter others from engaging in illegal activities.

REGISTRATION OF MONEY TRANSMITTERS

The Federal Reserve believes that it is important to oversee the activities of providers of financial services, including money transmitters, to ensure that they do not serve as a vehicle for avoiding the controls applicable to financial institutions. Nevertheless, the form of oversight must recognize the importance of these services to those segments of the community that might choose not to use banking services and ensure that the requirements do not discourage the availability of legitimate services. For example, Senator D'Amato's bill would prohibit banks from transferring funds for unregistered money transmitters. This prohibition may discourage banks from providing funds transfers for individuals or legitimate businesses when the bank is unsure as to whether the individual or business is engaged in the business of transmitting funds. When a bank is aware that a customer is engaged in that business, it will be unable to effect funds transfers before checking with the Treasury Department to determine whether the customer has registered with the Treasury.

WIRE TRANSFER RECORDKEEPING

The design of wire transfer recordkeeping requirements is a very complex and technical undertaking, with potentially significant ramifications on the efficiency of large-dollar wire transfer systems. If the Congress does adopt requirements in this area, we concur with the approach taken by both Senator D'Amato in his bill and by legislation passed by the House of Representatives. Section 7 of Senator D'Amato's bill directs the Department of the Treasury to adopt rules governing records of international wire transfers that would have a high degree of usefulness in government investigations and proceedings. The Board believes that a regulatory, rather than a statutory, approach provides the flexibility that is most often needed to adapt requirements to an evolving environment.

We believe that a particularly important element of the wire transfer provisions in both Senator D'Amato's bill and the House legislation is the direction to the Treasury to balance the regulation's usefulness to law enforcement with the effect of the ensuing requirements on the cost and efficiency of the payments system. These considerations should result in requirements that target those classes of international wire transfers that are most likely to be used in money laundering and that focus on the completeness of information that can be accommodated in existing wire transfer formats.

CONCLUSION

In closing, let me state that we realize that the Congress faces a difficult task of improving the ability of the law enforcement authorities to detect money laundering activities while, at the same time, protecting the public from overly intrusive and potentially harmful laws. Please be assured of the Federal Reserve's commitment to deter money laundering and to cooperate fully in providing assistance to law enforcement officials who are charged with the very important task of uncovering money laundering wherever it may exist. □

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Subcommittee on Telecommunications and Finance of the Committee on Energy and Commerce, U.S. House of Representatives, May 24, 1990.

It is a pleasure to appear on this panel today to discuss issues involving the regulation of securities markets. In my comments this morning, I would like to address the broad economic policy issues raised in your letter of invitation. I would prefer to pass on the questions relating to the more narrow, technical issues under the jurisdiction of the other agencies. I would like to focus my remarks on three major issues: (1) the adequacy of margin requirements on stock index futures as a prudential safeguard and the impact of existing margin-setting procedures and other differences in regulation on market volatility; (2) existing impediments to innovation; and (3) whether there is a need to modify the existing regulatory system for stocks and stock derivatives. My evaluation will be done against the objective of a regulatory structure that, while limiting risks to the system, results in highly efficient and innovative U.S. financial markets that can compete effectively in the global marketplace.

As I will discuss in more detail, the Board does not believe that the existing division of regulatory authority has increased volatility in the securities markets, nor in this regard is it a threat to the capital formation process. We continue to view the primary purpose of margins to be to protect the clearing organizations, brokers, and other intermediaries from credit losses that could jeopardize contract performance. While we think that federal oversight of margins is appropriate for prudential purposes, there are different views among Board members on whether that authority is best vested in the Commodity Futures Trading Commission (CFTC) or in the Securities and Exchange Commission (SEC).

On the broader issue of consolidating jurisdiction for stocks and stock index futures (or all financial futures) in one agency, there are good arguments for and against such a consolidation and, accordingly, differences of views on whether such consolidation would, on balance, be beneficial. We believe some changes to the existing regulatory system are necessary to avoid the prospect that jurisdictional disputes among regulators will impede innovation in our financial markets, but consolidation of jurisdiction is not necessary to achieve this objective.

FEDERAL MARGIN REGULATION

A prominent area of disagreement among those interested in the smooth functioning of our capital markets has been the appropriate level of margins for stock index futures and the need for federal authority over such margins. In part, these disagreements reflect different views as to the purposes of margins and the appropriate objectives of federal margin regulation. Accordingly, at the outset I would like to clarify the position of the Board of Governors on these issues.

We continue to believe that the primary objective of federal margin regulation should be to protect the financial integrity of market participants and thereby ensure contract performance. Margins should be adequate to protect clearing organizations, brokers, and other lenders from credit losses arising from changes in securities prices. As such, they are one important element of a package of prudential safeguards, including capital requirements, liquidity requirements, and operational controls, aimed at limiting the vulnerability of the financial markets to losses or disruptions arising from the failure of one or more key participants. The failure of, or even the loss of public confidence in, a major intermediary in any of the stock, futures, or options markets could immediately place significant strains on other markets, their clearing systems, and on our nation's payment system.

The Board remains skeptical, however, of whether setting margins on stock index futures at levels higher than necessary for prudential purposes will reduce excessive stock price volatility. We, too, are concerned about what seems to be a higher frequency of large price movements in the equity markets, but we are not convinced that such movements can be attributed to the introduction of stock index futures and the opportunities they offer for greater leverage. Although available statistical evidence on the relationship between margins and stock price volatility is mixed, the preponderance of that evidence suggests that neither margins in the cash markets nor in the futures markets have affected volatility in any measurable manner. Moreover, we are concerned that raising maintenance margins on stock index futures to levels well above those necessary for prudential purposes could substantially reduce futures market liquidity or drive business offshore.

Thus, in the Board's view, the critical question is whether margins on stock index futures have been maintained at levels that are adequate for prudential purposes. Although no futures clearinghouse has ever suffered a loss from a default on a stock index futures contract, certain actions by futures exchanges and their clearinghouses in recent years raise questions about the adequacy of futures margins from a public policy perspective. Specifically, we have concerns about the tendency for these organizations to lower margins on stock index futures to such a degree in periods of price stability that they feel compelled to raise them during periods of extraordinary price volatility. While such a practice has heretofore protected the financial interests of the clearinghouses and their members, it tends to compound already substantial liquidity pressures on their customers, on lenders to their customers, and on other payment and clearing systems. In the Board's view, somewhat higher margin levels on stock index futures would obviate the need to raise them in a crisis and thereby reduce concerns about the reliability of our market mechanisms, especially clearing and payment systems, in times of adversity.

The Board believes that federal oversight is appropriate to ensure that margins on stocks and stock index futures are established at levels that are adequate under a wide range of market conditions. Futures self-regulatory organizations (SROs) should continue to have primary responsibility for developing and refining margin policies. But the appropriate federal agency should have both the authority to initiate changes in margins on stock index futures and the authority to veto changes proposed by the relevant SRO. That authority should not be limited to emergency authority such as the CFTC currently has over futures margins.

Either the CFTC or the SEC could play this role. The principal argument in favor of assigning oversight responsibility for stock index futures to the CFTC is that it has overall responsibility for prudential supervision of futures exchanges and clearing organizations and futures commission merchants (FCMs). Assignment of oversight responsibility to the CFTC would avoid certain regulatory burdens and potential conflicts that could arise if responsibility for critical aspects of prudential oversight of such entities were divided between the CFTC and SEC.

The principal argument for assigning oversight responsibility for stock index futures margins to the SEC is that it would foster consistency of margins in the stock and stock derivative markets. The Board believes that margins in these markets should be consistent in the sense that they provide comparable protection against adverse price movements. The degree of protection provided by margin requirements depends on the magnitude of potential future price volatility. Although studies of past price movements can shed light on potential movements in the future, the forecasting of future volatility necessarily involves elements of judgment. Because different agencies are likely to come to different judgments, there is a case to be made for having only one regulator with margin authority over all the equity products markets to achieve consistency of margins across these markets.

On balance, the Board does not see a clear basis for choosing between CFTC and SEC oversight of stock index futures margins. The Board feels strongly, however, that authority should not be given to the Federal Reserve because it does not have overall prudential responsibility for any of the futures commission merchants (FCMs), broker–dealers, or clearing organizations that margins are intended to protect. The existing margin authority for stock and stock options assigned to the Board under the Securities Exchange Act of 1934 should be transferred to the SROs and the SEC.

Issues of Regulatory Jurisdiction

The question of regulatory responsibility for margins is one element of the broader question of regulatory jurisdiction over futures and options markets. In light of the strong linkages among the markets for futures, options, and their underlying instruments, some have argued that the division of oversight responsibilities among agencies may impede the effective regulation and supervision that is essential to ensure sound and efficient financial markets.

One particular concern relates to volatility. It is frequently argued that leveraged trading in stock-index futures and options, encouraged by low margin requirements on derivative products, has led to increased volatility in the prices of the underlying stocks. More generally, it has been suggested that other inconsistencies in market mechanisms involving, for example, circuit breakers and short-selling rules, contribute to market instability. It is feared that increased price volatility, in turn, will reduce the attractiveness of equity markets and could impede the capital formation process. These concerns have prompted calls for one regulator who will take steps to remove inconsistencies that may contribute to sharp price swings.

The Board does not share the view that split regulatory authority over equity instruments has in any meaningful way contributed to volatility. As I noted earlier, we have found no substantial evidence linking margin levels to price volatility in the cash or the index-product markets. Nor have studies revealed a clear understanding of how circuit breakers and other market rules affect price movements in the different markets.

In a more fundamental sense, we believe that it is counterproductive to lay blame on one sector, in this case the market for stock index derivatives, for the increasing occurrence of wide and rapid price swings in equity markets. Rather, the volatility we observe reflects more basic changes in economic and financial processes prompted by technological advances and the increasing concentration of assets in institutional portfolios. The delegation by the public of the management of a large proportion of its assets to professional managers through pension funds and other institutions and the desire of these managers for low-cost methods to manage risk and adjust portfolios has spurred growth in the new instruments; improvements in telecommunications and computer technology mean that information on economic fundamentals will be received and translated by these managers more quickly into market prices. To the extent that price movements reflect these basic forces, efforts to restrain volatility by imposing more restrictions on particular markets or instruments could have unintended effects, resulting in significant costs on the system and a shifting of transactions activity offshore.

A second issue frequently raised in evaluating the adequacy of our current regulatory system concerns product innovation. Many of the new products being developed on futures and options markets are not easy to classify. They have important similarities to, or are otherwise linked to, a variety of existing instruments subject to different regulators; and, as a consequence, various uncertainties and frictions have emerged about the appropriate exchanges that should trade these instruments and the agencies that should provide regulatory oversight. One recent example involves the "index-participation" or IP contracts that were introduced by several of the stock exchanges, approved by the SEC for securities trading and, in essence, disapproved when the courts ruled that IPs were futures products subject to the exclusive jurisdiction of the CFTC and could not be traded off exchanges regulated by the CFTC.

Under the Commodities Exchange Act (CEA), any commodity contract with an element of futurity cannot be entered into except on a CFTC-regulated exchange. Moreover, this act defines the term "commodity" very broadly to include not only physical commodities, like corn and wheat, but intangible contractual interests, including financial instruments. This restriction, when interpreted broadly, serves to discourage the development of new financial products that might be offered outside of the futures exchanges and tends to stifle the innovation process. In a very general sense, all financial instruments have an element of futurity in them, in that their value depends on future events. We believe that the CEA can be modified in ways that preserve the public safeguards that motivated this provision, while preventing conflicts in this area from having to be dealt with by the courts and without impeding the process of innovation in equity and other instruments. Such modifications might include an exemption for transactions subject to other regulatory safeguards, sophisticated trader exemptions, or more stringent fraud liability.

Alternative Regulatory Structures

As I have noted, a case can be made for having only one federal agency with oversight authority over margins in the equity and equity derivative markets. This case rests not on the issue of volatility but on the fact that setting prudential margins requires judgments concerning potential future price volatility in the linked markets for stocks and derivative products. One regulator would provide a single view of potential future volatility in these markets and thereby foster consistency of margins across the various segments of the equity markets. Others would go further and transfer all regulatory authority over stock index futures and options on such futures to the SEC. Such an approach recently has been proposed by the Administration.

This alternative would help achieve consistent prudential regulation across these tightly linked markets for equity instruments. However, a measure of this sort would result in two regulators of futures exchanges and futures clearinghouses, and hence would still require a considerable amount of coordination on the part of the SEC and CFTC. One must recognize that stock index futures are but one of many futures contracts offered by these organizations—indeed, only one of many financial futures contracts. Should losses from stock index futures trading—to be subject to SEC regulation under this alternative—jeopardize the financial integrity of a clearing organization or futures brokerage firm (FCM), it would threaten contract performance on all of the futures traded by the entity, including tangible commodity futures. Similarly, a failure in the commodity futures markets could, because of the effects on the clearing organization or brokerage firm, have consequences for the equity markets. In another area, many exchange rules related to trading and clearing cut across a wide range of contracts rather than being specific to stock index contracts, and close coordination between the SEC and CFTC would be important in evaluating such rules.

Thus, the SEC would have an important interest in other aspects of futures market regulation while the CFTC would continue to have a strong interest in the regulation of stock index futures. The logic of transferring stock index futures to the SEC because of their tight linkage to the cash market suggests that futures contracts on other instruments also might be regulated differently. That is, Treasury futures would be regulated by the Treasury and Eurodollar and foreign currency futures by the Federal Reserve. Such a change, however, would increase the regulatory fragmentation in the securities markets and would not appear to be a particularly useful realignment. Consequently, the benefits of transferring regulatory jurisdiction to the SEC for purposes of achieving more consistency of regulation across equity instruments must be balanced against these drawbacks, and there is scope for legitimate differences of view on whether such a measure would be a net improvement.

Treasury Secretary Brady earlier this year had suggested much more far-reaching measures to deal with the jurisdictional issue—the transferring of all financial products to the SEC or the merging of the two agencies. We would urge caution in considering these alternatives. A full merger of the two agencies—now embodied in H.R. 4477—would avoid many of the problems just mentioned about overlapping jurisdiction in the regulation of exchanges and clearinghouses, and the transfer of all financial instruments to the

SEC might be accompanied by the separate clearing of all financial futures subject to only one regulator. However, these solutions would concentrate a great deal of regulatory authority over the financial system in a single agency and this has been a concern of the Congress for a long time. Besides the potential management difficulties of a larger organization, there is the risk that bureaucratic inertia in a larger agency could be an impediment to the process of innovation. We should not lose sight of the fact that under the existing system of split jurisdiction over financial instruments, our financial markets have been the most innovative in the world, with many of the new products spurred by the introduction of index futures and other futures. □

Announcements

MANUEL H. JOHNSON: RESIGNATION AS VICE CHAIRMAN OF THE BOARD OF GOVERNORS

On June 7, 1990, Vice Chairman Manuel H. Johnson announced his resignation as a member of the Board of Governors of the Federal Reserve System, effective August 3, 1990. Dr. Johnson has been a member of the Board since February 7, 1986, and has served as Vice Chairman since August 4, 1986.

In his letter of resignation to President Bush, Dr. Johnson noted that he had served in government for almost a decade and that "the time has come to return to private life." Before his appointment to the Board, he was an Assistant Secretary and Deputy Assistant Secretary of the Treasury.

Dr. Johnson plans to return to George Mason University and assume the Koch Chair in International Economics and become Director of the Center for Global Market Studies. He will also help establish a nonprofit council that will examine international coordination of policy.

Federal Reserve Chairman Alan Greenspan issued the following statement concerning the resignation:

I deeply regret, but understand, Manley Johnson's decision to return to the private sector after ten consecutive years of government service. The Vice Chairman and I have been an effective team. I'll miss him.

The letter of resignation follows.

June 7, 1990
President George Bush
The White House
Washington, D.C. 20500

Dear Mr. President:

It has been both an honor and a privilege to have served as Vice Chairman of the Board of Governors of the Federal Reserve System since August of 1986. Including my tenure at the Treasury Department, I have had the pleasure of serving this great country almost ten consecutive years. While I will always cherish this experience, the time has come to return to private life.

I am extremely proud to have played a part in the unprecedented period of sustained economic growth and low inflation that has characterized the decade of the 1980s and continues into the 1990s. Although there are still major issues to be addressed as this country moves ahead, I feel optimistic about our future. Indeed, part of my reasoning for leaving at this time is the confidence I have in my colleagues at the Federal Reserve and in the economic team you have assembled in your administration. Accordingly, I hereby tender my resignation as a member of the Board of Governors, effective at the end of my term as Vice Chairman on August 3, 1990.

I am grateful to President Reagan and to you for having given me this opportunity to serve the nation.

Respectfully yours,

Manuel H. Johnson

DAVID W. MULLINS, JR.: APPOINTMENT AS A MEMBER OF THE BOARD OF GOVERNORS

On December 8, 1989, President Bush announced his intention to nominate David W. Mullins, Jr., as a member of the Board of Governors. Dr. Mullins was subsequently confirmed by the Senate on May 16, 1990, and took the oath of office, administered by Chairman Greenspan, on May 21. The text of the White House announcement of December 8 follows:

The President today announced his intention to nominate David W. Mullins, Jr., to be a member of the Board of Governors of the Federal Reserve System for the unexpired term of fourteen years from February 1, 1982. He would succeed H. Robert Heller.

Since 1989, Dr. Mullins has served as Assistant Secretary for Domestic Finance at the United States Department of the Treasury in Washington, D.C. Prior to this, he served as Acting Assistant Secretary for

Domestic Finance, 1988–89; and Professor of Business Administration at the Harvard University Graduate School of Business Administration.

Dr. Mullins was graduated from Yale University (B.S., 1968) and the Massachusetts Institute of Technology (S.M., 1972; Ph.D., 1974). He was born April 28, 1946, in Memphis, Tennessee. Dr. Mullins served in the National Guard, 1968–70. He resides in Washington, D.C.

Regulation CC: Amendments

The Federal Reserve Board announced on May 25, 1990, approval of amendments to Regulation CC (Availability of Funds and Collection of Checks), which implements the Expedited Funds Availability Act. The amendments include changes to the model forms and other technical and clarifying modifications to the regulation and its official commentary.

The Board has not approved a proposed amendment that would shorten the time requirement for sending a notice of nonpayment of a large-dollar returned check to a depository bank.

Proposed Actions

The Federal Reserve Board announced on May 3, 1990, the extension of the public comment period from May 7 to May 31, 1990, for proposed revisions to the bank holding company reporting requirements.

The Federal Reserve Board issued for public comment on May 25, 1990, a proposal to add non-full-payout leasing to the list of permissible activities in Regulation Y. Comment is requested by July 16, 1990.

Changes in Board Staff

The Board of Governors has announced the following changes in the official staff:

In the Division of International Finance, Dale W. Henderson has been appointed Assistant Director.

In the Division of Federal Reserve Bank Operations, C. William Schleicher, Jr., Associate Director, has resigned, effective May 25, 1990.

Edward T. Mulrenin, Assistant Director, Office of the Staff Director for Management, has transferred to the Office of the Executive Director for Information Resources Management to fill the newly established position of Assistant Director for Special Projects reporting to the Executive Director. The appointment is effective June 1.

Mr. Henderson first joined the Board's staff in September 1971. In September 1985, he resigned to join the faculty at Georgetown University and then returned to the Board in July 1989. He holds a Ph.D. from Yale University.

Record of Policy Actions of the Federal Open Market Committee

MEETING HELD ON MARCH 27, 1990

1. Domestic Policy Directive

The information reviewed at this meeting suggested some pickup in the expansion of economic activity from the upward-revised but still sluggish pace now indicated for the fourth quarter. Although the strengthening reflected, at least in part, favorable weather and a rebound from strike-related disturbances late in 1989, underlying demands appeared to be continuing to expand at a moderate pace. Revised data signaled more momentum in final sales near year-end than had been indicated previously, and robust employment growth in January and February suggested that output, especially in the service-producing sector, was being well maintained. Despite a rebound in the motor vehicles industry, manufacturing activity remained sluggish. Consumer prices rose more rapidly over January and February, only partly as a result of increases in the prices of food and energy items; wage data pointed to no significant change in prevailing trends.

Total nonfarm payroll employment increased sharply in the first two months of the year after growing at a reduced pace on average in previous months. Employment in construction jumped, apparently as a result of unusually good weather, and job gains in the services industries continued strong, notably in health services. In the manufacturing sector, employment was down on balance over the January–February period despite the return to work in February of auto workers laid off at the start of the year; job losses were evident in a number of industries, including electrical equipment, machinery, and lumber. The civilian unemployment rate remained at 5.3 percent in both January and February.

In February, industrial production retraced more than half of a sharp January decline, reflecting a swing in the production of motor vehicles. Abstracting from a variety of transitory influences associated with unusual winter weather, a strike in the aircraft industry late last year, and an inventory correction in the motor vehicles sector, industrial production had been flat on balance since last autumn. In February, total industrial capacity utilization partially recovered from a substantial January decline but remained below the high level of a year earlier.

Real personal consumption expenditures, abstracting from swings in spending for motor vehicles and energy-related items, were about flat in January after expanding at a relatively slow pace in the two previous months. Outlays for goods other than fuel oil and motor vehicles had been weak while expenditures for services had remained strong. Total retail sales rose on balance in January and February, but adjusted for recent increases in prices, sales in February probably were little changed from the fourth-quarter average. Unusually mild weather contributed to a higher level of housing starts in January and February. Single-family construction was strong in both months; in the multifamily sector, starts fell sharply in February but averaged somewhat above the fourth-quarter pace over the two months.

Business capital spending, adjusted for inflation, appeared to have turned up after a decline in the fourth quarter. Shipments of nondefense capital goods rose sharply in February following a sizable advance in January associated with a rebound in shipments of aircraft to domestic firms after the strike late in the fourth quarter. The February increase reflected greater purchases of communications equipment and many types of industrial machinery, as well as a further rise in shipments of aircraft. New orders for nondefense capital goods, excluding aircraft, rose in February and were considerably above their fourth-quarter level. Nonresidential construction activity rebounded in January from a substantial December decline, as the weather turned unseasonably warm; however, data on construction contracts and building permits continued to suggest a soft outlook for coming months. Manufacturers' inventories rose in January, largely because of increases in stocks of work-in-process in the transportation equipment sector. Outside of transportation equipment, the inventory-to-shipments ratio had changed little on balance since mid-1988. At the retail level, reductions in auto dealers' stocks more than accounted for declines in inventories in December and January.

The nominal U.S. merchandise trade deficit widened in January from a sharply lower December rate, as the value of imports rose more than that of exports. Nevertheless, the deficit remained essentially unchanged from the fourth-quarter average. Much of the sharp increase in the value of imports in January reflected a jump in imports of oil; however, imports of consumer goods, foods, and industrial supplies also rose strongly. Exports increased substantially in January to a level well above their fourth-quarter average. Indicators of economic activity in the major foreign industrial countries generally suggested strength in the continental European economies, notably France, Germany, and Italy. Among other industrial countries, growth had slowed in Japan and had remained sluggish in the United Kingdom and Canada.

Producer prices for finished goods were unchanged in February, as energy prices partially retraced their sharp rise in January and food prices rose more slowly. At the consumer level, prices rose less rapidly in February than in January, but the increases in both months were substantial and the pickup from 1989 was only partly the result of increases in prices of food and energy items. Among other goods and services, several components posted sizable increases. Average hourly earnings fluctuated considerably in January and February, owing to shifts in employment status among manufacturing and construction workers, but the year-over-year increase remained in the range evident since late 1988.

At its meeting on February 6–7, 1990, the Committee had adopted a directive that called for maintaining the existing degree of pressure on reserve positions and that provided for giving equal weight to developments that might require an adjustment in either direction during the intermeeting period. The Committee had agreed that some firming or some easing in reserve conditions would be equally acceptable during the intermeeting period, depending on progress toward price stability, the strength of the business expansion, the behavior of the monetary aggregates, and developments in foreign exchange and domestic financial markets. The contemplated reserve conditions were expected to be consistent with growth of M2 and M3 over the period from December through March at annual rates of about 7 and 3½ percent respectively.

Reserve conditions had remained essentially unchanged over the period since the February meeting. Excluding some special-situation borrowing early in the intermeeting period that was related to liquidity pressures at one sizable bank, adjustment plus seasonal borrowing had averaged about $160 million in the three full reserve maintenance periods since the meeting. The federal funds rate held steady at about 8¼ percent over the period, but other short- and intermediate-term interest rates edged higher, apparently reflecting the interpretation by financial markets of incoming economic data as pointing, on balance, to some firming of economic activity and to persisting price pressures. Treasury bond yields fluctuated over a fairly wide range, falling slightly on balance over the period, while major indexes of stock prices rose somewhat. The collapse of a major securities firm had little effect on investment-grade financial markets, but the failure, along with potential sales of low-rated bonds by some large institutional holders, contributed to a further widening of the yield spread between noninvestment-grade instruments and other long-term securities.

In foreign exchange markets, the trade-weighted value of the dollar in terms of the other G-10 currencies rose over the intermeeting period. The dollar's appreciation occurred at a time when short- and long-term interest rates abroad were increasing relative to interest rates in the United States. Much of the rise of the dollar was against the yen and the pound sterling, but the dollar also gained relative to the mark. The strength of the dollar apparently owed in part to perceptions that the U.S. economy might be strengthening and to market concerns regarding various political and financial difficulties in key foreign countries.

Growth of M2 rose in February from a reduced January pace, reflecting strength in transaction and other liquid accounts; partial data suggested some moderation in March. On balance, the expansion of M2 had been damped somewhat in early 1990 by the rise in opportunity costs of holding M2 instruments, as offering rates on retail deposits, especially at shorter maturities, had not been adjusted upward in line with the rise in market rates. Growth of M3 also picked up in February but remained below that of M2. The expansion of this aggregate continued to be curbed by the apparent ongoing contraction in the assets and associated funding needs of thrift institutions.

The staff projection prepared for this meeting suggested that the economy was likely to expand at a somewhat faster pace over the next several quarters than in the fourth quarter of 1989. Consumer demand was expected to pick up substantially from the fourth-quarter pace but to grow at a more moderate rate later. Business capital spending was likely to increase, though the rise could be limited by further downward pressure on profit margins associated with relatively sluggish growth of final demands. Greater caution on the part of lenders might tend to restrain spending, especially for commercial real estate, and some of the recent weather-related boost to nonresidential construction activity and homebuilding was expected to be reversed in coming months. Net exports were projected to make little contribution to growth of domestic production over the rest of the year. The projection assumed moderate restraint on expenditures at all levels of government. On balance, the need to contain inflation might involve some additional pressures in financial markets. Price pressures were expected to ease only gradually, and little improvement was anticipated in the underlying trend of inflation over the projection horizon.

In the Committee's discussion of the economic situation and outlook, members observed that the latest information, including recent revisions to data released earlier, suggested a somewhat stronger economic performance than had been apparent at the time of the February meeting. The employment statistics for January and February exhibited particular strength, but members cautioned that the latter had to be weighed against indications of relatively restrained growth in overall spending. Several commented that it was more difficult than usual to discern underlying economic trends because of the temporary effects of unusual weather conditions and other special factors in recent months. Developments on the financial side, including the possibility of reduced credit availability, constituted a risk to the continuing expansion. On balance, however, the members viewed sustained growth in business activity as a reasonable expectation for the next several quarters. With regard to the outlook for inflation, they recognized that much of the recent surge in key measures of inflation could be attributed to transitory, weather-related factors that had resulted in sharp increases in the prices of food and energy, but they also expressed a great deal of concern about the apparent lack of improvement in underlying inflation trends. While the economy seemed to be on a course that should prove consistent with reduced inflationary pressures over time, given appropriate fiscal and monetary policies, recent developments suggested that little or no progress toward lower inflation was likely to be made during the quarters immediately ahead.

Members reported that business conditions remained uneven in different sectors of the economy and in different parts of the country, depending on the mix of local industries, but overall activity appeared to be growing at least modestly in most if not all regions. Further expansion for the nation as a whole was likely to be sustained mainly by consumer expenditures, though growth in the latter might well moderate somewhat over the quarters ahead in conjunction with reduced gains in disposable incomes. In addition, the agricultural and energy sectors of the economy, which appeared to have strengthened in some regions, could provide important support to the overall expansion in business activity. Foreign trade was characterized by some members as the area of greatest uncertainty in the business outlook. Foreign demand was helping to maintain production in a number of industries that were experiencing reduced domestic demand, and some improvement in the overall trade balance was anticipated in response to the earlier depreciation of the dollar and to stronger economic growth in a number of foreign countries. Business fixed investment could continue to be inhibited by weak profit margins and an excess of commercial space in many parts of the country, though members reported that substantial commercial building activity remained under way in several regions. Residential construction had been relatively vigorous in recent months, reflecting exceptionally favorable weather conditions in many parts of the country; however, current mortgage rates together with financing difficulties being experienced by some builders and depressed housing markets in many areas were seen as pointing to weaker housing activity over the quarters ahead. With regard to the government sector, growth in federal spending for goods and services was projected to be relatively restrained; in addition, many state and local governments were experiencing budgetary problems that were likely to lead them to curb spending or to raise taxes.

Financial developments introduced a degree of uncertainty into the current economic situation; on the whole, they were likely to exert some restraining influence on overall economic activity, though it was difficult to judge their quantitative significance. Interest rates had increased noticeably since year-end; this rise probably reflected growing concerns about inflation in conjunction with a stronger near-term outlook for the economy, but higher interest rates likely would damp demand, especially in construction and other interest-sensitive sectors. In addition, members had heard numerous reports of reduced availability of credit to smaller businesses, notably home builders. Credit terms also were reported to have been tightened by some lenders on new auto loans and home equity loans. However, outside of lending for corporate restructuring purposes and certain real estate transactions, it was difficult to find firm indications of greater credit rationing in aggregate financial statistics. Some tightening of credit standards probably was a desirable development in terms of correcting for past excesses and adjusting to a more moderate pace of business activity, but a number of members expressed concern that significant further restraint on credit availability, should it occur, could have adverse consequences for the overall economy.

Turning to the outlook for prices and wages, members commented that, while increases in key measures of inflation were likely to moderate after their recent spurt, the prospects for inflation remained the most disturbing aspect of the economic outlook. Apart from what appeared to be transitory hikes in food and energy costs in late 1989 and early 1990, a number of other prices had increased somewhat more rapidly than earlier, and that development tended to underscore the deeply embedded nature of the current inflation problem. Despite relatively tight conditions in labor markets, the trend in labor compensation costs did not appear to be worsening, but some members expressed concern that wage pressures might increase if inflation did not recede from its recent pace. On the other hand, the intensity of competition in many markets made it difficult or impossible for affected businesses to pass on cost increases in the form of higher prices, and the addition of new plant capacity would heighten competition in a number of industries. On balance, little or no progress in reducing inflation appeared to be in prospect for the quarters immediately ahead, but if recent developments did not lead to a worsening of inflationary expectations, a decline in cost pressures and the underlying rate of inflation still appeared likely for the longer run in the context of sustained, moderate growth in economic activity.

In the Committee's discussion of policy for the intermeeting period ahead, most of the members indicated a preference for maintaining an unchanged degree of pressure on reserve positions. While recent economic information could be interpreted as pointing to a reduced risk of a recession and to greater or at least more deeply embedded inflationary pressures than were foreseen earlier, these members concluded that it would be premature to tighten reserve conditions on the basis of a few months of data, particularly in light of the special factors at work that made it difficult to assess underlying trends. Some of these members also noted that various developments, including the rise in most interest rates since the beginning of the year, the more recent strength of the dollar in foreign exchange markets, indications of some slowing in monetary growth, and the apparent tightening of credit standards could be viewed as having the same effects on the economy as a modest firming of reserve conditions. Because a firming of policy would be unexpected, it could prove unsettling in the foreign exchange markets and in financial markets more generally. On balance, in light of the uncertainties that were involved, these members preferred to maintain a steady policy course for now, subject to a careful evaluation during the intermeeting period of developments that might signal some intensification of inflationary pressures. A few members, who were particularly concerned about the outlook for inflation, preferred an immediate move to somewhat tighter reserve conditions, especially if the directive for this meeting did not include a presumption that any intermeeting adjustments were more likely to be in the direction of some tightening. In their view, the risks to the expansion of some modest firming were minimal under current conditions, and those risks needed to be accepted to place monetary policy more firmly on an anti-inflationary course consistent with the Committee's objectives.

During the Committee's discussion, members referred to a staff analysis that pointed to some reduction in the expansion of M2 over the months ahead on the assumption of an unchanged degree of reserve pressures. It was recognized that the rate of M2 growth could fluctuate over a relatively wide range during the second quarter, as balances were adjusted in conjunction with large seasonal tax payments. Additional uncertainty related to the possibility of a major increase in expenditures by the Resolution Trust Corporation, associated with resolving the affairs of intervened thrift institutions, that would tend to depress monetary growth, especially M3, by substituting in effect Treasury financing for monetary liabilities. Apart from such special factors, monetary growth could be expected to moderate somewhat in lagged response to the earlier updrift in interest rates and less rapid expansion of nominal GNP. A number of members commented that M2 growth at a rate somewhat below the pace that had prevailed on average since mid-1989 and more comfortably within the Committee's range for the year would be a welcome development; such growth would enhance the prospects of reconciling the objectives of sustained economic expansion with the need for progress in bringing inflation under control.

In regard to possible intermeeting adjustments in the degree of reserve pressure, a majority of the members indicated that they preferred a directive that did not bias prospective operations toward tightening or easing. Many of these members agreed that the risks of a recession appeared to have receded and that intermeeting developments should be watched with special attention to potential developments that might signal an intensification of inflationary pressures. Nonetheless, because of the considerable uncertainty surrounding the near-term outlook, they did not want to include a presumption in the directive about the likely direction of any adjustment. In addition, adoption of a directive tilted toward some firming could be viewed as having greater policy implications than usual because it would represent a change from recent directives and from the thrust of policy since the spring of 1989. It also would be inconsistent with the preference of a number of members for making any intermeeting adjustment toward tightening at this stage only on the basis of relatively conclusive economic, financial, or money supply developments. Other members indicated that their concerns about the prospects for inflation inclined them to favor a directive that was tilted toward possible firming during the intermeeting period. It was noted in this connection that even in the absence of any firming during the period ahead, the subsequent release of such a directive would underscore the Committee's readiness to take prompt and appropriate steps to bring inflation under control.

At the conclusion of the Committee's discussion, all but two of the members indicated that they preferred or could accept a directive that called for maintaining the current degree of pressure on reserve positions and that did not include any presumption about the likely direction of any intermeeting adjustments in policy. Accordingly, slightly greater or slightly lesser reserve restraint would be appropriate during the period ahead depending on progress toward price stability, the strength of the business expansion, the behavior of the monetary aggregates, and developments in foreign exchange and domestic financial markets. The unchanged reserve conditions contemplated at this meeting were expected to be consistent with growth of M2 and M3 at annual rates of about 6 percent and 4 percent respectively over the three-month period from March through June. The intermeeting range for the federal funds rate, which provides one mechanism for initiating consultation of the Committee when its boundaries are persistently exceeded, was left unchanged at 6 to 10 percent.

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

The information reviewed at this meeting suggests some pickup in the expansion of economic activity from the sluggish rate in the fourth quarter. Total nonfarm payroll employment increased sharply in January and February after growing at a reduced pace on average in previous months; a surge in the service-producing sector and a weather-related rebound in construction were only partly offset by a net decline in manufacturing. The civilian unemployment rate remained at 5.3 percent. In February, production in the manufacturing sector retraced its large January decline, reflecting a swing in the production of motor vehicles. Consumer spending has been affected in recent months by fluctuations in expenditures for motor vehicles and energy-related items but on balance has expanded at a relatively slow pace; outlays for goods have been weak while expenditures for services have remained strong. Unusually mild weather contributed to a higher level of housing starts in January and February. Business capital spending, adjusted for inflation, appears to have turned up after a decline in the fourth quarter, reflecting a pickup in expenditures on motor vehicles and aircraft. The nominal U.S. merchandise trade deficit widened in January from its low December rate but remained at roughly its fourth-quarter average. Consumer prices rose more rapidly over January and February, only partly as a result of increases in prices of food and energy.

Most short- and intermediate-term interest rates have risen a little since the Committee meeting on February 6–7; rates in long-term debt markets show mixed changes over the period. In foreign exchange markets, the trade-weighted value of the dollar in terms of the other G-10 currencies rose over the intermeeting period; much of the appreciation of the dollar was against the yen.

Growth of M2 and M3 picked up considerably in February, reflecting strength in transaction and other liquid accounts; partial data for March suggested some slowing from the February pace.

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability, promote growth in output on a sustainable basis, and contribute to an improved pattern of international transactions. In furtherance of these objectives, the Committee at its meeting in February established ranges for growth of M2 and M3 of 3 to 7 percent and 2½ to 6½ percent respectively, measured from the fourth quarter of 1989 to the fourth quarter of 1990. The monitoring range for growth of total domestic nonfinancial debt was set at 5 to 9 percent for the year. 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. Taking account of progress toward price stability, the strength of the business expansion, the behavior of the monetary aggregates, and developments in foreign exchange and domestic financial markets, 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 of M2 and M3 over the period from March through June at annual rates of about 6 and 4 percent respectively. The Chairman may call for Committee consultation if it appears to the Manager for Domestic Operations that reserve conditions during the period before the next meeting are likely to be associated with a federal funds rate persistently outside a range of 6 to 10 percent.

Votes for this action: Messrs. Greenspan, Corrigan, Angell, Boehne, Johnson, Kelley, LaWare, Ms. Seger, and Mr. Stern. Votes against this action: Messrs. Boykin and Hoskins.

Mr. Boykin dissented because he felt that the risks were on the side of accelerating inflation, and he therefore preferred a policy directive tilted toward increased reserve pressures should there be indications of greater-than-anticipated strength in economic activity during the intermeeting period. He stated that an asymmetric directive leaning toward firmer reserve pressures would convey important and stabilizing information to the financial markets about the seriousness of the Federal Reserve in pursuing its goal of price stability.

Mr. Hoskins dissented because he preferred an immediate firming of reserve conditions. In his view, inflation pressures remained relatively strong and suggested that greater monetary restraint was necessary to facilitate progress toward the Committee's long-term goal of price stability. He was concerned that any delay in tightening policy might lead to the need for more aggressive actions later.

2. Authorization for Domestic Open Market Operations

The Committee approved a temporary increase of $4 billion, to a level of $12 billion, in the limit between Committee meetings on changes in System Account holdings of U.S. government and federal agency securities. The increase amended paragraph 1(a) of the Authorization for Domestic Open Market Operations and was effective for the intermeeting period ending with the close of business on May 15, 1990.

Votes for this action: Messrs. Greenspan, Corrigan, Angell, Boehne, Boykin, Hoskins, Johnson, Kelley, LaWare, Ms. Seger, and Mr. Stern. Votes against this action: None.

This action was taken on the recommendation of the Manager for Domestic Operations. The Manager had advised that the current leeway of $8 billion for changes in System Account holdings might not be sufficient over the intermeeting period because of a large projected rise in Treasury balances at the Federal Reserve Banks after the tax payment date in mid-April.

3. Authorization for Foreign Currency Operations

At this meeting, the Committee reviewed its operations in the foreign currency markets. Transactions for the System Open Market Account in those markets are carried out within the general framework of policy on exchange rates established by the U.S. Treasury in consultation with the Federal Reserve and are implemented at the Federal Reserve Bank of New York, typically in conjunction with similar transactions for the U.S. Treasury's Exchange Stabilization Fund (ESF). Members commented that such operations at times can serve a useful purpose, especially in helping to avert or to correct disorderly conditions in the foreign exchange markets. At the same time, many expressed strong skepticism that intervention operations can by themselves have a lasting effect on the value of the dollar in foreign currency markets, given that the effects of these operations on bank reserves are routinely sterilized. However, some argued that even sterilized intervention can, in some circumstances, have desired effects on exchange rates, especially if carried out in concert with parallel operations by the monetary authorities of other nations or if such operations signal adjustments to fiscal or monetary policies.

Over the past year, very large purchases of foreign currencies had raised System Account holdings to historically high levels, although relative to U.S. imports such holdings were still moderate compared with those of other countries. Some members expressed concern that the increased System Account holdings carried the risk of sizable losses if the dollar were to strengthen substantially.

While recognizing the potential difficulties that were involved, a majority of the members agreed that continued System operations in the foreign exchange markets in association with Treasury transactions can serve a useful purpose. Such operations can contribute to national economic objectives under certain circumstances, and the System should continue to participate in the formulation of exchange rate policy. However, they also felt that the cumulative amount of foreign currency operations for the System Account might have been more limited than had been the case over the past year.

At the conclusion of this discussion, the Committee approved an increase from $21 billion to $25 billion in the limit on holdings of foreign currencies that is specified in paragraph 1.D of the Committee's Authorization for Foreign Currency Operations. That limit applies to the overall open position in all foreign currencies held in the System Open Market Account and is based on historical acquisition costs. The limit had been increased in steps from $12 billion in May

1989 to \$21 billion in December 1989. While purchases of foreign currencies had been relatively limited in recent months, such purchases in combination with accruing interest on holdings had raised the total to nearly \$21 billion at the time of the meeting.

> Votes for this action: Messrs. Greenspan, Corrigan, Boehne, Boykin, Johnson, Kelley, Ms. Seger, and Mr. Stern. Votes against these actions: Messrs. Angell, Hoskins, and LaWare.

Messrs. Angell, Hoskins, and LaWare dissented because they did not want to provide System funding for additional intervention in the foreign exchange markets. They were uncomfortable with the large holdings of foreign currencies now in the System Account and felt that aggressive intervention policies could lead to sizable additional increases in such holdings. Messrs. Angell and Hoskins expressed concern that the intervention carried out over the past year had undermined the credibility of the System's monetary policy by contributing to uncertainty concerning the System's priority toward achieving price level stability. Mr. Hoskins also believed that intervention was ineffective unless accompanied by changes in monetary policy that would be inconsistent with price stability objectives. Mr. LaWare felt that massive and frequent operations tended to reduce the effectiveness of intervention when the latter might otherwise prove useful in countering disorderly conditions in the exchange markets.

4. Agreement to "Warehouse" Foreign Currencies

On September 19, 1989, the Committee had approved an increase from \$5.0 billion to \$10.0 billion in the amount of eligible foreign currencies that the System was prepared to "warehouse" for the Treasury and the ESF. Currently, a total of \$9.0 billion of such currencies was being warehoused for the ESF. The purpose of the facility is to supplement as needed the resources of the Treasury and the ESF for financing their purchases of foreign currencies. Warehousing involves spot purchases of foreign currencies from the Treasury or the ESF and simultaneous forward sales of the same currencies at the same exchange rates to the Treasury or the ESF. Under a longstanding interpretation by the Committee and its General Counsel, warehousing transactions are open market operations in foreign currencies that are authorized under the Federal Reserve Act. Warehousing is included under paragraphs 1.A and 1.B of the Committee's Authorization for Foreign Currency Operations and its use is referenced under paragraph 3.B of the Committee's Foreign Currency Directive.

At this meeting, the Committee agreed to accommodate any further Treasury and ESF requests for financing under the warehousing facility up to a limit of \$15 billion.

> Votes for this action: Messrs. Greenspan, Corrigan, Boehne, Boykin, Johnson, Kelley, Ms. Seger, and Mr. Stern. Votes against these actions: Messrs. Angell, Hoskins, and LaWare.

Messrs. Angell, Hoskins, and LaWare indicated that in light of the significant policy issues raised by the duration and scale of the intervention activity, they were unable to concur, as a matter of policy, with the Committee's decisions to increase further the authorization for warehousing foreign currencies. Messrs. Angell and Hoskins also were concerned that substantial increases in the authorized limits on holdings of foreign currencies by the Federal Reserve System for the U.S. Treasury and the ESF under the warehousing authority were inappropriate in the absence of a definitive indication of congressional intent in this area. The transactions in question, which are repurchase agreements that have the characteristics of a loan to the Treasury, could be viewed as avoiding the congressional appropriations process called for under the Constitution.

Legal Developments

Final Rule—Amendment to Regulation CC

The Board of Governors is amending 12 C.F.R. Part 229, its Regulation CC (Availability of Funds and Collection of Checks). The regulation requires banks to make funds available to their customers within specified times, to disclose their funds availability policies to their customers, and to handle returned checks expeditiously. The final amendments include changes to the model forms and other technical and clarifying modifications to the regulation and its Official Commentary (Appendix E to the regulation). The Board has determined not to adopt the proposed amendment that would shorten the time requirements for giving notice of nonpayment.

The amendments to section 229.13(h)(4) and its Commentary are effective September 1, 1990. The amendment to the Commentary to section 229.36(e) is effective February 1, 1991. All other amendments are effective May 22, 1990. 12 C.F.R. Part 229 is amended as follows:

Part 229—[Amended]

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

Authority: Title VI of Pub. L. 100-86, 101 Stat. 552, 635, 12 U.S.C. 4001 *et seq.*

2. In section 229.3, paragraph (a)(2) is revised to read as follows:

Section 229.3—Administrative Enforcement

(a) *Enforcement agencies.* * * *

(2) Section 8 of the Federal Deposit Insurance Act, by the Director of the Office of Thrift Supervision in the case of savings associations the deposits of which are insured by the Federal Deposit Insurance Corporation; and

* * * * *

3. In section 229.13, paragraph (h)(4) is revised to read as follows:

Section 229.13—Exceptions

* * * * *

(h) *Availability of deposits subject to exceptions.* * * *

(4) For the purposes of paragraphs (h)(1), (h)(2), and (h)(3) of this section, an extension of up to five business days for local checks and six business days for nonlocal checks is a reasonable period. A longer extension may be reasonable, but the bank has the burden of so establishing.

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

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

* * * * *

(c) *Extension of deadline.* The deadline for return or notice of nonpayment under the UCC or Regulation J (12 C.F.R. Part 210) is extended:

(1) if a paying bank, in an effort to expedite delivery of a returned check to a bank, uses a means of delivery that would ordinarily result in the returned check being received by the bank to which it is sent on or before the receiving bank's next banking day following the otherwise applicable deadline; this deadline is extended further if a paying bank uses a highly expeditious means of transportation, even if this means of transportation would ordinarily result in delivery after the receiving bank's next banking day; or

(2) if the deadline falls on a Saturday that is a banking day, as defined in the applicable UCC, for the paying bank, and the paying bank uses a means of delivery that would ordinarily result in the returned check being received by the bank to which it is sent prior to the cut-off hour for the next processing cycle, in the case of a returning bank, or on the next banking day, in the case of a depositary bank, after midnight Saturday night.

* * * * *

5. In section 229.35, paragraph (a) is revised to read as follows:

Section 229.35—Indorsements

(a) *Indorsement standards.* A bank (other than a paying bank) that handles a check during forward collection or a returned check shall legibly indorse the check in accordance with the indorsement standard set forth in Appendix D to this part.

* * * * *

6. In section 229.36, a new sentence is added to the end of paragraph (e) concluding text to read as follows:

Section 229.36—Presentment and Issuance of Checks

* * * * *

(e) *Issuance of payable through checks.* * * *
(1) * * *
(2) * * *
* * * A bank is responsible for damages under section 229.38 of this part to the extent that a check payable by it and not payable through another bank is labelled as provided in this section.

APPENDIX A—[AMENDED]

7. In Appendix A, two new numbers are added, in numerical order, to the list of numbers under the subheading "Federal Home Loan Banks" as follows:

Federal Home Loan Banks

* * *

0654 0348 0

* * *

1110 1083 7

* * *

APPENDIX C—[AMENDED]

8. Appendix C is amended as set forth below:

a. In model forms C-l, C-2, and C-3, the first paragraph is revised to read as follows:

Your Ability to Withdraw Funds at [bank name and location]

Our policy is to make funds from your deposits available to you on the first business day after the day we receive your deposit. Electronic direct deposits will be available on the day we receive the deposit. Once they are available, you can withdraw the funds in cash and we will use the funds to pay checks that you have written.

* * * * *

b. In model form C-3, the heading is revised, and under the subheading "Longer Delays May Apply," the second sentence of the first paragraph is revised to read as follows:

* * * * *

C-3. Next-day availability, case-by-case holds to statutory limits, and section 229.13 exceptions (permanent schedule)

* * * * *

Longer Delays May Apply

* * * Depending on the type of check that you deposit, funds may not be available until the fifth business day after the day of your deposit. * * *

* * * * *

c. In model forms C-4, C-5, C-6, and C-7, a new paragraph and a subheading is added immediately preceding the subheading "Next-Day Availability," and the first sentence under the subheading "Next-Day Availability" is revised to read as follows:

* * * * *

Same-Day Availability

Funds from electronic direct deposits to your account will be available on the day we receive the deposit.

Next-day Availability

Funds from the following deposits are available on the first business day after the day of your deposit:
U.S. Treasury checks that are payable to you.
Wire transfers.
Checks drawn on [bank name] (unless [*any limitations related to branches in different states or check-processing regions*]).

* * * * *

d. In model forms C-4, C-6, and C-7, the second paragraph under the subheading "Other Check Deposits" is revised to read as follows:

* * * * *

Other Check Deposits

* * * * *

If the first four digits of the routing number (1234 in the examples above) are [*local numbers*], then the check is a local check. Otherwise, the check is a nonlocal check. Some checks are marked "payable through" and have a four or nine-digit number nearby. For these checks, use the four-digit number (or the first four digits of the nine-digit number), not the routing number on the bottom of the check, to determine if these checks are local or nonlocal. Our policy is to make funds from local and nonlocal checks available as follows.

* * * * *

e. In model form C-5, the heading is revised, and two new sentences are added at the beginning of the second paragraph under the subheading "Other Check Deposits" to read as follows:

* * * * *

C-5. Holds to statutory limits on all deposits (permanent schedule, includes chart)

* * * * *

Other Check Deposits

* * * * *

Some checks are marked "payable through" and have a four or nine-digit number nearby. For these checks, use this four-digit number (or the first four digits of the nine-digit number), not the routing number on the bottom of the check, to determine if these checks are local or nonlocal. * * *

* * * * *

f. In model form C-5, in the chart under the subheading "Other Check Deposits," the second and fourth entries are revised to read as follows:

First four digits from routing number	When funds are available:	When funds are available if a deposit is made on a Monday
* * * * *	* * * * * Remaining funds on the second business day after the day of your deposit.	* * * * * Wednesday.
* * * * *	* * * * * Remaining funds on the fifth business day after the day of your deposit.	* * * * * Monday of the following week.

g. In forms C-2, C-3, C-4, C-5, and C-6, under the subheading "Special Rules for New Accounts," the second paragraph is deleted, and the third paragraph is revised to read as follows:

Special Rules for New Accounts

* * * * *

Funds from electronic direct deposits to your account will be available on the day we receive the deposit. Funds from deposits of cash, wire transfers, and the first $5,000 of a day's total deposits of cashier's, certified, teller's, traveler's, and federal, state and local government checks will be available on the first business day after the day of your deposit if the deposit meets certain conditions. For example, the checks must be payable to you (and you may have to use a special deposit slip). The excess over $5,000 will be available on the ninth business day after the day of your deposit. If your deposit of these checks (other than a U.S. Treasury check) is not made in person to one of our employees, the first $5,000 will not be available until the second business day after the day of your deposit.

* * * * *

h. In form C-7, under the subheading "Special Rules for New Accounts," the second, third, and fourth sentences of the first paragraph are deleted and the second paragraph is revised to read as follows:

Special Rules for New Accounts

* * * * *

Funds from electronic direct deposits to your account will be available on the day we receive the deposit. Funds from deposits of cash, wire transfers, and the first $5,000 of a day's total deposits of cashier's, certified, teller's, traveler's, and federal, state and local government checks will be available on the first business day after the day of your deposit if the deposit meets certain conditions. For example, the checks must be payable to you (and you may have to use a special deposit slip). The excess over $5,000 will be available on the ninth business day after the day of your deposit. If your deposit of these checks (other than a U.S. Treasury check) is not made in person to one of our employees, the first $5,000 will not be available until the second business day after the day of your deposit.

* * * * *

i. In model clause C-8, the last sentence is deleted.

j. In model form C-15, the heading is revised, a new entry to be the first entry in the chart is added, and the third and fourth entries are revised to read as follows:

C-15. Notice at locations where employees accept consumer deposits (permanent schedule)

Funds Availability Policy

Description of deposit	When funds can be withdrawn by cash or check
Direct deposits.	The day we receive the deposit.
* * * * *	* * * * *
Local checks.	The second business day after the day of deposit.
Nonlocal checks.	The fifth business day after the day of deposit.

k. In model form C-15A, the heading is revised, a new sentence is added after the first sentence of the paragraph, and the last sentence of the paragraph is revised to read as follows:

C-15A. Notice at locations where employees accept consumer deposits (case-by-case holds) (permanent schedule)

Funds Availability Policy

* * * Funds from electronic direct deposits will be available on the day we receive the deposit. * * * Then, the funds will generally be available by the fifth business day after the day of deposit.

l. Model clauses C-19 and C-19A are deleted.

APPENDIX E—[AMENDED]

9. Appendix E is amended as set forth below:

a. In the Commentary to section 229.2, the last four sentences of the third paragraph of paragraphs (f) and (g) are deleted and four new sentences are added to the end, the first sentence of the last paragraph of paragraph (k) is revised, the next to last sentence of paragraph (r) is revised and a new sentence is added to the end, and a new sentence is added to the end of the first paragraph of paragraph (u) to read as follows:

Section 229.2—Definitions

* * * * *

(f) and (g) *Banking Day and Business Day.* * * *

* * * On a calendar day that is a banking day for the branch or other location of the depositary bank at which the account is maintained, a deposit received at an ATM before the ATM's cut-off hour is considered deposited on that banking day, and a deposit received at an ATM after the ATM's cut-off hour is considered deposited on the next banking day of the branch or other location where the account is maintained. On a calendar day that is not a banking day for the account-holding location, all ATM deposits are considered received on that location's next banking day. This rule for determining the day of deposit would also apply to a deposit to an off-premise facility, such as a night depository or lock box, which is considered deposited when removed from the facility and available for processing under section 229.19(a)(3). If an unstaffed facility, such as a night depository or lock box, is on branch premises, the day of deposit is determined by the banking day at the branch at which the deposit is received, whether or not it is the branch at which the account is maintained.

* * * * *

(k) *Check* * * * The definition of "check" does not include an instrument payable in foreign currency (i.e., other than in United States money as defined in 31 U.S.C. 5101), a credit card draft (i.e., a sales draft used by a merchant or a draft generated by a bank as a result of a cash advance), or an ACH debit transfer. * * *

* * * * *

(r) *Local check* * * * Until the labelling requirements in section 229.36(e) for payable through checks become effective on February 1, 1991, there may be cases where the payable through bank will be designated only by routing number and will not be named on the check. * * * For payable through checks that meet the labelling requirements of section 229.36(e), the depositary bank may rely on the four-digit routing symbol of the paying bank that is printed on the face of the check as required by that section, e.g., in the title plate, but not on the first four digits of the payable through bank's routing number printed in magnetic ink in the MICR line or in fractional form, to determine whether the check is local or nonlocal.

* * * * *

(u) *Noncash item.* * * * To qualify as a noncash item, an item must be handled as such and may not be handled as a cash item by the depositary bank.

* * * * *

b. In the Commentary to section 229.13, in paragraph (h), the second sentence of the first paragraph, the first sentence of the second paragraph, and the fourth paragraph are revised to read as follows:

Section 229.13—Exceptions

* * * * *

(h) *Availability of deposits subject to exceptions.*
* * * This provision establishes that an extension of up to five business days for local checks and six business days for nonlocal checks is reasonable. * * *
For example, assume a bank extended the hold on a local check deposit by five business days based on its reasonable cause to believe that the check is uncollectible. * * *

* * * * *

Five business days for local checks and six business days for nonlocal checks, in addition to the time period provided in the schedule, should provide adequate time for the depositary bank to learn of the nonpayment of virtually all checks that are returned.

* * * * *

c. In the Commentary to section 229.18, a new paragraph is added after the last paragraph of paragraph (e) to read as follows:

Section 229.18—Additional Disclosure Requirements

* * * * *

(e) *Changes in policy.* * * *
In disclosing changes due to the implementation of the permanent schedule, a bank may provide notice in any form that is clear and conspicuous. For example, in disclosing the change in the maximum period for case-by-case holds, banks that used the previous version of Form C-3 could use language such as the following on account statements or inserts: "Our disclosure on funds availability indicated that, in certain circumstances, funds from deposits would not be available until the seventh business day following the day of your deposit. Effective September 1, 1990, that period [was/will be] reduced to five business days." A bank reserving the right to apply the cash withdrawal limitation in section 229.12(d) when invoking a case-by-case hold should indicate that the period is reduced to six, rather than five, business days.

d. In the Commentary to section 229.19, the third sentence in the fifth paragraph of paragraph (a) is revised and two new sentences are added immediately following the third sentence, and two new sentences are added to the end of the second paragraph of paragraph (c) to read as follows:

Section 229.19—Miscellaneous

(a) *When funds are considered deposited.* * * * For receipt of deposits at ATMs or off-premise facilities, such as night depositories or lock boxes, the depositary bank may establish a cut-off hour of 12:00 noon or later (either local time of the branch or other location of the depositary bank at which the account is maintained or local time of the ATM or off-premise facility). The depositary bank must use the same method for establishing the cut-off hour for all ATMs and off-premise facilities used by its customers. The choice of cut-off hour must be reflected in the bank's internal procedures, and the bank must inform its customers of the cut-off hour upon request. * * *

* * * * *

(c) *Effect on policies of depositary bank.* * * * For example, even if a check is returned or a notice of nonpayment is received after the time by which funds must be made available for withdrawal in accordance with this regulation, the depositary bank may charge back the customer's account for the full amount of the check. (See section 229.33(d) and Commentary.)

* * * * *

e. In the Commentary to section 229.30, the heading and first two paragraphs of paragraph (c) are revised to read as follows:

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

* * * * *

(c) *Extension of deadline.* This paragraph permits extension of the midnight deadline, but not of the duty of expeditious return, in two circumstances:

(1) A paying bank may have a courier that leaves after midnight to deliver its forward collection checks. This paragraph removes the constraint of the midnight deadline for returned checks if the returned check reaches either the depositary bank or the returning bank to which it is sent on that bank's banking day following the expiration of the midnight deadline or other applicable time for return. The extension also applies if the check reaches the bank to which it is sent later than the close of that bank's banking day, if highly expeditious means of transportation are used. For example, a West Coast paying bank may use this further extension to ship a returned check by air courier directly to an

East Coast depositary bank even if the check arrives after the close of the depositary bank's banking day. (2) A paying bank may observe a banking day, as defined in the applicable UCC, on a Saturday, which is not a business day and therefore not a banking day under Regulation CC. In such a case, the UCC midnight deadline for checks received on Friday might require the bank to return the checks by midnight Saturday. However, the bank may not have couriers leaving on Saturday to carry returned checks, and even if it did, the returning or depositary bank to which the returned checks were sent might not be open until Sunday night or Monday morning to receive and process the checks. This paragraph extends the midnight deadline if the returned checks reach the returning bank by a cut-off hour (usually on Sunday night or Monday morning) that permits processing during its next processing cycle or reach the depositary bank by the cut-off hour on its next banking day following the Saturday midnight deadline.

The time limits that are extended in each case are the paying bank's midnight deadline in UCC section 4-301 and 4-302 and section 210.12 of Regulation J (12 C.F.R. 210.12). As these extensions are designed to speed (section 229.30(c)(1)), or at least not slow (section 229.30(c)(2)), the overall return of checks, no modification or extension of the expeditious return requirements in section 229.30(a) is required.

* * * * *

f. In the Commentary to section 229.34, the first sentence of paragraph (a) is revised to read as follows:

Section 229.34—Warranties by Paying Bank and Returning Bank

(a) *Warranty of returned check.* This paragraph includes warranties that a returned check, including a notice in lieu of return, was returned by the paying bank, or in the case of a check payable by a bank and payable through another bank, the bank by which the check is payable, within the deadline under the UCC, Regulation J, or section 229.30(c); that the paying or returning bank is authorized to return the check; that the returned check has not been materially altered; and that, in the case of a notice in lieu of return, the original check has not been and will not be returned for payment (see the Commentary to section 229.30(f)). * * *

* * * * *

g. In the Commentary to section 229.35, a new sentence is added before the last sentence of the first paragraph of paragraph (a) to read as follows:

Section 229.35—Indorsements

(a) *Indorsement standards.* * * * The regulation places a duty on banks to ensure that their indorsements are legible.* * *

* * * * *

h. In the Commentary to section 229.36, five new sentences are added after the second sentence in the second paragraph of paragraph (e) to read as follows:

Section 229.36—Presentment and Issuance of Checks

* * * * *

(e) *Issuance of payable through checks.* * * *

* * * Similarly, a bank may be liable under section 229.38 if a check payable by it that is not payable through another bank is labelled as provided in this section. For example, a bank that holds checking accounts and processes checks at a central location but has widely-dispersed branches may be liable under this section if it labels all of its checks as "payable through" a single branch and includes the name, address, and four-digit routing symbol of another branch. These checks would not be payable through another bank and should not be labelled as payable through checks. (All of a bank's offices within the United States are considered part of the same bank; see section 229.2(e).) In this example, the bank by which the checks are payable could be liable to a depositary bank that suffers a loss, such as lost interest or liability under subpart B, due to the mislabelled check. * * *

i. In the Commentary to Appendix C, under the subheading "Models C-1 Through C-7 Generally," the second and fifth paragraphs are deleted, the last paragraph is revised, and a new paragraph is added at the end thereof to read as follows:

Appendix C—Model Forms, Clauses, and Notices

* * * * *

Models C-1 through C-7 generally. * * *

* * * * *

While section 229.10(b) of the regulation requires next-day availability for electronic payments, Treasury regulations (31 C.F.R. Part 210) and ACH association rules require that preauthorized credits ("direct deposits") be made available on the day the bank receives the funds. Model Forms C-l through C-7 reflect these rules. Wire transfers, however, are not governed by Treasury or ACH rules, but banks generally make funds from wire transfers available on the day received or on the business day following receipt. Banks should ensure that their disclosures reflect the availability given in most cases for wire transfers.

Banks that have used earlier versions of the model forms or clauses (such as those forms that gave Social Security benefits and payroll payments as examples of preauthorized credits available the day after deposit) are protected from civil liability under section 229.21(e). Banks are encouraged, however, to use current versions of the forms when reordering or reprinting supplies of forms.

* * * * *

j. In the Commentary to Appendix C, under the subheading "Model C-3," a new sentence is added to the end thereof to read as follows:

Model C-3

* * * A bank reserving the right to impose the cash withdrawal limitation in section 229.12(d) should disclose that funds may not be available until the sixth (rather than fifth) business day in the first paragraph under the heading "Longer Delays May Apply."

k. In the Commentary to Appendix C, under the subheading "Model C-5," the references to "C-4" are revised to read "C-7."

l. In the Commentary to Appendix C, under the subheading "Model C-15 and C-15A," the second sentence is revised to read as follows:

Model C-15 and C-15A

* * * Model C-15 is based on an availability policy that is the same as the permanent schedule in the regulation and the policy reflected in models C-5 and C-7. * * *

m. In the Commentary to Appendix C, the subheading "Model C-19 and C-19A" and the accompanying paragraph are deleted.

Orders Issued Under Bank Holding Company Act

Orders Issued Under Section 3 of the Bank Holding Company Act

First Formoso, Inc.
Formoso, Kansas

Order Approving the Acquisition of a Bank Holding Company

First Formoso, Inc., Formoso, Kansas ("First Formoso"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 3(a)(3) of the BHC Act (12 U.S.C. § 1842(a)(3)) to acquire 100 percent of the voting shares of Mankato Bankshares, Inc., Mankato, Kansas ("MBI"), and thereby acquire The First National Bank in Mankato, Mankato, Kansas ("Mankato Bank").[1]

Notice of the application, affording interested persons an opportunity to submit comments, has been published (55 *Federal Register* 5067 (1990)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the BHC Act.

First Formoso and MBI are among the smaller commercial banking organizations in Kansas, controlling together deposits of $21.6 million, representing less than one percent of the total deposits in commercial banking organizations in the state.[2] Consummation of this proposal would not have a significantly adverse effect on the concentration of banking resources in Kansas.

Formoso Bank and Mankato Bank compete directly in the Jewell County banking market.[3] Formoso Bank is the fifth largest bank of the six banks that operate in the market, controlling deposits of $6.0 million, representing 10.6 percent of the total deposits in commercial banking organizations in the market. Mankato Bank is the largest commercial bank in the market, controlling deposits of $15.6 million, representing 27.5 percent of the total deposits in commercial banking organizations in the market. Upon consummation of this proposal, First Formoso would become the largest commercial banking organization in the market, controlling 38.1 percent of the total deposits in commercial banking organizations in the market. The market is highly

1. After consummation of this proposal, First Formoso will merge its sole subsidiary bank, Formoso Bank, Formoso, Kansas, into Mankato Bank. The principal shareholder of First Formoso will provide the funding for the proposed acquisition. Formoso Bank will operate at the current location of Mankato Bank and will operate a branch in Formoso, Kansas.

2. All banking data are as of December 31, 1989.

3. The Jewell County banking market is approximated by Jewell County, Kansas.

concentrated, and the Herfindahl–Hirschman Index ("HHI") would increase by 583 points to 2551.[4]

Although consummation of this proposal would result in the loss of a competitor in a highly concentrated market, the Board believes that certain factors mitigate the potential anticompetitive effects of this proposal. The Board has placed significant weight on the fact that five banks will remain in the market following consummation of this proposal. In addition, a number of factors indicate that the ability of the market to support a large number of competitors has deteriorated. Jewell County is a sparsely populated area that has experienced a substantial and sustained decline in population.[5] Formoso, Kansas, which is the community in which Formoso Bank operates its only office, has a population of approximately 170. Formoso is not located on any major road and currently supports only two full-time businesses other than Formoso Bank. Mankato, Kansas, the community in which Mankato Bank operates its only office, is located less than 10 miles from Formoso, Kansas. Mankato is the largest town in Jewell County with a population of approximately 1000.[6]

Jewell County's per capita retail sales and per capita income are lower than the average of five adjacent counties, the average of all rural counties in Kansas, and the average of the state as a whole. While bank deposits in Jewell County have grown during the period between 1983 and 1989, the rate of deposit growth in this market has been considerably lower than the average rate of deposit growth in adjacent rural counties and in the state as a whole.[7] Jewell County has a population-per-bank ratio of 767, substantially lower than the statewide average of 4360, and, as noted above, five commercial banking organizations would remain in the market after consummation of the proposal.[8]

Consequently, the Board has determined that, in view of all of the facts of record and in the particular context of the market conditions in this case, consummation of this proposal would not have a significantly adverse effect on competition or the concentration of banking resources in the Jewell County banking market. Thus, competitive effects are consistent with approval.

The financial and managerial resources of Formoso, MBI and their subsidiaries are consistent with approval. After the proposed acquisition, First Formoso intends to operate a full-service branch facility at the present location of Formoso Bank, and thus banking services would be maintained in Formoso. Accordingly, considerations relating to convenience and needs of the community to be served are also consistent with approval.

Based on the foregoing and other facts of record, the Board has determined that the application should be, and hereby is, approved. The proposal shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Kansas City, acting pursuant to delegated authority.

By order of the Board of Governors, effective May 9, 1990.

Voting for this action: Vice Chairman Johnson and Governors Seger and LaWare. Abstaining from this action: Governor Angell. Absent and not voting: Chairman Greenspan and Governor Kelley.

JENNIFER J. JOHNSON
Associate Secretary of the Board

SunTrust Banks, Inc.
Atlanta, Georgia

Order Approving Acquisition of Shares of a Bank

SunTrust Banks, Inc., Atlanta, Georgia ("SunTrust"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has ap-

4. Under the revised Department of Justice Merger Guidelines (49 *Federal Register* 26,823 (June 29, 1984)), any market in which the post-merger HHI is over 1800 is considered highly concentrated, and the Department of Justice is likely to challenge a merger that increases the HHI by more than 50 points unless other factors indicate that the merger will not substantially lessen competition. The Department of Justice has informed the Board that a bank merger or acquisition is likely to be challenged (in the absence of other factors indicating an anticompetitive effect) if the post-merger HHI is at least 1800 and the merger increases the HHI by at least 200 points. The Department of Justice has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effect of limited-purpose lenders and other nondepository financial entities.

5. Census data indicate that Jewell County's population declined by 13.8 percent between 1970 and 1980. *U.S. Bureau of the Census, Census of Population (1970 and 1980).* Since 1980, the population has continued its substantial decline, decreasing by an estimated 12.2 percent to approximately 4600. *The 1990 Rand McNally Commercial Atlas and Marketing Guide.* During the period 1980 to 1988, Jewell County experienced the second greatest rate of population decline among the 105 counties in Kansas. *Id.* In comparison, the population in Kansas has increased by 11.0 percent since 1970.

6. Since 1970, the population in Mankato, Kansas, has decreased by approximately 25 percent.

7. Jewell County's rate of growth in deposits between 1983 and 1989 averaged 7.6 percent while, in the same period, deposit growth in adjacent rural counties averaged 18.0 percent and the rate of deposit growth in the state of Kansas as a whole averaged 29.7 percent.

8. Only ten of the 268 counties in the United States with estimated populations of 5000 or less, including Jewell County, and only six of the 74 counties with estimated populations of 4000 to 5000 are served by more than five banks. Of the ten counties in Kansas with populations of 4000 to 5000, only Jewell County is served by more than five banks.

plied for the Board's approval under section 3(a)(3) of the BHC Act (12 U.S.C. § 1842(a)(3)) to acquire up to 24.99 percent of the voting shares of Peoples Bank of Lakeland, Lakeland, Florida ("Bank"). SunTrust has previously received the Board's approval to acquire up to 15 percent of the voting shares of Bank.[1]

Notice of the application, affording interested persons an opportunity to submit comments, has been published (54 *Federal Register* 22,367 (1989)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the BHC Act (12 U.S.C. § 1842(c)).

The Board has previously indicated that the acquisition of less than a controlling interest in a bank is not a normal acquisition for a bank holding company.[2] However, the requirement in section 3(a)(3) of the BHC Act that the Board's prior approval be obtained before a bank holding company acquires more than 5 percent of the voting shares of a bank suggests that Congress contemplated the acquisition by bank holding companies of between 5 and 25 percent of the voting shares of banks. Accordingly, the Board has previously approved the acquisition by a bank holding company of less than a controlling interest in a bank.[3]

Section 3(c) of the BHC Act requires the Board to analyze the competitive, financial, managerial, future prospects, and convenience and needs considerations in every case under section 3 of the BHC Act. In accordance with that section, the Board has considered all of these factors in its analysis of this application.

SunTrust is the second largest commercial banking organization in Florida, controlling total domestic deposits of approximately $13.3 billion, representing approximately 13 percent of all deposits in commercial banks in the state. Bank is the 20th largest commercial banking organization in Florida, controlling deposits of approximately $419 million, representing less than 1 percent of all deposits in commercial banks in the state.[4] SunTrust and Bank compete in the West Polk County banking market.[5] Bank is the largest of nine commercial banking organizations in the market and controls approximately $419 million in deposits, representing approximately 31.2 percent of total deposits in commercial banks in the market. SunTrust controls the fourth largest bank in the market, with approximately $163.7 million in deposits, representing approximately 12.3 percent of total deposits in commercial banks in the market.

If this proposal involved the acquisition of control of Bank by SunTrust, it appears likely, based on the facts as presented, that consummation of the proposal would lessen competition in the West Polk County banking market.[6] In that event, the Board would have to consider whether consummation of this proposal would have such a detrimental effect on competition in this market as to warrant denial of this application.

Based on the facts of record and SunTrust's commitments, however, the Board has concluded that SunTrust would not acquire control or the ability to exercise a controlling influence over Bank upon consummation of this proposal. The record shows that SunTrust has applied to acquire no more than 24.99 percent of the shares of Bank and that over 50 percent of Bank's voting shares are owned by a family (not connected with SunTrust) that has controlled Bank for at least 37 years, and whose members currently serve as chairman and vice chairman of Bank. In addition, SunTrust has committed that it will not, without prior consent from the Board:

(1) take any action that would cause Bank to become a subsidiary of SunTrust;

(2) acquire or retain shares that would cause the combined interests of SunTrust and its officers, directors, and affiliates to equal or exceed 25 percent of the outstanding voting shares of Bank;

(3) exercise or attempt to exercise a controlling influence over the management or policies of Bank;

(4) seek or accept representation on the board of directors of Bank;

(5) have or seek to have any representative serve as an officer, agent, or employee of Bank;

(6) propose a director or slate of directors in opposition to a nominee or slate of nominees proposed by the management or board of directors of Bank;

(7) solicit or participate in soliciting proxies with respect to any matter presented to the shareholders of Bank;

(8) attempt to influence the dividend policies or practices of Bank;

1. *Sun Banks, Inc.*, 71 *Federal Reserve Bulletin* 243 (1985); *see also SunTrust Banks, Inc.*, 71 *Federal Reserve Bulletin* 176 (1985).

2. *Id. See also Midlantic Banks, Inc.*, 70 *Federal Reserve Bulletin* 776 (1984); *State Street Boston Corporation*, 67 *Federal Reserve Bulletin* 862 (1981).

3. *Id. See also The Summit Bancorporation*, 75 *Federal Reserve Bulletin* 712 (1989); *Comerica Incorporated*, 69 *Federal Reserve Bulletin* (1983); *Lincoln National Company*, 63 *Federal Reserve Bulletin* 405 (1977), and *First Piedmont Corporation*, 59 *Federal Reserve Bulletin* 456 (1973).

4. All banking data are as of June 30, 1989.

5. The West Polk County banking market consists of Lakeland, Mulberry, and Fort Meade, Florida.

6. Acquisition of Bank by SunTrust would increase the Herfindahl-Hirschman Index ("HHI") from 1952 to 2728, an increase of 776 points. If 50 percent of the deposits in thrift institutions in the market are included, the HHI would rise from 1544 to 2127, an increase of 583 points. Under either of these assumptions, the proposal might be challenged under the Department of Justice Merger Guidelines.

(9) attempt to influence the loan and credit decisions or policies of Bank, the pricing of services, any personnel decisions, the location of any offices, branching, the hours of operation, or similar activities of Bank; or
(10) enter into any other banking or nonbanking transactions with Bank, except that SunTrust's subsidiary bank, Sun Bank, N.A., may continue to conduct only correspondent banking business and limited government and agency securities trading with Bank, provided that the extent of such business dealings will not at any time substantially exceed current levels. Any business transaction between Bank and any SunTrust affiliate will be on an arm's-length, non-exclusive basis, and shall be on substantially the same terms as those prevailing for comparable transactions with persons unaffiliated with Bank.

The Board's inquiry does not end, however, with its finding that SunTrust will not control Bank. The Board continues to believe that noncontrolling interests in directly competing banks may raise serious questions under the BHC Act and views these acquisitions with concern. The Board has previously noted that one company need not acquire control of another in order to lessen substantially competition between them.[7] It is possible, for example, that the acquisition of a substantial ownership interest in a competitor or potential competitor of the acquiring firm may alter the market behavior of both firms in such a way as to weaken or eliminate independence of action between the organizations and increase the likelihood of cooperative operations.

Whether a substantial lessening of competition would result from a minority investment in a competing bank must be answered in light of the specific facts of each case. In this case, it is the Board's judgment, based upon careful analysis of the record, that no substantial lessening of competition is likely to result from the acquisition. The record shows that Bank is still under the firm and active control of a family not connected with SunTrust, that there will continue to be no officer or director interlocks between SunTrust and Bank, and that SunTrust intends the acquisition to remain strictly a passive investment. Moreover, Bank is an institution of substantial asset size and is the leading institution in the market, controlling a significantly greater share of the market's deposits than SunTrust's subsidiary bank. The Board also views as significant the fact that six other major bank holding companies compete in the market. On the basis of all of the facts of record in this case, including reliance on SunTrust's commitments not to control Bank, the Board has determined that competitive factors in this case do not warrant denial of this proposal.

In considering the convenience and needs of the communities to be served, the Board has taken into account the record of SunTrust's subsidiary banks under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate consistent with the safe and sound operation of such institutions. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess an institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the institution," and to take this record into account in its evaluation of bank holding company applications.[8] The Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement") suggests that decisions by agencies to allow financial institutions to expand will be made pursuant to an analysis of the institution's overall CRA performance, and will be based on the actual record of performance of the institution.[9]

In this regard, the record indicates that substantially all of SunTrust's subsidiary banks, controlling substantially all of SunTrust's assets, have received satisfactory ratings from their primary regulators during the most recent examinations of each bank's CRA performance. SunTrust has also adopted a corporate CRA program that contains the elements of an effective CRA policy as outlined in the Agency CRA Statement. The Board notes that four bank subsidiaries, representing a small percentage of SunTrust's assets, received less than satisfactory CRA performance ratings in recent CRA examinations of these institutions. SunTrust has taken some steps to improve the CRA performance of these banks and has made a number of commitments to address further the deficiencies in the CRA performance of these banks. These commitments include establishing standards to be implemented by each subsidiary bank to assure organizational continuity in the areas of CRA oversight, community delineations, community outreach, marketing, branch closings, and technical CRA compliance. Additionally, each bank must appoint a CRA

7. *See The Summit Bancorporation*, 75 *Federal Reserve Bulletin* 712 (1989); *see also North Platte Corporation*, 66 *Federal Reserve Bulletin* 782 (1980).

8. 12 U.S.C. § 2903.

9. 54 *Federal Register* 13,742 (1989).

oversight committee and complete an annual CRA performance report to be reviewed by SunTrust's corporate CRA officer.

The Board believes that, under the circumstances of this case, it is appropriate to rely on the commitments made by SunTrust. While commitments for future action generally cannot be used by an institution to overcome a seriously deficient record of CRA performance, the Agency CRA Statement specifically states that commitments may be given weight in addressing specific problems in an otherwise satisfactory CRA record.[10]

Overall, the Board believes that SunTrust has a generally satisfactory record of performance under the CRA as indicated by the satisfactory examination ratings received by substantially all of SunTrust's banks, the establishment of a detailed corporate CRA program, and the actions taken by SunTrust in the past to address deficiencies identified in its CRA performance record. The Board has also considered that the problems identified at the SunTrust banks with less than satisfactory ratings do not indicate chronic institutional deficiencies or a pattern of CRA deficiencies at SunTrust banks. Moreover, SunTrust in the past has taken steps immediately to address deficiencies identified in the CRA performance of its banks, and has done so in the case of these banks. In light of these and the other facts of record, the Board believes that it is appropriate in this case to give weight to the commitments made by SunTrust to improve the CRA performance of certain of its banks. The Reserve Bank will monitor steps taken by SunTrust to fulfill these commitments.

For the foregoing reasons, and based upon all of the facts of record, the Board concludes that considerations relating to the convenience and needs of the community to be served are consistent with approval. The financial and managerial resources and future prospects of SunTrust and its subsidiaries and Bank are also satisfactory and consistent with approval of this application.

Based on the foregoing and all of the facts of record, and particularly in light of SunTrust's commitments, the Board has determined that this application should be, and hereby is, approved. The acquisition of shares shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless that period is extended for good cause by the Board or by the Federal Reserve Bank of Atlanta, pursuant to delegated authority.

By order of the Board of Governors, effective May 7, 1990.

Voting for this action: Chairman Greenspan and Governors Seger, Angell, Kelley, and LaWare. Absent and not voting: Governor Johnson.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Orders Issued Under Section 4 of the Bank Holding Company Act

The Bank of Nova Scotia Toronto, Ontario, Canada

Order Approving Application to Act as Agent in the Private Placement of All Types of Securities and Act as Riskless Principal in Buying and Selling Securities

The Bank of Nova Scotia, Toronto, Ontario, Canada ("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(a)(3) of the Board's Regulation Y, 12 C.F.R. 225.23(a)(3), for its indirect subsidiary, ScotiaMcLeod (USA) Inc., New York, New York ("Company"), to act as agent in the private placement of all types of securities, including providing related advisory services, and to buy and sell all types of securities on the order of investors as a "riskless principal."

Applicant has total consolidated assets equivalent to $68.7 billion.[1] It owns a bank subsidiary in Puerto Rico and operates branches in Boston and Portland, Oregon, and agencies in Atlanta, New York City, and San Francisco. Applicant also operates a limited purpose trust company, the Bank of Nova Scotià Trust Company of New York, pursuant to section 4(c)(8) of the BHC Act. In addition, Applicant has received Board approval to engage directly and through subsidiaries in a broad range of nonbanking activities, including engaging through Company in underwriting and dealing in, to a limited extent, debt and equity securities that are not eligible to be underwritten by a state member bank ("ineligible securities").[2] Company is and will continue to be a broker–dealer registered with the Securities and Exchange Commission and subject to the record-keeping, reporting, fiduciary standards, and other requirements of the Securities Exchange Act of

10. 54 *Federal Register* 13,742, 13,746 (1989).

