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Survey of Finance Companies, 1996

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Finance companies are major suppliers of credit to businesses for motor vehicles and other equipment and to individuals for motor vehicles and other consumer goods and services. Finance companies also participate to a lesser extent in the provision of home equity loans and commercial mortgages. At year-end 1996, the value of assets owned or securitized by finance companies—total business and consumer loans and leases and real estate–related receivables—was slightly more than $800 billion. In funding these receivables, finance companies have a sizable presence as borrowers in the markets for commercial paper and corporate bonds and as issuers of asset-backed securities.

Roughly 1,250 nondepository financial institutions make up the finance company sector. These institutions cover a broad range of types, from highly diversified providers of financial services to narrowly specialized firms and from multibillion-dollar organizations with nationwide operations to local small-loan companies with less than $10 million in assets. Despite the diversity among firms, however, asset ownership is heavily concentrated: More than three-fourths of the industry's receivables are owned or securitized by the 20 largest firms (see box "Industry Concentration," p. 548).[1]

The Federal Reserve System has been surveying the assets and liabilities of finance companies, typically at five-year intervals, since June 1955. The quinquennial survey is designed primarily to establish benchmark data for the System's monthly published series on the outstanding receivables of finance companies and to provide a comprehensive update on the sources of funds for these companies.[2] This article summarizes the results of the most recent survey, which covers balance sheet information as of June 30, 1996.[3] Special features of the 1996 survey are a breakdown of automobile leases into consumer and business components and, relative to previous surveys, greater detail on the composition of real estate credit and more information on securitized loans and leases.[4] (See appendix A for details of the survey's sampling procedures and for balance-sheet results by size of company.)

Receivables Reported by Finance Companies

Over the period bounded by the last two surveys (1990–96), the total value of receivables owned or securitized by finance companies increased more than 50 percent, to $771 billion (table 1) (all survey data reported here are as of June 30 of the relevant year). Over that period, which encompassed an economic recession and subsequent recovery and expansion, industry receivables grew at a compound annual rate of 7.3 percent, about 3 percentage points faster than the growth of nominal GDP. Of special note in the 1996 survey data is the shift in the share of total receivables from business, which declined seven percentage points, to consumers, which rose six points. Even so, business receivables remained the largest component as of mid-1996. The share of receivables related to real estate in 1996, 13.5 percent, was roughly the same as it was in 1990.

Another important development during the period was the growth of securitization as an alternative to on-balance-sheet financing. Securitization involves pooling loans together, selling securities with the

1. Owned receivables are those assets that are held and financed directly on the balance sheet. Securitized receivables—also referred to within the finance company industry as "managed" receivables—are those assets that have been securitized with servicing rights retained, thereby generating fee income as off-balance-sheet items.

2. Monthly data on finance company activities are collected on the Domestic Finance Company Report of Consolidated Assets and Liabilities (FR 2248; OMB No. 7100–0005) and published in the G.20 Federal Reserve Statistical Release, "Receivables Outstanding at Finance Companies."

3. The survey was originally scheduled for June 1995, but delays in implementation caused a one-year postponement.

4. The confidentiality of data on individual companies precludes reference to the position of particular firms in the various credit markets.

pooled loans as collateral, and removing the loans from the balance sheet. Securitized receivables jumped from $25 billion (5 percent of total receivables) in 1990 to $126 billion (16 percent of the total) in 1996. Although consumer receivables continued to represent more than half of total securitized receivables at mid-1996, securitized business receivables expanded more rapidly over the period.

Business Receivables

Decades ago, consumer loans formed the largest part of finance company assets, but business finance surpassed consumer finance in the mid-1970s, and has exceeded consumer finance each year since then. At $341 billion, or 44 percent of total receivables, business receivables in 1996 were the largest part of finance company operations. But in terms of growth rate, business lending has fallen back; its 4.7 percent compounded annual growth rate over the 1990–96 period was about half that of total consumer receivables.

The financing of non-automotive capital equipment formed the largest and fastest growing of the three components of business finance, accounting for 60 percent of total business receivables in the 1996 survey, compared with about half in the 1990 survey (table 2). The other two components of business receivables at finance companies are motor vehicles and a miscellaneous category ("other") that includes the financing of accounts receivable and whose share dropped considerably from the earlier survey.

1. Major categories of finance company receivables outstanding, owned and securitized, by category, 1990 and 1996

Category	Billions of dollars		Growth (percent)		Share of total (percent)	
	1990	1996	Cumulative	Annual rate	1990	1996
Total	**505.3**	**771.4**	**52.7**	**7.3**	**100**	**100**
Owned	480.4	645.0	34.3	5.0	95.1	83.6
Securitized	24.9	126.4	408.4	31.1	4.9	16.4
Business	258.9	341.3	31.8	4.7	51.2	44.2
Owned	255.8	305.7	19.5	3.0	50.6	39.6
Securitized	3.1	35.6	1,051.5	50.3	.6	4.6
Consumer	185.2	326.3	76.2	9.9	36.7	42.3
Owned	163.4	259.0	58.5	8.0	32.3	33.6
Securitized	21.8	67.3	209.2	20.7	4.3	8.7
Real estate	61.2	103.8	69.5	9.2	12.1	13.5
Owned	61.2	80.4	31.2	4.6	12.1	10.4
Securitized	n.a.	23.5	n.a.	n.a.	n.a.	3.0
MEMO						
Total net assets	530.7	824.6	55.4	7.6	...	...

NOTE. As of June 30.
n.a. Not available.

As business credit grew as a share of finance company activity in the 1980s, finance companies increased their share of all short- and intermediate-term business credit, from about 19 percent in 1985 to 25 percent at the time of the 1990 survey (table 3). Numerous factors played a role in the shift in market shares between commercial banks and finance companies. Although the relative importance of each is not entirely clear, they likely included financial deregulation, which created a more competitive environment between bank and nonbank lenders; industry consolidation, which sharply reduced the number of commercial banks; risk-based capital regulations, which increased the capital required of large portions of the banking industry; and substantial loan losses, which led many banks initially to tighten the terms and standards for underwriting business loans and to strengthen their capital positions.[5]

The slowing in the growth of business receivables at finance companies during the current decade reflects a less rapid pace of short- and intermediate-term business borrowing in general, but also more gradual gains in market share by these firms. A factor that likely contributed to the latter development was the opportunity perceived by the industy for substantial profits in such consumer products as credit cards and "subprime" (higher risk) lending.

Ironically, another factor helping to slow the growth of business receivables at finance companies may have been the relatively favorable macroeconomic conditions over the second half of the 1990–96 period. The strengthening economy of 1992 and beyond likely boosted the demand for financial services by new and expanding small businesses, a segment of the economy to which commercial banks historically have been the major providers of credit and other financial services. Data from the 1993 National Survey of Small Business Finances (NSSBF) indicate that 41 percent of small businesses obtained credit lines, loans, and leases from depository lenders, including commercial banks and thrift institutions, but only 19 percent of these businesses turned to nondepository lenders, primarily finance

5. For a more complete discussion of factors affecting bank and nonbank competition, see Rebel A. Cole, John D. Wolken, and R. Louise Woodburn, "Bank and Nonbank Competition for Small Business Credit: Evidence from the 1987 and 1993 National Surveys of Small Business Finances," *Federal Reserve Bulletin,* vol. 82, November 1996, pp. 983–95, and other references contained therein. See also Mark Carey, Mitchell Post, and Steven A. Sharpe, "Does Corporate Lending by Banks and Finance Companies Differ? Evidence on Specialization in Private Debt Contracting," revision of Finance and Economics Discussion Series 96–25 (Board of Governors of the Federal Reserve System, January 1997).

companies, for such credit products.[6] Strengthening balance sheets of business firms since 1993 may have encouraged banks to ease lending standards for their business customers, and bank lending to businesses in general has rebounded strongly since 1993 (although the bank share declined over the 1990–96 period as a whole).

As is true for business lending in general, the level of business receivables at finance companies may be understated to some extent by business use of credit instruments treated in the statistics as consumer or real estate loans. Many small business owners rely on mortgages and personal credit cards to provide part of their overall financing needs. For example, 39 percent of the respondents to the 1993 NSSBF reported using a personal credit card for business purposes.

Finally, 1995 revisions to the Community Reinvestment Act of 1977 require larger depository institutions to disclose information about their small business lending, thereby sharpening the focus on such lending in the assessment of the performance of creditors covered by the act.[7] These regulatory changes may have prompted some depository lenders to be more aggressive in seeking out opportunities for lending to small businesses.

Equipment Finance

Equipment finance maintained a relatively strong growth rate of 8 percent between benchmarks (table 2). Details are not collected on the specific types of capital goods covered by equipment finance, but computers, other office machines, airplanes, and construction equipment probably form the largest subcategories. Leasing has long been the most common form of equipment finance provided by these companies; in both the 1990 and 1996 surveys, about two-thirds of equipment receivables were leases.

Motor Vehicle Finance

Motor vehicle finance reached nearly $90 billion in June 1996. The wholesale category consists mainly of inventory ("floor plan") financing for automobile and truck dealers, provided chiefly by the finance subsidiaries of the car and truck manufacturers. In the 1996 survey, finance companies had $32 billion in wholesale motor vehicle receivables, about the same as in 1990. However, a notable change from the previous survey was the additional $22 billion of securitized wholesale receivables. At the time of the 1990 survey, the practice of securitizing wholesale receivables had just been initiated, and the total of such instruments then amounted to only about $1 billion. About one-fourth of all business motor vehicle credit is now funded by securitization.

6. The 1993 survey was cosponsored by the Federal Reserve Board and the U.S. Small Business Administration to collect information about the sources and types of financial services obtained by small businesses. See Rebel A. Cole and John D. Wolken, "Financial Services Used by Small Businesses: Evidence from the 1993 National Survey of Small Business Finances," *Federal Reserve Bulletin*, vol. 81, July 1995, pp. 629–67.

7. The act was intended to encourage depository institutions to meet the credit needs of households and small businesses in the communities where the institutions are chartered. For a description of the act and its evolution during the 1980s and 1990s, see Griffith L. Garwood and Dolores S. Smith, "The Community Reinvestment Act: Evolution and Current Issues," *Federal Reserve Bulletin*, vol. 79, April 1993, pp. 251–67.

2. Distribution of business receivables outstanding at finance companies, by category, 1990 and 1996

Category	Billions of dollars		Growth (percent)		Share of category (percent)		Share of total (percent)	
	1990	1996	Cumulative	Annual rate	1990	1996	1990	1996
Total	**258.9**	**341.3**	**31.8**	**4.7**	**100**	**100**	**100**	**100**
Equipment	129.4	205.0	58.4	8.0	100	100	50.0	60.1
Loans	40.0	58.2	45.5	6.4	30.9	28.4	15.5	17.1
Leases	89.4	137.9	54.2	7.5	69.1	67.3	34.5	40.4
Securitized	n.a.	8.9	n.a.	n.a.	n.a.	4.4	n.a.	2.6
Motor vehicle	67.1	89.3	33.0	4.9	100	100	25.9	26.2
Wholesale								
Loans	32.9	32.3	−1.8	−0.3	49.0	36.2	12.7	9.5
Securitized	1.0	22.2	2,143.8	67.9	1.5	24.9	.4	6.5
Retail								
Loans	29.2	25.0	−14.1	−2.5	43.4	28.0	11.3	7.3
Leases	2.0	7.8	291.4	25.5	3.0	8.7	.8	2.3
Securitized	2.1	1.9	−7.6	−1.3	3.1	2.2	.8	.6
Other	62.4	47.1	−24.5	−4.6	100	100	24.1	13.8
Loans	62.4	44.6	−28.5	−5.4	100	94.7	24.1	13.1
Securitized	n.a.	2.5	n.a.	n.a.	n.a.	5.3	n.a.	.7

NOTE. As of June 30. n.a. Not available.

Retail finance of motor vehicles for business customers consists mainly of loans and leases to relatively small businesses operating small fleets of vehicles. (Larger companies typically obtain their funds for financing such capital expenditures from earnings and the direct issuance of debt in capital markets.) As of June 1996, finance companies had $25 billion in retail vehicle loans to businesses and about $8 billion in retail leases; an additional $2 billion of retail loans and leases had been securitized.

Other Business Receivables

Little detail is available on the composition of "other" business receivables. It includes commercial accounts receivable, factored commercial accounts, floor-plan loans for dealers in non-automotive goods, and small cash loans to businesses or farms.[8] The category declined over the period between benchmarks, dropping from $62 billion in 1990 to $47 billion in 1996.

Consumer Receivables

Consumer finance has been the fastest growing segment of finance company activities in the current decade, expanding at a 9.9 percent compound annual rate between the 1990 and 1996 surveys (table 4). Consumer receivables, including securitized loans and leases, reached $326 billion at mid-year 1996, up from $185 billion at mid-1990. On the strength of a three-fold increase in car and truck leasing, motor vehicle finance has been the main force behind the expansion of consumer receivables; it accounted for two-thirds of total consumer finance in the latest survey. Revolving credit (mainly credit card receivables) doubled during the period, but at $47 billion still constituted a relatively small part of total consumer finance. "Other" consumer loans, composed of personal cash loans, sales finance contracts, and other, smaller pieces, lagged a bit in growth. The lag partly reflects the more widespread availability and use of credit cards, which have become more convenient substitutes for many types of consumer loans in the "other" category.

Motor Vehicle Finance

The "captive" subsidiaries of the motor vehicle manufacturers are by far the largest source of motor vehicle finance among finance companies. Through financial incentives and innovative products, the captives help their parent manufacturers smooth fluctuations in motor vehicle demand arising from changes in macroeconomic and financial market conditions. In this regard, they have played a key role since the mid-1980s in popularizing the motor vehicle lease as a consumer product.

In 1985, revisions to the federal tax code phased out the deductibility of interest payments on consumer loans and thus boosted the relative appeal to consumers of leases for financing the acquisition of automobiles, light trucks, and sport utility vehicles. In the latter part of the decade, automakers began offering highly attractive lease terms as a marketing tool through their finance company subsidiaries. They reduced monthly lease payments by calculating them with relatively low implicit interest rates and high residual values (the latter of which results in less depreciation to be financed by the lease payment); this approach is a marketing strategy comparable to that for sales earlier in the decade, in which they used below-market interest rates on loans and cash rebates to spur auto sales. Vigorous promotion of leasing was extended to the light truck segment in the early 1990s. As a result of these developments, consumer

8. "Other" business receivables refers to any loans or other types of credit (including equipment operating leases) a survey respondent reports after being queried about commercial vehicle loans, "floor plan" financing (financing of inventory of motor vehicle dealers), loans for business, industrial, and farm equipment, and most types of leasing. See appendix B for added detail on "other" business receivables.

3. Selected domestic sources of short- and intermediate-term business credit, selected years, 1980–96

Source	Outstanding (billions of dollars)				Share of total (percent)			
	1980	1985	1990	1996	1980	1985	1990	1996
Total	**423.9**	**787.6**	**1,020.4**	**1,215.5**	**100**	**100**	**100**	**100**
Commercial banks	297.3	568.6	619.3	676.9	70.1	72.2	60.7	55.7
Direct (commercial paper)	40.5	71.7	142.2	197.3	9.6	9.1	13.9	16.2
Finance companies	86.1	147.3	258.9	341.3	20.3	18.7	25.4	28.1

NOTE. As of June 30.

motor vehicle leases outstanding at finance companies (including securitized leases) grew from an estimated $22 billion in mid-1990 to a reported $94 billion in mid-1996 (about 27 percent compound annual growth).[9]

The surge in lease receivables has reestablished finance companies as the largest supplier of motor vehicle financing to consumers, a position that commercial banks had held since the late 1950s. Total consumer automotive receivables rose from $118 billion to $217 billion at finance companies from 1990 to 1996, whereas at banks such receivables rose during the period from $132 billion to only $160 billion.[10] Although the lion's share of such growth at finance companies was attributable to leasing, loans outstanding (both on book and securitized) expanded 28 percent, a $27 billion increase that nearly matched the increase at banks over the six-year period. Finance companies took advantage of continuing strong investor demand for asset-backed securities to securitize most of the loan growth, thereby restraining the growth of assets carried on their balance sheets and thus minimizing the need for direct financing. This move was probably instrumental in allowing the companies to maintain highly favorable debt ratings while significantly expanding their role as suppliers of motor vehicle finance.

Revolving Credit

Revolving credit at finance companies consists almost entirely of balances outstanding on credit card accounts (revolving home equity loans are classified as real estate debt). These receivables, including a bit more than $6 billion of securitized credit card debt, amounted to $47 billion in the 1996 survey, double the level of outstandings in 1990. A substantial part of these receivables—about $18 billion in mid-1996—are originated and carried at bank subsidiaries of large, diversified finance companies. However, in view of the more than $450 billion of revolving credit balances outstanding at all lenders as of mid-1996, finance companies play a relatively small role in this sector of the consumer finance market.

Other Consumer Receivables

"Other" consumer receivables comprises a diverse mix of nonmortgage consumer loans, and they registered only slow growth over the 1990–96 period. Personal cash loans, once the preeminent loan product of non-automotive finance companies, is probably the largest component of "other."[11] Sales finance contracts—loans made to finance the purchase of specific items (such as furniture or appliances) and usually originated by retail stores and sold to finance

9. The 1990 survey did not collect information on motor vehicle leases separately for consumers and businesses; only the total was reported. However, for comparison with results of the 1996 survey, individual consumer and business components were estimated using the distribution reported in 1996.

10. The bank data for these years do not include leases, but banks have not been very heavily involved in that form of consumer finance.

11. "Other" consumer receivables refers to loans and other types of credit that a survey respondent reported after being queried about loans to purchase motor vehicles, revolving lines of credit, and loans secured by real estate. Companies were not requested to report any detail for "other" consumer receivables; see definitions (appendix B) for more information on this category.

4. Distribution of consumer receivables at finance companies, by category, 1990 and 1996

Category	Outstanding (billions of dollars)		Growth (percent)		Share of category (percent)		Share of total (percent)	
	1990	1996	Cumulative	Annual rate	1990	1996	1990	1996
Total	**185.2**	**326.3**	**76.2**	**9.9**	**100**	**100**	**100**	**100**
Motor vehicle	118.2	217.3	83.8	10.7	100	100	63.9	66.6
Loans	96.1	123.0	28.0	4.2	81.3	56.6	51.9	37.7
Owned	79.8	86.3	8.1	1.3	67.5	39.7	43.1	26.4
Securitized	16.2	36.7	125.7	14.5	13.7	16.9	8.7	11.2
Leases	22.2	94.3	325.4	27.3	18.7	43.4	11.9	28.9
Owned	22.2	86.7	291.3	25.5	18.7	39.9	11.9	26.6
Securitized	n.a.	7.6	n.a.	n.a.	n.a.	3.5	n.a.	2.3
Revolving	23.3	46.5	99.1	12.2	100	100	12.6	14.2
Loans	22.5	40.1	78.7	10.2	96.2	86.4	12.1	12.3
Securitized	.9	6.3	621.5	39.0	3.8	13.6	.5	1.9
Other	43.6	62.5	43.3	6.2	100	100	23.6	19.2
Loans	39.0	45.8	17.4	2.7	89.4	73.2	21.1	14.0
Securitized	4.6	16.7	260.9	23.9	10.6	26.8	2.5	5.1

NOTE. As of June 30. n.a. Not available.

companies—are also a sizable element of this category. The importance of sales finance contracts and cash loans has dwindled over the years as banks have steadily moved toward the riskier end of the credit-risk spectrum in their marketing of credit cards and as a number of the large finance companies have established credit card operations of their own. Mobile home loans also are classified as "other" consumer receivables and constitute the collateral behind most of the securitized receivables labeled "other."

Real Estate Receivables

With $104 billion in real estate receivables under management in mid-1996 (table 1), finance companies inhabit only a small corner of the $5 trillion market for residential and commercial mortgage credit. Nevertheless, real estate lending has grown vigorously at finance companies in recent years; receivables increased at a 9.2 percent compound annual rate between the 1990 and 1996 surveys.[12]

The latest survey elicited more detail than did the preceding surveys concerning types of real estate loans outstanding. Loans to individual homeowners on one- to four-family properties make up the largest element of real estate lending, consisting in 1996 of $47 billion in loans on book and another $23 billion securitized. Commercial mortgages, including those on farm and multifamily properties, amounted to $33 billion.

Nearly all of the $71 billion in loans to individuals represents home equity loans rather than loans to purchase homes. Most commonly, the home equity loans held by finance companies are closed-end with fixed interest rates, but some companies also issue home equity lines of credit, usually with adjustable interest rates (separate figures on open- and closed-end loans were not collected). Banks have the largest presence in the home equity loan market; for June 1996, banks reported $146 billion of open- and closed-end home equity loans on their books. Figures for lenders other than banks and finance companies are less precisely measured, but home equity credit in total is estimated to have been about $320 billion in mid-1996; finance companies were thus serving about one-fifth of that segment of the mortgage market.

12. The quinqennial survey does not collect information on the lending activities of mortgage banking companies. These specialized home mortgage lenders function primarily as mortgage originators, financing their lending activities almost entirely through securitization and generally carrying loans on their balance sheets pending future securitization.

Industry Concentration

Like surveys in previous years, the 1996 survey revealed further concentration among finance companies. For the twenty largest firms ranked by total net assets, total receivables as a share of total industry receivables increased a bit, from 69 percent in 1990 to 71 percent in 1996 (table). Among the major categories of receivables, only business receivables became less concentrated among the twenty largest firms, but by only 4 percentage points.

The concentration of consumer receivables and real estate receivables jumped during the intrasurvey period, about 8 and 10 percentage points respectively. However, the largest increase in concentration came in securitized receivables, which rose 13 percentage points, to 55 percent. As noted, the growth in both business and consumer motor vehicle loans was financed in large part by increased securitization. Larger, more well-established securitization programs are likely to provide the greatest cost benefits for their sponsoring companies because the market yields on their securities generally require the smallest risk premiums.

Proportion of finance company receivables, by category, held at twenty largest firms, 1990 and 1996

Category	Outstanding receivables at all finance companies (billions of dollars)		Outstanding receivables at twenty largest finance companies[1]			
			Amount (billions of dollars)		Share of all finance companies (percent)	
	1990	1996	1990	1996	1990	1996
Total	**505.3**	**771.4**	**346.9**	**547.2**	**68.6**	**70.9**
Business	277.9	305.7	186.7	194.5	67.2	63.6
Consumer	141.3	259.0	109.6	221.9	77.6	85.7
Real estate	61.2	80.4	40.1	61.1	65.5	76.0
Securitized	24.9	126.4	10.4	69.8	41.8	55.2
MEMO						
Total net assets	530.7	824.6	379.6	638.3	71.5	77.4

NOTE. As of June 30.

1. Ranked by total owned assets (excludes securitized assets).

Although home equity loans extended by a finance company typically rank below the top tier in credit quality, interest rates for these collateralized loans still tend to be lower than most credit card rates. Moreover, home equity loans also feature longer repayment periods than credit card debt. Thus finance companies have marketed home equity loans, in part, as a means of consolidating credit card debt because doing so can reduce the borrower's monthly payments substantially. Moreover, interest paid on a home equity loan is a tax-deductible expense, providing an additional attraction for those who can itemize such expenses on their tax returns.

Home equity lending at finance companies has grown markedly in the past three years or so, after a period of sluggish growth in the overall market for such credit. In the early part of the current decade, stagnant or declining home values in many areas and the recession's overall damping effect on consumer spending and borrowing deterred households from taking on much additional home equity debt; moreover, when interest rates fell to twenty-year lows in 1993, many homeowners liquidated outstanding home equity loans in the course of refinancing all their mortgage debt into one first-lien mortgage.[13] By 1995, home values were advancing moderately, the economy was stronger, and the wave of refinancing had ebbed: Households were once again using home equity to collateralize debt. Home equity loans from all sources increased an estimated 11 percent in 1995 and 17 percent last year, to a year-end total of about $350 billion. Growth at finance companies apparently exceeded these aggregate increases in both years.[14]

Finance companies appear to have increased their presence in home equity lending even more rapidly following the 1996 survey, funneling much of this debt into securitized pools.[15] Part of the recent growth represents an attempt by finance companies to compete for business going to the highly profitable credit card segment of consumer lending, which is dominated by banks; to do so, the finance companies have expanded their use of subprime home equity loans as a logical extension of their traditional business of lending to individuals on a largely unsecured basis.

Subprime loans include those with more lenient underwriting standards (such as high loan-to-value ratios), those made to borrowers with blemished credit histories, and those with both characteristics. One such product introduced in just the past year is the so-called one-twenty-five home equity loan, in which the creditor will lend an amount that raises the homeowner's total mortgage debt to 125 percent of the home's estimated market value (a condition that effectively places at least part of the mortgage outside the coverage of the collateral).

To assess the level of credit risk associated with subprime lending, finance companies and other lenders have come to rely increasingly on credit scoring models as well as on more traditional methods of evaluating credit risk. Credit scoring techniques have been used by many lenders to increase underwriting efficiency and reduce loss rates. These models use statistical techniques to estimate the probability of default on the basis of a variety of loan and borrower characteristics.[16]

SOURCES OF FINANCING AT FINANCE COMPANIES

Finance companies traditionally have operated on a relatively narrow base of equity. That base remained remarkably stable at around 11 percent of total liabilities and capital over the 1990–96 period (table 5). In addition, borrowings from parent companies as a share of total liabilities and capital also remained unchanged at about 7 percent over the period.

The most striking change in the industry's major sources of financing since 1990 was the fairly sharp decline in its reliance on commercial paper. Its use of bank loans also slipped. The decline was more than offset by increases in other borrowings in capital markets—debt not elsewhere classified (NEC)—and in miscellaneous categories of borrowing.

In part, the shift in industry financing from commercial paper and bank loans to debt NEC and miscellaneous debt likely reflected a pickup among the highly rated companies in the use of medium-term notes. The use of this type of financing increased sharply over the 1990–96 period, especially since 1992, as many companies used their medium-term note programs to lock in relatively low financing costs for periods longer than those typically available

13. For a more complete discussion of the factors that limited borrowing against home equity in the early 1990s, see Glenn B. Canner, Thomas A. Durkin, and Charles A. Luckett, "Home Equity Lending: Evidence from Recent Surveys," *Federal Reserve Bulletin,* vol. 80, July 1994, pp. 571–83.

14. Precise estimates of growth in home equity lending at finance companies cannot be made for 1995 and 1996. As noted, the statistics on real estate credit at finance companies were not disaggregated into home mortgage and commercial components until the June 1996 survey, nor were comprehensive data on real estate securitizations at these companies compiled until that time. Over the second half of 1996, the home mortgage component expanded at a 31 percent annual rate.

15. The types of loans characterized by the "home equity" label have expanded significantly in recent years. In the 1980s, the defining characteristic of these loans was their status as second lien real estate loans. They were used primarily for debt consolidation or home improvement and also were characterized by relatively low balances, shorter maturities, and low overall loan-to-value ratios when combined with other mortgage debt of the borrower. In addition, most borrowers were considered A-quality credits.

More recently, home equity loans have come to be defined primarily by their status as nonconforming loans—including subprime loans—owing either to their more flexible underwriting standards or to the lower overall credit quality of the borrower. Thus, home equity loans currently include first or junior lien loans that have fixed or adjustable rates, that have relatively high loan-to-value ratios, and that are used for home purchase, debt consolidation, or refinancing.

16. For a more complete discussion of credit scoring models, see Robert B. Avery, Raphael W. Bostic, Paul S. Calem, and Glenn B. Canner, "Credit Risk, Credit Scoring, and the Performance of Home Mortgages," *Federal Reserve Bulletin,* vol. 82, July 1996, pp. 622–48.

5. Finance company liabilities and capital, 1990 and 1996

Item	Outstanding (billions of dollars)		Growth (percent)		Share of total (percent)	
	1990	1996	Cumulative	Annual rate	1990	1996
Bank loans	31.5	17.7	-43.8	-9.2	5.9	2.1
Commercial paper	164.0	169.6	3.4	.6	30.9	20.6
Debt due to parent	36.6	57.1	56.1	7.7	6.9	6.9
Debt not elsewhere classified	171.7	323.7	88.5	11.1	32.3	39.3
Other	64.9	165.5	155.2	16.9	12.2	20.1
Total liabilities	468.6	733.6	56.5	7.8	88.3	89.0
Capital, surplus, and undivided profits	62.1	91.0	46.4	6.6	11.7	11.0
Total	**530.7**	**824.6**	**55.4**	**7.6**	**100**	**100**

NOTE. As of June 30.

in the commercial paper market. For example, a Federal Reserve survey found that medium-term notes outstanding at finance companies, excluding the auto finance companies, doubled from $39 billion at the end of 1992 to $78 billion at the end of 1996.[17]

As discussed above, finance companies have made extensive use of securitization in recent years as a means to fund the financial services they provide to the business and household sectors. The standard accounting practice is to treat the securitized receivables and the related securities as off-balance-sheet items; viewed functionally, however, securitization is best understood as a means of financing lending operations that is closely akin to the issuance of collateralized company debt.

Securitization was supporting 13¼ percent of the industry's total (balance sheet plus securitized) operations as of mid-1996, compared with 4½ percent at mid-1990. The proportions of total funding obtained through traditional on-balance-sheet sources were reduced accordingly. For instance, in the June 1996 survey, commercial paper was funding 17¾ percent of total finance company activities, compared with 29½ percent in the June 1990 survey.

Developments since the June 1996 Benchmark

In the nine months between June 30, 1996, and the end of March 1997, the growth of finance company receivables slowed marginally, as a surge in home equity lending only partly offset a cooling of consumer and business finance (table 6). The growth rate of the business receivables component slackened only moderately, but the composition of business credit growth changed considerably. Equipment finance—by far the strongest component between the surveys—contracted slightly, and "other" business credit reversed a long-term decline by growing at a 13 percent rate.

Consumer receivables at finance companies grew at a substantially slower pace in the 1996–97 period than they did in the preceding six years, a decline that was in line with the trend in consumer borrowing generally. Each component of consumer receivables slowed to some extent in the latest period, particularly motor vehicle finance. Leasing continued to grow rapidly but the amount of motor vehicle loans outstanding was somewhat below its June 1996 level.

Real estate finance has expanded rapidly since the middle of last year because of hefty gains in the volume of home equity lending, as discussed above.

6. Major categories of finance company receivables, 1990, 1996, and March 1997

Category	Outstanding (billions of dollars)			Annual growth rate (percent)	
	1990	1996	March 31, 1997	1990–96	1996–97[1]
Total	**505.3**	**771.4**	**800.7**	**7.3**	**5.1**
Business	258.9	341.3	348.4	4.7	2.8
Equipment	129.4	205.0	202.4	8.0	-1.7
Motor vehicle	67.1	89.3	94.3	4.9	7.5
Other	62.4	47.1	51.7	-4.6	13.0
Consumer	185.2	326.3	336.8	9.9	4.3
Motor vehicle	118.2	217.3	224.2	10.7	4.2
Revolving	23.3	46.5	49.6	12.2	8.9
Other	43.6	62.5	63.0	6.2	1.1
Real estate	61.2	103.8	115.5	9.2	15.0
Households	n.a.	70.7	85.1	n.a.	27.2
Commercial	n.a.	33.1	30.4	n.a.	-10.9

NOTE. Includes leases and securitized receivables as well as loans on company balance sheets. Data for 1990 and 1996 are as of June 30.

1. Annualized percentage change from June 30, 1996, to March 31, 1997 (not seasonally adjusted).

n.a. Not available.

17. See Michael P. O'Malley and Joyce A. Payne, "1996 Survey of Corporate Medium-Term Notes," Board of Governors of the Federal Reserve System, April 1997.

Loans to households grew at a 27 percent rate from mid-1996 through March, but the overall gain in real estate receivables was held to a 15 percent rate by a decline in commercial real estate loans. Much of the new volume was securitized: Finance company mortgages in asset pools increased at a 50 percent annual rate.

As suggested by the developments in real estate finance, securitization continued to find favor with finance companies as a means to fund the growth of receivables. In addition to their making sizable increases in the amount of home equity loans they pooled as backing for securities, finance companies also securitized substantial amounts of credit card receivables and non-automotive consumer loans. Across all major categories of finance, securitized receivables grew at an 8½ percent annual rate in the nine months through March 1997, while loans on book increased about one-half that rate.

APPENDIX A: SAMPLING PROCEDURES

Pre-survey questionnaires were mailed to 3,017 companies (the population-frame mailing list) that were identified from the 1990 survey mailing list, the Equipment Leasing Association of America, the American Financial Services Association, and various publications. Responses to the pre-survey questionnaire, as well as responses from follow-up surveys, determined the sampling frame. Data were collected on the size of the company, its primary type of activity or specialty, and the classification of its parent, if any. Companies were deleted from the mailing list if they responded to the questionnaire with information that showed they were out of business, were sold to another firm, were not a finance company, or were a subsidiary of another finance company (table A.1).

A.1. Responses to finance company survey, by disposition of forms, 1996

Disposition	Number	Percent
Total mailed	3,017	100
Returned	2,209	73.2
Usable	859	28.5
Not usable	1,350	44.7
Postal return	836	27.7
Not a finance company	93	3.1
Out of business	231	7.6
Finance company subsidiary	120	4.0
Bank subsidiary	55	1.8
Other	15	.5
Not returned	808	26.8

Follow-up surveys of both the nonrespondents and the postal returns were taken to improve the sampling frame and estimate additional companies that belong in the population. With telephone follow-up methods to expedite the data collection and improve the results, a stratified random sample of 184 nonrespondents yielded 60 usable companies. This outcome allowed the addition of 263 companies to the population in the same proportion as existed in the sample regarding size and specialty class.

In a like manner, a stratified random sample of 120 postal returns yielded 16 usable companies. Applying frequency rates to the usable postal returns by size and specialty added an estimated 115 companies to the population. Combining these estimates with the number of usable companies from the pre-survey mailing, the total number of finance companies in the population on June 30, 1996, was estimated at 1,237.

The June 30, 1996, benchmark survey consisted of two sample groups of companies: the 74 finance companies surveyed monthly for the Domestic Finance Company Report (FR 2248) and a stratified random sample of 526 additional companies from the population-frame mailing list. All of the 74 monthly reporters responded. A total of 157 of the 526 sampled companies responded, producing an effective sample size of 231 companies. Despite the low overall sample response rate of 38 percent, large companies are well represented. Data were collected from 58 of the 63 companies with assets greater than \$1 billion. These 63 companies are estimated to hold about 95 percent of the total net assets of the industry.

Population estimates of assets and liabilities were produced using the stratified mean expansion estimator. Strata were based on the size and specialty of the company. The estimator is defined as

$$Y = \Sigma Y(h) = \sum \frac{N(h) * y(h)}{n(h)}$$

where

$N(h)$ = total number of companies in stratum h

$n(h)$ = number of sample companies in stratum h

$y(h)$ = sample aggregate total for companies in stratum h

$Y(h)$ = estimated aggregate total for stratum h

Y = estimated national total.

A.2. Assets and liabilities outstanding at finance companies, by size of company, June 30, 1996

Millions of dollars

Item	All	Size of company (net assets, millions of dollars)					
		5,000 and more	1,000–4,999	200–999	50–199	10–49	Less than 10
ASSETS							
Consumer receivables	258,961	234,441	14,566	4,230	3,009	1,494	1,221
Motor vehicle financing	173,062	160,380	5,822	4,013	1,828	463	557
Loans	86,333	76,712	2,764	4,013	1,824	463	557
Leases	86,729	83,668	3,058	0	3	0	0
Capital and leveraged	20,736	17,679	3,058	0	0	0	0
Operating	65,993	65,990	0	0	3	0	0
Revolving credit	40,132	38,034	1,983	0	1	99	15
Other	45,767	36,027	6,761	216	1,180	933	649
Loans secured by real estate	80,353	68,101	10,020	1,245	419	371	197
One-to-four family homes	47,258	38,526	8,086	6	217	257	165
Commercial and farm	33,095	29,575	1,934	1,238	203	113	32
Business receivables	305,722	225,528	54,752	17,501	5,430	1,544	967
Motor vehicle financing	65,098	58,829	5,080	374	614	59	142
Wholesale	32,294	31,387	785	102	0	0	20
Retail	32,804	27,442	4,295	272	614	59	122
Loans	25,034	21,904	2,786	0	193	29	122
Leases	7,770	5,538	1,509	272	421	30	0
Capital and leveraged	5,879	4,005	1,340	147	362	26	0
Operating	1,891	1,534	169	125	59	4	0
Business, industrial, and farm equipment	161,872	113,569	33,659	11,086	2,502	834	221
Loans (retail and wholesale)	58,169	45,151	9,413	2,960	170	326	148
Leases (capital and leveraged)	103,703	68,418	24,246	8,127	2,332	507	73
Other	44,602	23,797	13,858	5,172	703	467	604
Non–motor vehicle operating leases	34,149	29,332	2,155	868	1,610	184	0
All other assets and receivables	251,521	230,266	10,453	7,636	1,978	633	556
Total assets, gross	896,557	758,336	89,792	30,611	10,836	4,042	2,941
Less reserves for unearned income	58,874	46,150	8,806	2,236	980	347	355
Less reserves for losses	13,106	9,998	1,612	912	356	166	63
Total assets, net	**824,576**	**702,188**	**79,373**	**27,462**	**9,500**	**3,529**	**2,523**
LIABILITIES AND CAPITAL							
Bank loans	17,690	4,914	6,502	2,532	2,109	928	705
Commercial paper	169,568	152,210	12,484	4,324	440	35	75
Debt due to parent	57,121	25,071	23,438	6,622	1,605	339	47
Debt not elsewhere classified	323,673	300,490	16,637	3,581	1,710	588	668
All other liabilities	165,538	146,252	10,039	6,940	1,414	601	293
Capital, surplus, and undivided profits	90,985	73,252	10,272	3,464	2,222	1,038	736
Total liabilities and capital	**824,576**	**702,188**	**79,373**	**27,462**	**9,500**	**3,529**	**2,523**
MEMO							
SECURITIZED RECEIVABLES							
Consumer receivables	67,304	62,373	479	3,751	655	44	0
Motor vehicle financing	44,241	39,865	107	3,751	518	0	0
Loans	36,675	32,298	107	3,751	518	0	0
Leases (capital and leveraged)	7,566	7,566	0	0	0	0	0
Revolving credit	6,320	6,276	0	0	0	44	0
Other consumer receivables	16,742	16,233	372	0	137	0	0
Loans secured by real estate	23,455	21,074	2,380	0	0	0	0
One-to-four family	23,445	21,074	2,371	0	0	0	0
Commercial and farm	10	0	10	0	0	0	0
Business receivables	35,594	26,960	7,175	1,257	69	115	17
Motor vehicle financing	24,155	21,510	2,592	12	37	4	0
Wholesale	22,214	21,339	875	0	0	0	0
Retail	1,941	171	1,717	12	37	4	0
Loans	1,888	171	1,717	0	0	0	0
Leases	53	0	0	12	37	4	0
Capital and leveraged	12	0	0	12	0	0	0
Operating	41	0	0	0	37	4	0
Business, industrial, and farm equipment	8,944	4,468	3,630	702	33	111	0
Loans (retail and wholesale)	4,864	1,234	3,630	0	0	0	0
Leases (capital and leveraged)	4,081	3,234	0	702	33	111	0
Other	2,495	983	953	543	0	0	17
Total securitized receivables	**126,352**	**110,408**	**10,034**	**5,009**	**725**	**160**	**17**
Number of companies responding to survey	231	30	28	23	32	41	77
Estimated number of companies in population	1,237	30	33	54	87	138	895

NOTE. See definitions in appendix B.

APPENDIX B: DEFINITIONS OF CATEGORIES

For purposes of this survey, a finance company is defined as a company (including Morris Plan companies but excluding banks, credit unions, savings and loan associations, cooperative banks, and savings banks) in which the largest portion of the company's assets is in one or more of the following kinds of receivables:

- *Sales finance receivables.* Installment paper arising from retail sales of passenger cars and mobile homes, other consumer goods, such as general merchandise, apparel, furniture, and household appliances, or from outlays for home improvement loans not secured by real estate.
- *Personal cash loans to individuals and families.* Unsecured cash loans (including loans to pay for insurance policies) or cash loans secured by insurance policies, autos already paid for, and other collateral.
- *Short- and intermediate-term business receivables.* Loans on commercial accounts receivables, inventory loans, factoring, lease financing, retail installment sales (or purchases) of commercial, industrial, and farm equipment and commercial vehicles, and wholesale financing of consumer and business goods.
- *Real estate loans.* Loans, whatever the purpose, secured by real property (as evidenced by deeds of trust, land contracts, or other instruments) and including junior-lien home-equity loans or second mortgages.

Asset Items

Receivables include direct loans and loans purchased from manufacturers and retailers before deduction of reserves for unearned income and reserves for losses.

1. Consumer Receivables

A. Motor Vehicle Financing. Credit arising from retail sales of passenger cars and other vehicles such as vans and pickup trucks. It excludes fleet sales, personal cash loans secured by automobiles already paid for, loans to finance the purchase of commercial vehicles and farm equipment, and lease financing.

B. Revolving Credit. Retail credit that is extended on a credit-line basis and that arises from the sale of consumer goods other than passenger cars and mobile homes. A single contract governs multiple use of the account and purchases may be made with a credit card. Generally, credit extensions can be made at the consumer's discretion, provided that they do not cause the outstanding balance of the account to exceed a prearranged credit limit.

C. Other Consumer Receivables. All credit arising from retail sales of consumer goods other than passenger cars that is not extended under a revolving credit line. Includes financing of general merchandise, apparel, furniture, household appliances; campers, trailers, mobile homes (when classified by state law as personal property), motorcycles, airplanes, helicopters, and boats purchased for personal use; loans for automobile repair; credit to finance alterations or improvements in existing residential properties occupied by the borrower; secured and unsecured loans made directly to the borrower for household, family, or other personal expenses; and unsecured loans to purchase auto insurance policies as well as loans secured by insurance policies, automobiles already paid for, and other collateral. It excludes loans for business purposes, rediscounted loans, loans secured by real estate, and wholesale and lease financing.

2. Loans Secured by Real Estate

A. One- to Four-Family. Credit arising from revolving or permanent loans secured by real estate as evidenced by mortgages (FHA, FmHA, VA, or conventional) or other liens (first or junior) on nonfarm property containing one to four dwelling units (including vacation homes) or more than four dwelling units if each is separated from other units by dividing walls that extend from ground to roof (row houses, townhouses, or the like); mobile homes when state laws define the purchase or holding of a mobile home as the purchase or holding of real property and where the loan to purchase the mobile home is secured by that mobile home as evidenced by a mortgage or other instrument on real property; individual condominium dwelling units and loans secured by an interest in individual cooperative units, even if in a building with five or more dwelling units; vacant lots in established single-family residential sections or in areas set aside primarily for one- to four-family homes; and housekeeping dwellings with commercial units combined where use is primarily residential and where only one- to four-family dwelling units are involved.

B. Multifamily. Credit arising from permanent nonfarm residential loans secured by real estate as evidenced by mortgages (FHA or conventional) or other liens on nonfarm properties with five or more dwelling units in structures (including apartment buildings and apartment hotels) used primarily to accommodate households on a more or less permanent basis; housekeeping dwellings of five or more units with commercial units combined where use is primarily residential; cooperative-type apartment buildings containing five or more dwelling units; and vacant lots in established multifamily residential sections or in areas set aside primarily for multifamily residential properties.

C. Commercial and Farm. Credit arising from loans secured by real estate as evidenced by mortgages or other liens on business and industrial properties, hotels, motels, churches, hospitals, educational and charitable institutions, dormitories, clubs, lodges, association buildings, care facilities for aged persons and orphans, golf courses, recreational facilities, and similar properties. It includes all other nonresidential loans secured by real estate as evidenced by mortgages or other liens. Credit arising from loans secured by farmland and improvements thereon, as evidenced by mortgages or other liens. Farmland includes all land known to be used or usable for agricultural purposes, such as crop and livestock production, grazing or pasture land, whether tillable or not, and whether wooded or not.

3. Business Receivables

A. Motor Vehicle Financing. Consists of retail credits and wholesale credits.

(1) Retail (commercial vehicles). Credit arising from retail sales of commercial land vehicles to business. It includes trucks, buses, taxicabs, truck trailers, and other on-the-road vehicles for which motor vehicle licensing is required. It also includes fleet sales of passenger cars, but excludes lease financing and paper on business, industrial, or farm equipment.

(2) Wholesale. Credit arising from transactions between manufacturers and dealers or other floor-plan loans secured by passenger cars and commercial land vehicles. It excludes paper secured by mobile homes, passenger car trailers, boats, airplanes, helicopters, and business, industrial, and farm equipment.

B. Business, Industrial, and Farm Equipment. Consists of retail and wholesale credits and capital and leveraged leases.

(1) Retail and wholesale financing. Credit arising from the retail sale to business of (or for the purchase of) business, industrial, and farm equipment. It includes all off-the-road equipment for which motor vehicle licensing is not required as well as airplanes, helicopters, and boats purchased for business use. Loans may be secured by chattel mortgages or conditional sales contracts (purchased money security agreements) on the machinery or equipment. It excludes loans to purchase commercial land vehicles for which motor vehicle licensing is required and loans secured by real estate. It also excludes lease financing. Wholesale financing is credit arising from transactions between manufacturers and dealers or other floor-plan loans secured by business, industrial, and farm equipment. It includes all off-the-road equipment for which motor vehicle licensing is not required, such as airplanes, helicopters, and boats.

(2) Capital and leveraged leases. Lease receivables arising from the leasing of business, industrial, and farm equipment. It includes lease financing of all off-the-road equipment for which motor vehicle licensing is not required and lease financing of airplanes, helicopters, and boats leased for business use. It excludes lease financing of airplanes, helicopters, and boats leased for personal or family use (included in asset item 3.C), and excludes operating leases as defined by Financial Accounting Standards Board Statement of Financial Accounting Standards 13 (SFAS 13).

C. Other Business Receivables (Excluding Operating Leases). All other wholesale financing not reported in asset items 3.A.2 and 3.B.1 above, including floor-plan transactions between manufacturers and dealers for items such as mobile homes, campers, and travel trailers. Includes all other business capital and leveraged lease receivables not reported in asset items 3.B.2 above and not reported in asset items 4.A.2, below, including credit arising from the leasing of mobile homes, campers, and travel trailers. Excludes operating leases as defined by SFAS 13 that are included in asset items 4.B and 5 below. Includes business credit with original maturities of up to five years, including loans secured by commercial accounts receivable less the balances withheld for customers pending collection of receivables; commercial accounts receivable purchased from factored clients less any amount due and payable to factored clients; and secured and unsecured advances of funds to factored clients. It includes dealer loans, capital loans, small loans used primarily for business or farm purposes, multicollateral loans, rediscounted receivables of other finance companies less balances withheld, and all other business loans not elsewhere classified. It excludes loans secured by real estate (unless included as part of a multicollateral loan) which is included in asset items 2.

4. Motor Vehicle Leases

Lease receivables arising from leasing of passenger cars and commercial land vehicles, but excluding leasing of mobile homes, campers, motor trailers, boats, airplanes, helicopters, and business, industrial, and farm equipment.

A. Capital and Leveraged Leases. Consists of consumer and business leases.

(1) Consumer. Refer to credit on types of receivables covered by asset items 1.A above.

(2) Business. Refer to credit on types of receivables covered by asset items 3.A.1 above.

B. Operating Leases (as defined by SFAS 13). Consists of consumer and business leases.

(1) Consumer. Refer to credit on types of receivables covered by asset items 1.A above.

(2) Business. Refer to credit on types of receivables covered by asset items 3.A.1 above.

5. Non Motor Vehicle Operating Leases

For business, industrial, and farm equipment, refer to credit on types of receivables covered by asset items 3.B.1 above. For all other equipment, refer to credit on types of receivables covered by asset items 1.C and 3.C above. It includes all operating leases as defined by SFAS 13 that are excluded from the asset items above.

A. Consumer. Refer to credit on types of receivables covered by asset items 1.C above.

B. Business. Refer to credit on types of receivables covered by asset items 3.B.1 and 3.C above.

6. All Other Assets and Accounts and Notes Receivable

All assets not already included above, including consolidated companies' investments in nonconsolidated foreign and domestic subsidiaries and affiliates. Nonconsolidated subsidiary and affiliate company claims on consolidated companies (except debt due to parent) should be netted against the consolidated companies' investment. It excludes operating leases reported as asset items 4.B and 5 above and excludes overdrafts.

7. Reserves

A. Reserves for Unearned Income. Includes unearned discounts and service charges on the above receivables.

B. Reserves for Losses. Allowances for bad debts, unallocated charge-offs, and any other valuation allowances except the amount of unearned income applicable to the receivables included above.

8. Total Assets, Net

Sum of asset items 1.A through 6 minus asset items 7.A and 7.B.

Securitized Asset Items

Securitized assets include receivables that have been packaged and sold by the reporting finance company to a trustee or other third party who uses the receivables package as collateral for an asset-backed security that is sold to investors. These assets are no longer on the balance sheet of the reporting finance company and thus are not included in the asset items. Securitized assets consist of the total amount outstanding, including all receivables securitized in the current month and in prior months. They include assets such as leases that were never on the company books, but whose securitizations may be counted as a managed asset, and exclude the amounts of outright asset sales that have not been packaged to collateralize an asset-backed security. Securitized assets are reported using the same definitions used for their unsecuritized counterparts in asset items 1 through 5 above.

Liabilities and Capital Items

1. Bank Loans

Short- and long-term loans and notes payable to banks. Includes overdrafts but excludes commercial paper and bank portions of participation loans.

2. Commercial Paper

Promissory notes of large denominations sold directly or through dealers to investors and issued for not longer than 270 days. It includes short-term or demand "master" notes and paper backed by letters of credit or other guarantees, but excludes non-negotiable promissory notes held by officers of the firm, their families, and other individuals (which are included in liabilities and capital item 4).

3. Debt Due to Parent

For a company that is the subsidiary of another company (which is not a finance company), it includes all short- and long-term indebtedness owed to the parent company, but excludes the parent company's equity (which is included in liabilities and capital item 6).

4. Debt Not Elsewhere Classified

All other short- and long-term loans, notes, certificates, negotiable paper, or other indebtedness not elsewhere classified. It excludes bank debt already included in liabilities and capital items 1 and 3.

5. All Other Liabilities

All liabilities not already reported above or netted against assets. It includes dealer reserves, all tax accruals, short-term certificates of thrift or investment, deposit liabilities (other than those not withdrawable during term of loan), and all other liabilities. It excludes liabilities of consolidated companies to nonconsolidated subsidiaries of affiliated companies, which should be netted against assets in asset items 6 or shown in liabilities and capital items 3. It also excludes borrower repayment deposits accumulated but not credited against indebtedness until repayment is made in full, which should be netted against appropriate receivables under asset items above.

6. Capital, Surplus, and Undivided Profits

All common and preferred stock and other capital or surplus accounts, including undivided profits.

7. Total Liabilities and Capital

Sum of liabilities and capital items 1 through 6. □

The Issuance of Series-1996 $100 Federal Reserve Notes: Goals, Strategy, and Likely Results

Theodore E. Allison and Rosanna S. Pianalto, of the Office of Board Members, prepared this article.

In March 1996, the Federal Reserve began issuing series-1996 $100 Federal Reserve notes. Culminating a cooperative effort by the U.S. Department of the Treasury and the Federal Reserve System that dated from the 1980s, the series-1996 note was the first major design change in U.S. currency in sixty-six years. The new note was developed to provide better protection for users of U.S. currency against the growing threat of counterfeiting, especially that posed by increasingly affordable and capable color scanning and printing systems.

The Federal Reserve's strategy for issuing newly designed $100 notes involves neither a recall of notes with the old design nor a deadline for exchanging them. The Federal Reserve is, however, withdrawing pre-series-1996 notes when they are deposited at Federal Reserve Banks.

The Choice of an Issuing Strategy for Newly Designed Currency Notes

Central banks have a range of available strategies for introducing new currency designs, and no single strategy is appropriate in every circumstance. In general, when issuing new currency designs, central banks wish to minimize the inconvenience to the public, to minimize their own costs, and to achieve a timely replacement of old-design notes. These objectives are seldom mutually attainable, however, so choosing a strategy requires the central bank to assess the tradeoffs carefully, especially between convenience to the public and timeliness of the replacement of old-design notes.

At one extreme, an issuing authority might establish a relatively brief period—perhaps as short as a few months—during which the public would have to exchange notes of the old-design series for those of the new. After the period ended, old-design notes might no longer be valid or might be valid only at the central bank. This option could be quite inconvenient for the public and relatively costly to the central bank because the old-design notes would be taken out of circulation before the end of their otherwise useful life. But it might be considered desirable if a prompt withdrawal of old-design notes could avert what otherwise might have been a serious counterfeiting problem.

At the other extreme, an issuing authority might replace old-design notes only as they became unfit (that is, too soiled) for further circulation. This option would likely be the least inconvenient to the public and the least costly to the central bank; but under certain conditions it might be unacceptable because it would not achieve replacement quickly enough.

Assessing the impact of a strategy on public convenience requires knowledge of where, by whom, and for what purposes the currency is held. Whether the timeliness of the likely replacement of old-design notes resulting from a potential strategy is acceptable depends on two things: the nature of the counterfeiting threat to the old-design notes and the pace at which old-design notes may be expected to be deposited at the central bank under various strategies.

Federal Reserve Goals and Strategy for Introducing Series-1996 $100 Notes

In developing plans for issuing series-1996 $100 notes, the Federal Reserve likewise was guided by the goals of (1) imposing as little disruption as possible on business firms and households, both within and outside the United States, and (2) carrying out the introduction so as to achieve an expeditious substitution of new-design notes for the pre-series-1996 notes. In pursuing those objectives, the Federal Reserve adopted a strategy for issuing the new-design $100 notes that has several components:

- There was to be no recall of pre-series-1996 $100 notes, no requirement that the public exchange old-design $100 notes for new-design notes, and, for any holder who might wish to make such an exchange, no time limit for doing so. No U.S. currency note has ever been recalled from circulation or invalidated. All genuine $100 notes now in circula-

Two Alternative Strategies for Issuing New Currency Series

To provide perspective on the strategy adopted by the Federal Reserve for issuing the 1996 series $100 notes—which, in brief, is to permit notes of previous series to remain in circulation, as legal tender, for as long as holders are willing to use them but to withdraw and replace previous-series $100 notes at the Federal Reserve at the first opportunity—here are the issuing policies used recently by two major European central banks: the Bank of England and the German Bundesbank. Each bank has issued a new design for the highest-denomination note in its currency within the last few years.

England

The Bank of England introduced a redesigned £50 note on April 20, 1994 (as part of a series of new designs that began in 1990 with a new £5 note). The public was informed that the old series of £50 notes would remain legal tender for some time but that eventually legal tender status would be withdrawn. In fact, previous-series £50 notes and new-design £50 notes circulated together for about twenty-nine months. During that period, the Bank of England withdrew previous-series notes as they were returned to the Bank and replaced them with new-design notes, achieving a replacement of about 80 percent of the old series. In early 1996, the Bank announced that, effective September 20, 1996, £50 notes of the previous series would no longer have the status of legal tender. However, the "promise to pay the bearer the sum of . . ." on Bank of England notes stands good for all time, and the Bank will pay out in notes of the series then current the face value of any genuine Bank of England note, no matter how old.

Germany

The Bundesbank introduced a newly designed 100-deutchmark note in October 1990 (as well as a new DM200 note at the same time and newly designed DM10, DM20, and DM50 notes in 1991 and 1992). In an approach similar to that used by the Bank of England, the Bundesbank informed the public in advance that previous-series notes would remain legal tender for some time but would eventually be recalled from circulation. Previous-series notes were withdrawn by the Land Central Banks (whose functions are similar to those of Federal Reserve Banks in the United States) and replaced with new-design notes as they were deposited by commercial banks. By September 1992, new-series DM100 notes accounted for 85 percent of the total DM100 circulation (although lower denominations had not at that point reached the same level of replacement). In June 1994, the Bundesbank announced a recall of the old-series notes of all denominations. Notes of the previous series still retain their value and may be exchanged at the Bundesbank free of charge for notes of the new series.

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tion will remain legal tender and will be accepted for deposit at full face value at all Federal Reserve Banks.

- The Federal Reserve has taken steps to ensure the availability of an adequate supply of series-1996 $100 notes worldwide, primarily through commercial banks that are active buyers and sellers of currency.
- The Treasury Department, with the participation of the Federal Reserve and of U.S. embassies abroad, has provided substantial information to the public about the introduction of the new-design notes wherever Federal Reserve notes are used to a significant extent. This information has been disseminated partly to reassure holders of old-design $100s that those notes will remain valid and to discourage them from exchanging the notes unnecessarily rapidly.
- The Federal Reserve is withdrawing pre-series-1996 $100 notes as soon as they are deposited at Federal Reserve Banks by depository institutions and replacing them with series-1996 $100 notes.
- The Federal Reserve has promised depository institutions that it will process all international deposits of $100 notes within two business days and all domestic deposits within five business days of receipt in order to be able to report promptly on any counterfeit notes that the deposits may contain. The Federal Reserve detects virtually all counterfeit notes in deposits and charges the institution for them.
- Soon after introducing the series-1996 $100 note in March 1996, the Federal Reserve began contacting larger depository institutions to encourage them to deposit their entire inventories of $100 notes at the Federal Reserve in order to replace them with inventories of the new-design notes. This process is likely to continue and to be gradually extended to smaller depository institutions. Depository institutions are not required to sort their $100-note deposits according to series, nor are they prohibited from paying pre-series-1996 $100 notes to customers.

As previously indicated, various alternatives for introducing the new-design $100 notes were available to the Federal Reserve (see box "Two Alternative Strategies for Issuing New Currency Series"). This particular strategy was chosen in consideration of the quantity of $100 notes in circulation, where and for what purposes they are held, the nature of the counterfeiting threat, and the pace at which the strategy could be expected to achieve a timely replacement of old-design notes.

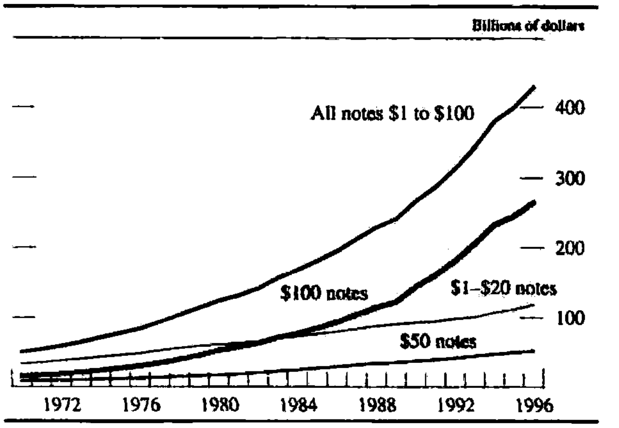
The Growth and Location of U.S. Currency in Circulation

The value of Federal Reserve notes in circulation has grown rapidly in the past twenty-five years and especially since 1990 (chart 1).[1] That growth has been fueled in large part by a strong demand for $100 notes, which also has been especially robust since 1990. By the end of 1995, just before the introduction of series-1996 $100 notes, the value of Federal Reserve notes in circulation had reached about $400 billion and that of $100 notes about $240 billion.

The growth both of total Federal Reserve notes and of $100 notes has been propelled by growth in the use of U.S. currency outside the United States. The Board's staff estimates that, by 1995, the proportion of the growth in Federal Reserve notes outstanding that was accounted for by international flows had climbed to 74 percent (chart 2).[2] It also estimates that as much as $250 billion, or more than 60 percent, of the approximately $400 billion of U.S. currency in circulation at the end of 1995 was held outside the United States and that as much as $160 billion, or two-thirds, of the $240 billion of $100 notes in circulation may have been held abroad.

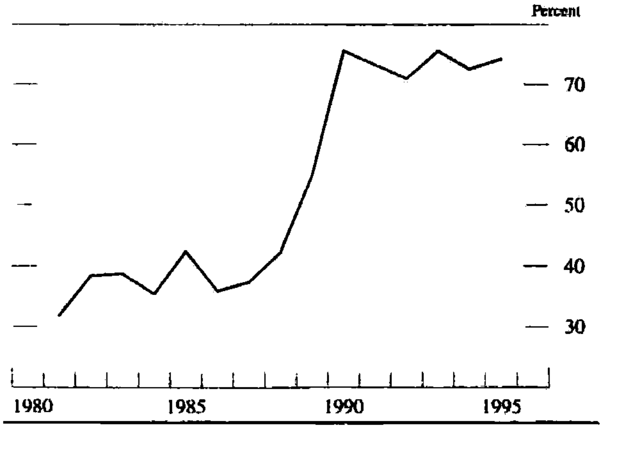
The U.S. currency that is held outside the United States appears to be quite dispersed. Data for origins of deposits and destinations of withdrawals of Federal Reserve notes at Reserve Banks since 1990 indicate that U.S. currency is used to a significant extent in parts of Latin America, in parts of the former Soviet Union, elsewhere in Eastern Europe, in parts of the Middle East and of North Africa, and in several countries in Southeast Asia.

1. Value of Federal Reserve notes in circulation, 1970–96



"Dollarization" of economies outside the United States is not a new phenomenon, but it has become significantly more common in the 1990s with the liberalization and democratization of economic systems around the globe. The process of so changing the economic system, which typically fosters new business firms, more business and personal transactions, and new household saving within the nation, has at the same time often been accompanied by high rates of inflation and inadequately developed financial sectors. Rapid inflation makes domestic currency an unattractive medium for saving and transacting and, at the extreme, impractical even as a unit of account. Consequently, the demand in these nations for "hard" currencies, especially dollars in many cases, has been strong (see box, "How Federal Reserve Notes Enter Circulation in a Country outside the United States").

2. Net international payments of U.S. currency as a proportion of annual growth in total circulation of notes, 1981–95



1. In this article, the terms "U.S. currency" and "Federal Reserve notes" are used synonymously even though a small proportion of the former consists of coins and of banknotes other than Federal Reserve notes. The terms "U.S. currency in circulation" and "Federal Reserve notes in circulation" refer to Federal Reserve notes held outside the Federal Reserve System—that is, including amounts held by commercial banks.

2. For more detail on the use of U.S. currency outside the United States and on the Board staff's estimates of the amount of such currency, see Richard D. Porter and Ruth A. Judson, "The Location of U.S. Currency: How Much Is Abroad?" *Federal Reserve Bulletin*, vol. 82 (October 1996), pp. 883–903. For an analytical treatment of the impact of the new $100 notes on counterfeiting, see Edward J. Green and Warren E. Weber, "Will the New $100 Bill Decrease Counterfeiting," Working Paper 571 (Federal Reserve Bank of Minneapolis, September 1996).

How Federal Reserve Notes Enter Circulation in a Country outside the United States

The following scenario concerning the mythical emerging nation of Costa Blancastan illustrates the usual process by which Federal Reserve notes enter circulation in another country. The scenario begins with the ABC Bank in Costa Blancastan anticipating a demand from its customers for $1 million of $100 Federal Reserve notes.

Day 1

Using its Costa Blancastani currency resources, ABC Bank, in the foreign exchange market in Costa Blancastan, buys a dollar balance at a major western bank, DEF Bank, in the amount of about $1,005,000. ABC Bank now calls several banks that it knows are regular buyers and sellers of Federal Reserve notes and asks for offers on $1 million in $100 banknotes to be delivered to its office in Costa Blancastan three days later. After receiving offers, ABC Bank decides to buy from XYZ Bank, which is based in, say, Zurich, Switzerland, and has a branch in New York, which branch in turn has a deposit account at the Federal Reserve Bank of New York (FR Bank of New York). XYZ Bank has quoted a price of $100.50 per $100 note—that is, the face value of the notes plus 0.5 percent of the value for handling. As is customary in such transactions, the handling fee covers transportation to ABC Bank's facility. ABC Bank orders a transfer of $1,005,000 from its deposit account at DEF Bank to its account at XYZ Bank. XYZ Bank orders $1 million in $100 Federal Reserve notes from FR Bank of New York for pickup the following day.

Day 2

On the second day, XYZ Bank's armored carrier picks up $1 million of $100 Federal Reserve notes at FR Bank of New York and sends the package by overnight air shipment to XYZ Bank in Zurich. FR Bank of New York charges XYZ Bank's deposit account in the amount of $1 million.

Day 3

The $1 million in $100 Federal Reserve notes arrives at XYZ Bank on the morning of the third day. XYZ Bank verifies the quantity and forwards the shipment to Costa Blancastan, again by overnight air. (In practice, XYZ Bank may have obtained considerably more than $1 million of Federal Reserve notes from FR Bank of New York in order to meet obligations to various customers, like ABC Bank, that are located in a variety of countries. These Federal Reserve notes would be repackaged into smaller lots at the XYZ Bank's facility in Zurich. XYZ Bank may also have purchased Federal Reserve notes from other customers, also located in various countries, which it would have shipped to FR Bank of New York for credit to its account there.)

Day 4

In the morning of the fourth day the Federal Reserve notes arrive in Costa Blancastan, where XYZ Bank has arranged for their delivery by armored carrier to ABC Bank. Upon receiving and verifying the notes, ABC Bank places them on sale at its offices, anticipating selling them at a price, in Costa Blancastani currency, that will exceed their cost.

In macroeconomic terms, the description above presents the transactions of an individual Costa Blancastani financial institution and leaves the international accounts of Costa Blancastan "out of balance." In fact, there must have been an ultimate counter party to ABC Bank's original foreign exchange transaction who either was purchasing an exported good from Costa Blancastan (for example, a commodity or a manufactured good) or was making a capital investment in that nation (for example, buying an ownership interest in a firm there) and therefore needed to acquire, using a dollar balance, a deposit balance denominated in Costa Blancastani currency. In the final macroeconomic analysis, then, the citizens (including the central bank) of Costa Blancastan must have parted with $1 million worth of commodities or manufactured goods, or have otherwise reduced their net foreign asset position, to have acquired $1 million of U.S. currency.

Moreover, our research suggests that, within many dollarized countries, Federal Reserve notes are widely held and used both by households and by business firms of all sizes. Households use U.S. currency for short-term and long-term saving and in transactions for a variety of higher-priced goods and services, such as consumer durables and real estate. Businesses are likely to find U.S. currency useful not only as a hedge against local-currency inflation but also for settling firm-to-firm transactions where clearing and settlement systems for other payment media (such as checks and electronic transfers) are not well developed or where the existence of more than one local currency would unduly complicate a transac-

How Federal Reserve Notes in Circulation Provide a Benefit to Taxpayers

Depository institutions keep deposit accounts at one of the twelve Federal Reserve Banks (collectively, the Federal Reserve), both to satisfy their legal reserve requirements (reserve balances) and to cover charges and credits arising from payments made by and to the depository institutions that are cleared through the Federal Reserve (clearing balances). A depository institution may obtain Federal Reserve notes from the Federal Reserve in exchange for a deduction from its deposit account and may deposit Federal Reserve notes at the Federal Reserve in exchange for a credit to its deposit account.

Here is an abbreviated balance sheet of the Federal Reserve for December 31, 1996 (amounts are in billions of dollars):

Federal Reserve Banks

U.S. government securities	420	Depository institution deposits	30
Other securities	20	Federal Reserve notes in circulation	410
Other assets	20	Other deposits	10
		Capital accounts	10
	460		460

Let's say that customers of depository institutions increase their demand for Federal Reserve notes by $1 billion. Depository institutions would obtain that quantity of Federal Reserve notes from the Federal Reserve against a $1 billion charge to their deposit accounts. The first round of accounting entries for the Federal Reserve would show an increase in Federal Reserve notes in circulation and a decrease in depository institution deposits, both of $1 billion:

Federal Reserve Banks

U.S. government securities	420	Depository institution deposits	~~30~~ 29
Other securities	20	Federal Reserve notes in circulation	~~410~~ 411
Other assets	20	Other deposits	10
		Capital accounts	10
	460		~~460~~ 460

This transaction would, however, leave depository institutions, in the aggregate, with a $1 billion deficiency in reserve balances or clearing balances, requirements for both of which are fixed in the short run. The result, without an offsetting action by the Federal Reserve, would be a tightening of conditions in the federal funds market and an increase in the federal funds rate. That result would be inconsistent with the Federal Reserve's monetary policy objectives, which are expressed in the very short run in terms of a particular value for the federal funds rate. To prevent that result, and thus preserve existing conditions in the federal funds market, the Federal Reserve would purchase $1 billion of securities (through an open market operation) in order to provide $1 billion of new reserves. The Federal Reserve's resulting balance sheet position would show liabilities for depository institution deposits restored to the original level; liabilities for Federal Reserve notes in circulation up $1 billion; and holdings of U.S. government securities up $1 billion:

Federal Reserve Banks

U.S. government securities	~~420~~ 421	Depository institution deposits	~~30~~ ~~29~~ 30
Other securities	20	Federal Reserve notes in circulation	~~410~~ 411
Other assets	20	Other deposits	10
		Capital accounts	10
	~~460~~ 461		~~460~~ ~~460~~ 461

In the new position, and for as long as the $1 billion of additional Federal Reserve notes remain in circulation, the Federal Reserve's earnings will be higher by the amount of earnings on the additional $1 billion of assets. At, say, 5 percent per year, the addition to earnings would be $50 million per year.

Since, at the margin, all of the Federal Reserve's earnings are paid to the U.S. Treasury, Treasury receipts likewise will benefit by $50 million annually. Because that $50 million would pay the Treasury's annual debt servicing cost on $1 billion of outstanding government debt, it may be said that an extra $1 billion of Federal Reserve notes outstanding has an effect equivalent to that of a $1 billion interest-free loan to Treasury.

tion, as in cross-border transactions within the former Soviet Union.

Quite apart from the phenomenon of the dollarized countries, U.S. currency is widely used and accepted internationally for business and leisure travel as well as for salaries of and remittances by migrant workers of many nationalities. Federal Reserve notes are also a preferred medium for holding stores of wealth in some countries in which gold once played a large role for that purpose.

The extent of the worldwide dispersion of its currency notes bestows important benefits on the United States, not least of which is that it provides significant revenue—perhaps as much as $15 billion per year—to the U.S. Treasury (see box, "How Federal Reserve Notes in Circulation Provide a Benefit to Taxpayers"). However, it also imposes certain obligations: Care must be taken not to disrupt the lives and livelihoods of the hundreds of millions of households and business firms outside the United States that have chosen to hold a significant portion of their wealth or working capital in U.S. currency.

In view of the widely dispersed holdings of Federal Reserve notes throughout the world and the considerable extent to which they are used by households for saving and by business firms for working capital, it seems appropriate that the Federal Reserve's issuing strategy would seek to minimize the inconvenience to holders of $100 notes. A more aggressive strategy could have been significantly disruptive to holders of those notes and possibly even have raised questions about the long-term desirability of holding U.S. currency notes as a vehicle for transactions and saving.

Another question is whether the strategy will achieve an acceptably timely replacement of old-design notes. The answer depends in part on an assessment of the counterfeiting threat and in part on the pace at which Federal Reserve notes can be expected to be deposited at Federal Reserve Banks.

The Counterfeiting Threat to U.S. Currency

The worldwide acceptance of U.S. currency has made it a favorite target of counterfeiters. Indeed, Federal Reserve notes are under attack from various sources, most of them located outside the United States, and various reprographic methods, ranging from home scanners and printers to commercial-type printing presses.

Fortunately, thanks to good law enforcement, a generally good design, and, especially, a watchful public, the currency of the United States is relatively free from counterfeits, both domestically and internationally. The current value of counterfeits passed on the public in the United States is on the order of $30 million per year, which is less than 15 cents per U.S. citizen.[3] Thus counterfeiting, though the cost of which is too high in principle, has no discernible effect on the U.S. economy. The successful passing of counterfeit U.S. currency outside the United States appears not to be appreciably different from that within the United States, in relation to the quantity of genuine notes in circulation.[4]

Moreover, the Federal Reserve is confident that it has a reasonably clear and up-to-date picture of the extent of counterfeiting of U.S. currency, both domestically and abroad, so that any material change would become evident fairly quickly. The clarity and timeliness of the Federal Reserve's picture of the counterfeiting situation are provided by, first, the large proportion of outstanding notes that the Federal Reserve Banks receive from circulation each year and are therefore able to examine and, second, the ability of note-verifying equipment and the staff at Federal Reserve Banks to accurately distinguish between genuine and counterfeit notes.

Counterfeits in $100 deposits at the Federal Reserve during 1995 amounted to 0.0075 percent. That is, the Federal Reserve Banks found, on average, seventy-five counterfeit $100 notes in every one million $100 notes processed. In value, counterfeits amounted to $6.9 million in $100 receipts of $93 billion. For 1995 deposits at Federal Reserve Banks that originated outside the United States, the rate of detection of counterfeit $100 notes was lower than the overall rate, at fifty-four per million.

The seventy-five-per-million detection rate of $100 counterfeits in deposits at Federal Reserve Banks in 1995 was slightly lower than the rate in 1994, which was eighty per million, and up slightly from the seventy-one-per-million rate in 1991.

Although Federal Reserve notes are relatively free from counterfeiting now, the security features of the pre-1996 design were considered inadequate for dealing with the emerging counterfeiting threats, especially those from computer-based scanners, printers, and copiers that will be available to large numbers of people and that will require little skill to operate. That threat, however, is not yet critical. Indeed, systems that use scanners—driven either by copiers or by computers—though becoming gradually better and cheaper, still account for a small percentage (7 percent) of the total $30 million in counterfeits passed on the public in the United States.[5]

Clearly, neither the current counterfeiting situation nor the likely threat over the coming several years argues for causing significant inconvenience or disruption to the public in order to remove pre-series-1996 notes from circulation. Nevertheless, the design features of series-1996 notes provide the public with better security against the future threat of counterfeiting by scanner-based tools and other methods, and old-design notes will, therefore, need to be replaced over time. The rapidity of the replacement of old-

3. Counterfeits "passed" are those that are detected in circulation, having been successfully used in a transaction. Passed counterfeits do not include those that are seized by law enforcement agencies before having entered circulation.

4. More information about the security of U.S. currency against counterfeiting may be found in "Statement by Theodore E. Allison, Assistant to the Board, Board of Governors of the Federal Reserve System, before the Subcommittee on General Oversight and Investigations of the Committee on Banking and Financial Services, U.S. House of Representatives, February 27, 1996," *Federal Reserve Bulletin*, vol. 82 (April 1996), pp. 320–22; and "Statement by Edward W. Kelley, Jr., Member, Board of Governors of the Federal Reserve System, before the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, July 13, 1994" *Federal Reserve Bulletin*, vol. 80 (September 1994), pp. 789–91.

5. Fiscal year 1995. Data provided by Counterfeit Division, U.S. Secret Service.

design notes that the Federal Reserve's issuing strategy will achieve depends on the frequency with which $100 notes are deposited at Federal Reserve Banks and thereby can be withdrawn and replaced.

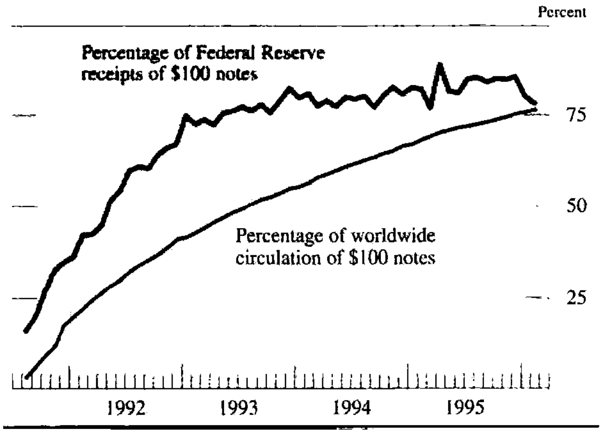
Rapidity of Replacement of Pre-1996 $100 Notes at Federal Reserve Banks

The Federal Reserve's experience in introducing series-1990 $100 notes can provide a basis for evaluating the rapidity of replacement of pre-1996 $100 notes with those of series-1996. The issuance of series-1990 notes began in August 1991 and concluded in March 1996 with the introduction of their successors. In issuing series-1990 notes, the Federal Reserve followed essentially the same procedure that was just described for the 1996 series.

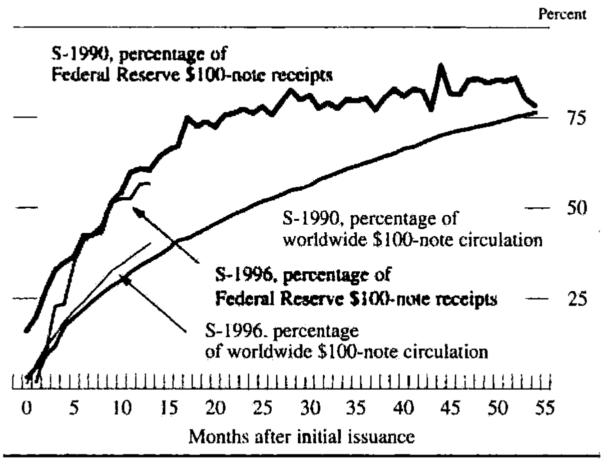
The extent of replacement of pre-1990 notes with series-1990 notes is indicated by the proportion of $100 notes in circulation at any point that is accounted for by notes of the new design. The System's accounting records allow the Federal Reserve to calculate this measure with high precision.[6] The proportion of $100 notes in worldwide circulation that was accounted for by series-1990 notes rose continuously after the initial introduction, reaching 50 percent in August 1993 (twenty-four months after initial introduction) and 75 percent at the end of 1995 (fifty-two months after initial introduction) (see charts 3 and 4).

6. Because the denominator of the fraction just described is the cumulative total of all $100 Federal Reserve notes issued in the past and because some of those notes have been lost, destroyed, or taken permanently out of circulation for numismatic purposes, the accounting approach slightly understates the true extent of replacement.

3. Issuance of series-1990 $100 notes: Proportion of worldwide circulation and of Federal Reserve receipts of all $100 notes, 1991–96



4. Issuance of series-1990 and series-1996 $100 notes: Proportion of worldwide circulation and of Federal Reserve receipts of all $100 notes



To estimate the rate of replacement of pre-1990 $100 notes within the United States, one can look at the deposits of $100 notes at Federal Reserve Banks. These deposits in any period represent the $100 notes that were taken in by depository institutions from their customers and were considered to be in excess of the institutions' needs in that period; therefore, they are assumed to be a good indicator of the general circulation of such notes within the United States. In the period following the introduction of series-1990 $100 notes, the proportion of these notes in $100 receipts at Federal Reserve Banks rose steadily and more quickly than the proportion for total circulation. Series-1990 $100 notes accounted for more than 75 percent of such deposit receipts by August 1993 (the twenty-four-month point) and more than 85 percent by the end of 1995 (after fifty-two months).

The extensive replacement of pre-1990 $100 notes within only 4⅓ years was made possible by a large volume of $100 deposits by depository institutions at Federal Reserve Banks. Throughout the period, annual Reserve Bank receipts of $100 notes consistently amounted to more than 30 percent of the average worldwide circulation of $100 notes. During 1994 and 1995, receipts at Reserve Banks identified by customers as coming from outside the United States amounted to about 10 percent and 15 percent, respectively, of the amounts estimated to be in circulation outside the country during those periods; the corresponding ratios for $100 deposits from domestic sources were 80 percent and 90 percent. Thus, the propensity of depository institutions to make frequent deposits at the Federal Reserve of $100 notes considered excess to their needs—on average, more than

30 percent of the total circulation of $100 notes each year and more than 80 percent of the domestically circulating $100 notes—gives the Federal Reserve an opportunity to remove a great many notes of the prior series and replace them with new-series notes, with no disruption to the public.

For the issuance of series-1996 $100 notes, thirteen months of available data are presented in chart 4. At the end of April 1997, series-1996 $100 notes composed 40.1 percent of all $100 notes in worldwide circulation, well ahead of the 35.5 percent level achieved after thirteen full months in the series-1990 introduction. At the same point, series-1996 notes composed 56.7 percent of the domestic circulation of $100 notes, as indicated by deposits at Federal Reserve Banks; this was close to (and, in a sense, better than) the 60.4 percent observed at the same point in the series-1990 introduction (better because it gives the Federal Reserve an opportunity to replace even more pre-1996 notes).

It does not seem overly optimistic to project that the circulation of series-1996 $100 notes will reach 75 percent of worldwide $100-note circulation and 85 percent of domestic circulation, ahead of the point at which those levels were achieved in the series-1990 introduction—that is, in fewer than fifty-two months or by early in the year 2000.

Summary

In its choice of issuing strategies for the series-1996 $100 note, the Federal Reserve was trying to balance the objectives of achieving a sufficiently rapid replacement of pre-1996 $100 notes while imposing as little disruption as possible on the holders of those notes. The essential features of the strategy adopted are that (a) there is no recall of pre-series-1996 $100 notes or any other requirement that the public exchange those notes and (b) pre-1996 $100 notes are withdrawn as soon as they are deposited at Federal Reserve Banks and are replaced with new-design notes.

The outstanding $100 notes are widely dispersed. Perhaps two-thirds of all $100 notes are held outside the United States, chiefly by a great many households and small business firms in countries in which U.S. currency is viewed as preferable to the local currency for household saving and for many household and business transactions. The issuing strategy is minimizing inconvenience to these holders; a more aggressive strategy, in terms of inducing a faster return of old-design $100 notes, could have been significantly disruptive to holders abroad, possibly even raising questions about the long-term desirability of using U.S. currency for saving and for business transactions. Neither the current counterfeiting situation nor the likely threat over the coming several years argues for causing significant inconvenience or disruption to the public in order to remove pre-series-1996 $100 notes from circulation.

As demonstrated in the introduction of the series-1990 $100 notes, the large volume of $100 notes deposited by depository institutions at Federal Reserve Banks makes possible an extensive and relatively prompt replacement, at the Reserve Banks, of earlier-series $100 notes with notes of the new series. By the year 2000, series-1996 $100 notes may well compose 75 percent of worldwide $100-note circulation and 85 percent of $100-note circulation within the United States.

In view of these circumstances, the Federal Reserve's choice of issuing strategy appears likely to achieve its objectives: a replacement of pre-series-1996 $100 notes that is timely in relation to the developing threat of counterfeiting, with a minimum impact on holders and users of those notes throughout the world. □

Open Market Operations during 1996

This article is adapted from a report to the Federal Open Market Committee by Peter R. Fisher, Executive Vice President of the Federal Reserve Bank of New York and Manager of the System Open Market Account. Gerald D. Cohen of the Domestic Money Markets Staff was primarily responsible for the preparation of this report. Many other members of the Markets Group assisted in the preparation; Cassandra Bryant and Drew Matus deserve special recognition for their invaluable research support.

During 1996, the Trading Desk at the Federal Reserve Bank of New York (the Desk) managed reserve conditions with the objective of maintaining the federal funds rate around the level desired by the Federal Open Market Committee (FOMC). As was the case last year, the need for permanent reserve additions was relatively modest as demand for currency grew moderately and reserve requirements declined because of the continued spread of sweep programs at commercial banks. The decrease in balances of depository institutions at Reserve Banks (operating balances) had an impact on bank reserve management strategies and the Desk's choice of operations. The Desk paid close attention to the daily pattern of reserve demands and, by tailoring its operations accordingly, maintained funds trading close to the FOMC's desired rate.

At the start of 1996, available evidence indicated that a moderating economic expansion over the preceding months had reduced potential inflationary pressures going forward while price and cost trends were already subdued. The FOMC eased monetary policy slightly at its first meeting of the year, lowering the intended federal funds rate from 5½ percent to 5¼ percent (table 1). On the same day, the Board of Governors approved a reduction in the discount rate from 5¼ percent to 5 percent. By midyear, concern that inflation pressures were building caused the FOMC to adopt an asymmetric directive. However, although the pace of economic expansion was generally robust, inflation remained quiescent, and the Federal Reserve took no further policy actions to affect interest rates in reserve markets.

1. Specifications from Directives of the Federal Open Market Committee and related information, December 19, 1994–December 17, 1996

Date of meeting	Discount rate (percent)	Expected federal funds rate (percent)	Borrowing allowance for deriving NBR path (millions of dollars)[1]
12/19/94	5.25	5.50	75 50 on 1/18[2]
1/30 to 1/31/96 .	5.00 on 1/31	5.25 on 1/31	50[3]
3/26/96	5.00	5.25	75 75 on 4/25[2] 100 on 5/9[2]
5/21/96	5.00	5.25	100 150 on 5/23[2] 175 on 6/6[2] 225 on 6/20[2]
7/2 to 7/3/96 ...	5.00	5.25	225 300 on 7/5[2] 325 on 7/18[2]
8/20/96	5.00	5.25	325
9/24/96	5.00	5.25	325 300 on 9/26[2] 250 on 10/10[2] 200 on 10/24[2] 100 on 11/7[2]
11/13/96	5.00	5.25	100 75 on 11/21
12/17/96	5.00	5.25	*75

1. The borrowing allowance associated with the expected federal funds rate.
2. Change in borrowing assumption reflects technical adjustment to account for actual or prospective behavior of seasonal borrowing.
3. The allowance was unchanged because the spread between the discount rate and the expected federal funds rate was not changed.

IMPLEMENTATION OF POLICY

Reserve Management Procedures and Practices

Operating Procedures

In carrying out the FOMC's policy directives, the Desk seeks to maintain the federal funds rate around the level indicated by the Committee. Current operating procedures control the supply of reserves so that they conform to the aggregate demand that banks have for holding these balances at the FOMC's desired funds rate.

The average estimated demand that banks have for holding reserves in each two-week maintenance period is embodied in the nonborrowed reserve objective or path. The path is a projection of the reserves—

balances held at the Federal Reserve plus applied vault cash—that banks must hold to meet their reserve requirements, plus any excess balances they wish to hold, less an amount of reserves that the Desk anticipates will be provided by borrowing at the discount window. Open market operations are the tool used to close any estimated gap between this demand for nonborrowed reserves and the supply forthcoming from market factors.

The borrowing allowance has retained a formal role in the construction of the nonborrowed reserve objective even though the link between the adjustment component and the spread between the federal funds and discount rates has virtually disappeared. In constructing the nonborrowed reserve objective, the Desk now expects borrowing to meet just a very small fraction of total reserve demand in most maintenance periods, even with the seasonal component added. Nevertheless, adjustment borrowing can increase to substantial levels in reaction to large, inadvertent reserve shortages that would otherwise leave banks in overdraft positions or short of meeting their reserve requirements on settlement days.

Daily Formulation and Execution of Open Market Operations

Open market operations are used to bring reserve supplies in line with demand on a daily basis to keep the funds rate at or near the level desired by the FOMC. However, while period-average demands are captured in the nonborrowed reserve objective, daily levels of demand may fluctuate. Reserve supplies can also vary from day to day because of changes in numerous underlying factors. As a result, reserve imbalances may develop on any day, potentially causing the federal funds rate to deviate from its intended level. Banks' ability to average their reserve holdings over a two-week maintenance period to meet requirements can temper the pressure on the federal funds rate when imbalances in supply and demand develop.

Each morning the Desk receives updated estimates of daily reserve supplies. The nonborrowed reserve path may be adjusted formally or informally to account for revisions to required reserves or updated judgments about the level of excess reserves that banks wish to hold. Following episodes of high adjustment borrowing, the nonborrowed reserve objective may also be adjusted to reflect the increased supply of reserves that are forthcoming from this source. Meanwhile, estimates of nonborrowed reserve supply over the same two-week period will be updated to reflect actual levels from the previous day and the effects of any open market operations arranged the previous day and to reflect revisions to projected changes in the behavior of factors affecting nonborrowed reserves in upcoming days. Utilizing such daily reserve information, the Desk maintains the federal funds rate in a range around the expected level through its open market operations. The observed behavior of the funds rate is also used in formulating operations to the extent that it is believed to be indicative of the true level of demand or supply. However, deviations in the funds rate may reflect market participants' own perceptions about the balance between aggregate reserve supply and demand, which at times may be based on a misreading of market conditions. Thus, the Desk considers both the reserve forecasts and funds market conditions when planning open market operations.

In 1996, the Desk arranged outright purchases of securities and occasional matched-sale transactions, but the largest share of its operations was repurchase agreements (RPs). As in past years, the usual time for arranging temporary operations was 11:30 a.m. eastern time, shortly after revisions to reserve projections became available. Because activity in the RP market peaks much earlier in the morning, operations always carry some risk that available collateral will be insufficient to meet the Desk's reserve objective for the day, an outcome that in fact has occurred from time to time in recent years. For this reason, on days when the Desk intended to arrange fairly large-sized RPs, operations would sometimes be preannounced or arranged an hour or so ahead of the usual intervention time to help ensure adequate propositions.

Late in 1996, following a number of changes to the methods and times for compiling reserve data within the Federal Reserve System, the New York and Board staffs began preparing their reserve forecasts on an earlier schedule. In December, the Desk announced that, starting in 1997, its normal market entry time for temporary operations would be advanced one hour, to between 10:30 a.m. and 10:45 a.m.[1] Also starting in 1997, the Desk would begin announcing the total par value of all accepted propositions on each market operation, temporary and outright, just after their completion. Before this change, the Desk would indicate only the intended size of "customer" operations.

1. In conjunction with this change, the deadline for accepting dealers' withdrawals on term RPs that are not fixed was to be advanced one hour, to 10:00 a.m.

Open Market Operations

The general pattern of Desk activity during 1996 closely followed that of 1995, with seasonal increases in required reserves and currency demand creating reserve needs that were addressed, in part, with outright operations. The remaining needs were met with temporary operations. One factor that had an impact on the formulation of open market operations in 1996 was the growth in retail deposit sweep accounts and the associated decrease in required reserves and required operating balances. The decline in required reserves lessened the need for outright purchases. The lower required operating balances at times seemed to affect the intra-period demand for reserves. For example, on days of heavy payment flows, the demand for excess reserves seemed to be greater than in the past. The Desk was sensitive to the pattern of reserve demands and tailored its operations accordingly. Overall, banks appeared to adjust to lower required operating balances without any meaningful change in the amount of excess reserves held.

In 1996, banks and their affiliated branches swept an estimated $170 billion from reservable transaction account balances, $116 billion more than in the preceding year.[2] Estimates indicate that these sweeps scaled back reserve requirements by between $10 billion and $11 billion.[3] Recognizing that the decline in reserve requirements could complicate their reserve management, banks increased their clearing balance requirements $1.6 billion. The net effect of these changes, together with a slight ($0.4 billion) increase in applied vault cash, was a $5.5 billion decline in required operating balances, from $24.1 billion in late 1995 to $18.6 billion in December 1996.[4]

2. A retail sweep is initiated when balances in either a demand deposit or a negotiable order of withdrawal (NOW) account are transferred by the financial institution to a nonreservable money market deposit account (MMDA). Depending on the specific sweep arrangements, those funds may be "swept" into the MMDA either for an entire month, unless presentments exceed the account holder's demand deposit or NOW account balances, or for the weekend. For a more in-depth discussion of sweep programs, see "Open Market Operations during 1995" in *Federal Reserve Bank of New York, Annual Report, 1995.*

All sweep estimates refer to amounts initially swept by the depository institution. These figures are not updated to include any subsequent shifts in the underlying balances.

The increase in initial sweeps during 1996 was distinguished from the activity of earlier years by two factors. First, a larger population of banks and branches opted either to initiate or to expand their sweep operations. Second, sweep activity was increasingly augmented to include demand deposits. In December 1995, initial sweeps from demand deposits were minimal, at $230 million, or just 0.4 percent of the total. Twelve months later, these sweeps rose to $17.1 billion, approaching 10 percent of all recorded sweeps.

