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Profits and Balance Sheet Developments at U.S. Commercial Banks in 1995

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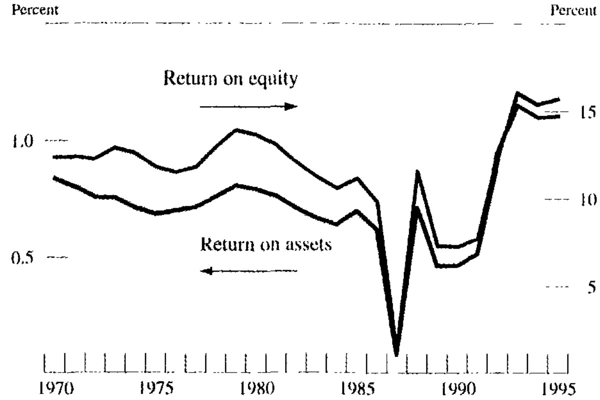
Continued high profitability and rapid growth of assets combined to lift net income of U.S. commercial banks almost 10 percent in 1995 to a record $49 billion. Profitability, as measured by either return on assets or return on equity, edged up near the peak level posted in 1993 (chart 1). Although net interest income as a share of average assets fell slightly, the decline was more than offset by a decline in net noninterest expense (table 1). Provisioning for loan and lease losses edged up, as did charge-offs, but both remained quite low. With delinquency rates for real estate and business loans declining, overall loan quality continued to be very good, even though delinquency rates for consumer loans, particularly credit card loans, rose sharply.[1]

The growth of assets last year resulted from the expansion of bank loan portfolios, which posted their largest increase in a decade, and, to a lesser extent, from growth in trading accounts. Banks financed this growth by increasing managed liabilities and core deposits, by adding to capital, and by selling securities from their investment accounts.

1. Measures of commercial bank profitability, 1970–95



NOTE. The data are annual.

Banks retained more than one-third of their income, and capital–asset ratios generally remained well above regulatory minimums. At year-end, nearly all commercial bank assets were at well-capitalized institutions. Six banks failed last year with total assets of only $756 million—the smallest volume of assets at failed banks since 1979. Combined assets at institutions classified by the Federal Deposit Insurance Corporation as problem banks fell to $16¾ billion at year-end, half of the amount at the end of 1994 and 3 percent of the amount at the end of the first quarter of 1992, when assets at problem banks peaked.

1. Selected income and expense items, 1991–95

Percent

Item	1991	1992	1993	1994	1995
Net interest income	3.61	3.90	3.90	3.79	3.73
Net noninterest expense	1.94	1.92	1.81	1.76	1.62
Loss provisioning	1.03	.78	.47	.28	.30
Realized gains on investment account securities	.09	.11	.09	−.01	.01
Income before taxes and extraordinary items	.73	1.32	1.70	1.74	1.81
Taxes and extraordinary items	.22	.41	.50	.58	.63
Net income	.51	.91	1.20	1.15	1.18
Dividends	.45	.41	.62	.73	.75
Retained income	.07	.50	.59	.43	.43

NOTE. Percentage of average net consolidated assets.

1. Except where otherwise indicated, data in this article are from the quarterly Reports of Condition and Income (Call Reports) for insured domestic commercial banks and nondeposit trust companies. The data, which cover all such institutions that filed Call Reports at least once, consolidate information from foreign and domestic offices and have been adjusted to take account of mergers. Size categories of such institutions (in this article called banks), which are based on assets at the start of each quarter, are as follows: the ten largest banks; large banks, those ranked 11 through 100 by size; medium-sized banks, those ranked 101 through 1,000 by size; and small banks, those not among the largest 1,000 banks. At the start of the fourth quarter of 1995, each of the ten largest banks had assets of more than approximately $50 billion, large banks had assets between approximately $7 billion and $50 billion, medium-sized banks had assets between approximately $300 million and $7 billion, and small banks had assets of less than approximately $300 million. Because of revisions, data shown may not match data published in earlier years. In the tables, components may not sum to totals because of rounding.

2. Annual rates of growth of balance sheet items, 1986–95

Percent

Item	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	MEMO: Dec. 1995 levels (billions of dollars)
Assets	7.66	2.00	4.33	5.35	2.63	1.33	2.20	5.67	8.08	7.60	4,293
Interest-earning assets	7.82	3.08	4.04	5.62	2.23	1.98	2.55	6.54	5.31	7.75	3,723
Loans and leases (net)	7.35	3.00	5.93	6.24	2.37	−2.65	−1.02	6.02	9.85	10.61	2,536
Commercial and industrial	3.95	−1.95	1.84	2.97	−.68	−9.10	−4.10	.52	9.34	12.27	658
Real estate	17.46	16.56	12.43	12.69	8.79	2.73	1.94	6.13	7.94	8.28	1,072
Booked in domestic offices	17.06	17.11	11.99	13.02	8.54	2.90	2.57	6.17	7.68	8.43	1,045
Residential	12.78	18.03	13.89	15.75	13.49	8.08	7.88	10.96	10.00	10.10	657
Nonresidential	21.28	16.26	10.22	10.40	3.57	−2.82	−3.95	−.45	4.11	5.71	388
Booked in foreign offices	30.20	.84	27.03	3.00	16.65	−2.34	−17.80	4.66	18.37	2.80	27
Consumer	8.33	4.55	7.64	6.18	.37	−2.55	−1.53	8.92	16.03	9.99	533
Other loans and leases	−.96	−5.33	−3.09	−.94	−5.68	−4.90	−4.25	9.97	5.26	14.23	330
Loan loss reserves and unearned income	9.41	44.36	−4.19	10.29	.34	−3.78	−4.79	−5.89	−2.23	.45	58
Securities	9.92	4.94	3.27	5.08	8.45	16.23	12.29	12.26	−4.13	.60	917
Investment account	10.26	7.51	2.93	4.04	8.19	14.42	11.44	8.09	−1.71	−1.54	801
U.S. Treasury	1.64	.00	−5.80	−13.80	3.50	32.01	23.96	7.21	−8.44	−19.20	193
U.S. government agency and corporation obligations	53.55	25.46	22.54	33.42	24.01	15.88	12.77	9.62	.87	6.44	422
Other	2.26	4.43	−2.46	−.87	−6.69	−2.57	−5.19	6.07	2.52	4.35	186
Trading account	6.21	−23.88	8.58	20.62	11.87	38.88	21.01	51.94	−20.51	18.52	115
Other	6.91	.24	−5.82	2.50	−11.70	2.82	1.57	−7.89	3.28	7.62	271
Non-interest-earning assets	6.63	−5.07	6.45	3.50	5.50	−3.09	−.31	−.87	30.24	6.59	569
Liabilities	7.66	2.18	4.05	5.43	2.37	1.01	1.37	5.10	8.32	7.22	3,944
Core deposits	11.79	−.76	5.48	5.75	7.57	5.25	5.09	1.49	−.16	3.96	2,292
Transaction deposits	17.53	−6.04	2.65	.93	2.42	3.38	14.63	5.47	−.32	−3.07	822
Savings and small time deposits	8.07	2.95	7.29	8.71	10.51	6.24	.18	−.85	−.06	8.36	1,470
Managed liabilities[1]	3.06	6.90	2.26	5.20	−6.16	−6.18	−6.03	12.29	17.64	10.61	1,380
Deposits booked in foreign offices	−2.49	8.86	−7.77	−1.08	−5.88	3.82	−5.85	15.05	30.89	5.13	454
Large time	−1.06	12.16	9.22	5.00	−5.68	−19.73	−26.20	−9.21	8.74	19.55	260
Subordinated notes and debentures	15.77	3.72	−4.26	16.98	20.99	4.69	34.89	10.82	9.24	6.61	43
Other managed liabilities	12.13	.78	5.45	10.12	−8.11	−1.34	7.11	22.18	13.02	11.66	623
Other	−7.00	3.75	.08	2.59	4.36	−4.28	−1.05	14.93	77.92	20.27	272
Equity capital	7.59	−.66	8.77	4.18	6.68	5.98	13.78	12.56	5.26	12.06	349
MEMO											
Commercial real estate loans[2]	n.a.	n.a.	n.a.	n.a.	n.a.	−3.53	−5.18	−1.33	3.73	5.82	384

NOTE. Data are from year-end to year-end.

n.a. Not available.

1. Measured as the sum of deposits in foreign offices, large time deposits in domestic offices, federal funds purchased and securities sold under agreements to resell, demand notes issued to the U.S. Treasury, subordinated notes and debentures, and other borrowed money

2. Measured as the sum of construction and land development loans secured by real estate; real estate loans secured by nonfarm nonresidential properties; and loans to finance commercial real estate, construction, and land development activities not secured by real estate.

Because of continued industry consolidation, the number of commercial banks at year-end 1995 had fallen below 10,000; nevertheless, employment in the industry remained essentially unchanged.

BALANCE SHEET DEVELOPMENTS

Bank assets continued to grow briskly in 1995 (table 2). Although measured asset growth was down slightly from that in the previous year, growth in 1994 had been exaggerated by an accounting change, which had boosted reported non-interest-earning assets.[2] The 1995 increase in bank assets was due to growth in all the major loan categories—commercial and industrial, real estate, and consumer. This growth resulted from increased demand for credit by both businesses and households and from efforts by banks to boost lending. As the year progressed, loan growth slowed owing to a slowdown in overall credit demand, an increase in the share of that demand met by capital markets, and a stabilization of bank lending standards.

2. Since the beginning of 1994, Financial Accounting Standards Board Interpretation No. 39 (FIN 39) has restricted banks from netting the values of off-balance-sheet derivatives multilaterally across counterparties (although under certain conditions it does permit netting of the values of derivatives extended to a single counterparty). Derivatives used for trading purposes that have positive value are to be recorded as an asset, and those that have negative value as a liability. This change boosted bank assets in 1994 about 2½ percent, one-third of the change in bank assets reported for that year. Excluding the effects of FIN 39, bank assets grew 5½ percent in 1994 and 7½ percent in 1995. For a more detailed discussion of these issues see William B. English and Brian K. Reid, "Profits and Balance Sheet Developments at U.S. Commercial Banks in 1994," *Federal Reserve Bulletin*, vol. 81 (June 1994), pp. 548–49.

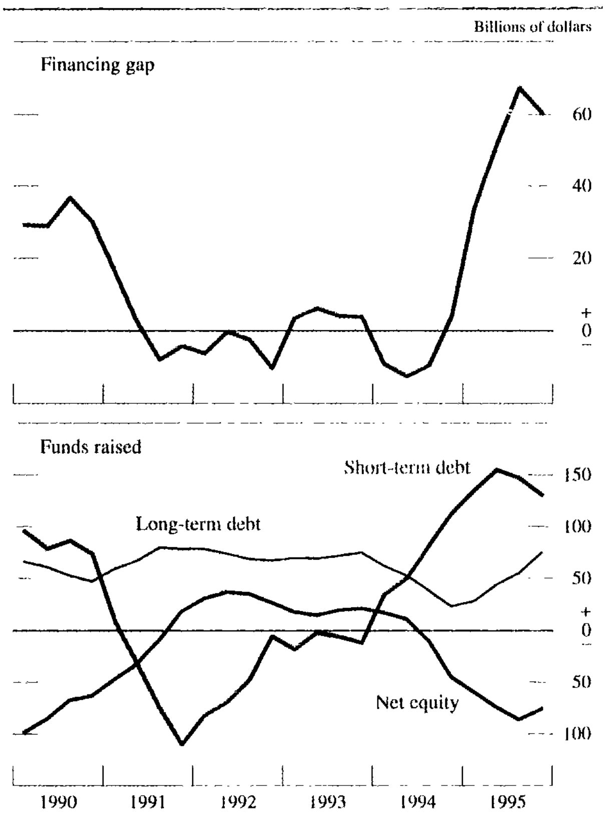
Loans to Businesses

In part because of strong demand, banks in 1995 posted the largest percentage increase in commercial and industrial (C&I) loans in fifteen years. Data from the balance sheets of nonfarm nonfinancial corporations provide some information on the sources of the increased demand (chart 2). The excess of corporate investment in plant, equipment, and inventories over internally generated funds—the financing gap—surged to $60 billion in 1995. In addition, these firms substituted away from bonds and equities toward shorter-term financing, including bank loans, especially early in the year.

The findings from the Federal Reserve's quarterly Senior Loan Officer Opinion Survey on Bank Lending Practices (LPS) suggest that the demand for C&I loans rose not only from larger corporations but also from small businesses and middle-market firms (chart 3).[3] Banks attributed this increase in demand to customer inventory financing, to investment in plant and equipment, and to merger and acquisition financing by larger customers.

The results from the LPS also suggest that easier lending standards contributed to the surge in C&I loans. On each of the first three surveys last year, more respondents indicated that they had eased standards on these loans over the preceding three months than indicated that they had tightened standards (chart 4). Throughout the year, banks that eased generally stated that they did so primarily because of increased competition from other banks and, to a lesser extent, from nonbank lenders. Another Federal Reserve survey—the Survey of Terms of Bank Lending to Business—showed an easing of terms (chart 5).[4] According to the survey, average spreads of loan rates over market rates fell for loans of all sizes. Indeed, spreads on large loans fell to levels that had last prevailed in the mid-1980s; however, spreads on smaller loans remained somewhat elevated relative to their levels in the late 1980s.

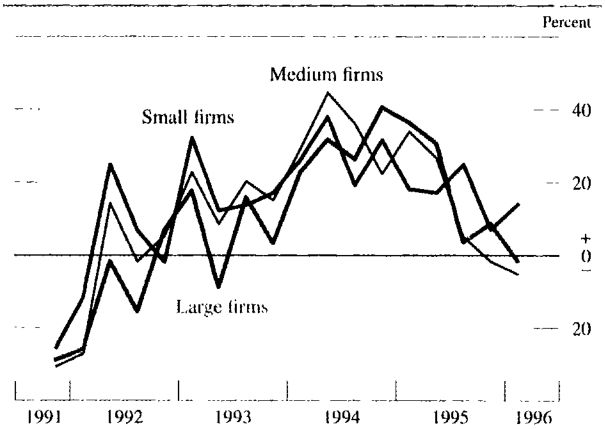
2. Financing gap and funds raised, 1990–95



NOTE. The data are quarterly, four-quarter moving averages. All data are for nonfarm nonfinancial corporate businesses. The financing gap is the difference between capital expenditures and internally generated funds. Net equity is funds raised in equity markets less funds used to repurchase equity. Long-term debt is the sum of the net issuance of industrial revenue bonds, corporate bonds, and mortgages. Short-term debt is the sum of the change in outstanding bank and other loans and the net issuance of commercial paper.

SOURCE. Flow of funds accounts, table F.104

3. Net percentage of selected large commercial banks that experienced increased demand for commercial and industrial loans, by size of firms seeking loans, 1991–96



NOTE. The data are quarterly. Net percentage is the percentage of banks reporting an increase less the percentage reporting a decrease. The definition for firm size suggested for, and generally used by, survey respondents is that medium firms are those with sales between $50 million and $250 million.

SOURCE. Senior Loan Officer Opinion Survey on Bank Lending Practices.

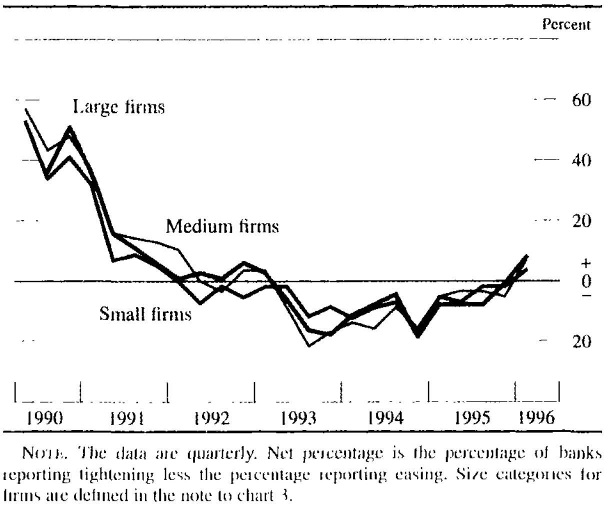
3. About sixty domestic commercial banks from the twelve Federal Reserve Districts are surveyed by the LPS. Most of them are large: As of December 31, 1995, these banks' assets totaled $1.3 trillion, about one-third of the assets of domestic commercial banks.

4. The Survey of Terms of Bank Lending to Business collects data on lending rates from a sample of more than 300 commercial banks. These banks accounted for 57 percent of the volume of C&I loans outstanding at the end of 1995. Data are collected on the terms of C&I loans made by these banks during the first full week of the middle month of each quarter.

The expansion of C&I loans last year was uneven, with growth slowing from 17 percent in the first half of 1995 to 6½ percent in the second half. Long-term interest rates fell over the year, increasing the attractiveness of bond financing. Furthermore, business investment was much lower in the fourth quarter than earlier in the year, and with profits remaining high, the need for external finance declined. In addition, the net number of respondents to the LPS that indicated easing standards on business loans tailed off over the year. In fact, after ten consecutive quarters in which banks reported having eased standards, respondents, on net, reported no change in standards in the fourth quarter of last year and indicated a slight tightening of standards in the first quarter of 1996.

The LPS respondents reported little change in standards for commercial real estate loans on each of last year's surveys. Nevertheless, banks expanded their portfolios of these loans 5¾ percent, the second consecutive year of positive growth following three years of decline. With lending standards reportedly little changed, this increase presumably resulted from greater demand. Indeed, as evidenced by rising prices and falling vacancy rates for commercial properties, the health of the commercial real estate sector has improved markedly over the past two years. In addition, the share of bank assets included in the category "other real estate owned" fell nearly one-half for the second straight year. Banks usually acquire these assets when they foreclose on loans collateralized by real estate. The decline in banks' holdings of these assets likely reflects both the greater ease with which

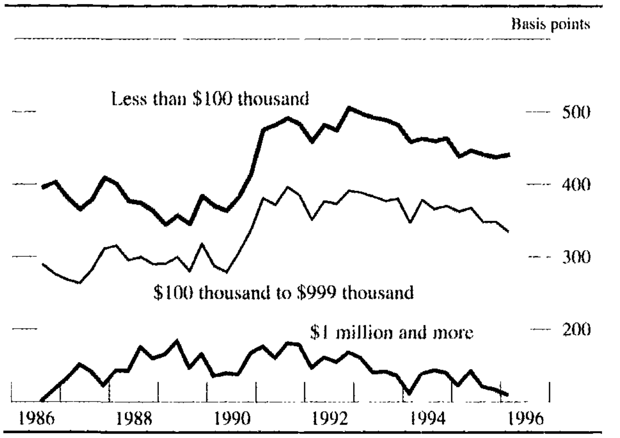
4. Net percentage of selected large commercial banks that tightened credit standards for commercial and industrial loans, by size of firms seeking loans, 1990–96



NOTE. The data are quarterly. Net percentage is the percentage of banks reporting tightening less the percentage reporting easing. Size categories for firms are defined in the note to chart 3.

SOURCE. Senior Loan Officer Opinion Survey on Bank Lending Practices.

5. Average C&I loan rate spread over average federal funds rate, by size of loan, 1986–96



NOTE. The data are quarterly.

SOURCE. Survey of Terms of Bank Lending to Business, Federal Reserve Board statistical release E.2.

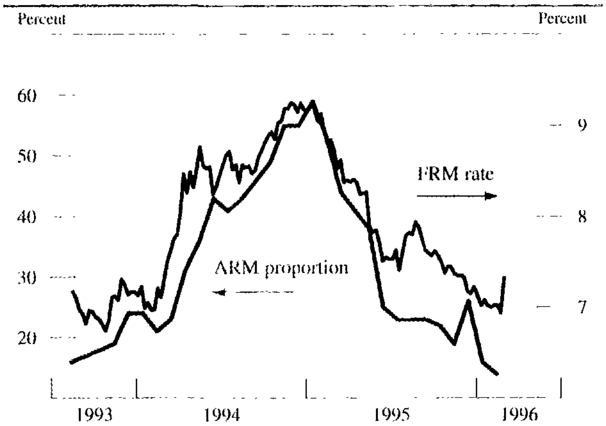
they can sell this real estate and a reduced number of new foreclosures.

Loans to Households

Banks increased their share of home mortgage outstandings last year. Total home mortgage outstandings increased 6 percent, while banks' holdings of these loans grew 10 percent. Although the volume of total outstandings expanded briskly throughout the year, growth of banks' holdings of these loans decelerated from an annual rate of 13 percent over the first two quarters of 1995 to an annual rate of 2¼ percent in the fourth quarter. The rapid expansion of banks' mortgage holdings earlier in the year resulted, in part, from the popularity of adjustable-rate mortgages. At the beginning of 1995, nearly 60 percent of new mortgages carried adjustable rates (chart 6). Banks are more likely to keep on their books adjustable-rate mortgages, which have repricing frequencies more closely matching those of standard bank liabilities, than fixed-rate mortgages, which tend to be securitized. The share of mortgages with adjustable rates peaked as the interest rates on fixed-rate mortgages crested in late 1994. Rates on fixed-rate mortgages fell as 1995 progressed, however, and the share of adjustable-rate mortgages declined.

The expansion in consumer loans on banks' balance sheets slowed noticeably last year from the torrid pace recorded in 1994. However, if loans they originated but then sold are added to those on their balance sheets, banks' consumer lending grew 16½ percent last year, about the same as the pace in

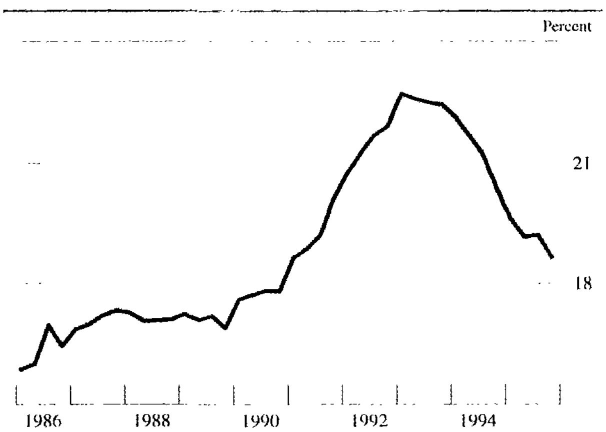
6. Fixed-rate mortgage rate and adjustable-rate mortgage proportion of new loans, 1993–96



NOTE. The data are monthly and are not seasonally adjusted. The FRM rate is the average contract rate on thirty-year, fixed-rate conventional home mortgage commitments. The ARM proportion is the number of adjustable-rate mortgages closed as a percentage of all conventional home purchase mortgages closed at major lenders.
SOURCE. Federal Home Loan Mortgage Corporation.

1994 (box). This continuing surge in consumer lending reflected, in part, the high level of consumers' purchases of durables. A small part of the rise in consumer debt may have resulted from increased use of credit cards, possibly resulting from the wider acceptance of credit cards at nontraditional outlets, such as grocery stores, and from the growing popularity of special incentive programs, such as cards that earn frequent-flier miles. Even if these charges were paid off each month, average outstanding balances would rise.

7. Securities held in investment accounts as a share of bank assets, 1986–95



NOTE. The data are quarterly.

Easier lending terms and standards and increased marketing efforts by commercial banks also likely contributed to the growth in consumer loans. On each quarterly LPS in 1995, respondents, on net, indicated greater willingness to make consumer installment loans. Also suggestive of a growing availability of credit is the behavior of the credit card utilization rate (the ratio of credit card balances to total credit limits), which edged down over the year to 23 percent despite rapid growth in credit card receivables. However, standards for approving credit card applications may be firming: On net, one-fourth of the respondents to the January 1996 LPS said that they had tightened such standards over the previous three months.

Securities

Total holdings of securities were little changed last year, as increases in trading accounts about equaled declines in investment accounts. Banks used the sale of investment account securities as a source of funds for the second straight year. Nevertheless, these securities still make up a larger share of bank assets than they did in the late 1980s (chart 7). Moreover, at the end of 1995, banks enhanced the liquidity of their investment account securities by significantly increasing the share classified as "available for sale."[5]

5. The Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 115, implemented at the beginning of 1994, requires all banks to partition their investment account securities into those that are available for sale and those that are to be held to maturity. Securities to be held to maturity are valued at amortized cost, with fluctuations in market value reflected neither in income nor on the balance sheet. In contrast, those available for sale are valued at fair (market) value, with the revaluations of price reflected in equity (but not income). At the time of the initial classification, the federal regulatory agencies had not yet indicated whether regulatory capital would be affected by the revaluations of available-for-sale securities. Subsequently, the agencies decided that such revaluations would not affect regulatory capital. On average, banks initially divided their investment accounts about evenly between the two classifications.

In part because of the timing of the decision on capital for regulatory purposes, but also because many banks were surprised by the stringency of the rules governing the sale of held-to-maturity securities, the Financial Accounting Standards Board allowed banks, between November 15 and December 31, 1995, to make a one-time reclassification of their investment account securities. Many banks took advantage of this opportunity. On average, commercial banks had increased the share of their investment account securities classified as "available for sale" from about 50 percent at the end of the *third quarter to about 80 percent at year-end. On the January 1996* LPS, most respondents said that they had reclassified securities and that they had done so in order to increase their liquidity or flexibility.

The Market for Consumer-Loan Asset-Backed Securities

In 1995, the outstanding volume of securitized consumer loan receivables from all originators increased 40 percent, and the volume of these securities backed by loans originated by banks jumped 53 percent. At the end of the year, $200 billion of these securities was outstanding, $125 billion of which was backed by loans originated by banks. Of the dollar volume of consumer loans originated by banks, 20 percent was securitized, up nearly 5 percentage points from the end of 1994.

Despite the magnitude of this market, public issuance of securities backed by consumer loans dates only to 1985, when securities backed by automobile loans were first introduced. Publicly issued securities backed by credit card receivables were not introduced until 1987, but they have since come to dominate the market: At year-end 1995 they accounted for 69 percent of the securities backed by consumer-loan receivables outstanding and 93 percent of those backed by consumer loans originated by banks. Besides automobile loans and credit card receivables, mobile home loans, boat loans, and unsecured personal loans have been securitized.

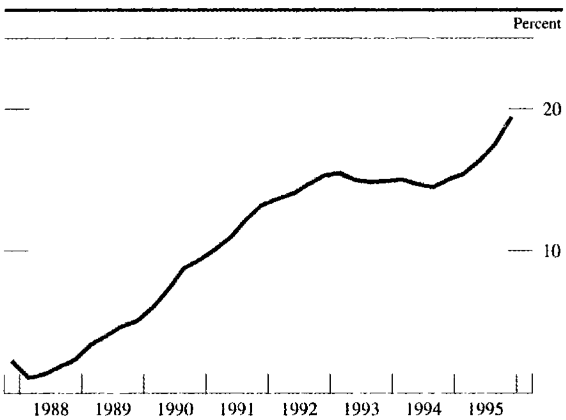
Asset-backed securities can take a variety of forms depending on the type of loans used as collateral. Securities backed by automobile loans or other types of amortizing loans usually pay both principal and interest over their life. In contrast, for securities backed by credit card receivables, the most common form is either a bullet maturity (for which the principal is repaid in one lump sum) or controlled amortization (for which only interest is paid for a specified period and then the principal and interest are both paid for a much shorter period). Asset-backed securities with fixed rates are generally priced in relation to comparable-maturity Treasury securities, whereas those issued with floating rates tend to be priced in relation to money market rates. Maturities of asset-backed securities are typically around three years, but they can vary from three months to about ten years.

Most consumer-loan asset-backed securities carry a triple-A rating from at least two rating agencies. To achieve this rating, various credit enhancements are used. Among these enhancements are set-asides to absorb losses and third-party guarantees. Another widely used enhancement is the creation of a lower-rated subordinated class of security that pays off only after obligations to the senior security have been met.

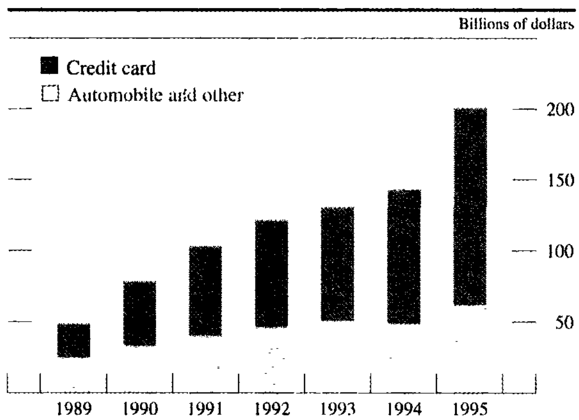
The largest issuers of consumer-loan asset-backed securities are the finance subsidiaries of automobile manufacturers, banks that specialize in credit card lending, and nonbank issuers of credit cards. The securities are held by various investors, including insurance companies, retirement funds, and mutual funds—many of the same institutions that hold corporate bonds and mortgage-backed securities. Indeed, because of the substitutability between collateralized mortgage obligations (CMOs) and securities backed by consumer loans, the market for the latter may have benefited from the well-publicized losses some investors took on CMOs when interest rates rose in 1994.

The results from the May 1996 LPS provide some information on why the pace of securitization picked up last year. The respondents that had increased the volume of their consumer loan securitizations over the preceding year gave several reasons for the increase. Two reasons commonly cited were that consumer loan originations had increased more rapidly than their bank's willingness to hold such loans on its books and that their bank had become more proficient in effecting securitizations. To a lesser degree, the respondents also attributed the increase to the capital markets' greater receptiveness to consumer-loan-backed securities as well as the increased cost of funding consumer loans on their bank's balance sheet.

Securitized share of banks' consumer loan outstandings, 1987–95



Outstanding consumer-loan asset-backed securities, by type of loan, 1989–95



Banks actually sold a larger percentage of their investment account securities than indicated by the decline in book value because, on average, upward revaluations of the prices of available-for-sale securities boosted their reported value. If available-for-sale securities were valued at amortized cost, investment account securities would have declined 3¼ percent last year rather than the 1½ percent drop actually recorded on banks' books.

Liabilities

For the third consecutive year, banks relied heavily on managed liabilities to fund asset growth. In 1993 and 1994, the use of managed liabilities was concentrated in non-deposit instruments, such as borrowings from foreign offices and senior bank notes, which are not subject to deposit insurance premiums.[6] In 1995, banks relied less on borrowings from abroad and more on large time deposits to fund growth. They may have chosen this source of funds, in part, because of the significant reduction in deposit insurance premium rates that took place last year.[7] Though insured only to $100,000, large certificates of deposit, unlike deposits booked abroad and senior bank notes, are included in the assessment base used to determine deposit insurance premiums. Even so, the reduction in deposit insurance premiums appears not to have been the only factor influencing banks' choice of managed liabilities last year: The fastest growth in large time deposits occurred in the first quarter, before the reduction in deposit insurance premiums. Furthermore, banks again last year issued a large volume of senior bank notes, which, as stated above, are not subject to deposit insurance premiums.

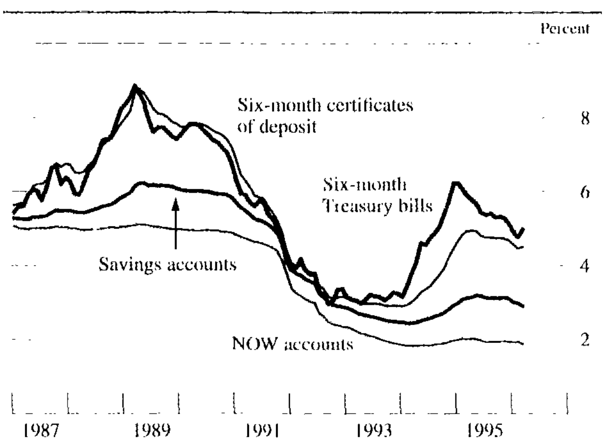
After declining in 1994, core deposits were a significant source of new funds for banks in 1995, although their growth did not keep pace with the growth in assets. Interest rate developments in 1995 probably boosted household demand for retail deposits (chart 8). As market rates declined over the year, yields on these deposits, which tend to change more slowly than market rates, became relatively more attractive. Furthermore, as the yield curve flattened, current yields on longer-term assets, such as bond mutual funds, fell relative to those on shorter-term assets, including retail deposits, possibly also adding to household demand.

Within core deposits, balances in transaction accounts declined, and those in savings accounts rose. This shift resulted in large part from the establishment of "sweep" accounts at many banks. These programs sweep funds out of transaction accounts, against which banks must hold reserves, into savings accounts, against which they need not hold reserves. By reducing the amount of required reserves, which do not earn interest, sweep programs free funds to be invested in interest-earning assets, thereby increasing profits. In 1995, thirty bank holding companies, representing 220 separately chartered commercial banks and thrift institutions, instituted sweep programs. The current amount being regularly swept is unknown, but as a rough indication of the size of these sweeps, the total amount swept at the initiation of these programs was $48 billion.

TRENDS IN PROFITABILITY

Net income of U.S. commercial banks jumped 9⅔ percent last year. The industry's return on assets (ROA) rose to 1.18 percent, marking the third consecutive year that banks have earned a return on assets appreciably higher than the historical average. The increase in profits was widespread, with two-thirds of commercial banks posting gains and average ROAs rising in eight of the twelve Federal Reserve Districts. Banks paid out most of the profits in dividends, but they also retained a substantial volume of

8. Selected interest rates, 1987–96:Q1



NOTE. The data are monthly. Rates are at commercial banks. Savings accounts include money market deposit accounts.

SOURCES. Federal Reserve Board statistical releases H.6 and H.15.

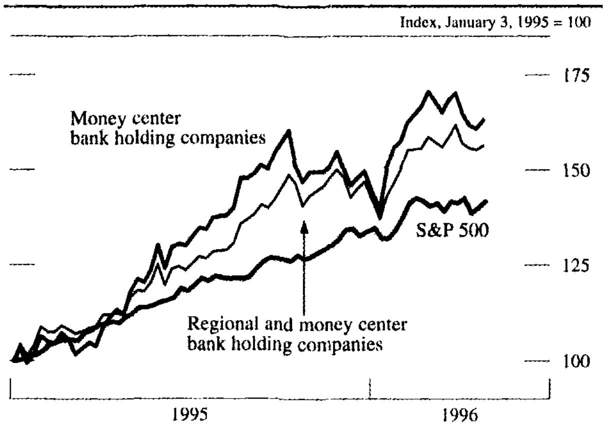
6. Senior bank notes, which are included in "Other managed liabilities" in table 2, are non-deposit securities typically issued by banks in the medium-term note market. They are senior to subordinated debt.

7. The reduction in deposit insurance premiums is discussed in the section "Noninterest Expenses."

earnings. These undivided profits, along with capital gains on available-for-sale securities, accounted for three-quarters of the increase in equity capital.

Most money center and regional bank holding companies increased dividends last year. The continued high profitability of commercial banks supported a rally in the stocks of bank holding companies (chart 9). Even though the rally faded during the fourth quarter, indexes of stock prices of money center and regional bank holding companies rose about 50 percent for the year, compared with about 35 percent for the S&P 500 index.

9. Stock price indexes, 1995–April 1996



NOTE. The data are weekly; the bank indexes end April 24, 1996, and the S&P 500 index ends April 26, 1996. The bank indexes are for eight money center bank holding companies and forty-two regional bank holding companies as defined by Salomon Brothers.

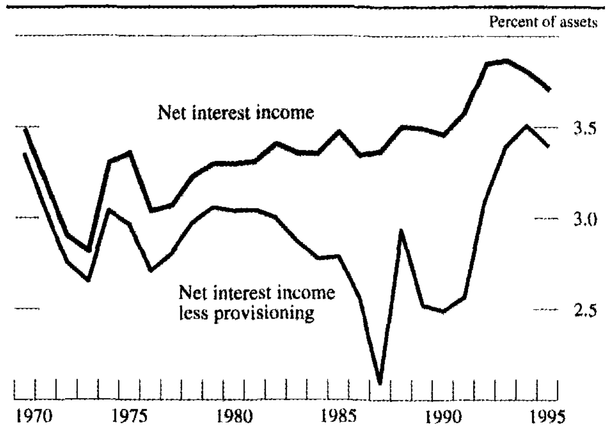
SOURCES. Salomon Brothers and Standard and Poor's Corporation.

Total Revenue

Profits were lifted last year by a 6⅔ percent increase in total revenue—noninterest income plus net interest income. Net interest income as a share of assets was below the peak reached a few years ago, but it remained quite high by historical standards (chart 10). In general, this ratio has been trending higher for at least twenty-five years. The rise likely reflects, in part, greater riskiness of bank assets over the period: After subtracting loan-loss provisioning, the ratio of net interest income to assets shows no evidence of an upward trend, although it has been wide in recent years when the level of provisioning has been very low.

Since 1992, banks have been able to maintain their wide net interest margins despite narrower spreads on business loans and an increased reliance on large certificates of deposit and other managed liabilities.

10. Ratio of net interest income to total assets, 1970–95



NOTE. The data are annual. The series are adjusted to remove the effects of breaks in definitions.

They have kept these margins partly by increasing the share of loans, which generally earn higher interest rates than securities, in their portfolios of interest-earning assets. Furthermore, they have increased the fraction of their loans that are consumer loans, which carry particularly high rates. The higher rates on consumer loans compensate banks for the additional risk associated with these loans, which have higher charge-off rates than business and real estate loans.

Banks also have been aggressive in generating noninterest income, and the share of total revenue accounted for by noninterest income has increased over the past decade (chart 11). A small part of the gain has come from higher fees on deposits, and some of the gain has come from revenues derived from trading and fiduciary activities (including trading gains from derivative products held or created by banks). Most of the increase, however, has come from the broad category "other noninterest income."

Some types of other noninterest income are fee income from servicing real estate mortgages, income for performing data processing services, and income from providing lockbox services such as collecting and processing utility bills. Fees associated with credit cards—fees earned from securitizing credit card receivables, merchant credit card fees, and periodic fees paid by holders of credit cards—are also an important source of other noninterest income. In 1995, for instance, credit card banks—banks for which credit card loans account for at least 90 percent of their loans—earned about 25 percent of the industry's other noninterest income but held only 3 percent of commercial bank assets.

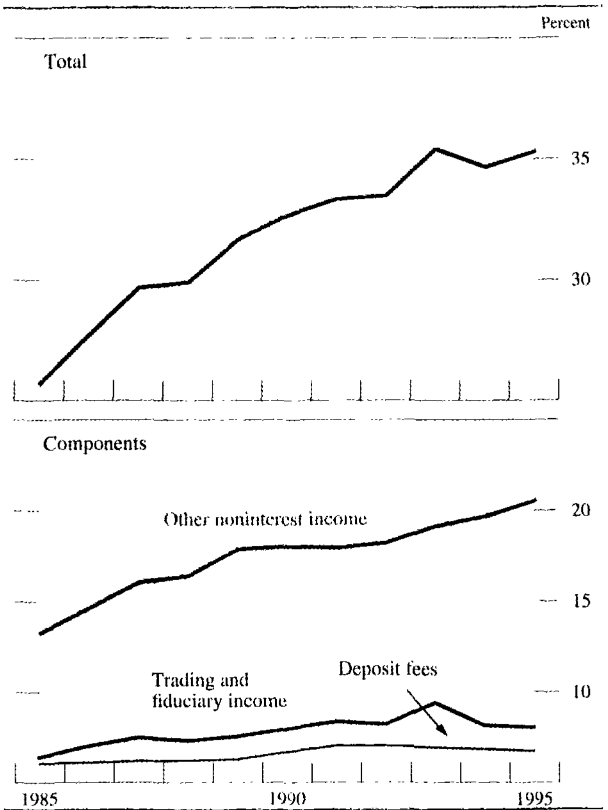
Noninterest Expenses

Noninterest expenses, which do not include loan-loss provisioning, grew 4½ percent in 1995. In part, banks benefited from the $2½ billion drop in deposit insurance premiums. The recapitalization of the Bank Insurance Fund led the Federal Deposit Insurance Corporation (FDIC) in August 1995 to lower premiums per $100 of deposits from twenty-three cents to four cents for well-capitalized banks. The change was made retroactive to June 1995, and because banks pay their premiums in advance, they received a rebate of $1½ billion. In November, the FDIC announced that it was setting the assessment rate at zero for well-capitalized banks for 1996. Consequently, most banks are to pay only the legal minimum, an annual fixed amount of $2,000.

From a broader perspective, banks have made substantial progress toward improving their overall operating efficiency. One common measure of efficiency is the ratio of noninterest expenses to total revenue (chart 12). This ratio has been trending downward for the past decade, although it rose early in the 1990s in part because of higher deposit insurance premiums and losses on other real estate owned.

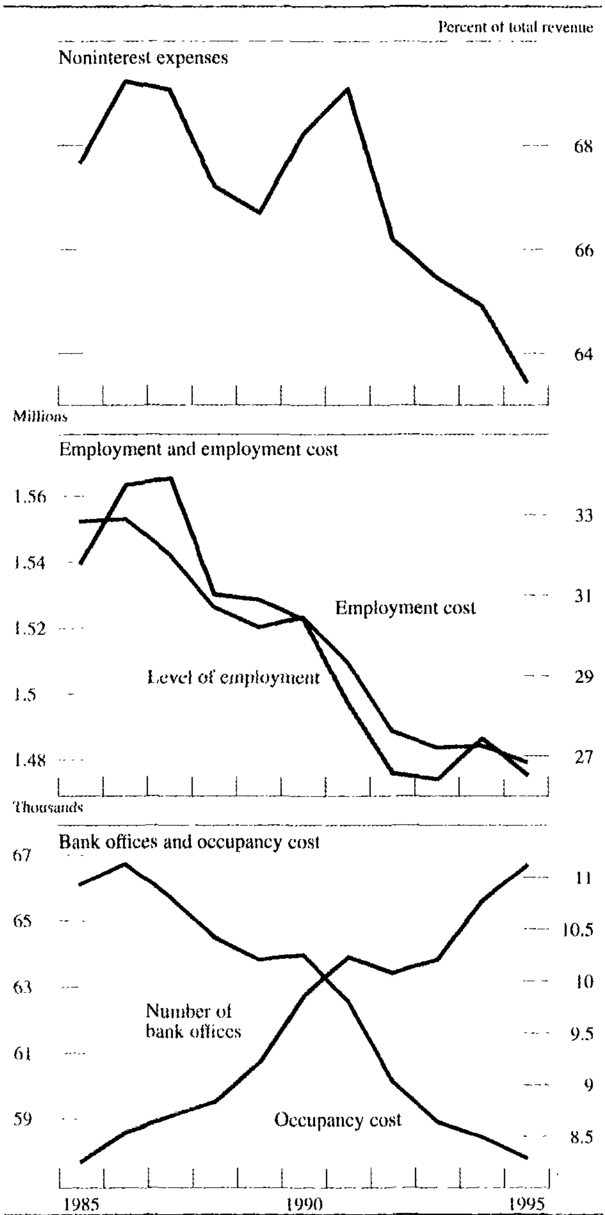
A major factor contributing to the decline in the ratio of noninterest expenses to total revenues is that employment costs as a share of total revenues have fallen over the past decade. Most of the improvement occurred between 1987 and 1992, when bank employment fell from 1.57 million to 1.48 million. Since then, employment has held near the lower level, and employment costs have risen at about the same rate as total revenue. The growth in costs

11. Total noninterest income and its components as a share of total revenue, 1985–95



NOTE. The data are annual.

12. Bank noninterest expenses, employment, and offices, 1985–95



NOTE. The data are annual.

reflects higher average compensation per employee, which rose 15 percent between 1992 and 1995, compared with a 10 percent increase in the average compensation of private industry workers.

Another factor contributing to overall efficiency is a drop in occupancy costs relative to total revenue. The decline has occurred despite a rise in the number of bank offices. Two factors likely have helped contain occupancy costs. First, the depressed commercial real estate market during the early 1990s held down property costs. Second, banks have become more aggressive in closing high-cost branches and opening less costly ones; for instance, a number of banks have been closing stand-alone branches and opening branches in supermarkets.

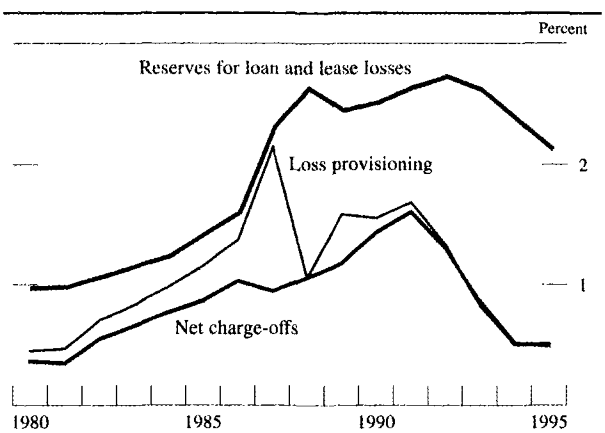
Loss Provisioning and Asset Quality

The improvements in bank operating efficiency and the increases in total revenue started to show through to profits a few years ago when banks began to reduce their provisioning for loan and lease losses, which had been elevated for several years. Even though provisioning increased slightly last year, it remained low. About half the increase was at credit card banks. Despite the additional provisioning at these banks, they remained very profitable, with an average return on assets near 3 percent, more than twice the industry average.

Banks again kept provisioning in line with net charge-offs (chart 13), leaving the level of loss reserves about unchanged. The level of loss reserves has not changed appreciably since 1990. Nonetheless, banks appear to have set aside ample reserves for future loan losses. The reserve-to-loan ratio and the ratio of reserves to delinquent loans in 1995 were well above their historical averages. In fact, more than 500 banks, by reducing loan-loss reserves, boosted total reported profits about $1 billion.

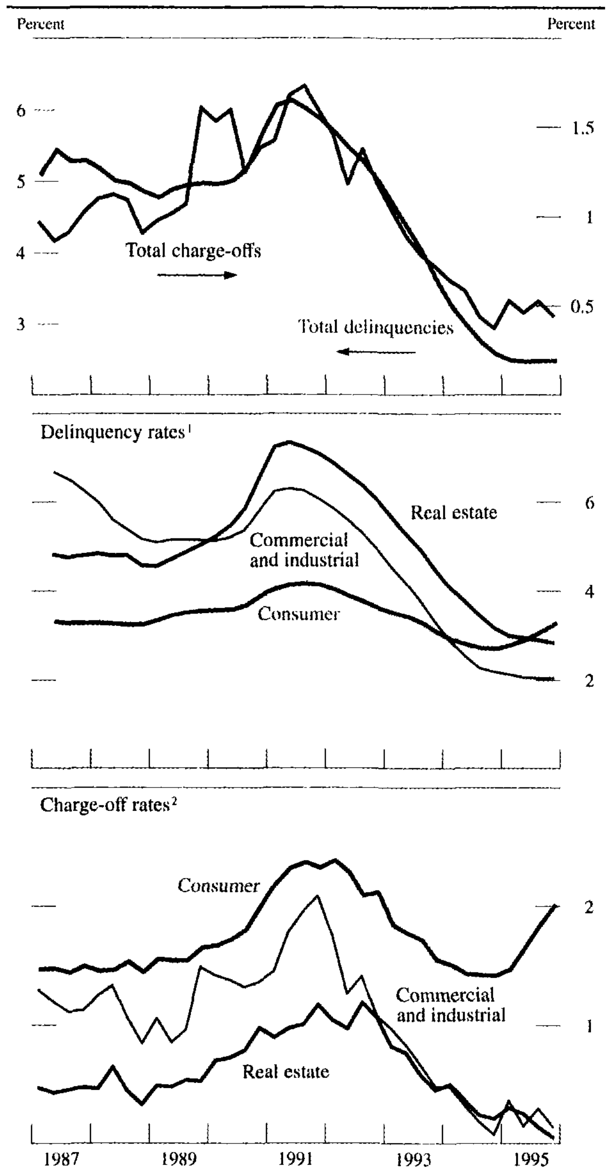
Banks were able to hold provisioning at a low level because bank asset quality remained excellent last year (chart 14). Decreases in delinquency and

13. Reserves for loan and lease losses, loss provisioning, and net charge-offs as a percentage of loans, 1980–95



NOTE. The data are annual.

14. Delinquency and charge-off rates, by type of loan, 1987–95



NOTE. The data are quarterly and are seasonally adjusted. Delinquent loans are loans that are not accruing interest and those that are accruing interest but are more than thirty days past due.

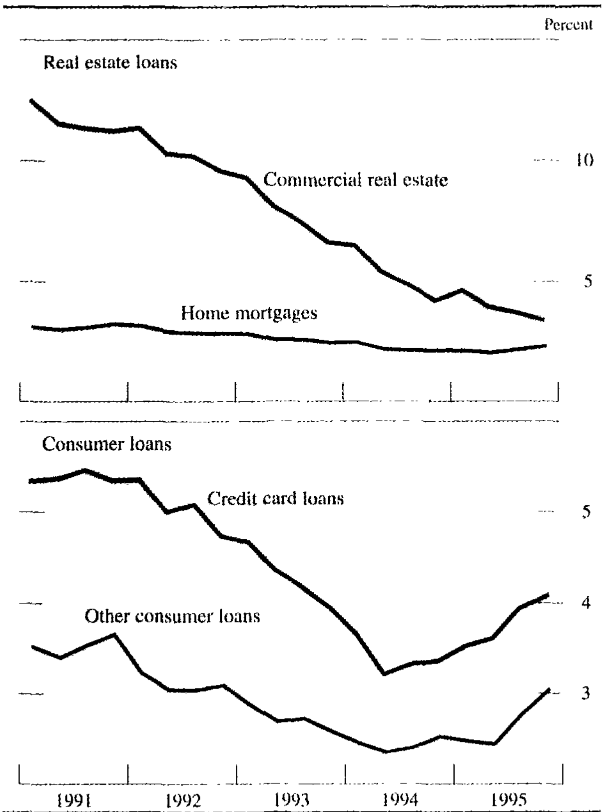
1. The delinquency rate for a category of loans is the category's average level of delinquent loans for the period divided by the category's average level of outstanding loans for the period. The first period plotted is 1987:Q2.

2. The charge-off rate for a category of loans is the category's annualized charge-offs for the period, net of recoveries, divided by the category's average level of outstanding loans for the period.

charge-off rates for loans made to businesses about offset the deterioration in loans to households. Favorable experience with commercial and industrial loans persisted, even though banks reported on the LPS having relaxed standards during the previous two years. The quality of commercial real estate loans continued to improve as the commercial property market strengthened (chart 15). Reductions in delinquency rates on these loans accounted for the better quality of overall real estate loans, as delinquency rates on home mortgages rose slightly.

Significant increases in delinquency and charge-off rates were registered for consumer loans. By year-end the delinquency rate had risen to 4 percent for credit card loans and to 3 percent for other consumer loans. Respondents to the November LPS who reported higher delinquency rates on consumer loans attributed the rise primarily to increased household debt burdens. Some banks noted that an increased willingness of borrowers to declare bankruptcy and slower economic growth in their markets also contributed. Most of the respondents characterized their actual delinquency experience last year as about what they had expected, suggesting that much of the decline in quality was already built into the pricing of such loans.

15. Delinquency rates for real estate and consumer loans, by components, 1991–95



NOTE. The data are quarterly and are not seasonally adjusted. The rates are the end-of-period delinquent loans divided by the end of period outstandings.

Changes in Capital

Bank equity capital grew \$37½ billion last year, a 12 percent increase from 1994. Retained earnings accounted for about half the advance. The 1995 bond market rally also generated about \$11 billion in capital gains on securities classified as "available for sale." These capital gains and losses are reflected, on an after-tax basis, in bank equity, even though they do not affect reported income.

However, because these capital gains and losses are not included in regulatory capital, tier 1 capital rose only 7 percent.[8] The percentage increase in tier 1 capital nearly matched the rise in assets, leaving the leverage ratio about unchanged (chart 16). Risk-based capital ratios—the total and the tier 1 ratios—declined a bit because of the rapid growth of risk-weighted assets. Loans, which generally carry a higher risk weight than securities, made up a larger share of bank assets last year than in 1994. Even so, the fraction of industry assets at well-capitalized banks—adjusted for bank examiners' ratings—rose to 96 percent by year-end, up from just 30 percent at the end of 1990.

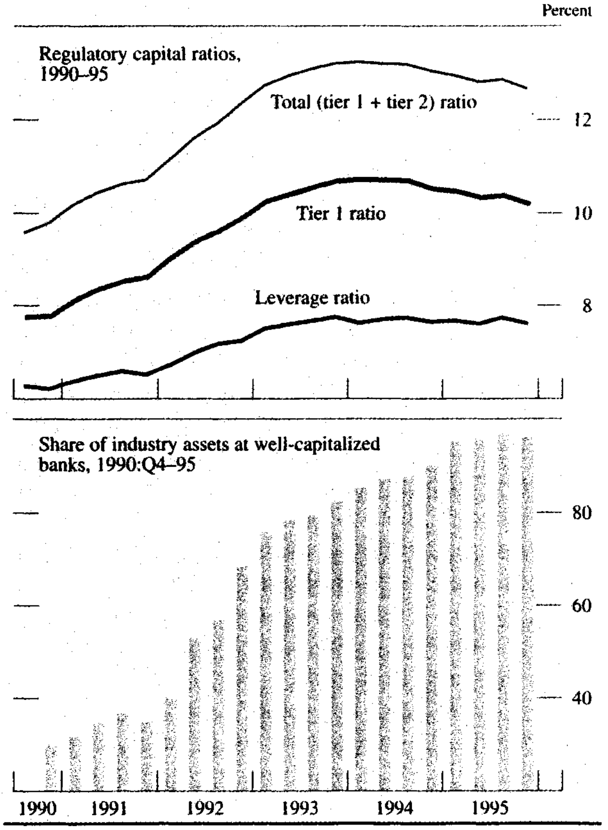
DEVELOPMENTS IN 1996

During the first quarter of 1996, bank asset growth at domestic offices was near the moderate pace registered in the fourth quarter of last year. Business loan demand remained damped, likely because of an apparent softening in inventory investment as firms

8. The regulatory agencies' risk based capital guidelines are based on the Basle Accord and were modified by the Federal Deposit Insurance Corporation Improvement Act of 1991. The tier 1 ratio is the ratio of tier 1 capital to risk-weighted assets. The total ratio is the ratio of the sum of tier 1 and tier 2 capital to risk-weighted assets. Tier 1 capital includes mainly common equity (excluding capital gains and losses in investment account securities classified as available for sale) and certain perpetual preferred stock. Tier 2 capital consists primarily of tier 1 capital, subordinated debt, non-tier 1 preferred stock, *and loan-loss reserves. Risk-weighted assets are calculated* by multiplying the amount of assets and the credit equivalent amount of off balance-sheet items by the risk weight for each category. The leverage ratio is the ratio of tier 1 capital to average total assets.

For a summary of the evolution of risk based capital standards, see Allan D. Brunner and William B. English, "Profits and Balance Sheet Developments at U.S. Commercial Banks in 1992," *Federal Reserve Bulletin*, vol. 79 (July 1993), pp. 661–62.

16. Regulatory capital ratios, and share of industry assets at well-capitalized banks



NOTE. The data are quarterly. For definitions of tier 1 and tier 2 capital and leverage ratio, see text footnote 8.

sought to bring inventories more in line with sales. Consumer loans, especially credit card debt, continued to grow rapidly.

Indexes of stock prices of bank holding companies were up about 10 percent to 15 percent early in the year following the release of strong fourth-quarter earnings reports. However, late in the first quarter these indexes began to back off somewhat. Bank holding companies released earnings reports for the first quarter of 1996 that were quite good—ROAs were up compared with the first quarter of 1995, and banks continued to maintain wide net interest margins. Although several firms reported reduced earnings because of special charges to cover merger-related expenses, their underlying operating profits were strong.