1. Data are as of October 31, 1989.
2. *The Bank of Nova Scotia*, 76 *Federal Reserve Bulletin* 455 (1990).

1934, the New York Stock Exchange, and the National Association of Securities Dealers.

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been published (55 *Federal Register* 17,670 (1990)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act. The Board received written comments regarding the application from the Investment Company Institute ("ICI"), a trade association of the mutual fund industry.[3]

The Board has previously determined that acting as agent in the private placement of securities and purchasing and selling securities on the order of investors as a riskless principal do not constitute underwriting and dealing in securities for purposes of section 20 of the Glass–Steagall Act, and that revenue derived from these activities is not subject to the 10 percent revenue limitation on ineligible securities underwriting and dealing.[4] Additionally, in those decisions the Board found that, subject to a number of prudential limitations that address the potential for conflicts of interest, unsound banking practices, or other adverse effects, private placement and riskless principal activities are so closely related to banking as to be proper incidents thereto within the meaning of section 4(c)(8) of the BHC Act. In order to address the potential for conflicts of interest, unsound banking practices, or other adverse effects, Applicant has proposed that Company conduct these activities consistent with the limitations, methods, and procedures established by the Board in *Bankers Trust* and *J.P. Morgan*, as modified to reflect Applicant's status as a foreign bank.[5]

3. The ICI has objected to Applicant's proposal to the extent that it could be construed to seek approval for Company to privately place, or act as a riskless principal with respect to, securities of investment companies that are sponsored or advised by Company or Applicant or any of Applicant's bank or nonbank affiliates. Applicant has not requested approval to place, or act as a riskless principal with respect to, such securities.

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

5. In *Canadian Imperial Bank of Commerce, The Royal Bank of Canada, and Barclays PLC*, 76 *Federal Reserve Bulletin* 158 (1990), the Board considered and approved applications by foreign banks to engage in underwriting and dealing in all types of debt and equity securities. In that Order, the Board modified the prudential framework imposed in *J.P. Morgan & Company, Incorporated, The Chase Manhattan Corporation, Bankers Trust New York Corporation, and Citicorp*, 75 *Federal Reserve Bulletin* 192 (1989), to account for the fact that the applicants were foreign banks that operate predominately outside the United States. The Board determined in those decisions to adjust the funding and certain operational requirements of the framework previously established for those activities in order to take into account principles of national treatment and the Board's policy not to extend U.S. bank supervisory standards extraterritorially. *See also The Toronto-Dominion Bank*, 76 *Federal Reserve Bulletin* 573 (1990); *Canadian Imperial Bank of Commerce*, 76 *Federal Reserve Bulletin* 548 (1990).

Consummation of this proposal would provide greater efficiencies and added convenience to Applicant's customers by allowing the provision of a wider range of services by a single entity. In addition, the Board expects that the *de novo* entry of Applicant into the market for these services would increase the level of competition among providers of these services. Under the framework established in this and prior decisions, consummation of this proposal is not likely to result in any significant undue concentration of resources, decreased or unfair competition, conflicts of interest, unsound banking practices, or other adverse effects. Accordingly, the Board has determined that the performance of the proposed activities by Applicant 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, the Board has determined to approve this application subject to all of the terms and conditions set forth above. The Board's determination is subject to all of the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and Orders issued thereunder.

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

By order of the Board of Governors, effective May 23, 1990.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

The Bank of Tokyo, Ltd.
Tokyo, Japan

Order Approving Application to Engage in Leasing and Other Nonbanking Activities

The Bank of Tokyo, Ltd., Tokyo, Japan ("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(a)(2) of the Board's Regulation Y (12 C.F.R. 225.23(a)(2)) to acquire, through its wholly owned subsidiary, BOT Financial Corporation, New York, New York ("BOT Financial"), certain lease servicing assets, such as software and equipment, from Bank of New England, N.A., Boston, Massachusetts ("BNENA"), a subsidiary of the Bank of New England Corporation, Boston, Massachusetts ("BNEC"), and to engage in the following activities: making, acquiring, or servicing loans; providing investment or financial advice; leasing personal or real property; and providing certain data processing services. Applicant proposes to conduct these activities pursuant to the provisions of the Board's Regulation Y.[1]

Notice of the application, affording interested persons an opportunity to submit comments, has been duly published (54 *Federal Register* 50,650 (1989)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

Applicant, with consolidated assets equivalent to approximately $171.4 billion, is the 18th largest banking organization in the world.[2] Applicant owns a bank in California and a bank in New York. Applicant acquired bank subsidiaries in New York and California prior to the enactment in 1956 of the Douglas Amendment's interstate banking requirement and, therefore, may retain these companies under the Douglas Amendment and section 5(b) of International Banking Act (12 U.S.C. § 3103(b)).[3] Applicant also operates agencies in New York, Miami, San Francisco, Los Angeles, and Honolulu; branches in Portland and Seattle; and representative offices in Chicago, Washington, D.C., Houston, and Atlanta.[4]

The Board has previously determined by regulation that the activities that Applicant proposes to conduct through BOT Financial are closely related to banking and permissible for bank holding companies. 12 C.F.R. 225.25(b)(1), (4), (5), and (7). Applicant and BOT Financial propose to conduct these activities pursuant to the requirements of the Board's regulations. The Board must also find that the performance of the proposed activities by the applicant "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." 12 U.S.C. § 1843(c)(8).

In every case involving a nonbanking acquisition by a bank holding company under section 4 of the BHC Act, the Board considers the financial condition and resources of the applicant and its subsidiaries and the effect of the transaction on these resources.[5] In this case, the primary capital ratio of Applicant, as publicly reported, is below the minimum level specified in the Board's Capital Adequacy Guidelines. After making adjustments to reflect Japanese banking and accounting practices, however, including consideration of a portion of the unrealized appreciation in Applicant's portfolio of equity securities consistent with the principles of the Basle capital framework, Applicant's capital ratio meets United States standards.

The Board also has considered additional factors that mitigate its concern in this case. The Board notes that Applicant is in compliance with the capital and other financial requirements for banking organizations in Japan. In addition, the Board notes that the capital of Applicant currently accords with the minimum requirements established by the Basle Committee capital framework for year-end 1990. Based on these and other facts of record, the Board concludes that financial and managerial considerations are consistent with approval of the application.

In evaluating the public benefits, the Board notes that BNENA has stated that consummation of the proposal would provide net financial benefits to BNENA and BNEC by providing additional capital and liquidity. In this regard, the Office of the Comptroller of the Currency, which is BNENA's primary regulator, has been consulted and does not object to the transaction in its current form. The Board expects that the *de novo* entry of Applicant into the market for the proposed activities would increase the level of competition among providers of these services. Moreover, there is no evidence in the record that consummation of this proposal would result in any adverse effects such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices.

Based on the foregoing and other facts of record, the Board has determined that the balance of public interest factors it is required to consider under section 4(c)(8) is favorable. Accordingly, the Board has deter-

1. 12 C.F.R. 225.25(b)(1), (4), (5), and (7). As part of this transaction, the bank subsidiaries of Applicant are also acquiring certain lease assets of BNENA.

2. Banking data are as of March 31, 1988.

3. *See The Bank of Tokyo, Ltd.*, 74 *Federal Reserve Bulletin* 685 (1988).

4. In addition, Applicant owns BOT Securities Inc., a wholly owned subsidiary in New York that is engaged primarily in the delivery and placement of U.S. Treasury bills.

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

mined that the application should be, and hereby is, approved. This determination is subject to all of the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b), and to the Board's authority to require modification or termination of the activities of a holding company 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. This transaction shall not be consummated later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of San Francisco, pursuant to delegated authority.

By order of the Board of Governors, effective May 21, 1990.

Voting for this action: Vice Chairman Johnson and Governors Seger and LaWare. Voting against this action: Governor Angell. Absent and not voting: Chairman Greenspan and Governor Kelley.

WILLIAM W. WILES
Secretary of the Board

Dissenting Statement of Governor Angell

After careful review of the terms of this proposal, I am unable to conclude that the proposal satisfies the public benefits test in section 4(c)(8) of the Bank Holding Company Act. I must, therefore, vote against approval of this application. This proposal combines the sale of certain leasing assets by Bank of New England Corporation and some of its subsidiaries to Bank of Tokyo, an ongoing obligation by Bank of New England to obtain lease servicing and remarketing services from Bank of Tokyo, and the prepayment of those services for a protracted period.

In my view, the complexity of the arrangement and the attempt to integrate the various parts of the proposal into a single contractual arrangement obfuscate the true pricing and economic substance of the various parts of the proposal. This complexity and integration make it impossible for me to evaluate the reasonableness of the asset sale and of the servicing agreement insofar as they bear on the public interest. As a result, I am unable properly to determine the public benefits and potential adverse effects of the proposed asset sale and the ongoing servicing contract, or to find, as required under section 4(c)(8) of the Bank Holding Company Act, that the public benefits of this proposal outweigh the potential adverse effects.

May 21, 1990

Canadian Imperial Bank of Commerce
Toronto, Ontario, Canada

Order Approving Application to Act as Agent in the Private Placement of All Types of Securities and Act as Riskless Principal in Buying and Selling Securities

Canadian Imperial Bank of Commerce, Toronto, Ontario, Canada ("Canadian Imperial"), 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(a)(3) of the Board's Regulation Y, 12 C.F.R. 225.23(a)(3), for its indirect subsidiary, Wood Gundy Corp., New York, New York ("Company"), to act as agent in the private placement of all types of securities, including providing related advisory services, and to buy and sell all types of securities on the order of investors as a "riskless principal".

Canadian Imperial has total consolidated assets equivalent to $82.6 billion.[1] It owns bank subsidiaries in Los Angeles, and New York City, and operates agencies in Atlanta, New York City, Los Angeles, and San Francisco. Canadian Imperial has received Board approval to engage directly and through subsidiaries in a broad range of nonbanking activities, including approval for Company to underwrite and deal in, to a limited extent, debt and equity securities that are not eligible to be underwritten by a state member bank ("ineligible securities").[2] Company is and will continue to be a broker–dealer registered with the Securities and Exchange Commission and subject to the record-keeping, reporting, fiduciary standards, and other requirements of the Securities Exchange Act of 1934, the New York Stock Exchange and the National Association of Securities Dealers.

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been published (55 *Federal Register* 6684 (1990)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act. The Board received written comments opposing the application from the Securities Industry Association ("SIA"), a trade association of the investment banking industry, and the Investment Company Institute

1. Data are as of April 30, 1989.
2. *See Canadian Imperial Bank of Commerce, The Royal Bank of Canada, Barclays PLC, Barclays Bank PLC*, 76 *Federal Reserve Bulletin* 158 (1990) ("*Canadian Imperial Order*").

("ICI"), a trade association of the mutual fund industry.[3]

The Board has previously determined that acting as agent in the private placement of securities and purchasing and selling securities on the order of investors as a riskless principal do not constitute underwriting and dealing in securities for purposes of section 20 of the Glass–Steagall Act, and that revenue derived from these activities is not subject to the 10 percent revenue limitation on ineligible securities underwriting and dealing.[4] Additionally, in those decisions the Board found that, subject to a number of prudential limitations that address the potential for conflicts of interests, unsound banking practices or other adverse effects, private placement and riskless principal activities were so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act.[5] In order to address the potential for conflict of interest, unsound banking practices, or other adverse effects, Canadian Imperial has proposed that Company will conduct these activities consistent with the limitations, methods and procedures established by the Board in *Bankers Trust* and *J.P. Morgan*, as modified to reflect Canadian Imperial's status as a foreign bank.[6]

3. The ICI has objected to Canadian Imperial's proposal to the extent that it could be construed to seek approval for Company to privately place, or act as a riskless principal with respect to, securities of investment companies that are sponsored or advised by Company or Canadian Imperial or any of Canadian Imperial's bank or nonbank affiliates. Canadian Imperial has not requested approval to place or act as a riskless principal with respect to such securities.

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

5. The SIA argues that the fact that Canadian Imperial is proposing that Company privately place all types of securities, as opposed to only high-grade commercial paper notes as had been previously approved by the Board, is significant in assessing the applicability of the Glass–Steagall Act prohibitions in this case. *Securities Industry Association v. Board of Governors*, 807 F.2d 1052 (D.C. Cir. 1986), *cert. denied*, 483 U.S. 1005 (1987) ("*Bankers Trust II*"). The Board considered this argument in *Bankers Trust* and noted that, because the Board and the *Bankers Trust II* court clearly recognized that commercial paper is a security for purposes of the Glass–Steagall Act, the fact that a bank holding company wishes to privately place *all* types of securities in a manner similar to that used in the commercial paper case, would not, by itself, change the activity into underwriting and dealing.

6. In the *Canadian Imperial* Order, in which the Board approved applications by foreign banks to engage in underwriting and dealing in all types of debt and equity securities, the Board modified the prudential framework imposed in *J.P. Morgan & Company, Incorporated, The Chase Manhattan Corporation, Bankers Trust New York Corporation, and Citicorp*, 75 *Federal Reserve Bulletin* 192 (1989), to account for the fact that the applicants were foreign banks that operate predominately outside the United States. The Board determined in those cases to adjust the funding and certain operational requirements of the framework previously established for those activities in order to take into account principles of national treatment and the Board's policy not to extend U.S. bank supervisory standards extraterritorially. *See also The Toronto-Dominion Bank*, 76 *Federal Reserve Bulletin* 573 (1990).

Consummation of this proposal would provide greater efficiencies and added convenience to Canadian Imperial's customers by allowing the provision of a wider range of services by a single entity. In addition, the Board expects that the *de novo* entry of Canadian Imperial into the market for these services would increase the level of competition among providers of these services. Under the framework established in this and prior decisions, consummation of this proposal is not likely to result in any significant undue concentration of resources, decreased or unfair competition, conflicts of interest, unsound banking practices, or other adverse effects. Accordingly, the Board has determined that the performance of the proposed activities by Canadian Imperial can reasonably be expected to produce public benefits that would outweigh adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

Based on the above, the Board has determined to approve Canadian Imperial's application, subject to all of the terms and conditions set forth above. The Board's determination is subject to all of the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and Orders issued thereunder.

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

By order of the Board of Governors, effective May 15, 1990.

Voting for this action: Chairman Greenspan and Governors Angell, Kelley, and LaWare. Absent and not voting: Governors Johnson and Seger.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Citicorp
New York, New York

Order Approving Acquisition of Merchant Credit Card Processing Assets

Citicorp, New York, New York, 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(a)(2) of the Board's Regulation Y (12 C.F.R. 225.23(a)(2)) to acquire, through its wholly owned subsidiary, Citicorp Credit Services, Inc., Melville, New York ("CCSI"), the merchant credit card processing assets of FCC National Bank, Wilmington, Delaware ("FCC"). The merchant credit card processing business includes the following activities: credit card authorization, acquiring and processing credit card transactions, settlement of credit card transactions, and depositing funds in the merchants' accounts. These activities are encompassed within the authorization in Regulation Y for bank holding companies to make, acquire, or service loans (12 C.F.R. 225.25(b)(1)).

Notice of the application, affording interested persons an opportunity to submit comments, has been duly published (54 *Federal Register* 53,750 (1989)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

Citicorp, with total consolidated assets of $230.6 billion, operates ten banking subsidiaries and is the largest commercial banking organization in the United States.[1] Citicorp also engages through its nonbank subsidiaries in various nonbanking activities such as data processing, leasing, and providing investment advice.

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

CCSI currently provides merchant credit card processing services for merchants throughout the United States. CCSI is the fourth largest merchant credit card processing organization, representing approximately 5.3 percent of the market for merchant credit card processing services. FCC is the 20th largest merchant credit card processing organization, representing approximately 0.7 percent of the market for merchant credit card processing services. Upon consummation of the proposal, CCSI would remain the fourth largest merchant credit card processing organization, representing approximately 6.0 percent of the market for merchant credit card processing services.

The market for merchant credit card processing services is national in scope. The advanced technology for credit authorization and for processing and settling credit card transactions is such that close proximity to the credit authorization or processing facility is not a requirement for this service. For example, Citicorp's credit authorization facility in Sioux Falls, South Dakota, and its processing facility in Hagerstown, Maryland, service merchants from across the nation. The market is unconcentrated, and consummation of the proposal would result in an increase in the Herfindahl–Hirschman Index of only 8 points to 249. In light of the facts of record, consummation of this proposal would not have a significantly adverse effect on competition in the merchant credit card processing business.

Consummation of Citicorp's proposal would provide increased services to merchants currently served by FCC, such as access to CCSI's electronic delivery, authorization and payment systems. The financial and managerial resources of Citicorp and CCSI are considered consistent with approval. Moreover, there is no evidence in the record that consummation of this proposal would result in any adverse effects such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices.

Based on the foregoing and other facts of record, the Board has determined that the balance of public interest factors it is required to consider under section 4(c)(8) is favorable. Accordingly, the Board has determined that the application should be, and hereby is, approved. This determination is subject to all of the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b), and to the Board's authority to require modification or termination of the activities of a holding company 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. This transaction shall not be consummated later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of New York, pursuant to delegated authority.

By order of the Board of Governors, effective May 2, 1990.

Voting for this action: Chairman Greenspan and Governors Johnson, Seger, Angell, and LaWare. Abstaining from this action: Governor Kelley.

JENNIFER J. JOHNSON
Associate Secretary of the Board

1. Banking data are as of December 31, 1989.

FBOP Corporation
Oak Park, Illinois

Order Approving Application to Acquire a Savings Association

FBOP Corporation, Oak Park, Illinois ("FBOP"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied pursuant to section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a) of the Board's Regulation Y (12 C.F.R. 225.23(a)), to acquire Regency Savings Bank, F.S.B., Naperville, Illinois ("Regency"), a savings association, and engage in credit-related insurance agency activities.[1]

Notice of the application, affording interested persons an opportunity to submit comments, has been published (55 *Federal Register* 7565 (1990)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

FBOP, with total consolidated assets of $134.4 million, is the 159th largest commercial banking organization in Illinois, with deposits of approximately $109.5 million.[2] FBOP currently does not engage in any nonbanking activities. Regency has total consolidated assets of $338.7 million, and operates five branches in Illinois. Regency is currently operating as a mutual savings association. Prior to the acquisition, Regency will convert from mutual to stock form.

Section 601 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub. L. No. 101–73, § 601, 101 Stat. 183, 408 (as codified at 12 U.S.C. § 1843(i)), permits the Board to approve an application by a bank holding company to acquire a savings association under section 4(c)(8) of the BHC Act. Pursuant to this authority, the Board has determined by regulation that the operation of a savings association is closely related to banking and permissible for bank holding companies. 12 C.F.R. 225.25(b)(9).[3] FBOP has also applied to engage in credit-related insurance agency activities. The Board has previously determined that such activities are permissible for bank holding companies under section 225.25(b)(8) of the Board's Regulation Y (12 C.F.R. 225.25(b)(8)).

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

Upon consummation of the proposed acquisition, FBOP would be the 43rd largest commercial banking organization in Illinois, controlling deposits of approximately $363.7 million, representing less than one percent of deposits in depository institutions in the state. In the Board's view, consummation of this proposal would not have a significantly adverse effect upon the concentration of banking resources in Illinois.

Regency and the bank subsidiary of FBOP both operate in the Chicago, Illinois banking market.[4] Each depository institution controls less than one percent of total deposits in the Chicago banking market, and upon consummation of this proposal, the depository institution subsidiaries of FBOP would continue to control less than one percent of total deposits in depository institutions in the market.[5] Based on these and all of the facts of record, the Board concludes that the acquisition would not have a significantly adverse effect on competition in any relevant market.

1. As a result of this transaction, FBOP will acquire indirectly Regency's wholly owned subsidiaries, Regency Financial Services, Inc. ("RFS"), RSB Development Corporation ("RSBD"), and Regency Mortgage Investments, Inc. ("RMI"), all of Naperville, Illinois. RFS engages in insurance agency activities and also offers a full range of investment and brokerage services through a leasing arrangement with a licensed broker–dealer; RSBD engages in certain real estate activities; and RMI is a limited-purpose finance subsidiary. FBOP has committed to divest all of the impermissible activities of RFS, RSBD, and RMI, as explained more fully below.

2. Data are as of December 31, 1988.

3. In making this determination, the Board required that savings associations acquired by bank holding companies conform their direct and indirect activities to those activities permissible for bank holding companies under section 4 of the BHC Act. *See* 12 C.F.R. 225.25(b)(9). *See also National City Corporation*, 76 *Federal Reserve Bulletin* 77 (1990). FBOP proposes to conform all of the direct and indirect activities of Regency to the requirements of section 4(c)(8) of the BHC Act and Regulation Y upon consummation except for two activities conducted in two subsidiaries. FBOP has committed that it will limit the insurance activities of RFS to renewal of existing policies for two years after the date of consummation, and will engage only in credit-related insurance agency activities which are permissible pursuant to section 225.25(b)(8) of the Board's Regulation Y (12 C.F.R. 225.25(b)(8)). FBOP has also committed to cease all brokerage activities conducted by RFS by virtue of its lease arrangement within six months of consummation of this transaction. In addition, FBOP has committed that the impermissible activities of RSBD will be divested within two years of consummation and that during this two year period it will not undertake any new real estate projects or investments. *See, e.g., F.N.B. Corporation*, 71 *Federal Reserve Bulletin* 340 (1985). RMI engages in no activity, will engage in no new activity, and will be liquidated upon termination of its outstanding note obligations.

4. The Chicago banking market is approximated by Cook, DuPage, and Lake Counties, all in Illinois.

5. The pre-consummation market share statistics are based on calculations in which the deposits of Regency and all other thrifts are included at 50 percent. Upon consummation of the proposal, Regency would be affiliated with a commercial banking organization, thus, on a *pro forma* basis, the deposits of Regency are included at 100 percent, while the deposits of other savings associations continue to be included at 50 percent.

The financial and managerial resources and future prospects of FBOP and its bank subsidiaries, and Regency are consistent with approval. In assessing the financial factors, the Board believes that bank holding companies must maintain adequate capital at savings associations that they propose to acquire. In this case, FBOP's acquisition of Regency will result in a capital infusion of approximately $20 million into Regency. Upon consummation, FBOP will raise the Tier 1 capital of Regency, exclusive of all intangible assets, to at least 3 percent of the total assets of Regency. In addition, FBOP commits that Regency will meet all present and future minimum capital ratios adopted for savings associations by the Office of Thrift Supervision or the Federal Deposit Insurance Corporation.

There is no evidence in the record to indicate that approval of this proposal would result in undue concentration of resources, decreased or unfair competition, conflicts of interests, unsound banking practices, or other adverse effects on the public interest. 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 FBOP's application to acquire Regency and certain of its nonbanking subsidiaries.

Based on the foregoing and all the facts of record, and subject to the commitments made by FBOP as set forth in its application and in this Order, the Board has determined that the application should be, and hereby is, approved. This determination is also subject to all of the conditions set forth in the Board's Regulation Y, including sections 225.4(d) and 225.23, and to the Board's authority to require such modifications or termination of the activities of a bank 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 transaction shall be made not later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or the Federal Reserve Bank of Chicago, pursuant to delegated authority.

By order of the Board of Governors, effective May 29, 1990.

Voting for this action: Chairman Greenspan and Governors Angell, Kelley, and Mullins. Absent and not voting: Governors Johnson, Seger, and LaWare.

JENNIFER J. JOHNSON
Associate Secretary of the Board

J.P. Morgan & Co. Incorporated
New York, New York

Order Approving Application to Engage in Platinum Dealing Activities in the United Kingdom

J.P. Morgan & Co. Incorporated ("Morgan"), New York, New York, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's consent under section 4(c)(13) of the Act (12 U.S.C. § 1843(c)(13)) and section 211.5(c)(3) of the Board's Regulation K (12 C.F.R. 211.5(c)(3)) for its wholly owned subsidiary, J.P. Morgan Trading and Finance Limited ("JPMTF"), London, England, to engage in trading and dealing in platinum and in related activities.

Morgan is the third largest commercial banking organization in the United States, with consolidated assets of $90.8 billion as of March 31, 1990. Morgan's principal bank subsidiary, Morgan Guaranty Trust Company of New York ("Morgan Guaranty"), is one of the three largest dealers in gold and silver in the world. JPMTF, a *de novo* company, would engage in platinum dealing activities in the United Kingdom. It would trade platinum as principal in the spot, forward, and futures markets and lend platinum to industrial users of the metal. JPMTF would become an associate member of the London Platinum and Palladium Market, a professional association that sets standards, prices and settlement procedures for platinum trading. In the future, JPMTF may engage in options trading in platinum and in other activities authorized by Regulation K. JPMTF would not engage in any business in the United States except as an incident to its operations abroad.

In reviewing proposals by U.S. banking organizations to engage in activities overseas, the Board has recognized that local institutions in other banking and financial systems are often permitted to engage in activities that have not been authorized for U.S. banking organizations under applicable U.S. laws and regulations. In the Bank Holding Company Act, the Board has been granted authority to permit activities abroad that are generally not authorized in the United States for bank holding companies. 12 U.S.C. § 1843(c)(13).

In the exercise of that authority, the Board has adhered to the policy that the foreign activities that it authorizes should be of a banking or financial, as opposed to commercial, nature, or that such activities should be usual in connection with banking or other financial operations abroad. The Board may also consider whether the conduct of the activity will enable U.S. banking organizations to compete more effectively with foreign organizations in the provision of banking and other financial services. In addition, the Board takes into account whether the performance of the activity by a U.S. banking organization overseas is consistent with the prudent conduct and management of the company's banking and nonbanking organizations. In this regard the Board takes into consideration the risks inherent in the activity, especially whether those risks are of a type and nature normally associated with banking or activities conducted by banks. The Board also examines the effect of the activity on the capital and managerial resources of the U.S. banking organization.

The activity of trading or dealing in platinum is not contained in the list of activities that the Board has found to be usual in connection with the transaction of banking or financial operations abroad.[1] 12 C.F.R. 211.5(d). In applying to engage in the proposed activities, Morgan has stated that the platinum dealing activities are inherently financial in nature. Dealing in platinum is not functionally different from dealing in gold and silver bullion, which, as activities expressly authorized for national banks, are regarded as financial in nature. In addition, Morgan stated that the kinds of participants in the platinum market are the same as in the bullion markets, that is, central banks, international financial institutions, institutional investors, industrial manufacturers, refiners, and end users. Morgan noted that over one quarter of its bullion counterparties are also actively trading platinum.

Morgan has also presented evidence that at least eight major banking organizations currently engage in platinum dealing and trading in the United Kingdom, either directly or through subsidiaries. Morgan asserts that these banks, all of which are highly-experienced dealers in the London bullion markets, view platinum trading as an integral part of the services demanded by their precious metals customers. Morgan has asserted that its competitive position in its existing precious metals activities will be enhanced by its ability to offer platinum services to its customers. Morgan anticipates that JPMTF's proposed activities will be conducted in all respects similarly to the bullion dealing activities of Morgan Guaranty. Based on all the facts of record, including the participation of banking organizations in the activities in London, the Board has determined that the platinum dealing activities proposed by Morgan are financially-related and usual in connection with the transaction of banking or other financial operations in the United Kingdom.

In assessing the risks associated with this activity, the Board notes that they are qualitatively and quantitatively similar to the risks of dealing in bullion, an activity in which Morgan has substantial expertise. JPMTF will have policies and procedures designed to assess and control the credit and market risks of platinum dealing. These include establishment of appropriate credit lines for customers prior to dealing with the customer and review of such lines at least annually; requirements for margin to be provided based on the creditworthiness of the counterparty, size of the transaction, or volatility of market prices; and requirements that foreign exchange risks be hedged. JPMTF will establish appropriate limits for its own position, and daily settlement limits for each counterparty that take into account all spot and forward transactions maturing on the same settlement date. Morgan Guaranty will provide operational and financial control support to JPMTF on a fee basis on terms consistent with section 23B of the Federal Reserve Act (12 U.S.C. § 371c-1).[2]

Morgan's initial investment in JPMTF will be small in relation to Morgan's total capital. Morgan does not expect that any additional investments in JPMTF would be needed in the foreseeable future. In light of the small size of the investment, Morgan's expertise in similar activities, and the policies and procedures that will be established to control the operations of JPMTF, it does not appear that the conduct of these activities would result in undue risk to Morgan.

Based on the foregoing and other facts of record, and the fact that the proposed platinum activities will enhance Morgan's ability to compete in the London bullion markets, the Board has determined that the platinum dealing activities proposed by Morgan are usual in connection with the transaction of banking or other financial operations in the United Kingdom. The Board has further determined on the basis of the record that the conduct of the proposed activities is consistent with the supervisory purposes of the Bank Holding Company Act. Accordingly, the application is approved.

By order of the Board of Governors, effective May 31, 1990.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

1. In 1985, the Board permitted a bank holding company to acquire the shares of a Swiss bank engaged in trading platinum for the account and upon the order of customers. United Mizrahi Overseas Holding Company B.V., 71 *Federal Reserve Bulletin* 63 (1985). The bank holding company committed that its subsidiary would not trade platinum for its own account, an activity in which JPMTF proposes to engage.

2. Transactions between Morgan Guaranty and JPMTF will be subject to the requirements of sections 23A (12 U.S.C. § 371c) and 23B of the Federal Reserve Act, regarding transactions by a member bank with an affiliate.

The Long-Term Credit Bank of Japan, Limited Tokyo, Japan

Order Approving Application to Underwrite and Deal in Certain Securities to a Limited Extent, to Engage in Futures Commission Merchant Activities, and to Purchase and Sell Precious Metals

The Long-Term Credit Bank of Japan, Limited, Tokyo, Japan ("Applicant"), a foreign bank subject to the provisions of the Bank Holding Company Act (the "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(a) of the Board's Regulation Y (12 C.F.R. 225.23(a)), for its subsidiary, Greenwich Capital Markets, Inc., Greenwich, Connecticut ("Company"):

1) to underwrite and deal in, to a limited extent, municipal revenue bonds, 1–4 family mortgage-related securities, commercial paper, and consumer-receivable-related securities ("ineligible securities");
2) to act as a futures commission merchant ("FCM") in the execution, clearance, and provision of advisory services with respect to previously approved financial futures contracts (See appendix A); and
3) to purchase and sell, for the account of Company, gold and silver bullion, bars, rounds and coins.

Applicant is the 21st largest banking organization worldwide and the 12th largest in Japan, controlling total consolidated assets of approximately U.S. $194 billion.[1] Applicant is a registered bank holding company by virtue of its ownership of LTCB Trust Company, New York, New York, a state-chartered trust company the deposits of which are insured by the Federal Deposit Insurance Corporation. In addition, Applicant maintains a branch in New York, New York, a limited branch in Chicago, Illinois, and an agency in Los Angeles, California. Company has received Board approval to engage directly and through subsidiaries in a broad range of nonbanking activities. Company has been designated a primary dealer in United States government securities by the Federal Reserve Bank of New York. Company is, and will continue to be, a broker–dealer registered with the Securities and Exchange Commission and subject to the record-keeping, reporting, fiduciary standards, and other requirements of the Securities Exchange Act of 1934 and the National Association of Securities Dealers.

Notice of the application, affording interested persons an opportunity to submit comments, has been duly published (54 *Federal Register* 7030 (1990)). 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.

Underwriting and Dealing in Ineligible Securities

The Board previously has determined that the conduct of the proposed ineligible securities underwriting and dealing activity is consistent with section 20 of the Glass–Steagall Act (12 U.S.C. § 377), provided the underwriting subsidiary derives no more than 10 percent of its total gross revenue from underwriting and dealing in the approved securities over any two-year period.[2] The Board also found that, subject to the prudential framework of limitations established in those cases to address the potential for conflicts of interests, unsound banking practices or other adverse effects, the proposed underwriting and dealing activities are so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act. The Board subsequently modified that prudential framework in the case of a foreign banking organization to take into account principles of national treatment and the Board's policy not to extend U.S. bank supervisory standards extraterritorially. *The Sanwa Bank, Limited,* 76 *Federal Reserve Bulletin* 568 (1990) ("*Sanwa*"). Applicant has committed that Company will conduct its underwriting and dealing activities with respect to bank-ineligible securities subject to the 10 percent revenue test and the prudential limitations established by the Board in its *Sanwa* Order.[3]

1. All banking data are as of September 30, 1989.

2. *Citicorp, J.P. Morgan & Co. Incorporated and Bankers Trust New York Corporation,* 73 *Federal Reserve Bulletin* 473 (1987) ("*Citicorp/Morgan/Bankers Trust*"), *aff'd sub nom., Securities Industry Association v. Board of Governors of the Federal Reserve System,* 839 F.2d 47 (2d Cir. 1988), *cert. denied,* 108 S.Ct. 2830 (1988) ("*SIA v. Board*"); and *Chemical New York Corporation, The Chase Manhattan Corporation, Bankers Trust New York Corporation, Citicorp, Manufacturers Hanover Corporation and Security Pacific Corporation,* 73 *Federal Reserve Bulletin* 731 (1987) ("*Chemical*"); as modified by *Order Approving Modifications to Section 20 Orders,* 75 *Federal Reserve Bulletin* 751 (1989) ("*Modification Order*").

3. The Board notes that lending by U.S. branches and agencies of foreign banks to affiliates is not restricted by section 23A of the Federal Reserve Act. In view of the limited nature of these activities, the Board does not believe that the record at this time would require extending the restrictions of section 23A to Applicant's U.S. branches and agencies, none of which is insured by the FDIC. The Board, however, reserves the right to require that Applicant's U.S. branches and agencies adhere to the restrictions of section 23A should circumstances change to make such requirement appropriate.

Futures Commission Merchant Activities

Applicant has proposed to act as a futures commission merchant and provide investment advice with respect to the futures contracts listed in Appendix A. Company is currently conducting FCM activities with respect to similar indexes, and its prior experience indicates that it would have the expertise to provide the proposed services.[4]

The Board has by Order also previously permitted bank holding companies to provide investment advisory services as an FCM with respect to the purchase and sale of similar stock and bond indexes.[5] Applicant has committed to limit its investment advisory services as an FCM for Company so as to be consistent with the limits in Regulation Y that are placed on the provision of similar advisory services. Furthermore, FCMs are subject to regulation under the Commodity Exchange Act and the regulations of the Commodity Futures Trading Commission ("CFTC") in order to prevent potential abuses by a registered advisor. Under these circumstances, and in light of the Board's approval of all of the indexes for purposes of execution and clearance activities, the Board believes that the proposed investment advisory activity is closely related to banking.

The Board also has considered the potential for adverse effects that may be associated with this proposal. There is no evidence in the record that consummation of the proposed FCM activities would result in any adverse effects such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. In addition, the Board has taken into account and has relied on the regulatory framework established pursuant to law by the CFTC for the trading of futures, as well as the conditions set forth in section 225.25(b)(18) of Regulation Y with respect to executing and clearing futures contracts and in section 225.25(b)(19) of Regulation Y with respect to the provision of investment advice as an FCM as to futures contracts or options thereon.

Dealing in Precious Metals

Applicant also has applied to purchase and sell, for the account of Company, gold and silver bullion, bars, rounds, and coins.[6] The Board previously has approved this activity as permissible for bank holding companies. *Westpac Banking Corporation*, 73 *Federal Reserve Bulletin* 61 (1987).

In every case involving a nonbanking acquisition by a bank holding company under section 4 of the BHC Act, the Board considers the financial condition and resources of the applicant and its subsidiaries and the effect of the transaction on these resources.[7] In this case, the primary capital ratio of Applicant, as publicly reported, is below the minimum level specified in the Board's Capital Adequacy Guidelines. After making adjustments to reflect Japanese banking and accounting practices, however, including consideration of a portion of the unrealized appreciation in Applicant's portfolio of equity securities consistent with the principles in the Basle capital framework, Applicant's capital ratio meets United States standards.

The Board also has considered several additional factors that mitigate its concern in this case. The Board notes that Applicant is in compliance with the capital and other financial requirements of Japanese banking organizations. In addition, the Board notes that the capital of Applicant currently accords with the minimum requirements established by the Basle Committee capital framework for year-end 1992. Based on these and other facts of record, the Board concludes that financial and managerial considerations are consistent with approval of the application.

Consummation of the proposal to engage in each of the activities discussed above would provide greater efficiencies and added convenience to Applicant's customers by allowing the provision of a wider range of services by a single entity. In addition, the Board expects that the *de novo* entry of Applicant into the market for these services would increase the level of competition among providers of these services. Under the framework established in prior decisions and discussed in this order, consummation of this proposal is not likely to result in any undue concentration of resources, decreased or unfair competition, conflicts of interests, unsound banking practices, or other adverse effects. Accordingly, the Board has determined that the performance of the proposed activities by Applicant can reasonably be expected to produce public benefits that would outweigh adverse effects

4. *The Long-Term Credit Bank of Japan, Limited*, 74 *Federal Reserve Bulletin* 573 (1988) ("*Long-Term Credit Bank*").

5. *See Citicorp*, 73 *Federal Reserve Bulletin* 220 (1987); *Long-Term Credit Bank*.

6. Applicant has proposed to purchase and sell for its own account forward, options, futures and options on futures contracts on gold and silver ("precious metals contracts"). Applicant would take positions in these investments only as a means of hedging its positions in the underlying commodity, *i.e.*, gold and silver. Accordingly, this activity is permissible under section 4(c)(1)(C) of the BHC Act, 12 U.S.C. § 1843(c)(1)(C), which allows bank holding companies to "furnish(ing) services to or perform(ing) services for such bank holding company or its banking subsidiaries," and is consistent with the requirements of sections 225.25(b)(18) and (b)(19) of the Board's Regulation Y (12 C.F.R. 225.25(b)(18) and (b)(19)).

7. 12 C.F.R. 225.24; *The Fuji Bank, Limited*, 75 *Federal Reserve Bulletin* 94 (1989); *Bayerische Vereinsbank AG*, 73 *Federal Reserve Bulletin* 155, 156 (1987).

under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

Based on the above, the Board has determined to approve this application, subject to all of the terms and conditions set forth above. The Board's determination is subject to all of the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and Orders issued thereunder.

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

By order of the Board of Governors, effective May 29, 1990.

Voting for this action: Chairman Greenspan and Governors Angell, Kelley, and Mullins. Absent and not voting: Governors Johnson, Seger, and LaWare.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Appendix A

Applicant has proposed to act as an FCM in the execution, clearance, and provision of advisory services with respect to:

(a) the Standard & Poor's Over-the-Counter 250 Stock Index futures contract,
(b) the Major Market Index Maxi Stock Index futures contract,
(c) the Major Market Index Mini Stock Index futures contract,
(d) the New York Stock Exchange Composite Index futures contract,
(e) options on New York Stock Exchange Composite Index futures contracts,
(f) the Value Line Average Stock Index futures contract,
(g) the Value Line Futures (Maxi) Index futures contract,
(h) the Value Line Futures (Mini) Index futures contract,
(i) the Financial Times Stock Index futures contract,
(j) the Nikkei Stock Average futures contract,
(k) the GNMA Cash Settled futures contract,
(l) the National Over-the-Counter Index futures contract, and
(m) the NASD Financial futures contract.

The Board has by Order previously authorized FCM subsidiaries of bank holding companies to execute and clear all of the above futures contracts and options.[1]

1. *The Chase Manhattan Corporation*, 72 *Federal Reserve Bulletin* 203 (1986) (the Standard & Poor's Over-the-Counter 250 Stock Index futures contracts, National Over-the-Counter Index futures contracts, and NASD Financial futures contracts); *Republic New York Corporation*, 73 *Federal Reserve Bulletin* 224 (1987) (the Major Market Index Maxi Stock Index futures contracts, Major Market Index Mini Stock Index futures contracts, New York Stock Exchange Index Composite futures contracts, options on New York Stock Index Composite futures contracts, Value Line Futures (Maxi) Index futures contracts, Value Line Futures (Mini) Index futures contracts, and GNMA Cash Settled futures contracts); *Manufacturers Hanover Corporation*, 72 *Federal Reserve Bulletin* 144 (1986) (the Value Line Average Stock Index futures contracts); and *BankAmerica Corporation*, 75 *Federal Reserve Bulletin* 78 (1989) (the Financial Times Stock Index futures contracts, and the Nikkei Stock Average futures contracts).

Marshall & Ilsley Corporation
Milwaukee, Wisconsin

Order Approving Application to Acquire a Savings Association

Marshall & Ilsley Corporation, Milwaukee, Wisconsin ("Applicant"), a bank holding company within the meaning of the Bank Holding Company Act (the "BHC Act"), has applied for the Board's approval under section 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 Central Federal Bank, F.S.B., Ripon, Wisconsin ("CFB"), a savings association, pursuant to section 225.25(b)(9) of the Board's Regulation Y (12 C.F.R. 225.25(b)(9)).

Applicant has also requested Board approval of its proposal under section 5(d)(3) of the Federal Deposit Insurance Act ("FDI Act"), as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Pub. L. No. 101–73, § 206, 101 Stat. 183, 199 (1989)) ("FIRREA"), to merge CFB into one of Applicant's existing subsidiary banks, M&I Ripon State Bank, Ripon, Wisconsin ("State Bank"), after Applicant acquires the shares of CFB.[1]

1. 12 U.S.C. § 1815(d)(3). Section 5(d)(3) of the FDI Act ("the Oakar Amendment") permits the merger of a savings association owned by a bank holding company into a subsidiary bank owned by the same bank holding company. In this case, the merger of CFB, which is a savings association, into State Bank will be facilitated by the intermediate conversion of CFB into an interim bank. The interim bank is chartered solely to accommodate the requirements of the appropriate merger statutes and will cease to exist immediately upon consummation of the underlying transaction without ever having conducted any banking business. Under the circumstances, the Board believes the structure of the proposal does not appear to cause an otherwise qualifying transaction to fall outside of the bounds of the

Notice of the application, affording interested persons an opportunity to submit comments, has been published (55 *Federal Register* 2699 (1990)). The time for filing comments has expired, and the Board has considered the application and all comments received, including those of various insurance trade associations ("Protestants"), in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.[2]

Section 601 of FIRREA (as codified at 12 U.S.C. § 1843(i)) permits the Board to approve an application by a bank holding company to acquire a savings association under section 4(c)(8) of the BHC Act. Pursuant to this authority, the Board has determined that the operation of a savings association is closely related to banking and permissible for bank holding companies. 12 C.F.R. 225.25(b)(9). In making this determination, the Board required that savings associations acquired by bank holding companies conform their direct and indirect activities to those activities permissible for bank holding companies under section 4 of the BHC Act. Applicant states that CFB does not engage in any activities that would be impermissible for bank holding companies under section 4 of the BHC Act.[3]

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

Applicant operates 44 banking subsidiaries in Wisconsin and one banking subsidiary in Arizona. Applicant, with total consolidated assets of $7.2 billion, is the second largest commercial banking organization in Wisconsin, with deposits of $5.3 billion in Wisconsin.[4] Applicant also engages through several subsidiaries in permissible nonbanking activities. CFB has total deposits of $85.9 million and operates five offices in Wisconsin. The financial and managerial resources and future prospects of Applicant and its bank subsidiaries, and CFB are consistent with approval. Upon consummation, Applicant and its bank subsidiaries would meet applicable capital requirements.

After the proposed acquisition is consummated, Applicant would remain the second largest commercial banking organization in Wisconsin, controlling $5.4 billion in deposits in the State, representing an approximate 14.3 percent share of deposits in commercial banking organizations in Wisconsin. In the Board's view, consummation of this proposal would not have a significantly adverse effect upon the concentration of banking organizations in Wisconsin.

Applicant and CFB operate depository institutions in the Fond du Lac, Wisconsin,[5] and the Green Lake, Wisconsin,[6] banking markets. Upon consummation of this proposal, Applicant would be the third largest depository institution in the Fond du Lac banking market with 13.5 percent of the deposits in depository institutions[7] in this market, and the largest depository institution in the Green Lake banking market with 21.0 percent of the deposits in depository institutions in this market. The acquisition would result in an increase in the Herfindahl–Hirschman Index ("HHI") of 21 points, to a level of 1608, in the Fond du Lac market and an increase in the HHI of 211 points, to a level of 1032, in the Green Lake market.[8] Although consum-

Oakar Amendment. This interpretation is consistent with the stated purposes of the Oakar Amendment, namely, to provide an incentive for bank holding companies to provide needed private capital to the thrift industry, and to permit bank holding companies to take advantage of the cost efficiencies of consolidating the operations of the thrift with an existing bank subsidiary. *See* 135 Cong. Rec. H4998 (Aug. 3, 1989).

2. The Board has received comments protesting the application from The Independent Insurance Agents of America, Inc.; National Association of Casualty & Surety Agents; National Association of Life Underwriters; National Association of Professional Insurance Agents; National Association of Surety Bond Producers; New York State Association of Life Underwriters; Independent Insurance Agents of New York, Inc.; and the Professional Insurance Agents of New York, Inc.

3. CFB has divested its insurance agency subsidiary. Accordingly, Applicant does not seek approval for this nonbanking activity.

4. State banking data are as of December 31, 1989. Market banking data are as of December 31, 1988.

5. The Fond du Lac banking market includes all of Fond du Lac County except the townships of Ashford, Auburn, and Calumet.

6. The Green Lake banking market includes: Green Lake County; Waushara County, except the townships of Plainfield and Hancock; and Marquette County, except the townships of Oxford, Packwaukee, Douglas, Moundville, and Buffalo.

7. The pre-consummation market share statistics are based on calculations in which the deposits of CFB and all other thrifts are included at 50 percent. Upon consummation of the proposal, CFB would be merged with a commercial banking organization, thus, on a *pro forma* basis, the deposits of CFB are included at 100 percent, while the deposits of other savings associations continue to be included at 50 percent.

In the Fond du Lac market, Applicant is the third largest depository institution, with 8.1 percent of the deposits in the market. CFB is the tenth largest depository institution, with 2.9 percent of the deposits in the market. In the Green Lake banking market, Applicant is the second largest depository institution, with 11.4 percent of the deposits in the market. CFB is the tenth largest depository institution, with 5.4 percent of the deposits in the market.

8. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (1984), a market in which the post-merger HHI is between 1000 and 1800 is considered moderately concentrated. In such markets, the Justice Department is unlikely to challenge a merger if the increase in HHI is less than 100 points. Any market in which the post-merger HHI is over 1800 is considered highly concentrated, and the Justice Department is likely to challenge a merger that increases the HHI by more than 50 points unless other factors indicate that the merger will not substantially lessen competition. 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 market is at least 1800 and the merger increases the HHI by at least 200

mation of this proposal would eliminate some existing competition between Applicant and CFB in the Fond du Lac and Green Lake banking markets, thirteen and fourteen other depository institutions, respectively, would continue to compete in these markets. In addition, the Fond du Lac and Green Lake banking markets would remain only moderately concentrated. Accordingly, the Board concludes that the acquisition would not have a substantially adverse effect on existing competition in these markets. There is no evidence in the record to indicate that approval of this proposal would result in undue concentration of resources, decreased or unfair competition, conflicts of interests, unsound banking practices, or other adverse effects.

Protestants have objected to the application on the grounds that the sale of insurance by subsidiary banks of Applicant or operations subsidiaries of these banks is impermissible for bank holding companies under the insurance prohibitions of the Garn–St Germain Depository Institutions Act of 1982 ("Garn–St Germain Act").[9] As the Board has previously indicated, the analysis required under section 4(c)(8) of the BHC Act focuses on whether permitting the affiliation of the applying bank holding company and the particular nonbank company to be acquired can reasonably be expected to produce public benefits that outweigh possible adverse effects that may result from the affiliation.[10] State Bank will not engage in insurance activities directly or through an operations subsidiary, and the subsidiary banks of Applicant that are engaged in insurance agency activities are not the subject of this application.

Moreover, the Board notes that, to the extent that Applicant's subsidiary banks engage directly in insurance agency activities as authorized by state law, these activities would not be subject to the insurance prohibitions of the Garn–St Germain Act under the Board's decision in *Merchants National*,[11] except where the record demonstrates the type of evasion described in *Citicorp (American State Bank)* (71 *Federal Reserve Bulletin* 789 (1985)). Protestants do not allege, and the record does not demonstrate, the type of evasion described in that case.

To the extent insurance agency activities are conducted through nonbank subsidiaries of Applicant's subsidiary state banks, they are authorized insofar as the BHC Act is concerned by section 225.22(d)(2)(ii) of the Board's Regulation Y (12 C.F.R. 225.22(d)(2)(ii)). This regulation permits state banks owned by bank holding companies to acquire, without Board approval under the BHC Act, companies that are wholly owned by the state bank and that engage only in activities that the bank may conduct directly under state law. The Board has asked for comment on this regulation,[12] and, in the Board's view, Protestants' questions regarding the operations of these subsidiaries are appropriately considered in the context of this rulemaking.

Given the above considerations, and based on all the facts of record, 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 Applicant's application to acquire CFB. Accordingly, the Board has determined that the proposed application pursuant to section 4(c)(8) of the BHC Act should be, and hereby is, approved.

In considering Applicant's request for approval of the merger of CFB into State Bank pursuant to section 5(d)(3) of the FDI Act, the record in this case shows that:

(1) The aggregate amount of the total assets of all depository institution subsidiaries of Applicant is \$7.2 billion, an amount which is not less than 200 percent of the total assets of CFB, which currently has \$97.1 million in total assets;

(2) Applicant and all of its bank subsidiaries currently meet all applicable capital standards and, upon consummation of the proposed transactions, will continue to meet all applicable capital standards;

(3) The transaction is not in substance the acquisition of a Bank Insurance Fund member bank by a Savings Association Insurance Fund member;

(4) CFB had tangible capital of less than 4 percent during the quarter preceding its acquisition by Applicant;

points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognizes the competitive effect of limited-purpose lenders and other non-depository financial entities.

9. Section 4(c)(8) of the BHC Act, as amended by Title VI of the Garn–St Germain Act, provides that, with seven exceptions (not at issue in this application), insurance activities are not closely related to banking and thus are not generally permissible for bank holding companies. These allegations have also been raised in a separate petition filed by certain of these commenters regarding Applicant, and Protestants have requested that the Board act on this petition.

10. *The Mitsui Bank, Limited*, 76 *Federal Reserve Bulletin* 381 (1990).

11. *Merchants National Corporation*, 75 *Federal Reserve Bulletin* 388 (1989); affirmed by the United States Court of Appeals for the Second Circuit in *Independent Insurance Agents of America, Inc., et al. v. Board of Governors*, 890 F.2d 1275 (2d Cir. 1989). Thus, a holding company's state bank may engage directly in insurance agency activities authorized under state law even though such activities are not permitted for bank holding companies. The Court of Appeals for the Second Circuit lifted its stay order in *Merchants National* on February 1, 1990, and the United States Supreme Court has denied Protestants' request for a stay pending petitioners' request for review by that Court.

12. 53 *Federal Register* 48,915 (1988).

(5) The transaction, which involves the merger of CFB, a savings association located in Wisconsin, by a bank subsidiary of Applicant, a bank holding company whose banking subsidiaries' operations are principally conducted in Wisconsin, would comply with the requirements of section 3(d) of the Bank Holding Company Act if CFB were a state bank which Applicant were applying to acquire.

Based on the foregoing and all of the other facts of record, the Board has determined that the proposed application under section 5(d)(3) of the FDI Act should be, and hereby is, approved. This approval is subject to Applicant's obtaining the required approvals of the appropriate federal and state banking agencies for the proposed merger.

The transactions approved in this Order shall be made not later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Chicago, pursuant to delegated authority.

By order of the Board of Governors, effective May 3, 1990.

Voting for this action: Chairman Greenspan and Governors Johnson, Seger, Angell, Kelley, and LaWare.

JENNIFER J. JOHNSON
Associate Secretary of the Board

MidAmerican Corporation
Shawnee Mission, Kansas

Order Approving Retention of Shares of a General Insurance Agency

MidAmerican Corporation, Shawnee Mission, Kansas ("MidAmerican"), 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)(D) of the BHC Act ("Exemption D") (12 U.S.C. § 1843(c)(8)(D)) to retain the shares of its nonbank subsidiary, MidAmerican Insurance Agency, Inc., Roeland Park, Kansas ("MAIA"), and to permit this subsidiary to continue to engage in certain general insurance agency activities. On May 30, 1989, the Board approved an application by MidAmerican under section 3 of the BHC Act to acquire by merger Merchants Bancorporation, Topeka, Kansas ("Merchants"), and thereby to acquire its subsidiary banks, Merchants National Bank, Topeka, Kansas, and First National Bank of Lawrence, Lawrence, Kansas.

The earlier application was protested by various insurance industry trade associations on the grounds that the insurance activities of MAIA are prohibited under section 4(c)(8) of the BHC Act, as amended by Title VI of the Garn–St Germain Depository Institutions Act of 1982 ("Garn–St Germain Act").[1] The Garn–St Germain Act amended section 4(c)(8) of the BHC Act to provide that, with seven exceptions, insurance activities are not closely related to banking and thus are not generally permissible for bank holding companies. 12 U.S.C. § 1843(c)(8); *see also* 12 C.F.R. 225.25(b)(8).

In response to these protests, MidAmerican committed that, within two years of consummation of its merger with Merchants, MidAmerican would terminate or divest the insurance business of MAIA unless during that time MidAmerican received Board approval under section 4 of the BHC Act to retain MAIA and continue to conduct these insurance agency activities. In the present application, MidAmerican seeks approval to retain MAIA and continue its insurance agency activities pursuant to one of the seven exemptions to the insurance prohibitions in the Garn–St Germain Act, Exemption D.[2] 12 U.S.C. § 1843(c)(8)(D). Exemption D provides an exception to the general insurance prohibitions in the Garn–St Germain Act for any insurance agency activity that was conducted by a bank holding company or any of its subsidiaries on May 1, 1982, subject to certain geographic and functional limitations.[3]

Notice of the application, affording interested persons an opportunity to submit comments, has been published (54 *Federal Register* 29,388 (1989)). The time for filing comments has expired, and the Board has considered the application and all comments received, including comments from several insurance industry trade associations ("Protestants"), in light of the factors set forth in section 4 of the BHC Act.[4]

1. Pub. L. 97-320, Title VI, 96 Stat. 1469, 1536–38 (1982).

2. MidAmerican had also originally argued that it was permitted under the general grandfather provisions of section 4(a)(2) of the BHC Act to engage in insurance agency activities. Section 4(a)(2) of the BHC Act is more expansive than Exemption D and provides grandfather rights for certain bank holding companies lawfully engaged in any activities on June 30, 1968. In response to challenges made by various protestants that the merger of MidAmerican with Merchants extinguished this grandfather privilege, MidAmerican has withdrawn its request for a Board determination under section 4(a)(2) of the BHC Act.

3. Exemption D restricts grandfathered insurance agency activities to the state in which the grandfathered bank holding company has its principal place of business, any state immediately adjacent to that state, and any state or states in which insurance activities were conducted by the bank holding company or any of its subsidiaries on or before May 1, 1982. Exemption D also restricts these activities to insurance agency activities that were conducted by the grandfathered company on May 1, 1982, and sales of insurance coverages that become available after that date so long as those coverages insure against the same types of risks as coverages sold before that date, or are otherwise functionally equivalent to those coverages. 12 U.S.C. § 1843(c)(8)(D); 12 C.F.R. 225.25(b)(8)(iv).

4. The Board has received comments opposing Board approval of this application from the Independent Insurance Agents of America,

Protestants argue that MidAmerican has been engaged in insurance agency activities unlawfully since 1980, and, consequently, does not qualify for grandfather rights under Exemption D; that MidAmerican lost any grandfather rights that may have accrued to its insurance agency subsidiary when MidAmerican merged with Merchants in 1989; and that, in the event MidAmerican does qualify for grandfather rights under Exemption D, MidAmerican has failed to establish a sufficient record to determine the scope of those rights.

Entitlement to Exemption D Rights

MidAmerican is the third largest commercial banking organization in Kansas, controlling deposits of $636.6 million, representing approximately 2.7 percent of the total deposits in commercial banks in the state.[5] MidAmerican was originally formed as Roeland Park Agency, Inc., Roeland, Kansas ("Roeland"), in 1953, and was chartered to engage in various insurance agency activities. Roeland acquired a majority interest in the Roeland Park State Bank & Trust Company, Roeland, Kansas, in 1958, and became a bank holding company for purposes of the BHC Act with the enactment of the 1970 Amendments to the BHC Act.[6] In 1971, when Roeland filed its registration statement with the Board that it was a one bank holding company, it was primarily engaged in insurance agency activities. In 1976, Roeland changed its name to MidAmerican, and in 1980 formed MAIA as a separate subsidiary of the holding company to conduct all of its insurance agency activities previously conducted directly by the holding company.

Protestants argue that the transfer of insurance agency activities by MidAmerican to MAIA in 1980 violated the BHC Act because it was accomplished without Board approval under the BHC Act. Protestants claim that, as a result, MAIA was illegally engaged in insurance agency activities prior to 1982, and forfeited any grandfather rights to conduct insurance agency activities under Exemption D.

MidAmerican contends that the transfer of insurance business from MidAmerican to a wholly owned subsidiary was permissible under the BHC Act and did not disturb the insurance grandfather rights of MidAmerican under section 4(c)(8)(D) of the BHC Act. MidAmerican argues that this transfer of business represented an internal reorganization and did not involve any change in the beneficial ownership of MidAmerican or any of MidAmerican's subsidiaries.

Section 4(c)(11) of the BHC Act permits a "company covered in 1970," such as MidAmerican, to own shares of any company "which does not engage in any activities other than those in which the bank holding company, or its subsidiaries, may engage under [section 4 of the BHC Act]." 12 U.S.C. § 1843(c)(11). Under this exception, MidAmerican would have been permitted in 1980 to establish and own shares of a subsidiary that engaged only in activities that MidAmerican was at that time permitted under section 4 to conduct directly.

MidAmerican claims that, at the time that it established MAIA in 1980, MidAmerican was permitted under section 4(a) of the BHC Act to conduct insurance agency activities directly. Section 4(a) of the BHC Act permits bank holding companies covered by the 1970 Amendments to the BHC Act to continue to engage in any activity that the company or any of its subsidiaries lawfully conducted on June 30, 1968, and continuously conducted after that date.[7] MidAmerican became a bank holding company as a result of the 1970 Amendments to the BHC Act, and as noted above, engaged directly in insurance agency activities continuously from 1953 until it established MAIA in 1980. As a result, MidAmerican was a "company covered in 1970" and could, in 1980, conduct insurance agency activities pursuant to section 4(a) of the BHC Act. Because MidAmerican could conduct these activities directly, MidAmerican could, under section 4(c)(11), establish and own a subsidiary engaged in these same activities without obtaining prior Board approval.[8]

Inc., National Association of Casualty and Surety Agents, National Association of Life Underwriters, National Association of Professional Insurance Agents, National Association of Surety Bond Producers, New York State Association of Life Underwriters, Independent Insurance Agents of New York, Inc., and Professional Insurance Agents of New York, Inc.

5. Deposit data are as of December 31, 1989.

6. *See* Registration Statement filed on Form Y-5 pursuant to section 5(a) of the BHC Act, submitted by Roeland Park Agency, Inc., on June 25, 1971, and accepted for processing on September 9, 1971.

7. While the Board has discretion under section 4(a) of the BHC Act to terminate this exemption, the Board has not done so in the case of MidAmerican's insurance agency activities. Moreover, the record does not indicate that MidAmerican took any other action that would appear to have caused it to lose its grandfather rights under section 4(a) of the BHC Act prior to 1980.

8. *Accord Schroders Limited*, 66 *Federal Reserve Bulletin* 255, 256 n.4 (1980).

Protestants cite *MorAmerica Financial Corporation*, 39 *Federal Register* 36,391 (1974), for the proposition that grandfather privileges are lost even if the grandfathered entity only alters its affiliations within a single holding company system. *MorAmerica* is inapposite, however. MorAmerica Financial Corporation ("MorAmerica") had been engaged in a number of nonbanking activities prior to June 30, 1968. MorAmerica sought to acquire an unaffiliated company, Bezanson Investments, Inc. ("Bezanson"), which had been engaged in certain other grandfathered activities in which MorAmerica was not engaged. The Board declined to permit MorAmerica to engage in activities in which MorAmerica was not engaged on June 30, 1968, on the basis of grandfather rights accruing to Bezanson. In this case, the acquisition of MAIA by MidAmerican represents an internal reorganization, not an acquisition of an unaffiliated company, as in MorAmerica.

Thus, MAIA appears to have been legally established and held by MidAmerican in 1980, and engaged lawfully in insurance agency activities at that time.

MAIA has been a lawful subsidiary of MidAmerican since that time and has continuously engaged in certain general insurance agency activities since that time, including on May 1, 1982. Accordingly, under the terms of section 4(c)(8)(D), of the BHC Act and section 225.25(b)(8)(iv) of the Board's Regulation Y, MAIA qualifies for the privileges of Exemption D.

Acquisition of Exempt Company

Protestants' second contention, that MidAmerican lost entitlement to Exemption D rights upon its merger with Merchants, is based on the claim that MidAmerican and MAIA were in fact acquired by Merchants, a bank holding company that has not established entitlement to Exemption D privileges. Even assuming that Merchants was in fact the acquiror of MidAmerican, however, the Board has previously considered and rejected Protestants' claim that a company that qualifies for privileges under Exemption D loses those privileges upon its indirect acquisition by another bank holding company.[9] On September 9, 1988, the United States Court of Appeals for the District of Columbia upheld this Board determination, and on May 30, 1989, the United States Supreme Court refused to consider a further appeal of this case, thereby upholding the Board's decision.[10]

The Board notes that MAIA will be retained as a separate nonbank subsidiary of MidAmerican and will conduct the insurance agency activities that are the subject of this application. In this regard, MidAmerican's other subsidiaries will not conduct insurance agency activities on the basis of grandfather privileges of MAIA. On this basis, and for the reasons stated in its prior decisions and proceedings, the Board concludes that MidAmerican and MAIA may retain their Exemption D privileges even assuming that these companies were acquired by Merchants.

Scope of Grandfathered Activities

Protestants also argue that MidAmerican has not provided an adequate basis for determining the particular lines of insurance that MAIA was selling on May 1, 1982. Exemption D grandfathers insurance agency activities that were "engaged in" by the bank holding company or any of its subsidiaries on "May 1, 1982." In its recent decision reviewing an application by Citicorp to retain two insurance subsidiaries in Arizona under Exemption D, the Board stated that the requirement that the grandfathered company have been "engaged in" insurance agency activities does not require grandfathered companies to show that they actually engaged in a sale of each particular type of insurance product on the specific grandfather date.[11]

Instead, the Board found that a company would meet the requirements of Exemption D for particular types of insurance if the company provides evidence that it was legally permitted to act as agent for those types of insurance on May 1, 1982, that the company held itself out to the public as agent for the particular types of insurance for which the company seeks grandfather privileges, and that the company had not abandoned the business prior to the grandfather date. In that decision, the Board indicated that a variety of types of evidence could establish Exemption D rights, including copies of insurance agency licenses in effect on and around May 1, 1982, copies of policies for which the company acted as agent during the 12 months prior to May 1, 1982, material advertising the types of insurance policies sold by the company, and summaries prepared by insurance underwriters of policies sold and revenues received by the agency. Other evidence, including affidavits of the company's employees, may also support a finding that a company qualifies for Exemption D rights.

MidAmerican has submitted state licensing records indicating that an employee of MAIA was licensed to act as agent for the sale of general life, accident and health, and property and casualty insurance throughout 1982.[12] MidAmerican has also submitted financial statements of MAIA showing that MAIA derived

Protestants also cite *Wyoming Bancorporation*, 59 *Federal Reserve Bulletin* 180 (1973), for the proposition that grandfather rights cannot be transferred. However in 1980, when MidAmerican established MAIA, there was no merger or transfer, other than a corporate reorganization as permitted by section 4(c)(11) of the BHC Act.

9. *See Shawmut National Corporation*, 74 *Federal Reserve Bulletin* 182 (1988); *Sovran Financial Corporation*, 73 *Federal Reserve Bulletin* 672 (1987). In *Sovran*, the Board determined that Exemption D permits a bank holding company that did not control a company conducting insurance activities on the grandfather date to acquire a bank holding company and its subsidiaries that qualify for grandfather privileges under Exemption D, if the grandfathered entity retains its separate corporate structure and its insurance activities are conducted only by the companies that were actually engaged in insurance activities on the grandfather date and not by other companies within the acquiring banking organization. As discussed below, MAIA will meet these conditions.

10. *National Association of Casualty and Surety Agents v. Board of Governors*, 856 F.2d 282, *reh'g denied en banc*, 862 F.2d 351 (D.C. Cir. 1988), *cert. denied*, — U.S. —, 109 S. Ct. 2430 (1989). Subsequent to its *Sovran* decision, the Board, in reliance on that decision, approved acquisitions of eight other bank holding companies that had or controlled companies that had Exemption D grandfather rights. Each of these approvals was also upheld on judicial review.

11. *See Citicorp*, 76 *Federal Reserve Bulletin* 70, 73 (1990).

12. Until May 1, 1989, Kansas licensed only individuals to act as insurance agents and did not license companies to serve as insurance agencies.

premium revenues from the sale during April and May, 1982, of automobile, homeowners (including flood and theft insurance), fire & casualty, builder's risk, yacht, outboard, liability, compensation, and accident and health insurance, in addition to insurance packages specified as umbrella (a combination of commercial casualty and liability insurance), personal (a combination of automobile and homeowners' insurance), and commercial (a combination of commercial property (fire) and casualty (liability) insurance). The Treasurer of MidAmerican has provided an affidavit confirming that MAIA gained income during 1982 from the sale as agent of group and individual health insurance products, group and individual life insurance products, individual and commercial property and casualty coverages and surety bonds. Additionally, MidAmerican has provided copies of annual renewable term life insurance and graded premium whole life insurance policies in effect on and around May 1, 1982, which MidAmerican sold as agent. MidAmerican has also submitted statements from two insurance underwriters stating that MidAmerican currently is, and has, since prior to 1982, continuously been authorized to act as agent for these underwriters in the sale of a full line of property and casualty, life, and accident and health insurance.

Based on these and the other facts of record in this case, the Board believes that MidAmerican has demonstrated that, on May 1, 1982, MAIA was engaged in acting as agent in the sale of the following types of insurance: automobile, homeowners (including flood and theft insurance), accident and health, fire & casualty, outboard, yacht, builder's risk, term and ordinary (or whole) life insurance products, liability, surety bonds, and compensation, in addition to packages specified as umbrella, personal, and commercial.[13] Under the terms of Exemption D, MAIA may continue to conduct these insurance agency activities that it conducted on May 1, 1982. Under Exemption D, the insurance agency activities of MAIA may be conducted only in Kansas, states adjacent thereto, or states in which MAIA lawfully engaged in insurance activities on May 1, 1982.[14] 12 U.S.C. § 1843(c)(8)(D).

In acting on an application under section 4(c)(8) of the BHC Act, the Board must consider whether an applicant's performance of the proposed activities "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."

The Board believes that approval of this application would permit MAIA to be a viable competitor and permit consumers in the area served by MAIA to benefit from resumed access to MAIA as a source of insurance products and services. This proposal would also serve to increase competition in the provision of insurance agency services in the areas served by MAIA, and avoid disrupting established relationships between MAIA and its customers by permitting MAIA to resume selling new policies to these customers. In addition, the Board finds that the record does not indicate that approval of this application would result in undue concentration of resources, unfair or decreased competition, conflicts of interest, unsound banking practices, or other adverse effects. Accordingly, the Board believes that the balance of public interest factors in this case weighs in favor of approval of this application.

Based on the foregoing and all the facts of record, the Board has determined that the application should be, and hereby is, approved. This determination is subject to the conditions that the insurance activities be conducted solely by MAIA, which must remain an independent subsidiary of MidAmerican, that MAIA limit its insurance activities to the insurance agency activities that the Board has found in this Order were conducted by MAIA on May 1, 1982, and that MAIA conduct these activities only in Kansas, states adjacent to Kansas, and states in which MAIA was lawfully engaged in the activity on May 1, 1982, as well as to all of the conditions contained set forth in Regulation Y. It is also subject to the Board's authority to require such modifications or termination of activities of the bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and prevent evasions of, the provisions and

13. The Board has also considered MidAmerican's argument that MAIA was engaged in "a general insurance agency business" and should be permitted to continue to act as agent for all types of insurance as a general insurance agency. The Board believes that this broad categorization is not supportable under the terms of Exemption D, which permits a grandfathered company to conduct "any insurance agency activity which was engaged in by the bank holding company . . . on May 1, 1982, . . . including . . . sales of insurance coverages which may become available after May 1, 1982, so long as those coverages ensure against the same types of risk as, or are otherwise functionally equivalent to, coverages sold on May 1, 1982. . . ." 12 U.S.C. § 1843(c)(8)(D). In the Board's view, this specific reference to new types of coverages, with its reference to same types of risk, would not be necessary if Exemption D were intended broadly to authorize "general insurance agency business." Rather, the limitations in Exemption D indicate that it was intended to permit grandfathered companies to act as agent only for the specific types of insurance these companies provided on May 1, 1982, and certain types of related coverages developed after that date.

14. This determination does not prevent MAIA or MidAmerican from providing additional evidence that it acted as agent in the sale of other types of insurance on May 1, 1982. Upon such a showing, MAIA would be permitted under Exemption D to continue to act as agent for these types of insurance.

purposes of the BHC Act and the Board's regulations and orders issued thereunder.

By order of the Board of Governors, effective May 31, 1990.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

The Mitsui Taiyo Kobe Bank, Limited Tokyo, Japan

Order Approving Acquisition of Shares of Nonbank Companies

The Mitsui Taiyo Kobe Bank, Limited, Tokyo, Japan ("Mitsui"), 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)) to acquire up to 10 percent of the outstanding shares of voting common stock of each of Security Pacific Financial Services System, Inc. ("Security Pacific Financial"), and SPFSS, Inc. ("SPFSS"), both located in San Diego, California ("Companies"). Both Companies are wholly owned subsidiaries of Security Pacific Corporation, Los Angeles, California ("Security Pacific").[1] Companies engage in the following nonbanking activities pursuant to the Board's Regulation Y:

(i) making, acquiring and servicing loans;
(ii) leasing personal or real property;[2]
(iii) furnishing collection services and charge-off recovery services;
(iv) furnishing data processing and data transmission services; and
(v) offering to customers credit life insurance, credit accident and health insurance, involuntary unemployment insurance and home mortgage redemption insurance underwritten by Security Pacific.[3]

Notice of the application, affording interested persons an opportunity to submit comments, has been published (55 *Federal Register* 1728 and 13,958 (1990)). 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 of the BHC Act.[4]

Upon the merger of The Mitsui Bank, Limited, Tokyo, Japan, with total consolidated assets equivalent to approximately $226 billion, with The Taiyo Kobe Bank, Limited, Kobe, Japan, with total consolidated assets equivalent to approximately $187.6 billion, Mitsui became the second largest banking organization in the world.[5] In the United States, Mitsui owns a bank subsidiary in Los Angeles, California, and operates a branch and a limited purpose trust company in New York, limited branches in Illinois and Washington, and an agency in California.

In acting on this application, the Board must consider whether the standards in section 4(c)(8) of the BHC Act are satisfied. The Board has previously determined that all of the proposed activities in this application are closely related to banking within the meaning of section 4(c)(8) of the BHC Act and the Companies will engage in the activities within the limitations specified in the Board's Regulation Y or in applicable orders governing the BHC Act. The Board must also consider whether the performance of the proposed activities "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."

In every case involving a nonbanking acquisition by a bank holding company under section 4 of the BHC Act, the Board considers the financial condition and resources of the applicant and its subsidiaries and the effect of the transaction on these resources.[6] In this case, the primary capital ratio of Mitsui, as publicly reported, is below the minimum level specified in the

1. Security Pacific Financial is a wholly owned subsidiary of Security Pacific. SPFSS is a wholly owned subsidiary of Security Pacific National Bank which, in turn, is a wholly owned subsidiary of Security Pacific.

2. Leasing activities will be conducted to the extent and under the terms recently approved by the Board in *Security Pacific Corporation*, 76 *Federal Reserve Bulletin* (1990) (Order dated April 30, 1990).

3. These activities are permitted for bank holding companies pursuant to sections 225.25(b)(1), (b)(5), (b)(23), (b)(7), and (b)(8)(i) of the Board's Regulation Y (12 C.F.R. 225.25(b)(1), (b)(5), (b)(23), (b)(7), and (b)(8)(i).

4. The Board has received a comment referencing Mitsui's record of performance under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*)("CRA") filed in response to an application under section 3 of the BHC Act by Security Pacific Corporation to acquire a 20 percent interest in Mitsui's subsidiary bank, Mitsui Manufacturer's Bank, Los Angeles, California, but untimely filed for this application. The Board will consider this comment in conjunction with the section 3 application. The Board has also determined that the CRA does not apply to the Board's consideration of an application under section 4 of the BHC Act. *The Mitsui Bank, Limited*, 76 *Federal Reserve Bulletin* 381 (1990).

5. Data are as of September 30, 1989.

6. 12 C.F.R. 225.24; *The Fuji Bank, Limited*, 75 *Federal Reserve Bulletin* 94 (1989); *Bayerische Vereinsbank AG*, 73 *Federal Reserve Bulletin* 155, 156 (1987).

Board's Capital Adequacy Guidelines. After making adjustments to reflect Japanese banking and accounting practices, however, including consideration of a portion of the unrealized appreciation in Mitsui's portfolio of equity securities consistent with the principles of the Basle capital framework, Mitsui's capital ratio meets United States standards.

The Board also has considered additional factors that mitigate its concern in this case. The Board notes that Mitsui is in compliance with the capital and other financial requirements for banking organizations in Japan. In addition, the Board notes that the capital of Mitsui currently accords with the minimum requirements established by the Basle Committee capital framework for year-end 1990. Based on these and other facts of record, the Board concludes that financial and managerial considerations are consistent with approval of the application.

Mitsui and Security Pacific compete directly in providing certain financing services.[7] Consummation of the proposal, however, would have a *de minimis* effect on existing competition in each of these markets and there are numerous competitors for these services. Accordingly, the Board has determined that consummation of this proposal would not have significantly adverse effects on either existing or potential competition in any relevant market. There is no evidence in the record to indicate that approval of this proposal would result in undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices.

The Board has received comments from various insurance trade associations protesting this application.[8] The insurance activities of Security Pacific Financial in this application, however, have been restructured to restrict its activities to offering credit life insurance, credit accident and health insurance, involuntary unemployment insurance and home mortgage redemption insurance underwritten by Security Pacific and permissible under Exemption A of the Garn–St Germain Act (12 U.S.C. § 1843(c)(8)(A)) and section 225.25(b)(8)(i) of the Board's Regulation Y (12 C.F.R. 225.25(b)(8)(i)).[9] Companies will not perform any service, receive any fees or engage in any activity that is not permissible under Exemption A.

Protestants have also raised questions regarding the insurance activities of other Security Pacific affiliates, including Security Pacific State Bank, the insurance activities conducted by Security Pacific under Exemption D of the Garn–St Germain Act (12 U.S.C. § 1843(c)(8)(D)) and section 225.25(b)(8)(iv) of the Board's Regulation Y (12 C.F.R. 225.25(b)(8)(iv)), and certain activities conducted pursuant to section 4(c)(1)(C) of the BHC Act. The Board does not believe that the analysis required under section 4(c)(8) of the BHC Act in this case requires a review of activities that are not or will not be conducted by the applicant or the nonbank company to be acquired.[10] Companies are not engaged in insurance activities not permissible for bank holding companies under section 4(c)(8) of the BHC Act, and Mitsui has not proposed to acquire any interest in the Security Pacific affiliates engaged in insurance activities questioned by Protestants. Nor do Companies intend to conduct in the future any insurance activities, except the previously noted Exemption A activities of Companies, in conjunction with these affiliates. For these reasons, the Board concludes that issues raised by the Protestants are irrelevant to the Board's consideration of the statutory factors set forth in section 4 of the BHC Act.

Based on the foregoing and all the facts of record, the Board has determined that the public benefits associated with this proposal can reasonably be expected to outweigh possible adverse effects, and that the balance of the public interest factors that the Board is required to consider under section 4(c)(8) of the BHC Act is favorable. Accordingly, the Board

---

7. These financial services include asset-based financing, commercial real estate financing, lease financing, corporate finance, machinery and equipment loans, aircraft loans, automobile loans and leasing, recreational vehicle loans, homeowner loans, mobile home loans, revolving lines of credit, factoring, leveraged buy-out financing and leasing.

8. The Board received comments protesting the application from the Independent Insurance Agents of America, Inc., National Association of Casualty & Surety Agents, National Association of Life Underwriters, National Association of Professional Insurance Agents, National Association of Surety Bond Producers, New York Association of Life Underwriters, Professional Insurance Agents of New York, Inc., Independent Insurance Agents of New York, Inc., California Association of Life Underwriters, Professional Insurance Agents of California and Nevada, Inc., and Independent Insurance Agents & Brokers of California.

9. Employees of Security Pacific Financial perform certain administrative services for Security Pacific's companies underwriting credit life insurance, credit accident and health insurance, involuntary unemployment insurance and home mortgage redemption insurance. These services include the introduction of the customer to the availability of Security Pacific's credit life, accident and health, involuntary unemployment and home mortgage redemption insurance programs and assistance to the customer in the completion of the forms required to apply for such insurance coverage. Some states require insurance licensure for these "enroller" activities. The underwriting companies remit a fee of 15 percent of collected premiums to Security Pacific Financial as reimbursement for the time spent and costs incurred in assisting the Security Pacific credit insurance underwriters. These activities are performed only in connection with the extension of credit by Security Pacific, and are permissible under Exemption A of the Garn–St Germain Act. Moreover, the insurance activities of Security Pacific Financial will also be subject to the anti-tying restrictions of the 1970 Amendments to the BHC Act. 12 U.S.C. § 1972(1).

10. *See, e.g. The Mitsui Bank, Limited*, 76 *Federal Reserve Bulletin* 381 (1990).

has determined that the application should be, and hereby is, approved, subject to the conditions contained in this Order. This determination is further subject to all of the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b), and to the Board's authority to require modification or termination of the activities of the 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 transaction shall not be consummated later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of San Francisco, acting pursuant to delegated authority.

By order of the Board of Governors, effective May 7, 1990.

Voting for this action: Chairman Greenspan, Governors Angell, Kelley, and LaWare. Voting against this action: Governor Seger. Absent and not voting: Governor Johnson.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Dissenting Statement of Governor Seger

I dissent from the Board's action in this case. I believe that foreign banking organizations whose primary capital, based on U.S. accounting principles, is below the Board's minimum capital guidelines for U.S. banking organizations have an unfair competitive advantage in the United States over domestic banking organizations. In my view, such foreign organizations should be judged against the same financial and managerial standards, including the Board's capital adequacy guidelines, as are applied to domestic banking organizations. The majority concludes that Applicant's primary capital meets United States standards. To do so, however, the majority makes adjustments that are not available for U.S. banks under guidelines that have not yet become effective for U.S. or foreign banking organizations.

In addition, I am concerned that while some progress is being made in opening Japanese markets to U.S. banking organizations, U.S. banking organizations and other financial institutions, in my opinion, are still far from being afforded the full opportunity to compete in Japan.

May 9, 1990

Norwest Corporation
Minneapolis, Minnesota

Order Approving Acquisition of a Company Engaged in Crop Insurance Agency Activities

Norwest Corporation, Minneapolis, Minnesota ("Norwest"), a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended (the "BHC Act"), has applied 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)) for the Board's approval to acquire all the outstanding shares of Crop Hail Management, Kalispell, Montana ("Agency"), and for Agency to engage in crop insurance agency activities pursuant to section 4(c)(8)(G) of the BHC Act and section 225.25(b)(8)(vii) of the Board's Regulation Y (12 C.F.R. 225.25(b)(8)(vii)).

Notice of the application, affording interested persons an opportunity to submit comments, has been duly published (55 *Federal Register* 7776 (1990)). The time for filing comments has expired, and the Board has considered the application and all comments received, including the comments of several insurance trade associations ("Protestants") in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.[1]

Norwest, with consolidated assets of $24.7 billion, is the largest banking organization in Minnesota.[2] Norwest controls 30 banking subsidiaries in eight states in the Midwest and owns a number of subsidiaries engaged in nonbanking activities.