3. The effect of sweeps on reserve requirements is calculated in the following manner. First, we take the level of initial sweeps, which rose $116 billion in 1996, from $54 to $170 billion. Second, we apply reserve requirement ratios that are based on the level of deposits at each bank, with a 3 percent reserve requirement on the first $52 million of deposits and a 10 percent requirement on any additional deposits. Since some smaller banks initiated sweep programs, the 10 percent requirement does not apply to all $116 billion of sweeps.

Permanent Activity for the System Open Market Account

Reserve Patterns

Changes in the size of the System's portfolio of domestic securities are designed to offset movements in operating factors that affect reserve supplies as well as to accommodate shifts in reserve demand. Over time, most of the permanent expansion of the System Open Market Account (SOMA) has served to support the growth of currency. Shifts in other factors and in levels of reserve requirements, although significant in some years, over time have been of lesser importance. In 1996, currency in circulation grew $25.0 billion, up about $4.2 billion from its growth in 1995 but still well below the increases registered in each of the preceding three years. The need for a permanent expansion in the portfolio to support the growth in currency was moderated by a $6.8 billion decline in required reserves.[5] Movements in other factors affecting nonborrowed reserve supply or demand did not contribute significantly, on net, to the need for permanent changes in the portfolio.

Outright Open Market Operations

To provide reserves on a permanent basis, the System's portfolio of domestic securities expanded $14.7 billion over 1996, measured from year-end to year-end and excluding all temporary operations (Appendixes B and C). A total of $17.1 billion of U.S. Treasury securities was bought outright in the market, with purchases arranged when large and sustained reserve shortages were projected to develop. Two bill passes were arranged, the first in June and the second—a record-sized $6.5 billion purchase—in November. There were also two sets of coupon passes, the first spread over two business days in April and the second spread over four business days

4. Required reserve balances (required reserves less applied vault cash) are those balances held at the Federal Reserve to meet required reserve needs. Required operating balances include both required reserve balances and required clearing balances.

5. The decrease induced by sweep accounts was partially offset by growth in other reservable deposits. Thus, required reserves fell about $4 billion less than the estimated sweep effect.

in August. Each set of coupon passes consisted of three separate operations covering different sectors of the yield curve. Only a very small amount of securities was purchased directly from foreign accounts. In addition to providing the reserves necessitated by movements in operating factors, outright purchases offset \$2.4 billion of redemptions of securities. These redemptions primarily reflected original issue seven-year Treasury notes and some holdings of federal agency securities that matured on dates when no suitable replacement securities were available.

After the bill pass in November, no further outright purchases were made in 1996. In previous years, a greater portion of the reserve needs caused by the late-year seasonal buildup in currency and required reserves was met with permanent additions to the SOMA, with the Desk typically arranging one additional outright operation over the balance of the year.[6] These acquisitions also usually left the Desk in a position of having to drain reserves with temporary (and sometimes even permanent) operations in late January or early February of the following year when the seasonal increases in currency and required reserves unwound. This time of year is also typically marked by seasonally low levels of required reserve balances because levels of vault cash remain high when the level of reserve requirements declines sharply.

The absence of further outright operations in late 1996 was intended to place the Desk in a position of needing to add reserves with temporary operations when required reserve balances reached their seasonal low level early in 1997. Two factors motivated this decision. First, the Desk did not want to drain reserves during periods when low operating balances might lead to late-day firmness in the money market. Second, bank reserve managers had all their experience with new lows in operating balances in 1996 in the context of net reserve shortages. The Desk felt that it would be better situated to respond to any resultant change in funds market conditions with RPs rather than matched-sale transactions.

SOMA Portfolio Management

Over the course of the year, the Desk continued to manage the permanent holdings in the SOMA domestic portfolio in a manner that ensured the liquidity of the portfolio. Liquidity was maintained by holding Treasury bills and Treasury coupon securities in roughly equal proportions. At the same time, to minimize any influence over the available public holdings of specific issues and thereby leave debt management in the domain of the Treasury, the acquisition of bills and coupons largely mirrored the distribution of Treasury issues within these two general classes of instruments. As of the end of 1996, the net impact of all the Desk's activities affecting its permanent holdings, including rollovers of maturing securities, left the average maturity of Treasury securities in the SOMA at 41 months, about two months greater than it was one year earlier but below the 61-month average maturity of total marketable Treasury debt. The Treasury's expanded issuance of 10-year notes and 30-year bonds contributed to the slight increase in maturity of the SOMA portfolio.

In late October, the Treasury announced that it would change the treatment of SOMA's noncompetitive bids at Treasury bill auctions. Beginning in the first part of 1997, SOMA rollovers would be treated as add-ons to the publicly auctioned amount rather than deductions from the total auctioned size. This change would provide better information to market participants about the amount of bills available for sale to the public, with the only remaining uncertainty being the rollover amount of foreign institutions.

Temporary SOMA Activity

Reserve Patterns

Temporary, or self-reversing, operations are an important tool used to meet reserve needs not addressed by outright operations. These residual needs can vary considerably in size from period to period, as well as from day to day, and in 1996 ranged from moderate "drain" to sizable "add" needs. In a typical maintenance period with an add need, the Desk often arranged successive multiday RPs spanning the entire period. These operations would be supplemented by shorter-term operations as circumstances warranted. In particular, overnight operations were frequently employed on the settlement day to address all remaining period needs. Most multiday RPs were of the nonwithdrawable variety, but after the second weekend withdrawable operations were sometimes used to provide more flexibility in dealing with possible revisions to estimates of reserve supply or demand during the brief time that remained in the period. If substan-

6. Over the final quarter of 1995, on net, the SOMA increased its securities holdings \$9.7 billion to help meet the \$15.0 billion seasonal increase in currency growth and reserve requirements. In the fourth quarter of 1996, the system met only \$6.4 billion of the \$18.0 billion seasonal increase in currency and required reserves through permanent increases in its portfolio.

tial reserve needs were projected in a maintenance period, overlapping term operations were sometimes used.

From the demand side, reserve needs were skewed toward the second half of maintenance periods, continuing a pattern seen in recent years. This pattern seems to be related to the decrease in required operating balances, which increases the likelihood that everyday uncertainties will bring a bank's reserve position closer to one of two extremes: either ending the day overdrawn or holding an excess position that is difficult to work off on subsequent days. Thus, banks delay fully meeting their reserve requirements until late in a maintenance period.

The profile of demand within a maintenance period was not necessarily constant throughout 1996. For example, during the second quarter, banks on average held negative cumulative excess reserves until relatively late in a maintenance period. One reason the daily pattern of excess demand within maintenance periods varied over the year is that days of heavy payment flows that heightened the demand for reserves, such as Treasury security settlement days, fell within maintenance periods at different times over the course of the year. The Desk attempted to accommodate banks' increased demand for reserves on these days as well as their desire on surrounding days to offset these elevated holdings.[7]

Fluctuations in the funds rate may arise late in the day as banks attempt to avoid either overdrafts or excess reserves, especially when low reserve requirement levels limit their flexibility. One way to observe this is through the intraday range in the funds market. The intraday range rose during early 1991, when reserve requirements were sharply reduced; in contrast, the increase over the past two years has been modest. Another measure of intraday funds rate movements is the volume-weighted standard deviation of daily trading. This statistic captures the level of variation of trading around the effective rate. The standard deviation of daily trading in the funds market increased modestly over the past two years.

Reserve Forecasts

Throughout most of 1996 the Desk was in a position of having to add a moderate amount of reserves on a temporary basis. Most of the reserve additions were in the range of $2.5 billion to $7.5 billion per maintenance period. Larger operations occurred near the end of the year, when the reserve drain caused by the seasonal increase in currency demand necessitated temporary operations that added as much as $16.3 billion of reserves on a period average basis. The largest reserve drain periods occurred in late January and early February, when currency demand was at its yearly seasonal trough.

The projections of open market operations that were needed to meet path for each reserve maintenance period have varied over the past two years and were revised within each period as required reserves and market factor projections were updated. In most periods in 1996, the revisions between the initial estimates and the final estimates were small, but large revisions—most notably the $2.7 billion revisions in the maintenance periods ending mid-January and early December—occasionally arose.

On average, the size of market factor forecast errors made when comparing the estimates at the beginning of the period with the final projections made at the end of the period were somewhat larger during 1996 than during 1995. The main reason for this apparent deterioration in forecasting accuracy was a significant increase in the error for applied vault cash, although float and currency in circulation also showed larger errors.

The deterioration in the projections of applied vault cash is attributable to an increase in the proportion of depositories that are not bound or only intermittently bound by reserve requirements as a result of sweep accounts.[8] For a bound institution, the level of vault cash that can be applied to reserve requirements (applied vault cash) is equal to the total vault cash held by that institution in the previous maintenance period. Data on applied vault cash are available for these banks early in the maintenance period. However, for institutions that are nonbound, applied vault cash equals the current level of required reserves, for which final numbers are known only after the maintenance period ends. As more institutions have become nonbound because of sweep arrangements, projections of aggregate applied vault cash have depended more heavily on forecasts of aggregate required reserves and less on known amounts of lagged total vault cash. Moreover, sweep accounts have increased the number of institutions that switch between being

7. Actual excess holdings are affected by the Desk's own reserve management decisions and are subject to unexpected movements in reserve supply arising from operating factors. The Desk's operations are designed to provide a level of reserve supply consistent with its best estimate of demand.

8. A bank is said to be "bound" by reserve requirements if its holdings of vault cash are insufficient to meet all of its reserve requirement and it consequently must hold positive balances in its account with the Federal Reserve.

bound and nonbound from maintenance period to maintenance period, complicating the projection problem. Staff have mitigated the forecast errors somewhat by modifying procedures and software to take full advantage of incoming data on individual institutions so that applied vault cash projections are updated as the maintenance period progresses. However, errors are likely to remain somewhat larger under the current reserve requirement structure.

Temporary Open Market Operations

As a result of the issues discussed above and the effect of low operating balances, the Desk relied on a larger number of overnight system operations. These were used to tailor reserve positions to the day-to-day fluctuations in the intra-period demand for reserves, a demand that was often revealed by the behavior of the funds rate. The number of multiday operations was similar to that in recent years, but the Desk lengthened the maturity of many of the operations this year.

The total volume of arranged RPs exceeded that in 1995, in part because of a decision by the Manager of the System Open Market Account to conduct fewer outright operations late in the year. The Desk met the larger need at the end of 1996 by layering a number of sizable, relatively long-lived, temporary operations. Although this strategy received a fair amount of attention from market participants, empirical analysis suggests that the funds market traded much as it had in previous years when the temporary need was smaller and much as it had been trading in 1996 before the seasonal add need developed.

Appendix A: Authorization for Domestic Open Market Operations

Open market operations during 1996 were conducted under the Authorization for Domestic Open Market Operations. No temporary change was made to the authorization during 1996, and the authorized limit on intermeeting-period changes in System account holdings of U.S. government and federal agency securities was held to $8 billion throughout the year.

The Authorization for Domestic Open Market Operations in effect for 1996 is reprinted below:

Authorization for Domestic Open Market Operations

1. The Federal Open Market Committee authorizes and directs the Federal Reserve Bank of New York, to the extent necessary, to carry out the most recent domestic policy directive adopted at a meeting of the Committee:

(a) To buy or sell U.S. government securities, including securities of the Federal Financing Bank, and securities that are direct obligations of, or fully guaranteed as to principal and interest by, any agency of the United States in the open market, from or to securities dealers and foreign and international accounts maintained at the Federal Reserve Bank of New York, on a cash, regular, or deferred delivery basis, for the System Open Market Account at market prices, and, for such Account, to exchange maturing U.S. government and federal agency securities with the Treasury or the individual agencies or to allow them to mature without replacement; provided that the aggregate amount of U.S. government and federal agency securities held in such Account (including forward commitments) at the close of business on the day of a meeting of the Committee at which action is taken with respect to a domestic policy directive shall not be increased or decreased by more than $8.0 billion during the period commencing with the opening of business on the day following such meeting and ending with the close of business on the day of the next such meeting;

(b) When appropriate, to buy or sell in the open market, from or to acceptance dealers and foreign accounts maintained at the Federal Reserve Bank of New York, on a cash, regular, or deferred delivery basis, for the account of the Federal Reserve Bank of New York at market discount rates, prime bankers acceptances with maturities of up to nine months at the time of acceptance that (1) arise out of the current shipment of goods between countries or within the United States, or (2) arise out of the storage within the United States of goods under contract of sale or expected to move into the channels of trade within a reasonable time and that are secured throughout their life by a warehouse receipt or similar document conveying title to the underlying goods; provided that the aggregate amount of bankers acceptances held at any one time shall not exceed $100 million;

(c) To buy U.S. government securities, obligations that are direct obligations of, or fully guaranteed as to principal and interest by, any agency of the United States, and prime bankers acceptances of the types authorized for purchase under 1(b) above, from dealers for the account of the Federal Reserve Bank of New York under agreements for repurchase of such securities, obligations, or acceptances in fifteen calendar days or less, at rates that, unless otherwise expressly authorized by the Committee, shall be determined by competitive bidding, after applying reasonable limitations on the volume of agreements with individual dealers; provided that in the event government securities or agency issues covered by any such agreement are not repurchased by the dealer pursuant to the agreement or a renewal thereof, they shall be sold in the market or transferred to the System Open Market Account; and provided further that in the event bankers acceptances covered by any such agreement are not repurchased by the seller, they shall continue to be held by the Federal Reserve Bank or shall be sold in the open market.

2. In order to ensure the effective conduct of open market operations, the Federal Open Market Committee authorizes and directs the Federal Reserve Banks to lend U.S. government securities held in the System Open Market Account to government securities dealers and to banks

participating in government securities clearing arrangements conducted through a Federal Reserve Bank, under such instructions as the Committee may specify from time to time.

3. In order to ensure the effective conduct of open market operations, while assisting in the provision of short-term investments for foreign and international accounts maintained at the Federal Reserve Bank of New York, the Federal Open Market Committee authorizes and directs the Federal Reserve Bank of New York (a) for System Open Market Account, to sell U.S. government securities to such foreign and international accounts on the bases set forth in paragraph l(a) under agreements providing for the resale by such accounts of those securities within fifteen calendar days on terms comparable to those available on such transactions in the market; and (b) for New York Bank account, when appropriate, to undertake with dealers, subject to the conditions imposed on purchases and sales of securities in paragraph 1(c), repurchase agreements in U.S. government and agency securities, and to arrange corresponding sale and repurchase agreements between its own account and foreign and international accounts maintained at the Bank. Transactions undertaken with such accounts under the provisions of this paragraph may provide for a service fee when appropriate.

APPENDIX B

B.1. Operations in U.S. Treasury securities and federally sponsored agency securities by the Federal Reserve Bank of New York, December 31, 1995–December 31, 1996

Thousands of dollars

Type of issue and maturity category	Purchases	Sales	Redemptions	Exchanges	Net change	Holdings, 12/31/96	Holdings, 12/31/95
	Operations for the System Open Market Account						
Government securities							
Treasury bills							
Outright transactions	9,900,700	0	0	−426,928,496 426,928,496	9,900,700	. . .	. . .
Matched sale–purchase transactions	3,092,399,472	3,094,769,379	0	0	−2,369,907	14,706,039,000	12,336,132,000
Market	52,874,000	52,874,000	0	0	0	0	0
Foreign official	3,039,525,472	3,041,895,379	0	0	−2,369,907	14,706,039,000	12,336,132,000
Total Treasury bills							
Including matched transactions	3,102,300,172	3,094,769,379	0	0	7,530,793	190,646,505	183,115,712
Excluding matched transactions	9,900,700	0	0	0	9,900,700	205,352,544	195,451,844
Treasury notes and bonds							
Within 1 year	524,200	0	2,014,839	−41,395,214	−42,885,853[1]	29,045,221	41,419,243
1 to 5 years	3,898,400	0	0	31,459,662	35,358,062[1]	95,607,624	85,272,558
5 to 10 years	1,116,100	0	0	6,665,552	7,781,652[1]	33,781,913	31,469,096
More than 10 years	1,655,000	0	0	3,270,000	4,925,000[1]	41,825,857	39,920,857
Total notes and bonds	7,193,700	0	2,014,839	0	5,178,861	200,260,615	195,081,754
Total Treasury securities							
Including matched transactions	3,109,493,872	3,094,769,379	2,014,839	0	12,709,654	390,907,120	378,197,466
Excluding matched transactions	17,094,400	0	2,014,839	0	15,079,561	405,613,159	390,533,598
Federally sponsored agency issues							
Rollovers	. . .	. . .	. . .	−3,006,000	. . .	. . .	. . .
Within 1 year	0	0	244,295	2,906,000	−344,295[2]	1,223,050	1,241,295
1 to 5 years	0	0	130,000	100,000	−30,000[2]	519,900	840,950
5 to 10 years	0	0	35,000	0	−35,000[2]	456,750	526,750
More than 10 years	0	0	0	0	0[2]	25,000	25,000
Total agency issues	0	0	409,295	0	−409,295	2,224,700	2,633,995
Total System Account							
Including matched transactions	3,109,493,872	3,094,769,379	2,424,134	0	12,300,359	393,131,820	380,831,461
Excluding matched transactions	17,094,400	0	2,424,134	0	14,670,266	407,837,859	393,167,593
	Operations for the Federal Reserve Bank of New York Account						
Repurchase agreements (RPs) by the Federal Reserve Bank of New York							
For the System	532,921,000	−525,200,000	0	0	7,721,000	21,583,000	13,862,000
Customer-related, passed through to the market	64,920,000	−64,920,000	0	0	0	0	0

1. Does not include the following maturity shifts (in thousands of dollars):

Within 1 year	*1 to 5 years*	*5 to 10 years*	*More than 10 years*
30,511,831	−25,022,996	−5,468,835	−20,000

2. Does not include the following maturity shifts (in thousands of dollars):

Within 1 year	*1 to 5 years*	*5 to 10 years*	*More than 10 years*
326,050	−291,050	−35,000	0

APPENDIX C

C.1. Total U.S. Treasury and federally sponsored agency securities held in the System Open Market Account, December 31, 1996

Thousands of dollars

Item	Holdings	Net change since 12/31/95
Total agency issues	2,224,700	–409,295
Total U.S. Treasury securities	390,907,120	12,709,654
Bills	190,646,505	7,530,784
Notes	150,921,721	1,588,571
Bonds	49,338,894	5,270,290
Total U.S. Treasury and agency issues	393,131,820	12,300,359

C.2. U.S. Treasury bills held in the System Open Market Account, December 31, 1996

Thousands of dollars, except as noted

Maturity date of issue outstanding	Holdings 12/31/96	Percentage of total issue outstanding
1/02/97	7,161,430	25.1
1/09/97[1]	107,320[2]	25.8
1/16/97[1]	4,580,821[2]	26.8
1/23/97	6,832,500	25.2
1/30/97	6,957,815	25.4
2/06/97	13,208,010	28.6
2/13/97	6,825,485	25.7
2/20/97	6,828,664	25.2
2/27/97	7,135,180	27.3
3/06/97	11,995,955	26.7
3/13/97	6,946,501	28.7
3/20/97	6,473,243	26.9
3/27/97	6,304,235	25.7
4/03/97	8,355,000	25.6
4/10/97	3,617,000	27.5
4/17/97	3,400,000	26.1
4/24/97	3,200,000	24.4
5/01/97	8,725,000	26.1
5/08/97	4,200,000	29.4
5/15/97	3,600,000	25.6
5/22/97	3,500,000	24.8
5/29/97	8,916,000	26.7
6/05/97	3,750,000	26.6
6/12/97	3,732,826	28.5
6/19/97	3,491,067	26.8
6/26/97	8,375,000	25.6
7/24/97	4,950,000	24.5
8/21/97	5,200,000	25.3
9/18/97	5,325,000	26.8
10/16/97	6,425,000	31.8
11/13/97	5,000,000	24.8
12/11/97	5,527,453	26.9
Total	**190,646,505**	. . .
Net change from 12/31/95	7,530,784	. . .

1. Holdings of the January 9 Treasury bills were reduced $11,900,000 and holdings of the January 16 Treasury bills by $2,806,039 reflecting sales under matched sale-purchase agreements.

2. The percentages include the amounts that were sold under matched sale–purchase transactions.

C.3. U.S. Treasury notes held in the System Open Market Account, December 31, 1996

Thousands of dollars, except as noted

Issue outstanding		Holdings, 12/31/96	Percentage of total issue outstanding	Net change since 12/31/95
Coupon	Maturity date			
Total that matured in 1996	. . .	0	. . .	–41,189,243
8.000	1/15/97	606,500	6.3	8,000
6.250	1/31/97	150,000	1.6	0
7.500	1/31/97	400,000	2.2	0
4.750	2/15/97	1,794,796	9.1	95,000
6.750	2/28/97	472,000	4.8	0
6.875	2/28/97	597,000	3.2	22,000
6.625	3/31/97	1,050,000	5.4	0
6.875	3/31/97	484,000	4.3	0
8.500	4/15/97	775,700	9.8	114,200
6.500	4/30/97	735,000	4.0	385,000
6.875	4/30/97	965,000	8.5	0
6.500	5/15/97	3,665,000	16.9	250,000
8.500	5/15/97	564,000	5.7	0
6.125	5/31/97	725,000	3.8	0
6.750	5/31/97	403,000	3.7	0
5.625	6/30/97	692,435	3.6	0
6.375	6/30/97	430,000	3.9	0
8.500	7/15/97	997,710	11.9	127,000
5.500	7/31/97	400,000	3.3	0
5.875	7/31/97	286,970	1.5	0
6.500	8/15/97	2,282,945	11.4	20,000
8.625	8/15/97	497,000	5.3	0
5.625	8/31/97	574,000	5.2	0
6.000	8/31/97	719,830	3.7	50,000
5.500	9/30/97	541,000	4.5	0
5.750	9/30/97	536,380	2.8	25,000
8.750	10/15/97	756,000	8.6	25,000
5.625	10/31/97	552,000	2.9	2,000
5.750	10/31/97	315,000	2.8	0
7.375	11/15/97	3,218,000	15.5	308,000
8.875	11/15/97	600,000	6.1	0
5.375	11/30/97	602,475	3.2	200,000
6.000	11/30/97	275,700	2.4	0
5.250	12/31/97	880,000	4.6	880,000
6.000	12/31/97	500,780	4.1	0
7.875	1/15/98	877,800	9.6	50,000
5.000	1/31/98	956,730	5.0	956,730
5.625	1/31/98	646,000	5.3	50,000
7.250	2/15/98	3,288,560	15.7	173,000
8.125	2/15/98	440,000	4.8	50,000
5.125	2/28/98	1,357,320	4.4	903,320
5.125	3/31/98	1,295,000	9.9	0
6.125	3/31/98	1,598,220	7.4	1,598,220
7.875	4/15/98	584,500	6.6	0
5.125	4/30/98	495,000	4.1	0
5.875	4/30/98	926,000	4.3	926,000
6.125	5/15/98	3,451,517	16.3	7,500
9.000	5/15/98	478,000	5.2	0
5.375	5/31/98	805,000	6.5	0
6.000	5/31/98	671,000	3.2	671,000
5.125	6/30/98	1,471,000	11.7	0
6.300	6/30/98	1,177,000	5.4	1,177,000
8.250	7/15/98	1,275,140	13.1	55,000
5.250	7/31/98	472,000	4.0	0
6.250	7/31/98	866,750	4.0	866,750
5.875	8/15/98	4,489,808	20.0	310,000
9.250	8/15/98	1,011,000	8.9	177,000
4.750	8/31/98	591,000	4.5	0
6.125	8/31/98	784,300	3.6	784,300
4.750	9/30/98	944,000	7.5	44,000
6.000	9/30/98	931,000	4.4	931,000
7.125	10/15/98	968,593	9.5	0
4.750	10/31/98	857,900	6.6	0
5.875	10/31/98	825,000	3.9	825,000
5.500	11/15/98	2,519,635	12.2	35,000
8.875	11/15/98	535,000	5.4	25,000
5.125	11/30/98	929,000	7.7	50,000
5.625	11/30/98	285,000	1.4	285,000
5.125	12/31/98	1,579,662	12.7	0
5.750	12/31/98	875,000	4.2	875,000
6.375	1/15/99	892,045	8.5	36,500
5.000	1/31/99	377,000	2.9	0

C.3.—Continued

Thousands of dollars, except as noted

Issue outstanding: Coupon	Issue outstanding: Maturity date	Holdings, 12/31/96	Percentage of total issue outstanding	Net change since 12/31/95
5.000	2/15/99	3,472,140	15.8	3,472,140
8.875	2/15/99	845,000	8.7	152,000
5.500	2/28/99	435,000	3.7	0
5.875	3/31/99	1,875,000	14.6	0
7.000	4/15/99	1,073,700	10.5	0
6.500	4/30/99	1,219,620	9.9	0
6.375	5/15/99	2,602,124	11.2	2,602,124
9.125	5/15/99	1,127,500	11.3	0
6.750	5/31/99	586,990	4.8	0
6.750	6/30/99	1,644,820	12.6	1,000
6.375	7/15/99	349,000	3.5	2,000
6.875	7/31/99	1,146,400	9.3	117,400
6.000	8/15/99	1,780,110	7.8	1,780,110
8.000	8/15/99	797,600	7.8	29,600
6.875	8/31/99	701,480	5.7	100,000
7.125	9/30/99	1,078,752	8.4	0
6.000	10/15/99	406,115	3.9	0
7.500	10/31/99	508,315	4.2	10,000
5.875	11/15/99	2,715,968	11.9	2,715,968
7.875	11/15/99	687,000	6.4	20,000
7.750	11/30/99	412,145	3.5	77,300
7.750	12/31/99	1,354,665	10.9	25,000
6.375	1/15/00	689,545	6.8	0
7.750	1/31/00	612,440	5.1	80,000
8.500	2/15/00	832,000	7.8	0
7.125	2/29/00	935,290	7.5	65,000
6.875	3/31/00	1,205,510	9.2	60,000
5.500	4/15/00	360,000	3.4	0
6.750	4/30/00	767,750	6.2	115,000
8.875	5/15/00	480,000	4.6	0
6.250	5/31/00	642,460	5.1	15,000
5.875	6/30/00	740,100	5.9	15,100
6.125	7/31/00	385,000	3.1	10,000
8.800	8/15/00	844,400	7.6	0
6.250	8/31/00	515,000	4.3	0
6.125	9/30/00	724,000	6.0	199,000
5.750	10/31/00	537,430	4.4	0
8.500	11/15/00	841,000	7.3	25,000
5.625	11/30/00	380,000	3.1	30,000
5.500	12/31/00	800,000	6.3	800,000
5.250	1/31/01	800,000	6.3	800,000
7.750	2/15/01	677,500	6.0	0
5.625	2/28/01	800,000	6.3	800,000
6.375	3/31/01	1,500,000	10.6	1,500,000
6.250	4/30/01	865,000	6.3	865,000
8.000	5/15/01	892,000	7.2	0
6.500	5/31/01	655,000	4.8	655,000
6.625	6/30/01	1,100,000	7.7	1,100,000
6.625	7/31/01	700,000	5.0	700,000
7.875	8/15/01	1,115,000	9.1	20,000
6.500	8/31/01	525,000	3.8	525,000
6.375	9/30/01	650,000	4.5	650,000
6.250	10/31/01	570,000	3.9	570,000
7.500	11/15/01	1,543,000	6.4	175,000
5.875	11/30/01	190,000	1.4	190,000
6.125	12/31/01	600,000	4.3	600,000
7.500	5/15/02	981,009	8.4	0
6.375	8/15/02	2,190,000	9.2	0
6.250	2/15/03	2,095,000	8.9	0
5.750	8/15/03	3,620,000	12.9	0
5.875	2/15/04	550,000	4.2	0
7.250	5/15/04	1,880,550	13.1	0
7.250	8/15/04	810,000	6.1	60,000
7.875	11/15/04	1,613,040	11.3	10,000
7.500	2/15/05	1,150,000	8.3	0
6.500	5/15/05	2,000,000	13.6	0
6.500	8/15/05	1,800,000	12.9	0
5.875	11/15/05	1,700,000	11.2	0
5.625	2/15/06	1,500,000	9.7	1,500,000
6.875	5/15/06	1,700,000	10.6	1,700,000
7.000	7/15/06	1,620,752	7.1	1,620,752
6.500	10/15/06	1,844,800	8.2	1,844,800
Total Treasury notes	...	**150,921,721**	...	**1,588,571**

C.4. U.S. Treasury bonds held in the System Open Market Account, December 31, 1996

Thousands of dollars, except as noted

Issue outstanding: Coupon	Issue outstanding: Maturity date	Holdings, 12/31/96	Percentage of total issue outstanding	Net change since 12/31/95
Total that matured in 1996	...	0	...	0
3.500	11/15/98	30,750	10.3	0
11.750	2/15/01	160,803	10.7	0
13.125	5/15/01	165,726	9.2	0
8.000	8/15/01	0	0	−505,810[1]
13.375	8/15/01	256,092	14.2	0
15.750	11/15/01	172,904	9.6	0
14.250	2/15/02	159,800	8.9	0
11.625	11/15/02	347,850	12.4	0
10.750	2/15/03	739,250	24.6	85,000
10.750	5/15/03	256,000	8.0	50,000
11.125	8/15/03	432,500	12.4	6,100
11.900	11/15/03	505,240	6.9	56,000
12.375	5/15/04	769,786	20.3	121,000
13.750	8/15/04	367,000	9.2	176,000
11.625	11/15/04	519,200	6.3	0
8.250	5/15/05	1,513,660	36.0	0
12.000	5/15/05	214,476	5.0	0
10.750	8/15/05	882,000	9.5	357,000
9.375	2/15/06	20,000	.4	0
7.625	2/15/07	1,396,164	33.2	0
7.875	11/15/07	378,500	25.2	0
8.375	8/15/08	788,500	37.5	0
8.750	11/15/08	1,588,500	30.5	0
9.125	5/15/09	891,205	19.4	20,000
10.375	11/15/09	1,075,939	25.6	0
11.750	2/15/10	717,400	28.7	0
10.000	5/15/10	1,176,556	39.2	0
12.750	11/15/10	1,260,865	26.8	0
13.875	5/15/11	1,073,542	23.3	30,000
14.000	11/15/11	885,091	18.1	0
10.375	11/15/12	1,611,741	14.7	0
12.000	8/15/13	3,040,772	20.5	25,000
13.250	5/15/14	869,450	17.4	259,000
12.500	8/15/14	905,720	17.8	50,000
11.750	11/15/14	1,195,000	19.9	0
11.250	2/15/15	1,335,733	10.5	0
10.625	8/15/15	905,000	12.7	0
9.875	11/15/15	501,500	7.3	35,000
9.250	2/15/16	780,000	10.7	0
7.250	5/15/16	995,000	5.3	0
7.500	11/15/16	1,185,000	6.3	140,000
8.750	5/15/17	744,000	4.1	200,000
8.875	8/15/17	820,000	5.9	0
9.125	5/15/18	296,900	3.4	0
9.000	11/15/18	256,000	2.8	0
8.875	2/15/19	583,000	3.0	0
8.125	8/15/19	1,574,900	7.8	130,000
8.500	2/15/20	590,879	5.8	0
8.750	5/15/20	605,000	5.9	165,000
8.750	8/15/20	1,113,000	10.1	348,000
7.875	2/15/21	463,000	4.2	38,000
8.125	5/15/21	610,000	5.1	120,000
8.125	8/15/21	360,000	3.0	0
8.000	11/15/21	855,000	2.6	50,000
7.250	8/15/22	445,000	4.3	45,000
7.625	11/15/22	470,000	4.4	0
7.125	2/15/23	982,000	5.3	0
6.250	8/15/23	980,000	4.3	0
7.500	11/15/24	450,000	3.9	0
7.625	2/15/25	700,000	6.0	0
6.875	8/15/25	1,100,000	8.7	0
6.000	2/15/26	900,000	7.0	900,000
6.750	8/15/26	900,000	8.3	900,000
6.500	11/15/26	1,470,000	12.8	1,470,000
Total Treasury bonds	...	**49,338,894**	...	**5,270,290**

1. Called issue.

C.5. Federal Home Loan Bank securities held in the System Open Market Account, December 31, 1996
Thousands of dollars, except as noted

Issue outstanding		Holdings, 12/31/96	Percentage of total issue outstanding	Net change since 12/31/95
Coupon	Maturity date			
Total that matured in 1996	...	0	...	−116,000
6.850	2/25/97	26,700	.6	0
7.650	3/25/97	12,000	2.6	0
9.150	3/25/97	5,000	1.7	0
6.990	4/25/97	14,000	3.8	0
5.260	4/27/98	14,000	4.7	0
9.250	11/25/98	5,000	1.1	0
9.300	1/25/99	2,000	.6	0
8.600	6/25/99	3,900	1.2	0
8.450	7/26/99	5,000	2.0	0
8.600	8/25/99	11,000	4.5	0
8.375	10/25/99	10,000	3.7	0
8.600	1/25/00	6,000	2.0	0
Total	...	**114,600**	...	**−116,000**

C.6. Federal National Mortgage Association securities held in the System Open Market Account, December 31, 1996
Thousands of dollars, except as noted

Issue outstanding		Holdings, 12/31/96	Percentage of total issue outstanding	Net change since 12/31/95
Coupon	Maturity date			
Total that matured in 1996	...	0	...	−188,500
7.600	1/10/97	160,000	9.7	0
9.200	6/10/97	27,000	4.5	0
8.950	7/10/97	10,000	1.7	0
9.550	9/10/97	35,000	7.0	0
5.700	9/11/97	0	0	−45,000[1]
5.350	10/10/97	4,700	.6	0
8.650	2/10/98	10,000	1.6	0
5.300	3/11/98	50,000	6.3	0
9.150	4/10/98	30,000	5.0	0
9.400	8/10/98	50,000	10.0	0
7.850	9/10/98	48,000	7.4	0
5.300	12/10/98	15,000	2.1	0
7.050	12/10/98	30,000	2.7	0
9.550	3/10/99	25,000	3.6	0
7.500	3/10/99	0	0	−50,000[1]
8.700	6/10/99	23,000	2.8	0
8.450	7/12/99	5,000	1.0	0
7.000	8/11/99	15,000	3.0	0
6.450	10/14/99	100,000	25.0	100,000
8.350	11/10/99	7,000	.4	0
6.100	2/10/00	25,000	5.0	0
9.050	4/10/00	10,000	1.3	0
9.200	9/11/00	10,000	2.5	0
8.625	4/10/01	0	0	−35,000[1]
8.700	6/11/01	0	0	−20,000[1]
8.875	7/10/01	0	0	−5,000[1]
7.200	1/10/02	10,000	2.0	0
7.900	4/10/02	10,000	1.4	0
7.800	6/10/02	40,100	6.7	0
7.300	7/10/02	12,000	2.4	0
6.950	9/10/02	35,000	5.4	0
6.625	4/10/03	30,000	4.3	0
6.450	6/10/03	25,000	5.0	0
6.200	7/10/03	15,000	3.0	0
5.800	12/10/03	10,000	1.3	0
7.600	4/14/04	100,000	12.5	0
7.550	6/10/04	24,650	3.1	0
8.050	7/14/04	5,000	.8	0
8.250	10/12/04	30,000	7.5	0
6.850	9/12/05	20,000	5.0	0
6.700	11/10/05	100,000	25.0	0
10.350	12/10/15	10,000	4.0	0
8.200	3/10/16	15,000	3.7	0
Total	...	**1,181,450**	...	**−243,500**

1. Called issue.

C.7. Federal Farm Credit Bank securities held in the System Open Market Account, December 31, 1996
Thousands of dollars, except as noted

Issue outstanding		Holdings, 12/31/96	Percentage of total issue outstanding	Net change since 12/31/95
Coupon	Maturity date			
Total that matured in 1996	...	0	...	−887,000
5.330	1/02/97	195,000	12.4	195,000
5.560	1/02/97	85,000	12.4	85,000
5.320	2/03/97	125,000	7.9	125,000
5.660	2/03/97	36,000	7.4	36,000
5.220	3/03/97	270,000	16.0	270,000
5.430	3/03/97	50,000	14.7	50,000
5.450	4/01/97	40,000	13.3	40,000
5.340	5/01/97	29,000	7.0	29,000
5.290	6/02/97	57,000	15.8	57,000
11.900	10/20/97	15,000	3.3	0
8.650	10/01/99	10,000	2.9	0
Total	...	**912,000**	...	**0**

C.8. Federal Land Bank securities held in the System Open Market Account, December 31, 1996
Thousands of dollars, except as noted

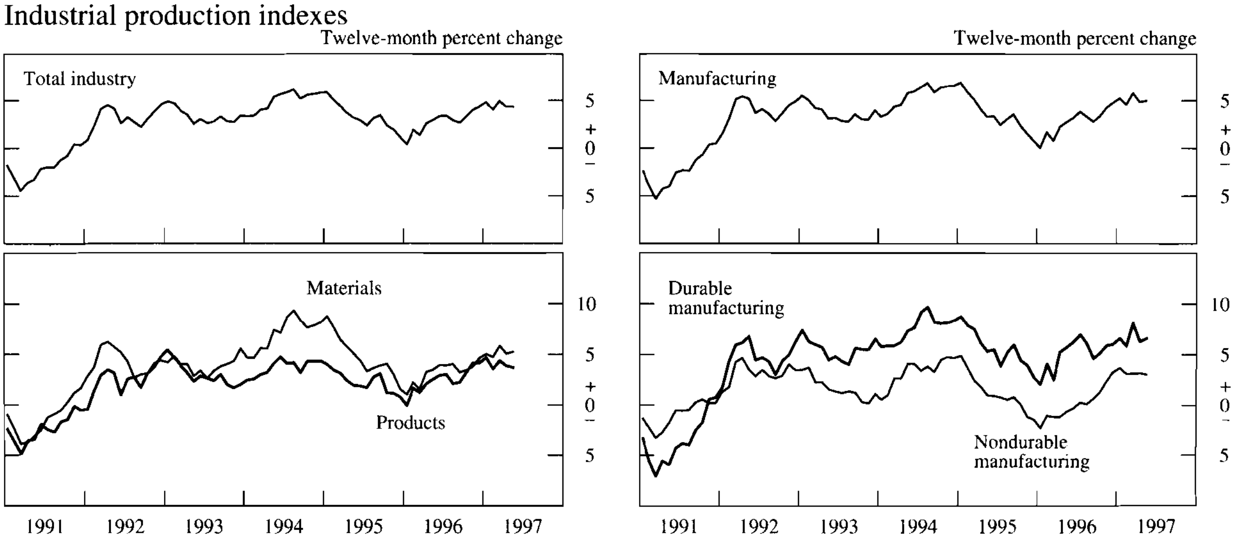
Issue outstanding		Holdings, 12/31/96	Percentage of total issue outstanding	Net change since 12/31/95
Coupon	Maturity date			
Total that matured in 1996	...	0	...	−49,795
7.350	1/20/97	16,650	3.7	0
Total	...	**16,650**	...	**−49,795**

Industrial Production and Capacity Utilization for May 1997

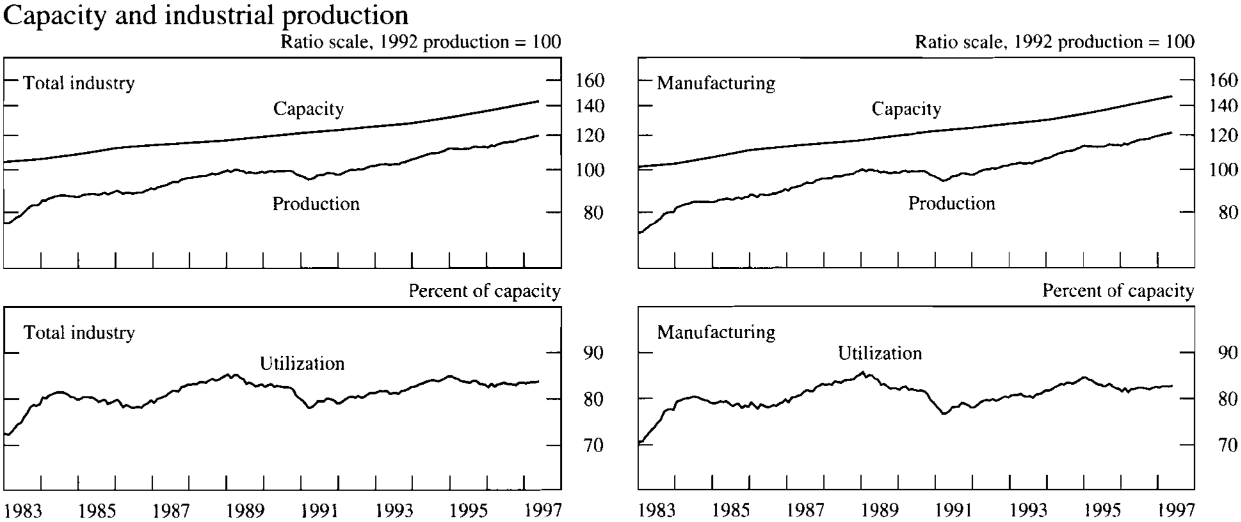
Released for publication June 17

Industrial production increased 0.4 percent in May, about the same as in the previous two months; April growth was revised up to 0.3 percent, and March growth was revised down to 0.4 percent. The production of motor vehicles partially rebounded in May, as one of the strikes that had begun in April ended in early May. Continued strength in commercial aircraft and the high-technology sector also contributed to the widespread gains among durable manufacturing industries. In addition, coal production jumped substantially, apparently in response to demand by electric utilities to replenish inventories. At 119.7 percent of its 1992 average, industrial production in May was 4.3 percent above its level of May 1996. The rate of industrial capacity utilization edged up 0.1 percentage point, to 83.7 percent.

Industrial production indexes



Capacity and industrial production



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

Industrial production and capacity utilization, May 1997

Category	Industrial production, index, 1992=100								
	1997				Percentage change				
					1997[1]				May 1996 to May 1997
	Feb. r	Mar. r	Apr. r	May p	Feb. r	Mar. r	Apr. r	May p	
Total	**118.4**	**118.8**	**119.2**	**119.7**	**.5**	**.4**	**.3**	**.4**	**4.3**
Previous estimate	118.4	119.0	119.0	. . .	.5	.6	.0	. . .	. . .
Major market groups									
Products, total[2]	114.8	115.3	115.3	115.5	.5	.4	.0	.2	3.7
Consumer goods	111.6	112.2	111.7	111.6	−.1	.5	−.4	−.1	1.4
Business equipment	133.8	134.4	135.7	136.4	1.3	.5	1.0	.5	9.2
Construction supplies	120.0	121.4	120.4	120.8	2.5	1.2	−.8	.3	4.0
Materials	124.1	124.5	125.5	126.4	.6	.3	.8	.7	5.2
Major industry groups									
Manufacturing	120.1	120.5	120.8	121.4	.6	.4	.2	.5	5.0
Durable	130.8	131.7	132.4	133.4	1.0	.7	.6	.8	6.6
Nondurable	108.6	108.7	108.5	108.8	.1	.1	−.2	.2	3.1
Mining	106.3	107.6	107.1	109.2	2.6	1.3	−.5	2.0	5.8
Utilities	110.2	109.9	112.4	110.2	−2.3	−.3	2.3	−1.9	−3.8

Category	Capacity utilization, percent								MEMO Capacity, percentage change, May 1996 to May 1997
	Average, 1967–96	Low, 1982	High, 1988–89	1996	1997				
				May	Feb. r	Mar. r	Apr. r	May p	
Total	**82.1**	**71.1**	**85.3**	**83.2**	**83.5**	**83.6**	**83.6**	**83.7**	**3.7**
Previous estimate	. . .	. . .	. . .	. . .	83.5	83.7	83.4	. . .	. . .
Manufacturing	81.2	69.0	85.7	82.0	82.6	82.7	82.6	82.7	4.1
Advanced processing	80.6	70.4	84.2	80.3	80.7	80.7	80.6	80.7	5.0
Primary processing	82.3	66.2	88.9	85.9	86.9	87.2	87.1	87.5	2.2
Mining	87.5	80.3	86.8	90.7	93.4	94.6	94.0	95.9	.1
Utilities	87.2	75.9	92.6	92.0	87.1	86.8	88.6	86.9	1.9

NOTE. Data seasonally adjusted or calculated from seasonally adjusted monthly data.
1. Change from preceding month.
2. Contains components in addition to those shown.
r Revised
p Preliminary.

When analyzed by market group, the data show that the output of consumer goods was about unchanged; gains in the production of durable goods were offset by declines in nondurable consumer goods. Among durables, the output of motor vehicles recovered about one-fifth of the strike-related decline in April. The production of appliances and of home computing, video, and audio equipment regained about two-thirds of April's decline. The production of nondurable consumer goods other than energy products—namely food, clothing, and consumer chemical products—eased slightly. A decrease in residential electricity sales more than accounted for a 1 percent decrease in the output of consumer energy products; temperatures were relatively cool in May, reducing the need for air conditioning.

The output of business equipment rose 0.5 percent, with most major categories posting gains. The output of information processing equipment continued to contribute to the growth in this sector. In addition, the ongoing strength in commercial aircraft in combination with the rebound in business autos and trucks boosted the production of transit equipment. The output of industrial equipment, which is now estimated to have jumped in April, edged down, while the other equipment category advanced solidly for another month, led by further strength in service industry machinery and office furniture.

The output of construction supplies reversed slightly less than one-half of April's loss, putting it near the upper end of its range during the past several months. The production of materials rose 0.7 percent, led by another sizable gain in the output of durable goods materials. Among the components of durable materials, the output of equipment parts, particularly semiconductors, rose sharply. The production of parts for consumer durables, mainly for motor vehicles, also increased. Energy materials rose 0.3 percent, as the large increase in coal production more than offset the decline in electricity generation. The output of nondurable goods materials was about unchanged.

When analyzed by industry group, the data show that manufacturing output increased 0.5 percent after a 0.2 percent increase in April. Excluding motor vehicles and parts, the output in manufacturing rose 0.5 percent, just slightly faster than in the previous two months. Much of the strength in the past few months reflects the increased output of durable goods; the production of nondurables is little changed from the end of last year. Gains were widespread within the durable goods sector, with only miscellaneous manufacturing and the stone, clay, and glass industry declining. Increases were especially strong in electrical machinery and primary metals. The production of nondurables increased 0.2 percent, recovering all of the April decline. Gains in the output of petroleum, rubber and plastics, paper, textile mill products, and printing more than offset weakness in other categories.

A pickup in oil and gas drilling activity as well as sharply higher coal production raised mining output, but utility output fell.

The factory operating rate edged up 0.1 percentage point, to 82.7 percent; the level has changed little in recent months. The utilization rate for advanced-processing industries increased 0.1 percentage point, to 80.7 percent, which is just slightly above its long-term average. The rate for primary-processing industries rose 0.4 percentage point, to 87.5 percent, but remained below its recent high of 89.6 percent in December 1994. Among the primary-processing industries, the rate of utilization increased for all industries except primary chemicals; stone, clay, and glass; and fabricated metals.

Note. The data published in this release reflect the semiannual revision to seasonal factors for motor vehicle assemblies and for series that use production-worker hours as their monthly indicator. Seasonal factors were not changed before February 1997. □

Statement to the Congress

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Committee on Banking and Financial Services, U.S. House of Representatives, May 22, 1997

I am pleased to be here today to present the views of the Board of Governors of the Federal Reserve System on the financial modernization legislation introduced by chairman Leach, H.R.10, the Financial Services Competitiveness Act of 1997. This bill would reform the Glass–Steagall prohibitions to permit the affiliation of banks and securities firms. It would also permit bank and insurance company affiliations and provide the flexibility for banking organizations to engage in other "financial" or "incidental" activities. The Competitiveness Act would facilitate the ownership of banks by other financial firms by creating a category of uninsured wholesale banks that may have some commercial affiliations. H.R.10 would produce identical rules for banks and federally chartered thrift institutions and rationalize their regulation and supervision.

The Board strongly supports the approach to financial modernization embodied in H.R.10. We believe it would improve the efficiency and competitiveness of the financial services industry and result in more choices and better service for consumers. However, as the committee knows, the Board opposes one aspect of the bill, the authorization for so-called operating subsidiaries of banks to engage in some financial activities not permitted to their parent bank. Our concern is the transference of the safety net subsidy directly to those activities that the bill would authorize for subsidiaries of banks.

BETTER SERVICES TO THE PUBLIC

The Board believes that the Congress should widen the permissible range of affiliations for banking organizations to expand the choices for consumers and increase the efficiency of financial markets. Financial modernization should remove outdated restrictions that serve no useful purpose, that decrease economic efficiency, and that, as a result, limit choices and options for the consumer of financial services. Such statutory prohibitions result in higher costs and lower quality services for the public. Their removal would permit banking organizations to compete more effectively in their natural markets. The result would be a more efficient financial system providing better services to the public.

Indeed, the Board urges that, as you consider the reforms before you, the focus not be on which set of financial institutions should be permitted to take on a new activity or which would, as a result, get a new competitor. All are doing similar things now and are currently in competition with each other, offering similar products. Securities firms have for some time offered checking-like accounts linked to mutual funds, their affiliates routinely extend significant credit directly to businesses, and they are becoming increasingly important in the syndicated loan market. Banking organizations are already conducting a securities business. Although indicative of the need for reform, which institution has hurdled some earlier restraint is not the issue. The Board believes that the focus should be as follows: Do H.R.10 and the other proposed bills promote a financial system that makes the maximum contribution to the growth and stability of the U.S. economy? Is the removal of existing restraints in these bills consistent with a safe and sound banking system and containment of the federal safety net? Do the proposals increase the compatibility of our laws and regulations with the changing technological and global market realities to ensure that these goals are achieved? Are they consistent with increased alternatives and convenience for the public at a manageable risk to both the bank insurance fund and financial market stability? With the previously noted caveat, the Board believes that these questions can be answered in the affirmative for the bill.

Banking organizations are in a particularly good position to provide securities underwriting, insurance, and other financial services to investors. They are knowledgeable about the institutional structure of the market, skilled at evaluating risk, knowledgeable about the financial needs of their customers, and operate from locations that are convenient for the public. Moreover, for centuries, the special expertise of banking organizations has been to accumulate borrower-specific information that they can use to make credit and related judgments that less well-informed savers and depositors cannot make. Using such information asymmetries has been the value added of banking on the credit side.

It would appear that many companies and individuals want to deal with a full-service provider that can handle their entire range of financing needs. This preference for "one-stop shopping" is easy to understand. Starting a new financial relationship is costly for companies and individuals and, by extension, for the economy as a whole. It takes considerable time and effort for a customer to convey to an outsider a deep understanding of its financial situation. This process, however, can be short-circuited by allowing the customer to rely on a single organization for deposit services, loans, strategic advice, the underwriting of debt and equity securities, and other financial services. As evidence that there are economies from this sharing of information, most of the section 20 underwriting has been for companies that had a prior relationship with the banking organization.

The economic benefits of "one-stop shopping" can readily be seen for small and medium-sized firms. These firms, as a rule, do not attract the interest of major investment banks, and regional brokerage houses do not provide the full range of financial services these companies require. Rather, their primary financial relationship is with the commercial banking organizations where they borrow and obtain their services. From the borrower's perspective, it makes sense to leverage this relationship when the time comes to access the capital markets for financing. It is thus reasonable to anticipate that if securities activities are authorized for bank affiliates, banking organizations, especially regional and smaller banking organizations, would use their information base to facilitate securities offerings for smaller, regional firms. The same efficiencies are likely to benefit local municipal revenue bond issues.

The Board's recent action to raise the section 20 limits on ineligible revenues to 25 percent of the total will increase the number of banking organizations that can engage in securities underwriting. However, there are still a large number of banks that do not have the necessary volume of government, agency, and municipal bonds transactions to meet the other 75 percent of the total that would permit them to engage in an economically viable volume of corporate or municipal revenue bond underwriting and hence to service their smaller customers. Investment banking services are now available for some of these smaller issuers but at a relatively high cost. Moreover, the Board's recent decision does not address other important aspects of securities activities that are dealt with by H.R.10, such as authorizing merchant banking and mutual fund sponsorship.

The convenience and cost savings for companies issuing securities will also accrue to individuals seeking other financial services. There are real potential benefits to consumers of "one-stop shopping" for loans, deposits, money market accounts, securities, and insurance. It is only artificial and outdated restrictions that stand in the way of lower cost and convenient delivery systems for our citizens.

The Need for Congress to Shape Developments

Three major forces are rapidly changing our financial system and rendering old structures obsolete. These forces offer the Congress the opportunity to restructure the financial services industry in a way that will serve the public interest by assuring minimum cost, maximum service, and prudent risk management.

The most profound force is, of course, technology: the rapid growth of computers and telecommunications. Their spread has lowered the cost and broadened the scope of financial services, making possible new product development that would have been inconceivable a short time ago and, in the process, challenging the institutional and market boundaries that in an earlier day seemed so well defined.

Technological innovation has accelerated the second major trend, financial globalization, that has been in process for at least three decades. Both developments have expanded cross-border asset holdings, trading, and credit flows, and, in response, both securities firms and U.S. and foreign banks have increased their cross-border locations. Under a congressional mandate, foreign offices of U.S. banking organizations have for some time been permitted, within limits, to meet the competitive pressures of the local markets in which they operate by conducting activities not permitted to them in the United States. In the evolving international environment, these offshore activities have included global securities underwriting and dealing, through subsidiaries, an activity in which U.S. banking organizations have been among the world leaders, despite limitations on their authority to distribute securities in the United States.

Such a response to competition abroad is an example of the third major trend reshaping financial markets—market innovation—which has been as much a reaction to technological change and globalization as an independent factor. These developments make it virtually impossible to maintain some of the rules and regulations established for a different economic environment. As a result, the kinds of activities our banking organizations are conducting no longer fit the traditional paradigms of deposit-taking and loan-making.

Technological change, globalization, and regulatory erosion will eventually make it impossible to sustain outdated restrictions. That is what we are here today to discuss—the need to remove outdated restrictions and to rationalize our system for delivering financial services.

RISKS IN MODERNIZATION

To be sure, with the benefits of financial modernization come some risks, but the Board believes the evidence indicates that the risks in securities underwriting and dealing are manageable. Underwriting primarily is a deals-oriented, purchase and rapid resale, mark-to-market business in which losses, if any, are quickly cut as the firm moves to the next deal. Since the enactment of the Securities Acts—with their focus on investor protection—the broker-dealer regulator, the Securities and Exchange Commission (SEC), is quick to liquidate a firm with insufficient capital relative to the market value of its assets, constraining the size of any disturbance to the market or affiliates. The SEC now applies such supervision to section 20 affiliates, and it would do so to securities affiliates under H.R.10 and similar bills introduced in this Congress. Section 20 affiliates have operated during a period in which sharp swings have occurred in world financial markets, but they still were able to manage their risk exposures well with no measurable risks to their parent or affiliated banks. Indeed, to limit the exposure of the safety net, the supervisors have insisted that securities affiliates have risk management and control systems that assure that risk can be managed and contained. As would be the case for securities affiliates with the Competitiveness Act, the Federal Reserve has required that such an infrastructure exist before individual section 20 affiliates are authorized and that organizations engaging in these activities through nonbank affiliates have bank subsidiaries with strong capital positions.

The bill proposed by chairman Leach attempts to accommodate the merchant banking business currently conducted by independent securities firms. Both bank holding companies with section 20 subsidiaries and independent securities firms engage in securities underwriting and dealing activities. However, independent securities firms also directly provide equity capital to a wide variety of companies without any intention to manage or operate them. The Leach bill would permit securities firms that acquire commercial banks, as well as securities firms acquired or established by bank holding companies, to engage in all of these activities—underwriting and dealing in securities, as well as merchant and investment banking through equity investment in any business without becoming involved in the day-to-day operations of that business. These powers are crucial to permit securities firms to remain competitive domestically and internationally. Under the bill, the Board could establish rules to ensure that these activities do not pose significant risks to banks affiliated with securities firms, serve as a "back door" to the commingling of banking and commerce, or unduly spread the subsidy impact in the safety net.

As for insurance, the evidence is clear that, where risk is diversifiable and, hence, predictable, such as life and certain property insurance lines, the resultant business risks are manageable. The evidence is less clear for catastrophe-related property insurance. Other risks come from the same sorts of credit and interest rate risks about which banks are already knowledgeable. Life, automobile, and other insurance sales are virtually riskless, and authorizing insurance brokerage sales by banks is likely to add additional convenience and service, as well as lower prices, for the public.

H.R.10 would continue the holding company framework for nonbank activities, which the Board believes is important to limit the direct risk of new financial activities to banks and the safety net. The Board is of the view that the risks from securities and insurance underwriting are manageable using the holding company framework proposed in the Competitiveness Act. But there is another risk: the risk of transference to nonbank affiliates of the subsidy implicit in the federal safety net—deposit insurance, the discount window, and access to the payments system—with the attendant moral hazard. As the committee knows, the Board believes that the subsidy is more readily transferred to a subsidiary of an insured depository institution than to its affiliates and that the holding company structure creates the best framework for limiting this leakage. We have concluded accordingly that the further the separation from the bank, the better the insulation. We are concerned that conducting securities and similar activities as principal in subsidiaries of U.S. banks does not create sufficient distance from the bank.

Let me be clear that bank holding companies and their subsidiaries also benefit from the subsidy implicit in the safety net. Their capital costs are lower since a portion—currently a large part of—the consolidated assets of the organization are in subsidiary depository institutions that have direct access to the safety net. This transfer, of course, is significantly smaller than the direct transfer to a bank subsidiary. But it is large enough to suggest that we should be cautious about extending permissible activities of bank or financial services holding companies to include nonfinancial commercial enterprises. Generally, public policy should give wide range to free market competition, including business decisions on affiliations. However, when such affiliations may imply subsidy transfers at best—and taxpayer support at worst—we should be very careful.

The world is changing rapidly, and it may well become increasingly difficult to distinguish between banking and aspects of commerce. However, the free and open legal association of banking and commerce would be a profound and surely irreversible structural change in the U.S. economy. We should, as a result, be careful to assure ourselves that whatever changes are made in our financial system do not distort our continued evolution to the most efficient financial system. In earlier testimony, I suggested that we would have to review carefully the kinds of combinations that could occur with a permissible basket for nonfinancial firms. As we have done so, the problems exposed have led us to a more cautious position. More generally, the subsidy transfer concerns and our uncertainty about the ultimate impact of free affiliation between banking and commerce on our financial system suggest to the Board that at least any wider authorization of banking and commerce should be postponed while we focus on financial modernization. Concerns about ensuring a two-way street should be addressed without attempting to make final decisions now about any future wider combinations of banking and commerce.

The legislation proposed by chairman Leach also provides for oversight of the consolidated activities of a financial services holding company. The Board believes such oversight is essential to a sound financial system in which the public can have confidence. Some, however, have expressed concerns that such oversight is incompatible with an institution that owns a number of otherwise unregulated subsidiaries. That view is presumably directed at an expected level of significant supervisory intrusion and possibly from fear of new regulatory constraints by those acquiring a bank for the first time.

The Board also has concerns about excessive oversight, although for somewhat different reasons. In an environment of greater deregulation and financial reform, market discipline becomes ever more critical. Such discipline requires that market participants correctly perceive that nonbanking entities are not covered by the federal safety net. Providing banklike supervision to nonbank affiliates of banks in the context of financial reform would send the wrong signal, creating difficult moral hazard issues. For these reasons, the agency charged with consolidated oversight should have a clearly defined role—one that permits it to protect affiliated banks and the safety net from abuse and excessive risk, while permitting operational synergies and imposing minimal interference with the growth or activities of the bank's affiliates.

Consolidated Oversight

The Board believes that combination of the holding company vehicle and Federal Reserve supervision and regulation under the Bank Holding Company Act has limited the transfer of the safety net from the banks to the holding company parent and its nonbank subsidiaries. The historical experience in supervising bank holding companies also has shown that knowledge of the financial strength and risks inherent in a consolidated holding company can be critical to protecting an insured subsidiary bank and resolving problems once they arise. Examples are easy to recall: Bank of Credit and Commerce International, Continental Illinois, Barings PLC, thrift institutions, and Texas banks all exhibited problems that spread quickly among their affiliates or required a consolidated approach to resolve the problems at least cost and disruption to the financial system. By approaching matters from the perspective of a consolidated organization, the Federal Reserve, the agency historically charged with conducting consolidated oversight, has also helped to *prevent* banking problems by addressing operational or capital deficiencies within a subsidiary bank, or elsewhere in the organization.

Moreover, continued gains in technology and in innovative risk-management techniques permit organizations of all kinds to manage and control their activities on an increasingly centralized basis, with less attention paid to the individual legal entities that make up the organization. In that environment, it seems to the Board that oversight on a consolidated basis of an organization's broad-based activities becomes more crucial, not less. Bank supervisors throughout the world recognize this point and have adopted consolidated oversight as a fundamental principle. The Congress also recognized the necessity of consolidated oversight for the U.S. banking system, by requiring, as a condition for a foreign bank's entry into this country, that the bank be subject to consolidated home country supervision. What is necessary for foreign banks entering the United States is surely just as necessary for U.S. banks and the U.S. banking system.

While important, consolidated oversight need not become unduly intrusive to financial services holding companies. The necessity to understand and review centralized risk management and control mechanisms, and similarly to review intraorganizational fund transfers involving the insured depositories, does not require banklike supervision of nonbank affiliates. H.R.10 recognizes this. It would require the banking agencies to rely to the fullest extent possible on examination reports and other information collected by supervisors of other regulated entities. It would also provide for quite limited consolidated oversight for those organizations in which the bank subsidiaries represent a modest part of the overall organization and do not exceed a maximum size. In addition, the bill would require the banking agencies to defer to the SEC in interpretations and enforcement of the federal securities laws. It further eliminates the current legal requirements for applications for nonbanking activities by holding companies that own relatively small banks, an approach we believe could also be extended quite usefully to bank acquisition proposals. These are extremely important provisions both for existing bank holding companies and for securities firms and insurance companies that wish to affiliate with banks. Such provisions would greatly enhance the "two-way street" by eliminating unnecessary burden and red tape.

The Board not only supports these changes but also recognizes that its own traditional approach to supervising and regulating bank holding companies must change as technology changes. Indeed, such changes are already well under way. They include a much streamlined application process; a more risk-focused, less transaction-testing approach to inspections; fewer firewalls between banking and securities affiliates of bank holding companies to accommodate operating synergies; and greater reliance on internal and external auditors. In anticipation of financial modernization legislation, the Board is considering alternative approaches to evaluating the capital adequacy of heterogeneous financial conglomerates, when banking is not the dominant activity. Such flexibility would be required to ensure that banklike standards are not indirectly imposed on insurance or securities firms and that the standards of their primary regulator prevail and allow them to compete effectively.

As the affiliates of banks increasingly conduct a nonbanking business, the desirability of avoiding the extension of banklike regulation will require that the agency with oversight responsibility rely heavily on published financial reports, agency reviews of existing management information, examinations by other supervisors, and evaluations by market analysts when assessing the overall strength and potential riskiness of a bank's parent and affiliates. Such information can alert the oversight agency to look more closely at the organization and, if necessary, take steps to protect an affiliated bank. Indeed, that agency should be empowered and expected to prevent or curtail abusive practices and undue risks in an organization when they threaten affiliated banks and the safety net. Similarly, it should be just as responsible to assure that the transfer of the subsidy of the safety net from the bank to its affiliate, through intraorganizational funds transfers and other means, is kept to a minimum.

I believe the United States currently has a strong and effective supervisory process and one that has also permitted its banking and financial system to fuel economic growth to a degree unmatched in the world today. Although we have had our problems, most notably with thrift institutions, we must not forget our experience as we work toward a still better approach. Our domestic banking system is also widely recognized as the most innovative and best capitalized system in the world, and its profits have reached new record levels in recent years. As I have pointed out previously, advancing technology will inevitably require increasing reliance on private counterparty surveillance to contain credit and market risks. Nonetheless, we should recall that just six or seven years ago, events created pressures to expand and increase government banking supervision at all levels. In the present environment of prosperity and financial stability, it is easy to forget that experience and to believe that little or no oversight is now needed for consolidated entities.

We must move forward, but with proper balance—with a balance that I believe the bill maintains, with the exception noted. The agency conducting consolidated oversight must be permitted to monitor both the financial condition of the organization and the potential transfer of risks to its insured depository affiliates. Moreover, we reiterate our concern that, regardless of how restructuring is addressed, the Congress not impair the ability of the Federal Reserve to monitor large banking organizations and respond effectively to systemic crises.

CONCLUSION

Mr. Chairman, members of the committee, the question is not whether we will have changes in financial markets. Technology, globalization, and market innovations are bringing rapid changes that cannot be reversed. The open questions are how banking organizations will participate and will they do so in ways that appropriately balance the tradeoffs among risk, minimal use of the sovereign credit, and maximum competition, public benefit, and convenience? If the Congress does not act, the balancing will be done by market forces and, when possible, regulators forced to take positions by events. The Board believes that the Congress needs to act and that the Leach proposal—excluding authorization for new activities in bank subsidiaries—accomplishes a balancing of the risks and benefits of banks' participation in financial modernization. The Board also urges that the Congress resist efforts to so limit consolidated oversight of banking organizations as to raise questions about our ability to limit risk exposures of insured depositories, to limit the transference of the safety net subsidy, or to prevent and manage financial market crises. □

Announcements

REGULATION C: AMENDMENT

The Federal Reserve Board on May 20, 1997, issued an amendment to its Regulation C (Home Mortgage Disclosure), making final an interim rule that raised the exemption level for small institutions.

The interim rule was adopted last January, raising the exemption threshold from $10 million to $28 million in assets. Institutions with assets totaling $28 million or less are not required to collect HMDA data in 1997.

The final rule also establishes an alternative way for covered institutions to provide disclosure statements in metropolitan areas where they have branch offices, which they may begin using immediately. Disclosure statements for individual institutions are prepared by the Federal Financial Institutions Examination Council. Within three business days of receiving the statement from the Council, an institution must make a complete copy of its disclosure statement available to the public, at its home office.

For branch offices located in other metropolitan areas, the institution will now have the option of posting a notice informing the public that disclosures will be provided upon written request and indicating the address for sending requests. Previously, the rule required that, within ten calendar days of receipt from the Council, disclosures for these branch offices be available for public inspection at one office in each metropolitan area.

Individual disclosure statements pertaining to 1996 mortgage lending activity will likely be sent to reporting institutions starting in early June. Institutions may begin using the new branch disclosure approach immediately, both for the 1996 statements and for earlier years' data.

Both the branch disclosure rule and the change in the asset threshold carry out amendments to the Home Mortgage Disclosure Act that were signed into law in September 1996.

PROPOSED ACTION

The Federal Reserve Board on May 15, 1997, issued proposed amendments to Regulation J (Collection of Checks and Other Items by Federal Reserve Banks and Funds Transfers through Fedwire) to help ease the transition to interstate branching in the check collection area. Comments should be received by July 21. Comments had already been requested on regulatory proposals to define the location of a depository institution for purposes of maintaining a single reserve account for a multi-District institution and for Federal Reserve membership.

ANNUAL REPORT: PUBLICATION

The *83rd Annual Report, 1996,* of the Board of Governors of the Federal Reserve System, covering operations for the calendar year 1996, is available for distribution. Copies may be obtained on request to Publications Services, Mail Stop 127, Board of Governors of the Federal Reserve System, Washington, DC 20551. Also available from Publications Services is a separately printed companion document, *Annual Report: Budget Review, 1996–97,* which describes the budgeted expenses of the Federal Reserve System for 1997 and compares them with expenses for 1995 and 1996. Both reports are also available at http://www.bog.frb.fed.us/—the Board's World Wide Web site.

CHANGE IN BOARD STAFF

The Board of Governors announced that James I. Garner, Deputy Associate Director in the Division of Banking Supervision and Regulation, retired on June 3, 1997, after twenty-seven years of service to the Federal Reserve System. □

Minutes of the Federal Open Market Committee Meeting Held on March 25, 1997

A meeting of the Federal Open Market Committee was held in the offices of the Board of Governors of the Federal Reserve System in Washington, D.C., on Tuesday, March 25, 1997, at 9:00 a.m.

Present:

Mr. Greenspan, Chairman
Mr. McDonough, Vice Chairman
Mr. Broaddus
Mr. Guynn
Mr. Kelley
Mr. Moskow
Mr. Meyer
Mr. Parry
Ms. Phillips
Ms. Rivlin

Messrs. Hoenig, Jordan, Melzer, and Ms. Minehan, Alternate Members of the Federal Open Market Committee

Messrs. Boehne, McTeer, and Stern, Presidents of the Federal Reserve Banks of Philadelphia, Dallas, and Minneapolis respectively

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

Messrs. Eisenbeis, Goodfriend, Hunter, Lindsey, Mishkin, Siegman, and Stockton, Associate Economists

Mr. Fisher, Manager, System Open Market Account

Mr. Winn, Assistant to the Board, Office of Board Members, Board of Governors
Mr. Ettin, Deputy Director, Division of Research and Statistics, Board of Governors
Messrs. Madigan and Simpson, Associate Directors, Divisions of Monetary Affairs and Research and Statistics respectively, Board of Governors
Mr. Hooper, Assistant Director, Division of International Finance, Board of Governors
Ms. Low, Open Market Secretariat Assistant, Division of Monetary Affairs, Board of Governors

Messrs. Dewald, Hakkio, Lang, Rolnick, and Rosenblum, Senior Vice Presidents, Federal Reserve Banks of St. Louis, Kansas City, Philadelphia, Minneapolis, and Dallas respectively
Messrs. Altig, Bentley, Judd, and Kopcke, Vice Presidents, Federal Reserve Banks of Cleveland, New York, San Francisco, and Boston respectively

By unanimous vote, the minutes of the meeting of the Federal Open Market Committee held on February 4–5, 1997, were approved.

The Manager of the System Open Market Account reported on recent developments in foreign exchange markets. There were no System open market transactions in foreign currencies during the period since the meeting on February 4–5, 1997, and thus no vote was required of the Committee.

The Manager also reported on developments in domestic financial markets and on System open market transactions in U.S. government securities and federal agency obligations during the period February 5, 1997, through March 24, 1997. By unanimous vote, the Committee ratified these transactions.

The Manager advised the Committee that he continued to anticipate a pattern of reserve needs that might require another unusually large addition to the System's outright holdings of U.S. government securities during the relatively long intermeeting period ahead. The limit on increases in outright holdings between meetings had been raised to $12 billion at the February meeting, and the Manager requested that the higher limit be retained for the upcoming period. By unanimous vote, the Committee amended paragraph 1(a) of the Authorization for Domestic Open Market Operations to raise the limit on intermeeting changes in such holdings from $8 billion to $12 billion for the period ending with the close of business on the date of the next meeting, May 20, 1997.

The Committee then turned to a discussion of the economic outlook and the implementation of monetary policy over the intermeeting period ahead. A summary of the economic and financial information available at the time of the meeting and of the Committee's discussion is provided below, followed by the domestic policy directive that was approved by the Committee and issued to the Federal Reserve Bank of New York.

The information reviewed at this meeting suggested that the economy had continued to expand at a relatively robust pace in early 1997 after having strengthened markedly in the fourth quarter of 1996. Much of the more recent growth reflected further acceleration in consumer spending, but business capital expenditures, housing activity, and an upturn in inventory investment also had contributed to the recent increase in total expenditures. By contrast, available data pointed to a sharp drop in net exports after a surge in the fourth quarter. To meet the strong aggregate demand, employment had recorded another large advance in early 1997 and industrial production had risen somewhat further. The underlying trend in consumer price inflation had remained subdued, but the increase in average hourly earnings had continued to edge higher early this year.

Private nonfarm payroll employment rose substantially further in January and February. The gains continued to be led by sizable advances in the services and trade industries. Employment in construction increased considerably over the two months, largely because of unseasonably warm weather across much of the country in February that led to an earlier-than-usual pickup in building activity. Aggregate hours of private production workers, which were also affected by changing weather conditions, were up appreciably on balance over the two months, and the average workweek increased considerably, reaching a new recent high in February. The civilian unemployment rate, at 5.3 percent in February, was unchanged from its average level in the second half of 1996.

Industrial production rose appreciably in February after having declined slightly in January. The February advance resulted from a surge in the manufacturing of durable goods that was only partly offset by a plunge in the output of utilities associated with unseasonably mild weather in that month. The utilization of total manufacturing capacity was unchanged on balance over the two months at a level slightly above its long-term average.

Consumer spending strengthened considerably further in early 1997 after having registered a sizable increase over the fourth quarter. Nominal retail sales rose sharply in January and February. The gains over the two months were concentrated in sales of durable goods, including motor vehicles and building materials. Spending on services rose strongly in January (latest data) but may have moderated in February when milder-than-normal weather held down heating costs. Recent surveys indicated that consumer confidence had risen to the highest levels in many years.

Housing construction rose sharply in February after two months of relatively depressed activity. On balance, various indicators of housing activity had been mixed over the past several months and did not suggest any clear trend in spending for new housing.

Recent trends in orders and shipments pointed to a sizable further rise in outlays for producers' durable equipment in early 1997, largely reflecting continued rapid growth in purchases of computers and some further increase in spending for communications equipment. Expenditures for other types of equipment remained little changed. In the nonresidential construction sector, trends in contracts suggested some further spending gains in most market segments after strong advances in the fourth quarter. Manufacturing and trade inventories rose somewhat in January, roughly offsetting small declines over the previous two months. With sales and shipments rising rapidly in January, inventory–sales ratios for a wide range of industries dropped further from already low levels.

The nominal deficit on U.S. trade in goods and services widened substantially in January from its temporarily depressed rate in the fourth quarter. Nearly all the deterioration in the trade balance reflected a sharp rise in imports; that increase was largely the result of a rebound in automotive shipments from Canada, which had been temporarily reduced by a strike. Recent information on economic activity in the G-7 countries suggested continued expansion at a moderate rate on average in early 1997, but rates of expansion had continued to diverge among those economies. Growth in output still appeared to be relatively strong in Japan, Canada, and the United Kingdom, while much weaker economic performances were indicated for the major continental European countries. The economies of the major developing countries in Latin America and eastern Asia apparently continued to expand in late 1996.

Data for January and February were consistent with the continuation of a subdued trend in underlying price inflation. Overall consumer price inflation moderated somewhat over the two months from its pace in the fourth quarter; smaller increases in energy prices were an important factor in the slowdown, but prices of consumer items other than food and energy also advanced at a slower rate over the first two months of the year. For the twelve months ending in February, consumer prices excluding food and energy rose somewhat less than they had over the preceding twelve months; a development contributing importantly to the deceleration was a smaller rise in non-oil import prices associated with the appreciation of the dollar. At the producer level, overall prices of finished goods declined somewhat in January and February, reflecting an appreciable drop in the food and energy components. For the twelve months ending in February, the increase in the overall index of finished goods prices was little changed from that over the preceding twelve months, but excluding food and energy prices, which had registered sizable advances in 1996, the rise was considerably smaller over the latest twelve-month period. At early stages of processing, however, some producer prices had moved up in recent months. Average hourly earnings of production and nonsupervisory workers posted small further increases in January and February but were up appreciably more over the twelve months ending in February than over the preceding twelve months.

At its meeting on February 4–5, 1997, the Committee issued a directive that called for maintaining the existing degree of pressure on reserve positions. The directive included a bias toward the possible firming of reserve conditions, reflecting a consensus among the members that the risks were clearly in the direction of an upward trend in inflation and that the next policy move was more likely to be toward some tightening than toward easing. In this regard, the directive stated that in the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, somewhat greater reserve restraint would be acceptable and slightly lesser reserve restraint might be acceptable during the intermeeting period. The reserve conditions associated with this directive were expected to be consistent with some slowing of the growth of M2 and M3 over coming months.

Over the period since the February meeting, open market operations were directed toward maintaining the existing degree of pressure on reserve positions. Federal funds continued to trade mainly at rates close to the 5¼ percent level expected with an unchanged policy stance, though the rate did at times fall below that level in conjunction with unanticipated shortfalls in demands for excess reserves. Most other market interest rates rose somewhat over the intermeeting period in apparent response to indications of stronger-than-expected economic activity, perceptions that the Federal Reserve had become more concerned about a possible buildup in inflation pressures, and perhaps disappointment over the prospects for legislation to reduce the federal budget deficit. In these circumstances, expectations built that monetary policy would be tightened. The rise in most market interest rates was accompanied by slight declines in a number of major indexes of stock market prices, although stock prices in some industries posted more pronounced declines.

In foreign exchange markets, the trade-weighted value of the dollar in terms of the other G-10 currencies rose further over the intermeeting period. The dollar's appreciation appeared to reflect spreading perceptions of a relatively strong U.S. expansion and associated increases in U.S. interest rates compared with those abroad. The dollar's rise was most pronounced against the continental European currencies.

Growth of M2 moderated somewhat in January and February from a brisk pace in late 1996, while expansion of M3 remained rapid in both months. Data for the first part of March suggested diminished growth of both aggregates. The appreciable further expansion of these broad aggregates thus far this year probably continued to reflect elevated income growth, and the relative strength of M3 was associated to an important extent with heavy bank reliance on large-denomination time deposits to fund robust asset growth. M3 also continued to be boosted by the rapid growth of money market mutual funds. The expansion of total domestic nonfinancial debt appeared to have slowed in the early part of the year in conjunction with reduced borrowing by both federal and state governments, which were drawing down cash balances.

The staff forecast prepared for this meeting suggested that the expansion in economic activity would slow in coming quarters to a pace somewhat above that of the economy's estimated potential and would moderate a bit further in 1998. Growth in consumer spending was expected to decline appreciably from its recent pace but to remain fairly brisk over the quarters ahead, supported by further projected gains in employment and incomes. Expansion in business spending on equipment and structures also was projected to moderate, but to a still relatively high rate, in association with smaller increases in sales and profits. Housing construction was forecast to drift lower over coming quarters, partly reflecting the rise that already had occurred in mortgage interest rates. The staff continued to anticipate that fiscal policy and the external sector would exert mildly restraining effects on economic activity over the year ahead. With resource utilization high and labor compensation rising, core consumer price inflation was forecast to increase slightly over the year ahead.

In the Committee's discussion of current and prospective economic developments, members referred to the widespread statistical and anecdotal evidence that the surprising strength in economic activity over the closing months of 1996 was persisting in 1997. Some observed that it was difficult to detect signs of weakness or imbalances in domestic sectors of the economy. While the members believed that some slowing in the expansion was inevitable, they felt that substantial uncertainty surrounded the timing and extent of such slowing in the quarters ahead. Continued growth near, or even somewhat below, the recent pace would raise resource utilization rates further from their already high levels. Although labor markets already were tight, inflation had remained relatively subdued, and there were no signs in price data that it was picking up. However, the risks of a rise in inflation down the road had increased appreciably as a result of the strength of aggregate demand and the increase in pressures on resources that likely would accompany it absent a firming in financial conditions.

In their discussion of the outlook for spending in key sectors of the economy, members emphasized the strength of consumer spending in recent months. They noted that anecdotal reports from numerous parts of the country and surveys indicating very high levels of consumer confidence tended to confirm statistical evidence of an ebullient consumer sector. While the recent surge in consumer demand probably was supported mainly by rapid growth in employment and labor income, it seemed possible that consumers also were responding increasingly to the run-up in household net worth stemming from the earlier buoyant performance of the stock market. The effects of rising financial wealth on consumer spending were difficult to isolate, and they were undoubtedly restrained by efforts to accumulate savings for future expenditures such as college expenses and retirement. Moreover, the constraints on spending imposed by the high debt burdens of many households tended to exert at least a partly offsetting influence on overall consumer spending. On balance, however, the members believed that the consumer sector was likely to provide major ongoing support to the expansion, though the increases in consumer spending probably would diminish in the context of more restrained growth in jobs and incomes. A number of members expressed the view, however, that the risks to such a forecast were in the direction of more robust consumer spending.

Business fixed investment, which had remained on a steep uptrend for an extended period, also was expected to provide continuing though moderating stimulus to the overall economic expansion. Growth in expenditures for business equipment was forecast to decline from the extraordinary pace of recent years, despite continuing brisk demand for computers and communications equipment. With regard to the outlook for nonresidential building activity, anecdotal reports from several regions pointed to a further pickup in commercial construction associated with declining vacancy rates, rising property values and rents, and readily available financing. Indeed, reports from a few areas indicated the emergence of speculative building activity. On the other hand, in some regions, signs of slowing nonresidential construction were reported.

Housing construction activity had fluctuated in recent months, largely in response to changing weather conditions, but such construction appeared to be little changed on balance. Recent anecdotal reports pointed to improving housing markets in several regions and to some easing in a few. Looking ahead, the members generally anticipated that housing activity would be maintained at a relatively high level, perhaps slightly below that prevailing on average in recent quarters, barring unanticipated developments in the broader economy or in financial markets. Although the rise that had occurred in mortgage interest rates was a somewhat inhibiting influence on the prospects for housing, favorable factors noted during the meeting included the ongoing effects of the large gains in stock market wealth, sizable increases in employment and incomes, and a still relatively favorable cash-flow affordability of home ownership.

The persisting efforts by business firms to economize on their inventories had reduced the latter to quite low levels in relation to sales. In the circumstances, current inventory levels were viewed as an upside risk to the expansion that could be triggered by unexpected strength in final demand. Absent an upside surprise in demand, inventories might be expected to remain a slightly positive factor in the economic outlook; and if growth in final demand were to moderate more than anticipated, the currently lean inventories could be viewed as minimizing the risks of accumulating weakness in the near term.

The outlook for fiscal policy remained one of modest restraint; on the basis of existing legislation, reductions were anticipated in constant-dollar purchases of goods and services by the federal government in fiscal years 1997 and 1998. A key element in the potential impact of fiscal policy was the uncertain outcome of the current effort to eliminate the federal deficit over time. Although success in that effort probably would have little effect on the government's budget position over the next few years, it likely would have some beneficial repercussions on business and consumer confidence and possibly also on financial markets. Financial markets would be especially positively affected by an agreement to reduce significantly the growth of entitlements, which would damp government spending and deficits over the longer run.

The unwinding in the early months of 1997 of special factors that had boosted net exports in the fourth quarter of 1996 was offsetting some of the effects on production of the persisting strength in domestic demand. Beyond the near term, the appreciated value of the dollar was expected to hold down net exports, restraining overall demand and growth. Some members observed in this regard that the deterioration in net exports might be substantial. While such an outcome would help to moderate inflationary pressures on domestic resources in coming quarters, it also would exacerbate the longer-term problem of very large foreign trade and current account deficits.

In their review of developments bearing on the outlook for inflation, members commented that the risks now seemed to be tilted more clearly toward higher inflation. They acknowledged that it was difficult to find indications of rising inflation in broad measures of consumer or GDP-related prices; indeed, such measures still could be viewed as consistent with a slightly declining trend in price inflation. Even so, prospects for a substantial period of economic expansion at a rate that exceeded the estimated growth of potential had generated increasing concerns of rising inflationary pressures in an economy that already was operating at high levels of resource utilization. Members observed in this regard that while there was little evidence of growing demand pressures on capital resources, the tightness in labor markets appeared to be intensifying. Indications of such a development included not only widespread anecdotal reports but a variety of data such as initial claims, insured unemployment, and help-wanted advertising. The rise in labor force participation to a high percentage of the working age population had helped to keep the unemployment rate from falling, but the unexpected increase in participation was itself suggesting tight conditions that were inducing marginal workers into the job market.

The data on worker compensation were somewhat mixed, but they suggested some acceleration on balance. Members noted that the damping effects of some temporary factors on labor costs could well begin to wane soon, if they had not already begun to do so. These included the possibility that job security concerns might be diminishing after an extended period of rapid job growth and low unemployment. The downward trend in medical cost increases might be in the process of shifting to a flat, if not a rising, gradient according to informed observers. Moreover, as the rise in labor force participation depleted the pool of available workers, less productive workers would tend to be hired, with adverse effects on productivity and costs. The members recognized that even though aggregate demand pressures seemed to be pressing increasingly on available producer resources, it was not possible to forecast with confidence when the period of favorable price behavior would end. Even so, it was clear that inflationary developments in the economy had become a matter of more urgent concern for monetary policy.

In light of this concern, in the Committee's discussion of policy for the intermeeting period ahead, the members supported or could accept a proposal to adjust policy toward a slightly less accommodative stance and to move to symmetry in the directive. They noted that continued relatively rapid growth of economic activity in the first quarter suggested greater persisting strength in demand than they had anticipated. With resource use already at high levels, further rapid growth risked greater pressures on resources and rising inflation. Although inflation remained remarkably subdued and any increase in inflationary pressures likely would tend to emerge only slowly, the strength in demand had developed against the backdrop of financial conditions that, broadly considered, were not substantially different from those now prevailing. In this situation, they saw a clear need for a preemptive policy action that would head off any pickup of inflation, and it was noted that a shift to a tighter policy stance would seem to pose little risk to the expansion. Indeed, by countering any tendency for inflation to rise and for higher inflation expectations to become embedded in financial markets and economic decision-making more generally, such action would help head off a more abrupt economic slowing, or even a downturn, and thereby would help sustain the expansion and preserve the firm labor markets and their associated benefits.

A few members argued that a more substantial tightening was needed at this juncture to provide a better calibrated response to the persisting strength of the economy and the related risk of intensifying inflationary pressures. In their view, a more vigorous action would lessen the need for tightening in the future and also would foster a financial setting that would be more conducive to sustained expansion. Other members acknowledged that a smaller policy move would have less effect in curbing inflationary pressures, but they felt that a cautious approach to policy was desirable at a time when the outlook for economic activity and inflation remained subject to substantial uncertainties. Some noted that a shift in policy direction, as the Committee was about to undertake, often can have exaggerated effects in financial markets, making it difficult to judge how much additional restraint, if any, might be needed.

In their discussion of possible adjustments to policy during the intermeeting period, a majority of the members favored a symmetric directive. While additional policy tightening might be needed at some point, it did not appear very likely that developments during the intermeeting period would require a further policy move. Some added that inflation remained quiescent and the near-term onset of an appreciable slowing of the expansion to a rate more in line with the economy's potential could not be ruled out. Accordingly, they felt that the directive should not establish a presumption about further near-term policy tightening. Other members believed that growth of the economy was not likely to slow enough to alleviate excess demands for resources and that additional tightening would be needed sooner rather than later to moderate inflationary pressures and prolong the expansion. In their view, the outlook called for vigilance and the maintenance of an asymmetric directive with a bias toward tightening, but they could accept a symmetric directive with careful monitoring of new developments for any signs of the need for prompt action.

At the conclusion of the Committee's discussion, all the members indicated that they supported or could accept a directive that called for a slight increase in the degree of pressure on reserve positions and that did not include a presumption about adjustments to policy during the intermeeting period. Accordingly, in the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, the Committee decided that slightly greater reserve restraint or slightly lesser reserve restraint might be acceptable during the intermeeting period. The reserve conditions contemplated at this meeting were expected to be consistent with some moderation in the expansion of M2 and M3 over coming months.

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

The information reviewed at this meeting suggests that relatively strong economic growth has continued in the first quarter. Private nonfarm payroll employment increased substantially further in January and February, and the civilian unemployment rate, at 5.3 percent in February, was unchanged from its level in the second half of 1996. Industrial production rose moderately on balance in January and February. Nominal retail sales increased sharply further over January and February after a considerable advance in the fourth quarter. Housing activity strengthened markedly over January and February, though much of the rise probably related to unusually favorable weather. Recent data on orders and contracts point to a further sizable gain in business fixed investment in the first quarter. The nominal deficit on U.S. trade in goods and services widened substantially in January from its temporarily depressed rate in the fourth quarter. Underlying price inflation has remained subdued.

Most market interest rates have risen somewhat since the Committee meeting on February 4–5, 1997. In foreign exchange markets, the trade-weighted value of the dollar in terms of the other G-10 currencies increased further over the intermeeting period.

Growth of M2 moderated somewhat in January and February from a brisk pace over the fourth quarter while the expansion of M3 remained relatively robust; data for the first part of March pointed to diminished growth in both aggregates. Total domestic nonfinancial debt has expanded moderately on balance over recent months.

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. In furtherance of these objectives, the Committee at its meeting in February established ranges for growth of M2 and M3 of 1 to 5 percent and 2 to 6 percent respectively, measured from the fourth quarter of 1996 to the fourth quarter of 1997. The monitoring range for growth of total domestic nonfinancial debt was set at 3 to 7 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 increase slightly the existing degree of pressure on reserve positions. In the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, slightly greater reserve restraint or slightly lesser reserve restraint might be acceptable in the intermeeting period. The contemplated reserve conditions are expected to be consistent with some moderation in the expansion of M2 and M3 over coming months.

Votes for this action: Messrs. Greenspan, McDonough, Broaddus, Guynn, Kelley, Meyer, Moskow, Parry, Mses. Phillips and Rivlin. Votes against this action: None.

It was agreed that the next meeting of the Committee would be held on Tuesday, May 20, 1997.

The meeting adjourned at 12:20 p.m.

Donald L. Kohn
Secretary

Legal Developments

FINAL RULE—AMENDMENT TO REGULATION C

The Board of Governors is amending 12 C.F.R. Part 203, its Regulation C (Home Mortgage Disclosure). The revisions implement the amendments to the Home Mortgage Disclosure Act included in the Economic Growth and Regulatory Paperwork Reduction Act of 1996. The action makes final an interim rule adopted in January, which set the asset-exemption threshold for depository institutions at $28 million. The final rule also establishes an alternative way for institutions to provide disclosure statements in metropolitan areas where they have branch offices, which they may begin using immediately. In addition, the Board is extending its information collection authority under the Paperwork Reduction Act for another three years, and making technical amendments to the transmittal sheet accompanying the loan/application register.

Effective July 1, 1997, 12 C.F.R. Part 203 is amended as follows:

Part 203—Home Mortgage Disclosure (Regulation C)

1. The authority citation for Part 203 continues to read as follows:

Authority: 12 U.S.C. 2801-2810.

2. Section 203.3 is amended by revising paragraph (a)(1)(ii) to read as follows:

Section 203.3—Exempt institutions.

(a) *Exemption based on location, asset size, or number of home purchase loans.*

(1) * * * (ii) The institution's total assets were at or below the asset threshold established by the Board. For data collection in 1997, the asset threshold is $28 million as of December 31, 1996. For subsequent years, the Board will adjust the threshold based on the year-to-year change in the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers, not seasonally adjusted, for each twelve-month period ending in November, with rounding to the nearest million. The Board will publish any adjustment in the asset figure in December.

* * * * *

3. Section 203.5 is amended as follows:

a. Paragraph (b) is revised;
b. Under paragraph (c), the last sentence is revised; and
c. Paragraph (e) is revised.
The revisions and additions read as follows:

Section 203.5—Disclosure and reporting.

* * * * *

(b) *Public disclosure of statement.* (1) A financial institution shall make its mortgage loan disclosure statement (to be prepared by the Federal Financial Institutions Examination Council) available to the public at its home office no later than three business days after receiving it from the Examination Council.