A.1. Report of income, all insured domestic commercial banks and nondeposit trust companies, 1986–95

Millions of dollars

Item	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Gross interest income	239,084	245,089	274,144	317,075	320,185	289,853	257,037	244,892	257,419	303,054
Taxable equivalent	249,984	251,085	279,714	321,281	323,826	293,040	260,018	247,773	260,182	305,692
Loans	176,722	180,648	202,853	237,825	238,678	214,364	186,311	178,517	190,025	227,545
Securities	38,469	39,485	42,199	46,724	50,987	52,618	52,051	48,727	48,379	51,118
Gross federal funds sold and reverse repurchase agreements	9,171	9,033	10,639	13,061	12,547	9,128	5,926	4,799	6,422	9,752
Other	14,720	15,923	18,453	19,463	17,970	13,745	12,748	12,847	12,593	14,643
Gross interest expense	143,741	145,166	166,345	205,094	204,822	167,848	122,788	105,671	110,963	148,376
Deposits	118,284	115,807	130,310	157,484	161,365	138,917	99,038	79,550	79,214	105,426
Gross federal funds purchased and repurchase agreements	15,971	15,926	18,963	24,898	22,769	14,359	9,279	8,449	12,481	18,425
Other	9,484	13,432	17,073	22,712	20,686	14,572	14,471	17,672	19,268	24,523
Net interest income	95,343	99,923	107,799	111,981	115,363	122,005	134,249	139,221	146,456	154,678
Taxable equivalent	106,243	105,919	113,369	116,187	119,004	125,192	137,230	142,102	149,219	157,316
Loss provisioning[1]	22,356	37,891	19,777	31,304	32,275	34,868	26,866	16,843	10,972	12,618
Noninterest income	36,381	41,913	45,720	51,599	55,675	60,650	67,163	75,870	77,225	83,890
Service charges on deposits	8,020	8,758	9,532	10,272	11,444	12,842	14,178	14,905	15,306	16,075
Income from fiduciary activities	6,319	7,145	7,526	8,314	8,881	9,456	10,472	11,203	12,128	12,889
Foreign-exchange gains and fees	1,655	2,496	2,179	2,231	2,816	2,631	3,346	3,231	2,071	2,713
Trading income	1,303	1,064	1,512	1,819	2,038	3,331	2,927	6,010	4,178	3,625
Other	19,082	22,451	24,970	28,962	30,494	32,388	36,237	40,523	43,543	48,589
Noninterest expense	91,096	97,857	103,062	108,995	116,559	126,050	133,143	140,602	145,051	151,222
Salaries, wages, and employee benefits	43,327	45,405	47,134	49,414	52,082	53,597	55,625	58,538	60,988	64,076
Expenses of premises and fixed assets	14,663	15,342	16,002	16,697	17,541	17,904	18,190	18,587	19,000	19,780
Other	33,108	37,110	39,926	42,884	46,935	54,549	59,328	63,477	65,063	67,367
Net noninterest expense	54,715	55,944	57,342	57,396	60,884	65,400	65,980	64,732	67,826	67,332
Realized gains on investment account securities	3,964	1,447	278	799	474	2,925	3,956	3,054	-571	483
Income before taxes and extraordinary items	22,235	7,536	30,956	24,078	22,680	24,661	45,357	60,698	67,087	75,212
Taxes	5,301	5,410	9,996	9,551	7,741	8,284	14,476	19,849	22,455	26,305
Extraordinary items	283	200	811	313	649	993	404	2,091	-18	29
Net income	**17,218**	**2,327**	**21,771**	**14,841**	**15,589**	**17,372**	**31,285**	**42,942**	**44,615**	**48,935**
Cash dividends declared	9,224	10,659	13,275	14,113	13,944	15,080	14,235	22,069	28,178	31,121
Retained income	7,994	-8,332	8,496	729	1,646	2,292	17,050	20,873	16,436	17,814

1. Includes provisioning for allocated transfer risk.

A.2. Portfolio composition, interest rates, and income and expense, all insured domestic commercial banks and nondeposit trust companies, 1986–95

A. All banks

Item	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
	Balance sheet items as a percentage of average net consolidated assets									
Interest-earning assets	87.11	87.48	88.00	87.94	87.82	88.04	88.33	88.50	86.55	86.48
Loans and leases, net	59.09	59.12	59.80	60.64	60.53	59.55	57.30	56.25	56.06	58.38
Commercial and industrial	20.87	19.98	19.50	19.09	18.50	17.33	15.78	14.88	14.51	15.20
U.S. addressees	16.84	16.57	16.55	16.54	15.99	15.00	13.54	12.72	12.35	12.87
Foreign addressees	4.02	3.41	2.95	2.55	2.51	2.33	2.24	2.16	2.16	2.33
Consumer	11.38	11.42	11.72	11.89	11.77	11.45	11.02	11.00	11.43	12.11
Credit card	2.98	3.17	3.47	3.69	3.78	3.88	3.82	3.89	4.21	4.73
Installment and other	8.40	8.26	8.25	8.20	7.99	7.57	7.20	7.11	7.22	7.39
Real estate	16.90	19.00	20.86	22.50	23.86	24.87	24.87	24.81	24.43	25.00
In domestic offices	16.35	18.40	20.18	21.78	23.10	24.11	24.18	24.18	23.80	24.35
Construction and land development	3.51	3.90	4.06	4.16	4.00	3.41	2.64	1.99	1.65	1.59
Farmland	.44	.47	.49	.51	.51	.53	.56	.57	.56	.56
One- to four-family residential	7.45	8.22	9.21	10.15	11.21	12.27	12.91	13.49	13.74	14.41
Home equity	n.a.	n.a.	1.14	1.42	1.67	1.95	2.09	2.07	1.91	1.88
Other	n.a.	n.a.	8.07	8.73	9.54	10.32	10.82	11.42	11.84	12.54
Multifamily residential	.50	.57	.59	.60	.62	.66	.75	.79	.79	.81
Nonfarm nonresidential	4.45	5.25	5.83	6.36	6.76	7.23	7.32	7.33	7.06	6.97
In foreign offices	.55	.60	.68	.72	.76	.76	.69	.62	.63	.65
Depository institutions	2.38	2.28	2.04	1.76	1.60	1.42	1.24	1.07	1.42	1.88
Foreign governments	1.43	1.35	1.22	1.03	.78	.75	.73	.67	.41	.30
Agricultural production	1.23	1.04	.98	.96	.96	1.01	1.02	.99	1.00	.96
Other loans	5.51	4.98	4.52	4.31	3.93	3.60	3.50	3.56	3.34	3.15
Lease-financing receivables	.91	.98	1.06	1.10	1.12	1.09	1.03	.99	1.03	1.19
LESS: Unearned income on loans	−.60	−.52	−.50	−.48	−.42	−.36	−.28	−.21	−.16	−.14
LESS: Loss reserves[1]	−.94	−1.40	−1.61	−1.52	−1.57	−1.62	−1.60	−1.51	−1.36	−1.27
Securities	17.85	18.34	18.45	18.39	19.09	20.70	23.52	25.37	24.27	21.94
Investment account	16.28	17.00	17.17	17.14	17.63	18.93	21.18	22.50	21.60	19.38
Debt	16.28	17.00	17.17	16.84	17.37	18.62	20.82	22.12	21.21	18.97
U.S. Treasury	6.24	6.02	5.60	4.98	4.57	5.06	6.49	7.07	6.77	5.25
U.S. government agency and corporation obligations	3.07	4.14	4.88	6.04	7.56	8.75	9.86	10.73	10.24	9.81
Government-backed mortgage pools	1.13	2.10	2.59	3.27	4.08	4.52	4.52	4.74	4.67	4.47
Collateralized mortgage obligations	n.a.	n.a.	n.a.	n.a.	1.28	2.07	3.12	3.72	3.24	2.67
Other	1.94	2.04	2.29	2.77	2.20	2.16	2.21	2.27	2.33	2.68
State and local government	5.37	4.40	3.69	3.15	2.64	2.28	2.08	2.06	2.02	1.80
Other	1.62	2.44	2.99	2.68	2.59	2.53	2.40	2.25	2.18	2.11
Equity[2]	n.a.	n.a.	n.a.	.29	.27	.31	.37	.38	.39	.41
Trading account	1.56	1.34	1.28	1.25	1.46	1.77	2.34	2.87	2.67	2.55
Gross federal funds sold and reverse RPs	4.82	4.57	4.55	4.33	4.46	4.58	4.54	4.27	3.82	3.93
Interest-bearing balances at depositories	5.35	5.45	5.21	4.58	3.75	3.21	2.97	2.62	2.40	2.23
Non-interest-earning assets	12.89	12.52	12.00	12.06	12.18	11.96	11.67	11.50	13.45	13.52
Revaluation gains on off-balance-sheet items[3]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2.61	2.90
Other	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	10.84	10.62
Liabilities	93.69	93.83	93.84	93.64	93.60	93.33	92.82	92.15	92.12	91.99
Interest-bearing liabilities	73.13	74.03	75.40	76.02	76.53	76.58	75.32	73.93	71.86	71.87
Deposits	60.63	61.26	62.06	62.58	63.44	64.45	62.93	60.26	57.34	56.29
In foreign offices	11.27	11.02	10.41	9.68	9.26	8.55	8.37	8.32	9.39	10.27
In domestic offices	49.36	50.24	51.66	52.90	54.18	55.90	54.56	51.94	47.96	46.01
Other checkable deposits	5.19	6.04	6.25	6.12	6.19	6.72	7.65	8.24	7.80	6.63
Savings (including MMDAs)	17.46	18.28	17.60	16.28	16.59	18.00	20.28	20.90	19.60	17.47
Small-denomination time deposits	15.85	15.06	16.25	18.37	19.96	21.30	19.21	16.98	15.33	16.14
Large-denomination time deposits	10.86	10.86	11.55	12.13	11.44	9.89	7.42	5.81	5.23	5.77
Gross federal funds purchased and RPs	8.31	8.13	8.02	8.22	8.03	7.09	7.02	7.47	7.60	7.70
Other	4.19	4.64	5.31	5.22	5.07	5.03	5.37	6.19	6.92	7.88
Non-interest-bearing liabilities	20.56	19.80	18.45	17.62	17.07	16.75	17.50	18.22	20.26	20.12
Demand deposits in domestic offices	15.89	15.34	14.25	13.49	12.79	12.59	13.24	13.86	13.49	12.68
Revaluation losses on off-balance-sheet items[3]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2.32	2.88
Other	4.67	4.46	4.20	4.13	4.27	4.16	4.27	4.37	4.45	4.57
Capital account	6.31	6.17	6.16	6.36	6.40	6.67	7.18	7.85	7.88	8.01
MEMO										
Commercial real estate loans	n.a.	n.a.	n.a.	n.a.	n.a.	11.36	10.59	9.84	9.15	9.01
Other real estate owned	.30	.35	.39	.39	.50	.75	.82	.63	.36	.19
Managed liabilities	35.07	35.13	35.74	35.69	34.24	30.99	28.65	28.23	29.57	32.06
Average net consolidated assets (billions of dollars)	2,775	2,922	3,048	3,187	3,338	3,379	3,442	3,567	3,863	4,149

A.2. Continued

A. All banks

Item	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
	Effective interest rate (percent)[4]									
Rates earned										
Interest-earning assets	9.95	9.43	10.06	11.13	10.66	9.54	8.29	7.61	7.62	8.35
Taxable equivalent	10.40	9.67	10.26	11.29	10.79	9.66	8.39	7.72	7.71	8.42
Loans and leases, gross	10.84	10.23	10.86	12.03	11.48	10.37	9.21	8.69	8.63	9.26
Net of loss provisions	9.47	8.08	9.80	10.44	9.93	8.68	7.88	7.87	8.13	8.75
Securities	8.45	8.10	8.38	8.73	8.79	8.16	7.06	6.08	5.97	6.55
Taxable equivalent	10.10	8.95	9.07	9.25	9.20	8.54	7.37	6.36	6.21	6.55
Investment account	8.51	7.95	8.07	8.56	8.66	8.23	7.14	6.07	5.80	6.36
U.S. government and other debt	9.15	8.19	8.25	8.80	8.92	8.40	7.21	6.08	5.81	6.43
State and local	7.20	7.27	7.39	7.45	7.37	7.25	6.83	6.26	5.88	5.82
Equity[2]	n.a.	n.a.	n.a.	7.74	7.33	6.19	5.32	4.79	4.80	5.52
Trading account	7.85	10.01	12.63	11.11	10.15	7.53	6.40	6.16	7.41	7.98
Gross federal funds sold and reverse RPs	6.73	6.57	7.52	9.17	8.06	5.67	3.59	3.04	4.26	5.63
Interest-bearing balances at depositories	7.94	7.55	8.71	10.59	9.96	8.44	7.32	6.61	5.71	6.84
Rates paid										
Interest-bearing liabilities	7.20	6.76	7.28	8.53	8.04	6.52	4.76	4.01	4.02	5.00
Interest-bearing deposits	6.96	6.38	6.86	7.87	7.56	6.32	4.52	3.65	3.54	4.47
In foreign offices	7.82	7.90	8.91	10.87	10.71	8.54	7.32	6.82	5.59	6.12
In domestic offices	6.78	6.05	6.44	7.32	7.01	5.97	4.09	3.14	3.15	4.11
Other checkable deposits	n.a.	4.55	4.77	4.83	4.78	4.33	2.71	1.99	1.86	2.07
Savings (including MMDAs)	n.a.	5.29	5.55	6.18	5.98	5.09	3.26	2.50	2.58	3.19
Large-denomination CDs	7.39	6.88	7.47	8.67	8.03	6.67	4.91	4.00	4.10	5.47
Other time deposits	n.a.	6.99	7.34	8.29	7.96	6.89	5.17	4.19	4.18	5.45
Gross federal funds purchased and RPs	6.81	6.52	7.43	9.20	7.96	5.72	3.65	3.07	4.19	5.65
	Income and expenses as a percentage of average net consolidated assets									
Gross interest income	8.61	8.39	9.00	9.95	9.59	8.58	7.47	6.87	6.66	7.30
Taxable equivalent	9.01	8.59	9.18	10.08	9.70	8.67	7.55	6.95	6.73	7.37
Loans	6.37	6.18	6.66	7.46	7.15	6.34	5.41	5.01	4.92	5.48
Securities	1.39	1.35	1.38	1.47	1.53	1.56	1.51	1.37	1.25	1.23
Gross federal funds sold and reverse RPs	.33	.31	.35	.41	.38	.27	.17	.13	.17	.24
Other	.53	.54	.61	.61	.54	.41	.37	.36	.33	.35
Gross interest expense	5.18	4.97	5.46	6.44	6.14	4.97	3.57	2.96	2.87	3.58
Deposits	4.26	3.96	4.28	4.94	4.83	4.11	2.88	2.23	2.05	2.54
Gross federal funds purchased and RPs	.58	.55	.62	.78	.68	.42	.27	.24	.32	.44
Other	.34	.46	.56	.71	.62	.43	.42	.50	.50	.59
Net interest income	3.44	3.42	3.54	3.51	3.46	3.61	3.90	3.90	3.79	3.73
Taxable equivalent	3.83	3.63	3.72	3.65	3.57	3.70	3.99	3.98	3.86	3.79
Loss provisioning[5]	.81	1.30	.65	.98	.97	1.03	.78	.47	.28	.30
Noninterest income	1.31	1.43	1.50	1.62	1.67	1.79	1.95	2.13	2.00	2.02
Service charges on deposits	.29	.30	.31	.32	.34	.38	.41	.42	.40	.39
Income from fiduciary activities	.23	.24	.25	.26	.27	.28	.30	.31	.31	.31
Foreign-exchange gains and fees	.06	.09	.07	.07	.08	.08	.10	.09	.05	.07
Trading income	.05	.04	.05	.06	.06	.10	.09	.17	.11	.09
Other	.69	.77	.82	.91	.91	.96	1.05	1.14	1.13	1.17
Noninterest expense	3.28	3.35	3.38	3.42	3.49	3.73	3.87	3.94	3.75	3.64
Salaries, wages, and employee benefits	1.56	1.55	1.55	1.55	1.56	1.59	1.62	1.64	1.58	1.54
Expenses of premises and fixed assets	.53	.53	.53	.52	.53	.53	.53	.52	.49	.48
Other	1.19	1.27	1.31	1.35	1.41	1.61	1.72	1.78	1.68	1.62
Net noninterest expense	1.97	1.91	1.88	1.80	1.82	1.94	1.92	1.81	1.76	1.62
Realized gains on investment account securities	.14	.05	.01	.03	.01	.09	.11	.09	–.01	.01
Income before taxes and extraordinary items	.80	.26	1.02	.76	.68	.73	1.32	1.70	1.74	1.81
Taxes	.19	.19	.33	.30	.23	.25	.42	.56	.58	.63
Extraordinary items	.01	.01	.03	.01	.02	.03	.01	.06	*	*
Net income	.62	.08	.71	.47	.47	.51	.91	1.20	1.15	1.18
Cash dividends declared	.33	.36	.44	.44	.42	.45	.41	.62	.73	.75
Retained income	.29	–.29	.28	.02	.05	.07	.50	.59	.43	.43
MEMO: Return on equity	9.83	1.29	11.61	7.33	7.29	7.71	12.66	15.34	14.65	14.72

* In absolute value, less than 0.005 percent.

n.a. Not available. MMDA Money market deposit account. RP Repurchase agreement. CD Certificate of deposit.

1. Includes allocated transfer risk reserve.
2. As in the Call Report, equity securities are combined with "other debt securities" before 1989.
3. Before 1994, the netted value of off-balance-sheet items appeared in "trading account securities" if a gain and "other non interest bearing liabilities" if a loss.
4. Where possible, based on the average of quarterly balance sheet data reported on schedule RC-K of the quarterly Call Report.
5. Includes provisioning for allocated transfer risk.

A.2. Portfolio composition, interest rates, and income and expense, all insured domestic commercial banks and nondeposit trust companies, 1986–95

B. Ten largest banks by assets

Item	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
	Balance sheet items as a percentage of average net consolidated assets									
Interest-earning assets	85.08	85.14	85.22	85.16	84.85	85.41	85.16	84.79	76.97	77.02
Loans and leases, net	61.45	59.36	58.69	59.66	61.69	62.14	58.34	55.57	49.91	50.05
Commercial and industrial	26.68	24.53	23.36	22.61	22.91	22.42	20.32	18.65	16.43	16.16
U.S. addressees	13.74	13.31	13.01	13.18	13.39	13.44	12.00	10.75	9.16	8.66
Foreign addressees	12.95	11.22	10.36	9.43	9.53	8.97	8.32	7.90	7.27	7.50
Consumer	6.50	6.41	6.19	6.21	6.87	7.20	7.31	7.33	6.59	6.60
Credit card	2.46	2.34	2.08	1.99	2.20	2.53	2.61	2.50	2.28	1.96
Installment and other	4.03	4.07	4.10	4.22	4.67	4.67	4.70	4.83	4.31	4.65
Real estate	12.30	13.97	15.46	18.02	20.56	21.68	19.93	18.54	16.21	15.82
In domestic offices	10.22	11.69	12.80	15.05	17.36	18.37	17.07	15.99	13.80	13.48
Construction and land development	2.67	3.21	3.48	3.60	3.79	3.42	2.48	1.59	.84	.58
Farmland	.07	.06	.06	.08	.08	.08	.07	.07	.06	.06
One- to four-family residential	4.76	5.17	5.83	7.45	9.31	10.34	10.08	10.29	9.69	9.62
Home equity	n.a.	n.a.	.76	1.04	1.31	1.63	1.63	1.60	1.40	1.40
Other	n.a.	n.a.	5.07	6.41	8.00	8.71	8.46	8.68	8.29	8.22
Multifamily residential	.48	.61	.65	.68	.68	.57	.58	.53	.41	.38
Nonfarm nonresidential	2.24	2.63	2.78	3.23	3.51	3.95	3.86	3.51	2.79	2.83
In foreign offices	2.07	2.28	2.66	2.97	3.20	3.32	2.85	2.55	2.41	2.35
Depository institutions	5.01	5.18	5.21	4.56	3.64	3.05	2.56	2.35	3.37	4.95
Foreign governments	3.77	3.64	3.63	3.34	2.76	2.88	2.75	2.46	1.27	.90
Agricultural production	.42	.36	.33	.31	.31	.31	.28	.27	.25	.21
Other loans	6.85	6.51	6.23	6.36	6.05	5.61	6.05	6.82	6.44	5.85
Lease-financing receivables	1.37	1.38	1.44	1.49	1.60	1.68	1.51	1.30	1.14	1.14
LESS: Unearned income on loans	–.39	–.41	–.43	–.45	–.39	–.35	–.27	–.21	–.16	–.14
LESS: Loss reserves[1]	–1.06	–2.22	–2.74	–2.77	–2.63	–2.34	–2.08	–1.94	–1.63	–1.45
Securities	11.71	12.59	12.96	13.13	14.03	15.58	19.13	22.74	20.43	19.53
Investment account	6.91	8.19	8.67	9.05	9.22	9.38	10.70	12.45	11.68	10.65
Debt	6.91	8.19	8.67	8.83	8.98	9.08	10.36	12.08	11.30	10.27
U.S. Treasury	1.60	1.47	1.41	1.29	1.09	1.35	2.30	2.39	2.17	2.03
U.S. government agency and corporation obligations	.68	1.54	1.94	2.29	2.91	3.46	4.45	6.14	5.16	4.46
Government-backed mortgage pools	.59	1.47	1.84	2.07	2.24	2.26	2.43	3.30	2.79	2.89
Collateralized mortgage obligations	n.a.	n.a.	n.a.	n.a.	.55	1.12	1.97	2.76	2.31	1.50
Other	.09	.07	.10	.22	.13	.08	.05	.08	.06	.08
State and local government	1.99	1.93	1.80	1.58	1.08	.77	.66	.59	.60	.49
Other	2.64	3.25	3.52	3.68	3.90	3.50	2.95	2.97	3.37	3.29
Equity[2]	n.a.	n.a.	n.a.	.22	.24	.30	.33	.36	.38	.38
Trading account	4.80	4.40	4.29	4.08	4.81	6.19	8.43	10.30	8.74	8.88
Gross federal funds sold and reverse RPs	3.57	3.91	4.61	4.12	2.88	2.96	3.23	2.71	2.68	3.20
Interest-bearing balances at depositories	8.35	9.28	8.97	8.26	6.25	4.74	4.45	3.76	3.95	4.25
Non-interest-earning assets	14.92	14.86	14.78	14.84	15.15	14.59	14.84	15.21	23.03	22.98
Revaluation gains on off-balance-sheet items[3]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	9.89	10.77
Other	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	13.14	12.21
Liabilities	95.13	95.58	95.41	95.11	95.29	94.97	94.44	93.24	93.42	93.59
Interest-bearing liabilities	72.61	73.08	73.76	74.17	73.97	74.62	73.08	71.56	64.33	63.37
Deposits	56.56	57.46	57.67	57.56	57.95	57.67	55.73	52.91	48.20	47.49
In foreign offices	32.43	32.60	31.49	30.08	29.66	28.47	27.16	25.51	26.10	28.36
In domestic offices	24.14	24.86	26.18	27.49	28.28	29.19	28.56	27.41	22.10	19.12
Other checkable deposits	1.89	2.45	2.68	2.70	2.74	3.00	3.38	3.45	2.91	2.30
Savings (including MMDAs)	10.32	11.04	11.42	11.32	12.05	13.50	14.91	15.33	12.70	10.56
Small-denomination time deposits	4.59	4.55	5.03	5.64	6.16	6.55	5.72	5.09	3.98	4.04
Large-denomination time deposits	7.34	6.82	7.05	7.82	7.33	6.14	4.56	3.53	2.51	2.23
Gross federal funds purchased and RPs	8.08	6.89	6.40	6.72	6.90	6.80	6.19	6.70	5.83	6.17
Other	7.96	8.74	9.69	9.89	9.13	10.15	11.16	11.94	10.29	9.71
Non-interest-bearing liabilities	22.52	22.50	21.65	20.94	21.32	20.35	21.36	21.68	29.09	30.22
Demand deposits in domestic offices	12.55	12.64	11.93	11.60	10.93	10.36	11.05	11.27	10.15	8.88
Revaluation losses on off-balance-sheet items[3]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	8.75	10.68
Other	9.97	9.86	9.71	9.34	10.39	9.99	10.30	10.41	10.20	10.66
Capital account	4.87	4.42	4.59	4.89	4.71	5.03	5.56	6.76	6.58	6.41
MEMO										
Commercial real estate loans	n.a.	n.a.	n.a.	n.a.	n.a.	8.48	7.43	5.92	4.24	4.02
Other real estate owned	.18	.21	.22	.23	.42	.78	1.13	1.02	.58	.27
Managed liabilities	57.37	56.79	56.34	56.24	54.74	53.18	50.76	49.17	46.16	47.89
Average net consolidated assets (billions of dollars)	681	691	685	693	725	717	775	818	949	1,051

A.2.—Continued

B. Ten largest banks by assets

Item	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
	Effective interest rate (percent)[4]									
Rates earned										
Interest-earning assets	9.82	9.56	10.76	12.31	11.65	9.92	8.67	8.16	8.15	8.23
Taxable equivalent	10.05	9.59	10.88	12.31	11.70	9.95	8.72	8.20	8.18	8.25
Loans and leases, gross	10.53	10.13	11.35	13.19	12.29	10.46	9.36	9.07	8.89	8.84
Net of loss provisions	9.22	6.63	10.70	10.87	11.10	8.58	7.50	7 95	8.38	8.62
Securities	8.62	9.49	10.54	10.11	9.85	8.52	7.38	6.69	7.10	7.54
Taxable equivalent	9.62	9.65	11.06	10.08	10.00	8.63	7.54	6.77	7.19	7.53
Investment account	8.90	8.70	8.70	9.20	9.34	8.99	7.96	6.90	6.58	7.06
U.S. government and other debt	9.55	9.07	8.95	9.56	9.68	9.29	8.13	6.99	6.70	7.22
State and local	7.30	7.52	7.74	7.69	7.54	7.67	7.40	6.99	6.37	6.23
Equity[2]	n.a.	n.a.	n.a.	6.81	5.82	4.22	4.04	3.72	3.27	4.03
Trading account	8.22	10.96	14.33	12.13	10.75	7.84	6.69	6.45	7.79	8.11
Gross federal funds sold and reverse RPs	6.36	6.13	7.31	8.98	8.01	5.60	3.65	3.02	4.52	5.20
Interest-bearing balances at depositories	8.10	7.68	9.13	10.88	11.06	10.05	9.29	8.34	7.27	7.15
Rates paid										
Interest-bearing liabilities	7.75	7.83	8.75	10.74	10.18	7.71	6.17	5.60	5.44	5.92
Interest-bearing deposits	7.21	6.97	7.77	9.19	9.03	7.09	5.33	4.50	4.32	4.99
In foreign offices	7.92	8.00	9.00	10.96	11.11	8.76	7.55	6.87	6.04	6.07
In domestic offices	6.39	5.63	6.28	7.28	6.81	5.47	3.24	2.36	2.36	3.42
Other checkable deposits	n.a.	3.26	4.43	4.40	4.35	3.93	1.96	1.28	1.11	1.29
Savings (including MMDAs)	n.a.	5.13	5.55	6.49	6.21	5.09	2.95	2.14	2.35	3.11
Large-denomination CDs	7.51	7.29	7.75	8.87	7.96	6.50	4.66	3.55	3.14	3.73
Other time deposits	n.a.	6.38	7.11	8.26	7.76	6.09	3.81	3.01	2.81	5.08
Gross federal funds purchased and RPs	6.97	6.52	7.43	9.27	7.75	5.98	4.04	3.26	4.05	5.22
	Income and expenses as a percentage of average net consolidated assets									
Gross interest income	8.30	8.45	9.52	10.82	10.37	8.77	7.68	7.22	6.38	6.44
Taxable equivalent	8.50	8.47	9.63	10.83	10.43	8.80	7.72	7.25	6.40	6.46
Loans	6.37	6.23	6.93	8.23	7.96	6.77	5.65	5.22	4.49	4.44
Securities	.62	.71	.75	.83	.86	.84	.85	.86	.77	.75
Gross federal funds sold and reverse RPs	.26	.29	.40	.37	.25	.17	.14	.11	.15	.21
Other	1.06	1.22	1.44	1.39	1.30	.98	1.05	1.04	.97	1.03
Gross interest expense	5.56	5.77	6.51	8.01	7.65	5.81	4.54	4.06	3.52	3.76
Deposits	4.21	4.18	4.56	5.37	5.41	4.23	3.09	2.48	2.15	2.43
Gross federal funds purchased and RPs	.61	.52	.58	.72	.64	.43	.28	.24	.24	.35
Other	.75	1.07	1.37	1.92	1.60	1.15	1.17	1.35	1.13	.98
Net interest income	2.74	2.68	3.01	2.82	2.72	2.96	3.15	3.16	2.86	2.68
Taxable equivalent	2.93	2.71	3.12	2.82	2.77	2.99	3.18	3.19	2.88	2.70
Loss provisioning[5]	.79	2.15	.40	1.45	.77	1.21	1.12	.64	.26	.11
Noninterest income	1.61	1.94	2.07	2.19	2.27	2.40	2.59	2.99	2.33	2.16
Service charges on deposits	.13	.16	.19	.22	.23	.26	.30	.30	.26	.25
Income from fiduciary activities	.21	.23	.23	.27	.31	.33	.37	.39	.37	.30
Foreign-exchange gains and fees	.20	.29	.26	.25	.30	.28	.36	.31	.15	.18
Trading income	.09	.10	.15	.17	.21	.36	.30	.60	.39	.28
Other	.98	1.16	1.24	1.29	1.21	1.16	1.27	1.38	1.18	1.15
Noninterest expense	2.99	3.20	3.29	3.43	3.55	3.83	3.86	4.13	3.56	3.32
Salaries, wages, and employee benefits	1.52	1.60	1.63	1.66	1.74	1.79	1.78	1.88	1.65	1.58
Expenses of premises and fixed assets	.55	.58	.60	.62	.65	.66	.65	.66	.55	.50
Other	.92	1.03	1.05	1.15	1.16	1.38	1.43	1.59	1.36	1.24
Net noninterest expense	1.39	1.26	1.21	1.24	1.28	1.44	1.27	1.14	1.23	1.16
Realized gains on investment account securities	.13	.07	.03	.03	.02	.04	.11	.13	.02	.03
Income before taxes and extraordinary items	.68	−.66	1.43	.16	.69	.34	.87	1.50	1.39	1.44
Taxes	.22	.14	.44	.38	.27	.17	.26	.53	.48	.55
Extraordinary items	*	*	.08	.03	.06	.03	*	.16	*	*
Net income	.47	−.80	1.07	−.19	.48	.21	.61	1.13	.91	.88
Cash dividends declared	.21	.28	.38	.37	.26	.21	.18	.28	.58	.57
Retained income	.25	−1.08	.69	−.57	.21	*	.43	.85	.33	.31
MEMO: Return on equity	9.58	−18.11	23.30	−3.92	10.13	4.23	10.91	16.75	13.86	13.78

* In absolute value, less than 0.005 percent.

n.a. Not available. MMDA Money market deposit account. RP Repurchase agreement. CD Certificate of deposit.

1. Includes allocated transfer risk reserve.
2. As in the Call Report, equity securities are combined with "other debt securities" before 1989.
3. Before 1994, the netted value of off-balance-sheet items appeared in "trading account securities" if a gain and "other non-interest-bearing liabilities" if a loss.
4. Where possible, based on the average of quarterly balance sheet data reported on schedule RC-K of the quarterly Call Report.
5. Includes provisioning for allocated transfer risk.

A.2. Portfolio composition, interest rates, and income and expense, all insured domestic commercial banks and nondeposit trust companies, 1986–95

C. Banks ranked 11th through 100th by assets

Item	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
	Balance sheet items as a percentage of average net consolidated assets									
Interest-earning assets	85.64	86.20	87.23	86.91	86.81	86.88	87.97	88.36	88.16	88.31
Loans and leases, net	61.77	61.70	61.99	62.61	61.22	60.08	58.30	57.33	58.56	62.68
Commercial and industrial	24.13	23.72	23.45	22.75	21.76	20.53	18.83	18.03	18.03	19.26
U.S. addressees	21.21	21.22	21.43	21.23	20.44	19.30	17.78	17.05	16.99	18.10
Foreign addressees	2.92	2.50	2.02	1.53	1.33	1.24	1.05	.98	1.04	1.16
Consumer	11.80	11.73	12.20	12.97	12.25	11.66	11.72	11.46	12.62	14.23
Credit card	4.50	4.40	4.85	5.82	5.48	5.04	5.16	5.23	5.99	7.34
Installment and other	7.30	7.33	7.35	7.16	6.76	6.62	6.56	6.24	6.63	6.89
Real estate	13.94	16.05	17.94	19.09	20.21	21.51	21.89	22.11	22.26	23.25
In domestic offices	13.77	15.83	17.65	18.85	20.04	21.37	21.78	22.01	22.17	23.10
Construction and land development	4.79	5.24	5.27	5.25	4.91	4.00	3.02	2.08	1.63	1.50
Farmland	.09	.10	.11	.12	.12	.12	.14	.13	.14	.13
One- to four-family residential	5.27	5.88	6.85	7.54	8.53	10.17	11.36	12.30	12.98	14.16
Home equity	n.a.	n.a.	1.17	1.41	1.67	2.07	2.50	2.54	2.33	2.19
Other	n.a.	n.a.	5.68	6.13	6.86	8.10	8.85	9.76	10.65	11.97
Multifamily residential	.32	.39	.43	.45	.46	.54	.66	.71	.71	.77
Nonfarm nonresidential	3.30	4.22	4.99	5.49	6.01	6.53	6.61	6.79	6.72	6.54
In foreign offices	.17	.22	.29	.24	.18	.14	.11	.10	.09	.15
Depository institutions	2.83	2.51	1.84	1.55	1.57	1.58	1.43	1.30	1.49	1.59
Foreign governments	1.65	1.53	1.22	.88	.52	.39	.33	.30	.28	.20
Agricultural production	.36	.30	.29	.29	.28	.31	.31	.29	.29	.26
Other loans	7.26	6.25	5.54	5.17	4.82	4.55	4.28	4.05	3.47	3.32
Lease-financing receivables	1.33	1.52	1.69	1.73	1.67	1.53	1.49	1.47	1.60	1.96
LESS: Unearned income on loans	−.49	−.40	−.37	−.34	−.26	−.22	−.17	−.11	−.07	−.07
LESS: Loss reserves[1]	−1.03	−1.51	−1.80	−1.48	−1.60	−1.76	−1.79	−1.60	−1.41	−1.32
Securities	*14.11*	*15.26*	*15.54*	*15.21*	*16.19*	*17.38*	*20.38*	*21.97*	*21.19*	*18.64*
Investment account	13.02	14.45	14.73	14.38	15.32	16.25	19.24	20.60	19.82	17.88
Debt	13.02	14.45	14.73	14.16	15.14	16.02	18.99	20.34	19.50	17.51
U.S. Treasury	4.69	5.06	4.89	4.10	3.42	3.78	5.88	7.05	6.85	4.82
U.S. government agency and corporation obligations	2.05	3.13	3.58	5.01	7.42	8.43	9.26	9.55	9.28	9.40
Government-backed mortgage pools	1.40	2.36	2.96	4.03	5.32	5.38	5.22	5.21	5.30	5.06
Collateralized mortgage obligations	n.a.	n.a.	n.a.	n.a.	1.58	2.48	3.54	3.71	3.07	2.82
Other	.65	.77	.61	.98	.53	.57	.50	.63	.91	1.52
State and local government	5.08	4.07	3.32	2.70	2.03	1.63	1.46	1.31	1.21	1.11
Other	1.20	2.18	2.94	2.35	2.27	2.19	2.39	2.43	2.15	2.17
Equity[2]	n.a.	n.a.	n.a.	.22	.18	.22	.25	.26	.32	.37
Trading account	1.09	.81	.82	.83	.88	1.13	1.14	1.37	1.37	.76
Gross federal funds sold and reverse RPs	3.17	3.07	3.68	3.71	4.41	4.90	4.78	4.98	5.11	4.52
Interest-bearing balances at depositories	6.58	6.16	6.01	5.38	4.98	4.51	4.52	4.08	3.30	2.47
Non-interest-earning assets	14.36	13.80	12.77	13.09	13.19	13.12	12.03	11.64	11.84	11.69
Revaluation gains on off-balance-sheet items[3]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	.57	.50
Other	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	11.28	11.18
Liabilities	94.36	94.56	94.77	94.45	94.35	93.93	93.13	92.56	92.47	92.23
Interest-bearing liabilities	71.54	73.01	75.34	76.23	77.02	76.07	74.66	73.38	72.86	74.05
Deposits	51.42	52.61	55.02	56.45	57.46	59.24	56.99	54.22	53.04	52.32
In foreign offices	10.45	10.14	9.68	8.63	7.84	6.69	6.20	6.78	8.05	8.12
In domestic offices	40.97	42.48	45.34	47.82	49.62	52.54	50.79	47.43	44.98	44.20
Other checkable deposits	3.84	4.42	4.68	4.67	4.75	5.36	6.26	7.21	6.91	5.62
Savings (including MMDAs)	15.17	16.02	15.67	14.58	15.50	17.62	20.21	20.60	20.13	18.78
Small-denomination time deposits	10.31	9.63	11.05	13.49	15.59	17.99	15.98	14.19	13.26	14.25
Large-denomination time deposits	11.65	12.40	13.95	15.08	13.78	11.56	8.34	5.44	4.68	5.55
Gross federal funds purchased and RPs	14.80	14.52	13.72	13.22	13.03	10.94	11.45	11.93	11.49	11.37
Other	5.31	5.87	6.59	6.57	6.53	5.89	6.22	7.23	8.34	10.36
Non-interest-bearing liabilities	22.82	21.55	19.44	18.22	17.33	17.87	18.47	19.18	19.62	18.18
Demand deposits in domestic offices	17.61	16.62	15.04	13.86	13.23	13.76	14.52	15.38	15.27	14.26
Revaluation losses on off-balance-sheet items[3]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	.53	.49
Other	5.21	4.93	4.40	4.36	4.10	4.10	3.95	3.80	3.82	3.43
Capital account	5.64	5.44	5.23	5.55	5.65	6.07	6.87	7.44	7.53	7.77
MEMO										
Commercial real estate loans	n.a.	n.a.	n.a.	n.a.	n.a.	11.28	10.43	9.58	8.98	8.65
Other real estate owned	.17	.22	.31	.30	.46	.76	.70	.47	.25	.13
Managed liabilities	42.56	43.29	44.27	43.81	41.50	35.42	32.53	31.69	32.83	35.64
Average net consolidated assets (billions of dollars)	735	802	870	940	995	1,006	1,003	1,082	1,204	1,338

A.2. Continued

C. Banks ranked 11th through 100th by assets

Item	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
	Effective interest rate (percent)[4]									
Rates earned										
Interest-earning assets	9.75	9.19	9.87	11.10	10.41	9.22	8.01	7.37	7.29	8.31
Taxable equivalent	10.26	9.40	10.07	11.27	10.50	9.32	8.11	7.46	7.37	8.37
Loans and leases, gross	10.49	9.78	10.48	11.74	11.04	9.87	8.77	8.26	8.22	9.10
Net of loss provisions	9.19	7.33	9.19	9.87	9.03	7.89	7.47	7.47	7.68	8.49
Securities	8.07	7.87	8.21	8.76	8.81	8.16	7.08	6.06	5.70	6.38
Taxable equivalent	10.13	8.67	8.92	9.36	9.12	8.49	7.38	6.34	5.92	6.39
Investment account	8.21	7.93	8.24	8.77	8.87	8.28	7.21	6.16	5.70	6.34
U.S. government and other debt	9.00	8.25	8.51	9.06	9.13	8.42	7.25	6.16	5.69	6.38
State and local	6.96	7.09	7.29	7.41	7.22	7.23	6.81	6.32	6.04	6.06
Equity[2]	n.a.	n.a.	n.a.	9.19	8.09	7.32	6.75	5.23	5.00	5.69
Trading account	6.55	6.99	7.68	8.66	8.01	6.46	4.73	4.74	5.75	7.27
Gross federal funds sold and reverse RPs	6.60	6.59	7.61	9.35	8.11	5.76	3.71	3.11	4.31	5.91
Interest-bearing balances at depositories	7.88	7.68	8.87	11.35	9.72	8.15	6.77	6.50	4.69	6.79
Rates paid										
Interest-bearing liabilities	7.13	6.75	7.34	8.66	7.93	6.34	4.45	3.76	3.72	4.94
Interest-bearing deposits	6.92	6.42	7.00	8.14	7.51	6.20	4.32	3.52	3.25	4.35
In foreign offices	7.67	7.78	8.92	11.08	10.08	8.38	7.26	7.37	4.60	6.30
In domestic offices	6.74	6.10	6.59	7.62	7.10	5.92	3.99	2.99	3.03	4.01
Other checkable deposits	n.a.	4.44	4.53	4.57	4.64	4.16	2.45	1.70	1.62	1.89
Savings (including MMDAs)	n.a.	5.27	5.63	6.42	6.03	4.98	3.08	2.33	2.46	3.11
Large-denomination CDs	7.45	7.02	7.65	8.75	8.09	6.72	5.13	4.31	4.21	5.70
Other time deposits	n.a.	7.07	7.56	8.72	8.02	6.81	5.11	4.07	4.18	5.35
Gross federal funds purchased and RPs	6.85	6.63	7.50	9.35	8.11	5.68	3.57	3.04	4.28	5.86
	Income and expenses as a percentage of average net consolidated assets									
Gross interest income	8.20	8.05	8.72	9.77	9.26	8.17	7.15	6.59	6.46	7.40
Taxable equivalent	8.63	8.23	8.90	9.91	9.34	8.24	7.22	6.65	6.51	7.46
Loans	6.37	6.19	6.69	7.51	6.97	6.09	5.24	4.85	4.91	5.79
Securities	1.07	1.14	1.21	1.26	1.36	1.35	1.39	1.27	1.13	1.13
Gross federal funds sold and reverse RPs	.20	.20	.25	.36	.37	.28	.19	.15	.21	.27
Other	.56	.51	.57	.65	.56	.45	.34	.32	.21	.21
Gross interest expense	4.96	4.85	5.45	6.50	6.06	4.75	3.28	2.74	2.67	3.62
Deposits	3.58	3.41	3.86	4.59	4.34	3.70	2.49	1.94	1.73	2.29
Gross federal funds purchased and RPs	1.01	.96	1.03	1.24	1.12	.67	.43	.38	.51	.67
Other	.37	.48	.56	.66	.60	.38	.35	.43	.43	.66
Net interest income	3.24	3.19	3.27	3.28	3.21	3.42	3.87	3.85	3.79	3.79
Taxable equivalent	3.67	3.38	3.45	3.41	3.29	3.49	3.94	3.91	3.85	3.84
Loss provisioning[5]	.79	1.55	.82	1.20	1.27	1.23	.78	.47	.32	.39
Noninterest income	1.45	1.53	1.62	1.86	1.84	2.01	2.25	2.29	2.25	2.38
Service charges on deposits	.27	.29	.30	.31	.34	.40	.45	.46	.45	.44
Income from fiduciary activities	.34	.36	.35	.35	.33	.35	.38	.38	.39	.40
Foreign-exchange gains and fees	.03	.05	.04	.05	.06	.05	.05	.05	.04	.05
Trading income	.05	.02	.03	.04	.03	.05	.04	.08	.04	.04
Other	.75	.81	.89	1.12	1.08	1.16	1.33	1.32	1.33	1.45
Noninterest expense	3.17	3.23	3.29	3.34	3.43	3.72	3.99	3.95	3.86	3.79
Salaries, wages, and employee benefits	1.50	1.48	1.48	1.47	1.46	1.51	1.54	1.52	1.50	1.47
Expenses of premises and fixed assets	.50	.49	.50	.50	.49	.50	.50	.48	.47	.47
Other	1.17	1.26	1.31	1.37	1.48	1.72	1.96	1.95	1.89	1.84
Net noninterest expense	1.72	1.70	1.67	1.47	1.59	1.71	1.74	1.66	1.61	1.41
Realized gains on investment account securities	.17	.05	*	.04	.03	.14	.15	.09	−.01	.02
Income before taxes and extraordinary items	.91	*	.77	.65	.37	.62	1.51	1.82	1.85	2.01
Taxes	.20	.09	.28	.18	.15	.19	.49	.56	.62	.71
Extraordinary items	.01	*	.02	*	.01	.03	.03	*	*	*
Net income	.72	−.09	.51	.47	.23	.47	1.05	1.26	1.23	1.31
Cash dividends declared	.32	.34	.41	.40	.37	.47	.46	.76	.86	.85
Retained income	.39	−.43	.09	.06	−.14	*	.58	.49	.36	.46
MEMO: Return on equity	12.75	−1.70	9.72	8.41	4.07	7.71	15.21	16.91	16.28	16.87

* In absolute value, less than 0.005 percent.

n.a. Not available. MMDA Money market deposit account. RP Repurchase agreement. CD Certificate of deposit.

1. Includes allocated transfer risk reserve.
2. As in the Call Report, equity securities are combined with "other debt securities" before 1989.
3. Before 1994, the netted value of off-balance-sheet items appeared in "trading account securities" if a gain and "other non-interest bearing liabilities" if a loss.
4. Where possible, based on the average of quarterly balance sheet data reported on schedule RC-K of the quarterly Call Report.
5. Includes provisioning for allocated transfer risk.

A.2. Portfolio composition, interest rates, and income and expense, all insured domestic commercial banks and nondeposit trust companies, 1986–95

D. Banks ranked 101st through 1,000th by assets

Item	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
	Balance sheet items as a percentage of average net consolidated assets									
Interest-earning assets	87.92	88.34	88.88	88.98	88.84	88.91	89.02	89.53	90.09	90.13
Loans and leases, net	59.77	61.60	63.03	63.62	63.09	61.03	58.51	57.93	59.74	62.22
Commercial and industrial	18.47	18.12	17.83	17.68	16.69	15.05	13.33	12.19	12.07	12.68
U.S. addressees	18.22	17.87	17.67	17.53	16.56	14.89	13.15	12.03	11.90	12.52
Foreign addressees	.25	.24	.16	.15	.13	.16	.18	.16	.16	.16
Consumer	14.69	15.34	15.91	15.49	15.48	15.11	14.22	14.82	15.85	16.39
Credit card	4.01	4.65	5.21	4.83	5.22	5.71	5.42	5.64	6.06	6.45
Installment and other	10.68	10.69	10.70	10.66	10.26	9.40	8.80	9.18	9.79	9.93
Real estate	19.79	22.25	24.28	25.97	27.01	27.53	28.10	28.61	29.42	30.77
In domestic offices	19.78	22.25	24.27	25.95	26.99	27.48	28.06	28.59	29.40	30.75
Construction and land development	4.18	4.57	4.73	4.82	4.37	3.67	2.86	2.26	2.08	2.21
Farmland	.25	.26	.27	.27	.28	.28	.32	.34	.36	.40
One- to four-family residential	8.49	9.48	10.64	11.56	12.49	13.23	14.25	15.16	16.25	17.46
Home equity	n.a.	n.a.	1.73	2.08	2.31	2.53	2.56	2.50	2.33	2.36
Other	n.a.	n.a.	8.91	9.48	10.18	10.69	11.69	12.66	13.92	15.11
Multifamily residential	.66	.68	.67	.70	.73	.80	.95	1.07	1.13	1.21
Nonfarm nonresidential	6.21	7.26	7.97	8.61	9.11	9.50	9.68	9.75	9.57	9.47
In foreign offices	.01	.01	.01	.01	.03	.05	.04	.02	.03	.02
Depository institutions	1.36	1.13	1.01	.92	1.05	.93	.80	.43	.38	.34
Foreign governments	.26	.25	.20	.16	.09	.07	.05	.03	.02	.02
Agricultural production	.62	.48	.47	.45	.47	.49	.54	.56	.62	.69
Other loans	5.44	4.94	4.23	3.77	3.16	2.81	2.47	2.16	2.00	1.80
Lease-financing receivables	.71	.72	.78	.82	.83	.85	.78	.76	.82	.90
LESS: Unearned income on loans	−.71	−.61	−.60	−.56	−.50	−.40	−.30	−.21	−.15	−.12
LESS: Loss reserves[1]	−.87	−1.01	−1.07	−1.07	−1.20	−1.42	−1.49	−1.44	−1.30	−1.23
Securities	19.28	18.72	18.52	18.75	19.34	21.28	24.12	25.90	25.71	23.06
Investment account	18.95	18.50	18.25	18.38	18.87	20.92	23.77	25.61	25.39	22.86
Debt	18.95	18.50	18.25	18.02	18.54	20.55	23.31	25.14	24.95	22.39
U.S. Treasury	7.58	7.14	6.52	5.91	5.44	6.16	7.75	8.62	8.26	6.47
U.S. government agency and corporation obligations	3.32	4.06	4.81	6.07	7.75	9.35	11.07	12.32	12.67	12.21
Government-backed mortgage pools	1.13	1.89	2.33	3.03	3.83	4.51	4.74	4.97	5.57	5.42
Collateralized mortgage obligations	n.a.	n.a.	n.a.	n.a.	1.74	2.33	3.95	4.82	4.39	3.55
Other	2.19	2.17	2.48	3.04	2.17	2.11	2.38	2.53	2.71	3.24
State and local government	6.48	5.03	4.10	3.50	3.11	2.65	2.27	2.26	2.29	2.13
Other	1.57	2.26	2.82	2.55	2.25	2.38	2.22	1.94	1.74	1.58
Equity[2]	n.a.	n.a.	n.a.	.35	.32	.37	.46	.47	.44	.46
Trading account	.33	.22	.28	.38	.48	.37	.35	.29	.32	.20
Gross federal funds sold and reverse RPs	5.66	4.94	4.45	4.11	4.51	4.71	4.92	4.50	3.64	3.91
Interest-bearing balances at depositories	3.22	3.08	2.87	2.49	1.90	1.90	1.47	1.20	1.00	.94
Non-interest-earning assets	12.08	11.66	11.12	11.02	11.16	11.09	10.98	10.47	9.91	9.87
Revaluation gains on off-balance-sheet items[3]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	.02	.05
Other	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	9.90	9.83
Liabilities	93.33	93.28	93.34	93.28	93.07	92.89	92.47	91.86	91.62	91.36
Interest-bearing liabilities	73.01	73.92	75.59	76.42	77.04	77.25	75.98	74.43	74.77	75.02
Deposits	62.17	62.43	63.00	63.74	65.05	66.33	65.62	63.05	60.38	59.59
In foreign offices	2.07	1.96	2.04	2.09	1.65	1.76	1.56	1.43	1.69	1.71
In domestic offices	60.10	60.47	60.97	61.65	63.40	64.57	64.06	61.62	58.69	57.88
Other checkable deposits	6.25	7.27	7.39	7.14	7.31	7.83	9.14	9.94	9.70	8.53
Savings (including MMDAs)	22.37	22.83	21.27	19.52	19.69	20.79	23.33	24.05	22.92	20.72
Small-denomination time deposits	18.66	17.75	19.34	22.08	24.09	25.23	23.55	20.79	19.29	21.08
Large-denomination time deposits	12.83	12.62	12.96	12.91	12.31	10.73	8.06	6.84	6.78	7.55
Gross federal funds purchased and RPs	8.21	8.46	8.63	9.21	8.43	7.46	7.17	7.43	8.45	8.30
Other	2.63	3.03	3.96	3.47	3.56	3.46	3.19	3.95	5.94	7.14
Non-interest-bearing liabilities	20.33	19.36	17.74	16.85	16.03	15.64	16.49	17.43	16.85	16.34
Demand deposits in domestic offices	18.25	17.35	15.84	14.86	14.07	13.57	14.39	15.07	14.58	14.05
Revaluation losses on off-balance-sheet items[3]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	.02	.05
Other	2.08	2.00	1.90	1.99	1.96	2.07	2.10	2.36	2.25	2.24
Capital account	6.67	6.72	6.66	6.72	6.93	7.11	7.53	8.14	8.38	8.64
MEMO										
Commercial real estate loans	n.a.	n.a.	n.a.	n.a.	n.a.	13.84	12.95	12.31	11.92	11.97
Other real estate owned	.30	.37	.42	.43	.52	.77	.80	.57	.28	.17
Managed liabilities	25.67	26.00	27.51	27.62	25.93	23.40	19.97	19.64	22.86	24.69
Average net consolidated assets (billions of dollars)	710	771	839	892	937	961	968	978	1,032	1,094

A.2. Continued

D. Banks Ranked 101st through 1,000th by assets

Item	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
	Effective interest rate (percent)[1]									
Rates earned										
Interest-earning assets	9.93	9.47	9.92	10.75	10.44	9.54	8.17	7.44	7.61	8.45
Taxable equivalent	10.49	9.82	10.16	10.96	10.60	9.68	8.29	7.56	7.70	8.54
Loans and leases, gross	10.85	10.33	10.77	11.62	11.24	10.41	9.15	8.58	8.67	9.47
Net of loss provisions	9.60	9.05	9.62	10.45	9.50	8.70	7.87	7.77	8.14	8.78
Securities	8.30	7.68	7.84	8.34	8.54	8.10	6.91	5.79	5.71	6.25
Taxable equivalent	10.10	8.76	8.58	8.98	9.02	8.53	7.22	6.11	5.96	6.26
Investment account	8.31	7.71	7.85	8.36	8.51	8.12	6.93	5.80	5.72	6.25
U.S. government and other debt	8.99	7.96	8.05	8.62	8.77	8.29	6.97	5.77	5.70	6.30
State and local	7.01	7.03	7.17	7.28	7.34	7.25	6.87	6.30	5.94	5.82
Equity[2]	n.a.	n.a.	n.a.	6.90	6.94	6.02	5.06	4.95	5.34	6.06
Trading account	7.42	5.80	6.96	7.61	9.92	6.86	5.62	4.82	5.29	5.55
Gross federal funds sold and reverse RPs	6.86	6.64	7.47	9.05	7.98	5.63	3.49	3.02	4.07	5.45
Interest-bearing balances at depositories	7.52	7.04	7.82	9.21	8.52	6.82	4.61	3.50	4.29	6.09
Rates paid										
Interest-bearing liabilities	6.93	6.31	6.72	7.73	7.28	6.09	4.21	3.33	3.58	4.65
Interest-bearing deposits	6.76	6.10	6.50	7.36	7.07	6.05	4.18	3.26	3.32	4.26
In foreign offices	6.94	6.77	7.65	8.98	8.12	6.38	4.25	3.35	4.31	5.93
In domestic offices	6.77	6.08	6.46	7.31	7.04	6.04	4.18	3.26	3.29	4.22
Other checkable deposits	n.a.	4.65	4.77	4.88	4.77	4.28	2.68	2.02	1.87	2.03
Savings (including MMDAs)	n.a.	5.29	5.54	6.13	5.99	5.13	3.35	2.58	2.65	3.24
Large-denomination CDs	7.32	6.83	7.42	8.70	8.05	6.62	4.77	3.89	4.24	5.62
Other time deposits	n.a.	7.16	7.46	8.32	8.06	7.07	5.37	4.40	4.42	5.54
Gross federal funds purchased and RPs	6.61	6.35	7.40	9.01	7.87	5.61	3.47	2.95	4.13	5.61
	Income and expenses as a percentage of average net consolidated assets									
Gross interest income	8.69	8.40	8.88	9.68	9.40	8.62	7.39	6.75	6.93	7.71
Taxable equivalent	9.18	8.72	9.10	9.86	9.53	8.74	7.49	6.85	7.02	7.79
Loans	6.49	6.45	6.89	7.52	7.23	6.50	5.48	5.07	5.28	6.01
Securities	1.57	1.43	1.43	1.54	1.61	1.70	1.65	1.48	1.45	1.43
Gross federal funds sold and reverse RPs	.37	.31	.32	.38	.36	.27	.17	.14	.14	.21
Other	.25	.22	.24	.25	.20	.15	.08	.06	.06	.07
Gross interest expense	4.95	4.59	5.03	5.84	5.55	4.67	3.17	2.46	2.66	3.46
Deposits	4.21	3.82	4.10	4.70	4.59	4.02	2.75	2.07	2.02	2.56
Gross federal funds purchased and RPs	.55	.53	.64	.83	.67	.42	.25	.22	.35	.46
Other	.19	.23	.29	.31	.29	.23	.17	.17	.29	.45
Net interest income	3.74	3.81	3.85	3.84	3.84	3.95	4.21	4.28	4.27	4.25
Taxable equivalent	4.23	4.13	4.07	4.02	3.98	4.07	4.32	4.38	4.36	4.33
Loss provisioning[5]	.75	.80	.74	.75	1.12	1.07	.77	.48	.32	.43
Noninterest income	1.30	1.36	1.36	1.38	1.50	1.64	1.70	1.84	1.86	1.84
Service charges on deposits	.34	.34	.35	.36	.37	.40	.44	.45	.42	.42
Income from fiduciary activities	.25	.25	.25	.25	.26	.27	.28	.29	.28	.27
Foreign-exchange gains and fees	.01	.01	*	.01	*	.01	*	.01	.01	.01
Trading income	.04	.03	.03	.03	.02	.03	.02	.02	.01	.01
Other	.67	.73	.74	.74	.84	.94	.95	1.08	1.13	1.12
Noninterest expense	3.51	3.54	3.50	3.45	3.51	3.75	3.89	3.93	3.79	3.69
Salaries, wages, and employee benefits	1.59	1.54	1.49	1.48	1.47	1.48	1.51	1.52	1.49	1.44
Expenses of premises and fixed assets	.53	.52	.50	.49	.49	.49	.50	.48	.47	.45
Other	1.38	1.47	1.51	1.49	1.55	1.79	1.88	1.93	1.83	1.79
Net noninterest expense	2.21	2.18	2.14	2.07	2.01	2.11	2.19	2.09	1.93	1.85
Realized gains on investment account securities	.12	.04	*	.01	.01	.09	.10	.06	−.05	−.01
Income before taxes and extraordinary items	.90	.88	.98	1.02	.72	.86	1.35	1.78	1.97	1.96
Taxes	.18	.27	.32	.32	.22	.29	.44	.61	.67	.68
Extraordinary items	.01	.02	.01	*	*	.03	*	.04	*	*
Net income	.73	.62	.67	.71	.51	.60	.92	1.21	1.29	1.28
Cash dividends declared	.40	.44	.48	.48	.53	.58	.48	.79	.81	.87
Retained income	.33	.18	.18	.23	−.02	.02	.43	.43	.48	.41
MEMO: Return on equity	10.93	9.25	10.01	10.54	7.41	8.45	12.16	14.91	15.45	14.86

* In absolute value, less than 0.005 percent.

n.a. Not available. MMDA Money market deposit account. RP Repurchase agreement. CD Certificate of deposit.