Title VI of the Garn–St Germain Depository Institutions Act of 1982 ("Garn Act") amended section 4(c)(8) of the BHC Act to provide that insurance agency, brokerage and underwriting activities are not "closely related to banking" and thus are not permissible activities for bank holding companies, unless the activities are included within one of seven specific exemptions (A through G) contained in section 4(c)(8).

Norwest is authorized to engage in insurance agency activities pursuant to exemption G in section 4(c)(8)(G) of the BHC Act ("exemption G"), which authorizes those bank holding companies that engaged, with Board approval, in insurance agency ac-

1. The Board received comments protesting this application from the Independent Insurance Agents of America, Inc., the National Association of Casualty & Surety Agents, the National Association of Life Underwriters, the National Association of Professional Insurance Agents, the National Association of Surety Bond Producers, the New York State Association of Life Underwriters, the Independent Insurance Agents of New York, Inc., and the Professional Insurance Agents of New York, Inc.
2. Asset data are as of March 31, 1990.

tivities prior to 1971, to engage, or control a company engaged, in insurance agency activities.[3] Accordingly, as a qualified bank holding company under exemption G, Norwest may engage in general insurance agency activities without restriction as to location or type of insurance sold.[4]

However, bank holding companies grandfathered under exemption G are not authorized to engage in insurance underwriting activities because these activities had not been approved by the Board prior to the 1971 grandfather date. Accordingly, Regulation Y's implementation of exemption G extends only to insurance agency activities and the Board has noted that general underwriting activities appear to be precluded under exemption G.[5]

Protestants assert that Agency's insurance agent activities taken as a whole extend beyond permissible insurance agency activities and constitute impermissible underwriting activities under exemption G. In Protestant's view, Agency's activities are impermissible underwriting even though Agency performs all activities in its capacity as an agent on behalf of crop insurance underwriters.

Agency acts as a managing general agent for a network of 13 crop insurance underwriters and engages primarily in the sale and distribution of crop insurance products through its independent network of approximately 3,000 insurance agents throughout the country.[6] Under its general managing agency agreements with the insurance underwriters, Agency is authorized generally to supervise and conduct the writing of crop insurance on behalf of the insurance underwriter, including the authority to appoint and remove agents, accept and decline risks, collect premiums, and adjust, compromise, and pay losses. Agency also arranges for the reinsurance of policies by the federal government, foreign, and domestic reinsurance companies so that underwriters are reinsured against casualty losses, and provides a variety of administrative services to the insurance underwriters. However, under no circumstances does Agency assume any casualty risk of loss in performing its agent services.[7]

For its services, Agency receives a base commission rate which can be increased if the underwriter realizes a certain level of underwriting gain on its policies. When a casualty loss is incurred, the underwriters and reinsurers contribute the necessary funds due to cover the loss in proportion to their underwriting risk. Agency is required to pay the underwriter an issuing fee on the policies written and must reimburse the underwriter in the event of premium nonpayment. Agency also reimburses the underwriters for all their expenses incurred in supervising and conducting their underwriting businesses.

In commenting on proposed legislation regarding bank holding company insurance powers, the Board has noted that exposure to risk of casualty loss has been an important factor in distinguishing insurance brokerage from insurance underwriting.[8] Indeed, insurance underwriting is generally defined as the assumption of cost risk resulting from a specified event in exchange for the payment of premiums. The principal as underwriter undertakes the casualty risk of loss for a premium payment. Insurance agents or brokers traditionally perform services for insurance underwriters, usually on a commission fee basis, without sharing in the risk of loss associated with the peril insured against by the underwriter.

Moreover, the comprehensiveness of Agency's activities as agent, including sharing in underwriting gains, must be considered in the context of its principal insurance product. A significant portion of Agency's revenues is derived from the sale of multiple peril crop insurance which is a comprehensive insurance program managed by the federal government.[9] The government establishes the policy premium rates on a commodity by commodity basis in addition to underwriting and establishing the terms for the reinsurance

3. In 1959, Norwest received Board approval to retain its general insurance agency subsidiaries. *Northwest Bancorporation*, 45 *Federal Reserve Bulletin* 963 (1959).

4. *See First Wisconsin Corporation*, 71 *Federal Reserve Bulletin* 171 (1985); *Norwest Corporation*, 70 *Federal Reserve Bulletin* 470 and 235 (1984).

5. Section 225.25(b)(8)(vii) of the Board's Regulation Y permits qualifying bank holding companies to "engag[e] in any insurance agency activity" in the United States. In promulgating this provision, the Board noted that it had not proposed nor adopted a provision that would permit qualifying exemption G companies to engage in general underwriting activities. *See also First Wisconsin Corporation*, 71 *Federal Reserve Bulletin*, 171, 172, n.7 (1985).

6. Agency acts as agent for two basic crop insurance products through its network of independent agencies:

(i) crop hail insurance which provides protection from crop damage caused by hail through a program operated within the private sector; and

(ii) multiple peril crop insurance which is more comprehensive in coverage and although operated in the private sector, is reinsured and operationally supported by the federal government through expense and premium subsidies.

7. During the processing of this application, it was noted that under one of the management agreements Agency assumed a portion of the risk of casualty loss on the policies written. This agreement was amended to remove the risk of loss sharing provision. Agency has committed that it will no longer assume any casualty risk of loss on policies written.

8. *See Statement by Paul V. Volcker, before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, March 27, 1984, reprinted in* 70 *Federal Reserve Bulletin* 298, 395 (1984).

9. In 1988, multiple peril crop insurance and crop hail insurance constituted approximately 70 percent and 30 percent, respectively, of the total premiums issued by Agency. Agency possessed a market share of approximately 12 percent of the multiple peril market and 7 percent of the crop hail market. Agency's income from these premiums was approximately $1 million.

of these policies. The government also specifies the commission rate payable to Agency for its services. Agency's capability to broker this insurance product on behalf of an underwriter is therefore subject to constraints not normally associated with more traditional forms of insurance. Furthermore, in light of Agency's delegated authority to accept or decline underwriting risk on behalf of the underwriter, sharing in the underwriting gain provides a prudential incentive to exercise this authority consistent with the best interest of the underwriter.

In light of these considerations, the Board believes that the proposed insurance agency activities do not constitute underwriting and are consistent with general insurance agency activities authorized by exemption G and the Board's Regulation Y. In order to approve this application, the Board also is required to determine that the performance of the proposed activities by Norwest "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 interest, or unsound banking practices." 12 U.S.C. § 1843(c)(8).

The financial and managerial resources and future prospects of Norwest and Agency are consistent with approval. In addition, Norwest does not currently engage in crop insurance management agency activities and these activities of Agency represent a small share of the total market for these services. Moreover, there are numerous competitors in the crop insurance agency market and Norwest will provide an additional source for this type of insurance for its customers. Accordingly, consummation of this proposal would not have a significantly adverse effect on competition in any relevant market.

There is no evidence in the record to indicate that approval of this proposal would result in undue concentration of resources, decreased or unfair competition, conflicts of interests, unsound banking practices, or other adverse effects on the public interest. 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 Norwest's application to acquire Agency.

Based upon the foregoing and all facts of record, the Board has determined that the proposed application should be, and hereby is, approved. This determination is subject to the condition that under no circumstances does Agency assume any casualty risk of loss and to all of the conditions set forth in the Board's Regulation Y, including sections 225.4(d) and 225.23, and 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 transaction shall be consummated not later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Minneapolis, pursuant to delegated authority.

By order of the Board of Governors, effective May 30, 1990.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

The Royal Bank of Canada
Montreal, Quebec, Canada

Order Approving Application to Act as Agent in the Private Placement of All Types of Securities

The Royal Bank of Canada, Montreal, Quebec, Canada ("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(a)(3) of the Board's Regulation Y, 12 C.F.R. 225.23(a)(3), for its indirect subsidiary, RBC Dominion Securities Corporation, New York, New York ("Company"), to act as agent in the private placement of all types of securities, including providing related advisory services.

Applicant has total consolidated assets equivalent to approximately $96.0 billion.[1] It owns bank subsidiaries in New York, New York, and San Juan, Puerto Rico, and operates branches in Portland, Oregon, New York, New York, and San Juan, Puerto Rico, and agencies in Miami and San Francisco. Applicant has received Board approval to engage in a broad range of nonbanking activities, including engaging through Company in underwriting and dealing in, to a limited extent, debt and equity securities that are not eligible to be underwritten by a state member bank ("ineligible securities").[2] Company is and will continue to be a broker–dealer registered with the Securities and Exchange Commission and subject to the record-keeping, reporting, fiduciary standards, and other requirements of the Securities Exchange Act of 1934, the New York

1. Data are as of April 30, 1989.
2. *See Canadian Imperial Bank of Commerce, The Royal Bank, Barclays PLC*, 76 *Federal Reserve Bulletin* 158 (1990) ("*Canadian Imperial*").

Stock Exchange, and the National Association of Securities Dealers.

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been published (54 *Federal Register* 37,830 (1989)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act. The Board received written comments opposing the application from the Investment Company Institute ("ICI"), a trade association of the mutual fund industry.[3]

The Board has previously determined that acting as agent in the private placement of securities does not constitute underwriting and dealing in securities for purposes of section 20 of the Glass–Steagall Act. Therefore, revenue derived from this activity is not subject to the 10 percent revenue limitation on ineligible securities underwriting and dealing.[4] Additionally, the Board found that, subject to the prudential limitations established in those cases to address the potential for conflicts of interests, unsound banking practices or other adverse effects, private placement activities are so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act. Applicant has committed that Company will conduct its private placement activities using the same methods and procedures and subject to all of the prudential limitations approved by the Board in the *Bankers Trust* and *J.P. Morgan* Orders, as modified to reflect Applicant's status as a foreign bank, consistent with the framework adopted in the *Canadian Imperial* Order.[5]

Consummation of this proposal would provide added convenience to Applicant's customers by allowing the provision of a wider range of services by a single entity. In addition, the Board expects that the *de novo* entry of Applicant into the market for these services would increase the level of competition among providers of these services. Under the framework established in this and prior decisions, consummation of this proposal is not likely to result in any significant undue concentration of resources, decreased or unfair competition, conflicts of interests, unsound banking practices, or other adverse effects. Accordingly, the Board has determined that the performance of the proposed activities by Applicant can reasonably be expected to produce public benefits that would outweigh adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

Based on the above, the Board has determined to approve Applicant's application, subject to all of the terms and conditions set forth above and in the above-noted Board Orders that relate to these activities.

The Board's determination is subject to all of the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and Orders issued thereunder.

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

By order of the Board of Governors, effective May 15, 1990.

Voting for this action: Chairman Greenspan and Governors Angell, Kelley, and LaWare. Absent and not voting: Governors Johnson and Seger.

JENNIFER J. JOHNSON
Associate Secretary of the Board

The Sanwa Bank, Limited
Osaka, Japan

Order Approving Application to Underwrite and Deal in Certain Securities to a Limited Extent and to Engage in Full Service Brokerage Activities

The Sanwa Bank, Limited, Osaka, Japan ("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

3. The ICI has objected to Applicant's proposal to the extent that it could be construed to seek approval for Company to privately place securities of investment companies that are sponsored or advised by Applicant or any of its subsidiaries. Applicant has not requested approval to place such securities.

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

5. In the *Canadian Imperial* Order, in which the Board considered and approved applications by foreign banks to engage in underwriting and dealing in all types of debt and equity securities, the Board modified the prudential framework imposed in *J.P. Morgan & Co. Incorporated, The Chase Manhattan Corporation, Bankers Trust New York Corporation, and Citicorp*, 75 *Federal Reserve Bulletin* 192 (1989), to account for the fact that the applicants were foreign banks that operate predominately outside the United States. The Board determined in those cases to adjust the funding and certain operational requirements of the framework previously established for those activities in order to take into account principles of national treatment and the Board's policy not to extend U.S. bank supervisory standards extraterritorially. *See also The Toronto-Dominion Bank*, 76 *Federal Reserve Bulletin* 573 (1990).

225.23 of the Board's Regulation Y (12 C.F.R. 225.23), for its subsidiary, Sanwa-BGK Securities Co., L.P., New York, New York ("Company"), to:

(1) underwrite and deal in, to a limited extent, municipal revenue bonds, 1–4 family mortgage-related securities, commercial paper, and consumer-receivable-related securities ("ineligible securities");

(2) provide investment advisory and brokerage services on a combined basis to institutional and retail customers ("full service brokerage"); and

(3) engage in investment advisory activities pursuant to 12 C.F.R. 225.25(b)(4).

Applicant, with total consolidated assets equivalent to approximately $363.7 billion, is the fifth largest banking organization in the world.[1] Applicant owns a federally insured bank in San Francisco and operates branches in Boston, Chicago, Los Angeles, New York, and San Francisco, and representative offices in Houston, Texas, and Lexington, Kentucky. Applicant has previously received Board approval under section 4(c)(8) of the BHC Act for Company to underwrite and deal in securities eligible to be underwritten and dealt in by state member banks and to engage in various other activities permissible for bank holding companies.[2]

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been published (54 *Federal Register* 12,955 (1989)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

The Board has previously determined by regulation that investment advisory activities are generally permissible for bank holding companies. 12 C.F.R. 225.25(b)(4). In addition, the Board has previously determined by order that full-service brokerage is a permissible nonbanking activity for bank holding companies under section 4(c)(8) of the BHC Act. *PNC Financial Corp.*, 75 *Federal Reserve Bulletin* 396 (1989); *Bankers Trust New York Corporation*, 74 *Federal Reserve Bulletin* 695 (1988); *Bank of New England Corporation*, 74 *Federal Reserve Bulletin* 700 (1988). Applicant has stated that Company will engage in this activity in accordance with all of the conditions set forth in these Orders.

The Board has previously determined that the proposed ineligible securities underwriting and dealing activity is consistent with section 20 of the Glass–Steagall Act, provided the underwriting subsidiary derives no more than 10 percent of its total gross revenue from underwriting and dealing in the approved securities over any two-year period.[3] The Board also found that, subject to the prudential framework of limitations established in those cases to address the potential for conflicts of interests, unsound banking practices or other adverse effects, the proposed underwriting and dealing activities are so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act.

Applicant has requested certain modifications to the prudential framework established in *Citicorp* and *Chemical* to account for the fact that Applicant is a foreign bank that operates predominately outside the United States. The Board has previously considered such a request in the context of applications by foreign banking organizations to engage in underwriting and dealing in all types of debt and equity securities.[4] The Board determined in those cases to adjust the funding and certain operational requirements of the framework previously established for those activities[5] in order to take into account principles of national treatment and the Board's policy not to extend U.S. bank supervisory standards extraterritorially. Consistent with the policies expressed in *Canadian Imperial*, the Board has determined that the prudential framework established in *Citicorp* and *Chemical* should apply to a foreign banking organization that engages in the proposed limited ineligible securities activities, modified only to reflect the concerns addressed in *Canadian Imperial* regarding a foreign banking organization that engages in securities activities in the United States.[6]

1. Asset data are as of September 30, 1989. Ranking data are as of March 31, 1989.

2. 74 *Federal Reserve Bulletin* 578 (1988).

3. *Citicorp, J.P. Morgan & Co. Incorporated and Bankers Trust New York Corporation*, 73 *Federal Reserve Bulletin* 473 (1987) ("*Citicorp*"), *aff'd sub nom. Securities Industry Association v. Board of Governors of the Federal Reserve System*, 839 F.2d 47 (2d Cir. 1988), *cert. denied*, 108 S.Ct. 2830 (1988) ("*SIA v. Board*"); and *Chemical New York Corporation, The Chase Manhattan Corporation, Bankers Trust New York Corporation, Citicorp, Manufacturers Hanover Corporation and Security Pacific Corporation*, 73 *Federal Reserve Bulletin* 731 (1987) ("*Chemical*"); as modified by *Order Approving Modifications to Section 20 Orders*, 75 *Federal Reserve Bulletin* 751 (1989) ("*Modification Order*").

4. *Canadian Imperial Bank of Commerce, The Royal Bank of Canada, and Barclays PLC*, 76 *Federal Reserve Bulletin* 158 (1990) ("*Canadian Imperial*").

5. *J.P. Morgan & Co. Incorporated, The Chase Manhattan Corporation, Bankers Trust New York Corporation, and Citicorp*, 75 *Federal Reserve Bulletin* 192 (1989).

6. The Board notes that lending by U.S. branches and agencies of foreign banks to affiliates is not restricted by section 23A of the Federal Reserve Act. In view of the limited nature of these activities, the Board does not believe that the record at this time would require extending the restrictions of section 23A to Applicant's U.S. branches and agencies, none of which is insured by the FDIC. The Board, however, reserves the right to require that Applicant's U.S. branches and agencies adhere to the restrictions of section 23A should circumstances change to make such requirement appropriate.

The modified framework is set forth in the Appendix to this Order. Applicant has committed that Company will conduct its underwriting and dealing activities with respect to ineligible securities subject to the 10 percent revenue test and the prudential limitations set forth in the Appendix.

Consummation of the proposal would provide added convenience to Applicant's customers. In addition, the Board expects that the *de novo* entry of Applicant into the market for some of these services would increase the level of competition among providers of these services. Under the framework established in this and prior decisions, consummation of this proposal is not likely to result in any significant undue concentration of resources, decreased or unfair competition, conflicts of interests, unsound banking practices, or other adverse effects. Accordingly, the Board has determined that the performance of the proposed activities by Applicant can reasonably be expected to produce public benefits which would outweigh adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.[7]

Based on the above, the Board has determined to approve Applicant's application subject to all of the terms and conditions set forth in the above-noted provisions of Regulation Y that relate to these activities, and subject as well to all of the terms and conditions set forth in this Order and in the above-noted Board Orders that relate to these activities.[8]

The Board's determination is subject to all of the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and Orders issued thereunder.

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

By order of the Board of Governors, effective May 2, 1990.

Voting for this action: Chairman Greenspan and Governors Johnson, Seger, Angell, Kelley, and LaWare.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Appendix

A. *Types of Securities to be Underwritten*

1. The underwriting subsidiary shall limit its underwriting and dealing in ineligible securities to the following:

(a). *Municipal revenue bonds* that are rated as investment quality (*i.e.*, in one of the top four categories) by a nationally recognized rating agency, except that industrial development bonds in these categories shall be limited to "public ownership" industrial development bonds (*i.e.*, those tax exempt bonds where the issuer, or the governmental unit on behalf of which the bonds are issued, is the sole owner, for federal income tax purposes, of the financed facility (such as airports and mass commuting facilities)).

(b). *Mortgage-related securities* (obligations secured by or representing an interest in 1–4 family residential real estate), rated as investment quality (*i.e.*, in one of the top four categories) by a nationally recognized rating agency.

(c). *Commercial paper* that is exempt from the registration and prospectus requirements of the S.E.C. pursuant to the Securities Act of 1933 and that is short term, of prime quality, and issued in denominations no smaller than $100,000.

(d). *Consumer-receivable-related securities* (obligations secured by or representing an interest in a diversified pool of loans to or receivables from individuals for the purpose of financing the purchase of consumer goods and services), rated as investment quality (*i.e.*, in one of the top four categories) by a nationally recognized rating agency.

B. *Capital Investment*

2. For purposes of determining compliance with internationally-accepted risk-based capital requirements, any investment by Applicant in the underwriting subsidiary that is treated as capital in that subsidiary and the assets of the underwriting subsidiary shall be excluded in determining Applicant's consolidated capital.

7. Company also intends to make private placements and sales of eligible and ineligible securities as agent, and to purchase and sell for Company's own account futures, forward, and options contracts on ineligible securities for hedging purposes, as incidents to these approved activities. Any activity conducted as a necessary incident to the ineligible securities underwriting and dealing activity must be treated as part of the ineligible securities activity unless Company has received specific approval under section 4(c)(8) of the BHC Act to conduct the activity independently. Until such approval is obtained, any revenues from the incidental activity must be counted as ineligible revenue subject to the 10 percent gross revenue limit set forth in the *Modification Order*.

8. In light of the decision in *SIA v. Board*, Applicant will not be subject to the market share limitation with respect to its ineligible activities that was originally imposed in the *Citicorp* and *Chemical* Orders.

C. *Capital Adequacy*

3. The underwriting subsidiary shall maintain at all times capital adequate to support its activity and cover reasonably expected expenses and losses in accordance with industry norms.
4. Applicant shall submit quarterly to the Federal Reserve Bank of San Francisco FOCUS reports filed with the NASD or other self-regulatory organizations, and detailed information breaking down the underwriting subsidiary's business with respect to eligible and ineligible securities, in order to permit monitoring of the underwriting subsidiary's compliance with the provisions of this Order.

D. *Credit Extensions to Customers of the Underwriting Subsidiary*[1]

5(a). No U.S. affiliate or branch or agency of Applicant shall directly or indirectly extend credit or issue or enter into a stand-by letter of credit, asset purchase agreement, indemnity, guarantee, insurance or other facility that might be viewed as enhancing the creditworthiness or marketability of an ineligible securities issue underwritten or distributed by the underwriting subsidiary.

(b). The underwriting subsidiary shall not underwrite or distribute ineligible securities if the underwriting subsidiary is aware in the ordinary course of conducting a due diligence review that an affiliate is extending credit or issuing or entering into a stand-by letter of credit, asset purchase agreement, indemnity, guarantee, insurance or other facility that might be viewed as enhancing the creditworthiness or marketability of such ineligible securities.

6(a). No U.S. lending affiliate or branch or agency of Applicant (other than the underwriting subsidiary) shall knowingly extend credit to a customer directly or indirectly secured by, or for the purpose of purchasing, any ineligible security that the underwriting subsidiary underwrites during the period of the underwriting, or to purchase from the underwriting subsidiary any ineligible security in which the underwriting subsidiary makes a market.

(b). The underwriting subsidiary shall not arrange for Applicant or any of its subsidiaries to extend, or knowingly participate in any arrangement whereby Applicant or any of its subsidiaries extends, credit to a customer directly or indirectly secured by, or for the purpose of purchasing, any ineligible security that the underwriting subsidiary underwrites during the period of the underwriting, or to purchase from the underwriting subsidiary any ineligible security in which the underwriting subsidiary makes a market.

(c). These limitations extend to all customers of a U.S. lending affiliate or branch or agency of Applicant, including broker–dealers and unaffiliated banks, but do not include lending to a broker–dealer for the purchase of securities where an affiliated bank is the clearing bank for such broker–dealer.

7(a). No U.S. affiliate or branch or agency of Applicant may directly or indirectly extend credit to issuers of ineligible securities underwritten by the underwriting subsidiary for the purpose of the payment of principal and interest on such securities.

(b). The underwriting subsidiary shall not arrange for Applicant or any of its subsidiaries to extend, or knowingly participate in any arrangement whereby Applicant or any of its subsidiaries extends, credit to an issuer of ineligible securities underwritten by the underwriting subsidiary for the purpose of the payment of principal and interest on such securities and shall not underwrite any ineligible securities of an issuer if it becomes aware that an affiliate is providing credit to an issuer for such purposes.

(c). These limitations would be inapplicable to any credit lines extended to an issuer by Applicant or any subsidiary of Applicant that provide for substantially different timing, terms, conditions and maturities from the ineligible securities being underwritten. It would be clear, for example, that a credit has substantially different terms and timing if it is for a documented special purpose (other than the payment of principal and interest) or there is substantial participation by other lenders.

8. Applicant shall adopt appropriate procedures, including maintenance of necessary documentary records, to assure that any extensions of credit by any of its U.S. affiliates, branches, or agencies to issuers of ineligible securities underwritten or dealt in by the underwriting subsidiary are on an arm's length basis for purposes other than payment of principal and interest on the issuer's ineligible securities being underwritten or dealt in by the underwriting subsidiary. An extension of credit is considered to be on an arm's length basis if the terms and conditions are substantially the same as those prevailing at the time for comparable transactions with issuers whose securities are not underwritten or dealt in by the underwriting subsidiary.

9. The requirements relating to credit extensions to issuers noted in paragraphs 5–8 above shall also

1. Unless otherwise stated, these conditions shall apply to a subsidiary of a bank or thrift institution to the same extent as they apply to the bank or thrift institution.

apply to extensions of credit to parties that are major users of projects that are financed by industrial revenue bonds.

E. *Limitations to Maintain Separateness of an Underwriting Affiliate's Activity*

10. There will be no officer, director, or employee interlocks between the underwriting subsidiary and any of Applicant's U.S. bank or thrift subsidiaries, branches, or agencies, except that one officer of a branch or agency may act as a director of the underwriting subsidiary. The underwriting subsidiary will have separate offices from any U.S. or thrift subsidiary or branch or agency of Applicant.[2]

F. *Disclosure by the Underwriting Subsidiary*

11. The underwriting subsidiary will provide each of its customers with a special disclosure statement describing the difference between the underwriting subsidiary and its U.S. bank and thrift affiliates and its U.S. branches and agencies and pointing out that an affiliated U.S. bank or thrift or U.S. branch or agency could be a lender to an issuer and referring the customer to the disclosure documents for details. The statement shall also indicate that the obligations of the underwriting subsidiary are not those of any affiliated bank, thrift, branch, or agency and that no such bank, thrift, branch, or agency is responsible for securities sold by the underwriting subsidiary. The underwriting subsidiary should also disclose any material lending relationship between the issuer and a bank or lending affiliate of the underwriting subsidiary as required under the securities laws and in every case whether the proceeds of the issue will be used to repay outstanding indebtedness to affiliates.

12. No underwriting subsidiary nor any affiliated U.S. bank or thrift institution, branch, or agency will engage in advertising or enter into an agreement stating or suggesting that an affiliated U.S. bank, thrift, branch, or agency is responsible in any way for the underwriting subsidiary's obligations as required for affiliates of member banks under section 23B of the Federal Reserve Act.

13. No U.S. bank or thrift subsidiary or U.S. branch or agency of Applicant will act as agent for, or engage in marketing activities on behalf of, the underwriting subsidiary.[3] In this regard, prospectuses and sales literature of the underwriting subsidiary may not be distributed by a U.S. bank or thrift subsidiary or U.S. branch or agency of Applicant; nor should any such literature be made available to the public at any offices of any such bank, thrift, branch, or agency, unless specifically requested by a customer.

G. *Investment Advice by Bank/Thrift Affiliates, Branches, and Agencies*

14. No U.S. bank or thrift subsidiary or U.S. branch or agency of Applicant may express an opinion with respect to the advisability of the purchase of ineligible securities underwritten or dealt in by the underwriting subsidiary unless the bank, thrift, branch, or agency notifies the customer that the underwriting subsidiary is underwriting or making a market in the security.

H. *Conflicts of Interest*

15. The underwriting subsidiary may not sell to any affiliate that is acting as principal in the transaction, ineligible securities that are underwritten by the underwriting subsidiary during the period of the underwriting and for 60 days after the close of the underwriting period, or any ineligible security in which the underwriting subsidiary makes a market, except that, in the case of ineligible securities that are being issued in a simultaneous cross-border underwriting in which the underwriting subsidiary and a foreign affiliate or affiliates are participating, such securities may be purchased or sold pursuant to an intersyndicate agreement for the period of the underwriting where the purchase or sale results from *bona fide* indications of interest from customers. Such purchases or sales shall not be made for purposes of providing liquidity or capital support to the underwriting subsidiary or otherwise to evade the requirements of this Order. The underwriting subsidiary shall maintain documentation on such transactions.

16. No U.S. bank, thrift, or trust or investment advisory subsidiaries, or U.S. branches or agencies, of Applicant shall purchase, as a trustee or in any other fiduciary capacity, for accounts over which they have investment discretion ineligible securities

(a) underwritten by the underwriting subsidiary as lead underwriter or syndicate member during the period of any underwriting or selling syndicate, and for a period of 60 days after the termination thereof, and

(b) from the underwriting subsidiary if it makes a market in that security, unless, in either case, such purchase is specifically authorized under the instrument creating the fiduciary relationship, by

2. An underwriting subsidiary may have offices in the same building as a bank or thrift subsidiary or branch or agency of Applicant if the underwriting subsidiary's offices are clearly distinguished from those of the bank, thrift, branch, or agency.

3. This condition does not prevent a bank, thrift, branch, or agency from informing its customers of the available services of the underwriting subsidiary.

court order, or by the law of the jurisdiction under which the trust is administered.

17. The underwriting subsidiary may not underwrite or deal in any ineligible securities issued by its affiliates or representing interests in, or secured by, obligations originated or sponsored by its affiliates (except for grantor trusts or special purpose corporations created to facilitate underwriting of securities backed by assets originated by a non-affiliated lender) unless such securities are rated by an unaffiliated, nationally recognized rating organization or are issued or guaranteed by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, or the Government National Mortgage Association or represent interests in securities issued or guaranteed by such agencies.

18. All purchases and sales of assets between a U.S. bank or thrift subsidiary or U.S. branch or agency of Applicant and the underwriting subsidiary (or third parties in which the underwriting subsidiary is a participant or has a financial interest or acts as agent or broker or receives a fee for its services) will be at arm's length and on terms no less stringent than those applicable to unrelated third parties, and will not involve low-quality securities, as defined in section 23A of the Federal Reserve Act.

I. *Limitations to Address Possible Unfair Competition*

19. No U.S. bank or thrift subsidiary or U.S. branch or agency of Applicant may disclose to the underwriting subsidiary any nonpublic customer information consisting of an evaluation of the creditworthiness of an issuer or other customer of the underwriting subsidiary (other than as required by securities laws and with the customer's consent) and no officers or employees of the underwriting subsidiary may disclose such information to its affiliates.

J. *Formation of Subsidiaries of an Underwriting Subsidiary to Engage in Underwriting and Dealing*

20. Pursuant to Regulation Y, no corporate reorganization of the underwriting subsidiary, such as the establishment of subsidiaries of the underwriting subsidiary to conduct the activities, may be consummated without prior Board approval.

The Toronto-Dominion Bank
Toronto, Ontario, Canada

Proposal to Underwrite and Deal in Certain Securities to a Limited Extent, Conduct Private Placements of All Types of Securities as Agent, and Engage in Other Securities-Related Activities

The Toronto-Dominion Bank, Toronto, Ontario, Canada ("Applicant"), a foreign bank subject to 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), for its indirect wholly owned subsidiary, Toronto Dominion Securities Corp., New York, New York ("Company"), to:

(1) underwrite and deal in, to a limited extent, municipal revenue bonds, 1–4 family mortgage-related securities, commercial paper and consumer-receivable-related securities ("bank-ineligible securities");

(2) act as agent in the private placement of all types of securities, including providing related advisory services;

(3) provide investment advisory and brokerage services on a combined basis to institutional and retail customers ("full- service brokerage");

(4) provide financial and transaction advice to financial and nonfinancial institutions, including

(i) providing advice in connection with mergers and acquisitions, divestitures, financing transactions, capital structuring, loan syndications, interest rate swaps, interest rate caps, and similar currency and interest rate transactions; and

(ii) providing valuations and fairness opinions in connection with mergers, acquisitions, and similar transactions;

(5) act as broker with respect to interest rate swaps, caps, and similar currency and interest rate transactions;

(6) arrange for sales of loans or other extensions of credit originated by affiliated and unaffiliated lenders as agent; and

(7) provide financial advice to Canadian federal, provincial, and municipal governments and their agents with respect to the issuance of their securities in the United States.

Applicant has total consolidated assets equivalent to $53.7 billion. It operates branch offices in Chicago and New York, agencies in Houston and Los Angeles, a limited purpose trust company in New York, and representative offices in Chicago, Houston, and New York.[1] Applicant has previously received Board approval under section 4(c)(8) of the BHC Act for Company to underwrite and deal in securities eligible to be underwritten and dealt in by state member banks.

Notice of the application, affording interested persons an opportunity to submit comments on the pro-

1. Data are as of October 31, 1989.

posal, has been published (54 *Federal Register* 50,279 (1989)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act. The Board received written comments opposing Board approval of the application from the Securities Industry Association ("SIA"), a trade association of the investment banking industry, and the Investment Company Institute ("ICI"), a trade association of the mutual fund industry.

The Board has previously determined by order that providing financial advice to Canadian governmental entities and their agents, providing financial and transaction advice to financial and nonfinancial institutions, acting as a broker with respect to interest rate and currency swaps, and engaging in full-service brokerage as proposed by Applicant are permissible nonbanking activities for bank holding companies under section 4(c)(8) of the BHC Act. *Canadian Imperial Bank of Commerce*, 74 *Federal Reserve Bulletin* 571 (1988) (providing financial advice to Canadian governmental entities and financial and transaction advice to financial and nonfinancial institutions); *Signet Banking Corporation*, 73 *Federal Reserve Bulletin* 59 (1987) (providing financial and transaction advice to financial and nonfinancial institutions); *The Sumitomo Bank, Limited*, 75 *Federal Reserve Bulletin* 582 (brokerage of interest rate and currency swaps); and *PNC Financial Corp*, 75 *Federal Reserve Bulletin* 396 (1989), *Bankers Trust New York Corporation*, 74 *Federal Reserve Bulletin* 695 (1988), *Bank of New England Corporation*, 74 *Federal Reserve Bulletin* 700 (1988), and *The Bank of Nova Scotia*, 74 *Federal Reserve Bulletin* 249 (1988) (full-service brokerage). Applicant has stated that Company will engage in these activities in accordance with the conditions set forth in these Orders.[2]

The Board has previously determined that arranging for sales of loans or other extensions of credit originated by affiliated and unaffiliated lenders as agent is encompassed within the authorization of section 225.25(b)(1) of the Board's Regulation Y, 12 C.F.R. 225.25(b)(1). *See Bryn Mawr Bank Corporation*, 74 *Federal Reserve Bulletin* 329 (1988). Applicant has stated that Company will engage in this activity in accordance with the Board's previous Order.

With regard to the proposed ineligible securities underwriting and dealing activity, the conduct of such activity has been determined by the Board to be consistent with section 20 of the Glass–Steagall Act provided the underwriting subsidiary derives no more than 10 percent of its total gross revenue from underwriting and dealing in the approved securities over any two-year period.[3] The Board also found that, subject to the prudential framework of limitations established in those cases to address the potential for conflicts of interests, unsound banking practices or other adverse effects, the proposed underwriting and dealing activities are so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act. The Board subsequently modified that prudential framework in the case of a foreign banking organization to take into account principles of national treatment and the Board's policy not to extend U.S. bank supervisory standards extraterritorially. *The Sanwa Bank, Limited*, 76 *Federal Reserve Bulletin*, 568 (1990) ("*Sanwa*"). Applicant has committed that Company will conduct its underwriting and dealing activities with respect to bank-ineligible securities subject to the 10 percent revenue test and the prudential limitations as established by the Board in its *Sanwa* Order.[4]

Finally, the Board has previously determined that acting as agent in the private placement of securities does not constitute underwriting and dealing in securities for purposes of section 20 of the Glass–Steagall Act, and that revenue derived from these activities is not subject to the 10 percent revenue limitation on ineligible securities underwriting and dealing.[5] Additionally the Board found that subject to the prudential limitations established in that case to address the

2. The ICI has objected that, to the extent that Company proposes to broker securities issued by investment companies advised by Applicant or any of its affiliates or to advise brokerage customers regarding such securities, the proposed activities are inconsistent with the Glass–Steagall Act and with the Board's interpretive rule governing investment advisory services by bank holding companies. Applicant has indicated, however, that Company will not broker, or provide any investment advice with respect to, shares of any investment company for which a bank or nonbank affiliate acts as an investment advisor without seeking the prior approval of the Board.

3. *Citicorp, J.P. Morgan & Co. Incorporated and Bankers Trust New York Corporation*, 73 *Federal Reserve Bulletin* 473 (1987) ("*Citicorp/Morgan/Bankers Trust*"), *aff'd sub nom., Securities Industry Association v. Board of Governors of the Federal Reserve System*. 839 F.2d 47 (2d Cir. 1988), *cert. denied*, 108 S.Ct. 2830 (1988) ("*SIA v. Board*"); and *Chemical New York Corporation, The Chase Manhattan Corporation, Bankers Trust New York Corporation, Citicorp, Manufacturers Hanover Corporation and Security Pacific Corporation*, 73 *Federal Reserve Bulletin* 731 (1987) ("*Chemical*"); as modified by *Order Approving Modifications to Section 20 Orders*, 75 *Federal Reserve Bulletin* 751 (1989) ("*Modification Order*").

4. The Board notes that lending by U.S. branches and agencies of foreign banks to affiliates is not restricted by section 23A of the Federal Reserve Act. In view of the limited nature of these activities, the Board does not believe that the record at this time would require extending the restrictions of section 23A to Applicant's U.S. branches and agencies, none of which is insured by the FDIC. The Board, however, reserves the right to require that Applicant's U.S. branches and agencies adhere to the restrictions of section 23A should circumstances change to make such requirement appropriate.

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

potential for conflicts of interests, unsound banking practices or other adverse effects, the proposed private placement activities are so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act.[6] Applicant has committed that Company will conduct its private placement activities using the same methods and procedures and subject to the prudential limitations established by the Board in the *Bankers Trust* and *J.P. Morgan* Orders, as modified to reflect Applicant's status as a foreign bank, consistent with the framework adopted in the Sanwa Order and in *Canadian Imperial Bank of Commerce, The Royal Bank of Canada, and Barclays PLC*, 76 *Federal Reserve Bulletin* 158 (1990).[7]

Accordingly, Company may place securities with nonbank affiliates, including non-U.S. offices of Applicant. As was discussed in *J.P. Morgan*, however, the Board recognizes that the potential for certain conflicts of interest may be increased if affiliates were to purchase the entire issue of securities placed by Company or a substantial portion of such an issue. The Board therefore believes that it is appropriate to require that affiliates of Company limit their investment, both individually and in the aggregate, in any particular issue of securities that is placed by Company. The Board expects that aggregate placements by Company with affiliates shall not exceed 50 percent of the issue being placed. In addition, Applicant shall establish appropriate internal policies, procedures, and limitations regarding the amount of securities of any particular issue placed by Company that may be purchased by Applicant's U.S. nonbanking subsidiaries, individually and in the aggregate.[8] These policies and procedures, as well as the purchases themselves, will be reviewed by the Federal Reserve Bank of New York. The Reserve Bank shall also review within six months all policies and procedures relating to Company's conduct of private placement activities.

Consummation of the proposal would provide added convenience to Applicant's customers. In addition, the Board expects that the *de novo* entry of Applicant into the market for some of these services would increase the level of competition among providers of these services. Under the framework established in this and prior decisions, consummation of this proposal is not likely to result in any significant undue concentration of resources, decreased or unfair competition, conflicts of interests, unsound banking practices, or other adverse effects. Accordingly, the Board has determined that the performance of the proposed activities by Applicant can reasonably be expected to produce public benefits which would outweigh adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.[9]

Based on the above, the Board has determined to approve Applicant's application subject to all of the terms and conditions set forth in this Order, including the conditions set forth in the Appendix to this Order, and in the above-noted Board Orders that relate to these activities.[10]

The Board's determination is subject to all of the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and Orders issued thereunder.

This transaction shall not be consummated later than three months after the effective date of this

6. The SIA argues that the fact that Applicant is proposing that Company privately place all types of securities, as opposed to only high grade commercial paper notes, is significant in assessing the applicability of the Glass–Steagall Act prohibitions in this case. *Securities Industry Association v. Board of Governors*, 807 F.2d 1052 (D.C. Cir. 1986), *cert. denied*. 483 U.S. 1005 (1987). The Board considered and rejected this argument in *Bankers Trust*, where the Board found that the fact that a bank holding company wishes to privately place *all* types of securities in a manner similar to that used in placing high grade commercial paper, would not, by itself, change the activity into underwriting and dealing activities that would be prohibited under the Glass–Steagall Act.

The ICI has objected to Applicant's proposal to the extent that it could be construed to seek approval for Company to privately place as agent securities of investment companies that are advised or sponsored by Applicant or any of its affiliates. Applicant has not requested approval to privately place as agent such securities.

7. Company will place securities with investors who qualify as "institutional customers" as that term was defined in *Manufacturers Hanover Corporation*, 73 *Federal Reserve Bulletin* 930, at 930 n.l (1987), with two additional categories. Applicant also defines "institutional customer" to include:

(i) a Canadian federal, provincial, or municipal government or agent or subdivision thereof; and

(ii) any other person, institution, or entity that may qualify as an accredited investor under Regulation D of the Securities and Exchange Commission.

8. In the development of these policies and procedures, Applicant should incorporate, with respect to placements of securities, appropriate policies, procedures, and limitations regarding exposure of Applicant's U.S. offices and subsidiaries on a consolidated basis to any single customer whose securities are placed by Company.

9. Company may also engage in certain incidental activities for purposes of hedging the risks of Company's proposed bank-ineligible securities underwriting and dealing activities. Any activity conducted as a necessary incident to the ineligible securities underwriting and dealing activity must be treated as part of the ineligible securities activity unless Company has received specific approval under section 4(c)(8) of the BHC Act to conduct the activity independently. Until such approval is obtained, any revenues from the incidental activity must be counted as ineligible revenue subject to the 10 percent gross revenue limit set forth in the *Modification Order*.

10. In light of the decision in *SIA v. Board*, Applicant will not be subject to the market share limitation with respect to its ineligible activities that was originally imposed in the *Citicorp/Morgan/Bankers Trust* and *Chemical* Orders.

Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of New York, pursuant to delegated authority.

By order of the Board of Governors, effective May 9, 1990.

Voting for this action: Vice Chairman Johnson and Governors Seger, Angell, and Laware. Absent and not voting: Chairman Greenspan and Governor Kelley.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Appendix

A. *Types of Securities to be Underwritten*

1. Company shall limit its underwriting and dealing in ineligible securities to the following:

(a). *Municipal revenue bonds* that are rated as investment quality (*i.e.*, in one of the top four categories) by a nationally recognized rating agency, except that industrial development bonds in these categories shall be limited to "public ownership" industrial development bonds (*i.e.*, those tax exempt bonds where the issuer, or the governmental unit on behalf of which the bonds are issued, is the sole owner, for federal income tax purposes, of the financed facility (such as airports and mass commuting facilities)).

(b). *Mortgage-related securities* (obligations secured by or representing an interest in 1–4 family residential real estate), rated as investment quality (*i.e.*, in one of the top four categories) by a nationally recognized rating agency.

(c). *Commercial paper* that is exempt from the registration and prospectus requirements of the S.E.C. pursuant to the Securities Act of 1933 and that is short term, of prime quality, and issued in denominations no smaller than $100,000.

(d). *Consumer-receivable-related securities* (obligations secured by or representing an interest in a diversified pool of loans to or receivables from individuals for the purpose of financing the purchase of consumer goods and services), rated as investment quality (*i.e.*, in one of the top four categories) by a nationally recognized rating agency.

B. *Capital Investment*

2. For purposes of determining compliance with internationally-accepted risk-based capital requirements, any investment by Applicant in Company that is treated as capital in Company and the assets of Company shall be excluded in determining Applicant's consolidated capital.

C. *Capital Adequacy*

3. Company shall maintain at all times capital adequate to support its underwriting activities and cover reasonably expected expenses and losses in accordance with industry norms.

4. Applicant shall submit quarterly to the Federal Reserve Bank of New York FOCUS reports filed with the NASD or other self-regulatory organizations, and detailed information breaking down Company's business with respect to eligible and ineligible securities, in order to permit monitoring of Company's compliance with the provisions of this Order.

D. *Credit Extensions to Customers of Company*[1]

5(a). No U.S. affiliate or branch or agency of Applicant shall directly or indirectly extend credit or issue or enter into a stand-by letter of credit, asset purchase agreement, indemnity, guarantee, insurance or other facility that might be viewed as enhancing the creditworthiness or marketability of an ineligible securities issue underwritten, distributed, or placed by Company.

(b). Company shall not underwrite, distribute, or place ineligible securities if Company is aware in the ordinary course of conducting a due diligence review that an affiliate is extending credit or issuing or entering into a stand-by letter of credit, asset purchase agreement, indemnity, guarantee, insurance or other facility that might be viewed as enhancing the creditworthiness or marketability of such ineligible securities.

6(a). No U.S. lending affiliate or branch or agency of Applicant (other than Company) shall knowingly extend credit to a customer directly or indirectly secured by, or for the purpose of purchasing, any ineligible security that Company underwrites or places during the period of the underwriting or private placement, or to purchase from Company any ineligible security in which Company makes a market.

(b). Company shall not arrange for Applicant or any of its subsidiaries to extend, or knowingly participate in any arrangement whereby Applicant or any of its subsidiaries extends, credit to a customer directly or indirectly secured by, or for the purpose of purchasing, any ineligible security that Company underwrites or places during the period of the underwriting or private placement, or to purchase from Company any ineligible security in which Company makes a market.

1. Unless otherwise stated, these conditions shall apply to a subsidiary of a bank or thrift institution to the same extent as they apply to the bank or thrift institution.

(c). These limitations extend to all customers of a U.S. lending affiliate or branch or agency of Applicant, including broker–dealers and unaffiliated banks, but do not include lending to a broker–dealer for the purchase of securities where an affiliated bank is the clearing bank for such broker–dealer.

7(a). No U.S. affiliate or branch or agency of Applicant may directly or indirectly extend credit to issuers of ineligible securities underwritten by Company for the purpose of the payment of principal and interest on such securities.[2]

(b). Company shall not arrange for Applicant or any of its subsidiaries to extend, or knowingly participate in any arrangement whereby Applicant or any of its subsidiaries extends, credit to an issuer of ineligible securities underwritten by Company for the purpose of the payment of principal and interest on such securities and shall not underwrite any ineligible securities of an issuer if it becomes aware that an affiliate is providing credit to an issuer for such purposes.

(c). These limitations would be inapplicable to any credit lines extended to an issuer by Applicant or any subsidiary of Applicant that provide for substantially different timing, terms, conditions and maturities from the ineligible securities being underwritten or placed. It would be clear, for example, that a credit has substantially different terms and timing if it is for a documented special purpose (other than the payment of principal and interest) or there is substantial participation by other lenders.

8. Applicant shall adopt appropriate procedures, including maintenance of necessary documentary records, to assure that any extensions of credit by any of its U.S. affiliates, branches, or agencies to issuers of ineligible securities underwritten, dealt in, or placed by Company are on an arm's length basis for purposes other than payment of principal and interest on the issuer's ineligible securities being underwritten, dealt in, or placed by Company. An extension of credit is considered to be on an arm's length basis if the terms and conditions are substantially the same as those prevailing at the time for comparable transactions with issuers whose securities are not underwritten, dealt in, or placed by Company.

9. The requirements relating to credit extensions to issuers noted in paragraphs 5–8 above shall also apply to extensions of credit to parties that are major users of projects that are financed by industrial revenue bonds.

E. *Limitations to Maintain Separateness of Company's Activity*

10. There will be no officer, director, or employee interlocks between Company and any of Applicant's U.S. bank or thrift subsidiaries, branches, or agencies, except that one officer of a branch or agency may act as a director of Company. Company will have separate offices from any U.S. bank or thrift subsidiary or branch or agency of Applicant.[3]

F. *Disclosure by Company*

11. Company will provide each of its customers with a special disclosure statement describing the difference between Company and its U.S. bank and thrift affiliates and its U.S. branches and agencies and pointing out that an affiliated U.S. bank or thrift or U.S. branch or agency could be a lender to an issuer and referring the customer to the disclosure documents for details. The statement shall also indicate that the obligations of Company are not those of any affiliated bank, thrift, branch, or agency and that no such bank, thrift, branch, or agency is responsible for securities sold by Company. Company should also disclose any material lending relationship between the issuer of securities that are being underwritten or privately placed and a bank or lending affiliate of Company as required under the securities laws and in every case whether the proceeds of the issue will be used to repay outstanding indebtedness to affiliates.

12. Neither Company nor any affiliated U.S. bank or thrift institution, branch, or agency will engage in advertising or enter into an agreement stating or suggesting that an affiliated U.S. bank, thrift, branch, or agency is responsible in any way for Company's obligations as required for affiliates of member banks under section 23B of the Federal Reserve Act.

13. No U.S. bank or thrift subsidiary or U.S. branch or agency of Applicant will act as agent for or engage in marketing activities on behalf of, Company.[4] In this regard, prospectuses and sales

2. With respect to private placements of ineligible securities, the restrictions on extensions of credit shall apply to credit extended to repay principal, interest, or dividends, except that Applicant and its subsidiaries may extend credit to repay at maturity the principal amount of debt securities that have been privately placed by Company subject to the conditions established in the *J.P. Morgan & Company Incorporated* Order, 76 *Federal Reserve Bulletin* 26, 28 (1990).

3. Company may have offices in the same building as a bank or thrift subsidiary or branch or agency of Applicant if Company's offices are clearly distinguished from those of the bank, thrift, branch, or agency.

4. This condition does not prevent a bank, thrift, branch, or agency from informing its customers of the available services of Company.

literature of Company may not be distributed by a U.S. bank or thrift subsidiary or U.S. branch or agency of Applicant; nor should any such literature be made available to the public at any offices of any such bank, thrift, branch, or agency, unless specifically requested by a customer.

G. *Investment Advice by Bank/Thrift Affiliates, Branches, and Agencies*

14. No U.S. bank or thrift subsidiary or U.S. branch or agency of Applicant may express an opinion with respect to the advisability of the purchase of ineligible securities underwritten, dealt in, or placed by Company unless the bank, thrift, branch, or agency notifies the customer that Company is underwriting, making a market in, or placing the security.

H. *Conflicts of Interest*

15. Company may not sell to any affiliate that is acting as principal in the transaction ineligible securities that are underwritten by Company during the period of the underwriting and for 60 days after the close of the underwriting period, or any ineligible security in which Company makes a market, except that, in the case of ineligible securities that are being issued in a simultaneous cross-border underwriting in which Company and a foreign affiliate or affiliates are participating, such securities may be purchased or sold pursuant to an intersyndicate agreement for the period of the underwriting where the purchase or sale results from *bona fide* indications of interest from customers. Such purchases or sales shall not be made for purposes of providing liquidity or capital support to Company or otherwise to evade the requirements of this Order. Company shall maintain documentation on such transactions. In addition, Company may not place with any U.S. bank or thrift affiliate or U.S. branch or agency that is acting as principal in the transaction ineligible securities that are placed by Company during the period of the private placement and for 60 days after the close of the private placement period.

16. No U.S. bank, thrift, or trust or investment advisory subsidiaries, or U.S. branches or agencies, of Applicant shall purchase, as a trustee or in any other fiduciary capacity, for accounts over which they have investment discretion, ineligible securities:

(a) underwritten by Company as lead underwriter or syndicate member during the period of any underwriting or selling syndicate, and for a period of 60 days after the termination thereof,

(b) placed by Company during the period of any private placement, and for a period of 60 days after the termination thereof, and

(c) from Company if it makes a market in that security, unless, in any such case, such purchase is specifically authorized under the instrument creating the fiduciary relationship, by court order, or by the law of the jurisdiction under which the trust is administered.

17. Company may not underwrite, deal in, or place any ineligible securities issued by its affiliates or representing interests in, or secured by, obligations originated or sponsored by its affiliates (except for grantor trusts or special purpose corporations created to facilitate underwriting of securities backed by assets originated by a non-affiliated lender) unless such securities are rated by an unaffiliated, nationally recognized rating organization or are issued or guaranteed by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, or the Government National Mortgage Association or represent interests in securities issued or guaranteed by such agencies; except that Company may privately place unrated securities issued by its affiliates or representing interests in, or secured by, obligations originated or sponsored by its affiliates with institutional customers.

18. All purchases and sales of assets between a U.S. bank or thrift subsidiary or U.S. branch or agency of Applicant and Company (or third parties in which Company is a participant or has a financial interest or acts as agent or broker or receives a fee for its services) will be at arm's length and on terms no less stringent than those applicable to unrelated third parties, and will not involve low-quality securities, as defined in section 23A of the Federal Reserve Act.

I. *Limitations to Address Possible Unfair Competition*

19. No U.S. bank, thrift, branch, or agency shall disclose to Company, nor shall Company disclose to an affiliated U.S. bank, thrift, branch, or agency, any nonpublic customer information (including an evaluation of the creditworthiness of an issuer or other customer of that bank, thrift, branch, agency, or Company) without the consent of that customer.

J. *Formation of Subsidiaries of Company to Engage in Underwriting and Dealing or Private Placement*

20. Pursuant to Regulation Y, no corporate reorganization of Company, such as the establishment of subsidiaries of Company to conduct the underwriting, dealing, or placement activities, may be consummated without prior Board approval.

Orders Issued Under Financial Institutions Reform, Recovery, and Enforcement Act

May 18, 1990

Michael H. Schaut
Senior Vice President
Ameritrust Company National Association
900 Euclid Avenue
Cleveland, Ohio 44101

Dear Mr. Schaut:

Ameritrust Corporation, Cleveland, Ohio ("Ameritrust"), proposes that its bank subsidiary, Ameritrust National Bank, Michiana, Elkhart, Indiana, purchase the assets and assume the liabilities of Ameritrust Savings, F.A., Elkhart, Indiana, its savings association subsidiary, ("Ameritrust Savings"). Ameritrust has requested Board approval of this transaction pursuant to section 5(d)(3) of the Federal Deposit Insurance Act ("FDI Act") as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Pub. L. No. 101–73, § 206, 103 Stat. 183, 199 (1989)). Ameritrust Savings has been established to acquire certain assets and assume deposit liabilities of Pioneer Savings, F.A., Plymouth, Indiana ("Pioneer").

The record in this case shows that:

(1) The aggregate amount of the total assets of all depository institution subsidiaries of Ameritrust is $10.8 billion, an amount which is not less than 200 percent of the total assets of Ameritrust Savings, which currently has $85.0 million in total assets;

(2) Ameritrust and all of its bank subsidiaries currently meet all applicable capital standards and, upon consummation of the proposed transactions, will continue to meet all applicable capital standards;

(3) The transaction is not in substance the acquisition of a Bank Insurance Fund member bank by a Savings Association Insurance Fund member;

(4) Pioneer, the predecessor to Ameritrust Savings, had tangible capital of less than 4 percent during the quarter preceding its acquisition by Ameritrust;

(5) The transaction, which involves the purchase of assets and assumption of liabilities of Ameritrust Savings, a savings association located in Indiana, by a bank subsidiary of Ameritrust, a bank holding company whose banking subsidiaries' operations are principally conducted in Ohio, would comply with the requirements of section 3(d) of the Bank Holding Company Act if Ameritrust Savings were a state bank which Ameritrust was applying to acquire.

Based on the foregoing and all of the other facts of record, the Staff Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board, acting pursuant to authority delegated by the Board of Governors, hereby approve your request to engage in the proposed transaction under section 5(d)(3) of the FDI Act. This approval is subject to Ameritrust obtaining the required approval of the appropriate Federal banking agency for the proposed merger under the Bank Merger Act.

Very truly yours,

William W. Wiles
Secretary of the Board

cc: Federal Reserve Bank of Cleveland

May 4, 1990

Lee S. Adams
Counsel
Banc One Corporation
100 East Broad Street
Columbus, Ohio 43271

Dear Mr. Adams:

Banc One Corporation, Columbus, Ohio ("Banc One"), proposes that its bank subsidiary, Bank One, Texas, N.A., Dallas, Texas, purchase the assets and assume the liabilities of Banc One San Antonio Federal Savings Bank, San Antonio, Texas, its savings association subsidiary, ("Banc One San Antonio"). Banc One has requested Board approval of this transaction pursuant to section 5(d)(3) of the Federal Deposit Insurance Act ("FDI Act") as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Pub. L. No. 101–73, § 206, 103 Stat. 183, 199 (1989)). Banc One San Antonio has been established to acquire certain assets and assume deposit liabilities of First State Federal Savings Association, San Antonio, Texas ("First State").

The record in this case shows that:

(1) The aggregate amount of the total assets of all depository institution subsidiaries of Banc One is $26.7 billion, an amount which is not less than 200 percent of the total assets of Banc One San Antonio, which currently has $175 million in total assets;

(2) Banc One and all of its bank subsidiaries currently meet all applicable capital standards and, upon consummation of the proposed transactions, will continue to meet all applicable capital standards;

(3) The transaction is not in substance the acquisi-

tion of a Bank Insurance Fund member bank by a Savings Association Insurance Fund member;
(4) First State, the predecessor to Banc One San Antonio, had tangible capital of less than 4 percent during the quarter preceding its acquisition by Banc One;
(5) The transaction, which involves the purchase of assets and assumption of liabilities of Banc One San Antonio, a savings association located in Texas, by a bank subsidiary of Banc One, a bank holding company whose banking subsidiaries' operations are principally conducted in Ohio, would comply with the requirements of section 3(d) of the Bank Holding Company Act if Banc One San Antonio were a state bank which Banc One was applying to acquire.

Based on the foregoing and all of the other facts of record, the Staff Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board, acting pursuant to authority delegated by the Board of Governors, hereby approve your request to engage in the proposed transaction under section 5(d)(3) of the FDI Act. This approval is subject to Banc One obtaining the required approval of the appropriate Federal banking agency for the proposed merger under the Bank Merger Act.

Very truly yours,

William W. Wiles
Secretary of the Board

cc: Federal Reserve Bank of Cleveland

May 18, 1990

Van H. Puls
President and Chief Executive Officer
County Bancorporation, Inc.
407 North Kingshighway
Fourth Floor
Cape Girardeau, Missouri 63701

Dear Mr. Puls:

County Bancorporation, Inc., Cape Girardeau, Missouri ("County"), proposes that its bank subsidiary, Cape County Bank of Cape Girardeau, Cape Girardeau, Missouri, purchase the assets and assume the liabilities of Broadway Savings and Loan Association, Cape Girardeau, Missouri, its savings association subsidiary, ("Broadway Savings"). County has requested Board approval of this transaction pursuant to section 5(d)(3) of the Federal Deposit Insurance Act ("FDI Act") as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Pub. L. No. 101-73, § 206, 103 Stat. 183, 199 (1989)). Broadway Savings has been established to acquire certain assets and assume deposit liabilities of First Federal Savings and Loan Association, Cape Girardeau, Missouri ("First Federal").

The record in this case shows that:
(1) The aggregate amount of the total assets of all depository institution subsidiaries of County is $660.6 million, an amount which is not less than 200 percent of the total assets of Broadway Savings, which currently has $275.0 million in total assets;
(2) County and all of its bank subsidiaries currently meet all applicable capital standards and, upon consummation of the proposed transactions, will continue to meet all applicable capital standards;
(3) The transaction is not in substance the acquisition of a Bank Insurance Fund member bank by a Savings Association Insurance Fund member;
(4) First Federal, the predecessor to Broadway Savings, had tangible capital of less than 4 percent during the quarter preceding its acquisition by County;
(5) The transaction, which involves the purchase of assets and assumption of liabilities of Broadway Savings, a savings association located in Missouri, by a bank subsidiary of County, a bank holding company whose banking subsidiaries' operations are principally conducted in Missouri, would comply with the requirements of section 3(d) of the Bank Holding Company Act if Broadway Savings were a state bank which County was applying to acquire.

Based on the foregoing and all of the other facts of record, the Staff Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board, acting pursuant to authority delegated by the Board of Governors, hereby approve your request to engage in the proposed transaction under section 5(d)(3) of the FDI Act. This approval is subject to County obtaining the required approval of the appropriate Federal banking agency for the proposed merger under the Bank Merger Act.

Very truly yours,

William W. Wiles
Secretary of the Board

cc: Federal Reserve Bank of St. Louis

May 25, 1990

Dale L. Leighty
President
First Bankshares of Las Animas, Inc.
P.O. Box 270
535 Bent Avenue
Las Animas, Colorado 81054

Dear Mr. Leighty:

First Bankshares of Las Animas, Inc., Las Animas, Colorado ("First Bankshares"), proposes that its bank subsidiary, The First National Bank of Las Animas, Las Animas, Colorado, purchase the assets and assume the liabilities of Otero Savings (Interim Association), Las Animas, Colorado, its savings association subsidiary, ("Interim Association"). First Bankshares has requested Board approval of this transaction pursuant to section 5(d)(3) of the Federal Deposit Insurance Act ("FDI Act") as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Pub. L. No. 101–73, § 206, 103 Stat. 183, 199 (1989)). Interim Association has been established to acquire certain assets and assume deposit liabilities of the Las Animas branch of Otero Savings, Colorado Springs, Colorado ("Otero").

The record in this case shows that:

(1) The aggregate amount of the total assets of all depository institution subsidiaries of First Bankshares is $32 million, an amount which is not less than 200 percent of the total assets of Interim Association, which currently has $12 million in total assets;

(2) First Bankshares and all of its bank subsidiaries currently meet all applicable capital standards and, upon consummation of the proposed transactions, will continue to meet all applicable capital standards;

(3) The transaction is not in substance the acquisition of a Bank Insurance Fund member bank by a Savings Association Insurance Fund member;

(4) Otero, a branch of which is the predecessor to Interim Association, had tangible capital of less than 4 percent during the quarter preceding its acquisition by First Bankshares;

(5) The transaction, which involves the purchase of assets and assumption of liabilities of Interim Association, a savings association located in Colorado, by a bank subsidiary of First Bankshares, a bank holding company whose banking subsidiaries' operations are principally conducted in Colorado, would comply with the requirements of section 3(d) of the Bank Holding Company Act if Interim Association were a state bank which First Bankshares was applying to acquire.

Based on the foregoing and all of the other facts of record, the Staff Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board, acting pursuant to authority delegated by the Board of Governors, hereby approve your request to engage in the proposed transaction under section 5(d)(3) of the FDI Act. This approval is subject to First Bankshares obtaining the required approval of the appropriate Federal banking agency for the proposed merger under the Bank Merger Act.

Very truly yours,

William W. Wiles
Secretary of the Board

cc: Federal Reserve Bank of Kansas City

May 18, 1990

Allen H. Blake
Vice President
First Banks, Inc.
11901 Olive Blvd.
St. Louis, Missouri 63141

Dear Mr. Blake:

First Banks, Inc., St. Louis, Missouri ("First Banks"), proposes that its bank subsidiary, First Bank of Illinois, O'Fallon, Illinois, purchase the assets and assume the liabilities of First Interim Savings and Loan Association, its savings association subsidiary, ("First Interim Savings"). First Banks has requested Board approval of this transaction pursuant to section 5(d)(3) of the Federal Deposit Insurance Act ("FDI Act") as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Pub. L. No. 101–73, § 206, 103 Stat. 183, 199 (1989)). First Interim Savings has been established to acquire certain assets and assume deposit liabilities of the Granite City, Illinois branch of Madison County Federal Savings and Loan Association, Granite City, Illinois ("Madison County").

The record in this case shows that:

(1) The aggregate amount of the total assets of all depository institution subsidiaries of First Banks is $1.1 billion, an amount which is not less than 200 percent of the total assets of First Interim Savings, which currently has $96.1 million in total assets;

(2) First Banks and all of its bank subsidiaries currently meet all applicable capital standards and,

upon consummation of the proposed transactions, will continue to meet all applicable capital standards;
(3) The transaction is not in substance the acquisition of a Bank Insurance Fund member bank by a Savings Association Insurance Fund member;
(4) Madison County, the predecessor to First Interim Savings, had tangible capital of less than 4 percent during the quarter preceding its acquisition by First Banks;
(5) The transaction, which involves the purchase of assets and assumption of liabilities of First Interim Savings, a savings association located in Illinois, by a bank subsidiary of First Banks, a bank holding company whose banking subsidiaries' operations are principally conducted in Missouri, would comply with the requirements of section 3(d) of the Bank Holding Company Act if First Interim Savings were a state bank which First Banks was applying to acquire.

Based on the foregoing and all of the other facts of record, the Staff Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board, acting pursuant to authority delegated by the Board of Governors, hereby approve your request to engage in the proposed transaction under section 5(d)(3) of the FDI Act. This approval is subject to First Banks obtaining the required approval of the appropriate Federal banking agency for the proposed merger under the Bank Merger Act.

Very truly yours,

William W. Wiles
Secretary of the Board

cc: Federal Reserve Bank of St. Louis

May 25, 1990

Mark B. Greenlee
Integra Financial Corporation
300 Fourth Avenue
Pittsburgh, Pennsylvania 15278-7576

Dear Mr. Greenlee:

Integra Financial Corporation, Pittsburgh, Pennsylvania ("Integra"), proposes that its bank subsidiary, The Union National Bank of Pittsburgh, Pittsburgh, Pennsylvania, purchase the assets and assume the liabilities of Integra F.S.B., Pittsburgh, Pennsylvania, its savings association subsidiary, ("Integra F.S.B."). Integra has requested Board approval of this transaction pursuant to section 5(d)(3) of the Federal Deposit Insurance Act ("FDI Act") as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Pub. L. No. 101–73, § 206, 103 Stat. 183, 199 (1989)). Integra F.S.B. has been established to acquire certain assets and assume deposit liabilities of the western franchise of Horizon Financial, F.A., Southhampton, Pennsylvania ("Horizon West").

The record in this case shows that:
(1) The aggregate amount of the total assets of all depository institution subsidiaries of Integra is $6.7 billion, an amount which is not less than 200 percent of the total assets of Integra F.S.B., which currently has $553 million in total assets;
(2) Integra and all of its bank subsidiaries currently meet all applicable capital standards and, upon consummation of the proposed transactions, will continue to meet all applicable capital standards;
(3) The transaction is not in substance the acquisition of a Bank Insurance Fund member bank by a Savings Association Insurance Fund member;
(4) Horizon West, the predecessor to Integra F.S.B., had tangible capital of less than 4 percent during the quarter preceding its acquisition by Integra;
(5) The transaction, which involves the purchase of assets and assumption of liabilities of Integra F.S.B., a savings association located in Pennsylvania, by a bank subsidiary of Integra, a bank holding company whose banking subsidiaries' operations are principally conducted in Pennsylvania, would comply with the requirements of section 3(d) of the Bank Holding Company Act if Integra F.S.B. were a state bank which Integra was applying to acquire.

Based on the foregoing and all of the other facts of record, the Staff Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board, acting pursuant to authority delegated by the Board of Governors, hereby approve your request to engage in the proposed transaction under section 5(d)(3) of the FDI Act. This approval is subject to Integra obtaining the required approval of the appropriate Federal banking agency for the proposed merger under the Bank Merger Act.

Very truly yours,

William W. Wiles
Secretary of the Board

cc: Federal Reserve Bank of Cleveland

May 9, 1990

Jan Robey Alonzo
Thompson & Mitchell
One Mercantile Center
Suite 3400
St. Louis, Missouri 63101

Dear Ms. Alonzo:

Magna Group, Inc., St. Louis, Missouri ("Magna"), proposes that its bank subsidiary, Magna Bank of Centralia, Centralia, Illinois, purchase the assets and assume the liabilities of Magna Centralia Interim Federal Savings and Loan Association, Centralia, Illinois, its savings association subsidiary, ("Interim Federal"). Magna has requested Board approval of this transaction pursuant to section 5(d)(3) of the Federal Deposit Insurance Act ("FDI Act") as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Pub. L. No. 101–73, § 206, 103 Stat. 183, 199 (1989)). Interim Federal has been established to acquire certain assets and assume deposit liabilities of Home Federal Savings and Loan Association, Centralia, Illinois ("Home Federal").

The record in this case shows that:

(1) The aggregate amount of the total assets of all depository institution subsidiaries of Magna is $2.2 billion, an amount which is not less than 200 percent of the total assets of Interim Federal, which currently has $35.9 million in total assets;

(2) Magna and all of its bank subsidiaries currently meet all applicable capital standards and, upon consummation of the proposed transactions, will continue to meet all applicable capital standards;

(3) The transaction is not in substance the acquisition of a Bank Insurance Fund member bank by a Savings Association Insurance Fund member;

(4) Home Federal, the predecessor to Interim Federal, had tangible capital of less than 4 percent during the quarter preceding its acquisition by Magna;

(5) The transaction, which involves the purchase of assets and assumption of liabilities of Interim Federal, a savings association located in Illinois, by a bank subsidiary of Magna, a bank holding company whose banking subsidiaries' operations are principally conducted in Illinois, would comply with the requirements of section 3(d) of the Bank Holding Company Act if Interim Federal were a state bank which Magna was applying to acquire.

Based on the foregoing and all of the other facts of record, the Staff Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board, acting pursuant to authority delegated by the Board of Governors, hereby approve your request to engage in the proposed transaction under section 5(d)(3) of the FDI Act. This approval is subject to Magna obtaining the required approval of the appropriate Federal banking agency for the proposed merger under the Bank Merger Act.

Very truly yours,

William W. Wiles
Secretary of the Board

cc: Federal Reserve Bank of St. Louis

May 4, 1990

Harley T. Godard
Secretary
River Bend Bancshares
Main and West St. Louis Avenue
P.O. Box 100
East Alton, Illinois 62024

Dear Mr. Godard:

River Bend Bancshares, Inc., East Alton, Illinois ("River Bend"), proposes that its bank subsidiary, Illinois State Bank, East Alton, Illinois, purchase the assets and assume the liabilities of Interim Federal Savings and Loan, East Alton, Illinois, its savings association subsidiary, ("Interim Federal"). River Bend has requested Board approval of this transaction pursuant to section 5(d)(3) of the Federal Deposit Insurance Act ("FDI Act") as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Pub. L. No. 101–73, § 206, 103 Stat. 183, 199 (1989)). Interim Federal has been established to acquire certain assets and assume deposit liabilities of First Federal Savings Bank, East Alton, Illinois ("First Federal").

The record in this case shows that:

(1) The aggregate amount of the total assets of all depository institution subsidiaries of River Bend is $89.1 million, an amount which is not less than 200 percent of the total assets of Interim Federal, which currently has $36.2 million in total assets;

(2) River Bend and all of its bank subsidiaries currently meet all applicable capital standards and, upon consummation of the proposed transactions, will continue to meet all applicable capital standards;

(3) The transaction is not in substance the acquisition of a Bank Insurance Fund member bank by a Savings Association Insurance Fund member;

(4) First Federal, the predecessor to Interim Federal, had tangible capital of less than 4 percent during the quarter preceding its acquisition by River Bend;
(5) The transaction, which involves the purchase of assets and assumption of liabilities of Interim Federal, a savings association located in Illinois, by a bank subsidiary of River Bend, a bank holding company whose banking subsidiaries' operations are principally conducted in Illinois, would comply with the requirements of section 3(d) of the Bank Holding Company Act if Interim Federal were a state bank which River Bend was applying to acquire.

Based on the foregoing and all of the other facts of record, the Staff Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board, acting pursuant to authority delegated by the Board of Governors, hereby approve your request to engage in the proposed transaction under section 5(d)(3) of the FDI Act. This approval is subject to River Bend obtaining the required approval of the appropriate Federal banking agency for the proposed merger under the Bank Merger Act.

Very truly yours,

William W. Wiles
Secretary of the Board

cc: Federal Reserve Bank of St. Louis

May 4, 1990

Anitta Pross
Senior Administrative Officer
SouthTrust Corporation
P.O. Box 2554
Birmingham, Alabama 35290

Dear Ms. Pross:

SouthTrust Corporation, Birmingham, Alabama ("SouthTrust"), proposes that its bank subsidiaries, SouthTrust Bank of Alabama, N.A., Birmingham, Alabama; SouthTrust Bank of Huntsville, N.A., Huntsville, Alabama; SouthTrust Bank, N.A., Montgomery Alabama; and SouthTrust Bank of Mobile, Mobile, Alabama, purchase the assets and assume the liabilities of SouthTrust Federal Savings Bank, Birmingham, Alabama, its savings association subsidiary, ("SouthTrust Savings"). SouthTrust has requested Board approval of this transaction pursuant to section 5(d)(3) of the Federal Deposit Insurance Act ("FDI Act") as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Pub. L. No. 101–73, § 206, 103 Stat. 183, 199 (1989)). SouthTrust Savings has been established to acquire certain assets and assume deposit liabilities of Guaranty Federal Savings and Loan Association, Birmingham, Alabama ("Guaranty").

The record in this case shows that:
(1) The aggregate amount of the total assets of all depository institution subsidiaries of SouthTrust is $7.9 billion, an amount which is not less than 200 percent of the total assets of SouthTrust Savings, which currently has $303.5 million in total assets;
(2) SouthTrust and all of its bank subsidiaries currently meet all applicable capital standards and, upon consummation of the proposed transactions, will continue to meet all applicable capital standards;
(3) The transaction is not in substance the acquisition of a Bank Insurance Fund member bank by a Savings Association Insurance Fund member;
(4) Guaranty, the predecessor to SouthTrust Savings, had tangible capital of less than 4 percent during the quarter preceding its acquisition by SouthTrust;
(5) The transaction, which involves the purchase of assets and assumption of liabilities of SouthTrust Savings, a savings association located in Alabama, by bank subsidiaries of SouthTrust, a bank holding company whose banking subsidiaries' operations are principally conducted in Alabama, would comply with the requirements of section 3(d) of the Bank Holding Company Act if SouthTrust Savings were a state bank which SouthTrust was applying to acquire.

Based on the foregoing and all of the other facts of record, the Staff Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board, acting pursuant to authority delegated by the Board of Governors, hereby approve your request to engage in the proposed transaction under section 5(d)(3) of the FDI Act. This approval is subject to SouthTrust obtaining the required approval of the appropriate Federal banking agency for the proposed mergers under the Bank Merger Act.

Very truly yours,

William W. Wiles
Secretary of the Board

cc: Federal Reserve Bank of Atlanta

May 25, 1990

Michael A. Greenspan
Thompson & Mitchell
1120 Vermont Avenue, N.W.
Suite 1000
Washington, D.C. 20005

Dear Mr. Greenspan:

UJB Financial Corp., Princeton, New Jersey ("UJB"), proposes that its bank subsidiary, First Valley Bank, Bethlehem, Pennsylvania, purchase the assets and assume the liabilities of First Valley Interim, F.A., Bethlehem, Pennsylvania, its savings association subsidiary, ("First Valley Interim"). UJB has requested Board approval of this transaction pursuant to section 5(d)(3) of the Federal Deposit Insurance Act ("FDI Act") as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Pub. L. No. 101–73, § 206, 103 Stat. 183, 199 (1989)). First Valley Interim has been established to acquire certain assets and assume deposit liabilities of the eastern franchise of Horizon Financial, F.A., Southhampton, Pennsylvania ("Horizon East").

The record in this case shows that:

(1) The aggregate amount of the total assets of all depository institution subsidiaries of UJB is $12.2 billion, an amount which is not less than 200 percent of the total assets of First Valley Interim, which currently has $948 million in total assets;

(2) UJB and all of its bank subsidiaries currently meet all applicable capital standards and, upon consummation of the proposed transactions, will continue to meet all applicable capital standards;

(3) The transaction is not in substance the acquisition of a Bank Insurance Fund member bank by a Savings Association Insurance Fund member;

(4) Horizon East, the predecessor to First Valley Interim, had tangible capital of less than 4 percent during the quarter preceding its acquisition by UJB;

(5) The transaction, which involves the purchase of assets and assumption of liabilities of First Valley Interim, a savings association located in Pennsylvania, by a bank subsidiary of UJB, a bank holding company whose banking subsidiaries' operations are principally conducted in New Jersey, would comply with the requirements of section 3(d) of the Bank Holding Company Act if First Valley Interim were a state bank which UJB was applying to acquire.

Based on the foregoing and all of the other facts of record, the Staff Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board, acting pursuant to authority delegated by the Board of Governors, hereby approve your request to engage in the proposed transaction under section 5(d)(3) of the FDI Act. This approval is subject to UJB obtaining the required approval of the appropriate Federal banking agency for the proposed merger under the Bank Merger Act.

Very truly yours,

William W. Wiles
Secretary of the Board

cc: Federal Reserve Bank of Philadelphia

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
BankAmerica Corporation, San Francisco, California	Bank of America Arizona, Phoenix, Arizona	May 25, 1990
Wells Fargo & Company, San Francisco, California	Wells Fargo Bank (Arizona), Phoenix, Arizona	May 25, 1990

Section 4

Applicant(s)	Bank(s)	Effective date
First Security Corporation, Salt Lake City, Utah	BHC Holding, Inc., Philadelphia, Pennsylvania	May 31, 1990
FNB Rochester Corp., Rochester, New York	REMS, Inc., Rochester, New York	May 17, 1990
Security Pacific Corporation, Los Angeles, California Security Pacific Bancorporation Southwest, Phoenix, Arizona	Western Federal Interim Savings and Loan Association, Phoenix, Arizona	May 25, 1990

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
ANB Financial Corporation, Kennewick, Washington	American National Bank, Kennewick, Washington	San Francisco	May 7, 1990
Barrett Bancorporation, Inc., Barrett, Minnesota	Citizens State Bank of Barrett, Barrett, Minnesota	Minneapolis	May 11, 1990
Brewer Bancorp, Inc., Ryan, Oklahoma	Ryan Bancshares, Inc., Ryan, Oklahoma	Kansas City	May 18, 1990
Business Banc of America, Inc., Abilene, Kansas	Citizens Bank Services, Inc., Abilene, Kansas	Kansas City	April 27, 1990
Central Bancorporation, Provo, Utah	Central Bank & Trust Company, Provo, Utah	San Francisco	May 16, 1990
Commercial Bancorp of Gwinnett, Inc., Lawrenceville, Georgia	Commercial Bank of Gwinnett, N.A., Lawrenceville, Georgia	Atlanta	May 22, 1990
CSRA Bank Corp., Wrens, Georgia	First State Bank, Wrens, Georgia	Atlanta	May 9, 1990
Diamond State Bancorp, Inc., Dover, Delaware	Diamond State Bank, N.A., Dover, Delaware	Philadelphia	April 26, 1990
Eagle Bancorp, Inc., Statesboro, Georgia	Eagle Bank and Trust, Statesboro, Georgia	Atlanta	May 11, 1990
Financial Bancshares, Inc., St. Louis, Missouri	First Bank of East Prairie, East Prairie, Missouri	St. Louis	May 8, 1990
First Illinois Corporation, Evanston, Illinois	Valley Financial Services, Inc., South Elgin, Illinois	Chicago	May 8, 1990
First Maryland Bancorp, Baltimore, Maryland Allied Irish Banks plc, Dublin, Ireland	Columbia National Bank, Washington, D.C.	Richmond	May 2, 1990

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective date
First National of Nebraska, Inc., Omaha, Nebraska	Circle Management Company, Kearney, Nebraska	Kansas City	May 4, 1990
First Seven Day Financial, Inc., Lancaster, California	Antelope Valley Bank, Lancaster, California	San Francisco	April 27, 1990
Georgetown National Bank Holding Company, Inc., Georgetown, Texas	Central Texas Bancshares, Inc., Austin, Texas	Dallas	May 3, 1990
Honor Bancorp, Inc., Honor, Michigan	The Honor State Bank, Honor, Michigan	Chicago	May 2, 1990
Kirbyville Bancshares, Inc., Beaumont, Texas First National Bank of Woodville, Woodville, Texas	Vidor Bancshares, Inc., Vidor, Texas	Dallas	May 18, 1990
Lafayette Bancshares, Independence, Missouri	Lafayette County Bancshares, Inc., Lexington, Missouri	Kansas City	May 23, 1990
MidAmerican Corporation, Prairie Village, Kansas	The Kansas Trust Company, Prairie Village, Kansas	Kansas City	May 8, 1990
Midlothian State Bank Employees Stock Ownership Trust, Midlothian, Illinois	Midlothian State Bank, Midlothian, Illinois	Chicago	May 21, 1990
Olney Bancshares, Inc., Olney, Texas	The Farmers National Bank of Seymour, Seymour, Texas	Dallas	May 10, 1990
Pikeville National Corporation, Pikeville, Kentucky	First American Kentucky Bancorp, Inc., Ashland, Kentucky	Cleveland	May 21, 1990
River Forest Bancorp, Inc., Chicago, Illinois	Madison Financial Corporation, Chicago, Illinois	Chicago	May 11, 1990
Saban S.A., Panama City, Republic of Panama	Republic New York Corporation, New York, New York	New York	May 7, 1990
Sandwich Banco, Inc., DeKalb, Illinois	First Harvard Corporation, Harvard, Illinois	Chicago	May 22, 1990
Steuben Trust Corporation, Hornell, New York	Steuben Trust Company, Hornell, New York	New York	May 22, 1990
Summit Bancorp, Inc., Johnstown, Pennsylvania	Summit Bank, Johnstown, Pennsylvania	Philadelphia	May 22, 1990
Summit Financial Corporation, Greenville, South Carolina	Summit National Bank (in organization), Greenville, South Carolina	Richmond	May 9, 1990
Wasatch Bancorp, Inc., Orem, Utah	Wasatch Bank, Orem, Utah	San Francisco	May 14, 1990
Wayne Bancorp, Inc., Jesup, Georgia	Wayne National Bank, Jesup, Georgia	Atlanta	May 11, 1990

Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective date
AMCORE Financial, Inc., Rockford, Illinois	AMCORE Trust Company, Rockford, Illinois	Chicago	April 27, 1990
Bank Shares Incorporated, Minneapolis, Minnesota	Marquette Bank, Minneapolis, Minnesota	Minneapolis	May 18, 1990
Barclays PLC, London, England Barclays Bank PLC, London, England Barclays USA Inc., New York, New York Barclays U.S. Holdings, Inc., New York, New York BarclaysAmericanCorporation, Charlotte, North Carolina	First Charter Mortgage Company, Concord, North Carolina	New York	May 7, 1990
First Sioux Bancshares, Ltd., Sioux Center, Iowa	First Sioux Financial, Inc., Sioux Center, Iowa	Chicago	May 3, 1990
The Mitsubishi Trust and Banking Corporation, Tokyo, Japan	Spectrum Capital, Ltd., New York, New York	New York	April 27, 1990
National Bank of Canada, Montreal, Canada	Bank of New England, N.A., Boston, Massachusetts	New York	May 9, 1990
Saastopankkien Keskus-Osake-Pankki (Skopbank), Helsinki, Finland	Union Mortgage Company, Inc., Dallas, Texas Astrum Funding Corp., Great Neck, New York	New York	May 22, 1990
SBC Financial Corporation, Como, Mississippi	New South Capital Corporation, Batesville, Mississippi	St. Louis	May 18, 1990
Team Bancshares, Inc., Dallas, Texas Texop Bancshares II, Inc., Wilmington, Delaware	Texas American Life Insurance Company, Fort Worth, Texas	Dallas	May 24, 1990

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
First of America Bank-Northern Michigan, Traverse City, Michigan	First of America Bank-Alpena, Alpena, Michigan	Chicago	May 10, 1990
United Nebraska Bank, North Platte, Nebraska	North Platte Trust Company, North Platte, Nebraska	Kansas City	May 7, 1990

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.