(2) In addition, a financial institution shall either:

(i) Make its disclosure statement available to the public (within ten business days of receiving it) in at least one branch office in each additional MSA where the institution has offices (the disclosure statement need only contain data relating to the MSA where the branch is located); or

(ii) Post the address for sending written requests for the disclosure statement in the lobby of each branch office in an MSA where the institution has offices, and mail or deliver a copy of the disclosure statement, within fifteen calendar days of receiving a written request (the disclosure statement need only contain data relating to the MSA for which the request is made). Including the address in the general notice required under paragraph (e) of this section satisfies this requirement.

(c) *Public disclosure of loan application register.* * * * The modified register need only contain data relating to the MSA for which the request is made.

* * * * *

(e) *Notice of availability.* A financial institution shall post a general notice about the availability of its HMDA data in the lobby of its home office and of each branch office located in an MSA. It shall promptly upon request provide the location of the institution's offices where the statement is available for inspection and copying, or it may include the location in the notice.

4. In Appendix A to Part 203 under the heading *Paperwork Reduction Act Notice*, the undesignated paragraph is revised to read as follows:

APPENDIX A TO PART 203—FORM AND INSTRUCTIONS FOR COMPLETION OF HMDA LOAN/APPLICATION REGISTER

Paperwork Reduction Act Notice

Public reporting burden for collection of this information is estimated to vary from 10 to 10,000 hours per response, with an average of 202 hours per response for state member banks and 160 hours per response for mortgage banking subsidiaries, including time to gather and maintain the data needed and to review instructions and complete the information collection. This report is required by law (12 U.S.C. 2801-2810 and 12 C.F.R. Part 203). An agency may not conduct or sponsor, and an organization is not required to respond to, a collection of information unless it displays a currently valid OMB Control Number. The OMB Control number for this information collection is 7100-0247. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden, to Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551; and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, D.C. 20503.

* * * * *

5. Paragraph I of Appendix A to Part 203 is amended as follows:

a. Paragraph A. is amended by redesignating the introductory text, paragraph 1., and paragraph 2., as paragraph 1., paragraph 1.a., and paragraph 1.b., respectively;

b. Newly designated paragraph 1.a. is revised;

c. A new paragraph 2. is added; and

d. The undesignated paragraph EXAMPLE, is designated as paragraph 3. and revised. The addition and revisions read as follows:

* * * * *

I. Who Must File a Report

A. *Depository Institutions*

1. * * *

a. Had assets of more than the asset threshold for coverage as published by the Board each year in December, and

b. * * *

2. For data collection in 1997, the asset threshold is $28 million in total assets as of December 31, 1996.

3. *Example.* If on December 31 you had a home or branch office in an MSA and your assets exceeded the asset threshold, you must complete a register that lists the home-purchase and home-improvement loans that you originate or purchase (and also lists applications that did not result in an origination) beginning January 1.

* * * * *

6. Paragraph III. of Appendix A to Part 203 is amended as follows:

a. Paragraph D. is revised;

b. Under paragraph E., paragraph 2. is revised and a new paragraph 3. is added;

c. Paragraph F. is removed; and

d. Paragraph G. is redesignated as paragraph F., and in newly redesignated paragraph F., the first paragraph following the heading is designated as paragraph 1. and a new heading is added to the newly designated paragraph 1., and paragraph 2. is added after the Home Mortgage Disclosure Act Notice.

The revisions and additions read as follows:

* * * * *

III. Submission of HMDA-LAR and Public Release of Data

* * * * *

D. *Availability of disclosure statement.*

1. The Federal Financial Institutions Examination Council (FFIEC) will prepare a disclosure statement from the data you submit. Your disclosure statement will be returned to the name and address indicated on the transmittal sheet. Within three business days of receiving the disclosure statement, you must make a copy available at your home office for inspection by the public. For these purposes a business day is any calendar day other than a Saturday, Sunday, or legal public holiday. You also must either:

a. Make your disclosure statement available to the public, within ten business days of receiving it from the FFIEC, in at least one branch office in each additional MSA where you have offices (the disclosure statement need only contain data relating to properties in the MSA where the branch office is located); or

b. Post in the lobby of each branch office in an MSA the address where a written request for the disclosure statement may be sent, and mail or deliver a copy of the statement to any person requesting it, within fifteen calendar days of receiving a written request. The disclosure statement need only contain data relating to the MSA for which the request is made.

2. You may make the disclosure statement available in paper form or, if the person requesting the data agrees, in automated form (such as by PC diskette or computer tape).

E. *Availability of modified loan application register.*

1. * * *

2. You may make the modified register available in paper or automated form (such as by PC diskette or computer tape). Although you are not required to make the modified loan application register available in census-tract order, you are strongly encouraged to do so in order to enhance its utility to users.

3. You must make your modified register available following the calendar year for which the data are complied, by March 31 for a request received on or

before March 1, and within 30 days for a request received after March 1. You are not required to prepare a modified loan application register in advance of receiving a request from the public for this information, but must be able to respond to a request within 30 days. A modified register need only reflect data relating to the MSA for which the request is made.

F. *Posters.*

1. *Suggested language.* * * *

2. *Additional language for institutions making the disclosure statement available upon request.* For an institution that makes its disclosure statement available upon request instead of at branch offices must post a notice informing the public of the address to which a request should be sent. For example, the institution could include the following sentence in its general notice: 'To receive a copy of these data send a written request to [address].'

* * * * *

7. In Appendix A to Part 203, the LOAN/APPLICATION REGISTER Transmittal Sheet is revised to read as follows:

SEE APPLICATION FORM NEXT PAGE

8. Supplement I to Part 203 is amended as follows:
a. Under Section 203.3—Exempt Institutions, under 3(a) *Exemption based on location, asset size, or number of home-purchase loans*, the second sentence of Paragraph 1. General is revised; and
b. Under Section 203.5—Disclosure and Reporting, under 5(e) *Notice of availability*, the parenthetical at the end of Paragraph 1. *Poster—suggested text* is revised. The revisions read as follows: Supplement I to Part 203—Staff Commentary

* * * * *

Section 203.3—Exempt Institutions

3(a) *Exemption based on location, asset size, or number of home-purchase loans.*

1. *General.* * * * For example, a bank whose assets are at or below the threshold on December 31 of a given year reports data for that full calendar year, in which it was covered, but does not report data for the succeeding calendar year. * * *

* * * * *

Section 203.5—Disclosure and Reporting

5(e) *Notice of availability.*

1. *Poster—suggested text.* * * *
(Appendix A of this part, paragraph III.F.)

* * * * *

ORDERS ISSUED UNDER BANK HOLDING COMPANY ACT

Orders Issued Under Section 3 of the Bank Holding Company Act

NationsBank Corporation
Charlotte, North Carolina

NB Holdings Corporation
Charlotte, North Carolina

Order Approving the Ownership of Bank Shares In a Fiduciary Capacity

NationsBank Corporation and NB Holdings Corporation, both of Charlotte, North Carolina (collectively, "NationsBank"), bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have requested the Board's approval under section 3 of the BHC Act (12 U.S.C.§1842) to retain, in a fiduciary capacity with sole voting authority, more than 5 percent, but less than 25 percent, of the voting shares of First National Security Company, De Queen, Arkansas; Calvin B. Taylor Bankshares, Inc., Berlin, Maryland; First Perry Bancorp, Inc., Pinckneyville, Illinois; and The First National Bank in Falfurrias, Falfurrias, Texas (collectively, the "Banks").[1] The voting shares of the Banks are held by the trust departments of two NationsBank subsidiary banks, NationsBank, N.A., Charlotte, North Carolina, and NationsBank of Texas, N.A., Dallas, Texas, and were acquired in connection with previous acquisitions by NationsBank.[2]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (62 *Federal Register* 7784 (1997)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in the BHC Act.

NationsBank, with total consolidated assets of approximately $226 billion, is the fourth largest commercial banking organization in the United States, controlling approximately 5.5 percent of total banking assets of insured commercial banks ("total banking assets").[3] Its subsidiary

1. NationsBank would retain not more than the following percentages of voting shares of the Banks:
(1) 15.6 percent of First National Security Company;
(2) 8 percent of Calvin B. Taylor Bankshares;
(3) 13.1 percent of First Perry Bancorp; and
(4) 15.5 percent of The First National Bank in Falfurrias.

2. The interests were acquired in connection with NationsBank's acquisition of MNC Financial, Inc., Baltimore, Maryland, and as successor to two failed institutions, First Republic Bank Midland, N.A., Midland, and NBC Bank-San Antonio, N.A. San Antonio, both in Texas.

3. Consolidated asset data are as of December 31, 1996, and include the acquisition of Boatmen's Bancshares, Inc., St. Louis, Missouri.

Form FR HMDA-LAR.
OMB No. 7100-0247. Approval expires May 31, 2000.

LOAN/APPLICATION REGISTER

TRANSMITTAL SHEET

You must complete this transmittal sheet (please type or print) and attach it to the Loan/Application Register, required by the Home Mortgage Disclosure Act, that you submit to your supervisory agency.

Reporter's Identification Number	Agency Code	Reporter's Tax Identification Number	Total line entries contained in attached Loan/Application Register
⎿⎿⎿⎿⎿⎿⎿⎿⎿⎿ –	⎿⎿	⎿⎿ – ⎿⎿⎿⎿⎿⎿⎿	______

The Loan/Application Register that is attached covers activity during the year _____ and contains a total of _____ pages.

Enter the name and address of your institution. The disclosure statement that is produced by the Federal Financial Institutions Examination Council will be mailed to the address you supply below:

____
Name of Institution

____
Address

____
City, State, ZIP

Enter the name, telephone number, and facsimile number of a person who may be contacted about questions regarding your register:

______________	( ) ______________	( ) ______________
Name	Telephone Number	Facsimile Number (if applicable)

If your institution is a subsidiary of another institution or corporation, enter the name of your parent:

____
Name

____
Address

____
City, State, ZIP

An officer of your institution must complete the following section.

I certify to the accuracy of the data contained in this register.

______________	______________	________
Name of Officer	Signature	Date

banks operate in North Carolina, Arkansas, Delaware, the District of Columbia, Florida, Georgia, Illinois, Iowa, Kansas, Kentucky, Maryland, New Mexico, Oklahoma, South Carolina, Tennessee, Texas, and Virginia. State deposit and ranking data in light of the proposal are contained in Appendix A.

NationsBank holds the shares of the Banks in a fiduciary capacity as trustee for predominately family trusts. NationsBank did not acquire or express an interest in acquiring any shares of the Banks on its own behalf, but instead, NationsBank received shares that had been purchased and placed in trust by the grantors. The trusts were only acquired by NationsBank in connection with the acquisition of the banking organization that was serving as trustee when it was acquired. In almost every case, the trusts were established by current or former officers or directors of the Banks. NationsBank eventually will be required to distribute the trusts' assets, over which it temporarily holds legal title, to the descendants of the current beneficiaries of the trusts. There are no director or officer interlocks between NationsBank and Banks.[4] Based on these facts and all other facts of record, including commitments made by Nationsbank in connection with this proposal, it is the Board's judgment that, for purposes of the BHC Act, NationsBank's retention of less than 25 percent of the voting shares of the Banks would not result in control of the Banks by NationsBank.

Competitive Considerations

In reviewing the competitive aspects of the proposal, the Board notes that NationsBank controls a relatively small percentage of the voting shares of the Banks. The Board has, nevertheless, considered this proposal on the basis that NationsBank would have the ability to alter the market behavior of Banks in an anticompetitive manner.

NationsBank and the Banks compete directly in the following banking markets: Scott County, Arkansas ("Scott County"); Eastern Shore and Worcester County ("Worcester County"), Maryland; and McCurtain County, Oklahoma.[5] Consummation of the proposal would exceed the threshold levels of market concentration, as measured by the Herfindahl–Hirschman Index ("HHI"), in the Scott County and Worcester County banking markets.[6]

A number of considerations indicate that the market concentrations as measured by the HHI tend to overstate the competitive effects of this proposal in Scott County and Worcester County. In Scott County, for example, where NationsBank and First National Security Company ("First Security") compete, the largest principal shareholders of the banking organization and grantors of the trust holding First Security shares that are administered by NationsBank, control more than 72 percent of First Security's the voting shares. The shareholders also serve as officers of First Security. In Worcester County, ten competitors, including three of the largest commercial banking organizations in Maryland, would remain and the banking market has characteristics that make it attractive for entry and expansion by potential competitors.[7]

Based on these and other facts of record, including the fiduciary nature of NationsBank's interest and its commitments to remain a passive shareholder, the Board concludes that the proposal would not have a significantly adverse effect on competition or concentration of banking resources in the Scott County or Worcester County banking markets, or any relevant banking market. Accordingly, the Board concludes that competitive considerations are consistent with approval of the proposal.

Supervisory Factors

In light of all the facts of record, including supervisory reports of examination, the Board also concluded that the financial and managerial resources and future prospects of the institutions involved in this proposal, and considerations relating to the convenience and needs of the communities to be served, are consistent with approval, as are the other supervisory factors the Board must consider under section 3 of the BHC Act.

4. NationsBank also has made a number of commitments that are similar to commitments previously relied on by the Board to determine that an investing bank holding company would not exercise a controlling influence over another bank holding company or bank for purposes of the BHC Act. *See, e.g., North Fork Bancorporation, Inc.*, 81 *Federal Reserve Bulletin* 734 (1995) (acquisition of 19.9 percent of the voting shares of a bank holding company); *Mansura Bancshares, Inc.*, 79 *Federal Reserve Bulletin* 37 (1993) (acquisition of 9.7 percent of the voting shares of a bank holding company); and *SunTrust Banks, Inc.*, 76 *Federal Reserve Bulletin* 542 (1990) (acquisition of up to 24.99 percent of the voting shares of a bank). NationsBank has committed, for example, except to the extent required in its capacity as a fiduciary, not to exercise or attempt to exercise a controlling influence over the management or policies of the Banks; not to seek or accept representation on the board of directors of the Banks; not to challenge a nominee of management for the board of directors of the Banks; and not to have any representative of NationsBank serve as an officer, agent or employee of the Banks or any of their affiliates. The Board concludes that these commitments adequately limit NationsBank's ability to weaken or eliminate independent action by the Banks.

5. The banking markets are described in Appendix A.

6. The HHI would increase 844 points to 5141 in Scott County, and 299 points to 2045 in Worcester County. The increases in the HHI for the remaining banking markets are contained in Appendix A. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is over 1800 is considered to be highly concentrated. The Department of Justice ("DOJ") has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The DOJ has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effect of limited-purpose lenders and other non-depository financial entities.

7. From 1990 to 1995, the population in Worcester County increased by 15.1 percent whereas the average increase in population statewide was 6.1 percent. In the last five years, deposits in Worcester County increased by 1 percent whereas the average increase in deposits for non-Metropolitan Statistical Area counties in the state like Worcester County was approximately 0.01 percent.

Conclusion

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

By order of the Board of Governors, effective May 12, 1997.

Voting for this action: Vice Chair Rivlin and Governors Kelley, Phillips, and Meyer. Absent and not voting: Chairman Greenspan.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

APPENDIX A

A. State deposit and ranking data if NationsBank were considered to control the Banks.[1]

Arkansas. NationsBank would be the largest commercial banking organization, controlling deposits of $3.5 billion, representing 13.1 percent of the total deposits in commercial banking organizations in the state.

Maryland. NationsBank would be the largest commercial banking organization, controlling deposits of $9.6 billion, representing 23.9 percent of the total deposits in commercial banking organizations in the state.

Illinois. NationsBank would be the 17th largest commercial banking organization, controlling deposits of approximately $1 billion, representing less than 1 percent of the total deposits in commercial banking organizations in the state.

Oklahoma. NationsBank would be the largest commercial banking organization, controlling deposits of $3.1 billion, representing 10.6 percent of the total deposits in commercial banking organizations in the state.

Texas. NationsBank would be the largest commercial banking organization, controlling deposits of $25.6 billion, representing 16.6 percent of the total deposits in commercial banking organizations in the state.

B. Local banking markets where NationsBank and the Banks compete:

1. State deposit data are as of June 30, 1996.

(1) *Scott County, Arkansas banking market*—approximated by Scott County, Arkansas.

(2) *Eastern Shore, Maryland banking market*—approximated by Accomack County and Northampton County Virginia; and the towns of Pocomoke City and Snow Hill, Maryland. The HHI would increase 66 points to 1480.

(3) *Worcester County, Maryland banking market*—approximated by Worcester County, Maryland.

(4) *McCurtain County, Oklahoma banking market*—approximated by McCurtain County, Oklahoma. The HHI would increase 179 points to 1865.

Southern National Corporation
Winston-Salem, North Carolina

Order Approving the Merger of Bank Holding Companies

Southern National Corporation, Winston-Salem, North Carolina ("Southern"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to merge with United Carolina Bancshares Corporation, Whiteville, North Carolina ("United Carolina"),[1] and thereby acquire United Carolina Bank, Whiteville, North Carolina, and United Carolina Bank of South Carolina, Greer, South Carolina.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (62 *Federal Register* 10,271 (1997)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3 of the BHC Act.

Southern is the third largest depository institution in North Carolina, controlling deposits of $11.1 billion, representing 14.5 percent of total deposits in depository institutions in that state, and is the third largest depository institution in South Carolina, controlling deposits of $2.89 billion, representing 9.4 percent of total deposits in depository institutions in the state.[2] United Carolina is the eighth largest depository institution in North Carolina, controlling deposits of $3.4 billion, representing 4.4 percent of total deposits in depository institutions in that state, and is the fourteenth largest depository institution in South Carolina, controlling deposits of $332 million, representing

1. Southern and United Carolina have granted each other an option to purchase, under certain circumstances, outstanding common stock of the other company. These options would terminate on consummation of the proposal. United Carolina would be required to obtain the Board's approval under section 3 of the BHC Act before exercising its option.

2. State and market data are as of June 30, 1996. In this context, depository institutions include commercial banks, savings banks, and savings associations.

1.1 percent of total deposits in depository institutions in that state.

On consummation of this proposal and all proposed divestitures, totalling $529.5 million, Southern would become the largest depository institution in North Carolina, controlling 18.2 percent of total deposits in depository institutions in that state, and would remain the third largest depository institution in South Carolina, controlling 10.5 percent of total deposits in depository institutions in that state.

Interstate Analysis

Section 3(d) of the BHC Act, as amended by Section 101 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, allows the Board to approve an application by a bank holding company to acquire control of a bank located in a state other than the home state of such bank holding company, if certain conditions are met. For purposes of the BHC Act, the home state of Southern is North Carolina, and Southern proposes to acquire a bank in South Carolina.[3] The conditions for an interstate acquisition enumerated in section 3(d) are met in this case,[4] and the Board is permitted to approve this proposal under section 3(d) of the BHC Act.

Competitive Considerations

The BHC Act prohibits the Board from approving an application under section 3 of the BHC Act if the proposal would result in a monopoly, or would substantially lessen competition in any relevant banking market, unless the Board finds that the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served.

Southern and United Carolina compete directly in 22 banking markets in North Carolina and 3 banking markets in South Carolina. The Board has carefully reviewed the competitive effects of the proposal in these banking markets in light of all the facts of record, including the number of competitors that would remain in the markets, the characteristics of the markets, the projected increase in the concentration of total deposits in depository institutions[5] in the markets ("market deposits") as measured by the Herfindahl–Hirschman Index ("HHI") under the Department of Justice Merger Guidelines ("DOJ Guidelines"),[6] and commitments made by Southern to divest certain branches.[7] Consummation of the proposal, without divestitures, would be consistent with the DOJ Guidelines in seven banking markets in North Carolina and all three of the banking markets in South Carolina.[8]

In order to mitigate the potential anticompetitive effects of the proposal in other markets, Southern has committed to make a number of divestitures.[9] With the proposed divestitures, the concentration levels in eight additional North Carolina banking markets would be consistent with the DOJ Guidelines following consummation of the proposal.[10] The divested branches hold deposits of approxi-

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

4. 12 U.S.C. §§ 1842(d)(1)(A) and (B) and 1842(d)(2)(A) and (B). Southern is adequately capitalized and adequately managed. On consummation of this proposal, Southern and its affiliates would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States and less than 30 percent of the total amount of deposits in South Carolina. In addition, United Carolina Bank of South Carolina has been in existence and in continuous operation for at least five years as required by South Carolina law. All other requirements of section 3(d) of the BHC Act also would be met on consummation of the proposal.

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

6. Under the revised DOJ Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is less than 1000 is considered unconcentrated, and a market in which the post-merger HHI is between 1000 and 1800 is considered moderately concentrated. The Justice Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effect of limited-purpose lenders and other non-depository financial institutions.

7. With respect to each market in which Southern has committed to divest offices to mitigate the anticompetitive effects of the proposal, Southern has committed to execute sales agreements prior to consummation of the acquisition of United Carolina and to complete the divestitures within 180 days of consummation of the acquisition. Southern also has committed that, in the event it is unsuccessful in completing any divestiture within 180 days of consummation of the proposal, Southern will transfer the unsold branch(es) to an independent trustee that is acceptable to the Board and that will be instructed to sell the branches promptly. *BankAmerica Corporation*, 78 *Federal Reserve Bulletin* 338 (1992); *United New Mexico Financial Corporation*, 77 *Federal Reserve Bulletin* 484 (1991). Southern has also committed to submit to the Board, no later than 60 days prior to the expiration of the 180-day divestiture period, an executed trust agreement acceptable to the Board stating the terms of the divestitures.

8. These banking markets are discussed in Appendix A.

9. Southern has committed to divest a total of 23 branches in 11 North Carolina banking markets. In these markets, Southern has committed to make divestitures to an out-of-market competitor or to a competitively suitable purchaser.

10. These banking markets are described in Appendix B. Southern contends that the relevant banking market for Anson County, North Carolina, should be either (1) the Charlotte-Rock Hill banking market, or (2) the area within a 30-mile radius surrounding Wadesboro, the largest community in Anson County. The Board and the courts have concluded that the relevant banking market for analyzing the competitive effects of a proposal must reflect commercial and banking realities and should consist of the local area where the banks involved offer their services and where local customers can practicably turn for

mately $521.9 million, which represents 14 percent of the total deposits held by United Carolina.[11]

In the seven remaining North Carolina banking markets, consummation of the proposal, adjusted to take account of proposed divestitures in these markets, would exceed the DOJ Guidelines, as measured by the HHI. The Board has previously indicated that HHI levels are only guidelines that are used by the Board, the Department of Justice, and other banking agencies to help identify cases in which a more detailed competitive analysis is appropriate to assure that the proposal would not have a significantly adverse effect on competition in any relevant market. A proposal that fails to pass the HHI market screen may, nonetheless, be approved because other information may indicate that the proposal would not have a significantly adverse effect on competition.

The Board believes that a number of additional factors in these seven banking markets indicate that the increase in concentration levels, as measured by the HHI, tends to overstate the competitive effects of this proposal. The mitigating factors in two of these markets are discussed in Appendix C. The remaining five North Carolina banking markets, which include banking markets with significant increases in the HHI or in the resulting post-merger HHIs, are discussed below.

Columbus County Banking Market. United Carolina is the largest of the five depository institutions in the Columbus County banking market, and controls deposits of $336.2 million, representing 60.7 percent of market deposits.[12] Southern is the second largest depository institution in the market, and controls deposits of $105.8 million, representing 19 percent of market deposits. In order to mitigate the competitive effects in this market, Southern has committed to divest three branches, representing approximately 16 percent of market deposits, to an out-of-market competitor. After consummation of the proposal and the proposed divestiture, Southern would become the largest depository institution in the market, controlling 63.8 percent of market deposits, and the HHI would increase 277 points to 4493.

The high level of concentration in the Columbus County banking market after consummation of the proposal, as measured by the HHI, raises a significant competitive issue. The Board is particularly concerned when the dominant position of a banking organization is increased in a market with high levels of concentration, as in this case.

The Board believes, on balance in this particular case, that a number of factors indicate that the effect of the transaction on competition in this market is not likely to be significantly adverse. The increase in market share controlled by the largest competitor in the market is small, as measured by the percentage of market deposits. Southern has proposed significant divestitures in this market to an out-of-market competitor with substantial resources. This purchaser ranks among the ten largest commercial banking organizations in North Carolina, with banking assets greater than $6 billion. The magnitude of the proposed divestiture and the acquiror's size and resources help ensure that the out-of-market competitor would effectively replace Southern as the second largest competitor in the market. In addition, five competitors would remain in the market, including the out-of-market competitor that would purchase three branches divested by Southern.

Although population, deposit, and other economic data traditionally relied on by the Board do not indicate that the market is attractive for entry in comparison to other markets in the state, two new depository institutions have already indicated their intent to enter the market in 1997. One competitor is a newly chartered commercial bank with three offices that was formed by local residents concerned about the elimination of the largest community based banking organization in their market. The other competitor is a South Carolina commercial bank from a neighboring county that already obtains a substantial volume of its lending business from the Columbus County market and is extending its market presence into Columbus County. If the two new banks succeed in obtaining a total of $5 million of the deposits currently held by Southern, which is less than 1 percent of the total market deposits, the effect of the proposal on the HHI for the Columbus County market would be within the DOJ Guidelines.[13]

The Board has carefully weighed the competitive effects of the proposal in the Columbus County banking market in light of these and all the facts of record. Although the proposal presents a close case, the Board concludes that entry by an out-of-market competitor with a significant share of market deposits through the proposed divestiture, and by two additional new competitors, indicates that competition continues to develop in the Columbus County banking market and that, on balance, consummation of the

alternatives. *See St. Joseph Valley Bank*, 68 *Federal Reserve Bulletin* 673, 674 (1982). The key question to be considered in making this decision "is not where the parties to the merger do business or even where they compete, but where, within the area of competitive overlap, the effect of the merger on competition will be direct and immediate." *United States v. Philadelphia National Bank*, 374 U.S. 321, 357 (1963); *United States v. Phillipsburg National Bank*, 399 U.S. 350, 364–65 (1969). The Board has considered Southern's contentions in light of all the facts of record, and concludes that the appropriate market for analyzing the competitive effects of the proposal is an area that is approximated by Anson County and those portions of Union County not included in the Charlotte-Rock Hill Ranally Metro Area ("RMA"). This market has been defined by the Federal Reserve Bank of Richmond ("Reserve Bank") as the Monroe, North Carolina, banking market. The Board bases this conclusion on an analysis of employment commuting data, traffic patterns, and interviews with local bankers and other officials that were conducted in March 1997 as part of an investigation of the area by the staff of the Reserve Bank, as well as other facts of record that indicate that commuting, travel and competition between Anson County and the Charlotte-Rock Hill banking market is limited.

11. Southern has also committed to divest $8 million of deposits and associated lending relationships in the Goldsboro, North Carolina, banking market that are not currently allocated to any of the branches to be divested.

12. The Columbus County banking market is approximated by Columbus County, North Carolina.

13. The HHI would potentially increase 163 points to 4379.

proposal would not substantially lessen competition in that market.

Statesville Banking Market. Southern is the third largest of ten depository institutions that compete in the Statesville banking market, and controls deposits of $139.3 million, representing 19.5 percent of market deposits.[14] United Carolina is the fourth largest depository institution in the market, and controls deposits of $73.4 million, representing 10.3 percent of market deposits. On consummation of the proposal, Southern would become the second largest depository institution in the market, controlling 29.8 percent of market deposits. The HHI would increase 400 points to 2265.

Nine competitors would remain in the Statesville banking market after consummation of the proposal, including North Carolina's five largest commercial banking organizations, all with significant market shares. In addition, a number of factors indicate that the Statesville market is attractive for entry and expansion.[15] The rate of increase in deposits and population, for example, and the banking market's average per capita income and total deposits per banking office, were greater in the Statesville banking market, which is primarily composed of a non-MSA area, than in the state's other non-MSA counties.[16] Two commercial banks entered the market by acquisition, one in 1994 and another in 1996, and a newly chartered commercial bank is expected to commence operations in 1997.[17]

Goldsboro Banking Market. Southern is the largest of nine depository institutions that compete in the Goldsboro banking market, and controls deposits of $270 million, representing 31.8 percent of market deposits.[18] United Carolina is the fourth largest depository institution in the market, and controls deposits of $79.6 million, representing 9.4 percent of market deposits. Southern proposes to divest three branches, with deposits of $47.5 million, to two smaller competitors in the banking market. After consummation of the proposal and the proposed divestiture, Southern would control 35.6 percent of the market deposits, and the HHI would increase 248 points to 2295.

The divestitures would allow each of the two smaller competitors to increase their share of market deposits by approximately 3 percentage points. In addition, eight commercial banking organizations, including the six largest commercial banking organizations in North Carolina, would remain in the banking market after consummation of the proposal. The Goldsboro banking market is attractive for entry, and a savings bank established a presence in the market within the past two years.

Sanford Banking Market. Southern is the largest of seven depository institutions that compete in the Sanford banking market, and controls deposits of $153.6 million, representing 29.2 percent of market deposits. United Carolina is the fifth largest depository institution in the market, and controls deposits of $42.3 million, representing 8.1 percent of market deposits.[19] Southern proposes to divest one branch to an out-of-market competitor. After consummation of the proposal and the proposed divestiture, Southern would control 34.8 percent of the market deposits. The HHI would increase 296 points to 2195.

Seven competitors would remain in the market after Southern's divestiture to an out-of-market competitor, and the market is attractive for entry. During the past three years, the average rate of growth in population, the level of per capita income, and the amount of deposits per banking office in the Sanford market exceeded the rate of growth in other non-MSA counties of the state.[20] Two competitors in the market opened new branches in 1996, and a commercial bank entered the market *de novo* in May 1997. In addition, a newly chartered commercial bank plans to enter the market in 1997. It is anticipated that the attractiveness of the market will increase when a four-lane highway between Sanford and Raleigh is completed within the next two years.

Fayetteville Banking Market. Southern is the largest of 11 depository institutions that compete in the Fayetteville banking market, controlling deposits of $358.4 million,

14. The Statesville banking market is approximated by Statesville, North Carolina, including the portion of Iredell County not included within the Charlotte-Rock Hill RMA.

15. Depository institutions in Iredell County have the largest amount of total deposits held by depository institutions in all non- metropolitan statistical area ("non-MSA") counties in North Carolina. In 1996, *The New Observer*, a large Charlotte newspaper, awarded Iredell County the highest rating in its review of the North Carolina business climate. The rating was based on several economic factors, including job growth, change in employment, the level and change in per capita income, the level and change in unemployment, and the level and change in per capita retail sales. In addition, Statesville, which is the economic center of the market, is located at the intersection of two interstate highways (U.S. Interstates 77 and 40), a fact that contributes to the attractiveness of the market for commercial enterprises and access to major population centers, including Charlotte and Winston-Salem.

16. Between 1993 and 1996, deposits increased on average in Iredell County by 2.9 percent as compared to 1.4 percent for other non-MSA counties in North Carolina. The average population increase for the same period was 2.5 percent in Iredell County as compared to 1.5 percent for other non-MSA counties. In 1994, per capita income in Iredell County was $14,005 compared to $12,007 in other non-MSA counties. Total deposits per banking office in 1996 were $29.9 million compared to $25.9 million in the other non-MSA counties.

17. In interviews with the Reserve Bank, bankers in the Statesville banking market indicated their belief that the market would remain competitive after consummation of the proposal. Data also indicate that concentration in the market, as measured by the HHI, has decreased in the past five years.

18. The Goldsboro banking market is approximated by the Goldsboro, North Carolina, RMA, including the remainder of Wayne County.

19. The Sanford banking market is approximated by Lee County, North Carolina.

20. Between 1993 and 1996, the population of Lee County increased at a rate of 2.7 percent as compared to 1.5 percent for other non-MSA counties in North Carolina. Per capita income in the county was $14,304 in 1995 compared to $12,007 in other non-MSA counties. The rate of growth of deposits in the market was 1.8 percent between 1993 and 1996, compared to a rate of growth of 1.4 percent in other non-MSA counties.

representing 26.0 percent of market deposits.[21] United Carolina is the fifth largest depository institution in the market, controlling deposits of $132.9 million, representing 9.6 percent of market deposits. On consummation of the proposal, Southern would control 35.6 percent of the market deposits. The HHI would increase 500 points to 2019.

Ten competitors would remain in the market after consummation of the merger, including North Carolina's five largest commercial banking organizations, all with significant market shares. The market also has characteristics, including its size, that make it attractive for entry and expansion. The Fayetteville banking market, for example, contains an MSA and the state's fourth largest population center.

The Board sought comments from the United States Attorney General ("Attorney General"), the Office of the Comptroller of the Currency ("OCC"), and the Federal Deposit Insurance Corporation ("FDIC") on the competitive effects of the proposal. The Attorney General has advised the Board that, subject to the proposed divestitures, consummation of the proposal would not likely have any significantly adverse effects on competition in any relevant market. The OCC and the FDIC also have not objected to consummation of the proposal.

Based on all the facts of record, including the proposed divestitures and for the reasons discussed above and explained in the appendixes, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or the concentration of banking resources in any relevant banking market.

Other Considerations

The Board has carefully considered the financial and managerial resources of Southern, United Carolina, and their respective subsidiaries, and the effect of the proposed acquisition on the future prospects of these organizations, and other supervisory factors in light of the facts of record. Based on all the facts of record, the Board concludes that the financial and managerial resources and future prospects of Southern and United Carolina, and their respective subsidiaries, are consistent with approval of the proposal, as are the other supervisory factors the Board must consider under section 3 of the BHC Act. Considerations relating to the convenience and needs of the communities to be served are also consistent with approval.

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

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

By order of the Board of Governors, effective May 29, 1997.

Voting for this action: Chairman Greenspan and Governors Kelley and Phillips. Voting against this action: Vice Chair Rivlin and Governor Meyer.

WILLIAM W. WILES
Secretary of the Board

APPENDIX A

Banking markets in which consummation of the proposal would not exceed DOJ Guidelines without divestitures:

North Carolina banking markets

Charlotte-Rock Hill: Approximated by the Charlotte, North Carolina, and Rock Hill, South Carolina, RMA. After consummation of the proposal, Southern would control 9.3 percent of the market deposits and would become the third largest depository institution in the market. The HHI would increase 43 points to 2481.

Durham-Chapel Hill: Approximated by the Durham-Chapel Hill, North Carolina, RMA, including the remainder of Durham and Orange Counties, and Chatham County excluding the Burlington RMA. After consummation of the proposal, Southern would control 11.7 percent of the market deposits and would remain the fourth largest depository institution in the market. The HHI would increase 16 points to 1702.

Greensboro-High Point: Approximated by the Greensboro-High Point, North Carolina, RMA, including the remainder of the counties of Davidson and Randolph, excluding the Winston-Salem RMA. After consummation of the proposal, Southern would control 21 percent of the market deposits and would remain the largest depository institution in the market. The HHI would increase 98 points to 1239.

New Bern: Approximated by New Bern, North Carolina, the counties of Carteret, Craven, and Pamlico, and the eastern half of Jones County. After consummation of the proposal, Southern would control 24.7 percent of the market deposits, and would remain the third largest depository institution in the market. The HHI would increase 136 points to 2201.

21. The Fayetteville banking market is approximated by the Fayetteville, North Carolina, RMA, including the remainder of Cumberland County.

Raleigh: Approximated by the Raleigh, North Carolina, RMA, including the remainder of Franklin, Harnett, Johnston, and Wake Counties. After consummation of the proposal, Southern would control 17.2 percent of the market deposits and would become the second largest depository institution in the market. The HHI would increase 139 points to 1391.

Wilmington: Approximated by the Wilmington, North Carolina, RMA, including the remainder of Brunswick County and Pender County. After consummation of the proposal, Southern would control 29.9 percent of the market deposits, and would become the largest depository institution in the market. The HHI would increase 396 points to 1695.

Winston-Salem: Approximated by the Winston-Salem, North Carolina, RMA, including the remainder of Davie and Stokes Counties. After consummation of the proposal, Southern would control 32.1 percent of the market deposits and would remain the second largest depository institution in the market. The HHI would increase 19 points to 2975.

South Carolina banking markets

Greenville: Approximated by the Greenville, South Carolina, RMA, including the remainder of Greenville and Pickens Counties. After consummation of the proposal, Southern would control 23.7 percent of the market deposits and would remain the largest depository institution in the market. The HHI would increase 186 points to 1331.

Myrtle Beach-Conway Area: Approximated by the Myrtle Beach-Conway, South Carolina, RMA, including the remainder of Horry County. After consummation of the proposal, Southern would control 9.2 percent of the market deposits and would become the fifth largest depository institution in the market. The HHI would increase 37 points to 1131.

Spartanburg: Approximated by the Spartanburg, South Carolina, RMA, including the remainder of Spartanburg County, excluding the Greenville RMA portion. After consummation of the proposal, Southern would control 10.2 percent of the market deposits and would become the third largest depository institution in the market. The HHI would increase 29 points to 1230.

APPENDIX B

North Carolina banking markets in which consummation of the proposal would not exceed DOJ Guidelines with divestitures:

Duplin County: Approximated by Duplin County, North Carolina. After consummation of the merger and the proposed divestitures to an out-of-market competitor, Southern would control 46.1 percent of the market deposits and would become the largest depository institution in the market. The HHI would increase 36 points to 2761.

Hoke County: Approximated by Hoke County, North Carolina. After consummation of the merger and the proposed divestiture to an out-of-market competitor, Southern would control 56.5 percent of the market deposits and would replace United Carolina as the largest depository institution in the market. The HHI would not increase.

Martin County: Approximated by Martin County, North Carolina. After consummation of the merger and the proposed divestiture to an out-of-market competitor, Southern would control 27 percent of the market deposits and would remain the second largest depository institution in the market. The HHI would not increase.

Monroe: Approximated by Anson and Union Counties, North Carolina, excluding the portion of Union County included in the Charlotte-Rock Hill RMA. After consummation of the merger and the proposed divestitures to an out-of-market competitor, Southern would control 40.8 percent of the market deposits and would remain the largest depository institution in the market. The HHI would increase 156 points to 2188.

Richmond County: Approximated by Richmond County, North Carolina. After consummation of the merger and the proposed divestitures to an out-of-market competitor and an in-market firm, Southern would control 38.3 percent of the market deposits and would replace United Carolina as the largest depository institution in the market. Following the proposed divestitures, the HHI would increase 179 points to 2272.

Robeson County: Approximated by Robeson County, North Carolina, except for the portion of the county included in the Fayetteville RMA. After consummation of the merger and the proposed divestitures to an out-of-market competitor, Southern would control 37.2 percent of the market deposits and would become the largest depository institution in the market. The HHI would increase 183 points to 2205.

Sampson County: Approximated by Sampson County, North Carolina. After consummation of the merger and the proposed divestitures to an out-of-market competitor, Southern would control 29.8 percent of the market deposits and would remain the second largest depository institution in the market. Following the proposed divestitures, the HHI would increase 99 points to 3207.

Washington County: Approximated by Washington County, North Carolina. After consummation of the merger and the proposed divestitures to an out-of-market competitor, Southern would control 29.7 percent of the market deposits and would remain the largest depository institution in the market. The HHI would not increase.

APPENDIX C

North Carolina banking markets in which consummation of the proposal would exceed DOJ Guidelines. However, other factors substantially mitigate the competitive effect of the increases in market concentration as measured by the HHI:

Moore County: Approximated by Moore County, North Carolina. After consummation of the merger, Southern would control 37.7 percent of the market deposits and would remain the largest depository institution in the market. The HHI would increase 330 points to 1988. Ten competitors would remain in this market following consummation, including North Carolina's five largest commercial banking organizations. One of the thrifts in the market is the second largest competitor for deposits. In addition, the market has features that make it attractive for entry and expansion. The rate of growth in population and market deposits, and the level of per capita income exceed, on average, that of other non-MSA counties in the state.

Pitt County: Approximated by Pitt County, North Carolina. After consummation of the merger, Southern would control 27.3 percent of the market deposits and would become the largest depository institution in the market. The HHI would increase 325 points to 1886. Following consummation, ten competitors would remain in the market, including North Carolina's six largest commercial banking organizations. In addition, the market has features that make it attractive for entry and expansion. Pitt County is the second largest non-MSA county in the state with respect to total deposits. The rate of growth in deposits and the level of per capita income exceed, on average, that of other non-MSA counties. The record indicates that one thrift in the market fully competes with commercial banks in making commercial and retail loans. If this thrift's deposits are given 100 percent weight, consistent with the Board's precedent, the HHI would increase 319 points to 1850.

Dissenting Statement of Vice Chair Rivlin and Governor Meyer

We believe the proposed transaction would have a significantly adverse effect on competition in at least three local banking markets: Columbus County, Statesville and Goldsboro. Without additional divestitures to reduce the prospect of significantly adverse competitive effects in these markets, we believe the application should be denied.

Our concern is greatest about the Columbus County market. This is a case of a market that is initially very highly concentrated and, in our view, extreme caution should be exercised in connection with any merger that further increases market concentration. The failure to reject the merger or to make the merger conditional on further divestitures in this market, in our view, sets an undesirable precedent and allows a level of concentration and market share that is too high to warrant Board approval.

Consummation of the transaction in the Columbus County banking market would increase the HHI from over 4200 to nearly 4500. Southern would become the dominant banking organization in the market and would increase its share of market deposits to approximately 64 percent. In addition to enhancing the dominant position of the largest competitor, the proposal would increase the gap between the share of market deposits controlled by the two largest competitors. After consummation of the proposal, the second largest competitor would control only 16 percent of market deposits, a market share less than Southern currently controls as the market's second largest competitor. None of the remaining three competitors would control as much as a 10 percent share of the market deposits.

We believe that strong mitigating factors would be required to justify an acquisition resulting in further concentration of such a highly concentrated market. In this case, while two firms propose to enter the market, this new entry is not sufficient to mitigate the increased concentration that would result from this transaction. Relevant data do not indicate that the market is likely to attract sufficient new entry to check the competitive influence of Southern as the dominant firm after this acquisition. We do not find any other factors that would mitigate the potentially significant adverse effect that this acquisition is likely to have on competition in the Columbus County banking market. Accordingly, we conclude that additional divestitures are necessary in the Columbus County banking market before the proposal warrants approval.

The Statesville and Goldsboro markets are much less highly concentrated than the Columbus County market. Nevertheless, the proposed transaction would still, in our view, result in significantly adverse effects on competition in each of these markets. The increase in concentration in the Statesville market is the largest of any of the three markets in question. This transaction would move this market from one with a reasonable degree of competitiveness to one that is highly concentrated. The Goldsboro market involves combining the largest and fourth largest banks in the market and results in a post-merger market share of 35.6 percent without any mitigating factor. Although the threat of adverse competitive effects in the Statesville and Goldsboro cases appears less dramatic than in the case of the Columbus County market, the competitive effects in the Statesville and Goldsboro push the outer limits of what the Board has approved in the past and in our judgement exceed the limits of what the Board should approve.

May 29, 1997

Orders Issued Under Section 4 of the Bank Holding Company Act

Banc One Corporation, Inc.
Columbus, Ohio

Order Approving Notice to Acquire a Savings Association and to Engage in Certain Nonbanking Activities

Banc One Corporation, Inc., Columbus, Ohio ("Banc One"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.24(a) of the Board's Regulation Y (12 C.F.R. 225.24(a)) to merge with First USA, Inc., Dallas, Texas ("First USA"), and to acquire First USA's wholly owned subsidiary, First USA Federal Savings Bank, Wilmington, Delaware ("First USA FSB"). Banc One also has requested the Board's approval under section 4(c)(8) of the BHC Act to acquire the direct and indirect nonbank subsidiaries of First USA listed in the Appendix and thereby to operate nonbank depository institutions, and to engage in activities related to extending credit and data processing.[1]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (62 *Federal Register* 11,895 (1997)).[2] The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.[3]

Banc One, with total consolidated assets of approximately $102 billion, is the tenth largest commercial banking organization in the United States. Banc One operates subsidiary banks: Arizona, Colorado, Illinois, Indiana, Kentucky, Louisiana, Ohio, Oklahoma, Texas, Utah, West Virginia, and Wisconsin, controlling approximately 2.7 percent of total banking assets in the United States.[4] Banc One also engages through its subsidiaries in a broad range of permissible nonbanking activities in the United States. First USA, with total consolidated assets of $10.2 billion, controls deposits of $1.7 billion in its subsidiary depository institutions.[5] After consummation of the proposal, Banc One would be the eighth largest commercial banking organization in the United States, with consolidated assets of $112.2 billion.

The Board has determined that operating a savings association by a bank holding company is closely related to banking for purposes of section 4(c)(8) of the BHC Act. The Board requires a savings association acquired by a bank holding company to conform its direct and indirect activities to those permissible for a bank holding company under section 4(c)(8) and Regulation Y. Banc One has committed to conform all activities of First USA FSB to those requirements.[6]

The Board also has determined by regulation that operating nonbanking depository institutions and engaging in activities related to extending credit and data processing, as discussed in the Appendix, are closely related to banking within the meaning of section 4(c)(8) of the BHC Act. Applicant has committed to conduct these activities subject to the limitations set forth in Regulation Y.

Competitive Considerations

In order to approve the proposal, the Board also must determine that the performance of the proposed activities is a proper incident to banking, that is, that the proposed transaction "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." As part of the Board's evaluation of these factors, the Board has carefully considered the competitive effects of the proposed transaction in light of all the facts of record, including comments contending that the proposal would have an adverse effect on competition in the credit card industry.

Banc One and First USA compete as issuers of credit cards and as merchant credit card processors.[7] Credit card issuers compete nationally for credit card customers. First USA is the fourth largest credit card issuer in the United States, controlling approximately 6.8 percent of outstanding credit card balances.[8] Banc One is the 11th largest credit card issuer, controlling approximately 3.1 percent of outstanding credit card balances. After consummation, Banc One would become the third largest credit card issuer, controlling approximately 10 percent of outstanding credit card balances. The market would remain unconcentrated as measured by the Herfindahl–Hirschman Index ("HHI"),[9] and numerous competitors would remain.[10]

1. Banc One and First USA have granted each other an option to purchase up to approximately 19.9 percent of the outstanding common stock of the other company under certain circumstances. These options would terminate on consummation of the proposal. First USA would be required to obtain the Board's approval under section 3 of the BHC Act before exercising its option.

2. Notice of the proposed acquisition of First USA FSB also was published in appropriate newspapers in accordance with the Board's policy regarding applications to acquire a savings association.

3. Commenters on the proposal, including Inner City Press/ Community on the Move, the Delaware Community Reinvestment Action Council, and the Black Citizens for Justice, Law & Order (collectively "Commenters") contend that the Board should not consider the substance of Banc One's submissions filed after time periods prescribed in the Board's Rules of Procedure for an applicant's response to comments. *See* 12 C.F.R. 262.3(e). The Board notes that both Banc One and Commenters filed information and comments after the period provided in the Board's Rules of Procedure. The Board has the sole discretion under its Rules of Procedure to consider comments and responses, including late submissions of information. This notice was filed and many of the comments and responses were submitted before the effective date of the Board's recent revision to Regulation Y. Accordingly, in reviewing this proposal, the Board has considered all the submissions filed, including submissions filed by Commenters and by Banc One after the relevant time periods.

4. Asset and deposit data are as of December 31, 1996.

5. In this context, the term depository institution includes commercial banks, savings banks, and savings associations.

6. Banc One intends to merge First USA FSB with and into Banc One's subsidiary national bank, Bank One, Columbus, N.A, Columbus, Ohio. The merger is subject to the approval of Office of the Comptroller of the Currency ("OCC") under section 18(c) of the Federal Deposit Insurance Corporation Act (12 U.S.C.§ 1828(c), the Bank Merger Act), and the Board has consulted with the OCC on the proposed merger.

7. Merchant card processing consists of three primary activities:
(1) Merchant contract acquisition,
(2) Front-end network processing, and
(3) Back-end merchant accounting.

Merchant contract acquisition includes the marketing and sale of card transaction processing services to merchants. Front-end network processing includes card authorization at the time of a purchase and the electronic capture of sales drafts. Back-end merchant accounting includes recording the number and amount of all sales drafts and credits submitted by each merchant, managing and reporting transaction information, resolving charge backs, and investigating fraudulent activity.

8. Market share is measured by the dollar amount of credit card balances outstanding as of December 31, 1996, and is based on data provided by the 50 largest issuers of Visa and MasterCard credit cards.

9. The HHI would increase 42 points to 642. Under the revised Department of Justice guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is less than 1000 is considered unconcentrated, and a market in which the post-merger HHI is between 1000 and 1800 is considered moderately

Merchant credit card processors also compete nationally. First USA is the third largest merchant credit card processor, with approximately 7.3 percent of the total credit and debit transactions processed, and Banc One is the tenth largest processor, with approximately 2.7 percent of the total credit and debit transactions processed.[11] After consummation, Banc One would become the third largest processor, controlling approximately 10 percent of the total credit and debit transactions processed. Market concentration as measured by the HHI would remain moderately concentrated,[12] and numerous competitors would remain.

Based on all the facts of record, the Board concludes that consummation of this proposal would not have a significantly adverse effect on competition among credit card issuers or merchant credit card processors, or in any other relevant market.

Other Considerations

As part of its evaluation of the public interest factors, the Board has carefully reviewed the financial and managerial resources of Banc One, First USA, and their subsidiaries, and the effect the transaction would have on such resources in light of all the facts of record.[13] The facts of record include confidential financial information from Banc One and reports of examination and other supervisory information received from the primary federal and state supervisors of the organizations assessing the financial and managerial resources of the organizations. Based on all the facts of record, the Board concludes that the financial and managerial resources of the organizations involved in this proposal are consistent with approval.[14]

In acting on applications to acquire a savings association, the Board has traditionally reviewed the records of performance by the institutions involved under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.* ("CRA")).[15] Commenters have criticized aspects of the CRA performance records of both institutions and the record of compliance with fair lending laws by Banc One. The Board has considered in detail almost identical comments relating to Banc One in connection with its proposal to acquire Liberty Bancorp, Inc., Oklahoma City, Oklahoma.[16] Based on all the facts of record, including the facts

concentrated. The Justice Department generally will not challenge an acquisition (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800.

10. Commenters contend that the market for credit card issuers is too concentrated and that credit card issuers are able to charge higher than normal interest rates. If the competitive effect of the proposal were considered only with respect to the 11 largest credit card issuers (Banc One is the 11th largest credit card issuer), the proposal still would be within the DOJ merger guidelines. The post-merger HHI would increase by 88 points to 1176, and Banc One would control approximately 14.4 percent of the outstanding credit card balances.

11. Market share is measured by the dollar amount of Visa and MasterCard credit and debit transactions processed by the 75 largest firms in 1996.

12. The HHI would increase by 40 points to 1013 as a result of the proposal.

13. The Board has carefully reviewed the effect of the downward revision of earnings recently announced by First USA on the financial considerations of the proposal. The Board concludes that the revision would not have a materially adverse effect on the financial resources of Banc One.

14. Commenters contend that an anonymously written employee newsletter provides evidence of unfair and discriminatory labor practices at a subsidiary of First USA. In addition, some commenters contend that service by a senior First USA executive as a director of an unaffiliated subprime lender that recently reorganized in a bankruptcy proceeding raises adverse managerial considerations. The comments do not provide facts that indicate wrongdoing by the executive. One commenter also generally alleges that the numbers of African Americans in management positions at Banc One and First USA are disproportionately low.

As noted, the Board reviewed these comments in light of all the facts of record, including supervisory assessments of the financial and managerial resources of Banc One and relevant First USA subsidiaries, and concluded that financial and managerial considerations are consistent with approval. The Board also previously has stated that its limited jurisdiction to review applications under the BHC Act does not authorize the Board to adjudicate disputes involving an applicant that arise under statutes, other than banking laws, that are administered and enforced by another federal regulatory agency. *See, e.g., Norwest Corporation*, 82 *Federal Reserve Bulletin* 580 (1996); *see also Western Bancshares v. Board of Governors*, 480 F.2d 749 (10th Cir. 1973). Banc One and First USA are required to file an annual report with the Equal Employment Opportunity Commission ("EEOC") covering all employees in its corporate structures under the Department of Labor's regulations. *See* 41 C.F.R. 60–1.7(a) and 60–1.4. The Department of Labor, and the EEOC in particular, have sufficient statutory authority to address disputes regarding unfair or illegally discriminatory labor practices.

15. Banc One contends that recent changes in laws other than the CRA have made the CRA, by its terms, inapplicable to the acquisition of a savings association by a bank holding company. Section 2203 of the Economic Growth and Regulatory Paper Reduction Act of 1996 ("section 2203") eliminated the requirement for approval by the Office of Thrift Supervision ("OTS") of acquisitions of savings associations by bank holding companies. There is no indication that section 2203 was intended to alter the applicability of the CRA. First USA FSB is an insured depository institution that is subject to evaluation under the CRA. Banc One's contention also is inconsistent with the Board's long-standing policy of considering the CRA record of bank holding companies in reviewing applications by bank holding companies to acquire savings associations. In this light, the Board concludes that the language and intent of the CRA support taking CRA performance into account in an application by a bank holding company to acquire a savings association such as First USA FSB.

16. *Banc One Corporation*, 82 *Federal Reserve Bulletin* 520 (1997) ("Banc One/Liberty Order"). The Board has carefully reviewed additional contentions by Commenters that Banc One's 1996 HMDA data show:

(1) Disparities in denial rates to minorities compared to the denial rates for nonminority borrowers;

(2) Significant HMDA reporting errors by Banc One, particularly Banc One Financial Services ("BOFS"); and

(3) Misrepresentations of Banc One's referral program among its affiliates, including loan purchases by BOFS.

The Board has reviewed the 1996 HMDA data and Banc One's overall CRA performance record in light of these allegations and the limitations noted in the Banc One/Liberty Order that make HMDA data an inadequate basis, absent other information, for concluding that an institution has engaged in illegal lending discrimination. The Board also has considered Commenters' allegations about the accuracy of Banc One's HMDA data, particularly data from BOFS. The Board notes that BOFS accounts for less than 1 percent of Banc One's consolidated net income, and that the Board has sufficient supervisory authority to address inaccuracies in HMDA reporting by BOFS or and reasons discussed in the Banc One/Liberty Order, which are specifically incorporated herein by reference, the Board concludes that Banc One's record of performance under the CRA and record of compliance with fair lending laws are consistent with approval of the proposal.[17]

First USA FSB commenced operations in 1996, and has not yet been evaluated for CRA performance by the Office of Thrift Supervision, its primary federal supervisor. As noted, Banc One intends to merge First USA FSB with and into its lead subsidiary bank, Bank One, Columbus, N.A., Columbus, Ohio ("Columbus Bank"), which received an "outstanding" rating at its most recent CRA performance evaluation from the bank's primary federal supervisor, the OCC. First USA's other insured depository institutions, First USA Bank and First USA Financial Services, Inc., received "satisfactory" ratings for CRA performance from their primary federal supervisor, the Federal Deposit Insurance Corporation ("FDIC"), as of August 1996 and September 1996, respectively.[18]

Based on all the facts of record, and for the reasons discussed above and in the Banc One/Liberty Order, the Board concludes that considerations relating to the CRA performance records of the institutions involved are consistent with approval of the proposal.[19]

The record indicates that consummation of the proposal would result in benefits to both consumers and merchants. The proposal would enable Banc One to provide First USA customers with access to a broad range of services. In addition, combined credit card operations of Banc One and First USA would enhance the services and products currently provided by each of these organizations. Additionally, there are public benefits to be derived from permitting capital markets to operate so that bank holding companies may make potentially profitable investments in nonbanking companies when those investments are consistent, as in this case, with the relevant considerations under the BHC Act, and from permitting banking organizations to allocate their resources in the manner they believe is most efficient. Based on all the facts of record, the Board has determined that consummation of this proposal can reasonably by expected to produce public benefits that would outweigh any likely adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

Request for a Hearing

Commenters contend that their allegations raise issues of disputed material facts and that a hearing is necessary in order for commenters to obtain and to provide additional information relevant to their allegations, particularly regarding Banc One's record of CRA performance and compliance by Banc One's nonbanking subsidiaries with fair lending laws. Commenters also cite the examination of Banc One Mortgage Company ("BOMC"), a nonbank subsidiary of Banc One, which was discussed in the Banc One/Liberty Order, as evidence of disputed material facts. The Board's rules provide for a hearing on notices under section 4 of the BHC Act to acquire a savings association if there are disputed issues of material fact relating to the acquisition of the savings association that cannot be resolved in some other manner. *See* 12 C.F.R. 225.25(a)(2).

After a careful review of all the facts of record, the Board has concluded that Commenters' arguments amount to a dispute with the weight that should be accorded to, and the conclusions that the Board should draw from, the facts of record, but do not identify disputed issues of fact that are material to the Board's decision. In addition, interested parties have had an opportunity to present their views, and commenters have submitted substantial written comments that have been considered by the Board. Commenters' request fails to show why a written presentation would not suffice and to summarize what evidence would be presented at a hearing or meeting. *See* 12 C.F.R. 262.3(e).

The examination discussed in the Banc One/Liberty Order is intended to resolve a question about fair lending oversight, procedures and practices at Banc One Mortgage Company ("BOMC") based on certain preliminary information that was developed in the course of the Board's supervision of Banc One and on other complaints against Banc One's operations. The Board fully expects that Banc One will take all necessary steps, including adopting and implementing practices and procedures developed in consultation with the Board, to ensure that any areas of weakness in its fair lending policies and practices that may be identified through the Board's examination are adequately addressed, and the Board conditions its action on this proposal on Banc One taking such actions. Based on all the

other Banc One nonbank affiliates if the reports are found to contain inaccuracies. The Board also has considered the contention that alleged HMDA inaccuracies would constitute a misrepresentation of Banc One's referral program in light of Banc One's managerial record and the Board's long experience with supervising the organization. Accordingly, and as explained in the Banc One/Liberty Order, Banc One's overall performance records under the CRA and fair lending laws, including the most recent CRA performance examination ratings of its subsidiary banks, and Banc One's history of addressing areas of weakness in its performance, are consistent with the Board's approving an application under the BHC Act.

17. As noted, the Board has also considered these allegations and Banc One's record of performance in evaluating managerial factors.

18. A customer of First USA Bank contends that the bank breached its credit card agreement and has violated Truth in Lending Act requirements. The FDIC, the primary supervisor of First USA Bank, is addressing the customer's complaint. The Delaware Community Reinvestment Action Council contends First USA Bank's most recent CRA evaluation reflects substantial assistance from First USA FSB. Banc One responds that, after the merger of First USA FSB into Columbus Bank, First USA Bank would continue to assist in meeting the credit needs of its communities through qualified investments or through the assistance of Banc One affiliates such as Banc One Community Development Corporation.

19. Commenters requested additional time in which to comment on 1996 data filed by Banc One under the Home Mortgage Disclosure Act (12 U.S.C. § 2801 *et seq.*)("HMDA"). Based on all the facts of record, including the fact that Commenters did not request the 1996 HMDA data from Banc One, and that Banc One voluntarily provided the information to Commenters, the Board concludes that Commenters' request for additional time to file comments was properly denied. *See, e.g.*, the Board's Regulation C (12 C.F.R. Part 203) on disclosure of HMDA data. The Board also notes that Commenters have provided substantial submissions on the 1996 HMDA data that have been considered as part of this proposal.

facts of record, including the fact that BOMC accounts for less than 1 percent of Banc One's consolidated net income, the fact that the Board has supervisory authority to require bank holding companies and their subsidiaries to address compliance deficiencies, Banc One's record of addressing supervisory and other issues identified by its supervisor, the condition stated in this order, and Banc One's overall record of performance under the CRA and fair lending laws, the Board does not believe that completion of the BOMC examination, or receipt of additional information at a public hearing or meeting, would provide facts material to the Board's consideration of the proposal at this time.

On the basis of all the facts of record, the Board has determined that a public hearing or public meeting is not required or necessary to clarify the factual record in this proposal, or otherwise warranted in this case. Accordingly, the request for a public hearing or meeting on the proposal is hereby denied.

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the notice should be, and hereby is, approved. The Board's approval of the proposal is specifically conditioned on compliance by Banc One with the commitments made in connection with this notice and conditions referred to in this order.[20] The Board's determination also is subject to all the conditions in Regulation Y, including those in sections 225.7 and 225.23(g) (12 C.F.R. 225.7 and 225.23(g)) and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, or to prevent evasion of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder. The commitments and conditions relied on by the Board in reaching this decision shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

This transaction shall not be consummated 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 Cleveland, acting pursuant to delegated authority.

By order of the Board of Governors, effective May 14, 1997.

20. Commenters also have requested that the Board delay action on the proposal and investigate its allegations against Banc One and its nonbanking subsidiaries through an on-site examination. Based on all the facts of record, and for the reasons discussed in the Banc One/Liberty Order which, as noted, have been specifically incorporated herein, the Board concludes that delay or denial of the proposal until the Board investigates Commenters' allegations or completes its examination of BOMC is not warranted.

Voting for this action: Vice Chair Rivlin and Governors Kelley, Phillips, and Meyer. Absent and not voting: Chairman Greenspan.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

APPENDIX

Nonbanking Subsidiaries

Banc One proposes to acquire all of the voting shares of the following nonbanking subsidiaries of First USA:

(a) First USA Bank, Wilmington, Delaware, a credit card bank, and thereby engage in making revolving extensions of credit in connection with the issuance of its consumer credit cards, and conducting activities incidental to its credit card business, pursuant to section 225.28(b)(2);
(b) First USA Financial Services, Inc., Murray, Utah, an industrial loan company, and thereby engage in making extensions of credit in connection with the issuance of commercial credit cards to businesses, governmental units and other entities, pursuant to sections 225.28(b)(2) and 225.28(b)(4);
(c) First USA Merchant Services, Inc., Dallas, Texas, and thereby engage in processing credit and debit card transactions for merchants directly and indirectly through financial institutions and independent sales organizations, including card transaction authorization ("authorization"), processing of card transactions ("capture"), settlement of card transactions ("settlement"), and arranging for deposit of funds in merchants' accounts ("merchant funds deposit"), pursuant to sections 225.28(b)(2) and 225.28(b)(14);
(d) First USA Technology, Inc., Dallas, Texas, and thereby engage in serving as licensor for software provided to merchants in connection with credit and debit card processing activities, pursuant to sections 225.28(b)(2) and 225.28(b)(14);
(e) First Virtual Holdings Incorporated, San Diego, California, and thereby engage in providing merchants selling their products and services over the Internet with a payment system that verifies the identity of the purchaser and the seller to a credit card transaction, and engage in providing processing services, including authorization, capture, settlement, and merchant funds deposit activities for the credit card transaction; and operating a shared website on the Internet for sellers of information products by managing all aspects of the selling process such as confirmation of purchases, distribution of information products, accounting, settlement, and collection and payment of proceeds, pursuant to section 225.28(b)(14);
(f) Gensar Technologies, Inc., Tampa, Florida, and thereby engage in providing certain credit and debit card transaction processing services and equipment for merchants directly and indirectly through financial institutions and independent sales organizations, and acting as licensor of personal computer-based software designed for the pro-

cessing of financial data, pursuant to sections 225.28(b)(2) and 225.28(b)(14);
(g) Merchant Link, Inc., Bethesda, Maryland, and thereby engage in providing specialized help-desk services only in connection with the operation of the bank card modules of certain integrated hotel, restaurant, and retail financial management systems, pursuant to section 225.28(b)(14); and cialized credit and debit card transactions processing services, including authorization, capture, settlement, and merchant funds deposit activities, and providing specialized personal computer-based software that is used by direct response merchants in connection with the entry of customer card data and card transaction processing, pursuant to sections 225.28(b)(2) and 225.28(b)(14).

Other Interests

Banc One proposes to acquire the following interest of First USA:[1]

> 50 percent ownership interest in PHH/Paymentech, Wilmington, Delaware, a limited liability company that is a joint venture with Paymentech Fleet Services, Inc., a First USA subsidiary, and PHH Vehicle Management Services Corp., and thereby engage in providing credit card marketing, transaction processing and other services to organizations that operate fleets of vehicles, pursuant to section 225.28(b)(2).

1. Banc One also proposes to acquire the inactive subsidiaries of First USA, however, Banc One has committed not to engage in any activities through these inactive subsidiaries without the prior approval of the Board or the Federal Reserve Bank of Cleveland.

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

Allied Irish Banks, plc
Dublin, Ireland

First Maryland Bancorp
Baltimore, Maryland

Order Approving Acquisition of a Bank Holding Company

Allied Irish Banks, plc, Dublin, Ireland ("Allied Irish"), and its subsidiary, First Maryland Bancorp, Baltimore, Maryland ("First Maryland") (collectively, "Applicants"), bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire Dauphin Deposit Corporation ("Dauphin") and thereby indirectly acquire Dauphin's subsidiary bank, Dauphin Bank and Trust Company ("Dauphin Bank"), both of Harrisburg, Pennsylvania.[1] Applicants also have requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.24 of the Board's Regulation Y (12 C.F.R. 225.24) to acquire the nonbanking subsidiaries of Dauphin and thereby engage in the nonbanking activities listed in the Appendix.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (62 *Federal Register* 16,579 (1997)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in sections 3 and 4 of the BHC Act.

Allied Irish, with total consolidated assets equivalent to approximately $43.9 billion, is the largest banking organization in Ireland, and it provides a full range of banking, financial, and related services primarily in Ireland, the United Kingdom, and the United States.[2] Allied Irish operates a branch in New York; through First Maryland, controls three banking subsidiaries in Delaware, Maryland, and Pennsylvania; and engages through other subsidiaries in various nonbanking activities. First Maryland, with total consolidated assets of $10.8 billion, is the 57th largest commercial banking organization in the United States, controlling $7.5 billion in deposits.

Allied Irish is the 18th largest commercial banking organization in Pennsylvania, controlling $872.6 million in deposits, representing less than 1 percent of all deposits in commercial banking institutions in the state.[3] Dauphin is the seventh largest commercial banking organization in Pennsylvania, controlling $3.96 billion in deposits, representing approximately 2.9 percent of all deposits in commercial banking institutions in the state. On consummation of the proposal, Allied Irish would become the sixth largest commercial banking organization in Pennsylvania, controlling deposits of $4.8 billion, representing approximately 3.5 percent of all deposits in commercial banking institutions in the state.

Interstate Banking Analysis

Section 3(d) of the BHC Act, as amended by section 101 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, allows the Board to approve an application by a bank holding company to acquire a bank located in a state other than the home state of such bank holding company if certain conditions are met.[4] For purposes of the BHC Act, the home state of Allied Irish and First Maryland is Maryland, and Applicants propose to acquire a bank in Pennsylvania. The conditions for an

1. Applicants also have requested the Board's approval to exercise an option to purchase up to 19.9 percent of the voting shares of Dauphin. The option would terminate on consummation of this proposal.

2. Asset and national deposit and ranking data are as of December 31, 1996.

3. State deposit and ranking data are as of June 30, 1996.

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

interstate acquisition under section 3(d) are met in this case.[5] In view of all the facts of record, the Board is permitted to approve the proposal under section 3(d) of the BHC Act.

Competitive Considerations

The BHC Act prohibits the Board from approving an application under section 3 of the BHC Act if the proposal would result in a monopoly or if the effect of the proposal may be substantially to lessen competition in any relevant market, unless the Board finds that the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served.[6]

Allied Irish and Dauphin compete directly in the Hagerstown, Maryland; Lancaster, Pennsylvania; and York, Pennsylvania, banking markets.[7] On consummation of this proposal, those markets would remain moderately concentrated as measured by the Herfindahl-Hirschman Index ("HHI").[8] After considering the number of competitors that would remain in the market, the resulting market concentration as measured by the HHI, and all other facts of record, the Board has concluded that consummation of this proposal would not have a significantly adverse effect on competition or the concentration of banking resources in any relevant banking market.

Certain Supervisory Considerations

Under the Foreign Bank Supervision Enhancement Act of 1991,[9] the Board may not approve an application under section 3 of the BHC Act involving a foreign bank unless the bank is "subject to comprehensive supervision or regulation on a consolidated basis by the appropriate authorities in the bank's home country."[10] The Board previously has determined, in an application under the BHC Act, that the Bank of Ireland, Dublin, Ireland, was subject to comprehensive consolidated supervision by its home country authorities.[11] In this case, the Board has determined that Allied Irish is supervised on substantially the same terms and conditions as the Bank of Ireland. Based on all the facts of record, the Board has concluded that Allied Irish is subject to comprehensive supervision and regulation on a consolidated basis by its home country supervisor.

The BHC Act also requires the Board to determine that the applicant has provided adequate assurances that it will make available to the Board such information on its operations and activities and those of its affiliates that the Board deems appropriate to determine and enforce compliance with the BHC Act. The Board has reviewed the restrictions on disclosure in jurisdictions where Allied Irish has material operations and has communicated with relevant government authorities concerning access to information. Al-

5. *See* 12 U.S.C. §§ 1842(d)(1)(A) and (B) and 1842(d)(2)(A) and (B). Allied Irish and First Maryland are adequately capitalized and adequately managed. In addition, on consummation of the proposal, Allied Irish and First Maryland would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States and less than 30 percent of the total amount of deposits of insured depository institutions in Pennsylvania. Pennsylvania does not have a minimum age requirement or a statewide concentration limit. All other requirements of section 3(d) of the BHC Act also would be met on consummation of the proposal.

6. In evaluating the competitive effects of this proposal, the Board has carefully considered comments received from an individual ("Protestant") and a petition submitted by a number of individuals contending that the proposal would have adverse competitive effects in the area between Harrisburg, Pennsylvania, and Baltimore, Maryland, identified as the "Interstate 83 corridor," and adverse effects on small Pennsylvania banks. As indicated below, the Board has concluded that the relevant geographic banking markets for analyzing the competitive effects of this proposal are the Hagerstown, Lancaster, and York banking markets. In reaching this decision, the Board has, as in previous cases, considered the location of the relevant banks, worker commuter patterns (as indicated by census data), and other indicia of economic integration and the transmission of competitive forces among large and small depository institutions. *See* "Third District Banking Markets," Federal Reserve Bank of Philadelphia (August 1995). *See also Chemical Banking Corporation*, 82 *Federal Reserve Bulletin* 239, 241 (1996). *See United States v. Philadelphia National Bank*, 374 U.S. 321, 357 (1963); *United States v. Phillipsburg National Bank*, 399 U.S. 350 (1969).

7. The Hagerstown, Maryland, banking market is approximated by the Hagerstown Rand McNally Area ("RMA"), which includes portions of Maryland, Pennsylvania, West Virginia, and the portions of Washington County, Maryland, not in the Hagerstown RMA. The Lancaster, Pennsylvania, banking market is approximated by Lancaster County, Pennsylvania. The York, Pennsylvania, banking market is approximated by Adams and York Counties, both in Pennsylvania.

8. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is between 1000 and 1800 is considered moderately concentrated. The Justice Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger or acquisition increases the HHI by at least 200 points. The Justice Department has stated that the higher than normal threshold for an increase in the HHI when screening bank mergers and acquisitions for anticompetitive effects implicitly recognizes the competitive effect of limited-purpose lenders and other nondepository financial entities. On consummation of this transaction, the HHI in the relevant banking markets would increase as follows: Hagerstown (12 points to 1375), Lancaster (8 points to 1270), and York (633 points to 1654).

9. Pub. L. No. 102-242, § 201 *et seq.*, 105 Stat. 2286 (1991).

10. 12 U.S.C. § 1842(c)(3)(B). As provided in Regulation Y, the Board determines whether a foreign bank is subject to consolidated home country supervision under the standards set forth in Regulation K (International Banking Operations). 12 C.F.R. 225.13(a)(4). Regulation K provides that a foreign bank may be considered subject to consolidated supervision if the Board determines that the bank is supervised or regulated in such a manner that its home country supervisor receives sufficient information on the worldwide operations of the foreign bank, including the relationship of the bank to its affiliates, to assess the foreign bank's overall financial condition and compliance with law and regulation. 12 C.F.R. 211.24(c)(1)(ii).

11. *See Bank of Ireland*, 81 *Federal Reserve Bulletin* 511 (1995).

lied Irish has committed that, to the extent not prohibited by applicable law, it will make available to the Board such information on the operations of Allied Irish and any of its affiliates that the Board deems necessary to determine and enforce compliance with the BHC Act, the International Banking Act (12 U.S.C. § 3101 *et seq.*), and other applicable federal laws. Allied Irish also has committed to cooperate with the Board to obtain any waivers or exemptions that may be necessary in order to enable Allied Irish to make any such information available to the Board. In light of these commitments and other facts of record, the Board has concluded that Allied Irish has provided adequate assurances of access to any necessary information the Board may request.[12] For these reasons, and based on all the facts of record, the Board has concluded that the supervisory factors the Board is required to consider under section 3(c)(3) of the BHC Act are consistent with approval.

Financial, Managerial, and Convenience and Needs Considerations

In considering the financial and managerial factors in this case, the Board notes that the Central Bank of Ireland has implemented the European Union's capital adequacy directive, which follows the Basle risk-based capital standards with minor variations that conform with local accounting practices. Thus, Allied Irish is subject to capital standards that conform to the Basle Capital Accord. Allied Irish's capital levels comply with those standards and are considered equivalent to the capital that would be required of a United States banking organization. The Board also has considered other aspects of Allied Irish's financial condition, as well as the capital position and other aspects of the financial condition of First Maryland and the other institutions involved in this transaction.

The proposed transaction is not expected to have a significant adverse effect on the financial resources of Allied Irish, First Maryland, or the other institutions involved. Allied Irish and First Maryland, and their subsidiary depository institutions, are well-capitalized and expected to remain so on consummation of this proposal. The Board also has considered the size of this acquisition relative to the assets of Allied Irish and First Maryland, the financing for this proposal, and the effect of this proposal on the liquidity position of these institutions.

The Board also has carefully considered the managerial resources of Allied Irish, First Maryland, and the other institutions involved in this proposal in light of all the facts of record, including assessments of their managerial resources by United States and Irish banking authorities.[13]

Based on the foregoing and all the facts of record, the Board has concluded that considerations relating to the financial and managerial resources and future prospects of Allied Irish, First Maryland, Dauphin, and their respective subsidiaries are consistent with approval of the proposal, as are the other supervisory factors the Board must consider under section 3 of the BHC Act.

Convenience and needs considerations, including the records of performance of the banking subsidiaries of Allied Irish and Dauphin under the Community Reinvestment Act (12 U.S.C. § 2903 *et seq.*) ("CRA"), also are consistent with approval.[14]

Nonbanking Activities

A. Activities Approved by Regulation

The Board previously has determined by regulation that the proposed lending, financial and investment advisory, tax preparation, securities brokerage, riskless principal, private placement, data processing, and credit-related insurance activities, and underwriting and dealing in bank-eligible securities are closely related to banking within the meaning of section 4(c)(8) of the BHC Act.[15] Allied Irish proposes to conduct these activities in accordance with

12. In previous cases, the Board has reviewed relevant provisions of confidentiality, secrecy, and other laws in jurisdictions in which Allied Irish has material operations. *See Bank of Ireland*, 81 *Federal Reserve Bulletin* 511 (1995); *HSBC Holdings plc*, 81 *Federal Reserve Bulletin* 1037 (1995).

13. In considering the financial and managerial factors in this case, the Board has carefully weighed comments by Protestant, including comments that:

(1) Dauphin has invested in technology, training programs, and other items to remain an independent financial institution;

(2) officials and representatives of Dauphin and Allied Irish have made inconsistent statements about the competitive and other factors in this case; and

(3) Protestant's company incurred substantial financial losses because Farmers Bank, FSB, Baltimore, Maryland, a thrift institution sold by Dauphin in 1994, violated state law by failing to record documentation of the thrift's loan to the company.

The Board has considered these contentions in light of all the facts of record, including the alleged inconsistent statements themselves and supervisory reports of examination assessing the financial and managerial resources of Allied Irish, Dauphin, and their respective subsidiaries. These examination reports have reviewed, among other matters, the loan documentation policies and procedures of the relevant institutions.

14. In considering the convenience and needs factor in this case, the Board has carefully weighed comments by Protestant that Dauphin Bank's customer service would become less personal after the acquisition. The Board has reviewed this contention in light of all the facts of record, including CRA performance examinations of the relevant institutions. The Board notes that Allied Irish's lead subsidiary bank, First National Bank of Maryland, Baltimore, Maryland, received an "outstanding" rating in its most recent examination for CRA performance from its primary federal supervisor, the Office of the Comptroller of the Currency, as of October 7, 1996. The Board also notes that Allied Irish has not proposed to change the management of Dauphin and intends to retain certain senior officers and directors. Allied Irish has indicated that the proposed transaction would improve the ability of the combined organization to meet the business credit needs of the communities it serves through higher aggregate credit limits and improved underwriting and asset syndication capabilities, among other things.

15. *See* 12 C.F.R. 225.28(b)(1), (6), (7), (8), (11), and (14).

Regulation Y and relevant Board interpretations and orders.

B. Underwriting and Dealing in Bank-Ineligible Securities

Applicants also have proposed to acquire Dauphin's section 20 subsidiary, Hopper Soliday & Co., Inc., Lancaster, Pennsylvania ("Company"). The Board previously authorized Company to engage in underwriting and dealing in bank-ineligible securities on a limited basis.[16] This authorization was based upon the Board's prior determination that, subject to the prudential framework of limitations established in previous decisions to address the potential for conflicts of interests, unsound banking practices, or other adverse effects, the activities of underwriting and dealing in bank-ineligible securities 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.[17] Allied Irish has committed that Company will conduct the proposed underwriting and dealing activities subject to the framework, including the prudential limitations, established by the Board in the Section 20 Orders.

In addition, the Board has determined that the conduct of these securities underwriting and dealing activities is consistent with section 20 of the Glass–Steagall Act (12 U.S.C. § 377), provided that the company engaged in the underwriting and dealing activities derives no more than 25 percent of its total gross revenues from underwriting and dealing in bank-ineligible securities over any two-year period.[18] Allied Irish has committed that Company will conduct its underwriting and dealing activities in bank-ineligible securities subject to the 25-percent revenue test.[19]

C. Other Nonbanking Considerations

In order to approve this proposal, the Board also must determine that the proposed activities are a proper incident to banking, that is, that the proposed transaction "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[20]

As part of the Board's evaluation of these factors, the Board considers the financial and managerial resources of the notificant, its subsidiaries, and any company to be acquired, and the effect the transaction would have on such resources.[21] As noted previously, Allied Irish's capital ratios satisfy applicable risk-based standards under the Basle Accord and are considered equivalent to the capital levels that would be required of a United States banking organization. The Board also has reviewed the capitalization of Allied Irish and Company in accordance with the standards set forth in the Section 20 Orders and finds the capitalization of each to be consistent with approval. The determination on the capitalization of Company is based on all the facts of record, including projections of the volume of Company's underwriting and dealing activities in bank-ineligible securities. The Board also has reviewed other aspects of the financial condition and resources of Allied Irish, Dauphin, and their respective subsidiaries, including the effect of this proposal on the financial condition and resources of these entities.

On the basis of its supervisory experience with Applicants, Dauphin, and Company, the commitments provided in this case, and the proposed management of Company, the Board also has determined that Applicants and Company have established policies and procedures to ensure compliance with this order and the Section 20 Orders, including computer, audit, and accounting systems, internal risk management controls, and the necessary operational and managerial infrastructure. The Board also has reviewed other aspects of the managerial resources of the entities involved in this proposal, including the expected effect of this proposal on such resources.

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16. *See Dauphin Deposit Corporation*, 77 *Federal Reserve Bulletin* 672 (1991). Company is registered as a broker-dealer with the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934 (15 U.S.C. § 78a *et seq.*) and is a member of the National Association of Securities Dealers, Inc. ("NASD"). Accordingly, Company is subject to the recordkeeping and reporting obligations, fiduciary standards, and other requirements of the Securities Exchange Act of 1934, the SEC, and the NASD.

17. *See Canadian Imperial Bank of Commerce, et al.*, 76 *Federal Reserve Bulletin* 158 (1990); *J.P. Morgan & Co. Incorporated, et al.*, 75 *Federal Reserve Bulletin* 192 (1989), *aff'd sub nom. Securities Industries Ass'n v. Board of Governors of the Federal Reserve System*, 900 F.2d 360 (D.C. Cir. 1990); *Citicorp, et al.*, 73 *Federal Reserve Bulletin* 473 (1987), *aff'd sub nom. Securities Industry Ass'n v. Board of Governors of the Federal Reserve System*, 839 F.2d 47 (2d Cir. 1988), *cert. denied*, 486 U.S. 1059 (1988); as modified by *Review of Restrictions on Director, Officer and Employee Interlocks, Cross-Marketing Activities, and the Purchase and Sale of Financial Assets Between a Section 20 Subsidiary and an Affiliated Bank or Thrift*, 82 *Federal Reserve Bulletin* 113 (1996) (collectively, "Section 20 Orders").

18. *See Revenue Limit on Bank-Ineligible Activities of Subsidiaries of Bank Holding Companies Engaged in Underwriting and Dealing in Securities*, 61 *Federal Register* 68,750 (1996). *See also* Section 20 Orders. Compliance with the 25-percent revenue limitation will be calculated in accordance with the method stated in the Section 20 Orders, as modified by the *Order Approving Modifications to the Section 20 Orders*, 75 *Federal Reserve Bulletin* 751 (1989); and *10-Percent Revenue Limit on Bank-Ineligible Activities of Subsidiaries of Bank Holding Companies Engaged in Underwriting and Dealing in Securities*, 61 *Federal Register* 48,953 (1996) (collectively, "Modification Orders"). The Board notes that Company has not adopted the Board's alternative indexed-revenue test to measure compliance with the revenue limitation on bank-ineligible securities activities, and, absent such election, will continue to employ the Board's standard 25-percent revenue test.

19. Company also may engage in activities that are necessary incidents to the proposed underwriting and dealing activities. Unless Company receives specific approval under section 4(c)(8) of the BHC Act to conduct the activities independently, any revenues from the incidental activities must be counted as ineligible revenues subject to the Board's revenue limitation.

20. *See* 12 U.S.C. § 1843(c)(8).

21. *See* 12 C.F.R. 225.26; *see also The Fuji Bank, Limited*, 75 *Federal Reserve Bulletin* 94 (1989); *Bayerische Vereinsbank AG*, 73 *Federal Reserve Bulletin* 155 (1987).

On the basis of the foregoing and all the facts of record, the Board has concluded that financial and managerial considerations are consistent with approval of this proposal.

The Board expects that the proposed acquisition would provide added convenience to customers of Dauphin and Allied Irish. Allied Irish also has indicated that the proposed transaction would result in operational efficiencies that would allow it to be a more effective competitor and thereby provide improved services at a lower cost to its customers.

The Board also has carefully considered the competitive effects of the proposed acquisition of Dauphin's nonbanking subsidiaries. Allied Irish operates nonbanking subsidiaries that compete with certain nonbanking subsidiaries of Dauphin. In each case, the markets for these nonbanking services are unconcentrated, and there are numerous providers of these services. As a result, consummation of this proposal would have a *de minimis* effect on competition for these services, and the Board has concluded that the proposal would not result in a significantly adverse effect on competition in any relevant market.

Under the framework established in this and prior decisions, including the prudential limitations established by the Board in the Section 20 Orders, moreover, consummation of the proposal is not likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices that would outweigh the public benefits of this proposal.

Accordingly, based on all the facts of record, the Board has determined that the balance of public benefits that it must consider under the proper incident to banking standard of section 4(c)(8) of the BHC Act is favorable and consistent with approval of the proposal.

Conclusion

Based on the foregoing and all the other facts of record, the Board has determined that the applications and notices should be, and hereby are, approved.[22] The Board's approval is specifically conditioned on compliance by Allied Irish with all the commitments made in connection with this proposal and with the conditions stated or referred to in this order, and on receipt by Applicants of all necessary approvals from state and federal regulators and other authorities.

The Board's determination on the nonbanking activities is also subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.7 and 225.25(c) of Regulation Y (12 C.F.R. 225.7 and 225.25(c)), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. The commitments and conditions relied on by the Board in reaching this decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law. If any restrictions on access to information on the operations or activities of Allied Irish and its affiliates subsequently interfere with the Board's ability to obtain information to determine the compliance by Allied Irish and its affiliates with applicable federal statutes, the Board may require termination of any of Allied Irish's direct or indirect activities in the United States.

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

By order of the Board of Governors, effective May 19, 1997.

Voting for this action: Chairman Greenspan, Vice Chair Rivlin, and Governors Kelley, Phillips, and Meyer.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

APPENDIX

Nonbanking Subsidiaries and Activities:

(1) Dauphin Life Insurance Company, Harrisburg, Pennsylvania, which would engage in reinsuring life, health, and accident insurance directly related to extensions of

22. Protestant has requested that the Board hold a public hearing or meeting on all aspects of this proposal, particularly the effect of the transaction on small banks in Pennsylvania. A number of other individuals have signed a petition to join this request. Section 3(b) of the BHC Act does not require the Board to hold a public hearing on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial of the application. In this case, the Board has not received such a recommendation from any state or federal supervisory authority.

Under its rules, the Board also may, in its discretion, hold a public hearing or meeting on an application or notice to clarify factual issues related to the proposal and to provide an opportunity for testimony. *See* 12 C.F.R. 225.25(a)(2), 262.3(e), and 262.25(d). The Board has carefully considered Protestant's request for a hearing or meeting in light of all the facts of record. In the Board's view, Protestant has had ample opportunity to submit views, and has, in fact, provided written submissions that have been considered by the Board in acting on this proposal. Protestant's request fails to demonstrate why the written submissions do not adequately present his allegations. After a careful review of all the facts of record, the Board has concluded that Protestant's request fails to identify any genuine dispute about facts that are material to the Board's decision or any other basis on which a hearing or meeting would be warranted. Based on all the facts of record, the Board has determined that a public hearing or meeting is not necessary to clarify the factual record in the proposal and is not otherwise warranted in this case. Accordingly, the request for a public hearing or meeting on the proposal is hereby denied.

credit made by Dauphin Bank or other subsidiaries of Allied Irish, pursuant to section 225.28(b)(11)(i) of Regulation Y (12 C.F.R. 225.28(b)(11)(i));

(2) Loans USA, Incorporated, Pasadena, Maryland ("Loans USA"),[1] which would engage in:

(a) Making, acquiring, brokering, or servicing loans or other extensions of credit (including factoring, issuing letters of credit, and accepting drafts) for its own account or for the account of others, pursuant to section 225.28(b)(1) of Regulation Y (12 C.F.R. 225.28(b)(1));

(b) Providing tax preparation services to any person, pursuant to section 225.28(b)(6)(vi) of Regulation Y (12 C.F.R. 225.28(b)(6)(vi));

(c) Providing data processing and data transmission services, pursuant to section 225.28(b)(14) of Regulation Y (12 C.F.R. 225.28(b)(14));

(d) Engaging in insurance agency and underwriting activities with respect to life, health, and accident insurance directly related to extensions of credit made by Loans USA or other subsidiaries of Allied Irish, pursuant to section 225.28(b)(11)(i) of Regulation Y (12 C.F.R. 225.28(b)(11)(i)); and

(e) Engaging in insurance agency activities with respect to collateral insurance directly related to extensions of credit made by Loans USA or other finance company subsidiaries of Allied Irish, pursuant to section 225.28(b)(11)(ii) of Regulation Y (12 C.F.R. 225.28(b)(11)(ii)); and

(3) Hopper Soliday & Co., Inc., Lancaster, Pennsylvania, which would engage in:

(a) Providing investment and financial advisory services to any person, pursuant to section 225.28(b)(6) of Regulation Y (12 C.F.R. 225.28(b)(6));

(b) Providing discount and full-service securities brokerage services, pursuant to section 225.28(b)(7)(i) of Regulation Y (12 C.F.R. 225.28(b)(7)(i));

(c) Buying and selling all types of securities on the order of customers as a riskless principal, pursuant to section 225.28(b)(7)(ii) of Regulation Y (12 C.F.R. 225.28(b)(7)(ii));

(d) Acting as agent in the private placement of securities, pursuant to section 225.28(b)(7)(iii) of Regulation Y (12 C.F.R. 225.28(b)(7)(iii));

(e) Underwriting and dealing in obligations of the United States, general obligations of states and their political subdivisions, and other obligations that state member banks of the Federal Reserve System may be authorized to underwrite and deal in under 12 U.S.C. §§ 24 and 335 ("bank-eligible securities"), pursuant to section 225.28(b)(8)(i) of Regulation Y (12 C.F.R. 225.28(b)(8)(i)); and

(f) Underwriting and dealing, on a limited basis, in all types of debt and equity securities other than securities issued by open-end investment companies ("bank-ineligible securities"). *See Dauphin Deposit Corporation*, 77 *Federal Reserve Bulletin* 672 (1991).

Applicants also propose to acquire certain inactive nonbanking subsidiaries of Dauphin.

1. This entity is a joint venture in which Dauphin holds a 33.33 percent equity interest.

Orders Issued Under Bank Merger Act

Banco Popular de Puerto Rico
Hato Rey, Puerto Rico

Order Approving the Merger of Banks and Establishment of Bank Branches

Banco Popular de Puerto Rico, Hato Rey ("Banco Popular"), a state member bank, has requested the Board's approval under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) (the "Bank Merger Act") to merge with Roig Commercial Bank, Humacao ("Roig"), both in Puerto Rico. Banco Popular also has requested the Board's approval under section 9 of the Federal Reserve Act (12 U.S.C. § 321) to establish branches at the current locations of the main office and branches of Roig.[1]

Notice of the application, affording interested persons an opportunity to submit comments, has been given in accordance with the Bank Merger Act and the Board's Rules of Procedure (12 C.F.R. 262.3(b)). As required by the Bank Merger Act, reports on the competitive effects of the merger were requested from the United States Attorney General, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation. 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 the Bank Merger Act and section 9 of the Federal Reserve Act.

Banco Popular, with total assets of approximately $14 billion, is the largest commercial banking organization in Puerto Rico, controlling deposits of approximately $8.1 billion, representing 33.8 percent of total deposits in commercial banks in the commonwealth.[2] Roig, with total assets of approximately $888 million, is the tenth largest commercial banking organization in Puerto Rico, controlling deposits of approximately $647 million, representing 2.7 percent of total deposits in commercial banks in the commonwealth. On consummation of the proposal, Banco Popular would remain the largest commercial banking organization in Puerto Rico, controlling deposits of approximately $8.8 billion, representing 36.5 percent of total deposits in commercial banks in the commonwealth.

Competitive Considerations

The Bank Merger Act prohibits the Board from approving an application if the proposal would result in a monopoly or if the effect of the proposal may be substantially to

1. The locations of the branches that Banco Popular proposes to establish are listed in the Appendix.
2. Asset and deposit data are as of December 31, 1996.

lessen competition in any relevant market, unless the Board finds that the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served.[3]

Banco Popular and Roig compete directly in the San Juan, Puerto Rico, banking market.[4] Banco Popular is the largest depository institution in the market, controlling approximately $6.8 billion of deposits, representing 32.8 percent of total deposits in depository institutions in the market ("market deposits").[5] Roig is the eighth largest depository institution in the market, controlling approximately $647 million of deposits, representing 3.1 percent of market deposits.