1. Includes allocated transfer risk reserve.
2. As in the Call Report, equity securities are combined with "other debt securities" before 1989.
3. Before 1994, the netted value of off-balance sheet items appeared in "trading account securities" if a gain and "other non interest bearing liabilities" if a loss.
4. Where possible, based on the average of quarterly balance sheet data reported on schedule RC-K of the quarterly Call Report.
5. Includes provisioning for allocated transfer risk.

A.2. Portfolio composition, interest rates, and income and expense, all insured domestic commercial banks and nondeposit trust companies, 1986–95

E. Banks not ranked among the 1,000 largest by assets

Item	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
	Balance sheet items as a percentage of average net consolidated assets									
Interest-earning assets	90.01	90.51	90.81	90.90	91.06	91.24	91.39	91.66	91.72	91.70
Loans and leases, net	52.83	52.82	53.88	54.84	54.74	54.05	53.03	52.95	54.64	56.61
Commercial and industrial	13.68	12.84	12.34	12.10	11.53	10.59	9.74	9.24	9.31	9.66
U.S. addressees	13.66	12.81	12.32	12.07	11.49	10.55	9.70	9.20	9.27	9.60
Foreign addressees	.03	.03	.02	.03	.04	.04	.04	.04	.05	.06
Consumer	12.41	11.74	11.48	11.46	11.20	10.49	9.68	9.17	9.38	9.54
Credit card	.68	.80	.86	.93	1.00	1.08	1.00	.92	.96	1.01
Installment and other	11.74	10.94	10.62	10.53	10.20	9.41	8.68	8.26	8.41	8.53
Real estate	21.94	24.07	26.02	27.36	28.35	29.31	30.15	31.10	32.19	33.54
In domestic offices	21.94	24.07	26.02	27.36	28.35	29.31	30.15	31.10	32.18	33.54
Construction and land development	2.21	2.19	2.22	2.29	2.37	2.18	1.98	1.93	2.14	2.38
Farmland	1.42	1.59	1.74	1.82	1.86	1.93	2.06	2.20	2.34	2.48
One- to four-family residential	11.62	12.80	14.06	14.81	15.37	15.99	16.44	16.82	16.94	17.45
Home equity	n.a.	n.a.	.73	.94	1.16	1.29	1.34	1.27	1.21	1.20
Other	n.a.	n.a.	13.32	13.86	14.21	14.69	15.10	15.55	15.73	16.25
Multifamily residential	.54	.60	.61	.62	.66	.71	.77	.84	.93	.95
Nonfarm nonresidential	6.15	6.90	7.40	7.82	8.09	8.50	8.91	9.30	9.83	10.27
In foreign offices	*	*	*	*	*	*	*	*	*	*
Depository institutions	.25	.30	.31	.26	.23	.20	.13	.12	.13	.16
Foreign governments	.01	.01	.02	.01	.01	.01	.01	.02	.01	*
Agricultural production	3.76	3.30	3.25	3.28	3.30	3.48	3.54	3.58	3.89	3.95
Other loans	2.20	1.90	1.75	1.67	1.41	1.24	.99	.87	.81	.76
Lease-financing receivables	.19	.19	.19	.19	.18	.17	.17	.18	.19	.22
LESS: Unearned income on loans	–.83	–.67	–.61	–.60	–.58	–.51	–.43	–.36	–.31	–.30
LESS: Loss reserves[1]	–.78	–.86	–.88	–.88	–.89	–.93	–.96	–.97	–.95	–.93
Securities	26.96	27.67	27.98	27.92	28.38	29.98	32.10	33.08	32.90	30.51
Investment account	26.91	27.59	27.93	27.85	28.28	29.92	32.04	33.01	32.86	30.47
Debt	26.91	27.59	27.93	27.45	27.92	29.55	31.60	32.57	32.42	30.02
U.S. Treasury	11.40	10.64	9.75	8.84	8.77	9.24	10.25	10.50	10.81	9.19
U.S. government agency and corporation obligations	6.45	8.18	9.80	11.37	12.43	13.81	15.04	15.80	15.35	15.12
Government-backed mortgage pools	1.38	2.66	3.22	3.76	4.58	5.59	5.52	5.38	4.81	4.19
Collateralized mortgage obligations	n.a.	n.a.	n.a.	n.a.	.92	1.55	2.66	3.33	3.11	2.75
Other	5.07	5.52	6.58	7.61	6.93	6.67	6.85	7.09	7.43	8.18
State and local government	8.01	6.63	5.65	4.94	4.56	4.26	4.29	4.70	5.01	4.69
Other	1.06	2.13	2.72	2.30	2.15	2.23	2.03	1.57	1.25	1.02
Equity[2]	n.a.	n.a.	n.a.	.40	.36	.38	.44	.45	.44	.45
Trading account	.05	.08	.05	.07	.10	.06	.05	.07	.04	.03
Gross federal funds sold and reverse RPs	7.09	6.66	5.76	5.74	6.13	5.64	5.10	4.66	3.42	3.92
Interest-bearing balances at depositories	3.13	3.36	3.19	2.40	1.81	1.57	1.16	.97	.77	.67
Non-interest-earning assets	9.99	9.49	9.19	9.10	8.94	8.76	8.61	8.34	8.28	8.30
Revaluation gains on off-balance-sheet items[3]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	*	*
Other	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	8.28	8.30
Liabilities	91.81	91.74	91.61	91.44	91.40	91.38	91.07	90.63	90.43	90.03
Interest-bearing liabilities	75.62	76.39	76.94	77.13	77.83	78.40	77.83	76.89	76.19	75.73
Deposits	73.67	74.39	74.84	75.00	75.79	76.42	75.75	74.55	73.14	72.70
In foreign offices	.06	.04	.04	.06	.07	.08	.07	.08	.09	.11
In domestic offices	73.61	74.35	74.81	74.93	75.72	76.34	75.68	74.47	73.05	72.59
Other checkable deposits	9.03	10.33	10.64	10.38	10.45	10.98	12.33	13.16	13.32	12.37
Savings (including MMDAs)	22.19	23.30	21.92	19.51	18.73	19.35	22.10	23.54	23.23	20.41
Small-denomination time deposits	30.90	29.56	30.98	33.66	35.37	35.86	32.85	30.11	28.83	30.92
Large-denomination time deposits	11.49	11.16	11.27	11.38	11.17	10.15	8.40	7.66	7.68	8.89
Gross federal funds purchased and RPs	1.29	1.27	1.35	1.35	1.36	1.31	1.36	1.44	1.89	1.78
Other	.66	.73	.75	.78	.67	.67	.72	.90	1.16	1.25
Non-interest-bearing liabilities	16.18	15.34	14.67	14.31	13.57	12.98	13.24	13.74	14.24	14.30
Demand deposits in domestic offices	14.87	14.23	13.58	13.09	12.37	11.83	12.23	12.81	13.34	13.23
Revaluation losses on off-balance-sheet items[3]	n.a.	n.a.	n.a.	n.a	n.a.	n.a.	n.a.	n.a.	*	*
Other	1.32	1.11	1.09	1.22	1.21	1.14	1.01	.93	.90	1.07
Capital account	8.19	8.26	8.39	8.56	8.60	8.62	8.93	9.37	9.57	9.97
MEMO										
Commercial real estate loans	n.a.	n.a.	n.a.	n.a.	n.a.	11.03	11.08	11.37	12.10	12.76
Other real estate owned	.55	.63	.65	.63	.61	.66	.65	.52	.35	.25
Managed liabilities	13.43	13.14	13.34	13.53	13.24	12.17	10.53	10.06	10.81	12.04
Average net consolidated assets (billions of dollars)	649	659	654	662	681	695	697	688	679	666

A.2. Continued

E. Banks not ranked among the 1,000 largest by assets

Item	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
	Effective interest rate (percent)[4]									
Rates earned										
Interest-earning assets	10.29	9.54	9.76	10.50	10.32	9.64	8.43	7.61	7.58	8.40
Taxable equivalent	10.79	9.87	10.01	10.72	10.52	9.82	8.59	7.77	7.73	8.54
Loans and leases, gross	11.67	10.87	11.03	11.76	11.60	11.02	9.83	9.11	9.01	9.82
Net of loss provisions	9.98	9.60	9.99	10.86	10.65	10.08	9.05	8.61	8.67	9.41
Securities	8.73	7.93	7.93	8.37	8.42	8.03	6.99	5.92	5.61	6.11
Taxable equivalent	10.32	8.93	8.64	9.01	8.99	8.53	7.40	6.33	6.00	6.12
Investment account	8.73	7.92	7.92	8.36	8.41	8.03	6.99	5.92	5.61	6.11
U.S. government and other debt	9.24	8.05	8.01	8.51	8.59	8.19	7.06	5.91	5.60	6.19
State and local	7.52	7.53	7.57	7.57	7.46	7.17	6.71	6.09	5.70	5.64
Equity[2]	n.a.	n.a.	n.a.	8.19	8.34	7.13	5.63	5.16	5.52	6.31
Trading account	8.44	9.04	14.88	14.84	12.13	8.52	7.12	4.82	6.03	6.09
Gross federal funds sold and reverse RPs	6.91	6.82	7.68	9.25	8.12	5.66	3.51	2.95	4.09	5.97
Interest-bearing balances at depositories	8.07	7.38	8.07	9.13	8.55	7.36	5.60	4.52	4.64	5.93
Rates paid										
Interest-bearing liabilities	7.02	6.20	6.41	7.16	7.02	6.17	4.44	3.54	3.49	4.47
Interest-bearing deposits	6.97	6.13	6.36	7.10	6.97	6.15	4.44	3.52	3.45	4.40
In foreign offices	7.06	7.29	7.62	9.35	7.57	5.95	3.97	2.91	3.92	5.77
In domestic offices	6.97	6.13	6.36	7.10	6.97	6.15	4.44	3.52	3.44	4.39
Other checkable deposits	n.a.	4.93	4.99	5.09	5.02	4.61	3.14	2.42	2.30	2.50
Savings (including MMDAs)	n.a.	5.37	5.48	5.81	5.74	5.18	3.62	2.90	2.83	3.32
Large-denomination CDs	7.36	6.57	7.13	8.36	7.92	6.74	4.90	3.95	4.12	5.56
Other time deposits	n.a.	6.97	7.17	8.03	7.88	6.98	5.36	4.38	4.29	5.52
Gross federal funds purchased and RPs	6.59	6.26	6.79	8.51	8.03	5.71	3.74	3.17	4.12	5.62
	Income and expenses as a percentage of average net consolidated assets									
Gross interest income	9.33	8.72	8.95	9.65	9.51	8.91	7.79	7.05	7.02	7.79
Taxable equivalent	9.78	9.02	9.17	9.85	9.68	9.07	7.94	7.19	7.16	7.92
Loans	6.23	5.82	6.01	6.53	6.44	6.05	5.30	4.90	4.99	5.64
Securities	2.35	2.19	2.21	2.33	2.38	2.40	2.24	1.96	1.84	1.86
Gross federal funds sold and reverse RPs	.50	.47	.47	.57	.53	.34	.18	.14	.15	.25
Other	.25	.25	.26	.23	.17	.12	.07	.05	.04	.04
Gross interest expense	5.28	4.72	4.91	5.50	5.44	4.83	3.45	2.71	2.65	3.38
Deposits	5.14	4.58	4.76	5.32	5.28	4.71	3.36	2.63	2.52	3.20
Gross federal funds purchased and RPs	.09	.08	.10	.12	.11	.07	.05	.04	.07	.10
Other	.05	.06	.06	.06	.05	.05	.04	.04	.06	.08
Net interest income	4.06	4.01	4.04	4.15	4.07	4.09	4.34	4.33	4.37	4.41
Taxable equivalent	4.50	4.30	4.26	4.35	4.24	4.24	4.49	4.47	4.51	4.55
Loss provisioning[5]	.90	.68	.56	.50	.53	.51	.42	.27	.19	.23
Noninterest income	.85	.88	.92	1.00	1.01	1.08	1.16	1.25	1.30	1.38
Service charges on deposits	.42	.41	.41	.41	.42	.44	.45	.45	.44	.44
Income from fiduciary activities	.10	.11	.12	.14	.14	.14	.16	.16	.17	.22
Foreign-exchange gains and fees	*	*	*	*	*	*	*	*	*	*
Trading income	*	*	*	.01	.01	*	*	*	*	.01
Other	.33	.35	.39	.44	.44	.49	.55	.64	.69	.71
Noninterest expense	3.47	3.43	3.44	3.48	3.49	3.60	3.67	3.73	3.78	3.80
Salaries, wages, and employee benefits	1.63	1.62	1.62	1.65	1.64	1.65	1.69	1.72	1.75	1.80
Expenses of premises and fixed assets	.53	.52	51	.51	.49	.49	.49	.48	.49	.50
Other	1.30	1.30	1 32	1.33	1.36	1.47	1.49	1.52	1.55	1.51
Net noninterest expense	2.62	2.56	2.53	2.49	2.48	2.53	2.51	2.48	2.48	2.42
Realized gains on investment account securities	.16	.03	.01	.01	*	.06	.09	.07	−.03	*
Income before taxes and extraordinary items	.69	.81	95	1.17	1.06	1.11	1.50	1.65	1.67	1.76
Taxes	.15	.25	.29	.37	.34	.35	.47	.51	.51	.55
Extraordinary items	.01	.02	.02	.02	.02	.01	.02	.05	*	*
Net income	.55	.58	.68	.83	.74	.77	1.04	1.19	1.16	1.21
Cash dividends declared	.40	.40	.46	.52	.49	.47	.51	.56	.57	.62
Retained income	.16	.18	.21	.30	.24	.30	.53	.63	.58	.59
MEMO: Return on equity	6.74	6.99	8.09	9.65	8.61	8.95	11.64	12.69	12.08	12.13

* In absolute value, less than 0.005 percent.

n.a. Not available. MMDA Money market deposit account. RP Repurchase agreement. CD Certificate of deposit.

1. Includes allocated transfer risk reserve.
2. As in the Call Report, equity securities are combined with "other debt securities" before 1989.
3. Before 1994, the netted value of off balance sheet items appeared in "trading account securities" if a gain and "other non-interest-bearing liabilities" if a loss.
4. Where possible, based on the average of quarterly balance sheet data reported on schedule RC-K of the quarterly Call Report.
5. Includes provisioning for allocated transfer risk

Treasury and Federal Reserve Foreign Exchange Operations

This quarterly report describes Treasury and System foreign exchange operations for the period from January through March 1996. It was presented by Peter R. Fisher, Executive Vice President, Federal Reserve Bank of New York, and Manager for Foreign Operations, System Open Market Account. Daniel Katzive was primarily responsible for preparation of the report.[1]

During the first quarter of 1996, the dollar appreciated 3.9 percent against the Japanese yen, 3.0 percent against the German mark, and 2.1 percent on a trade-weighted basis against other Group of Ten (G-10) currencies.[2] The dollar strengthened in the first weeks of the new year, reaching its highs for the quarter of DM 1.4945 on January 25 and ¥107.57 on January 31. After briefly weakening in February, the dollar proceeded to trade in a narrow range, closing the quarter at DM 1.4764 and ¥107.24. The U.S. monetary authorities did not undertake any intervention operations in the foreign exchange market during the quarter. However, the U.S. Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve

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

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

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

Item	Balance, Dec. 31, 1995	Quarterly changes in balances by source				Balance, Mar. 31, 1996
		Net purchases and sales[1]	Impact of sales[2]	Investment income	Currency valuation adjustments[3]	
FEDERAL RESERVE						
Deutsche marks	13,514.7	0	0	137.4	−386.1	13,266.0
Japanese yen	6,872.4	0	0	6.2	−242.0	6,636.6
Mexican pesos[4]	601.9	−658.5	0	8.5	48.1[5]	0
Interest receivables[6]	113.5	...	...	...	...	75.7
Other cash flow from investments[7]	−3.3	...	...	...	...	7.1
Total	**21,099.1**	...	...	...	...	**19,985.4**
U.S. TREASURY EXCHANGE STABILIZATION FUND						
Deutsche marks	6,838.4	0	0	72.4	−195.3	6,715.5
Japanese yen	10,088.1	0	0	5.2	−363.0	9,730.5
Mexican pesos[4]	11,150.0	−900.9	0	250.9	0[5]	10,500.0
Interest receivables[6]	302.6	...	...	...	...	272.7
Other cash flow from investments[7]	−12.7	...	...	...	...	7.5
Total	**28,366.4**	...	...	...	...	**27,226.2**

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

1. Purchases and sales include foreign currency sales and purchases related to official activity, swap drawings and repayments, and warehousing.

2. Calculated using marked to market exchange rates; represents the difference between the sale exchange rate and the most recent revaluation exchange rate. Realized profits and losses on sales of foreign currencies, computed as the difference between the historic cost of acquisition exchange rate and the sale exchange rate, are shown in table 2.

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

4. See table 4 for a breakdown of Mexican swap activities. Note that the investment income on Mexican swaps is sold back to the Bank of Mexico.

5 Valuation adjustments on peso balances do not affect profit and loss because the effect is offset by the unwinding of the forward contract at the repayment date. Note that the ESF does not mark to market its peso holdings, but the Federal Reserve System does.

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

7. Cash flow differences from payment and collection of funds between quarters.

System did receive final repayments from Mexico on the remaining balances of $650 million outstanding under each of their respective short-term swap arrangements. An additional $10.5 billion remains outstanding under the ESF's medium-term swap facility.

STRENGTHENING OF THE DOLLAR AT THE OUTSET OF THE NEW YEAR

Early in the year the dollar appreciated against the German mark and other European currencies because of the widespread perception that monetary easing in Europe would proceed at a faster pace than in the United States. This expectation was bolstered by the release of weak German economic data in January: The seasonally adjusted west German unemployment rate for December rose to 8.6 percent, and forecasts for 1996 real growth in German gross domestic product began to be revised downward to below 2.0 percent.

Against the yen the dollar was supported by indications of a continued narrowing of the U.S.-Japan current account imbalance. Trade statistics released in Japan showed that Japan's November current account surplus had fallen 17.1 percent year over year and confirmed that Japan's 1995 current account surplus was the lowest in four years. Similarly, U.S. trade data indicated that in October 1995 the U.S. trade deficit with Japan, although slightly higher than in September 1995, had fallen almost $2 billion from its year-ago level.

Early in the quarter the dollar also benefited indirectly against the yen because of the market perception of a broad-based revival of investors' risk appetite and a demand for higher yields. This dynamic served to support the currencies and credit markets of the higher-yielding European countries, including Italy, Sweden, and Spain, at the expense of lower-yielding currencies, such as the Japanese yen. The generalized weakness in the yen helped support the dollar–yen exchange rate.

Investors also became more optimistic about the outlook for the dollar after the end of the U.S. government shutdown in December and after a subsequent easing of market concern about the budget impasse. Finally, comments made by German and other Group of Seven (G-7) officials around the time of the January G-7 meeting of finance ministers and central bank governors suggested a preference for a stronger U.S. currency.

CHANGES IN MONETARY POLICY EXPECTATIONS AND THE DECLINE OF THE DOLLAR

In February, bond markets in Germany and Japan weakened amid a broad reassessment of interest rate expectations before recovering later in the quarter. At the same time, U.S. Treasury bond yields also rose.

In the United States, credit markets were hurt by a shift in the budget debate. Negotiations on balancing the federal budget appeared unlikely to progress further, while the commencement of the 1996 presidential campaign focused attention on the prospects for stronger economic growth. During February the yield on the benchmark thirty-year Treasury bond rose nearly 50 basis points. Weakness in the U.S. bond market contributed to a weakening of the dollar as market participants anticipated that the bond market's performance would prompt foreign investors to liquidate positions in dollar-denominated securities.

Meanwhile, in early February the German Bundesbank announced that it would fix its repurchase rate at 3.3 percent. The announcement suggested to some market participants that the Bundesbank might be at or near the end of its easing cycle. These concerns were magnified by widespread rumors that February data would indicate that German M3 had risen at a rate well above the Bundesbank's target range in January. The prospect that German economic growth would resume and that interest rates would not continue to fall prompted strengthening of the mark.

Also in early February a report of strong Japanese housing starts and higher-than-expected Japanese industrial production prompted market participants to wonder whether Japan's accommodative monetary policy stance might soon end, despite continued generous injections of liquidity by the Bank of Japan. On February 15, Japanese Finance Minister Kubo made comments indicating that low interest rates were hurting senior citizens, and these comments were interpreted by market participants as confirming that Japan's official rates would soon rise. This sentiment contributed to a broad-based unwinding of short yen positions against the U.S. dollar and other major currencies. The dollar weakened against the yen and the mark, reaching February lows of DM 1.4411 on February 19 and ¥103.35 on February 27. Against the yen, the dollar was supported by widespread reports of intervention by the Japanese monetary authorities and the subsequent perception that Japanese monetary authorities did not wish to see renewed strength of the yen.

Recovery of the Dollar and Subsequent Trading in a Tight Range through the End of the Quarter

Concerns about an end to German monetary easing began to diminish after the release of the January M3 report, which, although above the Bundesbank's target range, was lower than the market's worst fears. In early March, the release of negative fourth-quarter GDP figures and high February unemployment data in Germany as well as continuing evidence of subdued inflationary pressures helped revive expectations of further German interest rate reductions.

Similarly, in Japan, the March 1 release of a somewhat weaker-than-expected Tankan survey by the Bank of Japan indicated that the Japanese economy was recovering more slowly than market participants had previously anticipated. This development served to unwind market expectations of a near-term change in Japanese monetary policy and caused yields implied by 1996 Euroyen futures contracts to fall as much as 33 basis points.

On March 8, it was reported that U.S. February nonfarm payrolls had grown 705,000, an increase more than twice as large as consensus expectations, and that the unemployment rate had fallen to 5.5 percent. The strong data led to a reassessment of expectations for future Federal Reserve policy and suggested to many that stronger growth in the United States would move interest rate differentials between the United States and Japan and between the United States and Germany in favor of the dollar.

The combined effect of the data in the three markets was to resurrect, at least partially, the relative growth scenarios that had been favorable to the dollar early in the year. The dollar recovered against the mark and the yen and proceeded to trade in a narrow range for the remainder of the quarter, firming against the yen as trading thinned in the final week of the Japanese fiscal year. The market consensus that Japanese exporters had largely hedged their dollar revenues well in advance of the conclusion of the Japanese fiscal year helped prevent the heavy dollar selling that had been evident in March in recent years.

Stability in North American Markets

Canadian credit markets performed well during the quarter, with the spread between Canadian and U.S.

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

Millions of dollars

Period and item	Federal Reserve	U.S. Treasury Exchange Stabilization Fund
Valuation profits and losses on outstanding assets and liabilities, Dec. 31, 1995		
Deutsche marks	2,892.0	1,054.8
Japanese yen	1,726.6	2,539.2
Total	**4,618.6**	**3,593.9**
Realized profits and losses from foreign currency sales, Dec. 31, 1995–Mar. 31, 1996		
Deutsche marks	0	0
Japanese yen	0	0
Total	**0**	**0**
Valuation profits and losses on outstanding assets and liabilities, Mar. 31, 1996[1]		
Deutsche marks	2,505.9	859.5
Japanese yen	1,487.9	2,188.9
Total	**3,993.8**	**3,048.3**

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

1. Valuation profits or losses are not affected by peso holdings, which are canceled by forward contracts.

3. Currency arrangements

Millions of dollars

Institution	Amount of facility	Outstanding, Mar. 31, 1996
	Federal Reserve Reciprocal Currency Arrangements	
Austrian National Bank	250	0
National Bank of Belgium	1,000	
Bank of Canada	2,000	
National Bank of Denmark	250	
Bank of England	3,000	
Bank of France	2,000	
Deutsche Bundesbank	6,000	
Bank of Italy	3,000	
Bank of Japan	5,000	
Bank of Mexico[1]	3,000	
Netherlands Bank	500	
Bank of Norway	250	
Bank of Sweden	300	
Swiss National Bank	4,000	
Bank for International Settlements		
Dollars against Swiss francs	600	
Dollars against other authorized European currencies	1,250	
Total	**32,400**	**0**
	U.S. Treasury Exchange Stabilization Fund Currency Arrangements	
Deutsche Bundesbank	1,000	0
Bank of Mexico[1]		
Regular swaps	3,000	0
United Mexican States[1]		
Medium-term swaps	...	10,500
Total[1]	...	**10,500**

1. Facilities available to Mexico comprise short-term swaps between the Bank of Mexico and both the Federal Reserve and the ESF, as well as medium-term swaps and government guarantees between the government of Mexico and the ESF. The total amount available from both medium-term swaps and government guarantees is $20 billion, less any outstanding drawings on the short-term facilities.

government ten-year benchmark bond yields falling sharply amid favorable fiscal developments in Canada and diminished perceptions of political risk. The Canadian dollar closed the quarter 0.5 percent stronger against the U.S. dollar.

Mexican markets also stabilized, largely ignoring volatility in U.S. equity and credit markets. The Mexican peso appreciated 2.3 percent against the dollar, despite weakening in February, and overnight interest rates fell nearly 900 basis points to 35 percent. Shifting investor appetites—fueled by expectations for moderating inflation, signs of improving economic fundamentals, and increasing confidence in Mexican monetary policy—supported the peso.

The Rise of Gold Prices

Gold prices reached their highest levels in nearly six years, trading as high as $418.40 per ounce. Three factors appear to have fueled the rally: strong demand from physical end-users in Asia, low opportunity costs for holding the metal as global interest rates declined, and reduced forward sales by producers. Later in the quarter, these price gains were partially reversed as high prices spurred additional sales. The price of the metal closed the quarter $8.35 higher, at $395.45 per ounce.

Mexican Swap Activity

On January 29, Mexico made the final repayment on its short-term swap arrangements with the U.S. monetary authorities. A total of $1.3 billion was repaid, divided evenly between the Federal Reserve System and the ESF. On January 31, 1996, the special $3 billion swap facility established by the Federal Reserve System on February 1, 1995, expired according to its original terms without being renewed.

Treasury and Federal Reserve Foreign Exchange Reserves

The U.S. monetary authorities did not undertake any intervention operations this quarter. At the end of the quarter, the current values of the reserve holdings of German marks and Japanese yen of the Federal Reserve System and the ESF were $20 billion and $16.5 billion respectively. The U.S. monetary authorities invest all of their foreign currency balances in a variety of instruments that yield market-related rates of return and have a high degree of liquidity and credit quality. A significant portion of these balances is invested in German and Japanese government securities held either directly or under repurchase agreement. As of March 31, outright holdings of government securities by U.S. monetary authorities totaled $3.6 billion and included investments in Japanese treasury bills and German government bonds.

Japanese and German government securities are also held under repurchase agreement through transactions executed directly in the market or through agreements with official institutions. Government securities held under repurchase agreements by the U.S. monetary authorities totaled $14.3 billion. In addition to government securities, foreign currency reserves are also invested in deposits at the Bank for International Settlements and in facilities at other official institutions.

In addition, the ESF held $10.5 billion equivalent in nonmarketable Mexican government securities in connection with the ESF's medium-term swap arrangement. ☐

4. Drawings/rollovers and repayments (–) by Mexican monetary authorities
Millions of dollars

Item	Outstanding, Dec. 31, 1995	Jan.	Feb.	Mar.	Outstanding, Mar. 31, 1996
Reciprocal currency arrangements with the Federal Reserve					
Bank of Mexico					
Regular	650	–650	0	0	0
Currency arrangements with the U.S. Treasury Exchange Stabilization Fund					
Bank of Mexico					
Regular	650	–650	0	0	0
Medium-term	10,500	0	0	0	10,500

Note. Data are on a value-date basis.

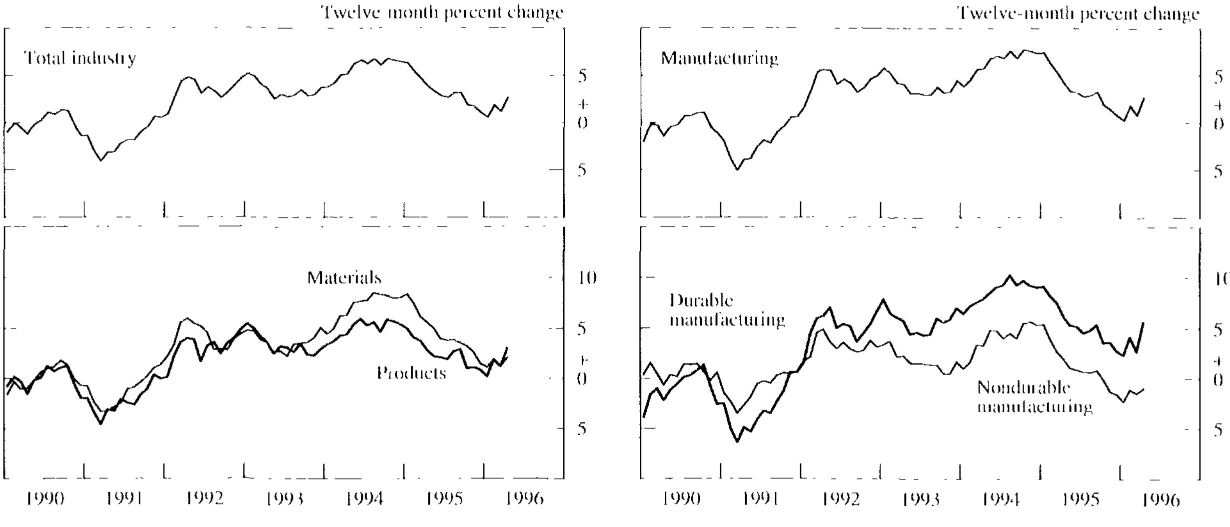
Industrial Production and Capacity Utilization for April 1996

Released for publication May 15

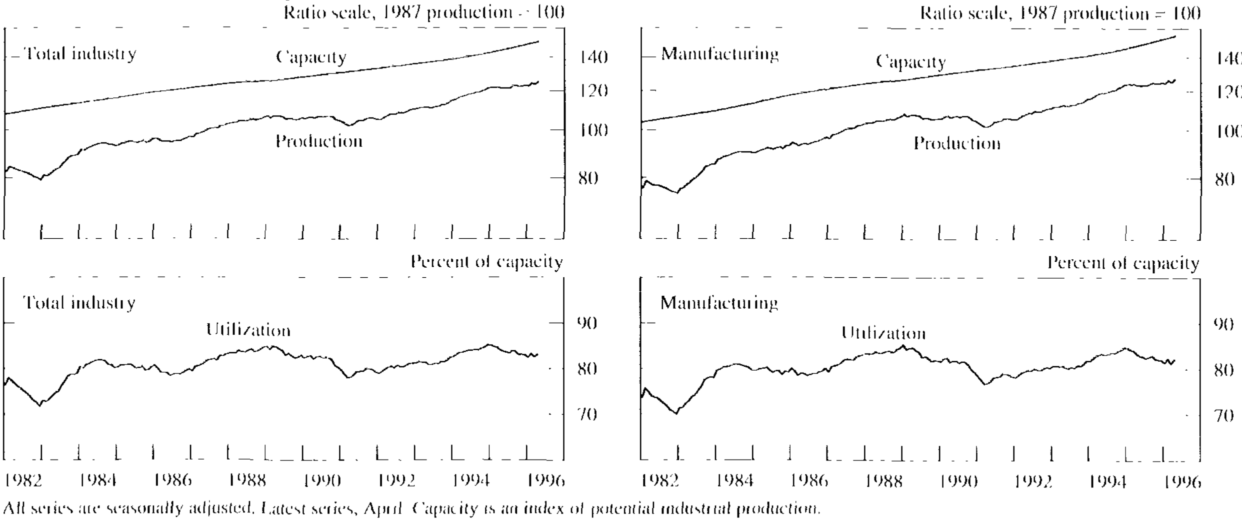
Industrial production advanced 0.9 percent in April after a decline of 0.5 percent in March, when a strike caused the output of motor vehicles and parts to plunge 14 percent. Excluding the decline and subsequent rebound in production of motor vehicles and parts, the index of industrial production rose 0.3 percent in March and was unchanged in April. At 124.5 percent of its 1987 average, industrial production in April was 2.6 percent higher than it was in April 1995.

Capacity utilization rose 0.5 percentage point in April, to 83.0 percent. As indicated in the Notice at the end of this article, the capacity utilization rates have been revised beginning in January 1995. Revi-

Industrial production indexes



Capacity and industrial production



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

Industrial production and capacity utilization, April 1996

Category	Industrial production, index, 1987 = 100								
	1996				Percentage change				
					1996[1]				Apr. 1995 to Apr. 1996
	Jan.[r]	Feb.[r]	Mar.[r]	Apr.[p]	Jan.[r]	Feb.[r]	Mar.[r]	Apr.[p]	
Total	**122.5**	**123.9**	**123.4**	**124.5**	**–.2**	**1.2**	**–.5**	**.9**	**2.6**
Previous estimate	122.5	124.1	123.5	...	–.3	1.3	–.5	...	...
Major market groups									
Products, total[2]	118.6	120.4	119.9	121.2	–.4	1.5	–.5	1.1	2.9
Consumer goods	114.6	116.1	115.0	116.3	–1.0	1.3	–1.0	1.1	1.7
Business equipment	160.5	164.9	163.0	166.0	1.3	2.7	–1.2	1.8	7.1
Construction supplies	107.2	108.6	110.4	111.3	–3.0	1.3	1.6	.9	3.0
Materials	128.5	129.3	128.7	129.6	.1	.6	–.5	.7	2.0
Major industry groups									
Manufacturing	124.5	126.2	125.1	126.8	–.2	1.3	–.8	1.3	2.7
Durable	134.9	137.6	135.8	138.9	.1	2.0	–1.3	2.3	5.6
Nondurable	113.1	113.6	113.4	113.4	–.6	.5	–.2	.0	–1.0
Mining	97.1	97.6	100.3	99.5	–1.1	.5	2.8	–.8	–1.1
Utilities	125.6	125.7	126.5	124.3	.4	.1	.7	–1.8	4.6

Category	Capacity utilization, percent								MEMO Capacity, percentage change, Apr. 1995 to Apr. 1996
	Average, 1967–95	Low, 1982	High, 1988–89	1995	1996				
				Apr.	Jan.[r]	Feb.[r]	Mar.[r]	Apr.[p]	
Total	**82.1**	**71.8**	**84.9**	**84.0**	**82.4**	**83.1**	**82.5**	**83.0**	**3.8**
Previous estimate	...	...	...	...	82.3	83.2	82.5	...	...
Manufacturing	81.4	70.0	85.2	83.4	81.4	82.2	81.2	82.0	4.3
Advanced processing	80.7	71.4	83.5	81.3	79.7	81.0	79.6	80.6	5.0
Primary processing	82.6	66.8	89.0	88.2	85.4	85.0	85.2	85.3	2.6
Mining	87.4	80.6	86.5	89.9	86.8	87.3	89.7	89.0	–.1
Utilities	86.9	76.2	92.6	88.2	92.4	92.4	92.9	91.1	1.2

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

sions to the aggregate capacity indexes and utilization rates for total manufacturing, advanced- and primary-processing, mining, and utilities were trivial.

When analyzed by market group, the data show that the output of consumer goods rose 1.1 percent in April. The production of automotive products, which had fallen nearly 10 percent in March, rebounded 12.5 percent. The production of other durable consumer goods increased nearly 1 percent, the third successive monthly gain; this cumulative rise, however, merely offset the 4 percent drop in January. The output of consumer nondurable goods declined 0.2 percent, as utility output for residential use eased noticeably after a relatively cold March. The production of clothing and chemical products declined further, while the output of food changed little.

Apart from the effects of the strike at General Motors, which had caused large fluctuations in the output of transit equipment, the production of business equipment rose 0.2 percent in March and 0.4 percent in April. The production of computer and office equipment advanced 2.4 percent after even more rapid gains in February and March. The output of industrial equipment, however, eased for a second month.

The output of construction supplies rose 0.9 percent; the cumulative gain over the past three months was larger than the 3 percent drop in January, leaving the level of output about ¾ percent above its level in December. The production of materials increased 0.7 percent in April, with the strength concentrated in the durable goods materials used to make motor vehicles. The output of nondurable goods materials remained weak. The production of energy materials decreased 1.3 percent, with declines in coal mining and electricity generation.

When analyzed by industry group, the data show that manufacturing output rose 1.3 percent after a loss of 0.8 percent in March; excluding motor vehicles and parts, production rose 0.3 percent in April and 0.1 percent in March. Production in durable manufacturing jumped 2.3 percent, mainly because of the rebound in the motor vehicle and parts industry. Production also increased 1 percent or more for computers, lumber and products, and primary metals. The output of nondurables did not change; declines in textiles and rubber and plastics products offset gains elsewhere. Production in mining decreased 0.8 percent, and the output at utilities fell 1.8 percent.

The factory operating rate, which had fallen 1.0 percentage point in March, rebounded 0.8 percentage point, to 82.0 percent. The utilization rate for motor vehicles and parts—included in the advanced-processing grouping—rebounded to 79.3 percent from the strike-depressed March level of 66.8 percent and accounted for the swing in utilization in manufacturing. Among other advanced-processing industries, the changes in utilization were mixed. The utilization rate for primary-processing industries edged up 0.1 percentage point, to 85.3 percent, which is 2.7 percentage points above its 1967–95 average. In mining, the utilization rate fell 0.7 percentage point, to 89 percent. Utilization in coal mining, which had risen 5 percentage points in March, fell 4 percentage points, to 82.2 percent. The operating rate for utilities declined 1.8 percentage points. □

NOTICE

Revised indexes of industrial capacity and rates of capacity utilization for 1995 and 1996 are included in the G.17 (419) monthly statistical release. Revisions begin as of January 1995. Revisions in total industry are very small; utilization was 82.7 percent in the first quarter of 1996, the same as previously reported.

Updated estimates of capacity incorporate the data on actual and planned investment by manufacturing industries reported in the Bureau of the Census's *Investment Plans Survey* issued in late March, as well as more detailed, revised utilization rates from the Census Bureau's *Survey of Plant Capacity* for 1993 and 1994. The revisions to the capacity indexes affect the utilization rates reported in the G.17 release because monthly utilization equals the monthly index of production divided by the related monthly capacity index.

Industrial capacity grew 3.8 percent from December 1994 to December 1995, 0.1 percentage point less than was previously estimated. Capacity in manufacturing grew 4.3 percent, also 0.1 percentage point less than previously reported. Within manufacturing, annual capacity growth for durable manufacturing was revised up 0.5 percentage point, to 6.1 percent, with noticeable upward revisions for computers and electrical machinery. Capacity growth for nondurable manufacturing was revised down 0.8 percentage point, to 1.9 percent, with downward revisions for printing and publishing and for rubber and plastics products. In electric and gas utilities, capacity grew 1.1 percent in 1995; in mining, capacity edged down. For 1996, overall industrial capacity is projected to grow 4.0 percent, 0.5 percentage point higher than previously estimated.

Diskettes containing the revised data are available from Publications Services, Board of Governors of the Federal Reserve System, Washington, DC 20551 (202-452-3245). Data are also available through the Economic Bulletin Board of the Department of Commerce; for information, call 202-482-1986.

Statements to the Congress

Statement by Susan M. Phillips, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Capital Markets, Securities and Government-Sponsored Enterprises of the Committee on Banking and Financial Services, U.S. House of Representatives, April 18, 1996

I am pleased to appear before this subcommittee on behalf of the Federal Reserve Board to provide comments on the Entrepreneurial Investment Act of 1996, a bill proposed by Chairman Baker. At his request, the Board staff provided technical assistance in the drafting of the bill.

This bill would permit smaller bank holding companies to provide limited equity capital to customers of the subsidiary banks. Specifically, bank holding companies of less than $1 billion in assets, all of whose subsidiary banks were well capitalized, could invest in the equity of those of their customers with whom they have had a "significant" debt relationship for at least a year. The individual equity investments in these firms could not exceed 25 percent of the voting shares of the firm; the holding company could not take an active part in the management of the firm in which it held equity; and the subsidiary banks or other depository institution subsidiaries could not hold any of the stock. The aggregate amount of this equity investment could not exceed half of the amount by which the subsidiary banks' capital exceeded the well-capitalized minimum.

The bill prohibits joint marketing of the products of the banking organization and the firms in which the bank holding company invests. For prudential reasons, the Board would have to provide one-time approval for a banking organization to initiate such investments, and the Board could supervise and regulate this activity, as well as require divestiture if it concluded such action was necessary to preserve the safety and soundness of the insured depository subsidiaries. Should the banks' capital decline, the Board could take action to preserve the safety and soundness of the subsidiary insured depository institutions, including requiring divestiture by the parent holding company of shares already held. The bank holding company would be required quarterly to mark the shares to market value, if possible, and if the shares are not traded, to mark them to the lower of their acquisition price by the holding company or their book value as measured by the firm's balance sheet.

Banking organizations already are involved in similar activities under provisions of existing law. For example, under existing statute and regulation, all bank holding companies have for some time been able to acquire passive equity investments in any company of up to 5 percent of the voting shares and up to 24.9 percent of the total equity in a combination of voting and nonvoting stock. There are no limits on the total amount of equity investments that can be made under these provisions. The bill before you also permits 25 percent of the equity of a company to be purchased—although all could be voting—but there are prudential limits on the total amount of equity purchases.

Under existing interpretations of law, national banks may—in addition—take so-called equity kickers as part of loan agreements. That is, the bank may take part or all of its interest on a loan in the form of options or warrants for voting stock or profit sharing. There is no limit on the percentage of the borrowers' shares that may be the subject of these equity kickers. It is our understanding that such equity kickers are increasingly being used, with the options or warrants sold into the market or exercised by a nonbank affiliate. In a number of states, state banks are permitted, under state law and the Federal Deposit Insurance Act, to participate in real estate investments and various types of equity securities through subsidiaries of the bank. Moreover, a national bank itself or any bank holding company already can invest up to 5 percent of its capital in a small business investment company that, in turn, can own up to 49 percent of the voting shares of any small business; the banking organization can also make loans to those businesses. In addition, national banks can invest up to 10 percent of their capital in Community Development Corporations that also take equity positions in companies designed to provide jobs in, or otherwise help improve, low- and moderate-income neighborhoods.

Finally, the Financial Services Competitiveness and Regulatory Relief Act of 1995 would permit any bank holding company with a securities subsidiary to purchase *all* of the equity of any company, so-called merchant banking investments. This bill, sponsored by Chairman Leach, would require such investments to be passive, but there is no limit in the statute on the aggregate amount of such investments. The bill this subcommittee is considering also requires the investments to be passive but limits the amount of both the individual and aggregate equity investments. Moreover, the bill does not require these small holding companies to have a securities subsidiary in the holding company as a prerequisite for engaging in limited equity financing activities.

Banking organizations are in the business of taking risks; that is their economic purpose. But the Congress and the banking regulators have to be concerned about excessive risk. We thus support the provisions that require the Board of Governors to supervise and regulate this activity. But we should be clear that the authority to require divestitures may not provide the relief anticipated because these shares, as I noted, may not be readily marketable. We would consider using our authority to take a close look at the desirability of limiting the sum of loans to, and equity investments in, a single firm to guard against excessive concentration of risk in the banking organization.

The provisions of the bill before you recognize the inherent riskiness of equity investments by smaller bank holding companies and call for the prudential limits I have summarized. But, in a spirit of caution, and in recognition of future business cycles, the subcommittee might want to consider additional prudential provisions:

• Require that *all* the subsidiary banks not only be well capitalized, but also rated CAMEL 1 or 2, as a prerequisite to equity purchases by the holding company. Capital ratios generally are acceptable screens, but asset quality, management, asset diversification, and other factors also play a role. The addition of this provision would make very little difference in the number of bank holding companies that would be eligible to purchase equity now, but it could in the future.

• Require that the parent holding company (as well as all the subsidiary banks) be well capitalized before it could make an equity investment. Such a provision would have a significant effect on many quite small bank holding companies. The Federal Reserve does not apply risk-based standards to parent bank holding companies with assets of less than $150 million. Many of these parents borrow heavily to finance the equity of the subsidiary banks. As a result of this so-called double leverage, many of the parents do not have very much, if any, capital in excess of the well-capitalized minimum. Note that adding this provision would mean that minimum capital requirements would be applied to small bank holding companies only for purposes of investing in stocks under the bill.

• Limit the equity investments of eligible banking organizations to 50 percent of the capital in excess of the well-capitalized minimum standard of the subsidiary banks (as in the bill) or 50 percent of the capital in excess of the well-capitalized minimum standard for bank holding companies, *whichever is smaller*. Our best estimate is that applying this and the previous suggestion would reduce the permissible maximum aggregate equity investment quite sharply at the smallest banking organizations whose parent holding company capital is not as strong as at other small banking organizations. Banking organizations with more than $150 to $200 million of assets would not be affected very much.

These suggestions are designed to minimize the risk that could occur with equity investments by smaller bank holding companies. They may sound excessively prudent but seem to us desirable because of the limited experience of equity purchases by smaller banking organizations. The Board believes that its suggestions for revisions would not be in significant conflict with the purpose of the bill.

Statement by Lawrence B. Lindsey, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Financial Institutions and Consumer Credit of the Committee on Banking and Financial Services, U.S. House of Representatives, April 25, 1996

The Board of Governors of the Federal Reserve System appreciates this opportunity to comment on issues concerning fees imposed on electronic fund transfers at automated teller machines (ATMs). ATM fees have received considerable attention recently and are the subject of bills introduced in the House by Representatives Charles E. Schumer and Bernard Sanders.

This hearing is focusing on an examination of the existing ATM fee structure, the current regulatory scheme regarding surcharges, and the potential impact of these charges. The existing fee structure has been, or will be, addressed by witnesses representing the industry, who are better able to provide current detailed information on the subject. I will tell you about the regulatory scheme concerning fee disclosure under the Electronic Fund Transfer Act (EFTA), which the Board is responsible for implementing; provide some data about consumer complaints, the level of compliance with the EFTA found in bank examinations, and the incidence and amount of ATM transaction fees reported in Federal Reserve surveys; and make some observations about the legislative proposals.

Let me start by differentiating between two categories of ATM fees: fees charged by a financial institution to its own customers for use of ATMs and fees charged directly to a consumer by another ATM owner or operator for use of its machines. This latter type of fee is sometimes referred to as an ATM surcharge.

The Federal Reserve does not have any direct information on ATM surcharges; we do have data on ATM fees charged by institutions to their own customers. Fees charged to a consumer by the account-holding institution can include fees charged for the use of the institution's own ATMs and fees charged for use of ATMs operated by others. Our studies show that a relatively small number of financial institutions charge customers for use of the institution's own ATMs. Data developed for the Board's *Annual Report to the Congress on Retail Fees and Services of Depository Institutions* indicate that in 1995, 9.6 percent of banks charged their customers fees for cash withdrawals at the banks' own ATMs; the fee amount averaged $0.61. Among savings associations, 8.8 percent charged their customers, with a fee averaging $0.65.

The more common, and long-standing, practice is to charge customers for use of other institutions' ATMs—so-called nonproprietary ATMs. ATM networks charge account-holding institutions for handling transactions that their customers initiate at a nonproprietary ATM, and the institutions often pass on to their customers all or a portion of the network charge or impose a flat fee for such transactions. Again referring to the Board's study of retail fees and services, for cash withdrawals from nonproprietary ATMs in 1995, the percentage of institutions that charged their customers was higher: 85.3 percent for banks, with fees averaging $1.03, and 83.1 percent for savings associations, with fees averaging $0.97.

The trend in the incidence and level of charges has generally been upward. In 1990, 61.7 percent of banks charged their customers for use of nonproprietary ATMs; the fees averaged $0.90. For savings associations in 1990, 40.3 percent charged their customers fees that averaged $0.85.

In the past, ATM operators were limited to recovering costs through network agreements; generally they could not impose surcharges directly on ATM users. Until recently, Visa and MasterCard rules prohibited surcharges at ATMs in the networks they operate. In some areas the regional ATM network rules prohibited surcharges. A few states enacted limits on surcharges, without prohibiting them outright. ATM surcharges could be imposed in approximately fifteen states in which state law explicitly disallowed the prohibitions in network rules.

Visa and MasterCard have now repealed their prohibitions on ATM surcharges, effective April 1. Thus, many financial institutions that could not previously do so are now permitted to impose surcharges on ATM users, and some institutions have opted to impose such a fee. Because the consumer pays an ATM surcharge in addition to any fee imposed by the consumer's own account-holding bank for use of nonproprietary ATMs, a question has been raised about whether the fees are adequately disclosed to the consumer.

The EFTA and Regulation E require debit card issuers to disclose fees they charge for ATM and other electronic transactions. Disclosures are given at the time a consumer opens an account or signs up for an EFT service and on periodic statements, typically monthly, of account activity. If an institution later increases the fees charged, it must provide a notice of the change twenty-one days in advance. Under Regulation E, these disclosures must be provided in a written, clear, and readily understandable form.

An account-holding bank is not required to disclose ATM surcharges imposed by others because it would be impractical to monitor and disclose the dollar amount of a surcharge that might be imposed at any given time by some other financial institution nationwide. However, the EFTA and Regulation E do require disclosure of a surcharge at the ATM. The surcharge must appear on a sign posted at the ATM. Alternatively, the ATM operator has the option of displaying the fee on the terminal screen (instead of a sign) provided consumers are given the option to cancel the transaction after having received notice of the fee. In addition, surcharges must also be disclosed after the ATM transaction on the terminal receipt. Although the receipt disclosure generally comes after the transaction has been completed, the sign or screen requirement is designed to give machine users advance notice of the imposition of the fee and an opportunity to avoid the fee.

The EFTA provides for civil liability for violations in the amount of actual damages plus punitive damages of between $100 and $1,000 in an individual action, or up to $500,000 or 1 percent of the defendant's net worth in a class action, together with court costs and attorneys' fees. The act also provides for criminal liability ($5,000 fine or one year imprisonment, or both) for knowing and willful violations.

It is our understanding that in addition to the EFTA and Regulation E, a number of state laws, as well as the MasterCard and Visa operating rules, require disclosure of ATM surcharges.

Data on examinations of financial institutions show general compliance with Regulation E. For each of the years 1993, 1994, and 1995, for instance, the five federal financial institution regulatory agencies reported that 90 percent of institutions examined were in full compliance with Regulation E. There appear to be few violations involving fee disclosures. The data for state member banks of the Federal Reserve System show that out of 1,943 banks examined during the period January 1, 1993, to the present, twenty were cited for failing to disclose EFT fees in the initial disclosures; one institution failed to properly disclose EFT fees on a periodic statement; and four institutions were cited for failing to comply with the change-in-terms notice requirement (but it is not clear that these occurrences involved a change in EFT fees). No institutions were cited for failure to provide the proper notices at their ATMs.

Consumer complaint data also suggest few problems with electronic fund transfers generally. For example, in 1994, the Federal Reserve System received 1,177 complaints against state member banks; of these, twenty-seven related to EFT services. One of them involved EFT fees (but not at ATMs). Similarly, in 1995, the Federal Reserve System received a total of 1,238 complaints against state member banks; thirty-nine dealt with EFT services. Again, only one complaint concerned EFT fees (and the complaint did not concern use of an ATM). Of all consumer complaints—involving both state member banks and other types of institutions—received by the Federal Reserve over the past five years, only ten involved EFT fees, and only four of these related specifically to ATM fees.

The subcommittee has requested that we comment on the proposed legislation. H.R.3246, the "ATM Fee Disclosure Act of 1996," has been introduced by Representative Schumer. The bill would amend the EFTA to require disclosure at ATMs of all fees imposed in connection with a transaction by any person, whether the ATM operator, the account-holding institution, or a national, regional, or local network. We believe that because Regulation E, network operating rules, and laws in a number of states already require fee disclosures, the proposed legislation may be unnecessary. As I mentioned, Regulation E requires disclosure of a surcharge by the ATM operator at the time of the transaction and requires disclosure of fees imposed by the account-holding institution in the initial disclosures, in periodic statements, and in notices of changes in terms for fee increases.

There is a real question whether it is operationally feasible for an operator of an ATM to disclose fees imposed by the thousands of account-holding institutions whose customers have access to the ATM. Fees vary, and there is no practical way for the ATM operator to find out the fee amounts imposed by all institutions so as to comply with the proposed disclosure requirements. The ability to access funds through ATMs in almost any location nationwide is a valuable benefit to consumers; the costs of compliance with the requirements of the legislation, or the potential liability for failure to comply, could tend to discourage expansion of this service.