California Association of Life Underwriters v. Board of Governors, No. 90-70123 (9th Circuit, filed March 15, 1990). Petition for review of Board order approving acquisition of bank subsidiary to engage in insurance activities pursuant to state law.

Burke v. Board of Governors, No. 90-9505 (10th Circuit, filed February 27, 1990). Petition for review of Board orders assessing civil money penalties and issuing orders of prohibition.

BancTEXAS Group, Inc. v. Board of Governors, No. CA3-90-0236-R (N.D. Texas, filed February 2, 1990). Plaintiff seeks temporary restraining order and preliminary injunction enjoining the Board from enforcing a temporary order to cease and desist requiring injection of capital into plaintiff's subsidiary banks under the Board's source of strength doctrine. The district court denied plaintiff's request for a temporary restraining order on February 6, 1990.

Rutledge v. Board of Governors, No. CV90-L-0137S (N.D. Alabama, filed January 27, 1990). Tort suit challenging Board and Reserve Bank supervisory actions. The Board's motion to dismiss or for summary judgment is pending.

Woodward v. Board of Governors, No. 90-3031 (11th Cir., filed January 16, 1990); *Kaimowitz v. Board of Governors*, No. 90-3067 (11th Cir., filed January 23, 1990). Petitions for review of Board order dated December 22, 1989, approving application by First Union Corporation to acquire Florida National Banks. Petitioners object to approval on Community Reinvestment Act grounds. The court denied their motion for a stay of the Board's order on January 26, 1990, and is considering jurisdictional issues raised by the Board.

Securities Industry Association v. Board of Governors, No. 89-1730 (D.C. Cir., filed November 29, 1989). Petition for review of Board order approving application under section 4(c)(8) to engage in private placement and riskless principal activities. The case has been held in abeyance pending the outcome of *Securities Industry Association v. Board of Governors*, No. 89-1127 (D.C. Circuit).

Babcock and Brown Holdings, Inc. v. Board of Governors, No. 89-70518 (9th Cir., filed November 22, 1989). Petition for review of Board determination that a company would control a proposed insured bank for purposes of the Bank Holding Company Act.

Consumers Union of U.S., Inc. v. Board of Governors, No. 89-3008 (D.D.C., filed November 1, 1989). Challenge to various aspects of amendments to Regulation Z implementing the Home Equity Loan Consumer Protection Act. On May 2, 1990, the court upheld the Board's regulatory action.

Synovus Financial Corp. v. Board of Governors, No. 89-1394 (D.C. Cir., filed June 21, 1989). Petition for review of Board order permitting relocation of a bank holding company's national bank subsidiary from Alabama to Georgia.

MCorp v. Board of Governors, No. 89-2816 (5th Cir., filed May 2, 1989). Appeal of preliminary injunction against the Board enjoining pending and future enforcement actions against a bank holding company now in bankruptcy. On May 15, 1990, the Fifth Circuit vacated the district court's order enjoining the Board from proceeding with enforcement actions based on section 23A of the Federal Reserve Act, but upheld the district court's order enjoining such actions based on the Board's source-of-strength doctrine.

Independent Insurance Agents of America v. Board of Governors, No. 89-4030 (2d Cir., filed March 9, 1989). Petition for review of Board order ruling that the non-banking restrictions of section 4 of the Bank Holding Company Act apply only to nonbank subsidiaries of bank holding companies. The Board's order was upheld on November 29, 1989. Petition for *certiorari* filed on April 18, 1990.

Securities Industry Association v. Board of Governors, No. 89-1127 (D.C. Cir., filed February 16, 1989). Petition for review of Board order permitting five bank holding companies to engage to a limited extent in additional securities underwriting and dealing activities. Board's order upheld on April 10, 1990.

MCorp v. Board of Governors, No. CA3-88-2693 (N.D. Tex., filed October 10, 1988). Application for injunction to set aside temporary cease and desist orders. Stayed pending outcome of *MCorp v. Board of Governors* in Fifth Circuit.

White v. Board of Governors, No. CU-S-88-623-RDF (D. Nev., filed July 29, 1988). Age discrimination complaint. Board's motion to dismiss or for summary judgment pending.

Cohen v. Board of Governors, No. 88-1061 (D.N.J., filed March 7, 1988). Action seeking disclosure of documents under the Freedom of Information Act.

Lewis v. Board of Governors, Nos. 87–3455, 87–3545 (11th Cir., filed June 25, August 3, 1987). Petitions for review of Board orders approving applications of non-Florida bank holding companies to expand activities of Florida trust company subsidiaries. Matter stayed pending Supreme Court review of *Continental Illinois Corp. v. Lewis*, 827 F.2d 1517 (11th Cir. 1987), *vacated and remanded*, 110 S. Ct. 1249 (1990).

Membership of the Board of Governors of the Federal Reserve System, 1913–90

APPOINTIVE MEMBERS[1]

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

Name	Federal Reserve District	Date of initial oath of office	Other dates and information relating to membership[2]
Sherman J. Maisel	San Francisco	Apr. 30, 1965	Served through May 31, 1972.
Andrew F. Brimmer	Philadelphia	Mar. 9, 1966	Resigned Aug. 31, 1974.
William W. Sherrill	Dallas	May 1, 1967	Reappointed in 1968. Resigned Nov. 15, 1971.
Arthur F. Burns	New York	Jan. 1, 1970	Term began Feb. 1, 1970. Resigned Mar. 31, 1978.
John E. Sheehan	St. Louis	Jan. 4, 1972	Resigned June 1, 1975.
Jeffrey M. Bucher	San Francisco	June 5, 1972	Resigned Jan. 2, 1976.
Robert C. Holland	Kansas City	June 11, 1973	Resigned May 15, 1976.
Henry C. Wallich	Boston	Mar. 8, 1974	Resigned Dec. 15, 1986
Philip E. Coldwell	Dallas	Oct. 29, 1974	Served through Feb. 29, 1980.
Philip C. Jackson, Jr.	Atlanta	July 14, 1975	Resigned Nov. 17, 1978.
J. Charles Partee	Richmond	Jan. 5, 1976	Served until Feb. 7, 1986.[3]
Stephen S. Gardner	Philadelphia	Feb. 13, 1976	Died Nov. 19, 1978.
David M. Lilly	Minneapolis	June 1, 1976	Resigned Feb. 24, 1978.
G. William Miller	San Francisco	Mar. 8, 1978	Resigned Aug. 6, 1979.
Nancy H. Teeters	Chicago	Sept. 18, 1978	Served through June 27, 1984.
Emmett J. Rice	New York	June 20, 1979	Resigned Dec. 31, 1986.
Frederick H. Schultz	Atlanta	July 27, 1979	Served through Feb. 11, 1982.
Paul A. Volcker	Philadelphia	Aug. 6, 1979	Resigned August 11, 1987.
Lyle E. Gramley	Kansas City	May 28, 1980	Resigned Sept. 1, 1985.
Preston Martin	San Francisco	Mar. 31, 1982	Resigned April 30, 1986.
Martha R. Seger	Chicago	July 2, 1984	
Wayne D. Angell	Kansas City	Feb. 7, 1986	
Manuel H. Johnson	Richmond	Feb. 7, 1986	
H. Robert Heller	San Francisco	Aug. 19, 1986	Resigned July 31, 1989.
Edward W. Kelley, Jr.	Dallas	May 26, 1987	Reappointed in 1990.
Alan Greenspan	New York	Aug. 11, 1987	
John P. LaWare	Boston	Aug. 15, 1988	
David W. Mullins, Jr.	St. Louis	May 21, 1990	

Chairmen[4]

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

Vice Chairmen[4]

Frederic A. Delano	Aug. 10, 1914–Aug. 9, 1916
Paul M. Warburg	Aug. 10, 1916–Aug. 9, 1918
Albert Strauss	Oct. 26, 1918–Mar. 15, 1920
Edmund Platt	July 23, 1920–Sept. 14, 1930
J.J. Thomas	Aug. 21, 1934–Feb. 10, 1936
Ronald Ransom	Aug. 6, 1956–Dec. 2, 1947
C. Canby Balderston	Mar. 11, 1955–Feb. 28, 1966
J.L. Robertson	Mar. 1, 1966–Apr. 30, 1973
George W. Mitchell	May 1, 1973–Feb. 13, 1976
Stephen S. Gardner	Feb. 13, 1976–Nov. 19, 1978
Frederick H. Schultz	July 27, 1979–Feb. 11, 1982
Preston Martin	Mar. 31, 1982–Mar. 31, 1986
Manuel H. Johnson	Aug. 24, 1986–

EX-OFFICIO MEMBERS[1]

Secretaries of the Treasury

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

Comptrollers of the Currency

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

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

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

3. Successor took office on this date.

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

Financial and Business Statistics

NOTE. *The following tables may have some discontinuities in historical data for some series beginning with the December 1989 issue: 1.12, 1.33, 1.44, 1.52, 1.57–1.60, 2.10, 2.12, 2.13, 3.10, 3.11, 3.15–3.20, 3.22–3.25, 3.27, 3.28, and 4.30. For a more detailed explanation of the changes, see the announcement on page 16 of the January 1990* BULLETIN.

CONTENTS

Domestic Financial Statistics

MONEY STOCK AND BANK CREDIT

POLICY INSTRUMENTS

FEDERAL RESERVE BANKS

MONETARY AND CREDIT AGGREGATES

COMMERCIAL BANKING INSTITUTIONS

WEEKLY REPORTING COMMERCIAL BANKS

FINANCIAL MARKETS

FEDERAL FINANCE

Securities Markets and Corporate Finance

Real Estate

Consumer Installment Credit

Flow of Funds

Domestic Nonfinancial Statistics

Selected Measures

International Statistics

Summary Statistics

Reported by Banks in the United States

Reported by Nonbanking Business Enterprises in the United States

Securities Holdings and Transactions

Interest and Exchange Rates

1.10 RESERVES, MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES

Annual rates of change, seasonally adjusted in percent[1]

Monetary and credit aggregates	1989			1990	1989	1990			
	Q2[r]	Q3[r]	Q4[r]	Q1[r]	Dec.[r]	Jan.[r]	Feb.[r]	Mar.[r]	Apr.
Reserves of depository institutions[2]									
1 Total	−8.5	.6	5.1	2.4	7.8	−2.7	6.4	1.6	−.4
2 Required	−7.7	.5	5.0	2.5	8.4	−4.7	7.1	4.2	−1.2
3 Nonborrowed	−10.0	8.6	7.2	−3.9	9.5	−6.2	−13.9	−12.1	9.8
4 Monetary base[3]	1.8	3.2	4.0	8.5	7.3	10.8	9.2	8.7	7.1
Concepts of money, liquid assets, and debt[4]									
5 M1	−4.4	1.8	5.1	4.8	8.2	.0	10.0	5.1	3.9
6 M2	1.6	6.9	7.0	6.0	7.6	3.1	8.6	5.1	2.3
7 M3	3.2	3.9	1.8	2.8	3.9	1.3	4.7	.7	1.5
8 L	5.0	4.2	2.8	2.7	5.4	.6	2.2	3.8	n.a.
9 Debt	7.7	7.2	7.9	6.5	4.8	5.6	7.6	7.5	n.a.
Nontransaction components									
10 In M2[5]	3.7	8.7	7.7	6.4	7.4	4.1	8.1	5.1	1.9
11 In M3 only[6]	9.1	−6.8	−17.1	−9.6	−10.7	−5.7	−11.0	−16.9	−1.7
Time and savings deposits									
Commercial banks									
12 Savings	−11.6	.4	7.2	9.5	7.7	8.3	12.6	10.0	2.5
13 MMDA	−10.8	5.2	12.3	9.1	10.3	3.1	12.3	10.4	10.7
14 Small-denomination time[7]	25.9	11.9	11.3	7.8	9.6	6.4	7.5	5.6	9.4
15 Large-denomination time[8,9]	16.3	2.9	2.7	−1.7	.0	−.9	−5.7	−9.0	−4.8
Thrift institutions									
16 Savings	−14.8	−5.2	.2	1.3	.0	−.5	7.6	−3.2	4.3
17 MMDA	−30.6	−6.2	4.7	5.7	−.9	2.7	8.2	21.6	7.1
18 Small-denomination time	10.7	8.7	−2.5	−4.3	−.8	−5.1	−9.0	.2	−7.7
19 Large-denomination time[8]	7.5	−10.7	−28.6	−24.9	−20.3	−29.8	−22.0	−23.2	−34.2
Debt components[4]									
20 Federal	6.9	4.7	9.5	7.8	3.7	5.3	10.5	14.8	n.a.
21 Nonfederal	7.9	7.9	7.4	6.1	5.2	5.7	6.8	5.2	n.a.

1. Unless otherwise noted, rates of change are calculated from average amounts outstanding in preceding month or quarter.

2. Figures incorporate adjustments for discontinuities associated with the implementation of the Monetary Control Act and other regulatory changes to reserve requirements. To adjust for discontinuities due to changes in reserve requirements on reservable nondeposit liabilities, the sum of such required reserves is subtracted from the actual series. Similarly, in adjusting for discontinuities in the monetary base, required clearing balances and adjustments to compensate for float also are subtracted from the actual series.

3. The monetary base not adjusted for discontinuities consists of total reserves plus required clearing balances and adjustments to compensate for float at Federal Reserve Banks plus the currency component of the money stock less the amount of vault cash holdings of thrift institutions that is included in the currency component of the money stock plus, for institutions not having required reserve balances, the excess of current vault cash over the amount applied to satisfy current reserve requirements. After the introduction of contemporaneous reserve requirements (CRR), currency and vault cash figures are measured over the weekly computation period ending Monday.

Before CRR, all components of the monetary base other than excess reserves are seasonally adjusted as a whole, rather than by component, and excess reserves are added on a not seasonally adjusted basis. After CRR, the seasonally adjusted series consists of seasonally adjusted total reserves, which include excess reserves on a not seasonally adjusted basis, plus the seasonally adjusted currency component of the money stock plus the remaining items seasonally adjusted as a whole.

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

M1: (1) currency outside the Treasury, Federal Reserve Banks, and the vaults of depository institutions; (2) travelers checks of nonbank issuers; (3) demand deposits at all commercial banks other than those due to depository institutions, the U.S. government, and foreign banks and official institutions less cash items in the process of collection and Federal Reserve float; and (4) other checkable deposits (OCD) 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.

M2: M1 plus 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, Money Market Deposit Accounts (MMDAs), savings and small-denomination time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and balances in both taxable and tax-exempt general purpose and broker-dealer money market mutual funds. Excludes individual retirement accounts (IRA) 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.

M3: M2 plus large-denomination time deposits and term RP liabilities (in amounts of $100,000 or more) issued by commercial banks and thrift institutions, 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 balances in both taxable and tax-exempt, institution-only money market mutual funds. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Also subtracted is the estimated amount of overnight RPs and Eurodollars held by institution-only money market mutual funds.

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 mutual fund holdings of these assets.

Debt: Debt of domestic nonfinancial sectors consists of outstanding credit market debt of the U.S. government, state and local governments, and private nonfinancial sectors. Private debt consists of corporate bonds, mortgages, consumer credit (including bank loans), other bank loans, commercial paper, bankers acceptances, and other debt instruments. The source of data on domestic nonfinancial debt is the Federal Reserve Board's flow of funds accounts. Debt data are based on monthly averages. Growth rates for debt reflect adjustments for discontinuities over time in the levels of debt presented in other tables.

5. Sum of overnight RPs and Eurodollars, money market fund balances (general purpose and broker-dealer), MMDAs, and savings and small time deposits less the estimated amount of demand deposits and vault cash held by thrift institutions to service their time and savings deposit liabilities.

6. Sum of large time deposits, term RPs, and Eurodollars of U.S. residents, money market fund balances (institution-only), less a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market mutual funds.

7. Small-denomination time deposits—including retail RPs—are those issued in amounts of less than $100,000. All IRA and Keogh accounts at commercial banks and thrifts are subtracted from small time deposits.

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

9. Large-denomination time deposits at commercial banks less those held by money market mutual funds, depository institutions, and foreign banks and official institutions.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT

Millions of dollars

Factors	Monthly averages of daily figures			Weekly averages of daily figures for week ending						
	1990			1990						
	Feb.[r]	Mar.	Apr.	Mar. 14	Mar. 21	Mar. 28	Apr. 4	Apr. 11	Apr. 18	Apr. 25
SUPPLYING RESERVE FUNDS										
1 **Reserve Bank credit**	**263,995**	**268,483**	**272,853**	**268,385**	**268,634**	**268,005**	**269,422**	**272,978**	**275,557**	**272,437**
U.S. government securities[1, 2]										
2 Bought outright-system account	215,796	219,148	223,445	219,198	218,977	218,070	219,527	224,003	223,679	224,307
3 Held under repurchase agreements	0	306	361	0	332	0	610	0	1,346	0
Federal agency obligations[2]										
4 Bought outright	6,525	6,524	6,504	6,524	6,524	6,524	6,524	6,524	6,524	6,492
5 Held under repurchase agreements	0	0	156	0	144	0	218	0	596	0
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions[2]										
7 Adjustment credit	872	83	111	9	207	45	148	23	190	96
8 Seasonal credit	49	78	119	65	85	96	96	93	106	135
9 Extended credit	508	1,982	1,424	2,056	1,934	2,023	1,906	1,898	1,454	1,090
10 Float	1,059	431	659	717	539	144	523	603	1,579	94
11 Other Federal Reserve assets	39,188	39,852	40,073	39,815	39,892	41,104	39,869	39,833	40,083	40,224
12 Gold stock	11,059	11,059	11,060	11,060	11,059	11,059	11,060	11,060	11,060	11,060
13 Special drawing rights certificate account	8,518	8,518	8,518	8,518	8,518	8,518	8,518	8,518	8,518	8,518
14 Treasury currency outstanding	19,734	19,802	19,878	19,790	19,806	19,823	19,839	19,858	19,877	19,896
ABSORBING RESERVE FUNDS										
15 Currency in circulation	254,662	256,791	260,024	256,944	257,133	257,026	258,098	259,944	260,952	260,313
16 Treasury cash holdings	494	524	549	519	525	532	540	542	543	557
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	5,867	5,349	4,351	4,928	5,001	5,506	4,455	4,745	4,981	4,022
18 Foreign	214	215	230	188	221	217	269	224	216	219
19 Service-related balances and adjustments	2,078	2,161	1,905	2,115	1,819	2,206	2,119	1,853	1,989	2,021
20 Other	325	339	316	266	392	389	295	253	258	326
21 Other Federal Reserve liabilities and capital	8,913	8,997	9,033	9,005	9,180	9,172	8,567	8,787	9,285	9,162
22 Reserve balances with Federal Reserve Banks[3]	30,753	33,486	35,903	33,788	33,746	32,358	34,496	36,064	36,789	35,291

Factors	End-of-month figures			Wednesday figures						
	1990			1990						
	Feb.[r]	Mar.	Apr.	Mar. 14	Mar. 21	Mar. 28	Apr. 4	Apr. 11	Apr. 18	Apr. 25
SUPPLYING RESERVE FUNDS										
23 **Reserve Bank credit**	**265,427**	**268,705**	**273,008**	**267,957**	**272,413**	**269,356**	**269,286**	**272,256**	**279,425**	**271,245**
U.S. government securities[1, 2]										
24 Bought outright-system account	217,811	217,899	224,468	218,669	218,448	220,529	220,700	223,271	224,073	223,944
25 Held under repurchase agreements	0	1,423	0	0	2,324	0	0	0	4,957	0
Federal agency obligations[2]										
26 Bought outright	6,525	6,524	6,446	6,524	6,524	6,524	6,524	6,524	6,524	6,446
27 Held under repurchase agreements	0	510	0	0	1,009	0	0	0	2,191	0
28 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions[2]										
29 Adjustment credit	75	154	97	11	1,335	30	18	13	1,094	113
30 Seasonal credit	61	92	183	69	92	94	96	94	119	145
31 Extended credit	1,738	1,917	732	1,889	1,784	1,771	1,623	1,609	24	183
32 Float	885	262	277	898	717	−146	719	686	276	−24
33 Other Federal Reserve assets	38,333	39,925	40,805	39,897	40,180	40,554	39,607	40,059	40,167	40,437
34 Gold stock	11,059	11,060	11,060	11,060	11,059	11,059	11,060	11,060	11,060	11,060
35 Special drawing rights certificate account	8,518	8,518	8,518	8,518	8,518	8,518	8,518	8,518	8,518	8,518
36 Treasury currency outstanding	19,756	19,839	19,915	19,790	19,806	19,823	19,839	19,858	19,877	19,896
ABSORBING RESERVE FUNDS										
37 Currency in circulation	254,999	257,675	259,890	257,298	257,129	257,372	258,994	260,689	260,892	259,961
38 Treasury cash holdings	498	540	561	524	531	540	541	552	557	561
Deposits, other than reserve balances, with Federal Reserve Banks										
39 Treasury	6,133	4,832	5,205	4,747	5,816	6,218	4,138	4,310	5,208	4,125
40 Foreign	218	300	402	179	196	285	210	249	171	266
41 Service-related balances and adjustments	1,918	2,119	2,344	2,115	1,819	2,206	2,119	1,853	1,989	2,021
42 Other	398	304	352	257	292	397	269	234	265	714
43 Other Federal Reserve liabilities and capital	8,973	8,455	9,866	8,673	8,987	8,979	8,409	8,912	9,141	8,948
44 Reserve balances with Federal Reserve Banks[3]	31,623	33,897	33,881	33,530	37,026	32,758	34,025	34,892	40,657	34,124

1. *Includes* securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and *excludes* any securities sold and scheduled to be bought back under matched sale-purchase transactions.
2. Beginning with the May 1990 *Bulletin*, this table has been revised to correspond with the H.4.1 statistical release.
3. Excludes required clearing balances and adjustments to compensate for float.

NOTE. For amounts of currency and coin held as reserves, see table 1.12. Components may not add to totals because of rounding.

1.12 RESERVES AND BORROWINGS Depository Institutions[1]

Millions of dollars

Reserve classification	Monthly averages[9]									
	1987	1988	1989	1989			1990			
	Dec.	Dec.	Dec.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.[r]	Apr.
1 Reserve balances with Reserve Banks[2]	37,691	37,837	35,436	33,123	33,941	35,436	34,090	30,929	33,407	35,416
2 Total vault cash[3]	26,675	28,204	29,812	29,910	29,549	29,812	31,301	32,489	29,581	29,281
3 Vault[4]	24,449	25,909	27,374	27,275	27,048	27,374	28,841	29,693	27,251	27,106
4 Surplus[5]	2,226	2,295	2,439	2,636	2,502	2,439	2,461	2,795	2,330	2,175
5 Total reserves[6]	62,141	63,746	62,810	60,397	60,989	62,810	62,931	60,623	60,658	62,521
6 Required reserves	61,094	62,699	61,888	59,378	60,044	61,888	61,914	59,634	59,797	61,618
7 Excess reserve balances at Reserve Banks[7]	1,046	1,047	922	1,020	945	922	1,016	989	861	903
8 Total borrowings at Reserve Banks	777	1,716	265	555	349	265	440	1,448	2,124	1,628
9 Seasonal borrowings at Reserve Banks	93	130	84	330	134	84	47	51	78	122
10 Extended credit at Reserve Banks[8]	483	1,244	20	21	21	20	26	535	1,950	1,403
	Biweekly averages of daily figures for weeks ending									
	1989	1990								
	Dec. 27	Jan. 10	Jan. 24	Feb. 7	Feb. 21	Mar. 7	Mar. 21	Apr. 4[r]	Apr. 18	May 2
11 Reserve balances with Reserve Banks[2]	35,130	36,627	34,423	29,799	30,597	32,724	33,730	33,433	36,421	34,903
12 Total vault cash[3]	30,445	30,725	30,277	34,175	32,780	30,220	29,259	29,585	28,931	29,588
13 Vault[4]	27,903	28,335	28,045	31,156	29,956	27,706	27,004	27,278	26,920	27,266
14 Surplus[5]	2,543	2,390	2,233	3,019	2,824	2,514	2,255	2,307	2,011	2,323
15 Total reserves[6]	63,033	64,961	62,468	60,955	60,553	60,430	60,734	60,711	63,341	62,169
16 Required reserves	62,015	63,844	61,627	59,735	59,585	59,633	59,997	59,633	62,675	61,047
17 Excess reserve balances at Reserve Banks[7]	1,018	1,117	841	1,220	968	797	737	1,078	665	1,122
18 Total borrowings at Reserve Banks	351	339	300	865	1,480	1,967	2,179	2,157	1,882	1,155
19 Seasonal borrowings at Reserve Banks	89	58	41	44	50	60	75	96	100	158
20 Extended credit at Reserve Banks[8]	19	19	27	33	133	1,841	1,995	1,965	1,676	899

1. These data also appear in the Board's H.3 (502) release. For address, see inside front cover.
2. Excludes required clearing balances and adjustments to compensate for float.
3. Dates refer to the maintenance periods in which the vault cash can be used to satisfy reserve requirements. Under contemporaneous reserve requirements, maintenance periods end 30 days after the lagged computation periods in which the balances are held.
4. Equal to all vault cash held during the lagged computation period by institutions having required reserve balances at Federal Reserve Banks plus the amount of vault cash equal to required reserves during the maintenance period at institutions having no required reserve balances.
5. Total vault cash at institutions having no required reserve balances less the amount of vault cash equal to their required reserves during the maintenance period.
6. Total reserves not adjusted for discontinuities consist of reserve balances with Federal Reserve Banks, which exclude required clearing balances and adjustments to compensate for float, plus vault cash used to satisfy reserve requirements. Such vault cash consists of all vault cash held during the lagged computation period by institutions having required reserve balances at Federal Reserve Banks plus the amount of vault cash equal to required reserves during the maintenance period at institutions having no required reserve balances.
7. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements less required reserves.
8. Extended credit consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as there is with traditional short-term adjustment credit, the money market impact of extended credit is similar to that of nonborrowed reserves.
9. Data are prorated monthly averages of biweekly averages.

1.13 SELECTED BORROWINGS IN IMMEDIATELY AVAILABLE FUNDS Large Member Banks[1]

Averages of daily figures, in millions of dollars

Maturity and source	1989 week ending Monday								
	Feb. 27	Mar. 6	Mar. 13	Mar. 20	Mar. 27	Apr. 3	Apr. 10	Apr. 17	Apr. 24
Federal funds purchased, repurchase agreements, and other selected borrowing in immediately available funds									
From commercial banks in the United States									
1 For one day or under continuing contract	72,395	74,375	74,764	72,665	69,297	69,402	72,009	71,695	66,249
2 For all other maturities	11,378	11,061	11,208	11,240	12,075	10,248	10,006	9,792	10,143
From other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies									
3 For one day or under continuing contract	25,142	31,371	30,195	29,143	25,678	28,748	30,030	28,621	27,391
4 For all other maturities	7,403	7,190	8,378	7,648	8,758	7,805	8,706	8,359	8,013
Repurchase agreements on U.S. government and federal agency securities in immediately available funds									
Brokers and nonbank dealers in securities									
5 For one day or under continuing contract	15,031	16,834	15,413	15,916	14,954	15,764	13,578	12,348	11,338
6 For all other maturities	13,484	13,598	14,456	14,881	17,268	13,971	13,450	14,098	14,718
All other customers									
7 For one day or under continuing contract	29,237	27,612	27,710	27,124	25,489	27,596	27,406	27,310	26,416
8 For all other maturities	9,978	10,104	10,085	10,591	13,275	10,482	10,128	10,376	9,819
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	37,275	43,328	40,929	41,534	40,157	39,236	37,805	37,107	38,258
10 To all other specified customers[2]	15,684	17,158	16,936	16,104	15,799	17,056	16,592	16,521	13,848

1. Banks with assets of $1 billion or more as of Dec. 31, 1977.
These data also appear in the Board's H.5 (507) release. For address, see inside front cover.

2. Brokers and nonbank dealers in securities; other depository institutions; foreign banks and official institutions; and United States government agencies.

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per year

Current and previous levels

Federal Reserve Bank	Adjustment credit and Seasonal credit[1]			Extended credit[2]						
				First 30 days of borrowing			After 30 days of borrowing[3]			
	On 5/17/90	Effective date	Previous rate	On 5/17/90	Effective date	Previous rate	On 5/17/90	Effective date	Previous rate	Effective date
Boston	7	2/24/89	6½	7	2/24/89	6½	8.80	5/17/90	8.85	5/3/90
New York	↑	2/24/89	↑	↑	2/24/89	↑	↑	5/17/90	↑	5/3/90
Philadelphia		2/24/89			2/24/89			5/17/90		5/3/90
Cleveland		2/24/89			2/24/89			5/17/90		5/3/90
Richmond		2/24/89			2/24/89			5/17/90		5/3/90
Atlanta		2/24/89			2/24/89			5/17/90		5/3/90
Chicago		2/24/89			2/24/89			5/17/90		5/3/90
St. Louis		2/24/89			2/24/89			5/17/90		5/3/90
Minneapolis		2/24/89			2/24/89			5/17/90		5/3/90
Kansas City		2/24/89			2/24/89			5/17/90		5/3/90
Dallas	↓	2/27/89	↓	↓	2/27/89	↓	↓	5/17/90	↓	5/3/90
San Francisco	7	2/24/89	6½	7	2/24/89	6½	8.80	5/17/90	8.85	5/3/90

Range of rates for adjustment credit in recent years[4]

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1977	6	6
1978—Jan. 9	6–6½	6½
20	6½	6½
May 11	6½–7	7
12	7	7
July 3	7–7¼	7¼
10	7¼	7¼
Aug. 21	7¾	7¾
Sept. 22	8	8
Oct. 16	8–8½	8½
20	8½	8½
Nov. 1	8½–9½	9½
3	9½	9½
1979—July 20	10	10
Aug. 17	10–10½	10½
20	10½	10½
Sept. 19	10½–11	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

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
1980—July 28	10–11	10
29	10	10
Sept. 26	11	11
Nov. 17	12	12
Dec. 5	12–13	13
1981—May 5	13–14	14
8	14	14
Nov. 2	13–14	13
6	13	13
Dec. 4	12	12
1982—July 20	11½–12	11½
23	11½	11½
Aug. 2	11–11½	11
3	11	11
16	10½	10½
27	10–10½	10
30	10	10
Oct. 12	9½–10	9½
13	9½	9½
Nov. 22	9–9½	9
26	9	9
Dec. 14	8½–9	9
15	8½–9	8½
17	8½	8½

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
1984—Apr. 9	8½–9	9
13	9	9
Nov. 21	8½–9	8½
26	8½	8½
Dec. 24	8	8
1985—May 20	7½–8	7½
24	7½	7½
1986—Mar. 7	7–7½	7
10	7	7
Apr. 21	6½–7	6½
July 11	6	6
Aug. 21	5½–6	5½
22	5½	5½
1987—Sept. 4	5½–6	6
11	6	6
1988—Aug. 9	6–6½	6½
11	6½	6½
1989—Feb. 24	6½–7	7
27	7	7
In effect May 17, 1990	7	7

1. Adjustment credit is available on a short-term basis to help depository institutions meet temporary needs for funds that cannot be met through reasonable alternative sources. After May 19, 1986, 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.

Seasonal credit is available to help smaller depository institutions meet regular, seasonal needs for funds that cannot be met through special industry lenders and that arise from a combination of expected patterns of movement in their deposits and loans. A temporary simplified seasonal program was established on Mar. 8, 1985, and the interest rate was a fixed rate ½ percent above the rate on adjustment credit. The program was reestablished for 1986 and 1987 but was not renewed for 1988.

2. Extended credit is available to depository institutions, when similar assistance is not reasonably available from other sources, when exceptional circumstances or practices involve only a particular institution or when an institution is experiencing difficulties adjusting to changing market conditions over a longer period of time.

3. For extended-credit loans outstanding more than 30 days, a flexible rate somewhat above rates on market sources of funds ordinarily will be charged, but in no case will the rate charged be less than the basic discount rate plus 50 basis points. The flexible rate is reestablished on the first business day of each two-week reserve maintenance period. At the discretion of the Federal Reserve Bank, the time period for which the basic discount rate is applied may be shortened.

4. For earlier data, see the following publications of the Board of Governors: *Banking and Monetary Statistics, 1914–1941*, and *1941–1970*; *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. There was no surcharge until Nov. 17, 1980, when a 2 percent surcharge was adopted; 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 13-week period. The surcharge was eliminated on Nov. 17, 1981.

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Percent of deposits

Type of deposit, and deposit interval[2]	Depository institution requirements after implementation of the Monetary Control Act	
	Percent of deposits	Effective date
Net transaction accounts[3,4]		
$0 million–$40.4 million	3	12/19/89
More than $40.4 million	12	12/19/89
Nonpersonal time deposits[5]		
By original maturity		
Less than 1½ years	3	10/6/83
1½ years or more	0	10/6/83
Eurocurrency liabilities		
All types	3	11/13/80

1. Reserve requirements in effect on Dec. 31, 1989. Required reserves must be held in the form of deposits with Federal Reserve Banks or vault cash. Nonmember institutions may maintain reserve balances with a Federal Reserve Bank indirectly on a pass-through basis with certain approved institutions. For previous reserve requirements, see earlier editions of the *Annual Report* or the *Federal Reserve Bulletin*. Under provisions of the Monetary Control Act, depository institutions include commercial banks, mutual savings banks, savings and loan associations, credit unions, agencies and branches of foreign banks, and Edge corporations.

2. The Garn–St Germain Depository Institutions Act of 1982 (Public Law 97–320) requires that $2 million of reservable liabilities (transaction accounts, nonpersonal time deposits, and Eurocurrency liabilities) of each depository institution be subject to a zero percent reserve requirement. The Board is to adjust the amount of reservable liabilities subject to this zero percent reserve requirement each year for the succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is to be made in the event of a decrease. On Dec. 20, 1988, the exemption was raised from $3.2 million to $3.4 million. In determining the reserve requirements of depository institutions, the exemption shall apply in the following order: (1) net NOW accounts (NOW accounts less allowable deductions); (2) net other transaction accounts; and (3) nonpersonal time deposits or Eurocurrency liabilities starting with those with the highest reserve ratio. With respect to NOW accounts and other transaction accounts, the exemption applies only to such accounts that would be subject to a 3 percent reserve requirement.

3. Transaction accounts include all deposits on which the account holder is permitted to make withdrawals by negotiable or transferable instruments, payment orders of withdrawal, and telephone and preauthorized transfers in excess of three per month for the purpose of making payments to third persons or others. However, 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 can be checks, are not transaction accounts (such accounts are savings deposits subject to time deposit reserve requirements).

4. The Monetary Control Act of 1980 requires that the amount of transaction accounts against which the 3 percent reserve requirement applies be modified annually by 80 percent of the percentage change in transaction accounts held by all depository institutions, determined as of June 30 each year. Effective Dec. 19, 1989 for institutions reporting quarterly and Dec. 26, 1989 for institutions reporting weekly, the amount was decreased from $41.5 million to $40.4 million.

5. In general, nonpersonal time deposits are time deposits, including savings deposits, that are not transaction accounts and in which a beneficial interest is held by a depositor that is not a natural person. Also included are certain transferable time deposits held by natural persons and certain obligations issued to depository institution offices located outside the United States. For details, see section 204.2 of Regulation D.

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

	Type of transaction	1987	1988	1989	1989 Sept.	1989 Oct.	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.
	U.S. TREASURY SECURITIES										
	Outright transactions (*excluding matched transactions*)										
	Treasury bills										
1	Gross purchases	18,983	8,223	14,284	0	219	8,794	1,883	423	108	543
2	Gross sales	6,051	587	12,818	0	1,633	0	0	1,489	3,384	0
3	Exchange	239,740	241,876	228,710	18,442	15,025	18,554	18,054	15,960	18,113	19,051
4	Redemptions	9,029	2,200	12,730	0	1,400	3,530	0	1,000	400	0
	Others within 1 year										
5	Gross purchases	3,659	2,176	327	0	0	155	0	0	0	100
6	Gross sales	300	0	0	0	0	0	0	0	0	0
7	Maturity shift	21,504	23,854	28,848	1,832	852	3,915	1,268	1,201	2,845	1,876
8	Exchange	−20,388	−24,588	−25,783	0	−2,678	−5,502	0	−2,489	−5,418	0
9	Redemptions	70	0	500	0	500	0	0	0	0	0
	1 to 5 years										
10	Gross purchases	10,231	5,485	1,436	0	0	0	0	0	0	100
11	Gross sales	452	800	490	0	24	0	0	0	0	0
12	Maturity shift	−17,975	−17,720	−25,534	−1,832	−758	−2,869	−1,268	−1,163	−1,713	−1,876
13	Exchange	18,938	22,515	23,250	0	2,552	4,902	0	2,373	4,743	0
	5 to 10 years										
14	Gross purchases	2,441	1,579	287	0	0	0	0	0	0	0
15	Gross sales	0	175	29	0	0	0	0	0	0	0
16	Maturity shift	−3,529	−5,946	−2,231	0	−95	−1,046	0	−38	−451	0
17	Exchange	950	1,797	1,934	0	126	400	0	116	450	0
	Over 10 years										
18	Gross purchases	1,858	1,398	284	0	0	0	0	0	0	0
19	Gross sales	0	0	0	0	0	0	0	0	0	0
20	Maturity shift	0	−188	−1,086	0	0	0	0	0	−681	0
21	Exchange	500	275	600	0	0	200	0	0	226	0
	All maturities										
22	Gross purchases	37,170	18,863	16,617	0	219	8,949	1,883	423	108	743
23	Gross sales	6,803	1,562	13,337	0	1,657	0	0	1,489	3,384	0
24	Redemptions	9,099	2,200	13,230	0	1,900	3,530	0	1,000	400	0
	Matched transactions										
25	Gross sales	950,923	1,168,484	1,323,480	116,502	111,430	105,696	103,077	127,729	116,220	99,104
26	Gross purchases	950,935	1,168,142	1,326,542	120,144	111,893	105,243	104,827	121,411	120,637	97,128
	Repurchase agreements[2]										
27	Gross purchases	314,621	152,613	129,518	9,396	0	15,350	22,737	16,185	0	8,050
28	Gross sales	324,666	151,497	132,688	9,396	0	15,350	21,145	17,777	0	6,627
29	Net change in U.S. government securities	11,234	15,872	−10,055	3,642	−2,875	4,966	5,225	−9,976	741	190
	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	276	587	442	54	30	0	0	0	0	0
	Repurchase agreements[2]										
33	Gross purchases	80,353	57,259	38,835	2,874	0	1,247	2,992	1,741	0	1,966
34	Gross sales	81,350	56,471	40,411	2,874	0	1,247	2,467	2,266	0	1,457
35	Net change in federal agency obligations	−1,274	198	−2,018	−54	−30	0	525	−525	0	509
36	**Total net change in System Open Market Account**	**9,961**	**16,070**	**−12,073**	**3,588**	**−2,905**	**4,966**	**5,750**	**−10,501**	**741**	**699**

1. Sales, redemptions, and negative figures reduce holdings of the System Open Market Account; all other figures increase such holdings. Details may not add to totals because of rounding.

2. In July 1984 the Open Market Trading Desk discontinued accepting bankers acceptances in repurchase agreements.

1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements[1]

Millions of dollars

Account	Wednesday					End of month		
	1990					1990		
	Mar. 28	Apr. 4	Apr. 11	Apr. 18	Apr. 25	Feb.	Mar.	Apr.
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,059	11,060	11,060	11,060	11,060	11,059	11,060	11,060
2 Special drawing rights certificate account	8,518	8,518	8,518	8,518	8,518	8,518	8,518	8,518
3 Coin	572	561	557	540	533	568	568	532
Loans								
4 To depository institutions	1,895	1,737	1,716	1,237	441	1,779	2,163	1,012
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	6,524	6,524	6,524	6,524	6,446	6,525	6,524	6,446
8 Held under repurchase agreements	0	0	0	2,191	0	0	510	0
U.S. Treasury securities								
Bought outright								
9 Bills	98,134	98,305	100,776	101,578	101,450	96,937	95,504	101,973
10 Notes	91,439	91,439	91,539	91,539	91,539	91,239	91,440	91,540
11 Bonds	30,955	30,955	30,955	30,955	30,955	30,955	30,955	30,955
12 Total bought outright[2]	220,529	220,700	223,271	224,073	223,944	219,132	217,899	224,468
13 Held under repurchase agreements	0	0	0	4,957	0	0	1,423	0
14 Total U.S. Treasury securities	220,529	220,700	223,271	229,030	223,944	219,132	219,322	224,468
15 **Total loans and securities**	**228,948**	**228,961**	**231,511**	**238,982**	**230,832**	**227,435**	**228,518**	**231,926**
16 Items in process of collection	5,348	7,140	6,636	7,179	6,328	5,936	6,549	4,499
17 Bank premises	793	794	795	796	796	791	793	795
Other assets								
18 Denominated in foreign currencies[3]	34,186	33,456	33,508	33,536	33,556	31,041	33,452	33,982
19 All other[4]	5,538	5,373	5,606	5,840	5,826	6,320	5,679	5,958
20 **Total assets**	**294,962**	**295,862**	**298,191**	**306,452**	**297,448**	**291,669**	**295,137**	**297,270**
LIABILITIES								
21 Federal Reserve notes	238,662	240,256	241,940	242,112	241,159	236,534	238,944	241,068
Deposits								
22 To depository institutions	35,536	36,527	36,918	42,777	36,283	33,811	36,129	36,076
23 U.S. Treasury—General account	6,218	4,138	4,310	5,208	4,125	6,613	4,832	5,205
24 Foreign—Official accounts	285	210	249	171	266	309	300	402
25 Other	397	269	234	265	714	409	304	352
26 **Total deposits**	**42,436**	**41,144**	**41,711**	**49,645**	**41,388**	**41,142**	**41,565**	**42,036**
27 Deferred credit items	4,886	6,054	5,628	6,778	5,954	5,543	6,173	4,301
28 Other liabilities and accrued dividends[5]	3,981	3,835	3,930	4,081	3,892	3,853	3,969	4,199
29 **Total liabilities**	**289,964**	**291,289**	**293,208**	**301,392**	**292,392**	**287,073**	**290,651**	**291,603**
CAPITAL ACCOUNTS								
30 Capital paid in	2,295	2,311	2,314	2,315	2,320	2,275	2,313	2,327
31 Surplus	2,243	2,189	2,232	2,243	2,243	2,219	2,139	2,243
32 Other capital accounts	461	73	437	502	493	103	34	1,098
33 **Total liabilities and capital accounts**	**294,962**	**228,961**	**298,191**	**306,452**	**297,448**	**291,669**	**295,137**	**297,270**
34 MEMO: Marketable U.S. Treasury securities held in custody for foreign and international accounts	223,490	224,500	222,067	223,465	222,991	224,626	254,767	224,256
	Federal Reserve note statement							
35 Federal Reserve notes outstanding issued to bank	278,938	278,782	280,467	282,095	283,053	280,388	278,709	283,191
36 LESS: Held by bank	40,276	38,526	38,527	39,983	41,894	43,854	39,765	42,123
37 Federal Reserve notes, net	238,662	240,256	241,940	242,112	241,159	236,534	238,944	241,068
Collateral held against notes net:								
38 Gold certificate account	11,059	11,060	11,060	11,060	11,060	11,059	11,060	11,060
39 Special drawing rights certificate account	8,518	8,518	8,518	8,518	8,518	8,518	8,518	8,518
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities	219,084	220,678	222,362	222,534	221,581	216,957	219,366	221,490
42 **Total collateral**	**238,662**	**240,256**	**241,940**	**242,112**	**241,159**	**236,534**	**238,944**	**241,068**

1. Some of these data also appear in the Board's H.4.1 (503) release. For address, see inside front cover. Components may not add to totals because of rounding.
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 90 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 and maturity groupings	Wednesday					End of month		
	1990					1990		
	Mar. 28	Apr. 4	Apr. 11	Apr. 18	Apr. 25	Feb. 28	Mar. 30	Apr. 30
1 Loans—Total	1,895	1,737	1,716	1,237	441	1,874	2,039	1,012
2 Within 15 days	1,891	1,671	1,654	1,227	428	1,867	2,024	951
3 16 days to 90 days	4	66	62	10	13	7	15	62
4 91 days to 1 year	0	0	0	0	0	0	0	0
5 Acceptances—Total	0	0	0	0	0	0	0	0
6 Within 15 days	0	0	0	0	0	0	0	0
7 16 days to 90 days	0	0	0	0	0	0	0	0
8 91 days to 1 year	0	0	0	0	0	0	0	0
9 U.S. Treasury securities—Total	220,529	220,700	223,271	229,030	223,944	219,132	217,899	230,468
10 Within 15 days[1]	12,095	9,591	7,822	11,613	8,780	10,656	6,281	6,566
11 16 days to 90 days	46,985	48,822	53,497	53,206	50,596	46,479	50,149	57,700
12 91 days to 1 year	66,010	66,078	65,641	67,894	68,251	66,657	66,030	69,228
13 Over 1 year to 5 years	56,581	57,351	57,451	57,489	57,489	56,481	56,581	58,146
14 Over 5 years to 10 years	12,607	12,607	12,607	12,576	12,576	12,607	12,607	12,576
15 Over 10 years	26,252	26,252	26,252	26,252	26,252	26,252	26,252	26,252
16 Federal agency obligations—Total	6,524	6,524	6,524	8,715	6,446	6,525	6,524	6,446
17 Within 15 days[1]	175	25	78	2,374	160	255	175	160
18 16 days to 90 days	574	759	721	616	639	558	574	678
19 91 days to 1 year	1,426	1,391	1,432	1,432	1,480	1,342	1,426	1,441
20 Over 1 year to 5 years	3,098	3,098	3,018	3,018	2,892	3,123	3,098	2,892
21 Over 5 years to 10 years	1,062	1,062	1,087	1,087	1,087	1,057	1,062	1,087
22 Over 10 years	188	188	188	188	188	188	188	188

1. Holdings under repurchase agreements are classified as maturing within 15 days in accordance with maximum maturity of the agreements.

NOTE: Components may not add to totals because of rounding.

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE[1]

Billions of dollars, averages of daily figures

Item	1986 Dec.	1987 Dec.	1988 Dec.	1989 Dec.	1989 Sept.	1989 Oct.	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.	1990 Apr.
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]	Seasonally adjusted											
1 **Total reserves**[3]	**58.02**	**58.59**	**60.59**	**60.03**	**59.29**	**59.64**	**59.65**	**60.03**	**59.90**	**60.22**	**60.30**	**60.28**
2 Nonborrowed reserves	57.20	57.82	58.88	59.77	58.60	59.08	59.30	59.77	59.46	58.77	58.17	58.66
3 Nonborrowed reserves plus extended credit[4]	57.50	58.30	60.12	59.79	58.62	59.11	59.32	59.79	59.48	59.30	60.12	60.06
4 Required reserves	56.65	57.55	59.55	59.11	58.35	58.62	58.70	59.11	58.88	59.23	59.44	59.38
5 Monetary base[5]	241.43	258.06	275.24	284.95	281.81	282.79	283.22	284.95	287.51	289.71	291.82	293.55
	Not seasonally adjusted											
6 **Total reserves**[3]	**59.46**	**60.07**	**62.22**	**61.67**	**59.02**	**59.27**	**59.87**	**61.67**	**61.58**	**59.20**	**59.23**	**61.06**
7 Nonborrowed reserves	58.64	59.30	60.50	61.40	58.33	58.72	59.52	61.40	61.14	57.75	57.11	59.43
8 Nonborrowed reserves plus extended credit[4]	58.94	59.78	61.75	61.42	58.35	58.74	59.54	61.42	61.17	58.29	59.06	60.83
9 Required reserves	58.09	59.03	61.17	60.75	58.09	58.25	58.92	60.75	60.56	58.21	58.37[r]	60.15
10 Monetary base[5]	245.17	262.00	279.54	289.45	280.65	281.34	284.11	289.45	288.67	286.50	288.86	293.36
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[6]												
11 **Total reserves**[3]	**59.56**	**62.14**	**63.75**	**62.81**	**60.13**	**60.40**	**60.99**	**62.81**	**62.93**	**60.62**	**60.66**	**62.52**
12 Nonborrowed reserves	58.73	61.36	62.03	62.54	59.43	59.84	60.64	62.54	62.49	59.17	58.53	60.89
13 Nonborrowed reserves plus extended credit[4]	59.04	61.85	63.27	62.56	59.46	59.86	60.66	62.56	62.52	59.71	60.49[r]	62.30
14 Required reserves	58.19	61.09	62.70	61.89	59.19	59.38	60.04	61.89	61.91	59.63	59.80	61.62
15 Monetary base[5]	247.62	266.06	283.00	292.55	283.61	284.33	287.19	292.55	292.13	290.02	292.38[r]	296.88

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

2. Figures incorporate adjustments for discontinuities associated with the implementation of the Monetary Control Act and other regulatory changes to reserve requirements. To adjust for discontinuities due to changes in reserve requirements on reservable nondeposit liabilities, the sum of such required reserves is subtracted from the actual series. Similarly, in adjusting for discontinuities in the monetary base, required clearing balances and adjustments to compensate for float also are subtracted from the actual series.

3. Total reserves not adjusted for discontinuities consist of reserve balances with Federal Reserve Banks, which exclude required clearing balances and adjustments to compensate for float, plus vault cash held during the lagged computation period by institutions having required reserve balances at Federal Reserve Banks plus the amount of vault cash equal to required reserves during the maintenance period at institutions having no required reserve balances.

4. 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 isnot the same need to repay such borrowing promptly as there is with traditional short-term adjustment credit, the money market impact of extended credit is similar to that of nonborrowed reserves.

5. The monetary base not adjusted for discontinuities consists of total reserves plus required clearing balances and adjustments to compensate for float at Federal Reserve Banks and the currency component of the money stock plus, for institutions not having required reserve balances, the excess of current vault cash over the amount applied to satisfy current reserve requirements. Currency and vault cash figures are measured over the weekly computation period ending Monday.

The seasonally adjusted monetary base consists of seasonally adjusted total reserves, which include excess reserves on a not seasonally adjusted basis, plus the seasonally adjusted currency component of the money stock and the remaining items seasonally adjusted as a whole.

6. Reflects actual reserve requirements, including those on nondeposit liabilities, with no adjustments to eliminate the effects of discontinuities associated with implementation of the Monetary Control Act or other regulatory changes to reserve requirements.

1.21 MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES[1]

Billions of dollars, averages of daily figures

Item[2]	1986 Dec.	1987 Dec.	1988 Dec.	1989 Dec.	1990 Jan.r	1990 Feb.r	1990 Mar.r	1990 Apr.
	Seasonally adjusted							
1 M1	724.7	750.4	787.5	794.8	794.8	801.4	804.8	807.4
2 M2	2,814.2	2,913.2	3,072.4	3,221.0r	3,229.3	3,252.4	3,266.2	3,272.5
3 M3	3,494.5	3,678.7	3,918.4	4,041.7r	4,046.1	4,061.8	4,064.2	4,069.4
4 L	4,135.5	4,338.9	4,676.0	4,868.4r	4,870.7	4,879.5	4,895.0	n.a.
5 Debt	7,588.3r	8,307.5r	9,062.0r	9,762.9r	9,808.5	9,871.0	9,932.5	n.a.
M1 components								
6 Currency[3]	180.6	196.7	211.8	221.9	224.6	226.6	228.4	230.1
7 Travelers checks[4]	6.5	7.0	7.5	7.4	7.5	7.6	7.6	7.6
8 Demand deposits[5]	302.1	287.0	287.0	279.7	277.3	280.2	279.3	277.8
9 Other checkable deposits[6]	235.5	259.7	281.3	285.7	285.4	287.0	289.5	291.8
Nontransactions components								
10 In M2[7]	2,089.6	2,162.8	2,284.9	2,426.2r	2,434.5	2,451.0	2,461.4	2,465.2
11 In M3 only[8]	680.3	765.5	845.9	820.7r	816.8	809.3	797.9	796.8
Money market deposit accounts								
12 Commercial banks	377.7	356.4	350.2	351.5	352.4	356.0	359.1	362.3
13 Thrift institutions	193.3	167.4	150.1	132.2	132.5	133.4	135.8	136.6
Savings deposits								
14 Commercial Banks	155.8	178.3	192.0	188.5	189.8	191.8	193.4	193.8
15 Thrift institutions	214.3	236.6	235.9	220.5	220.4	221.8	221.2	222.0
Small-denomination time deposits[9]								
16 Commercial Banks	366.3	388.1	447.5	528.6	531.4	534.7	537.2	541.4
17 Thrift institutions	489.9	529.7	583.5	613.7	611.1	606.5	606.6	602.6
Money market mutual funds								
18 General purpose and broker-dealer	208.7	222.0	240.9	312.4r	318.1	324.5	325.0	324.8
19 Institution-only	83.8	89.0	87.1	102.3	103.2	103.7	105.4	106.8
Large-denomination time deposits[10]								
20 Commercial Banks[11]	289.8	326.9	368.2	401.5	401.2	399.3	396.3	394.7
21 Thrift institutions	150.0	161.9	172.9	156.8	152.9	150.1	147.2	143.0
Debt components								
22 Federal debt	1,805.8	1,957.4	2,113.5	2,265.4	2,275.4	2,295.4	2,323.8	n.a.
23 Nonfederal debt	5,782.5r	6,350.1r	6,948.5r	7,497.5r	7,533.0	7,575.5	7,608.6	n.a.
	Not seasonally adjusted							
24 M1	740.5	766.4	804.5	812.1	802.3	788.0	795.7	817.3
25 M2	2,826.5	2,925.6	3,085.2	3,233.9r	3,241.0	3,240.4	3,261.0	3,283.7
26 M3	3,508.8	3,692.7	3,932.5	4,055.8r	4,055.2	4,050.4	4,062.8	4,076.0
27 L	4,151.5	4,355.2	4,692.7	4,885.9r	4,889.4	4,874.6	4,892.9	n.a.
28 Debt	7,572.0r	8,289.0r	9,047.3r	9,748.3r	9,799.0	9,845.8	9,900.8	n.a.
M1 components								
29 Currency[3]	183.0	199.3	214.8	225.3	222.9	224.2	227.0	229.5
30 Travelers checks[4]	6.0	6.5	6.9	6.9	7.0	7.2	7.3	7.3
31 Demand deposits[5]	314.0	298.6	298.9	291.6	283.0	271.4	271.6	279.8
32 Other checkable deposits[6]	237.5	262.0	283.8	288.4	289.4	285.2	289.7	300.7
Nontransactions components								
33 M2[7]	2,086.0	2,159.2	2,280.8	2,421.8r	2,438.8	2,452.4	2,465.3	2,466.4
34 M3 only[8]	682.3	767.0	847.3	821.9r	814.2	810.0	801.8	792.3
Money market deposit accounts								
35 Commercial Banks	379.8	359.0	353.2	355.0	356.3	357.7	360.8	362.5
36 Thrift institutions	192.9	167.5	150.6	132.8	132.9	133.3	136.1	135.9
Savings deposits								
37 Commercial Banks	154.4	176.9	190.6	187.2	189.0	190.5	193.2	194.3
38 Thrift institutions	212.7	234.9	234.2	219.0	218.8	219.5	220.9	222.4
Small-denomination time deposits[9]								
39 Commercial Banks	366.1	387.3	446.0	526.4	530.8	535.2	538.3	541.7
40 Thrift institutions	489.8	529.1	582.4	612.3	613.2	608.7	605.9	602.3
Money market mutual funds								
41 General purpose and broker-dealer	208.0	221.5	240.5	312.2r	317.0	326.1	329.5	328.4
42 Institution-only	84.4	89.6	87.6	102.9	106.0	107.0	106.8	105.8
Large-denomination time deposits[10]								
43 Commercial Banks[11]	289.2	325.8	366.9	399.8	398.9	399.1	399.1	394.7
44 Thrift institutions	150.7	162.9	174.2	158.3	154.1	150.5	146.3	141.5
Debt components								
45 Federal debt	1,803.9	1,955.6	2,111.8	2,264.2	2,275.5	2,292.5	2,316.1	n.a.
46 Nonfederal debt	5,768.1r	6,333.4r	6,935.5r	7,484.1r	7,523.5	7,553.3	7,584.7	n.a.

For notes see following page.

NOTES TO TABLE 1.21

1. Latest monthly and weekly figures are available from the Board's H.6 (508) release. Historical data are available from the Monetary and Reserves Projection section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

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

M1: (1) currency outside the Treasury, Federal Reserve Banks, and the vaults of depository institutions; (2) travelers checks of nonbank issuers; (3) demand deposits at all commercial banks other than those due to depository institutions, the U.S. government, and foreign banks and official institutions less cash items in the process of collection and Federal Reserve float; and (4) other checkable deposits (OCD) 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.

M2: M1 plus 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, MMDAs, savings and small-denomination time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and balances in both taxable and tax-exempt general purpose and broker–dealer money market mutual funds. Excludes individual retirement accounts (IRA) 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.

M3: M2 plus large-denomination time deposits and term RP liabilities (in amounts of $100,000 or more) issued by commercial banks and thrift institutions, 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 balances in both taxable and tax-exempt, institution-only money market mutual funds. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Also subtracted is the estimated amount of overnight RPs and Eurodollars held by institution-only money market mutual funds.

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 mutual fund holdings of these assets.

Debt: Debt of domestic nonfinancial sectors consists of outstanding credit market debt of the U.S. government, state and local governments, and private nonfinancial sectors. Private debt consists of corporate bonds, mortgages, consumer credit (including bank loans), other bank loans, commercial paper, bankers acceptances, and other debt instruments. The source of data on domestic nonfinancial debt is the Federal Reserve Board's flow of funds accounts. Debt data are based on monthly averages.

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

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

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

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

7. Sum of overnight RPs and overnight Eurodollars, money market fund balances (general purpose and broker-dealer), MMDAs, and savings and small time deposits.

8. Sum of large time deposits, term RPs, and term Eurodollars of U.S. residents, money market fund balances (institution-only), less the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds.

9. Small-denomination time deposits—including retail RPs—are those issued in amounts of less than $100,000. All individual retirement accounts (IRA) and Keogh accounts at commercial banks and thrifts are subtracted from small time deposits.

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

11. Large-denomination time deposits at commercial banks less those held by money market mutual funds, depository institutions, and foreign banks and official institutions.

1.22 BANK DEBITS AND DEPOSIT TURNOVER[1]

Debits are shown in billions of dollars, turnover as ratio of debits to deposits. Monthly data are at annual rates.

Bank group, or type of customer	1987	1988	1989	1989 Sept.	1989 Oct.	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.
DEBITS TO	Seasonally adjusted								
Demand deposits[3]									
1 All insured banks	217,116.2	226,888.4	272,793.1	281,432.2	293,424.9	296,768.7	280,074.4	286,425.2	299,450.2
2 Major New York City banks	104,496.3	107,547.3	121,727.5	125,206.9	136,039.0	130,440.2	131,681.3	123,744.6	132,031.4
3 Other banks	112,619.8	119,341.2	150,898.9	156,225.3	155,385.9	166,328.5	148,393.1	162,680.5	167,418.8
4 ATS-NOW accounts[4]	2,402.7	2,757.7	3,501.8	3,601.9	3,911.9	3,855.2	3,727.5	3,910.4	4,115.7
5 Savings deposits[5]	526.5	583.0	636.6	672.3	665.4	610.3	615.8	609.2	587.3
DEPOSIT TURNOVER									
Demand deposits[3]									
6 All insured banks	612.1	641.2	781.0	802.2	826.4	855.7	797.7	820.0	851.4
7 Major New York City banks	2,670.6	2,903.5	3,401.6	3,482.2	3,486.5	3,499.8	3,578.1	3,422.4	3,677.3
8 Other banks	357.0	376.8	481.5	496.2	492.5	537.3	472.1	519.5	530.1
9 ATS-NOW accounts[4]	13.8	14.7	18.3	18.8	20.1	19.7	18.9	19.8	20.6
10 Savings deposits[5]	3.1	3.1	3.5	3.7	3.6	3.3	3.3	3.3	3.1
DEBITS TO	Not seasonally adjusted								
Demand deposits[3]									
11 All insured banks	217,125.1	227,010.7	271,957.3	266,882.2	292,750.0	285,372.8	283,603.3	303,668.0	270,852.7
12 Major New York City banks	104,518.8	107,565.0	122,241.8	115,187.4	138,964.6	129,905.5	129,690.0	131,796.0	119,305.2
13 Other banks	112,606.2	119,445.7	149,715.5	151,694.7	153,785.5	155,467.3	153,913.3	171,872.0	151,547.5
14 ATS-NOW accounts[4]	2,404.8	2,754.7	3,496.5	3,702.7	3,891.4	3,611.5	3,904.0	4,263.7	3,721.3
15 MMDA[6]	1,954.2	2,430.1	2,790.8	2,554.3	2,651.5	2,569.1	2,880.5	3,075.9	2,551.2
16 Savings deposits[5]	526.8	578.0	635.8	665.2	690.4	555.9	630.1	629.3	518.7
DEPOSIT TURNOVER									
Demand deposits[3]									
17 All insured banks	612.3	641.7	779.0	763.1	829.6	815.6	769.3	847.9	791.8
18 Major New York City banks	2,674.9	2,901.4	3,415.4	3,279.7	3,594.8	3,548.5	3,250.4	3,433.3	3,314.9
19 Other banks	356.9	377.1	477.8	482.2	489.4	496.3	468.1	537.5	495.2
20 ATS-NOW accounts[4]	13.8	14.7	18.3	19.5	20.3	18.5	19.5	21.1	18.7
21 MMDA[6]	5.3	6.9	8.3	7.6	7.8	7.4	8.2	8.7	7.2
22 Savings deposits[5]	3.1	3.1	3.5	3.7	3.8	3.0	3.4	3.4	2.8

1. Historical tables containing revised data for earlier periods may be obtained from the Monetary and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

These data also appear on the Board's G.6 (406) release. For address, see inside front cover.

2. Annual averages of monthly figures.

3. Represents accounts of individuals, partnerships, and corporations and of states and political subdivisions.

4. Accounts authorized for negotiable orders of withdrawal (NOW) and accounts authorized for automatic transfer to demand deposits (ATS). ATS data are available beginning December 1978.

5. Excludes ATS and NOW accounts, MMDA and special club accounts, such as Christmas and vacation clubs.

6. Money market deposit accounts.

1.23 LOANS AND SECURITIES All Commercial Banks[1]

Billions of dollars; averages of Wednesday figures

Category	1989								1990			
	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
	Seasonally adjusted											
1 **Total loans and securities[2]**	**2,482.9**	**2,496.0**	**2,512.4**	**2,527.4**	**2,538.9**	**2,563.3**	**2,579.0**	**2,582.6**	**2,585.8**	**2,603.8**	**2,623.8**	**2,634.3**
2 U.S. government securities	372.5	373.7	374.0	375.5	378.1	389.9	394.8	394.4	402.4	412.2	418.9	422.7
3 Other securities	187.8	187.3	186.3	183.8	183.1	180.9	179.3	180.3	180.2	180.1	180.2	180.9
4 Total loans and leases[2]	1,922.6	1,935.0	1,952.1	1,968.2	1,977.7	1,992.5	2,004.9	2,007.9	2,003.2	2,011.6	2,024.7	2,030.8
5 Commercial and industrial	626.6	627.1	631.8	636.1	637.7	641.9	645.9	642.9	639.0	637.9	642.8	647.6
6 Bankers acceptances held[3]	8.3	8.2	7.9	8.1	8.4	8.8	8.1	7.6	7.4	8.0	8.3r	8.4
7 Other commercial and industrial	618.4	618.9	623.9	628.0	629.3	633.2	637.8	635.3	631.6	629.8	634.4	639.3
8 U.S. addressees[4]	612.8	613.2	619.8	624.3	625.4	628.9	632.7	629.8	623.9	624.0	628.3	633.3
9 Non-U.S. addressees[4]	5.6	5.8	4.0	3.7	3.9	4.2	5.1	5.5	7.7	5.8	6.1	6.0
10 Real estate	705.6	713.0	720.1	727.7	735.8	742.6	749.2	756.4	759.6	768.1	774.4	779.3
11 Individual	363.5	363.8	365.8	367.5	370.3	372.6	374.6	375.9	377.9	378.9	379.2	377.8
12 Security	38.4	40.6	40.1	39.0	39.7	41.2	41.5	39.6	39.2	39.7	37.7	36.9
13 Nonbank financial institutions	29.3	30.5	31.3	31.5	31.8	32.7	33.3	32.7	32.3	33.0	34.1	34.2
14 Agricultural	29.9	30.0	30.0	29.9	29.6	29.6	29.9	30.3	30.9	31.0	31.2	31.3
15 State and political subdivisions	43.1	42.8	42.5	42.2	41.7	41.3	40.8	40.1	38.6	38.9	38.4	38.2
16 Foreign banks	8.0	7.9	7.9	8.1	7.5	8.5	8.0	8.6	7.9	7.8	8.4	9.0
17 Foreign official institutions	4.7	4.4	4.4	4.1	4.2	3.9	3.6	3.7	3.3	3.1	3.0	3.2
18 Lease financing receivables	30.2	30.2	30.7	31.0	31.3	31.7	31.6	31.4	31.6	31.6	31.8	31.6
19 All other loans	43.2	44.8	47.6	51.0	48.0	46.4	46.4	46.5	42.9	41.5	43.5r	41.7
	Not seasonally adjusted											
20 **Total loans and securities[2]**	**2,482.2**	**2,496.3**	**2,507.0**	**2,521.1**	**2,537.5**	**2,563.6**	**2,581.0**	**2,590.6**	**2,591.5**	**2,606.2**	**2,618.1**	**2,634.6**
21 U.S. government securities	371.6	371.3	372.1	376.1	377.2	387.3	394.9	395.6	404.1	416.7	420.4	422.5
22 Other securities	187.1	186.5	184.7	183.8	183.3	181.8	180.5	181.2	180.7	179.9	179.8r	180.2
23 Total loans and leases[2]	1,923.5	1,938.5	1,950.2	1,961.2	1,977.0	1,994.5	2,005.6	2,013.8	2,006.7	2,009.5	2,017.9	2,031.8
24 Commercial and industrial	630.6	629.6	631.9	633.4	633.7	639.3	643.1	642.8	637.5	638.5	644.4	651.9
25 Bankers acceptances held[3]	8.1	8.0	7.6	8.1	8.4	8.9	8.2	7.7	7.5	8.1	8.2	8.2
26 Other commercial and industrial	622.5	621.6	624.3	625.3	625.3	630.4	634.9	635.1	630.0	630.4	636.2	643.7
27 U.S. addressees[4]	616.9	616.0	618.6	619.8	619.8	624.7	629.4	629.8	625.0	625.7	631.6	639.1
28 Non-U.S. addressees[4]	5.6	5.6	5.7	5.5	5.5	5.6	5.5	5.3	5.0	4.8	4.6	4.7
29 Real estate	704.6	712.9	720.7	729.2	737.8	743.9	750.9	757.1	759.7	765.5	771.7	777.4
30 Individual	361.2	362.1	364.3	367.7	372.1	373.7	376.0	380.3	381.5	378.1	376.0	375.0
31 Security	39.0	42.9	40.2	38.4	38.8	40.1	40.3	38.6	37.5	39.2	38.6	39.4
32 Nonbank financial institutions	29.2	30.8	31.4	31.3	31.4	32.4	33.6	33.8	33.0	32.6	33.3	34.0
33 Agricultural	29.5	30.3	30.7	30.7	30.5	30.4	30.2	30.2	30.3	30.1	30.1	30.4
34 State and political subdivisions	43.0	42.6	42.1	41.9	41.6	41.2	40.6	39.7	39.5	39.3	38.6	38.2
35 Foreign banks	7.9	8.1	8.0	8.1	7.8	8.8	8.1	8.4	8.0	7.7	7.9	8.5
36 Foreign official institutions	4.7	4.4	4.4	4.1	4.2	3.9	3.6	3.7	3.3	3.1	3.0	3.2
37 Lease financing receivables	30.2	30.2	30.4	30.9	31.2	31.6	31.6	31.5	32.0	31.8	31.7	31.7
38 All other loans	43.6	44.7	46.1	45.6	47.8	49.2	47.5	47.7	44.4	43.6	42.5	42.2

1. Data have been revised because of benchmarking and seasonal adjustment revisions beginning January 1973. These data also appear in the Board's G.7 (407) release. For address, see inside front cover.
2. Excludes loans to commercial banks in the United States.
3. Includes nonfinancial commercial paper held.
4. United States includes the 50 states and the District of Columbia.

1.24 MAJOR NONDEPOSIT FUNDS OF COMMERCIAL BANKS[1]

Monthly averages, billions of dollars

Source	1989								1990			
	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
Seasonally adjusted												
1 Total nondeposit funds[2]	217.0	235.8	238.8	238.6	246.2	253.5	255.0	255.4	256.0	265.0	268.1	265.2
2 Net balances due to related foreign offices[3]	1.3	8.2	11.4	9.7	11.1	10.2	8.6	7.4	10.9	14.6	17.2	16.8
3 Borrowings from other than commercial banks in United States[4]	215.7	227.5	227.4	228.9	235.0	243.3	246.4	248.0	245.1	250.4	250.9	248.4
4 Domestically chartered banks	173.8	185.4	182.8	183.9	189.1	195.3	196.8	198.5	194.4	198.4	195.0	189.8
5 Foreign-related banks	41.9	42.2	44.6	44.9	46.0	48.0	49.6	49.5	50.7	51.9	56.0	58.6
Not seasonally adjusted												
6 Total nondeposit funds[2]	224.8	239.8	234.4	238.1	242.8	248.8	253.9	248.9	252.6r	268.1	273.9	268.0
7 Net balances due to related foreign offices[3]	3.3	8.9	9.2	10.1	11.7	9.6	9.7	9.7r	10.5	14.2	16.0	14.5
8 Domestically chartered banks	−21.9	−18.3	−16.4	−15.5	−14.3	−15.0	−15.5	−19.2r	−14.5	−11.1	−11.5	−10.5
9 Foreign-related banks	25.2	27.2	25.6	25.6	26.0	24.6	25.2	28.9	25.0	25.3	27.5	25.0
10 Borrowings from other than commercial banks in United States[4]	221.5	230.9	225.2	228.0	231.1	239.1	244.2	239.2	242.0	253.9	257.9r	253.4
11 Domestically chartered banks	178.9	187.0	180.2	183.5	186.1	192.3	197.0	192.2	190.5	200.4	200.7	193.8
12 Federal funds and security RP borrowings[5]	174.8	183.2	177.2	180.5	183.1	189.3	194.6	189.6	187.9	196.6	196.2	190.1
13 Other[6]	4.0	3.8	3.1	3.0	3.0	3.0	2.4	2.5	2.7	3.7	4.5	3.7
14 Foreign-related banks[6]	42.6	44.0	45.0	44.5	45.0	46.8	47.2	47.1	51.5	53.5	57.2r	59.6
MEMO												
Gross large time deposits[7]												
15 Seasonally adjusted	457.0	460.0	463.4	462.0	460.0	461.4	464.0	464.3	462.7	460.6	457.3	455.2
16 Not seasonally adjusted	457.4	459.4	461.1	462.6	461.5	462.6	464.4	462.7	460.4	460.3	460.1r	455.2
U.S. Treasury demand balances at commercial banks[8]												
17 Seasonally adjusted	25.5	25.7	22.4	22.3	22.8	21.5	20.4	21.1	20.2	17.8	19.2	21.2
18 Not seasonally adjusted	34.3	26.2	23.0	15.8	24.9	20.6	14.7	19.6	23.2	22.0	16.7	20.0

1. Data have been revised because of benchmarking and seasonal adjustment revisions beginning January 1973. Commercial banks are those in the 50 states and the District of Columbia with national or state charters plus agencies and branches of foreign banks, New York investment companies majority owned by foreign banks, and Edge Act corporations owned by domestically chartered and foreign banks.

These data also appear in the Board's G.10 (411) release. For address, see inside front cover.

2. Includes federal funds, RPs, and other borrowing from nonbanks and net balances due to related foreign offices.

3. Reflects net positions of U.S. chartered banks, Edge Act corporations, and U.S. branches and agencies of foreign banks with related foreign offices plus net positions with own IBFs.

4. Other borrowings are borrowings through any instrument, such as a promissory note or due bill, given for the purpose of borrowing money for the banking business. This includes borrowings from Federal Reserve Banks and from foreign banks, term federal funds, loan RPs, and sales of participations in pooled loans.

5. Based on daily average data reported weekly by approximately 120 large banks and quarterly or annual data reported by other banks.

6. Figures are partly daily averages and partly averages of Wednesday data.

7. Time deposits in denominations of $100,000 or more. Estimated averages of daily data.

8. U.S. Treasury demand deposits and Treasury tax-and-loan notes at commercial banks. Averages of daily data.

1.25 ASSETS AND LIABILITIES OF COMMERCIAL BANKING INSTITUTIONS Last-Wednesday-of-Month Series[1]

Billions of dollars

Account	1989							1990			
	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
ALL COMMERCIAL BANKING INSTITUTIONS[2]											
1 Loans and securities	2,664.8	2,679.0	2,694.2	2,700.5	2,734.8	2,771.2	2,779.0	2,789.0	2,797.6	2,806.9	2,822.6
2 Investment securities	541.0	538.2	542.8	541.4	544.7	548.3	549.0	561.2	568.0	573.5	578.7
3 U.S. government securities	360.9	359.6	364.7	365.1	370.0	374.4	374.1	387.5	395.3	401.8	408.0
4 Other	180.0	178.6	178.1	176.3	174.7	173.9	174.9	173.8	172.7	171.7	170.6
5 Trading account assets	18.2	19.8	18.7	18.3	26.6	27.6	23.4	31.9	30.4	26.0	23.9
6 Total loans	2,105.6	2,120.9	2,132.7	2,140.8	2,163.6	2,195.3	2,206.5	2,195.8	2,199.2	2,207.4	2,220.1
7 Interbank loans	163.9	168.6	170.4	165.4	171.8	187.6	190.5	189.0	187.3	189.7	187.7
8 Loans excluding interbank	1,941.8	1,952.4	1,962.3	1,975.3	1,991.8	2,007.7	2,016.0	2,006.8	2,011.9	2,017.7	2,032.4
9 Commercial and industrial	628.6	636.6	632.4	632.1	638.9	643.0	644.3	636.4	640.6	643.8	651.5
10 Real estate	716.2	722.4	732.6	739.6	745.0	753.6	758.3	761.3	767.2	774.3	779.1
11 Individual	363.1	364.9	369.6	373.8	374.3	376.8	382.4	381.4	378.0	374.7	376.5
12 All other	233.8	228.4	227.8	229.9	233.6	234.2	231.1	227.6	226.2	224.9	225.3
13 Total cash assets	212.2	210.5	210.6	218.5	212.0	234.2	258.0	222.0	228.5	217.0	216.6
14 Reserves with Federal Reserve Banks	28.0	30.6	28.8	31.8	28.5	38.7	42.8	24.5	29.3	31.8	31.3
15 Cash in vault	27.5	27.4	28.4	27.9	27.8	30.7	31.5	28.0	27.9	27.8	28.6
16 Cash items in process of collection	78.8	75.4	77.5	82.6	77.5	84.2	98.9	89.8	91.5	80.0	80.1
17 Demand balances at U.S. depository institutions	28.7	28.1	29.1	28.5	28.3	28.5	32.1	29.6	31.0	27.5	26.5
18 Other cash assets	49.2	49.1	46.9	47.6	49.9	52.2	52.7	50.1	48.9	49.8	50.1
19 Other assets	208.6	213.4	209.8	214.1	210.3	207.1	212.7	219.3	214.0	209.9	207.0
20 Total assets/total liabilities and capital	**3,085.6**	**3,102.9**	**3,114.6**	**3,133.1**	**3,157.2**	**3,212.5**	**3,249.6**	**3,230.3**	**3,240.1**	**3,233.7**	**3,246.3**
21 Deposits	2,140.9	2,154.2	2,169.0	2,177.0	2,196.0	2,223.2	2,267.6	2,243.3	2,257.8	2,246.6	2,252.5
22 Transaction deposits	578.5	577.4	581.4	586.5	585.8	600.4	641.5	611.3	615.9	593.9	600.5
23 Savings deposits	505.7	512.0	516.9	518.6	525.6	535.6	538.2	540.5	545.8	551.1	548.1
24 Time deposits	1,056.7	1,064.9	1,070.7	1,072.0	1,084.6	1,087.2	1,087.8	1,091.5	1,096.1	1,101.6	1,104.0
25 Borrowings	516.7	513.8	507.6	519.8	529.7	546.0	534.3	556.1	546.0	548.3	562.3
26 Other liabilities	219.5	226.3	227.4	226.0	225.2	236.0	239.8	223.8	227.4	228.1	219.7
27 Residual (assets less liabilities)	208.5	208.7	210.6	210.3	206.3	207.4	208.0	207.1	208.9	210.7	211.8
MEMO											
28 U.S. government securities (including trading account)	373.1	372.8	376.9	377.2	389.6	394.8	390.7	412.6	418.6	419.5	423.2
29 Other securities (including trading account)	186.1	185.2	184.6	182.5	181.7	181.1	181.8	180.6	179.7	180.0	179.3
DOMESTICALLY CHARTERED COMMERCIAL BANKS[3]											
30 Loans and securities	2,440.3	2,452.5	2,467.5	2,477.6	2,511.0	2,531.2	2,540.4	2,552.7	2,559.7	2,562.4	2,572.1
31 Investment securities	517.3	514.7	519.9	519.1	521.3	522.6	523.3	534.2	540.6	544.6	548.2
32 U.S. government securities	349.8	348.6	354.4	355.4	359.4	362.6	363.3	374.7	382.1	387.4	393.6
33 Other	167.5	166.1	165.5	163.7	161.9	160.0	160.1	159.5	158.5	157.2	154.6
34 Trading account assets	18.2	19.8	18.7	18.3	26.6	27.6	23.4	31.9	30.4	26.0	23.9
35 Total loans	1,904.9	1,918.0	1,928.8	1,940.2	1,963.2	1,981.0	1,993.7	1,986.5	1,988.7	1,991.7	2,000.0
36 Interbank loans	123.8	130.5	132.3	130.7	140.7	148.4	152.8	151.4	149.8	148.6	149.4
37 Loans excluding interbank	1,781.1	1,787.5	1,796.5	1,809.5	1,822.5	1,832.5	1,840.9	1,835.1	1,838.9	1,843.1	1,850.6
38 Commercial and industrial	511.3	516.0	512.4	511.3	515.7	516.9	516.9	513.4	517.7	518.9	522.7
39 Real estate	691.5	696.8	706.2	713.0	718.0	725.0	729.7	731.6	736.5	743.1	746.4
40 Individual	363.1	364.9	369.6	373.8	374.3	376.8	382.4	381.4	378.0	374.7	376.5
41 All other	215.2	209.9	208.3	211.4	214.4	213.9	211.9	208.7	206.8	206.4	205.2
42 Total cash assets	188.7	187.3	188.9	194.9	188.7	206.7	231.7	198.2	203.1	191.1	191.5
43 Reserves with Federal Reserve Banks	26.6	29.6	27.0	29.5	26.7	37.9	41.7	22.7	27.5	29.8	29.8
44 Cash in vault	27.5	27.3	28.4	27.9	27.8	30.6	31.5	28.0	27.8	27.8	28.5
45 Cash items in process of collection	77.9	74.5	76.6	81.3	76.3	82.3	97.5	88.3	90.2	78.5	78.7
46 Demand balances at U.S. depository institutions	26.7	26.4	27.4	26.8	26.4	26.6	30.2	27.7	28.9	25.9	24.8
47 Other cash assets	30.0	29.5	29.5	29.3	31.6	29.3	30.8	31.4	28.6	29.1	29.6
48 Other assets	139.7	136.5	136.2	140.1	131.0	137.1	140.9	143.2	139.6	136.4	135.1
49 Total assets/liabilities and capital	**2,768.7**	**2,776.2**	**2,792.6**	**2,812.5**	**2,830.8**	**2,875.0**	**2,913.0**	**2,894.0**	**2,902.4**	**2,889.9**	**2,898.7**
50 Deposits	2,061.2	2,073.2	2,088.9	2,095.8	2,113.8	2,140.8	2,184.3	2,160.7	2,175.6	2,165.0	2,170.0
51 Transaction deposits	569.1	568.0	572.6	576.6	576.1	590.5	631.3	600.8	605.7	584.2	590.8
52 Savings deposits	503.0	509.3	514.3	515.8	523.0	532.8	535.4	537.7	542.9	548.2	545.1
53 Time deposits	989.1	995.9	1,002.0	1,003.4	1,014.7	1,017.5	1,017.7	1,022.2	1,027.0	1,032.6	1,034.1
54 Borrowings	389.2	381.8	376.7	392.4	395.1	406.8	400.6	407.3	397.3	395.9	402.3
55 Other liabilities	113.5	116.2	120.0	117.5	119.2	123.6	123.7	122.5	124.2	122.0	118.3
56 Residual (assets less liabilities)	204.9	205.1	207.0	206.7	202.7	203.7	204.4	203.4	205.3	207.1	208.1
MEMO											
57 Real estate loans, revolving	45.2	45.5	46.8	47.6	48.0	48.6	49.3	50.4	50.8	51.2	52.4
58 Real estate loans, other	646.3	651.2	659.4	665.4	670.1	676.4	680.4	681.1	685.7	691.9	693.9

1. Back data are available from the Banking and Monetary Statistics section, Board of Governors of the Federal Reserve System, Washington, D.C., 20551. These data also appear in the Board's weekly H.8 (510) release.