On consummation of the proposal, Banco Popular would remain the largest depository institution in the San Juan banking market, controlling approximately $7.5 billion of deposits, representing 35.9 percent of market deposits. The Board has carefully reviewed the competitive effects of the proposal in the market in light of all the facts of record, including the number of competitors that would remain in the market, the characteristics of the market, and the projected increase in the concentration of market deposits, as measured by the Herfindahl–Hirschman Index ("HHI") under the Department of Justice Merger Guidelines ("DOJ Guidelines"). The HHI in the San Juan banking market would increase by 203 points to 1950.[6]

Fifteen commercial banks and two thrifts would remain in the market following consummation of the proposal. In addition, more than 71 savings and credit union cooperative societies ("cooperatives") compete in the San Juan banking market, of which 30 have more than $20 million of deposits.[7] The Board has previously recognized that cooperatives are significant competitors of commercial banks in Puerto Rico.[8] If cooperatives are factored into the calculation of the market indexes, the proposal does not exceed the thresholds in the DOJ Guidelines in the San Juan banking market.[9] In addition, the Department of Justice has reviewed the proposal and advised the Board that consummation of the proposal would not be likely to have any significantly adverse competitive effect in the San Juan banking market or in any other relevant banking markets. The Puerto Rico banking commissioner and the other federal banking agencies also have not objected to the proposal.

Based on all the facts of record, and for the reasons discussed in this order, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or the concentration of banking resources in any relevant banking market.

Other Factors

The Bank Merger Act also requires the Board to consider the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served. The Board has carefully considered these factors in light of all the facts of record. The facts of record include supervisory reports of examination assessing the financial and managerial resources of the organizations and their performance under the Community Reinvestment Act, and financial and other information provided by Banco Popular. Based on these and all other facts of record, the Board concludes that all the supervisory factors, and all considerations related to the convenience and needs of the community to be served, are consistent with approval under the Bank Merger Act. The Board also concludes that all the factors that must be considered under the Federal Reserve Act are consistent with approval.

3. 12 U.S.C. § 1828(c)(5)(b).

4. Banco Popular contends that the relevant banking market is the entire island of Puerto Rico. The Board recently considered the proper delineation of banking markets in Puerto Rico, including the San Juan banking market. *See Statement by the Board of Governors of the Federal Reserve System Regarding the Application of Banco Santander, S.A.*, 82 *Federal Reserve Bulletin* 833 (1996) ("Statement"). For the reasons discussed in the *Statement*, which are incorporated herein, the Board concludes that the relevant banking market to assess the competitive effects of the proposal is the San Juan banking market. The San Juan banking market consists of the San Juan-Caguas-Arecibo Consolidated Metropolitan Statistical Area and the municipalities of Aibonito, Barranquitas, Ciales, Jayuya, Lares, Maunabo, Orocovis, Quebradillas, Utuado, and Vieques.

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

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

7. Deposit data for cooperatives are as of December 31, 1996. Cooperatives with less than $1 million of deposits have not been included in this analysis.

8. For a detailed discussion of the activities of cooperatives, incorporated herein by reference, *see BanPonce Corporation*, 77 *Federal Reserve Bulletin* 43, 45 (1991); *Statement* at 834–835.

9. Based on the asset composition of cooperatives, the Board believes that cooperatives are at least as significant as thrift institutions as competitors of commercial banks, and should be weighted at 50 percent in the San Juan banking market. *See Statement* at 835 n.13. If deposits of cooperatives are weighted at 50 percent, the HHI for the San Juan banking market would increase by 188 points to 1613.

Conclusion

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

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

By order of the Board of Governors, effective May 27, 1997.

Voting for this action: Chairman Greenspan, Vice Chair Rivlin, and Governors, Kelley, Phillips, and Meyer.

WILLIAM W. WILES
Secretary of the Board

APPENDIX

Branches to be established by Banco Popular de Puerto Rico

(1) Road 2, Km. 11.9 (Service Road), Bayamón
(2) Road 1, Km. 32.9, Caguas
(3) Sixty-fifth Infantry Avenue, Km. 10.2, Carolina
(4) 10 Pedro M rquez Street, Culebra
(5) Garrido Morales and Victoria Streets, Fajardo
(6) 55 Antonio López, Humacao
(7) Carreras & Georgetti Streets, Humacao
(8) 55 Font Martelo Avenue, Centro Comercial, Humacao
(9) Palmanova Condominium, Palmas del Mar, Humacao
(10) Road 3, Km. 81.6, Vista del Rio Plaza, Humacao
(11) Almodovar & Delfaus Streets, Juncos
(12) 63 J.C. Barbosa Street, Las Piedras
(13) 64 San Patricio, Loíza
(14) Road 3, Km. 36.2, Plaza del Oriente, Luquillo
(15) 1 Santiago Iglesias, Maunabo
(16) 19 Juan R. Garzot, Naguabo
(17) Road 3, Km. 22.2, Plaza del Yunque, Rio Grande
(18) Arzuaga & First Streets, San Juan
(19) 1472 Ashford Avenue, San Juan
(20) 355 De Diego Avenue, Stop 22, San Juan
(21) 1500 F.D. Roosevelt Avenue, San Juan
(22) 269 Ponce de León Avenue, San Juan
(23) 1600 Ponce de León Avenue, Stop 23, San Juan
(24) Tetuán & Cruz Streets, San Juan
(25) 1 Degetau Street, Yabucoa

Westamerica Bank
San Rafael, California

Order Approving the Merger of Banks and Establishment of Bank Branches

Westamerica Bank, San Rafael, California, a state member bank, has requested the Board's approval under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) (the "Bank Merger Act") to merge with ValliWide Bank, Fresno, California. Westamerica Bank also has requested the Board's approval under section 9 of the Federal Reserve Act (12 U.S.C. § 321) to establish branches at the former branch locations of ValliWide Bank.[1]

Notice of this proposal, affording interested persons an opportunity to submit comments, has been given in accordance with the Bank Merger Act and the Board's Rules of Procedure (12 C.F.R. 262.3(b)). As required by the Bank Merger Act, reports on the competitive effects of the merger were requested from the United States Attorney General and the Federal Deposit Insurance Corporation. The time for filing comments has expired, and the Board has considered the applications and all the facts of record in light of the factors set forth in the Bank Merger Act and section 9 of the Federal Reserve Act.

Westamerica Bank and ValliWide Bank are wholly owned subsidiaries of Westamerica Bancorporation, San Rafael, California ("Westamerica"), and the proposal represents a reorganization of two affiliated banks. Westamerica, with total assets of $2.5 billion, is the tenth largest commercial banking organization in California, controlling deposits of approximately $3.2 billion, representing 1.4 percent of the total deposits in commercial banking organizations in California.[2]

Convenience and Needs Factor

The Board has carefully considered the effect of the proposal on the convenience and needs of the community to be served in light of all the facts of record. In particular, the Board has considered the performance record of Westamerica Bank and ValliWide Bank and the programs for helping serve the banking needs of the community as explained in the Board's order approving the acquisition of ValliCorp Holding, Inc., Fresno, California, by Westamerica,[3] and the fact that the transaction under review in

1. The locations are contained in the Appendix.
2. Deposit data are as of June 30, 1996, and incorporate structural changes through January 1997 and asset data are as of September 30, 1996.
3. *See Westamerica Bank*, 82 *Federal Reserve Bulletin* 435 (1997) ("*Westamerica Order*"). The acquisition of ValliCorp Holdings, Inc., by Westamerica was consummated on April 12, 1997.

this case represents a reorganization of affiliated institutions.

The Board also has considered that Westamerica Bank received an "outstanding" rating at the most recent examination of its CRA performance by the Federal Reserve Bank of San Francisco ("Reserve Bank"), as of May 13, 1996 ("Westamerica Examination"). ValliWide Bank also received an "outstanding" rating for CRA performance at its most recent examination by the Reserve Bank, as of January 22, 1996 ("ValliWide Examination").

Westamerica has indicated that it plans to introduce many of its Community Access Loan ("CAL") products in the communities currently served by ValliWide Bank. Several of those programs are designed for low-income borrowers and include the CAL Program, which provides home equity loans, automobile loans, and home improvement loans with lower monthly payment terms. Westamerica plans that the merged bank would offer the CAL PAL Loan program, which provides residential mortgage loans with flexible underwriting criteria, lower down payments, and no private mortgage insurance, and the CAL Business Loan Program, which offers "microenterprise" or "incubator" business loans to minorities and women through local agencies that also provide technical support to the borrowers. As explained more fully in the *Westamerica Order*, Westamerica has implemented several programs that help serve the banking needs of the community, including low- and moderate-income neighborhoods.

After the proposed merger, Westamerica would operate approximately 85 branches throughout California. As part of its review of the applications, the Board also has considered submissions by commenters ("Commenters")[4] stating that the proposed closing of certain branches of ValliWide Bank would reduce access to banking facilities in several communities and adversely affect the local businesses and residents that currently rely on these branches.[5] As noted in the *Westamerica Order*, examiners have reviewed Westamerica's branch closing policy, and found the policy to be effective.

The California Superintendent of Banks ("Superintendent") has reviewed the proposed branch closings and has approved the closure of these branches after reviewing the potential effect on the public convenience in the areas served by the branches in light of substantially similar comments submitted to the Superintendent.

The Board notes that Federal banking law addresses branch closing by specifically requiring an insured depository institution to provide notice to the appropriate regulatory agency prior to closing a branch.[6] The statute, however, does not authorize the federal regulators to prevent the closing of any branch. Similarly, the Bank Merger Act does not make approval of a proposal contingent on an applicant maintaining open all branch offices of the resulting institution. The availability of bank services and offices after a merger must be reviewed in the context of the effect of the merger on the convenience and needs of communities served by the institution and is one of several factors the Board must consider in assessing the effect of the acquisition on the convenience and needs of the communities to be served.

Four of the branches to be closed, which serve the communities of Caruthers, Coalinga, Hanford and Lemoore, are located in middle income census tracts, and each affected community would continue to be served by at least one insured depository institution in the community.[7] The four other branches that are proposed to be closed are located in moderate-income census tracts in the communities of Lamont, Dos Palos, Firebaugh, and Mendota. Lamont would continue to be served by a savings association in that community, and several insured depository institutions that are a short distance from Lamont. Dos Palos and Firebaugh would also have an insured depository institution in each community. The Board also notes that a California state-chartered bank has provided notice to the Superintendent of its intention to open a branch in Firebaugh.[8] Although no other depository institution would

4. Commenters included a Congressman, a California state senator, a city manager and mayor, officials from the Board of Supervisors for two counties, the California Reinvestment Committee ("CRC"), and local businesses and residents.

5. Commenters raised concerns about certain branches in Caruthers, Coalinga, Dos Palos, Firebaugh, Hanford, Lamont, Lemoore and Mendota, all in California. CRC also contends that 1995 data filed under the Home Mortgage Disclosure Act (12 U.S.C. § 2801 *et seq.*) ("HMDA") show that Westamerica and ValliWide Bank made few loans to minorities and that the outreach and marketing efforts of the organizations were ineffective. The Board previously considered these contentions in the Westamerica/ValliCorp proposal in light of all the facts of record relating to both organizations, including their most recent satisfactory or better ratings for performance under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) (CRA), their overall CRA-related activities such as lending and ascertainment, and their compliance with fair lending laws. In light of the facts discussed in detail in the *Westamerica Order*, the Board concluded that considerations relating to the convenience and needs of the community, including the CRA performance records of Westamerica Bank and ValliWide Bank, were consistent with approval for all the reasons, which are incorporated herein.

6. Section 42 of the Federal Deposit Insurance Act (12 U.S.C. § 1831r-1) ("section 42"), as implemented by the Joint Policy Statement Regarding Branch Closing (58 *Federal Register* 49,083 (1993)), requires that a bank provide the public with at least 30 days notice and the primary federal supervisor with at least 90 days notice before the date of the proposed branch closing. The bank also is required to provide reasons and other supporting data for the closure, consistent with the institution's written policy for branch closing. Westamerica has provided the Reserve Bank with all the information required by section 42 for the proposed branch closing identified by the Commenters and in the California communities of Atwater, Bakersfield, Livingston, and Visalia.

7. The Hanford community is currently served by two branches of ValliWide Bank. After the closure of one Hanford bank branch, Westamerica would continue to serve the Hanford community.

8. Commenters assert that the insured depository institution that would remain in Dos Palos and Firebaugh intends to sell its branch in each community. If the branches are sold, bank branches could, therefore, continue to be operated in Dos Palos and Firebaugh. In the event that the branches are not sold, but instead are closed by the institution, the closing would be reviewed under section 42 by the institution's primary federal supervisor, the Office of the Comptroller of the Currency. Dos Palos is nine miles from Firebaugh, and the record indicates that residents in this rural area of California are likely

remain in Mendota, an on-site inspection conducted by the Reserve Bank indicates a substantial degree of economic integration between the communities of Mendota and Firebaugh, which are located within eight miles of each other in a rural area in which residents travel to obtain necessary services. As noted, Firebaugh is currently served by one insured depository institution located in the community, and another insured depository institution has filed with the Superintendent its intent to establish a branch in that community.

The Board also has considered confidential financial information provided by Westamerica regarding the profitability of the branches proposed to be closed. These data show that these ValliWide Bank branches have been unprofitable for several years.

The Board has carefully considered the proposed closing of each of these branches in light of these and all the other facts of record including concerns that residents will, in some cases, have to travel a greater distance for banking services if certain ValliWide Bank branches are closed. The Board believes that the CRA performance record of Westamerica Bank and ValliWide Bank, the programs Westamerica proposes to offer through the merged institution, the availability of banking services from other insured depository institutions, the unprofitability of the branches, other benefits offered by the merger, and the other facts indicate that, on the whole, the convenience and needs of the community weigh in favor of approval of this proposal.

Other Factors

The Bank Merger Act provides that the Board may not approve an application if the effect of the acquisition of another bank is to substantially lessen competition in any section of the country unless the Board finds that the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community.[9] The proposal represents a reorganization of Westamerica's existing banking operations. Based on all the facts of record, consummation of the proposal would not have any significantly adverse effects on competition or concentration of banking resources in any relevant banking market.[10]

The Bank Merger Act also requires the Board to consider the financial and managerial resources and future prospects of the existing and proposed institutions. The Board notes that the proposal represents a corporate reorganization for Westamerica and its subsidiaries, which would result in a more efficient organization and does not involve an expenditure of additional resources. Based on all the facts of record, the Board concludes that all supervisory factors under the Bank Merger Act are consistent with approval. The Board also concludes that all factors required to be considered under the Federal Reserve Act are consistent with approval.[11]

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that these applications should be,[12] and hereby are, approved.[13] The Board's approval of this proposal is conditioned on compliance by Westamerica Bank with the commitments made in connection with this proposal. For purposes of this action, the commitments and conditions relied on in reaching this decision are both

to drive reasonable distances to obtain services. Accordingly, if the branches are not sold to another depository institution, the residents of Dos Palos could still have reasonable access to an insured depository institution in Firebaugh.

9. 12 U.S.C. § 1828(c)(5)(B).

10. One commenter maintains that the proposal would reduce the number of competitors and thereby substantially lessen competition in the areas where the branches proposed to be closed are located. In reviewing the competitive effects of the proposal, the Board notes that this merger would not cause Westamerica to increase its market share in any relevant banking market, and represents a reorganization of Westamerica's existing subsidiaries. In addition, there is no evidence that the branch closures are the result of agreements or understandings by market participants to increase their market share. The branches to be closed, moreover, are unprofitable, and may have been closed regardless of the proposed merger.

11. Commenters also contend that the closure of certain branches would increase unemployment in the local economy or possibly raise crime due to the availability of cash in homes and businesses. The commenters provide no evidence that the proposed branch closing would have any effect on the crime rate in communities, and, as indicated above, branches of other insured depository institutions would remain in many of the relevant communities. The Bank Merger Act specifically enumerates the factors the Board may consider in reviewing a proposal under that Act. These factors relate to the effect of the proposal on competition, the financial and managerial resources of the institutions involved, certain supervisory factors, and the convenience and needs of the communities served by the institutions involved. The effect of the proposed acquisition on employment is not among the factors the Board is to consider under the Bank Merger Act.

12. Commenters have requested that the Board delay action until other insured depository institutions are identified that can compete with, or replace, the ValliWide Bank branches that would be closed. As discussed above, the Board has carefully reviewed the record in this case; and, based on all the facts of record, including the Commenter's submissions, reports of examination, and Westamerica's responses, the Board concludes that the record is sufficient to act on this proposal at this time.

13. Commenters have requested a hearing on the proposal. The Board is not required under the Bank Merger Act or the Federal Reserve Act to hold a public hearing or meeting in this case. Under its rules, the Board may, in its discretion, hold a public hearing or meeting on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. The Board has carefully considered the request for a hearing. In the Board's view, interested parties have had a sufficient opportunity to present written submissions, and have submitted substantial written comments that have been considered by the Board. The request fails to show why a written presentation would not suffice in lieu of a hearing, identifying specifically any questions of fact that are in dispute, and summarizing what evidence would be presented at a hearing. *See* 12 C.F.R. 262.3(e). On the basis of all the facts of record, the Board has determined that a public meeting or hearing is not necessary to clarify the factual record in these applications, or otherwise warranted in this case. Accordingly, the request for a public meeting or hearing on these applications is hereby denied.

conditions imposed in writing by the Board and, as such, may be enforced in proceedings under applicable law.

The merger of Westamerica Bank and ValliWide Bank may not be consummated before the fifteenth calendar day following the effective date of this order, and the proposal may not be consummated later than three months after the effective date of this order, unless such period is extended 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 27, 1997.

Voting for this action: Chairman Greenspan, Vice Chair Rivlin, and Governors Kelley, Phillips, and Meyer.

WILLIAM W. WILES
Secretary of the Board

APPENDIX

Branch Offices of Valliwide Bank to be established by Westamerica Bank

1255 Grand Avenue, Arroyo Grande, California 93420
540 Wall Street, Auburn, California 95603
1810 Chester Avenue, Bakersfield, California 93302
101 Main Street, Buttonwillow, California 93026
1835 Shaw Avenue, Clovis, California 93612
1172 E. Shaw Avenue, Fresno, California 93755
790 W. Shaw Avenue, Fresno, California 93755
1315 Van Ness Avenue, Fresno, California 93721
3006 W. Bullard Avenue, Fresno, California 93711
10375 Brunswick Boulevard, Grass Valley, California 95645
400 N. Irwin Street, Hanford, California 93230
36582 Dinero Way, Huron, California 93234
215 S. Madera Road, Kerman, California 93630
27 Big Blue Road, Kernville, California 93283
1400 Draper Street, Kingsburg, California 92631
6100 Lake Isabella Road, Lake Isabella, California 93240
401 W. Yosemite Avenue, Madera, California 93637
1666 'N' Street, Merced, California 95341
310 Morro Bay Boulevard, Morro Bay, California 93442
126 W. F Street, Oakdale, California 95361
1204 Spring Street, Paso Robles, California 93446
2893 Sunrise Boulevard, Rancho Cordova, California 95742
545 Higuera Street, San Luis Obispo, California 93401
1601 Seventh Street, Sanger, California 93657
3700 McCall Avenue, Selma, California 93662
600 James Street, Shafter, California 93263
172 W. Stockton Rd., Sonora, California 95370
14729 Mono Way, Sonora, California 95370
811 Center Street, Taft, California 93283
255 E. King Avenue, Tulare, California 93274
701 W. Main Street, Visalia, California 93291
100 W. Court Street, Woodland, California 95695

ORDERS ISSUED UNDER INTERNATIONAL BANKING ACT

Agricultural Bank of China
Beijing, People's Republic of China

Order Approving Establishment of a Representative Office

Agricultural Bank of China ("Bank"), Beijing, People's Republic of China ("China"), a foreign bank within the meaning of the International Banking Act ("IBA"), has applied under section 10(a) of the IBA (12 U.S.C. § 3107(a)) to establish a representative office in New York, New York. The Foreign Bank Supervision Enhancement Act of 1991, which amended the IBA, provides that a foreign bank must obtain the approval of the Board to establish a representative office in the United States.

Notice of the application, affording interested persons an opportunity to comment, has been published in a newspaper of general circulation in New York (*The New York Times*, January 6, 1997). The time for filing comments has expired, and the Board has considered the application and all comments received.

Bank is the second largest of the four specialized banks in China and is wholly owned by the Chinese government. As of December 31, 1996, Bank had total assets of approximately $177 billion. Bank operates numerous offices and owns two subsidiaries in China. Outside China, Bank operates branches in Singapore and Hong Kong and representative offices in London, England, and Tokyo, Japan.

Until recently, one of Bank's primary activities was receiving funds from China's federal, regional, and local authorities and other sources and lending such funds to support the development of agricultural and rural industrial production and expand the circulation of commodities. In connection with ongoing efforts to modernize the financial system, however, Bank now engages in more traditional commercial banking activities.

The activities of Bank's proposed representative office would include marketing, research, and liaison activities. In addition, the representative office would engage in certain loan solicitation and servicing activities. All decisions regarding loans would be made by Bank's head office and the representative office would not receive or handle any funds in connection with its loan servicing activities.

In acting on an application to establish a representative office, the IBA and Regulation K provide that the Board shall take into account whether the foreign bank engages directly in the business of banking outside of the United States and has furnished to the Board the information it needs to assess the application adequately. The Board also shall take into account whether the foreign bank and any foreign bank parent is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor (12 U.S.C. § 3107(a)(2); 12 C.F.R. 211.24(d)). The Board may also take into account additional standards as set forth in the IBA (12 U.S.C. § 3105(d)(3)-(4)) and Regulation K (12 C.F.R. 211.24(c)).

The Board previously has stated that the standards that apply to the establishment of a branch or agency need not in every case apply to the establishment of a representative office, because representative offices do not engage in a banking business and cannot take deposits or make loans.[1] In evaluating an application to establish a representative office under the IBA and Regulation K, the Board will take into account the standards that apply to the establishment of branches and agencies, subject generally to the following considerations. With respect to supervision by home country authorities, a foreign bank that proposes to establish a representative office should be subject to a significant degree of supervision by its home country supervisor.[2] A foreign bank's financial and managerial resources will be reviewed to determine whether its financial condition and performance demonstrate that it is capable of complying with applicable laws and has an operating record that would be consistent with the establishment of a representative office in the United States. Finally, all foreign banks, whether operating through branches, agencies or representative offices, will be required to provide adequate assurances of access to information on the operations of the bank and its affiliates necessary to determine compliance with U.S. laws.

The Board has considered the following information with respect to home country supervision of Bank. The People's Bank of China (the "PBOC") is the licensing, regulatory, and supervisory authority for banks and all other financial institutions in China and, as such, is the home country supervisor of Bank. The PBOC, which has authorized Bank to establish the proposed representative office, supervises the foreign and domestic activities of Bank and its subsidiaries. The Board previously has determined, in connection with an application involving another bank from China, the Industrial and Commercial Bank of China ("ICBC"), that ICBC was subject to a significant degree of supervision by the PBOC.[3] The Board has determined that Bank is supervised by the PBOC on substantially the same terms and conditions as ICBC. Based on all the facts of record, the Board concludes that factors relating to the supervision of Bank by its home country supervisor are consistent with approval of the proposed representative office.

The Board also has determined that, for purposes of the IBA and Regulation K, Bank engages directly in the business of banking outside of the United States through its operations in China. Bank has provided the Board with the information necessary to assess the application through submissions that address relevant issues.

The Board also has taken into account the additional standards set forth in section 7 of the IBA and Regulation K (*see* 12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)). As noted above, the PBOC has authorized Bank to establish the proposed representative office.

Taking into consideration Bank's record of operations in its home country, its overall financial resources, and its standing with its home country supervisors, the Board also has determined that financial and managerial factors are consistent with approval of the proposed representative office.[4] Bank appears to have the experience and capacity to support the proposed representative office and also has established controls and procedures for the proposed representative office to ensure compliance with U.S. law.

Finally, with respect to access to information on Bank's operations, the Board has reviewed the relevant provisions of law in China and has communicated with appropriate government authorities regarding access to information. Bank has committed to make available to the Board such information on the operations of Bank and any of its affiliates that the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act of 1956, as amended, and other applicable federal law. To the extent that the provision of such information to the Board may be prohibited or impeded by law, Bank has committed to cooperate with the Board to obtain any necessary consents or waivers that might be required from third parties in connection with disclosure of such information. In addition, subject to certain conditions, the PBOC may share information on Bank's operations with other supervisors, including the Board. In light of the commitments provided by Bank and other facts of record, and subject to the condition described below, the Board concludes that Bank has provided adequate assurances of access to any necessary information the Board may request.

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

1. *See Federal Register* 6348, 6351 (1993).

2. *See Citizens National Bank*, 79 *Federal Reserve Bulletin* 805 (1993).

3. *See Industrial and Commercial Bank of China*, 83 *Federal Reserve Bulletin* 212 (1997).

4. One comment was received from Delta Tanning Corporation, North Bergen, New Jersey. The Board has reviewed the information submitted, which involves a commercial dispute with Bank, and determined that the information does not warrant denial of the application.

with the commitments made in connection with the application and with the conditions in this order.[5] The commitments and conditions referred to above are conditions imposed in writing by the Board in connection with its decision, and may be enforced in proceedings under 12 U.S.C. § 1818 against Bank and its affiliates.

By order of the Board of Governors, effective May 14, 1997.

Voting for this action: Vice Chair Rivlin and Governors Kelley, Meyer, and Phillips. Absent and not voting: Chairman Greenspan.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

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

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Pontotoc BancShares Corp., Pontotoc, Mississippi	First National Bank, of Pontotoc, Pontotoc, Mississippi	March 3, 1997	83, 434
Royal Bank of Canada, Montreal, Quebec, Canada	To establish a representative office in Houston, Texas	March 31, 1997	83, 442
Stichting Prioriteit ABN AMRO Holding, Amsterdam, The Netherlands Stichting Administratiekantoor ABN AMRO Holding, Amsterdam, The Netherlands ABN AMRO Holding N.V., Amsterdam, The Netherlands ABN AMRO Bank N.V., Amsterdam, The Netherlands	Citicorp Futures Corporation, New York, New York CitiFutures Limited, London, England Citicorp Futures Limited, Singapore, China	March 19, 1997	83, 441
Susquehanna Bancshares, Inc., Lititz, Pennsylvania	Atcorp, Inc., Marlton, New Jersey Equity National Bank, Atco, New Jersey Farmers Banc Corp., Mullica Hill, New Jersey Farmers National Bank, Mullica Hill, New Jersey	February 3, 1997	83, 317
Swiss Bank Corporation, Basle, Switzerland	To establish a state-licensed branch in Stamford, Connecticut	January 21, 1997	83, 214
The Toronto-Dominion Bank, Toronto, Ontario, Canada Waterhouse Investor Services, Inc., New York, New York	Marketware International, Inc., Holmdel, New Jersey	February 18, 1997	83, 335
Union Planters Corporation, Memphis, Tennessee	First National Bank, Pontotoc, Mississippi	February 24, 1997	83, 320
Westamerica Bancorporation, San Rafael, California	Vallicorp Holdings, Inc., Fresno, California Valliwide Bank, Fresno, California	March 19, 1997	83, 435

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
Bancorp Hawaii, Inc., Honolulu, Hawaii	CU Bancorp, Encino, California California United Bank, Encino, California	May 13, 1997
Citizens Banking Corporation, Flint, Michigan	CB Financial Corporation, Jackson, Michigan City Bank and Trust Company, Jackson, Michigan City Bank, St Johns, Michigan CB-North, Charlevoix, Michigan	May 16, 1997
Compass Bancshares, Inc., Birmingham, Alabama Compass Banks of Texas, Inc., Birmingham, Alabama Compass Bancorporation of Texas, Inc., Wilmington, Delaware	Central Texas Bancorp, Inc., Waco, Texas Texas National Bank of Waco, Waco, Texas	May 21, 1997
Eggemeyer Advisory Corp., San Diego, California Castle Creek Capital, L.L.C., San Diego, California Castle Creek Partners Fund - I, L.P., San Diego, California Monarch Bancorp, Laguna Nigel, California	California Commercial Bankshares, Newport Beach, California National Bank of Southern California, Newport Beach, California	May 16, 1997
First Security Corporation, Salt Lake City, Utah	American Bancorp of Nevada, Inc., Las Vegas, Nevada	May 30, 1997
Whipple Family Limited Partnership, Arkadelphia, Arkansas	Horizon Bancorp, Inc., Arkadelphia, Arkansas	May 30, 1997

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
Adams Bancshares, Inc., Employee Stock Ownership Plan with 401(k) Provision, Adams, Minnesota	Adams Bancshares, Inc., Adams, Minnesota	Minneapolis	April 29, 1997

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
BanPonce Corporation, Hato Rey, Puerto Rico Popular International Bank, Inc., Hato Rey, Puerto Rico BanPonce Financial Corp., Wilmington, Delaware	CBC Bancorp, Ltd., Chicago, Illinois	New York	April 25, 1997
BanPonce Corporation, Hato Rey, Puerto Rico Popular International Bank, Inc., Hato Rey, Puerto Rico BanPonce Financial Corp., Wilmington, Delaware	National Bancorp, Inc., Streamwood, Illinois AmericanMidwest Bank and Trust, Melrose Park, Illinois	New York	April 25, 1997
BNB Bancorp, Inc., Brookville, Ohio	Brookville National Bank, Brookville, Ohio	Clevelnd	May 15, 1997
BonState Bancshares, Inc., Bonham, Texas	Bonham Financial Services, Inc., Dover, Delaware Bonham State Bank, Bohnam, Texas	Dallas	May 1, 1997
Bonham Financial Services, Inc., Dover, Delaware	Bonham State Bank, Bonham, Texas	Dallas	May 1, 1997
Castle Creek Capital Partners Fund-I, L.P., San Diego, California	Castle Creek Capital, L.L.C., San Diego, California Eggemeyer Advisory Corporation, San Diego, California Rancho Santa Fe National Bank, Rancho Santa Fe, California	San Francisco	May 5, 1997
Central Bancompany, Inc., Jefferson City, Missouri	Warrensburg Bancshares, Inc., Warrensburg, Missouri Bank of Warrensburg, Warrensburg, Missouri	St. Louis	May 13, 1997
CH and JD Byrum, L.L.C., Indianapolis, Indiana	American State Corporation, Lawrenceburg, Indiana American State Bank, Lawrenceburg, Indiana	Chicago	April 23, 1997
Citizens Bancorp, Corvallis, Oregon	Citizens Bank, Corvallis, Oregon	San Francisco	May 16, 1997
The Colonial BancGroup, Inc., Montgomery, Alabama	Great Southern Bancorp, West Palm Beach, Florida First Commercial Banks of Florida, Inc., Winter Haven, Florida	Atlanta	May 21, 1997
Commercial Bancshares, Inc., West Liberty, Kentucky	Commercial Bank, West Liberty, Kentucky	Clevelnd	April 15, 1997
Commercial Bancshares Savings and Employee Stock Ownership Plan, West Liberty, Kentucky	Commercial Bancshares, Inc., West Liberty, Kentucky	Clevelnd	April 15, 1997
Concordia Capital Corporation, Vidalia, Louisiana	Concordia Bank & Trust Company, Vidalia, Louisiana	Dallas	May 14, 1997
Conrad Company, Minneapolis, Minnesota	National Mercantile Bank, Los Angeles, California	Minneapolis	May 16, 1997
Country Bancorporation, Crawfordsville, Iowa	Hiawatha Bank and Trust Company, Hiawatha, Iowa	Chicago	May 15, 1997

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Covenant Bancorp, Inc., Haddonfield, New Jersey	Covenant Bank, Haddonfield, New Jersey	Philadelphia	May 2, 1997
Cumberland Bancorp, Inc., Carthage, Tennessee	Bank of Mason, Mason, Tennessee	Atlanta	April 29, 1997
Eden Financial Corporation, San Angelo, Texas	The First State Bank of Rankin, Rankin, Texas	Dallas	April 25, 1997
First Coastal Bancshares, El Segundo, California	First Coastal Bank, N.A., El Segundo, California	San Francisco	May 5, 1997
First Commercial Corporation, Little Rock, Arkansas	First Central Corporation, Searcy, Arkansas First National Bank, Searcy, Arkansas	St. Louis	May 14, 1997
First National Security Company, DeQueen, Arkansas	First National Bancshares of Hempstead County, Inc., Hope, Arkansas	St. Louis	May 9, 1997
First Robinson Financial Corporation, Robinson, Illinois	First Robinson Savings and Loan, F.A., Robinson, Illinois First Robinson Savings Bank, National Association, Robinson, Illinois	St. Louis	May 22, 1997
First Security Corporation Employee Stock Ownership Plan, Norcross, Georgia	First Security Corporation, Norcross, Georgia	Atlanta	May 16, 1997
Florida Bancshares, Inc., Dade City, Florida	First National Bank of Pasco, Dade City, Florida	Atlanta	May 2, 1997
F & M Bancorporation, Inc., Kaukauna, Wisconsin F & M Merger Corporation, Kaukauna, Wisconsin	Citizen's National Bancorporation, Inc., Darlington, Wisconsin Citizen's National Bank of Darlington, Darlington, Wisconsin	Chicago	May 15, 1997
F & M Bancorporation, Inc., Kaukauna, Wisconsin F & M Merger Corporation, Kaukauna, Wisconsin	Wisconsin Ban Corp, Prairie Du Chien, Wisconsin Prairie City Bank, Prairie Du Chien, Wisconsin	Chicago	May 15, 1997
GBC Bancorp, Inc., Lawrenceville, Georgia	Gwinnett Banking Company, Lawrenceville, Georgia	Atlanta	May 2, 1997
Hawkins Financial Corporation, Hawkins, Texas Hawkins Delaware Financial Corporation, Wilmington, Delaware	The First State Bank of Hawkins, Hawkins, Texas	Dallas	May 21, 1997
Kremlin Bancshares, Inc., Kremlin, Oklahoma	Bank of Kremlin, Kremlin, Oklahoma	Kansas City	May 6, 1997
Medina Bankshares, Inc., D'Hanis, Texas	Medina Financial, Inc., Carson City, Nevada D'Hanis State Bank, D'Hanis, Texas	Dallas	May 22, 1997
Medina Financial, Inc., Carson City, Nevada	D'Hanis State Bank, D'Hanis, Texas	Dallas	May 22, 1997
Northeast Kansas Bancshares, Inc., Valley Falls, Kansas	Valley Falls Insurance, Inc., Valley Falls, Kansas	Kansas City	May 16, 1997

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Norwest Corporation, Minneapolis, Minnesota	The First National Bankshares, Inc., Tucumcari, New Mexico The First National Bank of Tucumcari, Tucumcari, New Mexico	Minneapolis	May 21, 1997
Parkway Bancorp, Inc., Harwood Heights, Illinois	Jefferson Holding Corp., Chicago, Illinois Jefferson State Bank, Chicago, Illinois	Chicago	April 23, 1997
Penns Woods Bancorp, Inc., Williamsport, Pennsylvania	Columbia Financial Corporation, Bloomsburg, Pennsylvania	Philadelphia	May 2, 1997
Pierce County Bancorp, Tacoma, Washington	Pierce Commercial Bank, Tacoma, Washington	San Francisco	April 24, 1997
Pinnacle Bancorp, Inc., Central City, Nebraska	First Ogallala Investment, Inc., Ogallala, Nebraska	Kansas City	May 5, 1997
Pinnacle Bancshares, Inc., Thomson, Georgia	McDuffie Bank & Trust, Thomson, Georgia	Atlanta	May 8, 1997
Poteau Bancshares, Inc., Poteau, Oklahoma	First Poteau Corporation, Poteau, Oklahoma Poteau State Bank, Poteau, Oklahoma	Kansas City	May 21, 1997
Regions Financial Corporation, Birmingham, Alabama	First Bankshares, Inc., East Point, Georgia First Bank of Georgia, East Point, Georgia	Atlanta	May 8, 1997
Regions Financial Corporation, Birmingham, Alabama	The New Iberia Bancorp, Inc., New Iberia, Louisiana The New Iberia Bank, New Iberia, Louisiana	Atlanta	May 14, 1997
Regions Financial Corporation, Birmingham, Alabama	First Mercantile National Bank, Longwood, Florida	Atlanta	April 30, 1997
Regions Financial Corporation, Birmingham, Alabama	SB&T Corporation, Smyrna, Georgia Smyrna Bank & Trust Company, Smyrna, Georgia	Atlanta	May 8, 1997
Sankovitz Family Limited Partnership, Waseca, Minnesota	Frankson Investment Corporation, Waseca, Minnesota Bank of Ellendale, Ellendale, Minnesota	Minneapolis	May 8, 1997
Southeast Bancorp, Inc., Corbin, Kentucky	First Bank of East Tennessee, NA, La Follette, Tennessee	Clevelnd	May 7, 1977
The Union Illinois 1995 Investment Limited Partnership, Swansea, Illinois	Union Illinois Company, Swansea, Illinois	St. Louis	May 13, 1997
West Point Bancorp, Inc., West Point, Nebraska	Dakota Bancshares, Inc., West Point, Nebraska	Kansas City	May 5, 1997

Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Carolina First Corporation, Greenville, South Carolina	Net.B@nk, Inc., Roswell, Georgia Atlanta Internet Bank, Marietta, Georgia	Richmond	April 30, 1997
Community Trust Financial Services Corporation, Hiram, Georgia	Cash Transactions, L.L.C., Hiram, Georgia	Atlanta	May 16, 1997
Deutsche Bank AG, Frankfurt, Germany	Ganis Credit Corporation, Newport Beach, California Deutsche Financial Services Corporation, St. Louis, Missouri	New York	May 16, 1997
First Citizens Bancorp, Cleveland, Tennessee	The Home Bank, F.S.B., Ducktown, Tennessee The Home Bank, Ducktown, Tennessee	Atlanta	May 2, 1997
Firstrust Corporation, New Orleans, Louisiana	Automated Technology Machines, Inc., New Orleans, Louisiana	Atlanta	May 21, 1997
Fishback Financial Corporation, Brookings, South Dakota	To engage *de novo* in lending activities	Minneapolis	May 21, 1997
Mellon Bank Corporation, Pittsburgh, Pennsylvania ChaseMellon, L.L.C., Ridgefield Park, New Jersey	Boatmen's Trust Company, St. Louis, Missouri	Cleveland	April 24, 1997
Norwest Corporation, Minneapolis, Minnesota	Ohio Executive Mortgage Company, Mansfield, Ohio	Minneapolis	May 13, 1997
Norwest Corporation, Minneapolis, Minnesota	Trinity Mortgage Affiliates, Atlanta, Georgia	Minneapolis	May 13, 1997
Norwest Corporation, Minneapolis, Minnesota	Trinity Mortgage Company, Cedar Rapids, Iowa	Minneapolis	May 14, 1997
Southern National Corporation, Winston-Salem, North Carolina	Phillips Factors Corporation, High Point, North Carolina Phillips Financial Corporation, High Point, North Carolina	Richmond	May 7, 1997
United Community Banks, Blairsville, Georgia	United Family Finance, Blue Ridge, Georgia	Atlanta	May 2, 1997
Vermont Financial Services Corp., Brattleboro, Vermont	Eastern Bancorp, Inc., Dover, New Hampshire Vermont Federal Bank, FSB, Williston, Vermont	Boston	April 30, 1997

Sections 3 and 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
First Bank System, Inc., Minneapolis, Minnesota	First Bank of South Dakota, Sioux Falls, South Dakota First Interim Bank of Casper, fsb, Casper, Wyoming First Interim Bank of Cheyenne, fsb, Cheyenne, Wyoming	Minneapolis	May 9, 1997
First Virginia Banks, Inc., Falls Church, Cirginia	Premier Bankshares Corporation, Bluefield, Virginia	Richmond	May 8, 1997

Sections 3 and 4—Continued

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Premier Bancshares, Inc., Atlanta, Georgia	Central and Southern Holding Company, Milledgeville, Georgia Central and Southern Bank of Georgia, Milledgeville, Georgia Central and Southern Bank of North Georgia, Greensboro, Georgia	Atlanta	May 21, 1997
Seacoast Banking Corporation of Florida, Stuart, Florida	Port St. Lucie National Bank Holding Corporation, Port St. Lucie, Florida Port St. Lucie National Bank, Port St. Lucie, Florida Spirit Mortgage Corporation, Port St. Lucie, Florida	Atlanta	May 14, 1997
Tehama Bancorp, Red Bluff, California	Tehama Bank, Red Bluff, California Bancorp Financial Services, Inc., Sacramento, California	San Francisco	May 15, 1997

APPLICATIONS APPROVED UNDER BANK MERGER ACT
By the Secretary of the Board

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

Applicant(s)	Bank(s)	Effective Date
Citizens Bank, Flint, Michigan	City Bank and Trust Company, Jackson, Michigan City Bank, St. Johns, Michigan CB-North, Charlevoix, Michigan	May 16, 1997
First Security Bank of Nevada, Las Vegas, Nevada	American Bank of Commerce, Las Vegas, Nevada	May 30, 1997

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
Bank of White Sulphur Springs, White Sulphur Springs, West Virginia	Bank of Marlinton, Marlinton, West Virginia	Richmond	April 28, 1997
Colonial Bank, Montgomery, Alabama	Colonial Bank, Ardmore, Tennessee Colonial Bank, Lawrenceville, Georgia Colonial Bank, Orlando, Florida	Atlanta	May 14, 1997
Colonial Bank, Montgomery, Alabama	Great Southern Bank, West Palm Beach, Florida First Commerce Bank of Polk County, Winter Haven, Florida	Atlanta	May 21, 1997
Consolidated Bank and Trust Company, Richmond, Virginia	First Union National Bank of Virginia, Roanoke, Virginia	Richmond	May 22, 1997
Dacotah Bank, Aberdeen, South Dakota	Dacotah Bank, Clark, South Dakota Dacotah Bank, Faulkton, South Dakota Dacotah Bank, Lemmon, South Dakota Dacotah Bank, Mobridge, South Dakota Dacotah Bank, Webster, South Dakota	Minneapolis	May 5, 1997
First Interstate Bank of Commerce, Billings, Montana	First Interstate Bank of Montana, N.A., Kalispell, Montana Mountain Bank, Whitefish, Montana	Minneapolis	May 14, 1997
First Virginia Bank-Southwest, Roanoke, Virginia	First Virginia Bank - Highlands, Covington, Virginia	Richmond	May 5, 1997
The George Mason Bank, Fairfax, Virginia	George Mason Bank, National Association, Bethesda, Maryland	Richmond	May 7, 1997
Huron Community Bank, East Tawas, Michigan	Citizens Bank, Flint, Michigan	Chicago	May 16, 1997
Johnstown Bank and Trust Company, Johnstown, Pennsylvania	National City Bank of Pennsylvania, Pittsburgh, Pennsylvania	Philadelphia	May 9, 1997
M&I Bank of Janesville, Janesville, Wisconsin	M&I Bank of Beloit, Beloit, Wisconsin M&I Bank of Delavan, Delavan, Wisconsin	Chicago	May 2, 1997
M&I Madison Bank, Madison, Wisconsin	M&I Bank Southwest, Spring Green, Wisconsin	Chicago	April 28, 1997
Minden Bank & Trust Company, Minden, Louisiana	First Federal Savings Bank, Shreveport, Louisiana	Dallas	April 29, 1997

Federal Reserve Banks—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Old Kent Bank, Grand Rapids, Michigan	The Algonac Savings Bank, Algonac, Michigan The Commercial and Savings Bank of St. Clair County, St. Clair, Michigan	Chicago	April 24, 1997
Security Savings Bank, Gowrie, Iowa	Boone Bank & Trust Company, Boone, Iowa	Chicago	May 14, 1997

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.

Vickery v. Board of Governors, No. 97–1344 (D.C. Cir., filed May 9, 1997). Petition for review of a Board order dated April 14, 1997, prohibiting Charles R. Vickery, Jr., from further participation in the banking industry.

Wilkins v. Board of Governors, No. 3:97CV331 (E.D. Va., filed May 2, 1997). Customer dispute with bank.

Pharaon v. Board of Governors, No. 97–1114 (D.C. Cir., filed February 28, 1997). Petition for review of a Board order dated January 31, 1997, imposing civil money penalties and an order of prohibition for violations of the Bank Holding Company Act.

Research Triangle Institute v. Board of Governors, No. 97–1282 (4th Cir., filed February 24, 1997). Appeal of district court's dismissal of contract claim.

Jones v. Board of Governors, No. CV97–0198 (W.D. Louisiana, filed January 30, 1997). Complaint alleging violations of the Fair Housing Act.

The New Mexico Alliance v. Board of Governors, No. 96–9552 (10th Cir., filed December 24, 1996). Petition for review of a Board order dated December 16, 1996, approving the acquisition by NationsBank Corporation and NB Holdings Corporation, both of Charlotte, North Carolina, of Boatmen's Bancshares, Inc., St. Louis, Missouri. Also on December 24, 1996, petitioners moved for an emergency stay of the Board's order. The motion for a stay was denied by the 10th Circuit on January 3, 1997; on January 6, 1997, petitioners' application for emergency stay was denied by the Supreme Court.

Artis v. Greenspan, No. 1:96CV02619 (D.D.C., filed November 19, 1996). Employment discrimination action. On May 30, 1997, the court granted the Board's motion to dismiss the action.

Snyder v. Board of Governors, No. 96–1403 (D.C. Cir., filed October 23, 1996). Petition for review of Board order dated September 11, 1996, prohibiting John K. Snyder and Donald E. Hedrick from further participation in the banking industry. On May 8, 1997, the court of appeals granted the Board's motion to dismiss the petition. Petitioners filed a petition for rehearing or rehearing en banc on May 15, 1997.

American Bankers Insurance Group, Inc. v. Board of Governors, No. 96-CV-2383-EGS (D.D.C., filed October 16, 1996). Action seeking declaratory and injunctive relief invalidating a new regulation issued by the Board under the Truth in Lending Act relating to treatment of fees for debt cancellation agreements. On October 18, 1996, the district court denied plaintiffs' motion for a temporary restraining order. On January 17, 1997, the parties filed cross-motions for summary judgment.

Clifford v. Board of Governors, No. 96–1342 (D.C. Cir., filed September 17, 1996). Petition for review of Board order dated August 21, 1996, denying petitioners' motion to dismiss an enforcement action against them. On May 6, 1997, the court of appeals granted the Board's motion to dismiss the petition.

Artis v. Greenspan, No. 96-CV-02105 (D. D.C., filed September 11, 1996). Class complaint alleging race discrimination in employment. On December 20, 1996, the Board moved to dismiss the action.

Leuthe v. Board of Governors, No. 96–5725 (E.D. Pa., filed August 16, 1996). Action against the Board and other Federal banking agencies challenging the constitutionality of the Office of Financial Institution Adjudication. On January 24, 1997, the agencies filed a motion to dismiss the action.

Long v. Board of Governors, No. 96–9526 (10th Cir., filed July 31, 1996). Petition for review of Board order dated July 2, 1996, assessing a civil money penalty and cease and desist order for violations of the Bank Holding Company Act. Oral argument was heard on May 12, 1997.

Interamericas Investments, Ltd. v. Board of Governors, No. 96–60326 (5th Cir., filed May 8, 1996). Petition for review of order imposing civil money penalties and cease and desist order in enforcement case. On August 20, 1996, petitioners' motion for a stay of the Board's orders pending judicial review was denied by the Court of Appeals. On April 16, 1997, the court denied the petition for review.

Inner City Press/Community on the Move v. Board of Governors, No. 96-4008 (2nd Cir., filed January 19, 1996). Petition for review of a Board order dated January 5, 1996, approving the applications and notices by Chemical Banking Corporation to merge with The Chase Manhattan Corporation, both of New York, New York, and by Chemical Bank to merge with The Chase Manhattan Bank, N.A., both of New York, New York. Petitioners' motion for an emergency stay of the transaction was denied following oral argument on March 26, 1996. The Board's brief on the merits was filed July 8, 1996. The case was consolidated for oral argument and decision with *Lee v. Board of Governors*, No. 95–4134 (2d Cir.); oral argument was held on January 13, 1997.

Lee v. Board of Governors, No. 95–4134 (2nd Cir., filed August 22, 1995). Petition for review of Board orders dated July 24, 1995, approving certain steps of a corporate reorganization of U.S. Trust Corporation, New York, New York, and the acquisition of U.S. Trust by Chase Manhattan Corporation, New York, New York. On September 12, 1995, the court denied petitioners' motion for an emergency stay of the Board's orders. The Board's brief was filed on April 16, 1996. Oral argument, consolidated with *Inner City Press/Community on the Move v. Board of Governors*, took place on January 13, 1997.

Beckman v. Greenspan, No. 95–35473 (9th Cir., filed May 4, 1995). Appeal of dismissal of action against Board and others seeking damages for alleged violations of constitutional and common law rights. The court of appeals affirmed the dismissal on April 12, 1996, and denied the appellant's request for rehearing on July 15, 1996.

In re Subpoena Duces Tecum, Misc. No. 95–06 (D.D.C., filed January 6, 1995). Action to enforce subpoena seeking predecisional supervisory documents sought in connection with an action by Bank of New England Corporation's trustee in bankruptcy against the Federal Deposit Insurance Corporation. The Board filed its opposition on January 20, 1995. Oral argument on the motion was held July 14, 1995.

Board of Governors v. Pharaon, No. 91-CIV-6250 (S.D. New York, filed September 17, 1991). Action to freeze assets of individual pending administrative adjudication of civil money penalty assessment by the Board. On September 17, 1991, the court issued an order temporarily restraining the transfer or disposition of the individual's assets.

Final Enforcement Orders Issued by the Board of Governors

Toshihiko Araki
Yokohama, Japan

The Federal Reserve Board announced on May 30, 1997, the issuance of an Order of Assessment of a Civil Money Penalty against Toshihiko Araki, an officer and institution-affiliated party of the New York Branch of The Bank of Yokohama, Ltd., Yokohama, Japan.

Francisco Moncaleano
Bogota, Colombia

The Federal Reserve Board announced on May 16, 1997, the issuance of an Order of Prohibition against Francisco Moncaleano, a former vice president and institution-affiliated party of the Miami agency of Banco Ganadero, S.A., Bogota, Colombia.

Michael L. Riddle
John Averett
Park Jones
T. Stuart Ducote
Dallas,Texas

The Federal Reserve Board announced on May 22, 1997, the issuance of consent Orders of Assessment of Civil Money Penalties against Michael L. Riddle, John Averett, Park Jones, and T. Stuart Ducote, former officers and directors of Provident Bancorp of Texas, Inc., Dallas, Texas, formerly a bank holding company.

Written Agreements Approved by Federal Reserve Banks

Marin National Bancorp
San Rafael, California

The Federal Reserve Board announced on May 21, 1997, the execution of a Written Agreement by and between Marin National Bancorp, San Rafael, California, and the Federal Reserve Bank of San Francisco.

Combined Financial Statements of the Federal Reserve Banks

The financial statements of the Federal Reserve Banks were audited by Coopers & Lybrand, L.L.P., independent public accountants, for the years ended December 31, 1996 and 1995.

Coopers & Lybrand

Coopers & Lybrand L.L.P.

a professional services firm

Report of Independent Accountants

To the Board of Governors of The Federal Reserve System
and the Board of Directors of The Federal Reserve Banks:

We have audited the accompanying combined statements of condition of The Federal Reserve Banks (the "Reserve Banks") as of December 31, 1996 and 1995, and the related combined statements of income and changes in capital for the years then ended. These financial statements are the responsibility of the Reserve Banks' management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 3, the combined financial statements were prepared in conformity with the accounting principles, policies, and practices established by the Board of Governors of The Federal Reserve System. These principles, policies, and practices, which were designed to meet the specialized accounting and reporting needs of The Federal Reserve System, are set forth in the *Financial Accounting Manual for Federal Reserve Banks* and constitute a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of the Reserve Banks as of December 31, 1996 and 1995, and combined results of their operations for the years then ended, on the basis of accounting described in Note 3.

Coopers & Lybrand L.L.P.

Washington, D.C.
March 31, 1997

Federal Reserve Banks
Combined Statements of Condition
December 31, 1996 and 1995

(in millions)

Assets	1996	1995
Gold certificates	$ 11,048	$ 11,050
Special drawing rights certificates	9,718	10,168
Coin	591	425
Items in process of collection	12,761	4,769
Loans to depository institutions	85	135
U.S. government and federal agency securities, net	416,875	396,491
Investments denominated in foreign currencies	19,264	21,099
Accrued interest receivable	3,891	4,101
Bank premises and equipment, net	1,757	1,646
Other assets	1,309	1,271
Total assets	$477,299	$451,155
Liabilities and Capital		
Liabilities		
Federal Reserve notes outstanding, net	$426,522	$400,935
Deposits		
Depository institutions	24,524	29,611
U.S. Treasury, general account	7,742	5,979
Other deposits	400	669
Deferred credit items	7,464	4,538
Statutory surplus transfer due U.S. Treasury	660	...
Interest on Federal Reserve notes due U.S. Treasury	...	650
Accrued benefit cost	712	672
Other liabilities	177	169
Total liabilities	468,201	443,223
Capital		
Capital paid-in	4,602	3,966
Surplus	4,496	3,966
Total capital	9,098	7,932
Total liabilities and capital	$477,299	$451,155

The accompanying notes are an integral part of these financial statements.

FEDERAL RESERVE BANKS
COMBINED STATEMENTS OF INCOME
for the years ended December 31, 1996 and 1995

(in millions)

	1996	1995
Interest income		
Interest on U.S. government securities	$23,884	$23,826
Interest on foreign currencies	443	784
Interest on loans to depository institutions	11	11
Total interest income	24,338	24,621
Other operating income		
Income from services	787	739
Reimbursable services to government agencies	216	221
Foreign currency gains (losses), net	(1,668)	1,005
Government securities gains, net	32	6
Other income	60	56
Total other operating income (loss)	(573)	2,027
Operating expenses		
Salaries and other benefits	1,283	1,226
Occupancy expense	177	165
Equipment expense	259	243
Cost of unreimbursed Treasury services	38	38
Assessments by Board of Governors	565	532
Other expenses	468	452
Total operating expenses	2,790	2,656
Income before cumulative effect of accounting changes	20,975	23,992
Cumulative effect of changes in accounting principles	...	(89)
Net income prior to distribution	$20,975	$23,903
Distribution of net income		
Dividends paid to member banks	$ 256	$ 231
Transferred to surplus	636	283
Payments to U.S. Treasury as interest on Federal Reserve notes	14,565	23,389
Payments to U.S. Treasury as required by statute	5,518	...
	$20,975	$23,903

The accompanying notes are an integral part of these financial statements.

Federal Reserve Banks
Combined Statements of Changes in Capital
for the years ended December 31, 1996 and 1995

(in millions)

	Capital paid-in	Surplus	Total capital
Balance at January 1, 1995 (73 million shares)	$3,683	$3,683	$7,366
Net income transferred to surplus	...	283	283
Net change in capital stock issued (6 million shares)	283	...	283
Balance at December 31, 1995 (79 million shares)	$3,966	$3,966	$7,932
Net income transferred to surplus	...	636	636
Statutory surplus transfer to U.S. Treasury	...	(106)	(106)
Net change in capital stock issued (13 million shares)	636	...	636
Balance at December 31, 1996 (92 million shares)	$4,602	$4,496	$9,098

The accompanying notes are an integral part of these financial statements.

Notes to Combined Financial Statements of the Federal Reserve Banks, December 31, 1996 and 1995

(1) Organization and Basis of Presentation

The twelve Federal Reserve Banks (Reserve Banks) are part of the Federal Reserve System (System) created by Congress under the Federal Reserve Act of 1913 (Federal Reserve Act) which established the central bank of the United States. The Reserve Banks are chartered by the federal government and possess a unique set of governmental, corporate, and central bank characteristics. Other major elements of the System are the Board of Governors of the Federal Reserve System (Board of Governors), the Federal Open Market Committee (FOMC), and the Federal Advisory Council. The Reserve Banks are exempt from federal, state, and local taxes except for taxes on real property.

Although the Reserve Banks are chartered as independent organizations overseen by the Board of Governors, the Reserve Banks work jointly to carry out their statutory responsibilities. The majority of the assets, liabilities, and income of the Reserve Banks is derived from central bank activities and responsibilities with regard to monetary policy and currency. For this reason, the accompanying combined set of financial statements for the twelve independent Reserve Banks is prepared, adjusted to eliminate interdistrict accounts and transactions.

Corporate Structure

The Reserve Banks serve twelve Federal Reserve Districts nationwide. In accordance with the Federal Reserve Act, supervision and control of each Reserve Bank is exercised by a Board of Directors chosen partly by nomination and election by member banks and partly by the Board of Governors. Banks that are members of the System include all national banks and any state chartered bank that applies and is approved for membership in the System.

Board of Directors

The Federal Reserve Act specifies the composition of Reserve Bank boards of directors. Each board is composed of nine members serving three-year terms: three directors, including those designated as Chairman and Deputy Chairman, are appointed by the Board of Governors and six directors are elected by member banks. Of the six elected by member banks, three represent the public and three represent member banks. Member banks are divided into three classes according to size. Member banks in each class elect one director representing member banks and one representing the public. In any election of directors, each member bank receives one vote, regardless of the number of shares of Reserve Bank stock it holds.

(2) Operations and Services

The System performs a variety of services and operations. Functions include formulating and conducting monetary policy; participating actively in the payments mechanism, including large-dollar transfers of funds, automated clearinghouse operations, and check processing; distribution of coin and currency; fiscal agency functions for the U.S. Treasury and certain federal agencies; serving as the federal government's bank; providing short-term loans to depository institutions; serving the consumer and the community by providing educational materials and information regarding consumer laws; supervising bank holding companies and state member banks; and administering other regulations of the Board of Governors. The Board of Governors' operating costs are funded through assessments on the Reserve Banks.

(3) Significant Accounting Policies

Specialized accounting principles for entities with the unique powers and responsibilities of the nation's central bank have not been formulated by the Financial Accounting Standards Board. The Board of Governors has developed specialized accounting principles and practices that it believes are appropriate for the significantly different nature and function of a central bank as compared to the private sector. These accounting principles and practices are generally documented in the *Financial Accounting Manual for Federal Reserve Banks* (the *Financial Accounting Manual*), which is published by the Board of Governors. All Reserve Banks are required to adopt and apply accounting policies and practices that are consistent with the *Financial Accounting Manual*. The financial statements have been prepared in accordance with the *Financial Accounting Manual*. Differences exist between the policies of the Reserve Banks and generally accepted accounting principles (GAAP). The primary differences are the presentation of all security holdings at amortized cost rather than at the fair value presentation requirements of GAAP, and the accounting for matched sale–purchase transactions as separate sales and purchases, rather than secured borrowings with pledged collateral, as is required by GAAP. Accounting policies and practices for U.S. government and federal agency securities and investments denominated in foreign currencies are further described in note 3(D). In addition, the Board of Governors and the Reserve Banks have elected not to include a Statement of Cash Flows, as the liquidity and cash position of the Reserve Banks are not of primary concern to users of these financial statements.

Other information regarding the Reserve Banks' activities is provided in, or may be derived from, the Statements of Condition, Income, and Changes in Capital. Therefore, a Statement of Cash Flows would not provide any additional useful information. There are no other significant differences between the policies outlined in the *Financial Accounting Manual* and GAAP. The preparation of financial statements in conformity with the *Financial Accounting Manual* requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. Unique accounts and significant accounting policies are explained below.

(A) *Gold Certificates*

The Secretary of the Treasury is authorized to issue gold certificates to the Reserve Banks to monetize gold held by the U.S. Treasury. Payment for the gold certificates by the Reserve Banks is made by crediting equivalent amounts in dollars into the account established for the U.S. Treasury. These gold certificates held by the Reserve Banks are required to be backed by the gold of the U.S. Treasury. The U.S. Treasury may reacquire the gold certificates at any time and the Reserve Banks must deliver them to the U.S. Treasury. At such time, the U.S. Treasury's account is charged and the Reserve Banks' gold certificate account is lowered. The value of gold for purposes of backing the gold certificates is set by law at \$42$\frac{2}{9}$ a fine troy ounce.

(B) *Special Drawing Rights Certificates*

Special drawing rights (SDRs) are issued by the International Monetary Fund (the Fund) to its members in proportion to each member's quota in the Fund at the time of issuance. SDRs serve as a supplement to international monetary reserves and may be transferred from one national monetary authority to another. Under the law providing for U.S. participation in the SDR system, the Secretary of the U.S. Treasury is authorized to issue SDR certificates, somewhat like gold certificates, to the Reserve Banks. At such time, equivalent amounts in dollars are credited to the account established for the U.S. Treasury, and Reserve Banks' SDR certificate account is increased. The Reserve Banks are required to purchase SDRs, at the direction of the U.S. Treasury, for the purpose of financing SDR certificate acquisitions or for financing exchange stabilization operations.

(C) *Loans to Depository Institutions*

The Depository Institutions Deregulation and Monetary Control Act of 1980 provides that all depository institutions that maintain reservable transaction accounts or nonpersonal time deposits, as defined in Regulation D issued by the Board of Governors, have borrowing privileges at the discretion of the Reserve Banks. Borrowers execute certain lending agreements and deposit sufficient collateral before credit is extended. Loans are evaluated for collectibility, and currently all are considered collectible and fully collateralized. If any loans were deemed to be uncollectible, an appropriate reserve would be established. Interest is recorded on the accrual method and is charged at the discount rate established at least every fourteen days by the Boards of Directors of the Reserve Banks, subject to review by the Board of Governors. However, Reserve Banks retain the option to impose a surcharge above that rate in certain circumstances.

(D) *U.S. Government and Federal Agency Securities and Investments Denominated in Foreign Currencies*

The FOMC is composed of members of the Board of Governors, the president of the Federal Reserve Bank of New York (FRBNY) and, on a rotating basis, four other Reserve Bank presidents. The FOMC has designated the FRBNY to execute open market transactions on its behalf and to hold the resulting securities in the portfolio known as the System Open Markets Account (SOMA). The FOMC establishes policy regarding open market operations, oversees these operations, and issues authorizations and directives to the FRBNY for its execution of transactions. Authorized transaction types include direct purchases and sales of securities, matched sale–purchase transactions, and the purchase of securities under agreements to resell. These transactions are conducted in U.S. government and federal agency securities.

Specifically, the FRBNY provides or absorbs reserve deposits of depository institutions by purchasing or selling government securities, respectively, in the open market. While the application of current market prices to the securities currently held by the Reserve Banks may result in values substantially above or below their carrying values, these unrealized changes in value would have no necessary effect on the quantity of reserves available to the banking system or on the prospects for future Reserve Bank earnings or capital.

Matched sale–purchase transactions are generally overnight transactions in which FRBNY sells a security and buys it back the next day at the rate specified at the commencement of the transaction. These transactions are accounted for as separate sale and purchase transactions. At December 31, 1996 and 1995, matched sale–purchase transactions involving U.S. government securities with par values of $15 billion and $12 billion respectively were outstanding.

In addition to authorizing and directing operations in the domestic securities market, the FOMC authorizes and directs the FRBNY to execute operations in foreign exchange markets for major currencies and, to the extent possible, invest the resulting balances. The portfolio for each foreign currency shall generally have an average duration of no more than eighteen months. Balances and changes in balances arise from transactions to counter disorderly conditions in exchange markets and other needs specified by the FOMC in carrying out the System's central bank responsibilities.

Although the portfolios of U.S. government and federal agency securities and investments denominated in foreign currencies generate interest income and the transactions can result in gains or losses when holdings are sold prior to maturity, decisions regarding these securities and investments, including their purchase and sale, are motivated by monetary policy objectives rather than profit. Accordingly, earnings and any gains or losses resulting from the sales of such securities and investments are incidental to the open market and foreign currency operations and do not motivate activities or policy decisions.

In order to ensure the effective conduct of the domestic securities market, the FOMC authorizes the Reserve Banks to lend U.S. government securities held in SOMA to securities dealers and to banks participating in U.S. government securities clearing arrangements conducted through a Reserve Bank, under such instructions as the FOMC may specify from time to time. At December 31, 1996 and 1995, U.S. government securities with par values of $489 million and $1 billion, respectively, were loaned. These securities-lending transactions are fully collateralized by other U.S. government securities. FOMC policy requires the Reserve Banks to take possession of the collateral in amounts in excess of the market values of the securities loaned. The market values of the collateral and the securities loaned are monitored by the Reserve Banks on a daily basis, with additional collateral obtained as necessary. The securities loaned continue to be carried in SOMA. Income earned by the Reserve Banks on securities-lending transactions is reported as a component of "Other income."

In accordance with the Federal Reserve Act, and as further explained in note 3(F), all domestic securities and investments denominated in foreign currencies are available as collateral for net Federal Reserve notes outstanding. At December 31, 1996 and 1995, domestic securities with par values of $406 billion and $380 billion, respectively, were pledged as collateral. No investments denominated in foreign currencies were required as collateral at December 31, 1996 and 1995.

(E) *Bank Premises and Equipment*

Bank premises and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over estimated useful lives of assets ranging from two to fifty years. New assets, major alterations, renovations, and improvements are capitalized at cost as additions to the asset accounts. Maintenance, repairs, and minor replacements are charged to operations in the year incurred.

(F) *Federal Reserve Notes*

Federal Reserve notes are the circulating currency of the United States. These notes are issued through the various Federal Reserve agents to the Reserve Banks upon deposit with such agents of certain classes of collateral security, typically U.S. government securities. These notes are identified as issued to a specific Reserve Bank. The Federal Reserve Act provides that the collateral security tendered by the Reserve Bank to the Federal Reserve agent must be equal to the sum of the notes applied for by such Reserve Bank. The collateral value is equal to the par value of the securities tendered. The Board of Governors may, at any time, call upon a Reserve Bank for additional security to adequately collateralize the Federal Reserve notes. To satisfy the obligation to provide sufficient collateral for its outstanding Federal Reserve notes, the Reserve Banks have entered into an agreement that provides that certain assets of the Reserve Banks are jointly pledged as collateral for the Federal Reserve notes of all Reserve Banks. In the event that this collateral is insufficient, the Federal Reserve Act provides that Federal Reserve notes become a first and paramount lien on all the assets of the Reserve Banks. Finally, as obligations of the United States, Federal Reserve notes are backed by the full faith and credit of the U.S. government. The "Federal Reserve notes outstanding, net" account represents Federal Reserve notes reduced by cash held in the vaults of the Reserve Banks of $100 billion and $80 billion at December 31, 1996 and 1995, respectively.

(G) *Capital Paid-In*

The Federal Reserve Act requires that each member bank subscribe to the capital stock of the Reserve Bank in an amount equal to 6 percent of the capital and surplus of the member bank. As a member bank's capital and surplus changes, its holdings of the Reserve Bank's stock must be adjusted. Member banks are those state-chartered banks that apply and are approved for membership in the System and all national banks. Currently, only one-half of the subscription is paid-in and the remainder is subject to call. These shares are nonvoting with a par value of $100. They may not be transferred or hypothecated.

By law, each member bank is entitled to receive an annual dividend of 6 percent on the paid-in capital stock. This cumulative dividend is paid semiannually. A member bank is liable for Reserve Bank liabilities up to twice the par value of stock subscribed by it.

(H) *Surplus*

The Board of Governors requires Reserve Banks to maintain a surplus equal to the amount of capital paid-in as of December 31 of the prior year. This amount is intended to provide additional capital and reduce the possibility that the Reserve Banks would be required to call on member banks for additional capital. Reserve Banks are required by the Board of Governors to transfer to the U.S. Treasury excess earnings, after providing for the costs of operations, payment of dividends, and reservation of an amount necessary to equate surplus with capital paid-in. Prior to October 1, 1996, this payment represented payment of interest on Federal Reserve notes outstanding.

The Omnibus Budget Reconciliation Act of 1993 (Public Law 103–66, Section 3002) codified the existing Board surplus policies as statutory surplus transfers, rather than as payments of interest on Federal Reserve notes, for federal government fiscal years 1997 (which began on October 1, 1996) and 1998. In addition, the legislation directs the Reserve Banks to transfer to the U.S. Treasury additional surplus funds of $106 million and $107 million during fiscal years 1997 and 1998 respectively. Reserve Banks are not permitted to replenish surplus for these amounts during this time. The Reserve Banks transferred $106 million to the U.S. Treasury on October 1, 1996.

In the event of losses, payments to the U.S. Treasury are suspended until such losses are recovered through subsequent earnings. Weekly payments to the U.S. Treasury vary significantly.

(I) *Cost of Unreimbursed Treasury Services*

Reserve Banks are required by the Federal Reserve Act to serve as fiscal agents and depositories of the United States. By statute, the Department of the Treasury is permitted, but not required, to pay for these services. The costs of providing fiscal agency and depository services to the Treasury Department that have been billed but will not be paid are reported as the "Cost of unreimbursed Treasury services."

(J) *Accounting Changes*

Effective January 1, 1995, the *Financial Accounting Manual* was changed to require that Reserve Banks use the accrual method of accounting to recognize the obligation to provide benefits to former or inactive employees consistent with Statement of Financial Accounting Standards (SFAS) No. 112, "Employers' Accounting for Postemployment Benefits." Prior to 1995, the Reserve Banks recognized costs for postemployment benefits when paid. The cumulative effect of this change in accounting for benefits was recognized by the Reserve Banks as a one-time charge to expense of $55 million. Additionally, the Reserve Banks recognized an increase in 1995 operating expenses of approximately $5 million, net of a one-time credit of $1 million that reflects the effect of a special early retirement benefit offered by one District during 1995.

Effective January 1, 1995, the Reserve Banks also began accruing a liability for employees' rights to receive compensation for future absences consistent with SFAS No. 43, "Accounting for Compensated Absences." Prior to 1995, the Reserve Banks recognized these costs when paid. The cumulative effect of this change in accounting for compensated absences was recognized by the Reserve Banks as a one-time charge to expense of $19 million. Ongoing operating expenses for the year ended December 31, 1995, were not materially affected by the change in accounting for these costs.

Effective January 1, 1995, the Reserve Banks began recognizing impairment losses consistent with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." Prior to 1995, the Reserve Banks did not recognize impairment losses. The cumulative effect of this change in accounting for impairment losses was recognized as a one-time charge to expense of $15 million. The impairment loss represented the impairment in value of certain bank buildings. Fair value of the buildings was based on management's estimate of market value. The impairment recognized was a result of management's intention to relocate and resulted from structural defects and asbestos. An additional impairment loss was recognized during 1995, as discussed in note 6.

(4) U.S. Government and Federal Agency Securities

U.S. government and federal agency securities include securities held under agreements to resell and securities bought outright, which are held in the SOMA at the FRBNY. These securities are recorded at cost on a settlement-date basis, adjusted for the amortization of premiums and accretion of discounts. Gains and losses resulting from sales of securities are determined for each specific issue based on average cost. Interest income is recorded on the accrual method. Interest income and gains and losses on the sale of these securities are reported as "Interest on U.S. government securities" and "Government securities gains, net" respectively.

The U.S. government and federal agency securities bought outright, which are held in the SOMA, at December 31 were as follows (in millions):

	1996	1995
Par value		
Federal agency	$ 2,225	$ 2,634
U.S. government		
Bills	190,646	183,116
Notes	150,922	151,013
Bonds	49,339	44,069
Total par value	393,132	380,832
Unamortized premiums	4,677	4,508
Unaccreted discounts	(3,548)	(3,477)
	$394,261	$381,863

U.S. government and federal agency securities held in SOMA under agreements to resell at December 31 were as follows (in millions):

	1996	1995
Par value		
Federal agency	$ 1,612	$ 1,100
U.S. government	19,971	12,762
Total par value	21,583	13,862
Unamortized premiums	1,327	903
Unaccreted discounts	(296)	(137)
	$22,614	$14,628

The maturities of U.S. government and federal agency securities bought outright, which are held in the SOMA, at December 31, 1996, were as follows (in millions):

Maturities of securities held	Par value: U.S. government securities	Federal agency obligations	Total
Within 15 days	$ 7,875	$ 450	$ 8,325
16 days to 90 days	89,036	541	89,577
91 days to 1 year	122,780	232	123,012
Over 1 year to 5 years	95,608	520	96,128
Over 5 years to 10 years	33,782	457	34,239
Over 10 years	41,826	25	41,851
Total	$390,907	$2,225	$393,132

The resell date for securities purchased under agreements to resell does not exceed 15 days after the purchase date.

(5) Investments Denominated in Foreign Currencies

The FRBNY, on behalf of the Reserve Banks, holds foreign currency deposits with foreign central banks and the Bank for International Settlements and invests in foreign government debt instruments. Foreign government debt instruments held include both securities bought outright and securities held under agreements to resell. These investments are guaranteed as to principal and interest by the foreign governments. Investments denominated in foreign currencies are recorded at cost on a settlement date basis, adjusted for amortization of premiums and accretion of discounts. Foreign currency-denominated assets of the Reserve Banks are revalued monthly at current market exchange rates in order to report these assets in U.S. dollars. Gains and losses resulting from sales of securities are determined using the average cost method. Realized and unrealized foreign currency gains and losses are reported as "Foreign currency gains (losses), net." Interest income is recorded on the accrual basis and is reported as "Interest on foreign currencies."

Total investments denominated in foreign currencies, valued at current exchange rates at December 31, were as follows (in millions):

	1996	1995
German Marks		
Foreign currency deposits	$10,253	$12,329
Government debt instruments, including agreements to resell	2,777	1,186
Japanese Yen		
Foreign currency deposits	637	739
Government debt instruments, including agreements to resell	5,515	6,130
Mexican Pesos		
Foreign currency swap	...	602
Accrued interest	87	118
Total foreign currencies	$19,269	$21,104

In addition to the balances reflected above, $5 million in unearned interest collected on certain foreign currency holdings was also reflected as "Investments denominated in foreign currencies" at December 31, 1996 and 1995.

The FRBNY is authorized by the FOMC to hold balances of and to execute spot and forward foreign exchange contracts to receive or to deliver the currencies of fourteen foreign countries. Foreign exchange contracts are contractual agreements between two parties to exchange specified currencies, at a specified price, on a specified date. Spot foreign contracts normally settle two days after the trade date, whereas the settlement date on forward contracts is negotiated between the contracting parties but will extend beyond two days from the trade date. FRBNY generally enters into spot contracts, with any forward contracts generally limited to the second leg of a swap/warehousing transaction. Foreign currency exchange contracts may involve off-balance-sheet market risk for the future settlement of currencies and counterparty credit risk. The FRBNY controls credit risk by obtaining credit approvals, establishing transaction limits, and performing daily monitoring procedures. As of December 31, 1996 and 1995, the FRBNY had no open foreign exchange contracts except as noted below.

At the direction of the FOMC, the FRBNY is authorized to maintain reciprocal currency arrangements (F/X swaps) for periods up to a maximum of twelve months with various foreign central banks. An F/X swap arrangement is a renewable, short-term reciprocal currency arrangement, generally for up to one year, between two parties, the FRBNY, on behalf of the Reserve Banks, and an authorized foreign central bank, who agree to exchange their currencies up to a prearranged maximum amount and for an agreed upon period of time, at an agreed upon interest rate. These arrangements give the Federal Reserve temporary access to the foreign currencies that it needs for intervention operations to support the dollar or give the partner foreign central bank temporary access to dollars it needs to support its own currencies. Drawings under the F/X swap arrangements can be initiated by either the FRBNY or the partner foreign central banks.

The F/X swaps are structured so that the party initiating the transaction (the drawer) bears the exchange rate risk upon maturity. The FRBNY will generally invest the foreign currency received under an F/X swap in interest-bearing instruments. Interest income on the resulting foreign currency holdings is accrued and reported as "Interest on foreign currencies." Unrealized gains and losses on revaluation of the resulting currency holdings are reported as a component of "Other assets" or "Other liabilities," since there is no exchange rate risk to the Reserve Banks at the maturity of the F/X swap. As of December 31, 1996, there were no open F/X swaps. As of December 31, 1995, there was an open F/X swap of $650 million, which was drawn at the direction of the Bank of Mexico.

The FOMC has an agreement to "warehouse" foreign currencies for the U.S. Treasury and the Exchange Stabilization Fund (ESF). This is an arrangement under which the FOMC agrees to exchange, at the request of the Treasury, U.S. dollars for foreign currencies held by the Treasury or ESF over a limited period of time. The purpose of the warehousing facility is to supplement the U.S. dollar resources of the Treasury and ESF for financing purchases of foreign currencies and related international operations. This facility was $20 billion, with nothing outstanding, as of December 31, 1996 and 1995.

(6) Bank Premises and Equipment

A summary of bank premises and equipment at December 31 is as follows (in millions):

	1996	1995
Bank premises and equipment		
Land	$ 192	$ 167
Buildings	934	883
Building machinery and equipment	242	231
Construction in progress	195	129
Furniture and equipment	1,230	1,192
	2,793	2,602
Accumulated depreciation	(1,036)	(956)
Bank premises and equipment, net	$1,757	$1,646

Depreciation expense was $192 million and $180 million for the years ended December 31, 1996 and 1995, respectively.

Bank premises and equipment at December 31 include the following amounts for leases that have been capitalized (in millions):

	1996	1995
Bank premises and equipment	$96	$93
Accumulated depreciation	(56)	(29)
Capitalized leases, net	$40	$64

Certain of the Reserve Banks lease unused space to outside tenants. Those leases have terms ranging from one to fifteen years. Rental income from such leases was $16 million for each of the years ended December 31, 1996 and 1995. Future minimum lease payments under agreements in existence at December 31, 1996, were (in millions):

1997	$13
1998	12
1999	11
2000	11
2001	8
Thereafter	19
	$74

During 1995, one Reserve Bank recognized impairment losses of $16 million on the value of bank buildings. Fair value of the buildings was based on appraised value. The impairment was recognized as a result of management's intention to relocate and resulted from a general decline in real estate values in the area in which the buildings were located. This loss is included on the Statement of Income as a component of "Other expenses."

(7) Commitments and Contingencies

At December 31, 1996, the Reserve Banks were obligated under noncancelable leases for premises and equipment with terms ranging from one to approximately ten years. These leases provide for increased rentals based upon increases in real estate taxes, operating costs, or selected price indices.

Rental expense under operating leases for certain operating facilities, warehouses, data processing, and office equipment (including taxes, insurance, and maintenance when included in rent), net of sublease rentals, was $68 million and $64 million for the years ended December 31, 1996 and 1995, respectively. Certain of the Reserve Banks' leases have options to renew.

Future minimum rental payments under noncancelable operating leases, net of sublease rentals with terms of one year or more, at December 31, 1996, were (in millions):

1997	$ 8
1998	17
1999	15
2000	13
2001	13
Thereafter	12
	$78

At December 31, 1996, the Reserve Banks had contractual commitments through the year 2007 totaling $263 million for the maintenance of currency processing machines, none of which has been recognized. One Reserve Bank contracts for maintenance for these machines on behalf of the System and allocates the costs annually to each other Reserve Bank.

The Reserve Banks are involved in certain legal actions and claims arising in the ordinary course of business. Although it is difficult to predict the ultimate outcome of these actions, in management's opinion, based on discussions with counsel, the aforementioned litigation and claims will be resolved without material adverse effect on the financial position or results of operations of the Reserve Banks.

(8) Retirement and Thrift Plans

Retirement Plans

The Reserve Banks currently offer two defined benefit retirement plans to their employees, based on length of service and level of compensation. Substantially all of the Reserve Banks' employees participate in the Retirement Plan for Employees of the System (the System Plan) and the Benefit Equalization Retirement Plans offered by each individual Reserve Bank (the BEPs).

The System Plan is a multi-employer plan. FRBNY acts as the sponsor of the System Plan. The prepaid pension cost is reported on the Combined Statement of Condition as a component of "Other assets." The prepaid pension cost includes amounts related to the participation of employees of the twelve Reserve Banks, the Board of Governors, and the Plan Administrative Office in the plan. The net pension credit is reported on the Combined Statement of Income as a component of "Other expenses."

Contributions to the System Plan are actuarially determined and fully funded by participating employers at amounts prescribed by the Plan Administrator (with the exception of a mandatory contribution of 7 percent of salary by certain employees of the Board of Governors that participate in the plan). No separate accounting is maintained of assets contributed by the participating employers. It is the System's policy to fund the pension liability as accrued. No contributions were required to the System Plan during 1996 or 1995.

The BEPs are unfunded plans that were established January 1, 1996. Net pension cost for the period is actuarially determined and is based on the same economic and mortality assumptions used for the System Plan. The Reserve Banks' projected benefit obligation and net pension costs for the BEPs at December 31, 1996, and for the year then ended are not material.

Following is a reconciliation between the funded status of the System Plan and amounts included in the Combined Statement of Condition at December 31 (in millions):

	1996	1995
Accumulated benefit obligation		
Vested	$1,758	$1,679
Nonvested	85	91
Total	$1,843	$1,770
Plan assets at fair value, primarily listed stocks and bonds	$4,153	$3,628
Actuarial present value of projected benefit obligation	(2,270)	(2,130)
Plan assets in excess of projected benefit obligation	1,883	1,498
Less: Unrecognized net transition obligation	226	272
Unrecognized net gain	884	606
Unrecognized prior service cost	(144)	(156)
Prepaid pension cost	$ 917	$ 776

The assumptions used in developing the pension benefit obligation for the System Plan and BEPs are as follows:

	1996	1995
Discount rate	7.25%	7.00%
Rate of compensation increase	5.00%	5.00%
Long-term rate of return on plan assets	9.00%	9.00%

The components of the net pension credit for the years ended December 31 are shown below (in millions):

	1996	1995
Service costs—benefits earned during the year	$ 71	$ 49
Interest cost on projected benefit obligation	152	133
Actual return on plan assets	(634)	(842)
Net amortization and deferral	269	537
Cost of special termination benefits	1	4
Net pension (credit)	$(141)	$(119)

Thrift Plan

Employees of the Reserve Banks may also participate in the Thrift Plan for Employees of the Federal Reserve System (the Thrift Plan). The Thrift Plan is a qualified, defined contribution plan. Under the Thrift Plan, employees may contribute a percentage of their salaries up to a maximum 19 percent limit as prescribed by the Internal Revenue Service. Matching contributions by the Reserve Banks are based on a fixed percentage of each employee's basic contribution. Currently, the Reserve Banks match 80 percent of the first 6 percent of salary contributed by the employee. The Reserve Banks' Thrift Plan contributions totaled $40 million and $38 million for the years ended December 31, 1996 and 1995, respectively, and are reflected on the Combined Statement of Income as a component of "Salaries and other benefits."

(9) Postretirement Benefits Other Than Pensions and Postemployment Benefits

Postretirement Benefits Other Than Pensions

In addition to the Reserve Banks' defined benefit retirement plans, employees who have met certain age and length of service requirements are eligible for both medical benefits and life insurance coverage during retirement. The retiree medical plan is contributory and provides benefits to retirees, their covered dependents, and beneficiaries. The life insurance plan is noncontributory and covers retirees only.

The Reserve Banks fund benefits payable under the medical and life insurance plans as due. Net postretirement benefit cost is actuarially determined using a January 1 measurement date. The following is a reconciliation between the plans' funded status and the amounts recognized in the Reserve Banks' Combined Statement of Condition as of December 31 (in millions):

	1996	1995
Accumulated postretirement benefit obligation		
Retirees and covered spouses	$303	$303
Actives eligible to retire	53	55
Other actives and disabled	226	238
Total accumulated postretirement benefit obligation	582	596
Unrecognized net (loss)	(23)	(61)
Unrecognized prior service cost	84	77
Accrued postretirement benefit cost	$643	$612

The assumptions used in developing the postretirement benefit obligation are as follows:

	1996	1995
Discount rate	7.25%	7.00%
Rate of increase in health care costs—initial	9.50%	10.00%
Rate of increase in health care costs—ultimate	5.50%	5.50%

The ultimate health care cost rate is expected to be achieved in 2004.

The following is a summary of the components of net periodic postretirement cost for the years ended December 31 (in millions):

	1996	1995
Service cost	$16	$13
Interest cost of accumulated benefit obligation	40	42
Net amortization and deferral	(5)	(5)
Cost of special termination benefits	...	1
Net periodic postretirement cost	$51	$51

These costs are reflected on the Combined Statement of Income as a component of "Salaries and other benefits."

Changing the assumed health care cost trend rates by one percentage point in each year would change the accumulated postretirement benefit obligation at December 31, 1996 and 1995, by approximately $118 million and $111 million respectively and would change the aggregate service and interest cost components of net periodic postretirement benefit cost for the years ended December 31, 1996 and 1995, by approximately $18 million and $12 million respectively.

Postemployment benefits

The Reserve Banks began using the accrual method of accounting to recognize the obligation to provide benefits to former or inactive employees, consistent with SFAS 112, "Employers' Accounting for Postemployment Benefits," effective January 1, 1995. Benefits include medical and dental insurance, survivor income, disability income, and those workers' compensation expenses self-insured by individual Reserve Banks. Costs were projected using the same discount and health care trend rates as were used for projecting postretirement costs. The accrued postemployment benefit costs recognized by the Reserve Banks at December 31, 1996 and 1995, were $68 million and $60 million respectively. This cost is included as a component of "Accrued benefit cost" on the Combined Statement of Condition. Net periodic postemployment benefit costs included in 1996 and 1995 operating expenses were $17 million an. $14 million respectively.

Financial and Business Statistics

Guide to Tabular Presentation

SYMBOLS AND ABBREVIATIONS

c	Corrected
e	Estimated
n.a.	Not available
n.e.c.	Not elsewhere classified
p	Preliminary
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)
*	Amounts insignificant in terms of the last decimal place shown in the table (for example, less than 500,000 when the smallest unit given is millions)
0	Calculated to be zero
. . .	Cell not applicable
ATS	Automatic transfer service
BIF	Bank insurance fund
CD	Certificate of deposit
CMO	Collateralized mortgage obligation
FFB	Federal Financing Bank
FHA	Federal Housing Administration
FHLBB	Federal Home Loan Bank Board
FHLMC	Federal Home Loan Mortgage Corporation
FmHA	Farmers Home Administration
FNMA	Federal National Mortgage Association
FSLIC	Federal Savings and Loan Insurance Corporation
G-7	Group of Seven
G-10	Group of Ten
GNMA	Government National Mortgage Association
GDP	Gross domestic product
HUD	Department of Housing and Urban Development
IMF	International Monetary Fund
IO	Interest only
IPCs	Individuals, partnerships, and corporations
IRA	Individual retirement account
MMDA	Money market deposit account
MSA	Metropolitan statistical area
NOW	Negotiable order of withdrawal
OCD	Other checkable deposit
OPEC	Organization of Petroleum Exporting Countries
OTS	Office of Thrift Supervision
PO	Principal only
REIT	Real estate investment trust
REMIC	Real estate mortgage investment conduit
RP	Repurchase agreement
RTC	Resolution Trust Corporation
SAIF	Savings Association Insurance Fund
SCO	Securitized credit obligation
SDR	Special drawing right
SIC	Standard Industrial Classification
VA	Department of Veterans Affairs

GENERAL INFORMATION

In many of the tables, components do not sum to totals because of rounding.

Minus signs are used to indicate (1) a decrease, (2) a negative figure, or (3) an outflow.

"U.S. government securities" may include guaranteed issues of U.S. government agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct obligations of the Treasury. "State and local government" also includes municipalities, special districts, and other political subdivisions.

1.10 RESERVES, MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES

Percent annual rate of change, seasonally adjusted[1]

Monetary or credit aggregate	1996 Q2	1996 Q3	1996 Q4	1997 Q1	1996 Dec.	1997 Jan	1997 Feb	1997 Mar.	1997 Apr.
Reserves of depository institutions[2]									
1 Total	−6.6	−16.4	−17.2	−8.3	6.1	−13.1	−12.3	−17.0[r]	−21.8
2 Required	−5.9	−16.5	−18.5	−8.4	−3.4	−8.5	−7.9	−20.7	−18.6
3 Nonborrowed	−7.9	−17.6	−16.2	−7.2	7.5	−10.5	−12.3	−19.9	−24.4
4 Monetary base[3]	3.0	5.3	5.1	5.6	8.8	3.9	5.7	3.5	1.7
Concepts of money, liquid assets, and debt[4]									
5 M1	−1.4	−6.5	−7.3	−.7[r]	1.1	−1.4[r]	1.0[r]	−6.0[r]	−11.2
6 M2	4.5	3.4	5.0	5.9	7.5	5.2	5.1	5.1[r]	6.7
7 M3	6.4	5.4	7.9	7.7[r]	10.5[r]	5.5[r]	9.0[r]	6.8	8.9
8 L	6.3	5.5	6.6[r]	6.7	7.2	3.1[r]	10.1[r]	8.5	n.a.
9 Debt	5.9	5.3	4.8[r]	4.3	4.1	3.4	4.9	5.2	n.a.
Nontransaction components									
10 In M2[5]	7.0	7.7	10.1[r]	8.5	10.0	7.8[r]	6.7[r]	9.4[r]	13.6
11 In M3 only[6]	13.9	12.8[r]	18.5[r]	14.2[r]	21.0[r]	6.4[r]	22.8[r]	12.8[r]	16.4
Time and savings deposits									
Commercial banks									
12 Savings, including MMDAs	12.1	12.0	17.0	14.0[r]	15.1[r]	13.4[r]	9.3	17.1[r]	20.0
13 Small time[7]	−1.0	3.7[r]	4.7[r]	2.8[r]	4.3[r]	1.0[r]	1.8[r]	4.9[r]	5.4
14 Large time[8,9]	18.6	18.0	22.2	12.5	24.2	−.3	16.7	25.4[r]	32.8
Thrift institutions									
15 Savings, including MMDAs	6.5	.2	.8	2.7[r]	2.6	4.6[r]	2.9[r]	2.3[r]	11.0
16 Small time[7]	−3.0	−.3	2.1	−1.7	−2.7	.3	1.0	−11.9	−4.8
17 Large time[8]	−3.0	9.0	9.1	12.8	−3.0	28.8	11.8	1.5	7.3
Money market mutual funds									
18 Retail	16.3	16.3	17.2	16.3	21.6	13.0	13.9	19.9	24.5
19 Institution-only	12.0	20.7	19.8	15.5	30.0	−12.0	36.9	25.1	−.8
Repurchase agreements and Eurodollars									
20 Repurchase agreements[10]	16.3[r]	−4.4[r]	1.8[r]	8.4[r]	−9.9	21.1[r]	23.8[r]	−9.6[r]	9.7
21 Eurodollars[10]	10.9	8.5	40.2[r]	28.0[r]	56.9	39.4	14.4	−17.3[r]	18.6
Debt components[4]									
22 Federal	4.7	3.8	3.2	1.8	2.9	−.6	1.8	4.7	n.a.
23 Nonfederal	6.3	5.8	5.4[r]	5.2	4.5	4.8[r]	6.0	5.3	n.a.

1. Unless otherwise noted, rates of change are calculated from average amounts outstanding during preceding month or quarter

2. Figures incorporate adjustments for discontinuities, or "breaks," associated with regulatory changes in reserve requirements. (See also table 1.20.)

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

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

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

M2: M1 plus (1) savings (including MMDAs), (2) small-denomination time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and (3) balances in retail money market mutual funds (money funds with minimum initial investments of less than $50,000). Excludes individual retirement accounts (IRAs) and Keogh balances at depository institutions and money market funds. Seasonally adjusted M2 is calculated by summing savings deposits, small-denomination time deposits, and retail money fund balances, each seasonally adjusted separately, and adding this result to seasonally adjusted M1.

M3: M2 plus (1) large-denomination time deposits (in amounts of $100,000 or more), (2) balances in institutional money funds (money funds with minimum initial investments of $50,000 or more), (3) RP liabilities (overnight and term) issued by all depository institutions, and (4) Eurodollars (overnight and term) held by U.S. residents at foreign branches of U.S banks worldwide and at all banking offices in the United Kingdom and Canada. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Seasonally adjusted M3 is calculated by summing large time deposits, institutional money fund balances, RP liabilities, and Eurodollars, each seasonally adjusted separately, and adding this result to seasonally adjusted M2.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, net of money market fund holdings of these assets. Seasonally adjusted L is computed by summing U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, each seasonally adjusted separately, and then adding this result to M3.