H.R.3246 would require disclosure of fees not only at ATMs operated by persons other than the consumer's institution but also at ATMs of the consumer's own institution. This latter type of transaction does not, by definition, involve a surcharge, only a charge imposed by the consumer's bank. As I mentioned earlier, this type of charge is imposed by relatively few banks and is not a new development. Consumers are likely fully aware of the charge, given that disclosure is required under Regulation E.

H.R.3221, the "Electronic Fund Transfer Fees Act of 1996," introduced by Representative Sanders, would amend the EFTA to totally prohibit ATM surcharges. In general, the Board believes that substantive limitations on prices, if adopted at all, are better left to state legislatures, which can take into account local economic conditions in deciding what limits, if any, are necessary. A few states have, in fact, enacted limits on ATM surcharges. A prohibition on surcharges might have the same effect as added compliance costs for additional disclosure of surcharges—a tendency to deter financial institutions and other ATM operators from making ATMs widely available to consumers.

There is also the possibility that a surcharge prohibition may be ineffective in keeping costs to consumers down. The network charge imposed on the account-holding bank is generally shared by the network with the operator of the ATM. ATM operators, if unable to impose surcharges, may be able to negotiate for an increase in the amounts received from networks, and such an increase could be passed on (via the account-holding bank) to consumers.

In conclusion, the Board believes that consumers benefit substantially from the availability of regional, nationwide, and worldwide ATM service. The Board also believes that the current disclosure scheme provides adequate and straightforward information to consumers about ATM fees. Although the level of fees paid by consumers for bank services is a matter of importance for consumers, competition in the marketplace—when combined with clear and full disclosure to consumers of fees—should be sufficient to keep fees at a level commensurate with the value provided in return and to give consumers a range of choices.

Statement by Edward W. Kelley, Jr., Member, Board of Governors of the Federal Reserve System, before the Committee on Banking and Financial Services, U.S. House of Representatives, April 30, 1996

I am pleased to be here today to discuss with you issues concerning the supervision and regulation of the U.S. banking system. Let me begin by pointing out that the overall condition of the American banking system is very strong. At home and abroad, U.S. banks are viewed as highly competitive, extremely innovative, and financially sound.

The focus of these hearings, as I understand it, is the effectiveness of the current regulatory structure and the desirability of changing the regulatory and supervisory structure for insured depository institutions, an issue considered by the Congress two years ago. You have asked several questions that I want to respond to, but first I would like to indicate that the Board believes that it is important to keep certain principles in mind as we assess the need for changes in the U.S. bank supervisory system.

First, the federal supervisory system should complement market evolution, and adjustments to its structure should follow, not precede, changes in the structure of the banking system that will result from statutory and regulatory proposals to alter substantially the powers of banking organizations. I need not explain to this committee how the forces of technological change and globalization of financial markets are blurring traditional distinctions between financial institutions that we all once took for granted. Thus there is an urgent need to modernize the U.S. banking structure. Among the more important modifications in structure being considered, now that the Congress has taken action to allow interstate banking and branching, are those dealing with a new charter for thrift institutions and new activities for banking organizations. Repeal of the Glass-Steagall Act's separations of commercial and investment banking and authorization of insurance activities for banking organizations are the most important changes being considered by the Congress.

Each of these proposals raises complex matters of regulatory structure. Once these issues have been resolved, then we will have a better idea of what changes are needed in our supervisory system. In the meantime, it seems premature to make any far-reaching decisions altering the structure of our bank and financial supervisory system. Such changes could easily prove to be a poor fit once industry restructuring takes place. In the interim, the existing regime seems to be sufficiently effective so as not to require legislative changes.

As a matter of principle, we should also guard against the unintended extension of the safety net, an issue that has been of long-standing concern to the Board, the Congress, and many observers of, and participants in, the U.S. financial system. The Board is of the view that the business risks from securities and most other financial activities are manageable for banking organizations. However, we must not forget a more subtle and corrosive risk. The federal safety net—deposit insurance, the discount window, and access to Fedwire—creates moral hazard, risk of loss to taxpayers, and—importantly—a competitive advantage over firms that do not have safety net protection. That safety net reflects society's need to reduce systemic risk and its desire to protect small depositors, but the line at which that safety net is drawn is important for minimizing moral hazard and maintaining both market discipline and competitive markets. The Board continues to believe that the holding company structure creates the best framework for limiting the transference of the subsidy provided by the safety net. We have concluded that the further the separation of new activities from the bank the better the insulation. The present regulatory structure supports this notion.

Another important principle is to preserve the dual banking system, which has served the United States so well. The current federal regulatory structure supports the dual banking system by linking the federal regulator to charter class. The dual system has facilitated diversity, inventiveness, and flexibility in American banking, characteristics that are vital to a market economy subject to rapid change and challenge. It has also provided a safety valve to protect against the potential for inflexible federal and state positions. The most recent example is the evolution of interstate banking, an evolution that was begun by the states in the mid-1970s and was well advanced by the time federal laws were revised. Such state actions also provide arenas for limited experiments in financial reform, experiments that can provide valuable insights for designing policies at the federal level. The Federal Reserve Board believes that any actions taken by the Congress to change the federal bank supervisory system must be designed in a way that preserves the vitality of the dual banking system. In the supervisory process, the Federal Reserve and the Federal Deposit Insurance Corporation (FDIC) have already arranged in a large number of states extensive sharing arrangements with state authorities, eliminating examination duplication.

In considering the need to revise the current regulatory structure, it is important to clarify the nature of the concerns. The period of most vocal criticism of the regulatory structure by banks was exactly the interval when those organizations were suffering the most significant financial stress in more than fifty years. It is understandable that clashes between those responsible for safety and soundness and those experiencing financial reversals would result in criticism by each of the other. It is instructive to note that as banking conditions improved, criticisms of supervisors and the supervisory structure have receded. Nevertheless, the earlier period of conflict exposed a number of inefficiencies in the current regulatory system. As I shall discuss in a moment, the regulatory agencies have, in particular, attempted to address the burden of regulatory overlap and to increase coordination of efforts, major concerns highlighted in the late 1980s and early 1990s. However, before doing so, it is important to clarify the dimensions of the existing overlap in bank supervision and to consider whether realignment of supervisory responsibilities would in fact reduce the supervisory burden on depository institutions.

About 40 percent of banking and thrift organizations are subject to only one federal regulator: the independent banks and thrift organizations and the holding companies whose subsidiaries are state member banks. A significant proportion of the statistical measure of multiple supervision among the remaining entities reflects the Federal Reserve's jurisdiction over holding company parents with national or state nonmember bank and thrift subsidiaries. However, most holding company parents do not engage in significant, if any, nonbank activity, and these so-called shell holding companies thus have always been subject to only minimal onsite supervision by the Federal Reserve. If we remove the shell holding companies from the statistics, the proportion of depository institutions supervised essentially by a single federal regulator increases from about 40 percent to more than 75 percent. Moreover, consolidated bank holding company organizations generally have a quite small proportion of their *depository institutions'* assets supervised by an agency other than the one responsible for their lead bank. In those remaining, one-fourth of institutions with multiple supervisors (for example, a holding company with a national bank subsidiary supervised by the Office of the Comptroller of the Currency, a state nonmember bank subsidiary supervised by the FDIC, a state member bank supervised by the Federal Reserve, and a savings and loan association supervised by the Office of Thrift Supervision), the non-lead federal bank supervisors, taken together, oversee, on average, less than 10 percent of the consolidated institution's banking and thrift assets.

The federal and state dual supervision of insured state-chartered banks is another area of potential overlap and is not included in the above statistics. However, as I noted earlier, the FDIC and the Federal Reserve have worked out arrangements with most states in which either the appropriate federal authorities join the state supervisor in joint examinations or conduct the examinations in alternate years. In such cases, federal and state supervisors do not separately examine the bank in the same year.

No matter how small the proportion of bank and thrift assets subject to multiple supervisors, every effort should be made to reduce the resultant burden on depository organizations. Toward that end, the agencies have for many years divided examination responsibilities so that only one federal agency examines a given depository institution. In supervising a parent bank holding company, for example, the Federal Reserve relies principally on the evaluation of subsidiary banks or thrift institutions by that subsidiary's primary supervisor and does not attempt to reexamine the bank or thrift institution.

In evaluating credit risk, the principal risk to banks, the agencies have long had procedures designed to enhance consistency and increase cooperation across the agencies. For large, syndicated loans—those involving credits of more than $20 million held by two or more banks—the agencies have the Shared National Credits Program in which supervisors from all banking agencies agree annually on a single evaluation that all examiners use whenever they encounter the credit. This program covers more than $700 billion of unused commercial loan commitments and some $400 billion of outstanding commercial loans of the U.S. banking system. The outstandings represent roughly one-third of all commercial loans booked in U.S. offices of commercial banks, including the U.S. branches and agencies of foreign banks. For many years, a similar process has also existed for evaluating the so-called transfer risk inherent in loans to borrowers in foreign countries that are not denominated in the borrower's local currency. Once a rating is determined for a specific country and for particular types of credit extensions to that country, examiners of all agencies treat the credit uniformly.

I do not mean to imply that there is no burden for those banking and thrift organizations dealing with more than one supervisor. One area, in particular, that can present difficulties in coordinating supervisory activities relates to larger and more complex banking organizations. These institutions are often characterized by multiple bank and nonbank subsidiaries that manage and control their consolidated activities through risk management and operating policies and procedures developed and monitored at the parent holding company level. Similarly, as bank activities and management practices have evolved in recent decades, these large financial institutions have structured their daily activities increasingly along product lines, with less regard to legal entities. For example, many large banking organizations control, hedge, and otherwise manage their investment securities and trading position across all of the subsidiary bank and nonbank entities on a consolidated basis.

The banking agencies recognize that these trends in management practices can increase the potential for overlapping supervisory efforts and have, accordingly, sought to minimize the overlap that might occur. In June 1993, the federal banking and thrift agencies adopted an interagency agreement under which they would coordinate the timing, planning, and scope of examinations and holding company inspections; conduct joint examinations or inspections when necessary; hold joint meetings with bank and bank holding company management related to examination findings; and coordinate information requests and enforcement actions. This agreement delineated the supervisory responsibilities of each agency regarding particular entities within a consolidated organization. It also recognized that there are legitimate situations when an agency other than an entity's primary supervisor needs to participate in examinations or inspections to fulfill its regulatory responsibilities. Although this agreement is not a panacea, it has helped to reduce the burden of multiple supervisors on banking organizations.

However, even if every banking and thrift organization were subject to the jurisdiction of only one agency, some of the inherent overlap in examiner duties would still occur simply because of the size and diversity of the institution's activities. The overlap would be less apparent to the institution because examiners would all be from the same agency and any differences in supervisory judgments would be minimized. However, the number of inquiries and onsite visitations might not decline materially.

Even with one supervisor per organization, different laws and regulations apply to different elements of an institution, and its diverse activities often require examiners to have specialized expertise. Reviewing the adherence of a parent company to the provisions of the Bank Holding Company Act and its implementing regulations requires different skills than are necessary in reviewing the trading activities of a London subsidiary bank. More generally, at large organizations safety and soundness examinations require a large number of individuals with special expertise in such diverse areas as credit evaluations, with experts needed for each type of credit market; securities trading; foreign exchange; risk management; evaluation of credit and market risk models; and compliance with safety and soundness laws and regulations, such as lending to affiliates and loans to one borrower. To this list must be added specialty examinations for trust activities, the Community Reinvestment Act, and data processing.

Scheduling, training, and coordinating the personnel to conduct these varied activities throughout the organization and to communicate as necessary with each other would still be a complex task under a single agency. Moreover, some institutions—large and small—prefer that examiners not arrive simultaneously because of the demands that would place on their resources. Thus, as now, a single regulatory agency would still spread out its examinations over time, either because of limitations of agency staff or because of the preferences of the institution.

You asked about the Federal Financial Institutions Examination Council, established by the Congress in 1979 to provide a facility through which the agencies could address policy and operating differences, and thereby reduce the costs of their activities to the supervised institutions and to the public. The council has been largely successful in this by providing a useful forum for both the principals and the staffs to discuss issues of common concern. It has facilitated consistency in regulations, accounting, and information collection. It has also devised ways to lessen regulatory burden and has sponsored extensive training and education for examiners and bankers. These are no small matters. However, candor requires that I report that some substantive and complex issues have proved to be difficult to resolve by the council.

Outside the council framework, the three banking agencies have had success in developing guidelines to coordinate the planning, timing, and scope of examinations when multiple agencies are involved. Efforts continue to carry such guidelines further, particularly by working to implement the concept of unified examinations pursuant to section 305 of the Riegle Community Development and Regulatory Improvement Act of 1994. This legislation requires the federal banking agencies to implement a system by September 1996 that determines which one of them shall be the "lead" agency responsible for managing a unified examination of each banking organization. In conclusion, the U.S. banking system today is extremely healthy and competitive in both its domestic and international operations. The degree of actual multiple supervision of banking organizations is less than a cursory review of statistics might suggest. In addition, federal bank supervisors and the Congress have made substantial progress in recent years in improving our supervisory policies and procedures for ensuring bank safety and soundness, and also in reducing regulatory burden, reducing supervisory overlap, and improving the consistency of our rules and regulations. While we can and should do more, and the agencies are working toward such improvements, modifications and reforms should be evaluated against certain principles. First among these is that changes in regulatory structure should follow, and not precede, adjustments to the basic structure of our insured depository system and the modernization of its activities. Choices made by the Congress on bank and thrift structure and authorized powers should be fundamental determinants of the regulatory structure. The Federal Reserve continues to encourage the Congress to take legislative actions needed to further the evolution of our banking and financial system. □

Announcements

Regulation E: Final Rule and Amendment to the Staff Commentary

The Federal Reserve Board announced on April 23, 1996, a final rule to simplify and update its Regulation E, which implements the Electronic Fund Transfer Act.

In keeping with the Board's Regulatory Planning and Review Program, the revisions primarily focus on ways of easing the compliance burdens imposed on financial institutions without diminishing the consumer protections established by the act. The revised rule contains some substantive amendments, including changes to the existing exemptions for securities and commodities transfers and for preauthorized transfers to or from accounts at small financial institutions. In conjunction with the amendments to the regulation, the Board also has amended the staff commentary to Regulation E.

The revised rule and commentary are effective May 1, 1996, with mandatory compliance January 1, 1997.

Separately, the Board had earlier issued proposed revisions to Regulation E addressing stored-value products and electronic communications. Because of a delay in the publication of that proposal in the *Federal Register*, the Board has extended that public comment period from July 10 to August 1, 1996.

Margin Regulations: Final Rule and Proposed Amendment

The Federal Reserve Board announced on April 26, 1996, a final rule along with a request for comment on a proposed rule amending the Board's margin regulations.

The final rule is generally effective July 1, 1996, though certain provisions relating to options transactions become effective June 1, 1997.

Comment on the proposed amendments is requested by July 1, 1996.

The final rule constitutes some of the most significant reductions of regulatory burden on broker–dealers since 1934 through the following provisions:

- Eliminating restrictions on the ability of broker–dealers to arrange for credit
- Increasing the type and number of domestic and foreign securities that may be bought on margin and increasing the loan value of some securities that are already marginable
- Deleting Board rules regarding options transactions in favor of the rules of the options exchanges
- Reducing restrictions on transactions involving foreign persons, foreign securities, and foreign currency.

Also, technical changes have been made to provide clarification, update references, or restore language inadvertently deleted.

The proposed amendments would authorize the following:

- Allow broker–dealers to extend good faith credit on any nonequity security rather than only those currently permitted in the Board's rules
- Allow transactions involving nonequity securities to be effected in an account not subject to the restrictions in Regulation T (Credit by Brokers and Dealers) regarding margin accounts
- Remove restrictions on the ability of broker–dealers to calculate required margin for nonequity securities on a "portfolio" basis
- Relax the Board's collateral requirements for the borrowing and lending of securities
- Exempt from Regulation T any credit extended abroad by a U.S. broker–dealer or foreign securities to foreign persons.

The proposal also seeks comment on whether the Board should expand the number of equity securities eligible for loan value under Regulation T and whether the Board should amend Regulations G (Securities Credit by Persons Other Than Banks, Brokers, or Dealers) and U (Credit by Banks for Purchasing or Carrying Margin Stocks) to modify their method for determining which equity securities are eligible for loan value.

More broadly, the proposal seeks comment on any other steps the Board could take to reduce the burden imposed by Regulation T, including any steps to reduce the accounting and recordkeeping aspects of the regulation that would be consistent with the purposes and requirements of the Securities and Exchange Act of 1934.

Final Rule Regarding the Definition of Capital Stock and Surplus

The Federal Reserve Board announced on April 29, 1996, a final rule to reduce the regulatory burden for member banks and other insured depository institutions that monitor lending to their affiliates. The rule is effective July 1, 1996.

The final rule adopts a definition of capital stock and surplus for purposes of section 23A of the Federal Reserve Act that conforms to the definition of unimpaired capital and unimpaired surplus used by the Board in calculating the limits in Regulation O (Loans to Executive Officers, Directors, and Principal Shareholders of Member Banks) for insider lending and by the Office of the Comptroller of the Currency in calculating the limit on loans by a national bank to a single borrower.

Approval of a New Cash Access Policy for the Federal Reserve Banks

The Federal Reserve Board on April 25, 1996, approved a new cash access policy for the Federal Reserve Banks. The new policy will provide greater consistency in the cash service levels provided by the Federal Reserve Banks to depository institutions. The new policy becomes effective on May 1, 1998.

The policy provides for a base level of free currency access to all depository institutions but restricts the number of offices served and the frequency of access. Under the new policy, each depository institution with a banking presence in a Federal Reserve Bank office territory can designate up to ten offices to receive free cash access (deposit and order) service from the local Reserve Bank office. Besides the ten offices, Reserve Bank offices will provide free cash access to offices whose volumes exceed a specified threshold.

Normal free access for each designated office of the depository institution will continue to be once a week. Access more frequent than once a week will be available to the designated offices whose volumes exceed a specified threshold.

Additional access, beyond the free service level, will be priced. The Board anticipates that all Reserve Bank offices will offer priced cash services except for those offices that can demonstrate that operational limitations prevent them from doing so.

Proposed Action

The Federal Reserve Board on April 26, 1996, requested comment on proposed amendments to Regulation O governing insider lending. The proposed amendments would implement authority granted the Board by the Riegle Community Development and Regulatory Improvement Act of 1994. Comments were requested by June 17, 1996.

Availability of Revised Lists of Over-the-Counter Stocks and of Foreign Margin Stocks Subject to Margin Regulations

The Federal Reserve Board on April 26, 1996, published a revised list of over-the-counter (OTC) stocks that are subject to its margin regulations (OTC list). Also published was a revised list of foreign equity securities (foreign list) that meet the margin criteria in Regulation T (Credit by Brokers and Dealers). These lists are published for the information of lenders and the general public.

The lists became effective May 13, 1996, and supersede the previous lists that were effective February 12, 1996. The next revision of the lists is scheduled to be effective August 1996.

The changes that were made to the revised OTC list, which now contains 4,456 OTC stocks, are as follows:

- Two hundred forty-five stocks have been included for the first time, 205 under National Market System (NMS) designation.
- Forty stocks previously on the list have been removed for substantially failing to meet the requirements for continued listing.
- Eighty-eight stocks have been removed for reasons such as listing on a national securities exchange or involvement in an acquisition.

The OTC list is composed of OTC stocks that have been determined by the Board to be subject to margin requirements in Regulations G (Securities Credit by Persons Other Than Banks, Brokers, or Dealers), T, and U (Credit by Banks for Purchasing or Carrying Margin Stocks). The list includes OTC stocks qualifying under Board criteria and also includes all OTC stocks designated as NMS securities. Additional

NMS securities may be added in the interim between quarterly Board publications; these securities are immediately marginable upon designation as NMS securities.

The foreign list specifies those foreign equity securities that are eligible for margin treatment at broker–dealers. There were two additions, one name change, and three deletions from the foreign list; it now contains 700 foreign equity securities.

CHANGE IN BOARD STAFF

The Board of Governors announced the retirement, effective May 31, 1996, of Don E. Kline, Associate Director in the Division of Banking Supervision and Regulation, after thirty-three years of service to the Federal Reserve System. □

Legal Developments

FINAL RULE—AMENDMENT TO REGULATION E

The Board of Governors is amending 12 C.F.R. Part 205, its Regulation E (Electronic Fund Transfers). The amendments are a result of the Board's review of Regulation E under its Regulatory Planning and Review Program, which calls for the periodic review of all Board regulations. The final rule contains some substantive amendments, including changes to the existing exemptions for securities or commodities transfers. Primarily, the final amendments simplify the language and format of the regulation, and delete obsolete provisions.

Effective May 2, 1996, 12 C.F.R. Part 205 is amended as follows:

Part 205—Electronic Fund Transfers (Regulation E)

1. The authority citation for Part 205 continues to read as follows:

Authority: 15 U.S.C. 1693.

2. The table of contents for Part 205 is revised to read as follows:

3. Sections 205.1 through 205.15 are revised to read as follows:

Section 205.1—Authority and purpose.

(a) *Authority*. The regulation in this part, known as Regulation E, is issued by the Board of Governors of the Federal Reserve System pursuant to the Electronic Fund Transfer Act (15 U.S.C. 1693 *et seq*.). The information-collection requirements have been approved by the Office of Management and Budget under 44 U.S.C. 3501 *et seq*. and have been assigned OMB No. 7100-0200.

(b) *Purpose*. This part carries out the purposes of the Electronic Fund Transfer Act, which establishes the basic rights, liabilities, and responsibilities of consumers who use electronic fund transfer services and of financial institutions that offer these services. The primary objective of the act and this part is the protection of individual consumers engaging in electronic fund transfers.

Section 205.2—Definitions.

For purposes of this part, the following definitions apply:

(a)(1) *Access device* means a card, code, or other means of access to a consumer's account, or any combination thereof, that may be used by the consumer to initiate electronic fund transfers.

(2) An access device becomes an *accepted access device* when the consumer:

(i) Requests and receives, or signs, or uses (or authorizes another to use) the access device to transfer money between accounts or to obtain money, property, or services;

(ii) Requests validation of an access device issued on an unsolicited basis; or

(iii) Receives an access device in renewal of, or in substitution for, an accepted access device from either the financial institution that initially issued the device or a successor.

(b)(1) *Account* means a demand deposit (checking), savings, or other consumer asset account (other than an occasional or incidental credit balance in a credit plan) held directly or indirectly by a financial institution and established primarily for personal, family, or household purposes.

(2) The term does not include an account held by a financial institution under a bona fide trust agreement.

(c) *Act* means the Electronic Fund Transfer Act (title IX of the Consumer Credit Protection Act, 15 U.S.C. 1693 *et seq.*).

(d) *Business day* means any day on which the offices of the consumer's financial institution are open to the public for carrying on substantially all business functions.

(e) *Consumer* means a natural person.

(f) *Credit* means the right granted by a financial institution to a consumer to defer payment of debt, incur debt and defer its payment, or purchase property or services and defer payment therefor.

(g) *Electronic fund transfer* is defined in section 205.3.

(h) *Electronic terminal* means an electronic device, other than a telephone operated by a consumer, through which a consumer may initiate an electronic fund transfer. The term includes, but is not limited to, point-of-sale terminals, automated teller machines, and cash dispensing machines.

(i) *Financial institution* means a bank, savings association, credit union, or any other person that directly or indirectly holds an account belonging to a consumer, or that issues an access device and agrees with a consumer to provide electronic fund transfer services.

(j) *Person* means a natural person or an organization, including a corporation, government agency, estate, trust, partnership, proprietorship, cooperative, or association.

(k) *Preauthorized electronic fund transfer* means an electronic fund transfer authorized in advance to recur at substantially regular intervals.

(l) *State* means any state, territory, or possession of the United States; the District of Columbia; the Commonwealth of Puerto Rico; or any political subdivision of the above in this paragraph (l).

(m) *Unauthorized electronic fund transfer* means an electronic fund transfer from a consumer's account initiated by a person other than the consumer without actual authority to initiate the transfer and from which the consumer receives no benefit. The term does not include an electronic fund transfer initiated:

(1) By a person who was furnished the access device to the consumer's account by the consumer, unless the consumer has notified the financial institution that transfers by that person are no longer authorized;

(2) With fraudulent intent by the consumer or any person acting in concert with the consumer; or

(3) By the financial institution or its employee.

Section 205.3 Coverage.

(a) *General.* This part applies to any electronic fund transfer that authorizes a financial institution to debit or credit a consumer's account. Generally, this part applies to financial institutions. For purposes of sections 205.10(b), (d), and (e) and 205.13, this part applies to any person.

(b) *Electronic fund transfer.* The term electronic fund transfer means any transfer of funds that is initiated through an electronic terminal, telephone, computer, or magnetic tape for the purpose of ordering, instructing, or authorizing a financial institution to debit or credit an account. The term includes, but is not limited to:

(1) Point-of-sale transfers;

(2) Automated teller machine transfers;

(3) Direct deposits or withdrawals of funds;

(4) Transfers initiated by telephone; and

(5) Transfers resulting from debit card transactions, whether or not initiated through an electronic terminal.

(c) *Exclusions from coverage.* The term electronic fund transfer does not include:

(1) *Checks.* Any transfer of funds originated by check, draft, or similar paper instrument; or any payment made by check, draft, or similar paper instrument at an electronic terminal.

(2) *Check guarantee or authorization.* Any transfer of funds that guarantees payment or authorizes acceptance of a check, draft, or similar paper instrument but that does not directly result in a debit or credit to a consumer's account.

(3) *Wire or other similar transfers.* Any transfer of funds through Fedwire or through a similar wire transfer system that is used primarily for transfers between financial institutions or between businesses.

(4) *Securities and commodities transfers.* Any transfer of funds the primary purpose of which is the purchase or sale of a security or commodity, if the security or commodity is:

(i) Regulated by the Securities and Exchange Commission or the Commodity Futures Trading Commission;

(ii) Purchased or sold through a broker-dealer regulated by the Securities and Exchange Commission or through a futures commission merchant regulated by the Commodity Futures Trading Commission; or

(iii) Held in book-entry form by a Federal Reserve Bank or federal agency.

(5) *Automatic transfers by account-holding institution.* Any transfer of funds under an agreement between a consumer and a financial institution which provides that the institution will initiate individual transfers without a specific request from the consumer:

(i) Between a consumer's accounts within the financial institution;

(ii) From a consumer's account to an account of a member of the consumer's family held in the same financial institution; or

(iii) Between a consumer's account and an account of the financial institution, except that these transfers remain subject to section 205.10(e) regarding compulsory use and sections 915 and 916 of the act regarding civil and criminal liability.

(6) *Telephone-initiated transfers.* Any transfer of funds that:

(i) Is initiated by a telephone communication between a consumer and a financial institution making the transfer; and

(ii) Does not take place under a telephone bill-payment or other written plan in which periodic or recurring transfers are contemplated.

(7) *Small institutions.* Any preauthorized transfer to or from an account if the assets of the account-holding financial institution were $100 million or less on the preceding December 31. If assets of the account-holding institution subsequently exceed $100 million, the institution's exemption for preauthorized transfers terminates one year from the end of the calendar year in which the assets exceed $100 million. Preauthorized transfers exempt under this paragraph (c)(7) remain subject to section 205.10(e) regarding compulsory use and sections 915 and 916 of the act regarding civil and criminal liability.

Section 205.4 - General disclosure requirements; jointly offered services.

(a) *Form of disclosures.* Disclosures required under this part shall be clear and readily understandable, in writing, and in a form the consumer may keep. A financial institution may use commonly accepted or readily understandable abbreviations in complying with the disclosure requirements of this part.

(b) *Additional information; disclosures required by other laws.* A financial institution may include additional information and may combine disclosures required by other laws (such as the Truth in Lending Act (15 U.S.C. 1601 *et seq.*) or the Truth in Savings Act (12 U.S.C. 4301 *et seq.*)) with the disclosures required by this part.

(c) [Reserved]

(d) *Multiple accounts and account holders.* (1) *Multiple accounts.* A financial institution may combine the required disclosures into a single statement for a consumer who holds more than one account at the institution.

(2) *Multiple account holders.* For joint accounts held by two or more consumers, a financial institution need provide only one set of the required disclosures and may provide them to any of the account holders.

(e) *Services offered jointly.* Financial institutions that provide electronic fund transfer services jointly may contract among themselves to comply with the requirements that this part imposes on any or all of them. An institution need make only the disclosures required by sections 205.7 and 205.8 that are within its knowledge and within the purview of its relationship with the consumer for whom it holds an account.

Section 205.5 -- Issuance of access devices.

(a) *Solicited issuance.* Except as provided in paragraph (b) of this section, a financial institution may issue an access device to a consumer only:

(1) In response to an oral or written request for the device; or

(2) As a renewal of, or in substitution for, an accepted access device whether issued by the institution or a successor.

(b) *Unsolicited issuance.* A financial institution may distribute an access device to a consumer on an unsolicited basis if the access device is:

(1) Not validated, meaning that the institution has not yet performed all the procedures that would enable a consumer to initiate an electronic fund transfer using the access device;

(2) Accompanied by a clear explanation that the access device is not validated and how the consumer may dispose of it if validation is not desired;

(3) Accompanied by the disclosures required by section 205.7, of the consumer's rights and liabilities that will apply if the access device is validated; and

(4) Validated only in response to the consumer's oral or written request for validation, after the institution has verified the consumer's identity by a reasonable means.

Section 205.6 Liability of consumer for unauthorized transfers.

(a) *Conditions for liability.* A consumer may be held liable, within the limitations described in paragraph (b) of this section, for an unauthorized electronic fund transfer involving the consumer's account only if the financial institution has provided the disclosures required by section 205.7(b)(1), (2), and (3). If the unauthorized transfer involved an access device, it must be an accepted access device and the financial institution must have provided a means to identify the consumer to whom it was issued.

(b) *Limitations on amount of liability.* A consumer's liability for an unauthorized electronic fund transfer or a series of related unauthorized transfers shall be determined as follows:

(1) *Timely notice given.* If the consumer notifies the financial institution within two business days after learning of the loss or theft of the access device, the consumer's liability shall not exceed the lesser of $50 or the amount of unauthorized transfers that occur before notice to the financial institution.

(2) *Timely notice not given.* If the consumer fails to notify the financial institution within two business days after learning of the loss or theft of the access device, the consumer's liability shall not exceed the lesser of $500 or the sum of:

(i) $50 or the amount of unauthorized transfers that occur within the two business days, whichever is less; and

(ii) The amount of unauthorized transfers that occur after the close of two business days and before notice to the institution, provided the institution establishes that these transfers would not have occurred had the consumer notified the institution within that two-day period.

(3) *Periodic statement; timely notice not given.* A consumer must report an unauthorized electronic fund transfer that appears on a periodic statement within 60 days of the financial institution's transmittal of the statement to avoid liability for subsequent transfers. If the consumer fails to do so, the consumer's liability shall not exceed the amount of the unauthorized transfers that occur after the close of the 60 days and before notice to the institution, and that the institution establishes would not have occurred had the consumer notified the institution within the 60-day period. When an access device is involved in the unauthorized transfer, the consumer may be liable for other amounts set forth in paragraphs (b)(1) or (b)(2) of this section, as applicable.

(4) *Extension of time limits.* If the consumer's delay in notifying the financial institution was due to extenuating circumstances, the institution shall extend the times specified above to a reasonable period.

(5) *Notice to financial institution.*

(i) Notice to a financial institution is given when a consumer takes steps reasonably necessary to provide the institution with the pertinent information, whether or not a particular employee or agent of the institution actually receives the information.

(ii) The consumer may notify the institution in person, by telephone, or in writing.

(iii) Written notice is considered given at the time the consumer mails the notice or delivers it for transmission to the institution by any other usual means. Notice may be considered constructively given when the institution becomes aware of circumstances leading to the reasonable belief that an unauthorized transfer to or from the consumer's account has been or may be made.

(6) *Liability under state law or agreement.* If state law or an agreement between the consumer and the financial institution imposes less liability than is provided by this section, the consumer's liability shall not exceed the amount imposed under the state law or agreement.

Section 205.7—Initial disclosures.

(a) *Timing of disclosures.* A financial institution shall make the disclosures required by this section at the time a consumer contracts for an electronic fund transfer service or before the first electronic fund transfer is made involving the consumer's account.

(b) *Content of disclosures.* A financial institution shall provide the following disclosures, as applicable:

(1) *Liability of consumer.* A summary of the consumer's liability, under section 205.6 or under state or other applicable law or agreement, for unauthorized electronic fund transfers.

(2) *Telephone number and address.* The telephone number and address of the person or office to be notified when the consumer believes that an unauthorized electronic fund transfer has been or may be made.

(3) *Business days.* The financial institution's business days.

(4) *Types of transfers; limitations.* The type of electronic fund transfers that the consumer may make and any limitations on the frequency and dollar amount of transfers. Details of the limitations need not be disclosed if confidentiality is essential to maintain the security of the electronic fund transfer system.

(5) *Fees.* Any fees imposed by the financial institution for electronic fund transfers or for the right to make transfers.

(6) *Documentation.* A summary of the consumer's right to receipts and periodic statements, as provided in section 205.9, and notices regarding preauthorized transfers as provided in sections 205.10(a) and 205.10(d).

(7) *Stop payment.* A summary of the consumer's right to stop payment of a preauthorized electronic fund transfer and the procedure for placing a stop-payment order, as provided in section 205.10(c).

(8) *Liability of institution.* A summary of the financial institution's liability to the consumer under section 910 of the act for failure to make or to stop certain transfers.

(9) *Confidentiality.* The circumstances under which, in the ordinary course of business, the financial institution may provide information concerning the consumer's account to third parties.

(10) *Error resolution.* A notice that is substantially similar to Model Form A-3 as set out in Appendix A of this part concerning error resolution.

Section 205.8—Change in terms notice; error resolution notice.

(a) *Change in terms notice*—(1) *Prior notice required.* A financial institution shall mail or deliver a written notice to the consumer, at least 21 days before the effective date, of any change in a term or condition required to be disclosed under section 205.7(b) if the change would result in:

(i) Increased fees for the consumer;

(ii) Increased liability for the consumer;

(iii) Fewer types of available electronic fund transfers; or

(iv) Stricter limitations on the frequency or dollar amount of transfers.

(2) *Prior notice exception.* A financial institution need not give prior notice if an immediate change in terms or conditions is necessary to maintain or restore the security of an account or an electronic fund transfer system. If the institution makes such a change permanent and disclosure would not jeopardize the security of the account or system, the institution shall notify the consumer

in writing on or with the next regularly scheduled periodic statement or within 30 days of making the change permanent.

(b) *Error resolution notice.* For accounts to or from which electronic fund transfers can be made, a financial institution shall mail or deliver to the consumer, at least once each calendar year, an error resolution notice substantially similar to the model form set forth in Appendix A of this part (Model Form A-3). Alternatively, an institution may include an abbreviated notice substantially similar to the model form error resolution notice set forth in Appendix A of this part (Model Form A-3), on or with each periodic statement required by section 205.9(b).

Section 205.9—Receipts at electronic terminals; periodic statements.

(a) *Receipts at electronic terminals.* A financial institution shall make a receipt available to a consumer at the time the consumer initiates an electronic fund transfer at an electronic terminal. The receipt shall set forth the following information, as applicable:

(1) *Amount.* The amount of the transfer. A transaction fee may be included in this amount, provided the amount of the fee is disclosed on the receipt and displayed on or at the terminal.

(2) *Date.* The date the consumer initiates the transfer.

(3) *Type.* The type of transfer and the type of the consumer's account(s) to or from which funds are transferred. The type of account may be omitted if the access device used is able to access only one account at that terminal.

(4) *Identification.* A number or code that identifies the consumer's account or accounts, or the access device used to initiate the transfer. The number or code need not exceed four digits or letters to comply with the requirements of this paragraph (a)(4).

(5) *Terminal location.* The location of the terminal where the transfer is initiated, or an identification such as a code or terminal number. Except in limited circumstances where all terminals are located in the same city or state, if the location is disclosed, it shall include the city and state or foreign country and one of the following:

(i) The street address; or

(ii) A generally accepted name for the specific location; or

(iii) The name of the owner or operator of the terminal if other than the account-holding institution.

(6) *Third party transfer.* The name of any third party to or from whom funds are transferred.

(b) *Periodic statements.* For an account to or from which electronic fund transfers can be made, a financial institution shall send a periodic statement for each monthly cycle in which an electronic fund transfer has occurred; and shall send a periodic statement at least quarterly if no transfer has occurred. The statement shall set forth the following information, as applicable:

(1) *Transaction information.* For each electronic fund transfer occurring during the cycle:

(i) The amount of the transfer;

(ii) The date the transfer was credited or debited to the consumer's account;

(iii) The type of transfer and type of account to or from which funds were transferred;

(iv) For a transfer initiated by the consumer at an electronic terminal (except for a deposit of cash or a check, draft, or similar paper instrument), the terminal location described in paragraph (a)(5) of this section; and

(v) The name of any third party to or from whom funds were transferred.

(2) *Account number.* The number of the account.

(3) *Fees.* The amount of any fees assessed against the account during the statement period for electronic fund transfers, for the right to make transfers, or for account maintenance.

(4) *Account balances.* The balance in the account at the beginning and at the close of the statement period.

(5) *Address and telephone number for inquiries.* The address and telephone number to be used for inquiries or notice of errors, preceded by "Direct inquiries to" or similar language. The address and telephone number provided on an error resolution notice under section 205.8(b) given on or with the statement satisfies this requirement.

(6) *Telephone number for preauthorized transfers.* A telephone number the consumer may call to ascertain whether preauthorized transfers to the consumer's account have occurred, if the financial institution uses the telephone-notice option under section 205.10(a)(1)(iii).

(c) *Exceptions to the periodic statement requirement for certain accounts* — (1) *Preauthorized transfers to accounts.* For accounts that may be accessed only by preauthorized transfers to the account the following rules apply:

(i) *Passbook accounts.* For passbook accounts, the financial institution need not provide a periodic statement if the institution updates the passbook upon presentation or enters on a separate document the amount and date of each electronic fund transfer since the passbook was last presented.

(ii) *Other accounts.* For accounts other than passbook accounts, the financial institution must send a periodic statement at least quarterly.

(2) *Intra-institutional transfers.* For an electronic fund transfer initiated by the consumer between two accounts of the consumer in the same institution, documenting the transfer on a periodic statement for one of the two accounts satisfies the periodic statement requirement.

(3) *Relationship between paragraphs (c)(1) and (c)(2) of this section.* An account that is accessed by preauthorized transfers to the account described in paragraph (c)(1) of this section and by intra-institutional transfers described in paragraph (c)(2) of this section, but by no other type of electronic fund transfers, quali-

fies for the exceptions provided by paragraph (c)(1) of this section.

(d) *Documentation for foreign-initiated transfers.* The failure by a financial institution to provide a terminal receipt for an electronic fund transfer or to document the transfer on a periodic statement does not violate this part if:

(1) The transfer is not initiated within a state; and

(2) The financial institution treats an inquiry for clarification or documentation as a notice of error in accordance with section 205.11.

Section 205.10—Preauthorized transfers.

(a) *Preauthorized transfers to consumer's account.*

(1) *Notice by financial institution.* When a person initiates preauthorized electronic fund transfers to a consumer's account at least once every 60 days, the account-holding financial institution shall provide notice to the consumer by:

(i) *Positive notice.* Providing oral or written notice of the transfer within two business days after the transfer occurs; or

(ii) *Negative notice.* Providing oral or written notice, within two business days after the date on which the transfer was scheduled to occur, that the transfer did not occur; or

(iii) *Readily-available telephone line.* Providing a readily available telephone line that the consumer may call to determine whether the transfer occurred and disclosing the telephone number on the initial disclosure of account terms and on each periodic statement.

(2) *Notice by payor.* A financial institution need not provide notice of a transfer if the payor gives the consumer positive notice that the transfer has been initiated.

(3) *Crediting.* A financial institution that receives a preauthorized transfer of the type described in paragraph (a)(1) of this section shall credit the amount of the transfer as of the date the funds for the transfer are received.

(b) *Written authorization for preauthorized transfers from consumer's account.* Preauthorized electronic fund transfers from a consumer's account may be authorized only by a writing signed or similarly authenticated by the consumer. The person that obtains the authorization shall provide a copy to the consumer.

(c) *Consumer's right to stop payment.* (1) *Notice.* A consumer may stop payment of a preauthorized electronic fund transfer from the consumer's account by notifying the financial institution orally or in writing at least three business days before the scheduled date of the transfer.

(2) *Written confirmation.* The financial institution may require the consumer to give written confirmation of a stop-payment order within 14 days of an oral notification. An institution that requires written confirmation shall inform the consumer of the requirement and provide the address where confirmation must be sent when the consumer gives the oral notification. An oral stop-payment order ceases to be binding after 14 days if the consumer fails to provide the required written confirmation.

(d) *Notice of transfers varying in amount.*

(1) *Notice.* When a preauthorized electronic fund transfer from the consumer's account will vary in amount from the previous transfer under the same authorization or from the preauthorized amount, the designated payee or the financial institution shall send the consumer written notice of the amount and date of the transfer at least 10 days before the scheduled date of transfer.

(2) *Range.* The designated payee or the institution shall inform the consumer of the right to receive notice of all varying transfers, but may give the consumer the option of receiving notice only when a transfer falls outside a specified range of amounts or only when a transfer differs from the most recent transfer by more than an agreed-upon amount.

(e) *Compulsory use.* (1) *Credit.* No financial institution or other person may condition an extension of credit to a consumer on the consumer's repayment by preauthorized electronic fund transfers, except for credit extended under an overdraft credit plan or extended to maintain a specified minimum balance in the consumer's account.

(2) *Employment or government benefit.* No financial institution or other person may require a consumer to establish an account for receipt of electronic fund transfers with a particular institution as a condition of employment or receipt of a government benefit.

Section 205.11—Procedures for resolving errors.

(a) *Definition of error.* (1) *Types of transfers or inquiries covered.* The term *error* means:

(i) An unauthorized electronic fund transfer;

(ii) An incorrect electronic fund transfer to or from the consumer's account;

(iii) The omission of an electronic fund transfer from a periodic statement;

(iv) A computational or bookkeeping error made by the financial institution relating to an electronic fund transfer;

(v) The consumer's receipt of an incorrect amount of money from an electronic terminal;

(vi) An electronic fund transfer not identified in accordance with sections 205.9 or 205.10(a); or

(vii) The consumer's request for documentation required by sections 205.9 or 205.10(a) or for additional information or clarification concerning an electronic fund transfer, including a request the consumer makes to determine whether an error exists under paragraphs (a)(1)(i) through (vi) of this section.

(2) *Types of inquiries not covered.* The term *error* does not include:

(i) A routine inquiry about the consumer's account balance;

(ii) A request for information for tax or other recordkeeping purposes; or

(iii) A request for duplicate copies of documentation.

(b) *Notice of error from consumer* (1) *Timing; contents.* A financial institution shall comply with the requirements of this section with respect to any oral or written notice of error from the consumer that:

(i) Is received by the institution no later than 60 days after the institution sends the periodic statement or provides the passbook documentation, required by section 205.9, on which the alleged error is first reflected;

(ii) Enables the institution to identify the consumer's name and account number; and

(iii) Indicates why the consumer believes an error exists and includes to the extent possible the type, date, and amount of the error, except for requests described in paragraph (a)(1)(vii) of this section.

(2) *Written confirmation.* A financial institution may require the consumer to give written confirmation of an error within 10 business days of an oral notice. An institution that requires written confirmation shall inform the consumer of the requirement and provide the address where confirmation must be sent when the consumer gives the oral notification.

(3) *Request for documentation or clarifications.* When a notice of error is based on documentation or clarification that the consumer requested under paragraph (a)(1)(vii) of this section, the consumer's notice of error is timely if received by the financial institution no later than 60 days after the institution sends the information requested.

(c) *Time limits and extent of investigation.*

(1) *Ten-day period.* A financial institution shall investigate promptly and, except as otherwise provided in this paragraph (c), shall determine whether an error occurred within 10 business days of receiving a notice of error. The institution shall report the results to the consumer within three business days after completing its investigation. The institution shall correct the error within one business day after determining that an error occurred.

(2) *Forty-five day period.* If the financial institution is unable to complete its investigation within 10 business days, the institution may take up to 45 days from receipt of a notice of error to investigate and determine whether an error occurred, provided the institution does the following:

(i) Provisionally credits the consumer's account in the amount of the alleged error (including interest where applicable) within 10 business days of receiving the error notice. If the financial institution has a reasonable basis for believing that an unauthorized electronic fund transfer has occurred and the institution has satisfied the requirements of section 205.6(a), the institution may withhold a maximum of $50 from the amount credited. An institution need not provisionally credit the consumer's account if:

(A) The institution requires but does not receive written confirmation within 10 business days of an oral notice of error; or

(B) The alleged error involves an account that is subject to Regulation T (Securities Credit by Brokers and Dealers, 12 C.F.R. Part 220);

(ii) Informs the consumer, within two business days after the provisional crediting, of the amount and date of the provisional crediting and gives the consumer full use of the funds during the investigation;

(iii) Corrects the error, if any, within one business day after determining that an error occurred; and

(iv) Reports the results to the consumer within three business days after completing its investigation (including, if applicable, notice that a provisional credit has been made final).

(3) *Extension of time periods.* The applicable time periods in this paragraph (c)(3) are 20 business days in place of 10 business days, and 90 days in place of 45 days, if a notice of error involves an electronic fund transfer that:

(i) Was not initiated within a state; or

(ii) Resulted from a point-of-sale debit card transaction.

(4) *Investigation.* With the exception of transfers covered by section 205.14, a financial institution's review of its own records regarding an alleged error satisfies the requirements of this section if:

(i) The alleged error concerns a transfer to or from a third party; and

(ii) There is no agreement between the institution and the third party for the type of electronic fund transfer involved.

(d) *Procedures if financial institution determines no error or different error occurred.* In addition to following the procedures specified in paragraph (c) of this section, the financial institution shall follow the procedures set forth in this paragraph (d) if it determines that no error occurred or that an error occurred in a manner or amount different from that described by the consumer:

(1) *Written explanation.* The institution's report of the results of its investigation shall include a written explanation of the institution's findings and shall note the consumer's right to request the documents that the institution relied on in making its determination. Upon request, the institution shall promptly provide copies of the documents.

(2) *Debiting provisional credit.* Upon debiting a provisionally credited amount, the financial institution shall:

(i) Notify the consumer of the date and amount of the debiting;

(ii) Notify the consumer that the institution will honor checks, drafts, or similar instruments payable to third parties and preauthorized transfers from the consumer's account (without charge to the consumer as a result of an overdraft) for five business days after the notification. The institution shall honor items as specified in the notice, but need honor only items that it would have paid if the provisionally credited funds had not been debited.

(e) *Reassertion of error.* A financial institution that has fully complied with the error resolution requirements has no further responsibilities under this section should the consumer later reassert the same error, except in the case of an error asserted by the consumer following receipt of information provided under paragraph (a)(1)(vii) of this section.

Section 205.12—Relation to other laws.

(a) *Relation to Truth in Lending*—(1) The Electronic Fund Transfer Act and this part govern:

(i) The addition to an accepted credit card, as defined in Regulation Z (12 C.F.R. 226.12(a)(2), footnote 21), of the capability to initiate electronic fund transfers;

(ii) The issuance of an access device that permits credit extensions (under a preexisting agreement between a consumer and a financial institution) only when the consumer's account is overdrawn or to maintain a specified minimum balance in the consumer's account; and

(iii) A consumer's liability for an unauthorized electronic fund transfer and the investigation of errors involving an extension of credit that occurs under an agreement between the consumer and a financial institution to extend credit when the consumer's account is overdrawn or to maintain a specified minimum balance in the consumer's account.

(2) The Truth in Lending Act and Regulation Z (12 C.F.R. part 226), which prohibit the unsolicited issuance of credit cards, govern:

(i) The addition of a credit feature to an accepted access device; and

(ii) Except as provided in paragraph (a)(1)(ii) of this section, the issuance of a credit card that is also an access device.

(b) *Preemption of inconsistent state laws*—(1) *Inconsistent requirements.* The Board shall determine, upon its own motion or upon the request of a state, financial institution, or other interested party, whether the act and this part preempt state law relating to electronic fund transfers. Only state laws that are inconsistent with the act and this part are preempted and then only to the extent of the inconsistency. A state law is not inconsistent with the act and this part if it is more protective of consumers.

(2) *Standards for determination.* State law is inconsistent with the requirements of the act and this part if it:

(i) Requires or permits a practice or act prohibited by the federal law;

(ii) Provides for consumer liability for unauthorized electronic fund transfers that exceeds the limits imposed by the federal law;

(iii) Allows longer time periods than the federal law for investigating and correcting alleged errors, or does not require the financial institution to credit the consumer's account during an error investigation in accordance with section 205.11(c)(2)(i); or

(iv) Requires initial disclosures, periodic statements, or receipts that are different in content from those required by the federal law except to the extent that the disclosures relate to consumer rights granted by the state law and not by the federal law.

(c) *State exemptions*—(1) *General rule.* Any state may apply for an exemption from the requirements of the act or this part for any class of electronic fund transfers within the state. The Board shall grant an exemption if it determines that:

(i) Under state law the class of electronic fund transfers is subject to requirements substantially similar to those imposed by the federal law; and

(ii) There is adequate provision for state enforcement.

(2) *Exception.* To assure that the federal and state courts continue to have concurrent jurisdiction, and to aid in implementing the act:

(i) No exemption shall extend to the civil liability provisions of section 915 of the act; and

(ii) When the Board grants an exemption, the state law requirements shall constitute the requirements of the federal law for purposes of section 915 of the act, except for state law requirements not imposed by the federal law.

Section 205.13—Administrative enforcement; record retention.

(a) *Enforcement by federal agencies.* Compliance with this part is enforced by the agencies listed in Appendix B of this part.

(b) *Record retention.* (1) Any person subject to the act and this part shall retain evidence of compliance with the requirements imposed by the act and this regulation for a period of not less than two years from the date disclosures are required to be made or action is required to be taken.

(2) Any person subject to the act and this part having actual notice that it is the subject of an investigation or an enforcement proceeding by its enforcement agency, or having been served with notice of an action filed under sections 910, 915, or 916(a) of the act, shall retain the records that pertain to the investigation, action, or proceeding until final disposition of the matter unless an earlier time is allowed by court or agency order.

Section 205.14—Electronic fund transfer service provider not holding consumer's account.

(a) *Provider of electronic fund transfer service.* A person that provides an electronic fund transfer service to a consumer but that does not hold the consumer's account is subject to all requirements of this part if the person:

(1) Issues a debit card (or other access device) that the consumer can use to access the consumer's account held by a financial institution; and

(2) Has no agreement with the account-holding institution regarding such access.

(b) *Compliance by service provider.* In addition to the requirements generally applicable under this part, the service provider shall comply with the following special rules:

(1) *Disclosures and documentation.* The service provider shall give the disclosures and documentation required by sections 205.7, 205.8, and 205.9 that are within the purview of its relationship with the consumer. The service provider need not furnish the periodic statement required by section 205.9(b) if the following conditions are met:

(i) The debit card (or other access device) issued to the consumer bears the service provider's name and an address or telephone number for making inquiries or giving notice of error;

(ii) The consumer receives a notice concerning use of the debit card that is substantially similar to the notice contained in Appendix A of this part;

(iii) The consumer receives, on or with the receipts required by section 205.9(a), the address and telephone number to be used for an inquiry, to give notice of an error, or to report the loss or theft of the debit card;

(iv) The service provider transmits to the account-holding institution the information specified in section 205.9(b)(1), in the format prescribed by the automated clearinghouse system used to clear the fund transfers;

(v) The service provider extends the time period for notice of loss or theft of a debit card, set forth in section 205.6(b)(1) and (2), from two business days to four business days after the consumer learns of the loss or theft; and extends the time periods for reporting unauthorized transfers or errors, set forth in sections 205.6(b)(3) and 205.11(b)(1)(i), from 60 days to 90 days following the transmittal of a periodic statement by the account-holding institution.

(2) *Error resolution.* (i) The service provider shall extend by a reasonable time the period in which notice of an error must be received, specified in section 205.11(b)(1)(i), if a delay resulted from an initial attempt by the consumer to notify the account-holding institution.

(ii) The service provider shall disclose to the consumer the date on which it initiates a transfer to effect a provisional credit in accordance with section 205.11(c)(2)(ii).

(iii) If the service provider determines an error occurred, it shall transfer funds to or from the consumer's account, in the appropriate amount and within the applicable time period, in accordance with section 205.11(c)(2)(i).

(iv) If funds were provisionally credited and the service provider determines no error occurred, it may reverse the credit. The service provider shall notify the account-holding institution of the period during which the account-holding institution must honor debits to the account in accordance with section 205.11(d)(2)(ii). If an overdraft results, the service provider shall promptly reimburse the account-holding institution in the amount of the overdraft.

(c) *Compliance by account-holding institution.* The account-holding institution need not comply with this part of the act and this regulation with respect to electronic fund transfers initiated through the service provider except as follows:

(1) *Documentation.* The account-holding institution shall provide a periodic statement that describes each electronic fund transfer initiated by the consumer with the access device issued by the service provider. The account-holding institution has no liability for the failure to comply with this requirement if the service provider did not provide the necessary information; and

(2) *Error resolution.* Upon request, the account-holding institution shall provide information or copies of documents needed by the service provider to investigate errors or to furnish copies of documents to the consumer. The account-holding institution shall also honor debits to the account in accordance with section 205.11(d)(2)(ii).

Section 205.15—Electronic fund transfer of government benefits.

(a) *Government agency subject to regulation.*

(1) A government agency is deemed to be a financial institution for purposes of the act and this part if directly or indirectly it issues an access device to a consumer for use in initiating an electronic fund transfer of government benefits from an account. The agency shall comply with all applicable requirements of the act and regulation except as provided in this section.

(2) For purposes of this section, the term *account* means an account established by a government agency for distributing government benefits to a consumer electronically, such as through automated teller machines or point-of-sale terminals.

(b) *Issuance of access devices.* For purposes of this section, a consumer is deemed to request an access device when the consumer applies for government benefits that the agency disburses or will disburse by means of an electronic fund transfer. The agency shall verify the identity of the consumer receiving the device by reasonable means before the device is activated.

(c) *Alternative to periodic statement.* A government agency need not furnish the periodic statement required by section 205.9(b) if the agency makes available to the consumer:

(1) The consumer's account balance, through a readily available telephone line and at a terminal (such as by providing balance information at a balance-inquiry terminal or providing it, routinely or upon request, on a terminal receipt at the time of an electronic fund transfer); and

(2) A written history of the consumer's account transactions that is provided promptly in response to an oral or written request and that covers at least 60 days preceding the date of a request by the consumer.

(d) *Modified requirements.* A government agency that does not furnish periodic statements, in accordance with paragraph (c) of this section, shall comply with the following special rules:

(1) *Initial disclosures.* The agency shall modify the disclosures under section 205.7(b) by disclosing:

(i) *Account balance.* The means by which the consumer may obtain information concerning the account balance, including a telephone number. The agency provides a notice substantially similar to the notice contained in paragraph A-5 in Appendix A of this part.

(ii) *Written account history.* A summary of the consumer's right to receive a written account history upon request, in place of the periodic statement required by section 205.7(b)(6), and the telephone number to call to request an account history. This disclosure may be made by providing a notice substantially similar to the notice contained in paragraph A-5 in Appendix A of this part.

(iii) *Error resolution.* A notice concerning error resolution that is substantially similar to the notice contained in paragraph A-5 in Appendix A of this part, in place of the notice required by section 205.7(b)(10).