Figures are partly estimated. They include all bank-premises subsidiaries and other significant majority-owned domestic subsidiaries. Loan and securities data for domestically chartered commercial banks are estimates for the last Wednesday of the month based on a sample of weekly reporting banks and quarter-end condition report data. Data for other banking institutions are estimates made for the last Wednesday of the month based on a weekly reporting sample of foreign-related institutions and quarter-end condition reports.

2. Commercial banking institutions include insured domestically chartered commercial banks, branches and agencies of foreign banks, Edge Act and Agreement corporations, and New York State foreign investment corporations.

3. Insured domestically chartered commercial banks include all member banks and insured nonmember banks.

1.26 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS[1]

Millions of dollars, Wednesday figures

Account	1990								
	Feb. 28	Mar. 7[r]	Mar. 14	Mar. 21[r]	Mar. 28[r]	Apr. 4	Apr. 11	Apr. 18	Apr. 25
1 Cash and balances due from depository institutions	113,304	109,204	114,562[r]	107,385	108,129	116,163	110,390	120,374	107,521
2 **Total loans, leases, and securities, net**	**1,286,102**	**1,290,884**	**1,283,913[r]**	**1,288,646**	**1,280,740**	**1,288,812**	**1,281,756**	**1,303,428**	**1,287,912**
3 U.S. Treasury and government agency	176,128[r]	177,393	173,812[r]	172,438	169,961	171,636	171,791	172,451	171,132
4 Trading account	23,349	24,884	21,840	20,587	17,708	19,080	18,419	18,704	15,196
5 Investment account	152,780[r]	152,508	151,972[r]	151,850	152,253	152,556	153,372	153,747	155,936
6 Mortgage-backed securities[2]	77,751[r]	77,929	77,867[r]	78,819	78,955	79,064	79,212	78,352	78,507
All other maturing in									
7 *One year or less*	23,533[r]	23,632	23,478[r]	23,005	23,112	22,745	22,914	23,166	24,598
8 Over one through five years	34,424[r]	33,746	33,356[r]	32,834	32,816	32,837	33,105	34,140	34,611
9 Over five years	17,072	17,201	17,270	17,192	17,369	17,909	18,140	18,089	18,220
10 Other securities	66,338[r]	65,862	65,902[r]	65,585	65,156	64,390	64,229	63,918	63,729
11 Trading account	680	679	726	722	840	701	714	833	762
12 Investment account	65,658[r]	65,183	65,175[r]	64,863	64,316	63,689	63,515	63,085	62,967
13 States and political subdivisions, by maturity	36,747	36,427	36,333	36,177	35,541	35,088	35,025	34,782	34,625
14 One year or less	4,761	4,754	4,758	4,728	4,412	4,214	4,159	4,010	4,010
15 *Over one year*	31,987	31,673	31,575	31,449	31,129	30,874	30,866	30,772	30,615
16 Other bonds, corporate stocks, and securities	28,911[r]	28,756	28,842[r]	28,686	28,775	28,602	28,490	28,303	28,343
17 Other trading account assets	6,350	6,554	7,228	7,462	7,483	8,357	8,458	8,720	7,903
18 Federal funds sold[3]	69,764[r]	71,184	70,486	71,894	70,047	77,410	71,211	83,437	74,790
19 To commercial banks	50,079	50,518	49,576	50,994	49,844	57,566	51,054	61,670	53,198
20 To nonbank brokers and dealers in securities	13,397[r]	14,651	13,924	14,325	14,698	14,530	15,321	15,838	15,934
21 To others	6,288	6,015	6,985	6,575	5,504	5,315	4,836	5,929	5,659
22 Other loans and leases, gross	1,010,432[r]	1,012,888	1,009,490[r]	1,014,314	1,010,587	1,008,350	1,007,612	1,016,364	1,011,785
23 Other loans, gross	983,892[r]	986,225	982,865[r]	987,633	983,939	981,686	980,935	989,644	985,106
24 Commercial and industrial	322,147	323,250	322,446[r]	323,897	322,696	324,748	324,592	327,740	325,848
25 Bankers acceptances and commercial paper	1,536	1,750	1,611[r]	1,563	1,629	1,614	1,518	1,638	1,549
26 All other	320,612	321,500	320,835[r]	322,334	321,068	323,134	323,074	326,102	324,299
27 U.S. addressees	319,182	320,089	319,411[r]	320,771	319,698	321,715	321,707	324,802	322,989
28 Non-U.S. addressees	1,430	1,411	1,424	1,563	1,370	1,420	1,367	1,299	1,310
29 Real estate loans	362,737	363,351	364,983[r]	365,474	365,808	364,029	365,262	364,905	366,124
30 Revolving, home equity	28,392	28,433	28,531	28,596	28,450	28,310	28,578	28,765	29,028
31 All other	334,344	334,918	336,452[r]	336,878	337,358	335,720	336,684	336,140	337,096
32 To individuals for personal expenditures	177,450	176,709	176,672[r]	176,298	174,642	173,047	173,432	174,115	174,149
33 To depository and financial institutions	50,548	53,410	52,591	53,172	50,961	50,667	50,656	52,638	51,306
34 Commercial banks in the United States	24,523	26,740	26,030	26,678	24,824	23,709	24,174	24,809	25,212
35 Banks in foreign countries	3,867	3,985	4,151	4,391	4,339	4,280	3,589	4,882	3,942
36 Nonbank depository and other financial institutions	22,159	22,685	22,409	22,104	21,797	22,677	22,892	22,947	22,151
37 For purchasing and carrying securities	16,364[r]	16,687	14,037	15,841	16,608	15,696	14,549	16,495	14,934
38 To finance agricultural production	5,439	5,448	5,487	5,462	5,445	5,503	5,534	5,612	5,664
39 To states and political subdivisions	24,582	24,416	24,321	24,297	24,301	24,076	24,052	24,141	23,996
40 To foreign governments and official institutions	1,470	1,193	1,179	1,224	1,487	1,599	1,505	1,426	1,583
41 All other	23,153	21,761	21,149[r]	21,967	21,992	22,319	21,353	22,571	21,502
42 Lease financing receivables	26,540	26,663	26,625[r]	26,681	26,648	26,663	26,677	26,720	26,679
43 LESS: Unearned income	4,811	4,792	4,804	4,809	4,796	4,617	4,638	4,640	4,564
44 Loan and lease reserve[4]	38,100	38,203	38,201[r]	38,239	37,699	36,713	36,908	36,822	36,864
45 Other loans and leases, net	967,521[r]	969,892	966,485[r]	971,267	968,092	967,019	966,066	974,902	970,357
46 All other assets	135,497	136,413	135,697[r]	135,552	132,516	138,047	135,674	134,071	129,337
47 **Total assets**	**1,534,903**	**1,536,501**	**1,534,171[r]**	**1,531,584**	**1,521,384**	**1,543,022**	**1,527,820**	**1,557,874**	**1,524,770**
48 Demand deposits	233,273	221,046	227,655[r]	215,932	220,033	234,551	227,767	235,440	219,107
49 Individuals, partnerships, and corporations	185,750	177,148	182,756[r]	173,140	176,880	185,158	182,449	184,791	174,131
50 States and political subdivisions	6,935	5,225	5,398	6,169	5,661	5,842	6,153	6,375	6,477
51 U.S. government	2,987	3,663	3,776	1,557	2,430	6,236	3,799	7,137	4,007
52 Depository institutions in the United States	22,352	20,553	20,784	19,391	19,570	21,147	20,126	20,155	19,247
53 Banks in foreign countries	5,679	5,520	5,883	6,300	6,349	6,631	5,661	6,413	5,601
54 Foreign governments and official institutions	669	614	870	921	646	728	595	784	606
55 Certified and officers' checks	8,902	8,322	8,187	8,453	8,496	8,809	8,985	9,785	9,039
56 Transaction balances other than demand deposits	81,235	83,096	81,750	81,077	80,619	86,100	86,074	89,232	83,580
57 Nontransaction balances	724,937	731,453	729,991	730,572	730,971	734,741	734,607	729,707	730,312
58 Individuals, partnerships, and corporations	685,518	692,360	690,716	691,296	691,572	695,554	695,259	690,748	691,235
59 States and political subdivisions	30,894	30,602	30,732	30,648	30,733	30,335	30,475	29,963	30,091
60 U.S. government	868	869	861	862	867	868	856	849	849
61 Depository institutions in the United States	7,079	7,059	7,123	7,143	7,181	7,429	7,471	7,613	7,591
62 Foreign governments, official institutions, and banks	577	562	559	622	617	555	546	534	545
63 Liabilities for borrowed money	299,908	304,394	302,596[r]	308,184	297,344	294,376	289,599	314,388	300,188
64 Borrowings from Federal Reserve Banks	1,613	1,673	1,844	3,031	1,741	1,607	1,592	1,056	176
65 *Treasury tax-and-loan notes*	10,569	7,149	3,512	13,724	10,629	583	397	26,317	27,184
66 All other liabilities for borrowed money[5]	287,726	295,573	297,240[r]	291,428	284,974	292,187	287,611	287,015	272,828
67 Other liabilities and subordinated notes and debentures	94,576	94,922	90,308[r]	94,202	90,379	90,423	86,594	86,330	88,931
68 **Total liabilities**	**1,433,930**	**1,434,912**	**1,432,300[r]**	**1,429,968**	**1,419,346**	**1,440,192**	**1,424,641**	**1,455,099**	**1,422,119**
69 Residual (total assets minus total liabilities)[6]	100,973	101,590	101,871[r]	101,616	102,038	102,830	103,178	102,775	102,652
MEMO									
70 Total loans and leases (gross) and investments adjusted[7]	1,254,411	1,256,622	1,251,310[r]	1,254,022	1,248,566	1,248,868	1,248,073	1,258,411	1,250,931
71 Total loans and leases (gross) adjusted[7]	1,005,595	1,006,814	1,004,369[r]	1,008,537	1,005,966	1,004,485	1,003,595	1,013,322	1,008,166
72 *Time deposits in amounts of $100,000 or more*	215,330	219,372	216,352	216,797	216,830	216,867	216,070	214,016	214,264
73 U.S. Treasury securities maturing in one year or less	23,158[r]	23,475	22,781[r]	22,012	21,819	23,300	22,759	22,787	20,338
74 Loans sold outright to affiliates—total[8]	494[r]	504	500[r]	502	495	279	278	270	275
75 Commercial and industrial	244[r]	255	250[r]	251	238	144	142	134	133
76 Other	250[r]	249	250[r]	250	257	134	136	136	142
77 Nontransaction savings deposits (including MMDAs)	276,990	278,941	279,988	279,683	279,604	283,342	283,212	279,389	277,934

1. Beginning Jan. 6, 1988, the "Large bank" reporting group was revised somewhat, eliminating some former reporters with less than $2 billion of assets and adding some new reporters with assets greater than $3 billion.
2. Includes U.S. government-issued or guaranteed certificates of participation in pools of residential mortgages.
3. Includes securities purchased under agreements to resell.
4. Includes allocated transfer risk reserve.
5. Includes federal funds purchased and securities sold under agreements to repurchase; for information on these liabilities at banks with assets of $1 billion or more on Dec. 31, 1977, see table 1.13.
6. This is not a measure of equity capital for use in capital-adequacy analysis or for other analytic uses.
7. Exclusive of loans and federal funds transactions with domestic commercial banks.
8. Loans sold are those sold outright to 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.

1.28 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS IN NEW YORK CITY[1]

Millions of dollars, Wednesday figures

Account	1990								
	Feb. 28	Mar. 7	Mar. 14	Mar. 21	Mar. 28	Apr. 4	Apr. 11	Apr. 18	Apr. 25
1 Cash balances due from depository institutions	20,672	21,607	22,343	23,602	21,300	21,797	21,744	23,768	19,682
2 **Total loans, leases, and securities, net**[2]	**214,702**	**216,870**	**215,247**	**216,737**	**215,049**	**215,991**	**211,316**	**218,353**	**216,381**
Securities									
3 U.S. Treasury and government agency[3]	0	0	0	0	0	0	0	0	0
4 Trading account[3]	0	0	0	0	0	0	0	0	0
5 Investment account	19,568	19,602	19,574	19,623	19,756	20,099	20,153	20,076	22,216
6 Mortgage-backed securities[4]	11,886	11,936	11,933	12,012	12,146	12,195	12,193	12,177	12,463
All other maturing in									
7 One year or less	1,860	1,787	1,764	1,724	1,824	1,849	1,861	1,806	3,813
8 Over one through five years	3,542	3,542	3,553	3,556	3,458	3,413	3,458	3,501	3,348
9 Over five years	2,279	2,337	2,323	2,330	2,329	2,642	2,642	2,592	2,593
10 Other securities[3]	0	0	0	0	0	0	0	0	0
11 Trading account[3]	0	0	0	0	0	0	0	0	0
12 Investment account	14,832	14,729	14,649	14,527	14,503	14,188	14,088	14,052	14,028
13 States and political subdivisions, by maturity	7,616	7,561	7,475	7,384	7,313	6,968	6,892	6,893	6,880
14 One year or less	1,052	1,049	1,058	1,057	1,036	728	655	662	649
15 Over one year	6,564	6,512	6,417	6,327	6,278	6,240	6,237	6,231	6,231
16 Other bonds, corporate stocks, and securities	7,216	7,168	7,174	7,142	7,190	7,220	7,197	7,159	7,148
17 Other trading account assets[3]	0	0	0	0	0	0	0	0	0
Loans and leases									
18 Federal funds sold[5]	17,848	18,600	19,701	18,548	17,689	18,057	16,158	18,834	17,311
19 To commercial banks	10,376	10,232	11,164	10,928	9,982	10,113	8,326	11,176	9,498
20 To nonbank brokers and dealers in securities	3,425	4,298	3,638	3,237	4,302	5,151	4,998	4,535	4,510
21 To others	4,047	4,069	4,898	4,383	3,405	2,793	2,834	3,123	3,303
22 Other loans and leases, gross	181,713	183,163	180,558	183,286	182,251	181,975	179,424	183,759	181,190
23 Other loans, gross	176,149	177,602	175,012	177,721	176,698	176,433	173,904	178,254	175,672
24 Commercial and industrial	58,878	59,025	58,570	58,390	57,548	58,342	57,900	59,149	58,472
25 Bankers acceptances and commercial paper	98	99	115	108	102	108	98	142	104
26 All other	58,780	58,926	58,455	58,282	57,446	58,234	57,802	59,007	58,367
27 U.S. addressees	58,184	58,351	57,888	57,573	56,856	57,495	57,086	58,332	57,714
28 Non-U.S. addressees	596	575	567	709	590	738	716	674	654
29 Real estate loans	61,854	61,949	62,195	62,344	62,380	62,156	62,746	62,441	62,537
30 Revolving, home equity	3,978	3,979	3,985	3,993	3,996	4,001	4,017	4,026	4,038
31 All other	57,875	57,971	58,210	58,350	58,384	58,155	58,729	58,415	58,499
32 To individuals for personal expenditures	20,060	19,994	19,966	19,942	19,939	19,859	19,876	20,009	20,013
33 To depository and financial institutions	18,714	20,457	19,908	20,950	19,590	19,918	18,576	20,103	19,129
34 Commercial banks in the United States	7,941	9,602	8,904	9,901	8,768	8,624	7,848	7,959	8,094
35 Banks in foreign countries	2,741	2,782	3,067	3,336	3,314	3,376	2,684	3,955	3,035
36 Nonbank depository and other financial institutions	8,032	8,072	7,937	7,713	7,509	7,918	8,043	8,189	7,999
37 For purchasing and carrying securities	5,768	6,150	4,629	5,750	6,454	5,592	4,762	6,166	5,394
38 To finance agricultural production	114	106	109	102	117	114	120	126	122
39 To states and political subdivisions	5,316	5,292	5,294	5,286	5,276	5,199	5,187	5,184	5,163
40 To foreign governments and official institutions	486	245	251	283	235	298	221	198	358
41 All other	4,958	4,383	4,090	4,675	5,159	4,954	4,514	4,878	4,484
42 Lease financing receivables	5,564	5,561	5,546	5,565	5,552	5,542	5,520	5,505	5,518
43 LESS: Unearned income	1,827	1,822	1,824	1,836	1,838	1,814	1,833	1,835	1,831
44 Loan and lease reserve	17,431	17,401	17,410	17,411	17,313	16,513	16,674	16,532	16,534
45 Other loans and leases, net[6]	162,455	163,940	161,323	164,039	163,100	163,648	160,916	165,392	162,825
46 All other assets[7]	64,191	63,116	62,654	61,336	57,317	58,848	57,445	57,869	56,226
47 **Total assets**	**299,566**	**301,593**	**300,245**	**301,675**	**293,666**	**296,637**	**290,505**	**299,990**	**292,289**
Deposits									
48 Demand deposits	49,208	45,162	48,448	47,617	49,125	50,381	46,556	49,706	44,977
49 Individuals, partnerships, and corporations	35,072	32,467	34,055	33,123	35,307	35,970	33,184	34,577	31,875
50 States and political subdivisions	613	667	521	638	520	645	573	626	508
51 U.S. government	450	685	701	199	383	1,258	659	1,262	699
52 Depository institutions in the United States	5,761	4,111	5,082	4,587	4,375	4,092	3,988	4,127	3,992
53 Banks in foreign countries	4,218	4,060	4,620	5,128	5,113	5,326	4,522	5,224	4,274
54 Foreign governments and official institutions	504	477	725	801	503	590	455	630	474
55 Certified and officers' checks	2,590	2,694	2,743	3,139	2,924	2,501	3,174	3,261	3,155
56 Transaction balances other than demand deposits (ATS, NOW, Super NOW, telephone transfers)	8,661	8,821	8,723	8,708	8,715	9,276	9,463	10,052	9,453
57 Nontransaction balances	117,022	120,440	117,499	116,946	116,641	116,358	115,700	114,708	116,312
58 Individuals, partnerships, and corporations	108,522	111,996	109,088	108,421	108,126	107,898	107,275	106,313	107,879
59 States and political subdivisions	6,643	6,577	6,549	6,560	6,548	6,240	6,210	6,195	6,255
60 U.S. government	39	40	38	37	38	41	38	33	34
61 Depository institutions in the United States	1,608	1,619	1,617	1,624	1,625	1,937	1,933	1,932	1,903
62 Foreign governments, official institutions, and banks	209	208	207	305	304	242	243	235	241
63 Liabilities for borrowed money	65,667	65,967	70,375	67,936	63,134	67,548	64,447	70,408	64,778
64 Borrowings from Federal Reserve Banks	0	0	0	1,000	0	0	0	975	0
65 Treasury tax-and-loan notes	2,237	1,423	631	3,009	2,231	53	36	5,807	6,042
66 All other liabilities for borrowed money[8]	63,431	64,543	69,744	63,927	60,904	67,495	64,410	63,626	58,736
67 Other liabilities and subordinated notes and debentures	34,973	36,890	30,887	36,146	31,714	28,071	29,557	30,516	32,037
68 **Total liabilities**	**275,531**	**277,279**	**275,932**	**277,354**	**269,329**	**271,635**	**265,724**	**275,390**	**267,557**
69 Residual (total assets minus total liabilities)[9]	24,034	24,314	24,312	24,321	24,337	25,002	24,780	24,600	24,732
MEMO									
70 Total loans and leases (gross) and investments adjusted[2,10]	215,643	216,258	214,414	215,155	215,450	215,582	213,649	217,586	217,153
71 Total loans and leases (gross) adjusted[10]	181,243	181,928	180,191	181,005	181,190	181,295	179,407	183,459	180,909
72 Time deposits in amounts of $100,000 or more	41,027	44,305	40,821	40,636	40,450	40,184	39,588	39,436	39,430
73 U.S. Treasury securities maturing in one year or less	3,224	3,077	2,822	2,403	2,373	2,184	2,416	2,533	2,339

1. These data also appear in the Board's H.4.2 (504) release. For address, see inside front cover.
2. Excludes trading account securities.
3. Not available due to confidentiality.
4. Includes U.S. government-issued or guaranteed certificates of participation in pools of residential mortgages.
5. Includes securities purchased under agreements to resell.
6. Includes allocated transfer risk reserve.
7. Includes trading account securities.
8. Includes federal funds purchased and securities sold under agreements to repurchase.
9. Not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.
10. Exclusive of loans and federal funds transactions with domestic commercial banks.

1.30 LARGE WEEKLY REPORTING U.S. BRANCHES AND AGENCIES OF FOREIGN BANKS[1] Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1990								
	Feb. 28	Mar. 7	Mar. 14	Mar. 21	Mar. 28	Apr. 4	Apr. 11	Apr. 18	Apr. 25
1 Cash and due from depository institutions	13,155	13,317	12,756	13,815	13,501	13,688	13,018	13,567	12,650
2 Total loans and securities	145,879	149,202r	150,566r	150,833r	150,263r	148,807	147,239	149,270	150,774
3 U.S. Treasury and government agency securities	10,009r	10,192r	10,523r	10,924r	10,768r	10,741	10,072	10,277	10,929
4 Other securities	6,828r	6,782r	6,710r	6,711r	6,941r	7,466	7,463	7,309	7,233
5 Federal funds sold[2]	5,904	6,410	7,505	6,133	8,045	5,593	4,468	4,789	6,383
6 To commercial banks in the United States	4,482	5,109	5,904	4,714	6,810	4,080	3,032	3,417	5,034
7 To others	1,422	1,301	1,601	1,419	1,235	1,513	1,436	1,372	1,349
8 Other loans, gross	123,138	125,818	125,828	127,065	124,509	125,007	125,236	126,895	126,229
9 Commercial and industrial	73,994	74,645	74,218	75,502	75,237	75,169	75,338	76,597	75,245
10 Bankers acceptances and commercial paper	2,183	2,336	2,307	2,153	1,944	1,996	1,955	2,424	2,356
11 All other	71,811	72,309	71,911	73,349	73,293	73,173	73,383	74,173	72,889
12 U.S. addressees	70,387	70,955	70,566	71,928	71,881	71,726	71,952	72,673	71,483
13 Non-U.S. addressees	1,424	1,354	1,345	1,421	1,412	1,447	1,431	1,500	1,406
14 Loans secured by real estate[3]	19,848	20,094	20,207	20,251	20,440	20,858	20,834	21,189	21,801
15 To financial institutions	25,963	27,455	28,438	28,158	25,382	25,830	25,684	25,484	26,249
16 Commercial banks in the United States	19,569	20,867	21,843	21,524	19,096	19,340	19,011	18,387	19,081
17 Banks in foreign countries	1,651	1,649	1,699	1,733	1,401	1,572	1,769	1,980	2,174
18 Nonbank financial institutions	4,743	4,939	4,896	4,901	4,885	4,918	4,904	5,117	4,994
19 To foreign governments and official institutions	247	243	266	235	228	221	224	221	223
20 For purchasing and carrying securities	1,601	1,724	1,398	1,609	1,812	1,681	1,641	2,066	1,376
21 All other[3]	1,485	1,657	1,301	1,310	1,410	1,248	1,515	1,338	1,335
22 Other assets (claims on nonrelated parties)	36,042	35,690	36,995	35,301	34,474	33,563	33,782	33,154	33,697
23 Net due from related institutions	14,128	12,689	11,703	12,345	14,727	15,741	14,684	16,204	13,939
24 Total assets	209,204	210,899	212,020	212,294	212,966	211,799	208,722	212,195	211,061
25 Deposits or credit balances due to other than directly related institutions	49,563	48,662	48,792	49,514	49,447	49,173	49,653	49,983	50,142
26 Transaction accounts and credit balances[4]	4,036	3,684	3,464	3,633	4,149	3,789	4,150	4,057	3,943
27 Individuals, partnerships, and corporations	2,750	2,464	2,545	2,491	2,760	2,612	2,450	2,616	2,778
28 Other	1,286	1,220	919	1,142	1,389	1,177	1,700	1,441	1,165
29 Nontransaction accounts[5]	45,527	44,978	45,328	45,881	45,298	45,384	45,503	45,926	46,199
30 Individuals, partnerships, and corporations	38,697r	38,309r	38,581r	38,439r	38,448r	38,429	38,561	38,560	39,177
31 Other	6,830r	6,669r	6,747r	7,442r	6,850r	6,955	6,942	7,366	7,022
32 Borrowings from other than directly related institutions	96,665	100,642	99,596	98,113	99,358	104,705	100,691	103,069	102,252
33 Federal funds purchased[6]	47,187	48,879	45,783	45,422	47,825	49,750	45,137	49,622	43,352
34 From commercial banks in the United States	22,276	21,330	18,847	17,666	22,058	23,261	19,152	23,081	20,390
35 From others	24,911	27,549	26,936	27,756	25,767	26,489	25,985	26,541	22,962
36 Other liabilities for borrowed money	49,478	51,763	53,813	52,691	51,533	54,955	55,554	53,447	58,900
37 To commercial banks in the United States	30,569	32,843	32,759	33,347	31,310	32,487	32,009	31,288	32,635
38 To others	18,909	18,920	21,054	19,344	20,223	22,468	23,545	22,159	26,265
39 Other liabilities to nonrelated parties	36,510	34,845	36,059	34,565	33,567	33,037	33,143	32,300	32,781
40 Net due to related institutions	26,465	26,752	27,574	30,103	30,593	24,882	25,234	26,844	25,886
41 Total liabilities	209,204	210,899	212,020	212,294	212,966	211,799	208,722	212,195	211,061
MEMO									
42 Total loans (gross) and securities adjusted[7]	121,828	123,226r	122,819r	124,595r	124,357r	125,387	125,196	127,466	126,659
43 Total loans (gross) adjusted[7]	104,991	106,252	105,586	106,960	106,648	107,180	107,661	109,880	108,497

1. Effective Jan. 4, 1989, the reporting panel includes a new group of large U.S. branches and agencies of foreign banks. Earlier data included 65 U.S. branches and agencies of foreign banks that included those branches and agencies with assets of $750 million or more on June 30, 1980, plus those branches and agencies that had reached the $750 million asset level on Dec. 31, 1984. These data also appear in the Board's H.4.2 (504) release. For address, see inside front cover.
2. Includes securities purchased under agreements to resell.
3. Effective Jan. 4, 1989, loans secured by real estate are being reported as a separate component of Other loans, gross. Formerly, these loans were included in "All other", line 21.
4. Includes credit balances, demand deposits, and other checkable deposits.
5. Includes savings deposits, money market deposit accounts, and time deposits.
6. Includes securities sold under agreements to repurchase.
7. Exclusive of loans to and federal funds sold to commercial banks in the United States.

1.31 GROSS DEMAND DEPOSITS Individuals, Partnerships, and Corporations[1]

Billions of dollars, estimated daily-average balances, not seasonally adjusted

Type of holder	Commercial banks									
	1984 Dec.	1985 Dec.	1986 Dec.	1987 Dec.	1988 Dec.	1989 Mar.	1989 June	1989 Sept.	1989 Dec.	1990 Mar.
1 **All holders—Individuals, partnerships, and corporations**	**302.7**	**321.0**	**363.6**	**343.5**	**354.7**	**330.4**	**329.3**	**337.3**	**352.2**	n.a.
2 Financial business	31.7	32.3	41.4	36.3	38.6	36.3	33.0	33.7	33.8	n.a.
3 Nonfinancial business	166.3	178.5	202.0	191.9	201.2	182.2	185.9	190.4	202.5	n.a.
4 Consumer	81.5	85.5	91.1	90.0	88.3	87.4	86.6	87.9	90.3	n.a.
5 Foreign	3.6	3.5	3.3	3.4	3.7	3.7	2.9	2.9	3.1	n.a.
6 Other	19.7	21.2	25.8	21.9	22.8	20.7	21.0	22.4	22.5	n.a.
	Weekly reporting banks									
	1984 Dec.	1985 Dec.	1986 Dec.	1987 Dec.	1988 Dec.	1989 Mar.	1989 June	1989 Sept.	1989 Dec.	1990 Mar.
7 **All holders—Individuals, partnerships, and corporations**	**157.1**	**168.6**	**195.1**	**183.8**	**198.3**	**181.9**	**182.2**	**186.6**	**196.7**	**183.6**
8 Financial business	25.3	25.9	32.5	28.6	30.5	27.2	25.4	26.3	27.6	25.3
9 Nonfinancial business	87.1	94.5	106.4	100.0	108.7	98.6	99.8	101.6	108.8	100.0
10 Consumer	30.5	33.2	37.5	39.1	42.6	41.1	42.4	43.0	44.1	42.9
11 Foreign	3.4	3.1	3.3	3.3	3.6	3.3	2.9	2.8	3.0	2.8
12 Other	10.9	12.0	15.4	12.7	12.9	11.7	11.7	12.9	13.2	12.7

1. Figures include cash items in process of collection. Estimates of gross deposits are based on reports supplied by a sample of commercial banks. Types of depositors in each category are described in the June 1971 *Bulletin*, p. 466. Figures may not add to totals because of rounding.

2. Beginning in March 1984, these data reflect a change in the panel of weekly reporting banks, and are not comparable to earlier data. Estimates in billions of dollars for December 1983 based on the new weekly reporting panel are: financial business, 24.4; nonfinancial business, 80.9; consumer, 30.1; foreign, 3.1; other 9.5.

Beginning March 1985, financial business deposits and, by implication, total gross demand deposits have been redefined to exclude demand deposits due to thrift institutions. Historical data have not been revised. The estimated volume of such deposits for December 1984 is \$5.0 billion at all insured commercial banks and \$3.0 billion at weekly reporting banks.

Historical data back to March 1985 have been revised to account for corrections of bank reporting errors. Historical data before March 1985 have not been revised, and may contain reporting errors. Data for all commercial banks for March 1985 were revised as follows (in billions of dollars): all holders, −.3; financial business, −.8; nonfinancial business, −.4; consumer, .9; foreign, .1; other, −.1. Data for weekly reporting banks for March 1985 were revised as follows (in billions of dollars): all holders, −.1; financial business, −.7; nonfinancial business, −.5; consumer, 1.1; foreign, .1; other, −.2.

3. Beginning March 1988, these data reflect a change in the panel of weekly reporting banks, and are not comparable to earlier data. Estimates in billions of dollars for December 1987 based on the new weekly reporting panel are: financial business, 29.4; nonfinancial business, 105.1; consumer, 41.1; foreign, 3.4; other, 13.1.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Instrument	1985 Dec.	1986 Dec.	1987 Dec.	1988 Dec.	1989 Dec.	1989 Oct.	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**298,779**	**329,991**	**358,056**	**457,297**	**529,055**	**512,711**	**521,634**	**529,055**	**533,137**	**540,148**	**546,786**
Financial companies[1]											
Dealer-placed paper[2]											
2 Total	78,443	101,072	102,844	160,094	187,084	177,194	183,284	187,084	183,401	185,391	184,097
3 Bank-related (not seasonally adjusted)[3]	1,602	2,265	1,428	1,248	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Directly placed paper[4]											
4 Total	135,320	151,820	173,980	194,537	212,210	211,454	212,215	212,210	214,996	215,650	215,501
5 Bank-related (not seasonally adjusted)[3]	44,778	40,860	43,173	43,155	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
6 Nonfinancial companies[5]	85,016	77,099	81,232	102,666	129,761	124,063	126,135	129,761	134,740	139,107	147,188
	Bankers dollar acceptances (not seasonally adjusted)[6]										
7 **Total**	**68,413**	**64,974**	**70,565**	**66,631**	**62,972**	**63,660**	**63,802**	**62,972**	**60,019**	**57,852**	**55,865**
Holder											
8 Accepting banks	11,197	13,423	10,943	9,086	9,433	10,811	9,923	9,433	9,954	10,351	9,574
9 Own bills	9,471	11,707	9,464	8,022	8,510	9,108	8,548	8,510	8,467	8,907	8,386
10 Bills bought	1,726	1,716	1,479	1,064	924	1,703	1,375	924	1,488	1,444	1,188
Federal Reserve Banks											
11 Own account	0	0	0	0	0	0	0	0	0	0	0
12 Foreign correspondents	937	1,317	965	1,493	1,066	1,016	1,034	1,066	1,069	1,123	1,180
13 Others	56,279	50,234	58,658	56,052	52,473	51,833	52,846	52,473	48,996	46,379	45,111
Basis											
14 Imports into United States	15,147	14,670	16,483	14,984	15,651	16,157	15,691	15,651	15,100	14,522	14,418
15 Exports from United States	13,204	12,960	15,227	14,410	13,683	14,275	14,385	13,683	13,437	12,567	12,161
16 All other	40,062	37,344	38,855	37,237	33,638	33,228	33,726	33,638	31,482	30,764	29,286

1. Institutions engaged primarily in activities such as, but not limited to, 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. Beginning January 1989, bank-related series have been discontinued.
4. As reported by financial companies that place their paper directly with investors.
5. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.
6. Beginning January 1988, the number of respondents in the bankers acceptance survey were reduced from 155 to 111 institutions—those with $100 million or more in total acceptances. The panel is revised every January and currently has about 100 respondents. The current reporting group accounts for over 90 percent of total acceptances activity.

1.33 PRIME RATE CHARGED BY BANKS on Short-Term Business Loans

Percent per year

Date of change	Rate	Period	Average rate	Period	Average rate	Period	Average rate
		1987	8.21	1988— Jan.	8.75	1989— July	10.98
		1988	9.32	Feb.	8.51	Aug.	10.50
1987— Apr. 1	7.75	1989	10.87	Mar.	8.50	Sept.	10.50
May 1	8.00	1987— Jan.	7.50	Apr.	8.50	Oct.	10.50
15	8.25	Feb.	7.50	May	8.84	Nov.	10.50
Sept.4	8.75	Mar.	7.50	June	9.00	Dec.	10.50
Oct. 7	9.25	Apr.	7.75	July	9.29	1990— Jan.	10.11
22	9.00	May	8.14	Aug.	9.84	Feb.	10.00
Nov. 5	8.75	June	8.25	Sept.	10.00	Mar.	10.00
1988— Feb. 2	8.50	July	8.25	Oct.	10.00	Apr.	10.00
May 11	9.00	Aug.	8.25	Nov.	10.05	May	10.00
July 14	9.50	Sept.	8.70	Dec.	10.50		
Aug. 11	10.00	Oct.	9.07	1989— Jan.	10.50		
Nov. 28	10.50	Nov.	8.78	Feb.	10.93		
1989— Feb. 10	11.00	Dec.	8.75	Mar.	11.50		
24	11.50			Apr.	11.50		
June 5	11.00			May	11.50		
July 31	10.50			June	11.07		
1990— Jan. 8	10.00						

NOTE. These data also appear in the Board's H.15 (519) and G.13 (415) releases. For address, see inside front cover.

1.35 INTEREST RATES Money and Capital Markets

Averages, percent per year; weekly, monthly and annual figures are averages of business day data unless otherwise noted.

Instrument	1987	1988	1989	1990 Jan.	Feb.	Mar.	Apr.	Mar. 30	Apr. 6	Apr. 13	Apr. 20	Apr. 27
MONEY MARKET RATES												
1 Federal funds[1,2]	6.66	7.57	9.21	8.23	8.24	8.28	8.26	8.26	8.33	8.25	8.27	8.24
2 Discount window borrowing[1,2,3]	5.66	6.20	6.93	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Commercial paper[4,5]												
3 1-month	6.74	7.58	9.11	8.20	8.22	8.32	8.32	8.35	8.34	8.30	8.30	8.35
4 3-month	6.82	7.66	8.99	8.10	8.14	8.28	8.30	8.30	8.30	8.24	8.27	8.37
5 6-month	6.85	7.68	8.80	7.96	8.04	8.23	8.29	8.27	8.28	8.21	8.24	8.38
Finance paper, directly placed[4,5]												
6 1-month	6.61	7.44	8.99	8.09	8.13	8.23	8.23	8.25	8.25	8.20	8.20	8.27
7 3-month	6.54	7.38	8.72	7.90	7.97	8.04	8.13	8.08	8.09	8.08	8.10	8.20
8 6-month	6.37	7.14	8.16	7.34	7.40	7.49	7.74	7.52	7.61	7.61	7.74	7.96
Bankers acceptances[5,6]												
9 3-month	6.75	7.56	8.87	7.97	8.03	8.15	8.21	8.18	8.17	8.14	8.18	8.30
10 6-month	6.78	7.60	8.67	7.83	7.91	8.11	8.18	8.15	8.14	8.09	8.14	8.32
Certificates of deposit, secondary market[7]												
11 1-month	6.75	7.59	9.11	8.17	8.19	8.30	8.32	8.31	8.31	8.29	8.30	8.38
12 3-month	6.87	7.73	9.09	8.16	8.22	8.35	8.42	8.35	8.37	8.35	8.38	8.53
13 6-month	7.01	7.91	9.08	8.17	8.26	8.48	8.57	8.52	8.54	8.47	8.51	8.72
14 Eurodollar deposits, 3-month[8]	7.07	7.85	9.16	8.39	8.24	8.37	8.44	8.38	8.40	8.38	8.38	8.49
U.S. Treasury bills[5]												
Secondary market[9]												
15 3-month	5.78	6.67	8.11	7.64	7.74	7.90	7.77	7.85	7.77	7.78	7.76	7.78
16 6-month	6.03	6.91	8.03	7.55	7.70	7.85	7.84	7.84	7.77	7.78	7.81	7.94
17 1-year	6.33	7.13	7.92	7.38	7.55	7.76	7.80	7.75	7.71	7.70	7.81	7.94
Auction average[10]												
18 3-month	5.82	6.68	8.12	7.64	7.76	7.87	7.78	7.85	7.83	7.80	7.71	7.78
19 6-month	6.05	6.92	8.04	7.52	7.72	7.83	7.82	7.83	7.81	7.80	7.75	7.91
20 1-year	6.33	7.17	7.91	7.21	7.42	7.76	7.72	n.a.	n.a.	7.72	n.a.	n.a.
CAPITAL MARKET RATES												
U.S. Treasury notes and bonds[11]												
Constant maturities[12]												
21 1-year	6.77	7.65	8.53	7.92	8.11	8.35	8.40	8.34	8.29	8.29	8.41	8.57
22 2-year	7.42	8.10	8.57	8.09	8.37	8.63	8.72	8.61	8.57	8.55	8.75	8.95
23 3-year	7.68	8.26	8.55	8.13	8.39	8.63	8.78	8.63	8.62	8.61	8.80	9.02
24 5-year	7.94	8.47	8.50	8.12	8.42	8.60	8.77	8.57	8.59	8.60	8.79	9.01
25 7-year	8.23	8.71	8.52	8.20	8.48	8.65	8.81	8.62	8.65	8.65	8.84	9.04
26 10-year	8.39	8.85	8.49	8.21	8.47	8.59	8.79	8.56	8.59	8.62	8.83	9.02
27 30-year	8.59	8.96	8.45	8.26	8.50	8.56	8.76	8.53	8.56	8.58	8.80	9.00
Composite[13]												
28 Over 10 years (long-term)	8.64	8.98	8.58	8.39	8.66	8.74	8.92	8.71	8.74	8.74	8.97	9.15
State and local notes and bonds												
Moody's series[14]												
29 Aaa	7.14	7.36	7.00	6.81	7.05	6.98	7.04	7.05	6.83	7.09	7.05	7.19
30 Baa	8.17	7.83	7.40	7.35	7.24r	7.41	7.43	7.45	7.40	7.50	7.45	7.40
31 *Bond Buyer* series[15]	7.63	7.68	7.23	7.10	7.22	7.29	7.39	7.33	7.33	7.31	7.39	7.51
Corporate bonds												
Seasoned issues[16]												
32 All industries	9.91	10.18	9.66	9.43	9.64	9.73	9.82	9.73	9.74	9.73	9.82	9.95
33 Aaa	9.38	9.71	9.26	8.99	9.22	9.37	9.46	9.37	9.38	9.38	9.45	9.59
34 Aa	9.68	9.94	9.46	9.27	9.45	9.51	9.64	9.54	9.55	9.53	9.64	9.77
35 A	9.99	10.24	9.74	9.54	9.75	9.82	9.89	9.80	9.82	9.81	9.89	9.98
36 Baa	10.58	10.83	10.18	9.94	10.14	10.21	10.30	10.20	10.22	10.18	10.29	10.45
37 A-rated, recently offered utility bonds[17]	9.96	10.20	9.79	9.63	9.84	9.92	10.09	9.98	9.93	9.96	10.25	10.32
MEMO: Dividend/price ratio[18]												
38 Preferred stocks	8.37	9.23	9.05	8.80	8.90	9.02	9.05	9.00	9.04	9.09	9.02	9.04
39 Common stocks	3.08	3.64	3.45	3.41	3.54	3.49	3.51	3.47	3.48	3.48	3.49	3.59

1. Weekly, monthly and annual figures are averages of all calendar days, where the rate for a weekend or holiday is taken to be the rate prevailing on the preceding business day. The daily rate is the average of the rates on a given day weighted by the volume of transactions at these rates.
2. Weekly figures are averages for statement week ending Wednesday.
3. Rate for the Federal Reserve Bank of New York.
4. Unweighted average of offering rates quoted by at least five dealers (in the case of commercial paper), or finance companies (in the case of finance paper). Before November 1979, maturities for data shown are 30–59 days, 90–119 days, and 120–179 days for commercial paper; and 30–59 days, 90–119 days, and 150–179 days for finance paper.
5. Yields are quoted on a bank-discount basis, rather than in an investment yield basis (which would give a higher figure).
6. Dealer closing offered rates for top-rated banks. Most representative rate (which may be, but need not be, the average of the rates quoted by the dealers).
7. Unweighted average of offered rates quoted by at least five dealers early in the day.
8. Calendar week average. For indication purposes only.
9. Unweighted average of closing bid rates quoted by at least five dealers.
10. Rates are recorded in the week in which bills are issued. Beginning with the Treasury bill auction held on Apr. 18, 1983, bidders were required to state the percentage yield (on a bank discount basis) that they would accept to two decimal places. Thus, average issuing rates in bill auctions will be reported using two rather than three decimal places.
11. Yields are based on closing bid prices quoted by at least five dealers.
12. Yields adjusted to constant maturities by the U.S. Treasury. That is, yields are read from a yield curve at fixed maturities. Based on only recently issued, actively traded securities.
13. Averages (to maturity or call) for all outstanding bonds neither due nor callable in less than 10 years, including one very low yielding "flower" bond.
14. General obligations based on Thursday figures; Moody's Investors Service.
15. General obligations only, with 20 years to maturity, issued by 20 state and local governmental units of mixed quality. Based on figures for Thursday.
16. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
17. Compilation of the Federal Reserve. This series is an estimate of the yield on recently-offered, A-rated utility bonds with a 30-year maturity and 5 years of call protection. Weekly data are based on Friday quotations.
18. Standard and Poor's corporate series. Preferred stock ratio based on a sample of ten issues: four public utilities, four industrials, one financial, and one transportation. Common stock ratios on the 500 stocks in the price index.

NOTE. These data also appear in the Board's H.15 (519) and G.13 (415) releases. For address, see inside front cover.

1.36 STOCK MARKET Selected Statistics

Indicator	1987	1988	1989	1989 Aug.	1989 Sept.	1989 Oct.	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.	1990 Apr.
	Prices and trading (averages of daily figures)											
Common stock prices												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	161.78	149.97	180.13	192.93	193.02	192.49	188.50	192.67	187.96	182.55	186.26	185.61
2 Industrial	195.31	180.83	228.04	231.32	230.86	229.40	224.38	230.12	225.79	220.60	226.14	226.86
3 Transportation	140.52	134.09	174.90	197.53	202.02	190.36	174.26	177.25	173.67	166.69	175.08	173.54
4 Utility	74.29	72.22	94.33	92.90	93.44	94.67	94.95	99.73	95.69	92.15	92.99	91.92
5 Finance	146.48	127.41	162.01	164.86	165.51	166.55	160.89	155.63	150.11	142.68	143.14	138.57
6 Standard & Poor's Corporation (1941–43 = 10)[1]	287.00	265.88	323.05	346.61	347.33	347.40	340.22	348.57	339.97	330.45	338.47	338.18
7 American Stock Exchange (Aug. 31, 1973 = 50)[2]	316.78	295.08	356.67	379.28	382.75	383.63	371.92	373.87	367.40	355.30	360.77	353.32
Volume of trading (thousands of shares)												
8 New York Stock Exchange	188,922	161,386	165,568	171,683	151,752	182,394	144,389	160,671	172,420	155,960	149,240	140,062
9 American Stock Exchange	13,832	9,955	13,124	14,538	12,631	13,853	12,001	13,298	14,831	13,735	15,133	13,961
	Customer financing (end-of-period balances, in millions of dollars)											
10 **Margin credit at broker-dealers**[3]	**31,990**	**32,740**	**34,320**	**33,940**	**35,020**	**35,110**	**34,630**	**34,320**	**32,640**	**31,480**	**30,760**	**31,060**
Free credit balances at brokers[4]												
11 Margin-account[5]	4,750	5,660	7,040	5,580	5,680	6,000	5,815	7,040	6,755	6,575	6,525	6,465
12 Cash-account	15,640	16,595	18,505	16,015	15,310	16,340	16,345	18,505	17,370	16,200	16,510	15,375

Margin requirements (percent of market value and effective date)[6]	Mar. 11, 1968	June 8, 1968	May 6, 1970	Dec. 6, 1971	Nov. 24, 1972	Jan. 3, 1974
13 Margin stocks	70	80	65	55	65	50
14 Convertible bonds	50	60	50	50	50	50
15 Short sales	70	80	65	55	65	50

1. Effective July 1976, includes a new financial group, banks and insurance companies. With this change the index includes 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.
2. Beginning July 5, 1983, the American Stock Exchange rebased its index effectively cutting previous readings in half.
3. *Beginning July 1983, under the revised Regulation T, margin credit at* broker-dealers includes credit extended against stocks, convertible bonds, stocks acquired through 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 in accounts with no unfulfilled commitments to the brokers and are subject to withdrawal by customers on demand.
5. New series beginning June 1984.
6. These regulations, adopted by the Board of Governors pursuant to the Securities Exchange Act of 1934, limit the amount of credit 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.

1.37 SELECTED FINANCIAL INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1987	1988	1989 May	1989 June	1989 July	1989 Aug.	1989 Sept.	1989 Oct.	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.
	SAIF-insured institutions											
1 **Assets**	**1,250,855**	**1,350,500**	**1,344,050**	**1,336,143**	**1,329,503**	**1,315,921**	**1,298,904**	**1,286,827**	**1,277,314**	**1,250,068**	**1,237,627**	
2 Mortgages	721,593	764,513	764,759	763,328	762,206	760,786	755,428	748,800	745,093	734,422	727,636	
3 Mortgage-backed securities	201,828	214,587	216,256	211,325	204,365	195,309	188,493	181,641	176,552	170,725	169,482	
4 Contra-assets to mortgage assets[1]	42,344	37,950	27,905	28,148	27,659	27,433	27,131	25,972	25,001	25,397	23,408	
5 Commercial loans	23,163	33,889	33,008	33,072	33,206	33,035	32,936	32,572	32,327	32,162	31,941	
6 Consumer loans	57,902	61,922	61,868	60,768	61,079	60,958	60,405	59,727	59,396	58,728	56,940	
7 Contra-assets to nonmortgage loans[2]	3,467	3,056	2,916	3,190	3,199	3,163	3,127	3,106	3,199	3,482	1,866	n.a.
8 Cash and investment securities	169,717	186,986	174,333	175,222	175,135	171,564	169,478	172,582	172,302	165,849	160,600	
9 Other[3]	122,462	129,610	124,648	123,766	124,370	124,864	122,421	120,584	119,845	117,061	116,301	
10 **Liabilities and net worth**	**1,250,855**	**1,350,500**	**1,344,050**	**1,336,143**	**1,329,503**	**1,315,921**	**1,298,904**	**1,286,827**	**1,277,314**	**1,250,068**	**1,237,627**	
11 Savings capital	932,616	971,700	955,566	960,073	963,158	960,344	958,901	948,500	946,655	945,649	933,794	
12 Borrowed money	249,917	299,400	318,367	312,093	301,571	289,634	281,473	275,978	268,462	252,193	253,519	
13 FHLBB	116,363	134,168	146,520	144,217	141,875	138,331	133,633	130,514	127,671	124,578	121,697	
14 Other	133,554	165,232	171,847	167,876	159,696	151,303	147,840	145,464	140,791	127,615	131,822	
15 Other	21,941	24,216	33,585	29,892	31,886	33,811	29,952	30,965	31,992	27,462	26,742	
16 Net worth	n.a.	n.a.	36,532	34,084	32,888	32,131	28,578	31,384	30,205	24,763	23,563	
	SAIF-insured federal savings banks											
17 **Assets**	**284,270**	**425,966r**	**469,928r**	**495,688**	**506,988r**	**504,233r**	**500,937r**	**502,484**	**499,995**	**498,522**		
18 Mortgages	161,926	230,734r	257,191r	276,603	285,061	285,557	283,162r	283,652	282,510	283,844		
19 Mortgage-backed securities	45,826	64,957	73,909r	73,940	74,379	72,124	72,478	72,332	71,204	70,499		
20 Contra-assets to mortgage assets[1]	9,100	13,140	13,234r	13,647	13,974r	13,872r	13,801r	13,506	13,216	13,548		
21 Commercial loans	6,504	16,731	16,940r	18,083	18,346	18,233	18,256	18,299	18,172	18,143		
22 Consumer loans	17,696	24,222	27,946r	28,156	28,993	28,987	28,762	28,322	28,079	28,212		
23 Contra-assets to nonmortgage loans[2]	678	889	892r	1,027	1,022	1,026	1,073r	1,048	1,082	1,193	n.a.	n.a.
24 Finance leases plus interest	591	880	1,072	1,083	1,089	1,076	1,092	1,085	1,092	1,101		
25 Cash and investment	35,347	61,029	62,053r	65,736	65,979	65,040	64,073r	65,193	65,191	64,538		
26 Other	24,069	35,412r	38,025r	39,619	40,352r	40,542r	40,659r	40,799	40,852	39,981		
27 **Liabilities and net worth**	**284,270**	**425,966r**	**469,928r**	**495,688**	**506,988r**	**504,233r**	**500,937r**	**502,484**	**499,995**	**498,522**		
28 Savings capital	203,196	298,197	324,369	342,146	352,547	352,158	353,474	355,923	355,874	360,547		
29 Borrowed money	60,716	99,286	114,853r	121,893	121,194	117,973	115,627	114,231	111,369	108,448		
30 FHLBB	29,617	46,265	55,463	58,505	59,781	59,189	57,941	57,793	56,842	57,032		
31 Other	31,099	53,021	59,390r	63,388	61,413	58,784	57,686	56,438	54,527	51,416		
32 Other	5,324	8,075	10,168r	9,822	10,696r	11,443r	9,904r	10,317	10,749	9,041		
33 Net worth	15,034	20,218r	23,922r	25,688	26,253r	26,381r	25,952r	25,983	25,958	22,716		

1.37—Continued

Account	1987	1988	1989 May	1989 June	1989 July	1989 Aug.	1989 Sept.	1989 Oct.	1989 Nov	1989 Dec.	1990 Jan.	1990 Feb.
	Credit unions[4]											
34 **Total assets/liabilities and capital**	n.a.	**174,593**	**178,812**	**180,664**	**179,029**	**180,035**	**181,812**	**181,527**	**182,856**	**183,688**	**183,301**	**186,119**
35 Federal	n.a.	114,566	116,705	117,632	117,475	117,463	118,746	118,887	119,682	120,666	120,489	122,885
36 State	n.a.	60,027	62,107	63,032	61,554	62,572	63,066	62,640	63,174	63,022	62,812	63,234
37 Loans outstanding	n.a.	113,191	116,947	119,101	119,720	120,577	122,522	122,997	122,899	122,608	122,332	121,968
38 Federal	n.a.	73,766	76,052	77,729	78,472	78,946	80,548	80,570	80,601	80,272	80,041	79,715
39 State	n.a.	39,425	40,895	41,372	41,248	41,631	41,874	42,427	42,298	42,336	42,291	42,253
40 Savings	n.a.	159,010	162,134	164,415	162,405	162,754	164,050	164,695	165,533	167,371	166,629	168,609
41 Federal	n.a.	104,431	105,787	106,984	106,266	106,038	106,633	107,588	108,319	109,653	109,818	111,246
42 State	n.a.	54,579	56,347	57,431	56,139	56,716	57,417	57,107	57,214	57,718	56,811	57,363
	Life insurance companies											
43 **Assets**	**1,044,459**	**1,157,140**	**1,221,332**	**1,232,195**	**1,247,341**	**1,257,045**	**1,266,773**	**1,276,181**	**1,289,467**	**1,303,691**	n.a.	n.a.
Securities												
44 Government	84,426	84,051	83,847	84,564	84,438	83,225	82,867	83,727	83,609	84,381	n.a.	n.a.
45 United States[5]	57,078	58,564	57,790	57,817	57,698	56,978	56,684	57,726	57,290	58,169	n.a.	n.a.
46 State and local	10,681	9,136	8,953	9,036	9,061	9,002	9,037	9,019	9,280	9,191	n.a.	n.a.
47 Foreign[6]	16,667	16,351	17,104	17,711	17,679	17,245	17,146	16,982	17,039	17,021	n.a.	n.a.
48 Business	569,199	660,416	706,960	714,398	726,599	735,441	742,537	748,075	758,803	777,415	n.a.	n.a.
49 Bonds	472,684	556,043	595,500	601,786	606,686	614,585	621,856	628,695	637,690	642,445	n.a.	n.a.
50 Stocks	96,515	104,373	111,460	112,612	119,913	120,856	120,681	119,380	121,113	134,970	n.a.	n.a.
51 Mortgages	203,545	232,863	236,651	237,444	237,865	238,944	240,189	242,391	243,728	246,345	n.a.	n.a.
52 Real estate	34,172	37,371	38,598	38,190	38,622	38,822	38,942	39,343	39,339	39,368	n.a.	n.a.
53 Policy loans	53,626	54,236	55,525	55,746	55,812	56,077	56,403	56,727	56,916	57,141	n.a.	n.a.
54 Other assets	89,586	93,358	99,751	101,853	104,005	104,536	105,835	105,918	107,072	110,284	n.a.	n.a.

1. Contra-assets are credit-balance accounts that must be subtracted from the corresponding gross asset categories to yield net asset levels. Contra-assets to mortgage loans, contracts, and pass-through securities include loans in process, unearned discounts and deferred loan fees, valuation allowances for mortgages "held for sale," and specific reserves and other valuation allowances.

2. Contra-assets are credit-balance accounts that must be subtracted from the corresponding gross asset categories to yield net asset levels. Contra-assets to nonmortgage loans include loans in process, unearned discounts and deferred loan fees, and specific reserves and valuation allowances.

3. Holding of stock in Federal Home Loan Bank and Finance leases plus interest are included in "Other" (line 9).

4. Data include all federally insured credit unions, both federal and state chartered, serving natural persons.

5. Direct and guaranteed obligations. Excludes federal agency issues not guaranteed, which are shown in the table under "Business" securities.

6. Issues of foreign governments and their subdivisions and bonds of the International Bank for Reconstruction and Development.

NOTE. *SAIF-insured institutions:* Estimates by the OTC for all institutions insured by the SAIF and based on the OTC thrift Financial Report.

SAIF-insured federal savings banks: Estimates by the OTC for federal savings banks insured by the SAIF and based on the OTC thrift Financial Report.

Credit unions: Estimates by the National Credit Union Administration for federally chartered and federally insured state-chartered credit unions serving natural persons.

Life insurance companies: Estimates of the American Council of Life Insurance for all life insurance companies in the United States. Annual figures are annual-statement asset values, with bonds carried on an amortized basis and stocks at year-end market value. Adjustments for interest due and accrued and for differences between market and book values are not made on each item separately but are included, in total, in "other assets."

As of June 1989 Savings bank data are no longer available.

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1987	Fiscal year 1988	Fiscal year 1989r	Calendar year 1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.	1990 Apr.
U.S. budget[1]									
1 Receipts, total	854,143	908,166	990,701	71,213	89,130	99,538	65,170	64,819	139,624
2 On-budget	640,741	666,675	727,035	51,989	69,052	74,243	44,133	38,989	106,775
3 Off-budget	213,402	241,491	263,666	19,223	20,077	25,295	21,037	25,829	32,849
4 Outlays, total	1,003,804	1,063,318	1,142,691	100,958	103,903	91,271	100,434	118,155	97,107
5 On-budget	809,972	860,626	931,470	81,055	92,306	72,956	80,872	97,631	78,990
6 Off-budget	193,832	202,691	211,221	19,904	11,598	18,315	19,563	20,524	18,116
7 Surplus, or deficit (−), total	−149,661	−155,151	−151,989	−29,746	−14,774	8,267	−35,264	−53,336	42,518
8 On-budget	−169,231	−193,951	−204,434	−29,065	−23,253	1,286	−36,738	−58,642	27,785
9 Off-budget	19,570	38,800	52,445	−680	8,480	6,980	1,474	5,306	14,733
Source of financing (total)									
10 Borrowing from the public	151,717	166,139	140,156	19,790	6,821	15,841	18,221	56,090	−5,935
11 Operating cash (decrease, or increase (−))	−5,052	−7,963	3,425	21,772	−5,221	−18,116	25,462	1,123	−20,830
12 Other[2]	2,996	−3,025	8,408	−11,816	13,174	−5,992	−8,419	−3,876	−15,754
MEMO									
13 Treasury operating balance (level, end of period)	36,436	44,398	40,973	21,715	26,935	45,051	19,589	18,466	39,296
14 Federal Reserve Banks	9,120	13,024	13,452	5,501	6,217	13,153	6,613	4,832	5,205
15 Tax and loan accounts	27,316	31,375	27,521	16,214	20,718	31,899	12,976	13,634	34,091

1. In accordance with the Balanced Budget and Emergency Deficit Control Act of 1985, all former off-budget entries are now presented on-budget. The Federal Financing Bank (FFB) activities are now shown as separate accounts under the agencies that use the FFB to finance their programs. The act has also moved two social security trust funds (Federal old-age survivors insurance and Federal disability insurance trust funds) off-budget.

2. Includes SDRs; reserve position on the U.S. quota in the IMF; loans to international monetary fund; other cash and monetary assets; accrued interest payable to the public; allocations of special drawing rights; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seigniorage; increment on gold; net gain/loss for U.S. currency valuation adjustment; net gain/loss for IMF valuation adjustment; and profit on the sale of gold.

SOURCE. *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government* and the *Budget of the U.S. Government*.

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS[1]

Millions of dollars

Source or type	Fiscal year 1988	Fiscal year 1989	Calendar year						
			1988		1989		1990		
			H1	H2	H1	H2	Feb.	Mar.	Apr.
RECEIPTS									
1 **All sources**	**908,166**	**990,701[r]**	**475,724**	**449,330[r]**	**527,574**	**470,329**	**65,170**	**64,819**	**139,624**
2 Individual income taxes, net	401,181	445,690	207,659	200,300	233,572	218,661	28,830	13,174	74,375
3 Withheld	341,435	361,386	169,300	179,600	174,230	193,296	32,852	31,323	27,855
4 Presidential Election Campaign Fund	33	32	28	4	28	3	4	9	6
5 Nonwithheld	132,199	154,839	101,614	29,880	121,563	33,303	960	5,455	62,629
6 Refunds	72,487	70,567	63,283	9,186	62,251	7,943	4,986	23,614	16,115
Corporation income taxes									
7 Gross receipts	109,683	117,015	58,002	56,409	61,585	52,269	2,678	14,477	15,424
8 Refunds	15,487	13,723	8,706	7,250	7,259	6,842	1,447	1,823	2,049
9 Social insurance taxes and contributions, net	334,335	359,416	181,058	157,603	200,127	162,574	29,055	32,961	43,821
10 Employment taxes and contributions[2]	305,093	332,859	164,412	144,983	184,569	152,407	26,473	32,376	41,090
11 Self-employment taxes and contributions[3]	17,691	18,504[r]	14,839	3,032	16,371	1,947	1,500	1,213	10,685
12 Unemployment insurance	24,584	22,011	14,363	10,359	13,279	7,909	2,230	173	2,377
13 Other net receipts[4]	4,659	4,547	2,284	2,262	2,277	2,260	352	412	354
14 Excise taxes	35,604[r]	34,386	16,440	19,299	16,814	16,844	2,260	2,814	3,181
15 Customs deposits	15,411	16,334	7,522	8,107	7,918	8,667	1,228	1,397	1,273
16 Estate and gift taxes	7,594	8,745	3,863	4,054	4,583	4,451	664	769	2,307
17 Miscellaneous receipts[5]	19,909	22,839[r]	9,950	10,809[r]	10,235	13,703	1,902	1,050	1,291
OUTLAYS									
18 **All types**	**1,063,318**	**1,142,691**	**512,856**	**552,737[r]**	**565,524**	**587,304[r]**	**100,434**	**118,155**	**97,107**
19 National defense	290,361	303,551	143,080	150,496	148,098	149,613	24,870	29,516	22,155
20 International affairs	10,471	9,596	7,150	2,636	6,605	5,981	1,144	1,568	1,026
21 General science, space, and technology	10,841	12,891	5,361	5,852	6,238	7,091	1,066	1,244	1,247
22 Energy	2,297	3,745	555	1,966	2,221	1,397	83	486	269
23 Natural resources and environment	14,625	16,084	6,776	9,072	7,022	9,183	1,034	1,200	1,211
24 Agriculture	17,210	16,948	7,872	6,911	9,619	4,132	949	1,875	2,089
25 Commerce and housing credit	18,828	27,810	5,951	19,836	4,129	22,200	1,886	7,328	3,890
26 Transportation	27,272	27,623	12,700	14,922	13,035	14,982	2,097	2,103	2,190
27 Community and regional development	5,294	5,755	2,765	2,690	1,833	4,879	575	797	534
28 Education, training, employment, and social services	31,938	35,697	15,451	16,162[r]	18,083	18,663	3,421	3,135	3,266
29 Health	44,490	48,391	22,643	23,360	24,078	25,339	4,459	4,809	5,210
30 Social security and medicare	297,828	317,506	135,322	149,017	162,195	162,322	28,291	29,032	28,536
31 Income security	129,332	136,765	65,555	64,978	70,937	67,950	13,609	16,069	12,714
32 Veterans benefits and services	29,406	30,066	13,241	15,797	14,891	14,864	2,608	3,857	1,316
33 Administration of justice	8,436	9,396	4,369	4,361	4,801	4,963	819	738	861
34 General government	9,518	8,940	4,337	5,137	3,858	4,753	484	984	379
35 General-purpose fiscal assistance	1,816	n.a.	448	0	0	n.a.	n.a.	n.a.	n.a.
36 Net interest[6]	151,748	169,314	76,098	78,317	86,009	87,927	15,924	15,853	13,881
37 Undistributed offsetting receipts[7]	−36,967	−37,212	−17,766	−18,771	−18,131	−18,935	−2,884	−2,437	−3,668

1. Functional details do not add 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. Net interest function includes interest received by trust funds.
7. Consists of rents and royalties on the outer continental shelf and U.S. government contributions for employee retirement.

SOURCES. U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*, and the U.S. Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 1990*.

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

Item	1988				1989				1990
	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31
1 **Federal debt outstanding**	**2,493.2**	**2,555.1**	**2,614.6**	**2,707.3**	**2,763.6**	**2,824.0**	**2,881.1**	**2,975.5**	**3,081.9**
2 Public debt securities	2,487.6	2,547.7	2,602.2	2,684.4	2,740.9	2,799.9	2,857.4	2,953.0	3,052.0
3 Held by public	1,996.7	2,013.4	2,051.7	2,095.2	2,133.4	2,142.1	2,180.7	2,245.2	n.a.
4 Held by agencies	490.8	534.2	550.4	589.2	607.5	657.8	676.7	707.8	n.a.
5 Agency securities	5.6	7.4	12.4	22.9	22.7	24.0	23.7	22.5	n.a.
6 Held by public	5.1	7.0	12.2	22.6	22.3	23.6	23.5	22.4	n.a.
7 Held by agencies	.6	.5	.2	.3	.4	.5	.1	.1	n.a.
8 **Debt subject to statutory limit**	**2,472.6**	**2,532.2**	**2,586.9**	**2,669.1**	**2,725.6**	**2,784.6**	**2,829.8**	**2,921.7**	**2,988.9**
9 Public debt securities	2,472.1	2,532.1	2,586.7	2,668.9	2,725.5	2,784.3	2,829.5	2,921.4	2,988.6
10 Other debt[1]	.5	.1	.1	.2	.2	.2	.3	.3	.3
11 MEMO: Statutory debt limit	2,800.0	2,800.0	2,800.0	2,800.0	2,800.0	2,800.0	2,870.0	3,122.7	3,122.7

1. Includes guaranteed debt of Treasury and other federal agencies, specified participation certificates, notes to international lending organizations, and District of Columbia stadium bonds.

SOURCES. *Treasury Bulletin* and *Monthly Statement of the Public Debt of the United States*.

1.41 GROSS PUBLIC DEBT OF U.S. TREASURY Types and Ownership

Billions of dollars, end of period

Type and holder	1986	1987	1988	1989	1989			1990
					Q2	Q3	Q4	Q1
1 **Total gross public debt**	**2,214.8**	**2,431.7**	**2,684.4**	**2,953.0**	**2,799.9**	**2,857.4**	**2,953.0**	**3,052.0**
By type								
2 Interest-bearing debt	2,212.0	2,428.9	2,663.1	2,931.8	2,797.4	2,836.3	2,931.8	3,029.5
3 Marketable	1,619.0	1,724.7	1,821.3	1,945.4	1,877.3	1,892.8	1,945.4	1,995.3
4 Bills	426.7	389.5	414.0	430.6	397.1	406.6	430.6	453.1
5 Notes	927.5	1,037.9	1,083.6	1,151.5	1,137.2	1,133.2	1,151.5	1,169.4
6 Bonds	249.8	282.5	308.9	348.2	328.0	338.0	348.2	357.9
7 Nonmarketable[1]	593.1	704.2	841.8	986.4	920.1	943.5	986.4	1,034.2
8 State and local government series	110.5	139.3	151.5	163.3	156.0	158.6	163.3	163.5
9 Foreign issues[2]	4.7	4.0	6.6	6.8	6.2	6.8	6.8	37.1
10 Government	4.7	4.0	6.6	6.8	6.2	6.8	6.8	37.1
11 Public	.0	.0	.0	.0	.0	.0	.0	.0
12 Savings bonds and notes	90.6	99.2	107.6	115.7	112.3	114.0	115.7	118.0
13 Government account series[3]	386.9	461.3	575.6	695.6	645.2	663.7	695.6	705.1
14 Non-interest-bearing debt	2.8	2.8	21.3	21.2	2.5	21.1	21.2	22.4
By holder[4]								
15 U.S. government agencies and trust funds	403.1	477.6	589.2	707.8	657.8	676.7	707.8	n.a.
16 Federal Reserve Banks	211.3	222.6	238.4	228.4	231.8	220.6	228.4	n.a.
17 Private investors	1,602.0	1,745.2	1,852.8	2,011.0	1,905.4	1,954.0	2,011.0	n.a.
18 Commercial banks	203.5	201.5	193.8	190.0	199.2	181.5	190.0	n.a.
19 Money market funds	28.0	14.6	11.8	14.4	11.3	12.9	14.4	n.a.
20 Insurance companies	105.6	104.9	107.3	n.a.	106.3	107.7	n.a.	n.a.
21 Other companies	68.8	84.6	87.1	93.8	92.1	93.5	93.8	n.a.
22 State and local Treasurys	262.8	284.6	313.6	n.a.	322.1	325.2	n.a.	n.a.
Individuals								
23 Savings bonds	92.3	101.1	109.6	117.7	114.0	115.7	117.7	n.a.
24 Other securities	70.4	70.2	76.4	91.5	92.5	92.1	91.5	n.a.
25 Foreign and international[5]	263.4	299.7	362.1	392.9	367.9	393.5	392.9	n.a.
26 Other miscellaneous investors[6]	506.6	584.0	591.1	n.a.	600.0	631.9	n.a.	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 dollar-denominated and foreign currency-denominated series held by foreigners.
3. Held almost entirely by U.S. Treasury agencies and trust funds.
4. Data for Federal Reserve Banks and U.S. Treasury agencies and trust funds are actual holdings; data for other groups are Treasury estimates.
5. Consists of investments of foreign and international accounts. Excludes non-interest-bearing notes issued to the International Monetary Fund.
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. Data by type of security, U.S. Treasury Department, *Monthly Statement of the Public Debt of the United States;* data by holder and the *Treasury Bulletin*.

1.42 U.S. GOVERNMENT SECURITIES DEALERS Transactions[1]

Par value; averages of daily figures, in millions of dollars

	Item	1987	1988	1989	1990			1990					
					Feb.	Mar.	Apr.	Mar. 21	Mar. 28	Apr. 4	Apr. 11	Apr. 18	Apr. 25
	Immediate delivery[2]												
1	**U.S. Treasury securities**	**110,050**	**101,623**	**112,722**	**122,793**	**105,335**	**106,861**	**98,236**	**109,210**	**109,731**	**98,147**	**111,708**	**112,403**
	By maturity												
2	Bills	37,924	29,387	30,737r	31,175	30,659	32,972	29,213	27,227	37,497	29,382	33,291	33,150
3	Other within 1 year	3,271	3,426	3,183r	2,960	2,121	2,687	2,333	1,850	2,851	2,131	2,163	3,069
4	1–5 years	27,918	27,777	33,664r	36,425	31,177	30,178	26,251	40,261	30,838	25,458	31,359	33,784
5	5–10 years	24,014	24,939	28,680	31,398	25,090	26,199	24,181	23,438	23,877	26,300	27,411	27,823
6	Over 10 years	16,923	16,093	16,458	20,835	16,289	14,824	16,259	16,434	14,669	14,877	17,486	14,578
	By type of customer												
7	U.S. government securities dealers	2,936	2,761	3,286	3,941	3,802	3,354	4,271	3,341	4,492	3,172	3,131	3,370
8	U.S. government securities brokers	61,539	59,844	66,419r	72,038	60,271	59,623	55,174	63,172	60,197	54,816	61,619	63,823
9	All others[3]	45,575	39,019	43,016r	46,814	41,262	43,884	38,791	42,697	45,042	40,159	46,959	45,211
10	Federal agency securities	18,084	15,903	18,626	19,069	19,146	19,763	21,976	17,214	19,433	22,220	19,603	18,575
11	Certificates of deposit	4,112	3,369	2,798	1,756	1,518	1,728	1,802	1,277	1,636	1,708	1,496	1,796
12	Bankers acceptances	2,965	2,316	2,222	1,574	1,382	1,532	1,381	1,347	1,368	1,613	1,441	1,672
13	Commercial paper	17,135	22,927	31,805	35,190	37,018	39,797	37,982	36,513	38,569	37,043	41,389	39,623
	Futures contracts[4]												
14	Treasury bills	3,233	2,627	2,525	2,393	2,078	2,607	1,264	1,850	3,160	2,523	2,168	2,772
15	Treasury coupons	8,963	9,695	9,602	13,730	11,826	9,799	11,621	11,135	10,179	8,723	11,989	9,669
16	Federal agency securities	5	1	8	23	10	12	4	0	7	6	5	29
	Forward transactions[5]												
17	U.S. Treasury securities	2,029	2,095	2,127	3,006	1,260	1,845	864	1,949	1,256	1,896	1,963	1,845
18	Federal agency securities	9,290	8,008	9,483	12,885	9,598	10,071	9,873	7,558	7,874	13,493	9,369	7,948

1. Transactions are market purchases and sales of securities as reported to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers.

Averages for transactions are based on the number of trading days in the period. The figures exclude allotments of, and exchanges for, new U.S. Treasury securities, redemptions of called or matured securities, purchases or sales of securities under repurchase agreement, reverse repurchase (resale), or similar contracts.

2. Data for immediate transactions do not include forward transactions.

3. Includes, among others, all other dealers and brokers in commodities and securities, nondealer departments of commercial banks, foreign banking agencies, and the Federal Reserve System.

4. Futures contracts are standardized agreements arranged on an organized exchange in which parties commit to purchase or sell securities for delivery at a future date.

5. Forward transactions are agreements arranged in the over-the-counter market in which securities are purchased (sold) for delivery after 5 business days from the date of the transaction for Treasury securities (Treasury bills, notes, and bonds) or after 30 days for mortgage-backed agency issues.

1.43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing[1]

Averages of daily figures, in millions of dollars

Item	1987	1988	1989	1990			1990				
				Feb.	Mar.	Apr.	Mar. 28	Apr. 4	Apr. 11	Apr. 18	Apr. 25
	Positions										
Net immediate[2]											
1 **U.S. Treasury securities**	−6,216	**−22,765**	**−5,940r**	**7,882**	**2,200r**	**−6,494**	**−3,061r**	**1,655**	**2,660**	**−436**	**−16,811**
2 Bills	4,317	2,238	7,835r	19,033	16,162	9,823	13,385	14,389	15,884	13,843	4,178
3 Other within 1 year	1,557	−2,236	−1,528	−933	−884	837	−793	−107	1,030	949	1,145
4 1–5 years	649	−3,020	2,338r	11,232	5,304r	4,171	3,983r	6,477	7,002	4,316	86
5 5–10 years	−6,564	−9,663	−8,133	−8,464	−5,894	−5,891	−7,244	−6,064	−7,527	−4,378	−5,104
6 Over 10 years	−6,174	−10,084	−6,452	−12,985	−12,488	−15,434	−12,393	−13,040	−13,729	−15,166	−17,116
7 Federal agency securities	31,911	28,230	31,913r	36,745	37,064	34,928	34,524	31,375	37,387	38,569	33,401
8 Certificates of deposit	8,188	7,300	6,674	5,338	4,581	3,577	4,294	3,621	3,923	3,460	3,327
9 Bankers acceptances	3,660	2,486	2,089	1,653	1,459	1,277	1,218	1,267	1,417	1,582	1,096
10 Commercial paper	7,496	6,152	8,242r	7,925	7,285	7,492	6,120	6,736	6,299	8,580	7,805
Futures positions											
11 Treasury bills	−3,373	−2,210	−4,599	−12,779	−8,417	−7,017	−7,666	−6,483	−6,724	−7,406	−7,225
12 Treasury coupons	5,988	6,224	−2,918r	−4,845	−5,561	−4,738	−7,857	−6,681	−7,241	−5,428	−2,596
13 Federal agency securities	−95	0	14	103	45	22	26	27	28	21	−8
Forward positions											
14 U.S. Treasury securities	−1,211	346	−545	−1,046	−1,723	−1,189	−1,064	−468	−1,373	−1,333	−1,432
15 Federal agency securities	−18,817	−16,348	−16,878	−15,942	−16,271	−12,143	−13,069	−10,828	−15,513	−13,948	−9,813
	Financing[3]										
Reverse repurchase agreements[4]											
16 Overnight and continuing	126,709	136,327	157,955	167,362	157,137r	135,985	156,319	154,599	157,628	162,548	158,201
17 Term	148,288	177,477	225,126	216,957	205,804r	187,569	206,435	205,310	221,483	215,026	228,093
Repurchase agreements[5]											
18 Overnight and continuing	170,763	172,695	219,083	242,687	226,475r	195,998	220,243	223,173	229,757	237,445	222,085
19 Term	121,270	137,056	179,557r	180,708	167,324r	148,743	172,322	162,427	172,871	171,596	182,798

1. Data for dealer positions and sources of financing are obtained from reports submitted to the Federal Reserve Bank of New York by the U.S. Treasury securities dealers on its published list of primary dealers.

Data for positions are averages of daily figures, in terms of par value, based on the number of trading days in the period. Positions are net amounts and are shown on a commitment basis. Data for financing are in terms of actual amounts borrowed or lent and are based on Wednesday figures.

2. Immediate positions are net amounts (in terms of par values) of securities owned by nonbank dealer firms and dealer departments of commercial banks on a commitment, that is, trade-date basis, including any such securities that have been sold under agreements to repurchase (RPs). The maturities of some repurchase agreements are sufficiently long, however, to suggest that the securities involved are not available for trading purposes. Immediate positions include reverses to maturity, which are securities that were sold after having been obtained under reverse repurchase agreements that mature on the same day as the securities. Data for immediate positions do not include forward positions.

3. Figures cover financing involving U.S. Treasury and federal agency securities, negotiable CDs, bankers acceptances, and commercial paper.

4. Includes all reverse repurchase agreements, including those that have been arranged to make delivery on short sales and those for which the securities obtained have been used as collateral on borrowings, that is, matched agreements.