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

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

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

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

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

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

10. Includes both overnight and term.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT[1]

Millions of dollars

Factor	Average of daily figures			Average of daily figures for week ending on date indicated						
	1997			1997						
	Feb.	Mar.	Apr.	Mar. 19	Mar. 26	Apr. 2	Apr. 9	Apr. 16	Apr. 23	Apr. 30
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	433,961	437,437[r]	448,874	438,267	438,421	438,612	442,176	443,099	445,861	466,371
U.S. government securities[2]										
2 Bought outright—System account[3]	392,105	395,970	400,786	397,082	397,707	396,821	400,792	401,182	400,720	401,462
3 Held under repurchase agreements	6,772	7,388	13,357	7,243	6,782	6,166	7,602	8,243	10,182	28,701
Federal agency obligations										
4 Bought outright	2,034	2,008	1,985	2,011	2,006	1,994	1,994	1,984	1,984	1,972
5 Held under repurchase agreements	1,726	1,387	817	966	1,233	2,147	901	685	730	691
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	23	199	95	299	13	566	1	51	235	119
8 Seasonal credit	21	37	85	35	41	57	64	76	95	114
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	526	413	643	510	454	426	331	231	887	828
11 Other Federal Reserve assets	30,753	30,035[r]	31,107	30,122	30,184	30,435	30,491	30,648	31,028	32,483
12 Gold stock	11,050	11,051	11,052	11,051	11,051	11,050	11,051	11,052	11,052	11,052
13 Special drawing rights certificate account	9,400	9,226	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
14 Treasury currency outstanding	25,075[r]	25,142[r]	25,205	25,142[r]	25,157[r]	25,173	25,187	25,201	25,215	25,229
ABSORBING RESERVE FUNDS										
15 Currency in circulation	441,044[r]	443,404[r]	446,041	443,579[r]	443,357[r]	444,478	446,201	446,626	445,824	445,564
16 Treasury cash holdings	262	297	301	302	308	308	284	308	308	305
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	4,998	5,840	12,996	7,479	5,376	5,535	4,826	7,837	8,660	32,937
18 Foreign	182	202	174	166	167	304	164	176	164	187
19 Service-related balances and adjustments	7,137	7,058	7,038	7,029	7,069	6,945	6,961	7,021	7,108	7,090
20 Other	360	394	376	419	373	382	413	401	350	337
21 Other Federal Reserve liabilities and capital	14,069	14,501	15,040	14,633	14,663	14,630	14,975	15,032	15,026	15,243
22 Reserve balances with Federal Reserve Banks[4]	11,433	11,158[r]	12,366	10,051	12,515	11,452	13,789	11,152	13,887	10,188
	End-of-month figures			Wednesday figures						
	Feb.	Mar.	Apr.	Mar. 19	Mar. 26	Apr. 2	Apr. 9	Apr. 16	Apr. 23	Apr 30
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	435,272	442,403[r]	489,362	442,025	444,123	440,353	446,724	449,550	459,936	489,362
U.S. government securities[2]										
2 Bought outright—System account[3]	390,797	395,076	402,513	397,206	397,580	397,056	401,320	400,719	401,155	402,513
3 Held under repurchase agreements	10,778	10,485	50,378	9,889	10,948	8,211	10,947	13,512	21,072	50,378
Federal agency obligations										
4 Bought outright	2,011	1,994	1,970	2,011	1,994	1,994	1,994	1,984	1,984	1,970
5 Held under repurchase agreements	1,626	1,096	989	1,205	2,471	1,731	1,671	785	2,034	989
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	8	3,943	28	1,154	9	2	2	104	1,161	28
8 Seasonal credit	29	55	128	40	52	60	69	79	107	128
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	684	−519[r]	241	212	644	906	58	1,599	592	241
11 Other Federal Reserve assets	29,339	30,272[r]	33,115	30,308	30,424	30,393	30,663	30,768	31,830	33,115
12 Gold stock	11,051	11,050	11,051	11,050	11,050	11,050	11,052	11,052	11,052	11,051
13 Special drawing rights certificate account	9,400	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
14 Treasury currency outstanding	25,111[r]	25,173[r]	25,229	25,142[r]	25,157[r]	25,173	25,187	25,201	25,215	25,229
ABSORBING RESERVE FUNDS										
15 Currency in circulation	441,655[r]	444,544[r]	446,630	444,185[r]	444,333[r]	446,057	447,526	447,005	446,243	446,630
16 Treasury cash holdings	280	313	309	307	313	280	308	308	305	309
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	5,258	5,945	52,215	9,035	4,420	5,092	3,446	17,884	15,863	52,215
18 Foreign	229	916	169	163	162	230	161	178	156	169
19 Service-related balances and adjustments	7,131	6,945[r]	7,090	7,029	7,069	6,945	6,961	7,021	7,108	7,090
20 Other	345	350	348	412	362	377	392	366	323	348
21 Other Federal Reserve liabilities and capital	14,135	14,816	14,977	14,498	14,515	14,369	14,861	14,997	14,993	14,977
22 Reserve balances with Federal Reserve Banks[4]	11,801	13,997[r]	13,104	11,787	18,356	12,427	18,507	7,244	20,411	13,104

1. Amounts of cash held as reserves are shown in table 1.12, line 2.
2. Includes securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale–purchase transactions.
3. Includes compensation that adjusts for the effects of inflation on the principal of inflation-indexed securities.
4. Excludes required clearing balances and adjustments to compensate for float.

1.12 RESERVES AND BORROWINGS Depository Institutions[1]

Millions of dollars

Reserve classification	Prorated monthly averages of biweekly averages									
	1994	1995	1996	1996			1997			
	Dec.	Dec.	Dec.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
1 Reserve balances with Reserve Banks[2]	24,658	20,440	13,395	12,800	12,895	13,395	11,710	11,455	11,515[r]	12,309
2 Total vault cash[3]	40,378	42,094	44,426	42,925	42,745	44,426	47,172	43,375	42,116	41,381
3 Applied vault cash[4]	36,682	37,460	37,848	36,749	36,862	37,848	38,932	36,588	36,029	35,574
4 Surplus vault cash[5]	3,696	4,634	6,578	6,175	5,883	6,578	8,240	6,788	6,087	5,806
5 Total reserves[6]	61,340	57,900	51,243	49,550	49,756	51,243	50,642	48,043	47,543	47,883
6 Required reserves	60,172	56,622	49,819	48,556	48,721	49,819	49,419	47,012	46,383	46,869
7 Excess reserve balances at Reserve Banks[7]	1,168	1,278	1,424	994	1,035	1,424	1,223	1,031	1,160	1,014
8 Total borrowings at Reserve Banks[8]	209	257	155	287	214	155	45	42	156	261
9 Seasonal borrowings	100	40	68	212	109	68	19	21	37	88
10 Extended credit[9]	0	0	0	0	0	0	0	0	0	0
	Biweekly averages of daily figures for two week periods ending on dates indicated									
	1997									
	Jan. 1	Jan. 15	Jan. 29	Feb. 12	Feb. 26	Mar. 12	Mar. 26	Apr. 9[r]	Apr. 23	May 7
1 Reserve balances with Reserve Banks[2]	14,063	13,060	10,285	11,052	11,817	11,341	11,269	12,620	12,516	11,496
2 Total vault cash[3]	44,615	46,140	48,679	45,130	41,948	42,841	41,665	41,640	40,986	41,838
3 Applied vault cash[4]	38,070	39,029	39,078	37,673	35,672	36,490	35,674	35,916	35,359	35,566
4 Surplus vault cash[5]	6,545	7,112	9,601	7,458	6,276	6,351	5,991	5,724	5,627	6,272
5 Total reserves[6]	52,132	52,089	49,363	48,724	47,489	47,831	46,943	48,536	47,874	47,062
6 Required reserves	50,595	50,859	48,142	47,688	46,493	46,593	45,872	47,313	47,209	45,619
7 Excess reserve balances at Reserve Banks[7]	1,537	1,230	1,221	1,036	996	1,238	1,071	1,223	665	1,443
8 Total borrowings at Reserve Banks[8]	143	53	32	34	50	35	194	344	228	219
9 Seasonal borrowings	64	18	18	18	23	27	38	61	86	127
10 Extended credit[9]	0	0	0	0	0	0	0	0	0	0

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

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

3. Total "lagged" vault cash held by depository institutions subject to reserve requirements. Dates refer to the maintenance periods during which the vault cash may be used to satisfy reserve requirements. The maintenance period for weekly reporters ends sixteen days after the lagged computation period during which the vault cash is held. Before Nov. 25, 1992, the maintenance period ended thirty days after the lagged computation period.

4. All vault cash held during the lagged computation period by "bound" institutions (that is, those whose required reserves exceed their vault cash) plus the amount of vault cash applied during the maintenance period by "nonbound" institutions (that is, those whose vault cash exceeds their required reserves) to satisfy current reserve requirements.

5. Total vault cash (line 2) less applied vault cash (line 3).

6. Reserve balances with Federal Reserve Banks (line 1) plus applied vault cash (line 3).

7. Total reserves (line 5) less required reserves (line 6).

8. Also includes adjustment credit

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

1.13 SELECTED BORROWINGS IN IMMEDIATELY AVAILABLE FUNDS Large Banks[1]

Millions of dollars, averages of daily figures

Source and maturity	1997								
	Mar. 3	Mar. 10	Mar. 17	Mar. 24	Mar. 31	Apr. 7	Apr. 14	Apr. 21	Apr. 28
Federal funds purchased, repurchase agreements, and other selected borrowings									
From commercial banks in the United States									
1 For one day or under continuing contract	79,923	86,313	81,310	80,216	84,271	93,667	89,857	83,122	78,170
2 For all other maturities	14,342	13,669	13,850	15,140	15,913	14,756	15,401	15,737	16,344
From other depository institutions, foreign banks and official institutions, and U.S. government agencies									
3 For one day or under continuing contract	17,779	18,779	18,299	18,498	20,288	22,338	21,674	16,614	16,375
4 For all other maturities	19,713	19,461	20,268	18,569	18,487	17,924	19,014	21,350	25,144
Repurchase agreements on U.S. government and federal agency securities									
Brokers and nonbank dealers in securities									
5 For one day or under continuing contract	14,968	12,846	13,816	15,093	13,938	13,716	13,788	13,927	12,193
6 For all other maturities	35,645	36,676	37,758	35,299	37,965	34,876	37,558	39,659	41,519
All other customers									
7 For one day or under continuing contract	42,364[r]	42,574[r]	44,828[r]	46,089[r]	40,985[r]	44,791	45,877	46,373	46,792
8 For all other maturities	13,916	14,125	14,055	14,068	19,462	14,479	13,762	14,138	14,200
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	73,239[r]	70,633[r]	73,036[r]	70,988[r]	76,602[r]	81,187	75,802	76,355	81,087
10 To all other specified customers[2]	24,134	20,959	23,726	23,771	23,046	25,408	23,052	24,232	23,078

1. Banks with assets of $4 billion or more as of Dec. 31, 1988.

Data in this table also appear in the Board's H.5 (507) weekly statistical release. For ordering address, see inside front cover

2. Brokers and nonbank dealers in securities, other depository institutions, foreign banks and official institutions, and U.S. government agencies

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per year

Current and previous levels

Federal Reserve Bank	Adjustment credit[1]			Seasonal credit[2]			Extended credit[3]		
	On 6/6/97	Effective date	Previous rate	On 6/6/97	Effective date	Previous rate	On 6/6/97	Effective date	Previous rate
Boston	5.00	2/1/96	5.25	5.60	6/5/97	5.60	6.10	6/5/97	6.10
New York		1/31/96							
Philadelphia		1/31/96							
Cleveland		1/31/96							
Richmond		2/1/96							
Atlanta		1/31/96							
Chicago		2/1/96							
St. Louis		2/5/96							
Minneapolis		1/31/96							
Kansas City		2/1/96							
Dallas		1/31/96							
San Francisco	5.00	1/31/96	5.25	5.60	6/5/97	5.60	6.10	6/5/97	6.10

Range of rates for adjustment credit in recent years[4]

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1977	6	6
1978—Jan. 9	6–6.5	6.5
20	6.5	6.5
May 11	6.5–7	7
12	7	7
July 3	7–7.25	7.25
10	7.25	7.25
Aug. 21	7.75	7.75
Sept. 22	8	8
Oct. 16	8–8.5	8.5
20	8.5	8.5
Nov. 1	8.5–9.5	9.5
3	9.5	9.5
1979—July 20	10	10
Aug. 17	10–10.5	10.5
20	10.5	10.5
Sept. 19	10.5–11	11
21	11	11
Oct. 8	11–12	12
10	12	12
1980—Feb. 15	12–13	13
19	13	13
May 29	12–13	13
30	12	12
June 13	11–12	11
16	11	11
July 28	10–11	10
29	10	10
Sept. 26	11	11
Nov. 17	12	12
Dec. 5	12–13	13
8	13	13
1981—May 5	13–14	14
8	14	14

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1981—Nov. 2	13–14	13
6	13	13
Dec. 4	12	12
1982—July 20	11.5–12	11.5
23	11.5	11.5
Aug. 2	11–11.5	11
3	11	11
16	10.5	10.5
27	10–10.5	10
30	10	10
Oct. 12	9.5–10	9.5
13	9.5	9.5
Nov. 22	9–9.5	9
26	9	9
Dec. 14	8.5–9	9
15	8.5–9	8.5
17	8.5	8.5
1984—Apr. 9	8.5–9	9
13	9	9
Nov. 21	8.5–9	8.5
26	8.5	8.5
Dec. 24	8	8
1985—May 20	7.5–8	7.5
24	7.5	7.5
1986—Mar. 7	7–7.5	7
10	7	7
Apr. 21	6.5–7	6.5
23	6.5	6.5
July 11	6	6
Aug 21	5.5–6	5.5
22	5.5	5.5
1987—Sept 4	5.5–6	6
11	6	6

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1988—Aug. 9	6–6.5	6.5
11	6.5	6.5
1989—Feb. 24	6.5–7	7
27	7	7
1990—Dec. 19	6.5	6.5
1991—Feb. 1	6–6.5	6
4	6	6
Apr. 30	5.5–6	5.5
May 2	5.5	5.5
Sept. 13	5–5.5	5
17	5	5
Nov. 6	4.5–5	4.5
7	4.5	4.5
Dec. 20	3.5–4.5	3.5
24	3.5	3.5
1992—July 2	3–3.5	3
7	3	3
1994—May 17	3–3.5	3.5
18	3.5	3.5
Aug. 16	3.5–4	4
18	4	4
Nov. 15	4–4.75	4.75
17	4.75	4.75
1995—Feb. 1	4.75–5.25	5.25
9	5.25	5.25
1996—Jan. 31	5.00–5.25	5.00
Feb. 5	5.00	5.00
In effect June 6, 1997	5.00	5.00

1. Available on a short-term basis to help depository institutions meet temporary needs for funds that cannot be met through reasonable alternative sources. The highest rate established for loans to depository institutions may be charged on adjustment credit loans of unusual size that result from a major operating problem at the borrower's facility.

2. Available to help relatively small depository institutions meet regular seasonal needs for funds that arise from a clear pattern of intrayearly movements in their deposits and loans and that cannot be met through special industry lenders. The discount rate on seasonal credit takes into account rates charged by market sources of funds and ordinarily is reestablished on the first business day of each two-week reserve maintenance period; however, it is never less than the discount rate applicable to adjustment credit.

3. May be made available to depository institutions when similar assistance is not reasonably available from other sources, including special industry lenders. Such credit may be provided when exceptional circumstances (including sustained deposit drains, impaired access to money market funds, or sudden deterioration in loan repayment performance) or practices involve only a particular institution, or to meet the needs of institutions experiencing difficulties adjusting to changing market conditions over a longer period (particularly at times of deposit disintermediation). The discount rate applicable to adjustment credit ordinarily is charged on extended-credit loans outstanding less than thirty days; however, at the discretion of the Federal Reserve Bank, this time period may be shortened. Beyond this initial period, a flexible rate somewhat above rates charged on market sources of funds is charged. The rate ordinarily is reestablished on the first business day of each two-week reserve maintenance period, but it is never less than the discount rate applicable to adjustment credit plus 50 basis points.

4. For earlier data, see the following publications of the Board of Governors: *Banking and Monetary Statistics, 1914–1941*, and *1941–1970*; and the *Annual Statistical Digest, 1970–1979*.

In 1980 and 1981, the Federal Reserve applied a surcharge to short-term adjustment-credit borrowings by institutions with deposits of $500 million or more that had borrowed in successive weeks or in more than four weeks in a calendar quarter. A 3 percent surcharge was in effect from Mar. 17, 1980, through May 7, 1980. A surcharge of 2 percent was reimposed on Nov. 17, 1980; the surcharge was subsequently raised to 3 percent on Dec. 5, 1980, and to 4 percent on May 5, 1981. The surcharge was reduced to 3 percent effective Sept. 22, 1981, and to 2 percent effective Oct. 12, 1981. As of Oct. 1, 1981, the formula for applying the surcharge was changed from a calendar quarter to a moving thirteen-week period. The surcharge was eliminated on Nov. 17, 1981.

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Type of deposit	Requirement	
	Percentage of deposits	Effective date
Net transaction accounts[2]		
1 $0 million–$49.3 million[3]	3	1/2/97
2 More than $49.3 million[4]	10	1/2/97
3 Nonpersonal time deposits[5]	0	12/27/90
4 Eurocurrency liabilities[6]	0	12/27/90

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

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

3. The Monetary Control Act of 1980 requires that the amount of transaction accounts against which the 3 percent reserve requirement applies be modified annually by 80 percent of the percentage change in transaction accounts held by all depository institutions, determined as of June 30 of each year Effective with the reserve maintenance period beginning January 2, 1997, for depository institutions that report weekly, and with the period beginning January 16, 1997, for institutions that report quarterly, the amount was decreased from $52.0 million to $49.3 million.

Under the Garn–St Germain Depository Institutions Act of 1982, the Board adjusts the amount of reservable liabilities subject to a zero percent reserve requirement each year for the succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is made in the event of a decrease. The exemption applies only to accounts that would be subject to a 3 percent reserve requirement. Effective with the reserve maintenance period beginning January 2, 1997, for depository institutions that report weekly, and with the period beginning January 16, 1997, for institutions that report quarterly, the exemption was raised from $4.3 million to $4.4 million.

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

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

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

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

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

Type of transaction and maturity	1994	1995	1996	1996				1997		
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
U.S. TREASURY SECURITIES[2]										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	17,484	10,932	9,901	0	0	6,502	0	0	0	0
2 Gross sales	0	0	0	0	0	0	0	0	0	0
3 Exchanges	376,277	398,487	426,928[r]	32,791	38,661	34,037[r]	34,211[r]	40,346	33,997[r]	31,770
4 For new bills	376,277	398,487	426,928[r]	32,791	38,661	34,037[r]	34,211[r]	40,346	33,647	31,770
5 Redemptions	0	900	0	0	0	0	0	0	0	0
Others within one year										
6 Gross purchases	1,238	390	524[r]	0	0	0	0	0	818	0
7 Gross sales	0	0	0	0	0	0	0	0	0	0
8 Maturity shifts	0	43,574	30,512[r]	2,371	1,623	3,818	2,259	2,481	5,086	3,143
9 Exchanges	−21,444	−30,771	−41,394	−2,890	−1,770	−5,655	−1,950	−550	−2,864	−1,534
10 Redemptions	0	0	2,015	0	0	0	0	607	0	0
One to five years										
11 Gross purchases	9,168	4,966	3,898[r]	0	0	0	0	0	1,125	2,861
12 Gross sales	0	0	0	0	0	0	0	0	0	0
13 Maturity shifts	−6,004	−34,646	−25,022[r]	−2,371	−1,623	−2,102	−2,259	−2,481	−4,926	−3,143
14 Exchanges	17,801	22,912	31,459[r]	2,890	1,395	2,716[r]	1,950	550	1,874	1,534
Five to ten years										
15 Gross purchases	3,818	1,239	1,116[r]	0	0	0	0	0	0	0
16 Gross sales	0	0	0	0	0	0	0	0	0	0
17 Maturity shifts	−3,145	−3,093	−5,469[r]	0	0	−1,716[r]	0	0	1,236	0
18 Exchanges	2,903	8,266	6,666	0	375	1,470	0	0	890	0
More than ten years										
19 Gross purchases	3,606	3,122	1,655[r]	0	0	0	0	0	0	1,117
20 Gross sales	0	0	0	0	0	0	0	0	0	0
21 Maturity shifts	−918	−2,253	−20	0	0	0	0	0	−1,396	0
22 Exchanges	775	1,800	3,270	0	0	1,470	0	0	450	0
All maturities										
23 Gross purchases	35,314	20,649	17,094	0	0	6,502	0	0	1,943	3,978
24 Gross sales	0	0	0	0	0	0	0	0	0	0
25 Redemptions	2,337	2,376	2,015[r]	0	0	0	0	607	0	0
Matched transactions										
26 Gross purchases	1,700,836	2,197,736	3,092,399[r]	234,992	268,304	227,577	272,117	285,667	250,867	288,373
27 Gross sales	1,701,309	2,202,030	3,094,769[r]	238,036	267,128	226,505	273,872	283,240	254,741	288,073
Repurchase agreements										
28 Gross purchases	309,276	331,694	457,568	36,014	33,836	36,383	85,924	74,422	48,805	60,425
29 Gross sales	311,898	328,497	450,359	33,374	33,020	36,665	73,501	86,673	45,747	60,718
30 Net change in U.S. Treasury securities	29,882	17,175	19,918[r]	−404	1,993	7,293	10,669	−10,430	1,127	3,984
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
31 Gross purchases	0	0	0	0	0	0	0	0	0	0
32 Gross sales	0	0	0	0	0	0	0	0	0	0
33 Redemptions	1,002	1,303	409[r]	27	63	10	12	187	27	17
Repurchase agreements										
34 Gross purchases	52,696	36,851	75,354	4,536	12,683	9,264	7,796	17,668	9,795	14,300
35 Gross sales	52,696	36,776	74,842	4,436	11,051	9,471	8,947	17,995	9,454	14,830
36 Net change in federal agency obligations	−1,002	−1,228	103[r]	73	1,569	−217	−1,163	−514	314	−547
37 Total net change in System Open Market Account	**28,880**	**15,948**	**20,021**	**−331**	**3,562**	**7,076**	**9,506**	**−10,944**	**1,441**	**3,437**

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

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

1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements[1]

Millions of dollars

Account	Wednesday					End of month		
	1997					1997		
	Apr. 2	Apr. 9	Apr. 16	Apr. 23	Apr. 30	Feb. 28	Mar. 31	Apr. 30
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,050	11,052	11,052	11,052	11,051	11,051	11,050	11,051
2 Special drawing rights certificate account	9,200	9,200	9,200	9,200	9,200	9,400	9,200	9,200
3 Coin	660	653	646	633	619	740	673	619
Loans								
4 To depository institutions	62	71	183	1,268	156	36	3,998	156
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	1,994	1,994	1,984	1,984	1,970	2,011	1,994	1,970
8 Held under repurchase agreements	1,731	1,671	785	2,034	989	1,626	1,096	989
9 **Total U.S. Treasury securities**	**405,267**	**412,267**	**414,231**	**422,227**	**452,891**	**401,575**	**405,561**	**452,891**
10 Bought outright[2]	397,056	401,320	400,719	401,155	402,513	390,797	395,076	402,513
11 Bills	191,130	195,393	195,165	195,601	195,034	188,850	189,149	195,034
12 Notes	154,527	154,527	154,154	154,155	156,079	151,665	154,527	156,079
13 Bonds	51,399	51,399	51,399	51,399	51,399	50,282	51,399	51,399
14 Held under repurchase agreements	8,211	10,947	13,512	21,072	50,378	10,778	10,485	50,378
15 **Total loans and securities**	**409,055**	**416,003**	**417,183**	**427,513**	**456,006**	**405,249**	**412,649**	**456,006**
16 Items in process of collection	7,876	6,537	7,891	7,009	6,294	4,404	1,955	6,294
17 Bank premises	1,242	1,245	1,247	1,248	1,238	1,244	1,249	1,238
Other assets								
18 Denominated in foreign currencies[3]	17,952	17,959	17,966	17,973	17,420	17,917	17,950	17,420
19 All other[4]	11,177	11,453	11,576	12,695	14,606	10,203	11,076	14,606
20 **Total assets**	**468,212**	**474,102**	**476,761**	**487,325**	**516,434**	**460,209**	**465,803**	**516,434**
LIABILITIES								
21 Federal Reserve notes	421,824	423,300	422,759	421,967	422,329	417,564	420,357	422,329
22 **Total deposits**	**25,460**	**29,757**	**31,936**	**44,264**	**73,266**	**24,707**	**29,056**	**73,266**
23 Depository institutions	19,761	25,757	13,508	27,921	20,534	18,876	21,845	20,534
24 U.S. Treasury—General account	5,092	3,446	17,884	15,863	52,215	5,258	5,945	52,215
25 Foreign—Official accounts	230	161	178	156	169	229	916	169
26 Other	377	392	366	323	348	345	350	348
27 Deferred credit items	6,559	6,184	7,069	6,102	5,862	3,803	1,574	5,862
28 Other liabilities and accrued dividends[5]	4,553	4,951	5,059	5,040	5,551	4,691	4,661	5,551
29 **Total liabilities**	**458,396**	**464,192**	**466,823**	**477,373**	**507,008**	**450,765**	**455,648**	**507,008**
CAPITAL ACCOUNTS								
30 Capital paid in	4,762	4,790	4,792	4,793	4,796	4,725	4,762	4,796
31 Surplus	4,496	4,496	4,496	4,496	4,475	4,414	4,496	4,475
32 Other capital accounts	558	624	650	663	155	305	898	155
33 **Total liabilities and capital accounts**	**468,212**	**474,102**	**476,761**	**487,325**	**516,434**	**460,209**	**465,803**	**516,434**
MEMO								
34 Marketable U.S. Treasury securities held in custody for foreign and international accounts	651,516	650,613	653,295	646,761	648,245	644,307	653,897	648,245
	Federal Reserve note statement							
35 Federal Reserve notes outstanding (issued to Banks)	525,782	526,396	527,330	528,534	529,350	525,220	525,843	529,350
36 LESS: Held by Federal Reserve Banks	103,958	103,096	104,571	106,567	107,022	107,657	105,486	107,022
37 Federal Reserve notes, net	421,824	423,300	422,759	421,967	422,329	417,564	420,357	422,329
Collateral held against notes, net								
38 Gold certificate account	11,050	11,052	11,052	11,052	11,051	11,051	11,050	11,051
39 Special drawing rights certificate account	9,200	9,200	9,200	9,200	9,200	9,400	9,200	9,200
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities	401,574	403,049	402,507	401,715	402,077	397,112	400,107	402,077
42 **Total collateral**	**421,824**	**423,300**	**422,759**	**421,967**	**422,329**	**417,564**	**420,357**	**422,329**

1. Some of the data in this table also appear in the Board's H.4.1 (503) weekly statistical release. For ordering address, see inside front cover.
2. Includes securities loaned—fully guaranteed by U.S. Treasury securities pledged with Federal Reserve Banks—and includes compensation that adjusts for the effects of inflation on the principal of inflation-indexed securities. Excludes securities sold and scheduled to be bought back under matched sale–purchase transactions.
3. Valued monthly at market exchange rates.
4. Includes special investment account at the Federal Reserve Bank of Chicago in Treasury bills maturing within ninety days.
5. Includes exchange-translation account reflecting the monthly revaluation at market exchange rates of foreign exchange commitments.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holding

Millions of dollars

Type of holding and maturity	Wednesday					End of month		
	1997					1997		
	Apr. 2	Apr. 9	Apr. 16	Apr. 23	Apr. 30	Feb. 28	Mar. 31	Apr. 30
1 **Total loans**	**62**	**71**	**183**	**1,268**	**156**	**36**	**3,998**	**156**
2 Within fifteen days[1]	20	22	171	1,260	106	25	3,977	106
3 Sixteen days to ninety days	42	49	12	8	50	11	21	50
4 **Total U.S. Treasury securities**[2]	**405,267**	**412,267**	**414,231**	**422,227**	**452,891**	**390,797**	**405,561**	**452,891**
5 Within fifteen days[1]	21,717	19,251	28,381	36,593	68,449	5,442	23,476	68,449
6 Sixteen days to ninety days	94,717	95,929	89,773	89,222	90,660	98,725	92,382	90,660
7 Ninety-one days to one year	117,727	125,980	125,152	125,487	120,653	117,893	118,849	120,653
8 One year to five years	92,382	92,382	91,797	91,797	94,000	91,130	92,381	94,000
9 Five years to ten years	36,608	36,608	37,011	37,011	37,012	36,607	36,608	37,012
10 More than ten years	42,117	42,117	42,117	42,117	42,117	41,000	42,117	42,117
11 **Total federal agency obligations**	**3,725**	**3,665**	**2,769**	**4,018**	**2,959**	**2,011**	**3,090**	**2,959**
12 Within fifteen days[1]	1,741	1,681	951	2,200	1,141	320	1,378	1,141
13 Sixteen days to ninety days	760	760	604	604	604	455	500	604
14 Ninety-one days to one year	293	293	313	313	327	245	281	327
15 One year to five years	460	460	430	430	416	510	460	416
16 Five years to ten years	447	447	447	447	447	457	447	447
17 More than ten years	25	25	25	25	25	25	25	25

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

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

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE[1]

Billions of dollars, averages of daily figures

Item	1993 Dec.	1994 Dec.	1995 Dec.	1996 Dec.	1996				1997			
					Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
	Seasonally adjusted											
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]												
1 Total reserves[3]	60.55	59.40	56.39	50.06	51.28	50.08	49.81	50.06	49.52	49.01	48.31	47.44
2 Nonborrowed reserves[4]	60.46	59.20	56.13	49.91	50.91	49.79	49.60	49.91	49.47	48.97	48.16	47.17
3 Nonborrowed reserves plus extended credit[5]	60.46	59.20	56.13	49.91	50.91	49.79	49.60	49.91	49.47	48.97	48.16	47.17
4 Required reserves	59.48	58.24	55.11	48.64	50.24	49.08	48.78	48.64	48.29	47.98	47.15	46.42
5 Monetary base[6]	386.88	418.48	434.52	452.67	445.81	447.08	449.37	452.67	454.14	456.28[r]	457.62	458.27
	Not seasonally adjusted											
6 Total reserves[7]	62.37	61.13	58.02	51.52	51.21	49.78	50.01	51.52	50.67	48.12	47.69	48.09
7 Nonborrowed reserves	62.29	60.92	57.76	51.37	50.84	49.49	49.79	51.37	50.62	48.08	47.53	47.83
8 Nonborrowed reserves plus extended credit[5]	62.29	60.92	57.76	51.37	50.84	49.49	49.79	51.37	50.62	48.08	47.53	47.83
9 Required reserves[8]	61.31	59.96	56.74	50.10	50.17	48.78	48.97	50.10	49.44	47.09	46.53	47.08
10 Monetary base[9]	390.59	422.51	439.03	456.72	445.49	445.38	449.20	456.72	455.55	452.56	455.26[r]	458.20
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[10]												
11 Total reserves[11]	62.86	61.34	57.90	51.24	51.00	49.55	49.76	51.24	50.64	48.04	47.54	47.88
12 Nonborrowed reserves	62.78	61.13	57.64	51.09	50.63	49.26	49.54	51.09	50.60	48.00	47.39	47.62
13 Nonborrowed reserves plus extended credit[5]	62.78	61.13	57.64	51.09	50.63	49.26	49.54	51.09	50.60	48.00	47.39	47.62
14 Required reserves	61.80	60.17	56.62	49.82	49.96	48.56	48.72	49.82	49.42	47.01	46.38	46.87
15 Monetary base[12]	397.62	427.25	444.45	463.49	451.72	451.91	455.90	463.49	462.71	459.64	462.22[r]	465.10
16 Excess reserves[13]	1.06	1.17	1.28	1.42	1.04	.99	1.04	1.42	1.22	1.03	1.16	1.01
17 Borrowings from the Federal Reserve	.08	.21	.26	.16	.37	.29	.21	.16	.05	.04	.16	.26

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

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

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

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

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

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

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

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

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

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

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

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

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

1.21 MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES[1]

Billions of dollars, averages of daily figures

Item	1993 Dec.	1994 Dec.	1995 Dec.	1996 Dec.	1997[r] Jan.	1997[r] Feb.	1997[r] Mar.	1997[r] Apr.
	Seasonally adjusted							
Measures[2]								
1 M1	1,129.8	1,150.7	1,129.0	1,081.0	1,079.7	1,080.6	1,075.2	1,065.2
2 M2	3,486.6	3,502.1	3,655.0	3,833.0[r]	3,849.7	3,866.0	3,882.4	3,904.1
3 M3	4,254.4	4,328.7	4,594.8	4,927.7[r]	4,950.1	4,987.3	5,015.7	5,052.9
4 L	5,167.8	5,309.8	5,699.8[r]	6,058.1[r]	6,073.6	6,124.5	6,167.7	n.a.
5 Debt	12,514.6	13,156.4	13,875.3	14,622.0[r]	14,663.3	14,722.9	14,786.3	n.a.
M1 components								
6 Currency[3]	322.2	354.4	372.6	395.2	397.0	400.5	402.4	403.7
7 Travelers checks[4]	7.9	8.5	8.9	8.6	8.6	8.6	8.5	8.3
8 Demand deposits[5]	385.2	384.1	391.1	402.4	401.7	404.2	402.8	395.3
9 Other checkable deposits[6]	414.5	403.8	356.5	274.8	272.5	267.3	261.6	257.9
Nontransaction components								
10 In M2[7]	2,356.8	2,351.4	2,526.0	2,752.0[r]	2,769.9	2,785.4	2,807.2	2,838.9
11 In M3 only[8]	767.8	826.6	939.8	1,094.6[r]	1,100.4	1,121.3	1,133.3	1,148.8
Commercial banks								
12 Savings deposits, including MMDAs	785.2	752.4	776.0	903.9[r]	914.0	921.1	934.2	949.8
13 Small time deposits[9]	468.3	503.2	576.0	592.0	592.5	593.4	595.8	598.5
14 Large time deposits[10, 11]	271.9	298.4	344.7	410.4	410.3	416.0	424.8	436.4
Thrift institutions								
15 Savings deposits, including MMDAs	434.0	397.2	361.1	367.1	368.5	369.4	370.1	373.5
16 Small time deposits[9]	314.3	314.3	357.7	352.4	352.5	352.8	349.3	347.9
17 Large time deposits[10]	61.5	64.7	75.1	79.2	81.1	81.9	82.0	82.5
Money market mutual funds								
18 Retail	354.9	384.3	455.2	536.6	542.4	548.7	557.8	569.2
19 Institution-only	209.5	198.5	246.9	299.3	296.3	305.4	311.8	311.6
Repurchase agreements and Eurodollars								
20 Repurchase agreements[12]	158.6	182.9	182.1	193.0[r]	196.4	200.3	198.7	200.3
21 Eurodollars[12]	66.4	82.1	91.0	112.7[r]	116.4	117.8	116.1	117.9
Debt components								
22 Federal debt	3,323.3	3,492.2	3,638.8	3,780.4	3,778.6	3,784.2	3,799.1	n.a.
23 Nonfederal debt	9,191.2	9,664.2	10,236.6	10,841.6[r]	10,884.7	10,938.7	10,987.2	n.a.
	Not seasonally adjusted							
Measures[2]								
24 M1	1,153.7	1,174.4	1,152.8	1,103.0	1,086.0	1,066.4	1,067.2	1,071.7
25 M2	3,506.6	3,522.5	3,675.3	3,851.5	3,851.4	3,850.3	3,887.3	3,921.1
26 M3	4,274.8	4,348.8	4,614.3	4,944.7[r]	4,955.7	4,978.5	5,022.5	5,060.6
27 L	5,197.7	5,340.2	5,731.7[r]	6,086.4[r]	6,086.4	6,119.5	6,183.9	n.a.
28 Debt	12,516.6	13,158.0	13,875.8	14,621.3[r]	14,643.3	14,683.7	14,756.0	n.a.
M1 components								
29 Currency[3]	324.8	357.5	376.2	397.9	395.6	397.7	401.0	403.4
30 Travelers checks[4]	7.6	8.1	8.5	8.3	8.2	8.3	8.2	8.2
31 Demand deposits[5]	401.8	400.3	407.3	418.8	405.6	394.6	396.0	396.3
32 Other checkable deposits[6]	419.4	408.6	360.8	278.0	276.5	265.8	262.0	263.9
Nontransaction components								
33 In M2[7]	2,352.9	2,348.1	2,522.6	2,748.5[r]	2,765.4	2,783.9	2,820.1	2,849.4
34 In M3 only[8]	768.2	826.3	939.0	1,093.2[r]	1,104.4	1,128.2	1,135.3	1,139.5
Commercial banks								
35 Savings deposits, including MMDAs	784.3	751.7	775.3	902.9	908.9	915.4	935.1	951.3
36 Small time deposits[9]	466.8	501.5	573.8	589.8	591.7	593.8	597.3	600.3
37 Large time deposits[10, 11]	272.0	298.9	345.7	411.9	406.7	414.3	424.0	432.4
Thrift institutions								
38 Savings deposits, including MMDAs	433.4	396.8	360.8	366.7	366.5	367.1	370.5	374.0
39 Small time deposits[9]	313.3	313.2	356.3	351.1	352.1	353.1	350.2	349.0
40 Large time deposits[10]	61.5	64.8	75.4	79.5	80.4	81.6	81.8	81.7
Money market mutual funds								
41 Retail	355.0	385.0	456.3	538.1	546.2	554.6	567.1	574.8
42 Institution-only	210.6	199.8	248.2	300.5	304.8	315.5	316.4	309.2
Repurchase agreements and Eurodollars								
43 Repurchase agreements[12]	156.6	179.6	178.0	187.8[r]	194.4	197.7	196.0	199.1
44 Eurodollars[12]	67.6	83.2	91.8	113.5	118.1	119.1	117.2	117.1
Debt components								
45 Federal debt	3,329.5	3,499.0	3,645.9	3,787.9	3,773.4	3,783.0	3,815.4	n.a.
46 Nonfederal debt	9,187.1	9,659.0	10,229.8	10,833.4[r]	10,869.9	10,900.8	10,940.6	n.a.

Footnotes appear on following page.

NOTES TO TABLE 1.21

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

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

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

M2: M1 plus (1) savings deposits (including MMDAs), (2) small-denomination time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and (3) balances in retail money market mutual funds (money funds with minimum initial investments of less than $50,000). Excludes individual retirement accounts (IRAs) and Keogh balances at depository institutions and money market funds. Seasonally adjusted M2 is calculated by summing savings deposits, small-denomination time deposits, and retail money fund balances, each seasonally adjusted separately, and adding this result to seasonally adjusted M1.

M3: M2 plus (1) large-denomination time deposits (in amounts of $100,000 or more) issued by all depository institutions, (2) balances in institutional money funds (money funds with minimum initial investments of $50,000 or more), (3) RP liabilities (overnight and term) issued by all depository institutions, and (4) Eurodollars (overnight and term) held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Seasonally adjusted M3 is calculated by summing large time deposits, institutional money fund balances, RP liabilities, and Eurodollars, each seasonally adjusted separately, and adding this result to seasonally adjusted M2.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, net of money market fund holdings of these assets. Seasonally adjusted L is computed by summing U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, each seasonally adjusted separately, and then adding this result to M3.

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

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

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

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

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

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

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

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

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

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

12. Includes both overnight and term.

1.22 DEPOSIT INTEREST RATES AND AMOUNTS OUTSTANDING Commercial and BIF-insured saving banks[1]

Item	1995 Dec.	1996 Dec.	1996 Aug.	1996 Sept.	1996 Oct.	1996 Nov.	1996 Dec.	1997 Jan.	1997 Feb.	1997 Mar.[r]	1997 Apr.
	Interest rates (annual effective yields)										
INSURED COMMERCIAL BANKS											
1 Negotiable order of withdrawal accounts[2]	1.91	n.a.	1.91	1.90	1.91	1.98	n.a.	n.a.	n.a.	n.a.	n.a.
2 Savings deposits[2,3]	3.10	n.a.	2.86	2.84	2.85	2.85	n.a.	n.a.	n.a.	n.a.	n.a.
Interest-bearing time deposits with balances of less than $100,000, by maturity											
3 7 to 91 days	4.10	4.03	4.17	4.11	4.11	4.08	4.03	4.03	4.05	4.02	4.01
4 92 to 182 days	4.68	4.63	4.60	4.61	4.60	4.60	4.63	4.63	4.62	4.67	4.72
5 183 days to 1 year	5.02	5.00	5.00	5.04	5.02	4.99	5.00	5.01	5.02	5.08	5.13
6 More than 1 year to 2½ years	5.17	5.22	5.25	5.29	5.27	5.23	5.22	5.25	5.27	5.36	5.44
7 More than 2½ years	5.40	5.46	5.50	5.54	5.52	5.48	5.46	5.49	5.51	5.61	5.70
BIF-INSURED SAVINGS BANKS[4]											
8 Negotiable order of withdrawal accounts[2]	1.91	n.a.	1.81	1.84	1.90	1.92	n.a.	n.a.	n.a.	n.a.	n.a.
9 Savings deposits[2,3]	2.98	n.a.	2.86	2.84	2.80	2.82	n.a.	n.a.	n.a.	n.a.	n.a.
Interest-bearing time deposits with balances of less than $100,000, by maturity											
10 7 to 91 days	4.43	4.66	4.64	4.59	4.64	4.67	4.66	4.75	4.73	4.78	4.81
11 92 to 182 days	4.95	5.02	5.06	5.11	5.08	5.03	5.02	5.05	5.04	5.05	5.12
12 183 days to 1 year	5.18	5.28	5.26	5.33	5.32	5.29	5.28	5.31	5.31	5.34	5.39
13 More than 1 year to 2½ years	5.33	5.53	5.59	5.61	5.60	5.56	5.53	5.58	5.59	5.66	5.72
14 More than 2½ years	5.46	5.72	5.80	5.82	5.79	5.76	5.72	5.77	5.78	5.81	5.85
	Amounts outstanding (millions of dollars)										
INSURED COMMERCIAL BANKS											
15 Negotiable order of withdrawal accounts[2]	248,417	n.a.	190,696	190,033	188,803	167,503	n.a.	n.a.	n.a.	n.a.	n.a.
16 Savings deposits[2,3]	776,466	n.a.	860,719	852,336	859,524	896,820	n.a.	n.a.	n.a.	n.a.	n.a.
17 Personal	615,113	n.a.	683,081	675,576	680,596	713,672	n.a.	n.a.	n.a.	n.a.	n.a.
18 Nonpersonal	161,353	n.a.	177,638	176,759	178,928	183,148	n.a.	n.a.	n.a.	n.a.	n.a.
Interest-bearing time deposits with balances of less than $100,000, by maturity											
19 7 to 91 days	32,170	32,931	32,907	32,695	32,428	32,044	32,931	32,799	32,796	34,979	34,669
20 92 to 182 days	93,941	92,301	91,235	91,167	91,195	92,503	92,301	94,955	95,235	94,010	92,515
21 183 days to 1 year	183,834	201,449	200,038	200,008	199,397	201,281	201,449	201,491	202,329	202,805	205,864
22 More than 1 year to 2½ years	208,601	213,198	209,618	211,234	213,012	214,405	213,198	213,875	212,970	213,921	215,925
23 More than 2½ years	199,002	199,906	199,755	198,324	199,126	198,539	199,906	198,077	197,958	197,061	196,238
24 IRA and Keogh plan deposits	150,067	151,275	151,048	151,309	151,276	151,389	151,275	150,442	150,356	150,467	149,610
BIF-INSURED SAVINGS BANKS[4]											
25 Negotiable order of withdrawal accounts[2]	11,918	n.a.	10,682	9,838	9,938	9,710	n.a.	n.a.	n.a.	n.a.	n.a.
26 Savings deposits[2,3]	68,643	n.a.	67,431	67,980	67,975	68,102	n.a.	n.a.	n.a.	n.a.	n.a.
27 Personal	65,366	n.a.	63,927	64,425	64,326	64,369	n.a.	n.a.	n.a.	n.a.	n.a.
28 Nonpersonal	3,277	n.a.	3,504	3,555	3,649	3,733	n.a.	n.a.	n.a.	n.a.	n.a.
Interest-bearing time deposits with balances of less than $100,000, by maturity											
29 7 to 91 days	2,001	2,428	2,316	2,540	2,503	2,405	2,428	2,542	2,535	2,561	2,550
30 92 to 182 days	12,140	13,013	13,440	13,474	13,300	13,074	13,013	13,112	13,099	12,749	12,716
31 183 days to 1 year	25,686	28,792	29,339	29,383	29,659	29,329	28,792	29,503	29,510	29,572	29,562
32 More than 1 year to 2½ years	27,482	29,095	26,199	27,192	28,063	28,573	29,095	29,163	29,699	30,164	30,702
33 More than 2½ years	22,866	22,254	22,477	22,348	22,156	21,823	22,254	21,828	21,877	21,977	22,172
34 IRA and Keogh plan accounts	21,408	21,365	21,052	21,002	20,983	20,627	21,365	20,405	20,423	20,489	20,496

1. BIF, Bank Insurance Fund. Data in this table also appear in the Board's H.6 (508) Special Supplementary Table monthly statistical release. For ordering address, see inside front cover. Estimates are based on data collected by the Federal Reserve System from a stratified random sample of about 425 commercial banks and 75 savings banks on the last day of each month. Data are not seasonally adjusted and include IRA and Keogh deposits and foreign currency-denominated deposits. Data exclude retail repurchase agreements and deposits held in U.S. branches and agencies of foreign banks.

2. Owing to statistical difficulties associated in part with the implementation of sweep accounts, estimates for NOW and savings accounts are not available beginning December 1996.

3. Includes personal and nonpersonal money market deposits.

4. Includes both mutual and federal savings banks.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]

A. All commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1996	1996			1997				1997			
	Apr.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	Apr. 9	Apr. 16	Apr. 23	Apr. 30
	Seasonally adjusted											
Assets												
1 Bank credit	3,667.6	3,718.2	3,744.5	3,772.5	3,808.0	3,847.1	3,869.0	3,905.0	3,888.4	3,902.1	3,903.9	3,935.3
2 Securities in bank credit	990.4	969.2	980.1	989.4	1,005.0	1,020.8	1,014.6	1,033.7	1,032.9	1,035.8	1,031.6	1,038.6
3 U.S. government securities	707.8	703.4	707.2	706.5	706.7	704.1	708.3	722.5	720.2	720.5	721.8	729.6
4 Other securities	282.6	265.9	272.9	282.9	298.3	316.7	306.4	311.2	312.8	315.3	309.8	309.1
5 Loans and leases in bank credit[2]	2,677.2	2,748.9	2,764.4	2,783.2	2,803.0	2,826.3	2,854.4	2,871.3	2,855.5	2,866.4	2,872.3	2,896.7
6 Commercial and industrial	732.1	770.6	774.7	783.9	787.1	796.6	802.1	808.9	803.4	810.6	810.1	814.0
7 Real estate	1,100.1	1,115.6	1,121.5	1,127.8	1,134.4	1,140.4	1,153.8	1,162.6	1,160.4	1,160.1	1,163.1	1,168.1
8 Revolving home equity	80.1	83.3	84.3	85.3	85.7	86.5	87.9	89.2	88.7	89.1	89.4	89.8
9 Other	1,020.0	1,032.2	1,037.3	1,042.5	1,048.7	1,053.8	1,065.9	1,073.4	1,071.7	1,071.0	1,073.7	1,078.3
10 Consumer	504.7	519.5	521.7	522.7	523.2	523.0	521.7	519.5	518.6	519.2	519.1	521.1
11 Security[3]	85.0	76.9	77.9	79.7	83.4	84.7	88.8	89.5	86.8	87.7	89.8	95.1
12 Other loans and leases	255.3	266.4	268.6	269.0	275.0	281.7	288.0	290.9	286.3	288.7	290.2	298.4
13 Interbank loans	208.9	204.6	212.2	204.1	197.9	204.0	219.7	215.9	211.5	213.1	222.8	214.0
14 Cash assets[4]	221.4	226.1	232.7	230.9	231.1	231.0	236.3	242.5	243.1	233.8	248.3	247.0
15 Other assets[5]	240.6	253.3	259.8	269.0	262.0	273.1	282.1	281.9	284.1	280.0	281.4	282.2
16 **Total assets**[6]	**4,281.4**	**4,345.5**	**4,392.5**	**4,419.9**	**4,442.9**	**4,499.2**	**4,551.2**	**4,589.1**	**4,570.9**	**4,572.8**	**4,600.1**	**4,622.1**
Liabilities												
17 Deposits	2,712.2	2,774.2	2,804.8	2,832.0	2,846.4	2,872.0	2,906.4	2,945.0	2,936.5	2,965.5	2,934.5	2,948.3
18 Transaction	764.6	712.7	715.1	712.9	709.6	701.0	698.5	701.8	684.3	704.5	701.7	719.2
19 Nontransaction	1,947.6	2,061.5	2,089.7	2,119.1	2,136.7	2,171.0	2,207.9	2,243.2	2,252.3	2,261.0	2,232.8	2,229.1
20 Large time	433.7	479.6	489.4	507.7	518.7	535.2	541.8	559.2	559.9	561.2	559.1	560.3
21 Other	1,513.9	1,581.9	1,600.3	1,611.5	1,618.0	1,635.8	1,666.1	1,684.0	1,692.3	1,699.8	1,673.7	1,668.8
22 Borrowings	706.4	689.4	709.2	707.2	727.8	742.9	759.2	773.6	767.4	766.9	777.6	791.2
23 From banks in the U.S.	301.4	292.0	303.2	306.9	302.2	307.3	315.7	315.5	323.8	309.5	312.6	319.4
24 From others	405.0	397.4	406.0	400.3	425.6	435.7	443.4	458.1	443.6	457.4	464.9	471.7
25 Net due to related foreign offices	258.0	244.2	238.1	231.4	222.9	218.6	210.4	212.9	215.4	191.9	226.6	217.9
26 Other liabilities	226.2	242.7	253.7	262.6	272.0	289.8	280.4	270.3	273.7	267.5	268.5	272.2
27 **Total liabilities**	**3,902.8**	**3,950.6**	**4,005.9**	**4,033.2**	**4,069.0**	**4,123.4**	**4,156.3**	**4,201.8**	**4,192.9**	**4,191.7**	**4,207.1**	**4,229.7**
28 Residual (assets less liabilities)[7]	378.6	395.0	386.6	386.7	373.9	375.8	394.9	387.3	378.0	381.0	393.0	392.4
	Not seasonally adjusted											
Assets												
29 Bank credit	3,667.3	3,719.8	3,748.8	3,771.5	3,806.3	3,840.0	3,859.6	3,904.6	3,884.1	3,904.5	3,902.2	3,938.0
30 Securities in bank credit	992.6	969.1	978.7	975.4	996.1	1,017.4	1,017.4	1,036.3	1,038.8	1,038.0	1,031.2	1,040.8
31 U.S. government securities	710.5	703.9	707.6	702.3	700.7	702.8	712.9	725.2	724.1	724.3	723.0	730.9
32 Other securities	282.0	265.2	271.2	273.1	295.5	314.6	304.6	311.1	314.7	313.6	308.3	309.9
33 Loans and leases in bank credit[2]	2,674.7	2,750.7	2,770.0	2,796.1	2,810.2	2,822.6	2,842.1	2,868.3	2,845.3	2,866.5	2,871.0	2,897.2
34 Commercial and industrial	738.6	767.0	772.8	780.9	784.8	796.2	804.7	816.2	807.5	818.0	818.7	823.5
35 Real estate	1,095.9	1,118.7	1,125.8	1,132.7	1,136.4	1,137.3	1,147.9	1,158.1	1,155.6	1,156.5	1,158.4	1,163.6
36 Revolving home equity	79.5	83.9	84.7	85.5	85.7	86.1	87.1	88.5	87.6	88.3	88.9	89.5
37 Other	1,016.4	1,034.8	1,041.1	1,047.3	1,050.7	1,051.2	1,060.8	1,069.6	1,068.0	1,068.3	1,069.5	1,074.1
38 Consumer	502.4	519.7	522.1	527.5	528.8	523.6	517.1	517.0	514.1	516.4	518.0	520.4
39 Security[3]	86.2	76.7	79.3	81.0	82.6	85.8	88.4	90.0	85.2	89.7	90.7	96.5
40 Other loans and leases	251.7	268.6	270.0	274.0	277.6	279.6	284.1	287.0	283.0	285.9	285.1	293.2
41 Interbank loans	207.8	199.4	216.5	213.3	207.6	208.3	216.2	214.3	216.3	216.1	214.1	207.9
42 Cash assets[4]	217.2	227.1	239.7	246.9	241.4	232.2	227.3	237.9	231.9	235.0	238.2	247.6
43 Other assets[5]	238.1	250.8	258.6	269.0	262.6	272.9	277.4	279.5	279.3	277.2	276.4	285.0
44 **Total assets**[6]	**4,273.4**	**4,340.5**	**4,406.8**	**4,444.1**	**4,462.1**	**4,497.5**	**4,524.5**	**4,580.1**	**4,555.5**	**4,576.7**	**4,574.7**	**4,622.2**
Liabilities												
45 Deposits	2,712.7	2,779.0	2,821.8	2,863.9	2,850.3	2,857.2	2,895.2	2,942.3	2,947.1	2,978.9	2,907.1	2,936.9
46 Transaction	768.4	710.4	725.2	745.7	721.0	694.1	686.3	705.0	690.7	724.3	687.8	718.0
47 Nontransaction	1,944.3	2,068.6	2,096.5	2,118.2	2,129.3	2,163.1	2,208.8	2,237.3	2,256.3	2,254.6	2,219.3	2,218.9
48 Large time	431.7	485.0	493.9	507.8	515.4	533.1	541.3	555.1	552.6	555.1	556.5	559.6
49 Other	1,512.6	1,583.6	1,602.6	1,610.3	1,613.9	1,629.9	1,667.6	1,682.2	1,703.7	1,699.5	1,662.8	1,659.2
50 Borrowings	706.2	681.8	699.0	699.5	722.0	727.1	738.9	774.1	748.9	769.1	787.2	798.6
51 From banks in the U.S.	300.8	285.4	297.0	301.6	296.4	295.3	303.8	314.1	311.8	311.3	312.6	320.6
52 From others	405.4	396.4	402.0	397.9	425.7	431.8	435.2	459.9	437.1	457.8	474.7	478.0
53 Net due to related foreign offices	255.8	245.8	235.2	230.1	233.3	229.4	219.3	211.2	203.9	182.4	227.9	229.5
54 Other liabilities	226.0	241.8	257.5	258.5	269.2	291.7	278.5	270.6	274.2	267.4	266.9	274.8
55 **Total liabilities**	**3,900.8**	**3,948.4**	**4,013.4**	**4,051.9**	**4,074.8**	**4,105.4**	**4,131.9**	**4,198.1**	**4,174.1**	**4,197.9**	**4,189.1**	**4,239.7**
56 Residual (assets less liabilities)[7]	372.6	392.0	393.4	392.1	387.3	392.1	392.6	382.0	381.4	378.8	385.6	382.4
MEMO												
57 Revaluation gains on off-balance-sheet items[8]	n.a.	62.4	65.5	69.3	89.0	102.8	92.0	91.9	96.6	93.3	88.0	91.3
58 Revaluation losses on off-balance-sheet items[8]	n.a	58.3	60.4	64.3	84.8	98.1	86.3	87.2	90.5	89.2	83.6	87.6

Footnotes appear on page A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

B. Domestically chartered commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1996	1996			1997				1997			
	Apr.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr	Apr. 9	Apr. 16	Apr. 23	Apr. 30
	Seasonally adjusted											
Assets												
1 Bank credit	3,213.9	3,237.7	3,250.7	3,267.4	3,291.1	3,314.5	3,340.7	3,367.5	3,360.2	3,365.4	3,369.2	3,379.6
2 Securities in bank credit	844.5	820.7	822.3	824.9	834.9	844.2	842.3	856.2	857.4	859.2	857.1	854.3
3 U.S. government securities	635.2	620.7	620.1	618.9	624.9	618.9	625.0	635.0	633.4	635.0	635.9	637.1
4 Other securities	209.3	199.9	202.1	206.0	209.9	225.3	217.4	221.2	224.0	224.1	221.1	217.2
5 Loans and leases in bank credit[2]	2,369.5	2,417.0	2,428.4	2,442.5	2,456.3	2,470.3	2,498.4	2,511.3	2,502.8	2,506.3	2,512.2	2,525.3
6 Commercial and industrial	545.9	564.8	566.6	570.8	572.2	578.4	584.3	590.2	586.1	591.0	590.8	594.2
7 Real estate	1,066.4	1,082.8	1,089.1	1,095.8	1,102.4	1,108.0	1,121.8	1,130.6	1,128.7	1,128.1	1,130.8	1,136.3
8 Revolving home equity	80.1	83.3	84.3	85.3	85.7	86.5	87.9	89.2	88.7	89.1	89.4	89.8
9 Other	986.3	999.5	1,004.8	1,010.5	1,016.8	1,021.5	1,033.9	1,041.4	1,040.0	1,038.9	1,041.4	1,046.6
10 Consumer	504.7	519.5	521.7	522.7	523.2	523.0	521.7	519.5	518.6	519.2	519.1	521.1
11 Security[3]	52.8	44.0	42.9	43.6	45.3	45.1	49.3	46.5	48.4	45.1	47.0	44.7
12 Other loans and leases	199.6	206.0	208.2	209.6	213.2	215.9	221.2	224.5	221.0	222.9	224.5	229.0
13 Interbank loans	186.8	184.0	192.0	182.3	174.6	181.6	194.8	195.1	192.1	197.4	200.9	190.3
14 Cash assets[4]	195.0	196.4	201.8	199.8	199.9	197.8	203.5	209.3	210.1	201.7	214.3	212.5
15 Other assets[5]	195.8	219.6	223.6	232.1	223.3	231.0	239.9	241.5	242.8	240.6	240.4	242.0
16 **Total assets**[6]	**3,734.5**	**3,781.1**	**3,811.6**	**3,825.2**	**3,832.9**	**3,869.1**	**3,923.2**	**3,957.4**	**3,949.2**	**3,949.1**	**3,968.8**	**3,968.3**
Liabilities												
17 Deposits	2,541.1	2,576.8	2,600.9	2,612.5	2,619.4	2,631.2	2,659.2	2,682.2	2,674.6	2,700.4	2,671.4	2,683.5
18 Transaction	754.3	702.3	704.9	702.7	699.2	691.1	687.7	690.7	673.0	693.4	690.4	708.2
19 Nontransaction	1,786.8	1,874.5	1,896.0	1,909.8	1,920.2	1,940.1	1,971.5	1,991.5	2,001.6	2,007.0	1,980.9	1,975.2
20 Large time	275.7	295.2	299.4	302.6	302.3	306.6	308.5	311.3	312.3	311.5	310.1	311.8
21 Other	1,511.1	1,579.3	1,596.6	1,607.3	1,617.9	1,633.4	1,663.1	1,680.2	1,689.2	1,695.5	1,670.8	1,663.5
22 Borrowings	577.8	572.5	584.1	585.9	597.3	599.0	617.9	632.0	632.1	622.0	638.1	641.9
23 From banks in the U.S.	264.5	260.2	270.5	274.5	274.5	273.4	280.9	282.3	289.8	273.8	282.9	285.8
24 From others	313.3	312.3	313.6	311.5	322.8	325.6	337.0	349.7	342.2	348.2	355.1	356.1
25 Net due to related foreign offices	85.8	76.5	71.0	69.1	72.0	78.2	68.2	77.5	74.4	65.3	89.7	84.6
26 Other liabilities	152.8	168.1	173.8	179.7	182.1	190.3	187.1	179.0	182.8	178.6	178.9	175.4
27 **Total liabilities**	**3,357.6**	**3,393.9**	**3,429.7**	**3,447.3**	**3,470.8**	**3,498.7**	**3,532.4**	**3,570.6**	**3,563.8**	**3,566.3**	**3,578.1**	**3,585.3**
28 Residual (assets less liabilities)[7]	376.9	387.2	381.9	377.9	362.1	370.4	390.8	386.7	385.4	382.8	390.7	382.9
	Not seasonally adjusted											
Assets												
29 Bank credit	3,214.6	3,240.7	3,255.4	3,270.4	3,292.4	3,306.7	3,331.4	3,366.9	3,353.8	3,368.7	3,368.3	3,382.4
30 Securities in bank credit	847.1	820.7	821.2	817.4	830.1	839.8	844.4	858.2	859.9	862.3	857.7	855.5
31 U.S. government securities	638.7	621.8	620.6	617.2	618.0	615.8	626.6	638.2	637.6	639.6	638.8	638.5
32 Other securities	208.4	198.8	200.7	200.2	212.1	224.0	217.7	220.0	222.3	222.7	218.9	217.1
33 Loans and leases in bank credit[2]	2,367.5	2,420.0	2,434.1	2,453.0	2,462.3	2,466.9	2,487.0	2,508.7	2,493.9	2,506.4	2,510.7	2,526.9
34 Commercial and industrial	551.8	562.4	564.9	567.4	570.0	578.1	587.3	596.8	590.4	597.4	598.3	602.8
35 Real estate	1,062.7	1,085.8	1,092.9	1,100.5	1,104.4	1,104.9	1,115.8	1,126.6	1,124.2	1,124.9	1,126.6	1,132.3
36 Revolving home equity	79.5	83.9	84.7	85.5	85.7	86.1	87.1	88.5	87.6	88.3	88.9	89.5
37 Other	983.2	1,001.9	1,008.2	1,015.1	1,018.8	1,018.8	1,028.8	1,038.1	1,036.6	1,036.6	1,037.7	1,042.8
38 Consumer	502.4	519.7	522.1	527.5	528.8	523.6	517.1	517.0	514.1	516.4	518.0	520.4
39 Security[3]	53.9	43.8	44.3	44.8	44.5	46.2	48.9	47.0	46.8	47.1	47.9	46.1
40 Other loans and leases	196.7	208.4	209.9	212.8	214.6	214.1	217.8	221.3	218.5	220.6	219.8	225.2
41 Interbank loans	185.8	178.7	196.3	191.6	184.3	186.0	191.3	193.5	196.9	200.4	192.2	184.1
42 Cash assets[4]	191.4	197.0	208.5	214.7	209.8	199.8	195.1	205.5	200.4	203.5	205.2	213.7
43 Other assets[5]	194.9	217.3	222.1	231.3	224.6	229.9	235.8	240.6	241.1	239.3	236.9	244.7
44 **Total assets**[6]	**3,729.8**	**3,777.3**	**3,825.8**	**3,851.5**	**3,855.4**	**3,866.7**	**3,897.8**	**3,950.6**	**3,936.2**	**3,955.9**	**3,946.7**	**3,968.9**
Liabilities												
45 Deposits	2,545.7	2,576.3	2,615.3	2,641.7	2,623.2	2,619.5	2,648.2	2,686.0	2,694.5	2,722.8	2,649.7	2,675.1
46 Transaction	758.5	700.0	715.1	734.9	710.6	684.0	675.8	694.4	680.1	713.8	677.2	707.1
47 Nontransaction	1,787.2	1,876.3	1,900.2	1,906.8	1,912.7	1,935.5	1,972.5	1,991.6	2,014.4	2,009.0	1,972.6	1,967.9
48 Large time	277.0	295.0	300.0	299.3	301.0	309.4	308.4	312.7	313.1	312.6	312.2	314.2
49 Other	1,510.2	1,581.3	1,600.2	1,607.6	1,611.7	1,626.1	1,664.0	1,678.9	1,701.3	1,696.4	1,660.4	1,653.7
50 Borrowings	576.0	568.2	577.3	579.4	594.8	589.7	603.6	630.0	611.2	620.0	644.0	648.1
51 From banks in the U.S.	263.8	256.0	264.2	268.5	267.6	263.7	270.5	280.8	277.5	273.7	283.9	287.6
52 From others	312.1	312.1	313.1	310.9	327.2	326.0	333.0	349.2	333.7	346.2	360.1	360.6
53 Net due to related foreign offices	85.8	78.2	68.4	66.2	73.6	79.9	72.5	78.8	71.4	61.5	93.8	92.2
54 Other liabilities	152.9	168.8	176.9	177.0	180.1	189.7	185.4	179.5	183.8	179.1	178.2	176.7
55 **Total liabilities**	**3,360.4**	**3,391.4**	**3,437.9**	**3,464.3**	**3,471.8**	**3,478.9**	**3,509.7**	**3,574.2**	**3,560.9**	**3,583.4**	**3,565.7**	**3,592.1**
56 Residual (assets less liabilities)[7]	369.4	386.0	387.9	387.2	383.6	387.8	388.1	376.4	375.3	372.6	380.9	376.8
MEMO												
57 Revaluation gains on off-balance-sheet items[8]	n.a.	32.5	33.1	35.9	47.4	55.8	48.9	49.5	52.3	51.7	47.4	47.7
58 Revaluation losses on off-balance-sheet items[8]	n.a.	28.9	28.9	31.8	44.0	50.9	43.2	44.6	47.0	47.1	42.3	43.1
59 Mortgage-backed securities[9]	n.a.	236.8	238.3	241.4	244.0	243.6	245.8	249.3	248.2	249.0	250.3	250.2

Footnotes appear on page A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

C. Large domestically chartered commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1996	1996			1997				1997			
	Apr.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	Apr. 9	Apr. 16	Apr. 23	Apr. 30
	Seasonally adjusted											
Assets												
1 Bank credit	1,845.1	1,826.7	1,831.0	1,839.9	1,854.5	1,873.3	1,884.4	1,901.1	1,897.0	1,901.0	1,902.9	1,906.0
2 Securities in bank credit	435.8	408.9	411.9	414.5	420.5	430.9	424.8	435.2	436.1	438.9	436.4	432.2
3 U.S. government securities	306.6	289.2	289.9	288.4	291.3	286.1	289.4	297.9	296.0	298.4	299.4	299.1
4 Trading account	19.8	21.2	21.5	19.4	17.2	16.1	17.7	20.1	21.0	20.2	19.8	19.7
5 Investment account	286.8	268.0	268.4	269.0	274.1	269.9	271.6	277.8	275.0	278.2	279.6	279.5
6 Other securities	129.3	119.7	122.0	126.1	129.1	144.8	135.4	137.4	140.2	140.5	137.0	133.1
7 Trading account	58.9	55.1	57.8	60.7	64.6	79.9	69.8	72.1	75.0	75.5	71.3	67.7
8 Investment account	70.4	64.6	64.2	65.4	64.6	64.9	65.6	65.3	65.1	65.0	65.7	65.4
9 State and local government	21.1	20.2	20.2	20.3	20.5	21.1	20.7	20.7	20.5	20.5	20.8	20.9
10 Other	49.2	44.4	44.0	45.1	44.1	43.8	44.9	44.6	44.6	44.4	44.9	44.4
11 Loans and leases in bank credit[2]	1,409.2	1,417.8	1,419.1	1,425.4	1,434.0	1,442.4	1,459.6	1,465.9	1,460.8	1,462.1	1,466.6	1,473.9
12 Commercial and industrial	373.8	385.7	385.8	388.1	388.6	392.8	397.0	401.4	398.1	402.4	401.8	404.3
13 Real estate	570.2	563.7	565.1	567.4	567.6	568.4	573.9	577.0	576.9	575.3	576.3	579.5
14 Revolving home equity	54.7	55.4	55.9	56.5	56.5	56.9	57.6	58.3	58.1	58.3	58.4	58.6
15 Other	515.5	508.3	509.2	510.9	511.1	511.5	516.3	518.6	518.8	517.1	517.8	520.9
16 Consumer	280.7	287.1	286.8	287.1	290.2	291.9	290.8	289.3	288.7	289.5	289.2	290.1
17 Security[3]	47.4	39.1	37.9	38.5	40.4	40.0	43.9	41.4	43.4	39.8	42.0	39.6
18 State and local government	11.3	11.0	11.3	11.4	11.2	11.2	11.1	10.9	10.9	10.8	10.8	10.9
19 All other	125.7	131.2	132.3	132.9	136.0	138.2	142.9	145.9	142.8	144.3	146.5	149.5
20 Interbank loans	131.9	133.5	138.9	127.6	120.5	124.5	133.4	139.9	138.4	139.9	147.1	135.5
21 Cash assets[4]	129.7	129.6	133.8	131.9	131.7	128.7	134.1	138.6	140.5	131.3	143.7	140.4
22 Other assets[5]	147.1	164.0	167.4	174.3	167.0	172.8	175.0	175.9	175.0	174.7	175.2	178.4
23 **Total assets**[6]	**2,216.9**	**2,217.7**	**2,235.2**	**2,237.7**	**2,238.2**	**2,263.9**	**2,291.4**	**2,319.8**	**2,315.0**	**2,311.2**	**2,333.2**	**2,324.6**
Liabilities												
24 Deposits	1,345.3	1,371.1	1,382.6	1,390.0	1,382.5	1,380.5	1,388.2	1,399.8	1,394.5	1,409.3	1,397.1	1,399.0
25 Transaction	426.1	390.6	391.2	390.0	386.9	377.4	370.9	370.6	360.2	370.2	372.0	380.7
26 Nontransaction	919.2	980.4	991.4	1,000.0	995.6	1,003.1	1,017.3	1,029.2	1,034.3	1,039.1	1,025.1	1,018.3
27 Large time	128.0	152.5	154.2	155.9	154.2	157.0	157.9	161.9	162.6	162.8	160.7	161.9
28 Other	791.2	827.9	837.2	844.1	841.4	846.1	859.4	867.3	871.8	876.3	864.4	856.4
29 Borrowings	436.2	410.0	419.0	419.4	429.5	429.7	443.0	453.9	455.3	448.1	458.7	456.9
30 From banks in the U.S.	185.5	173.4	183.2	189.2	188.1	187.2	193.3	194.7	202.6	190.2	193.9	193.2
31 From others	250.7	236.6	235.9	230.2	241.4	242.5	249.8	259.2	252.7	257.9	264.8	263.7
32 Net due to related foreign offices	80.8	73.2	68.8	66.4	68.0	74.3	64.3	73.1	69.7	61.1	85.7	79.9
33 Other liabilities	126.4	140.1	145.5	151.3	154.9	163.1	160.1	153.8	157.5	154.0	153.0	150.6
34 **Total liabilities**	**1,988.6**	**1,994.3**	**2,016.0**	**2,027.1**	**2,034.8**	**2,047.6**	**2,055.6**	**2,080.6**	**2,077.0**	**2,072.5**	**2,094.5**	**2,086.4**
35 Residual (assets less liabilities)[7]	228.4	223.4	219.2	210.6	203.4	216.3	235.8	239.2	238.0	238.7	238.7	238.2
	Not seasonally adjusted											
Assets												
36 Bank credit	1,845.1	1,827.2	1,834.2	1,840.1	1,857.7	1,871.0	1,879.6	1,900.2	1,892.2	1,902.9	1,899.8	1,908.7
37 Securities in bank credit	434.7	410.0	412.5	407.4	417.2	428.2	425.4	433.8	436.1	438.2	432.5	430.1
38 U.S. government securities	306.6	291.4	292.1	287.1	285.6	284.4	289.9	297.9	297.8	299.5	298.0	297.6
39 Trading account	20.0	22.0	22.7	18.1	16.3	16.3	18.8	20.2	22.0	21.0	19.2	19.0
40 Investment account	286.6	269.4	269.4	269.0	269.3	268.1	271.1	277.7	275.8	278.5	278.7	278.5
41 Other securities	128.1	118.6	120.4	120.2	131.6	143.8	135.5	135.8	138.3	138.7	134.6	132.6
42 Trading account	58.1	53.5	55.4	54.2	66.5	78.8	70.2	70.9	73.4	74.0	69.4	67.6
43 Investment account	70.0	65.1	65.0	66.0	65.1	65.0	65.3	64.9	64.9	64.7	65.1	65.0
44 State and local government	21.3	20.2	20.3	20.4	20.5	21.1	20.7	20.8	20.6	20.7	21.0	21.1
45 Other	48.7	44.9	44.7	45.6	44.5	43.9	44.5	44.1	44.3	44.0	44.1	43.9
46 Loans and leases in bank credit[2]	1,410.3	1,417.2	1,421.7	1,432.8	1,440.5	1,442.9	1,454.2	1,466.4	1,456.2	1,464.7	1,467.2	1,478.6
47 Commercial and industrial	378.5	383.9	384.8	385.1	386.4	392.8	399.5	406.8	401.7	407.6	407.6	411.3
48 Real estate	569.1	564.4	566.7	570.1	570.0	567.9	571.0	575.6	575.7	574.7	574.7	578.0
49 Revolving home equity	54.4	55.7	56.2	56.6	56.6	56.7	57.1	57.9	57.3	57.8	58.2	58.5
50 Other	514.7	508.7	510.4	513.6	513.4	511.2	513.9	517.7	518.4	516.9	516.5	519.5
51 Consumer	278.9	286.6	286.5	291.0	294.8	291.7	288.0	287.3	285.6	287.2	287.6	289.0
52 Security[3]	48.5	39.0	39.0	39.6	39.5	40.9	43.6	41.9	41.3	41.7	43.2	41.5
53 State and local government	11.3	11.1	11.3	11.4	11.1	11.1	11.1	10.8	10.9	10.7	10.8	10.9
54 All other	124.0	132.2	133.3	135.6	138.7	138.4	141.1	144.0	141.0	142.8	143.4	147.8
55 Interbank loans	130.4	128.0	138.4	133.8	129.0	126.8	130.0	137.9	133.9	139.4	143.2	136.4
56 Cash assets[4]	127.5	129.1	137.8	143.2	139.5	131.4	127.7	136.1	132.1	133.3	138.1	142.0
57 Other assets[5]	147.0	162.0	165.4	172.9	167.4	170.4	171.8	176.0	174.9	174.9	174.4	179.8
58 **Total assets**[6]	**2,213.4**	**2,210.2**	**2,239.7**	**2,253.9**	**2,258.3**	**2,264.3**	**2,273.6**	**2,314.6**	**2,297.5**	**2,315.0**	**2,320.0**	**2,331.4**
Liabilities												
59 Deposits	1,347.4	1,368.2	1,389.5	1,406.1	1,388.7	1,378.5	1,382.1	1,401.3	1,401.2	1,423.8	1,382.8	1,396.9
60 Transaction	429.8	387.8	397.8	411.2	394.5	374.1	363.3	374.0	361.1	385.4	364.8	384.3
61 Nontransaction	917.6	980.5	991.7	994.8	994.2	1,004.5	1,018.8	1,027.4	1,040.1	1,038.4	1,018.0	1,012.6
62 Large time	128.3	151.9	154.5	153.5	154.1	159.2	157.0	162.3	162.0	162.9	162.0	163.6
63 Other	789.4	828.5	837.2	841.3	840.1	845.2	861.8	865.0	878.1	875.5	856.0	849.0
64 Borrowings	437.0	405.5	413.8	413.4	425.3	421.8	434.5	454.7	442.2	450.0	465.2	463.7
65 From banks in the U.S.	185.9	169.8	178.7	183.9	181.5	179.4	186.8	194.0	194.5	190.8	194.8	195.1
66 From nonbanks in the U.S.	251.1	235.7	235.1	229.5	243.8	242.4	247.7	260.7	247.7	259.2	270.5	268.6
67 Net due to related foreign offices	80.7	74.8	66.2	63.4	69.7	76.0	68.6	74.4	66.7	57.3	89.8	87.6
68 Other liabilities	126.2	140.8	148.8	149.0	152.7	162.1	158.0	154.1	158.3	154.2	152.1	151.6
69 **Total liabilities**	**1,991.4**	**1,989.3**	**2,018.3**	**2,031.9**	**2,036.4**	**2,038.4**	**2,043.2**	**2,084.5**	**2,068.2**	**2,085.2**	**2,089.9**	**2,099.8**
70 Residual (assets less liabilities)[7]	222.0	220.9	221.4	222.0	221.9	225.9	230.4	230.1	229.3	229.8	230.1	231.6
MEMO												
71 Revaluation gains on off-balance-sheet items[8]	n.a.	32.5	33.1	35.9	47.4	55.8	48.9	49.5	52.3	51.7	47.4	47.7
72 Revaluation losses on off-balance-sheet items[8]	n.a.	28.9	28.9	31.8	44.0	50.9	43.2	44.6	47.0	47.1	42.3	43.1
73 Mortgage-backed securities[9]	n.a.	188.9	190.3	192.8	194.4	194.0	194.8	197.4	196.5	197.2	198.3	198.1

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

D. Small domestically chartered commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1996	1996[r]			1997[r]				1997			
	Apr.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	Apr. 9	Apr. 16	Apr. 23	Apr. 30
	Seasonally adjusted											
Assets												
1 Bank credit	1,368.9	1,411.0	1,419.7	1,427.5	1,436.6	1,441.2	1,456.3	1,466.4	1,463.2	1,464.5	1,466.3	1,473.5
2 Securities in bank credit	408.6	411.8	410.4	410.5	414.4	413.3	417.6	421.0	421.2	420.3	420.7	422.1
3 U.S. government securities	328.6	331.5	330.2	330.5	333.6	332.8	335.6	337.1	337.4	336.7	336.6	337.9
4 Other securities	80.0	80.2	80.2	79.9	80.8	80.5	82.0	83.9	83.8	83.7	84.1	84.2
5 Loans and leases in bank credit[2]	960.3	999.2	1,009.3	1,017.1	1,022.2	1,027.9	1,038.7	1,045.4	1,042.0	1,044.2	1,045.6	1,051.4
6 Commercial and industrial	172.1	179.1	180.8	182.8	183.5	185.6	187.3	188.8	188.0	188.5	189.0	190.0
7 Real estate	496.2	519.1	524.0	528.4	534.8	539.6	547.9	553.7	551.8	552.7	554.5	556.8
8 Revolving home equity	25.3	27.9	28.4	28.8	29.1	29.6	30.3	30.9	30.6	30.9	30.9	31.2
9 Other	470.8	491.2	495.7	499.7	505.7	510.0	517.6	522.8	521.2	521.9	523.6	525.7
10 Consumer	224.0	232.4	234.9	235.6	233.0	231.1	231.0	230.1	230.0	229.8	230.0	231.0
11 Security[3]	5.4	4.9	5.0	5.0	4.9	5.1	5.3	5.1	5.0	5.2	4.9	5.1
12 Other loans and leases	62.6	63.8	64.6	65.2	66.0	66.5	67.2	67.7	67.2	67.9	67.2	68.6
13 Interbank loans	54.9	50.4	53.1	54.7	54.0	57.1	61.3	55.2	53.8	57.4	53.8	54.8
14 Cash assets[4]	65.3	66.8	68.0	67.9	68.2	69.1	69.5	70.7	69.7	70.4	70.6	72.1
15 Other assets[5]	48.7	55.6	56.1	57.8	56.2	58.2	64.9	65.6	67.8	66.0	65.2	63.6
16 **Total assets[6]**	**1,517.6**	**1,563.5**	**1,576.4**	**1,587.5**	**1,594.7**	**1,605.2**	**1,631.8**	**1,637.6**	**1,634.2**	**1,637.9**	**1,635.5**	**1,643.6**
Liabilities												
17 Deposits	1,195.9	1,205.7	1,218.3	1,222.5	1,236.9	1,250.6	1,271.1	1,282.4	1,280.1	1,291.1	1,274.3	1,284.4
18 Transaction	328.2	311.7	313.7	312.7	312.4	313.7	316.8	320.1	312.9	323.2	318.5	327.5
19 Nontransaction	867.6	894.1	904.6	909.8	924.6	936.9	954.3	962.3	967.2	967.9	955.8	956.9
20 Large time	147.8	142.7	145.2	146.6	148.1	149.6	150.6	149.4	149.7	148.8	149.4	149.9
21 Other	719.8	751.4	759.4	763.2	776.4	787.4	803.7	812.8	817.5	819.2	806.4	807.0
22 Borrowings	141.7	162.5	165.1	166.5	167.8	169.3	174.8	178.1	176.8	173.9	179.4	185.1
23 From banks in the U.S.	79.0	86.7	87.3	85.2	86.4	86.2	87.6	87.6	87.2	83.6	89.1	92.7
24 From others	62.6	75.8	77.7	81.3	81.5	83.1	87.2	90.4	89.6	90.3	90.3	92.4
25 Net due to related foreign offices	5.1	3.4	2.2	2.7	4.0	4.0	3.9	4.4	4.7	4.2	4.0	4.7
26 Other liabilities	26.4	28.0	28.2	28.5	27.2	27.2	27.0	25.2	25.3	24.6	25.9	24.8
27 **Total liabilities**	**1,369.0**	**1,399.6**	**1,413.7**	**1,420.2**	**1,435.9**	**1,451.2**	**1,476.8**	**1,490.0**	**1,486.8**	**1,493.8**	**1,483.6**	**1,499.0**
28 Residual (assets less liabilities)[7]	148.6	163.9	162.7	167.3	158.7	154.1	155.0	147.6	147.3	144.1	152.0	144.7
	Not seasonally adjusted											
Assets												
29 Bank credit	1,369.5	1,413.5	1,421.2	1,430.3	1,434.7	1,435.7	1,451.8	1,466.8	1,461.5	1,465.7	1,468.5	1,473.7
30 Securities in bank credit	412.4	410.7	408.7	410.0	412.9	411.6	418.9	424.4	423.8	424.1	425.1	425.4
31 U.S. government securities	332.1	330.5	328.5	330.0	332.4	331.4	336.7	340.3	339.8	340.1	340.8	340.9
32 Other securities	80.3	80.2	80.2	80.0	80.6	80.2	82.2	84.1	84.0	84.0	84.3	84.5
33 Loans and leases in bank credit[2]	957.2	1,002.8	1,012.5	1,020.3	1,021.8	1,024.0	1,032.8	1,042.3	1,037.8	1,041.7	1,043.4	1,048.3
34 Commercial and industrial	173.3	178.5	180.1	182.3	183.6	185.3	187.9	190.0	188.6	189.8	190.7	191.5
35 Real estate	493.6	521.3	526.3	530.4	534.4	537.0	544.9	551.0	548.5	550.2	552.0	554.3
36 Revolving home equity	25.1	28.1	28.5	28.9	29.1	29.4	30.0	30.6	30.3	30.5	30.7	31.0
37 Other	468.5	493.2	497.8	501.5	505.4	507.6	514.9	520.4	518.2	519.7	521.3	523.3
38 Consumer	223.5	233.0	235.6	236.5	234.0	231.9	229.1	229.8	228.5	229.2	230.4	231.4
39 Security[3]	5.4	4.8	5.2	5.2	5.0	5.2	5.3	5.1	5.5	5.4	4.7	4.7
40 Other loans and leases	61.4	65.2	65.3	65.8	64.8	64.6	65.7	66.5	66.6	67.1	65.6	66.5
41 Interbank loans	55.4	50.7	57.9	57.8	55.3	59.1	61.3	55.6	63.0	61.0	49.0	47.7
42 Cash assets[4]	63.9	67.9	70.7	71.6	70.4	68.4	67.4	69.4	68.3	70.2	67.1	71.8
43 Other assets[5]	47.9	55.4	56.7	58.4	57.2	59.6	64.0	64.6	66.2	64.4	62.5	64.9
44 **Total assets[6]**	**1,516.4**	**1,567.1**	**1,586.1**	**1,597.6**	**1,597.2**	**1,602.4**	**1,624.2**	**1,636.0**	**1,638.7**	**1,640.9**	**1,626.7**	**1,637.5**
Liabilities												
45 Deposits	1,198.3	1,208.0	1,225.8	1,235.6	1,234.5	1,241.0	1,266.1	1,284.6	1,293.4	1,299.0	1,266.9	1,278.2
46 Transaction	328.7	312.2	317.3	323.6	316.1	309.9	312.5	320.4	319.0	328.4	312.4	322.8
47 Nontransaction	869.6	895.8	908.5	912.0	918.5	931.1	953.6	964.2	974.3	970.6	954.6	955.4
48 Large time	148.7	143.1	145.5	145.8	146.9	150.2	151.4	150.4	151.1	149.7	150.2	150.6
49 Other	720.8	752.7	763.0	766.2	771.6	780.9	802.2	813.8	823.2	820.9	804.3	804.8
50 Borrowings	139.0	162.6	163.5	166.0	169.5	167.9	169.1	175.3	169.0	170.0	178.8	184.4
51 From banks in the U.S.	77.9	86.2	85.5	84.6	86.1	84.3	83.7	86.7	83.0	82.9	89.1	92.5
52 From others	61.1	76.4	78.0	81.3	83.4	83.6	85.3	88.6	86.1	87.1	89.7	91.9
53 Net due to related foreign offices	5.1	3.4	2.2	2.7	4.0	4.0	3.9	4.4	4.7	4.2	4.0	4.7
54 Other liabilities	26.7	28.0	28.1	28.0	27.4	27.7	27.3	25.4	25.5	24.9	26.1	25.1
55 **Total liabilities**	**1,369.0**	**1,402.0**	**1,419.6**	**1,432.3**	**1,435.5**	**1,440.5**	**1,466.5**	**1,489.8**	**1,492.6**	**1,498.1**	**1,475.8**	**1,492.4**
56 Residual (assets less liabilities)[7]	147.4	165.1	166.5	165.3	161.7	161.9	157.7	146.3	146.0	142.8	150.9	145.2
MEMO												
57 Mortgage-backed securities[9]	n.a.	47.8	48.0	48.6	49.6	49.6	51.1	51.9	51.8	51.8	52.0	52.1

Footnotes appear on page A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

E. Foreign-related institutions

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1996	1996			1997				1997			
	Apr.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	Apr. 9	Apr. 16	Apr. 23	Apr. 30
	Seasonally adjusted											
Assets												
1 Bank credit	453.7	480.5	493.8	505.1	516.9	532.6	528.3	537.5	528.3	536.7	534.6	555.7
2 Securities in bank credit	146.0	148.6	157.8	164.4	170.1	176.6	172.3	177.5	175.5	176.6	174.5	184.4
3 U.S. government securities	72.6	82.6	87.0	87.6	81.7	85.2	83.3	87.6	86.7	85.4	85.8	92.5
4 Other securities	73.4	65.9	70.8	76.9	88.4	91.4	89.0	89.9	88.8	91.1	88.7	91.9
5 Loans and leases in bank credit[2]	307.7	331.9	336.0	340.6	346.7	356.0	356.0	360.0	352.7	360.1	360.1	371.4
6 Commercial and industrial	186.2	205.9	208.1	213.1	214.9	218.2	217.7	218.7	217.3	219.7	219.3	219.8
7 Real estate	33.6	32.7	32.4	32.0	32.0	32.3	32.0	31.9	31.7	32.1	32.3	31.8
8 Security[3]	32.2	32.9	35.0	36.2	38.0	39.6	39.5	43.0	38.4	42.6	42.8	50.4
9 Other loans and leases	55.7	60.4	60.4	59.4	61.8	65.8	66.7	66.4	65.4	65.7	65.7	69.4
10 Interbank loans	22.0	20.6	20.2	21.8	23.4	22.3	24.9	20.8	19.4	15.7	21.9	23.8
11 Cash assets[4]	26.4	29.7	30.9	31.1	31.2	33.1	32.8	33.2	33.0	32.1	34.0	34.5
12 Other assets[5]	44.8	33.7	36.2	37.0	38.7	42.2	42.2	40.4	41.3	39.4	41.0	40.1
13 **Total assets**[6]	**546.9**	**564.4**	**580.9**	**594.7**	**609.9**	**630.0**	**627.9**	**631.7**	**621.7**	**623.6**	**631.3**	**653.9**
Liabilities												
14 Deposits	171.1	197.4	203.9	219.5	227.1	241.0	247.2	262.8	261.9	265.1	263.1	264.9
15 Transaction	10.3	10.4	10.2	10.2	10.4	9.9	10.8	11.1	11.2	11.1	11.3	11.0
16 Nontransaction	160.8	187.0	193.7	209.3	216.7	231.1	236.4	251.7	250.7	254.0	251.9	253.9
17 Large time	158.0	184.4	190.0	205.1	216.5	228.6	233.4	247.8	247.6	249.6	248.9	248.5
18 Other	2.9	2.6	3.7	4.2	0.1	2.4	3.0	3.9	3.1	4.3	2.9	5.4
19 Borrowings	128.5	117.0	125.1	121.3	130.6	144.0	141.3	141.6	135.3	144.9	139.5	149.2
20 From banks in the U.S.	36.9	31.8	32.7	32.4	27.8	33.8	34.8	33.2	33.9	35.7	29.7	33.6
21 From others	91.6	85.1	92.4	88.8	102.8	110.1	106.5	108.4	101.4	109.2	109.8	115.6
22 Net due to related foreign offices	172.2	167.7	167.1	162.3	150.6	140.1	142.0	135.4	141.0	126.7	136.8	133.4
23 Other liabilities	73.4	74.6	80.0	82.8	89.9	99.6	93.3	91.3	90.9	88.8	89.5	96.9
24 **Total liabilities**	**545.2**	**556.6**	**576.1**	**585.9**	**598.1**	**624.6**	**623.8**	**631.2**	**629.1**	**625.4**	**629.0**	**644.4**
25 Residual (assets less liabilities)[7]	1.7	7.7	4.7	8.8	11.8	5.4	4.1	0.5	−7.4	−1.8	2.3	9.5
	Not seasonally adjusted											
Assets												
26 Bank credit	452.7	479.2	493.4	501.0	513.9	533.2	528.2	537.7	530.3	535.8	533.9	555.6
27 Securities in bank credit	145.5	148.5	157.5	158.0	166.0	177.6	173.1	178.1	178.9	175.7	173.6	185.3
28 U.S. government securities	71.8	82.1	87.0	85.1	82.7	86.9	86.2	87.0	86.5	84.8	84.2	92.4
29 Trading account	5.1	18.7	21.8	19.9	17.0	21.4	19.9	18.6	18.8	17.2	16.7	20.8
30 Investment account	66.8	63.4	65.2	65.3	65.7	65.6	66.3	68.5	67.6	67.6	67.5	71.7
31 Other securities	73.6	66.3	70.5	72.9	83.3	90.6	86.9	91.1	92.4	90.9	89.4	92.9
32 Trading account	39.1	47.9	51.6	54.0	61.4	67.9	63.2	64.2	65.8	64.2	62.3	65.6
33 Investment account	34.5	18.4	18.9	18.9	22.0	22.7	23.7	26.8	26.6	26.8	27.0	27.2
34 Loans and leases in bank credit[2]	307.2	330.7	335.9	343.0	347.9	355.6	355.1	359.6	351.4	360.2	360.3	370.3
35 Commercial and industrial	186.8	204.7	207.9	213.5	214.8	218.1	217.3	219.4	217.1	220.6	220.4	220.7
36 Real estate	33.2	32.9	32.9	32.2	32.0	32.4	32.0	31.5	31.4	31.7	31.8	31.2
37 Security[3]	32.2	32.9	35.0	36.2	38.0	39.6	39.5	43.0	38.4	42.6	42.8	50.4
38 Other loans and leases	55.0	60.2	60.1	61.2	63.1	65.5	66.3	65.7	64.5	65.3	65.3	68.0
39 Interbank loans	22.0	20.6	20.2	21.8	23.4	22.3	24.9	20.8	19.4	15.7	21.9	23.8
40 Cash assets[4]	25.7	30.1	31.1	32.2	31.6	32.4	32.2	32.4	31.6	31.5	33.0	33.9
41 Other assets[5]	43.2	33.4	36.5	37.7	38.0	43.0	41.6	38.9	38.2	37.9	39.5	40.3
42 **Total assets**[6]	**543.6**	**563.1**	**581.0**	**592.5**	**606.6**	**630.7**	**626.7**	**629.5**	**619.3**	**620.8**	**628.0**	**653.3**
Liabilities												
43 Deposits	167.0	202.7	206.5	222.2	227.2	237.8	247.0	256.3	252.5	256.1	257.4	261.8
44 Transaction	9.9	10.4	10.2	10.9	10.4	10.2	10.6	10.7	10.6	10.5	10.7	10.9
45 Nontransaction	157.1	192.3	196.3	211.3	216.7	227.6	236.5	245.7	241.9	245.6	246.7	250.9
46 Large time	154.7	190.0	193.9	208.6	214.5	223.7	232.9	242.4	239.5	242.5	244.3	245.4
47 Other	2.4	2.3	2.4	2.8	2.2	4.0	3.6	3.3	2.4	3.1	2.4	5.5
48 Borrowings	130.3	113.6	121.7	120.1	127.3	137.4	135.4	144.1	137.7	149.1	143.2	150.4
49 From banks in the U.S.	37.0	29.4	32.8	33.1	28.8	31.6	33.2	33.4	34.3	37.5	28.7	33.0
50 From others	93.3	84.3	88.9	87.0	98.5	105.8	102.2	110.7	103.4	111.6	114.5	117.5
51 Net due to related foreign offices	170.0	167.6	166.8	163.9	159.3	149.1	146.6	132.4	132.6	120.9	134.0	137.2
52 Other liabilities	73.1	73.1	80.6	81.5	89.1	102.0	93.1	91.1	90.4	88.4	88.7	98.1
53 **Total liabilities**	**540.4**	**557.0**	**575.5**	**587.7**	**602.9**	**626.4**	**622.2**	**623.9**	**613.2**	**614.5**	**623.3**	**647.6**
54 Residual (assets less liabilities)[7]	3.2	6.1	5.5	4.9	3.7	4.3	4.5	5.6	6.1	6.2	4.7	5.7
MEMO												
55 Revaluation gains on off-balance-sheet items[8]	n.a.	29.9	32.4	33.4	41.6	47.0	43.0	42.4	44.3	41.7	40.6	43.6
56 Revaluation losses on off-balance-sheet items[8]	n.a.	29.3	31.5	32.5	40.8	47.2	43.1	42.7	43.5	42.1	41.3	44.5

Footnotes appear on page A21.