(2) *Annual error resolution notice.* The agency shall provide an annual notice concerning error resolution that is substantially similar to the notice contained in paragraph A-5 in Appendix A, in place of the notice required by section 205.8(b).

(3) *Limitations on liability.* For purposes of section 205.6(b)(3), regarding a 60-day period for reporting any unauthorized transfer that appears on a periodic statement, the 60-day period shall begin with transmittal of a written account history or other account information provided to the consumer under paragraph (c) of this section.

(4) *Error resolution.* The agency shall comply with the requirements of section 205.11 in response to an oral or written notice of an error from the consumer that is received no later than 60 days after the consumer obtains the written account history or other account information, under paragraph (c) of this section, in which the error is first reflected.

4. Appendices A and B are revised and Appendix C is added to read as follows:

Appendix A to Part 205—Model Disclosure Clauses and Forms

(c) Table of Contents

A-1—Model Clauses for Unsolicited Issuance (§ 205.5(b)(2))

(a) *Accounts using cards.* You cannot use the enclosed card to transfer money into or out of your account until we have validated it. If you do not want to use the card, please (destroy it at once by cutting it in half).
[*Financial institution may add validation instructions here.*]

(b) *Accounts using codes.* You cannot use the enclosed code to transfer money into or out of your account until we have validated it. If you do not want to use the code, please (destroy this notice at once).
[Financial institution may add validation instructions here.]

A-2—Model Clauses for Initial Disclosures (§ 205.7(b))

(a) *Consumer Liability* (section 205.7(b)(1)). (Tell us AT ONCE if you believe your [card] [code] has been lost or stolen. Telephoning is the best way of keeping your possible losses down. You could lose all the money in your account (plus your maximum overdraft line of credit). If you tell us within 2 business days, you can lose no more than $50 if someone used your [card][code] without your permission. (If you believe your [card][code] has been lost or stolen, and you tell us within 2 business days after you learn of the loss or theft, you can lose no more than $50 if someone used your [card] [code] without your permission.)

If you do NOT tell us within 2 business days after you learn of the loss or theft of your [card] [code], and we can prove we could have stopped someone from using your [card] [code] without your permission if you had told us, you could lose as much as $500.

Also, if your statement shows transfers that you did not make, tell us at once. If you do not tell us within 60 days after the statement was mailed to you, you may not get back any money you lost after the 60 days if we can prove that we could have stopped someone from taking the money if you had told us in time.

If a good reason (such as a long trip or a hospital stay) kept you from telling us, we will extend the time periods.

(b) *Contact in event of unauthorized transfer (section 205.7(b)(2))* If you believe your [card] [code] has been lost or stolen or that someone has transferred or may transfer money from your account without your permission, call:

[Telephone number]
or write:
[Name of person or office to be notified]
[Address]

(c) *Business days (section 205.7(b)(3)).* For purposes of these disclosures, our business days are (Monday through Friday) (Monday through Saturday) (any day including Saturdays and Sundays). Holidays are (not) included.

(d) *Transfer types and limitations (section 205.7(b)(4))*

(1) *Account access.* You may use your [card] [code] to:

(i) Withdraw cash from your [checking] [or] [savings] account.

(ii) Make deposits to your [checking] [or] [savings] account.

(iii) Transfer funds between your checking and savings accounts whenever you request.

(iv) Pay for purchases at places that have agreed to accept the [card] [code].

(v) Pay bills directly [by telephone] from your [checking] [or] [savings] account in the amounts and on the days you request.

Some of these services may not be available at all terminals.

(2) *Limitations on frequency of transfers*

(i) You may make only [insert number, e.g., 3] cash withdrawals from our terminals each [insert time period, e.g., week].

(ii) You can use your telephone bill-payment service to pay [insert number] bills each [insert time period] [telephone call].

(iii) You can use our point-of-sale transfer service for [insert number] transactions each [insert time period].

(iv) For security reasons, there are limits on the number of transfers you can make using our [terminals] [telephone bill-payment service] [point-of-sale transfer service].

(3) *Limitations on dollar amounts of transfers*

(i) You may withdraw up to [insert dollar amount] from our terminals each [insert time period] time you use the [card] [code].

(ii) You may buy up to [insert dollar amount] worth of goods or services each [insert time period] time you use the [card] [code] in our point-of-sale transfer service.

(e) *Fees (section 205.7(b)(5))* · (1) *Per transfer charge.* We will charge you [insert dollar amount] for each transfer you make using our [automated teller machines] [telephone bill-payment service] [point-of-sale transfer service].

(2) *Fixed charge.* We will charge you [insert dollar amount] each [insert time period] for our [automated teller machine service] [telephone bill-payment service] [point-of-sale transfer service].

(3) *Average or minimum balance charge.* We will only charge you for using our [automated teller machines] [telephone bill payment service] [point-of-sale transfer service] if the [average] [minimum] balance in your [checking account] [savings account] [accounts] falls below [insert dollar amount]. If it does, we will charge you [insert dollar amount] each [transfer] [insert time period].

(f) *Confidentiality (section 205.7(b)(9)).* We will disclose information to third parties about your account or the transfers you make:

(1) Where it is necessary for completing transfers, or

(2) In order to verify the existence and condition of your account for a third party, such as a credit bureau or merchant, or

(3) In order to comply with government agency or court orders, or

(4) If you give us your written permission.

(g) *Documentation (section 205.7(b)(6))*

(1) *Terminal transfers.* You can get a receipt at the time you make any transfer to or from your account using one of our [automated teller machines] [or] [point-of-sale terminals].

(2) *Preauthorized credits.* If you have arranged to have direct deposits made to your account at least once every 60 days from the same person or company, (we will let you know if the deposit is [not] made.) [the person or company making the deposit will tell you every time they send us the money] [you can call us at (insert telephone number) to find out whether or not the deposit has been made].

(3) *Periodic statements.* You will get a [monthly] [quarterly] account statement (unless there are no transfers in a particular month. In any case you will get the statement at least quarterly).

(4) *Passbook account where the only possible electronic fund transfers are preauthorized credits.* If you bring your passbook to us, we will record any electronic deposits that were made to your account since the last time you brought in your passbook.

(h) *Preauthorized payments (section 205.7(b)(6), (7) and (8); section 205.10(d))*

(1) *Right to stop payment and procedure for doing so.* If you have told us in advance to make regular payments out of your account, you can stop any of these payments. Here's how:

Call us at [insert telephone number], or write us at [insert address], in time for us to receive your request 3 business days or more before the payment is scheduled to be made. If you call, we may also require you to put your request in writing and get it to us within 14 days after you call. (We will charge you for each stop-payment order you give.)

(2) *Notice of varying amounts.* If these regular payments may vary in amount, [we] [the person you are going to

pay] will tell you, 10 days before each payment, when it will be made and how much it will be. (You may choose instead to get this notice only when the payment would differ by more than a certain amount from the previous payment, or when the amount would fall outside certain limits that you set.)

(3) *Liability for failure to stop payment of preauthorized transfer*. If you order us to stop one of these payments 3 business days or more before the transfer is scheduled, and we do not do so, we will be liable for your losses or damages.

(i) *Financial institution's liability (section 205.7(b)(8))*. If we do not complete a transfer to or from your account on time or in the correct amount according to our agreement with you, we will be liable for your losses or damages. However, there are some exceptions. We will not be liable, for instance:

(1) If, through no fault of ours, you do not have enough money in your account to make the transfer.

(2) If the transfer would go over the credit limit on your overdraft line.

(3) If the automated teller machine where you are making the transfer does not have enough cash.

(4) If the [terminal] [system] was not working properly and you knew about the breakdown when you started the transfer.

(5) If circumstances beyond our control (such as fire or flood) prevent the transfer, despite reasonable precautions that we have taken.

(6) There may be other exceptions stated in our agreement with you.

A-3—MODEL FORMS FOR ERROR RESOLUTION NOTICE (SECTIONS 205.7(b)(10) AND 205.8(b)

(a) *Initial and annual error resolution notice sections 205.7(b)(10) and 205.8(b))*

In Case of Errors or Questions About Your Electronic Transfers
Telephone us at [insert telephone number] or
Write us at [insert address]

as soon as you can, if you think your statement or receipt is wrong or if you need more information about a transfer listed on the statement or receipt. We must hear from you no later than 60 days after we sent the FIRST statement on which the problem or error appeared.

(1) Tell us your name and account number (if any).

(2) Describe the error or the transfer you are unsure about, and explain as clearly as you can why you believe it is an error or why you need more information.

(3) Tell us the dollar amount of the suspected error. If you tell us orally, we may require that you send us your complaint or question in writing within 10 business days.

We will tell you the results of our investigation within 10 business days after we hear from you and will correct any error promptly. If we need more time, however, we may take up to 45 days to investigate your complaint or question. If we decide to do this, we will credit your account within 10 business days for the amount you think is in error, so that you will have the use of the money during the time it takes us to complete our investigation. If we ask you to put your complaint or question in writing and we do not receive it within 10 business days, we may not credit your account.

If we decide that there was no error, we will send you a written explanation within three business days after we finish our investigation. You may ask for copies of the documents that we used in our investigation.

(b) *Error resolution notice on periodic statements section 205.8(b)*

In Case of Errors or Questions About Your Electronic Transfers
Telephone us at [insert telephone number] or
Write us at [insert address]

as soon as you can, if you think your statement or receipt is wrong or if you need more information about a transfer on the statement or receipt. We must hear from you no later than 60 days after we sent you the FIRST statement on which the error or problem appeared.

(1) Tell us your name and account number (if any).

(2) Describe the error or the transfer you are unsure about, and explain as clearly as you can why you believe it is an error or why you need more information.

(3) Tell us the dollar amount of the suspected error.

We will investigate your complaint and will correct any error promptly. If we take more than 10 business days to do this, we will credit your account for the amount you think is in error, so that you will have the use of the money during the time it takes us to complete our investigation.

A-4—MODEL FORM FOR SERVICE-PROVIDING INSTITUTIONS (SECTION 205.14(b)(1)(ii))

ALL QUESTIONS ABOUT TRANSACTIONS MADE WITH YOUR (NAME OF CARD) CARD MUST BE DIRECTED TO US (NAME OF SERVICE PROVIDER), AND NOT TO THE BANK OR OTHER FINANCIAL INSTITUTION WHERE YOU HAVE YOUR ACCOUNT. We are responsible for the [name of service] service and for resolving any errors in transactions made with your [name of card] card.

We will not send you a periodic statement listing transactions that you make using your [name of card] card. The transactions will appear only on the statement issued by your bank or other financial institution. SAVE THE RECEIPTS YOU ARE GIVEN WHEN YOU USE YOUR [NAME OF CARD] CARD, AND CHECK THEM AGAINST THE ACCOUNT STATEMENT YOU RE-

CEIVE FROM YOUR BANK OR OTHER FINANCIAL INSTITUTION. If you have any questions about one of these transactions, call or write us at [telephone number and address] [the telephone and address indicated below].

IF YOUR [NAME OF CARD] CARD IS LOST OR STOLEN, NOTIFY US AT ONCE by calling or writing to us at [telephone number and address].

A-5—*MODEL FORMS FOR GOVERNMENT AGENCIES (SECTIONS 205.15(d)(1)(i) & (ii))*

(1) *Disclosure by government agencies of information about obtaining account balances and account histories section 205.15(d)(1)(i) and (ii)*

You may obtain information about the amount of benefits you have remaining by calling [telephone number]. That information is also available [on the receipt you get when you make a transfer with your card at [(an ATM) POS terminal)] [when you make a balance inquiry at an ATM] [when you make a balance inquiry at specified locations].

You also have the right to receive a written summary of transactions for the 60 days preceding your request by calling [telephone number]. [Optional: Or you may request the summary by contacting your caseworker.]

(2) *Disclosure of error resolution procedures for government agencies that do not provide periodic statements section 205.15(d)(1)(iii) and (d)(2))*

In Case of Errors or Questions About Your Electronic Transfers
Telephone us at [telephone number] or
Write us at [address]

as soon as you can, if you think an error has occurred in your [EBT] [agency's name for program] account. We must hear from you no later than 60 days after you learn of the error. You will need to tell us:

- Your name and [case] [file] number.
- Why you believe there is an error, and the dollar amount involved.
- Approximately when the error took place.

If you tell us orally, we may require that you send us your complaint or question in writing within 10 business days. We will generally complete our investigation within 10 business days and correct any error promptly. In some cases, an investigation may take longer, but you will have the use of the funds in question after the 10 business days. If we ask you to put your complaint or question in writing and we do not receive it within 10 business days, we may not credit your account during the investigation.

For errors involving transactions at point-of-sale terminals in food stores, the periods referred to above are 20 business days instead of 10 business days.

If we decide that there was no error, we will send you a written explanation within three business days after we finish our investigation. You may ask for copies of the documents that we used in our investigation.

If you need more information about our error resolution procedures, call us at [telephone number] [the telephone number shown above].

Appendix B to Part 205—Federal Enforcement Agencies

The following list indicates which Federal agency enforces Regulation E (12 C.F.R. Part 205) for particular classes of institutions. Any questions concerning compliance by a particular institution should be directed to the appropriate enforcing agency. Terms that are not defined in the Federal Deposit Insurance Act (12 U.S.C. 1813(s)) shall have the meaning given to them in the International Banking Act of 1978 (12 U.S.C. 3101).

National banks, and Federal branches and Federal agencies of foreign banks

District office of the Office of the Comptroller of the Currency where the institution is located.

State member banks, branches and agencies of foreign banks (other than Federal branches, Federal agencies, and insured state branches of foreign banks), commercial lending companies owned or controlled by foreign banks, and organizations operating under section 25 or 25(a) of the Federal Reserve Act

Federal Reserve Bank serving the District in which the institution is located.

Nonmember insured banks and insured state branches of foreign banks

Federal Deposit Insurance Corporation regional director for the region in which the institution is located.

Savings institutions insured under the Savings Association Insurance Fund of the FDIC and federally-chartered savings banks insured under the Bank Insurance Fund of the FDIC (but not including state-chartered savings banks insured under the Bank Insurance Fund)

Office of Thrift Supervision Regional Director for the region in which the institution is located.

Federal Credit Unions

Division of Consumer Affairs, National Credit Union Administration, 1775 Duke Street, Alexandria, Virginia 22314-3428

Air Carriers

Assistant General Counsel for Aviation Enforcement and Proceedings, Department of Transportation, 400 Seventh Street, S.W., Washington, D.C. 20590.

Brokers and Dealers

Division of Market Regulation, Securities and Exchange Commission, Washington, D.C. 20549.

Retailers, Consumer Finance Companies, Certain Other Financial Institutions, and all others not covered above
Federal Trade Commission,
Electronic Fund Transfers, Washington, D.C. 20580.

Appendix C to Part 205—Issuance of Staff Interpretations

Official Staff Interpretations

Pursuant to section 915(d) of the act, the Board has designated the director and other officials of the Division of Consumer and Community Affairs as officials "duly authorized" to issue, at their discretion, official staff interpretations of this part. Except in unusual circumstances, such interpretations will not be issued separately but will be incorporated in an official commentary to this part, which will be amended periodically.

Requests for Issuance of Official Staff Interpretations

A request for an official staff interpretation shall be in writing and addressed to the Director, Division of Consumer and Community Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. The request shall contain a complete statement of all relevant facts concerning the issue, including copies of all pertinent documents.

Scope of Interpretations

No staff interpretations will be issued approving financial institutions' forms or statements. This restriction does not apply to forms or statements whose use is required or sanctioned by a government agency.

FINAL RULE—AMENDMENT TO REGULATION T

The Board of Governors is amending 12 C.F.R. Part 220, its Regulation T (Securities Credit Transactions), the regulation that covers extensions of credit by and to broker and dealers. Major amendments include eliminating restrictions on the ability of broker-dealers to arrange for credit; increasing the type and number of domestic and foreign securities that may be bought on margin and increasing the loan value of some securities that are already marginable; deleting Board rules regarding options transactions in favor of the rules of the options exchanges; and reducing restrictions on transactions involving foreign persons, foreign securities, and foreign currency.

Effective July 1, 1996, 12 C.F.R. Part 220 is amended as follows:

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

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

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

2. Sections 220.1 through 220.18 are revised to read as follows:

Section 220.1—Authority, purpose, and scope.

(a) *Authority and purpose.* Regulation T (this part) is issued by the Board of Governors of the Federal Reserve System (the Board) pursuant to the Securities Exchange Act of 1934 (the Act) (15 U.S.C. 78a *et seq.*). Its principal purpose is to regulate extensions of credit by and to brokers and dealers; it also covers related transactions within the Board's authority under the Act. It imposes, among other obligations, initial margin requirements and payment rules on securities transactions.

(b) *Scope.* (1) This part provides a margin account and eight special purpose accounts in which to record all financial relations between a customer and a creditor. Any transaction not specifically permitted in a special account shall be recorded in a margin account.

(2) This part does not preclude any exchange, national securities association, or creditor from imposing additional requirements or taking action for its own protection.

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

Section 220.2—Definitions.

The terms used in this part have the meanings given them in section 3(a) of the Act or as defined in this section.

Cash equivalent means securities issued or guaranteed by the United States or its agencies, negotiable bank certificates of deposit, bankers acceptances issued by banking institutions in the United States and payable in the United States, or money market mutual funds.

Covered option transaction means:

(1) In the case of a short call, the underlying asset (or a security immediately convertible into the underlying asset, without the payment of money) is held in or purchased for the account on the same day, and the option premium is held in the account until cash payment for the underlying asset or convertible security is received; or

(2) In the case of a short put, the creditor obtains cash in an amount equal to the exercise price or holds in the account cash equivalents with a current market value at

least equal to the exercise price and, except in the case of money market mutual funds, with one year or less to maturity; or

(3) In the case of a short put or short call, the creditor verifies that the appropriate escrow agreement will be delivered to the creditor promptly and the option premium is held in the account until such delivery is made; or

(4) Beginning June 1, 1997, any other transaction involving options or warrants in which the customer's risk is limited and all elements of the transaction are subject to contemporaneous exercise if:

(i) The amount at risk is held in the account in cash, cash equivalents, or via an escrow receipt; and

(ii) The transaction is eligible for the cash account by the rules of the registered national securities exchange authorized to trade the option or warrant or by the rules of the creditor's examining authority in the case of an unregistered option, provided that all such rules have been approved or amended by the SEC.

Credit balance means the cash amount due the customer in a margin account after debiting amounts transferred to the special memorandum account.

Creditor means any broker or dealer (as defined in sections 3(a)(4) and 3(a)(5) of the Act), any member of a national securities exchange, or any person associated with a broker or dealer (as defined in section 3(a)(18) of the Act), except for business entities controlling or under common control with the creditor.

Customer includes:

(1) Any person or persons acting jointly:

(i) To or for whom a creditor extends, arranges, or maintains any credit; or

(ii) Who would be considered a customer of the creditor according to the ordinary usage of the trade;

(2) Any partner in a firm who would be considered a customer of the firm absent the partnership relationship; and

(3) Any joint venture in which a creditor participates and which would be considered a customer of the creditor if the creditor were not a participant.

Debit balance means the cash amount owed to the creditor in a margin account after debiting amounts transferred to the special memorandum account.

Delivery against payment, Payment against delivery, or a *C.O.D. transaction* refers to an arrangement under which a creditor and a customer agree that the creditor will deliver to, or accept from, the customer, or the customer's agent, a security against full payment of the purchase price.

Equity means the total current market value of security positions held in the margin account plus any credit balance less the debit balance in the margin account.

Escrow agreement means any agreement issued in connection with a call or put option under which a bank or any person designated as a control location under paragraph (c) of SEC Rule 15c3-3 (17 C.F.R. 240.15c3-3(c)), holding the underlying asset or required cash or cash equivalents, is obligated to deliver to the creditor (in the case of a call option) or accept from the creditor (in the case of a put option) the underlying asset or required cash or cash equivalent against payment of the exercise price upon exercise of the call or put.

Examining authority means:

(1) The national securities exchange or national securities association of which a creditor is a member; or

(2) If a member of more than one self-regulatory organization, the organization designated by the SEC as the examining authority for the creditor.

Exempted securities mutual fund means any security issued by an investment company registered under section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8), provided the company has at least 95 percent of its assets continuously invested in exempted securities (as defined in section 3(a)(12) of the Act).

Foreign margin stock means a foreign security that is an equity security and that appears on the Board's periodically published List of Foreign Margin Stocks.

Foreign person means a person other than a United States person as defined in section 7(f) of the Act.

Foreign security means a security issued in a jurisdiction other than the United States.

Good faith margin means the amount of margin which a creditor, exercising sound credit judgment, would customarily require for a specified security position and which is established without regard to the customer's other assets or securities positions held in connection with unrelated transactions.

In or at the money means, until June 1, 1997, the current market price of the underlying security is not more than one standard exercise interval below (with respect to a call option) or above (with respect to a put option) the exercise price of the option.

In the money means the current market price of the underlying asset or index is not below (with respect to a call option) or above (with respect to a put option) the exercise price of the option.

Margin call means a demand by a creditor to a customer for a deposit of additional cash or securities to eliminate or reduce a margin deficiency as required under this part.

Margin deficiency means the amount by which the required margin exceeds the equity in the margin account.

Margin excess means the amount by which the equity in the margin account exceeds the required margin. When the margin excess is represented by securities, the current value of the securities is subject to the percentages set forth in section 220.18 (the Supplement).

Margin security means:

(1) Any registered security;

(2) Any OTC margin stock;

(3) Any OTC margin bond;

(4) Any OTC security designated as qualified for trading in the National Market System under a designation plan approved by the Securities and Exchange Commission (NMS security);

(5) Any security issued by either an open-end investment company or unit investment trust which is regis-

tered under section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8);

(6) Any foreign margin stock; or

(7) Any debt security convertible into a margin security.

Money market mutual fund means any security issued by an investment company registered under section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8) that is considered a money market fund under SEC Rule 2a-7 (17 C.F.R. 270.2a-7).

Nonexempted security means any security other than an exempted security (as defined in section 3(a)(12) of the Act).

Nonmember bank means a bank that is not a member of the Federal Reserve System.

Non-U.S. traded foreign security means a foreign security that is neither a registered security nor one listed on NASDAQ.

OTC margin bond means:

(1) A debt security not traded on a national securities exchange which meets all of the following requirements:

(i) At the time of the original issue, a principal amount of not less than $25,000,000 of the issue was outstanding;

(ii) The issue was registered under section 5 of the Securities Act of 1933 (15 U.S.C. 77e) and the issuer either files periodic reports pursuant to section 13(a) or 15(d) of the Act or is an insurance company which meets all of the conditions specified in section 12(g)(2)(G) of the Act; and

(iii) At the time of the extension of credit, the creditor has a reasonable basis for believing that the issuer is not in default on interest or principal payments; or

(2) A private pass-through security (not guaranteed by an agency of the U.S. government) meeting all of the following requirements:

(i) An aggregate principal amount of not less than $25,000,000 (which may be issued in series) was issued pursuant to a registration statement filed with the SEC under section 5 of the Securities Act of 1933 (15 U.S.C. 77e);

(ii) Current reports relating to the issue have been filed with the SEC; and

(iii) At the time of the credit extension, the creditor has a reasonable basis for believing that mortgage interest, principal payments and other distributions are being passed through as required and that the servicing agent is meeting its material obligations under the terms of the offering; or

(3) A mortgage related security as defined in section 3(a)(41) of the Act; or

(4) A debt security issued or guaranteed as a general obligation by the government of a foreign country, its provinces, states, or cities, or a supranational entity, if at the time of the extension of credit one of the following is rated in one of the two highest rating categories by a nationally recognized statistical rating organization:

(i) The issue;

(ii) The issuer or guarantor (implicitly); or

(iii) Other outstanding unsecured long-term debt securities issued or guaranteed by the government or entity; or

(5) A foreign security that is a nonconvertible debt security that meets all of the following requirements:

(i) At the time of original issue, a principal amount of at least $100,000,000 was outstanding;

(ii) At the time of the extension of credit, the creditor has a reasonable basis for believing that the issuer is not in default on interest or principal payments; and

(iii) At the time of the extension of credit, the issue is rated in one of the two highest rating categories by a nationally recognized statistical rating organization; or

(6) Any nonconvertible debt security that meets all of the following requirements:

(i) At the time of the extension of credit, the creditor has a reasonable basis for believing that the issuer is not in default on interest or principal payments; and

(ii) At the time of the extension of credit, the issue is rated in one of the four highest rating categories by a nationally recognized statistical rating organization.

OTC margin stock means any equity security traded over-the-counter that the Board has determined has the degree of national investor interest, the depth and breadth of market, the availability of information respecting the security and its issuer, and the character and permanence of the issuer to warrant being treated like an equity security traded on a national securities exchange. An OTC stock is not considered to be an OTC margin stock unless it appears on the Board's periodically published list of OTC margin stocks.

Overlying option means:

(1) A put option purchased or a call option written against a long position in an underlying asset in the specialist record in section 220.12(b); or

(2) A call option purchased or a put option written against a short position in an underlying asset in the specialist record in section 220.12(b).

Payment period means the number of business days in the standard securities settlement cycle in the United States, as defined in paragraph (a) of SEC Rule 15c6-1 (17 C.F.R. 240.15c6–1(a)), plus two business days.

Permitted offset position means, in the case of an option in which a specialist makes a market, a position in the underlying asset or other related assets, and in the case of other securities in which a specialist makes a market, a position in options overlying the securities in which a specialist makes a market, provided the positions qualify as permitted offsets under the rules of the national securities exchange with which the specialist is registered, and further provided all such rules have been approved or amended by the SEC. Until June 1, 1997, permitted offsets are determined by reference to section 220.12(b)(6).

Purpose credit means credit for the purpose of:

(1) Buying, carrying, or trading in securities; or

(2) Buying or carrying any part of an investment contract security which shall be deemed credit for the purpose of buying or carrying the entire security.

Registered security means any security that:

(1) Is registered on a national securities exchange; or

(2) Has unlisted trading privileges on a national securities exchange.

Short call or short put means a call option or a put option that is issued, endorsed, or guaranteed in or for an account.

(1) A short call that is not cash-settled obligates the customer to sell the underlying asset at the exercise price upon receipt of a valid exercise notice or as otherwise required by the option contract.

(2) A short put that is not cash-settled obligates the customer to purchase the underlying asset at the exercise price upon receipt of a valid exercise notice or as otherwise required by the option contract.

(3) A short call or a short put that is cash-settled obligates the customer to pay the holder of an in the money long put or long call who has, or has been deemed to have, exercised the option the cash difference between the exercise price and the current assigned value of the option as established by the option contract.

Specialist joint account means an account which, by written agreement, provides for the commingling of the security positions of the participants and a sharing of profits and losses from the account on some predetermined ratio.

Underlying asset means:

(1) The security or other asset that will be delivered upon exercise of an option; or

(2) In the case of a cash-settled option, the securities or other assets which comprise the index or other measure from which the option's value is derived.

Section 220.3 General provisions.

(a) *Records.* The creditor shall maintain a record for each account showing the full details of all transactions.

(b) *Separation of accounts.* Except as provided for in the margin account and the special memorandum account, the requirements of an account may not be met by considering items in any other account. If withdrawals of cash or securities are permitted under the regulation, written entries shall be made when cash or securities are used for purposes of meeting requirements in another account.

(c) *Maintenance of credit.* Except as prohibited by this part, any credit initially extended in compliance with this part may be maintained regardless of:

(1) Reductions in the customer's equity resulting from changes in market prices;

(2) Any security in an account ceasing to be margin or exempted; or

(3) Any change in the margin requirements prescribed under this part.

(d) *Guarantee of accounts.* No guarantee of a customer's account shall be given any effect for purposes of this part.

(e) *Receipt of funds or securities.*

(1) A creditor, acting in good faith, may accept as immediate payment:

(i) Cash or any check, draft, or order payable on presentation; or

(ii) Any security with sight draft attached.

(2) A creditor may treat a security, check or draft as received upon written notification from another creditor that the specified security, check, or draft has been sent.

(3) Upon notification that a check, draft, or order has been dishonored or when securities have not been received within a reasonable time, the creditor shall take the action required by this part when payment or securities are not received on time.

(4) To temporarily finance a customer's receipt of securities pursuant to an employee benefit plan registered on SEC Form S-8 or the withholding taxes for an employee stock award plan, a creditor may accept, in lieu of the securities, a properly executed exercise notice, where applicable, and instructions to the issuer to deliver the stock to the creditor. Prior to acceptance, the creditor must verify that the issuer will deliver the securities promptly and the customer must designate the account into which the securities are to be deposited.

(f) *Exchange of securities.* (1) To enable a customer to participate in an offer to exchange securities which is made to all holders of an issue of securities, a creditor may submit for exchange any securities held in a margin account, without regard to the other provisions of this part, provided the consideration received is deposited into the account.

(2) If a nonmargin, nonexempted security is acquired in exchange for a margin security, its retention, withdrawal, or sale within 60 days following its acquisition shall be treated as if the security is a margin security.

(g) *Valuing securities.* The current market value of a security shall be determined as follows:

(1) Throughout the day of the purchase or sale of a security, the creditor shall use the security's total cost of purchase or the net proceeds of its sale including any commissions charged.

(2) At any other time, the creditor shall use the closing sale price of the security on the preceding business day, as shown by any regularly published reporting or quotation service. If there is no closing price, the creditor may use any reasonable estimate of the market value of the security as of the close of business on the preceding business day.

(h) *Innocent mistakes.* If any failure to comply with this part results from a mistake made in good faith in executing a transaction or calculating the amount of margin, the creditor shall not be deemed in violation of this part if, promptly after the discovery of the mistake, the creditor takes appropriate corrective action.

(i) *Foreign currency.* Freely convertible foreign currency may be treated at its U.S. dollar equivalent, provided the currency is marked-to-market daily.

Section 220.4 Margin account.

(a) *Margin transactions* (1) All transactions not specifically authorized for inclusion in another account shall be recorded in the margin account.

(2) A creditor may establish separate margin accounts for the same person to:

(i) Clear transactions for other creditors where the transactions are introduced to the clearing creditor by separate creditors; or

(ii) Clear transactions through other creditors if the transactions are cleared by separate creditors; or

(iii) Provide one or more accounts over which the creditor or a third party investment adviser has investment discretion.

(b) *Required margin* (1) *Applicability*. The required margin for each long or short position in securities is set forth in section 220.18 (the Supplement) and is subject to the following exceptions and special provisions.

(2) *Short sale against the box*. A short sale "against the box" shall be treated as a long sale for the purpose of computing the equity and the required margin.

(3) *When-issued securities*. The required margin on a net long or net short commitment in a when-issued security is the margin that would be required if the security were an issued margin security, plus any unrealized loss on the commitment or less any unrealized gain.

(4) *Stock used as cover*. (i) When a short position held in the account serves in lieu of the required margin for a short put, the amount prescribed by paragraph (b)(1) of this section as the amount to be added to the required margin in respect of short sales shall be increased by any unrealized loss on the position.

(ii) When a security held in the account serves in lieu of the required margin for a short call, the security shall be valued at no greater than the exercise price of the short call.

(5) *Accounts of partners*. If a partner of the creditor has a margin account with the creditor, the creditor shall disregard the partner's financial relations with the firm (as shown in the partner's capital and ordinary drawing accounts) in calculating the margin or equity of the partner's margin account.

(6) *Contribution to joint venture*. If a margin account is the account of a joint venture in which the creditor participates, any interest of the creditor in the joint account in excess of the interest which the creditor would have on the basis of its right to share in the profits shall be treated as an extension of credit to the joint account and shall be margined as such.

(7) *Transfer of accounts*. (i) A margin account that is transferred from one creditor to another may be treated as if it had been maintained by the transferee from the date of its origin, if the transferee accepts, in good faith, a signed statement of the transferor (or, if that is not practicable, of the customer), that any margin call issued under this part has been satisfied.

(ii) A margin account that is transferred from one customer to another as part of a transaction, not undertaken to avoid the requirements of this part, may be treated as if it had been maintained for the transferee from the date of its origin, if the creditor accepts in good faith and keeps with the transferee account a signed statement of the transferor describing the circumstances for the transfer.

(8) *Credit denominated in foreign currency*. A creditor may extend credit denominated in any freely convertible foreign currency.

(9) *Options*. The following provisions are in force until June 1, 1997.

(i) *Margin or cover for options on exempted debt securities, certificates of deposit, stock indices, or securities exchange traded options on foreign currencies*. The required margin for each transaction involving any short put or short call on an exempted debt security, certificate of deposit, stock index, or foreign currency (if the option is traded on a securities exchange), shall be the amount or position in lieu of margin set forth in section 220.18 (the Supplement).

(ii) *Margin for options on equity securities*. The required margin for each transaction involving any short put or short call on an equity security shall be the amount set forth in section 220.18 (the Supplement).

(iii) *Cover or positions in lieu of margin*. No margin is required for an option written on an equity security position when the account holds any of the following:

(A) The underlying asset in the case of a short call, or a short position in the underlying asset in the case of a short put;

(B) Securities immediately convertible into or exchangeable for the underlying asset without the payment of money in the case of a short call, if the right to convert or exchange does not expire on or before the expiration date of the short call;

(C) An escrow agreement for the underlying security or foreign exchange (in the case of a short call) or cash (in the case of a short put);

(D) A long call on the same number of shares of the same underlying asset if the long call does not expire before the expiration date of the short call, and if the amount (if any), by which the exercise price of the long call exceeds the exercise price of the short call is deposited in the account;

(E) A long put on the same number of shares of the same underlying asset if the long put does not expire before the expiration date of the short put, and if the amount (if any), by which the exercise price of the short put exceeds the exercise price of the long put is deposited in the account;

(F) A warrant to purchase the underlying asset, in the case of a short call, if the warrant does not expire on or before the expiration date of the short call, and if the amount (if any), by which the exercise price of the short call is deposited in the account. A warrant used in lieu of the required margin under this provision shall contribute no equity to the account.

(iv) *Straddles.* When both a short put and a short call are in a margin account on the same number of shares of the same underlying security, the required margin shall be the margin on either the short put of the short call, whichever is greater, plus any unrealized loss on the other option.

(v) *Exclusive designation.* The customer may designate at the time the option order is entered which security position held in the account is to serve in lieu of the required margin, if such service is offered by the creditor; or the customer may have a standing agreement with the creditor as to the method to be used for determining on any given day which security position will be used in lieu of the margin to support an option transaction. Any security held in the account which serves in lieu of the required margin for a short put or a short call shall be unavailable to support any other option transaction in the account.

(c) *When additional margin is required* (1) *Computing deficiency.* All transactions on the same day shall be combined to determine whether additional margin is required by the creditor. For the purpose of computing equity in an account, security positions are established or eliminated and a credit or debit created on the trade date of a security transaction. Additional margin is required on any day when the day's transactions create or increase a margin deficiency in the account and shall be for the amount of the margin deficiency so created or increased.

(2) *Satisfaction of deficiency.* The additional required margin may be satisfied by a transfer from the special memorandum account or by a deposit of cash, margin securities, exempted securities, or any combination thereof.

(3) *Time limits.* (i) A margin call shall be satisfied within one payment period after the margin deficiency was created or increased.

(ii) The payment period may be extended for one or more limited periods upon application by the creditor to its examining authority unless the examining authority believes that the creditor is not acting in good faith or that the creditor has not sufficiently determined that exceptional circumstances warrant such action. Applications shall be filed and acted upon prior to the end of the payment period or the expiration of any subsequent extension.

(4) *Satisfaction restriction.* Any transaction, position, or deposit that is used to satisfy one requirement under this part shall be unavailable to satisfy any other requirement.

(d) *Liquidation in lieu of deposit.* If any margin call is not met in full within the required time, the creditor shall liquidate securities sufficient to meet the margin call or to eliminate any margin deficiency existing on the day such liquidation is required, whichever is less. If the margin deficiency created or increased is $1000 or less, no action need be taken by the creditor.

(e) Withdrawals of cash or securities. (1) Cash or securities may be withdrawn from an account, except if:

(i) Additional cash or securities are required to be deposited into the account for a transaction on the same or a previous day; or

(ii) The withdrawal, together with other transactions, deposits, and withdrawals on the same day, would create or increase a margin deficiency.

(2) Margin excess may be withdrawn or may be transferred to the special memorandum account (section 220.5) by making a single entry to that account which will represent a debit to the margin account and a credit to the special memorandum account.

(3) If a creditor does not receive a distribution of cash or securities which is payable with respect to any security in a margin account on the day it is payable and withdrawal would not be permitted under paragraph (e) of this section, a withdrawal transaction shall be deemed to have occurred on the day the distribution is payable.

(f) *Interest, service charges, etc.* (1) Without regard to the other provisions of this section, the creditor, in its usual practice, may debit the following items to a margin account if they are considered in calculating the balance of such account:

(i) Interest charged on credit maintained in the margin account;

(ii) Premiums on securities borrowed in connection with short sales or to effect delivery;

(iii) Dividends, interest, or other distributions due on borrowed securities;

(iv) Communication or shipping charges with respect to transactions in the margin account; and

(v) Any other service charges which the creditor may impose.

(2) A creditor may permit interest, dividends, or other distributions credited to a margin account to be withdrawn from the account if:

(i) The withdrawal does not create or increase a margin deficiency in the account; or

(ii) The current market value of any securities withdrawn does not exceed 10 percent of the current market value of the security with respect to which they were distributed.

Section 220.5 Special memorandum account.

(a) A special memorandum account (SMA) may be maintained in conjunction with a margin account. A single entry amount may be used to represent both a credit to the SMA and a debit to the margin account. A transfer between the two accounts may be effected by an increase or reduction in the entry. When computing the equity in a margin account, the single entry amount shall be considered as a debit in the margin account. A payment to the customer or on the customer's behalf or a transfer to any of the customer's other accounts from the SMA reduces the single entry amount.

(b) The SMA may contain the following entries:

(1) Dividend and interest payments;
(2) Cash not required by this part, including cash deposited to meet a maintenance margin call or to meet any requirement of a self-regulatory organization that is not imposed by this part;
(3) Proceeds of a sale of securities or cash no longer required on any expired or liquidated security position that may be withdrawn under section 220.4(e); and
(4) Margin excess transferred from the margin account under section 220.4(e)(2).

Section 220.6 – Government securities account.

In a government securities account, a creditor may effect and finance transactions involving government securities, provided the transaction is not prohibited by section 15C of the Act or any rule thereunder.

Section 220.7 – Arbitrage account.

In an arbitrage account a creditor may effect and finance for any customer bona fide arbitrage transactions. For the purpose of this section, the term "bona fide arbitrage" means:
(a) A purchase or sale of a security in one market together with an offsetting sale or purchase of the same security in a different market at as nearly the same time as practicable for the purpose of taking advantage of a difference in prices in the two markets; or
(b) A purchase of a security which is, without restriction other then the payment of money, exchangeable or convertible within 90 calendar days of the purchase into a second security together with an offsetting sale of the second security at or about the same time, for the purpose of taking advantage of a concurrent disparity in the prices of the two securities.

Section 220.8 – Cash account.

(a) *Permissible transactions.* In a cash account, a creditor, may:
(1) Buy for or sell to any customer any security or other asset if:
(i) There are sufficient funds in the account; or
(ii) The creditor accepts in good faith the customer's agreement that the customer will promptly make full cash payment for the security or asset before selling it and does not contemplate selling it prior to making such payment;
(2) Buy from or sell for any customer any security or other asset if:
(i) The security is held in the account; or
(ii) The creditor accepts in good faith the customer's statement that the security is owned by the customer or the customer's principal, and that it will be promptly deposited in the account;
(3) Issue, endorse, or guarantee, or sell an option for any customer as part of a covered option transaction; and
(4) Use an escrow agreement in lieu of the cash, cash equivalents or underlying asset position if:
(i) In the case of a short call or a short put, the creditor is advised by the customer that the required securities, assets or cash are held by a person authorized to issue an escrow agreement and the creditor independently verifies that the appropriate escrow agreement will be delivered by the person promptly; or
(ii) In the case of a call issued, endorsed, guaranteed, or sold on the same day the underlying asset is purchased in the account and the underlying asset is to be delivered to a person authorized to issue an escrow agreement, the creditor verifies that the appropriate escrow agreement will be delivered by the person promptly.
(b) *Time periods for payment; cancellation or liquidation.*
(1) *Full cash payment.* A creditor shall obtain full cash payment for customer purchases —
(i) Within one payment period of the date:
(A) Any nonexempted security was purchased;
(B) Any when-issued security was made available by the issuer for delivery to purchasers;
(C) Any "when distributed" security was distributed under a published plan;
(D) A security owned by the customer has matured or has been redeemed and a new refunding security of the same issuer has been purchased by the customer, provided:
(1) The customer purchased the new security no more than 35 calendar days prior to the date of maturity or redemption of the old security;
(2) The customer is entitled to the proceeds of the redemption; and
(3) The delayed payment does not exceed 103 percent of the proceeds of the old security.
(ii) In the case of the purchase of a foreign security, within one payment period of the trade date or within one day after the date on which settlement is required to occur by the rules of the foreign securities market, provided this period does not exceed the maximum time permitted by this part for delivery against payment transactions.
(2) *Delivery against payment.* If a creditor purchases for or sells to a customer a security in a delivery against payment transaction, the creditor shall have up to 35 calendar days to obtain payment if delivery of the security is delayed due to the mechanics of the transaction and is not related to the customer's willingness or ability to pay.
(3) *Shipment of securities, extension.* If any shipment of securities is incidental to consummation of a transaction, a creditor may extend the payment period by the number of days required for shipment, but not by more than one additional payment period.
(4) *Cancellation; liquidation; minimum amount.* A creditor shall promptly cancel or otherwise liquidate a transaction or any part of a transaction for which the customer has not made full cash payment within the

required time. A creditor may, at its option, disregard any sum due from the customer not exceeding $1000.

(c) *90 day freeze* (1) If a nonexempted security in the account is sold or delivered to another broker or dealer without having been previously paid for in full by the customer, the privilege of delaying payment beyond the trade date shall be withdrawn for 90 calendar days following the date of sale of the security. Cancellation of the transaction other than to correct an error shall constitute a sale.

(2) The 90 day freeze shall not apply if:

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

(ii) the purchased security was delivered to another broker or dealer for deposit in a cash account which holds sufficient funds to pay for the security. The creditor may rely on a written statement accepted in good faith from the other broker or dealer that sufficient funds are held in the other cash account.

(d) *Extension of time periods; transfers.* (1) Unless the creditor's examining authority believes that the creditor is not acting in good faith or that the creditor has not sufficiently determined that exceptional circumstances warrant such action, it may upon application by the creditor:

(i) Extend any period specified in paragraph (b) of this section;

(ii) Authorize transfer to another account of any transaction involving the purchase of a margin or exempted security; or

(iii) Grant a waiver from the 90 day freeze.

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

Section 220.9— Nonsecurities credit and employee stock ownership account.

(a) In a nonsecurities credit account a creditor may:

(1) Effect and carry transactions in commodities;

(2) Effect and carry transactions in foreign exchange;

(3) Extend and maintain secured or unsecured nonpurpose credit, subject to the requirements of paragraph (b) of this section; and

(4) Extend and maintain credit to employee stock ownership plans without regard to the other sections of this part.

(b) Every extension of credit, except as provided in paragraphs (a)(1) and (a)(2) of this section, shall be deemed to be purpose credit unless, prior to extending the credit, the creditor accepts in good faith from the customer a written statement that it is not purpose credit. The statement shall conform to the requirements established by the Board. To accept the customer's statement in good faith, the creditor shall be aware of the circumstances surrounding the extension of credit and shall be satisfied that the statement is truthful.

Section 220.10— Omnibus account.

(a) In an omnibus account, a creditor may effect and finance transactions for a broker or dealer who is registered with the SEC under section 15 of the Act and who gives the creditor written notice that:

(1) All securities will be for the account of customers of the broker or dealer; and

(2) Any short sales effected will be short sales made on behalf of the customers of the broker or dealer other than partners.

(b) The written notice required by paragraph (a) of this section shall conform to any SEC rule on the hypothecation of customers' securities by brokers or dealers.

Section 220.11—Broker-dealer credit account.

(a) *Permissible transactions.* In a broker-dealer credit account, a creditor may:

(1) Purchase any security from or sell any security to another creditor or person regulated by a foreign securities authority under a good faith agreement to promptly deliver the security against full payment of the purchase price.

(2) Effect or finance transactions of any of its owners if the creditor is a clearing and servicing broker or dealer owned jointly or individually by other creditors.

(3) Extend and maintain credit to any partner or stockholder of the creditor for the purpose of making a capital contribution to, or purchasing stock of, the creditor, affiliated corporation or another creditor.

(4) Extend and maintain, with the approval of the appropriate examining authority:

(i) Credit to meet the emergency needs of any creditor; or

(ii) Subordinated credit to another creditor for capital purposes, if the other creditor:

(A) Is an affiliated corporation or would not be considered a customer of the lender apart from the subordinated loan; or

(B) Will not use the proceeds of the loan to increase the amount of dealing in securities for the account of the creditor, its firm or corporation or an affiliated corporation.

(5) Effect transactions for a customer as part of a "prime broker" arrangement in conformity with SEC guidelines.

(b) *Affiliated corporations.* For purposes of paragraphs (a)(3) and (a)(4) of this section "affiliated corporation" means a corporation all the common stock of which is owned directly or indirectly by the firm or general partners and employees of the firm, or by the corporation or holders of the controlling stock and employees of the corporation and the affiliation has been approved by the creditor's examining authority.

Section 220.12—Market functions account.

(a) *Requirements.* In a market functions account, a creditor may effect or finance the transactions of market participants in accordance with the following provisions. A separate record shall be kept for the transactions specified for each category described in paragraphs (b) through (e) of this section. Any position in a separate record shall not be used to meet the requirements of any other category.

(b) *Specialists*—(1) *Applicability.* A creditor may clear or finance specialist transactions and permitted offset positions for any specialist, or any specialist joint account, in which all participants, or all participants other than the creditor, are registered as specialists on a national securities exchange that requires regular reports on the use of specialist credit from the registered specialists.

(2) *Required margin.* The required margin for a specialist's transactions shall be:

(i) Good faith margin for:

(A) Any long or short position in a security in which the specialist makes a market;

(B) Any wholly owned margin security or exempted security; or

(C) Any permitted offset position.

(ii) The margin prescribed by section 220.18 (the Supplement) when a security purchased or sold short in the account does not qualify as a specialist or permitted offset position.

(3) *Additional margin; restriction on "free-riding."*

(i) Except as required by paragraph (b)(4) of this section, the creditor shall issue a margin call on any day when additional margin is required as a result of specialist transactions. The creditor may allow the specialist a maximum of one payment period to satisfy a margin call.

(ii) If a specialist fails to satisfy a margin call within the period specified in paragraph (b)(3) of this section (and the creditor is required to liquidate securities to satisfy the call), the creditor shall be prohibited for a 15 calendar day period from extending any further credit to the specialist to finance transactions in nonspecialty securities.

(iii) The restriction on "free-riding" shall not apply to:

(A) Any specialist on a national securities exchange that has an SEC-approved rule on "free-riding" by specialists; or

(B) The acquisition or liquidation of a permitted offset position.

(4) *Deficit status.* On any day when a specialist's separate record would liquidate to a deficit, the creditor shall not extend any further specialist credit in the account and shall issue a margin call at least as large as the deficit. If the call is not met by noon of the following business day, the creditor shall liquidate positions in the specialist's account.

(5) *Withdrawals.* Withdrawals may be permitted to the extent that the equity exceeds the margin requirements specified in paragraph (b)(2) of this section.

(6) *Permitted offset positions.* Until June 1, 1997, a specialist in options may establish, on a share-for-share basis, a long or short position in the securities underlying the options in which the specialist makes a market, and a specialist in securities other than options may purchase or write options overlying the securities in which the specialist makes a market, if the account holds the following permitted offset positions:

(i) A short option position which is "in or at the money" and is not offset by a long or short option position for an equal or greater number of shares of the same underlying security which is "in the money";

(ii) A long option position which is "in or at the money" and is not offset by a long or short option position for an equal or greater number of shares of the same underlying security which is "in the money";

(iii) A short option position against which an exercise notice was tendered;

(iv) A long option position which was exercised;

(v) A net long position in a security (other than an option) in which the specialist makes a market; or

(vi) A net short position in a security (other than an option) in which the specialist makes a market.

(c) *Underwriters and distributors.* A creditor may effect or finance for any dealer or group of dealers transactions for the purpose of facilitating the underwriting or distribution of all or a part of an issue of securities with a good faith margin.

(d) *OTC marketmakers and third marketmakers.* (1) A creditor may clear or finance with a good faith margin, marketmaking transactions for a creditor who is a registered NASDAQ marketmaker or a qualified third marketmaker as defined in SEC Rule 3b-8 (17 C.F.R. 240.3b-8).

(2) If the credit extended to a marketmaker ceases to be for the purpose of marketmaking, or the dealer ceases to be a marketmaker for an issue of securities for which credit was extended, the credit shall be subject to the margin specified in section 220.18 (the Supplement).

(e) *Odd-lot dealers.* A creditor may clear and finance odd-lot transactions for any creditor who is registered as an odd-lot dealer on a national securities exchange with a good faith margin.

Section 220.13—Arranging for loans by others.

A creditor may arrange for the extension or maintenance of credit to or for any customer by any person, provided the creditor does not willfully arrange credit that violates parts 207, 221, or 224 of this chapter.

Section 220.14 Clearance of securities, options, and futures.

(a) *Credit for clearance of securities.* The provisions of this part shall not apply to the extension or maintenance of any credit that is not for more than one day if it is incidental to the clearance of transactions in securities directly between members of a national securities exchange or association or through any clearing agency registered with the SEC.

(b) *Deposit of securities with a clearing agency.* The provisions of this part shall not apply to the deposit of securities with an options or futures clearing agency for the purpose of meeting the deposit requirements of the agency if:

(1) The clearing agency:

(i) Issues, guarantees performance on, or clears transactions in, any security (including options on any security, certificate of deposit, securities index or foreign currency); or

(ii) Guarantees performance of contracts for the purchase or sale of a commodity for future delivery or options on such contracts;

(2) The clearing agency is registered with the Securities and Exchange Commission or is the clearing agency for a contract market regulated by the Commodity Futures Trading Commission; and

(3) The deposit consists of any margin security and complies with the rules of the clearing agency that have been approved by the Securities and Exchange Commission or the Commodity Futures Trading Commission.

Section 220.15 Borrowing by creditors.

(a) *Restrictions on borrowing.* A creditor may not borrow in the ordinary course of business as a broker or dealer using as collateral any registered nonexempted security, except:

(1) From or through a member bank of the Federal Reserve System; or

(2) From any nonmember bank that has filed with the Board an agreement as prescribed in paragraph (b) of this section, which agreement is still in effect; or

(3) From another creditor if the loan is permissible under this part.

(b) *Agreements of nonmember banks.*

(1) A nonmember bank shall file an agreement that conforms to the requirements of section 8(a) of the Act (*See* Form FR T-1, T-2).

(2) Any nonmember bank may terminate its agreement if it obtains the written consent of the Board.

Section 220.16 Borrowing and lending securities.

(a) Without regard to the other provisions of this part, a creditor may borrow or lend securities for the purpose of making delivery of the securities in the case of short sales, failure to receive securities required to be delivered, or other similar situations. Each borrowing shall be secured by a deposit of one or more of the following: cash, cash equivalents, foreign sovereign nonconvertible debt securities that are margin securities, collateral acceptable for borrowings of securities pursuant to SEC Rule 15c3-3 (17 C.F.R. 240.15c3-3), or irrevocable letters of credit issued by a bank insured by the Federal Deposit Insurance Corporation or a foreign bank that has filed an agreement with the Board on Form FR T-1, T-2. Such deposit made with the lender of the securities shall have at all times a value at least equal to 100 percent of the market value of the securities borrowed, computed as of the close of the preceding business day. If a creditor reasonably anticipates a short sale, such borrowing may be made up to one standard settlement cycle in advance of trade date.

(b) A creditor may lend non-U.S. traded foreign securities to a foreign person (or borrow such securities for the purpose of relending them to a foreign person) for any purpose lawful in the country in which they are to be used. Each borrowing shall be secured with collateral having at all times a value at least equal to 100 percent of the market value of the securities borrowed, computed as of the close of the preceding business day.

Section 220.17 Requirements for the list of marginable OTC stocks and the list of foreign margin stocks.

(a) *Requirements for inclusion on the list of marginable OTC stocks.* Except as provided in paragraph (f) of this section, OTC margin stock shall meet the following requirements:

(1) Four or more dealers stand willing to, and do in fact, make a market in such stock and regularly submit bona fide bids and offers to an automated quotations system for their own accounts;

(2) The minimum average bid price of such stock, as determined by the Board, is at least $5 per share;

(3) The stock is registered under section 12 of the Act, is issued by an insurance company subject to section 12(g)(2)(G) of the Act, is issued by a closed-end investment management company subject to registration pursuant to section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8), is an American Depository Receipt (ADR) of a foreign issuer whose securities are registered under section 12 of the Act, or is a stock of an issuer required to file reports under section 15(d) of the Act;

(4) Daily quotations for both bid and asked prices for the stock are continuously available to the general public;

(5) The stock has been publicly traded for at least six months;

(6) The issuer has at least $4 million of capital, surplus, and undivided profits;

(7) There are 400,000 or more shares of such stock outstanding in addition to shares held beneficially by officers, directors or beneficial owners of more than 10 percent of the stock;

(8) There are 1,200 or more holders of record, as defined in SEC Rule 12g5-1(17 C.F.R. 240.12g5-1), of the stock who are not officers, directors or beneficial owners of 10 percent or more of the stock, or the average daily trading volume of such stock as determined by the Board, is at least 500 shares; and

(9) The issuer or a predecessor in interest has been in existence for at least three years.

(b) *Requirements for continued inclusion on the list of marginable OTC stocks.* Except as provided in paragraph (f) of this section, OTC margin stock shall meet the following requirements:

(1) Three or more dealers stand willing to, and do in fact, make a market in such stock and regularly submit bona fide bids and offers to an automated quotations system for their own accounts;

(2) The minimum average bid price of such stocks, as determined by the Board, is at least $2 per share;

(3) The stock is registered as specified in paragraph (a)(3) of this section;

(4) Daily quotations for both bid and asked prices for the stock are continuously available to the general public;

(5) The issuer has at least $1 million of capital, surplus, and undivided profits;

(6) There are 300,000 or more shares of such stock outstanding in addition to shares held beneficially by officers, directors, or beneficial owners of more than 10 percent of the stock; and

(7) There continue to be 800 or more holders of record, as defined in SEC Rule 12g5-1 (17 C.F.R. 240.12g5-1), of the stock who are not officers, directors, or beneficial owners of 10 percent or more of the stock, or the average daily trading volume of such stock, as determined by the Board, is at least 300 shares.

(c) *Requirements for inclusion on the list of foreign margin stocks.* Except as provided in paragraph (f) of this section, a foreign margin stock shall be a foreign security deemed to have a "ready market" for purposes of SEC Rule 15c3-1 (17 C.F.R. 240.15c3-1) or meet the following requirements:

(1) The security is listed for trading on or through the facilities of a foreign securities exchange or a recognized foreign securities market and has been trading on such exchange or market for at least six months;

(2) Daily quotations for both bid and asked or last sale prices for the security provided by the foreign securities exchange or foreign securities market on which the security is traded are continuously available to creditors in the United States pursuant to an electronic quotation system;

(3) The aggregate market value of shares, the ownership of which is unrestricted, is not less than $1 billion;

(4) The average weekly trading volume of such security during the preceding six months is either at least 200,000 shares or $1 million; and

(5) The issuer or a predecessor in interest has been in existence for at least five years.