5. Includes both repurchase agreements undertaken to finance positions and "matched book" repurchase agreements.

NOTE. Data on positions for the period May 1 to Sept. 30, 1986, are partially estimated.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1985	1986	1987	1988	1989		1990		
					Nov.	Dec.	Jan.	Feb.	Mar.
1 **Federal and federally sponsored agencies**	**293,905**	**307,361**	**341,386**	**381,498**	**412,234**	**411,805**	**414,414**	**420,309**	**420,246**
2 Federal agencies	36,390	36,958	37,981	35,668	35,855	35,664	34,995	42,974	42,491
3 *Defense Department*[1]	71	33	13	8	7	7	7	7	7
4 Export-Import Bank[2,3]	15,678	14,211	11,978	11,033	10,990	10,985	10,985	10,985	11,016
5 Federal Housing Administration[4]	115	138	183	150	308	328	239	280	318
6 Government National Mortgage Association participation certificates[5]	2,165	2,165	1,615	0	0	0	0	0	0
7 Postal Service[6]	1,940	3,104	6,103	6,142	6,445	6,445	6,445	6,445	6,445
8 Tennessee Valley Authority	16,347	17,222	18,089	18,335	18,105	17,899	17,319	25,257	24,705
9 United States Railway Association[6]	74	85	0	0	0	0	0	0	0
10 Federally sponsored agencies[7]	257,515	270,553	303,405	345,830	376,379	376,141	0	377,335	377,755
11 Federal Home Loan Banks	74,447	88,758	115,727	135,836	138,229	136,087	133,699	132,975	131,526
12 Federal Home Loan Mortgage Corporation	11,926	13,589	17,645	22,797	27,018	26,148	25,298	25,017	26,152
13 Federal National Mortgage Association	93,896	93,563	97,057	105,459	115,774	116,064	115,164	116,207	116,815
14 Farm Credit Banks[8]	68,851	62,478	55,275	53,127	54,131	54,864	55,809	53,790	53,732
15 Student Loan Marketing Association[9]	8,395	12,171	16,503	22,073	27,688	28,705	30,908	30,806	30,988
16 *Financing Corporation*[10]	0	0	1,200	5,850	8,170	8,170	8,170	8,170	8,170
17 Farm Credit Financial Assistance Corporation[11]	0	0	0	690	847	847	847	847	847
18 Resolution Funding Corporation[12]	0	0	0	0	4,522	4,522	9,524	9,524	9,524
MEMO									
19 **Federal Financing Bank debt**[13]	**153,373**	**157,510**	**152,417**	**142,850**	**135,213**	**134,873**	**134,263**	**133,567**	**135,448**
Lending to federal and federally sponsored agencies									
20 Export-Import Bank[3]	15,670	14,205	11,972	11,027	10,984	10,979	10,979	10,979	11,010
21 Postal Service[6]	1,690	2,854	5,853	5,892	6,195	6,195	6,195	6,195	6,195
22 Student Loan Marketing Association	5,000	4,970	4,940	4,910	4,880	4,880	4,880	4,880	4,880
23 Tennessee Valley Authority	14,622	15,797	16,709	16,955	16,725	16,519	15,939	15,877	15,325
24 United States Railway Association[6]	74	85	0	0	0	0	0	0	0
Other Lending[14]									
25 Farmers Home Administration	64,234	65,374	59,674	58,496	53,311	53,311	53,461	52,831	52,726
26 Rural Electrification Administration	20,654	21,680	21,191	19,246	19,249	19,265	19,212	19,219	19,221
27 Other	31,429	32,545	32,078	26,324	23,869	23,724	23,597	23,586	26,091

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. Off-budget Aug. 17, 1974, through Sept. 30, 1976; on-budget thereafter.
4. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.
5. Certificates of participation issued before fiscal 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration; Department of Health, Education, and Welfare; Department of Housing and Urban Development; Small Business Administration; and the Veterans Administration.
6. Off-budget.
7. Includes outstanding noncontingent liabilities: notes, bonds, and debentures. Some data are estimated.
8. Excludes borrowing by the Farm Credit Financial Assistance Corporation, shown in line 17.
9. Before late 1981, the Association obtained financing through the Federal Financing Bank (FFB). Borrowing excludes that obtained from the FFB, which is shown on line 21.
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. Includes FFB purchases of agency assets and guaranteed loans; the latter contain loans guaranteed by numerous agencies with the guarantees of any particular agency being generally small. The Farmers Home Administration item consists exclusively of agency assets, while the Rural Electrification Administration entry contains both agency assets and guaranteed loans.
14. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Since FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table in order to avoid double counting.

1.45 NEW SECURITY ISSUES Tax-Exempt State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1987	1988	1989	1989				1990			
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
1 **All issues, new and refunding**[1]	**102,407**	**114,522**	**113,646**	**10,818**	**9,075**	**9,564**	**13,636**	**6,694**	**6,329**	**9,880**	**7,996**
Type of issue											
2 General obligation	30,589	30,312	35,774	3,500	3,273	3,328	2,158	2,675	3,010	3,199	3,326
3 Revenue	71,818	84,210	77,873	7,318	5,802	6,237	11,478	4,019	3,319	6,681	4,670
Type of issuer											
4 State	10,102	8,830	11,819	764	1,330	930	911	712	1,196	707	1,387
5 Special district and statutory authority[2]	65,460	74,409	71,022	7,567	4,770	5,473	9,391	4,744	3,277	6,247	4,366
6 Municipalities, counties, and townships	26,845	31,193	30,805	2,487	2,975	3,161	3,334	1,238	1,856	2,926	2,243
7 **Issues for new capital, total**	**56,789**	**79,665**	**84,062**	**7,470**	**7,266**	**7,777**	**10,195**	**6,263**	**5,635**	**6,667**	**7,457**
Use of proceeds											
8 Education	9,524	15,021	15,133	1,639	1,006	1,058	1,495	1,374	1,420	1,018	1,003
9 Transportation	3,677	6,825	6,870	976	280	675	645	98	511	1,158	1,193
10 Utilities and conservation	7,912	8,496	11,427	622	718	1,137	2,219	1,747	718	502	970
11 Social welfare	11,106	19,027	16,703	1,242	1,803	1,441	2,518	1,017	432	1,425	n.a.
12 Industrial aid	7,474	5,624	5,036	381	345	444	1,119	200	115	432	n.a.
13 Other purposes	18,020	24,672	28,894	2,610	3,114	3,022	2,199	1,827	2,439	2,132	n.a.

1. Par amounts of long-term issues based on date of sale.
2. Includes school districts beginning 1986.

SOURCES. Securities Data/Bond Buyer Municipal Data Base beginning 1986. Public Securities Association for earlier data.

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue or issuer, or use	1987	1988	1989	1989					1990		
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
1 **All issues**[1]	**392,339**	**409,925**	**233,103**	**15,100**	**14,704**	**24,893**	**20,706**	**21,584**	**15,042**r	**13,826**r	**21,294**
2 **Bonds**[2]	**325,838**	**352,124**	**201,827**	**13,065**	**12,431**	**21,213**	**16,466**	**17,639**	**12,764**r	**10,907**r	**17,500**
Type of offering											
3 Public, domestic	209,455	201,246	179,069	12,249	11,211	20,085	14,383	16,013	10,712r	10,000	15,500
4 Private placement, domestic[3]	92,070	127,700	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5. Sold abroad	24,308	23,178	22,758	816	1,220	1,128	2,083	1,626	2,052	1,000	2,000
Industry group											
6 Manufacturing	61,266	70,595	42,366	2,670	2,247	3,646	3,551	4,193	2,036r	2,389r	3,090
7 Commercial and miscellaneous	49,773	62,070	15,968	1,090	1,393	1,830	1,253	347	655	131	253
8 Transportation	11,974	10,076	3,586	423	30	906	312	1,083	35	53r	386
9 Public utility	23,004	19,318	13,682	705	1,059	1,748	1,022	1,098	1,043r	1,057	317
10 Communication	7,340	5,951	3,859	358	308	632	812	577	23	35	704
11 Real estate and financial	172,474	184,114	122,370	7,819	7,395	12,452	9,516	10,342	8,973r	7,242r	12,750
12 **Stocks**[2]	**66,508**	**57,802**	**32,225**	**2,035**	**2,273**	**3,680**	**4,240**	**3,945**	**2,278**	**2,919**	**3,794**
Type											
13 Preferred	10,123	6,544	6,194	1,013	519	570	160	626	50	167	1,028
14 Common	43,225	35,911	26,030	1,023	1,754	3,110	4,080	3,319	2,228	2,752	2,767
15 Private placement[3]	13,157	15,346	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Industry group											
16 Manufacturing	13,880	7,608	5,081	393	193	190	378	279	835	431	521
17 Commercial and miscellaneous	12,888	8,449	4,428	343	155	728	498	1,045	248	1,017	552
18 Transportation	2,439	1,535	532	0	0	50	0	0	0	0	0
19 Public utility	4,322	1,898	2,297	137	709	465	211	244	106	582	533
20 Communication	1,458	515	471	20	0	0	0	0	0	0	0
21 Real estate and financial	31,521	37,798	19,250	1,020	1,195	2,214	3,153	2,377	1,090	889	2,188

1. Figures which represent gross proceeds of issues maturing in more than one year, are principal amount or number of units multiplied by offering price. Excludes 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 include only public offerings.
3. Data are not available on a monthly basis. Before 1987, annual totals include underwritten issues only.

SOURCES. IDD Information Services, Inc., the Board of Governors of the Federal Reserve System, and before 1989, the U.S. Securities and Exchange Commission.

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

Item	1988	1989	1989					1990		
			Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.[r]	Mar.
INVESTMENT COMPANIES[1]										
1 **Sales of own shares[2]**	**271,237**	**306,445**	**26,800**	**23,911**	**23,872**	**24,673**	**30,982**	**35,620**	**26,118**	**28,817**
2 Redemptions of own shares[3]	267,451	272,165	22,262	21,499	21,702	19,573	24,967	27,331	20,978	23,777
3 Net sales	3,786	34,280	4,538	2,412	2,170	5,100	6,015	8,289	5,140	5,040
4 **Assets[4]**	**472,297**	**553,871**	**539,553**	**539,814**	**534,922**	**549,892**	**553,871**	**535,165**	**542,725**	**549,638**
5 Cash position[5]	45,090	44,780	47,209	47,163	46,146	47,875	44,780	48,865	51,356	50,454
6 Other	427,207	509,091	492,344	492,651	488,776	502,017	509,091	486,300	491,369	499,184

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 investment income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.
3. Excludes share redemption resulting from conversions from one fund to another in the same group.
4. Market value at end of period, less current liabilities.
5. Also includes all U.S. government securities and other short-term debt securities.

NOTE. Investment Company Institute data based on reports of members, which comprise substantially all open-end investment companies registered with the Securities and Exchange Commission. Data reflect newly formed companies after their initial offering of securities.

SOURCE. *Survey of Current Business* (Department of Commerce).

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Account	1987	1988	1989	1988			1989				1990
				Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
1 Corporate profits with inventory valuation and capital consumption adjustment	298.7	328.6	301.3	325.3	330.9	340.2	316.3	307.8	295.2	285.9[r]	287.8
2 Profits before tax	266.7	306.8	290.6	305.3	314.4	318.8	318.0	296.0	275.0	273.7[r]	281.6
3 Profits tax liability	124.7	137.9	129.7	138.4	141.2	143.2	144.4	134.9	122.6	116.9	124.6
4 Profits after tax	142.0	168.9	160.9	166.9	173.2	175.6	173.6	161.1	152.4	156.7	157.0
5 Dividends	98.7	110.4	122.1	108.6	112.2	115.2	118.5	120.9	123.3	125.6	128.1
6 Undistributed profits	43.3	58.5	38.9	58.3	61.1	60.4	55.1	40.2	29.1	31.1	28.9
7 Inventory valuation	−18.9	−25.0	n.a.	−28.8	−30.4	−20.1	−38.3	−21.0	n.a.	n.a.	n.a.
8 Capital consumption adjustment	50.9	46.8	29.3	48.9	46.9	41.5	36.6	32.3	26.5	21.9	17.4

SOURCE. *Survey of Current Business* (Department of Commerce).

1.50 TOTAL NONFARM BUSINESS EXPENDITURES on New Plant and Equipment ▲

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Industry	1988	1989	1990	1988		1989				1990	
				Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
1 **Total nonfarm business**	**430.76**	**475.52**	**512.82**	**435.61**	**442.11**	**459.47**	**470.86**	**484.93**	**486.80**	**502.65**	**509.08**
Manufacturing											
2 Durable goods industries	78.30	83.68	85.48	79.15	80.56	81.26	82.97	85.66	84.84	86.35	83.92
3 Nondurable goods industries	88.01	100.86	108.02	89.62	92.76	93.96	98.57	102.00	108.92	105.30	105.74
Nonmanufacturing											
4 Mining	12.66	12.52	13.31	12.53	12.38	12.15	12.70	12.59	12.65	13.07	13.55
Transportation											
5 Railroad	7.06	8.12	8.61	6.84	7.45	8.02	7.37	8.16	8.94	8.69	8.32
6 Air	7.28	8.91	12.09	8.09	7.69	7.04	9.49	12.48	6.61	11.11	12.28
7 Other	7.00	7.56	7.88	7.08	6.89	8.07	7.40	7.89	6.87	8.49	7.11
Public utilities											
8 Electric	32.03	34.20	35.99	32.07	33.69	33.69	35.34	33.73	34.04	34.95	36.84
9 Gas and other	14.64	16.52	17.15	14.61	15.04	17.12	16.67	15.84	16.46	16.56	16.92
10 Commercial and other[2]	183.76	203.14	224.30	185.61	185.65	198.15	200.36	206.59	207.46	218.13	224.41

▲Trade and services are no longer being reported separately. They are included in Commercial and other, line 10.

1. Anticipated by business.
2. "Other" consists of construction; wholesale and retail trade; finance and insurance; personal and business services; and communication.

SOURCE. *Survey of Current Business* (Department of Commerce).

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities[1]

Billions of dollars, end of period

Account	1985	1986	1987	1988 Q2	1988 Q3	1988 Q4	1989 Q1r	1989 Q2r	1989 Q3r	1989 Q4r
ASSETS										
Accounts receivable, gross[2]										
1 Consumer	111.9	134.7	141.1	144.4	146.3	146.2	139.1	143.9	146.3	140.8
2 Business	157.5	173.4	207.4	224.0	223.3	236.5	243.3	250.9	246.8	256.0
3 Real estate	28.0	32.6	39.5	42.5	43.1	43.5	45.1	47.1	48.7	48.9
4 Total	297.4	340.6	388.1	410.9	412.7	426.2	427.5	441.9	441.8	445.8
Less:										
5 Reserves for unearned income	39.2	41.5	45.3	46.3	48.4	50.0	51.0	52.2	52.9	52.0
6 Reserves for losses	4.9	5.8	6.8	6.8	7.1	7.3	7.4	7.5	7.7	7.7
7 Accounts receivable, net	253.3	293.3	336.0	357.8	357.3	368.9	369.2	382.2	381.3	386.1
8 All other	45.3	58.6	58.3	70.5	68.7	72.4	75.1	81.4	85.2	91.6
9 **Total assets**	**298.6**	**351.9**	**394.2**	**428.3**	**426.0**	**441.3**	**444.3**	**463.6**	**466.4**	**477.6**
LIABILITIES										
10 Bank loans	18.0	18.6	16.4	13.3	11.9	15.4	11.3	12.1	12.2	14.5
11 Commercial paper	99.2	117.8	128.4	131.6	129.4	142.0	147.8	149.0	147.2	149.5
Debt										
12 Other short-term	12.7	17.5	28.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
13 Long-term	94.4	117.5	137.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
14 Due to parent	n.a.	n.a.	n.a.	51.4	51.5	50.6	56.9	59.8	60.3	63.8
15 Not elsewhere classified	n.a.	n.a.	n.a.	139.8	139.3	137.9	133.6	140.5	145.1	147.8
16 All other liabilities	41.5	44.1	52.8	58.7	58.9	59.8	58.1	63.5	61.8	62.6
17 Capital, surplus, and undivided profits	32.8	36.4	31.5	33.5	34.9	35.6	36.6	38.8	39.8	39.4
18 **Total liabilities and capital**	**298.6**	**351.9**	**394.2**	**428.3**	**426.0**	**441.3**	**444.3**	**463.6**	**466.4**	**477.6**

1. Components may not add to totals because of rounding.

2. Excludes pools of securitized assets.

1.52 DOMESTIC FINANCE COMPANIES Business Credit Outstanding and Net Change[1]

Millions of dollars, seasonally adjusted

Type	1987r	1988r	1989r	1989 Oct.r	1989 Nov.r	1989 Dec.r	1990 Jan.r	1990 Feb.r	1990 Mar.
1 **Total**	**205,992**	**234,578**	**258,504**	**255,726**	**255,999**	**258,504**	**259,467**	**259,015**	**261,622**
Retail financing of installment sales									
2 Automotive	36,139	36,957	39,139	39,185	39,053	39,139	39,252	39,125	39,264
3 Equipment	25,075	28,199	29,674	29,468	29,477	29,674	29,690	29,483	29,789
4 Pools of securitized assets[2]	n.a.	n.a.	698	715	739	698	720	681	704
Wholesale									
5 Automotive	30,070	32,357	33,074	34,148	32,660	33,074	30,463	29,491	29,963
6 Equipment	5,578	5,954	6,896	6,845	7,027	6,896	9,183	9,155	9,408
7 All other	8,329	9,312	9,918	9,982	9,963	9,918	9,943	9,877	10,030
8 Pools of securitized assets[2]	n.a.	n.a.	0	0	0	0	0	0	0
Leasing									
9 Automotive	22,097	24,875	27,074	27,288	27,461	27,074	26,978	27,161	28,325
10 Equipment	43,493	57,658	68,112	64,835	65,988	68,112	68,904	69,335	68,755
11 Pools of securitized assets[2]	n.a.	n.a.	1,247	1,199	1,093	1,247	1,242	1,377	1,393
12 Loans on commercial accounts receivable and factored commercial accounts receivable	18,170	18,103	19,081	19,131	18,996	19,081	18,975	19,155	19,426
13 All other business credit	17,042	21,162	23,590	22,930	23,543	23,590	24,118	24,176	24,565
	Net change (during period)								
14 **Total**	**33,866**	**22,434**	**22,580**	**893**	**273**	**2,504**	**−1,255**	**−452**	**2,607**
Retail financing of installment sales									
15 Automotive	9,925	819	2,182	−75	−133	87	112	−127	140
16 Equipment	2,056	1,386	1,475	−105	9	197	16	−207	306
17 Pools of securitized assets[2]	n.a.	n.a.	−26	−40	24	−41	22	−39	23
Wholesale									
18 Automotive	7,158	2,288	716	−1,806	−1,488	414	−2,611	−972	472
19 Equipment	250	377	940	215	182	−131	68	−28	254
20 All other	1,293	983	605	34	−19	−45	26	−66	153
21 Pools of securitized assets[2]	n.a.	n.a.	0	0	0	0	0	0	0
Leasing									
22 Automotive	2,174	2,777	2,201	483	174	−387	−97	183	1,164
23 Equipment	5,271	9,752	9,187	1,733	1,153	2,124	792	431	−580
24 Pools of securitized assets[2]	n.a.	n.a.	526	251	−106	154	−5	135	16
25 Loans on commercial accounts receivable and factored commercial accounts receivable	2,245	−65	979	66	−136	86	−107	180	272
26 All other business credit	3,498	4,119	3,796	137	614	46	528	59	388

1. These data also appear in the Board's G.20 (422) release. For address, see inside front cover.

2. Data on pools of securitized assets are not seasonally adjusted.

1.53 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

Item	1987	1988	1989	1989			1990			
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Conventional mortgages on new homes										
Terms[1]										
1 Purchase price (thousands of dollars)	137.0	150.0	159.6	153.1	152.8	162.7	148.5	148.9	138.2	155.5
2 Amount of loan (thousands of dollars)	100.5	110.5	117.0	111.3	110.4	119.9	107.3	109.0	100.9	114.6
3 Loan/price ratio (percent)	75.2	75.5	74.5	73.2	73.0	74.4	73.4	74.6	74.7	75.4
4 Maturity (years)	27.8	28.0	28.1	27.3	27.1	27.9	27.1	27.4	26.6	26.6
5 Fees and charges (percent of loan amount)[2]	2.26	2.19	2.06	1.95	1.81	2.18	1.85	1.87	1.96	2.00
6 Contract rate (percent per year)	8.94	8.81	9.76	9.77	9.78	9.70	9.59	9.56	9.70	9.83
Yield (percent per year)										
7 OTS series[3]	9.31	9.18	10.11	10.11	10.09	10.07	9.91	9.88	10.03	10.17
8 HUD series[4]	10.17	10.30	10.21	9.79	9.72	9.72	10.00	10.12	10.20	10.46
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (HUD series)[5]	10.16	10.49	10.24	9.73	9.69	9.72	10.01	10.22	10.30	10.75
10 GNMA securities[6]	9.44	9.83	9.71	9.21	9.07	9.07	9.24	9.44	9.53	9.77
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	95,030	101,329	104,974	108,180	109,076	110,721	111,329	111,628	112,353	112,463
12 FHA/VA-insured	21,660	19,762	19,640	19,843	19,953	20,283	20,471	20,614	20,688	20,707
13 Conventional	73,370	81,567	85,335	88,337	89,123	90,438	90,858	91,014	91,665	91,756
Mortgage transactions (during period)										
14 Purchases	20,531	23,110	22,518	2,267	2,376	2,982	2,214	1,537	1,945	1,705
Mortgage commitments[7]										
15 Contracted (during period)	25,415	23,435	27,409	2,963	2,536	2,495	1,787	3,216	3,789	5,700
16 Outstanding (end of period)	4,886	2,148	6,037	6,548	6,645	6,037	5,619	4,977	6,765	10,534
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	12,802	15,105	20,105	21,342	21,809	21,852	20,361	20,112	n.a.	n.a.
18 FHA/VA	686	620	590	588	588	584	578	572	n.a.	n.a.
19 Conventional	12,116	14,485	19,516	20,754	21,221	21,269	19,782	19,540	n.a.	n.a.
Mortgage transactions (during period)										
20 Purchases	76,845	44,077	78,588	7,884	7,653	8,718	6,423	5,676	n.a.	n.a.
21 Sales	75,082	39,780	73,446	7,058	7,058	8,526	7,764[r]	5,796[r]	6,121	5,356
Mortgage commitments[9]										
22 Contracted (during period)	71,467	66,026	88,519	7,555	10,949	7,820	8,020	5,922	n.a.	n.a.

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups; compiled by the Federal Home Loan Bank Board in cooperation with the Federal Deposit Insurance Corporation.
2. Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) to obtain a loan.
3. Average effective interest rates on loans closed, assuming prepayment at the end of 10 years.
4. Average contract rates on new commitments for conventional first mortgages; from Department of Housing and Urban Development.
5. Average gross yields on 30-year, minimum-downpayment, Federal Housing Administration-insured first mortgages for immediate delivery in the private secondary market. Based on transactions on first day of subsequent month. Large monthly movements in average yields may reflect market adjustments to changes in maximum permissable contract rates.
6. Average net yields to investors on Government National Mortgage Association guaranteed, mortgage-backed, fully modified pass-through securities, assuming prepayment in 12 years on pools of 30-year FHA/VA mortgages carrying the prevailing ceiling rate. Monthly figures are averages of Friday figures from the *Wall Street Journal*.
7. Includes some multifamily and nonprofit hospital loan commitments in addition to 1- to 4-family loan commitments accepted in FNMA's free market auction system, and through the FNMA-GNMA tandem plans.
8. Includes participation as well as whole loans.
9. Includes conventional and government-underwritten loans. FHLMC's mortgage commitments and mortgage transactions include activity under mortgage/securities swap programs, while the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING[1]

Millions of dollars, end of period

Type of holder, and type of property	1987	1988	1989	1988	1989			
				Q4	Q1	Q2	Q3	Q4
1 **All holders**	**2,977,293**	**3,268,285**	**3,524,474**	**3,268,285**	**3,328,824**	**3,391,259**	**3,454,053**	**3,524,474**
2 1- to 4-family	1,959,607	2,189,475	2,384,076	2,189,475	2,230,006	2,281,317	2,331,366	2,384,076
3 Multifamily	273,954	290,355	306,652	290,355	296,139	297,860	302,121	306,652
4 Commercial	654,863	701,652	747,277	701,652	716,695	725,341	733,988	747,277
5 Farm	88,869	86,803	86,468	86,803	85,984	86,741	86,578	86,468
6 Selected financial institutions	1,664,211	1,831,446	1,919,269	1,831,446	1,859,663	1,884,903	1,901,728	1,919,269
7 Commercial banks[2]	591,369	669,160	756,786	669,160	688,662	715,049	737,979	756,786
8 1- to 4-family	276,270	314,283	358,652	314,283	324,681	338,872	349,739	358,652
9 Multifamily	33,330	34,131	36,994	34,131	34,172	34,954	36,075	36,994
10 Commercial	267,340	305,242	343,841	305,242	313,941	324,878	335,296	343,841
11 Farm	14,429	15,504	17,299	15,504	15,868	16,345	16,869	17,299
12 Savings institutions[3]	860,467	929,647	921,410	929,647	936,091	933,694	927,982	921,410
13 1- to 4-family	602,408	678,263	675,891	678,263	682,658	684,828	680,572	675,891
14 Multifamily	106,359	111,302	108,534	111,302	112,507	110,009	109,353	108,534
15 Commercial	150,943	139,416	136,343	139,416	140,255	138,201	137,406	136,343
16 Farm	757	666	641	666	671	656	651	641
17 Life insurance companies	212,375	232,639	241,073	232,639	234,910	236,160	235,767	241,073
18 1- to 4-family	13,226	15,284	13,531	15,284	12,690	12,745	13,045	13,531
19 Multifamily	22,524	23,562	26,646	23,562	24,636	25,103	25,913	26,646
20 Commercial	166,722	184,124	191,369	184,124	188,073	188,756	187,208	191,369
21 Farm	9,903	9,669	9,527	9,669	9,511	9,556	9,601	9,527
22 Finance companies[4]	40,349	43,521	50,728	43,521	45,389	47,251	48,906	50,728
23 Federal and related agencies	192,721	200,570	212,370	200,570	199,847	201,909	206,673	212,370
24 Government National Mortgage Association	444	26	24	26	26	24	23	24
25 1- to 4-family	25	26	24	26	26	24	23	24
26 Multifamily	419	0	0	0	0	0	0	0
27 Farmers Home Administration[5]	43,051	42,018	42,080	42,018	41,780	40,711	41,117	42,080
28 1- to 4-family	18,169	18,347	19,091	18,347	18,347	18,391	18,405	19,091
29 Multifamily	8,044	8,513	9,168	8,513	8,615	8,778	8,916	9,168
30 Commercial	6,603	5,343	4,463	5,343	5,101	3,885	4,366	4,463
31 Farm	10,235	9,815	9,358	9,815	9,717	9,657	9,430	9,358
32 Federal Housing and Veterans Administration	5,574	5,973	6,220	5,973	6,075	6,424	6,023	6,220
33 1- to 4-family	2,557	2,672	3,009	2,672	2,550	2,827	2,900	3,009
34 Multifamily	3,017	3,301	3,211	3,301	3,525	3,597	3,123	3,211
35 Federal National Mortgage Association	96,649	103,013	110,970	103,013	101,991	103,309	107,052	110,970
36 1- to 4-family	89,666	95,833	102,863	95,833	94,727	95,714	99,168	102,863
37 Multifamily	6,983	7,180	8,107	7,180	7,264	7,595	7,884	8,107
38 Federal Land Banks	34,131	32,115	30,788	32,115	31,261	31,467	30,943	30,788
39 1- to 4-family	2,008	1,890	1,889	1,890	1,839	1,851	1,821	1,889
40 Farm	32,123	30,225	28,899	30,225	29,422	29,616	29,122	28,899
41 Federal Home Loan Mortgage Corporation	12,872	17,425	22,289	17,425	18,714	19,974	21,515	22,289
42 1- to 4-family	11,430	15,077	19,182	15,077	16,192	17,305	18,493	19,182
43 Multifamily	1,442	2,348	3,107	2,348	2,522	2,669	3,022	3,107
44 Mortgage pools or trusts[6]	718,297	810,887	931,619	810,887	839,684	861,827	898,388	931,619
45 Government National Mortgage Association	317,555	340,527	374,650	340,527	348,622	353,154	361,291	374,650
46 1- to 4-family	309,806	331,257	362,865	331,257	337,563	341,951	349,830	362,865
47 Multifamily	7,749	9,270	11,785	9,270	11,059	11,203	11,461	11,785
48 Federal Home Loan Mortgage Corporation	212,634	226,406	266,407	226,406	234,695	242,789	256,896	266,407
49 1- to 4-family	205,977	219,988	259,443	219,988	228,389	236,404	250,123	259,443
50 Multifamily	6,657	6,418	6,965	6,418	6,306	6,385	6,773	6,965
51 Federal National Mortgage Association	139,960	178,250	216,600	178,250	188,071	196,501	208,894	216,600
52 1- to 4-family	137,988	172,331	207,765	172,331	181,352	188,774	200,302	207,765
53 Multifamily	1,972	5,919	8,835	5,919	6,719	7,727	8,592	8,835
54 Farmers Home Administration[5]	245	104	79	104	96	85	78	79
55 1- to 4-family	121	26	23	26	24	23	22	23
56 Multifamily	0	0	0	0	0	0	0	0
57 Commercial	63	38	22	38	34	26	22	22
58 Farm	61	40	34	40	38	36	34	34
59 Individuals and others[7]	402,064	425,382	461,216	425,382	429,630	442,620	447,264	461,216
60 1- to 4-family	242,053	258,598	285,966	258,598	260,768	272,310	275,694	285,966
61 Multifamily	75,458	78,411	83,299	78,411	78,814	79,840	81,009	83,299
62 Commercial	63,192	67,489	71,239	67,489	69,291	69,595	69,690	71,239
63 Farm	21,361	20,884	20,711	20,884	20,757	20,875	20,871	20,711

1. Based on data from various institutional and governmental sources, with some quarters estimated in part by the Federal Reserve. Multifamily debt refers to loans on structures of five or more units.
2. Includes loans held by nondeposit trust companies but not bank trust departments.
3. Includes savings banks and savings and loan associations. Beginning 1987:1, data reported by FSLIC-insured institutions include loans in process and other contra assets (credit balance accounts that must be subtracted from the corresponding gross asset categories to yield net asset levels).
4. Assumed to be entirely 1- to 4-family loans.
5. FmHA-guaranteed securities sold to the Federal Financing Bank were reallocated from FmHA mortgage pools to FmHA mortgage holdings in 1986:4, because of accounting changes by the Farmers Home Administration.
6. Outstanding principal balances of mortgage pools backing securities insured or guaranteed by the agency indicated. Includes private pools which are not shown as a separate line item.
7. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and other U.S. agencies.

1.55 CONSUMER INSTALLMENT CREDIT[1] Total Outstanding, and Net Change, seasonally adjusted

Millions of dollars, amounts outstanding, end of period

Holder, and type of credit	1988	1989	1989 July	1989 Aug.	1989 Sept.	1989 Oct.	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.
			Seasonally adjusted								
1 **Total**	**664,701**	**716,624**	**700,000**	**703,518**	**705,703**	**710,133**	**713,903**	**716,624**	**718,824**	**718,886**	**721,506**
2 Automobile	284,556	290,770	289,882	289,961	288,839	290,210	290,972	290,770	291,191	289,921	291,738
3 Revolving	174,057	197,110	186,284	189,185	190,378	191,734	194,679	197,110	199,270	200,056	202,078
4 Mobile home	25,201	22,343	23,240	22,734	22,661	22,621	22,197	22,343	22,751	22,784	22,801
5 Other	180,887	206,401	200,594	201,638	203,825	205,568	206,055	206,401	205,611	206,126	204,889
			Not seasonally adjusted								
6 **Total**	**674,719**	**727,561**	**698,232**	**705,908**	**708,370**	**711,295**	**715,145**	**727,561**	**722,024**	**718,079**	**714,187**
By major holder											
7 Commercial banks	324,792	343,865	325,893	330,488	332,502	335,657	337,285	343,865	342,266	339,418	334,597
8 Finance companies	146,212	140,832	144,425	145,033	146,296	143,293	142,802	140,832	140,740	139,115	137,857
9 Credit unions	88,340	90,875	90,004	91,017	91,285	91,291	90,965	90,875	90,452	90,127	90,043
10 Retailers[2]	48,302	42,638	37,668	37,942	37,400	37,045	37,906	42,638	39,959	37,904	37,677
11 Savings institutions	63,399	57,228	60,454	60,243	59,556	58,720	58,236	57,228	56,423	55,788	54,690
12 Gasoline companies	3,674	3,935	4,077	4,255	4,052	3,947	3,853	3,935	4,013	3,803	3,792
13 Pools of securitized assets[2]	n.a.	48,188	35,711	36,930	37,279	41,342	44,098	48,188	48,171	51,924	55,531
By major type of credit[3]											
14 Automobile	284,328	290,421	290,549	292,948	293,114	293,664	292,543	290,421	289,269	288,326	287,333
15 Commercial banks	123,392	126,613	124,389	126,571	126,972	128,213	128,111	126,613	127,075	127,149	126,633
16 Finance companies	97,245	82,721	89,363	89,968	90,217	86,655	85,725	82,721	81,918	80,227	79,523
17 Pools of securitized assets[2]	n.a.	18,191	12,770	12,072	11,785	15,024	15,376	18,191	17,827	18,931	19,595
18 Revolving	183,909	208,188	184,049	187,917	188,684	189,913	194,640	208,188	203,415	200,276	199,754
19 Commercial banks	123,020	130,956	116,214	118,083	119,413	120,484	122,728	130,956	128,384	124,821	121,756
20 Retailers	43,697	37,967	33,262	33,503	32,961	32,618	33,432	37,967	35,359	33,378	33,169
21 Gasoline companies	3,674	3,935	4,077	4,255	4,052	3,947	3,853	3,935	4,013	3,803	3,792
22 Pools of securitized assets[2]	n.a.	22,977	17,785	19,327	19,731	20,371	22,186	22,977	23,450	26,204	29,150
23 Mobile home	25,143	22,283	23,321	22,800	22,808	22,849	22,319	22,283	22,865	22,877	22,518
24 Commercial banks	9,025	9,155	9,045	9,046	9,121	9,130	9,144	9,155	9,109	9,162	9,145
25 Finance companies	7,191	4,716	5,649	5,119	5,106	5,205	4,682	4,716	5,411	5,410	5,178
26 Other	181,339	206,669	200,313	202,243	203,764	204,869	205,643	206,669	206,475	206,600	204,582
27 Commercial banks	69,355	77,141	76,245	76,788	76,996	77,830	77,302	77,141	77,698	78,286	77,063
28 Finance companies	41,776	53,395	49,413	49,946	50,973	51,433	52,395	53,395	53,411	53,478	53,156
29 Retailers	4,605	4,671	4,406	4,439	4,439	4,427	4,474	4,671	4,600	4,526	4,508
30 Pools of securitized assets[2]	n.a.	7,020	5,156	5,531	5,763	5,947	6,536	7,020	6,894	6,789	6,786

1. The Board's series cover 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.

These data also appear in the Board's G.19 (421) release. For address, see inside front cover.

2. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.

3. Totals include estimates for certain holders for which only consumer credit totals are available.

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT[1]

Percent unless noted otherwise

Item	1987	1988	1989	1989 Sept.	1989 Oct.	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.
INTEREST RATES										
Commercial banks[2]										
1 48-month new car[3]	10.45	10.85	12.07	n.a.	n.a.	11.94	n.a.	n.a.	11.80	n.a.
2 24-month personal	14.22	14.68	15.44	n.a.	n.a.	15.42	n.a.	n.a.	15.27	n.a.
3 120-month mobile home[3]	13.38	13.54	14.11	n.a.	n.a.	13.97	n.a.	n.a.	13.91	n.a.
4 Credit card	17.92	17.78	18.02	n.a.	n.a.	18.07	n.a.	n.a.	18.12	n.a.
Auto finance companies										
5 New car	10.73	12.60	12.62	12.42	13.04	13.27	13.27	12.64	12.67	12.31
6 Used car	14.60	15.11	16.18	16.22	16.17	16.09	16.10	15.77	15.91	15.97
OTHER TERMS[4]										
Maturity (months)										
7 New car	53.5	56.2	54.2	53.1	54.4	55.1	55.1	54.7	54.7	54.3
8 Used car	45.2	46.7	46.6	46.2	45.8	45.6	45.5	45.5	46.4	46.4
Loan-to-value ratio										
9 New car	93	94	91	88	88	89	89	89	88	88
10 Used car	98	98	97	96	96	96	96	95	96	95
Amount financed (dollars)										
11 New car	11,203	11,663	12,001	11,841	11,965	12,279	12,301	12,381	12,053	12,216
12 Used car	7,420	7,824	7,954	7,856	7,904	8,063	8,096	8,040	8,065	8,132

1. These data also appear in the Board's G.19 (421) release. For address, see inside front cover.
2. Data for midmonth of quarter only.
3. Before 1983 the maturity for new car loans was 36 months, and for mobile home loans was 84 months.
4. At auto finance companies.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Transaction category, sector	1985	1986	1987	1988	1989	1988			1989			
						Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**846.3**	**831.1**	**693.2**	**754.5**	**695.2**	**817.5**	**749.3**	**734.2**	**770.6**	**641.7**	**693.6**	**675.1**
By sector and instrument												
2 U.S. government	223.6	215.0	144.9	157.5	149.8	113.7	162.5	142.1	199.9	70.9	149.0	179.4
3 Treasury securities	223.7	214.7	143.4	140.0	150.0	106.0	141.6	100.5	201.1	65.8	149.1	184.0
4 Agency issues and mortgages	−.1	.4	1.5	17.4	−.2	7.7	20.9	41.6	−1.2	5.1	−.2	−4.6
5 Private domestic nonfinancial sectors	622.7	616.1	548.3	597.1	545.4	703.8	586.8	592.2	570.6	570.8	544.7	495.7
6 Debt capital instruments	451.4	460.3	458.5	454.6	393.8	551.0	458.8	432.4	418.0	396.9	374.8	385.6
7 Tax-exempt obligations	135.4	22.7	34.1	34.0	24.2	37.9	34.8	34.3	29.3	23.0	32.2	12.4
8 Corporate bonds	73.8	121.3	99.9	114.1	114.2	135.2	110.9	98.4	100.0	127.9	102.4	126.4
9 Mortgages	242.2	316.3	324.5	306.5	255.5	377.9	313.1	299.7	288.7	246.1	240.2	246.9
10 Home mortgages	156.8	218.7	234.9	231.0	196.1	299.8	230.9	214.0	206.6	197.6	180.6	199.8
11 Multifamily residential	29.8	33.5	24.4	16.7	15.8	14.5	19.4	17.3	27.4	7.9	19.0	8.7
12 Commercial	62.2	73.6	71.6	60.8	43.9	65.2	65.4	67.7	59.1	38.5	40.6	37.3
13 Farm	−6.6	−9.5	−6.4	−2.1	−.3	−1.6	−2.6	.7	−4.4	2.1	.0	1.0
14 Other debt instruments	171.3	155.8	89.7	142.5	151.6	152.8	128.0	159.8	152.6	173.9	169.9	110.0
15 Consumer credit	82.5	58.0	32.9	51.1	46.1	51.9	35.5	73.1	34.8	46.0	34.5	69.2
16 Bank loans n.e.c.	38.6	66.7	10.8	38.4	33.0	58.8	7.3	66.6	23.1	29.9	59.0	20.0
17 *Open market paper*	14.6	−9.3	2.3	11.6	20.8	6.8	17.1	20.0	41.4	39.2	16.7	−14.3
18 Other	35.6	40.5	43.8	41.5	51.7	35.2	68.0	.1	53.3	58.7	59.7	35.1
19 By borrowing sector	622.7	616.1	548.3	597.1	545.4	703.8	586.8	592.2	570.6	570.8	544.7	495.7
20 State and local governments	90.9	36.2	33.6	29.8	24.7	37.0	28.1	30.6	29.7	27.6	29.5	11.9
21 Households	284.6	289.2	271.9	289.8	258.5	346.2	291.4	283.5	264.5	239.4	258.4	271.9
22 Nonfinancial business	247.2	290.7	242.8	277.5	262.2	320.6	267.3	278.0	276.4	303.7	256.8	211.9
23 Farm	−14.5	−16.3	−10.6	−7.5	.3	−3.3	−2.2	−11.8	−2.2	.2	4.7	−1.5
24 Nonfarm noncorporate	129.3	103.2	107.9	87.4	65.9	83.6	100.5	80.4	85.9	65.8	67.2	44.7
25 Corporate	132.4	203.7	145.5	197.5	196.0	240.3	169.0	209.4	192.8	237.7	184.9	168.7
26 Foreign net borrowing in United States	1.2	9.7	4.9	6.9	8.0	5.4	4.1	13.3	−1.1	−1.9	24.3	10.6
27 Bonds	3.8	3.1	7.4	6.9	5.1	2.6	5.9	5.1	3.2	10.7	8.4	−1.9
28 Bank loans n.e.c.	−2.8	−1.0	−3.6	−1.8	1.0	−3.3	.0	−5.7	4.9	1.7	−1.2	−1.4
29 Open market paper	6.2	11.5	2.1	9.6	12.3	6.5	10.3	21.0	12.1	−8.1	20.4	24.9
30 U.S. government loans	−6.0	−3.9	−1.0	−7.8	−10.5	−.4	−12.1	−7.1	−21.4	−6.3	−3.3	−10.9
31 **Total domestic plus foreign**	**847.5**	**840.9**	**698.1**	**761.4**	**703.2**	**822.9**	**753.3**	**747.6**	**769.5**	**639.8**	**718.0**	**685.7**
	Financial sectors											
32 **Total net borrowing by financial sectors**	**201.3**	**318.9**	**315.0**	**246.5**	**201.5**	**245.9**	**216.3**	**302.5**	**384.0**	**119.0**	**141.1**	**161.9**
By instrument												
33 U.S. government related	101.5	187.9	185.8	119.8	140.4	86.3	128.6	156.7	205.7	101.4	129.7	124.8
34 Sponsored credit agency securities	20.6	15.2	30.2	44.9	25.0	11.1	46.5	62.3	84.9	12.5	10.0	−7.4
35 Mortgage pool securities	79.9	173.1	156.4	74.9	115.4	75.1	82.1	94.4	120.8	88.9	119.6	132.2
36 Loans from U.S. government	1.1	−.4	−.8	.0	.0	.0	.0	.0	.0	.0	.0	.0
37 Private financial sectors	99.7	131.0	129.2	126.7	61.1	159.6	87.7	145.8	178.3	17.6	11.4	37.1
38 Corporate bonds	50.9	82.9	78.9	51.7	38.7	71.1	32.5	43.0	52.7	31.4	25.5	45.0
39 Mortgages	.1	.1	.4	.3	−.1	.1	−.1	1.2	.3	.0	.0	−.5
40 Bank loans n.e.c.	2.6	4.0	−3.3	1.4	1.3	5.7	−5.6	−.3	3.0	.3	1.7	.1
41 Open market paper	32.0	24.2	28.8	53.6	32.2	70.5	35.1	70.4	53.2	2.8	27.9	44.9
42 Loans from Federal Home Loan Banks	14.2	19.8	24.4	19.7	−11.0	12.3	25.8	31.4	69.1	−16.9	−43.7	−52.4
By sector												
43 **Total**	**201.3**	**318.9**	**315.0**	**246.5**	**201.5**	**245.9**	**216.3**	**302.5**	**384.0**	**119.0**	**141.1**	**161.9**
44 Sponsored credit agencies	21.7	14.9	29.5	44.9	25.0	11.1	46.5	62.3	84.9	12.5	10.0	−7.4
45 Mortgage pools	79.9	173.1	156.4	74.9	115.4	75.1	82.1	94.4	120.8	88.9	119.6	132.2
46 Private financial sectors	99.7	131.0	129.2	126.7	61.1	159.6	87.7	145.8	178.3	17.6	11.4	37.1
47 Commercial banks	−4.9	−3.6	7.1	−3.9	.7	−1.6	−.9	3.7	−13.4	−.9	12.3	4.7
48 Bank affiliates	16.6	15.2	14.3	5.2	7.5	22.4	6.1	.8	6.4	6.5	16.5	.8
49 Savings and loan associations	17.3	20.9	19.6	19.9	−14.6	19.1	24.1	26.3	71.3	−16.2	−48.3	−65.2
50 Mutual savings banks	1.5	4.2	8.1	1.9	−1.6	1.1	.5	3.8	−2.8	−1.1	−3.3	.8
51 Finance companies	57.2	54.5	40.3	67.0	49.0	85.4	40.7	63.6	78.4	32.8	29.7	55.0
52 REITs	.5	1.0	.8	4.1	−1.2	1.7	−5.9	15.0	−.9	−2.2	−1.4	−.4
53 SCO Issuers	11.5	39.0	39.1	32.5	21.3	31.5	23.1	32.5	39.3	−1.4	5.9	41.5

1.57—Continued

Transaction category, sector	1985	1986	1987	1988	1989	1988 Q2	1988 Q3	1988 Q4	1989 Q1	1989 Q2	1989 Q3	1989 Q4
	All sectors											
54 **Total net borrowing**	**1,048.8**	**1,159.8**	**1,013.2**	**1,007.9**	**904.7**	**1,068.8**	**969.7**	**1,050.1**	**1,153.4**	**758.8**	**859.1**	**847.6**
55 U.S. government securities	324.2	403.4	331.5	277.2	290.2	200.0	291.1	298.8	405.6	172.3	278.6	304.2
56 State and local obligations	135.4	22.7	34.1	34.0	24.2	37.9	34.8	34.3	29.3	23.0	32.2	12.4
57 Corporate and foreign bonds	128.4	207.3	186.3	172.7	157.9	208.8	149.3	146.4	155.9	170.0	136.3	169.5
58 Mortgages	242.2	316.4	324.9	306.7	255.4	378.0	313.0	300.8	289.0	246.1	240.3	246.4
59 Consumer credit	82.5	58.0	32.9	51.1	46.1	51.9	35.5	73.1	34.8	46.0	34.5	69.2
60 Bank loans n.e.c.	38.3	69.7	3.8	38.0	35.3	61.2	1.7	60.7	31.1	31.9	59.6	18.7
61 Open market paper	52.8	26.4	33.2	74.9	65.3	83.9	62.5	111.5	106.8	34.0	65.0	55.5
62 Other loans	45.0	56.1	66.5	53.4	30.2	47.1	81.7	24.4	101.0	35.5	12.7	−28.2
63 MEMO: U.S. government, cash balance	14.4	.0	−7.9	10.4	−10.7	1.2	10.6	−17.9	−22.5	43.7	−16.6	−47.5
Totals net of changes in U.S. government cash balances												
64 Net borrowing by domestic nonfinancial	831.9	831.2	701.1	744.2	706.0	816.3	738.6	752.2	793.1	598.0	710.2	722.6
65 Net borrowing by U.S. government	209.3	215.0	152.8	147.1	160.5	112.5	151.8	160.0	222.4	27.2	165.6	227.0
	External corporate equity funds raised in United States											
66 **Total net share issues**	**20.1**	**90.5**	**14.3**	**−117.9**	**−60.9**	**−133.7**	**−73.5**	**−163.5**	**−163.9**	**−48.8**	**−40.8**	**10.0**
67 Mutual funds	84.4	159.0	71.6	−.7	38.2	−6.6	1.5	11.9	3.6	24.0	54.3	70.9
68 All other	−64.3	−68.5	−57.3	−117.2	−99.0	−127.0	−75.0	−175.4	−167.4	−72.7	−95.1	−60.9
69 Nonfinancial corporations	−81.5	−80.8	−76.5	−130.5	−130.8	−140.0	−92.0	−195.0	−180.0	−105.0	−145.0	−93.0
70 Financial corporations	13.5	11.1	21.4	12.4	14.1	19.0	14.6	13.5	9.0	17.3	16.0	14.0
71 Foreign shares purchased in United States	3.7	1.2	−2.1	.9	17.7	−6.0	2.4	6.1	3.6	15.0	33.9	18.2

1.58 DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

Billions of dollars, except as noted; quarterly data are at seasonally adjusted annual rates.

Transaction category, or sector	1985	1986	1987	1988	1989	1988 Q2	1988 Q3	1988 Q4	1989 Q1	1989 Q2	1989 Q3	1989 Q4
1 **Total funds advanced in credit markets to domestic nonfinancial sectors**	**846.3**	**831.1**	**693.2**	**754.5**	**695.2**	**817.5**	**749.3**	**734.2**	**770.6**	**641.7**	**693.6**	**675.1**
By public agencies and foreign												
2 Total net advances	202.0	314.0	262.8	215.5	202.8	167.5	181.2	255.8	326.4	-1.1	255.0	230.7
3 U.S. government securities	45.9	69.4	70.1	85.0	45.9	43.3	24.1	119.6	97.6	-103.9	130.2	59.5
4 Residential mortgages	94.6	170.1	153.2	86.3	129.7	89.9	82.4	105.5	122.9	102.2	139.3	154.3
5 FHLB advances to thrifts	14.2	19.8	24.4	19.7	-11.0	12.3	25.8	31.4	69.1	-16.9	-43.7	-52.4
6 Other loans and securities	47.3	54.7	15.1	24.4	38.2	22.1	49.0	-.7	36.8	17.6	29.2	69.4
Total advanced, by sector												
7 U.S. government	17.8	9.7	-7.9	-9.4	-.9	-7.6	4.3	-27.1	-2.4	-3.7	-5.6	8.1
8 Sponsored credit agencies	103.5	187.2	183.4	112.0	127.4	87.7	114.4	152.8	211.0	11.2	157.9	129.5
9 Monetary authorities	18.4	19.4	24.7	10.5	-7.3	5.0	15.5	18.9	5.2	-3.9	-30.7	.1
10 Foreign	62.3	97.8	62.7	102.3	83.6	82.5	47.0	111.2	112.5	-4.6	133.3	93.0
Agency and foreign borrowing not in line 1												
11 Sponsored credit agencies and mortgage pools	101.5	187.9	185.8	119.8	140.4	86.3	128.6	156.7	205.7	101.4	129.7	124.8
12 Foreign	1.2	9.7	4.9	6.9	8.0	5.4	4.1	13.3	-1.1	-1.9	24.3	10.6
Private domestic funds advanced												
13 Total net advances	747.0	714.8	621.1	665.8	640.8	741.6	700.8	648.5	648.8	742.2	592.6	579.7
14 U.S. government securities	278.2	333.9	261.4	192.2	244.3	156.7	267.0	179.3	308.0	276.2	148.5	244.7
15 State and local obligations	135.4	22.7	34.1	34.0	24.2	37.9	34.8	34.3	29.3	23.0	32.2	12.4
16 Corporate and foreign bonds	40.8	84.2	87.5	97.6	98.3	117.5	86.8	66.5	80.5	131.0	103.8	78.0
17 Residential mortgages	91.8	82.0	106.1	161.3	82.2	224.5	167.9	125.8	111.1	103.3	60.4	54.2
18 Other mortgages and loans	214.8	211.8	156.5	200.3	180.7	217.4	170.0	274.0	188.9	191.8	204.2	138.0
19 LESS: Federal Home Loan Bank advances	14.2	19.8	24.4	19.7	-11.0	12.3	25.8	31.4	69.1	-16.9	-43.7	-52.4
Private financial intermediation												
20 Credit market funds advanced by private financial institutions	579.9	744.0	560.8	561.2	492.4	553.6	429.1	634.9	600.6	492.1	308.7	568.5
21 Commercial banking	186.0	197.5	136.8	155.3	171.6	194.5	118.4	220.5	120.6	158.6	166.6	240.6
22 Savings institutions	87.9	107.6	136.8	120.4	-75.3	135.0	156.9	94.0	62.6	-100.2	-136.3	-127.2
23 Insurance and pension funds	154.4	174.6	210.9	198.0	177.1	182.5	152.2	190.1	257.1	162.7	121.6	166.9
24 Other finance	151.6	264.2	76.3	87.4	219.1	41.6	1.7	130.3	160.4	271.1	156.8	288.2
25 Sources of funds	579.9	744.0	560.8	561.2	492.4	553.6	429.1	634.9	600.6	492.1	308.7	568.5
26 Private domestic deposits and RPs	214.3	262.6	144.1	219.9	215.1	103.5	191.3	277.9	146.8	186.8	271.9	254.7
27 Credit market borrowing	99.7	131.0	129.2	126.7	61.1	159.6	87.7	145.8	178.3	17.6	11.4	37.1
28 Other sources	265.9	350.4	287.5	214.6	216.3	290.5	150.1	211.2	275.5	287.7	25.3	276.6
29 Foreign funds	19.7	12.9	43.7	9.3	-1.1	94.5	-41.5	45.2	-28.6	-19.4	22.7	20.9
30 Treasury balances	10.3	1.7	-5.8	7.3	-8.3	-16.3	5.6	-4.1	-21.6	26.6	-15.0	-23.1
31 Insurance and pension reserves	131.9	149.3	176.1	177.6	143.7	176.0	87.3	253.9	187.9	123.1	33.8	229.8
32 Other, net	104.1	186.5	73.6	20.4	82.0	36.4	98.8	-83.7	137.7	157.3	-16.2	49.1
Private domestic nonfinancial investors												
33 Direct lending in credit markets	266.8	101.8	189.6	231.3	209.5	347.6	359.3	159.4	226.5	267.7	295.4	48.4
34 U.S. government securities	157.8	60.9	100.0	131.8	141.6	78.0	209.3	140.5	194.7	126.8	164.6	80.4
35 State and local obligations	37.7	-21.7	45.6	33.9	14.7	37.4	56.0	22.1	35.8	-9.1	33.0	-.9
36 Corporate and foreign bonds	4.2	39.3	24.1	-4.1	11.3	63.2	-6.1	-29.4	-34.7	72.5	8.9	-1.5
37 Open market paper	47.5	5.4	6.6	37.2	17.3	95.0	75.6	-1.3	50.4	16.3	63.8	-61.2
38 Other	19.6	17.9	13.3	32.6	24.6	74.0	24.5	27.4	-19.7	61.3	25.1	31.5
39 Deposits and currency	224.6	283.0	160.2	222.5	236.4	111.4	215.1	248.7	192.0	226.2	248.1	279.4
40 Currency	12.4	14.4	19.0	14.7	12.5	13.8	29.3	5.1	19.3	12.6	9.1	9.0
41 Checkable deposits	41.9	95.0	-3.0	12.4	6.8	-30.2	-22.3	97.8	-56.3	-91.4	-2.9	178.0
42 Small time and savings accounts	138.5	120.6	76.0	122.8	105.1	131.8	73.1	86.1	23.7	114.5	124.0	158.4
43 Money market fund shares	8.9	38.3	27.2	22.8	85.2	-21.0	-3.5	58.1	51.1	111.8	124.3	53.6
44 Large time deposits	7.4	-11.4	26.7	40.7	2.3	-3.6	136.9	12.6	96.8	24.4	14.6	-126.7
45 Security RPs	17.7	20.2	17.2	21.2	15.6	26.5	7.0	23.3	31.6	27.5	12.0	-8.6
46 Deposits in foreign countries	-2.1	5.9	-2.8	-12.1	8.9	-5.9	-5.5	-34.4	25.9	26.8	-32.9	15.7
47 **Total of credit market instruments, deposits, and currency**	**491.4**	**384.8**	**349.8**	**453.8**	**445.9**	**459.1**	**574.4**	**408.1**	**418.5**	**493.9**	**543.5**	**327.8**
48 Public holdings as percent of total	23.8	37.3	37.6	28.3	28.8	20.4	24.1	34.2	42.4	-.2	35.5	33.7
49 Private financial intermediation (in percent)	77.6	104.1	90.3	84.3	76.8	74.7	61.2	97.9	92.6	66.3	52.1	98.1
50 Total foreign funds	82.0	110.7	106.4	111.6	82.5	177.0	5.4	156.4	83.9	-24.0	156.0	113.9
MEMO: Corporate equities not included above												
51 **Total net issues**	**20.1**	**90.5**	**14.3**	**-117.9**	**-60.9**	**-133.7**	**-73.5**	**-163.5**	**-163.9**	**-48.8**	**-40.8**	**10.0**
52 Mutual fund shares	84.4	159.0	71.6	-.7	38.2	-6.6	1.5	11.9	3.6	24.0	54.3	70.9
53 Other equities	-64.3	-68.5	-57.3	-117.2	-99.0	-127.0	-75.0	-175.4	-167.4	-72.7	-95.1	-60.9
54 Acquisitions by financial institutions	45.6	53.7	21.4	.5	5.7	-.6	13.2	20.9	-1.1	-8.4	-7.0	39.3
55 Other net purchases	-25.5	36.8	-7.1	-118.4	-66.6	-133.1	-86.7	-184.4	-162.8	-40.4	-33.8	-29.4

NOTES BY LINE NUMBER.
1. Line 1 of table 1.57.
2. Sum of lines 3–6 or 7–10.
6. Includes farm and commercial mortgages.
11. Credit market funds raised by federally sponsored credit agencies, and net issues of federally related mortgage pool securities.
13. Line 1 less line 2 plus line 11 and 12. Also line 20 less line 27 plus line 33. Also sum of lines 28 and 47 less lines 40 and 46.
18. Includes farm and commercial mortgages.
26. Line 39 less lines 40 and 46.
27. Excludes equity issues and investment company shares. Includes line 19.
29. Foreign deposits at commercial banks, bank borrowings from foreign branches, and liabilities of foreign banking agencies to foreign affiliates, less claims on foreign affiliates and deposits by banking in foreign banks.
30. Demand deposits and note balances at commercial banks.
31. Excludes net investment of these reserves in corporate equities.
32. Mainly retained earnings and net miscellaneous liabilities.
33. Line 13 less line 20 plus line 27.
34–38. Lines 14–18 less amounts acquired by private finance plus amounts borrowed by private finance. Line 38 includes mortgages.
40. Mainly an offset to line 9.
47. Lines 33 plus 39, or line 13 less line 28 plus 40 and 46.
48. Line 2/line 1.
49. Line 20/line 13.
50. Sum of lines 10 and 29.
51, 53. Includes issues by financial institutions.
NOTE. Full statements for sectors and transaction types in flows and in amounts outstanding may be obtained from Flow of Funds Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

1.59 SUMMARY OF CREDIT MARKET DEBT OUTSTANDING

Billions of dollars; period-end levels.

Transaction category, sector	1985	1986	1987	1988	1988			1989			
					Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Nonfinancial sectors										
1 **Total credit market debt owed by domestic nonfinancial sectors**	**6,795.1**	**7,631.2**	**8,335.0**	**9,080.8**	**8,682.6**	**8,856.6**	**9,080.8**	**9,246.2**	**9,413.0**	**9,591.5**	**9,790.1**
By sector and instrument											
2 U.S. government	1,600.4	1,815.4	1,960.3	2,117.8	2,022.3	2,063.9	2,117.8	2,155.7	2,165.7	2,204.3	2,267.6
3 Treasury securities	1,597.1	1,811.7	1,955.2	2,095.2	2,015.3	2,051.7	2,095.2	2,133.4	2,142.1	2,180.7	2,245.2
4 Agency issues and mortgages	3.3	3.6	5.2	22.6	7.0	12.2	22.6	22.3	23.6	23.5	22.4
5 Private domestic nonfinancial sectors	5,194.7	5,815.8	6,374.7	6,963.1	6,660.4	6,792.7	6,963.1	7,090.5	7,247.3	7,387.3	7,522.5
6 Debt capital instruments	3,485.5	3,957.5	4,428.0	4,881.8	4,648.4	4,763.3	4,881.8	4,973.4	5,073.3	5,173.3	5,275.7
7 Tax-exempt obligations	655.5	679.1	713.2	759.8	727.2	746.1	759.8	764.7	769.9	780.8	784.0
8 Corporate bonds	542.9	664.2	764.1	878.2	825.9	853.6	878.2	903.2	935.2	960.7	992.3
9 Mortgages	2,287.1	2,614.2	2,950.7	3,243.8	3,095.3	3,163.6	3,243.8	3,305.5	3,368.2	3,431.7	3,499.3
10 Home mortgages	1,490.2	1,720.8	1,943.1	2,173.9	2,055.1	2,117.8	2,173.9	2,215.4	2,266.8	2,317.3	2,370.1
11 Multifamily residential	213.0	246.2	270.0	286.7	276.6	281.0	286.7	292.6	294.4	298.8	302.5
12 Commercial	478.1	551.4	648.7	696.4	675.9	677.9	696.4	711.5	720.3	729.0	740.2
13 Farm	105.9	95.8	88.9	86.8	87.8	87.0	86.8	86.0	86.7	86.6	86.5
14 Other debt instruments	1,709.3	1,858.4	1,946.7	2,081.3	2,012.0	2,029.4	2,081.3	2,117.0	2,174.0	2,214.0	2,246.8
15 Consumer credit	601.8	659.8	692.7	743.7	705.8	721.2	743.7	745.0	761.0	776.2	797.9
16 Bank loans n.e.c.	592.7	656.1	664.3	702.6	687.2	687.7	702.6	717.6	729.8	743.8	745.6
17 Open market paper	72.2	62.9	73.8	85.4	77.8	80.3	85.4	96.1	110.1	113.3	107.1
18 Other	442.6	479.6	516.0	549.5	541.1	540.2	549.5	558.3	573.2	580.7	596.2
19 By borrowing sector	5,194.7	5,815.8	6,374.7	6,963.1	6,660.4	6,792.7	6,963.1	7,090.5	7,247.3	7,387.3	7,522.5
20 State and local governments	473.9	510.1	543.7	573.5	556.0	565.7	573.5	578.5	584.8	595.1	598.2
21 Households	2,295.5	2,591.8	2,864.5	3,151.7	2,989.9	3,068.0	3,151.7	3,206.1	3,269.2	3,342.1	3,423.2
22 Nonfinancial business	2,425.4	2,714.0	2,966.5	3,237.9	3,114.4	3,159.0	3,237.9	3,305.9	3,393.2	3,450.1	3,501.1
23 Farm	173.4	156.6	145.5	137.6	143.9	143.6	137.6	135.9	139.5	141.2	137.9
24 Nonfarm noncorporate	898.3	1,001.6	1,109.4	1,200.9	1,151.9	1,172.6	1,200.9	1,223.3	1,239.1	1,251.2	1,266.8
25 Corporate	1,353.6	1,555.8	1,711.6	1,899.4	1,818.6	1,842.9	1,899.4	1,946.6	2,014.7	2,057.8	2,096.4
26 Foreign credit market debt held in United States	234.7	236.4	242.9	249.8	245.9	246.1	249.8	249.8	249.4	254.6	257.6
27 Bonds	71.8	74.9	82.3	89.2	86.0	87.4	89.2	90.5	92.1	94.2	94.3
28 Bank loans n.e.c.	27.9	26.9	23.3	21.5	22.4	22.7	21.5	21.6	22.7	22.6	22.5
29 Open market paper	33.9	37.4	41.2	50.9	44.0	46.3	50.9	54.9	52.7	57.5	63.0
30 U.S. government loans	101.1	97.1	96.1	88.3	93.5	89.8	88.3	82.8	81.9	80.3	77.8
31 **Total domestic plus foreign**	**7,029.9**	**7,867.6**	**8,578.0**	**9,330.7**	**8,928.5**	**9,102.8**	**9,330.7**	**9,496.0**	**9,662.4**	**9,846.1**	**10,047.7**
	Financial sectors										
32 **Total credit market debt owed by financial sectors**	**1,213.2**	**1,563.6**	**1,885.5**	**2,084.1**	**1,942.8**	**1,996.5**	**2,084.1**	**2,190.5**	**2,229.6**	**2,264.5**	**2,318.1**
By instrument											
33 U.S. government related	632.7	844.2	1,026.5	1,098.4	1,019.2	1,054.6	1,098.4	1,140.8	1,166.5	1,202.6	1,238.7
34 Sponsored credit agency securities	257.8	273.0	303.2	348.1	317.9	328.5	348.1	364.3	369.0	370.4	373.1
35 Mortgage pool securities	368.9	565.4	718.3	745.3	696.3	721.1	745.3	771.5	792.5	827.2	860.7
36 Loans from U.S. government	6.1	5.7	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
37 Private financial sectors	580.5	719.5	859.0	985.7	923.6	941.9	985.7	1,049.7	1,063.1	1,062.0	1,079.3
38 Corporate bonds	204.5	287.4	366.3	418.0	397.9	406.4	418.0	458.2	465.8	472.5	484.6
39 Mortgages	2.7	2.7	3.1	3.4	3.1	3.1	3.4	3.5	3.5	3.5	3.3
40 Bank loans n.e.c.	32.1	36.1	32.8	34.2	34.3	32.9	34.2	32.2	33.8	34.1	35.5
41 Open market paper	252.4	284.6	323.8	377.4	353.4	358.0	377.4	392.0	398.3	400.8	414.1
42 Loans from Federal Home Loan Banks	88.8	108.6	133.1	152.8	134.8	141.6	152.8	163.8	161.9	151.1	141.8
43 **Total, by sector**	**1,213.2**	**1,563.6**	**1,885.5**	**2,084.1**	**1,942.8**	**1,996.5**	**2,084.1**	**2,190.5**	**2,229.6**	**2,264.5**	**2,318.1**
44 Sponsored credit agencies	263.9	278.7	308.2	353.1	322.9	333.5	353.1	369.3	374.0	375.4	378.1
45 Mortgage pools	368.9	565.4	718.3	745.3	696.3	721.1	745.3	771.5	792.5	827.2	860.7
46 Private financial sectors	580.5	719.5	859.0	985.7	923.6	941.9	985.7	1,049.7	1,063.1	1,062.0	1,079.3
47 Commercial banks	79.2	75.6	82.7	78.8	77.2	76.6	78.8	73.3	74.5	77.0	79.4
48 Bank affiliates	106.2	116.8	131.1	136.2	136.3	136.3	136.2	140.0	141.2	143.9	143.8
49 Savings and loan associations	98.9	119.8	139.4	159.3	141.9	148.1	159.3	170.1	167.9	155.7	144.7
50 Mutual savings banks	4.4	8.6	16.7	18.6	17.6	18.1	18.6	17.8	17.7	17.5	17.1
51 Finance companies	261.2	328.1	378.8	445.8	419.8	427.7	445.8	463.8	478.0	483.0	499.2
52 REITs	5.6	6.5	7.3	11.4	9.1	7.6	11.4	11.1	10.6	10.3	10.2
53 SCO issuers	25.0	64.0	103.1	135.7	121.8	127.5	135.7	173.5	173.1	174.6	185.0
	All sectors										
54 **Total credit market debt**	**8,243.1**	**9,431.2**	**10,463.4**	**11,414.8**	**10,871.3**	**11,099.3**	**11,414.8**	**11,686.5**	**11,892.0**	**12,110.7**	**12,365.7**
55 U.S. government securities	2,227.0	2,653.8	2,981.8	3,211.1	3,036.4	3,113.5	3,211.1	3,291.5	3,327.2	3,401.8	3,501.3
56 State and local obligations	655.5	679.1	713.2	759.8	727.2	746.1	759.8	764.7	769.9	780.8	784.0
57 Corporate and foreign bonds	819.2	1,026.4	1,212.7	1,385.4	1,309.8	1,347.4	1,385.4	1,451.9	1,493.1	1,527.5	1,571.3
58 Mortgages	2,289.8	2,617.0	2,953.8	3,247.2	3,098.5	3,166.7	3,247.2	3,309.0	3,371.7	3,435.2	3,502.6
59 Consumer credit	601.8	659.8	692.7	743.7	705.8	721.2	743.7	745.0	761.0	776.2	797.9
60 Bank loans n.e.c.	652.7	719.1	720.3	758.3	744.0	743.3	758.3	771.4	786.2	800.5	803.6
61 Open market paper	358.5	384.9	438.8	513.6	475.3	484.6	513.6	543.1	561.1	571.6	584.2
62 Other loans	638.6	691.1	750.2	795.6	774.4	776.5	795.6	809.9	821.9	817.1	820.8

1.60 SUMMARY OF CREDIT MARKET CLAIMS, BY HOLDER

Billions of dollars, except as noted; period-end levels.

Transaction category, or sector	1985	1986	1987	1988	1988			1989			
					Q2	Q3	Q4	Q1	Q2	Q3	Q4
1 **Total funds advanced in credit markets to domestic nonfinancial sectors**	**6,795.1**	**7,631.2**	**8,335.0**	**9,080.8**	**8,682.6**	**8,856.6**	**9,080.8**	**9,246.2**	**9,413.0**	**9,591.5**	**9,790.1**
By public agencies and foreign											
2 Total held	1,460.5	1,794.7	2,044.9	2,196.5	2,093.6	2,130.2	2,196.5	2,256.3	2,262.5	2,328.6	2,394.3
3 U.S. government securities	423.8	493.2	563.3	648.3	610.1	613.3	648.3	666.2	644.2	673.6	694.2
4 Residential mortgages	518.2	712.3	862.0	900.4	848.3	873.3	900.4	927.1	951.2	990.9	1,030.1
5 FHLB advances to thrifts	88.8	108.6	133.1	152.8	134.8	141.6	152.8	163.8	161.9	151.1	141.8
6 Other loans and securities	429.7	480.5	486.6	495.0	500.3	502.1	495.0	499.3	505.1	513.0	528.2
7 Total held, by type of lender	1,460.5	1,794.7	2,044.9	2,196.5	2,093.6	2,130.2	2,196.5	2,256.3	2,262.5	2,328.6	2,394.3
8 U.S. government	246.7	253.3	238.0	212.7	235.8	226.3	212.7	208.0	207.7	206.7	206.8
9 Sponsored credit agencies and mortgage pools	659.8	869.8	1,048.9	1,113.0	1,037.9	1,071.2	1,113.0	1,155.3	1,159.6	1,204.1	1,240.4
10 Monetary authority	186.0	205.5	230.1	240.6	229.7	230.8	240.6	235.4	238.4	227.6	233.3
11 Foreign	367.9	466.1	527.9	630.3	590.2	601.9	630.3	657.6	656.8	690.2	713.8
Agency and foreign debt not in line 1											
12 Sponsored credit agencies and mortgage pools	632.7	844.2	1,026.5	1,098.4	1,019.2	1,054.6	1,098.4	1,140.8	1,166.5	1,202.6	1,238.7
13 Foreign	234.7	236.4	242.9	249.8	245.9	246.1	249.8	249.8	249.4	254.6	257.6
Private domestic holdings											
14 Total private holdings	6,202.1	6,917.1	7,559.5	8,232.5	7,854.1	8,027.2	8,232.5	8,380.4	8,566.4	8,720.2	8,892.1
15 U.S. government securities	1,803.2	2,160.6	2,418.5	2,562.8	2,426.4	2,500.3	2,562.8	2,625.3	2,683.0	2,728.2	2,807.2
16 State and local obligations	655.5	679.1	713.2	759.8	727.2	746.1	759.8	764.7	769.9	780.8	784.0
17 Corporate and foreign bonds	517.6	601.3	689.6	787.2	748.9	770.6	787.2	808.6	840.0	865.9	885.6
18 Residential mortgages	1,185.1	1,254.7	1,351.1	1,560.2	1,483.3	1,525.5	1,560.2	1,581.0	1,610.0	1,625.3	1,642.5
19 Other mortgages and loans	2,129.7	2,330.0	2,520.1	2,715.2	2,603.2	2,626.3	2,715.2	2,764.6	2,825.4	2,871.1	2,914.7
20 LESS: Federal Home Loan Bank advances	88.8	108.6	133.1	152.8	134.8	141.6	152.8	163.8	161.9	151.1	141.8
Private financial intermediation											
21 Credit market claims held by private financial institutions	5,283.1	6,025.7	6,604.6	7,167.5	6,903.0	7,002.7	7,167.5	7,310.3	7,456.5	7,537.9	7,676.6
22 Commercial banking	1,978.9	2,176.3	2,313.1	2,468.4	2,382.6	2,421.6	2,468.4	2,490.9	2,538.2	2,588.6	2,640.0
23 Savings institutions	1,191.2	1,297.9	1,445.5	1,567.7	1,505.5	1,535.2	1,567.7	1,567.3	1,551.1	1,521.1	1,491.0
24 Insurance and pension funds	1,369.7	1,544.3	1,755.2	1,953.3	1,861.4	1,901.9	1,953.3	2,007.0	2,051.1	2,085.0	2,130.3
25 Other finance	743.4	1,007.1	1,090.7	1,178.1	1,153.5	1,144.0	1,178.1	1,245.1	1,316.1	1,343.2	1,415.2
26 Sources of funds	5,283.1	6,025.7	6,604.6	7,167.5	6,903.0	7,002.7	7,167.5	7,310.3	7,456.5	7,537.9	7,676.6
27 Private domestic deposits and RPs	2,930.0	3,188.4	3,324.8	3,560.2	3,438.6	3,480.0	3,560.2	3,589.0	3,639.0	3,702.4	3,775.3
28 Credit market debt	580.5	719.5	859.0	985.7	923.6	941.9	985.7	1,049.7	1,063.1	1,062.0	1,079.3
29 Other sources	1,772.7	2,117.9	2,420.8	2,621.5	2,540.7	2,580.7	2,621.5	2,671.6	2,754.4	2,773.6	2,822.0
30 Foreign funds	5.6	18.6	62.2	71.5	62.2	52.0	71.5	61.8	50.0	55.7	70.4
31 Treasury balances	25.8	27.5	21.6	29.0	32.6	34.2	29.0	13.5	34.4	30.3	20.7
32 Insurance and pension reserves	1,289.4	1,427.9	1,597.2	1,761.8	1,692.5	1,722.3	1,761.8	1,811.1	1,843.8	1,861.9	1,898.5
33 Other, net	451.8	643.9	739.6	759.2	753.5	772.4	759.2	785.2	826.2	825.7	832.3
Private domestic nonfinancial investors											
34 Credit market claims	1,499.5	1,610.8	1,813.9	2,050.7	1,874.8	1,966.4	2,050.7	2,119.9	2,173.1	2,244.2	2,294.9
35 U.S. government securities	814.7	899.1	992.0	1,077.8	962.4	1,022.3	1,077.8	1,105.2	1,127.4	1,177.5	1,219.4
36 Tax-exempt obligations	231.9	211.2	256.8	303.7	270.3	289.0	303.7	307.2	308.8	315.6	318.4
37 Corporate and foreign bonds	38.0	77.8	102.2	93.9	104.8	106.1	93.9	125.3	135.4	140.6	134.6
38 Open market paper	131.0	136.4	160.7	200.9	177.4	185.8	200.9	209.4	218.7	224.7	223.5
39 Other	283.8	286.2	302.3	374.5	359.9	363.2	374.5	372.8	382.8	385.9	399.0
40 Deposits and currency	3,120.4	3,399.2	3,553.9	3,791.9	3,668.5	3,710.3	3,791.9	3,824.0	3,887.8	3,939.6	4,028.4
41 Currency	171.9	186.3	205.4	220.1	209.9	213.4	220.1	220.7	226.4	224.4	232.6
42 Checkable deposits	422.5	517.4	514.0	525.3	510.4	495.9	525.3	492.3	493.8	485.1	532.2
43 Small time and savings accounts	1,831.9	1,948.3	2,017.1	2,156.5	2,117.0	2,137.3	2,156.5	2,170.2	2,191.5	2,225.1	2,261.7
44 Money market fund shares	227.3	265.6	292.8	315.6	306.1	303.6	315.6	340.3	359.9	389.2	400.8
45 Large time deposits	339.9	328.5	355.2	395.9	349.0	384.7	395.9	412.1	415.4	421.0	398.2
46 Security RPs	108.3	128.5	145.7	166.9	156.2	158.6	166.9	174.1	178.4	182.0	182.5
47 Deposits in foreign countries	18.5	24.5	23.7	11.6	19.9	16.8	11.6	14.4	22.5	12.8	20.5
48 **Total of credit market instruments, deposits, and currency**	**4,619.9**	**5,010.0**	**5,367.8**	**5,842.6**	**5,543.2**	**5,676.7**	**5,842.6**	**5,943.9**	**6,060.9**	**6,183.8**	**6,323.2**
49 Public holdings as percent of total	20.8	22.8	23.8	23.5	23.4	23.4	23.5	23.8	23.4	23.6	23.8
50 Private financial intermediation (in percent)	85.2	87.1	87.4	87.1	87.9	87.2	87.1	87.2	87.0	86.4	86.3
51 Total foreign funds	373.5	484.7	590.2	701.8	652.4	653.8	701.8	719.4	706.8	745.9	784.3
MEMO: Corporate equities not included above											
52 **Total market value**	**2,823.9**	**3,360.6**	**3,325.0**	**3,620.3**	**3,622.7**	**3,577.6**	**3,620.3**	**3,731.5**	**4,072.2**	**4,398.7**	**4,311.7**
53 Mutual fund shares	240.2	413.5	460.1	478.3	486.8	478.1	478.3	486.3	514.8	539.6	548.0
54 Other equities	2,583.7	2,947.1	2,864.9	3,142.0	3,136.0	3,099.5	3,142.0	3,245.2	3,557.4	3,859.1	3,763.7
55 Holdings by financial institutions	800.0	972.1	1,013.8	1,186.1	1,167.4	1,160.0	1,186.1	1,253.4	1,377.4	1,509.4	1,496.7
56 Other holdings	2,023.9	2,388.4	2,311.2	2,434.2	2,455.4	2,417.6	2,434.2	2,478.1	2,694.8	2,889.3	2,815.0

NOTES BY LINE NUMBER.
1. Line 1 of table 1.59.
2. Sum of lines 3–6 or 7–10.
6. Includes farm and commercial mortgages.
12. Credit market debt of federally sponsored agencies, and net issues of federally related mortgage pool securities.
14. Line 1 less line 2 plus line 12 and 13. Also line 21 less line 28 plus line 34. Also sum of lines 29 and 48 less lines 41 and 47.
19. Includes farm and commercial mortgages.
27. Line 40 less lines 41 and 47.
28. Excludes equity issues and investment company shares. Includes line 20.
30. Foreign deposits at commercial banks plus bank borrowings from foreign affiliates, less claims on foreign affiliates and deposits by banking in foreign banks.
31. Demand deposits and note balances at commercial banks.
32. Excludes net investment of these reserves in corporate equities.
33. Mainly retained earnings and net miscellaneous liabilities.
34. Line 14 less line 21 plus line 28.
35–39. Lines 15–19 less amounts acquired by private finance plus amounts borrowed by private finance. Line 39 includes mortgages.
41. Mainly an offset to line 10.
48. Lines 34 plus 40, or line 14 less line 29 plus 41 and 47.
49. Line 2/line 1 and 13.
50. Line 21/line 14.
51. Sum of lines 11 and 30.
52–54. Includes issues by financial institutions.

NOTE. Full statements for sectors and transaction types in flows and in amounts outstanding may be obtained from Flow of Funds Section, Stop 95, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures[1]

1977 = 100; monthly and quarterly data are seasonally adjusted. Exceptions noted.

Measure	1987	1988	1989	1989					1990			
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.r	Feb.r	Mar.r	Apr.
1 **Industrial production (1987 = 100)**	**100.0**	**105.4**	**108.1**	**108.2**	**108.2**	**107.7**	**108.1**	**108.6**	**107.5**	**108.5**	**109.1**	**108.7**
Market groupings												
2 *Products, total (1987 = 100)*	*100.0*	*105.3*	*108.6*	*108.5*	*108.8*	*108.1*	*108.9*	*109.7*	*108.4*	*109.5*	*110.4*	*109.7*
3 Final, total (1987 = 100)	100.0	105.6	109.1	109.1	109.6	108.5	109.4	110.3	108.5	109.8	110.9	110.0
4 Consumer goods (1987 = 100)	100.0	104.0	106.7	105.6	106.3	107.3	107.4	108.3	106.0	107.2	108.2	107.1
5 Equipment (1987 = 100)	100.0	107.6	112.3	113.6	113.8	110.1	112.0	112.9	111.8	113.2	114.6	113.8
6 Intermediate (1987 = 100)	100.0	104.4	106.8	106.4	106.3	106.9	107.3	107.9	108.0	108.6	108.8	108.5
7 Materials (1987 = 100)	100.0	105.6	107.4	107.8	107.4	107.1	107.0	106.9	106.2	107.0	107.0	107.1
Industry groupings												
8 Manufacturing (1987 = 100)	100.0	105.8	108.9	109.1	109.1	108.4	108.9	108.8	108.1	109.5	109.9	109.2
Capacity utilization (percent)[2]												
9 Manufacturing	81.4	83.9	83.9	83.8	83.6	82.9	83.0	82.8	82.0	82.9	82.9	82.2
10 Industrial materials industries	80.5	83.7	83.7	83.9	83.6	83.5	83.3	82.3	81.7	81.6	n.a.	n.a.
11 Construction contracts (1982 = 100)[3]	164.8	166.1	167.5r	168.0	181.0	173.0	158.0	160.0	154.0	147.0	156.0	146.0
12 Nonagricultural employment, total[4]	123.9	128.0	131.6	132.0	132.3	132.4	132.7	132.9	133.3	133.8	133.9	134.0
13 Goods-producing, total	101.5	103.7	105.3	105.5	105.2	105.2	105.2	104.9	104.8	105.5	105.2	104.7
14 Manufacturing, total	96.7	98.6	99.6	99.8	99.4	99.2	99.1	99.0	98.3	98.8	98.7	98.5
15 Manufacturing, production- worker	91.9	93.9	94.8	94.8	94.2	94.1	93.9	93.8	92.8	93.5	93.3	93.3
16 Service-producing	133.3	138.2	142.7	143.1	143.6	143.8	144.2	144.6	145.2	145.6	145.9	146.2
17 Personal income, total	235.0	252.8	275.4	277.3	277.9	280.0	282.5	283.9	286.3	288.5	290.7	291.6
18 Wages and salary disbursements	226.3	244.4	264.7	266.7	268.5	271.0	271.1	272.9	274.1	276.5	278.0	280.0
19 Manufacturing	183.8	196.5	207.3	208.8	208.8	211.1	209.1	209.2	208.1	210.3	212.1	211.3
20 Disposable personal income[5]	232.4	252.1	274.0	276.1	276.5	278.4	281.2	282.4	285.3	287.4	289.8	290.5
21 Retail sales[6]	213.6	228.0	240.6	244.2	245.2	241.9	243.7	242.8	249.6	249.7	249.1	247.6
Prices[7]												
22 Consumer (1982–84 = 100)	113.6	118.3	124.0	124.6	125.0	125.6	125.9	126.1	127.4	128.0	128.7	128.9
23 Producer finished goods (1982 = 100)	105.4	108.0	113.6	113.4	113.6	114.9	114.9	115.4r	117.5	117.4	117.0	117.0

1. A major revision of the industrial production index and the capacity utilization rates was released in April 1990. See "Industrial Production: 1989 Developments and Historical Revision" in the *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204. The revised indexes for January through June 1985 were shown in the September *Bulletin*.