NOTES TO TABLE 1.26

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

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

1. Covers the following types of institutions in the fifty states and the District of Columbia: domestically chartered commercial banks that submit a weekly report of condition (large domestic); other domestically chartered commercial banks (small domestic); branches and agencies of foreign banks, and Edge Act and agreement corporations (foreign-related institutions). Excludes International Banking Facilities. Data are Wednesday values or *pro rata* averages of Wednesday values. Large domestic banks constitute a universe; data for small domestic banks and foreign-related institutions are estimates based on weekly samples and on quarter-end condition reports. Data are adjusted for breaks caused by reclassifications of assets and liabilities.

The data for large and small domestic banks presented on pp. A18 and A19 are adjusted to remove the estimated effects of mergers between these two groups. The adjustment for mergers changes past levels to make them comparable with current levels. Estimated quantities of balance sheet items acquired in mergers are removed from past data for the bank group that contained the acquired bank and put into past data for the group containing the acquiring bank. Balance sheet data for acquired banks are obtained from Call Reports, and a ratio procedure is used to adjust past levels.

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

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

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

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

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

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

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

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

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Item	Year ending December					1996			1997		
	1992 Dec.	1993 Dec.	1994 Dec.	1995 Dec.	1996 Dec.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**545,619**	**555,075**	**595,382**	**674,904**	**775,371**	**757,718**	**766,556**	**775,371**	**804,644**	**813,168**	**836,979**
Financial companies[1]											
2 Dealer-placed paper[2], total	226,456	218,947	223,038	275,815	361,147	349,288	354,400	361,147	376,908	387,164	402,291
3 Directly placed paper[3], total	171,605	180,389	207,701	210,829	229,662	225,977	228,553	229,662	238,133	239,509	246,215
4 Nonfinancial companies[4]	147,558	155,739	164,643	188,260	184,563	182,454	183,603	184,563	189,602	186,495	188,473
	Bankers dollar acceptances (not seasonally adjusted)[5]										
5 **Total**	**38,194**	**32,348**	**29,835**	**29,242**	**25,754**	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By holder											
6 Accepting banks	10,555	12,421	11,783	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
7 Own bills	9,097	10,707	10,462	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
8 Bills bought from other banks	1,458	1,714	1,321	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Federal Reserve Banks[6]											
9 Foreign correspondents	1,276	725	410	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 Others	26,364	19,202	17,642	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By basis											
11 Imports into United States	12,209	10,217	10,062	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
12 Exports from United States	8,096	7,293	6,355	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
13 All other	17,890	14,838	13,417	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

1. Institutions engaged primarily in commercial, savings, and mortgage banking; sales, personal, and mortgage financing; factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.
2. Includes all financial-company paper sold by dealers in the open market.
3. As reported by financial companies that place their paper directly with investors.
4. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.
5. Data on bankers dollar acceptances are gathered from approximately 100 institutions. The reporting group is revised every January. Beginning January 1995, data for Bankers dollar acceptances are reported annually in September.
6. In 1977 the Federal Reserve discontinued operations in bankers dollar acceptances for its own account.

1.33 PRIME RATE CHARGED BY BANKS Short-Term Business Loans[1]

Percent per year

Date of change	Rate	Period	Average rate	Period	Average rate	Period	Average rate
1994—Mar. 24	6.25	1994	7.15	1995—Jan.	8.50	1996—Jan.	8.50
Apr. 19	6.75	1995	8.83	Feb.	9.00	Feb.	8.25
May 17	7.25	1996	8.27	Mar.	9.00	Mar.	8.25
Aug. 16	7.75			Apr.	9.00	Apr.	8.25
Nov. 15	8.50	1994—Jan.	6.00	May	9.00	May	8.25
		Feb.	6.00	June	9.00	June	8.25
1995—Feb. 1	9.00	Mar.	6.06	July	8.80	July	8.25
July 7	8.75	Apr.	6.45	Aug.	8.75	Aug.	8.25
Dec. 20	8.50	May	6.99	Sept.	8.75	Sept.	8.25
		June	7.25	Oct.	8.75	Oct.	8.25
1996—Feb. 1	8.25	July	7.25	Nov.	8.75	Nov.	8.25
1997—Mar. 26	8.50	Aug.	7.51	Dec.	8.65	Dec.	8.25
		Sept.	7.75				
		Oct.	7.75			1997—Jan.	8.25
		Nov.	8.15			Feb.	8.25
		Dec.	8.50			Mar.	8.30
						Apr.	8.50
						May	8.50

1. The prime rate is one of several base rates that banks use to price short-term business loans. The table shows the date on which a new rate came to be the predominant one quoted by a majority of the twenty-five largest banks by asset size, based on the most recent Call Report. Data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

1.35 INTEREST RATES Money and Capital Markets

Percent per year; figures are averages of business day data unless otherwise noted

Item	1994	1995	1996	1997				1997, week ending				
				Jan.	Feb.	Mar.	Apr.	Mar. 28	Apr. 4	Apr. 11	Apr. 18	Apr. 25
MONEY MARKET INSTRUMENTS												
1 Federal funds[1,2,3]	4.21	5.83	5.30	5.25	5.19	5.39	5.51	5.40	5.86	5.37	5.48	5.48
2 Discount window borrowing[2,4]	3.60	5.21	5.02	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Commercial paper[3,5,6]												
3 1-month	4.43	5.93	5.43	5.43	5.39	5.51	5.61	5.66	5.67	5.62	5.60	5.59
4 3-month	4.66	5.93	5.41	5.45	5.40	5.56	5.71	5.70	5.72	5.69	5.71	5.70
5 6-month	4.93	5.93	5.42	5.48	5.42	5.61	5.79	5.75	5.77	5.77	5.80	5.80
Finance paper, directly placed[3,5,7]												
6 1-month	4.33	5.81	5.31	5.31	5.27	5.39	5.51	5.54	5.55	5.51	5.50	5.50
7 3-month	4.53	5.78	5.29	5.32	5.28	5.42	5.61	5.55	5.59	5.58	5.62	5.62
8 6-month	4.56	5.68	5.21	5.30	5.27	5.41	5.60	5.52	5.55	5.58	5.61	5.63
Bankers acceptances[3,5,8]												
9 3-month	4.56	5.81	5.31	5.34	5.29	5.44	5.62	5.58	5.60	5.62	5.62	5.63
10 6-month	4.83	5.80	5.31	5.35	5.30	5.50	5.71	5.65	5.66	5.70	5.73	5.74
Certificates of deposit, secondary market[3,9]												
11 1-month	4.38	5.87	5.35	5.35	5.31	5.44	5.57	5.61	5.60	5.57	5.56	5.55
12 3-month	4.63	5.92	5.39	5.43	5.37	5.53	5.71	5.65	5.70	5.70	5.72	5.71
13 6-month	4.96	5.98	5.47	5.54	5.47	5.69	5.90	5.81	5.87	5.88	5.93	5.91
14 Eurodollar deposits, 3-month[3,10]	4.63	5.93	5.38	5.44	5.36	5.50	5.70	5.61	5.68	5.69	5.70	5.70
U.S. Treasury bills												
Secondary market[3,5]												
15 3-month	4.25	5.49	5.01	5.03	5.01	5.14	5.16	5.25	5.17	5.14	5.16	5.19
16 6-month	4.64	5.56	5.08	5.10	5.06	5.26	5.37	5.36	5.32	5.37	5.40	5.40
17 1-year	5.02	5.60	5.22	5.30	5.23	5.47	5.64	5.59	5.65	5.65	5.64	5.66
Auction average[3,5,11]												
18 3-month	4.29	5.51	5.02	5.05	5.00	5.14	5.17	5.26	5.18	5.14	5.15	5.21
19 6-month	4.66	5.59	5.09	5.11	5.05	5.24	5.35	5.33	5.31	5.30	5.42	5.38
20 1-year	5.02	5.69	5.23	5.31	5.34	5.36	5.66	n.a.	5.66	n.a.	n.a.	n.a.
U.S. TREASURY NOTES AND BONDS												
Constant maturities[12]												
21 1-year	5.32	5.94	5.52	5.61	5.53	5.80	5.99	5.94	5.99	5.99	5.98	6.01
22 2-year	5.94	6.15	5.84	6.01	5.90	6.22	6.45	6.36	6.43	6.46	6.47	6.48
23 3-year	6.27	6.25	5.99	6.16	6.03	6.38	6.61	6.52	6.58	6.62	6.63	6.64
24 5-year	6.69	6.38	6.18	6.33	6.20	6.54	6.76	6.66	6.75	6.78	6.78	6.79
25 7-year	6.91	6.50	6.34	6.47	6.32	6.65	6.86	6.76	6.87	6.88	6.87	6.87
26 10-year	7.09	6.57	6.44	6.58	6.42	6.69	6.89	6.79	6.90	6.92	6.89	6.89
27 20-year	7.49	6.95	6.83	6.91	6.77	7.05	7.20	7.11	7.21	7.23	7.21	7.21
28 30-year	7.37	6.88	6.71	6.83	6.69	6.93	7.09	7.00	7.10	7.12	7.10	7.10
Composite												
29 More than 10 years (long-term)	7.41	6.93	6.80	6.89	6.76	7.03	7.18	7.09	7.20	7.21	7.19	7.18
STATE AND LOCAL NOTES AND BONDS												
Moody's series[13]												
30 Aaa	5.77	5.80	5.52	5.40	5.36	5.55	5.66	5.59	5.68	5.66	5.62	5.66
31 Baa	6.17	6.10	5.79	5.71	5.60	5.75	5.85	5.76	5.85	5.87	5.83	5.83
32 *Bond Buyer* series[14]	6.18	5.95	5.76	5.72	5.63	5.76	5.88	5.81	5.88	5.88	5.87	5.87
CORPORATE BONDS												
33 Seasoned issues, all industries[15]	8.26	7.83	7.66	7.71	7.59	7.83	7.99	7.90	7.98	8.01	8.00	8.01
Rating group												
34 Aaa	7.97	7.59	7.37	7.42	7.31	7.55	7.73	7.63	7.71	7.74	7.73	7.75
35 Aa	8.15	7.72	7.55	7.63	7.54	7.77	7.93	7.84	7.92	7.95	7.94	7.95
36 A	8.28	7.83	7.69	7.71	7.59	7.82	7.98	7.88	7.97	8.00	7.99	8.00
37 Baa	8.63	8.20	8.05	8.09	7.94	8.18	8.34	8.24	8.33	8.36	8.34	8.35
38 A-rated, recently offered utility bonds[16]	8.29	7.86	7.77	7.93	7.81	8.08	8.23	8.22	8.26	8.27	8.19	8.24
MEMO												
Dividend-price ratio[17]												
39 Common stocks	2.82	2.56	2.19	1.95	1.91	1.91	1.98	1.92	2.03	2.00	1.99	1.97

1. The daily effective federal funds rate is a weighted average of rates on trades through New York brokers.
2. Weekly figures are averages of seven calendar days ending on Wednesday of the current week; monthly figures include each calendar day in the month.
3. Annualized using a 360-day year for bank interest.
4. Rate for the Federal Reserve Bank of New York.
5. Quoted on a discount basis.
6. An average of offering rates on commercial paper placed by several leading dealers for firms whose bond rating is AA or the equivalent.
7. An average of offering rates on paper directly placed by finance companies.
8. Representative closing yields for acceptances of the highest-rated money center banks.
9. An average of dealer offering rates on nationally traded certificates of deposit.
10. Bid rates for Eurodollar deposits at approximately 11:00 a.m. London time. Data are for indication purposes only.
11. Auction date for daily data; weekly and monthly averages computed on an issue-date basis.
12. Yields on actively traded issues adjusted to constant maturities. Source: U.S. Department of the Treasury.
13. General obligation bonds based on Thursday figures; Moody's Investors Service.
14. State and local government general obligation bonds maturing in twenty years are used in compiling this index. The twenty-bond index has a rating roughly equivalent to Moody's' A1 rating. Based on Thursday figures.
15. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
16. Compilation of the Federal Reserve. This series is an estimate of the yield on recently offered, A-rated utility bonds with a thirty-year maturity and five years of call protection. Weekly data are based on Friday quotations.
17. Standard & Poor's corporate series. Common stock ratio is based on the 500 stocks in the price index.

NOTE. Some of the data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

1.36 STOCK MARKET Selected Statistics

Indicator	1994	1995	1996	1996 Aug.	1996 Sept.	1996 Oct.	1996 Nov.	1996 Dec.	1997 Jan.	1997 Feb.	1997 Mar.	1997 Apr.
	Prices and trading volume (averages of daily figures)[1]											
Common stock prices (indexes)												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	254.16	291.18	357.98	354.59	360.96	373.54	388.75	391.61	403.58	418.57	416.72	401.00
2 Industrial	315.32	367.40	453.57	444.91	459.69	473.98	490.60	494.38	509.18	524.30	523.08	506.69
3 Transportation	247.17	270.14	327.30	321.61	323.12	332.80	348.32	352.28	359.40	364.15	372.37	366.67
4 Utility	104.96	110.64	126.36	122.37	121.12	130.04	135.88	128.55	131.95	142.88	132.38	126.66
5 Finance	209.75	238.48	303.94	302.95	308.16	324.42	345.30	350.01	361.45	388.75	387.19	364.25
6 Standard & Poor's Corporation (1941–43 = 10)[2]	460.42	541.72	670.49	662.68	674.88	701.46	735.67	743.25	766.22	798.39	792.16	763.93
7 American Stock Exchange (Aug. 31, 1973 = 50)[3]	449.49	498.13	570.86	554.88	564.87	574.46	583.21	582.96	585.09	593.29	593.64	554.13
Volume of trading (thousands of shares)												
8 New York Stock Exchange	290,652	345,729	409,740	333,343	400,951	420,835	443,521	431,538	526,631	508,199	496,241	473,094
9 American Stock Exchange	17,951	20,387	22,567	17,916	19,449	18,780	22,151	23,648	24,019	21,250	19,232	19,121
	Customer financing (millions of dollars, end-of-period balances)											
10 **Margin credit at broker–dealers**[4]	**61,160**	**76,680**	**97,400**	**82,980**	**89,300**	**88,740**	**91,680**	**97,400**	**99,460**	**100,000**	**100,160**	**98,870**
Free credit balances at brokers[5]												
11 Margin accounts[6]	14,095	16,250	22,540	17,520	17,940	19,890	20,020	22,540	22,870	22,200	22,930[r]	22,700
12 Cash accounts	28,870	34,340	40,430	32,680	35,360	36,610	36,650	40,430	41,280	40,090	41,050	37,560

	Margin requirements (percent of market value and effective date)[7]					
	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. Daily data on prices are available upon request to the Board of Governors. For ordering address, see inside front cover.
2. In July 1976 a financial group, composed of banks and insurance companies, was added to the group of stocks on which the index is based. The index is now based on 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.
3. On July 5, 1983, the American Stock Exchange rebased its index, effectively cutting previous readings in half.
4. Since July 1983, under the revised Regulation T, margin credit at broker–dealers has included credit extended against stocks, convertible bonds, stocks acquired through the exercise of subscription rights, corporate bonds, and government securities. Separate reporting of data for margin stocks, convertible bonds, and subscription issues was discontinued in April 1984.
5. Free credit balances are amounts in accounts with no unfulfilled commitments to brokers and are subject to withdrawal by customers on demand.
6. Series initiated in June 1984.
7. Margin requirements, stated in regulations adopted by the Board of Governors pursuant to the Securities Exchange Act of 1934, limit the amount of credit that can be used to purchase and carry "margin securities" (as defined in the regulations) when such credit is collateralized by securities. Margin requirements on securities are the difference between the market value (100 percent) and the maximum loan value of collateral as prescribed by the Board. Regulation T was adopted effective Oct. 15, 1934; Regulation U, effective May 1, 1936, Regulation G, effective Mar. 11, 1968; and Regulation X, effective Nov. 1, 1971.

On Jan. 1, 1977, the Board of Governors for the first time established in Regulation T the initial margin required for writing options on securities, setting it at 30 percent of the current market value of the stock underlying the option. On Sept. 30, 1985, the Board changed the required initial margin, allowing it to be the same as the option maintenance margin required by the appropriate exchange or self-regulatory organization; such maintenance margin rules must be approved by the Securities and Exchange Commission.

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1994	Fiscal year 1995	Fiscal year 1996	Calendar year 1996 Nov.	1996 Dec.	1997 Jan.	1997 Feb.	1997 Mar.	1997 Apr.
U.S. budget[1]									
1 Receipts, total	1,258,627	1,351,830	1,453,062	97,849	148,489	150,718	90,293	108,099	228,588
2 On-budget	923,601	1,000,751	1,085,570	70,018	119,528	113,841	59,673	73,869	187,997
3 Off-budget	335,026	351,079	367,492	27,831	28,961	36,877	30,620	34,230	40,591
4 Outlays, total	1,461,731	1,515,729	1,560,330	135,727	129,666	137,354	134,303	129,422	134,650
5 On-budget	1,181,469	1,227,065	1,259,872	106,327	120,429	110,552	104,964	100,427	107,842
6 Off-budget	279,372	288,664	300,458	29,400	9,237	26,802	29,339	28,996	26,807
7 Surplus or deficit (−), total	−203,104	−163,899	−107,268	−37,878	18,823	13,364	−44,010	−21,323	93,939
8 On-budget	−258,758	−226,314	−174,302	−36,309	−901	3,289	−45,291	−26,558	80,155
9 Off-budget	55,654	62,415	67,034	−1,569	19,724	10,075	1,281	5,234	13,784
Source of financing (total)									
10 Borrowing from the public	185,344	171,288	129,712	45,459	−12,321	−16,776	35,968	28,833	−39,001
11 Operating cash (decrease, or increase (−))	16,564	−2,007	−6,276	−673	−6,488	−3,785	21,357	−18,274	−55,908
12 Other[2]	1,196	−5,382	−16,168	−6,908	−14	7,197	−13,315	10,764	970
MEMO									
13 Treasury operating balance (level, end of period)	35,942	37,949	44,225	26,306	32,794	36,579	15,222	33,496	89,404
14 Federal Reserve Banks	6,848	8,620	7,700	4,857	7,742	6,770	5,258	5,945	52,215
15 Tax and loan accounts	29,094	29,329	36,525	21,449	25,052	29,809	9,965	27,551	37,189

1. Since 1990, off-budget items have been the social security trust funds (federal old-age survivors insurance and federal disability insurance) and the U.S. Postal Service.

2. Includes special drawing rights (SDRs); reserve position on the U.S. quota in the International Monetary Fund (IMF); loans to the IMF; other cash and monetary assets; accrued interest payable to the public; allocations of SDRs; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seigniorage; increment on gold; net gain or loss for U.S. currency valuation adjustment; net gain or loss for IMF loan-valuation adjustment; and profit on sale of gold.

SOURCE. Monthly totals: U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*; fiscal year totals: U.S. Office of Management and Budget, *Budget of the U.S. Government*.

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS[1]

Millions of dollars

Source or type	Fiscal year		Calendar year						
	1995	1996	1995		1996		1997		
			H1	H2	H1	H2	Feb.	Mar.	Apr.
RECEIPTS									
1 **All sources**	**1,351,830**	**1,453,062**	**711,003**	**656,865**	**767,099**	**707,551**	**90,293**	**108,099**	**228,588**
2 Individual income taxes, net	590,244	656,417	307,498	292,393	347,285	323,884	37,400	36,434	134,291
3 Withheld	499,927	533,080	251,398	256,916	264,177	279,988	48,351	49,994	45,582
4 Nonwithheld	175,855	212,168	132,001	45,521	162,782	53,491	2,948	6,380	110,878
5 Refunds	85,538	88,897	75,959	10,058	79,735	9,604	13,906	19,955	22,177
Corporation income taxes									
6 Gross receipts	174,422	189,055	92,132	88,302	96,480	95,364	4,014	21,059	29,547
7 Refunds	17,418	17,231	10,399	7,518	9,704	10,053	1,777	2,335	2,125
8 Social insurance taxes and contributions, net	484,473	509,414	261,837	224,269	277,767	240,326	41,784	44,197	54,644
9 Employment taxes and contributions[2]	451,045	476,361	241,557	211,323	257,446	227,777	38,969	43,547	50,771
10 Unemployment insurance	28,878	28,584	18,001	10,702	18,068	10,302	2,423	311	3,532
11 Other net receipts[3]	4,550	4,469	2,279	2,247	2,254	2,245	391	339	341
12 Excise taxes	57,484	54,014	27,452	30,014	25,682	27,016	5,106	3,998	4,768
13 Customs deposits	19,301	18,670	8,848	9,849	8,731	9,294	1,379	1,315	1,492
14 Estate and gift taxes	14,763	17,189	7,425	7,718	8,775	8,835	1,180	1,468	3,308
15 Miscellaneous receipts[4]	28,561	25,534	16,211	11,839	12,087	12,888	1,208	1,962	2,662
OUTLAYS									
16 **All types**	**1,515,729**	**1,560,330**	**761,289**	**752,856**	**785,368**	**799,851**	**134,303[r]**	**129,422**	**134,650**
17 National defense	272,066	265,748	135,648	132,887	132,598	138,350	20,897	19,854	21,789
18 International affairs	16,434	13,496	4,797	6,908	8,074	8,895	898	1,094	1,654
19 General science, space, and technology	16,724	16,709	8,611	7,970	8,897	9,498	1,417	1,478	1,395
20 Energy	4,936	2,836	2,358	1,992	1,356	806	211	490	28
21 Natural resources and environment	22,078	21,614	10,273	11,392	10,254	11,642	1,508	1,410	1,545
22 Agriculture	9,778	9,159	4,039	3,065	72	10,699	−96	26	−206
23 Commerce and housing credit	−17,808	−10,646	13,471	−3,947	−6,885	−6,198	−1,460	−2,986	−2,314
24 Transportation	39,350	39,565	18,193	20,725	18,290	21,205	2,842	2,810	2,955
25 Community and regional development	10,641	10,685	5,073	5,569	5,245	6,192	608	920	1,067
26 Education, training, employment, and social services	54,263	52,001	25,893	26,212	25,979	26,032	5,100	3,843	4,123
27 Health	115,418	119,378	59,057	57,128	59,989	61,466	9,169	10,478	10,439
28 Social security and Medicare	495,701	523,901	251,975	251,388	264,647	269,409	44,973	43,935	46,823
29 Income security	220,493	225,989	117,190	104,847	121,187	107,181	26,346	23,639	20,706
30 Veterans benefits and services	37,890	36,985	19,269	18,678	18,140	21,107	3,384	1,772	3,342
31 Administration of justice	16,216	17,548	8,051	8,091	9,015	9,595	2,074	1,612	1,454
32 General government	13,835	11,892	5,796	7,601	4,641	6,544	119	1,447	1,519
33 Net interest[5]	232,169	241,090	116,169	119,348	120,576	122,568	19,362	20,410	21,132
34 Undistributed offsetting receipts[6]	−44,455	−37,620	−17,631	−26,995	−16,716	−25,140	−3,049	−2,810	−2,803

1. Functional details do not sum to total outlays for calendar year data because revisions to monthly totals have not been distributed among functions. Fiscal year total for receipts and outlays do not correspond to calendar year data because revisions from the *Budget* have not been fully distributed across months.
2. Old-age, disability, and hospital insurance, and railroad retirement accounts.
3. Federal employee retirement contributions and civil service retirement and disability fund.
4. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.
5. Includes interest received by trust funds.
6. Rents and royalties for the outer continental shelf, U.S. government contributions for employee retirement, and certain asset sales.

SOURCE. Fiscal year totals: U.S. Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 1998*; monthly and half-year totals: U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*.

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars, end of month

Item	1995				1996				1997
	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31
1 **Federal debt outstanding**	**4,891**	**4,978**	**5,001**	**5,017**	**5,153**	**5,197**	**5,260**	**5,357**	**5,415**
2 Public debt securities	4,864	4,951	4,974	4,989	5,118	5,161	5,225	5,323	5,381
3 Held by public	3,610	3,635	3,653	3,684	3,764	3,739	3,778	3,826	n.a
4 Held by agencies	1,255	1,317	1,321	1,305	1,354	1,422	1,447	1,497	n.a
5 Agency securities	27	27	27	28	36	36	35	34	34
6 Held by public	26	27	27	28	28	28	27	27	n.a.
7 Held by agencies	0	0	0	0	8	8	8	8	n.a.
8 **Debt subject to statutory limit**	**4,775**	**4,861**	**4,885**	**4,900**	**5,030**	**5,073**	**5,137**	**5,237**	**5,294**
9 Public debt securities	4,774	4,861	4,885	4,900	5,030	5,073	5,137	5,237	5,294
10 Other debt[1]	0	0	0	0	0	0	0	0	0
MEMO									
11 Statutory debt limit	4,900	4,900	4,900	4,900	5,500	5,500	5,500	5,500	5,500

1. Consists of guaranteed debt of U.S. Treasury and other federal agencies, specified participation certificates, notes to international lending organizations, and District of Columbia stadium bonds.

SOURCE. U.S. Department of the Treasury, *Monthly Statement of the Public Debt of the United States* and *Treasury Bulletin*

1.41 GROSS PUBLIC DEBT OF U.S. TREASURY Types and Ownership

Billions of dollars, end of period

Type and holder	1993	1994	1995	1996	1996			1997
					Q2	Q3	Q4	Q1
1 **Total gross public debt**	**4,535.7**	**4,800.2**	**4,988.7**	**5,323.2**	**5,161.1**	**5,224.8**	**5,323.2**	**5,380.9**
By type								
2 Interest-bearing	4,532.3	4,769.2	4,964.4	5,317.2	5,126.8	5,220.8	5,317.2	5,375.1
3 Marketable	2,989.5	3,126.0	3,307.2	3,459.7	3,348.4	3,418.4	3,459.7	3,504.4
4 Bills	714.6	733.8	760.7	777.4	773.6	761.2	777.4	785.6
5 Notes	1,764.0	1,867.0	2,010.3	2,112.3	2,025.8	2,098.7	2,112.3	2,131.0
6 Bonds	495.9	510.3	521.2	555.0	534.1	543.5	555.0	565.4
7 Inflation-indexed notes[1]	n.a.	n.a	n.a.	n.a.	n.a.	n.a	n.a.	7.4
8 Nonmarketable[2]	1,542.9	1,643.1	1,657.2	1,857.5	1,778.3	1,802.4	1,857.5	1,870.8
9 State and local government series	149.5	132.6	104.5	101.3	97.8	95.7	101.3	104.8
10 Foreign issues[3]	43.5	42.5	40.8	37.4	37.8	37.5	37.4	36.8
11 Government	43.5	42.5	40.8	47.4	37.8	37.5	47.4	36.8
12 Public	.0	.0	.0	.0	.0	.0	.0	.0
13 Savings bonds and notes	169.4	177.8	181.9	182.4	183.8	184.2	182.4	182.6
14 Government account series[4]	1,150.0	1,259.8	1,299.6	1,505.9	1,428.5	1,454.7	1,505.9	1,516.6
15 Non-interest-bearing	3.4	31.0	24.3	6.0	34.3	4.0	6.0	5.8
By holder[5]								
16 U.S. Treasury and other federal agencies and trust funds	1,153.5	1,257.1	1,304.5	1,497.2	1,422.4	1,447.0	1,497.2	n.a
17 Federal Reserve Banks	334.2	374.1	391.0	410.9	391.0	390.9	410.9	n.a
18 Private investors	3,047.4	3,168.0	3,294.9	3,411.2	3,347.3	3,386.2	3,411.2	n.a
19 Commercial banks	322.2	290.4	278.7	272.0	280.2	274.8	272.0	n.a
20 Money market funds	80.8	67.6	71.3	92.1	82.1	85.2	92.1	n.a
21 Insurance companies	234.5	240.1	241.5	234.0	234.4	234.5	234.0	n.a
22 Other companies	213.0	226.5	228.8	258.5	230.9	249.1	258.5	n.a
23 State and local treasuries[6,7]	590.8	468.3	344.1	290.0	316.8	298.5	290.0	n.a
Individuals								
24 Savings bonds	171.9	180.5	185.0	187.0	186.5	186.8	187.0	n.a
25 Other securities	137.9	150.7	162.7	169.6	161.1	167.0	169.6	n.a
26 Foreign and international[8]	623.0	688.6	862.2	1,131.5	959.8	1,030.9	1,131.5	n.a
27 Other miscellaneous investors[7,9]	673.3	855.3	920.6	776.5	895.5	859.4	776.5	n.a

1. The U.S. Treasury first issued inflation-indexed notes during the first quarter of 1997.
2. Includes (not shown separately) securities issued to the Rural Electrification Administration, depository bonds, retirement plan bonds, and individual retirement bonds.
3. Nonmarketable series denominated in dollars, and series denominated in foreign currency held by foreigners.
4. Held almost entirely by U.S. Treasury and other federal agencies and trust funds.
5. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.
6. Includes state and local pension funds.
7. In March 1996, in a redefinition of series, fully defeased debt backed by nonmarketable federal securities was removed from "Other miscellaneous investors" and added to "State and local treasuries." The data shown here have been revised accordingly.
8. Consists of investments of foreign balances and international accounts in the United States.
9. 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.

SOURCE. U.S. Treasury Department, data by type of security, *Monthly Statement of the Public Debt of the United States*, data by holder, *Treasury Bulletin*

1.42 U.S. GOVERNMENT SECURITIES DEALERS Transactions[1]

Millions of dollars, daily averages

Item	1997			1997, week ending								
	Jan.	Feb.	Mar.	Mar. 5	Mar. 12	Mar. 19	Mar. 26	Apr. 2	Apr. 9	Apr. 16	Apr. 23	Apr. 30
OUTRIGHT TRANSACTIONS[2]												
By type of security												
1 U.S. Treasury bills	45,941	43,025	51,477	57,425	46,179	45,170	57,182	57,308	48,797	56,123	41,435	47,730
Coupon securities, by maturity												
2 Five years or less	110,875	108,283	116,859	125,323	104,384	108,231	132,151	118,691	101,182	97,085	105,669	120,966
3 More than five years	55,797	66,967	56,149	67,771	53,631	53,512	55,090	54,252	50,739	50,914	43,433	51,596
4 Federal agency	35,624	36,070	36,352	36,842	33,366	36,004	36,538	43,487	34,627	30,995	36,003	49,033
5 Mortgage-backed	45,018	45,373	41,420	44,647	54,640	35,581	31,773	42,243	62,772	37,574	34,216	33,270
By type of counterparty												
With interdealer broker												
6 U.S. Treasury	122,621	122,673	127,746	138,676	116,349	118,810	141,227	128,483	113,629	118,529	106,416	125,095
7 Federal agency	1,141	1,338	1,117	1,283	1,406	849	1,123	801	1,215	923	1,200	866
8 Mortgage-backed	14,419	15,872	15,314	16,722	18,741	13,083	12,382	17,546	17,354	12,511	11,631	12,747
With other												
9 U.S. Treasury	89,993	95,602	96,739	111,843	87,846	88,104	103,195	101,767	87,089	85,592	84,121	95,196
10 Federal agency	34,483	34,732	35,235	35,559	31,960	35,155	35,414	42,686	33,412	30,072	34,803	48,168
11 Mortgage-backed	30,598	29,501	26,105	27,925	35,898	22,498	19,390	24,696	45,418	25,064	22,585	20,523
FUTURES TRANSACTIONS[3]												
By type of deliverable security												
12 U.S. Treasury bills	206	296	433	272	272	435	747	287	213	222	98	n.a.
Coupon securities, by maturity												
13 Five years or less	1,489	1,797	2,150	3,316	1,845	2,059	1,681	2,561	1,407	1,532	1,798	1,806
14 More than five years	14,518	13,442	14,670	15,867	14,100	15,972	13,807	13,205	12,417	12,617	10,399	13,467
15 Federal agency	0	0	0	0	0	0	0	0	0	0	0	0
16 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0	0
OPTIONS TRANSACTIONS[4]												
By type of underlying security												
17 U.S. Treasury bills	0	0	0	0	n.a.	0	0	0	0	0	0	0
Coupon securities, by maturity												
18 Five years or less	3,288	3,770	3,469	4,496	2,588	3,618	4,056	2,286	3,300	3,475	3,319	3,049
19 More than five years	5,045	5,196	4,649	5,079	4,568	4,658	4,118	5,513	4,207	3,461	3,586	5,360
20 Federal agency	0	0	0	0	0	0	0	0	0	0	0	0
21 Mortgage-backed	455	734	578	274	469	626	786	663	559	917	438	392

1. Transactions are market purchases and sales of securities as reported to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Monthly averages are based on the number of trading days in the month. Transactions are assumed evenly distributed among the trading days of the report week. Immediate, forward, and futures transactions are reported at principal value, which does not include accrued interest; options transactions are reported at the face value of the underlying securities.

Dealers report cumulative transactions for each week ending Wednesday.

2. Outright transactions include immediate and forward transactions. Immediate delivery refers to purchases or sales of securities (other than mortgage-backed federal agency securities) for which delivery is scheduled in five business days or less and "when-issued" securities that settle on the issue date of offering. Transactions for immediate delivery of mortgage-backed agency securities include purchases and sales for which delivery is scheduled in thirty business days or less. Stripped securities are reported at market value by maturity of coupon or corpus.

Forward transactions are agreements made in the over-the-counter market that specify delayed delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.

3. Futures transactions are standardized agreements arranged on an exchange. All futures transactions are included regardless of time to delivery.

4. Options transactions are purchases or sales of put and call options, whether arranged on an organized exchange or in the over-the-counter market, and include options on futures contracts on U.S. Treasury and federal agency securities.

NOTE. "n.a." indicates that data are not published because of insufficient activity.

Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending July 6, 1994.

1.43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing[1]

Millions of dollars

Item	1997 Jan.	1997 Feb.	1997 Mar.	1997, week ending Mar. 5	Mar. 12	Mar. 19	Mar. 26	Apr. 2	Apr. 9	Apr. 16	Apr. 23
						Positions[2]					
NET OUTRIGHT POSITIONS[3]											
By type of security											
1 U.S. Treasury bills	5,582	5,047	14,352	15,465	14,794	8,298	10,344	26,710	16,311	3,724	−7,883
Coupon securities, by maturity											
2 Five years or less	−8,518	−8,602	−20,140	−19,249	−13,783	−26,300	−19,581	−22,088	−22,454	−28,635	−21,512
3 More than five years	−24,851	−20,818	−28,545	−23,742	−26,745	−28,827	−31,508	−31,328	−29,141	−28,769	−27,939
4 Federal agency	25,134	22,896	24,380	19,595	25,946	24,816	24,272	26,516	29,322	27,781	31,474
5 Mortgage-backed	37,786	39,289	40,292	41,819	38,726	43,914	39,745	36,652	36,155	34,737	34,286
NET FUTURES POSITIONS[4]											
By type of deliverable security											
6 U.S. Treasury bills	−2,074	−3,437	−2,494	−2,848	−2,920	−2,186	−2,029	−2,625	−2,870	−2,225	−2,222
Coupon securities, by maturity											
7 Five years or less	388	851	3,130	2,406	2,403	3,893	3,093	3,855	4,792	4,883	4,067
8 More than five years	−7,784	−11,153	−5,256	−8,454	−5,803	−4,903	−3,899	−3,686	−2,955	−5,794	−5,822
9 Federal agency	0	0	0	0	0	0	0	0	0	0	0
10 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0
NET OPTIONS POSITIONS											
By type of deliverable security											
11 U.S. Treasury bills	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity											
12 Five years or less	−3,148	−2,518	−2,532	−2,063	−2,078	−2,184	−3,574	−2,665	−3,793	−2,135	−3,121
13 More than five years	−5	382	−433	−242	−327	−517	181	−1,515	−1,592	−1,187	−974
14 Federal agency	0	0	0	0	0	0	0	0	0	0	0
15 Mortgage-backed	1,123	1,383	1,405	701	656	1,420	2,088	2,180	2,124	2,439	2,472
						Financing[5]					
Reverse repurchase agreements											
16 Overnight and continuing	276,107	298,371	284,574	291,399	292,233	276,570	281,084	283,120	276,493	269,801	274,540
17 Term	486,628	487,843	503,687	478,859	503,643	524,732	516,788	480,771	536,000	532,910	570,364
Securities borrowed											
18 Overnight and continuing	199,784	205,656	213,214	206,506	218,683	213,561	211,626	214,001	213,709	211,511	211,807
19 Term	80,149	83,514	77,877	80,628	79,553	79,443	74,917	74,734	78,199	81,905	85,447
Securities received as pledge											
20 Overnight and continuing	5,298	3,204	5,937	3,088	4,267	7,316	7,248	7,356	7,588	8,428	5,722
21 Term	45	43	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a	n.a.	n.a.
Repurchase agreements											
22 Overnight and continuing	578,791	604,841	599,641	608,923	611,677	590,616	588,444	601,817	610,038	609,606	586,782
23 Term	443,233	453,814	456,464	433,452	458,238	481,060	475,466	415,957	471,071	475,738	515,663
Securities loaned											
24 Overnight and continuing	4,481	6,881	5,321	6,071	4,699	5,045	5,764	5,207	5,289	6,535	5,135
25 Term	4,864	6,746	6,057	7,155	7,174	7,201	4,062	4,585	4,189	3,912	4,595
Securities pledged											
26 Overnight and continuing	58,140	57,526	62,775	57,720	60,739	62,787	68,035	63,301	56,671	56,443	60,220
27 Term	2,391	2,245	2,026	1,702	1,809	2,297	2,470	1,653	2,359	2,570	2,325
Collateralized loans											
28 Overnight and continuing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a	n.a.	n.a.	n.a.	n.a.
29 Term	n.a.	n.a.	n.a	n.a.	n.a	n.a.	n.a	n.a.	n.a.	n.a.	n.a
30 Total	9,386	13,457	10,604	11,763	13,223	12,553	6,327	9,037	13,482	14,008	11,298
MEMO: Matched book[6]											
Securities in											
31 Overnight and continuing	279,556	294,190	281,495	276,941	291,987	284,004	274,067	278,245	276,500	272,708	285,844
32 Term	485,466	487,344	487,773	469,602	491,281	507,351	494,039	464,853	515,407	527,157	551,947
Securities out											
33 Overnight and continuing	351,842	367,612	358,230	356,156	370,533	357,073	344,713	363,626	357,959	365,058	363,043
34 Term	392,408	400,188	393,532	372,589	395,991	414,850	409,064	359,443	407,422	409,212	448,247

1. Data for positions and financing are obtained from reports submitted to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Weekly figures are close-of-business Wednesday data. Positions for calendar days of the report week are assumed to be constant. Monthly averages are based on the number of calendar days in the month.

2. Securities positions are reported at market value.

3. Net outright positions include immediate and forward positions. Net immediate positions include securities purchased or sold (other than mortgage-backed agency securities) that have been delivered or are scheduled to be delivered in five business days or less and "when-issued" securities that settle on the issue date of offering. Net immediate positions for mortgage-backed agency securities include securities purchased or sold that have been delivered or are scheduled to be delivered in thirty business days or less.

Forward positions reflect agreements made in the over-the-counter market that specify delayed delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.

4. Futures positions reflect standardized agreements arranged on an exchange. All futures positions are included regardless of time to delivery.

5. Overnight financing refers to agreements made on one business day that mature on the next business day; continuing contracts are agreements that remain in effect for more than one business day but have no specific maturity and can be terminated without advance notice by either party; term agreements have a fixed maturity of more than one business day. Financing data are reported in terms of actual funds paid or received, including accrued interest.

6. Matched-book data reflect financial intermediation activity in which the borrowing and lending transactions are matched. Matched-book data are included in the financing breakdowns given above. The reverse repurchase and repurchase numbers are not always equal because of the "matching" of securities of different values or different types of collateralization.

NOTE. "n.a." indicates that data are not published because of insufficient activity.

Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending July 6, 1994.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1993	1994	1995	1996	1996			1997	
					Oct.	Nov.	Dec	Jan.	Feb.
1 **Federal and federally sponsored agencies**	**570,711**	**738,928**	**844,611**	**925,823**	**901,089**	**912,100**	**925,823**	**939,416**	**927,400**
2 Federal agencies	45,193	39,186	37,347	29,380	30,800	29,909	29,380	29,481	29,303
3 Defense Department[1]	6	6	6	6	6	6	6	6	6
4 Export-Import Bank[2,3]	5,315	3,455	2,050	1,447	1,828	1,828	1,447	1,437	1,437
5 Federal Housing Administration[4]	255	116	97	84	82	84	84	144	146
6 Government National Mortgage Association certificates of participation[5]	n.a.	n.a.	n.a	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
7 Postal Service[6]	9,732	8,073	5,765	n.a.	n.a.	n.a.	n.a.	n.a	n.a.
8 Tennessee Valley Authority	29,885	27,536	29,429	27,853	28,884	27,991	27,853	27,831	27,714
9 United States Railway Association[6]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a	n.a.
10 Federally sponsored agencies[7]	523,452	699,742	807,264	896,443	870,289	882,191	896,443	909,998	898,097
11 Federal Home Loan Banks	139,512	205,817	243,194	263,404	253,836	252,868	263,404	257,055	255,407
12 Federal Home Loan Mortgage Corporation	49,993	93,279	119,961	156,980	148,435	158,158	156,980	163,171	161,532
13 Federal National Mortgage Association	201,112	257,230	299,174	331,270	321,110	324,378	331,270	333,302	332,046
14 Farm Credit Banks[8]	53,123	53,175	57,379	60,053	59,712	59,797	60,053	67,610	60,075
15 Student Loan Marketing Association[9]	39,784	50,335	47,529	44,763	47,225	46,991	44,763	48,788	48,707
16 Financing Corporation[10]	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170
17 Farm Credit Financial Assistance Corporation[11]	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261
18 Resolution Funding Corporation[12]	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996
MEMO									
19 **Federal Financing Bank debt**[13]	**128,187**	**103,817**	**78,681**	**58,172**	**61,051**	**58,921**	**58,172**	**57,635**	**57,625**
Lending to federal and federally sponsored agencies									
20 Export-Import Bank[3]	5,309	3,449	2,044	1,431	1,822	1,822	1,431	1,431	1,431
21 Postal Service[6]	9,732	8,073	5,765	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
22 Student Loan Marketing Association	4,760	n.a.	n.a.	n.a.	n.a.	n.a	n.a	n.a.	n.a.
23 Tennessee Valley Authority	6,325	3,200	3,200	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
24 United States Railway Association[6]	n.a.	n.a.	n.a	n.a.	n.a.	n.a.	n.a.	n.a	n.a.
Other lending[14]									
25 Farmers Home Administration	38,619	33,719	21,015	18,325	18,700	18,325	18,325	17,875	17,875
26 Rural Electrification Administration	17,578	17,392	17,144	16,702	16,753	16,772	16,702	16,702	16,710
27 Other	45,864	37,984	29,513	21,714	23,776	22,002	21,714	21,627	21,609

1. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.
2. Includes participation certificates reclassified as debt beginning Oct. 1, 1976.
3. On-budget since Sept. 30, 1976.
4. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.
5. Certificates of participation issued before fiscal year 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration, the Department of Health, Education, and Welfare, the Department of Housing and Urban Development, the Small Business Administration, and the Veterans Administration.
6. Off-budget.
7. Includes outstanding noncontingent liabilities: notes, bonds, and debentures. Includes Federal Agricultural Mortgage Corporation; therefore details do not sum to total. Some data are estimated.
8. Excludes borrowing by the Farm Credit Financial Assistance Corporation, which is shown on line 17.
9. Before late 1982, the association obtained financing through the Federal Financing Bank (FFB). Borrowing excludes that obtained from the FFB, which is shown on line 22.
10. The Financing Corporation, established in August 1987 to recapitalize the Federal Savings and Loan Insurance Corporation, undertook its first borrowing in October 1987.
11. The Farm Credit Financial Assistance Corporation, established in January 1988 to provide assistance to the Farm Credit System, undertook its first borrowing in July 1988.
12. The Resolution Funding Corporation, established by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, undertook its first borrowing in October 1989.
13. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Because FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table to avoid double counting.
14. Includes FFB purchases of agency assets and guaranteed loans; the latter are loans guaranteed by numerous agencies, with the amounts guaranteed by any one agency generally being small. The Farmers Home Administration entry consists exclusively of agency assets, whereas the Rural Electrification Administration entry consists of both agency assets and guaranteed loans.

1.45 NEW SECURITY ISSUES Tax-Exempt State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1994	1995	1996	1996 Sept.	1996 Oct.	1996 Nov	1996 Dec.	1997[r] Jan.	1997[r] Feb.	1997[r] Mar.	1997[r] Apr
1 **All issues, new and refunding**[1]	**153,950**	**145,657**	**171,222**	**11,693**	**16,750**	**14,520**	**17,431**	**10,340**	**12,052**	**13,771**	**14,697**
By type of issue											
2 General obligation	54,404	56,980	60,409	3,024	5,467	5,134	4,755	4,160	4,287	5,479	6,232
3 Revenue	99,546	88,677	110,813	8,669	11,283	9,386	12,676	6,180	7,765	8,292	8,465
By type of issuer											
4 State	19,186	14,665	13,651	874	1,769	1,351	663	728	713	4,037	1,127
5 Special district or statutory authority[2]	95,896	93,500	113,228	8,137	10,923	9,091	12,315	6,306	8,341	7,316	10,188
6 Municipality, county, or township	38,868	37,492	44,343	2,682	4,058	4,078	4,453	3,306	2,998	2,418	3,382
7 **Issues for new capital**	**105,972**	**102,390**	**112,298**	**7,837**	**12,113**	**8,656**	**12,311**	**6,106**	**8,409**	**8,853**	**11,551**
By use of proceeds											
8 Education	21,267	23,964	26,851	1,522	2,693	1,530	2,306	1,974	1,924	2,321	3,203
9 Transportation	10,836	11,890	12,324	850	2,907	1,164	736	808	639	393	1,858
10 Utilities and conservation	10,192	9,618	9,791	720	1,441	1,102	1,006	749	901	952	346
11 Social welfare	20,289	19,566	24,583	2,100	1,573	1,974	3,294	1,265	1,281	2,605	1,869
12 Industrial aid	8,161	6,581	6,287	439	556	460	1,081	231	481	295	724
13 Other purposes	35,227	30,771	32,462	2,206	2,943	2,426	3,888	1,079	3,183	2,287	3,551

1. Par amounts of long-term issues based on date of sale.
2. Includes school districts.

SOURCE. Securities Data Company beginning January 1990; *Investment Dealer's Digest* before then.

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue, offering, or issuer	1994	1995	1996	1996 Aug.	1996 Sept.	1996 Oct.	1996 Nov.	1996 Dec.	1997 Jan.	1997 Feb.	1997 Mar
1 **All issues**[1]	**583,240**	n.a.	n.a.	**44,447**	**60,578**	**60,387**	**57,937**	**48,747**	**57,186**[r]	**46,976**[r]	**53,984**
2 **Bonds**[2]	**498,039**	**573,206**	n.a.	**38,685**	**53,875**	**47,498**	**44,569**	**39,585**	**44,027**	**38,976**	**46,301**
By type of offering											
3 Public, domestic	365,222	408,804	386,280	32,605	44,658	39,855	38,948	37,108	35,449	32,827[r]	41,863
4 Private placement, domestic[3]	76,065	87,492	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5 Sold abroad	56,755	76,910	74,793	6,081	9,218	7,643	5,621	2,477	8,577	6,149	4,438
By industry group											
6 Manufacturing	43,423	61,070	41,959	3,092	4,045	5,969	2,720	5,096	4,088	4,791	3,003
7 Commercial and miscellaneous	40,735	50,689	34,076	2,661	3,195	5,010	4,282	1,727	4,926	1,829	1,227
8 Transportation	6,867	8,430	5,111	293	620	436	270	341	366	100	324
9 Public utility	13,322	13,751	8,161	174	279	1,067	773	680	858	1,477	1,185
10 Communication	13,340	22,999	13,320	1,450	829	802	475	628	1,210	655	2,877
11 Real estate and financial	380,352	416,269	358,446	31,016	44,908	34,215	36,049	31,113	32,578	30,124	37,685
12 **Stocks**[2]	**85,155**	**100,573**	n.a.	**5,762**	**6,703**	**12,889**	**13,368**	**9,162**	**13,159**	**8,000**	**7,683**
By type of offering											
13 Public preferred	12,570	10,917	33,208	1,168	1,890	3,855	5,656	5,452	8,048	1,504	2,889
14 Common	47,828	57,556	83,052	4,594	4,813	9,034	7,712	3,710	5,111	6,496	4,794
15 Private placement[3]	24,800	32,100	↑	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By industry group											
16 Manufacturing	17,798	21,545[r]		1,050	787	1,588	1,530	899	608	2,008	1,034
17 Commercial and miscellaneous	15,713	27,844	n.a.	2,143	3,080	5,752	3,974	2,922	1,827	3,041	2,022
18 Transportation	2,203	804		143	0	42	367	54	250	258	50
19 Public utility	2,214	1,936		306	212	100	210	103	1,847	96	793
20 Communication	494	1,077		51	0	480	42	23	0	28	0
21 Real estate and financial	46,733	47,367	↓	2,070	2,624	4,928	7,219	5,161	8,292	2,588	3,745

1. Figures represent gross proceeds of issues maturing in more than one year; they are the principal amount or number of units calculated by multiplying by the offering price. Figures exclude secondary offerings, employee stock plans, investment companies other than closed-end, intracorporate transactions, equities sold abroad, and Yankee bonds. Stock data include ownership securities issued by limited partnerships.
2. Monthly data cover only public offerings.
3. Monthly data are not available.

SOURCE. Beginning July 1993, Securities Data Company and the Board of Governors of the Federal Reserve System.

1.47 OPEN–END INVESTMENT COMPANIES Net Sales and Assets[1]

Millions of dollars

Item	1995	1996	1996				1997			
			Sept.	Oct.	Nov.	Dec	Jan.	Feb.	Mar.[r]	Apr.
1 **Sales of own shares[2]**	**871,415**	**1,149,918**	**84,171**	**92,730**	**87,958**	**122,792**	**134,460**	**102,169**	**101,390**	**110,431**
2 Redemptions of own shares	699,497	853,460	65,601	72,537	65,949	87,949	96,243	73,871	79,976	100,135
3 Net sales[3]	171,918	296,458	18,570	20,193	22,009	34,843	38,218	28,298	21,413	10,296
4 **Assets[4]**	**2,067,337**	**2,637,398**	**2,474,339**	**2,517,049**	**2,652,884**	**2,637,398**	**2,752,273**	**2,772,715**	**2,700,474**	**2,782,127**
5 Cash[5]	142,572	139,396	156,689	149,937	146,044	137,973	152,297	153,525	160,570	178,704
6 Other	1,924,765	2,498,002	2,317,651	2,367,112	2,506,840	2,499,425	2,599,976	2,619,189	2,539,906	2,603,423

1. Data on sales and redemptions exclude money market mutual funds but include limited-maturity municipal bond funds. Data on asset positions exclude both money market mutual funds and limited-maturity municipal bond funds.
2. Includes reinvestment of net income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.
3. Excludes sales and redemptions resulting from transfers of shares into or out of money market mutual funds within the same fund family.
4. Market value at end of period, less current liabilities.
5. Includes all U.S. Treasury securities and other short-term debt securities.

SOURCE. Investment Company Institute. Data based on reports of membership, which comprises substantially all open–end investment companies registered with the Securities and Exchange Commission. Data reflect underwritings of newly formed companies after their initial offering of securities.

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data at seasonally adjusted annual rates

Account	1994	1995	1996	1995			1996				1997
				Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
1 Profits with inventory valuation and capital consumption adjustment	554.1[r]	604.8[r]	670.2[r]	580.8[r]	630.0[r]	628.3[r]	661.2[r]	672.1[r]	677.3[r]	670.1[r]	n.a.
2 Profits before taxes	531.2	598.9	639.9	589.6	607.2	604.2	642.2	644.6	635.6	637.1	n.a.
3 Profits-tax liability	195.3	218.7	233.0	214.2	224.5	218.7	233.4	236.4	233.4	228.9	n.a.
4 Profits after taxes	335.9	380.2	406.8	375.3	382.8	385.5	408.8	408.1	402.2	408.2	n.a.
5 Dividends	211.0	227.4	244.2	224.6	228.5	234.7	239.9	243.1	245.2	248.7	254.2
6 Undistributed profits	124.8	152.8	162.6	150.8	154.3	150.8	168.9	165.1	156.9	159.5	n.a.
7 Inventory valuation	−13.3	−28.1	−8.9	−42.3	−9.3	−8.8	−17.4	−11.0	2.0	−9.2	3.0
8 Capital consumption adjustment	36.2[r]	34.0[r]	39.2[r]	33.5[r]	32.1[r]	32.9[r]	36.4[r]	38.6[r]	39.7[r]	42.2[r]	44.2

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities[1]

Billions of dollars, end of period; not seasonally adjusted

Account	1994	1995	1996	1995			1996			
				Q2	Q3	Q4	Q1	Q2	Q3	Q4
ASSETS										
1 Accounts receivable, gross[2]	551.0	614.6	658.3[r]	586.9	594.7	614.6	621.8	631.4	642.0	658.3[r]
2 Consumer	134.8	152.0	154.5[r]	141.7	146.2	152.0	151.9	154.6	154.8	154.5[r]
3 Business	337.6	375.9	398.1[r]	361.8	362.4	375.9	380.9	383.7	387.0	398.1[r]
4 Real estate	78.5	86.6	105.7	83.4	86.1	86.6	89.1	93.1	100.2	105.7
5 LESS: Reserves for unearned income	55.0	63.2	59.1	62.1	61.2	63.2	61.5	59.6	58.9	59.1
6 Reserves for losses	12.4	14.1	14.8	13.7	13.8	14.1	14.2	14.1	14.7	14.8
7 Accounts receivable, net	483.5	537.3	584.4[r]	511.1	519.7	537.3	546.1	557.7	568.4	584.4[r]
8 All other	183.4	210.7	242.5	198.1	198.1	210.7	212.8	216.1	226.8	242.5
9 **Total assets**	**666.9**	**748.0**	**826.9[r]**	**709.2**	**717.8**	**748.0**	**758.9**	**773.8**	**795.2**	**826.9[r]**
LIABILITIES AND CAPITAL										
10 Bank loans	21.2	23.1	27.8	21.5	21.8	23.1	23.5	26.2	27.5	27.8
11 Commercial paper	184.6	184.5	192.9	181.3	178.0	184.5	184.8	186.9	189.4	192.9
Debt										
12 Owed to parent	51.0	62.3	79.2	57.5	59.0	62.3	62.3	68.4	71.9	79.2
13 Not elsewhere classified	235.0	284.7	320.0	264.4	272.1	284.7	291.4	301.3	311.5	320.0
14 All other liabilities	99.5	106.2	109.1[r]	102.1	102.4	106.2	105.7	100.1	102.8	109.1[r]
15 Capital, surplus, and undivided profits	75.7	87.2	97.9	82.5	84.4	87.2	91.1	90.9	92.1	97.9
16 **Total liabilities and capital**	**666.9**	**748.0**	**826.9[r]**	**709.2**	**717.8**	**748.0**	**758.9**	**773.8**	**795.2**	**826.9[r]**

1. Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data are amounts carried on the balance sheets of finance companies; securitized pools are not shown, as they are not on the books.

2. Before deduction for unearned income and losses

1.52 DOMESTIC FINANCE COMPANIES Consumer, Real Estate, and Business Credit[1]

Millions of dollars, amounts outstanding, end of period

Type of credit	1994	1995	1996	1996			1997[r]		
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
	Seasonally adjusted								
1 **Total**	**615,618**	**691,616**	**755,827[r]**	**749,165**	**757,064**	**755,827[r]**	**762,305**	**763,525**	**766,110**
2 Consumer	176,085	198,861	213,513[r]	212,511	212,775	213,513[r]	213,504	213,429	209,196
3 Real estate[2]	78,910	87,077	106,300	102,933	104,776	106,300	108,476	110,841	113,180
4 Business	360,624	405,678	436,014[r]	433,720	439,514	436,014[r]	440,325	439,255	443,734
	Not seasonally adjusted								
5 **Total**	**620,975**	**697,340**	**761,756[r]**	**747,970**	**757,079**	**761,756[r]**	**763,714**	**764,717**	**768,186**
6 Consumer	178,999	202,101	216,886[r]	213,026	214,227	216,886[r]	215,122	213,058	208,059
7 Motor vehicles	61,609	70,061	73,484[r]	75,917	75,304	73,484[r]	73,933	74,337	73,139
8 Other consumer[3]	73,221	81,988	80,984	77,527	77,868	80,984	80,927	79,798	77,274
9 Securitized motor vehicles[4]	31,897	33,633	35,644	34,603	34,177	35,644	33,976	33,069	32,101
10 Securitized other consumer[4]	12,272	16,419	26,774[r]	24,979	26,878	26,774[r]	26,286	25,854	25,545
11 Real estate[2]	78,479	86,606	105,728	103,184	104,943	105,728	108,980	111,265	112,630
12 Business	363,497	408,633	439,142[r]	431,760	437,909	439,142[r]	439,612	440,394	447,497
13 Motor vehicles	118,197	133,277	142,009[r]	139,966	142,210	142,009[r]	145,329	148,334	152,037
14 Retail loans[5]	21,514	25,304	27,868[r]	29,088	28,825	27,868[r]	28,549	28,629	28,617
15 Wholesale loans[6]	35,037	36,427	32,337	30,515	32,262	32,337	33,811	36,259	38,846
16 Leases	61,646	71,546	81,804	80,363	81,123	81,804	82,969	83,446	84,574
17 Equipment	157,953	177,297	184,942	179,997	182,229	184,942	182,484	181,949	183,155
18 Loans[7]	49,358	59,109	60,991	58,735	60,167	60,991	57,977	56,785	57,366
19 Leases	108,595	118,188	123,951	121,262	122,062	123,951	124,507	125,164	125,789
20 Other business[8]	61,495	65,363	71,110	74,055	73,999	71,110	71,784	72,718	74,434
21 Securitized business assets[4]	25,852	32,696	41,081	37,742	39,471	41,081	40,015	37,393	37,871
22 Retail loans	4,494	4,723	5,250	4,650	5,402	5,250	5,086	4,778	4,470
23 Wholesale loans	14,826	21,327	24,732	23,183	23,391	24,732	24,143	21,699	22,247
24 Leases	6,532	6,646	11,099	9,909	10,678	11,099	10,786	10,916	11,154

1. Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data are before deductions for unearned income and losses. Data in this table also appear in the Board's G.20 (422) monthly statistical release. For ordering address, see inside front cover.

2. Includes all loans secured by liens on any type of real estate, for example, first and junior mortgages and home equity loans.

3. Includes personal cash loans, mobile home loans, and loans to purchase other types of consumer goods such as appliances, apparel, general merchandise, and recreation vehicles.

4. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.

5. Passenger car fleets and commercial land vehicles for which licenses are required.

6. Credit arising from transactions between manufacturers and dealers, that is, floor plan financing.

7. Beginning with the June 1996 data, retail and wholesale business equipment loans have been combined and are no longer separately available.

8. Includes loans on commercial accounts receivable, factored commercial accounts, and receivable dealer capital; small loans used primarily for business or farm purposes; and wholesale and lease paper for mobile homes, campers, and travel trailers.

1.53 MORTGAGE MARKETS Mortgages on New Homes

Millions of dollars except as noted

Item	1994	1995	1996	1996 Oct.	1996 Nov.	1996 Dec.	1997 Jan.	1997 Feb.	1997 Mar.	1997 Apr.
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Terms[1]										
1 Purchase price (thousands of dollars)	170.4	175.8	182.4	183.9	188.1	170.8	172.4	166.6	169.2	172.5
2 Amount of loan (thousands of dollars)	130.8	134.5	139.2	139.0	143.3	129.9	133.6	130.9	132.1	134.8
3 Loan-to-price ratio (percent)	78.8	78.6	78.2	77.7	78.0	79.3	79.7	80.9	80.8	81.1
4 Maturity (years)	27.5	27.7	27.2	27.4	27.4	27.5	27.9	28.2	28.0	27.8
5 Fees and charges (percent of loan amount)[2]	1.29	1.21	1.21	1.11	1.19	1.01	1.02	1.03	0.99	1.04
Yield (percent per year)										
6 Contract rate[1]	7.26	7.65	7.56	7.76	7.60	7.63	7.65	7.61	7.72	7.86
7 Effective rate[1,3]	7.47	7.85	7.77	7.95	7.80	7.79	7.81	7.78	7.88	8.03
8 Contract rate (HUD series)[4]	8.58	8.05	8.03	8.01	7.73	7.91	7.94	7.94	8.25	8.19
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (Section 203)[5]	8.68	8.18	8.19	8.00	8.14	8.06	8.06	8.08	8.55	8.56
10 GNMA securities[6]	7.96	7.57	7.48	7.53	7.19	7.33	7.51	7.37	7.69	7.80
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	222,057	253,511	287,052	279,544	283,835	287,052	288,504	288,951	292,115	295,804
12 FHA/VA insured	27,558	28,762	30,592	30,815	30,744	30,592	30,352	30,119	30,100	30,839
13 Conventional	194,499	224,749	256,460	248,729	253,091	256,460	258,152	258,832	262,015	264,965
14 Mortgage transactions purchased (during period)	62,389	56,598	68,618	4,235	6,805	6,178	4,128	3,029	5,839	6,683
Mortgage commitments (during period)										
15 Issued[7]	54,038	56,092	65,859	5,199	6,533	3,991	4,384	4,407	8,299	3,898
16 To sell[8]	1,820	360	130	0	4	28	71	0	1	0
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	72,693	107,424	137,755	132,259	135,270	137,755	138,935	139,925	144,558	147,190
18 FHA/VA insured	276	267	220	227	223	220	216	213r	209r	n.a.
19 Conventional	72,416	107,157	137,535	132,032	135,047	137,535	138,719	139,712r	144,349r	n.a.
Mortgage transactions (during period)										
20 Purchases	124,697	98,470	128,566	9,538	9,198	9,943	9,507	8,204	7,403	8,981
21 Sales	117,110	85,877	119,702	8,797	8,456	9,220	9,204	10,271	6,796	8,269
22 Mortgage commitments contracted (during period)[9]	136,067	118,659	128,995	8,214	9,032	9,905	9,021	7,537	7,595	9,746

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups for purchase of newly built homes; compiled by the Federal Housing Finance Board in cooperation with the Federal Deposit Insurance Corporation.
2. Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) to obtain a loan.
3. Average effective interest rate on loans closed for purchase of newly built homes, assuming prepayment at the end of ten years.
4. Average contract rate on new commitments for conventional first mortgages; from U.S. Department of Housing and Urban Development (HUD). Based on transactions on the first day of the subsequent month.
5. Average gross yield on thirty-year, minimum-downpayment first mortgages insured by the Federal Housing Administration (FHA) for immediate delivery in the private secondary market. Based on transactions on first day of subsequent month.
6. Average net yields to investors on fully modified pass-through securities backed by mortgages and guaranteed by the Government National Mortgage Association (GNMA), assuming prepayment in twelve years on pools of thirty-year mortgages insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs.
7. Does not include standby commitments issued, but includes standby commitments converted.
8. Includes participation loans as well as whole loans.
9. Includes conventional and government-underwritten loans. The Federal Home Loan Mortgage Corporation's mortgage commitments and mortgage transactions include activity under mortgage securities swap programs, whereas the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING[1]

Millions of dollars, end of period

Type of holder and property	1993	1994	1995	1995	1996			
				Q4	Q1	Q2	Q3	Q4[p]
1 **All holders**	**4,275,217**	**4,481,075**	**4,714,346**	**4,714,346**	**4,792,478**	**4,889,980**	**4,975,730**	**5,054,447**
By type of property								
2 One- to four-family residences	3,233,830	3,437,781	3,634,060	3,634,060	3,699,671	3,778,471	3,853,772	3,912,079
3 Multifamily residences	270,824	275,705	287,993	287,993	291,893	297,223	301,635	309,266
4 Nonfarm, nonresidential	689,365	684,618	707,673	707,673	715,696	727,743	732,905	744,994
5 Farm	81,198	82,971	84,620	84,620	85,217	86,544	87,418	88,108
By type of holder								
6 Major financial institutions	1,768,093	1,815,845	1,888,970	1,888,970	1,901,524	1,925,056	1,953,214	1,977,208
7 Commercial banks[2]	940,595	1,004,322	1,080,366	1,080,366	1,087,207	1,099,643	1,112,961	1,136,139
8 One- to four-family	556,660	611,391	663,614	663,614	665,935	670,756	679,254	696,340
9 Multifamily	38,657	39,360	43,842	43,842	44,700	45,368	46,530	47,026
10 Nonfarm, nonresidential	324,413	331,004	349,081	349,081	352,641	358,956	362,362	367,893
11 Farm	20,866	22,567	23,829	23,829	23,931	24,563	24,815	24,880
12 Savings institutions[3]	598,437	596,191	596,789	596,789	602,631	612,849	628,037	628,719
13 One- to four-family	470,000	477,626	482,351	482,351	489,634	499,021	513,291	513,644
14 Multifamily	67,367	64,343	61,988	61,988	60,540	60,820	61,434	61,670
15 Nonfarm, nonresidential	60,765	53,933	52,162	52,162	52,155	52,688	52,991	53,073
16 Farm	305	289	288	288	302	320	320	331
17 Life insurance companies	229,061	215,332	211,815	211,815	211,686	212,565	212,216	212,351
18 One- to four-family	9,458	7,910	7,476	7,476	7,472	7,503	7,488	7,493
19 Multifamily	25,814	24,306	23,920	23,920	23,906	24,007	23,959	23,972
20 Nonfarm, nonresidential	184,305	173,539	170,783	170,783	170,681	171,402	171,059	171,152
21 Farm	9,484	9,577	9,636	9,636	9,627	9,653	9,710	9,735
22 Federal and related agencies	327,014	319,327	313,760	313,760	312,950	314,694	311,697	308,708
23 Government National Mortgage Association	22	6	2	2	2	2	2	2
24 One- to four-family	15	6	2	2	2	2	2	2
25 Multifamily	7	0	0	0	0	0	0	0
26 Farmers Home Administration[4]	41,386	41,781	41,791	41,791	41,594	41,547	41,575	41,596
27 One- to four-family	15,303	13,826	12,643	12,643	12,327	11,982	11,630	11,319
28 Multifamily	10,940	11,319	11,617	11,617	11,636	11,645	11,652	11,685
29 Nonfarm, nonresidential	5,406	5,670	6,248	6,248	6,365	6,552	6,681	6,841
30 Farm	9,739	10,966	11,282	11,282	11,266	11,369	11,613	11,752
31 Federal Housing and Veterans' Administrations	12,215	10,964	9,809	9,809	8,439	8,052	6,627	5,977
32 One- to four-family	5,364	4,753	5,180	5,180	4,228	3,861	3,190	3,258
33 Multifamily	6,851	6,211	4,629	4,629	4,211	4,191	3,438	2,719
34 Resolution Trust Corporation	17,284	10,428	1,864	1,864	0	0	0	0
35 One- to four-family	7,203	5,200	691	691	0	0	0	0
36 Multifamily	5,327	2,859	647	647	0	0	0	0
37 Nonfarm, nonresidential	4,754	2,369	525	525	0	0	0	0
38 Farm	0	0	0	0	0	0	0	0
39 Federal Deposit Insurance Corporation	14,112	7,821	4,303	4,303	5,553	5,016	4,025	1,277
40 One- to four-family	2,367	1,049	492	492	839	840	675	231
41 Multifamily	1,426	1,595	428	428	1,099	955	766	194
42 Nonfarm, nonresidential	10,319	5,177	3,383	3,383	3,616	3,221	2,584	853
43 Farm	0	0	0	0	0	0	0	0
44 Federal National Mortgage Association	166,642	178,059	183,782	183,782	183,531	186,041	185,221	184,445
45 One- to four-family	151,310	162,160	168,122	168,122	167,895	170,572	170,083	169,765
46 Multifamily	15,332	15,899	15,660	15,660	15,636	15,469	15,138	14,680
47 Federal Land Banks	28,460	28,555	28,428	28,428	28,891	29,362	29,579	29,973
48 One- to four-family	1,675	1,671	1,673	1,673	1,700	1,728	1,740	1,764
49 Farm	26,785	26,885	26,755	26,755	27,191	27,634	27,839	28,210
50 Federal Home Loan Mortgage Corporation	46,892	41,712	43,781	43,781	44,939	44,674	44,668	45,437
51 One- to four-family	44,345	38,882	39,929	39,929	40,877	40,477	40,304	40,691
52 Multifamily	2,547	2,830	3,852	3,852	4,062	4,197	4,364	4,746
53 Mortgage pools or trusts[5]	1,570,666	1,726,833	1,861,864	1,861,864	1,905,515	1,963,909	2,008,229	2,055,077
54 Government National Mortgage Association	414,066	450,934	472,292	472,292	475,829	485,441	497,248	505,977
55 One- to four-family	404,864	441,198	461,447	461,447	464,650	473,950	485,303	493,795
56 Multifamily	9,202	9,736	10,845	10,845	11,179	11,491	11,945	12,182
57 Federal Home Loan Mortgage Corporation	447,147	490,851	515,051	515,051	524,327	536,671	545,608	554,260
58 One- to four-family	442,612	487,725	512,238	512,238	521,722	534,238	543,341	551,513
59 Multifamily	4,535	3,126	2,813	2,813	2,605	2,433	2,267	2,747
60 Federal National Mortgage Association	495,525	530,343	582,959	582,959	599,546	621,285	636,362	650,780
61 One- to four-family	486,804	520,763	569,724	569,724	585,527	606,271	619,869	633,210
62 Multifamily	8,721	9,580	13,235	13,235	14,019	15,014	16,493	17,570
63 Farmers Home Administration[4]	28	19	11	11	10	9	7	3
64 One- to four-family	5	3	2	2	1	1	0	0
65 Multifamily	0	0	0	0	0	0	0	0
66 Nonfarm, nonresidential	13	9	5	5	5	4	4	0
67 Farm	10	7	4	4	4	4	3	3
68 Private mortgage conduits	213,901	254,686	291,551	291,551	305,803	320,502	329,003	344,057
69 One- to four-family[6]	179,730	202,987	222,892	222,892	230,221	239,153	244,527	246,904
70 Multifamily	8,701	14,925	21,279	21,279	24,477	26,809	28,141	33,689
71 Nonfarm, nonresidential	25,469	36,774	47,380	47,380	51,104	54,541	56,336	63,464
72 Farm	0	0	0	0	0	0	0	0
73 Individuals and others[7]	609,444	619,069	649,752	649,752	672,488	686,321	702,590	713,454
74 One- to four-family	456,115	460,632	485,584	485,584	506,641	518,116	533,074	542,151
75 Multifamily	65,398	69,615	73,239	73,239	73,823	74,824	75,510	76,387
76 Nonfarm, nonresidential	73,922	76,142	78,105	78,105	79,129	80,379	80,888	81,718
77 Farm	14,009	12,681	12,824	12,824	12,896	13,002	13,118	13,198

1. Multifamily debt refers to loans on structures of five or more units.
2. Includes loans held by nondeposit trust companies but not loans held by bank trust departments.
3. Includes savings banks and savings and loan associations.
4. FmHA-guaranteed securities sold to the Federal Financing Bank were reallocated from FmHA mortgage pools to FmHA mortgage holdings in 1986:Q4 because of accounting changes by the Farmers Home Administration.
5. Outstanding principal balances of mortgage-backed securities insured or guaranteed by the agency indicated.
6. Includes securitized home equity loans.
7. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and finance companies.

SOURCE. Based on data from various institutional and government sources. Separation of nonfarm mortgage debt by type of property, if not reported directly, and interpolations and extrapolations, when required for some quarters, are estimated in part by the Federal Reserve. Line 69 from Inside Mortgage Securities and other sources.

1.55 CONSUMER CREDIT[1]

Millions of dollars, amounts outstanding, end of period

Holder and type of credit	1994	1995	1996r	1996 Oct.	1996 Nov.	1996 Dec.r	1997r Jan.	1997r Feb.	1997r Mar
	Seasonally adjusted								
1 **Total**	**966,457**	**1,103,296**	**1,193,205**	**1,185,340r**	**1,190,219r**	**1,193,205**	**1,203,454**	**1,210,203**	**1,212,229**
2 Automobile	317,182	350,848	375,182	375,174r	374,635r	375,182	376,149	376,368	375,344
3 Revolving	339,337	413,894	467,854	458,440r	464,267r	467,854	476,261	481,288	482,764
4 Other[2]	309,939	338,554	350,169	351,726r	351,317r	350,169	351,044	352,548	354,120
	Not seasonally adjusted								
5 **Total**	**990,247**	**1,131,881**	**1,225,101**	**1,187,081r**	**1,198,107r**	**1,225,101**	**1,214,650**	**1,206,901**	**1,200,956**
By major holder									
6 Commercial banks	462,923	507,753	530,081	521,258	522,973	530,081	527,210	521,292	515,186
7 Finance companies	134,830	152,624	154,468	153,444	153,172	154,468	154,860	154,135	150,413
8 Credit unions	119,594	131,939	144,148	143,018r	143,296r	144,148	144,432	143,788	143,942
9 Savings institutions	38,468	40,106	44,711	44,860	44,786	44,711	44,636	44,563	44,488
10 Nonfinancial business[3]	86,621	85,061	79,745	67,954r	69,808r	79,745	75,631	72,639	74,559
11 Pools of securitized assets[4]	147,811	214,398	271,948	256,547	264,072	271,948	267,881	270,484	272,368
By major type of credit[5]									
12 Automobile	319,715	354,055	378,791	379,457r	378,788r	378,791	375,740	374,012	371,351
13 Commercial banks	141,895	149,094	153,983	154,841	154,837	153,983	153,256	152,311	151,186
14 Finance companies	61,609	70,626	73,484	75,917	75,304	73,484	73,933	74,337	73,139
15 Pools of securitized assets[4]	36,376	44,411	51,171	48,020	48,242	51,171	48,473	47,070	46,266
16 Revolving	357,307	435,674	492,367	457,926r	467,958r	492,367	483,966	479,935	476,744
17 Commercial banks	182,021	210,298	228,615	214,995	217,924	228,615	224,153	217,709	210,157
18 Nonfinancial business[3]	56,790	53,525	46,901	38,105	39,275	46,901	43,900	41,813	43,979
19 Pools of securitized assets[4]	96,130	147,934	188,712	178,590	183,987	188,712	187,865	192,332	194,823
20 Other	313,225	342,152	353,943	349,698r	351,361r	353,943	354,944	352,954	352,861
21 Commercial banks	139,007	148,361	147,483	151,422	150,212	147,483	149,801	151,272	153,843
22 Finance companies	73,221	81,998	80,984	77,527	77,868	80,984	80,927	79,798	77,274
23 Nonfinancial business[3]	29,831	31,536	32,844	29,849r	30,533r	32,844	31,731	30,826	30,580
24 Pools of securitized assets[4]	15,305	22,053	32,065	29,937	31,843	32,065	31,543	31,082	31,279

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.
2. Comprises mobile home loans and all other loans that are not included in automobile or revolving credit, such as loans for education, boats, trailers, or vacations. These loans may be secured or unsecured.
3. Includes retailers and gasoline companies.
4. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.
5. Totals include estimates for certain holders for which only consumer credit totals are available.

1.56 TERMS OF CONSUMER CREDIT[1]

Percent per year except as noted

Item	1994	1995	1996	1996 Sept.	1996 Oct.	1996 Nov.	1996 Dec.	1997 Jan.	1997 Feb.	1997 Mar.
INTEREST RATES										
Commercial banks[2]										
1 48-month new car	8.12	9.57	9.05	n.a.	n.a.	9.03	n.a.	n.a.	8.92	n.a.
2 24-month personal	13.19	13.94	13.54	n.a.	n.a.	13.62	n.a.	n.a.	13.46	n.a.
Credit card plan										
3 All accounts	15.69	16.02	15.63	n.a.	n.a.	15.62	n.a.	n.a.	15.88	n.a.
4 Accounts assessed interest	15.77	15.79	15.50	n.a.	n.a.	15.52	n.a.	n.a.	15.13	n.a.
Auto finance companies										
5 New car	9.79	11.19	9.84	10.52	10.40	10.31	8.60	7.17	7.44	8.08
6 Used car	13.49	14.48	13.53	13.87	13.75	13.56	13.42	12.93	13.08	13.18
OTHER TERMS[3]										
Maturity (months)										
7 New car	54.0	54.1	51.6	51.9	52.5	52.3	52.3	55.1	54.6	53.5
8 Used car	50.2	52.2	51.4	51.0	51.1	50.3	49.9	51.5	51.1	51.1
Loan-to-value ratio										
9 New car	92	92	91	91	89	90	90	92	92	90
10 Used car	99	99	100	100	101	102	99	99	99	99
Amount financed (dollars)										
11 New car	15,375	16,210	16,987	17,182	17,435	17,719	17,670	17,090	16,837	17,198
12 Used car	10,709	11,590	12,182	12,108	12,326	12,393	12,492	12,362	12,202	12,194

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.
2. Data are available for only the second month of each quarter.
3. At auto finance companies.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]

Billions of dollars; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1992	1993	1994	1995	1996[r]	1995		1996				1997
						Q3	Q4	Q1	Q2	Q3	Q4[r]	Q1
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**545.6[r]**	**628.8[r]**	**621.6[r]**	**719.7[r]**	**751.8**	**571.1[r]**	**590.2[r]**	**886.1[r]**	**715.0[r]**	**712.7[r]**	**693.2**	**762.9**
By sector and instrument												
2 Federal government	304.0	256.1	155.9	144.4	145.0	86.0	59.3	239.9	62.4	161.3	116.5	93.7
3 Treasury securities	303.8	248.3	155.7	142.9	146.6	85.6	54.1	242.2	60.2	164.4	119.8	95.2
4 Budget agency securities and mortgages	.2	7.8	.2	1.5	−1.6	.4	5.1	−2.3	2.2	−3.1	−3.3	−1.4
5 Nonfederal	241.6[r]	372.7[r]	465.8[r]	575.3[r]	606.7	485.1[r]	530.9[r]	646.3[r]	652.6[r]	551.4[r]	576.7	669.1
By instrument												
6 Commercial paper	8.6	10.0	21.4	18.1	−.9	18.1	14.1	30.3	11.0	−16.1	−29.0	13.1
7 Municipal securities	30.5	74.8	−29.3	−44.2	1.5	−107.2	−12.6	−18.9	37.7	−76.2	63.5	26.8
8 Corporate bonds	67.6	75.2	23.3	73.3	72.5	59.8	82.0	60.9	71.5	67.8	89.9	79.4
9 Bank loans n.e.c.	−13.7	3.6	73.2	99.5[r]	70.2	75.0[r]	77.9[r]	40.6[r]	75.0[r]	134.3[r]	31.0	138.4
10 Other loans and advances	10.1	−9.4	54.4	59.0	38.8	35.2	61.0	32.9	26.8	79.4	16.2	34.9
11 Mortgages	133.5[r]	157.0[r]	196.4[r]	228.0	331.4	247.7[r]	191.0[r]	377.9[r]	339.4[r]	268.0[r]	340.2	296.4
12 Home mortgages	190.3[r]	186.4[r]	203.9[r]	197.1[r]	281.6	219.2	161.4[r]	333.5[r]	276.1[r]	248.4[r]	268.5	274.3
13 Multifamily residential	−10.7[r]	−5.9[r]	1.7	10.5	18.9	11.6[r]	13.3	14.7[r]	18.3[r]	13.4[r]	29.1	6.3
14 Commercial	−47.5[r]	−23.9[r]	−11.0[r]	18.7[r]	27.4	14.8[r]	15.2[r]	27.4[r]	39.7[r]	2.7[r]	39.9	14.3
15 Farm	1.4	.5	1.8	1.7[r]	3.4	2.2	1.1	2.3[r]	5.3	3.5	2.6	1.5
16 Consumer credit	5.0	61.5	126.3	141.6	93.2	156.4	117.5	122.5[r]	91.2[r]	94.2[r]	65.0	80.2
By borrowing sector												
17 Household	201.0[r]	256.5[r]	372.4	381.9[r]	403.4	413.8[r]	334.6[r]	473.5[r]	420.3[r]	372.1[r]	347.7	391.4
18 Nonfinancial business	19.5[r]	53.9[r]	133.2[r]	232.4[r]	190.5	172.5[r]	207.0[r]	176.4[r]	187.8[r]	240.9[r]	156.8	237.5
19 Corporate	34.1[r]	47.7[r]	118.5[r]	197.0[r]	146.4	133.8[r]	174.9[r]	130.9[r]	148.3[r]	211.8[r]	94.6	189.2
20 Nonfarm noncorporate	−16.0	4.2	11.9	33.7[r]	40.8	35.2[r]	33.1[r]	45.5[r]	32.4[r]	30.2[r]	55.0	48.8
21 Farm	1.3	2.0	2.8	1.6	3.3	3.5	−1.0	.1	7.1[r]	−1.2	7.2	−.4
22 State and local government	21.1	62.3	−39.8	−39.0[r]	12.9	−101.3	−10.8[r]	−3.6	44.4	−61.6	72.2	40.3
23 Foreign net borrowing in United States	23.7	70.4	−15.3	69.5	67.4	88.3	76.9	49.1	36.6	106.0	77.8	29.0
24 Commercial paper	5.2	−9.0	−27.3	13.6	10.9	23.7	−3.9	−8.5	9.5	38.6	3.8	13.3
25 Bonds	16.8	82.9	12.2	48.3	46.8	55.2	72.7	47.9	11.1	59.7	68.4	17.3
26 Bank loans n.e.c.	2.3	.7	1.4	8.5	9.1	8.2	11.9	8.7	15.1	4.7	7.8	−.6
27 Other loans and advances	−.6	−4.2	−1.6	−.8	.7	1.3	−3.9	1.1	.7	3.1	−2.2	−.9
28 **Total domestic plus foreign**	**569.3[r]**	**699.3[r]**	**606.4[r]**	**789.1[r]**	**819.1**	**659.4[r]**	**667.1[r]**	**935.3[r]**	**751.5[r]**	**818.7[r]**	**771.0**	**791.9**
	Financial sectors											
29 **Total net borrowing by financial sectors**	**240.0**	**291.3**	**467.7**	**447.2[r]**	**531.2**	**506.3[r]**	**574.3[r]**	**330.9[r]**	**689.3[r]**	**497.2[r]**	**607.2**	**332.8**
By instrument												
30 Federal government-related	155.8	165.3	287.5	204.1	231.1	227.7	305.5	137.8	296.0	240.4	250.0	112.4
31 Government-sponsored enterprise securities	40.3	80.6	176.9	105.9	90.4	101.5	132.1	31.4	126.9	80.0	123.3	10.7
32 Mortgage pool securities	115.6	84.7	115.4	98.2	140.7	126.2	173.4	106.5	169.1	160.4	126.8	101.8
33 Loans from U.S. government	.0	0	−4.8	.0	.0	.0	.0	.0	.0	.0	0	.0
34 Private	84.2	126.0	180.2	243.1[r]	300.1	278.6[r]	268.8[r]	193.1[r]	393.3[r]	256.8[r]	357.2	220.3
35 Open market paper	−.7	−6.2	41.6	42.6	92.7	43.7	55.1	17.8	105.7	85.2	162.0	177.1
36 Corporate bonds	82.7	119.2	118.4	185.6[r]	154.3	217.3[r]	175.1[r]	147.6[r]	204.7[r]	120.7[r]	144.1	45.7
37 Bank loans n.e.c.	2.2	−13.0	−12.3	5.6[r]	14.5	8.2[r]	−1.2[r]	25.4[r]	23.5[r]	4.1[r]	5.0	−2.4
38 Other loans and advances	−.6	22.4	22.6	3.4	27.2	4.9	32.0	−5.5	48.6	33.9	31.8	−16.1
39 Mortgages	.6	3.6	9.8	5.9[r]	11.4	4.5[r]	7.7[r]	7.7[r]	10.8[r]	12.9[r]	14.3	16.0
By borrowing sector												
40 Commercial banking	10.0	13.4	20.1	22.5	11.6	38.9	−9.7	−32.5	40.1	15.7	23.2	19.3
41 Savings institutions	−7.0	11.3	12.8	2.6	26.0	5.1	31.5	11.0	42.1	26.4	24.7	−14.6
42 Credit unions	.0	.2	.2	−.1	.1	.1	.0	−.1	−.2	.3	.3	−.2
43 Life insurance companies	.0	.2	.3	−.1	1.1	−.1	−.4	2.5	.3	−.4	2.0	.8
44 Government-sponsored enterprises	40.2	80.6	172.1	105.9	90.4	101.5	132.1	31.4	126.9	80.0	123.3	10.7
45 Federally related mortgage pools	115.6	84.7	115.4	98.2	140.7	126.2	173.4	106.5	169.1	160.4	126.8	101.8
46 Issuers of asset-backed securities (ABSs)	58.5	82.4	69.5	133.2	130.2	164.8	187.5	137.1	131.1[r]	101.8[r]	150.6	52.6
47 Finance companies	−1.6	.2	50.2	51.6	48.4	19.8	54.3	47.1	68.4	56.9	21.1	43.0
48 Mortgage companies	8.0	.0	−11.5	.4	9.9	4.0	−10.0	20.0	16.0	1.6[r]	1.8	−2.6
49 Real estate investment trusts (REITs)	.3	3.4	13.7	6.0[r]	12.8	4.5[r]	8.3[r]	8.2[r]	11.5[r]	13.7[r]	17.7	18.9
50 Brokers and dealers	2.7	12.0	.5	−5.0	−2.0	2.1	7.7	−31.8	13.2	5.7	4.9	−2.9
51 Funding corporations	13.2	2.9	24.2	32.0	62.1	39.4	−.4	31.6	70.9	35.0	110.9	106.1

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]—Continued

Transaction category or sector	1992	1993	1994	1995	1996[r]	1995		1996				1997
						Q3	Q4	Q1	Q2	Q3	Q4[r]	Q1
	All sectors											
52 **Total net borrowing, all sectors**	**809.3[r]**	**990.6[r]**	**1,074.1[r]**	**1,236.3[r]**	**1,350.3**	**1,165.7[r]**	**1,241.4[r]**	**1,266.2[r]**	**1,440.8[r]**	**1,315.9[r]**	**1,378.2**	**1,124.7**
53 Open market paper	13.1	−5.1	35.7	74.3	102.6	85.5	65.3	39.6	126.3	107.6	136.8	203.4
54 U.S. government securities	459.8	421.4	448.1	348.5	376.1	313.7	364.8	377.7	358.4	401.7	366.5	206.2
55 Municipal securities	30.5	74.8	−29.3	−44.2	1.5	−107.2	−12.6	−18.9	37.7	−76.2	63.5	26.8
56 Corporate and foreign bonds	167.1	277.3	153.9	307.2[r]	273.6	332.2[r]	329.9[r]	256.4[r]	287.4[r]	248.2[r]	302.4	142.4
57 Bank loans n.e.c.	−9.3	−8.6	62.3	113.5	93.8	91.4	88.6	74.7	113.6	143.1[r]	43.8	135.4
58 Other loans and advances	8.9	8.7	70.7	61.6	66.7	41.3	89.1	28.6	76.1	116.5	45.8	17.9
59 Mortgages	134.1[r]	160.6[r]	206.2[r]	233.8[r]	342.8	252.2[r]	198.7[r]	385.6[r]	350.1[r]	280.9[r]	354.5	312.4
60 Consumer credit	5.0	61.5	126.3	141.6	93.2	156.4	117.5	122.5[r]	91.2[r]	94.2[r]	65.0	80.2
	Funds raised through mutual funds and corporate equities											
61 **Total net issues**	**312.5**	**453.9[r]**	**153.0[r]**	**156.3[r]**	**240.1**	**197.1[r]**	**228.6[r]**	**306.3[r]**	**396.7[r]**	**91.9[r]**	**165.4**	**184.3**
62 Corporate equities	103.4	130.1[r]	24.1[r]	−17.7[r]	−18.5	−4.9[r]	−15.9[r]	2.5[r]	53.0[r]	−106.3[r]	−23.2	−54.5
63 Nonfinancial corporations	27.0	21.3	−44.9	−73.8[r]	−81.2	−92.8	−71.2[r]	−92.4	−27.2	−138.8	−66.4	−84.8
64 Foreign shares purchased by U.S. residents	32.4	63.4	48.1	50.7	57.8	88.2	57.4	89.8	69.7	32.1	39.5	47.3
65 Financial corporations	44.0	45.4[r]	20.9[r]	5.5[r]	4.9	−.3[r]	−2.2[r]	5.1[r]	10.5[r]	.5[r]	3.7	−17.0
66 Mutual funds	209.1	323.7	128.9	173.9	258.6	202.0	244.5	303.8[r]	343.7[r]	198.2[r]	188.6	238.8

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.2 through F.5. For ordering address, see inside front cover.