(d) *Requirements for continued inclusion on the list of foreign margin stocks.* Except as provided in paragraph (f) of this section, a foreign margin stock shall be a foreign security deemed to have a "ready market" for purposes of SEC Rule 15c3-1 (17 C.F.R. 240. 15c3-1) or meet the following requirements:

(1) The security continues to meet the requirements specified in paragraphs (c) (1) and (2) of this section;

(2) The aggregate market value of shares, the ownership of which is unrestricted, is not less than $500 million; and

(3) The average weekly trading volume of such security during the preceding six months is either at least 100,000 shares or $500,000.

(e) *Removal from the lists.* The Board shall periodically remove from the lists any stock that:

(1) Ceases to exist or of which the issuer ceases to exist; or

(2) No longer substantially meets the provisions of paragraph (b) or (d) of this section or the definition of OTC margin stock.

(f) *Discretionary authority of Board.* Without regard to other paragraphs of this section, the Board may add to, or omit or remove from the list of marginable OTC stocks and the list of foreign margin stocks and equity security, if in the judgment of the Board, such action is necessary or appropriate in the public interest.

(g) *Unlawful representations.* It shall be unlawful for any creditor to make, or cause to be made, any representation to the effect that the inclusion of a security on the list of marginable OTC stocks or the list of foreign margin stocks is evidence that the Board or the SEC has in any way passed upon the merits of, or given approval to, such security or any transactions therein. Any statement in an advertisement or other similar communication containing a reference to the Board in connection with the lists or stocks on those lists shall be an unlawful representation.

Section 220.18 – Supplement: Margin requirements.

The required margin for each security position held in a margin account shall be as follows:

(a) Margin equity security, except for an exempted security, money market mutual fund or exempted securities mutual fund, warrant on a securities index or foreign currency or a long position in an option: 50 percent of the current market value of the security or the percentage set by the regulatory authority where the trade occurs, whichever is greater.

(b) Exempted security, registered nonconvertible debt security, OTC margin bond, money market mutual fund or exempted securities mutual fund: The margin required by the creditor in good faith or the percentage set by the regulatory authority where the trade occurs, whichever is greater.

(c) Short sale of a nonexempted security, except for a registered nonconvertible debt security or OTC margin bond: 150 percent of the current market value of the security, or 100 percent of the current market value if a

security exchangeable or convertible within 90 calendar days without restriction other than the payment of money into the security sold short is held in the account.
(d) Short sale of an exempted security, registered nonconvertible debt security or OTC margin bond: 100 percent of the current market value of the security plus the margin required by the creditor in good faith.
(e) Nonmargin, nonexempted security: 100 percent of the current market value.
(f) Put or call on a security, certificate of deposit, securities index or foreign currency or a warrant on a securities index or foreign currency:
(1) In the case of puts and calls issued by a registered clearing corporation and listed or traded on a registered national securities exchange or a registered securities association and registered warrants on a securities index or foreign currency, the amount, or other position (except in the case of an option on an equity security until June 1, 1997), specified by the rules of the registered national securities exchange or the registered securities association authorized to trade the option or warrant, provided that all such rules have been approved or amended by the SEC; or
(2) In the case of all other puts and calls, the amount, or other position, specified by the maintenance rules of the creditor's examining authority.

Section 220.19—[Removed]

3. Section 220.19 is removed.

Interpretations

4. The following sections are removed and reserved: 220.106, 220.107, 220.109, 220.112, 220.114, 220.115, 220.116, 220.120, 220.125, 220.129, and 220.130.

Final Rule—Amendment to Regulation O

The Board of Governors is amending 12 C.F.R. Part 250, its Regulation O (Transactions with Affiliates). The Board is adopting a definition of capital stock and surplus for purposes of section 23A of the Federal Reserve Act that conforms to the definition of unimpaired capital and unimpaired surplus used by the Board in calculating the limits in Regulation O for insider lending and by the Office of the Comptroller of the Currency (OCC) in calculating the limit on loans by a national bank to a single borrower. The final rule will reduce the burden for member banks and other insured depository institutions monitoring lending to their affiliates.

Effective July 1, 1996, 12 C.F.R. Part 250 is amended as follows:

Part 250—Miscellaneous Interpretations

1. The authority citation for Part 250 will continue to read as follows:

Authority: 12 U.S.C. 248(i) and 371c(e).

Section 250.161—[Amended]

2. In section 250.161, paragraph (d) is amended by removing the words "loans to affiliates (12 U.S.C. 371c)," in the first sentence.

Section 250.162—[Amended]

3. In section 250.162, paragraph (a) is amended by removing the words "Loans to affiliates (12 U.S.C. 371c), purchases" in the first sentence and adding "Purchases" in their place.

4. A new section 250.242 is added to read as follows:

Section 250.242—Section 23A of the Federal Reserve Act—definition of capital stock and surplus.

(a) An insured depository institution's capital stock and surplus for purposes of section 23A of the Federal Reserve Act (12 U.S.C. 371c) is:
(1) Tier 1 and Tier 2 capital included in an institution's risk-based capital under the capital guidelines of the appropriate Federal banking agency, based on the institution's most recent consolidated Report of Condition and Income filed under 12 U.S.C. 1817(a)(3); and
(2) The balance of an institution's allowance for loan and lease losses not included in its Tier 2 capital for purposes of the calculation of risk-based capital by the appropriate Federal banking agency, based on the institution's most recent consolidated Report of Condition and Income filed under 12 U.S.C. 1817(a)(3).
(b) For purposes of this section, the terms *appropriate Federal banking agency* and *insured depository institution* are defined as those terms are defined in section 3 of the Federal Deposit Insurance Act, 12 U.S.C. 1813.

Final Rule—Amendment to Uniform Rules of Practice and Procedure for Administrative Hearings

The Board of Governors is amending 12 C.F.R. Part 263, its Uniform Rules of Practice and Procedure for Administrative Hearings ("Uniform Rules"). As a result of an interagency review conducted by the Board, the Office of the Comptroller of the Currency ("OCC"), the Office of

Thrift Supervision ("OTS"), the Federal Deposit Insurance Corporation ("FDIC"), and the National Credit Union Administration ("NCUA"), the Board is amending its implementation of the Uniform Rules. The Board's review of the Uniform Rules was conducted in accordance with section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994. The final rule is intended to clarify certain provisions and to increase the efficiency and fairness of administrative hearings.

Effective June 5, 1996, 12 C.F.R. Part 263 is amended as follows:

Part 263—Rules of Practice for Hearings

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

Authority: 5 U.S.C. 504, 554–557; 12 U.S.C. 248, 324, 504, 505, 1817(j), 1818, 1828(c), 1847(b), 1847(d), 1884(b), 1972(2)(F), 3105, 3107, 3108, 3907, 3909, and 4717; 15 U.S.C. 21, 78o-4, 78o-5, and 78u-2; 31 U.S.C. 5321; and 42 U.S.C. 4012a.

2. In section 263.1, paragraph (e)(9) is amended by removing "and" after the semicolon, new paragraphs (e)(11) and (e)(12) are added, paragraph (f) is redesignated as paragraph (g), and revised, and new paragraph (f) is added to read as follows:

Section 263.1—Scope.

* * * * *

(e) * * *

(11) Any provision of law referenced in section 102(f) of the Flood Disaster Protection Act of 1973 (42 U.S.C. 4012a(f)) or any order or regulation issued thereunder; and

(12) Any provision of law referenced in 31 U.S.C. 5321 or any order or regulation issued thereunder;

(f) Remedial action under section 102(g) of the Flood Disaster Protection Act of 1973 (42 U.S.C. 4012a(g)); and

(g) This subpart also applies to all other adjudications required by statute to be determined on the record after opportunity for an agency hearing, unless otherwise specifically provided for in the Local Rules.

3. In section 263.6, paragraph (a)(3) is revised to read as follows:

Section 263.6—Appearance and practice in adjudicatory proceedings.

(a) * * *

(3) *Notice of appearance*. Any individual acting as counsel on behalf of a party, including the Board, shall file a notice of appearance with OFIA at or before the time that individual submits papers or otherwise appears on behalf of a party in the adjudicatory proceeding. The notice of appearance must include a written declaration that the individual is currently qualified as provided in paragraph (a)(1) or (a)(2) of this section and is authorized to represent the particular party. By filing a notice of appearance on behalf of a party in an adjudicatory proceeding, the counsel agrees and represents that he or she is authorized to accept service on behalf of the represented party and that, in the event of withdrawal from representation, he or she will, if required by the administrative law judge, continue to accept service until new counsel has filed a notice of appearance or until the represented party indicates that he or she will proceed on a *pro se* basis.

* * * * *

4. In section 263.8, paragraph (b) is revised to read as follows:

Section 263.8—Conflicts of interest.

* * * * *

(b) *Certification and waiver*. If any person appearing as counsel represents two or more parties to an adjudicatory proceeding or also represents a non-party on a matter relevant to an issue in the proceeding, counsel must certify in writing at the time of filing the notice of appearance required by section 263.6(a):

(1) That the counsel has personally and fully discussed the possibility of conflicts of interest with each such party and non-party; and

(2) That each such party and non-party waives any right it might otherwise have had to assert any known conflicts of interest or to assert any non-material conflicts of interest during the course of the proceeding.

5. In section 263.11, paragraphs (c)(2) and (d) are revised to read as follows:

Section 263.11—Service of papers.

* * * * *

(c) * * *

(2) If a party has not appeared in the proceeding in accordance with section 263.6, the Board or the administrative law judge shall make service by any of the following methods:

(i) By personal service;

(ii) If the person to be served is an individual, by delivery to a person of suitable age and discretion at the physical location where the individual resides or works;

(iii) If the person to be served is a corporation or other association, by delivery to an officer, managing or general agent, or to any other agent authorized by appointment or by law to receive service and, if the agent is one authorized by statute to receive service and the statute so requires, by also mailing a copy to the party;

(iv) By registered or certified mail addressed to the person's last known address; or

(v) By any other method reasonably calculated to give actual notice.

(d) *Subpoenas.* Service of a subpoena may be made:

(1) By personal service;

(2) If the person to be served is an individual, by delivery to a person of suitable age and discretion at the physical location where the individual resides or works;

(3) By delivery to an agent, which, in the case of a corporation or other association, is delivery to an officer, managing or general agent, or to any other agent authorized by appointment or by law to receive service and, if the agent is one authorized by statute to receive service and the statute so requires, by also mailing a copy to the party;

(4) By registered or certified mail addressed to the person's last known address; or

(5) By any other method as is reasonably calculated to give actual notice.

* * * * *

6. In section 263.12, paragraphs (a), (c)(1), (c)(2), and (c)(3) are revised to read as follows:

Section 263.12 Construction of time limits.

(a) *General rule.* In computing any period of time prescribed by this subpart, the date of the act or event that commences the designated period of time is not included. The last day so computed is included unless it is a Saturday, Sunday, or Federal holiday. When the last day is a Saturday, Sunday, or Federal holiday, the period runs until the end of the next day that is not a Saturday, Sunday, or Federal holiday. Intermediate Saturdays, Sundays, and Federal holidays are included in the computation of time. However, when the time period within which an act is to be performed is ten days or less, not including any additional time allowed for in paragraph (c) of this section, intermediate Saturdays, Sundays, and Federal holidays are not included.

* * * * *

(c) * * *

(1) If service is made by first class, registered, or certified mail, add three calendar days to the prescribed period;

(2) If service is made by express mail or overnight delivery service, add one calendar day to the prescribed period; or

(3) If service is made by electronic media transmission, add one calendar day to the prescribed period, unless otherwise determined by the Board or the administrative law judge in the case of filing, or by agreement among the parties in the case of service.

7. Section 263.20 is revised to read as follows:

Section 263.20 - Amended pleadings.

(a) *Amendments.* The notice or answer may be amended or supplemented at any stage of the proceeding. The respondent must answer an amended notice within the time remaining for the respondent's answer to the original notice, or within ten days after service of the amended notice, whichever period is longer, unless the Board or administrative law judge orders otherwise for good cause.

(b) *Amendments to conform to the evidence.* When issues not raised in the notice or answer are tried at the hearing by express or implied consent of the parties, they will be treated in all respects as if they had been raised in the notice or answer, and no formal amendments are required. If evidence is objected to at the hearing on the ground that it is not within the issues raised by the notice or answer, the administrative law judge may admit the evidence when admission is likely to assist in adjudicating the merits of the action and the objecting party fails to satisfy the administrative law judge that the admission of such evidence would unfairly prejudice that party's action or defense upon the merits. The administrative law judge may grant a continuance to enable the objecting party to meet such evidence.

8. Section 263.24, paragraphs (a) and (b) are revised to read as follows:

Section 263.24 - Scope of document discovery.

(a) *Limits on discovery.* (1) Subject to the limitations set out in paragraphs (b), (c), and (d) of this section, a party to a proceeding under this subpart may obtain document discovery by serving a written request to produce documents. For purposes of a request to produce documents, the term "documents" may be defined to include drawings, graphs, charts, photographs, recordings, data stored in electronic form, and other data compilations from which information can be obtained, or translated, if necessary, by the parties through detection devices into reasonably usable form, as well as written material of all kinds.

(2) Discovery by use of deposition is governed by section 263.53 of subpart B of this part.

(3) Discovery by use of interrogatories is not permitted.

(b) *Relevance.* A party may obtain document discovery regarding any matter, not privileged, that has material relevance to the merits of the pending action. Any request to produce documents that calls for irrelevant material, that is unreasonable, oppressive, excessive in scope, unduly burdensome, or repetitive of previous requests, or that seeks to obtain privileged documents will be denied or modified. A request is unreasonable, oppressive, excessive in scope or unduly burdensome if, among other things, it fails to include justifiable limitations on the time period covered and the geographic locations to be searched, the time provided to respond in the request is inadequate, or the request calls for copies of documents to be delivered to the requesting party and fails to include the requestor's written agreement to pay in advance for the copying, in accordance with section 263.25.

* * * * *

9. In section 263.25, paragraphs (a), (b), (e), and (g) are revised to read as follows:

Section 263.25—Request for document discovery from parties.

(a) *General rule.* Any party may serve on any other party a request to produce for inspection any discoverable documents that are in the possession, custody, or control of the party upon whom the request is served. The request must identify the documents to be produced either by individual item or by category, and must describe each item and category with reasonable particularity. Documents must be produced as they are kept in the usual course of business or must be organized to correspond with the categories in the request.
(b) *Production or copying.* The request must specify a reasonable time, place, and manner for production and performing any related acts. In lieu of inspecting the documents, the requesting party may specify that all or some of the responsive documents be copied and the copies delivered to the requesting party. If copying of fewer than 250 pages is requested, the party to whom the request is addressed shall bear the cost of copying and shipping charges. If a party requests 250 pages or more of copying, the requesting party shall pay for the copying and shipping charges. Copying charges are the current per-page copying rate imposed by 12 C.F.R. Part 261 implementing the Freedom of Information Act (5 U.S.C. 552). The party to whom the request is addressed may require payment in advance before producing the documents.

* * * * *

(e) *Privilege.* At the time other documents are produced, the producing party must reasonably identify all documents withheld on the grounds of privilege and must produce a statement of the basis for the assertion of privilege. When similar documents that are protected by deliberative process, attorney-work-product, or attorney-client privilege are voluminous, these documents may be identified by category instead of by individual document. The administrative law judge retains discretion to determine when the identification by category is insufficient.

* * * * *

(g) *Ruling on motions.* After the time for filing responses pursuant to this section has expired, the administrative law judge shall rule promptly on all motions filed pursuant to this section. If the administrative law judge determines that a discovery request, or any of its terms, calls for irrelevant material, is unreasonable, oppressive, excessive in scope, unduly burdensome, or repetitive of previous requests, or seeks to obtain privileged documents, he or she may deny or modify the request, and may issue appropriate protective orders, upon such conditions as justice may require. The pendency of a motion to strike or limit discovery or to compel production is not a basis for staying or continuing the proceeding, unless otherwise ordered by the administrative law judge. Notwithstanding any other provision in this part, the administrative law judge may not release, or order a party to produce, documents withheld on grounds of privilege if the party has stated to the administrative law judge its intention to file a timely motion for interlocutory review of the administrative law judge's order to produce the documents, and until the motion for interlocutory review has been decided.

* * * * *

10. In section 263.33, paragraph (a) is revised to read as follows:

Section 263.33—Public hearings.

(a) *General rule.* All hearings shall be open to the public, unless the Board, in the Board's discretion, determines that holding an open hearing would be contrary to the public interest. Within 20 days of service of the notice or, in the case of change-in-control proceedings under section 7(j)(4) of the FDIA (12 U.S.C. 1817(j)(4)), within 20 days from service of the hearing order, any respondent may file with the Board a request for a private hearing, and any party may file a reply to such a request. A party must serve on the administrative law judge a copy of any request or reply the party files with the Board. The form of, and procedure for, these requests and replies are governed by section 263.23. A party's failure to file a request or a reply constitutes a waiver of any objections regarding whether the hearing will be public or private.

* * * * *

11. In section 263.34, paragraphs (a) and (b)(1) are revised to read as follows:

Section 263.34—Hearing subpoenas.

(a) *Issuance*—(1) Upon application of a party showing general relevance and reasonableness of scope of the testimony or other evidence sought, the administrative law judge may issue a subpoena or a subpoena duces tecum requiring the attendance of a witness at the hearing or the production of documentary or physical evidence at the hearing. The application for a hearing subpoena must also contain a proposed subpoena specifying the attendance of a witness or the production of evidence from any state, territory, or possession of the United States, the District of Columbia, or as otherwise provided by law at any designated place where the hearing is being conducted. The party making the application shall serve a copy of the application and the proposed subpoena on every other party.

(2) A party may apply for a hearing subpoena at any time before the commencement of a hearing. During a hearing, a party may make an application for a subpoena orally on the record before the administrative law judge.

(3) The administrative law judge shall promptly issue any hearing subpoena requested pursuant to this section. If the administrative law judge determines that the application does not set forth a valid basis for the issuance of the subpoena, or that any of its terms are unreasonable, oppressive, excessive in scope, or unduly burdensome, he or she may refuse to issue the subpoena or may issue it in a modified form upon any conditions consistent with this subpart. Upon issuance by the administrative law judge, the party making the application shall serve the subpoena on the person named in the subpoena and on each party.

(b) *Motion to quash or modify*. (1) Any person to whom a hearing subpoena is directed or any party may file a motion to quash or modify the subpoena, accompanied by a statement of the basis for quashing or modifying the subpoena. The movant must serve the motion on each party and on the person named in the subpoena. Any party may respond to the motion within ten days of service of the motion.

* * * * *

12. In section 263.35, paragraph (a)(3) is redesignated as paragraph (a)(4), a new paragraph (a)(3) is added, and paragraph (b) is revised to read as follows:

Section 263.35— Conduct of hearings.

(a) * * *

(3) *Examination of witnesses*. Only one counsel for each party may conduct an examination of a witness, except that in the case of extensive direct examination, the administrative law judge may permit more than one counsel for the party presenting the witness to conduct the examination. A party may have one counsel conduct the direct examination and another counsel conduct re-direct examination of a witness, or may have one counsel conduct the cross examination of a witness and another counsel conduct the re-cross examination of a witness.

* * * * *

(b) *Transcript*. The hearing must be recorded and transcribed. The reporter will make the transcript available to any party upon payment by that party to the reporter of the cost of the transcript. The administrative law judge may order the record corrected, either upon motion to correct, upon stipulation of the parties, or following notice to the parties upon the administrative law judge's own motion.

13. In section 263.37, the section heading and paragraph (a)(1) are revised to read as follows:

Section 263.37 Post-hearing filings.

(a) *Proposed findings and conclusions and supporting briefs*. (1) Using the same method of service for each party, the administrative law judge shall serve notice upon each party, that the certified transcript, together with all hearing exhibits and exhibits introduced but not admitted into evidence at the hearing, has been filed. Any party may file with the administrative law judge proposed findings of fact, proposed conclusions of law, and a proposed order within 30 days following service of this notice by the administrative law judge or within such longer period as may be ordered by the administrative law judge.

* * * * *

14. Section 263.38 is revised to read as follows:

Section 263.38— Recommended decision and filing of record.

(a) *Filing of recommended decision and record*. Within 45 days after expiration of the time allowed for filing reply briefs under section 263.37(b), the administrative law judge shall file with and certify to the Board, for decision, the record of the proceeding. The record must include the administrative law judge's recommended decision, recommended findings of fact, recommended conclusions of law, and proposed order; all prehearing and hearing transcripts, exhibits, and rulings; and the motions, briefs, memoranda, and other supporting papers filed in connection with the hearing. The administrative law judge shall serve upon each party the recommended decision, findings, conclusions, and proposed order.

(b) *Filing of index*. At the same time the administrative law judge files with and certifies to the Board for final determination the record of the proceeding, the administrative law judge shall furnish to the Board a certified index of the entire record of the proceeding. The certified index shall include, at a minimum, an entry for each paper, document or motion filed with the administrative law judge in the proceeding, the date of the filing, and the identity of the filer. The certified index shall also include an exhibit index containing, at a minimum, an entry consisting of exhibit number and title or description for: Each exhibit introduced and admitted into evidence at the hearing; each exhibit introduced but not admitted into evidence at the hearing; each exhibit introduced and admitted into evidence after the completion of the hearing; and each exhibit introduced but not admitted into evidence after the completion of the hearing.

Orders Issued Under Bank Holding Company Act

Orders Issued Under Section 3 of the Bank Holding Company Act

Butte Bank Shares, Inc.
Butte, Montana

Order Approving Formation of a Bank Holding Company

Butte Bank Shares, Inc. ("Butte"), has applied under section 3 of the Bank Holding Company Act ("BHC Act") (12 U.S.C. § 1842) for the Board's approval to become a bank holding company by acquiring at least 80 percent of the voting shares of First Citizens Bank of Butte ("Bank"), a state member bank, both in Butte, Montana.

Notice of the application, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 1029 (1996)).[1] 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.

Butte is a nonoperating corporation formed for the purpose of acquiring Bank. Bank is the 47th largest commercial banking organization in Montana, controlling deposits of approximately $28.2 million, representing less than 1 percent of total deposits in commercial banking organizations in the state.[2] Based on all the facts of record, the Board concludes that consummation of this proposal would not have a significantly adverse effect on competition or on the concentration of banking resources in any relevant banking market, and that competitive considerations are consistent with approval.

The Board has carefully considered comments opposing this proposal from current shareholders and a former employee of Bank. These comments allege that Butte provided insufficient and inaccurate financial information in its application, and lacks the financial resources to consummate this proposal. Commenters also assert that managerial considerations are not consistent with approval.[3]

The Board notes that Bank is currently in satisfactory financial condition and that the debt service projections, *pro forma* debt-to-equity ratio projections, and growth statements are reasonable and consistent with the Board's guidelines. The Board has also reviewed these comments in light of reports of examination by the Federal Reserve Bank of Minneapolis assessing the financial and managerial resources of Bank. Based on all the facts of record, the Board concludes that the financial and managerial resources and future prospects of Bank and Butte are consistent with approval, as are convenience and needs considerations and other supervisory factors that the Board is required to consider under section 3 of the BHC Act.[4]

Based on the foregoing and all the facts of record, the Board has determined that the application should be, and hereby is, approved.[5] The Board's approval is expressly

1. The Board received comments from an individual who maintains that notice of this proposal was inadequate because notice was "untimely and not properly placed in Bank's place of business." The Board's Rules of Procedure 12 C.F.R. 262.3(b)(1)(ii)(E) require an applicant to publish notice in a newspaper of general circulation in the community where the head offices of the largest subsidiary bank of the applicant, if any, or the applicant and each organization to be acquired are located. The head offices of Butte and Bank are in Butte, Montana. Notice of the proposal, inviting public comment for a period of 31 days, was published on December 27, 1995, in *The Montana Standard*, a daily newspaper of general circulation in the Butte community. In addition, as required by the Board's Rules of Procedure 12 C.F.R. 262.3(i)(1), the Board published notice of this proposal in the *Federal Register* inviting public comment for a period of 25 days. Based on all the facts of record, the Board concludes that notice was published in accordance with the Board's rules and that the public was adequately notified of this proposal.

2. Deposit data are as of September 30, 1995.

3. One commenter alleges that Butte's exchange offer violates the rules of the Securities and Exchange Commission ("SEC") regarding the exemption from registration for securities sold intrastate. This commenter also challenges one shareholder's right to purchase certain shares and retain other shares previously purchased. Another commenter contends that management withheld information from a minority shareholder in violation of Montana corporate law. One commenter also maintains that Butte's claim of confidentiality for portions of the application improperly withholds information regarding the proposal from minority shareholders.

The SEC is the federal agency with primary jurisdiction over matters dealing with registration of securities for sale, and the Board has provided commenter's allegations to the SEC for consideration. Butte has committed to comply with all applicable federal and state law requirements regarding the sale of its securities. The Board notes that the matters raised by commenters relating to the acquisition of Bank stock and access to corporate information under Montana law are currently pending in two separate lawsuits before state courts that have the authority to grant the commenters relief if their allegations can be substantiated. Neither the SEC nor any court has found any violation of securities law or Montana corporate law to date. The Board retains the authority to consider these matters in connection with the evaluation of future applications by Butte or in the context of its general supervisory jurisdiction over Butte and Bank if any violation of applicable laws is established. The confidential portions of Butte's application were reviewed for compliance with the provisions of the Freedom of Information Act ("FOIA") relating to confidential commercial information that is exempt from public disclosure, and no nonexempt information was found. The Board's FOIA procedures provide commenter the opportunity to challenge this determination of confidentiality.

4. One commenter contends that minority shareholders were not offered a fair market value for their shares and that the proposal generally is not in the best interest of the minority shareholders. Butte has responded that all shareholders residing in Montana will be permitted to exchange their shares in Bank for shares in the bank holding company, and shareholders residing outside Montana will be offered the appraisal value of their shares. Courts have determined that the Board does not have the authority to consider matters that are not directly related to a factor in the BHC Act. *See Western Bancshares, Inc. v. Board of Governors*, 480 F.2d 749 (10th Cir. 1973). Based on all the facts of record, the Board concludes that commenter's comments relating to the value received by the minority shareholders do not reflect adversely on the factors the Board is required to consider under section 3 of the BHC Act.

5. One commenter requested that the Board hold a public hearing or meeting on this application. Section 3(b) of the BHC Act does not require the Board to hold a public hearing or meeting on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial. No supervisory agency has recommended denial of the proposal.

conditioned on compliance with all the commitments made by Butte in connection with this application. The commitments and conditions relied on by the Board in reaching this decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

This transaction 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 Federal Reserve Bank of Minneapolis, acting pursuant to delegated authority.

By order of the Board of Governors, effective April 1, 1996.

Voting for this action: Chairman Pro Tempore Greenspan and Governors Kelley, Lindsey, Phillips, and Yellen.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Emigrant Bancorp, Inc.
New York, New York

Order Approving Acquisition of Shares of a Bank Holding Company

Emigrant Bancorp, Inc., New York, New York ("Emigrant Bancorp"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire indirectly up to 9.9 percent of the outstanding common stock of Queens County Bancorp, Inc. ("Queens County Bancorp"), a bank holding company that owns Queens County Savings Bank ("Queens Savings Bank"), Flushing, New York.

Notice of the application, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 1759 (1996)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the BHC Act.

Emigrant Bancorp, with consolidated assets of approximately $6 billion, is the 11th largest commercial depository institution in New York, controlling deposits of approximately $5.4 billion, representing approximately 1.6 percent of total deposits in commercial banking organizations in New York.[1] Queens County Bancorp, with consolidated assets of approximately $1.2 billion, is the 44th largest commercial depository institution in New York, controlling approximately $887.8 million in deposits, representing less than 1 percent of total deposits in commercial banking organizations in the state.

Queens County Bancorp has objected to this proposal on the basis that Emigrant Bancorp may seek to control Queens Savings Bank.[2] As noted, Emigrant Bancorp proposes to acquire up to 9.9 percent of the voting shares of Queens County Bancorp. Emigrant Bancorp would own less than 25 percent of the voting shares of Queens County Bancorp, and thereby less than the threshold amount that the BHC Act deems to represent control. The Board previously has indicated that the acquisition of less than a controlling interest in a bank or bank holding company is not a normal acquisition for a bank holding company.[3] The requirement in section 3(a)(3) of the BHC Act that the Board's approval be obtained before a bank holding company acquires more than 5 percent of the voting shares of a bank, however, suggests that Congress contemplated the acquisition by bank holding companies of between 5 percent and 25 percent of the voting shares of a bank or a bank holding company.[4] Nothing in section 3(c) of the BHC Act, moreover, requires the Board to deny an application solely because a bank holding company proposes to acquire less than a controlling interest in a bank or bank holding company. Accordingly, the Board previously has approved the acquisition by a bank holding company of less than a controlling interest in a bank or bank holding company.[5]

Emigrant Bancorp has stated that it does not propose to control Queens County Bancorp and will not control Queens County Bancorp without obtaining the prior approval of the Board. Emigrant Bancorp has made a number of commitments that are similar to commitments previously relied on by the Board in determining that an investing bank holding company would not be able to exercise a controlling influence over another bank holding company

Generally, under its Rules of Procedure, the Board may, in its discretion, hold a public hearing or meeting on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 C.F.R. 262.3(e) and 262.25(d). In the Board's view, the commenter in this case has had ample opportunity to submit his views, and has, in fact, submitted substantial written comments that have been carefully considered in connection with the Board's decision. The commenter's request fails to demonstrate why its written comments do not adequately present its allegations, or why a public hearing or meeting is otherwise 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 this application. Accordingly, commenter's request for a public hearing or meeting on this application is hereby denied.

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

2. Queens County Bancorp contends that the Board should allow bank holding companies to acquire noncontrolling minority interests in other bank institutions only under extraordinary circumstances when the applicant demonstrates compelling reasons that make such an investment opportunity unique and appropriate.

3. *See, e.g., North Fork, Bancorporation, Inc.*, 81 *Federal Reserve Bulletin* 734 (1995) ("*North Fork*"); *State Street Boston Corporation*, 67 *Federal Reserve Bulletin* 862 (1981).

4. 12 U.S.C. § 1842(a)(3); 12 C.F.R. 225.11(c).

5. *See, e.g., North Fork* (acquisition of 19.9 percent of the voting shares of a bank holding company); *Mansura Bancshares, Inc.*, 79 *Federal Reserve Bulletin* 37 (1993) ("*Mansura*") (acquisition of 9.7 percent of the voting shares of a bank holding company); and *SunTrust Banks, Inc.*, 76 *Federal Reserve Bulletin* 542 (1990) ("*Sun Trust*") (acquisition of up to 24.99 percent of the voting shares of a bank).

or bank for purposes of the BHC Act.[6] Emigrant Bancorp has committed not to exercise or attempt to exercise a controlling influence over the management or policies of Queens County Bancorp or any of its subsidiaries. Emigrant Bancorp also has committed not to attempt to influence the dividend policies, loan decisions or operations of Queens County Bancorp or any of its subsidiaries. Moreover, Emigrant Bancorp has recognized that it may not acquire additional shares of Queens County Bancorp or attempt otherwise to control Queens County Bancorp without the Board's prior approval under the BHC Act. The Board has adequate supervisory authority to monitor Emigrant Bancorp's compliance with its commitments, and expressly retains authority to initiate a control proceeding against Emigrant Bancorp if facts presented later indicate that Emigrant Bancorp or any of its subsidiaries or affiliates in fact controls Queens County Bancorp for purposes of the BHC Act. Based on these commitments and all other facts of record, it is the Board's judgement that, for purposes of the BHC Act, Emigrant Bancorp would not acquire control of Queens County Bancorp through consummation of this proposal.

Queens County Bancorp also contends that this proposal would disrupt its operations and business strategies, and would adversely affect its abilities to raise capital and to retain employees and customers. As noted above, Emigrant Bancorp has made commitments that it would not attempt to influence the operations, activities, or dividend, credit and investment policies of Queens County Bancorp. In addition, the record contains no support for the contention that this proposal would affect the ability of Queens County Bancorp to raise capital or to retain employees and customers. The Board notes that other bank holding companies with similar minority shareholders have successfully raised capital and retained employees and customers.[7]

Based on the foregoing and all other facts of record, the Board concludes that the financial and managerial resources and future prospects of Emigrant Bancorp and Queens County Bancorp and their respective subsidiary banks, are consistent with approval, as are considerations relating to the convenience and needs of the communities to be served and other supervisory factors the Board must consider under section 3 of the BHC Act.

The Board has noted that one company need not acquire control of another company in order to substantially lessen competition between them and that the specific facts of each case will determine whether a minority investment would have significant anticompetitive effects.[8] It is possible, for example, that the acquisition of a substantial ownership interest in a competitor or a potential competitor of the acquiring firm might alter the market behavior of both firms in such a way as to weaken or eliminate independent action at each organization and increase the likelihood of cooperative operations.[9]

Emigrant Bancorp and Queens County Bancorp compete directly in the Metropolitan New York-New Jersey banking market.[10] Emigrant Bancorp is the 14th largest commercial bank or thrift institution ("depository institution") in the market, controlling deposits of approximately $5.7 billion, representing approximately 1.4 percent of total deposits in depository institutions in the market ("market deposits").[11] Queens County Bancorp is the 61st largest depository institution in the market, controlling deposits of approximately $879 million, representing less than 1 percent of market deposits. As a combined organization, Emigrant Bancorp would be the 13th largest depository institution in the Metropolitan New York-New Jersey banking market, controlling deposits of approximately $6.6 billion, representing approximately 1.7 percent of market deposits. The Herfindahl–Hirschman Index ("HHI") would remain unchanged at 414.[12] Numerous competitors would

6. *See, e.g., Mansura* at 39. The commitments provided by Emigrant Bancorp are set forth in the Appendix.

7. Queens County Bancorp also contends that the proposed transaction would cause Savings Bank to lose its rights under section 24(f)(2) of the Federal Deposit Insurance Act (the "FDI Act") to retain and to make new equity investments in common or preferred stock listed on national securities exchanges or shares of registered investment companies, and thereby adversely affect its future prospects. *See* 12 U.S.C. § 1831a(f)(2). The FDIC's regulation on equity investments provides that these grandfathered rights are terminated by a transaction subject to section 3 of the BHC Act. 12 C.F.R. 362.3(b)(4)(ii). The regulatory commentary accompanying the promulgation of this regulation indicates, however, that the grandfathered rights would not be extinguished in transactions under section 3 or other transactions that do not involve a change in control of the grandfathered bank. *See* 57 *Federal Register* 53,211 at 53,227 (November 9, 1992); 57 *Federal Register* 30,435 at 30,444 (July 9, 1992). In light of this and after consultation with FDIC staff, it appears that, as structured, this proposal would not cause Queens Savings Bank to lose its grandfathered rights under section 24 of the FDI Act. Moreover, even if Queens Savings Bank were to lose its grandfathered rights, the financial resources and future prospects of Queens County Bancorp and Queens Savings Bank would be consistent with approval.

8. *See, e.g., North Fork; Mansura;* and *SunTrust.*

9. *See Mansura* at 38.

10. The Metropolitan New York-New Jersey banking market includes New York City; Nassau, Orange, Putnam, Rockland, Suffolk, Sullivan, and Westchester Counties in New York; Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, Union, Warren, and a portion of Mercer Counties in New Jersey; Pike County in Pennsylvania; and portions of Fairfield and Litchfield Counties in Connecticut.

11. Market share data are as of June 30, 1994, and are based on calculation in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See WM Bancorp*, 76 *Federal Reserve Bulletin* 788 (1990); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). 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).

12. 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 below 1000 is considered to be unconcentrated. 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 recognizes the competitive effect of limited-purpose lenders and other non-depository financial entities.

remain in the market. Thus, if the Board were to conclude that Emigrant Bancorp would control Queens County Bancorp after consummation of this proposal, the elimination of competition between the two entities would not substantially lessen competition in any relevant banking market. In light of all the facts of record, the Board concludes that competitive considerations are consistent with approval.

Based on all the facts of record, the Board has determined that the application should be, and hereby is, approved. The Board's approval is expressly conditioned on Emigrant Bancorp's compliance with all the commitments made in connection with this application. 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.

The transaction 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 New York, acting pursuant to delegated authority.

By order of the Board of Governors, effective April 1, 1996.

Voting for this action: Chairman Pro Tempore Greenspan and Governors Kelley, Lindsey, Phillips, and Yellen.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Appendix

As part of its proposal, Emigrant Bancorp commits that it will *not*, directly or indirectly, without the Board's prior approval:

(1) Take any action that would cause Queens County Bancorp or any of its subsidiaries to become a subsidiary of Emigrant Bancorp or any of its subsidiaries;
(2) Seek or accept representation on the board of directors of Queens County Bancorp or any of its subsidiaries;
(3) Have or seek to have any employee or representative of Emigrant Bancorp serve as an officer, agent, or employee of Queens County Bancorp or any of its subsidiaries;
(4) Exercise or attempt to exercise a controlling influence over the management or policies of Queens County Bancorp or any of its subsidiaries;
(5) Acquire or retain shares of Queens County Bancorp that would cause the combined interests of Emigrant Bancorp or any of its subsidiaries, officers, directors, principal shareholders, and affiliates to equal or exceed 10 percent of the outstanding voting shares of Queens County Bancorp or any of its subsidiaries;
(6) Propose a director or slate of directors in opposition to a nominee or slate of nominees proposed by the management or board of directors of Queens County Bancorp or any of its subsidiaries;
(7) Attempt to influence Queens County Bancorp's or any of its subsidiaries' dividend policies or practices; loan, credit or investment decisions or policies; pricing of services; personnel decisions; operations activities (including the location of any offices or branches or their hours of operation, etc.); or any similar activities or decisions of Queens County Bancorp or any of its subsidiaries;
(8) Solicit or participate in soliciting proxies with respect to any matter presented to the shareholders of Queens County Bancorp or any of its subsidiaries;
(9) Dispose or threaten to dispose of shares of Queens County Bancorp or any of its subsidiaries in any manner as a condition of specific action or nonaction by Queens County Bancorp or any of subsidiaries; and
(10) Enter into any banking or nonbanking transaction with Queens County Bancorp or any of its subsidiaries, except that Emigrant Bancorp may establish and maintain deposit accounts with Queens County Bancorp or its subsidiaries, provided that the aggregate balance of all such deposit accounts does not exceed $500,000, and provided that the accounts are maintained on substantially the same terms as those prevailing for comparable accounts or persons unaffiliated with Queens County Bancorp or any of its subsidiaries.

Farmers State Corporation
Mountain Lake, Minnesota

Bank Southwest Corporation
Worthington, Minnesota

Order Approving the Acquisition of a Bank

Farmers State Corporation, Mountain Lake ("Farmers"), and its subsidiary, Bank Southwest Corporation ("BSC"), Worthington (collectively "FSC"), both bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have applied for the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire all the voting shares of First Security Bank Madison, Madison, all in Minnesota ("Bank").[1]

Notice of the application, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 3713 (1996)). 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.

FSC is the 31st largest bank holding company in Minnesota, controlling total deposits of approximately $152 million, representing less than 1 percent of total deposits in commercial banking organizations in the state.[2] Bank is the 253d largest commercial banking organization in Minne-

1. Farmers owns approximately 51 percent of the shares of BSC. Under the proposal, BSC would acquire all the outstanding common stock of Bank.

2. State deposit data are as of December 31, 1995.

sota, controlling deposits of approximately $25 million, representing less than 1 percent of total deposits in commercial banking organizations in the state. After consummation of this proposal, FSC would control deposits of approximately $177 million, representing less than 1 percent of total deposits in commercial banking organizations in the state.

Competitive and Other Considerations

FSC and Bank do not compete in any banking market. Based on all the facts of record, the Board concludes that consummation of this proposal would not result in any significantly adverse effect on competition or on the concentration of banking resources in any relevant banking market. The Board also concludes, in light of all the facts of record, that the financial and managerial resources and future prospects of FSC and Bank are consistent with approval, as are the other supervisory factors the Board must consider under section 3 of the BHC Act.

Convenience and Needs Considerations

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

The Board has carefully considered that one of FSC's subsidiary banks, United Prairie Bank, Mountain Lake, Minnesota ("Mountain Lake Bank"), received consecutive "needs to improve" ratings from its primary federal supervisor, the Federal Deposit Insurance Corporation ("FDIC"), in its CRA performance examinations, as of October 1994 and June 1995. These ratings reflected deficiencies found by examiners in the bank's compliance with the Equal Credit Opportunity Act and the Board's Regulation B ("fair credit laws").[4] FSB's other subsidiary banks, United Prairie Bank, Slayton; United Prairie Bank, Jackson; and Green Lake State Bank, Spicer, all of Minnesota, received CRA performance examinations ratings of "satisfactory" in their most recent examinations for CRA performance.

Since the June 1995 examination of Mountain Lake Bank, FSC has taken actions at the bank in response to the compliance issues identified by the FDIC. The Board has reviewed the bank's compliance programs in connection with this application and has consulted with the FDIC about its evaluation of the adequacy of those measures to correct the weaknesses identified at the bank and to prevent the recurrence of violations of the fair credit laws. The Board also has considered other supervisory information provided by the FDIC and FSC's record of addressing weaknesses identified in its CRA performance examinations.

Based on all the facts of record, the Board concludes that convenience and needs considerations, including considerations relating to FSC's record of performance under the CRA, are consistent with approval. The Board expects United Prairie Bank to fully implement all its initiatives, particularly those designed to address its compliance with fair credit laws. The Board will monitor FSC's progress in these areas in its supervision of FSC and take such record into account in its evaluation of future applications by FSC for deposit facilities.

Based on the foregoing and all the facts of record, the Board has determined that the application should be, and hereby is, approved. The Board's approval is expressly conditioned on FSC's compliance with all the commitments made in connection with these applications. 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.

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 Minneapolis, acting pursuant to delegated authority.

By order of the Board of Governors, effective April 8, 1996.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

3. 12 U.S.C. § 2903.

4. After the 1994 examination, United Bank's board adopted a resolution designed to address the weaknesses found in this and other examinations, and the bank took steps to address these weaknesses. The June 1995 examination, however, noted other apparent violations of fair credit laws at one of United Bank's branches that had not been noted in the 1994 examination.

Fleet Financial Group, Inc.
Boston, Massachusetts

Order Approving the Acquisition of a Bank

Fleet Financial Group, Inc., Boston, Massachusetts ("Fleet"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire all the voting shares of NatWest Bank National Association, Jersey City, New Jersey ("NatWest Bank").[1]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 6643 (1996)). 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 the BHC Act.[2]

Fleet, with total consolidated assets of approximately $85 billion, operates subsidiary banks in Rhode Island, Massachusetts, Connecticut, New York, New Hampshire, and Maine.[3] Fleet is the sixth largest commercial banking organization in New York, controlling deposits of $11.2 billion, representing approximately 4.5 percent of total deposits in commercial banking organizations in the state ("state deposits"). NatWest Bank operates in New York and New Jersey, with $7.4 billion in deposits in New York and $10.3 billion in deposits in New Jersey, representing approximately 3 percent and 11.8 percent of state deposits, respectively. After consummation of the proposal, Fleet would become the fourth largest commercial banking organization in New York and would become the third largest commercial banking organization in New Jersey, with deposits of $18.6 billion in New York and $10.3 billion in New Jersey, representing approximately 7.5 percent and 11.8 percent of state deposits in New York and New Jersey, respectively. In addition, Fleet would become the tenth largest commercial banking organization in the United States and would control approximately 2.3 percent of the total amount of deposits in banks or savings associations insured by the Federal Deposit Insurance Corporation.

1. As part of this proposal, Fleet would merge Fleet Bank of New York, National Association, Schenectady, New York ("Fleet Bank NA"), which was recently acquired from Shawmut National Corporation ("Shawmut"), with and into NatWest Bank. NatWest Bank would survive the merger and be renamed Fleet Bank, National Association. This transaction is being reviewed by the Office of the Comptroller of the Currency ("OCC") under section 18(c) of the Federal Deposit Insurance Act, 12 U.S.C. § 1828(c) ("FDI Act") ("Bank Merger Act").

2. The Board received comments maintaining that Fleet's proposed acquisition of certain subsidiaries of National Westminster Bancorp Inc. requires a notice under section 4 of the BHC Act, and that these subsidiaries would engage in impermissible nonbanking activities. Each of these companies would become a subsidiary of a national bank, operated and held in conformance with the regulations of the OCC. The OCC is reviewing notices for these subsidiaries to become operating subsidiaries of Fleet Bank, National Association, and to engage in activities permissible under the OCC's regulations for operating subsidiaries. Under the Board's Regulation Y, such acquisitions do not require notice under section 4 of the BHC Act. *See* 12 C.F.R. 225.22(d)(1).

3. Asset data are as of December 31, 1995. Deposit data are as of June 30, 1994. All data have been revised to take into account all transactions approved by the Board to date.

Interstate Analysis

Section 3(d) of the BHC Act, as amended by Section 101 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, allows the Board to approve an application by a bank holding company to acquire control of a bank located in a state other than the home state of such bank holding company if certain conditions are met.[4] These conditions are met in this case.[5] In view of all the facts of record, the Board is permitted to approve this proposal under section 3(d) of the BHC Act.[6]

Competitive Considerations

NatWest Bank and subsidiaries of Fleet compete directly in the Metropolitan New York-New Jersey banking market.[7] Fleet is the 13th largest banking or thrift organization ("depository institution") in this market, controlling deposits of $5.8 billion, representing approximately 1.7 percent of total deposits in depository institutions in the market.[8]

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

5. 12 U.S.C. §§ 1842(d)(1)(A) and (B) and 1842(d)(2)(A) and (B). The Board notes that Fleet is adequately capitalized and adequately managed. In addition, after consummation of this proposal, Fleet and its affiliates would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States, and less than 30 percent of the total amount of deposits of insured depository institutions in New York. Neither New York nor New Jersey has state deposit limits or minimum age requirements that apply to the acquisition of a bank by an out-of-state bank holding company.

6. One commenter contended that Fleet cannot merge Fleet Bank NA into NatWest Bank as proposed in its Bank Merger Act application to the OCC because Fleet Bank NA does not meet the five-year minimum age requirement in New York's interstate banking law. The Board notes that there are no minimum age requirements that apply to the acquisition by a Rhode Island bank holding company of a bank located in New Jersey with branches in New York. The merger of NatWest Bank and Fleet Bank NA is subject to review by the OCC under the Bank Merger Act. Staff of the New York Department of Banking has informally advised Board staff that this merger is permissible under New York law.

7. The Metropolitan New York-New Jersey banking market is approximated by New York City; Long Island, and Orange, Putnam, Rockland, Sullivan and Westchester Counties in New York; Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, Union, Warren and portions of Mercer Counties in New Jersey; Pike County in Pennsylvania; and portions of Fairfield and Litchfield Counties in Connecticut.

8. Market share data for the Metropolitan New York-New Jersey banking market are as of June 30, 1994. Market share data are based on calculations in which the deposits of thrift institutions are included on a 50 percent weighted basis. 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). Thus, the Board regularly has included thrift deposits in the calculation of market share on a 50 percent weighted basis. *See, e.g., Comerica Inc.*, 81 *Federal Reserve Bulletin* 476, n.3 (1995); *First Hawaiian Inc.*, 77 *Federal Reserve Bulletin* 52 (1991).

NatWest Bank is the fifth largest depository institution in this market, controlling deposits of $17.3 billion, representing approximately 5 percent of total deposits in depository institutions in the market. After consummation of this proposal, this banking market would remain unconcentrated as measured by the Herfindahl-Hirschman Index ("HHI"),[9] and numerous competitors would remain in the market.

The Board has sought comments from the Department of Justice ("DOJ") on the competitive effects of this proposal in all of the banking markets in which Fleet and NatWest Bank compete. The DOJ has advised the Board that the proposal is not likely to have a significantly adverse effect on competition in any relevant banking market.

Based on all the facts of record, the Board concludes that consummation of this proposal is not likely to have a significantly adverse effect on competition or on the concentration of resources in the Metropolitan New York-New Jersey banking market or any relevant banking market.[10]

Financial, Managerial and Future Prospects Considerations

In connection with this proposal, the Board has reviewed the financial and managerial resources of the companies and banks involved and the effect of the proposed acquisition on the future prospects of these organizations.[11] The Board notes that Fleet and its subsidiary banks and NatWest Bank are well capitalized, and would remain well capitalized after consummation of this transaction. The Board also has reviewed Fleet's operational and management structure for the organization after the acquisition of NatWest Bank. Based on all of the facts of record, including all comments that have been received relating to these factors, and a review of relevant reports of examination of the companies and banks involved in this proposal, the Board concludes that the financial and managerial resources and future prospects of the companies and banks concerned are consistent with approval, as are the other supervisory factors that the Board must consider under section 3 of the BHC Act.[12]

Convenience and Needs Considerations

In acting on applications under section 3 of the BHC Act, the Board must consider the convenience and needs of the communities to be served and take into account the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). The CRA requires the financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate, consistent with their safe and sound operation. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess the institution's record of meeting the credit needs of its entire community, including low- to moderate-income neighborhoods, consistent with the safe and sound operation of such institution," and to take that record into account in its evaluation of applications.[13]

The Board received comments related to the convenience and needs aspects of the proposal from approximately 107 commenters. A substantial majority supported the proposal or commented favorably about the CRA performance records of Fleet or NatWest Bank. These commenters commended Fleet and NatWest Bank for sponsoring community development activities, participating in

9. The HHI for the Metropolitan New York-New Jersey banking market would increase by 17 points to a level of 804 points. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is less than 1000 is considered to be unconcentrated. The Department of Justice has informed the Board that a bank merger or acquisition will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Department of Justice has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effect of limited-purpose lenders and other non-depository financial entities.

10. The Board has considered comments expressing concern that the proposed transaction could have adverse effects on competition or the concentration of resources in the New York City area in general, and particularly in small business lending and services within the New York City area. The Board also has analyzed the competitive effects of this proposal in the smaller New York/New Jersey Ranally Metropolitan Area that includes New York City, and found that the resulting increase in the HHI level in this market would not exceed the threshold standard in the revised Department of Justice Merger Guidelines. *See Chemical Banking Corporation*, 82 *Federal Reserve Bulletin* 239 (1996)("Chemical Order"). For the reasons explained in the Chemical Order, the Board finds that the cluster of banking products and services represents the appropriate line of commerce for analyzing the competitive effects of proposals under the BHC Act in this region.

11. One commenter contended that Fleet's financial resources, and the proposed method of financing this acquisition, as well as its managerial resources are insufficient to support an acquisition as large as the NatWest Bank proposal particularly in light of Fleet's recent acquisition of Shawmut. This commenter also contended that a pending lawsuit by the Connecticut Attorney General, which challenges the OCC's approval of the merger of Fleet's five New England bank subsidiaries into a single bank, could adversely affect the financing of this proposal. The Board has considered these comments carefully in light of all the facts of record, including the fact that the merger of Fleet's five banks has already been consummated and in light of reports of examination from federal banking supervisors that assess the financial and managerial resources of all the institutions involved in this proposal.

12. One commenter maintained that Fleet's involvement in making a campaign loan to a New York City official in 1992 should be reassessed in light of a fine recently imposed on that official by the New York Conflicts of Interest Board for improperly using her position as Comptroller of New York City to obtain the loan. This matter has previously been reviewed by the Board in light of all the facts, including confidential supervisory information from the state member bank that made the loan and an independent report issued by the New York City Department of Investigation. The recent action by the Conflicts of Interest Board addresses the action of the official under New York's conflicts of interest rules but provides no new information regarding any involvement in this matter by Fleet, whose actions were outside of the jurisdiction of the Conflicts of Interest Board.

13. 12 U.S.C. § 2903.

programs providing home mortgage financing for low- to moderate-income residents, and providing financial support to non-profit organizations engaged in these activities.

Seven commenters objected to this proposal or raised concerns about Fleet's CRA performance record. Two commenters criticized Fleet's record of CRA performance in certain low-income areas and areas with predominately minority residents in New York City.[14] Another commenter contended that Fleet has not responded to the credit needs of communities in Rhode Island and has exaggerated its record of performance in South Providence. In addition, comments have raised issues regarding branch closings that may result from this proposal.[15]

The Board has carefully reviewed the CRA performance records of Fleet and its subsidiary depository institutions; NatWest Bank; public comments filed on this proposal; Fleet's responses to comments; and all other relevant facts of record in light of the CRA, the fair lending laws and other relevant credit-related laws, the Board's regulations, and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").[16]

A. Previous Review of Fleet's CRA Record of Performance

The Board recently reviewed Fleet's record of CRA performance in connection with its application to acquire Shawmut.[17] This review carefully considered Fleet's record in all of its communities, including communities in New York and Rhode Island, and considered in detail Fleet's policies, programs, and specific lending activities.

All the subsidiary banks of Fleet and Shawmut received "outstanding" or "satisfactory" ratings at the most recent examinations of their CRA performance by their primary federal supervisors.[18] Examiners found no evidence of prohibited discrimination or other illegal credit practices at any of Fleet's or Shawmut's subsidiary banks, and no evidence of practices intended to discourage applications for the types of credit listed in the banks' respective CRA statements.[19] The Board notes that NatWest Bank also received a "satisfactory" rating from its primary federal supervisor, the OCC, in its most recent examination of CRA performance, as of June 1994, and no evidence of illegal discrimination was noted in that examination.

Fleet has implemented a variety of corporate programs and policies to assist its subsidiary banks in helping to meet the credit needs of all their communities, including low- to moderate-income areas, consistent with the CRA. For example, Fleet implemented a three-year, $8 billion INCITY series of initiatives ("INCITY"), that focus on credit, economic revitalization and community development, and provide a centrally coordinated set of programs and products focusing on low- to moderate-income individuals and communities. The INCITY initiatives include special affordable mortgage products, consumer and small business loan products and affordable housing development initiatives. Fleet Community Development Corporation also was established under these initiatives.

14. Two commenters maintained that Fleet should provide the type of support for financing multi family rental housing projects in New York and community development projects in New Jersey as is currently being provided by NatWest Bank. The Board notes that the CRA does not require an institution to engage in any particular type of lending in order to assist in meeting the credit needs of its community, and that an institution can have a satisfactory record of performance without supporting a specific type of CRA related activity. The Board has considered the complete record of performance of Fleet in helping to meet credit needs of its community in connection with this proposal.

15. Two commenters also raised issues regarding the lending and debt collection practices in New Jersey of Fleet Finance, Inc. ("Fleet Finance"), Fleet's nonbanking finance subsidiary. In connection with Fleet's recent acquisition of Shawmut, the Board considered a number of steps Fleet and Fleet Finance have taken to address the issues raised concerning Fleet Finance's lending practices. Those steps included discontinuing the practice of purchasing individual loans from third parties (except for bulk loan packages from regulated financial institutions, certain institutional investors, or a federal agency) and making significant changes in senior management and managerial practices, including management review and oversight, at both the holding company and the subsidiary. In connection with Fleet's proposal to acquire NatWest Bank and to address the concerns of commenters, Fleet has started an outreach program in New Jersey that will include providing notice to qualified Fleet Finance borrowers and inviting them to call a toll-free number and speak with account representatives about their loans.

Another commenter alleged that Fleet's actions in connection with the financing and sale of an apartment building in Providence raise fair housing issues. There is no evidence of wrongdoing by Fleet, and the Board notes that the sale of the property in question is currently under the jurisdiction of the U.S. Bankruptcy Court.

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

17. *See Fleet Financial Group, Inc.*, 82 *Federal Reserve Bulletin* 50 (1996) ("Fleet/Shawmut Order"). Because a number of commenters reiterate issues raised and considered in connection with the Fleet/Shawmut Order, the Board incorporates in this order the reasons, evidence and conclusions explained in the Fleet/Shawmut Order.