2. Ratios of indexes of production to indexes of capacity. Based on data from Federal Reserve, McGraw-Hill Economics Department, 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 in *Employment and Earnings* (U.S. Department of Labor). Series covers employees only, excluding personnel in the Armed Forces.

5. Based on data in *Survey of Current Business* (U.S. Department of Commerce).

6. Based on Bureau of Census data published in *Survey of Current Business*.

7. Data without seasonal adjustment, as published in *Monthly Labor Review*. Seasonally adjusted data for changes in the price indexes may be obtained from the Bureau of Labor Statistics, U.S. Department of Labor.

NOTE. Basic data (not index numbers) for series mentioned in notes 4, 5, and 6, and indexes for series mentioned in notes 3 and 7 may also be found in the *Survey of Current Business*.

Figures for industrial production for the last two months are preliminary and estimated, respectively.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data are seasonally adjusted. Exceptions noted.

Category	1987	1988	1989	1989				1990			
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.[r]	Apr.
HOUSEHOLD SURVEY DATA											
1 **Noninstitutional population**[1]	**185,010**	**186,837**	**188,601**	**188,948**	**189,096**	**189,238**	**189,381**	**189,506**	**189,607**	**189,717**	**189,844**
2 Labor force (including Armed Forces)[1]	122,122	123,893	126,077	126,245	126,373	126,709	126,762	126,610	126,825	127,017	127,061
3 Civilian labor force	119,865	121,669	123,869	124,023	124,148	124,488	124,546	124,397	124,630	124,829	124,886
Employment											
4 Nonagricultural industries[2]	109,232	111,800	114,142	114,200	114,388	114,676	114,691	114,728	114,957	115,133	114,983
5 Agriculture	3,208	3,169	3,199	3,219	3,197	3,160	3,197	3,134	3,079	3,200	3,133
Unemployment											
6 Number	7,425	6,701	6,528	6,604	6,563	6,652	6,658	6,535	6,594	6,495	6,770
7 Rate (percent of civilian labor force)	6.2	5.5	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.2	5.4
8 Not in labor force	62,888	62,944	62,524	62,703	62,723	62,529	62,619	62,896	62,782	62,700	62,783
ESTABLISHMENT SURVEY DATA											
9 **Nonagricultural payroll employment**[3]	**102,200**	**105,584**	**108,573**	**109,096**	**109,171**	**109,452**	**109,570**	**109,931**	**110,304[r]**	**110,407**	**110,471**
10 Manufacturing	19,024	19,403	19,611	19,559	19,537	19,517	19,489	19,355	19,452[r]	19,422	19,400
11 Mining	717	721	722	730	731	737	739	745	749	749	755
12 Contract construction	4,967	5,125	5,302	5,325	5,335	5,355	5,304	5,418	5,485[r]	5,433	5,334
13 Transportation and public utilities	5,372	5,548	5,703	5,709	5,729	5,753	5,834	5,850	5,865[r]	5,864	5,866
14 Trade	24,327	25,139	25,807	25,896	25,957	26,044	26,029	26,154	26,126[r]	26,121	26,147
15 Finance	6,547	6,676	6,814	6,852	6,851	6,871	6,885	6,896	6,916[r]	6,926	6,926
16 Service	24,236	25,600	26,889	27,159	27,188	27,345	27,419	27,557	27,709[r]	27,782	27,805
17 Government	17,010	17,372	17,726	17,866	17,843	17,830	17,871	17,956	18,002[r]	18,110	18,238

1. Persons 16 years of age and over. Monthly figures, which are based on sample data, relate to the calendar week that contains the 12th day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures. Based on data from *Employment and Earnings* (U.S. Department of Labor).

2. Includes self-employed, unpaid family, and domestic service workers.

3. Data include all full- and part-time employees who worked during, or received pay for, the pay period that includes the 12th day of the month, and exclude proprietors, self-employed persons, domestic servants, unpaid family workers, and members of the Armed Forces. Data are adjusted to the March 1984 benchmark and only seasonally adjusted data are available at this time. Based on data from *Employment and Earnings* (U.S. Department of Labor).

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION[1]

Seasonally adjusted

Series	1989 Q2	1989 Q3	1989 Q4	1990 Q1[r]	1989 Q2	1989 Q3	1989 Q4	1990 Q1	1989 Q2	1989 Q3	1989 Q4[r]	1990 Q1[r]
	Output (1987 = 100)				Capacity (percent of 1987 output)				Utilization rate (percent)			
1 **Total industry**	**108.4**	**108.1**	**108.1**	**108.4**	**128.0**	**128.8**	**129.5**	**130.3**	**84.7**	**84.0**	**83.5**	**83.1**
2 Mining	101.1	100.8	100.6	101.0	117.2	116.7	116.1	115.7	86.2	86.4	86.7	87.3
3 Utilities	106.3	106.2	110.6	107.3	125.3	125.5	125.7	126.0	84.9	84.6	88.0	85.2
4 **Manufacturing**	**109.3**	**108.9**	**108.7**	**109.2**	**129.2**	**130.2**	**131.1**	**132.1**	**84.5**	**83.7**	**82.9**	**82.6**
5 Primary processing	106.4	106.4	106.1	106.3	122.0	122.7	123.4	124.2	87.3	86.7	85.9	85.6
6 Advanced processing	110.6	110.1	109.9	110.5	132.6	133.7	134.7	135.8	83.4	82.4	81.6	81.4

Series	Previous cycle[2] High	Previous cycle[2] Low	Latest cycle[3] High	Latest cycle[3] Low	1989 Apr.	1989 Aug.	1989 Sept.	1989 Oct.	1989 Nov.[r]	1989 Dec.	1990 Jan.[r]	1990 Feb.[r]	1990 Mar.[r]	1990 Apr.
	Capacity utilization rate (percent)													
7 **Total industry**	**89.2**	**72.6**	**87.3**	**71.8**	**85.0**	**84.0**	**83.9**	**83.3**	**83.5**	**83.7**	**82.7**	**83.2**	**83.5**	**83.0**
8 Mining	94.4	88.4	96.6	80.6	86.6	86.4	87.2	86.5	87.1	86.3	87.8	86.7	87.4	88.3
9 Utilities	95.6	82.5	88.3	76.2	84.9	84.7	84.3	85.5	86.2	92.3	84.8	84.0	86.6	87.1
10 **Manufacturing**	**88.9**	**70.8**	**87.3**	**70.0**	**84.8**	**83.8**	**83.6**	**82.9**	**83.0**	**82.8**	**82.0**	**82.9**	**82.9**	**82.2**
11 Primary processing	92.2	68.9	89.7	66.8	87.8	86.9	86.1	86.6	86.1	85.2	85.7	86.0	85.1	84.5
12 Advanced processing	87.5	72.0	86.3	71.4	83.6	82.4	82.5	81.4	81.7	81.8	80.5	81.6	82.0	81.2

1. These data also appear in the Board's G.3 (402) release. For address, see inside front cover.
2. Monthly high 1973; monthly low 1975.
3. Monthly highs 1978 through 1980; monthly lows 1982.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]

Monthly data are seasonally adjusted

Groups	1987 proportion	1989 avg.	1989 Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1990 Jan.[r]	Feb.[r]	Mar.[p]	Apr.[e]
			Index (1987 = 100)												
MAJOR MARKET[1]															
1 **Total index**	**100.00**	**108.1**	**108.6**	**108.3**	**108.4**	**107.8**	**108.2**	**108.2**	**107.7**	**108.1**	**108.6**	**107.5**	**108.5**	**109.1**	**108.7**
2 Products	60.79	108.6	108.9	108.9	109.1	108.2	108.5	108.8	108.1	108.9	109.7	108.4	109.5	110.4	109.7
3 Final products	46.05	109.1	109.5	109.6	109.8	108.7	109.1	109.6	108.5	109.4	110.3	108.5	109.8	110.9	110.0
4 Consumer goods	26.02	106.7	107.0	106.8	106.3	105.2	105.6	106.3	107.3	107.4	108.3	106.0	107.2	108.2	107.1
5 Equipment	20.03	112.3	112.6	113.1	114.3	113.2	113.6	113.8	110.1	112.0	112.9	111.8	113.2	114.6	113.8
6 Intermediate products	14.74	106.8	107.2	106.6	106.7	106.7	106.4	106.3	106.9	107.3	107.9	108.0	108.6	108.8	108.5
7 Materials	39.21	107.4	108.0	107.3	107.6	107.3	107.8	107.4	107.1	107.0	106.9	106.2	107.0	107.0	107.1
Consumer goods															
8 Durable consumer goods	5.58	107.9	110.0	109.2	108.4	105.6	105.8	107.6	106.8	105.7	106.8	99.4	106.2	110.8	106.3
9 Automotive products	2.47	106.9	110.2	109.2	106.7	101.1	103.2	104.9	102.9	102.4	104.5	85.2	99.0	108.7	99.9
10 Autos and trucks	1.48	105.7	109.8	109.6	106.2	97.1	101.1	103.1	99.7	98.4	100.1	66.3	92.1	106.6	92.0
11 *Autos, consumer*	*.93*	*101.2*	*106.2*	*105.7*	*100.5*	*89.3*	*95.1*	*102.0*	*100.7*	*92.8*	*92.6*	*62.1*	*86.9*	*100.5*	*87.6*
12 Trucks, consumer	.55	113.3	115.8	116.2	115.7	110.1	111.3	105.0	98.2	108.0	112.6	73.3	100.8	117.0	99.3
13 *Auto parts and allied goods*	.99	108.7	110.7	108.5	107.4	107.0	106.3	107.4	107.6	108.2	111.2	113.6	109.4	111.8	111.8
14 Home goods	3.11	108.7	110.0	109.3	109.8	109.2	107.9	109.8	109.8	108.4	108.6	110.6	111.8	112.4	111.3
15 Appliances, A/C and TV	.79	106.7	108.6	105.9	110.5	107.5	106.5	109.3	107.6	102.0	101.0	108.4	107.8	108.9	106.3
16 Carpeting and furniture	.91	101.5	103.2	104.1	102.1	101.0	98.1	100.9	101.1	100.4	102.0	103.7	104.7	105.9	105.5
17 Miscellaneous home goods	1.42	114.5	115.1	114.6	114.3	115.4	114.8	115.8	116.6	117.1	117.1	116.2	118.6	118.5	117.9
18 Nondurable consumer goods	20.44	106.4	106.2	106.2	105.8	105.1	105.6	106.0	107.4	107.8	108.7	107.8	107.4	107.5	107.4
19 Consumer chemical products	3.54	109.4	107.8	110.1	109.8	109.6	110.1	107.8	110.3	111.3	110.3	112.7	111.8	111.3	111.2
20 Consumer paper products	2.55	*114.3*	*112.8*	*112.7*	*112.9*	*113.1*	*114.1*	*116.2*	*117.2*	*118.1*	*116.9*	*116.2*	*115.4*	*116.9*	*117.0*
21 Consumer energy	2.68	106.7	106.5	106.1	106.1	105.2	104.7	106.0	106.0	108.0	115.2	107.9	105.5	106.5	107.3
22 Consumer fuel	.73	102.8	101.8	100.6	103.0	104.5	102.3	103.4	103.1	103.0	100.5	105.1	106.6	101.6	102.2
23 Residential utilities	1.96	108.1	108.2	108.1	107.2	105.5	105.6	106.9	107.0	109.8	120.7	109.0	105.1	108.3	109.1
Equipment															
24 Business equipment	13.93	119.1	119.6	120.2	121.4	119.9	120.4	120.7	116.0	118.7	119.9	118.0	119.9	121.8	120.6
25 Transit	2.46	123.8	127.9	127.6	128.3	123.8	128.4	127.0	112.9	117.0	123.4	111.4	123.6	132.3	126.7
26 Defense and space equipment	5.35	97.4	97.1	97.6	98.3	98.7	98.9	98.9	96.6	96.7	96.6	97.5	97.6	97.4	96.8
Intermediate products															
27 Construction supplies	6.05	106.1	106.3	105.9	106.2	106.5	105.5	105.2	106.3	107.0	107.4	107.9	108.3	106.2	105.2
28 Business supplies	8.69	107.3	107.8	107.1	107.0	106.8	106.9	107.0	107.3	107.5	108.2	108.0	108.8	110.6	110.8
Materials															
29 Durable goods materials	19.35	111.6	112.3	111.5	112.1	111.5	112.0	112.0	110.8	110.8	110.4	109.4	110.7	110.6	110.1
30 Durable consumer parts	4.16	109.0	110.8	110.6	110.3	107.7	109.2	108.8	106.9	105.7	102.5	96.5	102.8	104.5	102.0
31 Equipment parts	7.25	114.7	114.9	114.2	115.0	115.0	115.6	115.5	114.4	115.3	115.8	116.5	117.4	117.0	117.2
32 Durable materials n.e.c.	7.94	110.2	110.7	109.7	110.4	110.4	110.4	110.6	109.5	109.4	109.5	109.7	108.8	108.0	108.0
33 Basic metal materials	2.78	112.1	114.9	109.9	111.9	113.1	113.0	112.9	111.0	108.6	109.3	108.5	110.2	107.1	106.8
34 Nondurable goods materials	9.01	105.3	106.0	105.4	105.5	106.7	105.7	104.2	106.1	104.9	104.3	105.4	105.7	105.2	105.5
35 Textile materials	1.18	99.8	101.9	101.5	103.2	104.9	102.1	99.6	98.6	96.1	95.8	94.6	96.0	96.0	95.8
36 Pulp and paper materials	*1.87*	*103.8*	*103.1*	*102.1*	*102.4*	*104.8*	*103.6*	*104.1*	107.7	104.6	103.7	105.0	105.2	103.8	104.5
37 Chemical materials	3.81	106.4	108.1	106.1	106.5	108.2	107.3	104.5	106.8	105.8	103.8	105.8	107.0	106.6	106.9
38 Miscellaneous nondurable materials	2.14	107.6	107.0	109.1	107.9	106.8	107.0	106.5	107.5	108.4	110.4	110.9	109.2	109.0	109.1
39 Energy materials	10.85	101.4	101.9	101.2	101.0	100.1	101.7	101.6	101.3	101.9	102.7	101.2	101.4	102.1	102.9
40 Primary energy	7.18	99.9	99.8	100.6	100.8	100.0	102.5	100.7	99.8	100.5	99.0	101.1	101.4	101.5	102.1
41 Converted fuel materials	3.68	104.3	106.0	102.5	101.7	100.4	100.4	103.6	104.2	104.5	110.0	101.4	101.3	103.1	104.6

1. The following series in major market groups will no longer be published: consumer staples, nonfood staples, business and defense equipment, general business supplies, commercial energy products, and textile, paper, and chemical materials.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]—Continued

Groups	SIC code	1987 proportion	1989 avg.	1989 Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1990 Jan.[r]	Feb.[r]	Mar.[p]	Apr.[e]
				Index (1987 = 100)												
MAJOR INDUSTRY																
1 Mining	......	7.93	100.5	101.7	101.1	100.4	100.0	100.7	101.6	100.7	101.2	100.1	101.7	100.3	101.0	101.9
2 Utilities	......	7.63	107.1	106.4	106.3	106.3	106.6	106.2	105.9	107.4	108.3	116.1	106.8	105.9	109.2	109.9
3 Manufacturing	......	84.44	108.9	109.4	109.2	109.3	108.6	109.1	109.1	108.4	108.9	108.8	108.1	109.5	109.9	109.2
4 Nondurable	......	37.17	106.4	106.5	106.4	106.2	106.1	106.2	106.0	107.2	107.3	106.7	107.5	108.0	107.7	107.6
5 Durable	......	47.27	110.9	111.6	111.4	111.8	110.6	111.3	111.5	109.4	110.1	110.4	108.6	110.7	111.6	110.4
Mining																
6 Metal	10	.32	141.4	135.7	136.1	143.3	151.7	144.3	145.4	143.2	145.9	155.5	144.8	142.0	145.2	143.4
7 Coal	11.12	1.22	105.7	111.1	104.7	100.3	101.1	103.1	109.6	109.9	108.1	103.5	114.1	111.9	112.9	115.2
8 Oil and gas extraction	13	5.73	95.5	96.7	97.0	96.3	94.9	96.3	95.9	94.3	95.5	94.0	94.4	93.2	94.4	95.3
9 Stone and earth minerals	14	.67	113.9	111.2	113.0	115.0	116.8	113.3	114.1	118.0	115.8	119.7	121.2	120.0	114.3	114.6
Nondurable manufactures																
10 Foods	20	8.76	105.5	106.2	105.5	104.2	104.0	104.8	105.4	106.8	107.4	108.0	106.8	107.5	107.9	107.5
11 Tobacco products	21	1.02	99.7	104.0	101.7	100.4	94.2	95.0	93.3	99.7	98.8	98.5	101.3	102.3	100.0	98.0
12 Textile mill products	22	1.84	101.9	104.1	103.2	102.4	104.2	101.5	101.5	101.9	99.3	99.8	100.6	102.9	101.5	101.0
13 Apparel products	23	2.36	104.3	105.1	104.9	105.2	104.4	104.7	104.5	103.9	103.7	102.6	102.4	102.1	99.9	100.1
14 Paper and products	26	3.58	103.2	103.0	102.1	101.8	104.1	103.0	102.2	105.3	104.1	103.4	103.8	105.0	103.2	103.7
15 Printing and publishing	27	6.37	108.5	108.6	108.4	108.6	106.6	107.8	109.4	109.3	109.6	109.6	110.7	111.4	112.3	112.4
16 Chemicals and products	28	8.60	108.5	107.5	108.4	109.1	109.7	109.6	107.5	109.4	109.8	107.6	109.9	110.0	109.7	110.1
17 Petroleum products	29	1.32	106.1	104.5	104.6	106.6	108.2	107.0	108.7	106.9	109.3	104.3	108.6	112.0	109.5	107.9
18 Rubber and plastic products	30	3.02	108.9	108.5	109.8	109.0	109.0	109.0	108.5	108.8	109.1	110.1	110.7	109.1	109.4	108.7
19 Leather and products	31	.30	103.7	105.1	102.8	102.2	103.7	103.2	103.5	102.2	99.4	103.0	104.3	102.9	102.7	102.0
Durable manufactures																
20 Lumber and products	24	2.00	103.0	102.7	102.3	103.5	102.8	102.4	102.6	103.2	104.8	106.4	106.0	104.3	105.6	104.0
21 Furniture and fixtures	25	1.45	105.3	105.8	107.9	107.0	104.9	104.5	105.7	105.6	104.4	105.1	105.1	104.8	106.0	105.7
22 Clay, glass, and stone products	32	2.46	108.0	107.7	108.2	108.0	106.2	107.8	106.5	107.7	108.2	108.6	110.0	108.0	106.7	106.1
23 Primary metals	33	3.32	109.2	112.7	107.0	108.7	108.8	111.7	109.9	108.6	104.8	102.6	105.0	108.2	105.1	104.2
24 Iron and steel	331,2	1.95	109.3	115.4	104.8	107.1	107.5	109.8	109.7	109.2	104.1	100.3	104.6	110.5	106.7	106.2
25 Fabricated metal products	34	5.38	107.2	106.9	107.9	108.3	107.6	106.5	106.0	105.9	106.9	106.3	105.1	105.6	105.3	104.5
26 Nonelectrical machinery	35	8.55	121.8	121.6	121.8	123.4	121.6	121.8	123.4	119.0	122.9	123.8	123.7	123.5	123.5	123.4
27 Electrical machinery	36	8.62	109.5	110.1	108.8	109.1	108.6	110.6	110.8	110.2	110.1	110.1	110.1	111.0	112.1	111.9
28 Transportation equipment	37	9.80	107.2	109.4	109.6	109.0	106.6	107.8	108.0	102.1	102.8	104.4	94.7	103.6	108.2	104.2
29 Motor vehicles and parts	371	4.65	104.9	108.6	107.8	105.0	99.6	102.7	103.2	99.7	99.0	98.7	76.8	94.4	103.9	94.9
30 Aerospace and miscellaneous transportation equipment	372–6,9	5.15	109.3	110.1	111.2	112.6	113.0	112.4	112.3	104.3	106.3	109.6	111.0	111.9	112.1	112.6
31 Instruments	38	3.26	116.4	117.5	118.0	118.3	118.5	116.4	116.2	116.1	115.6	114.8	116.0	116.4	115.8	116.5
32 Miscellaneous manufactures	39	1.24	114.9	115.1	116.9	116.1	115.9	116.5	116.2	116.9	117.0	116.4	117.0	118.6	118.7	117.7
Utilities																
33 Electric	......	6.01	108.1	107.1	107.4	107.6	108.5	108.1	107.1	109.7	109.5	116.3	108.3	107.9	111.5	112.2
		Gross value (billions of 1982 dollars, annual rates)														
MAJOR MARKET																
34 Products, total	......	**1,734.82**	**1,889.8**	**1,894.0**	**1,894.8**	**1,894.4**	**1,869.0**	**1,883.7**	**1,894.3**	**1,878.3**	**1,896.9**	**1,905.5**	**1,863.6**	**1,905.7**	**1,925.9**	**19,001**
35 Final	......	1,350.87	1,480.1	1,485.5	1,485.3	1,485.6	1,459.6	1,475.3	1,486.2	1,465.6	1,482.8	1,492.5	1,447.9	1,489.3	1,506.6	14,844
36 Consumer goods	......	833.36	884.6	888.4	885.7	878.5	868.9	870.1	878.8	883.2	889.0	898.6	864.3	890.5	897.2	8,861
37 Equipment	......	517.51	595.5	597.1	599.6	607.1	590.8	605.3	607.5	582.4	593.8	594.0	583.6	598.8	609.3	6,013
38 Intermediate	......	383.95	409.7	408.5	409.5	408.8	409.3	408.4	408.1	412.7	414.1	413.0	415.7	416.4	419.4	4,156

NOTE. Mining and utilities series is no longer published.

1. These data also appear in the Board's G.12.3 (414) release. For address, see inside front cover.

A major revision of the industrial production index and the capacity utilization rates was released in July 1985. See "A Revision of the Index of Industrial Production" and accompanying tables that contain revised indexes (1977=100) through December 1984 in the *Federal Reserve Bulletin*, vol. 71 (July 1985), pp. 487–501. The revised indexes for January through June 1985 were shown in the September *Bulletin*.

2.14 HOUSING AND CONSTRUCTION

Monthly figures are at seasonally adjusted annual rates except as noted.

Item	1987	1988	1989	1989 June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1990 Jan.r	Feb.r	Mar.
	Private residential real estate activity (thousands of units)												
NEW UNITS													
1 Permits authorized	1,535	1,456	1,339r	1,323r	1,281	1,334r	1,310r	1,362r	1,364r	1,416r	1,739	1,297	1,232
2 1-family	1,024	994	932r	877r	910r	933r	946	959r	984r	984r	985	974	912
3 2-or-more-family	511	462	407r	446r	371r	401	364r	403r	380r	432r	754	323	320
4 Started	1,621	1,488	1,376	1,414	1,424	1,325	1,263	1,423	1,347	1,273	1,568	1,488	1,321
5 1-family	1,146	1,081	1,003	971	1,029	987	969	1,023	1,010	931	1,099	1,154	1,010
6 2-or-more-family	474	407	373	443	395	338	294	400	337	342	469	334	311
7 Under construction, end of period[1]	987	919	850	915	918	901	892	894	881	886	892	901	891
8 1-family	591	570	535	572	576	565	565	565	558	567	571	576	571
9 2-or-more-family	397	350	315	343	342	336	327	329	323	319	321	325	320
10 Completed	1,669	1,530	1,423	1,355	1,375	1,437	1,366	1,317	1,486	1,302	1,443	1,358	1,373
11 1-family	1,123	1,085	1,026	964	967	1,037	959	987	1,078	933	1,031	1,046	1,026
12 2-or-more-family	546	445	396	391	408	400	407	330	408	369	412	312	347
13 Mobile homes shipped	233	218	198	200	179	194	186	190	189	189	195	200	193
Merchant builder activity in 1-family units													
14 Number sold	672	675	650	646	741	719	638	636	687	633r	613	606	555
15 Number for sale, end of period[1]	366	367	362r	376	369	364	364	363	363	362r	365	365	363
Price (thousands of dollars)[2]													
Median													
16 Units sold	104.7	113.3	120.4	122.8	116.0	122.9	120.0	123.0	125.0	125.2r	125.0	125.2	119.4
Average													
17 Units sold	127.9	139.0	148.3r	153.6	140.3	158.6	151.1	147.8	151.4	154.3r	151.7	150.1	144.1
EXISTING UNITS (1-family)													
18 Number sold	3,530	3,594	3,439	3,330	3,380	3,440	3,510	3,490	3,560	3,560	3,520	3,400	3,400
Price of units sold (thousands of dollars)[2]													
19 Median	85.6	89.2	93.0	93.5	95.2	95.8	93.8	92.4	93.1	92.5	96.3	95.2	96.3
20 Average	106.2	112.5	118.0	119.0	121.0	121.6	118.3	116.7	117.9	118.1	120.0	118.3	119.5
	Value of new construction[3] (millions of dollars)												
CONSTRUCTION													
21 Total put in place	**397,721**	**409,663**	**414,273**	**412,523**	**410,269**	**416,279**	**416,176**	**411,544**	**416,509**	**415,135**	**425,043**	**438,562**	**432,472**
22 Private	320,108	328,738	330,250	329,035	328,785	331,884	329,564	328,687	327,761	321,380	334,216	343,223	341,749
23 Residential	194,656	198,101	195,385	194,229	195,165	194,393	192,765	191,428	190,313	189,452	196,659	199,696	203,162
24 Nonresidential, total	125,452	130,637	134,865	134,806	133,620	137,491	136,799	137,259	137,448	131,928	137,557	143,527	138,587
Buildings													
25 Industrial	13,707	14,931	16,756	16,302	16,424	17,526	17,927	17,856	17,997	17,296	19,323	21,036	20,165
26 Commercial	55,448	58,104	57,485	57,434	56,640	57,680	57,132	58,213	57,845	54,368	55,376	59,556	54,968
27 Other	15,464	17,278	17,366	17,179	16,768	18,455	17,962	17,332	17,813	16,248	17,511	16,951	17,306
28 Public utilities and other	40,833	40,324	43,258	43,891	43,788	43,830	43,778	43,858	43,793	44,016	45,347	45,984	46,148
29 Public	77,612	80,922	84,019	81,914	81,484	84,395	86,612	82,857	88,748	93,755	90,827	95,339	90,723
30 Military	4,327	3,579	3,504	4,324	3,194	3,779	4,916	2,076	3,664	3,552	3,325	3,206	3,677
31 Highway	25,343	28,524	27,663	27,321	26,128	27,367	27,581	26,214	28,670	32,502	29,358	34,021	29,956
32 Conservation and development	5,162	4,474	4,772	4,699	4,567	4,708	4,906	5,145	5,075	5,664	4,934	5,363	4,950
33 Other	42,780	44,345	48,080	45,570	47,595	48,541	49,209	49,422	51,339	52,037	53,210	52,749	52,140

1. Not at annual rates.
2. Not seasonally adjusted.
3. Value of new construction data in recent periods may not be strictly comparable with data in previous periods because of changes by the Bureau of the Census in its estimating techniques. For a description of these changes see *Construction Reports* (C-30-76-5), issued by the Bureau in July 1976.

NOTE. Census Bureau 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 16,000 jurisdictions beginning with 1978.

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 (at annual rate)				Change from 1 month earlier					Index level Apr. 1990
	1989 Apr.	1990 Apr.	1989 June	1989 Sept.	1989 Dec.[r]	1990 Mar.[r]	1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.	1990 Apr.	
CONSUMER PRICES[2] (1982–84=100)												
1 **All items**	**5.1**	**4.7**	**5.3**	**2.3**	**4.9**	**8.5**	**.4**	**1.1**	**.5**	**.5**	**.2**	**128.9**
2 Food	6.5	5.7	5.6	3.6	5.5	11.4	.5	2.0	.5	.3	−.2	131.3
3 Energy items	8.7	.8	22.7	−12.6	3.9	14.8	.3	5.1	−.7	−.8	−.4	95.7
4 All items less food and energy	4.6	4.8	3.8	3.5	4.7	7.5	.3	.6	.5	.7	.2	134.2
5 Commodities	3.5	3.4	2.4	1.3	3.4	7.8	.2	.4	1.0	.5	.0	123.7
6 Services	5.1	5.6	4.6	4.5	5.7	7.2	.4	.7	.4	.7	.4	140.3
PRODUCER PRICES (1982=100)												
7 Finished goods	5.6	3.5	5.8	.4	5.0	6.7	.6	1.8	.0	−.2	−.3	117.0
8 Consumer foods	6.7	4.7	−2.3	.7	12.4	9.5	.7	2.0[r]	.9	−.6	−.6	123.2
9 Consumer energy	12.3	−1.8	34.3	−15.3	−5.3	24.0	1.4[r]	13.8[r]	−5.0	−2.4	−1.7	67.2
10 Other consumer goods	4.6	4.0	6.0	2.3	4.2	3.5	.5[r]	.1[r]	.6	.2	.1	127.6
11 Capital equipment	3.5	3.8	4.5	4.4	2.0	3.4	.2	.2	.2	.4	.2	122.1
12 Intermediate materials[3]	6.2	.4	2.9	−.7	−.4	2.5	.0[r]	1.3[r]	−.7	.0	.0	112.8
13 Excluding energy	6.1	−.1	.3	−.7	−1.0	1.3	−.2[r]	.0[r]	.1	.2	.1	120.6
Crude materials												
14 Foods	10.4	2.9	−16.9	−2.2	19.2	8.7	2.2[r]	.8[r]	1.0	.3	−.8	114.8
15 Energy	9.5	−6.1	23.6	−7.0	13.2	1.0	2.1	5.0	.1	−4.6	−7.8	72.6
16 Other	6.1	−2.7	−7.7	.6	−15.3	4.3	−1.7[r]	−.2[r]	−.8	2.0	2.2	137.4

1. Not seasonally adjusted.
2. Figures for consumer prices are those for all urban consumers and reflect a rental equivalence measure of homeownership after 1982.
3. Excludes intermediate materials for food manufacturing and manufactured animal feeds.

SOURCE. Bureau of Labor Statistics.

2.16 GROSS NATIONAL PRODUCT AND INCOME

Billions of current dollars except as noted; quarterly data are at seasonally adjusted annual rates.

Account	1987	1988	1989	1989				1990
				Q1	Q2	Q3	Q4	Q1[r]
GROSS NATIONAL PRODUCT								
1 **Total**	**4,524.3**	**4,880.6**	**5,234.0**	**5,113.1**	**5,201.7**	**5,281.0**	**5,340.2**	**5,431.4**
By source								
2 Personal consumption expenditures	3,010.8	3,235.1	3,471.1	3,381.4	3,444.1	3,508.1	3,550.6	3,639.0
3 Durable goods	421.0	455.2	473.2	466.4	471.0	486.1	469.5	491.3
4 Nondurable goods	998.1	1,052.3	1,123.4	1,098.3	1,121.5	1,131.4	1,142.4	1,169.3
5 Services	1,591.7	1,727.6	1,874.4	1,816.7	1,851.7	1,890.6	1,938.7	1,978.4
6 Gross private domestic investment	699.9	750.3	773.4	769.6	775.0	779.1	770.1	751.1
7 Fixed investment	670.6	719.6	746.3	742.0	747.6	751.7	744.0	764.0
8 Nonresidential	444.3	487.2	511.7	503.1	512.5	519.6	511.4	524.6
9 Structures	133.8	140.3	144.9	144.7	142.4	146.2	146.4	149.9
10 Producers' durable equipment	310.5	346.8	366.7	358.5	370.1	373.4	365.0	374.7
11 Residential structures	226.4	232.4	234.6	238.8	235.1	232.1	232.6	239.4
12 Change in business inventories	29.3	30.6	27.1	27.7	27.4	27.4	26.1	−12.9
13 Nonfarm	30.5	34.2	22.2	19.1	23.6	19.8	26.4	−18.0
14 Net exports of goods and services	−112.6	−73.7	−47.1	−54.0	−50.6	−45.1	−38.8	−40.8
15 Exports	448.6	547.7	625.9	605.6	626.1	628.5	643.5	655.6
16 Imports	561.2	621.3	673.0	659.6	676.6	673.6	682.3	696.4
17 Government purchases of goods and services	926.1	968.9	1,036.6	1,016.0	1,033.2	1,038.9	1,058.3	1,082.1
18 Federal	381.6	381.3	403.2	399.0	406.0	402.7	405.1	413.4
19 State and local	544.5	587.6	633.4	617.0	627.2	636.2	653.2	668.7
By major type of product								
20 Final sales, total	4,495.0	4,850.0	5,206.9	5,085.4	5,174.3	5,253.6	5,314.2	5,444.3
21 Goods	1,785.2	1,931.9	2,072.3	2,030.9	2,079.1	2,096.3	2,082.8	2,109.5
22 Durable	777.6	863.6	909.1	894.7	905.2	930.1	906.5	923.9
23 Nondurable	1,007.6	1,068.3	1,163.2	1,136.2	1,173.9	1,166.2	1,176.3	1,185.6
24 Services	2,304.5	2,499.2	2,702.7	2,620.8	2,667.5	2,728.1	2,794.2	2,844.6
25 Structures	434.6	449.5	459.1	461.3	455.1	456.6	463.2	477.3
26 Change in business inventories	29.3	30.6	27.1	27.7	27.4	27.4	26.1	−12.9
27 Durable goods	22.0	25.0	11.9	22.0	6.0	5.2	14.2	−18.8
28 Nondurable goods	7.2	5.6	15.3	5.7	21.4	22.2	11.8	5.9
MEMO								
29 **Total GNP in 1982 dollars**	**3,853.7**	**4,024.4**	**4,144.1**	**4,106.8**	**4,132.5**	**4,162.9**	**4,174.1**	**4,188.0**
NATIONAL INCOME								
30 **Total**	**3,665.4**	**3,972.6**	**4,266.5**	**4,185.2**	**4,249.6**	**4,287.3**	**4,344.0**	**4,434.7**
31 Compensation of employees	2,690.0	2,907.6	3,144.4	3,061.7	3,118.2	3,171.9	3,225.9	3,285.3
32 Wages and salaries	2,249.4	2,429.0	2,631.1	2,560.7	2,608.8	2,654.7	2,700.1	2,745.3
33 Government and government enterprises	419.2	446.5	476.9	466.9	473.5	480.2	487.0	497.0
34 Other	1,830.1	1,982.5	2,154.2	2,093.8	2,135.3	2,174.5	2,213.1	2,248.3
35 Supplement to wages and salaries	440.7	478.6	513.3	501.0	509.4	517.2	525.8	540.1
36 Employer contributions for social insurance	227.8	249.7	265.0	259.7	263.4	266.6	270.4	278.5
37 Other labor income	212.8	228.9	248.3	241.3	246.0	250.7	255.3	261.5
38 Proprietors' income[1]	311.6	327.8	352.1	359.3	355.5	343.3	350.3	374.8
39 Business and professional[1]	270.0	288.0	305.9	300.3	304.2	307.2	311.8	322.7
40 Farm[1]	41.6	39.8	46.2	59.0	51.3	36.1	38.5	52.1
41 Rental income of persons[2]	13.4	15.7	7.9	11.8	9.8	5.4	4.8	8.0
42 Corporate profits[1]	298.7	328.6	301.3	316.3	307.8	295.2	285.9	287.8
43 Profits before tax[3]	266.7	306.8	290.6[r]	318.0	296.0	275.0	273.7	281.6
44 Inventory valuation adjustment	−18.9	−25.0	−18.7	−38.3	−20.5	−6.3	−9.7	−11.2
45 Capital consumption adjustment	50.9	46.8	29.3	36.6	32.3	26.5	21.9	17.4
46 Net interest	351.7	392.9	460.8	436.1	458.4	471.5	477.2	478.7

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.
3. For after-tax profits, dividends, and the like, see table 1.48.

SOURCE. *Survey of Current Business* (Department of Commerce).

2.17 PERSONAL INCOME AND SAVING

Billions of current dollars; quarterly data are at seasonally adjusted annual rates. Exceptions noted.

Account	1987	1988	1989	1989 Q1	1989 Q2	1989 Q3	1989 Q4	1990 Q1[r]
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**3,777.6**	**4,064.5**	**4,427.3**	**4,317.8**	**4,400.3**	**4,455.9**	**4,535.3**	**4,638.0**
2 Wage and salary disbursements	2,249.4	2,429.0	2,631.1	2,560.7	2,608.8	2,654.7	2,700.1	2,745.3
3 Commodity-producing industries	649.9	696.3	738.2	726.6	733.7	742.6	749.7	754.0
4 Manufacturing	490.3	524.0	552.9	546.3	549.9	555.7	559.6	560.6
5 Distributive industries	531.9	571.9	615.1	598.8	610.8	619.4	631.2	644.8
6 Service industries	648.3	714.4	801.0	768.4	790.8	812.4	832.2	849.5
7 Government and government enterprises	419.2	446.5	476.9	466.9	473.5	480.2	487.0	497.0
8 Other labor income	212.8	228.9	248.3	241.3	246.0	250.7	255.3	261.5
9 Proprietors' income[1]	311.6	327.8	352.1	359.3	355.5	343.3	350.3	374.8
10 Business and professional[1]	270.0	288.0	305.9	300.3	304.2	307.2	311.8	322.7
11 Farm[1]	41.6	39.8	46.2	59.0	51.3	36.1	38.5	52.1
12 Rental income of persons[2]	13.4	15.7	7.9	11.8	9.8	5.4	4.8	8.0
13 Dividends	92.0	102.2	112.4	109.4	111.4	113.2	115.7	118.0
14 Personal interest income	523.2	571.1	657.4	629.0	655.1	667.8	677.7	684.4
15 Transfer payments	548.2	584.7	632.3	616.4	626.8	636.4	649.7	672.5
16 Old-age survivors, disability, and health insurance benefits	282.9	300.5	325.3	316.9	322.9	327.9	333.4	345.8
17 LESS: Personal contributions for social insurance	172.9	194.9	214.2	210.0	213.0	215.4	218.2	226.5
18 EQUALS: Personal income	3,777.6	4,064.5	4,427.3	4,317.8	4,400.3	4,455.9	4,535.3	4,638.0
19 LESS: Personal tax and nontax payments	571.7	586.6	648.5	628.3	652.6	649.1	664.1	672.3
20 EQUALS: Disposable personal income	3,205.9	3,477.8	3,778.8	3,689.5	3,747.7	3,806.8	3,871.3	3,965.7
21 LESS: Personal outlays	3,104.1	3,333.1	3,574.4	3,483.8	3,547.0	3,611.7	3,655.3	3,745.0
22 EQUALS: Personal saving	101.8	144.7	204.4	205.7	200.7	195.1	216.0	220.7
MEMO								
Per capita (1982 dollars)								
23 Gross national product	15,793.9	16,332.8	16,656.4	16,566.4	16,629.8	16,711.8	16,709.8	16,725.2
24 Personal consumption expenditures	10,302.0	10,545.5	10,729.9	10,653.5	10,678.9	10,799.3	10,783.4	10,821.1
25 Disposable personal income	10,970.0	11,337.0	11,680.0	11,625.0	11,622.0	11,717.0	11,755.0	11,793.0
26 Saving rate (percent)	3.2	4.2	5.4	5.6	5.4	5.1	5.6	5.6
GROSS SAVING								
27 **Gross saving**	**553.8**	**642.4**	**701.7**	**693.5**	**695.8**	**709.9**	**707.7**	**683.6**
28 Gross private saving	663.8	738.6	806.2	792.1	793.7	809.7	829.4	818.2
29 Personal saving	101.8	144.7	204.4	205.7	200.7	195.1	216.0	220.7
30 Undistributed corporate profits[1]	75.3	80.3	49.5	53.4	52.0	49.3	43.3	35.1
31 Corporate inventory valuation adjustment	-18.9	-25.0	-18.7	-38.3	-20.5	-6.3	-9.7	-11.2
Capital consumption allowances								
32 Corporate	303.1	321.7	344.9	335.2	339.7	349.9	354.9	354.2
33 Noncorporate	183.6	191.9	207.4	197.8	201.3	215.3	215.2	208.1
34 Government surplus, or deficit (−), national income and product accounts	-110.1	-96.1	-104.6[r]	-98.7	-97.9	-99.8	-121.8	-134.6
35 Federal	-161.4	-145.8	-148.5	-147.5	-145.4	-144.7	-156.5	-172.2
36 State and local	51.3	49.7	44.0	48.8	47.5	44.9	34.7	37.6
37 **Gross investment**	**549.0**	**632.8**	**677.3**	**669.3**	**677.5**	**684.3**	**677.8**	**660.4**
38 Gross private domestic	699.9	750.3	773.4	769.6	775.0	779.1	770.1	751.1
39 Net foreign	-150.9	-117.5	-96.2	-100.3	-97.5	-94.8	-92.2	-90.7
40 **Statistical discrepancy**	**-4.7**	**-9.6**	**-24.4**	**-24.1**	**-18.3**	**-25.5**	**-29.8**	**-23.2**

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.

SOURCE. *Survey of Current Business* (Department of Commerce).

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars; quarterly data are seasonally adjusted except as noted.[1]

Item credits or debits	1987	1988	1989	1988	1989			
				Q4	Q1	Q2	Q3	Q4
1 Balance on current account	−143,700	−126,548	−105,879	−28,677	−30,391	−31,999	−22,909	−20,571
2 Not seasonally adjusted	....	....	....	−28,191	−25,994	−31,888	−27,854	−20,142
3 Merchandise trade balance[2]	−159,500	−127,215	−113,248	−32,019	−28,355	−27,529	−28,558	−28,806
4 Merchandise exports	250,266	319,251	361,872	83,729	87,783	91,284	90,691	92,114
5 Merchandise imports	−409,766	−446,466	−475,120	−115,748	−116,138	−118,813	−119,249	−120,920
6 Military transactions, net	−2,856	−4,606	−5,662	−1,604	−1,498	−1,518	−1,175	−1,471
7 Investment income, net	22,283[r]	2,228[r]	1,029[r]	4,489[r]	−2,484[r]	−6,104[r]	2,860[r]	6,757
8 Other service transactions, net	10,585	17,702	26,279	5,475	5,433	5,981	7,449	7,425
9 Remittances, pensions, and other transfers	−4,063	−4,279	−4,028	−1,090	−1,147	−972	−975	−935
10 U.S. government grants (excluding military)	−10,149	−10,377	−10,248	−3,928	−2,340	−1,857	−2,510	−3,541
11 Change in U.S. government assets, other than official reserve assets, net (increase, −)	997	2,999	1,037	3,413	1,049	−309	502	−206
12 Change in U.S. official reserve assets (increase, −)	9,149	−3,566	−25,293	2,271	−4,000	−12,095	−5,996	−3,202
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	−509	474	−535	173	−188	68	−211	−204
15 Reserve position in International Monetary Fund	2,070	1,025	471	307	316	−159	337	−23
16 Foreign currencies	7,588	−5,064	−25,229	1,791	−4,128	−12,004	−6,122	−2,975
17 Change in U.S. private assets abroad (increase, −)	−86,363	−81,544	−101,451	−38,332	−27,939	13,210	−39,228	−47,495
18 *Bank-reported claims*[3]	−42,119	−54,481	−47,244	−30,916	−22,132	27,238	−20,700	−31,650
19 Nonbank-reported claims	5,201	−1,684	608	4,569	1,835	−2,954	1,727	....
20 U.S. purchase of foreign securities, net	−5,251	−7,846	−22,551	−3,047	−2,568	−5,737	−10,392	−3,854
21 U.S. direct investments abroad, net	−44,194	−17,533	−32,264	−8,938	−5,074	−5,337	−9,863	−11,991
22 Change in foreign official assets in United States (increase, +)	45,193	38,882	7,369	10,589	7,477	−5,201	12,097	−7,005
23 U.S. Treasury securities	43,238	41,683	323	11,897	4,634	−9,738	12,746	−7,319
24 Other U.S. government obligations	1,564	1,309	1,383	697	721	−97	190	569
25 Other U.S. government liabilities[4]	−2,520	−1,284	55	−232	−304	417	−385	326
26 Other U.S. liabilities reported by U.S. banks[3]	3,918	−331	3,751	−1,036	1,974	3,620	−1,097	−746
27 Other foreign official assets[5]	−1,007	−2,495	1,857	−737	452	597	643	165
28 Change in foreign private assets in United States (increase, +)	172,847	180,417	189,302	70,170	52,529	3,412	58,619	74,742
29 U.S. bank-reported liabilities[3]	89,026	68,832	57,983	32,223	13,261	−21,422	25,177	40,967
30 U.S. nonbank-reported liabilities	2,450	6,558	313	2,702	2,852	−361	−2,178	....
31 Foreign private purchases of U.S. Treasury securities, net	−7,643	20,144	29,411	5,336	8,590	2,252	12,714	5,855
32 Foreign purchases of other U.S. securities, net	42,120	26,448	40,334	6,871	8,665	9,676	10,470	11,523
33 Foreign direct investments in United States, net	46,894	58,435	61,261	23,038	19,161	13,267	12,436	16,397
34 Allocation of SDRs	0	0	0	0	0	0	0	0
35 Discrepancy	1,878	−10,641	34,914	−19,434	1,275	32,982	−3,085	3,737
36 Owing to seasonal adjustments	....	....	....	4,431	3,700	−2,825	−5,370	4,490
37 Statistical discrepancy in recorded data before seasonal adjustment	1,878	−10,641	34,914	−23,865	−2,425	35,807	2,285	−753
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	9,149	−3,566	−25,293	2,271	−4,000	−12,095	−5,996	−3,202
39 Foreign official assets in United States (increase, +) excluding line 25	47,713	40,166	7,314	10,821	7,781	−5,618	12,482	−7,331
40 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22 above)	−9,956	−3,109	10,680	672	7,143	433	4,515	−1,411
41 Transfers under military grant programs (excluded from lines 4, 6, and 10 above)	53	92	47	40	12	13	8	14

1. Seasonal factors are not calculated for lines 6, 10, 12–16, 18–20, 22–34, and 38–41.

2. Data are on an international accounts (IA) basis. Differs from the Census basis data, shown in table 3.11, for reasons of coverage and timing. Military exports are excluded from merchandise data and are included in line 6.

3. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.

4. Primarily associated 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.

NOTE. Data are from Bureau of Economic Analysis, *Survey of Current Business* (Department of Commerce).

3.11 U.S. FOREIGN TRADE[1]

Millions of dollars; monthly data are seasonally adjusted.

Item	1987	1988	1989	1989 Sept.	1989 Oct.	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.[r]	1990 Mar.[p]
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments, f.a.s. value	254,073	322,426	363,983	30,367	31,474	30,627	30,843	31,940	31,818	33,277
GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses										
2 Customs value	406,241	440,952	472,977	38,524	41,915	40,739	38,522	41,261	37,916	41,723
Trade balance										
3 **Customs value**	**−152,169**	**−118,526**	**−108,994**	**−8,157**	**−10,441**	**−10,112**	**−7,678**	**−9,321**	**−6,099**	**−8,446**

1. The Census basis data differ from merchandise trade data shown in table 3.10, U.S. International Transactions Summary, for reasons of coverage and timing. On the *export side*, the largest adjustment is the exclusion of military sales (which are combined with other military transactions and reported separately in the "service account" in table 3.10, line 6). On the *import side*, additions are made for gold, ship purchases, imports of electricity from Canada, and other transactions; military payments are excluded and shown separately as indicated above. As of Jan. 1, 1987 census data are released 45 days after the end of the month; the previous month is revised to reflect late documents. Total exports and the trade balance reflect adjustments for undocumented exports to Canada.

SOURCE. FT900 "Summary of U.S. Export and Import Merchandise Trade" (Department of Commerce, Bureau of the Census).

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Type	1986	1987	1988	1989 Sept.	1989 Oct.	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.[p]
1 **Total**	**48,511**	**45,798**	**47,802**	**68,418**	**70,560**	**70,560**	**74,609**	**75,506**	**74,173**	**76,303**
2 Gold stock, including Exchange Stabilization Fund[1]	11,064	11,078	11,057	11,065	11,062	11,060	11,059	11,059	11,059	11,060
3 Special drawing rights[2,3]	8,395	10,283	9,637	9,487	9,473	9,751	9,951	10,041	10,216	10,092
4 Reserve position in International Monetary Fund[2]	11,730	11,349	9,745	8,786	8,722	9,047	9,048	9,173	8,985	8,727
5 Foreign currencies[4]	17,322	13,088	17,363	39,080	41,552	42,702	44,551	45,233	43,913	46,424

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. Gold stock is valued at $42.22 per fine troy ounce.
2. Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, 16 currencies were used; from January 1981, 5 currencies have been used. The U.S. SDR holdings and reserve position in the IMF also are valued on this basis beginning July 1974.
3. Includes allocations by the International Monetary Fund of SDRs as follows: $867 million on Jan. 1, 1970; $717 million on Jan. 1, 1971; $710 million on Jan. 1, 1972; $1,139 million on Jan. 1, 1979; $1,152 million on Jan. 1, 1980; and $1,093 million on Jan. 1, 1981; plus 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

Assets	1986	1987	1988	1989 Sept.	1989 Oct.	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.[p]
1 Deposits	287	244	347	325	252	307	589	251	309	300
Assets held in custody										
2 U.S. Treasury securities[2]	155,835	195,126	232,547	235,597	230,804	231,059	224,911	225,618	221,798	250,447
3 Earmarked gold[3]	14,048	13,919	13,636	13,506	13,460	13,458	13,456	13,458	13,458	13,458

1. Excludes deposits and U.S. Treasury securities held for international and regional organizations.
2. Marketable U.S. Treasury bills, notes, and bonds; and nonmarketable U.S. Treasury securities payable in dollars and in foreign currencies.
3. Earmarked gold and the gold stock are valued at $42.22 per fine troy ounce. Earmarked gold is gold held for foreign and international accounts and is not included in the gold stock of the United States.

3.14 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data[1]

Millions of dollars, end of period

Asset account	1986	1987	1988	1989				1990		
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
	All foreign countries									
1 **Total, all currencies**	**456,628**	**518,618**	**505,595**	**520,038**	**532,912**	**548,074**	**545,366**	**549,368**	**553,815r**	**535,039**
2 Claims on United States	114,563	138,034	169,111	182,192	184,327	195,913	198,835	192,688	188,700	176,095
3 Parent bank	83,492	105,845	129,856	142,475	145,200	154,825	157,092	149,285	145,156	135,171
4 Other banks in United States	13,685	16,416	14,918	14,029	14,084	15,301	17,042	17,840	18,064	15,511
5 Nonbanks	17,386	15,773	24,337	25,688	25,043	25,787	24,701	25,563	25,480	25,413
6 *Claims on foreigners*	312,955	342,520	299,728	289,754	300,567	302,525	300,575	307,937	313,934r	308,097
7 Other branches of parent bank	96,281	122,155	107,179	104,691	110,681	111,053	113,810	120,359	122,525	120,553
8 Banks	105,237	108,859	96,932	90,375	93,190	95,098	90,703	91,712	93,997	89,817
9 Public borrowers	23,706	21,832	17,163	16,222	16,720	16,148	16,456	15,392	15,148r	15,973
10 Nonbank foreigners	87,731	89,674	78,454	78,466	79,976	80,226	79,606	80,474	82,264	81,754
11 Other assets	29,110	38,064	36,756	48,092	48,018	49,636	45,956	48,743	51,181	50,847
12 **Total payable in U.S. dollars**	**317,487**	**350,107**	**357,573**	**359,950**	**369,737**	**380,282**	**382,414**	**374,984**	**375,210**	**358,619**
13 Claims on United States	110,620	132,023	163,456	174,379	176,047	188,105	191,184	184,782	180,738	168,833
14 Parent bank	82,082	103,251	126,929	137,616	139,390	149,908	152,294	144,055	139,920	130,350
15 Other banks in United States	12,830	14,657	14,167	13,082	13,432	14,543	16,386	17,018	17,187	14,992
16 Nonbanks	15,708	14,115	22,360	23,681	23,225	23,654	22,504	23,709	23,631	23,491
17 Claims on foreigners	195,063	202,428	177,685	164,758	171,854	168,404	169,690	167,722	172,132	167,692
18 Other branches of parent bank	72,197	88,284	80,736	78,298	84,224	79,585	82,949	86,114	87,471	85,093
19 Banks	66,421	63,707	54,884	46,710	47,274	48,966	48,396	45,385	46,514	43,403
20 Public borrowers	16,708	14,730	12,131	11,646	11,579	11,446	10,961	10,332	10,529	11,110
21 Nonbank foreigners	39,737	35,707	29,934	28,104	28,777	28,407	27,384	25,891	27,618	28,086
22 Other assets	11,804	15,656	16,432	20,813	21,836	23,773	21,540	22,480	22,340	22,094
	United Kingdom									
23 **Total, all currencies**	**140,917**	**158,695**	**156,835**	**156,866**	**163,426**	**164,916**	**161,947**	**166,915**	**169,727**	**167,162**
24 Claims on United States	24,599	32,518	40,089	39,837	42,246	44,661	39,212	41,208	40,161	38,809
25 Parent bank	19,085	27,350	34,243	36,182	39,104	40,848	35,847	37,292	36,311	34,648
26 Other banks in United States	1,612	1,259	1,123	1,130	1,036	1,199	1,058	1,441	1,365	1,301
27 Nonbanks	3,902	3,909	4,723	2,525	2,106	2,614	2,307	2,475	2,485	2,860
28 Claims on foreigners	109,508	115,700	106,388	101,855	106,183	105,349	107,657	109,837	110,911	109,227
29 Other branches of parent bank	33,422	39,903	35,625	32,619	35,249	35,064	37,728	37,701	38,410	39,636
30 Banks	39,468	36,735	36,765	37,011	37,881	36,317	36,159	37,668	36,488	34,803
31 Public borrowers	4,990	4,752	4,019	3,272	3,345	3,181	3,293	3,128	3,076	3,857
32 Nonbank foreigners	31,628	34,310	29,979	28,953	29,708	30,787	30,477	31,340	32,937	30,931
33 Other assets	6,810	10,477	10,358	15,174	14,997	14,906	15,078	15,870	18,655	19,126
34 **Total payable in U.S. dollars**	**95,028**	**100,574**	**103,503**	**99,264**	**106,708**	**106,086**	**103,427**	**103,038**	**103,752**	**101,024**
35 Claims on United States	23,193	30,439	38,012	36,859	39,534	41,504	36,404	38,261	37,006	35,752
36 Parent bank	18,526	26,304	33,252	34,672	37,570	39,304	34,329	35,731	34,462	32,697
37 Other banks in United States	1,475	1,044	964	882	786	861	843	1,118	1,036	1,122
38 Nonbanks	3,192	3,091	3,796	1,305	1,178	1,339	1,232	1,412	1,508	1,933
39 Claims on foreigners	68,138	64,560	60,472	55,637	59,552	56,872	59,062	56,939	58,763	57,166
40 Other branches of parent bank	26,361	28,635	28,474	25,982	28,363	26,961	29,872	28,655	30,224	30,421
41 Banks	23,251	19,188	18,494	17,536	18,200	16,884	16,579	16,399	15,984	13,748
42 Public borrowers	3,677	3,313	2,840	2,521	2,553	2,404	2,371	2,321	2,266	3,074
43 Nonbank foreigners	14,849	13,424	10,664	9,598	10,436	10,623	10,240	9,564	10,289	9,923
44 Other assets	3,697	5,575	5,019	6,768	7,622	7,710	7,961	7,838	7,983	8,106
	Bahamas and Caymans									
45 **Total, all currencies**	**142,592**	**160,321**	**170,639**	**164,684**	**164,836**	**172,762**	**176,006**	**167,385**	**164,908**	**155,125**
46 Claims on United States	78,048	85,318	105,320	111,043	109,910	118,037	124,205	117,177	114,263	105,466
47 Parent bank	54,575	60,048	73,409	76,426	75,900	82,605	87,882	79,525	76,475	70,535
48 Other banks in United States	11,156	14,277	13,145	12,141	12,059	13,185	15,071	15,403	15,827	13,564
49 Nonbanks	12,317	10,993	18,766	22,476	21,951	22,247	21,252	22,249	21,961	21,367
50 Claims on foreigners	60,005	70,162	58,393	45,962	47,214	46,391	44,168	42,610	43,162	42,373
51 Other branches of parent bank	17,296	21,277	17,954	14,688	16,961	14,414	11,309	13,371	14,477	13,236
52 Banks	27,476	33,751	28,268	20,162	19,579	21,641	22,611	20,119	19,527	19,350
53 Public borrowers	7,051	7,428	5,830	5,435	5,289	5,340	5,217	4,764	4,753	4,684
54 Nonbank foreigners	8,182	7,706	6,341	5,677	5,385	4,996	5,031	4,356	4,405	5,103
55 Other assets	4,539	4,841	6,926	7,679	7,712	8,334	7,633	7,598	7,483	7,286
56 **Total payable in U.S. dollars**	**136,813**	**151,434**	**163,518**	**160,274**	**159,643**	**167,182**	**170,780**	**160,832**	**159,484**	**150,041**

1. Beginning with June 1984 data, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from $50 million to $150 million equivalent in total assets, the threshold now applicable to all reporting branches.

3.14—Continued

Liability account	1986	1987	1988	1989 Sept.	1989 Oct.	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.
					All foreign countries					
57 **Total, all currencies**	**456,628**	**518,618**	**505,595**	**520,038**	**532,912**	**548,074**	**545,366**	**549,368**	**553,815r**	**535,039**
58 Negotiable CDs	31,629	30,929	28,511	26,680	26,776	26,555	23,500	23,510	23,620	21,767
59 To United States	152,465	161,390	185,577	182,899	183,484	190,149	197,239	178,452r	181,164	173,654
60 Parent bank	83,394	87,606	114,720	120,853	123,281	128,799	138,803	117,724r	120,414	114,636
61 Other banks in United States	15,646	20,355	14,737	12,866	11,333	10,811	11,704	11,850	11,990	10,574
62 Nonbanks	53,425	53,429	56,120	49,180	48,870	50,539	46,732	48,878	48,760	48,444
63 To foreigners	253,775	304,803	270,923	283,196	294,294	302,346	296,850	315,991r	317,318r	309,756
64 *Other branches of parent bank*	*95,146*	*124,601*	*111,267*	*104,850*	*114,175*	*115,484*	*119,591*	126,965	126,786r	124,084
65 Banks	77,809	87,274	72,842	77,530	75,601	81,200	76,452	82,042r	77,449r	75,044
66 Official institutions	17,835	19,564	15,183	17,348	19,484	18,938	16,750	19,004	20,637	17,677
67 Nonbank foreigners	62,985	73,364	71,631	83,468	85,034	86,724	84,057	87,980	92,446	92,951
68 Other liabilities	18,759	21,496	20,584	27,263	28,358	29,024	27,777	31,415	31,713	29,862
69 **Total payable in U.S. dollars**	**336,406**	**361,438**	**367,483**	**372,664**	**385,117**	**392,983**	**396,282**	**384,579**	**385,203**	**369,264**
70 Negotiable CDs	28,466	26,768	24,045	22,927	22,260	22,539	19,619	18,512	18,783	17,084
71 To United States	144,483	148,442	173,190	171,948	172,305	179,927	187,286	167,754	169,669	162,564
72 Parent bank	79,305	81,783	107,150	113,845	116,308	122,910	132,954	111,734	113,934	108,570
73 Other banks in United States	14,609	18,951	13,468	11,688	10,129	9,512	10,519	10,560	10,684	9,074
74 Nonbanks	50,569	47,708	52,572	46,415	45,868	47,505	43,813	45,460	45,051	44,920
75 To foreigners	156,806	177,711	160,766	165,215	177,610	177,459	176,460	185,192	183,378	176,939
76 Other branches of parent bank	71,181	90,469	84,021	77,986	85,780	82,912	87,636	91,736	90,360	86,908
77 Banks	33,850	35,065	28,493	30,146	31,886	33,370	30,537	32,551	28,741	27,666
78 Official institutions	12,371	12,409	8,224	10,195	11,446	11,713	9,873	11,063	11,740	9,221
79 Nonbank foreigners	39,404	39,768	40,028	46,888	48,498	49,464	48,414	49,842	52,537	53,144
80 Other liabilities	6,651	8,517	9,482	12,574	12,942	13,058	12,917	13,121	13,373	12,677
					United Kingdom					
81 **Total, all currencies**	**140,917**	**158,695**	**156,835**	**156,866**	**163,426**	**164,916**	**161,947**	**166,915**	**169,727**	**167,162**
82 Negotiable CDs	27,781	26,988	24,528	23,123	23,152	22,837	20,056	19,791	19,656	18,266
83 To United States	24,657	23,470	36,784	30,772	34,089	33,101	36,036	31,893	32,686	32,780
84 Parent bank	14,469	13,223	27,849	23,863	25,113	25,430	29,726	23,256	23,752	22,970
85 Other banks in United States	2,649	1,536	2,037	1,538	1,859	1,096	1,256	1,545	2,115	1,827
86 Nonbanks	7,539	8,711	6,898	5,371	7,117	6,575	5,054	7,092	6,819	7,983
87 To foreigners	79,498	98,689	86,026	90,862	93,508	96,509	92,307	99,720	101,565	101,160
88 *Other branches of parent bank*	*25,036*	*33,078*	*26,812*	*24,766*	*26,931*	*26,656*	*27,397*	*29,216*	*28,074*	*29,848*
89 Banks	30,877	34,290	30,609	31,242	30,531	33,016	29,780	33,568	32,110	29,143
90 Official institutions	6,836	11,015	7,873	8,877	10,255	9,724	8,551	9,368	10,758	9,157
91 Nonbank foreigners	16,749	20,306	20,732	25,977	25,791	27,113	26,579	27,568	30,623	33,012
92 Other liabilities	8,981	9,548	9,497	12,109	12,677	12,469	13,548	15,511	15,820	14,956
93 **Total payable in U.S. dollars**	**99,707**	**102,550**	**105,907**	**103,724**	**110,980**	**109,116**	**108,178**	**106,676**	**106,416**	**103,522**
94 Negotiable CDs	26,169	24,926	22,063	21,156	20,433	20,715	18,143	16,931	16,910	15,660
95 To United States	22,075	17,752	32,588	28,028	31,280	30,130	33,056	28,542	28,817	29,361
96 Parent bank	14,021	12,026	26,404	23,178	24,241	24,578	28,812	22,428	22,513	22,194
97 Other banks in United States	2,325	1,308	1,752	1,362	1,691	863	1,065	1,217	1,807	1,555
98 Nonbanks	5,729	4,418	4,432	3,488	5,348	4,689	3,179	4,897	4,497	5,612
99 To foreigners	48,138	55,919	47,083	48,451	52,809	52,135	50,517	54,574	53,751	52,095
100 Other branches of parent bank	17,951	22,334	18,561	16,672	18,925	16,845	18,384	19,660	18,556	19,182
101 Banks	15,203	15,580	13,407	12,245	13,077	13,587	12,244	14,701	11,920	10,003
102 Official institutions	4,934	7,530	4,348	5,532	6,606	6,755	5,454	5,649	6,717	5,165
103 Nonbank foreigners	10,050	10,475	10,767	14,002	14,201	14,948	14,435	14,564	16,558	17,745
104 Other liabilities	3,325	3,953	4,173	6,089	6,458	6,136	6,462	6,629	6,938	6,406
					Bahamas and Caymans					
105 **Total, all currencies**	**142,592**	**160,321**	**170,639**	**164,684**	**164,836**	**172,762**	**176,006**	**167,385**	**164,908**	**155,125**
106 Negotiable CDs	847	885	953	669	669	671	678	681	671	522
107 To United States	106,081	113,950	122,332	117,611	114,701	121,021	124,859	114,829	113,137	107,983
108 Parent bank	49,481	53,239	62,894	64,859	66,292	70,107	75,579	65,786	64,532	61,995
109 Other banks in United States	11,715	17,224	11,494	10,026	8,088	8,438	8,883	8,677	8,198	7,085
110 Nonbanks	44,885	43,487	47,944	42,726	40,321	42,476	40,397	40,366	40,407	38,903
111 To foreigners	34,400	43,815	45,161	43,818	46,906	47,521	47,382	48,974	48,726	44,314
112 *Other branches of parent bank*	*12,631*	*19,185*	*23,686*	*20,678*	*23,086*	*23,352*	*23,414*	*24,911*	*25,110*	*20,778*
113 Banks	8,617	10,769	8,336	8,802	8,985	9,137	8,823	8,439	8,059	7,983
114 Official institutions	2,719	1,504	1,074	928	1,003	1,131	1,097	1,528	1,290	1,078
115 Nonbank foreigners	10,433	12,357	12,065	13,410	13,832	13,901	14,048	14,096	14,267	14,475
116 Other liabilities	1,264	1,671	2,193	2,586	2,560	3,549	3,087	2,901	2,374	2,306
117 **Total payable in U.S. dollars**	**138,774**	**152,927**	**162,950**	**160,133**	**160,028**	**167,835**	**171,250**	**162,141**	**160,212**	**150,738**

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1987	1988	1989				1990		
			Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.[p]
1 **Total**[1]	**259,556**	**299,782**	**315,703**	**315,632**	**315,051**	**308,275**	**305,019[r]**	**299,726[r]**	**296,830**
By type									
2 Liabilities reported by banks in the United States[2]	31,838	31,519	37,279	42,615	39,090	36,458	33,889[r]	33,339[r]	34,532
3 U.S. Treasury bills and certificates[3]	88,829	103,722	86,350	81,466	82,474	76,985	76,157	73,099	73,039
U.S. Treasury bonds and notes									
4 Marketable	122,432	149,056	174,072	173,093	174,778	176,084	176,411	174,986	171,153
5 Nonmarketable[4]	300	523	557	561	564	568	572	576	580
6 U.S. securities other than U.S. Treasury securities[5]	16,157	14,962	17,445	17,897	18,145	18,180	17,990	17,726	17,526
By area									
7 Western Europe[1]	124,620	125,097	134,338	134,378	137,760	134,907	135,277	133,749[r]	135,984
8 Canada	4,961	9,584	9,026	8,688	9,130	9,553	9,368	7,976[r]	8,386
9 Latin America and Caribbean	8,328	10,099	9,516	10,003	9,892	8,808	7,927[r]	8,308	9,329
10 Asia	116,098	145,608	154,549	154,130	149,745	147,038	143,962[r]	140,920[r]	134,744
11 Africa	1,402	1,369	867	910	1,019	994	834	1,020	930
12 Other countries[6]	4,147	7,501	6,849	6,962	6,941	6,406	7,077	7,177	6,878

1. Includes the Bank for International Settlements.
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
3. Includes nonmarketable certificates of indebtedness (including those payable in foreign currencies through 1974) and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes bonds and notes payable in foreign currencies.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.
6. Includes countries in Oceania and Eastern Europe.

NOTE. Based on Treasury Department data and on data reported to the Treasury Department by banks (including Federal Reserve Banks) and securities dealers in the United States.

3.16 LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in Foreign Currencies[1]

Millions of dollars, end of period

Item	1986	1987	1988	1989			
				Mar.	June	Sept.	Dec.[r]
1 Banks' own liabilities	29,702	55,438	74,980	76,668	69,213	72,782	66,418
2 Banks' own claims	26,180	51,271	68,983	73,050	62,874	70,929	65,136
3 Deposits	14,129	18,861	25,100	26,084	23,922	22,998	20,346
4 Other claims	12,052	32,410	43,884	46,966	38,952	47,931	44,790
5 Claims of banks' domestic customers[2]	2,507	551	364	376	723	2,558	3,100

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

Holder and type of liability	1987	1988	1989	1989				1990		
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.p
1 **All foreigners**	**618,874**	**685,339**	**735,896**	**702,613**	**709,321**	**731,874**	**735,896**	**704,593r**	**687,005r**	**702,695**
2 Banks' own liabilities	470,070	514,532	576,515	535,044	544,913	565,702	576,515	543,382r	528,759r	540,204
3 Demand deposits	22,383	21,863	21,722	21,467	20,955	21,315	21,722	19,836r	20,979r	20,429
4 Time deposits[2]	148,374	152,164	170,472	157,424	162,531	166,044	170,472	160,677r	157,465r	155,785
5 Other[3]	51,677	51,366	65,758	56,399	65,085	66,130	65,758	61,331r	57,135r	59,291
6 Own foreign offices[4]	247,635	289,138	318,563	299,753	296,342	312,213	318,563	301,538r	293,180r	304,699
7 Banks' custody liabilities[5]	148,804	170,807	159,380	167,570	164,409	166,172	159,380	161,211	158,246	162,492
8 U.S. Treasury bills and certificates[6]	101,743	115,056	91,100	99,856	95,893	97,018	91,100	90,703	87,800	88,015
9 Other negotiable and readily transferable instruments[7]	16,776	16,426	19,526	20,226	19,883	19,236	19,526	18,658	18,655	21,028
10 Other	30,285	39,325	48,754	47,487	48,633	49,918	48,754	51,851	51,791	53,449
11 **Nonmonetary international and regional organizations**[8]	**4,464**	**3,224**	**4,772**	**4,409**	**5,833**	**5,905**	**4,772**	**4,778r**	**3,970**	**4,929**
12 Banks' own liabilities	2,702	2,527	3,156	2,811	3,797	4,587	3,156	3,178r	2,423	3,367
13 Demand deposits	124	71	96	89	53	62	96	36	55	46
14 Time deposits[2]	1,538	1,183	927	1,159	1,107	1,075	927	1,048	615	956
15 Other[3]	1,040	1,272	2,133	1,555	2,638	3,449	2,133	2,094r	1,753	2,365
16 Banks' custody liabilities[5]	1,761	698	1,616	1,598	2,036	1,318	1,616	1,599	1,547	1,562
17 U.S. Treasury bills and certificates[6]	265	57	197	84	568	321	197	102	160	191
18 Other negotiable and readily transferable instruments[7]	1,497	641	1,417	1,479	1,454	996	1,417	1,497	1,387	1,371
19 Other	0	0	2	35	14	0	2	0	0	0
20 **Official institutions**[9]	**120,667**	**135,241**	**113,443**	**123,629**	**124,081**	**121,563**	**113,443**	**110,046r**	**106,437r**	**107,571**
21 Banks' own liabilities	28,703	27,109	31,070	32,469	37,538	34,119	31,070	30,342r	30,148r	30,691
22 Demand deposits	1,757	1,917	2,189	1,936	1,941	1,829	2,189	1,599r	1,662r	1,822
23 Time deposits[2]	12,843	9,767	10,530	9,545	12,101	11,237	10,530	9,358r	10,615r	9,874
24 Other[3]	14,103	15,425	18,351	20,989	23,496	21,053	18,351	19,385	17,872r	18,996
25 Banks' custody liabilities[5]	91,965	108,132	82,373	91,159	86,542	87,444	82,373	79,704	76,289	76,881
26 U.S. Treasury bills and certificates[6]	88,829	103,722	76,985	86,350	81,466	82,474	76,985	76,157	73,099	73,039
27 Other negotiable and readily transferable instruments[7]	2,990	4,130	5,028	4,620	4,774	4,845	5,028	3,459	2,892	3,671
28 Other	146	280	361	189	303	125	361	88	298	171
29 **Banks**[10]	**414,280**	**459,523**	**514,395**	**480,989**	**483,498**	**507,346**	**514,395**	**491,589r**	**475,519r**	**489,928**
30 Banks' own liabilities	371,665	409,501	453,880	420,212	421,805	444,491	453,880	427,220r	412,030r	421,713
31 Unaffiliated foreign banks	124,030	120,362	135,317	120,466	125,463	132,278	135,317	125,682r	118,851r	117,014
32 Demand deposits	10,898	9,948	10,339	10,701	9,885	10,736	10,339	9,601	10,354r	9,611
33 Time deposits[2]	79,717	80,189	92,278	80,935	83,983	87,444	92,278	81,519r	76,111r	76,387
34 Other[3]	33,415	30,226	32,701	28,830	31,594	34,099	32,701	34,562r	32,386r	31,016
35 Own foreign offices[4]	247,635	289,138	318,563	299,746	296,342	312,213	318,563	301,538r	293,180r	304,699
36 Banks' custody liabilities[5]	42,615	50,022	60,514	60,777	61,693	62,855	60,514	64,369	63,488	68,215
37 U.S. Treasury bills and certificates[6]	9,134	7,602	9,367	9,230	9,427	9,670	9,367	9,614	9,342	9,359
38 Other negotiable and readily transferable instruments[7]	5,392	5,725	5,124	5,408	5,102	4,797	5,124	5,090	4,918	7,608
39 Other	28,089	36,694	46,023	46,138	47,165	48,388	46,023	49,665	49,229	51,247
40 **Other foreigners**	**79,463**	**87,351**	**103,286**	**93,586**	**95,909**	**97,060**	**103,286**	**98,180r**	**101,078r**	**100,267**
41 Banks' own liabilities	67,000	75,396	88,409	79,551	81,773	82,505	88,409	82,641r	84,157r	84,433
42 Demand deposits	9,604	9,928	9,098	8,741	9,077	8,689	9,098	8,599r	8,908r	8,950
43 Time deposits[2]	54,277	61,025	66,738	65,784	65,338	66,288	66,738	68,752r	70,124r	68,569
44 Other[3]	3,119	4,443	12,573	5,026	7,357	7,528	12,573	5,290r	5,124r	6,914
45 Banks' custody liabilities[5]	12,463	11,956	14,877	14,035	14,137	14,555	14,877	15,539	16,922	15,834
46 U.S. Treasury bills and certificates[6]	3,515	3,675	4,551	4,192	4,432	4,553	4,551	4,830	5,199	5,425
47 Other negotiable and readily transferable instruments[7]	6,898	5,929	7,958	8,718	8,553	8,597	7,958	8,612	9,457	8,378
48 Other	2,050	2,351	2,368	1,125	1,152	1,405	2,368	2,098	2,265	2,031
49 MEMO: Negotiable time certificates of deposit in custody for foreigners	7,314	6,425	7,203	7,515	7,434	7,050	7,203	8,576	8,457	7,634

1. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.
2. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
3. Includes borrowing under repurchase agreements.
4. U.S. banks: includes amounts due to own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. Agencies, branches, and majority-owned subsidiaries of foreign banks: principally amounts due to head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.
5. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.
6. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
7. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
8. Principally the International Bank for Reconstruction and Development, and the Inter-American and Asian Development Banks. Data exclude "holdings of dollars" of the International Monetary Fund.
9. Foreign central banks, foreign central governments, and the Bank for International Settlements.
10. Excludes central banks, which are included in "Official institutions."