1.58 SUMMARY OF FINANCIAL TRANSACTIONS[1]

Billions of dollars except as noted; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1992	1993	1994	1995	1996[r]	1995 Q3	1995 Q4	1996[r] Q1	1996[r] Q2	1996[r] Q3	1996[r] Q4	1997 Q1
NET LENDING IN CREDIT MARKETS[2]												
1 **Total net lending in credit markets**	**809.3[r]**	**990.6[r]**	**1,074.1[r]**	**1,236.3[r]**	**1,350.3**	**1,165.7[r]**	**1,241.4[r]**	**1,266.2**	**1,440.8**	**1,315.9**	**1,378.2**	**1,124.7**
2 Domestic nonfederal nonfinancial sectors	115.4[r]	76.0[r]	252.8[r]	−98.5[r]	6	−82.4[r]	−189.9[r]	−78.0	330.1	−179.9	−69.9	−113.8
3 Households	86.0[r]	35.3[r]	289.9[r]	−19.1[r]	18.1	84.6[r]	−93.6[r]	−121.1	310.5	−74.7	−42.4	−187.8
4 Nonfinancial corporate business	27.8	9.1	17.7[r]	−2.4[r]	18.3	−38.8[r]	−12.9[r]	40.4	39.9	14.8	−21.8	81.1
5 Nonfarm noncorporate business	−.1	−1.1	.2	.3	.4	.3	.3	.4	.4	.4	.4	.5
6 State and local governments	1.7	32.6	−55.0	−77.4	−36.2	−128.5	−83.7	2.4	−20.8	−120.4	−6.2	−7.6
7 Federal government	−11.9	−18.4	−24.2	−21.5	−21.9	−24.3	−24.4	−20.7	−15.2	−26.4	−25.1	−18.7
8 Rest of the world	98.4	129.3	132.3	272.7	405.6	361.0	157.6	341.1	268.2	484.4	528.5	360.3
9 Financial sectors	607.4[r]	803.7[r]	713.2[r]	1,083.7[r]	966.0	911.3[r]	1,298.0[r]	1,023.8	857.7	1,037.8	944.8	896.8
10 Monetary authority	27.9	36.2	31.5	12.7	12.3	−4.1	19.7	16.9	9.4	19.3	3.6	37.5
11 Commercial banking	95.3	142.2	163.4	265.9	187.9	244.8	166.2	121.7	190.2	202.0	237.7	310.3
12 U.S. chartered banks	69.5	149.6	148.1	186.5	119.7	227.0	118.1	80.5	125.5	123.6	149.2	210.0
13 Foreign banking offices in United States	16.5	−9.8	11.2	75.4	63.3	25.6	36.1	44.2	57.5	72.9	78.5	92.1
14 Bank holding companies	5.6	.0	.9	−.3	3.9	−9.6	4.6	−5.1	5.4	4.8	10.6	2.2
15 Banks in U.S. affiliated areas	3.7	2.4	3.3	4.2	1.0	1.8	7.4	2.1	1.7	.7	−.6	6.0
16 Savings institutions	−79.0	−23.3	6.7	−7.5	19.9	32.2	−68.4	34.1	40.5	53.7	−48.8	−10.0
17 Credit unions	17.7	21.7	28.1	16.2	25.5	11.0	19.5	22.1	34.8	20.3	24.8	15.4
18 Bank personal trusts and estates	8.0	9.5	7.1	18.8	3.9	−23.7	20.2	−3.5	4.2	7.8	7.2	8.2
19 Life insurance companies	79.5[r]	100.9	66.7[r]	99.2[r]	59.7	73.1[r]	53.1[r]	48.7	2.5	120.1	67.6	56.1
20 Other insurance companies	6.7	27.7	24.9	21.5	24.4	21.9	22.3	23.6	23.7	24.9	25.3	26.2
21 Private pension funds	37.5[r]	49.5[r]	47.7[r]	63.1[r]	46.6	59.9[r]	81.3[r]	69.5	45.4	41.9	29.5	57.6
22 State and local government retirement funds	5.9	21.1	30.7	22.7	34.5	2.6	20.2	62.1	50.6	8.0	17.3	−2.8
23 Money market mutual funds	4.7	20.4	30.0	86.5	88.8	30.0	125.1	175.0	18.4	88.5	73.4	77.1
24 Mutual funds	126.2	159.5	−7.1	52.5	48.9	58.0	141.9	81.8	54.1	38.3	21.5	37.9
25 Closed-end funds	18.2	14.4	−3.3	13.3	9.3	16.7	13.2	10.9	9.8	9.0	7.5	6.7
26 Government sponsored enterprises	68.8	88.6	120.6	87.9	93.8	50.0	186.5	33.4	122.2	82.1	137.5	63.2
27 Federally related mortgage pools	115.6	84.7	115.4	98.2	140.7	126.2	173.4	106.5	169.1	160.4	126.8	101.8
28 Asset-backed securities issuers (ABSs)	53.7	79.9	62.8	113.0	105.2	154.4	141.4	117.3	120.9	75.1	107.3	27.6
29 Finance companies	7.5	−9.0	68.2	64.2	43.1	50.8	53.7	40.9	41.3	55.9	34.3	72.3
30 Mortgage companies	.1	.0	−24.0	−3.4	8.2	7.3	−36.4	51.8	−26.8	3.4	4.1	−5.0
31 Real estate investment trusts (REITs)	1.1	.6	4.7	2.2[r]	3.0	1.8	3.4[r]	3.4	3.4	3.4	2.0	2.0
32 Brokers and dealers	−1.3	14.8	−44.2	90.1	−17.1	−5.2	189.3	−109.0	−72.0	35.5	77.0	−11.8
33 Funding corporations	13.3[r]	−35.6[r]	−16.7[r]	4.3[r]	27.5	3.7[r]	12.8[r]	116.7	15.9	−11.9	−10.9	26.6
RELATION OF LIABILITIES TO FINANCIAL ASSETS												
34 **Net flows through credit markets**	**809.3[r]**	**990.6[r]**	**1,074.1[r]**	**1,236.3[r]**	**1,350.3**	**1,165.7[r]**	**1,241.4[r]**	**1,266.2**	**1,440.8**	**1,315.9**	**1,378.2**	**1,124.7**
Other financial sources												
35 Official foreign exchange	−1.6	.8	−5.8	8.8	6.3	9.0	−1.9	−.9	1.6	−26.6	.7	−22.2
36 Special drawing rights certificates	−2.0	.0	.0	2.2	−.5	8.6	.0	.0	.0	−1.8	.0	−2.1
37 Treasury currency	.2	.4	.7	.6	.0	.8	.0	.0	.0	2.3	−2.3	.4
38 Foreign deposits	−3.5	−18.5	54.0	33.5	47.7	−29.5	18.2	85.0	.9	113.2	−8.5	59.4
39 Net interbank transactions	49.4	50.5	89.8	9.9[r]	−52.7	−13.1	80.9[r]	−90.4	−54.3	−113.0	47.0	−126.3
40 Checkable deposits and currency	113.5	117.3	−9.7	−12.8	16.0	−113.1	−69.3	43.3	4.5	107.1	−91.0	123.4
41 Small time and savings deposits	−57.2	−70.3	−40.0	96.5	97.0	145.6	114.9	212.5	−4.6	84.6	95.6	170.8
42 Large time deposits	−73.2	−23.5	19.6	65.6	113.9	80.2	−.9	55.1	83.5	182.5	134.4	45.8
43 Money market fund shares	4.5	20.2	43.3	142.3	145.8	122.9	151.1	244.0	4.1	147.4	187.7	201.8
44 Security repurchase agreements	43.1	71.2	78.3	110.7	38.6	92.6[r]	62.2[r]	−19.3	117.9	−29.4	85.3	30.7
45 Corporate equities	103.4	130.1[r]	24.1[r]	17.7[r]	−18.5	−4.9[r]	−15.9[r]	2.5	53.0	−106.3	−23.2	−54.5
46 Mutual fund shares	209.1	323.7	128.9	173.9	258.6	202.0	244.5	303.8	343.7	198.2	188.6	238.8
47 Trade payables	46.6	52.4	91.0[r]	102.5[r]	74.3	147.0[r]	98.7[r]	62.3	137.4	−7.2	104.9	77.3
48 Security credit	4.6	61.4	−.1	26.7	52.4	32.1	50.1	120.6	−37.7	−4.3	131.1	103.4
49 Life insurance reserves	28.0	36.0	34.5	44.9	40.0	33.1	38.3	19.0	32.5	56.6	51.8	58.5
50 Pension fund reserves	233.8[r]	259.1[r]	257.7[r]	247.6[r]	274.7	250.8[r]	196.2[r]	260.9	238.3	291.1	308.5	290.9
51 Taxes payable	9.7	5.2	3.2	1.3	2.6	3.4	−10.2	5.6	6.6	−1.2	−.6	−8.2
52 Investment in bank personal trusts	−7.1	.9	17.8	−49.7	12.5	−65.8	−39.2	−.6	11.8	19.2	19.8	23.5
53 Noncorporate proprietors' equity	29.9[r]	35.5[r]	27.9[r]	33.5[r]	25.7	36.4[r]	29.8[r]	26.0	14.8	43.2	18.8	32.2
54 Miscellaneous	267.8[r]	363.9[r]	290.2[r]	564.0[r]	500.8	510.2[r]	899.1[r]	596.8	329.6	424.6	652.3	660.2
55 **Total financial sources**	**1,808.3[r]**	**2,407.0[r]**	**2,179.5[r]**	**2,820.6[r]**	**2,972.9**	**2,613.9[r]**	**3,087.9[r]**	**3,192.3**	**2,724.3**	**2,696.0**	**3,279.2**	**3,028.5**
Liabilities not identified as assets (−)												
56 Treasury currency	−.2	−.2	−.2	−.5	−1.0	−.3	−1.0	−1.1	1.0	1.3	−3.1	−.3
57 Foreign deposits	−2.8	−7.0	44.0[r]	26.7[r]	29.7	−56.0[r]	19.3[r]	62.7	31.3	88.6	−63.9	41.6
58 Net interbank liabilities	−4.9	4.2	−2.7	−3.1	−3.4	12.3	−23.6	10.9	−26.9	−9.2	11.6	26.9
59 Security repurchase agreements	4.7[r]	46.1[r]	57.3[r]	55.1[r]	28.9	75.7[r]	30.9[r]	27.2	115.1	−112.0	85.2	−70.1
60 Taxes payable	11.9	11.1	8.6	8.7	3.7	10.3	2.2	−23.2	24.9	9.9	3.2	−34.2
61 Miscellaneous	−37.9[r]	−147.1[r]	−139.2[r]	−4.3[r]	−71.0	−45.1[r]	246.3[r]	−147.1	−217.5	−62.4	143.0	−28.5
Floats not included in assets (−)												
62 Federal government checkable deposits	.7	−1.5	−4.8	−6.0	.5	3.8	−13.8	8.6	−10.5	28.0	−24.2	−3.9
63 Other checkable deposits	1.6	−1.3	−2.8	−3.8	−4.0	−3.2	−4.7	−3.8	−4.2	−4.0	−4.0	−4.1
64 Trade credit	11.3	−4.0	8.3[r]	−27.3[r]	−32.0	−43.3[r]	−149.3[r]	45.1	26.6	−98.6	−101.0	−.8
65 **Total identified to sectors as assets**	**1,824.0[r]**	**2,506.8[r]**	**2,211.1[r]**	**2,775.0[r]**	**3,021.6**	**2,659.7[r]**	**2,981.6[r]**	**3,212.9**	**2,786.6**	**2,854.5**	**3,232.3**	**3,101.9**

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.6 and F.7. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

1.59 SUMMARY OF CREDIT MARKET DEBT OUTSTANDING[1]

Billions of dollars, end of period

Transaction category or sector	1993	1994	1995	1996[r]	1995 Q3	1995 Q4	1996 Q1	1996 Q2	1996 Q3	1996 Q4[r]	1997 Q1
						Nonfinancial sectors					
1 **Total credit market debt owed by domestic nonfinancial sectors**	**12,538.8[r]**	**13,166.6[r]**	**13,886.3[r]**	**14,638.1**	**13,702.9[r]**	**13,886.3[r]**	**14,084.8[r]**	**14,237.3[r]**	**14,424.5[r]**	**14,638.1**	**14,808.2**
By sector and instrument											
2 Federal government	3,336.5	3,492.3	3,636.7	3,781.8	3,603.4	3,636.7	3,717.2	3,693.8	3,733.1	3,781.8	3,829.8
3 Treasury securities	3,309.9	3,465.6	3,608.5	3,755.1	3,576.5	3,608.5	3,689.6	3,665.5	3,705.7	3,755.1	3,803.5
4 Budget agency securities and mortgages	26.6	26.7	28.2	26.6	26.9	28.2	27.6	28.2	27.4	26.6	26.3
5 Nonfederal	9,202.3[r]	9,674.3[r]	10,249.6[r]	10,856.3	10,099.5[r]	10,249.6[r]	10,367.6[r]	10,543.5[r]	10,691.4[r]	10,856.3	10,978.4
By instrument											
6 Commercial paper	117.8	139.2	157.4	156.4	163.3	157.4	174.2	181.7	173.0	156.4	168.7
7 Municipal securities and loans	1,377.5	1,348.2	1,304.0	1,305.5	1,308.2	1,304.0	1,300.8	1,306.8	1,290.6	1,305.5	1,314.2
8 Corporate bonds	1,229.7	1,253.0	1,326.3	1,398.8	1,305.8	1,326.3	1,341.5	1,359.4	1,376.4	1,398.8	1,418.7
9 Bank loans n.e.c	675.9	749.0	848.4[r]	918.6	824.3	848.4[r]	856.4[r]	878.4[r]	906.3[r]	918.6	953.1
10 Other loans and advances	677.1	737.8	796.8	835.6	782.1	796.8	809.3	815.7	831.8	835.6	848.7
11 Mortgages	4,260.4[r]	4,456.8[r]	4,684.8[r]	5,016.2	4,637.6[r]	4,684.8[r]	4,762.4[r]	4,853.5[r]	4,931.7[r]	5,016.2	5,073.0
12 Home mortgages	3,232.8[r]	3,436.7[r]	3,633.8[r]	3,915.4	3,594.0[r]	3,633.8[r]	3,700.2[r]	3,775.6[r]	3,848.9[r]	3,915.4	3,966.8
13 Multifamily residential	267.4[r]	269.1[r]	279.6[r]	298.5	276.3[r]	279.6[r]	283.3[r]	287.9[r]	291.2[r]	298.5	300.1
14 Commercial	679.0[r]	668.1[r]	686.8[r]	714.2	683.0[r]	686.8[r]	693.6[r]	703.5[r]	704.2[r]	714.2	717.8
15 Farm	81.2	83.0	84.6	88.1	84.4	84.6	85.2	86.5	87.4	88.1	88.4
16 Consumer credit	863.9	990.2	1,131.9	1,225.1	1,078.2	1,131.9	1,123.0	1,147.9	1,181.6[r]	1,225.1	1,202.0
By borrowing sector											
17 Households	4,287.0[r]	4,659.0[r]	5,040.9[r]	5,444.3	4,932.1[r]	5,040.9[r]	5,103.4[r]	5,216.2[r]	5,329.0[r]	5,444.3	5,482.8
18 Nonfinancial business	3,757.1[r]	3,896.9[r]	4,129.3[r]	4,319.7	4,084.3[r]	4,129.3[r]	4,184.2[r]	4,239.6[r]	4,287.3[r]	4,319.7	4,391.3
19 Corporate	2,495.7[r]	2,620.8[r]	2,817.8[r]	2,964.2	2,779.6[r]	2,817.8[r]	2,863.9[r]	2,906.1[r]	2,945.9[r]	2,964.2	3,026.3
20 Nonfarm noncorporate	1,123.1[r]	1,135.0[r]	1,168.7[r]	1,209.5	1,159.9[r]	1,168.7[r]	1,180.0[r]	1,188.2[r]	1,195.2[r]	1,209.5	1,221.6
21 Farm	138.3	141.1[r]	142.7	146.0	144.8	142.7	140.3	145.3	146.2	146.0	143.5
22 State and local government	1,158.2	1,118.4	1,079.4[r]	1,092.3	1,083.1[r]	1,079.4[r]	1,080.0[r]	1,087.7[r]	1,075.1[r]	1,092.3	1,104.3
23 **Foreign credit market debt held in United States**	**385.6**	**370.4**	**439.9**	**507.2**	**419.8**	**439.9**	**450.8**	**459.6**	**487.1**	**507.2**	**513.3**
24 Commercial paper	68.7	41.4	55.0	65.8	55.8	55.0	51.5	53.4	64.8	65.8	67.9
25 Bonds	230.1	242.3	290.6	337.3	272.4	290.6	302.5	305.3	320.2	337.3	341.7
26 Bank loans n.e.c.	24.6	26.1	34.6	43.7	31.6	34.6	36.8	40.5	41.7	43.7	43.5
27 Other loans and advances	62.1	60.6	59.7	60.4	60.0	59.7	60.0	60.4	60.4	60.4	60.3
28 **Total credit market debt owed by nonfinancial sectors, domestic and foreign**	**12,924.3[r]**	**13,537.0[r]**	**14,326.2[r]**	**15,145.3**	**14,122.7[r]**	**14,326.2[r]**	**14,535.6[r]**	**14,696.9[r]**	**14,911.6[r]**	**15,145.3**	**15,321.5**
						Financial sectors					
29 **Total credit market debt owed by financial sectors**	**3,321.7**	**3,794.6**	**4,244.4[r]**	**4,775.6**	**4,096.3**	**4,244.4[r]**	**4,325.4[r]**	**4,497.8[r]**	**4,619.7[r]**	**4,775.6**	**4,857.9**
By instrument											
30 Federal government-related	1,885.2	2,172.7	2,376.8	2,607.9	2,300.1	2,376.8	2,414.1	2,489.5	2,545.3	2,607.9	2,639.7
31 Government-sponsored enterprises securities	523.7	700.6	806.5	896.9	773.5	806.5	814.4	846.1	866.1	896.9	899.6
32 Mortgage pool securities	1,356.8	1,472.1	1,570.3	1,711.0	1,526.6	1,570.3	1,599.7	1,643.4	1,679.2	1,711.0	1,740.1
33 Loans from U.S. government	4.8	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
34 Private	1,436.4	1,621.9	1,867.6[r]	2,167.7	1,796.2	1,867.6[r]	1,911.4[r]	2,008.3[r]	2,074.4[r]	2,167.7	2,218.2
35 Open market paper	393.5	442.8	488.0	580.7	473.6	488.0	491.9	518.5	539.6	580.7	624.5
36 Corporate bonds	857.6	973.5	1,159.1[r]	1,313.4	1,112.6	1,159.1[r]	1,192.7[r]	1,242.4[r]	1,274.8[r]	1,313.4	1,321.2
37 Bank loans n.e.c.	67.6	55.3	60.9[r]	75.4	60.3	60.9[r]	66.7[r]	72.4[r]	73.3[r]	75.4	74.3
38 Other loans and advances	108.9	131.6	135.0	162.2	127.0	135.0	133.6	145.8	154.2	162.2	158.2
39 Mortgages	8.9	18.7	24.6[r]	36.0	22.7[r]	24.6[r]	26.5[r]	29.2[r]	32.4[r]	36.0	40.0
By borrowing sector											
40 Commercial banks	84.6	94.5	102.6	112.2	102.0	102.6	100.5	103.6	106.7	112.2	114.5
41 Bank holding companies	123.4	133.6	148.0	150.0	150.3	148.0	141.4	148.4	149.1	150.0	152.0
42 Savings institutions	99.6	112.4	115.0	141.1	107.2	115.0	117.8	128.3	134.9	141.1	137.4
43 Credit unions	.2	.5	.4	.4	.4	.4	.4	.3	.4	.4	.4
44 Life insurance companies	.2	.6	.5	1.6	.6	.5	1.1	1.2	1.1	1.6	1.8
45 Government-sponsored enterprises	528.5	700.6	806.5	896.9	773.5	806.5	814.4	846.1	866.1	896.9	899.6
46 Federally related mortgage pools	1,356.8	1,472.1	1,570.3	1,711.0	1,526.6	1,570.3	1,599.7	1,643.4	1,679.2	1,711.0	1,740.1
47 Issuers of asset-backed securities (ABSs)	486.7	556.2	689.4	819.6	639.8	689.4	720.3	751.7[r]	779.3[r]	819.6	829.1
48 Brokers and dealers	33.7	34.3	29.3	27.3	27.4	29.3	21.4	24.6	26.1	27.3	26.6
49 Finance companies	390.5	440.7	492.3	540.7	471.9	492.3	499.8	514.4	528.4	540.7	546.9
50 Mortgage companies	30.2	18.7	19.1	29.0	21.6	19.1	24.1	28.1	28.5[r]	29.0	28.3
51 Real estate investment trusts (REITs)	17.4	31.1	37.1[r]	49.9	35.0	37.1[r]	39.1[r]	42.0[r]	45.4[r]	49.9	54.6
52 Funding corporations	169.9	199.3	233.9	296.0	239.9	233.9	245.6	265.6	274.5	296.0	326.6
						All sectors					
53 **Total credit market debt, domestic and foreign**	**16,246.0[r]**	**17,331.7[r]**	**18,570.6[r]**	**19,920.9**	**18,219.0[r]**	**18,570.6[r]**	**18,861.0[r]**	**19,194.7[r]**	**19,531.3[r]**	**19,920.9**	**20,179.4**
54 Open market paper	580.0	623.5	700.4	803.0	692.7	700.4	717.6	753.6	777.4	803.0	861.1
55 U.S government securities	5,216.9	5,665.0	6,013.6	6,389.7	5,903.5	6,013.6	6,131.3	6,183.2	6,278.4	6,389.7	6,469.4
56 Municipal securities	1,377.5	1,348.2	1,304.0	1,305.5	1,308.2	1,304.0	1,300.8	1,306.8	1,290.6	1,305.5	1,314.2
57 Corporate and foreign bonds	2,317.4	2,468.8	2,776.0[r]	3,049.6	2,690.8	2,776.0[r]	2,836.7[r]	2,907.1[r]	2,971.4[r]	3,049.6	3,081.6
58 Bank loans n.e.c.	768.0	830.4	943.9	1,037.7	916.2	943.9	959.9	991.4	1,021.3	1,037.7	1,070.9
59 Other loans and advances	852.9	929.9	991.5	1,058.2	969.1	991.5	1,002.9	1,021.8	1,046.5	1,058.2	1,067.2
60 Mortgages	4,269.3[r]	4,475.6[r]	4,709.4[r]	5,052.2	4,660.3[r]	4,709.4[r]	4,788.9[r]	4,882.7[r]	4,964.1[r]	5,052.2	5,113.1
61 Consumer credit	863.9	990.2	1,131.9	1,225.1	1,078.2	1,131.9	1,123.0	1,147.9	1,181.6[r]	1,225.1	1,202.0

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.2 through L.4. For ordering address, see inside front cover.

1.60 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES[1]

Billions of dollars except as noted, end of period

Transaction category or sector	1993	1994	1995	1996[r]	1995 Q3	1995 Q4	1996[r] Q1	1996[r] Q2	1996[r] Q3	1996[r] Q4	1997 Q1
CREDIT MARKET DEBT OUTSTANDING[2]											
1 **Total credit market assets**	**16,246.0[r]**	**17,331.7[r]**	**18,570.6[r]**	**19,920.9**	**18,219.0[r]**	**18,570.6[r]**	**18,861.0**	**19,194.7**	**19,531.3**	**19,920.9**	**20,179.4**
2 Domestic nonfederal nonfinancial sectors	2,786.5[r]	3,069.6[r]	2,935.9[r]	2,963.1	2,989.6[r]	2,935.9[r]	2,891.1	2,972.5	2,949.2	2,963.1	2,911.2
3 Households	1,693.0[r]	2,013.3[r]	1,959.1[r]	2,003.8	2,005.5[r]	1,959.1[r]	1,928.1	1,999.9	2,002.4	2,003.8	1,958.8
4 Nonfinancial corporate business	271.5	289.2[r]	286.8[r]	305.1	273.8[r]	286.8[r]	273.6	285.7	291.6	305.1	301.3
5 Nonfarm noncorporate business	37.0	37.2	37.5	37.9	37.4	37.5	37.6	37.7	37.8	37.9	38.0
6 State and local governments	784.9	729.9	652.5	616.3	672.9	652.5	651.8	649.1	617.4	616.3	613.0
7 Federal government	231.7	207.5	186.1	164.2	192.2	186.1	180.8	177.0	170.5	164.2	159.5
8 Rest of the world	1,147.8	1,254.7	1,561.8	1,967.3	1,493.4	1,561.8	1,653.6	1,718.2	1,840.6	1,967.3	2,063.8
9 Financial sectors	12,080.0[r]	12,799.8[r]	13,886.9[r]	14,826.2	13,543.9[r]	13,886.9[r]	14,135.5	14,326.9	14,571.0	14,826.2	15,045.0
10 Monetary authority	336.7	368.2	380.8	393.1	370.6	380.8	379.6	386.3	386.2	393.1	397.1
11 Commercial banking	3,090.8	3,254.3	3,520.1	3,708.0	3,473.2	3,520.1	3,541.6	3,590.8	3,643.3	3,708.0	3,778.8
12 U.S. chartered banks	2,721.5	2,869.6	3,056.1	3,175.9	3,023.7	3,056.1	3,068.8	3,101.3	3,135.3	3,175.9	3,220.9
13 Foreign banking offices in United States	326.0	337.1	412.6	475.8	401.1	412.6	422.2	437.1	454.2	475.8	499.5
14 Bank holding companies	17.5	18.4	18.0	22.0	16.9	18.0	16.8	18.1	19.3	22.0	22.5
15 Banks in U.S. affiliated areas	25.8	29.2	33.4	34.4	31.5	33.4	33.9	34.3	34.5	34.4	35.9
16 Savings institutions	914.1	920.8	913.3	933.2	930.4	913.3	921.8	932.0	945.4	933.2	930.7
17 Credit unions	218.7	246.8	263.0	288.5	258.5	263.0	267.0	276.9	282.6	288.5	290.9
18 Bank personal trusts and estates	240.9	248.0	229.2	233.1	234.2	229.2	228.3	229.4	231.3	233.1	235.2
19 Life insurance companies	1,416.0[r]	1,482.6[r]	1,581.8[r]	1,641.5	1,571.2[r]	1,581.8[r]	1,596.2	1,596.7	1,627.0	1,641.5	1,657.6
20 Other insurance companies	422.7	446.4	468.7	492.8	463.0	468.7	474.5	480.2	486.4	492.8	499.3
21 Private pension funds	611.4[r]	659.2[r]	722.3[r]	768.8	701.9[r]	722.3[r]	739.6	751.0	761.4	768.8	783.2
22 State and local government retirement funds	423.4	454.1	476.8	511.3	470.6	476.8	491.9	505.0	506.3	511.3	510.2
23 Money market mutual funds	429.0	459.0	545.5	634.3	505.7	545.5	595.6	594.7	606.6	634.3	659.0
24 Mutual funds	725.9	718.8	771.3	820.2	739.2	771.3	795.9	809.0	818.3	820.2	834.2
25 Closed-end funds	82.0	78.7	92.0	101.3	88.7	92.0	94.8	97.2	99.5	101.3	103.0
26 Government-sponsored enterprises	546.4	667.0	755.0	822.5	708.4	755.0	762.7	767.6	788.2	822.5	837.6
27 Federally related mortgage pools	1,356.8	1,472.1	1,570.3	1,711.0	1,526.6	1,570.3	1,599.7	1,643.4	1,679.2	1,711.0	1,740.1
28 Asset-backed securities issuers (ABSs)	457.9	520.7	633.7	738.9	595.7	633.7	659.7	688.5	709.5	738.9	742.2
29 Finance companies	482.8	551.0	615.2	658.3	594.7	615.2	621.7	633.2	642.0	658.3	672.7
30 Mortgage companies	60.4	36.5	33.0	41.2	42.2	33.0	46.0	39.3	40.2	41.2	39.9
31 Real estate investment trusts (REITs)	8.6	13.3	15.5[r]	18.5	14.7	15.5[r]	16.3	17.2	18.0	18.5	19.0
32 Brokers and dealers	137.5	93.3	183.4	166.3	136.1	183.4	156.2	138.2	147.1	166.3	163.4
33 Funding corporations	117.9[r]	109.0[r]	115.9[r]	143.4	118.3[r]	115.9[r]	146.5	150.3	152.6	143.4	151.1
RELATION OF LIABILITIES TO FINANCIAL ASSETS											
34 **Total credit market debt**	**16,246.0[r]**	**17,331.7[r]**	**18,570.6[r]**	**19,920.9**	**18,219.0[r]**	**18,570.6[r]**	**18,861.0**	**19,194.7**	**19,531.3**	**19,920.9**	**20,179.4**
Other liabilities											
35 Official foreign exchange	53.4	53.2	63.7	53.7	65.1	63.7	62.1	61.4	54.3	53.7	46.3
36 Special drawing rights certificates	8.0	8.0	10.2	9.7	10.2	10.2	10.2	10.2	9.7	9.7	9.2
37 Treasury currency	17.0	17.6	18.2	18.2	18.2	18.2	18.2	18.2	18.8	18.2	18.3
38 Foreign deposits	271.8	324.6	361.4	409.1	353.6	361.4	382.7	382.9	411.2	409.1	423.9
39 Net interbank liabilities	189.3	280.1	290.7[r]	239.6	267.2	290.7[r]	266.0	249.1	223.6	239.6	204.0
40 Checkable deposits and currency	1,251.7	1,242.0	1,229.3	1,245.2	1,200.3	1,229.3	1,183.3	1,212.3	1,220.8	1,245.2	1,218.9
41 Small time and savings deposits	2,223.2	2,183.3	2,279.7	2,376.7	2,255.8	2,279.7	2,342.3	2,340.1	2,357.4	2,376.7	2,428.7
42 Large time deposits	391.7	411.2	476.9	590.8	477.5	476.9	493.6	511.1	557.6	590.8	605.4
43 Money market fund shares	559.6	602.9	745.3	891.1	702.7	745.3	816.9	809.5	838.1	891.1	950.8
44 Security repurchase agreements	471.1	549.4	660.1	698.7	654.8	660.1	666.1	692.1	687.6	698.7	717.1
45 Mutual fund shares	1,375.4	1,477.3	1,852.8	2,342.4	1,782.0	1,852.8	1,997.0	2,129.9	2,211.6	2,342.4	2,410.3
46 Security credit	279.0	279.0	305.7	358.1	286.1	305.7	326.9	318.6	317.8	358.1	374.4
47 Life insurance reserves	470.8	505.3	550.2	590.2	540.6	550.2	555.0	563.1	577.2	590.2	604.8
48 Pension fund reserves	4,642.9[r]	4,848.4[r]	5,570.8[r]	6,285.9	5,442.0[r]	5,570.8[r]	5,748.3	5,883.4	6,013.2	6,285.9	6,396.7
49 Trade payables	1,048.2	1,139.2[r]	1,241.7[r]	1,316.0	1,192.2[r]	1,241.7[r]	1,229.1	1,264.4	1,263.9	1,316.0	1,307.7
50 Taxes payable	84.9	88.0	89.3	91.9	91.9	89.3	94.3	90.3	92.1	91.9	93.6
51 Investment in bank personal trusts	691.3	699.4	767.4	872.0	758.6	767.4	793.7	811.7	829.0	872.0	890.4
52 Miscellaneous	5,176.6[r]	5,462.9[r]	5,928.9[r]	6,274.4	5,757.3[r]	5,928.9[r]	6,067.5	6,089.1	6,197.3	6,274.4	6,387.6
53 **Total liabilities**	**35,451.8[r]**	**37,503.8[r]**	**41,012.7[r]**	**44,584.6**	**40,075.1[r]**	**41,012.7[r]**	**41,914.0**	**42,632.0**	**43,412.6**	**44,584.6**	**45,267.5**
Financial assets not included in liabilities (+)											
54 Gold and special drawing rights	20.1	21.1	22.1	21.4	22.1	22.1	22.1	22.0	21.2	21.4	20.9
55 Corporate equities	6,280.0	6,263.3	8,389.9	10,090.0	7,972.4	8,389.9	8,875.8	9,170.9	9,387.4	10,090.0	10,099.2
56 Household equity in noncorporate business	2,499.5[r]	2,591.5[r]	2,702.8[r]	2,740.7	2,657.7[r]	2,702.8[r]	2,739.5	2,762.5	2,787.2	2,740.7	2,827.2
Liabilities not identified as assets (−)											
57 Treasury currency	−5.1	−5.4	−5.8	−6.8	−5.6	−5.8	−6.1	−6.3	−6.0	−6.8	−6.9
58 Foreign deposits	232.6	277.8[r]	307.6[r]	337.2	299.7[r]	307.6[r]	323.2	331.1	353.2	337.2	347.6
59 Net interbank transactions	−4.7	−6.5	−9.0	−10.8	.1	−9.0	−2.6	−8.0	−11.6	−10.8	−1.8
60 Security repurchase agreements	−1.6[r]	55.7[r]	110.9[r]	139.8	115.1[r]	110.9[r]	121.7	141.4	129.7	139.8	125.3
61 Taxes payable	26.8	35.4	44.1	45.1	39.1	44.1	23.9	38.0	41.9	45.1	31.1
62 Miscellaneous	−869.9[r]	−959.9[r]	−993.3[r]	−1,240.4	−876.3[r]	−993.3[r]	−1,052.2	−1,145.9	−1,140.7	−1,240.4	−1,181.9
Floats not included in assets (−)											
63 Federal government checkable deposits	5.6	3.4	3.1	−1.6	.6	3.1	.0	−3.4	−1.7	−1.6	−9.7
64 Other checkable deposits	40.7	38.0	34.2	30.1	27.3	34.2	29.6	31.8	23.1	30.1	25.6
65 Trade credit	−248.0	−240.7[r]	−268.0[r]	−299.9	−316.7[r]	−268.0[r]	−319.2	−329.7	−365.5	−299.9	−367.2
66 **Total identified to sectors as assets**	**45,075.0[r]**	**47,181.7[r]**	**52,903.7[r]**	**58,444.0**	**51,444.0[r]**	**52,903.7[r]**	**54,433.1**	**55,538.4**	**56,586.0**	**58,444.0**	**59,252.7**

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.6 and L.7. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

Monthly data seasonally adjusted, and indexes 1992=100, except as noted

Measure	1994	1995	1996	1996					1997[r]			
				Aug.	Sept.	Oct	Nov	Dec.	Jan.	Feb.	Mar.	Apr.
1 **Industrial production**[1]	**108.6**	**112.1**	**115.2**	**115.8**	**116.0**	**116.2**	**117.2**	**117.7**	**117.8**	**118.4**	**119.0**	**119.0**
Market groupings												
2 Products, total	106.8	109.3	112.0	112.2	112.7	112.8	114.1	114.3	114.2	114.8	115.5	115.4
3 Final, total	107.1	109.9	112.8	113.0	113.3	113.6	114.8	115.3	115.1	115.7	116.7	116.3
4 Consumer goods	107.4	108.9	110.5	110.1	110.5	110.8	112.3	112.7	111.7	111.7	112.5	111.8
5 Equipment	106.6	111.6	116.8	117.9	118.1	118.4	119.0	119.6	120.8	122.7	123.9	124.0
6 Intermediate	106.1	107.5	109.4	110.0	110.6	110.2	111.9	111.3	111.6	112.0	112.0	112.5
7 Materials	111.3	116.6	120.3	121.5	121.2	121.7	122.2	123.1	123.4	124.0	124.6	124.7
Industry groupings												
8 Manufacturing	109.4	113.2	116.3	117.2	117.4	117.6	118.5	119.2	119.3	120.1	120.8	120.5
9 Capacity utilization, manufacturing (percent)[2]	83.1	83.1	82.1	82.3	82.1	82.0	82.4	82.5	82.4	82.7	82.8	82.4
10 Construction contracts[3]	117.3	121.5[r]	130.3[r]	138.0	133.0	126.0	132.0[r]	128.0[r]	128.0	129.0	129.0	131.0
11 Nonagricultural employment, total[4]	112.0	115.0	117.3	117.8	117.8	118.0	118.2	118.4	118.7	119.0	119.1	119.2
12 Goods-producing, total	96.9	98.1	98.3	98.5	98.3	98.4	98.6	98.7	98.9	99.3	99.3	99.1
13 Manufacturing, total	96.4	97.2	96.2	96.3	96.0	96.1	96.1	96.2	96.3	96.3	96.4	96.3
14 Manufacturing, production workers	97.5	98.7	97.5	97.5	97.2	97.3	97.4	97.4	97.6	97.6	97.7	97.6
15 Service-producing	116.8	120.3	123.3	123.9	124.0	124.3	124.4	124.7	125.0	125.2	125.4	125.7
16 Personal income, total	148.2[r]	157.2[r]	165.9[r]	167.1[r]	168.1[r]	168.2[r]	169.3[r]	170.5[r]	171.1	172.5	173.5	n.a.
17 Wages and salary disbursements	142.6	150.9	159.7	161.1	162.2	162.0	163.4	165.1	165.0	167.2	168.4	n.a.
18 Manufacturing	124.9	130.4	135.3	136.9	136.7	136.7	137.4	139.2	138.6	139.3	140.6	n.a.
19 Disposable personal income[5]	149.1[r]	157.6[r]	165.5[r]	166.7[r]	167.6[r]	167.8[r]	168.8[r]	169.9[r]	171.1	172.4	173.4	n.a.
20 Retail sales[5]	144.6[r]	151.2[r]	158.5[r]	158.3[r]	159.6[r]	160.9[r]	160.5[r]	161.3[r]	163.9	166.1	166.1	165.5
Prices[6]												
21 Consumer (1982–84=100)	148.2	152.4	156.9	157.3	157.8	158.3	158.6	158.6	159.1	159.6	160.0	160.2
22 Producer finished goods (1982=100)	125.5	127.9	131.3	131.9	131.8	132.7	132.6	132.7	132.6	132.2	132.2	131.6

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in January 1997. See "Industrial Production and Capacity Utilization: Historical Revision and Recent Developments," *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67–92. The article contains a description of the new aggregation system for industrial production and capacity utilization. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.

2. Ratio of index of production to index of capacity. Based on data from the Federal Reserve, DRI McGraw-Hill, U.S. Department of Commerce, and other sources.

3. Index of dollar value of total construction contracts, including residential, nonresidential, and heavy engineering, from McGraw-Hill Information Systems Company, F.W. Dodge Division.

4. Based on data from U.S. Department of Labor, *Employment and Earnings*. Series covers employees only, excluding personnel in the armed forces.

5. Based on data from U.S. Department of Commerce, *Survey of Current Business*.

6. Based on data not seasonally adjusted. Seasonally adjusted data for changes in the price indexes can be obtained from the U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*.

NOTE. Basic data (not indexes) for series mentioned in notes 4 and 5, and indexes for series mentioned in notes 3 and 6, can also be found in the *Survey of Current Business*.

Figures for industrial production for the latest month are preliminary, and many figures for the three months preceding the latest month have been revised. See "Recent Developments in Industrial Capacity and Utilization," *Federal Reserve Bulletin*, vol. 76 (June 1990), pp. 411–35. See also "Industrial Production Capacity and Capacity Utilization since 1987," *Federal Reserve Bulletin*, vol. 79 (June 1993), pp. 590–605.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data seasonally adjusted

Category	1994	1995	1996	1996				1997[r]			
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
HOUSEHOLD SURVEY DATA[1]											
1 Civilian labor force[2]	131,056	132,304	133,943	134,291	134,636	134,831	135,022	135,848	135,634	136,319	136,098
Employment											
2 Nonagricultural industries[3]	119,651	121,460	123,264	123,768	124,167	124,290	124,429	125,112	125,138	125,789	125,887
3 Agriculture	3,409	3,440	3,443	3,480	3,450	3,354	3,426	3,468	3,292	3,386	3,497
Unemployment											
4 Number	7,996	7,404	7,236	7,043	7,019	7,187	7,167	7,268	7,205	7,144	6,714
5 Rate (percent of civilian labor force)	6.1	5.6	5.4	5.2	5.2	5.3	5.3	5.4	5.3	5.2	4.9
ESTABLISHMENT SURVEY DATA											
6 **Nonagricultural payroll employment**[4]	**114,172**	**117,203**	**119,549**	**120,050**	**120,311**	**120,492**	**120,723**	**120,982**	**121,296**	**121,435**	**121,577**
7 Manufacturing	18,321	18,468	18,282	18,241	18,254	18,262	18,270	18,296	18,299	18,316	18,302
8 Mining	601	580	570	567	566	566	566	568	570	569	570
9 Contract construction	4,986	5,158	5,405	5,449	5,464	5,491	5,520	5,535	5,639	5,614	5,570
10 Transportation and public utilities	5,993	6,165	6,318	6,337	6,338	6,350	6,340	6,378	6,403	6,416	6,434
11 Trade	26,670	27,585	28,178	28,321	28,446	28,508	28,586	28,584	28,630	28,702	28,735
12 Finance	6,896	6,830	6,977	7,009	7,026	7,038	7,052	7,062	7,077	7,095	7,118
13 Service	31,579	33,107	34,360	34,607	34,709	34,780	34,865	35,015	35,101	35,173	35,266
14 Government	19,128	19,310	19,459	19,519	19,508	19,497	19,524	19,544	19,577	19,550	19,582

1. Beginning January 1994, reflects redesign of current population survey and population controls from the 1990 census.

2. Persons sixteen years of age and older, including Resident Armed Forces. Monthly figures are based on sample data collected during the calendar week that contains the twelfth day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures.

3. Includes self-employed, unpaid family, and domestic service workers.

4. Includes all full- and part-time employees who worked during, or received pay for, the pay period that includes the twelfth day of the month; excludes proprietors, self-employed persons, household and unpaid family workers, and members of the armed forces. Data are adjusted to the March 1992 benchmark, and only seasonally adjusted data are available at this time.

SOURCE. Based on data from U.S. Department of Labor, *Employment and Earnings*.

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION[1]

Seasonally adjusted

Series	1996 Q2	1996 Q3	1996 Q4	1997 Q1[r]	1996 Q2	1996 Q3	1996 Q4	1997 Q1	1996 Q2	1996 Q3	1996 Q4	1997 Q1[r]
	Output (1992=100)				Capacity (percent of 1992 output)				Capacity utilization rate (percent)[2]			
1 **Total industry**	**114.8**	**115.8**	**117.0**	**118.4**	**137.9**	**139.2**	**140.5**	**141.8**	**83.3**	**83.2**	**83.3**	**83.5**
2 Manufacturing	115.8	117.2	118.4	120.1	141.0	142.5	143.9	145.3	82.1	82.3	82.3	82.6
3 Primary processing[3]	111.7	113.2	113.9	114.6	129.9	130.7	131.5	132.2	86.0	86.6	86.6	86.7
4 Advanced processing[4]	117.8	119.1	120.7	122.8	146.5	148.2	150.0	151.9	80.4	80.4	80.4	80.8
5 Durable goods	125.4	127.2	128.1	130.8	152.2	154.5	156.9	159.2	82.4	82.3	81.7	82.1
6 Lumber and products	111.0	110.5	110.1	111.1	128.2	129.1	130.0	131.0	86.6	85.6	84.7	84.8
7 Primary metals	116.5	118.6	119.8	119.2	128.7	129.8	131.0	132.1	90.5	91.4	91.5	90.2
8 Iron and steel	115.8	117.9	118.6	117.7	130.3	131.9	133.5	134.9	88.8	89.4	88.9	87.2
9 Nonferrous	117.2	119.4	121.1	120.9	126.5	127.1	127.8	128.6	92.7	93.9	94.8	94.0
10 Industrial machinery and equipment	154.6	158.9	161.5	166.5	171.6	176.3	181.3	186.5	90.1	90.1	89.1	89.3
11 Electrical machinery	162.3	164.5	167.2	172.6	193.2	200.6	208.5	216.4	84.0	82.0	80.2	79.8
12 Motor vehicles and parts	130.4	131.3	126.0	130.6	174.9	176.1	177.3	178.2	74.6	74.5	71.0	73.3
13 Aerospace and miscellaneous transportation equipment	83.8	86.7	90.4	93.5	120.6	120.2	119.8	119.6	69.5	72.2	75.5	78.2
14 Nondurable goods	105.5	106.5	108.1	108.7	129.0	129.6	130.1	130.6	81.8	82.2	83.0	83.2
15 Textile mill products	106.5	107.9	107.4	107.3	129.4	130.1	130.8	131.3	82.3	82.9	82.1	81.7
16 Paper and products	107.9	109.0	109.8	111.2	122.4	122.9	123.3	123.6	88.2	88.7	89.0	90.0
17 Chemicals and products	107.3	109.2	112.4	113.0	137.9	139.2	140.3	141.5	77.8	78.4	80.1	79.9
18 Plastics materials	122.1	125.3	125.3	127.0	129.5	131.8	134.0	...	94.3	95.1	93.5	..
19 Petroleum products	106.0	106.7	107.7	108.3	113.5	113.7	113.8	113.9	93.4	93.9	94.6	95.1
20 Mining	103.5	103.7	103.8	105.3	113.7	113.7	113.7	113.7	91.0	91.2	91.3	92.6
21 Utilities	114.0	110.5	113.0	111.1	124.5	125.2	125.9	126.5	91.6	88.2	89.8	87.9
22 Electric	114.0	110.8	112.4	112.0	122.8	123.6	124.4	125.1	92.8	89.6	90.4	89.5

	1973 High	1975 Low	Previous cycle[5] High	Previous cycle[5] Low	Latest cycle[6] High	Latest cycle[6] Low	1996 Apr.	1996 Nov.	1996 Dec.	1997 Jan.[r]	1997 Feb.[r]	1997 Mar.	1997 Apr.[p]
	Capacity utilization rate (percent)[2]												
1 **Total industry**	**89.2**	**72.6**	**87.3**	**71.1**	**85.3**	**78.1**	**83.1**	**83.4**	**83.5**	**83.3**	**83.5**	**83.7**	**83.4**
2 Manufacturing	88.5	70.5	86.9	69.0	85.7	76.6	82.0	82.4	82.5	82.4	82.7	82.8	82.4
3 Primary processing[3]	91.2	68.2	88.1	66.2	88.9	77.8	85.6	86.5	86.6	86.2	86.9	87.0	86.8
4 Advanced processing[4]	87.2	71.8	86.7	70.4	84.2	76.1	80.4	80.5	80.8	80.7	80.8	81.0	80.4
5 Durable goods	89.2	68.9	87.7	63.9	84.5	73.2	82.3	81.9	81.7	81.7	82.2	82.4	81.8
6 Lumber and products	88.7	61.2	87.9	60.8	93.6	75.5	86.2	87.0	82.9	83.1	85.6	85.8	85.9
7 Primary metals	100.2	65.9	94.2	45.1	92.7	73.7	90.5	90.5	90.4	89.4	90.8	90.4	89.9
8 Iron and steel	105.8	66.6	95.8	37.0	95.2	71.8	88.3	86.8	87.1	87.7	87.6	86.4	85.6
9 Nonferrous	90.8	59.8	91.1	60.1	89.3	74.2	93.4	95.1	94.7	91.7	94.8	95.5	95.3
10 Industrial machinery and equipment	96.0	74.3	93.2	64.0	85.4	72.4	90.2	89.2	89.0	89.2	89.4	89.2	89.0
11 Electrical machinery	89.2	64.7	89.4	71.6	84.0	75.1	84.5	80.2	80.0	78.9	79.9	80.6	80.5
12 Motor vehicles and parts	93.4	51.3	95.0	45.5	89.1	55.9	74.7	72.7	71.9	74.1	72.8	72.8	67.8
13 Aerospace and miscellaneous transportation equipment	78.4	67.6	81.9	66.6	87.3	79.2	68.9	75.4	76.4	77.1	78.1	79.4	79.5
14 Nondurable goods	87.8	71.7	87.5	76.4	87.3	80.7	81.6	82.9	83.5	83.1	83.2	83.3	83.1
15 Textile mill products	91.4	60.0	91.2	72.3	90.4	77.7	81.5	82.7	81.1	81.0	81.0	83.1	82.2
16 Paper and products	97.1	69.2	96.1	80.6	93.5	85.0	87.9	89.3	90.4	89.3	89.9	90.7	90.5
17 Chemicals and products	87.6	69.7	84.6	69.9	86.2	79.3	77.7	79.6	81.0	80.6	79.8	79.2	79.3
18 Plastics materials	102.0	50.6	90.9	63.4	97.0	74.8	93.6	92.4	94.0	93.5	93.3	...	..
19 Petroleum products	96.7	81.1	90.0	66.8	88.5	85.1	93.0	94.4	94.2	94.3	95.3	95.6	97.2
20 Mining	94.3	88.2	96.0	80.3	86.8	86.1	90.4	91.1	91.9	91.1	92.9	93.7	93.2
21 Utilities	96.2	82.9	89.1	75.9	92.6	83.4	91.3	91.0	89.3	89.3	86.8	87.5	89.1
22 Electric	99.0	82.7	88.2	78.9	95.0	87.1	92.3	90.6	90.3	90.7	88.7	89.3	90.2

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in January 1997. See "Industrial Production and Capacity Utilization: Historical Revision and Recent Developments," *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67–92. The article contains a description of the new aggregation system for industrial production and capacity utilization. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.

2. Capacity utilization is calculated as the ratio of the Federal Reserve's seasonally adjusted index of industrial production to the corresponding index of capacity.

3. Primary processing includes textiles; lumber; paper, industrial chemicals; synthetic materials; fertilizer materials; petroleum products; rubber and plastics, stone, clay, and glass; primary metals; and fabricated metals.

4. Advanced processing includes foods; tobacco; apparel; furniture and fixtures; printing and publishing; chemical products such as drugs and toiletries; agricultural chemicals, leather and products; machinery; transportation equipment; instruments; and miscellaneous manufactures.

5. Monthly highs, 1978–80; monthly lows, 1982.

6. Monthly highs, 1988–89; monthly lows, 1990–91.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]

Monthly data seasonally adjusted

Group	1992 proportion	1996 avg.	1996 Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1997 Jan.[r]	Feb.[r]	Mar.	Apr.[p]
			Index (1992 = 100)												
MAJOR MARKETS															
1 **Total index**	**100.0**	**115.2**	**114.3**	**114.8**	**115.5**	**115.5**	**115.8**	**116.0**	**116.2**	**117.2**	**117.7**	**117.8**	**118.4**	**119.0**	**119.0**
2 Products	60.5	112.0	111.0	111.4	112.3	112.3	112.2	112.7	112.8	114.1	114.3	114.2	114.8	115.5	115.4
3 Final products	46.3	112.8	112.1	112.2	113.1	113.4	113.0	113.3	113.6	114.8	115.3	115.1	115.7	116.7	116.3
4 Consumer goods, total	29.1	110.5	109.8	110.0	110.8	110.7	110.1	110.5	110.8	112.3	112.7	111.7	111.7	112.5	111.8
5 Durable consumer goods	6.1	126.2	125.7	126.9	129.9	129.7	128.0	127.1	124.5	127.1	128.4	127.3	129.4	131.7	127.0
6 Automotive products	2.6	125.8	126.0	126.9	130.0	132.1	128.7	127.7	122.0	127.4	127.2	129.6	130.9	132.2	123.6
7 Autos and trucks	1.7	132.6	135.0	135.0	137.7	145.7	138.7	134.6	125.7	133.8	135.5	138.7	139.2	141.2	125.3
8 Autos, consumer	.9	120.2	126.1	129.0	133.3	137.8	132.5	129.9	112.3	123.5	115.9	120.1	122.8	125.3	114.6
9 Trucks, consumer	.7	147.2	150.3	147.3	148.7	161.3	152.3	146.6	147.4	152.4	164.9	167.0	165.0	166.6	143.8
10 Auto parts and allied goods	.9	114.5	111.9	114.0	117.4	112.4	113.5	116.2	114.4	116.4	114.0	115.5	117.6	117.9	118.5
11 Other	3.5	126.3	125.3	126.7	129.7	128.0	127.5	126.6	126.2	126.8	129.1	125.5	128.2	131.2	129.2
12 Appliances, televisions, and air conditioners	1.0	173.0	170.2	172.0	180.1	181.1	175.9	174.2	176.5	176.9	181.1	171.2	181.9	186.1	182.3
13 Carpeting and furniture	.8	109.9	109.1	112.4	114.6	107.0	111.1	110.5	108.6	110.7	109.3	106.0	106.0	111.2	109.1
14 Miscellaneous home goods	1.6	107.9	108.0	108.1	108.7	108.5	108.0	107.6	106.5	106.4	109.6	109.2	109.2	110.3	109.4
15 Nondurable consumer goods	23.0	106.5	105.9	105.8	106.0	106.0	105.6	106.3	107.3	108.5	108.7	107.8	107.3	107.8	108.0
16 Foods and tobacco	10.3	106.1	105.7	105.3	105.8	105.9	105.4	106.1	106.6	107.2	108.2	107.7	108.0	108.5	107.8
17 Clothing	2.4	95.5	96.1	95.9	95.6	95.4	95.4	95.1	95.5	95.0	94.9	94.0	93.5	93.7	93.4
18 Chemical products	4.5	112.7	110.0	110.5	110.6	112.6	111.3	113.5	115.5	117.3	118.8	117.9	116.6	116.1	116.7
19 Paper products	2.9	101.1	100.0	100.7	100.2	101.4	101.8	101.9	102.9	102.9	103.0	101.1	101.6	102.8	102.7
20 Energy	2.9	112.0	112.8	112.8	113.2	109.1	109.4	109.4	110.7	115.3	111.8	110.4	107.5	108.6	111.9
21 Fuels	.8	106.6	106.4	106.8	106.7	106.7	107.7	105.4	108.1	107.8	106.0	105.1	106.2	107.2	109.4
22 Residential utilities	2.1	114.3	115.5	115.4	116.0	109.9	110.0	110.9	111.7	118.5	114.2	112.6	107.8	109.0	112.9
23 Equipment	17.2	116.8	115.9	116.0	117.1	118.1	117.9	118.1	118.4	119.0	119.6	120.8	122.7	123.9	124.0
24 Business equipment	13.2	126.6	125.1	125.0	126.6	128.1	127.7	128.3	128.8	129.8	130.7	132.1	133.8	134.9	135.0
25 Information processing and related	5.4	143.2	140.5	140.8	143.9	144.1	144.6	146.3	147.4	147.1	148.5	149.6	152.8	154.7	156.4
26 Computer and office equipment	1.1	292.0	272.2	279.7	289.4	301.7	306.2	314.3	318.8	323.5	327.1	335.7	345.6	353.1	361.6
27 Industrial	4.0	126.9	127.5	126.5	126.3	127.2	126.7	126.3	127.0	127.1	127.3	127.9	127.9	127.9	128.8
28 Transit	2.5	100.0	97.5	97.5	100.6	104.1	103.0	103.8	101.9	106.6	107.2	109.8	112.0	113.7	109.9
29 Autos and trucks	1.2	115.3	118.5	118.0	120.8	126.5	120.9	117.7	109.4	115.9	113.7	117.2	119.1	119.6	110.0
30 Other	1.3	116.4	114.7	115.3	114.3	118.0	116.1	115.5	118.7	119.9	121.4	123.4	124.5	124.5	124.3
31 Defense and space equipment	3.3	77.0	77.4	77.9	77.0	77.7	77.9	77.7	77.0	76.1	76.2	74.7	75.5	75.7	75.7
32 Oil and gas well drilling	.6	120.5	123.7	127.0	127.8	122.1	122.6	117.5	120.2	120.7	123.6	130.8	140.7	153.9	154.4
33 Manufactured homes	.2	162.0	164.8	165.7	167.9	163.0	167.4	165.6	165.3	159.8	..	156.3	163.5	160.9	.
34 Intermediate products, total	14.2	109.4	107.7	108.9	109.7	108.9	110.0	110.6	110.2	111.9	111.3	111.6	112.0	112.0	112.5
35 Construction supplies	5.3	116.8	114.2	116.1	118.3	117.5	119.2	119.8	117.7	120.7	117.8	117.0	119.5	120.1	120.1
36 Business supplies	8.9	105.1	103.9	104.6	104.6	103.9	104.6	105.3	105.8	106.8	107.4	108.4	107.6	107.3	108.0
37 Materials	39.5	120.3	119.5	120.1	120.5	120.5	121.5	121.2	121.7	122.2	123.1	123.4	124.0	124.6	124.7
38 Durable goods materials	20.8	134.0	132.6	133.5	134.0	134.5	136.2	135.5	135.8	136.5	137.8	138.4	139.2	140.3	140.3
39 Durable consumer parts	4.0	128.8	130.1	130.6	130.4	131.1	133.9	128.3	126.6	129.7	130.3	132.1	129.8	129.7	126.5
40 Equipment parts	7.6	159.2	155.7	157.2	158.9	159.6	161.7	162.6	163.4	165.3	167.9	169.4	172.7	176.6	179.1
41 Other	9.2	118.2	117.2	117.8	117.9	118.2	119.2	119.2	120.0	119.1	119.9	119.3	119.8	119.6	119.3
42 Basic metal materials	3.1	113.1	112.1	112.2	112.6	112.9	113.6	114.7	117.2	114.4	115.7	114.9	116.1	115.6	115.3
43 Nondurable goods materials	8.9	106.4	105.5	105.9	106.2	107.4	106.5	106.9	108.0	108.4	109.5	109.6	110.5	110.7	110.6
44 Textile materials	1.1	106.3	105.6	106.1	106.3	109.9	107.4	107.1	108.4	108.5	105.9	106.8	107.8	107.6	107.5
45 Paper materials	1.8	107.4	106.9	106.4	105.2	109.1	108.2	107.0	108.0	110.9	112.5	111.5	113.3	114.1	113.5
46 Chemical materials	3.9	105.9	104.1	104.7	105.3	106.1	106.2	106.8	109.3	107.7	110.2	111.1	111.0	111.2	111.2
47 Other	2.1	106.1	106.5	107.1	108.0	107.1	104.7	106.2	103.9	106.8	106.3	105.3	107.6	107.4	107.6
48 Energy materials	9.7	103.9	104.2	104.6	104.8	102.4	104.0	103.9	103.9	104.0	103.9	103.8	103.6	103.6	104.2
49 Primary energy	6.3	102.6	104.0	103.5	103.5	101.7	103.2	102.2	102.0	101.6	102.6	101.6	102.6	102.6	102.5
50 Converted fuel materials	3.3	106.2	104.6	106.7	107.2	103.9	105.4	107.0	107.5	108.5	106.3	108.0	105.5	105.4	107.3
SPECIAL AGGREGATES															
51 Total excluding autos and trucks	97.1	114.9	113.9	114.4	115.0	114.9	115.4	115.7	116.1	116.9	117.4	117.4	118.0	118.7	118.9
52 Total excluding motor vehicles and parts	95.1	114.6	113.5	114.0	114.7	114.6	115.0	115.4	115.9	116.6	117.2	117.1	117.8	118.5	118.8
53 Total excluding computer and office equipment	98.2	112.9	112.2	112.6	113.2	113.1	113.4	113.5	113.7	114.6	115.1	115.1	115.6	116.2	116.1
54 Consumer goods excluding autos and trucks	27.4	109.2	108.4	108.7	109.3	108.9	108.6	109.2	109.9	111.0	111.4	110.3	110.2	110.9	111.0
55 Consumer goods excluding energy	26.2	110.2	109.4	109.6	110.4	110.9	110.2	110.6	110.8	111.8	112.8	111.9	112.2	113.0	111.8
56 Business equipment excluding autos and trucks	12.0	127.7	125.8	125.7	127.2	128.2	128.3	129.3	130.7	131.2	132.4	133.6	135.3	136.4	137.5
57 Business equipment excluding computer and office equipment	12.1	115.8	115.3	114.7	115.8	116.8	116.1	116.3	116.6	117.5	118.2	119.2	120.5	121.1	120.8
58 Materials excluding energy	29.8	125.4	124.2	124.9	125.4	126.1	127.0	126.6	127.1	127.8	129.0	129.4	130.3	131.1	131.1

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]—Continued

Group	SIC[2] code	1992 proportion	1996 avg.	1996 Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1997 Jan.[r]	Feb.[r]	Mar.	Apr.[p]
				Index (1992 = 100)												
MAJOR INDUSTRIES																
59 **Total index**	..	**100.0**	**115.2**	**114.3**	**114.8**	**115.5**	**115.5**	**115.8**	**116.0**	**116.2**	**117.2**	**117.7**	**117.8**	**118.4**	**119.0**	**119.0**
60 Manufacturing	..	85.4	116.3	115.2	115.7	116.4	117.0	117.2	117.4	117.6	118.5	119.2	119.3	120.1	120.8	120.5
61 Primary processing	...	26.5	112.2	111.0	111.7	112.6	113.0	113.1	113.5	113.8	113.8	114.0	113.8	114.8	115.2	115.2
62 Advanced processing	...	58.9	118.4	117.3	117.6	118.3	118.9	119.2	119.3	119.5	120.8	121.7	122.0	122.8	123.5	123.2
63 Durable goods	.	45.0	125.7	124.6	125.2	126.3	126.9	127.5	127.2	127.1	128.4	128.8	129.5	130.9	131.9	131.5
64 Lumber and products	24	2.0	109.7	110.3	110.4	112.4	109.3	111.4	110.7	109.2	113.1	108.0	108.6	112.1	112.6	113.0
65 Furniture and fixtures	25	1.4	108.9	108.1	110.3	109.5	108.1	108.8	108.8	110.4	110.5	110.5	109.7	110.0	110.2	110.2
66 Stone, clay, and glass products	32	2.1	111.0	108.5	109.8	111.3	114.1	111.8	113.1	111.7	111.8	111.3	112.7	112.6	111.4	111.8
67 Primary metals	33	3.1	117.2	116.1	116.3	117.0	118.0	118.3	119.5	122.1	118.5	118.8	117.8	120.0	119.8	119.4
68 Iron and steel	331,2	1.7	116.4	114.6	115.7	117.1	118.0	118.2	117.4	123.2	115.9	116.7	118.0	118.2	116.8	116.2
69 Raw steel	331PT	.1	112.2	112.1	112.9	114.9	113.3	113.6	112.6	111.5	108.7	112.5	111.7	112.3	114.2	114.1
70 Nonferrous	333–6,9	1.4	118.0	117.9	116.9	116.8	117.9	118.5	121.8	120.7	121.4	121.2	117.6	121.9	123.1	123.2
71 Fabricated metal products	34	5.0	118.6	117.8	118.4	118.9	119.1	119.4	119.3	119.3	119.1	119.5	119.2	119.6	120.4	120.5
72 Industrial machinery and equipment	35	8.0	156.4	153.3	154.3	156.1	157.7	159.6	159.4	159.9	161.7	162.9	164.7	166.8	168.0	169.4
73 Computer and office equipment	357	1.8	296.9	277.3	284.7	294.3	306.5	310.8	319.0	323.6	328.3	332.5	340.3	350.5	357.8	366.5
74 Electrical machinery	36	7.3	163.3	161.1	161.8	164.0	163.8	164.6	165.2	165.6	167.2	168.8	168.6	172.8	176.4	178.4
75 Transportation equipment	37	9.5	106.1	106.4	106.8	107.1	109.5	109.3	107.3	105.3	109.5	109.6	111.9	111.6	112.5	108.3
76 Motor vehicles and parts	371	4.9	126.9	130.3	130.5	130.4	134.1	132.8	127.0	121.2	128.9	127.9	132.0	129.8	129.9	121.1
77 Autos and light trucks	371PT	2.6	124.6	127.1	127.6	130.4	137.3	131.0	127.4	117.3	125.7	125.6	128.8	129.7	131.7	117.5
78 Aerospace and miscellaneous transportation equipment	372–6,9	4.6	85.6	83.2	83.8	84.3	85.7	86.5	87.9	89.4	90.3	91.5	92.2	93.4	95.0	95.1
79 Instruments	38	5.4	102.8	102.3	102.4	103.3	102.3	103.0	103.0	103.4	103.0	104.1	103.3	104.6	105.1	105.4
80 Miscellaneous	39	1.3	112.9	112.0	112.2	113.1	113.0	112.9	113.0	113.0	114.1	116.6	116.3	117.4	116.8	116.0
81 Nondurable goods	.	40.4	106.3	105.2	105.5	105.9	106.4	106.2	106.9	107.4	107.9	108.8	108.5	108.7	108.9	108.8
82 Foods	20	9.4	106.3	105.9	105.6	106.1	106.5	105.5	106.2	107.1	107.6	108.2	108.2	108.6	108.9	108.3
83 Tobacco products	21	1.6	105.6	106.3	103.7	105.1	102.5	104.1	104.9	104.0	105.4	108.9	104.6	105.3	106.8	105.5
84 Textile mill products	22	1.8	106.6	105.3	106.1	108.0	108.7	107.7	107.2	107.6	108.2	106.3	106.3	106.3	109.1	108.0
85 Apparel products	23	2.2	98.2	99.0	99.0	99.0	98.3	98.5	98.2	97.8	97.3	97.2	96.2	95.8	96.4	95.4
86 Paper and products	26	3.6	108.0	107.5	107.8	108.5	110.2	108.1	108.8	107.6	110.1	111.6	110.3	111.2	112.2	112.0
87 Printing and publishing	27	6.7	98.4	96.9	97.9	97.1	97.6	97.9	99.1	99.7	100.0	99.8	100.5	100.7	100.5	101.0
88 Chemicals and products	28	9.9	108.9	106.9	107.2	107.9	109.0	108.7	109.7	111.3	111.8	114.0	113.7	112.9	112.4	112.8
89 Petroleum products	29	1.4	106.5	105.5	106.2	106.3	105.3	107.8	106.9	108.4	107.4	107.3	107.4	108.5	108.9	110.7
90 Rubber and plastic products	30	3.5	120.5	118.0	119.8	120.9	120.7	122.0	122.8	121.4	121.7	122.6	121.1	123.3	123.9	123.0
91 Leather and products	31	.3	80.0	81.1	80.7	81.0	80.0	79.5	79.4	78.4	77.3	80.1	78.3	77.6	78.4	77.2
92 Mining	.	6.9	102.9	102.9	103.2	104.4	103.1	104.5	103.4	103.4	103.5	104.5	103.6	105.7	106.6	106.1
93 Metal	10	.5	102.0	99.4	100.9	101.7	103.1	104.0	105.3	105.6	102.5	106.3	105.7	103.7	102.7	102.5
94 Coal	12	1.0	105.9	105.3	108.0	108.9	102.7	109.6	106.2	107.5	108.8	109.5	106.4	109.6	105.5	106.2
95 Oil and gas extraction	13	4.8	100.3	100.9	100.5	101.5	100.9	101.1	100.5	100.0	100.2	100.7	100.8	102.8	105.2	104.8
96 Stone and earth minerals	14	.6	118.7	116.3	117.4	120.6	120.6	121.7	118.5	120.0	120.2	122.9	117.2	122.3	122.4	118.5
97 Utilities	...	7.7	112.8	113.5	114.6	114.0	109.4	110.8	111.1	111.9	114.5	112.6	112.7	109.8	110.8	113.0
98 Electric	491,493PT	6.2	112.7	113.1	114.8	114.2	110.1	111.5	110.9	112.0	112.7	112.6	113.2	110.9	111.8	113.1
99 Gas	492,493PT	1.6	113.2	115.0	113.6	113.6	107.1	108.5	111.8	111.3	120.9	112.7	110.9	106.0	107.2	112.4
SPECIAL AGGREGATES																
100 Manufacturing excluding motor vehicles and parts	.	80.5	115.7	114.3	114.8	115.6	116.0	116.3	116.8	117.3	117.9	118.6	118.6	119.5	120.2	120.4
101 Manufacturing excluding office and computing machines	...	83.6	113.7	112.8	113.2	113.8	114.3	114.4	114.5	114.7	115.5	116.1	116.2	116.9	117.5	117.1
		Gross value (billions of 1992 dollars, annual rates)														
MAJOR MARKETS																
102 **Products, total**	.	**2,001.9**	**2,258.7**	**2,249.1**	**2,255.7**	**2,274.2**	**2,276.1**	**2,272.9**	**2,273.4**	**2,270.7**	**2,303.5**	**2,301.1**	**2,302.9**	**2,316.9**	**2,332.5**	**2,322.1**
103 Final	...	1,552.1	1,760.9	1,760.0	1,761.9	1,775.7	1,782.8	1,773.6	1,771.6	1,771.8	1,795.1	1,796.8	1,798.4	1,810.3	1,825.2	1,812.2
104 Consumer goods	.	1,049.6	1,162.2	1,164.3	1,165.5	1,172.5	1,171.6	1,165.5	1,163.0	1,164.7	1,182.2	1,182.3	1,176.3	1,178.6	1,187.5	1,177.7
105 Equipment	..	502.5	598.0	595.0	595.7	602.4	610.5	607.4	607.8	606.3	612.1	613.7	621.4	631.1	637.0	633.9
106 Intermediate	..	449.9	498.2	489.9	494.4	499.0	494.3	499.7	502.1	499.3	508.6	504.9	505.1	507.2	508.2	510.4

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in January 1997. See "Industrial Production and Capacity Utilization: Historical Revision and Recent Developments," *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67–92. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76, (April 1990), pp. 187–204.

2. Standard industrial classification.

2.14 HOUSING AND CONSTRUCTION

Monthly figures at seasonally adjusted annual rates except as noted

Item	1994	1995	1996	1996 June	1996 July	1996 Aug.	1996 Sept.	1996 Oct.	1996 Nov.	1996 Dec.	1997 Jan.	1997 Feb.	1997 Mar.
	Private residential real estate activity (thousands of units except as noted)												
NEW UNITS													
1 Permits authorized	1,372	1,333	1,426[r]	1,432[r]	1,454[r]	1,405[r]	1,391[r]	1,349[r]	1,391[r]	1,405[r]	1,395[r]	1,438[r]	1,457
2 One-family	1,069	997	1,070[r]	1,094[r]	1,077[r]	1,061[r]	1,029[r]	1,003[r]	1,016[r]	999[r]	1,052[r]	1,069[r]	1,034
3 Two-family or more	303	335	356[r]	338[r]	377[r]	344[r]	362[r]	346[r]	375[r]	406[r]	343[r]	369[r]	423
4 Started	1,457	1,354	1,477	1,488	1,492	1,515	1,470	1,407	1,486	1,353	1,375	1,554[r]	1,435
5 One-family	1,198	1,076	1,161	1,214	1,164	1,222	1,148	1,104	1,133	1,024	1,125	1,237[r]	1,115
6 Two-family or more	259	278	316	274	328	293	322	303	353	329	250	317[r]	320
7 Under construction at end of period[1]	755	775	819	826	825	820	825	825	828	815	818	825	819
8 One-family	584	554	584	594	593	593	592	588	584	571	573	578	572
9 Two-family or more	171	221	235	232	232	227	233	237	244	244	245	247	247
10 Completed	1,346	1,319	1,407	1,426	1,463	1,449	1,356	1,375	1,431	1,484	1,362	1,563	1,400
11 One-family	1,161	1,073	1,124	1,137	1,161	1,153	1,097	1,129	1,151	1,177	1,109	1,258	1,107
12 Two-family or more	185	246	283	289	302	296	259	246	280	307	253	305	293
13 Mobile homes shipped	305	341	362	372	366	369	372	364	354	338	339	353[r]	355
Merchant builder activity in one-family units													
14 Number sold	670	667	757	732	782	814	768	706	788	794	825	834	813
15 Number for sale at end of period[1]	340	374	326	355	352	343	331	330	327	322	314	307	297
Price of units sold (thousands of dollars)[2]													
16 Median	130.0	133.9	140.0	140.0	144.2	137.0	139.0	143.8	143.5	144.9	145.0	141.0	142.5
17 Average	154.5	158.7	166.4	166.5	168.4	159.7	167.4	168.4	172.0	171.8	171.1	169.9	171.5
EXISTING UNITS (one-family)													
18 Number sold	3,967	3,812	4,087	4,160	4,150	4,100	4,020	4,000	4,060	3,950	3,910	4,230	4,160
Price of units sold (thousands of dollars)[2]													
19 Median	109.9	113.1	118.2	122.9	121.5	122.3	117.8	116.6	117.4	118.8	120.6	117.5	120.0
20 Average	136.8	139.1	145.5	150.2	149.6	149.9	144.7	143.6	144.1	147.1	149.6	144.7	147.5
	Value of new construction (millions of dollars)[3]												
CONSTRUCTION													
21 Total put in place	**525,968**	**547,105**	**567,313**	**563,122**	**559,312**	**564,715**	**572,262**	**582,537**	**594,043**	**588,146**	**588,889**	**601,447**	**600,092**
22 Private	399,427	410,643	426,518	423,106	419,293	426,703	428,361	437,034	446,059	445,439	446,646	454,528	451,919
23 Residential	238,531	236,916	246,090	246,909	244,931	246,019	246,407	246,935	249,167	250,297	250,126	254,141	256,618
24 Nonresidential	160,896	173,727	180,428	176,197	174,362	180,684	181,954	190,099	196,892	195,142	196,520	200,387	195,301
25 Industrial buildings	28,908	32,317	29,981	28,755	28,770	27,082	29,656	33,043	31,583	29,413	30,395	30,142	28,058
26 Commercial buildings	59,506	67,513	70,011	69,280	68,262	72,146	70,672	74,530	77,669	75,735	77,996	79,931	77,987
27 Other buildings	27,025	26,902	29,235	28,533	28,514	29,764	29,812	30,469	32,636	32,452	33,362	34,483	34,639
28 Public utilities and other	45,457	46,994	51,201	49,629	48,816	51,692	51,814	52,057	55,004	57,542	54,767	55,831	54,617
29 Public	126,541	136,462	140,795	140,016	140,020	138,012	143,901	145,503	147,983	142,707	142,244	146,919	148,174
30 Military	2,314	2,977	2,906	3,140	2,439	2,307	2,583	2,774	2,350	2,423	2,524	2,618	2,333
31 Highway	37,127	37,820	39,399	38,308	39,194	36,507	40,485	39,326	40,160	41,711	41,320	42,022	42,334
32 Conservation and development	6,378	6,412	5,753	6,004	5,793	5,660	5,473	6,095	5,974	5,708	5,838	5,558	6,029
33 Other	80,723	89,253	92,737	92,564	92,594	93,538	95,360	97,308	99,499	92,865	92,562	96,721	97,478

1. Not at annual rates.
2. Not seasonally adjusted.
3. Recent data on value of new construction may not be strictly comparable with data for previous periods because of changes by the Bureau of the Census in its estimating techniques. For a description of these changes, see *Construction Reports* (C–30–76–5), issued by the Census Bureau in July 1976.

SOURCE. Bureau of the Census estimates for all series except (1) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (2) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from the originating agency. Permit authorizations are those reported to the Census Bureau from 19,000 jurisdictions beginning in 1994.

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data except as noted

Item	Change from 12 months earlier		Change from 3 months earlier (annual rate)				Change from 1 month earlier					Index level, Apr. 1997[1]
	1996 Apr.	1997 Apr.	1996			1997	1996	1997				
			June	Sept.	Dec.[r]	Mar.[r]	Dec.	Jan.	Feb.	Mar.	Apr.	
CONSUMER PRICES[2] (1982–84=100)												
1 **All items**	**2.9**	**2.5**	**2.9**	**3.1**	**3.3**	**1.8**	**.3**	**.1**	**.3**	**.1**	**.1**	**160.2**
2 Food	2.6	2.8	4.3	5.3	3.4	.3	.0	−.3	.3	.0	−.2	156.6
3 Energy items	5.9	.0	4.9	1.1	16.2	−2.8	1.5	.8	.3	−1.7	−1.5	110.0
4 All items less food and energy	2.7	2.7	2.5	2.7	2.4	2.4	.2	.1	.2	.2	.3	169.4
5 Commodities	1.6	1.1	.0	1.1	.9	1.1	.1	.1	.1	.1	.3	143.5
6 Services	3.2	3.3	3.4	3.4	3.1	2.7	.3	.1	.3	.3	.3	184.1
PRODUCER PRICES (1982=100)												
7 Finished goods	2.4	.8	2.5	2.5	4.3	−3.0	.5	−.3	−.4	−.1	−.6	131.6
8 Consumer foods	1.9	2.4	5.3	4.6	2.4	−1.8	−.2	−1.0	−.3	.9	−.4	134.3
9 Consumer energy	6.5	−1.3	2.5	7.0	26.2	−17.3	3.3[r]	.0[r]	−1.2	−3.4	−2.6	82.2
10 Other consumer goods	1.8	1.0	2.2	.6	.6	.6	.2[r]	−.1[r]	−.1	.3	.0	145.2
11 Capital equipment	1.4	.1	.6	1.2	−.6	1.2	.0[r]	.1[r]	−.1	.3	−.4	138.5
Intermediate materials												
12 Excluding foods and feeds	.0	−.2	.6	1.0	2.2	−2.2	.6	.2	−.1	−.6	−.3	125.2
13 Excluding energy	−1.0	.2	.0	.0	−.3	.6	.1	.1	.0	.0	.0	134.2
Crude materials												
14 Foods	17.5	−2.3	47.4	−9.4	−28.5	−3.1	−2.7[r]	−1.0	−1.9	2.1	3.3	116.8
15 Energy	21.3	−9.9	−14.1	18.7	235.2	−67.1	19.3[r]	6.9[r]	−12.4	−19.2	−5.2	78.7
16 Other	−13.1	−1.0	−9.3	−2.6	−1.3	15.2	.0[r]	2.0	1.0	.6	−2.3	156.0

1. Not seasonally adjusted
2. Figures for consumer prices are for all urban consumers and reflect a rental-equivalence measure of homeownership.

SOURCE. U.S. Department of Labor, Bureau of Labor Statistics.

2.16 GROSS DOMESTIC PRODUCT AND INCOME

Billions of current dollars except as noted; quarterly data at seasonally adjusted annual rates

Account	1994	1995	1996	1996				1997
				Q1	Q2	Q3	Q4	Q1
GROSS DOMESTIC PRODUCT								
1 **Total**	**6,935.7**	**7,253.8**	**7,576.1**	**7,426.8**	**7,545.1**	**7,616.3**	**7,716.1**	**7,866.0**
By source								
2 Personal consumption expenditures	4,700.9	4,924.9	5,151.4	5,060.5	5,139.4	5,165.4	5,240.3	5,346.4
3 Durable goods	580.9	606.4	632.1	625.2	637.6	630.5	635.2	661.1
4 Nondurable goods	1,429.7	1,485.9	1,545.1	1,522.1	1,544.7	1,546.5	1,566.8	1,600.2
5 Services	2,690.3	2,832.6	2,974.3	2,913.2	2,957.1	2,988.5	3,038.3	3,085.1
6 Gross private domestic investment	1,014.4	1,065.3	1,117.0	1,068.9	1,096.0	1,156.2	1,146.6	1,202.8
7 Fixed investment	954.9	1,028.2	1,101.5	1,070.7	1,088.0	1,119.6	1,127.8	1,151.8
8 Nonresidential	667.2	738.5	791.1	769.0	773.8	807.0	814.5	833.3
9 Structures	180.2	199.7	214.3	208.4	207.4	213.5	227.8	234.3
10 Producers' durable equipment	487.0	538.8	576.8	560.6	566.3	593.5	586.7	599.0
11 Residential structures	287.7	289.8	310.5	301.7	314.2	312.6	313.3	318.5
12 Change in business inventories	59.5	37.0	15.4	−1.7	8.0	36.6	18.8	51.0
13 Nonfarm	48.0	39.6	17.3	2.7	11.3	35.4	19.7	50.1
14 Net exports of goods and services	−94.4	−94.7	−98.7	−86.3	−99.2	−120.2	−89.1	−111.4
15 Exports	719.1	807.4	855.2	839.5	850.0	844.3	887.0	899.3
16 Imports	813.5	902.0	953.9	925.8	949.2	964.5	976.0	1,010.6
17 Government consumption expenditures and gross investment	1,314.7	1,358.3	1,406.4	1,383.7	1,408.8	1,414.8	1,418.3	1,428.2
18 Federal	516.4	516.6	523.1	518.6	529.6	525.5	518.5	519.9
19 State and local	798.4	841.7	883.3	865.1	879.2	889.3	899.8	908.3
By major type of product								
20 Final sales, total	6,876.2	7,216.7	7,560.7	7,428.6	7,537.1	7,579.6	7,697.4	7,815.0
21 Goods	2,534.4	2,662.2	2,784.4	2,749.3	2,782.0	2,785.0	2,821.1	2,871.0
22 Durable	1,086.2	1,147.3	1,219.6	1,192.1	1,219.1	1,225.5	1,241.7	1,263.2
23 Nondurable	1,448.3	1,515.0	1,564.8	1,557.1	1,562.9	1,559.5	1,579.5	1,607.9
24 Services	3,746.5	3,926.9	4,105.2	4,027.9	4,087.0	4,122.0	4,183.8	4,240.9
25 Structures	595.3	627.6	671.1	651.4	668.0	672.6	692.5	703.1
26 Change in business inventories	59.5	37.0	15.4	−1.7	8.0	36.6	18.8	51.0
27 Durable goods	31.9	34.9	12.7	12.3	9.9	34.7	−6.0	22.5
28 Nondurable goods	27.7	2.2	2.7	−14.0	−1.9	2.0	24.8	28.5
MEMO								
29 **Total GDP in chained 1992 dollars**	**6,608.4[r]**	**6,742.2[r]**	**6,906.8[r]**	**6,813.8[r]**	**6,892.1[r]**	**6,928.1[r]**	**6,993.3[r]**	**7,089.4**
NATIONAL INCOME								
30 **Total**	**5,535.2[r]**	**5,828.9[r]**	**6,164.2[r]**	**6,027.5[r]**	**6,132.2[r]**	**6,216.6[r]**	**6,280.6[r]**	n.a.
31 Compensation of employees	4,009.8	4,222.7	4,448.5	4,344.3	4,420.9	4,482.9	4,546.0	4,637.5
32 Wages and salaries	3,257.3	3,433.2	3,630.1	3,540.2	3,606.5	3,659.6	3,714.2	3,794.4
33 Government and government enterprises	602.5	621.7	641.2	634.0	638.9	644.6	647.2	656.7
34 Other	2,654.8	2,811.5	2,988.9	2,906.1	2,967.5	3,015.1	3,067.0	3,137.8
35 Supplement to wages and salaries	752.4	789.5	818.4	804.1	814.4	823.3	831.8	843.0
36 Employer contributions for social insurance	350.2	365.5	382.2	375.0	380.4	384.6	388.8	396.9
37 Other labor income	402.2	424.0	436.2	429.1	434.0	438.6	442.9	446.1
38 Proprietors' income[1]	464.4[r]	486.1[r]	527.3[r]	508.1[r]	524.6[r]	535.6[r]	540.9[r]	548.7
39 Business and professional[1]	430.0[r]	458.2[r]	482.6[r]	471.5[r]	480.5[r]	485.5[r]	493.1[r]	503.6
40 Farm[1]	34.3[r]	27.9[r]	44.7[r]	36.6[r]	44.1[r]	50.1[r]	47.9[r]	45.1
41 Rental income of persons[2]	112.1[r]	111.7[r]	115.0[r]	114.5[r]	112.4[r]	115.2[r]	117.9[r]	116.2
42 Corporate profits[1]	554.1[r]	604.8[r]	670.2[r]	661.2[r]	672.1[r]	677.3[r]	670.1[r]	n.a.
43 Profits before tax[3]	531.2	598.9	639.9	642.2	644.6	635.6	637.1	n.a.
44 Inventory valuation adjustment	−13.3	−28.1	−8.9	−17.4	−11.0	2.0	−9.2	3.0
45 Capital consumption adjustment	36.2[r]	34.0[r]	39.2[r]	36.4[r]	38.6[r]	39.7[r]	42.2[r]	44.2
46 Net interest	394.9	403.6	403.3	399.5	402.3	405.6	405.7	n.a.

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.
3. For after–tax profits, dividends, and the like, see table 1.48.

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

2.17 PERSONAL INCOME AND SAVING

Billions of current dollars except as noted; quarterly data at seasonally adjusted annual rates

Account	1994	1995	1996	1996				1997
				Q1	Q2	Q3	Q4	Q1
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**5,762.0[r]**	**6,112.4[r]**	**6,449.5[r]**	**6,304.5[r]**	**6,409.6[r]**	**6,498.9[r]**	**6,584.9[r]**	**6,701.3**
2 Wage and salary disbursements	3,241.8	3,430.6	3,630.1	3,538.2	3,606.5	3,659.6	3,716.1	3,792.5
3 Commodity-producing industries	824.9	863.5	902.7	878.7	900.3	911.0	920.9	936.3
4 Manufacturing	621.1	648.4	672.5	654.8	671.8	678.5	685.0	693.6
5 Distributive industries	739.2	783.7	827.9	810.5	822.3	832.4	846.5	862.5
6 Service industries	1,075.2	1,161.6	1,258.3	1,215.1	1,244.9	1,271.6	1,301.5	1,337.0
7 Government and government enterprises	602.5	621.7	641.2	634.0	638.9	644.6	647.2	656.7
8 Other labor income	402.2	424.0	436.2	429.1	434.0	438.6	442.9	446.1
9 Proprietors' income[1]	464.4[r]	486.1[r]	527.3[r]	508.1[r]	524.6[r]	535.6[r]	540.9[r]	548.7
10 Business and professional[1]	430.0[r]	458.2[r]	482.6[r]	471.5[r]	480.5[r]	485.5[r]	493.1[r]	503.6
11 Farm[1]	34.3[r]	27.9[r]	44.7[r]	36.6[r]	44.1[r]	50.1[r]	47.9[r]	45.1
12 Rental income of persons[2]	112.1[r]	111.7[r]	115.0[r]	114.5[r]	112.4[r]	115.2[r]	117.9[r]	116.2
13 Dividends	199.6	214.8	230.6	226.6	229.3	231.5	234.8	240.0
14 Personal interest income	663.7	717.1	738.2	726.1	733.1	742.9	750.5	758.3
15 Transfer payments	956.3	1,022.6	1,079.7	1,063.0	1,075.6	1,085.1	1,095.0	1,120.4
16 Old-age survivors, disability, and health insurance benefits	472.9	507.4	539.1	529.9	536.3	541.7	548.2	562.2
17 LESS: Personal contributions for social insurance	278.1	294.5	307.5	301.0	305.8	309.7	313.4	320.9
18 EQUALS: Personal income	5,762.0[r]	6,112.4[r]	6,449.5[r]	6,304.5[r]	6,409.6[r]	6,498.9[r]	6,584.9[r]	6,701.3
19 LESS: Personal tax and nontax payments	731.4	794.3	863.8	824.9	870.6	872.5	887.2	887.0
20 EQUALS: Disposable personal income	5,030.6[r]	5,318.1[r]	5,585.7[r]	5,479.6[r]	5,539.0[r]	5,626.4[r]	5,697.7[r]	5,814.3
21 LESS: Personal outlays	4,832.3	5,071.5	5,314.0	5,218.1	5,300.7	5,329.8	5,407.5	5,515.9
22 EQUALS: Personal saving	198.3[r]	246.6[r]	271.6[r]	261.5[r]	238.3[r]	296.6[r]	290.2[r]	298.4
MEMO								
Per capita (chained 1992 dollars)								
23 Gross domestic product	25,348.7[r]	25,626.0[r]	26,014.3[r]	25,751.4[r]	25,988.4[r]	26,065.0[r]	26,251.3[r]	26,562.2
24 Personal consumption expenditures	17,158.4[r]	17,399.5[r]	17,667.4[r]	17,570.2	17,675.7	17,657.9	17,764.8	18,006.8
25 Disposable personal income	18,362.0[r]	18,789.0[r]	19,158.0[r]	19,028.0[r]	19,053.0[r]	19,233.0[r]	19,315.0[r]	19,583.0
26 Saving rate (percent)	3.9[r]	4.6[r]	4.9	4.8	4.3	5.3	5.1	5.1
GROSS SAVING								
27 **Gross saving**	**1,055.9[r]**	**1,152.3[r]**	**1,275.9[r]**	**1,218.4[r]**	**1,245.0[r]**	**1,314.6[r]**	**1,325.7[r]**	n.a.
28 Gross private saving	1,006.3[r]	1,072.3[r]	1,161.0[r]	1,134.3[r]	1,122.1[r]	1,196.7[r]	1,190.6[r]	n.a.
29 Personal saving	198.3[r]	246.6[r]	271.6[r]	261.5[r]	238.3[r]	296.6[r]	290.2[r]	298.4
30 Undistributed corporate profits[1]	147.8[r]	158.7[r]	192.9[r]	187.9[r]	192.6[r]	198.6[r]	192.5[r]	n.a.
31 Corporate inventory valuation adjustment	−13.3	−28.1	−8.9	−17.4	−11.0	2.0	−9.2	3.0
Capital consumption allowances								
32 Corporate	416.4[r]	435.9[r]	457.9[r]	449.6[r]	454.7[r]	461.1[r]	466.1[r]	471.6
33 Noncorporate	228.3[r]	228.5[r]	238.6[r]	233.5[r]	236.5[r]	240.5[r]	243.7[r]	246.1
34 Gross government saving	49.6	80.0	115.0	84.1	122.9	117.8	135.0	n.a.
35 Federal	−119.6	−87.9	−54.6	−82.0	−54.1	−48.4	−34.0	n.a.
36 Consumption of fixed capital	70.6	73.8	72.5	73.2	72.6	72.3	71.9	72.2
37 Current surplus or deficit (−), national accounts	−190.2	−161.7	−127.1	−155.2	−126.7	−120.8	−105.9	n.a.
38 State and local	169.2	167.9	169.6	166.1	177.0	166.3	169.0	n.a.
39 Consumption of fixed capital	69.4	72.9	76.6	75.1	76.0	77.1	78.1	79.1
40 Current surplus or deficit (−), national accounts	99.7	95.0	93.0	91.0	101.0	89.2	90.9	n.a.
41 **Gross investment**	**1,090.4**	**1,150.9**	**1,200.8**	**1,167.9**	**1,187.0**	**1,215.9**	**1,232.5**	n.a.
42 Gross private domestic investment	1,014.4	1,065.3	1,117.0	1,068.9	1,096.0	1,156.2	1,146.6	1,202.8
43 Gross government investment	212.3	221.9	233.4	228.8	235.1	234.2	235.3	232.8
44 Net foreign investment	−136.4	−136.3	−149.5	−129.9	−144.2	−174.6	−149.4	n.a.
45 **Statistical discrepancy**	**34.5[r]**	**−1.5[r]**	**−75.1[r]**	**−50.6[r]**	**−58.1[r]**	**−98.7[r]**	**−93.2[r]**	n.a.