18. The Agency CRA Statement provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record and that reports of these examinations will be given great weight in the applications process. 54 *Federal Register* at 13,745. One commenter alleged that the Board cannot rely on the OCC to provide accurate CRA examination ratings because the OCC uniformly overrates the CRA performance of national banks. The Board notes that under the CRA, the OCC has the authority to rate the CRA performance of national banks and that the OCC has conducted on-site CRA performance examinations of each of the national banks involved in this proposal. Based on all the facts of record, the Board concludes that the commenter has not demonstrated that the OCC's CRA examination or application review process is arbitrary, capricious or otherwise unreliable.

19. One commenter criticized Fleet's actions in connection with his efforts to obtain financing for a housing development project in New Jersey. Those allegations are under review by the Federal Reserve Bank of New York and involve a private dispute involving an individual loan transaction. The Board has supervisory authority to take appropriate action if Fleet violated any laws or regulations in connection with this transaction.

B. Fleet's CRA Performance Record in New York

Fleet's CRA performance record in New York, including low-income and minority areas in New York City, has been carefully considered by the Board. Fleet Bank, Albany, New York ("Fleet Albany"), Fleet's only New York subsidiary prior to Fleet's merger with Shawmut, received a "satisfactory" rating at its most recent CRA performance examination by the Federal Reserve Bank of New York as of January 1994.[20] Examiners found that Fleet Albany had undertaken significant efforts to meet the credit needs of its communities through the development of a variety of special loans products. Furthermore, an analysis of the 1993 and 1994 data filed under the Home Mortgage Disclosure Act ("HMDA") for all metropolitan statistical areas ("MSAs") in New York indicated that Fleet was providing housing-related loans to low- to moderate-income communities and had been increasing its housing-related lending to minorities in New York.[21]

Fleet assists in meeting the credit needs of low- to moderate-income individuals in New York through several mortgage programs that provide flexible underwriting criteria for low- to moderate-income home buyers. Fleet also offers home equity/home improvement and unsecured consumer installment loan products designed specifically for low- to moderate-income individuals. The credit needs of small businesses in New York are addressed through several Fleet programs, including Small Business Administration ("SBA") loan programs and a $3 million minority contractor loan program that provides working capital loans at the bank's prime rate to businesses owned by women and minorities. Many of the small business loan products offered by Fleet affiliates in other states, including the "easy business banking" and INCITY micro-loan programs, also are available in New York. Fleet Albany provides credit and technical assistance to small businesses in New York through its support of regional and local organizations.

Fleet uses a variety of methods to promote affordable housing and community development in New York, including cooperation with government, non profit and private sector organizations.[22] For example, Fleet invested $2 million in the New York Equity Fund, which purchases limited partnership interests in development projects organized by community housing and development organizations. Fleet also provided a $1.4 million construction line of credit and a $2.9 million permanent line of credit to the Community Lending Corporation, which seeks to rehabilitate and construct affordable housing units in upstate New York. Furthermore, Fleet provided over $21 million in 1994 to finance construction of 279 low-income housing units in Brooklyn and the Bronx. In 1993 and 1994, Fleet Albany sponsored several affordable housing conferences in New York, including conferences organized by the Governor's Housing Conference, Neighborhood Preservation Coalition of New York State, and the New York State Rural Housing Coalition.

Fleet has provided credit and technical assistance to small businesses in New York through support of regional and local organizations, including working capital and grants to the Pace-Harlem Small Business Development Corporation, which provides technical assistance to small business owners in Harlem and East Harlem. In 1994, Fleet committed $13 million to 23 projects sponsored by the Long Island Development Corporation. Fleet also has funded or co-sponsored conferences and workshops held by the Brooklyn Minority Business Development Center ("MBDC"), the Bronx MBDC, and the Nassau-Suffolk MBDC that provide information to businesses owned by minorities and women regarding government and bank programs and contract opportunities. The most recent CRA performance of Fleet Albany also concluded that the bank had undertaken significant efforts to ascertain the credit needs of its community, and implemented adequate marketing and advertising programs to inform its communities about the credit products it offered.

C. Fleet's CRA Performance Record in Rhode Island

The Board has carefully considered Fleet's record of performance in Rhode Island, including its CRA-related activities in South Providence. The most recent CRA performance examination found that Fleet-RI's community delineation was reasonable and did not exclude low- to moderate-income areas and that the bank affirmatively solicited credit applications from all segments of its community, including low- to moderate-income census tracts and census tracts with predominately minority populations.

20. A commenter has repeated concerns raised in the Shawmut application that Fleet Albany's CRA-related activities in New York City and Long Island have not been reviewed in the context of a performance examination since 1992. This matter was carefully considered by the Board and addressed in the Fleet/Shawmut Order.

21. The Board also has taken into account Fleet's record of compliance with applicable state community reinvestment laws. Fleet Albany has been examined and rated for compliance under New York community reinvestment laws (N.Y. Banking Law § 28-b). The bank received a "satisfactory" rating from the New York State Banking Department in its most recent assessment report, which takes into account, among other things, the bank's affordable housing and community development activities and HMDA data and lending programs.

22. One commenter reiterated allegations that Fleet's participation in the New York City Housing Partnership ("NYCP"), a government-sponsored housing program in low- to moderate-income areas of New York City, involves illegal pre-screening of potential loan applicants in violation of fair lending and other credit-related laws and that illegal pre-screening also was occurring in several census tracts in Brooklyn that showed high approval rates for loan applications to Fleet. The Board has considered these comments in light of all the facts of record. As indicated in the Chemical Order, a large number of New York City banks provide loans in connection with NYCP-sponsored projects. The program is administered, however, by NYCP. The process for selecting eligible prospective home buyers appears to be controlled by NYCP and is substantially the same regardless of the financial institution that is chosen to make construction or end loans. The Federal Reserve System has begun discussions with the NYCP about its procedures and will continue those discussions to assure compliance with all federal fair lending and reporting laws.

Fleet offers a number of mortgage loan programs to help meet housing-related credit needs in low- to moderate-income communities in Rhode Island.[23] In addition to offering its portfolio mortgage loan program, Fleet participates in several programs sponsored by the Rhode Island Housing and Mortgage Finance Corporation ("RIHMFC").[24] The 1995 performance examination of Fleet-RI characterized Fleet as a leader among Rhode Island financial institutions in originating loans through RIHMFC programs in 1994, with 406 such loans totalling $31.2 million, including 139 JumpStart loans totalling more than $9.6 million. Examiners also noted that, during 1993 and 1994, Fleet made 377 Federal Housing Administration loans totalling more than $39 million, and 178 Veterans Administration loans totalling almost $19 million in Rhode Island.

Fleet-RI also provides financing for the construction and renovation of rental and owner-occupied housing units in coordination with RIHMFC and local and national nonprofit housing organizations. For example, OCC examiners noted that, since 1993, Fleet has provided $749,000 in financing to construct 43 units of affordable single-family housing in Providence and assisted RIHMFC in financing a 27-unit affordable housing project in South Providence.[25] In addition, Fleet-RI is one of four lenders participating in the Providence Plan Housing Corporation's Bank Lines Program, a $30 million mortgage program designed to provide home ownership opportunities for low- to moderate-income households in Providence.[26] Fleet-RI also made a capitalizing deposit pledge of $200,000 to Oasis Community Development Federal Credit Union, a new credit union being formed to serve residents in South Providence.

Fleet-RI has provided small business loans through Fleet's "easy business banking" program and its community banking program, which includes loans ranging from $100,000 to $500,000 to businesses with sales of less than $5 million. The 1995 performance examination noted that during 1994 and the first five months of 1995, Fleet-RI made 465 "easy business banking" loans totalling approximately $21.5 million and more than 300 community banking loans totalling approximately $58.7 million. Examiners also noted that Fleet led the state in SBA loans in 1993 and 1994, with 126 loans totalling $25.7 million. The 1995 performance examination concluded that Fleet-RI had a good record of activities to ascertain community credit needs. Examiners also noted that Fleet-RI aggressively publicized its products and services throughout its delineated community, using a variety of media and other means.[27] In addition, the OCC's 1995 examination found Fleet-RI's branches to be reasonably accessible to all segments of its delineated community, including low- to moderate-income areas.[28]

D. Branch Closings

Fleet has identified 31 branches that may be closed or consolidated after its acquisition of NatWest Bank.[29] Four of these branches are in low- to moderate-income census

23. In 1994, Fleet-RI made 152 loans, totalling $11 million, under its special portfolio loan program for low- to moderate-income borrowers.

24. These programs include the:

(1) First Home Program, which offers first mortgage loans with below market interest rates, low down payments, and flexible underwriting standards for first-time home buyers; and

(2) JumpStart program, which provides creditworthy low- to moderate-income borrowers with down payment assistance and mortgage financing at below market interest rates for purchases of 1-4 family owner-occupied residences.

25. Fleet-RI also provided a $100,000 loan to the Stop Wasting Abandoned Property Gallup Street Project to help rehabilitate four homes in South Providence to be sold to low-income residents.

26. Fleet-RI also has made a commitment to provide $750,000 in financing for the East Providence Neighborhood Housing Service's affordable housing program. Under this program, the bank provides first mortgage financing subject to flexible underwriting guidelines and participates in a loan pool with other lenders for second-mortgage financing.

27. One commenter continues to criticize the fees Fleet's subsidiary banks charge for products and services, and has questioned whether there has been an increase in fees or a reduction in interest rates paid on accounts as a result of the Shawmut acquisition. Fleet provides a full range of banking services throughout its delineated communities, including lending services to assist low- to moderate-income residents, and it offers basic banking accounts with reduced charges in some states. The CRA does not require banks to limit the fees they charge for services. Furthermore, there is no evidence in the record of this case that the fees charged by Fleet's subsidiary banks for their products and services are based in any manner on a factor prohibited under antidiscrimination laws.

28. A Rhode Island commenter alleges that Fleet has acted in bad faith by providing the Board with misleading information about its activities in South Providence. Fleet and this commenter have disputed the identity of the census tracts that make up the neighborhood of South Providence and the number of branches that serve this neighborhood. The Board has reviewed Fleet's activities in the census tracts identified by Fleet as well as those identified by the commenter. The Board also analyzed in detail the CRA performance record of Fleet in Rhode Island in reviewing the Fleet/Shawmut transaction. This commenter also contended that Fleet reneged on an agreement to settle a complaint filed with the Department of Housing and Urban Development against Shawmut because commenter refused to agree to cease criticizing Fleet in applications before federal supervisory agencies, and that Fleet is not in compliance with its CRA agreements with this commenter. The Board has previously noted that private agreements between community based organizations and institutions are not required under the CRA or the Agency Policy Statement and that compliance with such agreements is not monitored by the Board.

29. A commenter also contended that branch closures would result in a substantial loss of jobs. The BHC 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 in a community is not among the factors included in the BHC Act. The convenience and needs factor has consistently been interpreted by the federal banking agencies, the courts, and Congress to relate to the effect of a proposal on the availability and quality of banking services in the community. *See Wells Fargo & Company*, 82 *Federal Reserve Bulletin* 445 (1996). The Board notes that Fleet would provide support to displaced employees and has taken or would take steps to minimize any adverse effects of this proposal on employment, including initiating a hiring

tracts. Fleet has indicated that each of these branches would be consolidated or merged into another existing Fleet or NatWest Bank branch in the same neighborhood. In particular, two branches would be consolidated with a branch located within 1,000 feet; one closed branch would be merged into a branch located within one-half mile; and the fourth closed branch would be merged into a branch located slightly more than one-half mile away. Fleet also has indicated that there would remain at least two competitors within one mile of each of the four branches to be closed in low- to moderate-income census tracts, and that in each case, the branch to be closed would be consolidated into a significantly larger branch. Fleet would effect these closings consistent with its branch closing policy and the Joint Agency Policy Statement on Branch Closings ("Joint Policy Statement").[30]

Fleet's branch closing policy has been carefully considered by the Board.[31] Under this policy, each subsidiary bank is required to assess and consider the impact of any branch closures on the convenience and needs of the public in the communities in which the branches are located. The bank also is required under this policy to evaluate alternatives to closure, such as changing services offered and hours of service, upgrading facilities, and increasing automation. Examiners have found the branch closing policy to be satisfactory and determined that Fleet's subsidiary banks have followed this policy in closing or consolidating branches since the previous CRA performance examinations,[32] and no materially adverse effects on low- to moderate-income neighborhoods from branch closings were identified in any performance examinations.[33]

E. Conclusion Regarding Convenience and Needs Factors

The Board has carefully considered the entire record in reviewing the convenience and needs factors under the relevant banking statutes.[34] As noted above, the Board carefully reviewed the convenience and needs factors in approving Fleet's applications to acquire Shawmut,[35]

freeze and offering relocation assistance and severance packages. Fleet also would provide out-placement services to the employees.

30. *See* section 228 of the Federal Deposit Insurance Corporation Improvement Act of 1991, which added a new section 42 to the FDI Act (12 U.S.C. § 1831r-1). *See also* Joint Policy Statement, 58 *Federal Register* 49,083 (1993).

One commenter contended that Fleet has provided inadequate notice to customers in connection with closing a branch in the West End of Hartford, Connecticut. Fleet indicated that in light of community concern, it had decided not to close this branch but to reduce its hours of operation.

31. One commenter contended that Fleet delayed the public announcement of branches to be closed as a result of the Shawmut acquisition until after the Board acted on the application and that the Board should consider the effect of those announced closings, particularly the closing of branches in Albany, under the convenience and needs factor in this application. The commenter also maintained that Fleet should provide to the public information on branch closures that would result from the NatWest Bank acquisition.

Fleet represented that it did not have a final branch closing plan at the time the Board acted on the Shawmut acquisition. In this light, in reviewing the Fleet/Shawmut transaction, the Board carefully considered Fleet's branch closing policy, which requires Fleet to assess and consider the impact of any branch closures on the banking convenience and needs of the public and evaluate alternatives to closure. In the Fleet/Shawmut Order, the Board required Fleet to submit quarterly reports regarding implementation of its branch closing decisions for a period of 18 months. The first report was filed at the end of last month and contained no information that was inconsistent with the considerations taken into account by the Board in assessing the convenience and needs factor in the Shawmut case or any evidence that Fleet was out of compliance with its branch closing policy.

In this case, Fleet provided information on the branches to be closed in low- to moderate-income areas as a result of the NatWest Bank acquisition and the Board has considered these closures in light of all the facts of record, including comments addressing these proposed closures.

32. This commenter alleged that comments made by community groups to Fleet in connection with Fleet's decision to close branches as a result of the Fleet/Shawmut merger should be considered comments under provisions in the FDI Act that require public notice of branch closings. 12 U.S.C. § 1831r-1(d). This provision of the FDI Act provides commenters with a process by which they may contact the relevant bank's primary federal supervisor if they have concerns about branches to be closed in low- to moderate-income areas by a bank with interstate branches. These comments have been referred to the OCC, the relevant banks' primary federal supervisor.

33. A commenter argued that branch closings could have a disparate impact on minorities if Fleet considers the type of customer that is served by a particular branch and the opportunity to cross-market products to the customers when making a decision to close the branch. The facts of record do not support a finding that branch closings under Fleet's policy have resulted in a disparate impact on minorities, and Fleet's policy specifically provides that decisions on branch closings will be made without regard to such considerations as the race or age of its customer base or other individual characteristics prohibited by law.

34. A commenter has requested that the Board deny or delay consideration of this proposal to permit more information to be obtained and considered by the Board, including results of a new CRA examination by the OCC of Fleet Bank NA and detailed information on branch closings, as well as to give commenter more time to comment on this information and other information submitted by Fleet. Commenter appealed the withholding of certain Fleet submissions that have been accorded confidential treatment under the Freedom of Information Act ("FOIA"). The Board is required under applicable law and its processing procedures to act on applications submitted under the BHC Act within specified time periods. As discussed above, the Board has carefully reviewed the record in this case, including information provided by commenters about the CRA performance records of Fleet and NatWest Bank and information relating to the prospective effects of this acquisition on the convenience and needs of the communities to be served. Based on all the facts of record, the Board concludes that the record is sufficient to act on this proposal at this time, and that delay or denial of this proposal on the grounds of informational insufficiency is not warranted. The Board further notes that its rules regarding access to information under the FOIA provide the appropriate framework for considering a commenter's challenge to confidential treatment accorded an applicant's submissions, and that commenter's challenge here is being reviewed under these rules. The Board's rules do not provide commenter access to information that is otherwise exempt from disclosure under FOIA. Moreover, commenter has been provided with all nonconfidential submissions by Fleet that respond to the particular issues raised by commenter, as well as information on Fleet's proposed branch closings in low- to moderate-income areas, and commenter has provided substantial comments on these submissions.

35. In considering the Fleet/Shawmut transaction, the Board carefully considered the potential fair lending law issues raised by Fleet's

Based on a review of the entire record of performance, including information provided by the commenters, Fleet's responses and the results of performance examinations of NatWest Bank and Fleet's bank subsidiaries by their primary supervisors, and for the reasons explained in this order and the Fleet/Shawmut Order, the Board believes that efforts by Fleet and NatWest Bank to help meet the credit needs of all segments of the communities served by these organizations, including low- to moderate-income neighborhoods, are consistent with approval.[36] The Board expects Fleet to continue to strengthen its CRA performance through its CRA initiatives, and the Board will continue to monitor its progress in this regard in future applications to expand its deposit-taking facilities.[37]

Conclusion

Based on the foregoing, including the commitments made to the Board by Fleet in connection with this application, and in light of all the facts of record, the Board has determined that this application should be, and hereby is, approved.[38] The Board's approval is specifically conditioned on compliance by Fleet with all commitments made in connection with this application as well as the conditions discussed in this 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 of NatWest Bank shall not be consummated before the fifteenth calendar day following the effective date of this order and shall not be consummated later than three months following the effective date of this order, unless such period is extended for good cause by the Board of by the Federal Reserve Bank of Boston, acting pursuant to delegated authority.

By order of the Board of Governors, effective April 15, 1996.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

loan pricing policy that permitted employees of a Fleet mortgage company to share with the mortgage company any excess in origination charges or interest rates above the company's base rates that the employee was able to charge the borrower. This practice is commonly referred to in the industry as "overaging," and involves customers who have been granted credit by the mortgage company. The Board identified concerns under the fair landing laws about the implementation of the overage policy at two of the mortgage company's offices regarding loans to African Americans and Hispanics. After being notified of these concerns, Fleet terminated this practice at all of the offices of its mortgage subsidiary, and has cooperated with the Board's review of the matter. The Board has provided the DOJ with data and analyses compiled by the Board, and the matter continues to be under review by the DOJ.

36. Two commenters requested that the Board hold a public hearing or meetings on this application. Section 3(b) of the BHC Act does not require the Board to hold a hearing on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial. No supervisory agency has recommended denial of the proposal.

Generally, under its Rules of Procedure, the Board may, in its discretion, hold a public hearing or meeting on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 C.F.R. 262.3(e) and 262.25(d). Commenters in this case have had ample opportunity to submit their views, and have, in fact, submitted substantial written comments that have been carefully considered in connection with the Board's decision. Commenters' requests fail to demonstrate why written comments are inadequate in this case to present their views or resolve the issues raised by their comments as required by the Board's rules. 12 C.F.R. 262.3(e). For these reasons, and based on all the facts of record, the Board has determined that a public hearing or meeting is not necessary to clarify the factual record in this application, or otherwise warranted in this case. Accordingly, commenters' requests for a public hearing or meeting on this application is denied.

37. One commenter alleged that Fleet has failed to improve its CRA performance since the Fleet/Shawmut Order with respect to fair lending compliance and CRA lending activities. The Board has considered this comment in light of the relatively short period of time that has elapsed since the consummation of the Fleet/Shawmut acquisition at the end of November 1995.

38. Commenters have raised allegations of employment discrimination on the basis of two proceedings involving Fleet Albany. One lawsuit was filed recently by several current and former employees of Fleet Albany. Another case involves an administrative action brought by the Department of Labor ("DOL") and scheduled for a hearing next month. Fleet has denied any wrongdoing in either case and no adjudication of wrongdoing has been made in either case. The Board fully supports laws requiring fair and nondiscriminatory hiring and employment practices, but does not have jurisdiction to determine compliance with those laws. If a court or an administrative agency determines that Fleet or Fleet Albany has engaged in illegal employment activities, the Board will take such matters into account to the extent appropriate and permitted under the federal banking laws.

These commenters also have raised issues relating to a 1991 audit of Fleet Albany by the DOL regarding the bank's employment practices. This matter was resolved to the satisfaction of the DOL, with Fleet Albany making restitution to certain employees and terminating the employment of the bank's Human Resource Officer.

National Bancshares Corporation of Texas Laredo, Texas

Order Approving Acquisition of Shares of a Bank Holding Company

National Bancshares Corporation of Texas, Laredo, Texas ("NBT"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested Board approval under section 3 of the BHC Act (12 U.S.C. § 1842), to acquire up to 24.9 percent of the voting shares of Corpus Christi Bancshares, Inc., Corpus Christi, Texas ("CCB").

Notice of the application, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 4668 (1996)). 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.

NBT, with consolidated assets of approximately $265.6 million, is the 66th largest commercial banking organization in Texas, controlling approximately $233.1 million in deposits, representing less than 1 percent of total deposits in commercial banking organizations in the state.[1] CCB, with total consolidated assets of approximately $223.9 million, is the 87th largest commercial banking organization in Texas, controlling approximately $200.9 million in deposits, representing less than 1 percent of total deposits in commercial banking organizations in the state.

Control of CCB. CCB has objected to the proposal, contending that, after consummation of the proposal, NBT would be able to exercise a controlling influence over CCB, and thereby force a sale of CCB. The Board notes that, although CCB objects to NBT attempting to control CCB, the BHC Act does not bar NBT from acquiring control of CCB, subject to obtaining prior Board approval.

As noted above, however, NBT proposes to acquire less than 25 percent of the voting shares of CCB, and does not propose to control CCB. The Board previously has indicated that the acquisition of less than a controlling interest in a bank or bank holding company is not a normal acquisition for a bank holding company.[2] Nonetheless, the requirement in section 3(a)(3) of the BHC Act that the Board's approval be obtained before a bank holding company acquires more than 5 percent of the voting shares of a bank suggests that Congress contemplated the acquisition by bank holding companies of between 5 and 25 percent of the voting shares of a bank or a bank holding company.[3] Nothing in section 3(c) of the BHC Act, moreover, requires denial of an application solely because a bank holding company proposes to acquire less than a controlling interest in a bank or a bank holding company. On this basis, the Board has on numerous occasions approved the acquisition by a bank holding company of less than a controlling interest in a bank.[4]

NBT has stated that it does not intend to control CCB and has made a number of commitments designed to assure that NBT will not exercise a controlling influence over CCB. The Board has relied on similar commitments in other cases to determine that an investing bank holding company would not be able to exercise a controlling influence over another bank holding company or bank for purposes of the BHC Act.[5] NBT has committed not to exercise or attempt to exercise a controlling influence over the management or policies of CCB or any of its subsidiaries; not to seek or accept representation on the board of directors of CCB or any of its subsidiaries; and not to have any representative of NBT serve as an officer, agent, or employee of CCB or any of its subsidiaries. NBT also has committed not to attempt to influence the dividend policies, loan decisions or operations of CCB or any of its subsidiaries.

CCB alleges that NBT may attempt to force a sale of CCB and thereby exercise a controlling influence over CCB.[6] This allegation raises two issues, one regarding the ownership of voting shares, and a second regarding the potential that NBT may exceed the authority it is seeking in this case by exercising a controlling influence over CCB. NBT has sought the requisite Board approval under the BHC Act to own and control up to 25 percent of the voting shares of CCB. This approval to own and control shares allows NBT to dispose of shares that it lawfully acquires. To address concerns that the sale of shares not be used by NBT to exercise a controlling influence over CCB, in addition to the commitments noted above, NBT has committed not to dispose of the shares of CCB or threaten to dispose of those shares as a condition of specific action or non-action by CCB. In these circumstances, the Board believes that retention by NBT of the right to sell the shares of CCB it proposes to acquire does not require a finding that NBT would exercise a controlling influence over CCB.

The Board has adequate supervisory authority to monitor NBT's compliance with its commitments, and expressly retains authority to initiate a control proceeding against NBT if facts presented later indicate that NBT or any of its subsidiaries or affiliates in fact controls CCB for purposes of the BHC Act.[7] Based on these commitments and all other facts of record, it is the Board's judgment that the record does not support a finding that NBT would acquire control of CCB for purposes of the BHC Act through consummation of the proposal.

CCB also maintains that NBT has acted in concert with the largest shareholder of CCB (the "shareholder") to control and attempt to force the sale of CCB in violation of the Change in Bank Control Act (12 U.S.C. § 1817(j)) ("CIBCA") and the BHC Act.[8] NBT denies that it has

1. Asset and deposit data are as of December 31, 1995.

2. *See, e.g., North Fork Bancorporation, Inc.*, 81 *Federal Reserve Bulletin* 734 (1995) ("*North Fork*"); *State Street Boston Corporation*, 67 *Federal Reserve Bulletin* 862, 863 (1981).

3. 12 U.S.C. § 1842(a)(3); 12 C.F.R. 225.11(c).

4. *See, e.g., North Fork*, (acquisition of up to 19.99 percent of the voting shares of a bank holding company); *Mansura Bancshares, Inc.*, 79 *Federal Reserve Bulletin* 37 (1993) ("*Mansura*") (acquisition of 9.7 percent of the voting shares of a bank holding company); *SunTrust Banks, Inc.*, 76 *Federal Reserve Bulletin* 542 (1990) ("*SunTrust*") (acquisition of up to 24.99 percent of the voting shares of a bank); and *First State Corporation*, 76 *Federal Reserve Bulletin* 376 (1990) (acquisition of 24.9 percent of the voting shares of a bank).

5. *See, e.g., Mansura* at 39. These commitments are set forth in the Appendix.

6. CCB states that allowing NBT to control 24.9 percent of voting shares of CCB would give NBT, along with the largest shareholder of CCB, the ability to control CCB by being able to offer a controlling block of shares of CCB to a potential buyer.

7. CCB maintains that allowing NBT to own up to 24.9 percent of CCB shares would disrupt the management of CCB. The Board notes that NBT has specifically committed not to exercise or attempt to exercise a controlling influence over the management or policies of CCB or any of its subsidiaries.

8. CCB alleges that NBT has a longstanding relationship with this shareholder, a broker-dealer who has expressed interest in the sale of CCB on numerous occasions. CCB contends that NBT's chief execu-

acted in concert with any shareholder. NBT states that there are no agreements between NBT and the shareholder regarding the acquisition of shares or voting of shares. NBT also denies that it provided the shareholder with a copy of NBT's application filed with the Board, any information regarding this application, or any other information. NBT indicates that it began purchasing CCB stock in 1995 through a securities dealer located in New York. The shareholder has owned shares in CCB for more than 47 years. NBT maintains that its purchases of shares of CCB were independent transactions, and that NBT does not know when the shareholder purchased shares of CCB. In addition, NBT states that it has not received any advice from the shareholder on the purchases of CCB shares nor has NBT or its affiliates provided any financing to the shareholder to purchase shares of CCB, or for any other purpose, since the new management of NBT was installed in 1992 and began purchasing shares in 1995. The Board previously has noted that shareholders may have similar interests without being deemed to be making acquisitions of shares in violation of the CIBCA.[9] These allegations have been carefully considered in light of all the facts of record, including the submissions of CCB and NBT. Based on this review, the Board does not believe that the record in this case indicates that NBT acted in concert with another person or company to acquire shares of CCB in violation of the CIBCA, or that NBT controls or has exercised a controlling influence over the management or policies of CCB in violation of the BHC Act. As noted, moreover, the passivity commitments made by NBT and the supervisory authority of the Board to enforce the commitments should address concerns relating to the ability of NBT to control CCB in the future. The Board notes that, as long as NBT does not violate its passivity commitments to the Board, NBT retains the right as a shareholder to sell its CCB shares.

Other Factors. The Board previously has stated that one company need not acquire control of another company in order to substantially lessen competition between them, and that the specific facts of each case will determine whether a minority investment would have significant anticompetitive effects.[10] NBT and CCB do not compete directly in any relevant banking markets. Based on all the facts of record, the Board concludes that the proposal would not result in any significantly adverse effects on competition or on the concentration of banking resources in any relevant banking market. The Board also concludes, in light of all the facts of record, that the financial[11] and managerial considerations,[12] including the future prospects of NBT, CCB, and their respective subsidiaries are consistent with approval, as are the other supervisory factors the Board must consider under section 3 of the BHC Act.[13] Considerations relating to the convenience and needs of the communities to be served also are consistent with approval of this application.

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

The acquisition of shares of CCB's voting stock shall not be consummated before the fifteenth calendar day following the effective date of this order, and not later than three months after the effective date of this order, unless

tive officer attended a meeting with the shareholder during which both parties urged CCB management to test the market for selling CCB. CCB also maintains that NBT provided the shareholder with a copy of the application that NBT filed with the Board.

9. *See* Letter, dated May 21, 1991, from William W. Wiles, Secretary of the Board, to H. Rodgin Cohen.

10. *See e.g., North Fork, Mansura,* and *SunTrust.*

11. CCB contends that the fact that NBT recently emerged from a bankruptcy proceeding, and that this proposed investment represents approximately 13 percent of the equity of NBT that would be invested on a passive basis, presents adverse financial considerations. The NBT bankruptcy proceeding occurred under previous management, and NBT emerged from this proceeding in 1992 with new management and in an improved financial condition. NBT's consolidated capital ratios, after deducting the proposed investment in CCB, remain well above the minimum capital ratios required by the Board. Based on all the facts of record, including reports of examination assessing the financial resources of NBT, the Board concludes that financial considerations are consistent with approval.

12. CCB argues that NBT failed to disclose its prior efforts to purchase CCB and this alleged failure indicates a lack of candor that requires denial of the proposal. CCB also asserts that the Board should not accept commitments from NBT at face value. The Board notes that NBT is not required to disclose its efforts to purchase shares of CCB as long as NBT obtains Board approval prior to acquiring more than 5 percent of the voting shares of CCB. As part of its evaluation of the NBT's managerial record, the Board has reviewed relevant examination reports that, among other things, evaluate the record of its management in complying with relevant legal and supervisory requirements. The Board has full authority to enforce the commitments made by NBT.

13. The Board has carefully considered the fact that NBT has acquired approximately 5.2 percent of CCB's voting shares without the prior approval of the Board as required under the BHC Act. CCB contends that this level of ownership also violates certain filing requirements of the Securities and Exchange Commission ("SEC"). NBT has responded that it made good faith efforts to assure that it would not acquire in excess of 5 percent of the shares of CCB. NBT calculated compliance with the 5 percent threshold in the BHC Act by using a weighted average of the outstanding common stock and stock equivalents of CCB. NBT has indicated that it has reduced the level of its current shareholdings in CCB to 4.9 percent of common shares outstanding without reliance on outstanding but unexercised stock options. Based on all the facts of record, including reports of examination assessing NBT's managerial resources and compliance with applicable rules and regulations, the Board does not believe that this matter indicates that managerial or supervisory considerations required to be considered under the BHC Act are inconsistent with approval. The Board has referred CCB's complaint to the SEC, the federal agency that administers and enforces federal securities laws, for review and consideration. The Board also notes that NBT is preparing the appropriate filing with the SEC.

such period is extended for good cause by the Board or by the Federal Reserve Bank of Dallas, acting pursuant to delegated authority.

By order of the Board of Governors, effective April 29, 1996.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Appendix

As part of this proposal, NBT has committed that it will not, directly or indirectly:

(1) Take any action to cause CCB or any of its subsidiaries to become a subsidiary of NBT.
(2) Acquire or retain shares of CCB that would cause the combined interests of NBT, its affiliates, officers, and directors to equal or exceed 25 percent of the outstanding voting shares of CCB.
(3) Exercise or attempt to exercise a controlling influence over the management or policies of CCB or any of its subsidiaries.
(4) Seek or accept representation on the board of directors of CCB or any of its subsidiaries.
(5) Serve, or have or seek to have any representative of NBT serve, as an officer, agent, or employee of CCB or any of its subsidiaries.
(6) Propose a director or a slate of directors in opposition to any nominee or slate of nominees proposed by management or the board of directors of CCB or its subsidiaries.
(7) Solicit or participate in soliciting proxies with respect to any matter presented to the shareholders of CCB or its subsidiaries.
(8) Attempt to influence CCB's or any of its subsidiaries': dividend policies; loan, credit, or investment decisions; pricing of services; personnel decisions; operations activities, including the location of any offices or branches or their hours of operation, etc.; or any similar activities or decisions of CCB or any of its subsidiaries.
(9) Enter into any other banking or nonbanking transactions with CCB or its subsidiaries, except that NBT may establish and maintain deposit accounts with the bank subsidiaries of CCB, provided that the aggregate balance of all such deposit accounts does not exceed $500,000, and provided that the accounts are maintained on substantially the same terms as those prevailing for comparable accounts of persons unaffiliated with CCB.
(10) Dispose or threaten to dispose of shares of CCB in any manner as a condition of specific action or non-action by CCB or any of its subsidiaries.

Wilson Bank Holding Company
Lebanon, Tennessee

Order Approving the Acquisition of a Bank

The Wilson Bank Holding Company, Lebanon, Tennessee ("Wilson"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act), has applied for the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire 50 percent of the voting shares of DeKalb Community Bank, Smithville, Tennessee, a *de novo* state chartered bank ("Bank").[1]

Notice of this application, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 5401 (1996)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the BHC Act.

Wilson, with total consolidated assets of approximately $217.4 million, is the 27th largest commercial banking organization in Tennessee, controlling deposits of $188 million, representing less than 1 percent of total deposits in commercial banking organizations in the state.[2] Bank's *de novo* entry into the Dekalb County, Tennessee banking market would enhance competition in that market. Based on all the facts of record, the Board concludes that consummation of this proposal would not have any significantly adverse effects on competition or the concentration of banking resources in any relevant banking market.

The Board has carefully considered comments from Union Planters Corporation, Memphis, Tennessee ("Protestant"), maintaining that Bank's name, "DeKalb Community Bank," is substantially similar to the name Protestant's subsidiary bank previously used in Smithville, "DeKalb County Bank & Trust Company" ("Trust Company").[3] Protestant contends that the similarity between these names, and Bank's employment of former Trust Company officers, would cause customer confusion and enable Bank to compete unfairly for new customers.[4]

In reviewing applications filed under section 3 of the BHC Act, the Board is limited to considering the specific factors set forth in the BHC Act.[5] Neither the language of

1. During the processing of this application, the proposed name of Bank was changed from "DeKalb Bank & Trust Company" to "DeKalb Community Bank."

2. Asset data are as of September 30, 1995.

3. Trust Company was merged with Union Planters Bank of the Cumberlands, Cookeville, Tennessee, in June 1995 as part of an internal reorganization by Protestant and has since operated in Smithville as a branch of that bank using the name "Union Planters Bank."

4. Protestant also maintains that Bank's name would violate Tennessee banking law, which requires the Commissioner of Financial Institutions ("Commissioner") to find that the name of a proposed bank would not so closely resemble the name of a current or former bank conducting business in the state as to cause confusion. TENN. CODE ANN. § 45-2-205(b)(6) (1993). The Acting Commissioner approved Bank's application to establish a *de novo* bank to be known as "DeKalb Community Bank" on March 8, 1996.

5. *See Western Bancshares, Inc. v. Board of Governors*, 480 F.2d 749 (8th Cir. 1973). The BHC Act requires the Board to consider the

the BHC Act nor its legislative history indicates that the similarity of names of banking organizations is a consideration under the BHC Act. Congressional action repealing the authority of other federal banking agencies to approve the names of banks suggests that this issue should be addressed through laws that are not administered by federal banking agencies.[6] Based on all the facts of record, the Board concludes that Protestant's comments regarding Bank's name do not raise issues that would warrant denial of this proposal under the factors required to be considered in the BHC Act.

The Board also concludes that the financial and managerial resources and future prospects of Wilson and Bank are consistent with approval, as are the convenience and needs considerations and other supervisory factors that the Board is required to consider under section 3 of the BHC Act.[7]

Based on the foregoing and all the facts of record, the Board has determined that this application should be, and hereby is, approved.[8] The Board's approval is specifically conditioned upon compliance with all the commitments made by Wilson in connection with this application. For purposes of this action, the commitments and conditions relied on in reaching this decision shall be deemed to be conditions imposed in writing by the Board and, as such, may be enforced in proceedings under applicable law.

This transaction should 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, and Bank shall be open for business within six months after the effective date of this order, unless such periods are extended for good cause by the Federal Reserve Bank of Atlanta, acting pursuant to delegated authority.

By order of the Board of Governors, effective April 1, 1996.

Voting for this action: Chairman Pro Tempore Greenspan and Governors Kelley, Lindsey, Phillips, and Yellen.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

competitive effects of a proposal, the financial and managerial resources and future prospects of the organizations involved, the convenience and needs of the communities to be served, and other supervisory factors.

6. In repealing the statutory authority of the Office of the Comptroller of the Currency to approve the names of national banks in 1982, the Congress noted that "[a]ny confusion between bank names shall be resolved under other laws, including the federal Lanham Trademark Act and state statutory and common law principles of unfair competition." S. Rpt. No. 97–536, 97th Cong., 2d Sess. at 28.

7. The Board has considered Protestant's contentions that numerous competitors more than adequately serve the credit needs of the community and that an additional competitor could adversely affect the existing banks in this "over-banked" market. Protestant supports these arguments with several Board orders denying applications in part because the applicant had not demonstrated unserved banking needs in the community. *See, e.g., The First Virginia Corp.*, 48 *Federal Reserve Bulletin* 1163 (1962); *First Security Corp.*, 48 *Federal Reserve Bulletin* 295 (1962). These decisions, however, predated the 1966 Amendments to the BHC Act (P.L. 89–485; 80 Stat. 236), which conformed the BHC Act's factors to the criteria in the Bank Merger Act (P.L. 89–356; 80 Stat. 7). Under these amendments, the 1956 BHC Act's focus on whether adequate banking services were provided to the public was shifted to a focus on whether a proposal would substantially lessen competition or result in a monopoly. The Board previously has noted, moreover, that the establishment of a *de novo* bank would have a positive effect on competition in any banking market. *See Adams Bank & Trust*, 82 *Federal Reserve Bulletin* 275 (1996). The Board also notes that Wilson's existing subsidiary bank received a "satisfactory" rating for performance under the Community Reinvestment Act ("CRA") at its most recent examination for CRA performance from the Federal Deposit Insurance Corporation, its primary federal supervisor.

8. Protestant has requested that the Board hold a public hearing or meeting on this proposal. Section 3(b) of the BHC Act does not require the Board to hold a public hearing or meeting on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial. No supervisory agency has recommended denial of this proposal.

The Board may, in its discretion, hold a public hearing or meeting on an application to clarify factual issues and to provide an opportunity for testimony, if appropriate. 12 C.F.R. 262.3(e) and 262.25(d). In the Board's view, all interested parties have had ample opportunity to submit their views, and have, in fact, made written submissions that have been considered by the Board in acting on this application. Protestant's request fails to demonstrate why its substantial written comments do not adequately present its allegations, or why a public hearing or meeting is otherwise warranted. Based on all the facts of record, the Board has determined that a public meeting or hearing is not necessary to clarify the factual record in this application, or otherwise warranted in this case. Accordingly, Protestant's request for a public hearing or meeting on this application is hereby denied. The Board also concludes that the record in this case is sufficient to warrant action on this application at this time.

Orders Issued Under Section 4 of the Bank Holding Company Act

The Bessemer Group, Incorporated
Woodbridge, New Jersey

Order Conditionally Approving a Notice to Engage De Novo in Certain Nonbanking Activities

The Bessemer Group, Incorporated, Woodbridge, New Jersey ("Bessemer"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for Board approval under section 4(c)(8) of the BHC Act and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) to engage *de novo* through a wholly owned subsidiary, Bessemer Asset Management, Inc., New York, New York ("BAM"), in establishing and serving as the general partner of limited partnerships ("Partnerships")[1] that would invest in a wide variety of commodities and exchange-traded and over-the-counter instruments, including:

1. The Partnerships would not register as investment companies under the Investment Company Act of 1940 (15 U.S.C. § 80a-1 *et seq.*). Each Partnership would be limited to not more than 100 investors.

(1) All types of debt and equity securities, including options and warrants on securities and the securities of foreign issuers;
(2) Interests in investment funds that invest in futures and options on futures on financial and non-financial commodities ("commodity pools");[2]
(3) Distressed debt instruments;
(4) Participations in loans;
(5) Foreign exchange, including spot and forward contracts;
(6) Money market instruments, including bankers' acceptances, commercial paper, money market mutual funds, certificates of deposit, and other deposit accounts in U.S. or foreign banks;
(7) Palladium, platinum, gold, and silver coin and bullion.

Notice of the proposal, affording interested persons an opportunity to submit comments on the proposal, has been published (60 *Federal Register* 40,111 (1995)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

Bessemer, with total consolidated assets of approximately $468 million, operates subsidiary banks in New Jersey and New York.[3] BAM would register as a commodity pool operator ("CPO") with the Commodity Futures Trading Commission ("CFTC")[4] and, therefore, a portion of BAM's activities would be subject to the recordkeeping, reporting, fiduciary standards, and other requirements of the Commodity Exchange Act (7 U.S.C. § 2 *et seq.*), the CFTC and the National Futures Association.

BAM would provide administrative services to the Partnerships and would be the general partner of each Partnership with a nominal equity interest in each Partnership. BAM would not provide investment advice directly to the Partnerships but would employ unaffiliated investment advisers to manage the investments of the Partnerships pursuant to parameters set by BAM. Interests in the Partnerships would be privately placed with institutional customers[5] by Bessemer's subsidiary banks. Bessemer's subsidiary banks also would provide certain services to the Partnerships, and certain officers of Bessemer's subsidiary banks would serve as officers of BAM.

Bessemer has proposed that the Partnerships finance asset purchases with debt.[6] Bessemer has indicated that leverage employed by the Partnerships would include margin credit from broker-dealers, reverse repurchase transactions, and short sales.

Closely related to banking analysis

Section 4(c)(8) of the BHC Act provides that a bank holding company may, with Board approval, engage in any activity that the Board determines to be "so closely related to banking or managing and controlling banks as to be a proper incident thereto." An activity may be deemed to be closely related to banking if it is demonstrated that:
(1) Banks generally provide the proposed services;
(2) Banks generally provide services that are operationally or functionally so similar to the proposed services as to equip them particularly well to provide the proposed services; or
(3) Banks generally provide services that are so integrally related to the proposed services as to require their provision in a specialized form.[7]

The Partnerships would invest in debt and equity securities and distressed debt instruments.[8] Bessemer has stated that investments in debt and equity securities and distressed debt would be made in accordance with limitations contained in the BHC Act and in previous Board decisions.[9]

The Partnerships also would invest in foreign exchange, precious metals, certificates of deposit and other instruments. The Board previously has determined that it is closely related to banking under the BHC Act for bank holding companies to trade in all the instruments and commodities proposed for the Partnerships, except palladi-

2. The Partnerships would purchase and sell derivative contracts on precious metals and financial commodities, instruments and indices for hedging purposes.

3. Asset data are as of December 31, 1995.

4. Although the Partnerships would not directly invest in futures or options on futures contracts for other than hedging purposes, Bessemer has indicated that one or more of the Partnerships may invest a substantial portion of its assets in commodity pools, which would require BAM to register as a CPO. *See* CFTC Interpretive Letter No. 93-57 (1993); CFTC Interpretive Letter No. 91-6 (1991). The interests purchased by the Partnerships would represent less than five percent of the outstanding voting securities of any commodity pool and less than 10 percent of the total equity of any commodity pool.

5. *See* 12 C.F.R. 225.2(g).

6. Bessemer has stated, however, that it would not permit any Partnership that invests in distressed debt instruments to use borrowed funds to purchase or carry distressed debt instruments or to use distressed debt instruments as collateral to acquire other assets.

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

8. The Board previously has permitted bank holding companies to sponsor, organize and manage closed-end investment companies and unregistered limited partnerships that invest in securities. *See* 12 C.F.R. 225.25(b)(4); 12 C.F.R. 225.125; *Meridian Bancorp, Inc.*, 80 *Federal Reserve Bulletin* 736 (1994) ("*Meridian*").

9. *See Meridian; Norwest Corporation*, 81 *Federal Reserve Bulletin* 1128 (1995) ("*Norwest*"). For example, the Partnerships, together with Bessemer and its other subsidiaries, would hold not more than 5 percent of any class of voting securities of any issuer, and not more than 25 percent of the total equity, including subordinated debt, of any issuer. In addition, no directors, officers, or employees of Bessemer or its subsidiaries would serve as directors, officers, or employees of any issuer of which Bessemer and its subsidiaries hold more than 10 percent of the total equity.

um.[10] Banks currently are permitted to engage in palladium trading.[11] Therefore, the Board has concluded that trading palladium coin and bullion is closely related to banking within the meaning of section 4(c)(8) of the BHC Act.

In connection with the proposed activities, BAM may become a CPO. The Board previously has found that a subsidiary of a state member bank may serve as the CPO of investment funds engaged in purchasing and selling futures and options on futures on certain commodities.[12] In addition, the Board has permitted bank holding companies to trade futures and options on futures on financial and nonfinancial commodities.[13] For these reasons, the Board has concluded that serving as a CPO under the circumstances of this case is closely related to banking.

Proper Incident to Banking Analysis

The Board is required by section 4(c)(8) of the BHC Act to determine that the proposed activities "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices."[14] In order to address potential adverse effects that could arise from the proposed activities, Bessemer has made a number of commitments regarding the manner in which it would conduct the proposed activities, including several commitments previously relied on by the Board in evaluating similar proposals.[15]

Capital treatment of the Partnerships

Because a subsidiary of Bessemer would be the sole general partner for the Partnerships, with responsibility for managing and overseeing the Partnerships, and because Bessemer proposes that the Partnerships be leveraged with debt, the Board believes that it is particularly important in this case that Bessemer maintain sufficient capital to account for the potential risks associated with its involvement with the Partnerships. The Board's Capital Adequacy Guidelines provide a framework for considering investments by bank holding companies in entities that the bank holding company may effectively control. In this regard, the Guidelines note that experience has shown that banking organizations stand behind affiliated institutions that have experienced losses in order to protect the reputation of the organization as a whole. In some cases, this has led to losses that have exceeded the bank holding company's investment in the affiliate.[16]

The Guidelines provide for consolidation of an entity into the parent company's financial statements for purposes of computing compliance with capital adequacy requirements when the parent's control over the entity makes the entity the functional equivalent of a subsidiary. The Guidelines also provide alternatives to consolidation, such as requiring that the bank holding company deduct its investment in the organization from its capital components, applying an appropriate risk weighting, or requiring that the organization operate with capital ratios above the minimum.[17]

As noted above, Bessemer proposes that its wholly owned subsidiary, BAM, serve as the general partner to each Partnership. Bessemer has proposed to deduct its equity investment in BAM in calculating Bessemer's regulatory consolidated capital ratios, and argues that it should not be required to consolidate the assets and liabilities of the Partnerships with Bessemer for regulatory capital purposes.[18] Bessemer states that deducting its investment in BAM from consolidated capital ratios would adequately address the exposure of the organization to the risks of the proposed activities. While BAM is responsible for the obligations of the Partnerships, Bessemer argues that Bessemer would not be liable for the debts and obligations of BAM or the Partnerships and that Bessemer's exposure to the proposed activities is limited to its investment in BAM.[19] Bessemer argues that consolidation of financial

10. *See* 12 C.F.R. 225.25(b)(1); 12 C.F.R. 225.25(b)(16); *The Hongkong and Shanghai Banking Corporation*, *75 Federal Reserve Bulletin* 217 (1989) (trading foreign exchange in the spot and forward markets); *The Hongkong and Shanghai Banking Corporation*, *72 Federal Reserve Bulletin* 335 (1986) (trading money market instruments, bankers' acceptances and certificates of deposits); *Westpac Banking Corporation*, *73 Federal Reserve Bulletin* 61 (1987) (trading gold and silver bullion and coin); *Swiss Bank Corporation*, 81 *Federal Reserve Bulletin* 185 (1995) ("*Swiss Bank*")

11. *See, e.g.*, OCC Interpretive letter No. 685 (1995).

12. *See Chemical Banking Corporation*, *82 Federal Reserve Bulletin* 239 (1996). *See also* OCC Interpretive Letter No. 496 (1989).

13. *See Swiss Bank*.

14. 12 U.S.C. § 1843(c)(8).

15. *See Norwest*; *Meridian*.

16. *See* 12 C.F.R. 225, Appendix A (II)(B)(2).

17. The Board's Capital Adequacy Guidelines state that, in considering the appropriate treatment, the Board will generally take into account whether:

(1) The parent banking organization has significant influence over the financial or managerial policies or operations of the subsidiary, joint venture, or associated company,

(2) The banking organization is the largest investor in the affiliated company; or

(3) Other circumstances prevail that appear to tie activities of the affiliated company to the parent banking organization. 12 C.F.R. 225, Appendix A (II)(B)(2).

18. As an alternative, Bessemer has proposed that the liabilities of the partnerships, except those liabilities that are nonrecourse as to BAM, be treated as guarantees by Bessemer for purposes of calculating Bessemer's consolidated risk based capital ratios but not Bessemer's leverage ratio. In the calculation of risk based capital ratios, the face amount of a guarantee, which constitutes an off-balance sheet item, is converted at 100 percent to a credit equivalent amount, which is generally risk weighted at 100 percent.

19. Bessemer has committed that it will not:

(1) Guarantee the obligations of BAM or the Partnerships or enter into any guarantee or similar arrangement intended to protect an investor in a Partnership from losses associated with the investor's interest in the Partnership;

(2) Provide funds to BAM or the Partnerships to repay creditors or investors in the Partnerships in the event of losses;

(3) Purchase assets from or sell assets to the Partnerships;

(4) Extend credit to the Partnerships; or

statements is not required under Generally Accepted Accounting Principles because BAM, while the only general partner in the Partnerships, would own only a nominal investment in the Partnerships.

The Board does not believe that deduction of the nominal investment that Bessemer proposes to make in BAM adequately addresses the risks of this proposal and the potential exposure of Bessemer and BAM. BAM would serve as the sole general partner of the Partnerships and would exercise exclusive control over the activities of the Partnerships. The Partnerships would be subsidiaries of Bessemer for purposes of the BHC Act.[20] In addition, the Partnerships would employ leverage to fund their activities. As general partner, BAM would be liable for all of the liabilities of the Partnerships. The Partnerships, on the other hand, would not be subject to any capital requirements.

Bessemer has stated that it would not provide financial support to BAM or the Partnerships in the event that the Partnerships suffer losses. However, the Board does not believe that Bessemer's commitments are an adequate substitute for capital in light of the significant pressure that the failure of BAM and the Partnerships could have on the reputation of Bessemer, which could give rise to unforeseeable difficulties or motivate Bessemer to seek relief from its commitments.[21] These pressures could be particularly acute in this case because Bessemer has stated that it expects that many of the investors in the Partnerships would be current customers of Bessemer's fiduciary business. In addition, capital requirements serve as an economic constraint on the amount of leverage in a company and are therefore a sounder method of addressing potential exposure than commitments that leave unlimited the amount of potential exposure a company may accept. The Board has adopted this approach in reviewing previous proposals to engage in similar activities.[22] Based on a careful review of this case, the Board believes that it is appropriate in this case for Bessemer to consolidate the assets and liabilities of the Partnerships with the financial statements of Bessemer for regulatory capital purposes. Accordingly, the Board's action in this case is subject to the condition that Bessemer consolidate the assets and liabilities of the Partnerships with the financial statements of Bessemer for regulatory capital purposes.[23]

Risk Management

In evaluating previous proposals to engage in trading activities involving substantial risks, the Board has reviewed the risk management policies, procedures, systems and controls established or proposed by the applicant to ensure that proposed trading activities could be conducted in a safe and sound manner.[24] Bessemer has not as yet established the risk management structure necessary to conduct the proposed activities, but has indicated that it would establish an appropriate risk management structure prior to engaging in the proposed activities. This structure would include investment and position limits for the Partnerships and separate limits for each investment adviser. BAM would monitor compliance with trading limits through a computer system that BAM would develop. The Board's action on this proposal is conditioned upon a future determination by the Board that Bessemer and BAM have established computer, audit and accounting systems, internal risk management controls, and an operational and management infrastructure capable of monitoring and controlling the risks inherent in the proposed activities.[25]

As part of the Board's evaluation of these factors, the Board considers the financial and managerial resources of the notificant and its subsidiaries and the effect the transaction would have on such resources.[26] Based on all the facts of record, including the conditions described in this order, the Board concludes that these financial and managerial considerations are consistent with approval of this notice. The Board also expects that the conduct by Bessemer of the proposed activities *de novo* would enhance market competition and provide greater convenience to Bessemer's customers. For the reasons discussed above, and in reliance on commitments made by Bessemer and subject to the conditions in this order, the Board concludes that the balance of public interest factors that the Board is required

(5) Purchase any limited partnership interests in the Partnerships.

20. *See* 12 C.F.R. 225.2(n).

21. Bessemer's proposal to treat debts that are with recourse to BAM as guarantees for purposes of calculating Bessemer's consolidated risk-based capital ratios does not adequately address this concern. Bessemer's proposal would permit unlimited growth of the Partnerships through nonrecourse debt without any increase in the capital requirement of Bessemer. If the Partnerships were not able to meet their obligations on debt that is nonrecourse as to BAM, the pressure on the reputation of Bessemer may not be materially different from the pressure Bessemer would experience if BAM were not able to meet its obligations. In addition, Bessemer would not treat debts that are with recourse to BAM as guarantees for purposes of calculating Bessemer's consolidated leverage ratio. The failure to include these guarantees in the calculation of Bessemer's consolidated leverage ratio would not adequately reflect the risks, other than the credit risk, to which the Partnerships would be subject.

22. *See e.g. Meridian.*

23. Consolidation of the Partnerships could cause the investments of the limited partners to comprise a significant component of Bessemer's regulatory capital. However, the limited partners' investments would not be available to absorb losses on the assets of most of Bessemer's operations. Contributions of the limited partners would only be available to absorb losses on the Partnerships' assets. Accordingly, in calculating its regulatory capital ratios, Bessemer must deduct the investments of the limited partners and a corresponding amount of assets of the Partnerships from the numerator and denominator, respectively, of Bessemer's consolidated capital ratios. This capital treatment is appropriate whether or not the proposed investment vehicles would be leveraged. *See Norwest* at 1128 n.7.

24. *See, e.g., Swiss Bank.*

25. The Board believes that Bessemer must have in place appropriate procedures to address potential conflicts of interest that may arise from the conduct of this activity. These procedures should include disclosures and a system, such as an oversight mechanism for investors to review specific conflicts of interest.

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

to consider under section 4(c)(8) of the BHC Act is favorable.

On the basis of the foregoing and all the facts of record, including the commitments furnished by Bessemer, the Board has determined that the notice should be, and hereby is, approved, subject to all the terms and conditions of this order. The Board's approval of this proposal extends only to activities conducted within the limitations of this order, including the Board's reservation of authority to establish additional limitations to ensure that Bessemer's activities are consistent with safety and soundness, conflicts of interests, and other relevant considerations under the BHC Act. Engaging in the proposed activities in any manner other than as approved in this order is not within the scope of the Board's approval and is not authorized for Bessemer.

As stated above, the Board's action on this proposal is conditioned upon Bessemer and BAM establishing adequate controls and systems to manage and monitor the risks associated with the proposed activities. On notification by the Board that this condition has been satisfied, Bessemer may immediately commence the proposed activities.