3.17—Continued

	Area and country	1987	1988	1989	1989				1990		
					Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.[p]
1	**Total**	**618,874**	**685,339**	**735,896**	**702,613**	**709,321**	**731,874**	**735,896**	**704,593[r]**	**687,005[r]**	**702,695**
2	**Foreign countries**	**614,411**	**682,115**	**731,124**	**698,204**	**703,488**	**725,970**	**731,124**	**699,815[r]**	**683,035[r]**	**697,766**
3	Europe	234,641	231,912	237,292	223,312	233,250	242,602	237,292	230,730[r]	224,048[r]	223,740
4	Austria	920	1,155	1,232	1,354	1,201	1,475	1,232	1,422	1,817	1,759
5	Belgium-Luxembourg	9,347	10,022	10,491	10,169	10,852	10,333	10,491	11,348	11,396[r]	11,922
6	Denmark	760	2,200	1,410	1,378	1,444	1,913	1,410	1,240	1,244	1,760
7	Finland	377	285	570	519	464	577	570	685	611	431
8	France	29,835	24,777	26,893	23,137	23,971	26,018	26,893	22,985	21,841[r]	21,928
9	Germany	7,022	6,772	7,578	8,404	8,757	9,145	7,578	7,580	8,649[r]	7,468
10	Greece	689	672	1,017	803	850	1,030	1,017	1,092	1,024	906
11	Italy	12,073	14,599	16,159	14,567	14,244	14,673	16,159	13,050[r]	11,978	12,840
12	Netherlands	5,014	5,316	6,613	5,221	5,634	7,259	6,613	7,732[r]	8,214[r]	9,416
13	Norway	1,362	1,559	2,401	1,701	1,344	1,954	2,401	1,256	997	2,620
14	Portugal	801	903	2,407	2,209	2,293	2,251	2,407	2,381	2,285	2,384
15	Spain	2,621	5,494	4,364	5,304	5,007	4,911	4,364	5,421	4,279[r]	4,908
16	Sweden	1,379	1,284	1,491	1,682	1,665	1,921	1,491	2,303	1,468	1,524
17	Switzerland	33,766	34,199	34,511	29,218	29,765	31,714	34,511	33,288[r]	33,174	34,333
18	Turkey	703	1,012	1,818	1,088	1,202	1,372	1,818	1,047[r]	886	1,039
19	United Kingdom	116,852	111,811	102,334	102,055	106,371	108,914	102,334	101,968[r]	99,361[r]	96,242
20	Yugoslavia	710	529	1,474	774	858	1,017	1,474	1,349	1,401	1,613
21	Other Western Europe[1]	9,798	8,598	13,563	12,923	16,394	15,170	13,563	13,219[r]	11,762[r]	9,171
22	U.S.S.R.	32	138	350	244	338	286	350	229	377	141
23	Other Eastern Europe[2]	582	591	618	564	597	669	618	1,138	1,285[r]	1,337
24	Canada	30,095	21,062	18,861	18,016	16,744	18,245	18,861	19,243	21,328[r]	18,541
25	Latin America and Caribbean	220,372	271,146	310,737	291,239	289,329	299,765	310,737	300,123[r]	296,348[r]	313,949
26	Argentina	5,006	7,804	7,294	8,552	8,178	7,803	7,294	7,368	7,494[r]	8,036
27	Bahamas	74,767	86,863	99,341	90,850	93,246	96,386	99,341	95,254[r]	94,353[r]	97,278
28	Bermuda	2,344	2,621	2,869	2,182	2,525	2,628	2,869	2,539	2,250[r]	2,456
29	Brazil	4,005	5,314	6,287	5,944	6,139	6,282	6,287	6,660	7,135[r]	7,376
30	British West Indies	81,494	113,840	138,177	127,247	122,108	129,378	138,177	131,820[r]	126,943[r]	140,738
31	Chile	2,210	2,936	3,209	2,800	3,050	3,097	3,209	3,045	3,129	3,261
32	Colombia	4,204	4,374	4,652	4,317	5,006	4,805	4,652	4,395	4,593	4,481
33	Cuba	12	10	10	14	10	15	10	30	10	9
34	Ecuador	1,082	1,379	1,391	1,381	1,359	1,343	1,391	1,229	1,304	1,337
35	Guatemala	1,082	1,195	1,312	1,313	1,296	1,309	1,312	1,332	1,362	1,403
36	Jamaica	160	269	209	235	209	191	209	202	217	245
37	Mexico	14,480	15,185	15,398	15,608	15,285	15,012	15,398	14,767	15,743	15,424
38	Netherlands Antilles	4,975	6,420	6,300	6,090	5,973	6,287	6,300	6,189	6,534[r]	6,461
39	Panama	7,414	4,353	4,361	4,610	4,579	4,537	4,361	4,569	4,746	4,762
40	Peru	1,275	1,671	1,982	1,852	1,924	1,944	1,982	1,921	1,968	1,836
41	Uruguay	1,582	1,898	2,283	2,362	2,235	2,335	2,283	2,418	2,400[r]	2,513
42	Venezuela	9,048	9,147	9,466	9,579	9,609	9,855	9,466	9,841	9,628	9,871
43	Other	5,234	5,868	6,196	6,302	6,598	6,558	6,196	6,544[r]	6,540[r]	6,464
44	Asia	121,288	147,838	155,857	154,829	151,967	151,679	155,857	140,942[r]	131,073[r]	132,238
	China										
45	Mainland	1,162	1,895	1,871	1,808	1,989	1,659	1,871	1,780	1,569	1,673
46	Taiwan	21,503	26,058	19,562	24,206	22,492	21,316	19,562	19,147	17,898[r]	15,552
47	Hong Kong	10,180	12,248	12,245	12,404	12,209	12,111	12,245	11,653	10,950[r]	11,396
48	India	582	699	780	881	842	990	780	907	762[r]	1,032
49	Indonesia	1,404	1,180	1,279	1,045	1,147	1,303	1,279	1,057	1,161	1,545
50	Israel	1,292	1,461	1,243	1,058	2,237	1,096	1,243	1,038	894[r]	1,508
51	Japan	54,322	74,015	80,991	79,527	74,039	75,368	80,991	70,084[r]	64,921[r]	66,270
52	Korea	1,637	2,541	3,213	3,227	3,288	3,528	3,213	2,616	2,560[r]	2,318
53	Philippines	1,085	1,163	1,759	1,097	1,185	1,269	1,759	1,143	1,256[r]	1,197
54	Thailand	1,345	1,236	2,093	1,445	1,707	1,909	2,093	2,379	2,523[r]	1,926
55	Middle-East oil-exporting countries[3]	13,988	12,083	13,362	13,057	13,485	13,610	13,362	13,258	12,550[r]	12,432
56	Other	12,788	13,260	17,459	15,073	17,346	17,519	17,459	15,879	14,030[r]	15,388
57	Africa	3,945	3,991	3,819	3,561	3,507	3,767	3,819	4,293[r]	4,920	4,431
58	Egypt	1,151	911	685	578	581	637	685	640	721	600
59	Morocco	194	68	78	97	72	76	78	86	95	80
60	South Africa	202	437	205	249	222	293	205	255	261	277
61	Zaire	67	85	86	81	71	60	86	82	77	75
62	Oil-exporting countries[4]	1,014	1,017	1,120	1,038	1,048	1,120	1,120	1,671[r]	2,259	1,839
63	Other	1,316	1,474	1,644	1,518	1,513	1,581	1,644	1,559[r]	1,507	1,560
64	Other countries	4,070	6,165	4,558	7,248	8,690	9,912	4,558	4,485	5,317	4,867
65	Australia	3,327	5,293	3,866	6,540	8,072	9,141	3,866	3,806	4,597	3,987
66	All other	744	872	692	708	618	771	692	679	719	881
67	Nonmonetary international and regional organizations	4,464	3,224	4,772	4,409	5,833	5,905	4,772	4,778[r]	3,970	4,929
68	International[5]	2,830	2,503	3,825	2,855	4,515	4,768	3,825	3,706[r]	2,970[r]	3,717
69	Latin American regional	1,272	589	684	1,201	919	586	684	857	655	949
70	Other regional[6]	362	133	263	353	400	551	263	214	345[r]	263

1. Includes the Bank for International Settlements and Eastern European countries that are not listed in line 23.
2. Comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.
5. Excludes "holdings of dollars" of the International Monetary Fund.
6. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Western Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Area and country	1987	1988	1989	1989				1990		
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.[r]	Mar.[p]
1 **Total**	**459,877**	**491,165**	**535,706**	**500,211**	**515,422**	**535,459**	**535,706**	**514,647[r]**	**502,174**	**493,019**
2 **Foreign countries**	**456,472**	**489,094**	**532,055**	**497,264**	**512,771**	**532,471**	**532,055**	**510,395[r]**	**498,505**	**490,194**
3 Europe	102,348	116,928	118,956	111,860	113,288	111,987	118,956	105,817[r]	104,424	104,705
4 Austria	793	483	415	475	575	559	415	658	429	500
5 Belgium–Luxembourg	9,397	8,515	6,478	7,391	7,497	6,606	6,478	6,645	6,988	6,382
6 Denmark	717	483	582	557	513	609	582	664	635	608
7 Finland	1,010	1,065	1,027	1,233	1,707	1,129	1,027	1,214	1,218	1,150
8 France	13,548	13,243	16,146	16,249	16,391	16,055	16,146	15,832	16,366	15,700
9 Germany	2,039	2,329	2,865	3,466	3,371	2,657	2,865	1,990	2,800	2,798
10 Greece	462	433	788	634	650	700	788	735	773	674
11 Italy	7,460	7,936	6,662	5,938	5,472	5,718	6,662	4,931[r]	5,369	5,020
12 Netherlands	2,619	2,541	1,904	1,991	1,886	2,259	1,904	1,656	1,567	2,053
13 Norway	934	455	609	644	647	635	609	599	672	770
14 Portugal	477	261	376	252	258	275	376	309	288	274
15 Spain	1,853	1,823	1,930	1,684	1,733	1,840	1,930	2,766	2,038	2,237
16 Sweden	2,254	1,977	1,773	2,286	2,087	2,555	1,773	2,718	2,158	2,265
17 Switzerland	2,718	3,895	6,141	5,018	4,522	4,940	6,141	4,797	4,911	5,018
18 Turkey	1,680	1,233	1,049	1,028	1,021	1,044	1,049	1,065[r]	1,064	1,124
19 United Kingdom	50,823	65,706	65,426	57,996	59,838	59,919	65,426	54,567[r]	52,224	53,253
20 Yugoslavia	1,700	1,390	1,329	1,338	1,373	1,281	1,329	1,243	1,158	1,157
21 Other Western Europe[2]	619	1,152	1,302	1,312	1,504	1,245	1,302	1,373[r]	1,521	1,364
22 U.S.S.R.	389	1,255	1,234	1,569	1,448	1,075	1,234	1,192[r]	1,322	1,449
23 Other Eastern Europe[3]	852	754	921	799	794	883	921	864[r]	925	908
24 Canada	25,368	18,889	16,087	14,791	13,800	16,177	16,087	18,330[r]	18,483	17,139
25 Latin America and Caribbean	214,789	214,264	231,540	220,832	221,040	232,878	231,540	225,332[r]	221,330	214,312
26 Argentina	11,996	11,826	9,444	10,460	10,444	10,274	9,444	8,986[r]	8,718	8,179
27 Bahamas	64,587	66,954	78,656	70,845	71,379	78,487	78,656	74,336[r]	72,825	70,065
28 Bermuda	471	483	1,315	1,104	804	841	1,315	485[r]	401	566
29 Brazil	25,897	25,735	23,888	25,002	25,075	24,418	23,888	23,503[r]	23,208	21,920
30 British West Indies	50,042	55,888	68,572	64,416	63,840	69,450	68,572	70,894[r]	70,188	72,338
31 Chile	6,308	5,217	4,353	4,707	4,601	4,474	4,353	4,212[r]	4,209	4,081
32 Colombia	2,740	2,944	2,781	2,477	2,800	2,784	2,781	2,530[r]	2,609	2,738
33 Cuba	1	1	1	1	1	1	1	0	0	0
34 Ecuador	2,286	2,075	1,698	1,905	1,864	1,858	1,698	1,588[r]	1,570	1,529
35 Guatemala[4]	144	198	197	196	188	190	197	213	200	178
36 Jamaica[4]	188	212	297	282	270	260	297	284	274	264
37 Mexico	29,532	24,637	23,563	22,813	22,751	23,292	23,563	22,136[r]	21,400	17,063
38 Netherlands Antilles	980	1,306	1,921	1,175	1,201	1,099	1,921	1,763	1,702	1,694
39 Panama	4,744	2,521	1,740	1,829	1,834	1,792	1,740	1,748	1,688	1,735
40 Peru	1,329	1,013	771	823	849	836	771	750	752	733
41 Uruguay	963	910	928	899	903	915	928	932	935	927
42 Venezuela	10,843	10,733	9,688	10,061	10,269	10,119	9,688	9,289[r]	8,956	8,528
43 Other Latin America and Caribbean	1,738	1,612	1,726	1,838	1,965	1,787	1,726	1,682	1,695	1,776
44 Asia	106,096	130,881	157,187	139,909	153,744	158,766	157,187	151,934[r]	144,228	144,990
China										
Mainland	968	762	634	616	594	610	634	620[r]	619	601
46 Taiwan	4,592	4,184	2,776	3,358	2,858	2,702	2,776	2,137	1,823	2,001
47 Hong Kong	8,218	10,143	11,103	10,353	10,047	10,442	11,103	7,679	6,557	7,396
48 India	510	560	621	638	617	637	621	625	893	723
49 Indonesia	580	674	651	615	685	655	651	641	611	602
50 Israel	1,363	1,136	813	859	1,185	758	813	748[r]	751	731
51 Japan	68,658	90,149	111,066	96,876	110,425	114,498	111,066	113,327[r]	108,295	108,494
52 Korea	5,148	5,213	5,296	5,694	5,713	5,838	5,296	5,156	4,880	5,004
53 Philippines	2,071	1,876	1,344	1,617	1,549	1,498	1,344	1,297[r]	1,163	1,204
54 Thailand	496	848	1,140	1,191	1,046	1,064	1,140	1,171	1,046	992
55 Middle East oil-exporting countries[5]	4,858	6,213	10,149	8,589	8,357	8,675	10,149	8,655	9,248	8,776
56 Other Asia	8,635	9,122	11,594	9,502	10,669	11,387	11,594	9,880[r]	8,344	8,465
57 Africa	4,742	5,718	5,931	6,029	5,771	5,914	5,931	6,593[r]	7,317	6,749
58 Egypt	521	507	502	501	475	471	502	470	493	474
59 Morocco	542	511	559	524	538	547	559	575	588	581
60 South Africa	1,507	1,681	1,628	1,709	1,679	1,686	1,628	1,619	1,628	1,647
61 Zaire	15	17	16	20	15	16	16	16	17	25
62 Oil-exporting countries[6]	1,003	1,523	1,689	1,629	1,554	1,641	1,689	1,667[r]	3,099	2,517
63 Other	1,153	1,479	1,537	1,647	1,510	1,553	1,537	2,247[r]	1,491	1,505
64 Other countries	3,129	2,413	2,354	3,842	5,129	6,750	2,354	2,390	2,724	2,299
65 Australia	2,100	1,520	1,781	3,077	4,301	6,174	1,781	1,761	1,824	1,607
66 All other	1,029	894	573	765	828	576	573	629	900	692
67 Nonmonetary international and regional organizations[7]	3,404	2,071	3,651	2,947	2,651	2,987	3,651	4,252[r]	3,670	2,825

1. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.
2. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.
3. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
4. Included in "Other Latin America and Caribbean" through March 1978.
5. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
6. Comprises Algeria, Gabon, Libya, and Nigeria.
7. Excludes the Bank for International Settlements, which is included in "Other Western Europe."

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1987	1988	1989	1989				1990		
				Sept.	Oct.	Nov.	Dec.	Jan.r	Feb.r	Mar.p
1 **Total**	**497,635**	**538,689**	**589,721**	**552,350**	....	....	**589,721**	....	....	....
2 Banks' own claims on foreigners	459,877	491,165	535,706	500,211	515,422	535,459	535,706	514,647	502,174	493,019
3 Foreign public borrowers	64,605	62,658	60,523	62,093	63,398	62,488	60,523	58,967	56,821	53,104
4 Own foreign offices[2]	224,727	257,436	297,184	266,637	277,330	297,592	297,184	292,561	286,628	278,095
5 Unaffiliated foreign banks	127,609	129,425	134,842	130,925	131,133	133,803	134,842	123,784	120,382	123,295
6 Deposits	60,687	65,898	77,900	72,605	72,220	75,629	77,900	69,752	67,346	70,091
7 Other	66,922	63,527	56,942	58,319	58,913	58,174	56,942	54,033	53,036	53,205
8 All other foreigners	42,936	41,646	43,158	40,556	43,562	41,577	43,158	39,334	38,344	38,525
9 Claims of banks' domestic customers[3]	37,758	47,524	54,014	52,139	....	....	54,014	....	....	....
10 Deposits	3,692	8,289	10,383r	11,253	....	....	10,383r	....	....	....
11 Negotiable and readily transferable instruments[4]	26,696	25,700	29,040r	24,277	....	....	29,040r	....	....	....
12 *Outstanding collections and other claims*	7,370	13,535	14,591	16,609	....	....	14,591	....	....	....
13 MEMO: Customer liability on acceptances	23,107	19,596	12,818r	13,119	....	....	12,818r	....	....	....
Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	40,909	45,568	45,413r	47,292	45,742	47,288	45,413r	44,081	45,219	n.a.

1. Data for banks' own claims are given on a monthly basis, but the data for claims of banks' own domestic customers are available on a quarterly basis only. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.
2. *U.S. banks:* includes amounts due from own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. *Agencies, branches, and majority-owned subsidiaries of foreign banks:* principally amounts due from head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.
3. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the account of their domestic customers.
4. Principally negotiable time certificates of deposit and bankers acceptances.
5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad. For description of changes in data reported by nonbanks, see July 1979 *Bulletin*, p. 550.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. Dollars

Millions of dollars, end of period

Maturity; by borrower and area	1986	1987	1988	1989			
				Mar.	June	Sept.	Dec.r
1 **Total**	**232,295**	**235,130**	**233,184**	**231,600**	**231,606**	**236,265**	**238,458**
By borrower							
2 Maturity of 1 year or less[2]	160,555	163,997	172,634	168,527	167,663	169,192	178,065
3 Foreign public borrowers	24,842	25,889	26,562	24,499	24,295	24,054	23,687
4 All other foreigners	135,714	138,108	146,071	144,028	143,368	145,138	154,378
5 Maturity over 1 year[2]	71,740	71,133	60,550	63,073	63,944	67,072	60,392
6 Foreign public borrowers	39,103	38,625	35,291	38,430	38,605	41,806	35,967
7 All other foreigners	32,637	32,507	25,259	24,643	25,339	25,266	24,425
By area							
Maturity of 1 year or less[2]							
8 Europe	61,784	59,027	55,909	57,697	58,260	53,030	53,584
9 Canada	5,895	5,680	6,282	5,119	5,693	6,236	5,901
10 Latin America and Caribbean	56,271	56,535	57,991	53,255	50,527	52,320	53,082
11 Asia	29,457	35,919	46,224	45,703	45,448	50,358	57,932
12 Africa	2,882	2,833	3,337	3,610	3,601	3,514	3,238
13 All other[3]	4,267	4,003	2,891	3,143	4,134	3,735	4,329
Maturity of over 1 year[2]							
14 Europe	6,737	6,696	4,666	4,503	4,554	8,746	4,769
15 Canada	1,925	2,661	1,922	2,309	2,592	2,459	2,338
16 Latin America and Caribbean	56,719	53,817	47,547	49,790	50,095	48,586	45,801
17 Asia	4,043	3,830	3,613	3,699	3,823	4,223	4,139
18 Africa	1,539	1,747	2,301	2,292	2,408	2,475	2,662
19 All other[3]	777	2,381	501	480	472	584	684

1. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.
2. Remaining time to maturity.
3. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. Offices and Foreign Branches of U.S.-Chartered Banks[1,2]

Billions of dollars, end of period

Area or country	1985	1986	1987	1988				1989			
			Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.
1 **Total**	**389.1**	**386.5**	**382.4**	**370.9**	**351.9**	**354.0**	**346.3**	**345.3**	**339.2**	**345.0**	**339.9**
2 G-10 countries and Switzerland	147.0	156.6	159.7	156.3	150.7	148.7	152.7	145.1	144.7	145.9	152.9
3 Belgium-Luxembourg	9.4	8.4	10.0	9.1	9.2	9.5	9.0	8.6	7.8	6.9	6.3
4 France	12.3	13.6	13.7	11.8	10.9	10.3	10.5	11.2	10.8	11.1	11.7
5 Germany	10.5	11.6	12.6	11.8	10.6	9.2	10.3	10.2	10.6	10.4	10.5
6 Italy	9.7	9.0	7.5	7.4	6.3	5.6	6.8	5.2	6.1	6.8	7.4
7 Netherlands	3.8	4.6	4.1	3.3	3.2	2.9	2.7	2.8	2.8	2.4	3.1
8 Sweden	2.8	2.4	2.1	2.1	1.9	1.9	1.8	2.3	1.8	2.0	2.0
9 Switzerland	4.4	5.8	5.6	5.1	5.6	5.2	5.4	5.1	5.4	6.1	7.1
10 United Kingdom	63.3	70.9	68.8	71.7	70.4	67.6	66.2	65.3	64.2	63.5	66.8
11 Canada	6.8	5.2	5.5	4.7	5.3	4.9	5.0	4.0	5.1	5.9	6.1
12 Japan	24.1	25.1	29.8	29.2	27.3	31.6	34.9	30.4	30.1	30.8	31.9
13 Other developed countries	30.3	26.1	26.4	26.4	24.0	23.0	21.0	21.0	21.1	20.9	20.7
14 Austria	1.6	1.7	1.9	1.6	1.6	1.6	1.5	1.4	1.7	1.5	1.7
15 Denmark	2.4	1.7	1.7	1.4	1.1	1.2	1.1	1.1	1.4	1.1	1.1
16 Finland	1.6	1.4	1.2	1.0	1.2	1.3	1.1	1.0	1.0	1.1	1.0
17 Greece	2.6	2.3	2.0	2.3	2.1	2.1	1.8	2.1	2.3	2.3	2.5
18 Norway	2.9	2.4	2.2	1.9	1.9	2.0	1.8	1.6	1.8	1.4	1.4
19 Portugal	1.3	.9	.6	.5	.4	.4	.4	.4	.6	.4	.4
20 Spain	5.8	5.8	8.0	8.9	7.2	6.3	6.2	6.6	6.2	6.9	7.1
21 Turkey	2.0	2.0	2.0	2.0	1.8	1.6	1.5	1.3	1.1	1.1	1.2
22 Other Western Europe	2.0	1.5	1.6	1.9	1.7	1.9	1.3	1.1	1.1	1.0	.7
23 South Africa	3.2	3.0	2.9	2.8	2.8	2.7	2.4	2.2	2.1	2.1	2.0
24 Australia	5.0	3.4	2.4	2.0	2.2	1.8	1.8	2.4	1.9	2.1	1.4
25 OPEC countries[3]	21.5	19.4	17.4	17.6	17.0	17.9	16.6	16.2	16.0	16.2	17.2
26 Ecuador	2.1	2.2	1.9	1.9	1.8	1.8	1.7	1.6	1.5	1.5	1.3
27 Venezuela	9.0	8.7	8.1	8.1	8.0	7.9	7.9	7.9	7.5	7.3	7.1
28 Indonesia	3.0	2.5	1.9	1.8	1.8	1.8	1.7	1.7	1.9	2.0	2.0
29 Middle East countries	5.4	4.3	3.6	3.9	3.5	4.6	3.4	3.3	3.4	3.5	5.0
30 African countries	2.0	1.8	1.9	1.9	1.9	1.9	1.9	1.7	1.6	1.9	1.8
31 Non-OPEC developing countries	105.0	99.6	97.8	94.4	91.8	87.2	85.3	85.4	83.1	80.8	78.0
Latin America											
32 Argentina	8.9	9.5	9.5	9.6	9.5	9.3	9.0	8.4	7.9	7.6	6.4
33 Brazil	25.5	25.3	24.7	23.8	23.7	22.4	22.4	22.7	22.0	20.8	19.1
34 Chile	7.0	7.1	6.9	6.6	6.4	6.3	5.6	5.7	5.1	4.9	4.6
35 Colombia	2.6	2.1	2.0	2.0	2.2	2.1	2.1	1.9	1.7	1.6	1.8
36 Mexico	24.3	24.0	23.5	22.4	21.1	20.4	18.8	18.0	17.5	17.0	17.8
37 Peru	1.8	1.4	1.1	1.1	.9	.8	.8	.7	.6	.6	.6
38 Other Latin America	3.5	3.1	2.8	2.8	2.6	2.5	2.6	2.7	2.6	2.9	2.8
Asia											
China											
39 Mainland	.5	.4	.3	.4	.4	.2	.3	.5	.3	.3	.3
40 Taiwan	4.5	4.9	8.2	6.1	4.9	3.2	3.7	4.9	5.2	5.0	4.5
41 India	1.2	1.2	1.9	2.1	2.3	2.0	2.1	2.6	2.4	2.7	3.1
42 Israel	1.6	1.5	1.0	1.0	1.0	1.0	1.2	.9	.8	.7	.7
43 Korea (South)	9.3	6.7	5.0	5.7	5.9	6.0	6.1	6.1	6.6	6.5	5.9
44 Malaysia	2.4	2.1	1.5	1.5	1.5	1.7	1.6	1.7	1.6	1.7	1.7
45 Philippines	5.7	5.4	5.2	5.1	4.9	4.7	4.5	4.4	4.4	4.0	4.1
46 Thailand	1.4	.9	.7	1.0	1.1	1.2	1.1	1.0	1.0	1.3	1.3
47 Other Asia	1.0	.7	.7	.7	.8	.8	.9	.8	.8	1.0	1.0
Africa											
48 Egypt	1.0	.7	.6	.5	.6	.5	.4	.5	.6	.5	.4
49 Morocco	.9	.9	.9	.9	.9	.8	.9	.9	.9	.8	.9
50 Zaire	.1	.1	.0	.1	.1	.0	.0	.0	.0	.0	.0
51 Other Africa[4]	1.9	1.6	1.3	1.2	1.2	1.2	1.1	1.1	1.1	1.0	1.0
52 Eastern Europe	4.4	3.5	3.2	3.1	3.3	3.1	3.6	3.5	3.4	3.5	3.5
53 U.S.S.R.	.1	.1	.3	.3	.4	.4	.7	.7	.6	.8	.7
54 Yugoslavia	2.4	2.0	1.8	1.9	1.9	1.8	1.8	1.7	1.7	1.7	1.5
55 Other	1.9	1.4	1.1	1.0	1.0	1.0	1.1	1.1	1.1	1.1	1.2
56 Offshore banking centers	64.0	61.5	54.5	51.5	43.0	47.3	44.2	48.5	43.1	48.9	37.4
57 Bahamas	21.5	22.4	17.3	15.9	8.9	12.9	11.0	15.8	11.0	11.1	5.8
58 Bermuda	.7	.6	.6	.8	1.0	.9	.9	1.1	.7	1.3	1.7
59 Cayman Islands and other British West Indies	12.2	12.3	13.5	11.6	10.3	11.9	12.9	12.0	10.8	15.3	9.4
60 Netherlands Antilles	2.2	1.8	1.2	1.3	1.2	1.2	1.0	.9	1.0	1.1	2.3
61 Panama[5]	6.0	4.0	3.7	3.2	3.0	2.6	2.5	2.2	1.9	1.5	1.4
62 Lebanon	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
63 Hong Kong	11.5	11.1	11.2	11.3	11.6	10.5	9.6	9.6	10.4	10.7	9.6
64 Singapore	9.8	9.2	7.0	7.4	6.9	7.0	6.1	6.8	7.3	7.8	7.0
65 Others[6]	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
66 Miscellaneous and unallocated[7]	16.9	19.8	23.2	21.5	22.2	26.7	22.6	25.1	27.4	28.5	30.1

1. The banking offices covered by these data are the U.S. offices and foreign branches of U.S.-owned banks and of U.S. subsidiaries of foreign-owned banks. Offices *not* covered include (1) U.S. agencies and branches of foreign banks, and (2) foreign subsidiaries of U.S. banks. To minimize duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution. The data in this table combine foreign branch claims in table 3.14 (the sum of lines 7 through 10) with the claims of U.S. offices in table 3.18 (excluding those held by agencies and branches of foreign banks and those constituting claims on own foreign branches).

2. Beginning with June 1984 data, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from $50 million to $150 million equivalent in total assets, the threshold now applicable to all reporting branches.

3. This group comprises the 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).

4. Excludes Liberia.

5. Includes Canal Zone beginning December 1979.

6. Foreign branch claims only.

7. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

	Type, and area or country	1986	1987	1988	1988 Sept.	1988 Dec.	1989 Mar.	1989 June	1989 Sept.	1989 Dec.
1	**Total**	**25,587**	**28,302**	**33,989**	**32,614**	**33,989**	**37,646**	**37,371**	**35,263**	**39,679**
2	Payable in dollars	21,749	22,785	28,382	27,365	28,382	31,856	32,298	30,425	34,851
3	Payable in foreign currencies	3,838	5,517	5,606	5,249	5,606	5,790	5,073	4,838	4,828
	By type									
4	Financial liabilities	12,133	12,424	15,480	15,314	15,480	17,738	17,324	16,256	17,409
5	Payable in dollars	9,609	8,643	11,593	11,700	11,593	13,658	13,465	12,428	13,516
6	Payable in foreign currencies	2,524	3,781	3,888	3,614	3,888	4,080	3,860	3,829	3,893
7	Commercial liabilities	13,454	15,878	18,508	17,299	18,508	19,908	20,047	19,006	22,269
8	Trade payables	6,450	7,305	6,458	6,455	6,458	7,009	6,339	6,416	9,593
9	Advance receipts and other liabilities	7,004	8,573	12,050	10,844	12,050	12,899	13,708	12,590	12,676
10	Payable in dollars	12,140	14,142	16,790	15,665	16,790	18,197	18,834	17,997	21,335
11	Payable in foreign currencies	1,314	1,737	1,719	1,635	1,719	1,711	1,213	1,009	934
	By area or country									
	Financial liabilities									
12	Europe	7,917	8,320	10,268	10,732	10,268	12,731	11,479	10,362	10,583
13	Belgium-Luxembourg	270	213	289	339	289	320	357	308	340
14	France	661	382	344	372	344	249	278	262	243
15	Germany	368	551	749	690	749	741	838	809	734
16	Netherlands	542	866	879	996	879	933	834	853	946
17	Switzerland	646	558	1,183	707	1,183	954	978	839	578
18	United Kingdom	5,140	5,557	6,658	7,459	6,658	9,341	8,014	7,075	7,481
19	Canada	399	360	663	431	663	616	544	599	583
20	Latin America and Caribbean	1,944	1,189	1,239	1,057	1,239	677	1,216	1,315	1,226
21	Bahamas	614	318	184	238	184	189	165	186	157
22	Bermuda	4	0	0	0	0	0	0	0	17
23	Brazil	32	25	0	0	0	0	0	0	0
24	British West Indies	1,146	778	645	812	645	471	621	698	594
25	Mexico	22	13	1	2	1	15	17	4	6
26	Venezuela	0	0	0	0	0	0	0	0	0
27	Asia	1,805	2,451	3,306	3,088	3,306	3,708	3,985	3,878	4,916
28	Japan	1,398	2,042	2,563	2,435	2,563	2,950	3,225	3,130	4,064
29	Middle East oil-exporting countries[2]	8	8	3	4	3	1	12	2	2
30	Africa	1	4	1	3	1	5	3	4	2
31	Oil-exporting countries[3]	1	1	0	1	0	3	2	2	0
32	All other[4]	67	100	2	3	2	2	97	97	100
	Commercial liabilities									
33	Europe	4,446	5,516	7,344	6,681	7,344	7,944	7,865	7,985	9,475
34	Belgium-Luxembourg	101	132	170	206	170	134	117	138	172
35	France	352	426	455	432	455	579	549	767	899
36	Germany	715	909	1,699	1,185	1,699	1,372	1,190	1,196	1,574
37	Netherlands	424	423	591	647	591	670	689	549	709
38	Switzerland	385	559	417	486	417	458	458	416	621
39	United Kingdom	1,341	1,599	2,065	2,110	2,065	2,585	2,709	2,729	2,821
40	Canada	1,405	1,301	1,217	1,091	1,217	1,163	1,132	1,191	2,711
41	Latin America and Caribbean	924	864	1,118	997	1,118	1,267	1,669	1,092	1,130
42	Bahamas	32	18	49	19	49	35	34	27	41
43	Bermuda	156	168	286	222	286	426	388	305	308
44	Brazil	61	46	95	58	95	103	541	113	100
45	British West Indies	49	19	34	30	34	31	42	30	27
46	Mexico	217	189	179	177	179	198	182	191	246
47	Venezuela	216	162	177	204	177	179	185	140	154
48	Asia	5,080	6,565	6,923	6,637	6,923	7,329	6,970	7,018	7,085
49	Japan	2,042	2,578	3,097	2,763	3,097	3,059	2,712	2,649	2,732
50	Middle East oil-exporting countries[2,5]	1,679	1,964	1,386	1,298	1,386	1,526	1,431	1,406	1,347
51	Africa	619	574	578	477	578	706	768	643	838
52	Oil-exporting countries[3]	197	135	202	106	202	272	253	246	300
53	All other[4]	980	1,057	1,328	1,415	1,328	1,499	1,643	1,078	1,031

1. For a description of the changes in the International Statistics tables, see July 1979 *Bulletin*, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.
5. Revisions include a reclassification of transactions, which also affects the totals for Asia and the grand totals.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

Type, and area or country	1986	1987	1988	1988		1989			
				Sept.	Dec.	Mar.	June	Sept.	Dec.
1 **Total**	**36,265**	**30,964**	**33,816**	**38,691**	**33,816**	**31,964**	**34,348**	**32,474**	**32,228[r]**
2 Payable in dollars	33,867	28,502	31,481	36,179	31,481	29,650	32,232	30,261	29,898[r]
3 Payable in foreign currencies	2,399	2,462	2,335	2,512	2,335	2,315	2,115	2,212	2,330
By type									
4 Financial claims	26,273	20,363	21,882	27,597	21,882	20,045	22,051	19,644	17,956[r]
5 Deposits	19,916	14,894	15,887	19,367	15,887	14,865	16,986	12,985	11,375[r]
6 Payable in dollars	19,331	13,765	14,788	18,340	14,788	13,950	16,065	12,120	10,449[r]
7 Payable in foreign currencies	585	1,128	1,099	1,027	1,099	914	921	865	926
8 Other financial claims	6,357	5,470	5,996	8,230	5,996	5,181	5,065	6,659	6,581[r]
9 Payable in dollars	5,005	4,656	5,265	7,288	5,265	4,287	4,349	5,795	5,784[r]
10 Payable in foreign currencies	1,352	814	731	943	731	893	716	864	798
11 Commercial claims	9,992	10,600	11,933	11,094	11,933	11,919	12,297	12,830	14,272[r]
12 Trade receivables	8,783	9,535	10,859	10,097	10,859	10,658	10,866	11,401	12,715[r]
13 Advance payments and other claims	1,209	1,065	1,074	998	1,074	1,261	1,430	1,429	1,557
14 Payable in dollars	9,530	10,081	11,428	10,552	11,428	11,412	11,818	12,347	13,666[r]
15 Payable in foreign currencies	462	519	505	543	505	507	479	483	606[r]
By area or country									
Financial claims									
16 Europe	10,744	9,531	10,296	10,975	10,296	9,245	8,845	8,005	7,409[r]
17 Belgium-Luxembourg	41	7	18	57	18	22	161	166	13
18 France	138	332	226	280	226	233	198	209	181
19 Germany	116	102	138	123	138	180	218	147	194
20 Netherlands	151	350	348	363	348	384	297	292	303
21 Switzerland	185	65	217	84	217	260	71	113	92
22 United Kingdom	9,855	8,467	8,997	9,742	8,997	7,856	7,587	6,819	6,364[r]
23 Canada	4,808	2,844	2,339	3,612	2,339	2,210	2,617	2,428	1,923
24 Latin America and Caribbean	9,291	7,012	8,142	11,862	8,142	7,498	9,361	8,309	7,472[r]
25 Bahamas	2,628	1,994	1,857	4,069	1,857	2,172	1,891	1,707	1,513
26 Bermuda	6	7	19	188	19	25	125	33	7
27 Brazil	86	63	47	44	47	49	78	70	224[r]
28 British West Indies	6,078	4,433	5,733	7,098	5,733	4,832	6,858	6,111	5,316[r]
29 Mexico	174	172	151	133	151	117	114	105	94
30 Venezuela	21	19	21	27	21	25	31	36	20
31 Asia	1,317	879	830	1,027	830	951	1,109	801	829
32 Japan	999	605	561	737	561	627	640	440	440
33 Middle East oil-exporting countries[2]	7	8	5	5	5	8	8	7	8
34 Africa	85	65	106	95	106	89	80	75	140
35 Oil-exporting countries[3]	28	7	10	9	10	8	8	8	12
36 All other[4]	28	33	170	26	170	52	37	27	183
Commercial claims									
37 Europe	3,725	4,180	5,007	4,287	5,007	4,934	5,162	5,442	6,801[r]
38 Belgium-Luxembourg	133	178	177	172	177	202	201	219	200[r]
39 France	431	650	660	517	660	758	755	820	950[r]
40 Germany	444	562	613	615	613	647	643	672	670[r]
41 Netherlands	164	133	208	146	208	159	409	394	490
42 Switzerland	217	185	322	183	322	249	220	217	304
43 United Kingdom	999	1,073	1,307	1,191	1,307	1,284	1,356	1,470	2,210[r]
44 Canada	934	936	972	978	972	1,110	1,175	1,226	996[r]
45 Latin America and Caribbean	1,857	1,930	2,234	2,104	2,234	2,110	2,089	2,120	2,164
46 Bahamas	28	19	36	12	36	34	13	10	57
47 Bermuda	193	170	229	161	229	234	238	270	323
48 Brazil	234	226	298	234	298	277	313	232	284
49 British West Indies	39	26	21	22	21	23	29	32	36
50 Mexico	412	368	459	463	459	481	431	502	510[r]
51 Venezuela	237	283	226	266	226	211	228	187	148
52 Asia	2,755	2,915	2,958	3,027	2,958	3,086	3,123	3,276	3,511[r]
53 Japan	881	1,158	934	967	934	1,038	990	1,168	1,178
54 Middle East oil-exporting countries[2]	563	450	445	437	445	427	430	406	508
55 Africa	500	401	434	424	434	386	402	388	419
56 Oil-exporting countries[3]	139	144	122	137	122	95	111	79	108
57 All other[4]	222	238	329	274	329	294	346	378	381[r]

1. For a description of the changes in the International Statistics tables, see July 1979 *Bulletin*, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transactions, and area or country	1988	1989	1990 Jan.–Mar.	1989 Sept.	1989 Oct.	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.[r]	1990 Mar.[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	181,185	212,975	43,636	19,597	22,350	13,830	15,410	13,745[r]	13,462	16,429
2 Foreign sales	183,185	203,385	46,935	17,049	20,988	14,947	16,868	14,128[r]	13,691	19,116
3 **Net purchases, or sales (–)**	**–2,000**	**9,589**	**–3,299**	**2,548**	**1,363**	**–1,117**	**–1,458**	**–383[r]**	**–229**	**–2,688**
4 **Foreign countries**	**–1,825**	**9,834**	**–3,316**	**2,600**	**1,340**	**–1,116**	**–1,411**	**–353[r]**	**–230**	**–2,733**
5 Europe	–3,350	248	–1,316	1,461	–107	–1,655	–281	–183	–144	–990
6 France	–281	–700	–305	–5	–265	–296	–255	–155	–157	7
7 Germany	218	–866	148	–65	–117	–119	–41	41	3	105
8 Netherlands	–535	168	–8	37	226	–34	–9	–18	–38	48
9 Switzerland	–2,243	–3,471	–923	63	–244	–509	–442	–240	–242	–441
10 United Kingdom	–954	3,728	–811	894	–34	–718	391	–275	183	–720
11 Canada	1,087	–860	–251	–265	–140	–137	–459	–139[r]	51	–163
12 Latin America and Caribbean	1,238	3,096	–497	602	149	–24	–478	–111	–178	–208
13 Middle East[1]	–2,474	3,530	–360	110	112	303	69	–27	93	–425
14 Other Asia	1,365	3,414	–720	631	1,138	342	–124	231	–30	–921
15 Japan	1,922	3,348	–702	611	975	310	–53	166	–104	–764
16 Africa	188	131	–31	24	–6	19	9	2	–34	1
17 Other countries	121	274	–140	38	193	37	–147	–125	12	–27
18 **Nonmonetary international and regional organizations**	**–176**	**–245**	**16**	**–52**	**23**	**–1**	**–48**	**–30[r]**	**1**	**46**
BONDS[2]										
19 Foreign purchases	86,381	120,466	28,993	8,603	10,930	11,133	13,702	9,463	10,296	9,234
20 Foreign sales	58,417	86,291	23,399	6,857	6,803	6,656	9,313	7,809	7,713	7,877
21 **Net purchases, or sales (–)**	**27,964**	**34,175**	**5,594**	**1,746**	**4,127**	**4,476**	**4,388**	**1,654**	**2,583**	**1,358**
22 **Foreign countries**	**28,506**	**33,822**	**5,807**	**1,740**	**4,074**	**4,464**	**4,336**	**2,054**	**2,556**	**1,197**
23 Europe	17,239	19,873	2,568	1,400	1,955	2,712	1,429	1,135	245	1,189
24 France	143	372	132	78	–41	–14	6	118	9	5
25 Germany	1,344	–239	–382	–33	113	–117	–33	–114	–253	–15
26 Netherlands	1,514	850	–38	28	30	143	41	–43	15	–11
27 Switzerland	505	–165	146	–27	74	54	–277	157	58	–69
28 United Kingdom	13,084	18,488	2,890	1,311	1,679	2,328	1,954	1,132	475	1,282
29 Canada	711	1,112	760	155	175	–86	204	178	474	108
30 Latin America and Caribbean	1,931	3,682	1,661	233	247	539	492	493	883	286
31 Middle East[1]	–178	–179	224	20	140	–57	242	87	100	36
32 Other Asia	8,900	9,060	488	–108	1,553	1,343	1,954	152	796	–461
33 Japan	7,686	6,331	854	–179	1,263	1,045	1,728	170	1,103	–419
34 Africa	–8	56	30	–3	0	8	27	3	36	–8
35 Other countries	–89	218	76	42	4	4	–11	5	22	48
36 **Nonmonetary international and regional organizations**	**–542**	**353**	**–212**	**6**	**53**	**12**	**52**	**–399**	**27**	**160**
	Foreign securities									
37 Stocks, net purchases, or sales (–)[3]	–1,959	–12,515	–355	–277	–1,558	–525	–2,150	772[r]	–981	–146
38 Foreign purchases	75,356	108,917	35,222	9,803	11,399	10,304	9,857	12,982[r]	10,479	11,760
39 Foreign sales[3]	77,315	121,433	35,577	10,080	12,958	10,829	12,007	12,210[r]	11,461	11,906
40 Bonds, net purchases, or sales (–)	–7,434	–5,921	–2,597	–1,848	–638	478	–270	556[r]	–159	–2,995
41 Foreign purchases	218,521	234,099	61,541	18,325	21,266	20,463	18,543	18,512[r]	20,671	22,359
42 Foreign sales	225,955	240,020	64,139	20,173	21,904	19,986	18,812	17,955[r]	20,830	25,354
43 **Net purchases, or sales (–), of stocks and bonds**	**–9,393**	**–18,436**	**–2,952**	**–2,125**	**–2,196**	**–47**	**–2,420**	**1,329[r]**	**–1,140**	**–3,141**
44 **Foreign countries**	**–9,873**	**–18,423**	**–1,549**	**–1,561**	**–1,860**	**–122**	**–2,428**	**1,221[r]**	**–1,229**	**–1,540**
45 Europe	–7,864	–17,613	–189	–1,730	–2,728	210	–904	1,398[r]	–1,226	–361
46 Canada	–3,747	–4,063	–1,466	–201	924	–325	–967	–58[r]	–144	–1,265
47 Latin America and Caribbean	1,384	426	99	–65	187	–102	–269	33	161	–96
48 Asia	979	2,952	499	411	–232	–2	–512	111[r]	–307	696
49 Africa	–54	93	–6	–3	12	13	56	–14	9	–1
50 Other countries	–571	–219	–485	26	–22	84	168	–249[r]	277	–513
51 **Nonmonetary international and regional organizations**	**480**	**–13**	**–1,404**	**–564**	**–336**	**75**	**8**	**108**	**89**	**–1,601**

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. As a result of the merger of a U.S. and U.K. company in July 1989, the former stockholders of the U.S. company received $5,453 million in shares of the new combined U.K. company. This transaction is not reflected in the data above.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions

Millions of dollars

Country or area	1988	1989	1990	1989				1990		
			Jan.–Mar.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.[p]
	Transactions, net purchases or sales (−) during period[1]									
1 **Estimated total[2]**	**48,832**	**54,723**	**−6,527**	**4,704**	**−2,138**	**8,195**	**1,149**	**818[r]**	**1,454**	**−8,799**
2 Foreign countries[2]	48,170	52,747	−5,718	5,786	−3,392	8,311	−362	1,090[r]	1,795	−8,603
3 Europe[2]	14,319	36,016	1,049	2,494	−2,137	4,259	2,434	1,238	2,191	−2,380
4 Belgium-Luxembourg	923	1,053	−448	216	90	210	−85	144	−337	−256
5 Germany[2]	−5,268	7,907	981	510	137	1,666	1,735	−216	1,672	−475
6 Netherlands	−356	−1,137	−2,141	302	−1,200	54	−386	−330	−1,400	−411
7 Sweden	−323	886	177	−50	140	−232	29	−71	270	−22
8 Switzerland[2]	−1,074	1,097	−540	374	−187	−780	−355	−284	−5	−251
9 United Kingdom	9,640	20,250	1,473	339	−919	3,823	1,286	150	1,627	−303
10 Other Western Europe	10,786	5,982	1,545	802	−199	−481	209	1,845	363	−664
11 Eastern Europe	−10	−21	0	0	0	0	0	0	0	0
12 Canada	3,761	700	−4,063	−398	191	375	164	−543	−2,137	−1,383
13 Latin America and Caribbean	713	477	430	137	−1,568	1,372	−886	−333	91	672
14 Venezuela	−109	311	−118	29	72	163	−36	−107	−48	38
15 Other Latin America and Caribbean	1,130	−310	547	−392	−96	576	−610	262	16	270
16 Netherlands Antilles	−308	475	0	500	−1,545	634	−240	−488	123	365
17 Asia	27,603	14,000	−2,386	2,857	−131	1,646	−2,669	447[r]	2,287	−5,119
18 Japan	21,750	2,383	−3,941	2,402	1,330	1,085	−1,036	837[r]	852	−5,630
19 Africa	−13	116	−21	0	13	9	39	9	13	−43
20 All other	1,786	1,439	−728	697	240	649	555	273	−650	−351
21 Nonmonetary international and regional organizations	661	1,976	−808	−1,082	1,254	−116	1,511	−272	−341	−196
22 International	1,106	1,473	−738	−719	1,158	−143	1,335	−360	−286	−92
23 Latin America regional	−31	231	1	−228	160	0	0	38	−11	−26
Memo										
24 Foreign countries[2]	48,170	52,747	−5,718	5,786	−3,392	8,311	−362	1,090[r]	1,795	−8,603
25 Official institutions	26,624	27,028	−4,931	773	−979	1,686	1,305	328	−1,425	−3,833
26 Other foreign[2]	21,546	25,720	−788	5,013	−2,413	6,626	−1,667	762[r]	3,220	−4,770
Oil-exporting countries										
27 Middle East[3]	1,963	8,148	2,906	695	−2,183	−26	−640	916	970	1,020
28 Africa[4]	1	−1	−1	0	0	−1	0	−1	0	0

1. Estimated official and private transactions in marketable U.S. Treasury securities with an original maturity of more than 1 year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.
2. Includes U.S. Treasury notes publicly issued to private foreign residents denominated in foreign currencies.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Percent per year

Country	Rate on May 31, 1990		Country	Rate on May 31, 1990		Country	Rate on May 31, 1990	
	Percent	Month effective		Percent	Month effective		Percent	Month effective
Austria	6.0	June 1989	France[1]	9.5	Apr. 1990	Norway	8.0	June 1983
Belgium	10.25	Oct. 1989	Germany, Fed. Rep. of	6.0	Oct. 1989	Switzerland	6.0	Oct. 1989
Brazil	49.0	Mar. 1981	Italy	13.5	Mar. 1989	United Kingdom[2]	....	....
Canada	13.92	May 1990	Japan	5.25	Mar. 1990	Venezuela	8.0	Oct. 1985
Denmark	10.5	Oct. 1989	Netherlands	7.0	Oct. 1989			

1. As of the end of February 1981, the rate is that at which the Bank of France discounts Treasury bills for 7 to 10 days.
2. Minimum lending rate suspended as of Aug. 20, 1981.
NOTE. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper and/or government 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 the central bank transacts the largest proportion of its credit operations.

3.27 FOREIGN SHORT-TERM INTEREST RATES

Percent per year, averages of daily figures

Country, or type	1987	1988	1989	1989		1990				
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
1 Eurodollars	7.07	7.85	9.16	8.42	8.39	8.22	8.24	8.37	8.44	8.35
2 United Kingdom	9.65	10.28	13.87	15.07	15.07	15.13	15.07	15.23	15.17	15.11
3 Canada	8.38	9.63	12.20	12.35	12.34	12.24	12.96	13.35	13.59	13.77
4 Germany	3.97	4.28	7.04	8.22	8.06	8.22	8.27	8.42	8.20	8.27
5 Switzerland	3.67	2.94	6.83	7.68	8.14	9.35	9.31	8.88	9.01	8.83
6 Netherlands	5.24	4.72	7.28	8.40	8.47	8.82	8.93	8.70	8.46	8.37
7 France	8.14	7.80	9.27	10.41	10.71	11.19	10.93	10.56	9.92	9.70
8 Italy	11.15	11.04	12.44	12.67	12.83	12.88	13.22	13.03	12.11	12.09
9 Belgium	7.01	6.69	8.65	9.81	10.03	10.48	10.54	10.39	10.19	9.90
10 Japan	3.87	3.96	4.73	5.71	5.80	6.02	6.22	6.33	6.62	6.84

NOTE. Rates are for 3-month interbank loans except for Canada, finance company paper; Belgium, 3-month Treasury bills; and Japan, Gensaki rate.

3.28 FOREIGN EXCHANGE RATES[1]

Currency units per dollar

Country/currency	1987	1988	1989	1989	1990				
				Dec.	Jan.	Feb.	Mar.	Apr.	May
1 Australia/dollar[2]	70.137	78.409	79.186	78.586	78.111	75.932	75.562	76.366	76.106
2 Austria/schilling	12.649	12.357	13.236	12.241	11.904	11.803	11.514	11.862	11.699
3 Belgium/franc	37.358	36.785	39.409	36.544	35.451	34.998	35.398	34.868	34.325
4 Canada/dollar	1.3259	1.2306	1.1842	1.1613	1.1720	1.1965	1.1800	1.1641	1.1747
5 China, P.R./yuan	3.7314	3.7314	3.7673	4.1825	4.7339	4.7339	4.7339	4.7339	4.7339
6 Denmark/krone	6.8478	6.7412	7.3210	6.7610	6.5620	6.4729	6.5349	6.4305	6.3349
7 Finland/markka	4.4037	4.1933	4.2963	4.1231	4.0080	3.9642	4.0276	3.9923	3.9270
8 France/franc	6.0122	5.9595	6.3802	5.9391	5.7568	5.6897	5.7555	5.6638	5.5989
9 Germany/deutsche mark	1.7981	1.7570	1.8808	1.7378	1.6914	1.6758	1.7053	1.6863	1.6630
10 Greece/drachma	135.47	142.00	162.60	160.32	157.68	158.04	162.44	163.77	163.82
11 Hong Kong/dollar	7.7986	7.8072	7.8008	7.8102	7.8116	7.8103	7.8129	7.7966	7.7877
12 India/rupee	12.943	13.900	16.213	16.932	16.963	16.990	17.116	17.294	17.325
13 Ireland/punt[2]	148.79	152.49	141.80	151.65	156.31	158.28	156.26	158.97	161.39
14 Italy/lira	1,297.03	1,302.39	1,372.28	1,291.93	1,261.87	1,243.68	1,257.67	1,238.38	1,221.93
15 Japan/yen	144.60	128.17	138.07	143.69	144.98	145.69	153.31	158.46	154.04
16 Malaysia/ringgit	2.5186	2.6190	2.7079	2.7032	2.7041	2.7137	2.7170	2.7264	2.7024
17 *Netherlands/guilder*	*2.0264*	*1.9778*	*2.1219*	*1.9619*	*1.9073*	1.8892	1.9204	1.8984	1.8704
18 New Zealand/dollar[2]	59.328	65.560	59.354	59.458	60.220	59.156	58.471	57.883	57.307
19 Norway/krone	6.7409	6.5243	6.9131	6.7021	6.5462	6.4760	6.5972	6.5457	6.4477
20 Portugal/escudo	141.20	144.27	157.53	152.34	149.17	147.71	150.59	149.29	147.08
21 Singapore/dollar	2.1059	2.0133	1.9511	1.9183	1.8873	1.8641	1.8777	1.8783	1.8589
22 South Africa/rand	2.0385	2.2773	2.6215	2.5679	2.5532	2.5449	2.6158	2.6552	2.6468
23 South Korea/won	825.94	734.52	674.29	677.66	686.18	692.47	700.50	708.76	711.85
24 Spain/peseta	123.54	116.53	118.44	112.24	109.71	108.27	109.37	107.00	104.02
25 Sri Lanka/rupee	29.472	31.820	35.947	40.018	40.018	40.018	40.018	40.018	40.023
26 Sweden/krona	6.3469	6.1370	6.4559	6.2920	6.1776	6.1250	6.1683	6.1160	6.0560
27 Switzerland/franc	1.4918	1.4643	1.6369	1.5686	1.5175	1.4879	1.5133	1.4866	1.4198
28 Taiwan/dollar	31.753	28.636	26.407	26.139	26.081	26.118	26.361	26.369	26.961
29 Thailand/baht	25.775	25.312	25.725	25.778	25.745	25.733	25.926	26.024	25.928
30 United Kingdom/pound[2]	163.98	178.13	163.82	159.65	165.12	169.61	162.45	163.72	167.74
MEMO									
31 United States/dollar[3]	96.94	92.72	98.60	94.88	93.00	92.25	94.11	93.51	92.04

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) release. For 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 10 industrial countries. The weight for each of the 10 countries is the 1972–76 average world trade of that country divided by the average world trade of all 10 countries combined. Series revised as of August 1978 (see *Federal Reserve Bulletin*, vol. 64, August 1978, p. 700).

Guide to Tabular Presentation, Statistical Releases, and Special Tables

GUIDE TO TABULAR PRESENTATION

Symbols and Abbreviations

c	Corrected	0	Calculated to be zero
e	Estimated	n.a.	Not available
p	Preliminary	n.e.c.	Not elsewhere classified
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)	IPCs	Individuals, partnerships, and corporations
*	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)	REITs	Real estate investment trusts
		RPs	Repurchase agreements
		SMSAs	Standard metropolitan statistical areas
		. . .	Cell not applicable

General Information

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.

In some of the tables, details do not add to totals because of rounding.

STATISTICAL RELEASES—List Published Semiannually, with Latest BULLETIN *Reference*

SPECIAL TABLES—Published Irregularly, with Latest BULLETIN *Reference*

Federal Reserve Board of Governors

ALAN GREENSPAN, *Chairman*
MANUEL H. JOHNSON, *Vice Chairman*

MARTHA R. SEGER
WAYNE D. ANGELL

OFFICE OF BOARD MEMBERS

JOSEPH R. COYNE, *Assistant to the Board*
DONALD J. WINN, *Assistant to the Board*
BOB STAHLY MOORE, *Special Assistant to the Board*

LEGAL DIVISION

J. VIRGIL MATTINGLY, JR., *General Counsel*
RICHARD M. ASHTON, *Associate General Counsel*
OLIVER IRELAND, *Associate General Counsel*
RICKI R. TIGERT, *Associate General Counsel*
SCOTT G. ALVAREZ, *Assistant General Counsel*
MARYELLEN A. BROWN, *Assistant to the General Counsel*

OFFICE OF THE SECRETARY

WILLIAM W. WILES, *Secretary*
JENNIFER J. JOHNSON, *Associate Secretary*
BARBARA R. LOWREY, *Associate Secretary*

DIVISION OF CONSUMER AND COMMUNITY AFFAIRS

GRIFFITH L. GARWOOD, *Director*
GLENN E. LONEY, *Assistant Director*
ELLEN MALAND, *Assistant Director*
DOLORES S. SMITH, *Assistant Director*

DIVISION OF BANKING SUPERVISION AND REGULATION

WILLIAM TAYLOR, *Staff Director*
DON E. KLINE, *Associate Director*
FREDERICK M. STRUBLE, *Associate Director*
WILLIAM A. RYBACK, *Deputy Associate Director*
STEPHEN C. SCHEMERING, *Deputy Associate Director*
RICHARD SPILLENKOTHEN, *Deputy Associate Director*
HERBERT A. BIERN, *Assistant Director*
JOE M. CLEAVER, *Assistant Director*
ROGER T. COLE, *Assistant Director*
JAMES I. GARNER, *Assistant Director*
JAMES D. GOETZINGER, *Assistant Director*
MICHAEL G. MARTINSON, *Assistant Director*
ROBERT S. PLOTKIN, *Assistant Director*
SIDNEY M. SUSSAN, *Assistant Director*
LAURA M. HOMER, *Securities Credit Officer*

DIVISION OF INTERNATIONAL FINANCE

EDWIN M. TRUMAN, *Staff Director*
LARRY J. PROMISEL, *Senior Associate Director*
CHARLES J. SIEGMAN, *Senior Associate Director*
DAVID H. HOWARD, *Deputy Associate Director*
ROBERT F. GEMMILL, *Staff Adviser*
DONALD B. ADAMS, *Assistant Director*
DALE W. HENDERSON, *Assistant Director*
PETER HOOPER III, *Assistant Director*
KAREN H. JOHNSON, *Assistant Director*
RALPH W. SMITH, JR., *Assistant Director*

DIVISION OF RESEARCH AND STATISTICS

MICHAEL J. PRELL, *Director*
EDWARD C. ETTIN, *Deputy Director*
THOMAS D. SIMPSON, *Associate Director*
LAWRENCE SLIFMAN, *Associate Director*
DAVID J. STOCKTON, *Associate Director*
MARTHA BETHEA, *Deputy Associate Director*
PETER A. TINSLEY, *Deputy Associate Director*
MYRON L. KWAST, *Assistant Director*
PATRICK M. PARKINSON, *Assistant Director*
MARTHA S. SCANLON, *Assistant Director*
JOYCE K. ZICKLER, *Assistant Director*
LEVON H. GARABEDIAN, *Assistant Director (Administration)*

DIVISION OF MONETARY AFFAIRS

DONALD L. KOHN, *Director*
DAVID E. LINDSEY, *Deputy Director*
BRIAN F. MADIGAN, *Assistant Director*
RICHARD D. PORTER, *Assistant Director*
NORMAND R.V. BERNARD, *Special Assistant to the Board*

OFFICE OF THE INSPECTOR GENERAL

BRENT L. BOWEN, *Inspector General*
BARRY R. SNYDER, *Assistant Inspector General*

and Official Staff

EDWARD W. KELLEY, JR.
JOHN P. LAWARE

DAVID W. MULLINS, JR.

OFFICE OF STAFF DIRECTOR FOR MANAGEMENT

S. DAVID FROST, *Staff Director*
WILLIAM SCHNEIDER, *Special Assignment: Project Director, National Information Center*
PORTIA W. THOMPSON, *Equal Employment Opportunity Programs Officer*

DIVISION OF HUMAN RESOURCES MANAGEMENT

DAVID L. SHANNON, *Director*
JOHN R. WEIS, *Associate Director*
ANTHONY V. DIGIOIA, *Assistant Director*
JOSEPH H. HAYES, JR., *Assistant Director*
FRED HOROWITZ, *Assistant Director*

OFFICE OF THE CONTROLLER

GEORGE E. LIVINGSTON, *Controller*
STEPHEN J. CLARK, *Assistant Controller (Programs and Budgets)*
DARRELL R. PAULEY, *Assistant Controller (Finance)*

DIVISION OF SUPPORT SERVICES

ROBERT E. FRAZIER, *Director*
GEORGE M. LOPEZ, *Assistant Director*
DAVID L. WILLIAMS, *Assistant Director*

OFFICE OF THE EXECUTIVE DIRECTOR FOR INFORMATION RESOURCES MANAGEMENT

ALLEN E. BEUTEL, *Executive Director*
STEPHEN R. MALPHRUS, *Deputy Executive Director*
MARIANNE M. EMERSON, *Assistant Director*
EDWARD T. MULRENIN, *Assistant Director for Special Projects*

DIVISION OF HARDWARE AND SOFTWARE SYSTEMS

BRUCE M. BEARDSLEY, *Director*
DAY W. RADEBAUGH, JR., *Assistant Director*
ELIZABETH B. RIGGS, *Assistant Director*

DIVISION OF APPLICATIONS DEVELOPMENT AND STATISTICAL SERVICES

WILLIAM R. JONES, *Director*
ROBERT J. ZEMEL, *Associate Director*
PO KYUNG KIM, *Assistant Director*
RAYMOND H. MASSEY, *Assistant Director*
RICHARD C. STEVENS, *Assistant Director*

OFFICE OF STAFF DIRECTOR FOR FEDERAL RESERVE BANK ACTIVITIES

THEODORE E. ALLISON, *Staff Director*

DIVISION OF FEDERAL RESERVE BANK OPERATIONS

CLYDE H. FARNSWORTH, JR., *Director*
DAVID L. ROBINSON, *Associate Director*
BRUCE J. SUMMERS, *Associate Director*
CHARLES W. BENNETT, *Assistant Director*
JACK DENNIS, JR., *Assistant Director*
EARL G. HAMILTON, *Assistant Director*
JOHN H. PARRISH, *Assistant Director*
LOUISE L. ROSEMAN, *Assistant Director*
FLORENCE M. YOUNG, *Assistant Director*

Federal Open Market Committee

FEDERAL OPEN MARKET COMMITTEE

MEMBERS

ALAN GREENSPAN, *Chairman*

E. GERALD CORRIGAN, *Vice Chairman*

WAYNE D. ANGELL
EDWARD G. BOEHNE
ROBERT H. BOYKIN
W. LEE HOSKINS
MANUEL H. JOHNSON
EDWARD W. KELLEY, JR.
JOHN P. LAWARE
DAVID W. MULLINS, JR.
MARTHA R. SEGER
GARY H. STERN

ALTERNATE MEMBERS

ROBERT P. BLACK
ROBERT P. FORRESTAL
SILAS KEEHN
JAMES H. OLTMAN
ROBERT T. PARRY

STAFF

DONALD L. KOHN, *Secretary and Economist*
NORMAND R.V. BERNARD, *Assistant Secretary*
GARY P. GILLUM, *Deputy Assistant Secretary*
J. VIRGIL MATTINGLY, JR., *General Counsel*
ERNEST T. PATRIKIS, *Deputy General Counsel*
MICHAEL J. PRELL, *Economist*
EDWIN M. TRUMAN, *Economist*
JOHN M. DAVIS, *Associate Economist*
RICHARD G. DAVIS, *Associate Economist*
RICHARD W. LANG, *Associate Economist*
DAVID E. LINDSEY, *Associate Economist*
LARRY J. PROMISEL, *Associate Economist*
ARTHUR J. ROLNICK, *Associate Economist*
HARVEY ROSENBLUM, *Associate Economist*
CHARLES J. SIEGMAN, *Associate Economist*
THOMAS D. SIMPSON, *Associate Economist*
DAVID J. STOCKTON, *Associate Economist*

PETER D. STERNLIGHT, *Manager for Domestic Operations, System Open Market Account*
SAM Y. CROSS, *Manager for Foreign Operations, System Open Market Account*

FEDERAL ADVISORY COUNCIL

THOMAS H. O'BRIEN, *President*
PAUL HAZEN, *Vice President*

IRA STEPANIAN, First District
WILLARD C. BUTCHER, Second District
TERRENCE A. LARSEN, Third District
THOMAS H. O'BRIEN, Fourth District
FREDERICK DEANE, JR., Fifth District
KENNETH L. ROBERTS, Sixth District
B. KENNETH WEST, Seventh District
DAN W. MITCHELL, Eighth District
LLOYD P. JOHNSON, Ninth District
JORDAN L. HAINES, Tenth District
RONALD G. STEINHART, Eleventh District
PAUL HAZEN, Twelfth District

HERBERT V. PROCHNOW, *Secretary*
WILLIAM J. KORSVIK, *Associate Secretary*

and Advisory Councils

Consumer Advisory Council

William E. Odom, Dearborn, Michigan, *Chairman*
James W. Head, Berkeley, California, *Vice Chairman*

George H. Braasch, Oakbrook, Illinois
Betty Tom Chu, Arcadia, California
Cliff E. Cook, Tacoma, Washington
Jerry D. Craft, Atlanta, Georgia
Donald C. Day, Boston, Massachusetts
R.B. (Joe) Dean, Jr., Columbia, South Carolina
William C. Dunkelberg, Philadelphia, Pennsylvania
James Fletcher, Chicago, Illinois
George C. Galster, Wooster, Ohio
E. Thomas Garman, Blacksburg, Virginia
Deborah B. Goldberg, Washington, D.C.
Michael M. Greenfield, St. Louis, Missouri
Robert A. Hess, Washington, D.C.
Barbara Kaufman, San Francisco, California
Kathleen E. Keest, Boston, Massachusetts
A. J. (Jack) King, Kalispell, Montana
Colleen D. McCarthy, Kansas City, Missouri
Michelle S. Meier, Washington, D.C.
Linda K. Page, Worthington, Ohio
Bernard F. Parker, Jr., Detroit, Michigan
Sandra Phillips, Pittsburgh, Pennsylvania
Vincent P. Quayle, Baltimore, Maryland
Clifford N. Rosenthal, New York, New York
Alan M. Silberstein, New York, New York
Ralph E. Spurgin, Columbus, Ohio
Nancy Harvey Steorts, Dallas, Texas
David P. Ward, Chester, New Jersey
Lawrence Winthrop, Portland, Oregon

Thrift Institutions Advisory Council

Donald B. Shackelford, Columbus, Ohio, *President*
Marion O. Sandler, Oakland, California, *Vice President*

Charlotte Chamberlain, Los Angeles, California
David L. Hatfield, Kalamazoo, Michigan
Lynn W. Hodge, Greenwood, South Carolina
Adam A. Jahns, Chicago, Illinois
H. C. Klein, Jacksonville, Arkansas
Elliot K. Knutson, Seattle, Washington
John Wm. Laisle, Oklahoma City, Oklahoma
Philip E. Lamb, Springfield, Massachusetts
John A. Pancetti, New York, New York
Charles B. Stuzin, Miami, Florida

Federal Reserve Board Publications

For ordering assistance, write PUBLICATIONS SERVICES, MS-138, Board of Governors of the Federal Reserve System, Washington, D.C. 20551 or telephone (202) 452-3244. *When a charge is indicated, payment should accompany request and be made payable to the Board of Governors of the Federal Reserve System. Payment from foreign residents should be drawn on a U.S. bank.*

THE FEDERAL RESERVE SYSTEM—PURPOSES AND FUNCTIONS. 1984. 120 pp.
ANNUAL REPORT.
ANNUAL REPORT: BUDGET REVIEW, 1988–89.
FEDERAL RESERVE BULLETIN. Monthly. $25.00 per year or $2.50 each in the United States, its possessions, Canada, and Mexico. Elsewhere, $35.00 per year or $3.00 each.
BANKING AND MONETARY STATISTICS. 1914-1941. (Reprint of Part I only) 1976. 682 pp. $5.00.
ANNUAL STATISTICAL DIGEST

1974–78.	1980.	305 pp.	$10.00	per copy.
1981.	1982.	239 pp.	$ 6.50	per copy.
1982.	1983.	266 pp.	$ 7.50	per copy.
1983.	1984.	264 pp.	$11.50	per copy.
1984.	1985.	254 pp.	$12.50	per copy.
1985.	1986.	231 pp.	$15.00	per copy.
1986.	1987.	288 pp.	$15.00	per copy.
1987.	1988.	272 pp.	$15.00	per copy.
1988.	1989.	256 pp.	$25.00	per copy.

SELECTED INTEREST AND EXCHANGE RATES—WEEKLY SERIES OF CHARTS. Weekly. $30.00 per year or $.70 each in the United States, its possessions, Canada, and Mexico. Elsewhere, $35.00 per year or $.80 each.
THE FEDERAL RESERVE ACT and other statutory provisions affecting the Federal Reserve System, as amended through August 1988. 608 pp. $10.00.
REGULATIONS OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM.
ANNUAL PERCENTAGE RATE TABLES (Truth in Lending—Regulation Z) *Vol. I* (Regular Transactions). 1969. 100 pp. *Vol. II* (Irregular Transactions). 1969. 116 pp. Each volume $2.25; 10 or more of same volume to one address, $2.00 each.
INTRODUCTION TO FLOW OF FUNDS. 1980. 68 pp. $1.50 each; 10 or more to one address, $1.25 each.
FEDERAL RESERVE REGULATORY SERVICE. Looseleaf; updated at least monthly. (Requests must be prepaid.)
Consumer and Community Affairs Handbook. $75.00 per year.
Monetary Policy and Reserve Requirements Handbook. $75.00 per year.
Securities Credit Transactions Handbook. $75.00 per year.
The Payment System Handbook. $75.00 per year.
Federal Reserve Regulatory Service. 3 vols. (Contains all three Handbooks plus substantial additional material.) $200.00 per year.
Rates for subscribers outside the United States are as follows and include additional air mail costs:
Federal Reserve Regulatory Service, $250.00 per year.
Each Handbook, $90.00 per year.
THE U.S. ECONOMY IN AN INTERDEPENDENT WORLD: A MULTICOUNTRY MODEL, May 1984. 590 pp. $14.50 each.
WELCOME TO THE FEDERAL RESERVE. March 1989. 14 pp.
INDUSTRIAL PRODUCTION—1986 EDITION. December 1986. 440 pp. $9.00 each.
FINANCIAL FUTURES AND OPTIONS IN THE U.S. ECONOMY. December 1986. 264 pp. $10.00 each.

CONSUMER EDUCATION PAMPHLETS

Short pamphlets suitable for classroom use. Multiple copies are available without charge.

Consumer Handbook on Adjustable Rate Mortgages
Consumer Handbook to Credit Protection Laws
Federal Reserve Glossary
A Guide to Business Credit and the Equal Credit Opportunity Act
How to File A Consumer Credit Complaint
Series on the Structure of the Federal Reserve System
The Board of Governors of the Federal Reserve System
The Federal Open Market Committee
Federal Reserve Bank Board of Directors
Federal Reserve Banks
Organization and Advisory Committees
A Consumer's Guide to Mortgage Lock-Ins
A Consumer's Guide to Mortgage Settlement Costs
A Consumer's Guide to Mortgage Refinancing
Making Deposits: When Will Your Money Be Available?
When Your Home is on the Line: What You Should Know About Home Equity Lines of Credit

PAMPHLETS FOR FINANCIAL INSTITUTIONS

Short pamphlets on regulatory compliance, primarily suitable for banks, bank holding companies, and creditors.

Limit of 50 copies

The Board of Directors' Opportunities in Community Reinvestment
The Board of Directors' Role in Consumer Law Compliance
Combined Construction/Permanent Loan Disclosure and Regulation Z
Community Development Corporations and the Federal Reserve
Construction Loan Disclosures and Regulation Z
Finance Charges Under Regulation Z
How to Determine the Credit Needs of Your Community
Regulation Z: The Right of Rescission
The Right to Financial Privacy Act
Signature Rules in Community Property States: Regulation B
Signature Rules: Regulation B
Timing Requirements for Adverse Action Notices: Regulation B

What An Adverse Action Notice Must Contain: Regulation B
Understanding Prepaid Finance Charges: Regulation Z

STAFF STUDIES: Summaries Only Printed in the Bulletin

Studies and papers on economic and financial subjects that are of general interest. Requests to obtain single copies of the full text or to be added to the mailing list for the series may be sent to Publications Services.

Staff Studies 114–145 are out of print.

146. THE ROLE OF THE PRIME RATE IN THE PRICING OF BUSINESS LOANS BY COMMERCIAL BANKS, 1977–84, by Thomas F. Brady. November 1985. 25 pp.
147. REVISIONS IN THE MONETARY SERVICES (DIVISIA) INDEXES OF THE MONETARY AGGREGATES, by Helen T. Farr and Deborah Johnson. December 1985. 42 pp.
148. THE MACROECONOMIC AND SECTORAL EFFECTS OF THE ECONOMIC RECOVERY TAX ACT: SOME SIMULATION RESULTS, by Flint Brayton and Peter B. Clark. December 1985. 17 pp.
149. THE OPERATING PERFORMANCE OF ACQUIRED FIRMS IN BANKING BEFORE AND AFTER ACQUISITION, by Stephen A. Rhoades. April 1986. 32 pp.
150. STATISTICAL COST ACCOUNTING MODELS IN BANKING: A REEXAMINATION AND AN APPLICATION, by John T. Rose and John D. Wolken. May 1986. 13 pp.
151. RESPONSES TO DEREGULATION: RETAIL DEPOSIT PRICING FROM 1983 through 1985, by Patrick I. Mahoney, Alice P. White, Paul F. O'Brien, and Mary M. McLaughlin. January 1987. 30 pp.
152. DETERMINANTS OF CORPORATE MERGER ACTIVITY: A REVIEW OF THE LITERATURE, by Mark J. Warshawsky. April 1987. 18 pp.
153. STOCK MARKET VOLATILITY, by Carolyn D. Davis and Alice P. White. September 1987. 14 pp.
154. THE EFFECTS ON CONSUMERS AND CREDITORS OF PROPOSED CEILINGS ON CREDIT CARD INTEREST RATES, by Glenn B. Canner and James T. Fergus. October 1987. 26 pp.
155. THE FUNDING OF PRIVATE PENSION PLANS, by Mark J. Warshawsky. November 1987. 25 pp.
156. INTERNATIONAL TRENDS FOR U.S. BANKS AND BANKING MARKETS, by James V. Houpt. May 1988. 47 pp.
157. M2 PER UNIT OF POTENTIAL GNP AS AN ANCHOR FOR THE PRICE LEVEL, by Jeffrey J. Hallman, Richard D. Porter, and David H. Small. April 1989. 28 pp.
158. THE ADEQUACY AND CONSISTENCY OF MARGIN REQUIREMENTS IN THE MARKETS FOR STOCKS AND DERIVATIVE PRODUCTS, by Mark J. Warshawsky with the assistance of Dietrich Earnhart. September 1989. 23 pp.

REPRINTS OF BULLETIN *ARTICLES*

Most of the articles reprinted do not exceed 12 pages.

Limit of 10 copies

Foreign Experience with Targets for Money Growth. 10/83.
Intervention in Foreign Exchange Markets: A Summary of Ten Staff Studies. 11/83.
A Financial Perspective on Agriculture. 1/84.
Survey of Consumer Finances, 1983. 9/84.
Bank Lending to Developing Countries. 10/84.
Survey of Consumer Finances, 1983: A Second Report. 12/84.
Union Settlements and Aggregate Wage Behavior in the 1980s. 12/84.
The Thrift Industry in Transition. 3/85.
A Revision of the Index of Industrial Production. 7/85.
Financial Innovation and Deregulation in Foreign Industrial Countries. 10/85.
Recent Developments in the Bankers Acceptance Market. 1/86.
The Use of Cash and Transaction Accounts by American Families. 2/86.
Financial Characteristics of High-Income Families. 3/86.
Prices, Profit Margins, and Exchange Rates. 6/86.
Agricultural Banks under Stress. 7/86.
Foreign Lending by Banks: A Guide to International and U.S. Statistics. 10/86.
Recent Developments in Corporate Finance. 11/86.
Measuring the Foreign-Exchange Value of the Dollar. 6/87.
Changes in Consumer Installment Debt: Evidence from the 1983 and 1986 Surveys of Consumer Finances. 10/87.
Home Equity Lines of Credit. 6/88.
U.S. International Transactions in 1988. 5/89.
Mutual Recognition: Integration of the Financial Sector in the European Community. 9/89.
The Activities of Japanese Banks in the United Kingdom and in the United States, 1980–88. 2/90.
Industrial Production: 1989 Developments and Historical Revision. 4/90.
U.S. International Transactions in 1989. 5/90.

Index to Statistical Tables

References are to pages A3–A70 although the prefix "A" is omitted in this index

Federal Reserve Banks, Branches, and Offices

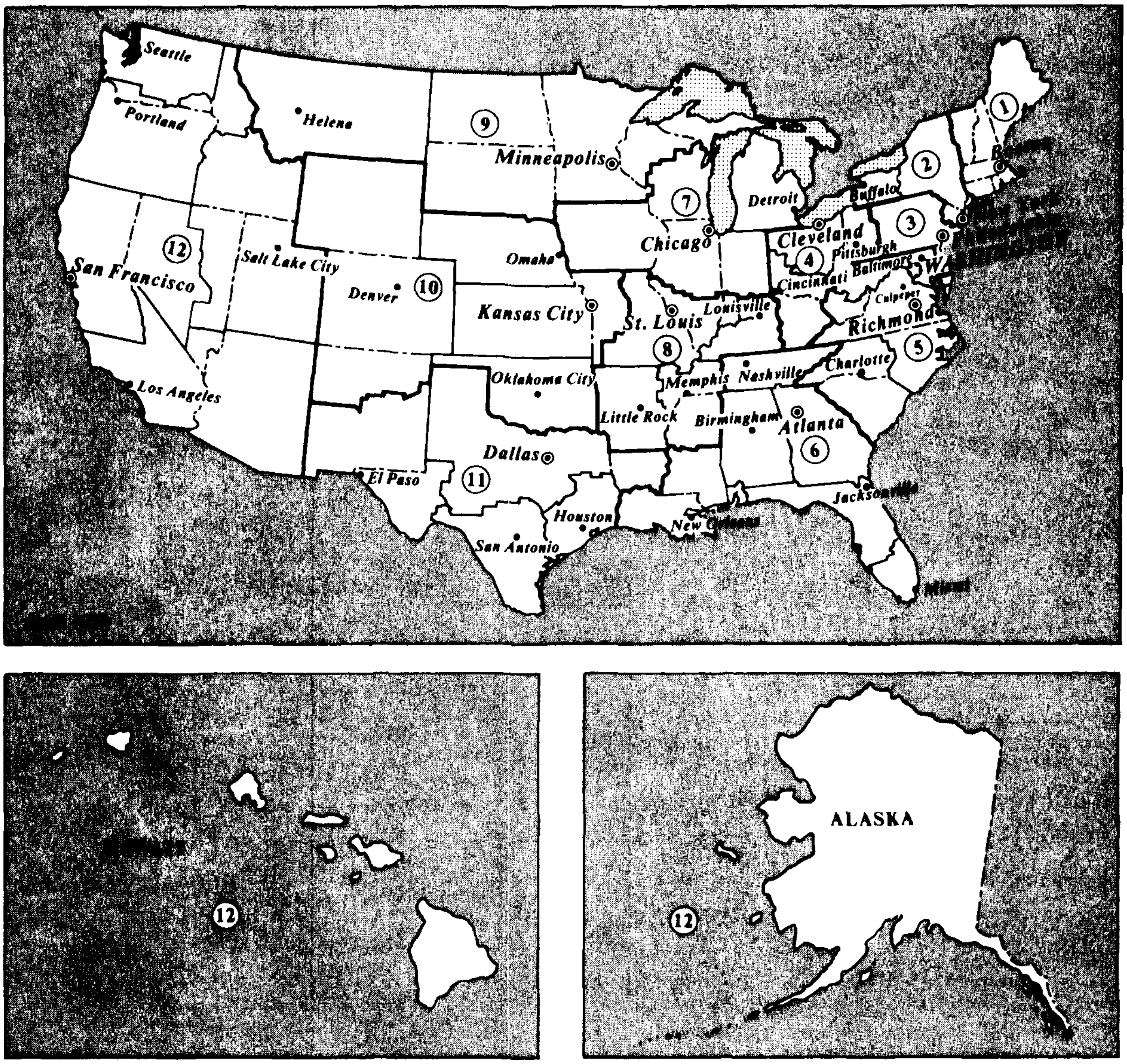
FEDERAL RESERVE BANK branch, or *facility*	Zip	Chairman / *Deputy Chairman*	President / *First Vice President*	Vice President *in charge of branch*
BOSTON*	02106	Richard N. Cooper Richard L. Taylor	Richard F. Syron Robert W. Eisenmenger	
NEW YORK*	10045	Cyrus R. Vance Ellen V. Futter	E. Gerald Corrigan James H. Oltman	
Buffalo	14240	Mary Ann Lambertsen		James O. Aston
PHILADELPHIA	19105	Peter A. Benoliel Gunnar E. Sarsten	Edward G. Boehne William H. Stone, Jr.	
CLEVELAND*	44101	Charles W. Parry John R. Miller	W. Lee Hoskins William H. Hendricks	
Cincinnati	45201	Kate Ireland		Charles A. Cerino[1]
Pittsburgh	15230	Robert P. Bozzone		Harold J. Swart[1]
RICHMOND*	23219	Hanne M. Merriman Anne Marie Whittemore	Robert P. Black Jimmie R. Monhollon	
Baltimore	21203	John R. Hardesty, Jr.		Robert D. McTeer, Jr.[1]
Charlotte	28230	William E. Masters		Albert D. Tinkelenberg[1]
Culpeper Communications and Records Center	*22701*			John G. Stoides[1]
ATLANTA	30303	Larry L. Prince Edwin A. Huston	Robert P. Forrestal Jack Guynn	Donald E. Nelson
Birmingham	35283	A. G. Trammell		Fred R. Herr[1]
Jacksonville	32231	Lana Jane Lewis-Brent		James D. Hawkins[1]
Miami	33152	Robert D. Apelgren		James T. Curry III
Nashville	37203	Victoria B. Jackson		Melvyn K. Purcell
New Orleans	70161	Andre M. Rubenstein		Robert J. Musso
CHICAGO*	60690	Marcus Alexis Charles S. McNeer	Silas Keehn Daniel M. Doyle	
Detroit	48231	Phyllis E. Peters		Roby L. Sloan[1]
ST. LOUIS	63166	H. Edwin Trusheim Robert H. Quenon	Thomas C. Melzer James R. Bowen	
Little Rock	72203	L. Dickson Flake		Karl W. Ashman
Louisville	40232	Raymond M. Burse		Howard Wells
Memphis	38101	Katherine H. Smythe		Ray Laurence
MINNEAPOLIS	55480	Michael W. Wright Delbert W. Johnson	Gary H. Stern Thomas E. Gainor	
Helena	59601	J. Frank Gardner		John D. Johnson
KANSAS CITY	64198	Fred W. Lyons, Jr. Burton A. Dole, Jr.	Roger Guffey Henry R. Czerwinski	
Denver	80217	Barbara B. Grogan		Kent M. Scott
Oklahoma City	73125	John F. Snodgrass		David J. France
Omaha	68102	Herman Cain		Harold L. Shewmaker
DALLAS	75222	Bobby R. Inman Hugh G. Robinson	Robert H. Boykin William H. Wallace	Tony J. Salvaggio[1]
El Paso	79999	Donald G. Stevens		Sammie C. Clay
Houston	77252	Andrew L. Jefferson, Jr.		Robert Smith, III[1]
San Antonio	78295	Roger R. Hemminghaus		Thomas H. Robertson
SAN FRANCISCO	94120	Robert F. Erburu Carolyn S. Chambers	Robert T. Parry Carl E. Powell	
Los Angeles	90051	Yvonne B. Burke		Thomas C. Warren[2]
Portland	97208	William A. Hilliard		Angelo S. Carella[1]
Salt Lake City	84125	Don M. Wheeler		E. Ronald Liggett[1]
Seattle	98124	Bruce R. Kennedy		Gerald R. Kelly[1]

*Additional offices of these Banks are located at Lewiston, Maine 04240; Windsor Locks, Connecticut 06096; Cranford, New Jersey 07016; Jericho, New York 11753; Utica at Oriskany, New York 13424; Columbus, Ohio 43216; Columbia, South Carolina 29210; Charleston, West Virginia 25311; Des Moines, Iowa 50306; Indianapolis, Indiana 46204; and Milwaukee, Wisconsin 53202.

1. Senior Vice President.
2. Executive Vice President.

The Federal Reserve System

Boundaries of Federal Reserve Districts and Their Branch Territories



LEGEND

— Boundaries of Federal Reserve Districts

— Boundaries of Federal Reserve Branch Territories

✪ Board of Governors of the Federal Reserve System

◉ Federal Reserve Bank Cities

• Federal Reserve Branch Cities

· Federal Reserve Bank Facility