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars; quarterly data seasonally adjusted except as noted[1]

Item credits or debits	1994	1995	1996	1995	1996			
				Q4	Q1	Q2	Q3	Q4[p]
1 Balance on current account	−148,405	−148,154	−165,095	−30,435	−35,274	−40,593	−47,853	−41,380
2 Merchandise trade balance[2]	−166,121	−173,424	−187,674	−38,026	−43,127	−47,370	−51,869	−45,308
3 Merchandise exports	502,463	575,940	611,669	149,422	150,032	153,120	150,144	158,373
4 Merchandise imports	−668,584	−749,364	−799,343	−187,448	−193,159	−200,490	−202,013	−203,681
5 Military transactions, net	1,963	3,585	2,809	978	489	725	515	1,080
6 Other service transactions, net	59,779	64,776	70,658	17,657	18,008	17,687	17,075	17,883
7 Investment income, net	−4,159	−8,016	−8,416	−1,890	311	−2,215	−4,098	−2,414
8 U.S. government grants	−15,816	−10,959	−14,634	−2,799	−4,259	−2,364	−2,580	−5,431
9 U.S. government pensions and other transfers	−4,544	−3,420	−4,233	−731	−1,012	−1,081	−1,064	−1,076
10 Private remittances and other transfers	−19,506	−20,696	−23,605	−5,624	−5,684	−5,975	−5,832	−6,114
11 Change in U.S. government assets other than official reserve assets, net (increase, −)	−341	−280	−665	−199	−152	−353	166	−326
12 Change in U.S. official reserve assets (increase, −)	5,346	−9,742	6,668	191	17	−523	7,489	−315
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	−441	−808	370	−147	−199	−133	848	−146
15 Reserve position in International Monetary Fund	494	−2,466	−1,280	−163	−849	−220	−183	−28
16 Foreign currencies	5,293	−6,468	7,578	501	1,065	−170	6,824	−141
17 Change in U.S. private assets abroad (increase, −)	−155,700	−297,834	−312,833	−98,206	−68,588	−49,823	−80,968	−113,454
18 Bank-reported claims[3]	−8,161	−69,146	−88,219	−7,272	1,714	−74	−33,196	−56,663
19 Nonbank-reported claims	−32,804	−34,219	...	−14,278	−12,707	−3,374	−15,696	...
20 U.S. purchases of foreign securities, net	−60,270	−98,960	−104,533	−32,539	−34,420	−20,200	−22,933	−26,980
21 U.S. direct investments abroad, net	−54,465	−95,509	−88,304	−44,117	−23,175	−26,175	−9,143	−29,811
22 Change in foreign official assets in United States (increase, +)	40,253	109,757	122,778	11,369	52,021	13,566	24,235	32,956
23 U.S. Treasury securities	30,745	68,813	111,151	12,984	55,600	−3,384	25,472	33,463
24 Other U.S. government obligations	6,077	3,734	4,331	764	52	1,258	1,217	1,804
25 Other U.S. government liabilities[4]	2,344	1,082	1,404	1,249	−156	220	1,061	279
26 Other U.S. liabilities reported by U.S. banks[3]	3,560	32,862	4,614	−3,908	−3,264	14,187	−1,930	−4,379
27 Other foreign official assets[5]	−2,473	3,266	1,278	280	−211	1,285	−1,585	1,789
28 Change in foreign private assets in United States (increase, +)	245,123	314,705	402,268	87,860	47,454	86,987	118,735	149,092
29 U.S. bank-reported liabilities[3]	111,842	25,283	−1,558	32,765	−35,571	1,925	−1,151	33,239
30 U.S. nonbank-reported liabilities	−7,710	34,578	...	11,272	6,506	7,296	20,608	...
31 Foreign private purchases of U.S. Treasury securities, net	34,225	99,340	153,784	1,734	11,832	31,212	43,402	67,338
32 Foreign purchases of other U.S. securities, net	57,006	95,268	131,682	27,321	35,993	29,122	34,820	31,747
33 Foreign direct investments in United States, net	49,760	60,236	83,950	14,768	28,694	17,432	21,056	16,768
34 Allocation of special drawing rights	0	0	0	0	0	0	0	0
35 Discrepancy	13,724	31,548	−53,122	29,420	4,522	−9,261	−21,804	−26,573
36 Due to seasonal adjustment	...	...	...	1,153	6,653	−449	−8,318	2,119
37 Before seasonal adjustment	13,724	31,548	−53,121	28,267	−2,131	−8,812	−13,486	−28,692
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	5,346	−9,742	6,668	191	17	−523	7,489	−315
39 Foreign official assets in United States, excluding line 25 (increase, +)	37,909	108,675	121,374	10,120	52,177	13,346	23,174	32,677
40 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22)	−1,529	3,959	13,573	−1,435	−992	5,555	5,479	3,531

1. Seasonal factors are not calculated for lines 12–16, 18–20, 22–34, and 38–40.
2. Data are on an international accounts basis. The data differ from the Census basis data, shown in table 3.11, for reasons of coverage and timing. Military exports are excluded from merchandise trade data and are included in line 5.
3. Reporting banks include all types of depository institutions as well as some brokers and dealers.
4. Associated primarily with military sales contracts and other transactions arranged with or through foreign official agencies.
5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*.

3.11 U.S. FOREIGN TRADE[1]

Millions of dollars; monthly data seasonally adjusted

Item	1994	1995	1996	1996				1997		
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.[p]
1 Goods and services, balance	−104,381	−105,064	−114,299	−11,616	−8,066	−7,968	−10,489	−12,334	−10,537	−8,508
2 Merchandise	−166,123	−173,424	−187,766	−17,639	−14,211	−14,404	−16,871	−18,614	−17,006	−15,063
3 Services	61,742	68,360	73,467	6,023	6,145	6,436	6,382	6,280	6,469	6,555
4 Goods and services, exports	698,301	786,529	835,414	68,816	71,758	72,566	71,210	70,645	73,472	76,479
5 Merchandise	502,462	575,939	611,507	50,317	52,893	53,302	51,924	51,358	54,060	56,614
6 Services	195,839	210,590	223,907	18,499	18,865	19,264	19,286	19,287	19,412	19,865
7 Goods and services, imports	−802,682	−891,593	−949,714	−80,432	−79,824	−80,534	−81,699	−82,979	−84,009	−84,987
8 Merchandise	−668,585	−749,363	−799,274	−67,956	−67,104	−67,706	−68,795	−69,972	−71,066	−71,677
9 Services	−134,097	−142,230	−150,440	−12,476	−12,720	−12,828	−12,904	−13,007	−12,943	−13,310

1. Data show monthly values consistent with quarterly figures in the U.S. balance of payments accounts.

SOURCE. *FT900*, U.S. Department of Commerce, Bureau of the Census and Bureau of Economic Analysis.

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Asset	1993	1994	1995	1996				1997			
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[p]
1 **Total**	**73,442**	**74,335**	**85,832**	**75,509**	**75,558**	**75,444**	**75,090**	**68,200**	**67,482**	**67,222**	**65,873**
2 Gold stock, including Exchange Stabilization Fund[1]	11,053	11,051	11,050	11,050	11,049	11,049	11,049	11,048	11,051	11,050	11,051
3 Special drawing rights[2,3]	9,039	10,039	11,037	10,177	10,226	10,386	10,312	9,793	9,866	9,879	9,726
4 Reserve position in International Monetary Fund[2]	11,818	12,030	14,649	15,421	15,517	15,516	15,435	14,372	14,037	13,846	13,660
5 Foreign currencies[4]	41,532	41,215	49,096	38,861	38,765	38,493	38,294	32,987	32,528	32,447	31,436

1. Gold held "under earmark" at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13, line 3. Gold stock is valued at $42.22 per fine troy ounce.
2. Special drawing rights (SDRs) are valued according to a technique adopted by the International Monetary Fund (IMF) in July 1974. Values are based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, sixteen currencies were used; since January 1981, five currencies have been used. U.S. SDR holdings and reserve positions in the IMF also have been valued on this basis since July 1974.
3. Includes allocations of SDRs by the International Monetary Fund on Jan. 1 of the year indicated, as follows: 1970—$867 million; 1971—$717 million; 1972—$710 million; 1979—$1,139 million; 1980—$1,152 million; 1981—$1,093 million; plus net transactions in SDRs.
4. Valued at current market exchange rates.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS[1]

Millions of dollars, end of period

Asset	1993	1994	1995	1996				1997			
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[p]
1 **Deposits**	**386**	**250**	**386**	**265**	**176**	**170**	**167**	**167**	**229**	**16**	**169**
Held in custody											
2 U.S. Treasury securities[2]	379,394	441,866	522,170	609,801	619,987	634,165	638,049	646,130	662,375	672,059	668,536
3 Earmarked gold[3]	12,327	12,033	11,702	11,210	11,204	11,198	11,197	11,197	11,175	11,034	10,944

1. Excludes deposits and U.S. Treasury securities held for international and regional organizations.
2. Marketable U.S. Treasury bills, notes, and bonds and nonmarketable U.S. Treasury securities, in each case measured at face (not market) value.
3. Held in foreign and international accounts and valued at $42.22 per fine troy ounce; not included in the gold stock of the United States.

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1994	1995	1996[r] Sept.	1996[r] Oct.	1996[r] Nov.	1996[r] Dec.	1997 Jan.[r]	1997 Feb.	1997 Mar.[p]
1 **Total**[1]	**520,934**	**630,918**	**719,615**	**722,761**	**737,524**	**752,552**	**763,058**	**771,938**	**780,512**
By type									
2 Liabilities reported by banks in the United States[2]	73,386	107,394	116,386	109,995	107,071	112,116	119,671	116,646	119,605
3 U.S. Treasury bills and certificates[3]	139,571	168,534	182,122	186,180	197,692	193,435	188,076	191,090	191,548
U.S. Treasury bonds and notes									
4 Marketable	254,059	293,690	358,225	363,063	366,903	380,565	388,587	398,630	405,443
5 Nonmarketable[4]	6,109	6,491	6,057	5,892	5,929	5,968	6,007	6,043	6,084
6 U.S. securities other than U.S. Treasury securities[5]	47,809	54,809	56,825	57,631	59,929	60,468	60,717	59,529	57,832
By area									
7 Europe[1]	215,374	222,406	246,342	246,542	250,872	253,099	262,145	261,052	265,324
8 Canada	17,235	19,473	21,351	21,764	21,360	21,343	21,151	21,237	21,983
9 Latin America and Caribbean	41,492	66,721	69,338	70,481	76,977	81,741	77,547	79,412	80,329
10 Asia	236,824	311,016	369,529	371,268	375,311	383,062	390,671	399,060	400,184
11 Africa	4,180	6,296	6,944	6,587	7,034	7,379	6,717	7,411	7,908
12 Other countries	5,827	5,004	6,109	6,117	5,968	5,926	4,825	3,764	4,782

1. Includes the Bank for International Settlements
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
3. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes current value of zero-coupon Treasury bond issues to foreign governments as follows: Mexico, beginning March 1988, 20-year maturity issue and beginning March 1990, 30-year maturity issue; Venezuela, beginning December 1990, 30-year maturity issue, Argentina, beginning April 1993, 30-year maturity issue.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.

SOURCE. Based on U.S. Department of the Treasury data and on data reported to the department by banks (including Federal Reserve Banks) and securities dealers in the United States, and on the 1989 benchmark survey of foreign portfolio investment in the United States.

3.16 LIABILITIES TO, AND CLAIMS ON, FOREIGNERS Reported by Banks in the United States[1] Payable in Foreign Currencies

Millions of dollars, end of period

Item	1993	1994	1995	1996 Mar.	1996 June	1996 Sept	1996 Dec.
1 Banks' liabilities	78,259	89,258	109,713	107,454	111,651	111,140	103,820
2 Banks' claims	62,017	60,711	74,016	69,164	65,825	68,120	66,455
3 Deposits	20,993	19,661	22,696	22,213	20,890	24,026	22,904
4 Other claims	41,024	41,050	51,320	46,951	44,935	44,094	43,551
5 Claims of banks' domestic customers[2]	12,854	10,878	6,145	6,384	7,554	7,390	14,613

1. Data on claims exclude foreign currencies held by U.S monetary authorities.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of the domestic customers.

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. dollars

Millions of dollars, end of period

Item	1994	1995	1996	1996 Sept.	1996 Oct.	1996 Nov.	1996 Dec.	1997 Jan.	1997 Feb.	1997 Mar.[p]
BY HOLDER AND TYPE OF LIABILITY										
1 **Total, all foreigners**	**1,014,996**	**1,099,549**	**1,137,737[r]**	**1,091,897**	**1,124,315**	**1,116,775**	**1,137,737[r]**	**1,135,726[r]**	**1,158,001[r]**	**1,153,355**
2 Banks' own liabilities	718,591	753,461	759,012[r]	724,792	757,645	740,998	759,012[r]	765,214[r]	782,035[r]	782,018
3 Demand deposits	23,386	24,448	27,034[r]	25,504	23,858	27,637	27,034[r]	26,228[r]	25,085[r]	28,012
4 Time deposits[2]	186,512	192,558	188,717	192,525	197,388	192,543	188,717	186,723[r]	189,753[r]	189,430
5 Other[3]	113,215	140,165	141,733	150,230	150,302	143,690	141,733	158,871[r]	161,841[r]	151,849
6 Own foreign offices[4]	395,478	396,290	401,528	356,533	386,097	377,128	401,528	393,392	405,356	412,727
7 Banks' custodial liabilities[5]	296,405	346,088	378,725	367,105	366,670	375,777	378,725	370,512	375,966[r]	371,337
8 U.S. Treasury bills and certificates[6]	162,938	197,355	220,575	212,478	214,609	225,046	220,575	214,727	217,817	222,213
9 Other negotiable and readily transferable instruments[7]	42,539	52,200	64,040	57,702	54,045	54,568	64,040	62,971	59,668[r]	55,843
10 Other	90,928	96,533	94,110	96,925	98,016	96,163	94,110	92,814	98,481	93,281
11 Nonmonetary international and regional organizations[8]	8,606	11,039	13,864	14,443	16,666	14,772	13,864	14,849	14,626	12,192
12 Banks' own liabilities	8,176	10,347	13,355	13,843	15,835	13,434	13,355	14,170	14,297	11,793
13 Demand deposits	29	21	29	26	67	46	29	55	51	49
14 Time deposits[2]	3,298	4,656	5,785	5,441	6,005	4,906	5,785	5,792	5,035	6,952
15 Other[3]	4,849	5,670	7,541	8,376	9,763	8,482	7,541	8,323	9,211	4,792
16 Banks' custodial liabilities[5]	430	692	509	600	831	1,338	509	679	329	399
17 U.S. Treasury bills and certificates[6]	281	350	244	399	600	1,088	244	494	219	226
18 Other negotiable and readily transferable instruments[7]	149	341	265	201	231	226	265	185	110	158
19 Other	0	1	0	0	0	24	0	0	0	15
20 Official institutions[9]	212,957	275,928	305,551	298,508	296,175	304,763	305,551	307,747[r]	307,736[r]	311,153
21 Banks' own liabilities	59,935	83,447	79,340	86,027	83,706	82,714	79,340	88,220[r]	87,291[r]	90,425
22 Demand deposits	1,564	2,098	1,511	2,049	1,316	2,180	1,511	1,290	1,378	2,390
23 Time deposits[2]	23,511	30,717	33,664	34,902	35,551	35,292	33,664	32,717[r]	34,472	32,658
24 Other[3]	34,860	50,632	44,165	49,076	46,839	45,242	44,165	54,213	51,441[r]	55,377
25 Banks' custodial liabilities[5]	153,022	192,481	226,211	212,481	212,469	222,049	226,211	219,527	220,445[r]	220,728
26 U.S. Treasury bills and certificates[6]	139,571	168,534	193,435	182,122	186,180	197,692	193,435	188,076	191,090	191,548
27 Other negotiable and readily transferable instruments[7]	13,245	23,603	32,350	30,051	25,085	24,000	32,350	31,291	29,008[r]	28,797
28 Other	206	344	426	308	1,204	357	426	160	347	383
29 Banks[10]	678,532	691,412	681,007[r]	649,649	678,993	667,700	681,007[r]	669,279[r]	682,286[r]	683,425
30 Banks' own liabilities	563,617	567,834	562,996[r]	524,845	554,577	547,106	562,996[r]	553,704[r]	562,050[r]	567,277
31 Unaffiliated foreign banks	168,139	171,544	161,468[r]	168,312	168,480	169,978	161,468[r]	160,312[r]	156,694[r]	154,550
32 Demand deposits	10,633	11,758	13,692[r]	12,764	11,156	13,304	13,692[r]	12,898	11,642	13,310
33 Time deposits[2]	111,171	103,471	91,200	91,906	96,223	94,345	91,200	89,567[r]	89,263[r]	88,380
34 Other[3]	46,335	56,315	56,576	63,642	61,101	62,329	56,576	57,847	55,789[r]	52,860
35 Own foreign offices[4]	395,478	396,290	401,528	356,533	386,097	377,128	401,528	393,392	405,356	412,727
36 Banks' custodial liabilities[5]	114,915	123,578	118,011	124,804	124,416	120,594	118,011	115,575	120,236	116,148
37 U.S. Treasury bills and certificates[6]	11,264	15,872	13,886	18,556	16,865	14,227	13,886	13,969	13,289	13,996
38 Other negotiable and readily transferable instruments[7]	14,506	13,035	12,321	11,298	12,455	13,295	12,321	11,142	11,210	11,204
39 Other	89,145	94,671	91,804	94,950	95,096	93,072	91,804	90,464	95,737	90,948
40 Other foreigners	114,901	121,170	137,315	129,297	132,481	129,540	137,315	143,851[r]	153,353[r]	146,585
41 Banks' own liabilities	86,863	91,833	103,321	100,077	103,527	97,744	103,321	109,120[r]	118,397[r]	112,523
42 Demand deposits	11,160	10,571	11,802	10,665	11,319	12,107	11,802	11,985[r]	12,014[r]	12,263
43 Time deposits[2]	48,532	53,714	58,068	60,276	59,609	58,000	58,068	58,647[r]	60,983[r]	61,440
44 Other[3]	27,171	27,548	33,451	29,136	32,599	27,637	33,451	38,488[r]	45,400[r]	38,820
45 Banks' custodial liabilities[5]	28,038	29,337	33,994	29,220	28,954	31,796	33,994	34,731	34,956	34,062
46 U.S. Treasury bills and certificates[6]	11,822	12,599	13,010	11,401	10,964	12,039	13,010	12,188	13,219	16,443
47 Other negotiable and readily transferable instruments[7]	14,639	15,221	19,104	16,152	16,274	17,047	19,104	20,353	19,340	15,684
48 Other	1,577	1,517	1,880	1,667	1,716	2,710	1,880	2,190	2,397	1,935
MEMO										
49 Negotiable time certificates of deposit in custody for foreigners	17,895	9,103	9,934	10,466	11,657	10,540	9,934	9,035	8,745[r]	9,332

1. Reporting banks include all types of depository institutions as well as some brokers and dealers. Excludes bonds and notes of maturities longer than one year.
2. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
3. Includes borrowing under repurchase agreements.
4. For U.S. banks, includes amounts owed to own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts owed to the head office or parent foreign bank, and to foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.
5. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks for foreign customers.
6. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
7. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
8. Principally the International Bank for Reconstruction and Development, the Inter-American Development Bank, and the Asian Development Bank. Excludes "holdings of dollars" of the International Monetary Fund.
9. Foreign central banks, foreign central governments, and the Bank for International Settlements.
10. Excludes central banks, which are included in "Official institutions."

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]—Continued

Item	1994	1995	1996	1996				1997		
				Sept.	Oct.	Nov.	Dec.	Jan	Feb.	Mar.[p]
AREA										
50 **Total, all foreigners**	**1,014,996**	**1,099,549**	**1,137,737[r]**	**1,091,897**	**1,124,315**	**1,116,775**	**1,137,737[r]**	**1,135,726[r]**	**1,158,001[r]**	**1,153,355**
51 **Foreign countries**	**1,006,390**	**1,088,510**	**1,123,873[r]**	**1,077,454**	**1,107,649**	**1,102,003**	**1,123,873[r]**	**1,120,877[r]**	**1,143,375[r]**	**1,141,163**
52 Europe	390,869	362,819	368,352	352,049	374,418	381,204	368,352	379,630[r]	379,556[r]	374,988
53 Austria	3,588	3,537	5,101	6,017	6,816	6,250	5,101	4,794	4,010	4,589
54 Belgium and Luxembourg	21,877	24,792	23,576	22,482	23,232	21,006	23,576	22,842[r]	23,537[r]	22,106
55 Denmark	2,884	2,921	2,450	2,652	1,801	2,790	2,450	2,213	1,594	1,691
56 Finland	1,436	2,831	1,463	812	1,509	1,557	1,463	1,583	1,338	1,017
57 France	44,365	39,218	34,365	37,637	42,346	40,021	34,365	34,558[r]	35,457[r]	34,860
58 Germany	27,109	24,035	24,554	23,599	23,522	21,650	24,554	24,871[r]	24,142[r]	25,400
59 Greece	1,400	2,014	1,810	1,854	1,666	2,222	1,810	2,080	1,930	2,392
60 Italy	10,885	10,868	10,701	12,509	12,793	10,262	10,701	10,366[r]	10,610[r]	8,674
61 Netherlands	16,033	13,745	10,995	9,626	12,017	11,132	10,995	9,760[r]	10,946[r]	11,000
62 Norway	2,338	1,394	1,288	1,622	1,552	1,882	1,288	1,860	1,538	1,891
63 Portugal	2,846	2,761	1,865	1,473	1,388	1,723	1,865	1,741[r]	1,661[r]	1,744
64 Russia	2,726	7,948	7,571	4,761	5,602	8,215	7,571	7,160	6,819	7,771
65 Spain	14,675	10,011	16,922	20,359	17,665	18,228	16,922	20,411[r]	17,963[r]	18,789
66 Sweden	3,094	3,246	1,291	1,814	1,424	1,656	1,291	2,269	1,527	1,921
67 Switzerland	40,724	43,625	44,215	42,226	32,541	37,981	44,215	43,266[r]	46,681[r]	43,319
68 Turkey	3,341	4,124	6,723	7,992	8,019	7,311	6,723	7,051	6,749	7,177
69 United Kingdom	163,733	139,183	151,385	133,614	159,878	165,814	151,385	157,357[r]	157,265[r]	154,223
70 Yugoslavia[11]	245	177	206	214	216	232	206	212	239	248
71 Other Europe and other former U.S.S.R.[12]	27,770	26,389	21,871	20,786	20,431	21,272	21,871	25,236	25,550[r]	26,176
72 Canada	24,768	30,468	38,111	33,199	35,147	33,035	38,111	34,830[r]	33,985[r]	37,116
73 Latin America and Caribbean	423,847	440,213	465,704[r]	433,796	444,847	438,574	465,704[r]	455,456[r]	471,897[r]	463,373
74 Argentina	17,203	12,235	13,794	11,989	11,701	13,860	13,794	16,475[r]	17,018[r]	16,739
75 Bahamas	104,014	94,991	88,299	86,880	101,414	91,494	88,299	90,460[r]	97,416[r]	88,680
76 Bermuda	8,424	4,897	5,299	4,880	4,910	6,443	5,299	5,103	8,803	8,203
77 Brazil	9,145	23,797	27,663	23,817	24,083	26,920	27,663	22,468[r]	23,859[r]	23,694
78 British West Indies	229,599	239,083	250,761	233,818	229,493	226,502	250,761	244,633[r]	248,571[r]	249,965
79 Chile	3,127	2,826	2,915	3,205	2,767	2,728	2,915	2,987[r]	3,459[r]	6,931
80 Colombia	4,615	3,659	3,256	2,889	2,968	2,838	3,256	2,791[r]	2,855[r]	2,807
81 Cuba	13	8	21	33	17	18	21	19	19	19
82 Ecuador	875	1,314	1,767	1,449	1,383	1,574	1,767	1,617[r]	1,633[r]	1,484
83 Guatemala	1,121	1,276	1,282	1,181	1,207	1,235	1,282	1,348[r]	1,410[r]	1,378
84 Jamaica	529	481	628	623	580	564	628	576	577	585
85 Mexico	12,227	24,560	31,230	26,808	27,673	27,981	31,230	27,139[r]	27,442[r]	26,594
86 Netherlands Antilles	5,217	4,673	5,977	5,290	5,076	4,437	5,977	6,401[r]	6,085[r]	3,474
87 Panama	4,551	4,264	4,077	3,950	4,056	4,002	4,077	3,849[r]	4,134[r]	3,847
88 Peru	900	974	834	936	1,024	942	834	967[r]	917[r]	926
89 Uruguay	1,597	1,836	1,888	1,751	1,841	1,753	1,888	1,915[r]	1,857[r]	1,843
90 Venezuela	13,986	11,808	17,361	15,596	16,369	17,377	17,361	18,119[r]	18,100[r]	18,454
91 Other	6,704	7,531	8,652[r]	8,701	8,285	7,906	8,652[r]	8,589[r]	7,742[r]	7,750
92 Asia	154,346	240,595	236,716	243,210	239,416	233,804	236,716	236,418[r]	244,507	250,686
China										
93 Mainland	10,066	33,750	30,441	32,068	26,998	29,411	30,441	27,917[r]	31,634	31,374
94 Taiwan	9,844	11,714	15,990	15,721	15,449	16,613	15,990	16,682	15,621	15,797
95 Hong Kong	17,104	20,197	18,742	17,485	17,052	18,712	18,742	19,873	20,065	20,105
96 India	2,338	3,373	3,936	3,793	3,709	3,832	3,936	4,329	4,752	5,435
97 Indonesia	1,587	2,708	2,297	2,204	2,436	2,401	2,297	2,159	2,473	2,671
98 Israel	5,157	4,041	6,042	4,134	7,162	5,723	6,042	6,597	6,197	5,955
99 Japan	62,981	109,193	107,014	112,539	112,602	103,680	107,014	106,421	108,705	116,054
100 Korea (South)	5,124	5,749	5,973	5,908	5,545	5,897	5,973	6,048	6,276	6,534
101 Philippines	2,714	3,092	3,378	3,429	3,191	3,264	3,378	2,340	2,437	2,389
102 Thailand	6,466	12,279	10,912	11,759	11,972	12,729	10,912	9,873	10,752	9,394
103 Middle Eastern oil-exporting countries[13]	15,494	15,582	14,303	14,715	13,032	13,145	14,303	12,924	12,767	13,408
104 Other	15,471	18,917	17,688	19,455	20,268	18,397	17,688	21,255	22,828	21,570
105 Africa	6,524	7,641	8,063	7,440	7,058	7,671	8,063	8,443	8,110	8,533
106 Egypt	1,879	2,136	2,012	1,894	1,904	1,901	2,012	1,933	2,033	2,000
107 Morocco	97	104	112	78	74	66	112	111	97	107
108 South Africa	433	739	458	482	435	641	458	610	720	827
109 Zaire	9	10	10	6	11	10	10	5	7	9
110 Oil-exporting countries[14]	1,343	1,797	2,608	2,051	1,940	2,384	2,608	3,095	2,467	2,929
111 Other	2,763	2,855	2,863	2,929	2,694	2,669	2,863	2,689	2,786	2,661
112 Other	6,036	6,774	6,927[r]	7,760	6,763	7,715	6,927[r]	6,100	5,320	6,467
113 Australia	5,142	5,647	5,468	5,522	4,786	6,196	5,468	4,866	4,072	5,096
114 Other	894	1,127	1,459[r]	2,238	1,977	1,519	1,459[r]	1,234	1,248	1,371
115 Nonmonetary international and regional organizations	8,606	11,039	13,864	14,443	16,666	14,772	13,864	14,849	14,626	12,192
116 International[15]	7,537	9,300	11,991	12,761	14,887	12,974	11,991	13,230	13,100	10,414
117 Latin American regional[16]	613	893	1,339	1,193	1,304	1,172	1,339	1,103	1,120	1,317
118 Other regional[17]	456	846	534	489	475	626	534	516	406	461

11. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.

12. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.

13. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

14. Comprises Algeria, Gabon, Libya, and Nigeria.

15. Principally the International Bank for Reconstruction and Development. Excludes "holdings of dollars" of the International Monetary Fund.

16. Principally the Inter-American Development Bank

17. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Area or country	1994	1995	1996	1996				1997		
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.[p]
1 **Total, all foreigners**	**485,432**	**532,444**	**600,692[r]**	**544,646**	**563,454**	**574,920**	**600,692[r]**	**608,506[r]**	**634,696**	**636,355**
2 **Foreign countries**	**480,841**	**530,513**	**598,088[r]**	**542,948**	**560,325**	**573,447**	**598,088[r]**	**606,734[r]**	**632,441**	**634,849**
3 Europe	124,124	132,150	166,501	155,277	165,634	168,794	166,501	179,495[r]	194,236	205,420
4 Austria	692	565	1,662	988	1,197	1,097	1,662	1,643	1,284	1,911
5 Belgium and Luxembourg	6,923	7,624	6,727	6,903	6,828	6,403	6,727	7,611	6,855	8,439
6 Denmark	1,129	403	492	408	480	651	492	678	571	546
7 Finland	512	1,055	971	1,350	1,068	1,228	971	1,144	976	1,684
8 France	12,149	15,033	15,246	12,078	12,792	12,198	15,246	18,111	20,576	24,929
9 Germany	7,623	9,263	8,472	8,670	8,546	7,195	8,472	9,659[r]	9,077	11,971
10 Greece	604	469	568	397	426	571	568	636	530	750
11 Italy	6,044	5,370	6,457	5,870	5,007	5,957	6,457	5,419	5,587	6,437
12 Netherlands	2,960	5,346	7,080	6,956	7,386	7,350	7,080	8,119	8,658	7,783
13 Norway	504	665	808	1,199	1,617	1,894	808	1,058	766	1,226
14 Portugal	938	888	418	484	517	341	418	420	310	421
15 Russia	973	660	1,669	1,135	1,413	1,533	1,669	1,673	1,704	2,028
16 Spain	3,536	2,166	3,211	4,152	3,885	4,181	3,211	6,507[r]	5,407	6,633
17 Sweden	4,098	2,080	2,673	2,976	2,919	2,882	2,673	3,028	3,323	2,765
18 Switzerland	5,747	7,474	19,798	10,930	16,110	18,071	19,798	21,457[r]	25,258	20,853
19 Turkey	878	803	1,109	1,083	962	1,131	1,109	1,029	1,221	1,240
20 United Kingdom	66,863	67,784	85,057	85,732	89,961	92,143	85,057	86,711[r]	96,988	99,125
21 Yugoslavia[2]	265	147	115	87	118	112	115	108	107	87
22 Other Europe and other former U.S.S.R.[3]	1,686	4,355	3,968	3,879	4,402	3,856	3,968	4,484	5,038	6,592
23 Canada	18,490	20,874	26,436	25,343	23,066	22,013	26,436	26,348[r]	27,881	35,773
24 Latin America and Caribbean	224,229	256,944	274,127	240,683	243,634	253,761	274,127	271,654[r]	275,255	260,265
25 Argentina	5,854	6,439	7,400	7,101	7,057	7,212	7,400	6,987	6,952	6,999
26 Bahamas	66,410	58,818	71,871	61,830	61,991	64,911	71,871	62,679	66,771	67,714
27 Bermuda	8,533	5,741	4,103	3,680	4,438	5,019	4,103	4,444	5,980	6,305
28 Brazil	9,583	13,297	17,259	15,261	15,417	16,141	17,259	17,620	17,758	17,624
29 British West Indies	96,373	124,037	105,510	102,157	105,891	105,234	105,510	108,643[r]	110,143	98,205
30 Chile	3,820	4,864	5,136	4,397	4,288	4,554	5,136	5,509[r]	5,602	5,784
31 Colombia	4,004	4,550	6,247	4,723	4,811	4,960	6,247	6,166	6,033	6,022
32 Cuba	0	0	0	0	0	0	0	0	0	0
33 Ecuador	682	825	1,031	965	957	952	1,031	1,079[r]	1,134	1,155
34 Guatemala	366	457	620	507	546	568	620	612	634	629
35 Jamaica	258	323	345	339	362	365	345	336	336	366
36 Mexico	17,749	18,024	18,425	17,715	17,742	17,993	18,425	18,323[r]	18,297	19,510
37 Netherlands Antilles	1,404	9,229	25,209	11,207	9,406	15,074	25,209	27,675	24,250	18,759
38 Panama	2,198	3,008	2,786	2,257	2,354	2,621	2,786	2,796[r]	2,911	3,099
39 Peru	997	1,829	2,720	2,541	2,563	2,629	2,720	2,867	2,944	2,502
40 Uruguay	503	466	589	530	547	551	589	623	766	741
41 Venezuela	1,832	1,661	1,702	1,513	1,636	1,626	1,702	1,599[r]	1,452	1,512
42 Other	3,663	3,376	3,174	3,960	3,628	3,351	3,174	3,696[r]	3,292	3,339
43 Asia	107,800	115,336	122,538[r]	113,582	120,007	120,285	122,538[r]	121,362[r]	127,105	124,310
China										
44 Mainland	836	1,023	1,401	1,700	1,420	1,292	1,401	2,035	1,766	1,456
45 Taiwan	1,448	1,713	1,894	1,700	1,305	1,413	1,894	1,249	1,201	1,709
46 Hong Kong	9,222	12,821	12,802	13,882	12,984	13,550	12,802	11,764	11,880	14,150
47 India	994	1,846	1,946	1,975	2,181	2,027	1,946	1,824	1,957	2,194
48 Indonesia	1,472	1,696	1,762[r]	1,653	1,577	1,636	1,762[r]	1,749[r]	1,896	2,080
49 Israel	688	739	633	576	1,017	624	633	692	617	635
50 Japan	59,569	61,468	59,967	52,326	59,343	59,886	59,967	59,843	64,175	56,374
51 Korea (South)	10,286	13,975	18,961	17,488	16,947	18,080	18,961	20,214	20,077	19,987
52 Philippines	663	1,318	1,697	1,255	1,335	1,519	1,697	1,492	1,794	1,600
53 Thailand	2,902	2,612	2,679[r]	2,705	2,699	2,820	2,679[r]	3,003	3,092	3,441
54 Middle Eastern oil-exporting countries[4]	13,982	9,639	10,424	10,111	11,372	10,311	10,424	8,582	8,889	10,078
55 Other	5,738	6,486	8,372	8,211	7,827	7,127	8,372	8,915	9,761	10,606
56 Africa	3,053	2,742	2,777	2,757	2,638	2,557	2,777	2,731	2,772	2,735
57 Egypt	225	210	247	241	204	212	247	246	245	244
58 Morocco	429	514	524	565	543	587	524	489	522	473
59 South Africa	674	465	584	572	614	551	584	572	564	455
60 Zaire	2	1	0	1	1	0	0	0	0	0
61 Oil-exporting countries[5]	856	552	420	429	414	427	420	408	474	605
62 Other	867	1,000	1,002	949	862	780	1,002	1,016	967	958
63 Other	3,145	2,467	5,709[r]	5,306	5,346	6,037	5,709[r]	5,144	5,192	6,346
64 Australia	2,192	1,622	4,577	3,641	3,798	4,336	4,577	3,743	3,176	4,104
65 Other	953	845	1,132[r]	1,665	1,548	1,701	1,132[r]	1,401	2,016	2,242
66 Nonmonetary international and regional organizations[6]	4,591	1,931	2,604	1,698	3,129	1,473	2,604	1,772	2,255	1,506

1. Reporting banks include all types of depository institutions as well as some brokers and dealers.
2. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.
3. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. Comprises Algeria, Gabon, Libya, and Nigeria.
6. Excludes the Bank for International Settlements, which is included in "Other Europe."

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1994	1995	1996	1996 Sept.	1996 Oct.	1996 Nov.	1996 Dec.[r]	1997 Jan.[r]	1997 Feb.	1997 Mar.[p]
1 **Total**	**601,814**	**655,211**	**744,136[r]**	**688,239**	.	..	**744,136**	.	.	.
2 Banks' claims	485,432	532,444	600,692[r]	544,646	563,454	574,920	600,692	608,506	634,696	636,355
3 Foreign public borrowers	23,416	22,518	22,220	22,924	25,185	20,420	22,220	26,039	24,758	28,935
4 Own foreign offices[2]	283,015	307,427	342,511	311,588	330,377	335,089	342,511	331,276	361,490	360,126
5 Unaffiliated foreign banks	110,410	101,595	113,523[r]	109,546	108,701	107,928	113,523	121,203	118,058	118,355
6 Deposits	59,368	37,771	33,841[r]	35,377	36,142[r]	32,420[r]	33,841	39,271	38,135	37,298
7 Other	51,042	63,824	79,682[r]	74,169	72,559[r]	75,508[r]	79,682	81,932	79,923	81,057
8 All other foreigners	68,591	100,904	122,438[r]	100,588	99,191	111,483	122,438	129,988	130,390	128,939
9 Claims of banks' domestic customers[3]	116,382	122,767	143,444	143,593	.	.	143,444	.	.	..
10 Deposits	64,829	58,519	77,650	80,695	.	..	77,650	...	.	.
11 Negotiable and readily transferable instruments[4]	36,111	44,161	50,659	46,491	.	.	50,659	.	.	.
12 Outstanding collections and other claims	15,442	20,087	15,135	16,407	...	..	15,135		..	..
MEMO										
13 Customer liability on acceptances	8,427	8,410	9,624	9,396	.	.	9,624	..	...	..
14 Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	32,796	30,717	42,679	34,125	40,326	41,581	42,679	43,452	47,185	37,418

1. For banks' claims, data are monthly; for claims of banks' domestic customers, data are for quarter ending with month indicated.

Reporting banks include all types of depository institution as well as some brokers and dealers.

2. For U.S. banks, includes amounts due from own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts due from the head office or parent foreign bank, and from foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.

3. Assets held by reporting banks in the accounts of their domestic customers.

4 Principally negotiable time certificates of deposit, bankers acceptances, and commercial paper.

5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Maturity, by borrower and area[2]	1993	1994	1995	1996 Mar.	1996 June	1996 Sept.	1996 Dec.
1 **Total**	**202,566**	**202,282**	**224,932**	**233,435**	**228,534**	**232,997**	**257,935[r]**
By borrower							
2 Maturity of one year or less	172,662	170,411	178,857	193,870	185,881	189,047	211,717[r]
3 Foreign public borrowers	17,828	15,435	14,995	19,645	14,982	16,003	15,390
4 All other foreigners	154,834	154,976	163,862	174,225	170,899	173,044	196,327[r]
5 Maturity of more than one year	29,904	31,871	46,075	39,565	42,653	43,950	46,218
6 Foreign public borrowers	10,874	7,838	7,522	8,131	8,126	6,922	6,815
7 All other foreigners	19,030	24,033	38,553	31,434	34,527	37,028	39,403
By area							
Maturity of one year or less							
8 Europe	57,413	56,381	55,622	57,979	57,138	58,545	55,490[r]
9 Canada	7,727	6,690	6,751	5,470	6,806	8,811	8,339
10 Latin America and Caribbean	60,490	59,583	72,504	84,385	78,622	79,622	103,253
11 Asia	41,418	40,567	40,296	40,312	38,078	37,199	38,136[r]
12 Africa	1,820	1,379	1,295	1,326	1,279	1,320	1,316
13 All other[3]	3,794	5,811	2,389	4,398	3,958	3,550	5,183
Maturity of more than one year							
14 Europe	5,310	4,358	4,995	6,835	8,193	7,117	6,963
15 Canada	2,581	3,505	2,751	2,563	3,689	3,533	2,645
16 Latin America and Caribbean	14,025	15,717	27,681	19,416	19,564	21,382	24,917
17 Asia	5,606	5,323	7,941	8,371	9,201	9,808	9,391
18 Africa	1,935	1,583	1,421	1,449	1,410	1,349	1,361
19 All other[3]	447	1,385	1,286	931	596	761	941

1. Reporting banks include all types of depository institutions as well as some brokers and dealers.

2. Maturity is time remaining until maturity.

3. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. and Foreign Offices of U.S. Banks[1]

Billions of dollars, end of period

Area or country	1992	1993	1994	1995				1996			
			Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.
1 **Total**	**344.7**	**409.5**	**499.5**	**545.0**	**531.9**	**535.3**	**551.9**	**574.6**	**612.8[r]**	**586.0**	**645.0[r]**
2 G-10 countries and Switzerland	131.3	161.9	191.2	212.1	206.5	203.0	206.0	203.4	226.9[r]	220.0	228.1
3 Belgium and Luxembourg	5.6	7.4	7.2	10.4	9.7	11.0	13.6	11.0	11.4[r]	11.3	11.7
4 France	15.3	12.0	19.1	19.9	19.9	18.0	19.4	17.9	18.0	17.4	16.6
5 Germany	9.1	12.6	24.7	31.2	30.0	27.5	27.3	31.5	31.4	33.9	29.8
6 Italy	6.5	7.7	11.8	10.6	10.7	12.6	11.5	13.2	14.9	15.2	16.0
7 Netherlands	2.8	4.7	3.6	3.5	4.3	4.5	3.7	3.0	4.7	5.9	3.9
8 Sweden	2.3	2.7	2.7	3.1	3.1	2.9	2.7	3.3	2.7	3.0	2.6
9 Switzerland	4.8	5.9	5.1	5.7	6.2	6.6	6.7	5.2	6.3	6.2	5.3
10 United Kingdom	59.7	84.4	85.8	90.1	87.1	80.4	82.4	84.7	101.6	90.5	104.6
11 Canada	6.3	6.9	10.0	10.8	11.3	12.9	10.3	10.8	12.2	14.8	14.0
12 Japan	18.8	17.6	21.1	26.7	24.4	26.6	28.5	22.7	23.6	21.7	23.6
13 Other industrialized countries	24.0	26.5	45.7	44.4	43.3	50.5	50.2	61.3	55.5	62.1	65.7[r]
14 Austria	1.2	.7	1.1	.9	.7	1.2	.9	1.3	1.2	1.0	1.1
15 Denmark	.9	1.0	1.3	1.7	1.1	1.8	2.6	3.4	3.3	1.7	1.5
16 Finland	.7	.4	.9	1.1	.5	.7	.8	.7	.6	.6	.8
17 Greece	3.0	3.2	4.5	4.9	5.0	5.1	5.7	5.6	5.6	6.1	6.7
18 Norway	1.2	1.7	2.0	2.4	1.8	2.3	3.2	2.1	2.3	3.0	8.0
19 Portugal	.4	.8	1.2	1.0	1.2	1.9	1.3	1.6	1.6	1.4	.9
20 Spain	8.9	9.9	13.6	14.1	13.0	13.3	11.6	17.5	13.6	16.1	13.2
21 Turkey	1.3	2.1	1.6	1.4	1.4	2.0	1.9	2.0	2.3	2.8	2.7
22 Other Western Europe	1.7	3.2	3.2	2.8	2.9	3.3	4.7	3.8	3.4	4.8	4.7
23 South Africa	1.7	1.1	1.0	1.5	1.4	1.3	1.2	1.7	2.0	1.7	2.0
24 Australia	2.9	2.3	15.4	12.6	14.3	17.4	16.4	21.7	19.6	22.8	24.0[r]
25 OPEC[2]	15.8	17.6	24.1	19.5	20.3	22.7	22.1	21.2	20.1	19.2	19.7[r]
26 Ecuador	.6	.5	.5	.5	7	.7	.7	.8	.9	.9	1.1
27 Venezuela	5.2	5.1	3.7	3.5	3.5	3.0	2.7	2.9	2.3	2.3	2.4
28 Indonesia	2.7	3.3	3.8	4.0	4.1	4.4	4.8	4.7	4.9	5.4	5.2
29 Middle East countries	6.2	7.6	15.3	10.8	11.5	13.9	13.3	12.3	11.5	10.1	10.6[r]
30 African countries	1.1	1.2	9	.7	.6	.6	.6	.6	.5	.4	.4
31 Non-OPEC developing countries	72.6	83.2	96.0	98.5	103.7	104.1	112.6	118.6	126.4	124.1	130.1
Latin America											
32 Argentina	6.6	7.7	11.2	11.4	12.3	10.9	12.9	12.7	14.1	15.0	14.3
33 Brazil	10.8	12.0	8.4	9.2	10.0	13.6	13.7	18.3	21.7	17.8	20.7
34 Chile	4.4	4.7	6.1	6.4	7.1	6.4	6.8	6.4	6.7	6.6	7.0
35 Colombia	1.8	2.1	2.6	2.6	2.6	2.9	2.9	2.9	2.8	3.1	4.1
36 Mexico	16.0	17.9	18.4	17.9	17.6	16.3	17.3	16.1	15.4	16.1	16.2
37 Peru	.5	.4	.5	.6	.8	.7	.8	.9	1.2	1.3	1.6
38 Other	2.6	3.1	2.7	2.4	2.6	2.6	2.8	3.1	3.0	3.0	3.3
Asia											
China											
39 Mainland	.7	2.0	1.1	1.1	1.4	1.7	1.8	3.3	2.9	2.6	2.5
40 Taiwan	5.2	7.3	9.2	8.5	9.0	9.0	9.4	9.7	9.8	10.3	10.2
41 India	3.2	3.2	4.2	3.8	4.0	4.4	4.4	4.7	4.2	3.8	4.3
42 Israel	.4	.5	.4	.6	.7	.5	.5	.5	6	.5	.5
43 Korea (South)	6.6	6.7	16.2	16.9	18.7	18.0	19.1	19.3	21.7	21.9	21.5
44 Malaysia	3.1	4.4	3.1	3.9	4.1	4.3	4.4	5.2	5.3	5.5	5.9
45 Philippines	3.6	3.1	3.3	3.0	3.6	3.3	4.1	3.9	4.7	5.4	5.8
46 Thailand	2.2	3.1	2.1	3.3	3.8	3.9	4.9	5.2	5.4	4.8	5.7
47 Other Asia	3.1	3.1	4.7	4.9	3.5	3.7	4.5	4.3	4.8	4.1	4.1
Africa											
48 Egypt	.2	.4	.3	.4	.4	.4	.4	5	.5	.6	.7[r]
49 Morocco	.6	.7	.6	.6	.9	.9	.7	.7	.8	.7	.7
50 Zaire	.0	.0	.0	0	.0	.0	.0	.0	.0	.0	.1
51 Other Africa[3]	1.0	.8	.8	.7	.6	.8	.9	.8	.8	1.0	.9
52 Eastern Europe	3.1	3.2	2.7	2.3	1.8	3.4	4.2	6.2	5.0	5.2	6.7
53 Russia[4]	1.9	1.6	.8	.7	.4	.6	1.0	1.4	1.0	1.8	3.7
54 Yugoslavia[5]	.6	.6	.5	.4	.3	.4	.3	.3	.3	.3	.2
55 Other	.6	.9	1.4	1.2	1.0	2.3	2.8	4.5	3.7	3.1	2.8
56 Offshore banking centers	58.1	73.5	72.9	85.7	83.8	87.5	99.2	101.3	106.2	105.3	134.9[r]
57 Bahamas	6.9	10.9	10.2	12.5	8.4	12.6	11.0	13.9	17.3	14.2	20.3
58 Bermuda	6.2	8.9	8.4	8.7	8.4	6.1	6.3	5.3	4.1	4.0	4.5
59 Cayman Islands and other British West Indies	21.5	18.4	21.4	20.7	25.3	25.1	32.4	28.8	26.1	32.0	37.2[r]
60 Netherlands Antilles	1.1	2.6	1.3	.9	2.4	5.3	9.9	10.7	13.0	11.5	25.9
61 Panama[6]	1.9	2.4	1.3	1.1	1.2	1.3	1.4	1.6	1.7	1.7	2.0
62 Lebanon	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
63 Hong Kong	13.9	18.8	20.0	22.5	23.1	23.7	25.0	25.3	27.8	26.2	28.1[r]
64 Singapore	6.5	11.2	10.1	19.2	14.8	13.3	13.1	15.4	15.9	15.4	16.7
65 Other[7]	.0	.1	.1	.0	.0	.1	.1	.1	.1	.1	1
66 Miscellaneous and unallocated[8]	39.7	43.6	66.7	82.3	72.3	63.9	57.3	62.2	72.3	49.6	59.3[r]

1. The banking offices covered by these data include U.S. offices and foreign branches of U.S. banks, including U.S. banks that are subsidiaries of foreign banks. Offices not covered include U.S. agencies and branches of foreign banks. Beginning March 1994, the data include large foreign subsidiaries of U.S. banks. The data also include other types of U.S. depository institutions as well as some types of brokers and dealers. To eliminate duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution.

These data are on a gross claims basis and do not necessarily reflect the ultimate country risk or exposure of U.S. banks. More complete data on the country risk exposure of U.S. banks are available in the quarterly Country Exposure Lending Survey published by the Federal Financial Institutions Examination Council.

2. Organization of Petroleum Exporting Countries, shown individually; other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates); and Bahrain and Oman (not formally members of OPEC).
3. Excludes Liberia. Beginning March 1994 includes Namibia.
4. As of December 1992, excludes other republics of the former Soviet Union.
5. As of December 1992, excludes Croatia, Bosnia and Hercegovinia, and Slovenia.
6. Includes Canal Zone.
7. Foreign branch claims only.
8. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States

Millions of dollars, end of period

Type of liability, and area or country	1993	1994	1995	1995		1996			
				Sept.	Dec.	Mar.	June	Sept.	Dec.[p]
1 **Total**	**50,597**	**54,309**	**46,448**	**47,673**	**46,448**	**49,907**	**48,990**	**51,105**	**53,658**
2 Payable in dollars	38,728	38,298	33,903	33,908	33,903	36,273	35,385	36,402	38,372
3 Payable in foreign currencies	11,869	16,011	12,545	13,765	12,545	13,634	13,605	14,703	15,286
By type									
4 Financial liabilities	29,226	32,954	24,241	26,237	24,241	26,570	24,844	25,107	25,568
5 Payable in dollars	18,545	18,818	12,903	13,872	12,903	13,831	12,212	11,256	11,162
6 Payable in foreign currencies	10,681	14,136	11,338	12,365	11,338	12,739	12,632	13,851	14,406
7 Commercial liabilities	21,371	21,355	22,207	21,436	22,207	23,337	24,146	25,998	28,090
8 Trade payables	8,802	10,005	11,013	10,061	11,013	10,815	11,081	11,605	12,519
9 Advance receipts and other liabilities	12,569	11,350	11,194	11,375	11,194	12,522	13,065	14,393	15,571
10 Payable in dollars	20,183	19,480	21,000	20,036	21,000	22,442	23,173	25,146	27,210
11 Payable in foreign currencies	1,188	1,875	1,207	1,400	1,207	895	973	852	880
By area or country									
Financial liabilities									
12 Europe	18,810	21,703	15,622	16,401	15,622	16,950	16,434	16,054	16,200
13 Belgium and Luxembourg	175	495	369	347	369	483	498	547	632
14 France	2,539	1,727	999	1,365	999	1,679	1,011	1,220	1,091
15 Germany	975	1,961	1,974	1,670	1,974	2,161	1,850	2,276	1,834
16 Netherlands	534	552	466	474	466	479	444	519	556
17 Switzerland	634	688	895	948	895	1,260	1,156	830	699
18 United Kingdom	13,332	15,543	10,138	10,518	10,138	10,246	10,790	9,821	10,202
19 Canada	859	629	632	797	632	1,166	951	881	1,353
20 Latin America and Caribbean	3,359	2,034	1,783	1,904	1,783	1,876	969	1,018	1,299
21 Bahamas	1,148	101	59	79	59	78	31	50	46
22 Bermuda	0	80	147	144	147	126	28	25	50
23 Brazil	18	207	57	111	57	57	8	9	14
24 British West Indies	1,533	998	866	930	866	946	826	764	1,030
25 Mexico	17	0	12	3	12	16	11	4	9
26 Venezuela	5	5	2	3	2	2	1	0	0
27 Asia	5,956	8,403	5,988	6,947	5,988	6,390	6,351	6,927	6,354
28 Japan	4,887	7,314	5,436	6,308	5,436	5,980	6,051	6,602	5,846
29 Middle Eastern oil-exporting countries[1]	23	35	27	25	27	26	26	25	25
30 Africa	133	135	150	149	150	131	72	132	22
31 Oil-exporting countries[2]	123	123	122	122	122	122	61	121	0
32 All other[3]	109	50	66	39	66	57	67	95	340
Commercial liabilities									
33 Europe	6,827	6,773	7,700	7,263	7,700	8,425	7,916	8,654	9,584
34 Belgium and Luxembourg	239	241	331	349	331	370	326	427	479
35 France	655	728	481	528	481	648	678	657	679
36 Germany	684	604	767	660	767	867	839	959	972
37 Netherlands	688	722	500	566	500	659	617	668	736
38 Switzerland	375	327	413	255	413	428	516	409	571
39 United Kingdom	2,039	2,444	3,568	3,351	3,568	3,525	3,266	3,664	4,293
40 Canada	879	1,037	1,040	1,219	1,040	959	998	1,094	1,001
41 Latin America and Caribbean	1,658	1,857	1,740	1,607	1,740	2,110	2,301	2,306	2,440
42 Bahamas	21	19	1	1	1	28	35	33	46
43 Bermuda	350	345	205	219	205	570	509	355	296
44 Brazil	214	161	98	143	98	128	119	159	162
45 British West Indies	27	23	56	5	56	10	10	15	14
46 Mexico	481	574	416	357	416	468	475	441	639
47 Venezuela	123	276	221	175	221	243	283	332	318
48 Asia	10,980	10,741	10,421	10,275	10,421	10,474	11,389	12,229	13,199
49 Japan	4,314	4,555	3,315	3,475	3,315	3,725	3,943	4,150	4,551
50 Middle Eastern oil-exporting countries[1]	1,534	1,576	1,912	1,647	1,912	1,747	1,784	1,951	2,165
51 Africa	453	428	619	589	619	708	924	1,013	1,027
52 Oil-exporting countries[2]	167	256	254	241	254	254	462	490	532
53 Other[3]	574	519	687	483	687	661	618	702	839

1. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States)

2. Comprises Algeria, Gabon, Libya, and Nigeria.

3. Includes nonmonetary international and regional organizations

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States

Millions of dollars, end of period

Type of claim, and area or country	1993	1994	1995	1995		1996			
				Sept.	Dec.	Mar.	June	Sept.	Dec.[p]
1 **Total**	**49,159**	**57,888**	**52,509**	**53,424**	**52,509**	**55,406**	**58,845**	**57,230**	**61,432**
2 Payable in dollars	45,161	53,805	48,711	49,696	48,711	51,007	54,000	52,555	56,908
3 Payable in foreign currencies	3,998	4,083	3,798	3,728	3,798	4,399	4,845	4,675	4,524
By type									
4 Financial claims	27,771	33,897	27,398	29,891	27,398	30,772	33,994	32,857	33,647
5 Deposits	15,717	18,507	15,133	17,974	15,133	17,595	18,364	18,941	20,223
6 Payable in dollars	15,182	18,026	14,654	17,393	14,654	17,044	17,926	18,317	19,533
7 Payable in foreign currencies	535	481	479	581	479	551	438	624	690
8 Other financial claims	12,054	15,390	12,265	11,917	12,265	13,177	15,630	13,916	13,424
9 Payable in dollars	10,862	14,306	10,976	10,689	10,976	11,290	13,233	11,827	11,629
10 Payable in foreign currencies	1,192	1,084	1,289	1,228	1,289	1,887	2,397	2,089	1,795
11 Commercial claims	21,388	23,991	25,111	23,533	25,111	24,634	24,851	24,373	27,785
12 Trade receivables	18,425	21,158	22,998	21,409	22,998	22,123	22,276	22,010	25,225
13 Advance payments and other claims	2,963	2,833	2,113	2,124	2,113	2,511	2,575	2,363	2,560
14 Payable in dollars	19,117	21,473	23,081	21,614	23,081	22,673	22,841	22,411	25,746
15 Payable in foreign currencies	2,271	2,518	2,030	1,919	2,030	1,961	2,010	1,962	2,039
By area or country									
Financial claims									
16 Europe	7,299	7,936	7,609	7,840	7,609	8,929	9,241	8,500	7,746
17 Belgium and Luxembourg	134	86	193	160	193	159	151	126	185
18 France	826	800	803	753	803	1,015	679	733	694
19 Germany	526	540	436	301	436	320	296	272	276
20 Netherlands	502	429	517	522	517	486	488	520	493
21 Switzerland	530	523	498	530	498	470	461	431	473
22 United Kingdom	3,585	4,649	4,303	4,924	4,303	5,568	6,169	5,333	4,600
23 Canada	2,032	3,581	2,851	3,526	2,851	5,269	4,773	4,502	3,445
24 Latin America and Caribbean	16,224	19,536	14,500	15,345	14,500	13,827	17,644	17,184	19,501
25 Bahamas	1,336	2,424	1,965	1,552	1,965	1,538	2,168	1,746	1,452
26 Bermuda	125	27	81	35	81	77	84	113	140
27 Brazil	654	520	830	851	830	1,019	1,242	1,417	1,453
28 British West Indies	12,699	15,228	10,393	11,816	10,393	10,100	13,024	12,809	15,182
29 Mexico	872	723	554	487	554	461	392	411	455
30 Venezuela	161	35	32	50	32	40	23	17	23
31 Asia	1,657	1,871	1,579	2,160	1,579	1,890	1,571	1,826	2,213
32 Japan	892	953	871	1,404	871	1,171	852	1,001	1,035
33 Middle Eastern oil-exporting countries[1]	3	141	3	4	3	13	9	13	22
34 Africa	99	373	276	188	276	277	197	176	173
35 Oil-exporting countries[2]	1	0	5	6	5	5	5	13	14
36 All other[3]	460	600	583	832	583	580	568	669	569
Commercial claims									
37 Europe	9,105	9,540	9,824	8,862	9,824	9,776	9,812	9,162	10,208
38 Belgium and Luxembourg	184	213	231	224	231	247	239	213	221
39 France	1,947	1,881	1,830	1,706	1,830	1,803	1,658	1,525	1,641
40 Germany	1,018	1,027	1,070	997	1,070	1,410	1,335	1,239	1,301
41 Netherlands	423	311	452	338	452	442	481	420	539
42 Switzerland	432	557	520	438	520	579	602	588	620
43 United Kingdom	2,377	2,556	2,656	2,479	2,656	2,607	2,651	2,514	2,907
44 Canada	1,781	1,988	1,951	1,971	1,951	2,045	2,074	2,032	2,147
45 Latin America and Caribbean	3,274	4,117	4,364	4,359	4,364	4,151	4,340	4,156	4,985
46 Bahamas	11	9	30	26	30	30	28	14	35
47 Bermuda	182	234	272	245	272	273	264	290	264
48 Brazil	460	612	898	745	898	809	837	857	1,160
49 British West Indies	71	83	79	66	79	106	103	119	190
50 Mexico	990	1,243	993	1,026	993	870	1,021	901	1,094
51 Venezuela	293	348	285	325	285	308	313	302	341
52 Asia	6,014	6,982	7,312	6,826	7,312	7,100	6,883	7,216	8,364
53 Japan	2,275	2,655	1,870	1,998	1,870	2,010	1,877	1,918	2,065
54 Middle Eastern oil-exporting countries[1]	704	708	974	775	974	1,024	879	930	955
55 Africa	493	454	654	544	654	667	688	716	719
56 Oil-exporting countries[2]	72	67	87	74	87	107	83	142	165
57 Other[3]	721	910	1,006	971	1,006	895	1,054	1,091	1,362

1. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Comprises Algeria, Gabon, Libya, and Nigeria.

3. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transaction, and area or country	1995	1996	1997	1996				1997		
			Jan.– Mar.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.p
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	462,950	623,760	214,514	42,599	57,758	65,571	57,051	73,003	73,052	68,459
2 Foreign sales	451,710	610,332	207,489	42,550	56,751	63,436	56,629	70,132	69,198	68,159
3 Net purchases, or sales (−)	**11,240**	**13,428**	**7,025**	**49**	**1,007**	**2,135**	**422**	**2,871**	**3,854**	**300**
4 Foreign countries	**11,445**	**13,502**	**7,018**	**75**	**1,013**	**2,138**	**451**	**2,872**	**3,854**	**292**
5 Europe	4,912	6,546	10,832	200	447	270	−229	3,238	5,478	2,116
6 France	−1,099	−2,354	650	−109	−219	−248	−1,064	532	427	−309
7 Germany	−1,837	1,104	2,744	−85	116	−5	−18	959	1,086	699
8 Netherlands	3,507	1,389	366	−13	−132	163	−160	322	−334	378
9 Switzerland	−2,283	2,710	1,366	−123	144	686	−470	289	779	298
10 United Kingdom	8,066	4,119	3,283	475	909	658	1,487	−167	2,950	500
11 Canada	−1,517	2,221	1,104	191	742	704	−9	422	308	374
12 Latin America and Caribbean	5,814	5,563	338	252	−653	964	994	1,364	406	−1,432
13 Middle East[1]	−337	−1,598	33	−153	15	−53	−7	−1	25	9
14 Other Asia	2,503	906	−5,616	−575	511	267	−232	−2,175	−2,548	−893
15 Japan	−2,725	−372	−2,311	104	313	−579	−343	−1,559	−500	−252
16 Africa	2	−81	146	−6	5	−23	10	−8	58	96
17 Other countries	68	−55	181	166	−54	9	−76	32	127	22
18 Nonmonetary international and regional organizations	**−205**	**−74**	**7**	**−26**	**−6**	**−3**	**−29**	**−1**	**0**	**8**
BONDS[2]										
19 Foreign purchases	293,533	421,474	140,573	37,424	40,668	46,440	43,054	48,955	47,980	43,638
20 Foreign sales	206,951	294,536	111,117	23,858	30,277	34,235	32,825	36,603	36,424	38,090
21 Net purchases, or sales (−)	**86,582**	**126,938**	**29,456**	**13,566**	**10,391**	**12,205**	**10,229**	**12,352**	**11,556**	**5,548**
22 Foreign countries	**87,036**	**126,767**	**29,433**	**13,568**	**10,406**	**12,215**	**10,229**	**12,356**	**11,543**	**5,534**
23 Europe	70,318	74,997	20,524	8,367	6,279	5,578	4,770	6,620	9,183	4,721
24 France	1,143	5,174	516	565	713	72	252	73	103	340
25 Germany	5,938	5,164	401	381	−260	237	−27	−274	184	491
26 Netherlands	1,463	2,440	567	244	93	533	148	337	125	105
27 Switzerland	494	882	−149	403	59	−132	−30	−58	−189	98
28 United Kingdom	57,591	54,644	18,331	6,248	5,316	4,232	4,498	6,443	8,988	2,900
29 Canada	2,569	4,197	1,824	122	181	402	391	379	1,055	390
30 Latin America and Caribbean	6,141	22,901	134	1,144	2,954	2,201	2,940	3,189	−623	−2,432
31 Middle East[1]	1,869	1,637	1,651	65	211	513	412	480	691	480
32 Other Asia	5,659	22,765	4,690	3,681	787	3,384	1,644	1,661	818	2,211
33 Japan	2,250	13,694	2,978	1,963	1,037	2,245	1,395	1,597	122	1,259
34 Africa	234	600	379	109	45	132	79	89	243	47
35 Other countries	246	−330	231	80	−51	5	−7	−62	176	117
36 Nonmonetary international and regional organizations	**−454**	**171**	**23**	**−2**	**−15**	**−10**	**0**	**−4**	**13**	**14**
	Foreign securities									
37 Stocks, net purchases, or sales (−)	−50,291	−58,606	−11,822	−1,825	−2,473	−2,161	−5,902	−3,643	−4,353	−3,826
38 Foreign purchases	345,540	456,826	145,006	31,227	40,185	46,838	41,850	47,084r	50,139	47,783
39 Foreign sales	395,831	515,432	156,828	33,052	42,658	48,999	47,752	50,727r	54,492	51,609
40 Bonds, net purchases, or sales (−)	−48,405	−48,793	−4,331	−5,419	−5,948	−2,973	−10,947	−710r	−1,481	−2,140
41 Foreign purchases	889,541	1,118,678	351,520	113,089	117,032	104,662	99,095	109,567r	110,510	131,443
42 Foreign sales	937,946	1,167,471	355,851	118,508	122,980	107,635	110,042	110,277r	111,991	133,583
43 Net purchases, or sales (−), of stocks and bonds	**−98,696**	**−107,399**	**−16,153**	**−7,244**	**−8,421**	**−5,134**	**−16,849**	**−4,353r**	**−5,834**	**−5,966**
44 Foreign countries	**−97,891**	**−106,528**	**−16,349**	**−6,718**	**−8,443**	**−5,166**	**−16,838**	**−4,401r**	**−5,916**	**−6,032**
45 Europe	−48,125	−57,432	−3,544	−5,518	−6,318	−3,174	−10,740	741r	−2,030	−2,255
46 Canada	−7,812	−6,279	2,296	210	−642	−667	−2,269	526r	1,880	−110
47 Latin America and Caribbean	−7,634	−9,503	−7,045	−2,264	886	3,571	−2,020	−2,264r	−3,297	−1,484
48 Asia	−34,056	−27,745	−6,630	902	−796	−4,135	−773	−2,829	−2,284	−1,517
49 Japan	−25,072	−5,888	−3,275	2,457	696	−633	2,218	−332	−2,269	−674
50 Africa	−327	−1,529	−47	−49	−468	−115	36	34	−7	−74
51 Other countries	63	−4,040	−1,379	1	−1,105	−646	−1,072	−609r	−178	−592
52 Nonmonetary international and regional organizations	**−805**	**−871**	**196**	**−526**	**22**	**32**	**−11**	**48**	**82**	**66**

1. Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Includes state and local government securities and securities of U.S. government agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions[1]

Millions of dollars: net purchases, or sales (−) during period

Area or country	1995	1996	1997 Jan. – Mar.	1996 Sept.	1996 Oct.	1996 Nov.	1996 Dec.	1997 Jan.	1997 Feb.	1997 Mar.[p]
1 **Total estimated**	**134,115**	**244,725**	**68,418**	**14,738**	**24,321**	**21,283**	**47,662**	**22,225**	**25,556**	**20,637**
2 Foreign countries	133,676	246,567	68,286	14,895	23,784	22,475	46,519	22,691	24,648	20,947
3 Europe	49,976	118,345	27,455	13,104	12,992	9,312	14,778	4,410	11,364	11,681
4 Belgium and Luxembourg	591	1,486	764	489	−320	335	370	38	659	67
5 Germany	6,136	17,647	−3,994	−264	2,813	3,024	1,499	556	−1,227	−3,323
6 Netherlands	1,891	−582	218	116	−423	676	855	−671	546	343
7 Sweden	358	2,343	−1,182	431	169	−52	26	−255	−346	−581
8 Switzerland	−472	327	−205	718	−599	−207	−517	241	992	−1,438
9 United Kingdom	34,754	65,381	23,245	7,977	10,121	801	7,265	2,914	7,828	12,503
10 Other Europe and former U.S.S.R.	6,718	31,743	8,609	3,637	1,231	4,735	5,280	1,587	2,912	4,110
11 Canada	252	2,389	342	−215	−1,744	−23	−780	667	−96	−229
12 Latin America and Caribbean	48,609	25,379	6,443	−19,359	1,479	12,745	15,228	10,243	−515	−3,285
13 Venezuela	−2	−69	66	−45	−29	−68	212	−3	59	10
14 Other Latin America and Caribbean	25,152	13,026	12,109	−1,547	926	2,715	5,292	6,461	1,834	3,814
15 Netherlands Antilles	23,459	12,422	−5,732	−17,767	582	10,098	9,724	3,785	−2,408	−7,109
16 Asia	32,467	98,001	35,349	20,713	9,889	1,337	16,744	8,540	14,358	12,451
17 Japan	16,979	41,390	12,855	4,875	6,629	1,219	7,593	4,264	6,528	2,063
18 Africa	1,464	1,085	64	30	−13	−12	−2	29	57	−22
19 Other	908	1,368	−1,367	622	1,181	−884	551	−1,198	520	351
20 Nonmonetary international and regional organizations	439	−1,842	132	−157	537	−1,192	1,143	−466	908[r]	−310
21 International	9	−1,390	−338	−52	338	−1,146	773	−484	530	−384
22 Latin American regional	261	−779	441	−90	−4	−2	252	−1	362	80
MEMO										
23 Foreign countries	133,676	246,567	68,286	14,895	23,784	22,475	46,519	22,691	24,648	20,947
24 Official institutions	39,631	86,875	24,878	17,188	4,838	3,840	13,662	8,022	10,043	6,813
25 Other foreign	94,045	159,692	43,408	−2,293	18,946	18,635	32,857	14,669	14,605	14,134
Oil-exporting countries										
26 Middle East[2]	3,075	10,227	6,297	4,969	−1,876	332	2,279	1,242	2,519	2,536
27 Africa[3]	2	1	−1	1	0	0	0	0	−1	0

1. Official and private transactions in marketable U.S. Treasury securities having an original maturity of more than one year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries

2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

3. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS[1]

Percent per year, averages of daily figures

Country	Rate on May 31, 1997 Percent	Rate on May 31, 1997 Month effective	Country	Rate on May 31, 1997 Percent	Rate on May 31, 1997 Month effective
Austria	2.5	Apr 1996	Germany	2.5	Apr. 1996
Belgium	2.5	Apr. 1995	Italy	6.75	Jan. 1997
Canada	3.25	Nov. 1996	Japan	.5	Sept. 1995
Denmark	3.25	Nov. 1996	Netherlands	2.5	Apr. 1996
France[2]	3.10	Jan. 1997	Switzerland	1.0	Sept. 1996

1. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper or government securities for commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood that the central bank transacts the largest proportion of its credit operations.

2. Since February 1981, the rate has been that at which the Bank of France discounts Treasury bills for seven to ten days

3.27 FOREIGN SHORT-TERM INTEREST RATES[1]

Percent per year, averages of daily figures

Type or country	1994	1995	1996	1996 Nov.	1996 Dec.	1997 Jan.	1997 Feb.	1997 Mar.	1997 Apr.	1997 May
1 Eurodollars	4.63	5.93	5.38	5.38	5.43	5.44	5.36	5.50	5.70	5.69
2 United Kingdom	5.45	6.63	5.99	6.27	6.31	6.28	6.16	6.17	6.35	6.41
3 Canada	5.57	7.14	4.49	3.05	3.16	3.18	3.16	3.25	3.49	3.36
4 Germany	5.25	4.43	3.21	3.09	3.13	3.03	3.08	3.16	3.14	3.09
5 Switzerland	4.03	2.94	1.92	1.80	1.99	1.72	1.61	1.77	1.76	1.52
6 Netherlands	5.09	4.30	2.91	2.92	2.99	2.94	2.95	3.12	3.15[r]	3.15
7 France	5.72	6.43	3.81	3.35	3.33	3.23	3.22	3.26	3.28	3.37
8 Italy	8.45	10.43	8.79	7.40	7.22	7.21	7.33	7.40	7.09	6.82
9 Belgium	5.65	4.73	3.19	3.03	3.01	3.00	3.10	3.40	3.22	3.22
10 Japan	2.24	1.20	.58	.51	.51	.53	.54	.55	.55	.58

1. Rates are for three-month interbank loans, with the following exceptions: Canada, finance company paper; Belgium, three-month Treasury bills, and Japan, CD rate.

3.28 FOREIGN EXCHANGE RATES[1]

Currency units per dollar except as noted

Country/currency unit	1994	1995	1996	1996	1997				
				Dec	Jan	Feb.	Mar.	Apr.	May
1 Australia/dollar[2]	73.161	74.073	78.283	79.661	77.756	76.768	78.747	77.868	77.510
2 Austria/schilling	11.409	10.076	10.589	10.923	11.289	11.785	11.932	12.050	11.998
3 Belgium/franc	33.426	29.472	30.970	31.992	33.087	34.556	34.961	35.328	35.188
4 Canada/dollar	1.3664	1.3725	1.3638	1.3622	1.3494	1.3556	1.3725	1.3942	1.3804
5 China, P.R./yuan	8.6397	8.3700	8.3389	8.3290	8.3260	8.3227	8.3258	8.3257	8.3229
6 Denmark/krone	6.3561	5.5999	5.8003	5.9428	6.1199	6.3867	6.4628	6.5226	6.4926
7 Finland/markka	5.2340	4.3763	4.5948	4.6388	4.7766	4.9792	5.0632	5.1375	5.1444
8 France/franc	5.5459	4.9864	5.1158	5.2427	5.4145	5.6536	5.7154	5.7672	5.7482
9 Germany/deutsche mark	1.6216	1.4321	1.5049	1.5525	1.6047	1.6747	1.6946	1.7119	1.7048
10 Greece/drachma	242.50	231.68	240.82	245.70	251.54	262.42	266.86	270.58	271.95
11 Hong Kong/dollar	7.7290	7.7357	7.7345	7.7355	7.7397	7.7474	7.7460	7.7483	7.7431
12 India/rupee	31.394	32.418	35.506	35.882	35.904	35.891	35.885	35.828	35.825
13 Ireland/pound[2]	149.69	160.35	159.95	165.93	163.11	158.60	156.57	155.05	151.11
14 Italy/lira	1,611.49	1,629.45	1,542.76	1,528.44	1,567.91	1,655.00	1,691.21	1,694.52	1,684.33
15 Japan/yen	102.18	93.96	108.78	113.98	117.91	122.96	122.77	125.64	119.19
16 Malaysia/ringgit	2.6237	2.5073	2.5154	2.5251	2.4900	2.4866	2.4773	2.5028	2.5070
17 Netherlands/guilder	1.8190	1.6044	1.6863	1.7420	1.8023	1.8812	1.9071	1.9256	1.9173
18 New Zealand/dollar[2]	59.358	65.625	68.765	70.501	70.088	69.084	69.789	69.220	69.097
19 Norway/krone	7.0553	6.3355	6.4594	6.4716	6.4589	6.6323	6.7915	6.9932	7.0797
20 Portugal/escudo	165.93	149.88	154.28	156.54	160.53	168.24	170.35	171.77	171.72
21 Singapore/dollar	1.5275	1.4171	1.4100	1.3999	1.4061	1.4193	1.4378	1.4417	1.4368
22 South Africa/rand	3.5526	3.6284	4.3011	4.6873	4.6402	4.4557	4.4319	4.4417	4.4668
23 South Korea/won	806.93	772.69	805.00	841.92	854.07	868.39	882.62	895.57	894.67
24 Spain/peseta	133.88	124.64	126.68	130.69	134.79	141.85	143.72	144.48	143.93
25 Sri Lanka/rupee	49.170	51.047	55.289	56.730	57.278	57.772	57.873	58.826	58.862
26 Sweden/krona	7.7161	7.1406	6.7082	6.8283	7.0692	7.4069	7.6502	7.6942	7.6856
27 Switzerland/franc	1.3667	1.1812	1.2361	1.3290	1.3913	1.4541	1.4634	1.4618	1.4331
28 Taiwan/dollar	26.465	26.495	27.468	27.516	27.477	27.554	27.551	27.629	27.791
29 Thailand/baht	25.161	24.921	25.359	25.600	25.726	25.957	25.959	26.064	25.751
30 United Kingdom/pound[2]	153.19	157.85	156.07	166.39	165.85	162.56	160.96	162.93	163.22
MEMO									
31 United States/dollar[3]	91.32	84.25	87.34	88.71	91.01	94.52	95.60	96.39	95.29

1. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) monthly statistical release. For ordering address, see inside front cover.
2. Value in U.S. cents.
3. Index of weighted-average exchange value of U.S. dollar against the currencies of ten industrial countries. The weight for each of the ten countries is the 1972–76 average world trade of that country divided by the average world trade of all ten countries combined. Series revised as of August 1978 (see *Federal Reserve Bulletin*, vol. 64 (August 1978), p. 700).

Guide to Statistical Releases and Special Tables

STATISTICAL RELEASES—List Published Semiannually, with Latest Bulletin *Reference*

SPECIAL TABLES—Data Published Irregularly, with Latest Bulletin *Reference*

4.31 PRO FORMA FINANCIAL STATEMENTS FOR FEDERAL RESERVE PRICED SERVICES

A. Pro forma balance sheet

Millions of dollars

Item	Mar. 31, 1997		Mar. 31, 1996	
Short-term assets (Note 1)				
Imputed reserve requirement on clearing balances	672.9		557.2	
Investment in marketable securities	6,056.1		5,014.8	
Receivables	65.5		63.1	
Materials and supplies	3.0		10.6	
Prepaid expenses	45.4		39.8	
Items in process of collection	2,777.9		1,827.4	
Total short-term assets		9,620.8		7,512.9
Long-term assets (Note 2)				
Premises	383.9		365.3	
Furniture and equipment	137.3		146.6	
Leases and leasehold improvements	35.2		21.5	
Prepaid pension costs	303.0		254.3	
Total long-term assets		859.4		787.7
Total assets		**10,480.2**		**8,300.6**
Short-term liabilities				
Clearing balances and balances arising from early credit of uncollected items	7,036.9		5,630.3	
Deferred-availability items	2,470.0		1,769.1	
Short-term debt	113.9		113.5	
Total short-term liabilities		9,620.8		7,512.9
Long-term liabilities				
Obligations under capital leases	.7		2.3	
Long-term debt	188.2		176.3	
Postretirement/postemployment benefits obligation	181.7		179.7	
Total long-term liabilities		370.6		358.3
Total liabilities		**9,991.4**		**7,871.2**
Equity		488.8		429.4
Total liabilities and equity (Note 3)		**10,480.2**		**8,300.6**

NOTE. Components may not sum to totals because of rounding. The priced services financial statements consist of these tables and the accompanying notes.

B. Pro forma income statement

Millions of dollars

Item	Quarter ending Mar. 31, 1997		Quarter ending Mar. 31, 1996	
Revenue from services provided to depository institutions (Note 4)		193.0		194.1
Operating expenses (Note 5)		163.3		161.1
Income from operations		29.7		33.0
Imputed costs (Note 6)				
Interest on float	4.3		10.7	
Interest on debt	4.4		4.3	
Sales taxes	2.7		2.7	
FDIC insurance	.5	11.8	.0	17.8
Income from operations after imputed costs		17.9		15.2
Other income and expenses (Note 7)				
Investment income on clearing balances	88.3		71.5	
Earnings credits	78.2	10.1	65.4	6.1
Income before income taxes		28.0		21.3
Imputed income taxes (Note 8)		9.0		6.4
Income before cumulative effect of a change in accounting principle		19.0		14.9
Cumulative effect on previous years from retroactive application of accrual method of accounting for postemployment benefits (net of $6.5 million tax)		...		...
Net income		**19.0**		**14.9**
MEMO				
Targeted return on equity (Note 9)		13.7		10.3

NOTE. Components may not sum to totals because of rounding. The priced services financial statements consist of these tables and the accompanying notes.

NOTES TO FINANCIAL STATEMENTS FOR FEDERAL RESERVE PRICED SERVICES

(1) SHORT-TERM ASSETS

The imputed reserve requirement on clearing balances held at Reserve Banks by depository institutions reflects a treatment comparable to that of compensating balances held at correspondent banks by respondent institutions. The reserve requirement imposed on respondent balances must be held as vault cash or as nonearning balances maintained at a Reserve Bank; thus, a portion of priced services clearing balances held with the Federal Reserve is shown as required reserves on the asset side of the balance sheet. The remainder of clearing balances is assumed to be invested in three-month Treasury bills, shown as investment in marketable securities.

Receivables are (1) amounts due the Reserve Banks for priced services and (2) the share of suspense-account and difference-account balances related to priced services.

Materials and supplies are the inventory value of short-term assets.

Prepaid expenses include salary advances and travel advances for priced-service personnel.

Items in process of collection is gross Federal Reserve cash items in process of collection (CIPC) stated on a basis comparable to that of a commercial bank. It reflects adjustments for intra-System items that would otherwise be double-counted on a consolidated Federal Reserve balance sheet; adjustments for items associated with nonpriced items, such as those collected for government agencies; and adjustments for items associated with providing fixed availability or credit before items are received and processed. Among the costs to be recovered under the Monetary Control Act is the cost of float, or net CIPC during the period (the difference between gross CIPC and deferred-availability items which is the portion of gross CIPC that involves a financing cost), valued at the federal funds rate.

(2) LONG-TERM ASSETS

Consists of long-term assets used solely in priced services, the priced-services portion of long-term assets shared with nonpriced services, and an estimate of the assets of the Board of Governors used in the development of priced services. Effective Jan. 1, 1987, the Reserve Banks implemented the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 87, *Employers' Accounting for Pensions* (SFAS 87). Accordingly, the Federal Reserve Banks recognized credits to expenses of $15.6 million in the first quarter of 1997 and $12.2 million in the first quarter of 1996, and corresponding increases in this asset account.

(3) LIABILITIES AND EQUITY

Under the matched-book capital structure for assets that are not "self-financing," short-term assets are financed with short-term debt. Long-term assets are financed with long-term debt and equity in a proportion equal to the ratio of long-term debt to equity for the fifty largest bank holding companies, which are used in the model for the private-sector adjustment factor (PSAF). The PSAF consists of the taxes that would have been paid and the return on capital that would have been provided had priced services been furnished by a private-sector firm. Other short-term liabilities include clearing balances maintained at Reserve Banks and deposit balances arising from float. Other long-term liabilities consist of obligations on capital leases.

(4) REVENUE

Revenue represents charges to depository institutions for priced services and is realized from each institution through one of two methods: direct charges to an institution's account or charges against its accumulated earnings credits.

(5) OPERATING EXPENSES

Operating expenses consist of the direct, indirect, and other general administrative expenses of the Reserve Banks for priced services plus the expenses for staff members of the Board of Governors working directly on the development of priced services. The expenses for Board staff members were $0.7 million in the first quarter of 1997 and $0.7 million in the first quarter of 1996. The credit to expenses under SFAS 87 (see note 2) is reflected in operating expenses.

(6) IMPUTED COSTS

Imputed costs consist of interest on float, interest on debt, sales taxes, and the FDIC assessment. Interest on float is derived from the value of float to be recovered, either explicitly or through per-item fees, during the period. Float costs include costs for checks, book-entry securities, noncash collection, ACH, and funds transfers.

Interest is imputed on the debt assumed necessary to finance priced-service assets. The sales taxes and FDIC assessment that the Federal Reserve would have paid had it been a private-sector firm are among the components of the PSAF (see note 3).

The following list shows the daily average recovery of float by the Reserve Banks for the first quarter of 1997 and 1996 in millions of dollars:

	1997	1996
Total float	685.0	1,386.7
Unrecovered float	11.3	19.2
Float subject to recovery	673.7	1,367.5
Sources of float recovery		
Income on clearing balances	67.7	136.6
As-of adjustments	346.1	590.9
Direct charges	146.4	274.4
Per-item fees	113.4	365.6

Unrecovered float includes float generated by services to government agencies and by other central bank services. Float recovered through income on clearing balances is the result of the increase in investable clearing balances; the increase is produced by a deduction for float for cash items in process of collection, which reduces imputed reserve requirements. The income on clearing balances reduces the float to be recovered through other means. As-of adjustments and direct charges are mid-week closing float and interterritory check float, which may be recovered from depositing institutions through adjustments to the institution's reserve or clearing balance or by valuing the float at the federal funds rate and billing the institution directly. Float recovered through per-item fees is valued at the federal funds rate and has been added to the cost base subject to recovery in the first quarter of 1997.

(7) OTHER INCOME AND EXPENSES

Consists of investment income on clearing balances and the cost of earnings credits. Investment income on clearing balances represents the average coupon-equivalent yield on three-month Treasury bills applied to the *total* clearing balance maintained, adjusted for the effect of reserve requirements on clearing balances. Expenses for earnings credits granted to depository institutions on their clearing balances are derived by applying the average federal funds rate to the *required* portion of the clearing balances, adjusted for the net effect of reserve requirements on clearing balances.

(8) INCOME TAXES

Imputed income taxes are calculated at the effective tax rate derived from the PSAF model (see note 3).

(9) RETURN ON EQUITY

Represents the after-tax rate of return on equity that the Federal Reserve would have earned had it been a private business firm, as derived from the PSAF model (see note 3). This amount is adjusted to reflect the recovery of automation consolidation costs of $2.3 million for first quarter of 1997 and $1.2 million for the first quarter of 1996. The Reserve Banks plan to recover these amounts, along with a finance charge, by the end of the year 2001.

Index to Statistical Tables

References are to pages A3–A65 although the prefix "A" is omitted in this index

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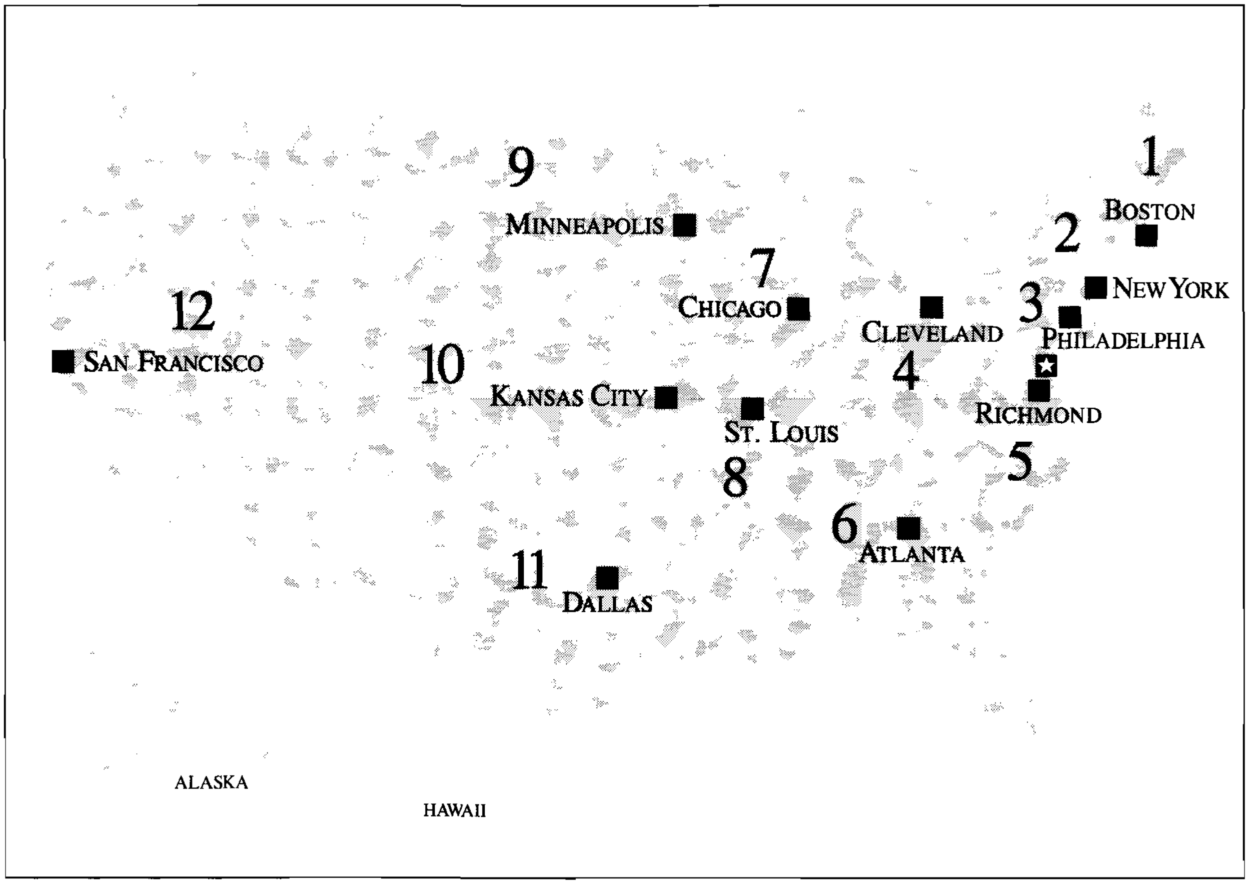

LEGEND

Both pages

■ Federal Reserve Bank city

⊡ Board of Governors of the Federal Reserve System, Washington, D.C.

Facing page

• Federal Reserve Branch city

— Branch boundary

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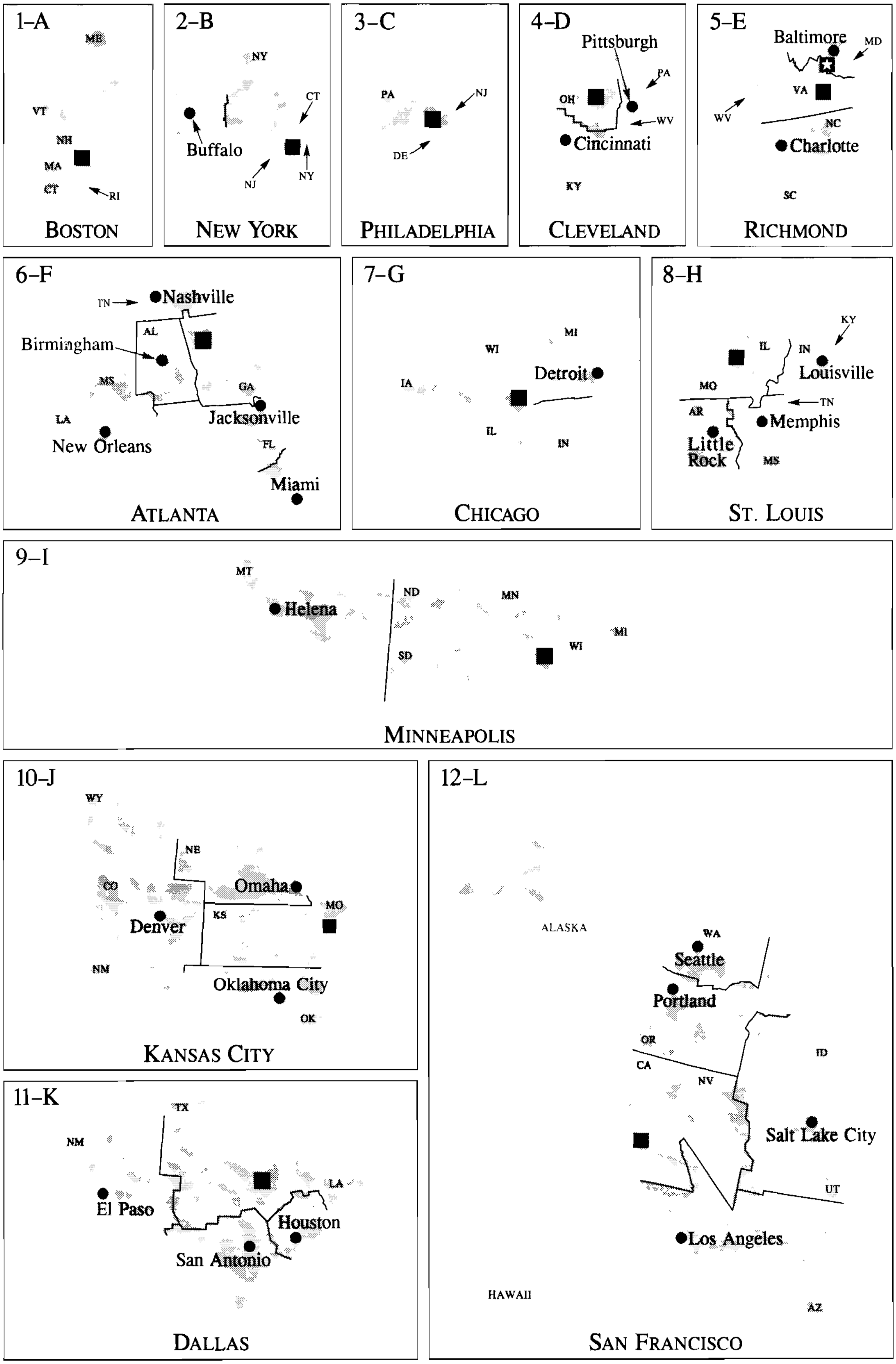
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