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

By order of the Board of Governors, effective April 24, 1996.

Voting for this action: Chairman Pro Tempore Greenspan and Governors Kelley, Lindsey, Phillips, and Yellen.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Woodforest Bancshares, Inc.
Houston, Texas

Order Approving a Notice to Engage in Securities-Related and Data Processing Activities

Woodforest Bancshares, Inc., Houston, Texas ("Woodforest"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has filed a notice for the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) to acquire up to 80 percent of the voting shares of Mutual Money Investments, Inc. (dba Tri-Star Financial), Houston, Texas ("Company"),[1] and thereby engage through Company in the following nonbanking activities:

(1) Providing securities brokerage services as permitted under section 225.25(b)(15) of Regulation Y (12 C.F.R. 225.25(b)(15));

(2) Underwriting and dealing in government obligations and money market instruments ("bank-eligible securities") as permitted under section 225.25(b)(16) of Regulation Y (12 C.F.R. 225.25(b)(16));

(3) Providing data processing services as permitted under section 225.25(b)(7) of Regulation Y (12 C.F.R. 225.25(b)(7)); and

(4) Purchasing and selling all types of securities on the order of customers as a "riskless principal."

Notice of this proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 2832, 7520, and 10,581 (1996)). 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 section 4(c)(8) of the BHC Act.

Woodforest, with total consolidated assets of approximately $271 million, is the 64th largest banking organization in Texas and operates one subsidiary bank in the state.[2] Company is, and will continue to be, a registered broker-dealer with the Securities and Exchange Commission ("SEC"), and is a member of the National Association of Securities Dealers, Inc. ("NASD"). Therefore, Company is subject to the recordkeeping, reporting, fiduciary standards of the Securities Exchange Act of 1934 (15 U.S.C. § 78a *et seq.*), the SEC, and the NASD.

Section 4(c)(8) of the BHC Act provides that a bank holding company may, with Board approval, engage in any activity that the Board determines to be "so closely related to banking or managing or controlling banks as to be a proper incident thereto."[3] As noted above, the proposed securities brokerage, underwriting and dealing in bank-eligible securities, and data processing activities have been determined by regulation to be closely related to banking for purposes of section 4(c)(8) of the BHC Act.[4] Woodforest has committed that Company would conduct these activities in accordance with the limitations in Regulation Y and the Board's orders relating to these activities.

1. Woodforest initially would acquire approximately 33 percent of the voting shares of Company and would have the option, exercisable over a five-year period commencing one year from the date of consummation of this transaction, to acquire additional voting shares to increase its ownership interest to 80 percent.

2. Asset data are as of December 31, 1995.

3. 12 U.S.C. § 1843(c)(8).

4. 12 C.F.R. 225.25(b)(15), (16), and (7).

Riskless Principal Activities

"Riskless principal" is the term used in the securities business to refer to a transaction in which a broker-dealer, after receiving an order from a customer to buy (or sell) a security, purchases (or sells) the security for its own account to offset a contemporaneous sale to (or purchase from) the customer.[5] "Riskless principal" transactions are understood in the industry to include only transactions in the secondary market. Thus, Company would not act as a "riskless principal" in selling securities on the order of a customer that is the issuer of the securities to be sold or in any transaction in which Company has a contractual agreement to place the securities as agent of the issuer. Company also would not act as a "riskless principal" in any transaction involving a security for which it makes a market.

The Board has determined by order that, subject to a number of prudential limitations that address the potential for conflicts of interests, unsound banking practices, or other adverse effects, the proposed "riskless principal" activities are closely related to banking within the meaning of section 4(c)(8) of the BHC Act.[6] The Board also has determined that purchasing and selling securities on the order of investors as a "riskless principal" does not constitute underwriting or dealing in securities for purposes of section 20 of the Glass-Steagall Act (12 U.S.C. § 377), and that revenue derived from this activity is not subject to the 10-percent revenue limitation on underwriting and dealing in securities that banks are not authorized to underwrite and deal in directly ("bank-ineligible securities").[7]

Woodforest has committed that Company will conduct its "riskless principal" activities using the same methods and procedures, and subject to the same prudential limitations, as those established by the Board in *Bankers Trust* and *J.P. Morgan*,[8] including the comprehensive framework of restrictions imposed by the Board in connection with underwriting and dealing in securities, which were designed to avoid potential conflicts of interests, unsound banking practices, and other adverse effects.

Proper Incident to Banking Standard and Other Considerations

In order to approve this proposal, the Board must determine that the proposed activities are a proper incident to banking, that is, that the performance of the proposed activities by Company "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[9]

As part of its evaluation of these factors, the Board considers the financial and managerial resources of the notificant, its subsidiaries, and the company to be acquired, and the effect the transaction would have on those resources.[10] Based on all the facts of record, the Board concludes that financial and managerial considerations are consistent with approval of this notice.[11]

The Board expects that the entry of Company into the market for the proposed services would provide added convenience to Woodforest's customers and would increase the level of competition among existing providers of those services. For the reasons discussed above, and in reliance on all the commitments made in connection with this notice and the conditions discussed in this order, the Board believes that the proposal is not likely to result in decreased or unfair competition, conflicts of interests, unsound banking practices, undue concentration of resources, or other adverse effects not outweighed by the public benefits. Accordingly, the Board has determined that the performance of the proposed activities by Company can reasonably be expected to produce public benefits that outweigh possible adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

5. *See* SEC Rule 10b-10, 17 C.F.R. 249.10b-10(a)(8)(i).

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

7. *See Bankers Trust* at 831–833.

8. Among the prudential limitations detailed more fully in *Bankers Trust* and *J.P. Morgan* are that Company will maintain specific records that will clearly identify all "riskless principal" transactions, and that Company will not engage in any "riskless principal" transactions for any securities carried in its inventory. When acting as a "riskless principal," Company will engage only in transactions in the secondary market, and not on the order of a customer that is the issuer of the securities to be sold, and will not act as "riskless principal" in any transaction involving a security for which it makes a market, or hold itself out as making a market in the securities that it buys and sells as a "riskless principal." Moreover, Company will not engage in "riskless principal" transactions on behalf of any foreign affiliates that engage in securities dealing activities outside the United States, and will not act as "riskless principal" for registered investment company securities. In addition, Company will not act as a "riskless principal" with respect to any securities of investment companies that are advised by Woodforest or any of its affiliates.

9. 12 U.S.C. § 1843(c)(8).

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

11. The Board previously has expressed concern that joint ventures might lead to a matrix of relationships between co-venturers that could break down the legally mandated separation of banking and commerce. *See, e.g., The Maybaco Company and Equitable Bancorporation*, 69 *Federal Reserve Bulletin* 375 (1983). The Board has stated that this concern is particularly acute where the joint venture involves a relationship between a bank holding company and a securities firm, and the potential exists for the mingling of permissible and impermissible securities activities. *See Amsterdam Rotterdam Bank, N.V.*, 70 *Federal Reserve Bulletin* 835; *The Chuo Trust and Banking Company, Limited*, 78 *Federal Reserve Bulletin* 446 (1992). In this case, Company engages only in securities and other nonbanking activities that are permissible for bank holding companies under section 4(c)(8) of the BHC Act. Moreover, Woodforest would engage through Company in the proposed activities in a manner consistent with previously approved joint venture proposals, and has made a number of commitments similar to those the Board has relied on in prior joint venture cases. *See* Appendix.

Conclusion

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

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

By order of the Board of Governors, effective April 8, 1996.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Appendix

(1) Company will not engage in any additional activities without Woodforest's knowledge and consent, as well as prior authorization from the Federal Reserve System. If it is determined that Company engages in any securities activity that is impermissible for a state member bank under the Glass-Steagall Act or any activities that are impermissible for bank holding companies under the BHC Act, Woodforest will cause Company to terminate such impermissible activities or Woodforest will terminate its interest in Company.

(2) Woodforest will not solicit business on behalf of any co-venturer or its affiliates (other than Company).

(3) Woodforest and its subsidiaries will act at all times on an arm's-length basis in deciding whether to extend credit to Company, any co-venturer or its affiliates, or competitors of Company or any co-venturer or its affiliates, and Woodforest and its banking subsidiaries will not take into account the fact that a potential borrower could be a competitor of Company or a co-venturer or its affiliates in determining whether to extend credit to that borrower.

(4) Company will observe the anti-tying provisions of the Bank Holding Company Act Amendments of 1970 and the anti-tying provisions of the Board's Regulation Y, as amended, including the tying restrictions set forth in section 225.7 (12 C.F.R. 225.7). Company will be treated as an affiliate for purposes of sections 23A and 23B of the Federal Reserve Act and as a subsidiary of a bank holding company within the meaning of the BHC Act (12 U.S.C. § 1841(d)).

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

First Hawaiian, Inc.
Honolulu, Hawaii

Application to Establish Bank and Notice to Engage in Nonbanking Activity

First Hawaiian, Inc., Honolulu, Hawaii ("First Hawaiian"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to establish a *de novo* bank, Pacific One Bank, Portland, Oregon ("Oregon Bank").[1] First Hawaiian also has requested approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) of its notice for its savings association subsidiary, Pioneer Federal Savings Bank, Honolulu, Hawaii ("Pioneer") to acquire five branches of U.S. Bancorp, Portland, Oregon ("USB"), in Washington.[2]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 725 and 11,009 (1996)). The time for filing comments has expired, and the Board has considered the applications and notice and all comments received in light of the factors set forth in sections 3 and 4 of the BHC Act.

1. First Hawaiian, through Oregon Bank, would acquire 26 branches in Oregon and one branch in Idaho from bank and thrift subsidiaries of U.S. Bancorp, Portland, Oregon ("USB"). USB would sell these branches as part of its divestiture commitments in connection with its acquisition of West One Bancorp, Boise, Idaho. *See U.S. Bancorp*, 82 *Federal Reserve Bulletin* 176 (1996) ("USB Order"). First Hawaiian would acquire the Idaho branch by acquiring Idaho First Bank, Boise, Idaho ("Idaho Bank"), from USB and immediately selling all the bank's assets to another USB subsidiary bank. Idaho Bank then would acquire USB's Weiser, Idaho, branch and immediately merge with and into Oregon Bank. First Hawaiian has applied for the Board's approval under section 3 of the BHC Act to acquire Idaho Bank.

2. Pioneer would acquire four branches currently operated by subsidiary banks of USB and the physical facilities of a fifth branch in Kennewick, Washington, where Pioneer would establish a *de novo* branch. The four full branches would be sold by USB as part of USB's divestiture commitments in Washington described in the USB Order. This acquisition is subject to the approval of Pioneer's primary federal supervisor, the Office of Thrift Supervision ("OTS").

First Hawaiian, with total consolidated assets of approximately $7.4 billion, operates two banks and one savings association in Hawaii.[3] First Hawaiian is the second largest insured depository organization in Hawaii, controlling approximately $4.8 billion in deposits, representing 27.8 percent of all deposits in insured depository organizations in the state ("state deposits"). After consummation of this proposal, First Hawaiian would become the seventh largest insured depository organization in Oregon, controlling approximately $541 million in deposits, representing 2.1 percent of state deposits in Oregon. First Hawaiian also would become the 15th largest insured depository organization in Idaho, controlling approximately $48 million in deposits, representing less than 1 percent of Idaho state deposits, and the 46th largest insured depository institution in Washington, controlling approximately $124 million in deposits, representing less than 1 percent of state deposits in Washington.

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 First Hawaiian is Hawaii.[4] As noted above, First Hawaiian, in the course of this transaction, would establish a *de novo* bank in Oregon and acquire a bank in Idaho. The conditions enumerated in section 3(d) for an interstate acquisition are met in this case.[5] In view of all the facts of record, the Board is permitted to approve this proposal under section 3(d) of the BHC Act.

As part of this transaction, Pioneer, which is a federal savings bank owned by First Hawaiian, would acquire five branches of USB in Washington. The Board previously has considered a proposal by a federal savings bank to operate branches interstate and has concluded that such operation is permitted under the existing branch authorization for federal savings associations and is consistent with the regulatory framework applicable to savings associations under the BHC Act.[6]

Competitive and Other Considerations

First Hawaiian currently does not operate an insured depository institution in Oregon, Idaho, or Washington. Based on all the facts of record, the Board concludes that this proposal would not have an adverse effect on competition or the concentration of banking resources in any relevant banking market. The Board also has determined, in light of all the facts of record, that the financial and managerial resources and the future prospects of First Hawaiian and its subsidiaries are consistent with approval, as are the other supervisory factors the Board must consider under section 3 of the BHC Act.[7]

Convenience and Needs Considerations

In acting on an application under section 3 of the BHC Act, the Board must consider the convenience and needs of the communities to be served and take into account the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA").[8] The CRA requires the federal financial supervi-

3. Asset data are as of September 30, 1995. Deposit data are as of June 30, 1995.

4. Pub. L. No. 103-328, 108 Stat. 2338 (1994). A bank holding company's home state is 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.

5. 12 U.S.C. §§ 1842(d)(1)(A) and (B) and 1842(d)(2)(A) and (B). First Hawaiian is adequately capitalized and adequately managed. All banks from which Oregon Bank would acquire branches have been in existence and have continuously operated for more than five years, and the Oregon and Idaho banking supervisors have determined that Oregon Bank and Idaho Bank, respectively, would satisfy the minimum charter age requirements under applicable Oregon and Idaho law. In addition, on consummation of this proposal, First Hawaiian and its affiliates would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States, and less than 30 percent of the total amount of deposits of insured depository institutions in Oregon or Idaho. All other requirements of section 3(d) of the BHC Act also would be met on consummation of this proposal.

6. Section 4(c)(8) of the BHC Act and the Board's regulations do not prohibit the operation of interstate branches by a savings association owned by a bank holding company. *See BankAmerica Corporation*, 78 *Federal Reserve Bulletin* 707 (1992). Section 5(r) of the Home Owners Loan Act of 1933, enacted by the Garn-St. Germain Depository Institutions Act of 1982, permits a federal savings association to operate branches outside the association's home state if the law of the host state would permit the branch to be established by a savings association chartered by the state where the home office of the federal savings association is located. 12 U.S.C. § 1464(r)(2)(C); *see also* 57 *Federal Register* 12,206 n.12 (1992). The OTS has indicated that Pioneer's proposed Washington branches satisfy this test, and the OTS has approved Pioneer's application to establish a *de novo* branch and is considering Pioneer's application to acquire the other proposed branches in Washington. In addition, the Washington banking supervisor has advised the Board informally that this transaction is not prohibited under state law.

7. A commenter asserted that First Hawaiian failed to divest certain branches as required by the Board and the Department of Justice ("DOJ") in connection with First Hawaiian's acquisition of First Interstate Bank of Hawaii, Honolulu, Hawaii. *See First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52 (1991). This divestiture was subject to court supervision. On March 5, 1996, the U.S. District Court for Hawaii, with the agreement of the DOJ, permitted First Hawaiian to divest the three remaining branches to a finance company. The Board also permitted First Hawaiian to modify its original divestiture proposal to the extent necessary to comply with the district court's orders. *See* Board letters dated May 1, 1991, and March 14, 1996, to Lee Meyerson, Esq., and Howard Karr, respectively. First Hawaiian has completed its divestitures consistent with these proceedings.

8. The Board previously has determined that the CRA by its terms generally does not apply to applications by bank holding companies to acquire nonbanking companies under section 4(c)(8) of the BHC Act. *See The Mitsui Bank, Ltd.*, 76 *Federal Reserve Bulletin* 381 (1990). The Board also has stated that, unlike other companies that may be

sory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate, consistent with their safe and sound operation. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operations of such institution," and to take that record into account in the evaluation of bank expansion proposals.[9]

The Board received comments from the Nation of Hawaii ("Protestant") generally alleging that First Hawaiian's lead subsidiary bank, First Hawaiian Bank, Honolulu, Hawaii ("Hawaiian Bank"), has failed to help meet the credit needs of low- and moderate-income ("LMI") residents, and in particular, illegally discriminates in its lending practices against Filipinos and native Hawaiians in the Honolulu MSA.[10] Protestant also contends that Hawaiian Bank's marketing and efforts to reach Filipinos and native Hawaiians are inadequate.

The Board has carefully reviewed the CRA performance records of the insured depository institutions controlled by First Hawaiian, particularly the relevant reports of examination of CRA performance. The Board also has carefully considered the comments received, First Hawaiian's responses, and all other relevant facts of record in light of the CRA, the Board's regulations, and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").[11]

A. CRA Performance Evaluations of First Hawaiian

The Agency CRA Statement provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record and that reports of these examinations will be given great weight in the applications process.[12] Hawaiian Bank, which controls approximately 84 percent of the total consolidated assets of First Hawaiian, received a CRA performance rating of "outstanding" from its primary federal supervisor, the Federal Deposit Insurance Corporation ("FDIC"), in its most recent examination for CRA performance, as of March 1995 ("Hawaiian Bank Examination"). First Hawaiian Creditcorp, Inc., Honolulu, Hawaii ("Creditcorp"), also received a CRA performance rating of "outstanding" from the FDIC in its most recent examination for CRA performance as of May 1994, and Pioneer received a CRA performance rating of "satisfactory" from its primary federal supervisor, the OTS, in its most recent examination for CRA performance as of October 1995.[13]

B. HMDA Data and Lending Activities

The Board has carefully reviewed data collected under the Home Mortgage Disclosure Act ("HMDA") for Hawaiian Bank, Pioneer, and Creditcorp during 1993 and 1994, in light of Protestant's allegations regarding Hawaiian Bank's record of housing-related lending to LMI and minority individuals. These data indicate that First Hawaiian is making efforts to help meet the credit needs of residents of predominately Filipino and native Hawaiian areas and LMI areas in the Honolulu MSA. For example, in 26 census tracts in the Honolulu MSA with majority Filipino or native Hawaiian residents, which represent 15.2 percent of the total population in the Honolulu MSA,[14] Hawaiian Bank increased the percentage of its HMDA-reported loan originations from 7.1 percent in 1992 to 12.1 percent in 1994. All of First Hawaiian's subsidiaries increased the percentage of their HMDA-reported loan originations in these census tracts from 7.7 percent in 1992 to 13 percent in 1994.[15]

In 49 LMI census tracts in the Honolulu MSA, representing 24.8 percent of the total population in the Honolulu MSA, Hawaiian Bank increased the percentage of its HMDA-reported loan originations from 7.7 percent in 1992 to 8.5 percent in 1994, and all First Hawaiian subsidiaries originated 10.2 percent of their HMDA-reported loans in LMI census tracts in both 1992 and 1994. First Hawaiian also increased the percentage of loan applications from LMI census tracts for which it originated loans from approximately 65 percent in 1993 to approximately 79 percent in 1994.

The Board also has carefully considered Protestant's allegations of disparities in the rate of loan applications, originations, and denials in three census tracts in light of all the facts of record. The Board recognizes, however, that

acquired by bank holding companies under section 4(c)(8) of the BHC Act, savings associations are depository institutions, as that term is defined in the CRA, and thus acquisitions of savings associations are subject to review under the express terms of the CRA. *See Norwest Corporation*, 76 *Federal Reserve Bulletin* 873 (1990).

9. 12 U.S.C. § 2903.

10. Protestant provided data that compare Hawaiian Bank's record of providing home mortgage originations and refinancings from 1988 to 1994 in three census tracts in the Honolulu MSA with the highest percentage Filipino or native Hawaiian population to the three census tracts in the Honolulu MSA with the highest percentage Japanese or nonminority population. Protestant also provided 1993 and 1994 data on loan applications, originations, and denials by Hawaiian Bank and all of First Hawaiian's subsidiaries in the three census tracts with the highest percentage Filipino and native Hawaiian population and reported anecdotally that Hawaiian Bank's record of lending on native Hawaiian homelands is inadequate.

11. 54 *Federal Register* 13,742 (1989).

12. *Id.* at 13,745.

13. All of USB's subsidiary banks involved in the sale of branches to First Hawaiian received "satisfactory" or "outstanding" CRA performance ratings from their primary federal supervisors in their most recent examinations.

14. Filipino and native Hawaiian populations were identified on the basis of 1990 U.S. census data. These data, like the data provided by the Protestant, focuses on loans to residents of these census tracts. Under HMDA, loans made to Filipinos or native Hawaiians are included in the category of Asian/Pacific Islander for reporting purposes.

15. This exceeds the percentage of HMDA-reported loan originations for lenders in the aggregate in these census tracts during the same period which increased from 8.7 percent to 11.7 percent.

HMDA data alone provide an incomplete measure of an institution's lending in its community. The Board also recognizes that HMDA data have limitations that make the data an inadequate basis, absent other information, for concluding that an institution has engaged in illegal discrimination in making lending decisions.

The Board has carefully reviewed Protestant's allegations in light of information from the FDIC and the OTS, the primary supervisors of First Hawaiian's depository subsidiaries. The most recent examinations of these institutions found no practices that were intended to discourage credit applications, nor were there any findings of prohibited discrimination or illegal credit practices. All institutions also were found to be in compliance with applicable fair lending laws and regulations. In addition, in connection with the Hawaiian Bank Examination, an analysis was conducted of HMDA-reported loans in 36 census tracts located throughout Hawaii, representing 14 percent of all census tracts in the state with majority Filipino or native Hawaiian populations, based on 1990 U.S. census data. This analysis indicated a reasonable loan penetration in these census tracts and showed no evidence that Filipinos or native Hawaiians were subjected to disparate treatment.

Hawaiian Bank participates in a number of housing-related financing programs designed to assist in meeting the housing needs of LMI individuals. For example, the bank makes loans and equity investments in affordable rental projects. Examiners noted that as of March 1995 Hawaiian Bank had funded three projects totalling $22.1 million for the construction of 235 rental units.[16] The bank also actively supports the Hawaii Community Reinvestment Corporation ("HCRC"), which manages a $50 million revolving loan fund, funded by 18 financial institutions, to finance rental housing projects for LMI tenants. Hawaiian Bank's commitment to this loan fund is $11.9 million, which is 23.8 percent of the fund. During the period covered by the Hawaiian Bank Examination, the bank funded $10.4 million for 14 loans through this program. In addition to its commitment to the fund, Hawaiian Bank participated with eight other HCRC lenders in the purchase of more than $18 million of loans from the program to increase the loan fund's lending capacity.[17]

The Hawaiian Bank Examination also found that the bank had implemented flexible lending criteria in its housing-related lending programs. For example, lending guidelines for home mortgage loans have been modified to allow applicants to use utility bills and rent payments to establish a credit history and to treat nontaxable income as equivalent taxable income. Under the Affordable Home Loan Program, first time home buyers may qualify for reduced loan fees and easier qualifying guidelines for adjustable rate mortgages. Hawaiian Bank has agreed to provide financing for up to 70 single family homes on Oahu Island being constructed by first time home buyers, and made eight loans under this program in 1994. Also in 1994, in light of certain legal restrictions applicable to lending to residents residing on native Hawaiian home lands, Hawaiian Bank established home improvement and downpayment loan programs in conjunction with the Department of Hawaiian Homelands ("DHHL") and Office of Hawaiian Affairs ("OHA") to assist in meeting the credit needs of these residents.[18] Moreover, Hawaiian Bank has a second review program for all denied real estate loans to determine if the application could be approved using additional information or, if not, whether the reasons for denial are correct.

Hawaiian Bank also participates in many government-supported loan programs. Under the Hawaii Small Business Loan Program, Hawaiian Bank and seven other financial institutions participate with the state and the Small Business Administration ("SBA") to offer SBA loans in amounts up to $50,000. The bank also participates in SBA's Low Doc Program to reduce paperwork for small business loans in amounts up to $100,000.[19] Federal Housing Administration and Farmers Home Administration Guaranteed Housing loans, offering 100 percent financing for low- and moderate-income homes in rural areas, also are offered.

C. Other Aspects of Hawaiian Bank's CRA Performance

The Hawaiian Bank Examination found that the bank had effective methods of ascertaining the credit needs of its delineated community and creating products and services to assist in meeting those needs. Examiners also noted that Hawaiian Bank engaged in extensive officer calling efforts directed to community organizations and public officials as well as business organizations and financial intermediaries. In addition, demographic data related to mortgage lending, lending patterns by geographic areas, and loan denial ratios for various ethnic groups are reviewed. Examiners found

16. During the second quarter of 1995, the bank executed a subscription of $5.5 million in the Hawaii Affordable Housing Fund I. This fund, with total subscriptions of $19.7 million from 11 financial institutions, invests in low-income rental housing projects qualifying for low-income housing tax credits.

17. At the end of 1995, the bank had $3.7 million of loans outstanding in the loan fund, and had committed $5.5 million to a second revolving loan fund, managed by a subsidiary of HCRC, to finance low-income rental housing projects.

18. The Hawaiian Homes Commission Act, 1920, 42 Stat. 108 (1921), which was adopted as part of the Hawaii Constitution (Haw. Const. Art. XII, *et seq.*), set aside certain areas designated as Hawaiian home lands to be held in trust by the Hawaiian Homes Commission ("Commission") for occupation and use by native Hawaiians during their lifetimes. Lenders do not make conventional housing-related loans in these areas because the native Hawaiian tenants can only mortgage or pledge their tenancy interest in their homes, subject to approval by the Commission. Through OHA, Hawaiian Bank has made 24 loans totalling $690,000 for home improvements. DHHL guarantees the loans in event of default. Hawaiian Bank continues to work with state officials to develop additional loan programs for Hawaiian home lands and to offer its downpayment loan program, which has not yet originated any loans.

19. Hawaiian Bank also offers Equity First Line of Credit, which provides small businesses with a line of credit as low as $10,000 that is secured by real property and may be drawn upon by check.

that the bank's marketing was designed to reach all segments of its delineated community. Products and services were advertised in multi-lingual media to reach ethnic groups, including advertisements in Hawaiian, Filipino, Japanese, Korean, Vietnamese, and Chinese. The bank has also conducted a survey of the credit needs of native Hawaiian home land residents. The bank's strategic plan, which includes goals and objectives for product development and marketing under the CRA, is reviewed quarterly.

Hawaiian Bank also has provided a grant to support Nanakuli Neighborhood Housing Services, Inc., which offers a home buyer education and credit management program for residents of one of the census tracts in Hawaii with the highest proportion of native Hawaiian and Filipino residents. Directors of the bank are members of several organizations designed to develop and rehabilitate the community, including Habitat for Humanity, the Hawaii Island Economic Development Board, and the Economic Development Corporation of Honolulu.

D. Conclusion Regarding Convenience and Needs

The Board has carefully considered all the facts of record, including Protestant's comments, in reviewing the convenience and needs factor under the BHC Act.[20] Based on a review of First Hawaiian's entire record of performance, including information submitted by First Hawaiian and Protestant, the Board concludes that First Hawaiian's record of performance in helping to meet the credit needs of its community, including LMI neighborhoods, is consistent with approval of this proposal.[21]

Nonbanking Activities

First Hawaiian also has requested Board approval under section 4(c)(8) of the BHC Act to permit Pioneer to acquire five branches in Washington. The Board has determined that the operation of a savings association is closely related to banking and permissible for bank holding companies.[22] In making this determination, the Board requires that savings associations acquired by bank holding companies conform their direct and indirect activities to those permissible for bank holding companies under section 4 of the BHC Act. First Hawaiian has committed to conform all activities of the branches that Pioneer proposes to acquire to the requirements of section 4 of the BHC Act and Regulation Y.

The Board finds that consummation of this proposal is not likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices that are not likely to be outweighed by the public benefits, such as increased competition and added convenience, that are expected from this proposal. As part of the Board's evaluation of these factors, the Board considers the financial and managerial resources of the notificant and its subsidiaries and the effect the transaction would have on such resources.[23] The Board also concludes in light of all the facts of record that the balance of public interest factors it must consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval of the application.

Conclusion

Based on the foregoing and all other facts of record, including all the commitments made by First Hawaiian in connection with this proposal, the Board has determined that the applications and notice should be, and hereby are, approved.[24] The Board's approval is expressly conditioned on compliance by First Hawaiian with all the commitments

20. Protestant has requested that the Board postpone consideration of this proposal to permit additional time to discuss the alleged adverse effect of this proposal on Protestant's constituency and LMI areas to be served by First Hawaiian. The Board is required under applicable law and its processing procedures to act on applications submitted under the BHC Act within specified time periods. The Board notes, moreover, that Protestant and First Hawaiian have had ample opportunity to submit information for the record and have, in fact, submitted substantial materials. As discussed above, the Board has carefully reviewed the record in this case, including information provided by Protestant and First Hawaiian about its CRA performance since the most recent performance examinations of its insured depository subsidiaries and information relating to the possible effects of this transaction on the convenience and needs of the communities to be served. Based on all the facts of record, the Board concludes that the record is sufficient to act on this proposal at this time, and that postponement of the Board's consideration is not warranted.

21. Protestant requested that the Board hold public and private meetings in Hawaii, to permit numerous members of the public, including native Hawaiian elders who traditionally address community matters orally, to comment on this proposal. Section 3(b) of the BHC Act does not require the Board to hold a public hearing or meeting on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial of the application. In this case, neither the FDIC nor any appropriate state supervisory authority has recommended denial.

Under the Board's rules, the Board may, in its discretion, hold a public hearing or meeting on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 C.F.R. 262.3(e) and 262.25(d). The Board has carefully considered Protestant's request in light of all the facts of record. Protestant has had ample opportunity to submit its views and has, in fact, submitted substantial materials that have been considered by the Board in acting on the applications and notice. Protestant does not indicate what, if any, additional views would be expressed at a public meeting or hearing, or why Protestant's written submission does not adequately present its views. Based on all the facts of record, the Board has determined that public or private hearings or meetings in Hawaii are not necessary to clarify the factual record or otherwise warranted in this case, and, accordingly, the requests for public hearings or meetings on the application are denied.

22. *See* 12 C.F.R. 225.25(b)(9).

23. *See* 12 C.F.R. 225.24.

24. Protestant also alleged that First Hawaiian does not have a sufficient number of Filipinos and native Hawaiians in senior management positions. First Hawaiian has indicated that 69 employees identifying themselves as Filipino and 60 employees identifying themselves as having native Hawaiian ancestry occupy executive, managerial, and professional positions in its three depository institution subsidiaries.

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

made by First Hawaiian in connection with this proposal and with the conditions referred to in this order. The Board's determination on the proposed nonbanking activities also are subject to all the conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(g) of Regulation Y, and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, or to prevent evasions of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. These commitments and conditions shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decisions, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective April 8, 1996.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Norwest Corporation
Minneapolis, Minnesota

Order Approving Acquisition of a Bank Holding Company and Notice to Engage in Nonbanking Activities

Norwest Corporation, Minneapolis, Minnesota ("Norwest"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested Board approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire all the voting shares of AmeriGroup, Incorporated, Minnetonka, Minnesota ("AmeriGroup"), and thereby indirectly acquire its wholly owned subsidiary bank, AmeriBank, Bloomington, Minnesota.[1] Norwest also has requested Board approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) for its wholly owned subsidiary, Norwest Investment Services, Inc., Minneapolis, Minnesota, to acquire the brokerage business of AmeriBank and thereby engage in full-service brokerage activities in conformance with section 225.25(b)(15) of Regulation Y (12 C.F.R. 225.25(b)(15)) and to act as agent in the sale of insurance and annuities pursuant to section 4(c)(8)(G) of the BHC Act and section 225.25(b)(8)(vii) of Regulation Y (12 C.F.R. 225.25(b)(8)(vii)).

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 3713 and 6376 (1996)). The time for filing comments has expired, and the Board has considered the application and notice and all comments received in light of the factors set forth in sections 3 and 4 of the BHC Act.

Norwest, with total consolidated assets of $72.1 billion, operates subsidiary banks in Minnesota and fourteen other states.[2] Norwest is the largest commercial banking organization in Minnesota, controlling approximately $10.3 billion in deposits, representing approximately 22.6 percent of the deposits in commercial banks in the state.[3] AmeriGroup, with total consolidated assets of $160.4 million, is the 39th largest commercial banking organization in the state, controlling approximately $123.6 million in deposits, representing less than 1 percent of the deposits in commercial banking organizations in the state. On consummation of the proposal, Norwest would control approximately $10.5 billion in deposits, representing approximately 22.9 percent of the total deposits in commercial banks in the state.

Competitive Considerations

Under section 3(c) of the BHC Act, the Board may not approve a bank acquisition that would result in a monopoly or further any combination or conspiracy to monopolize or attempt to monopolize the business of banking in any part of the United States.[4] In addition, the Board may not approve a bank acquisition "whose effect in any section of the country may be substantially to lessen competition, or tend to create a monopoly, or which in any other manner would be in restraint of trade," unless the Board finds that "the anticompetitive effects of the proposed transaction are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and

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

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

See 41 C.F.R. 60-1.7(a), 60-1.40. Pursuant to regulations of the Department of Labor, First Hawaiian, as the parent company, is required to file an annual report with the EEOC covering all employees in its entire corporate structure. The EEOC has jurisdiction for determining whether companies are in compliance with the equal employment statutes. The Board is not aware of any finding or adjudication of illegal employment practices by First Hawaiian.

1. Norwest proposes to merge AmeriBank with and into Norwest Bank Minnesota, National Association, Minneapolis, Minnesota ("Norwest Bank"), shortly after consummation of the proposal. This transaction is subject to the approval of the Office of the Comptroller of the Currency ("OCC") under the Bank Merger Act (12 U.S.C. § 1828(c)).

2. Asset data are as of December 31, 1995.

3. State deposit and ranking data are as of June 30, 1995.

4. 12 U.S.C. § 1842(c)(1)(A).

needs of the community to be served."[5] In evaluating the competitive factors in this case, the Board has carefully considered comments submitted by Independent Community Bankers of Minnesota, Eagan, Minnesota ("Protestant"), which maintain that consummation of the proposal would have significantly adverse effects on competition for banking services in the Minneapolis-St. Paul, Minnesota, area.[6]

Norwest and AmeriGroup compete directly in the Minneapolis-St. Paul banking market.[7] For the reasons explained in previous orders, the Board has found that the relevant banking market must reflect commercial and banking realities and must consist of the local area where customers practicably can turn for alternatives.[8] The Minneapolis-St. Paul banking market is based on the Minneapolis-St. Paul Ranally Metro Area ("RMA"). An RMA usually designates a defined geographic locality that is demographically and commercially integrated, and RMAs have been found by the Board to be useful as guides in defining relevant geographic banking markets.[9] In addition, 1990 data from the U.S. Census Bureau indicate that more than 35 percent of the workers that reside in the market's outlying counties (St. Croix County, Wisconsin, and Carver, Chisago, Scott, Sherburne and Wright Counties, Minnesota) commute to work in one of the market's five central counties (Hennepin, Anoka, Dakota, Ramsey and Washington Counties, Minnesota).[10] Based on these and other facts of record, the Board concludes that the Minneapolis-St. Paul banking market is the relevant banking market for assessing the competitive effects of the proposal.

Norwest is the second largest commercial bank or thrift institution ("depository institution") in the market, controlling deposits of $7.4 billion, representing 27.6 percent of total deposits in depository institutions in the market ("market deposits").[11] AmeriGroup is the 25th largest depository institution in the market, controlling deposits of $123.6 million, representing less than one percent of market deposits. On consummation of the proposal, Norwest would remain the second largest depository institution in the market, controlling deposits of $7.5 billion, representing 28.1 percent of market deposits. The Herfindahl Hirschman Index ("HHI") would increase by 26 points to 1866.[12]

The Board previously has indicated that merger transactions in the Minneapolis-St. Paul banking market involving one of the two largest depository institutions in the market warrant close review because of the size of these institutions relative to other market competitors.[13] Considering the competitive effect of this proposal on market concentration in light of previous acquisitions by the two largest depository organizations, however, consummation of this

5. *Id.* at § 1842(c)(1)(B).

6. Protestant also contends that this proposal would have significantly adverse effects on competition for correspondent bank and ATM services in this area. For the reasons explained in previous orders, the Board believes that the cluster of banking products and services represents the appropriate line of commerce for analyzing the competitive effects of bank expansion proposals under section 3 of the BHC Act. *See, e.g., Chemical Banking Corporation*, 82 *Federal Reserve Bulletin* 239 (1996) ("*Chemical Order*"). As discussed in this order, an analysis of this line of commerce shows that consummation of the proposal is not likely to result in significantly adverse competitive effects in any relevant banking market.

The Board concludes, moreover, that this proposal would not have significantly adverse competitive effects even if correspondent bank and ATM services were considered individually. AmeriGroup does not provide correspondent bank services, and numerous providers of these services would remain after consummation of the proposal. In addition, AmeriGroup operates only two ATMs, which represent less than one half of one percent of all ATMs in the Minneapolis St. Paul area. AmeriGroup does not provide ATM network access, ATM network services, or ATM processing services to third parties, and this proposal would not affect competition among existing suppliers of such services. *See NBD Bancorp, Inc.*, 82 *Federal Reserve Bulletin* 93, 102 (1996).

7. The Minneapolis-St. Paul banking market is comprised of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington Counties, and portions of Chisago, Le Seur, Sherburne and Wright Counties in Minnesota, and the town of Hudson in St. Croix County, Wisconsin. Protestant maintains that community banks located in the eastern portion or along the periphery of the Minneapolis-St. Paul banking market have little effect on the competitive behavior of depository institutions located in Minnetonka or Bloomington, Minneapolis, where AmeriGroup and AmeriBank are located. Protestant also contends that consummation of this proposal would have adverse competitive effects in two areas of Minnetonka and Bloomington where branches of Norwest and AmeriBank operate in close proximity.

8. *The Chemical Order* discusses in detail the Board's methodology and supporting court precedent for defining the appropriate geographic market in which competition for the supply and demand of the cluster of banking products and services is considered. *See Chemical Order* at 241-42.

9. *See, e.g., St. Joseph Valley Bank*, 68 *Federal Reserve Bulletin* 673 (1982).

10. The Board previously has recognized that commuting patterns are a significant factor in the determination of a relevant geographic banking market. *See Crestar Bank*, 81 *Federal Reserve Bulletin* 200, 201 n.5 (1995); *St. Joseph Valley Bank, supra* at 674.

11. Market share data are as of June 30, 1995, and are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See WM Bancorp*, 76 *Federal Reserve Bulletin* 788 (1990); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). 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).

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

13. *See First Bank System, Inc.*, 79 *Federal Reserve Bulletin* 50 (1993). The Board has noted that acquisitions by either of these two banking organizations of a series of depository institutions with relatively small market shares could, on a cumulative basis, lead to significant anticompetitive effects.

proposal is not likely to have a significantly adverse competitive effect in the market. The Minneapolis-St. Paul banking market is a major urban area that is attractive to entry and, in fact, has experienced both *de novo* entry and entry by acquisition in recent years.[14] Since 1991, for example, six depository institutions have entered the market by acquisition, and three *de novo* banks have been chartered in the market. One commercial banking organization that entered the market in 1987 has become the third largest depository institution in the market. As a result of this entry and other competitive forces, the Minneapolis-St. Paul banking market recently has become less concentrated, and the HHI for the market has declined by more than 300 points since January 1995.[15] In addition, 93 competitors, including 87 commercial banks and 6 thrift institutions, would remain in the market after consummation of the proposal. The proposed acquisition of AmeriGroup, which controls less than 1 percent of market deposits and is the 25th largest depository institution in the market, also is not likely to affect the availability of depository institutions in the market for acquisition by potential entrants in the Minneapolis-St. Paul banking market.

As in other cases, the Board sought comments on the competitive effects of the proposal from the United States Attorney General and the Federal Deposit Insurance Corporation ("FDIC"). The Department of Justice ("DOJ") concluded that consummation of the proposal is not likely to have significantly adverse effects on competition in any relevant market. The FDIC did not object to the proposal. On March 4, 1996, the OCC approved the merger of AmeriBank with Norwest Bank under the Bank Merger Act. In light of all the facts of record, including the number of competitors remaining in the market and the size of AmeriGroup, the Board concludes that consummation of the proposal is not likely to have a significantly adverse effect on competition or the concentration of banking resources in the Minneapolis-St. Paul banking market or any other relevant market.

Financial, Managerial, and Convenience and Needs Considerations

The Board also has carefully reviewed the financial and managerial resources of the companies and banks involved in the proposal in light of all the facts of record, including confidential examination reports assessing the managerial resources of Norwest and its bank subsidiaries. Based on all the facts of record, the Board concludes that the financial and managerial resources and future prospects of the organizations involved are consistent with approval, as are the other supervisory factors that the Board is required to consider under the BHC Act.[16]

In reviewing the convenience and needs of the community to be served, the Board has considered Protestant's contention that the services currently provided by Norwest and AmeriBank are similar and that consummation of the proposal would not provide AmeriBank's customers with access to new banking products or services or improved banking facilities. As noted above, Norwest proposes to merge AmeriBank with and into Norwest Bank shortly after consummation of this proposal. Norwest has indicated that after this merger AmeriBank customers would have access to Norwest Bank's branches throughout the Minneapolis-St. Paul area and, through contract and agency relationships, to the branches of Norwest's subsidiary banks located in other areas and states.[17] Norwest also has

14. Based on 1990 census data, the Minneapolis-St. Paul metropolitan area has a population of 2.5 million, which represents a 15.3 percent increase since 1980, and is the 16th largest metropolitan area in the United States.

15. The HHI for the Minneapolis-St. Paul banking market was 2172 after the January 1995 acquisition of Metropolitan Financial Corporation by First Bank System, Inc., both of Minneapolis, Minnesota. *See First Bank System, Inc.*, 81 *Federal Reserve Bulletin* 169 (1995). As noted above, the HHI for the market currently is 1840 and would increase to 1866 upon consummation of this proposal.

16. Protestant alleges that Norwest's ATM network has refused to enter into an interchange or "gateway" agreement with SHAZAM, Inc., an Iowa nonprofit corporation that operates a shared ATM network in Minnesota and other states, and that this refusal constitutes an illegal restraint of trade under the antitrust laws. The interchange agreement sought by Protestant would grant SHAZAM direct access to Norwest's proprietary ATM network, without passing through a national ATM network. Norwest has denied any illegal actions and states that it is willing to negotiate the terms of an interchange agreement with the SHAZAM network.

In reviewing applications under section 3 of the BHC Act, the Board is limited to considering the specific factors set forth in the BHC Act, and the Board has carefully considered the effects of this proposal under the factors specified in the BHC Act. *See Western Bancshares, Inc. v. Board of Governors*, 480 F.2d 749 (10th Cir. 1973). For example, the Board has reviewed whether Norwest's acquisition of ATMs owned by AmeriGroup would result in significantly adverse competitive effects. Protestant's allegations, however, extend beyond the competitive effects of this acquisition and challenge Norwest's current operation of its proprietary ATM network under the federal antitrust laws. The limited jurisdiction granted to the Board to review applications under the specific statutory factors set forth in the BHC Act does not authorize the Board to adjudicate disputes between a commenter and an applicant that arise under a statute administered and enforced by another agency. On the other hand, substantiated improper actions may be considered by the Board in light of all facts of record of an application under the BHC Act's factors or in the context of the Board's general supervisory authority over its regulated banking organizations.

In this case, the practice to which Protestant objects is unrelated to the proposed acquisition of AmeriGroup. The DOJ has express statutory authority to investigate and prosecute the type of anticompetitive practices alleged by Protestant, and the Board has provided Protestant's comments to the DOJ for its review and consideration. DOJ staff has informally advised the Board that the DOJ does not intend to initiate an antitrust investigation of Protestant's allegations at this time. The Board also notes that the federal antitrust laws authorize private persons to bring civil actions under the antitrust laws and that a court can provide Protestant with an adequate remedy if Protestant can establish that it is entitled to relief. *See* 15 U.S.C. § 15 (authorizing private antitrust actions under the Clayton Act and Sherman Act). In sum, the Board concludes that Protestant's allegations do not warrant denial of the proposal under the factors the Board must consider in this case.

17. *See* 12 U.S.C. § 1828(r) (authorizing bank subsidiaries of a bank holding company to receive deposits and perform certain other functions as agent for a depository institution affiliate).

stated that AmeriBank customers would gain access to certain services, including investment banking services and municipal bond underwriting and brokerage services, that are offered by Norwest or its affiliates and that are not offered by AmeriGroup. The Board notes that Norwest Bank received an "outstanding" rating in its most recent performance examination under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA") from the OCC, as of September 28, 1994. Norwest has indicated that AmeriBank would become subject to the CRA policies and programs of Norwest Bank after consummation of this proposal and the merger of AmeriBank and Norwest Bank.[18] Based on all the facts of record, the Board concludes that the convenience and needs factor also is consistent with approval.

Other Considerations

Norwest also has requested approval for its wholly owned subsidiary, Norwest Investment Services, Inc. ("NISI"), to acquire the securities and insurance brokerage business of AmeriBank.[19] The Board previously permitted NISI to engage in full-service brokerage activities under section 225.25(b)(15) of the Board's Regulation Y and to act as agent in the sale of insurance and annuities under section 4(c)(8)(G) of the BHC Act ("Exemption G") and section 225.25(b)(8)(vii) of Regulation Y.[20] Norwest proposes to conduct these activities in accordance with the Board's regulations.

On consummation of the proposal, AmeriBank's brokerage customers would have access to the 24 offices of NISI in the Minneapolis-St. Paul area. In addition, AmeriBank's brokerage customers would have direct access to the broader range of securities-related services offered by NISI.[21] The record in this case indicates that there are numerous providers of the proposed nonbanking services, and the record does not support a finding that consummation of this proposal is likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices that would outweigh the public benefits of this proposal. Accordingly the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval.[22]

Conclusion

Based on the foregoing and all the facts of record, including all the commitments and representations made by Norwest in connection with this proposal, the Board has determined that the application and notice should be, and hereby are, approved.[23] The Board's approval is specifically conditioned on Norwest's compliance with the commitments made by Norwest in connection with this application and

18. Protestant also contends that Norwest may close three AmeriBank branches after consummation of the proposal and that such closings would adversely affect small businesses located near the branches and the convenience and needs of the community in general. Norwest has stated that it plans to consolidate two Norwest Bank branches with two AmeriBank branches after the merger of AmeriBank and Norwest Bank. Norwest also has stated that the branches proposed for closure would be within two-tenths of a mile of the assuming branch and that the branch movements would not affect the nature of the services offered to businesses or customers served by the branches.

19. AmeriBank makes available to its customers securities, life insurance and annuities through a contract with an independent broker-dealer.

20. *See Norwest Corporation*, 80 *Federal Reserve Bulletin* 160 (1994); *Norwest Corporation*, 76 *Federal Reserve Bulletin* 873 (1990). Exemption G is one of seven specific exemptions enacted by Title VI of the Garn St. Germain Depository Institutions Act of 1982 to the Garn Act's general prohibition on insurance activities by bank holding companies. The exemption authorizes those bank holding companies that engaged in insurance agency activities prior to 1971 with prior Board approval to engage or control a company engaged in insurance agency activities.

21. *See Norwest Corporation*, 76 *Federal Reserve Bulletin* 79 (1990) (authorizing NISI to underwrite and deal in U.S. government and municipal obligations and, to a limited extent, municipal revenue bonds, 1-4 family mortgage related securities, commercial paper and consumer receivable-related securities).

22. Protestant requests that the Board delay action on this proposal and investigate Protestant's allegations regarding Norwest's ATM network. The Board is required by the BHC Act and the Board's rules to act on applications submitted under sections 3 and 4 of the BHC Act within specified time periods. Based on all the facts of record, and for the reasons discussed in this order, the Board concludes that the record is sufficient for the Board to act on this proposal under the statutory factors in the BHC Act. Accordingly, the Board concludes that delay or, in the alternative, denial on the grounds of informational insufficiency of the proposal is not warranted.

23. Protestant requested the Board to arrange a private meeting between Protestant and Norwest, or hold a public meeting on the proposal. The Federal Reserve Bank of Minneapolis offered to host a private meeting between Protestant and Norwest to provide a forum for the resolution of their differences under the Board's policy statement regarding informal meetings, but Norwest declined to participate. *See* 12 C.F.R. 262.25(c). Section 3(b) of the BHC Act does not require the Board to hold a public meeting or 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. No supervisory agency has recommended denial of this proposal. Under section 4 of the BHC Act, the Board may order a hearing on an application "if there are disputed issues of material fact that cannot be resolved in some other manner." 12 C.F.R. 225.23(f). In addition, under the Board's Rules of Procedure, the Board may, in its discretion, hold a public meeting or hearing on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 C.F.R. 262.3(e) and 262.25(d). Protestant has not challenged the acquisition by NISI of AmeriBank's brokerage and insurance business under section 4 of the BHC Act. The Board notes that Protestant has had ample opportunity to submit its views and has, in fact, submitted comments on Norwest's section 3 application. Protestant's request fails to demonstrate why its written submissions do not adequately present its allegations or why a public hearing or meeting is otherwise warranted in this case. After a careful review of all the facts of record, moreover, the Board concludes that Protestant disputes the weight that should be accorded to, and the conclusions that may be drawn from, the facts of record, or disputes facts that are not material to the Board's decision. For these reasons, and based on all the facts of record, the Board has determined that a public meeting or hearing is not necessary to clarify the factual record in the application, and is not warranted in this case. Accordingly, Protestant's request for a public hearing or meeting is denied.

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

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

By order of the Board of Governors, effective April 29, 1996.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

ORDERS ISSUED UNDER BANK HOLDING COMPANY ACT AMENDMENTS OF 1970

Capital One Financial Corporation
Falls Church, Virginia

Order Approving an Exemption from the Anti-tying Provisions

Capital One Financial Corporation, Falls Church, Virginia ("Capital One"), has requested that the Board permit its credit card bank subsidiary to offer a credit card secured by deposits at an affiliated savings bank. Capital One seeks a Board interpretation that this arrangement is not covered by the anti-tying provisions of section 106 of the Bank Holding Company Act Amendments of 1970 (12 U.S.C. § 1972) or, if it is, an exemption from the statute permitting Capital One's credit card bank subsidiary to offer the secured credit card.

Capital One and its credit card bank subsidiary, Capital One Bank, are a spin-off of Signet Bank/Virginia's credit card operations. Capital One is currently in the process of organizing a federal savings bank subsidiary, Capital One FSB. Once the Office of Thrift Supervision approves the new institution, Capital One proposes that Capital One Bank offer a secured credit card, eligibility for which would be conditioned on a customer's maintaining a deposit at Capital One FSB.

Secured credit cards allow customers who do not qualify for unsecured credit to receive a credit card. The customer is required to establish and maintain a deposit account, and the deposit is held as collateral to secure all or some portion of the line of credit available to the customer through the card. Although the customer may thus receive little or no unsecured credit from the card issuer, the customer is able to enjoy the convenience that a credit card affords while at the same time establishing a credit history through repayment of card balances.

The bank tying statute, section 106 of the Bank Holding Company Act Amendments of 1970, generally prohibits a bank from restricting the availability or varying the terms of one of its products on the condition that a customer obtain another product from the bank or any of its affiliates. Although a credit card bank is not a "bank" for purposes of section 106, section 4(h)(1) of the Bank Holding Company Act, which was added by the Competitive Equality Banking Act (CEBA) in 1987, provides that a credit card bank and certain other entities "shall be treated as a bank, and a company that controls such institution shall be treated as a bank holding company, for purposes of section 106 . . . and any regulation prescribed under such section." 12 U.S.C. § 1843(h)(1).

Section 106 contains a statutory "traditional bank product exception" that allows a bank to tie any of its products to any loan, discount, deposit or trust service offered by that bank. Under this exception, Capital One Bank could offer a secured credit card on the condition that a customer maintain a deposit at Capital One Bank. Last year, the Board extended the traditional bank product exception across affiliate lines to permit a bank to discount any traditional bank product based on a customer's obtaining a traditional bank product from any affiliate. Under this exception, Capital One Bank could offer a free credit card to customers of Capital One FSB. Neither exception, however, permits Capital One Bank to restrict the availability of its secured credit card to depositors of its affiliate, Capital One FSB.[1]

1. The Home Owners' Loan Act (HOLA) allows a savings association or its affiliate to restrict the availability of any product on the condition that a customer obtain a traditional bank product from the savings association or any affiliate. 12 U.S.C. §§ 1464(q) and 1467a(n). Because the exception runs between affiliates, it is broader than the statutory or regulatory traditional bank product exception applicable to banks and (through CEBA) credit card banks.

Capital One argues that HOLA, which was enacted after CEBA, allows Capital One Bank to condition the availability of its credit card once it becomes affiliated with a savings association, Capital One FSB. The transaction is covered by the language of the HOLA exemption, but is also covered by section 4(h)(1) of the BHC Act, pursuant to CEBA. In other words, the BHC Act requires Capital One Bank to be treated like a bank, but HOLA requires it to be treated like an affiliate of a savings association. Although the issue is debatable, the Board believes that the specific reference to credit card banks in the BHC Act should govern over the general reference to savings association affiliates in HOLA, and therefore that credit card banks should be treated like banks. *See Simpson v. United States*, 435 U.S. 6, Nonetheless, like transactions currently exempt under the statutory and regulatory traditional bank product exceptions, the proposed transaction presents benefits and raises no competitive concerns. The secured credit card program is pro-consumer and would not create an unfair competitive advantage for Capital One FSB's deposit products. Indeed, the legislative history of CEBA indicates that Congress thought, contrary to the language of the provision, that such transactions would be exempt. *See* Competitive Equality Banking Act of 1987, Conference Report 261, 100th Cong., 1st Sess. at 128–29 (July 31, 1987) ("[T]he anti-tying restrictions would not be violated by tying [a] traditional banking service offered by a grandfathered nonbank bank to another traditional banking service [offered] by an affiliate.").

Based on the above and all facts of record, and pursuant to its authority under section 106 of the Bank Holding Company Act Amendments of 1970, the Board hereby grants an exemption to permit Capital One Bank to offer a credit card secured by deposits maintained at Capital One FSB. The Board also delegates to the Board's General Counsel authority to grant further exemptions to section 106 to allow secured credit card plans similar to that offered by Capital One.

This approval is based on the facts and circumstances presented by Capital One, and any material change in those facts or circumstances could result in a different outcome. The approval is subject to the Board's authority to modify or terminate the exemption.

By order of the Board of Governors, effective April 11, 1996.

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

WILLIAM W. WILES
Secretary of the Board

15 (1978) (citing "principle that gives precedence to the terms of the more specific statute where a general statute and a specific statute speak to the same concern, even if the general provision was enacted later").

ORDERS ISSUED UNDER BANK MERGER ACT

Morgan Guaranty Trust Company of New York
New York, New York

Order Approving the Merger of Banks and Establishment of Bank Branches

Morgan Guaranty Trust Company of New York, New York, New York ("Morgan Guaranty"), a state member bank, has applied under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) (the "Bank Merger Act") to merge with J.P. Morgan Delaware, Wilmington, Delaware ("Morgan Delaware"), with Morgan Guaranty surviving the merger. As part of the transaction, Morgan Guaranty also has applied under section 9 of the Federal Reserve Act (12 U.S.C. § 321) to establish branches at the current locations of Morgan Delaware's branches,[1] and filed a notice under section 25 of the Federal Reserve Act and section 211.3 of Regulation K (12 C.F.R. 211.3) to acquire the foreign branch of Morgan Delaware in the Cayman Islands.

Notice of the 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, the Federal Deposit Insurance Corporation ("FDIC") and the Office of the Comptroller of the Currency. The time for filing comments has expired, and the Board has considered the proposal and all the facts of record in light of the factors set forth in the Bank Merger Act and sections 9 and 25 of the Federal Reserve Act.

Morgan Guaranty and Morgan Delaware are wholly owned subsidiaries of J.P. Morgan & Co. Incorporated, New York, New York ("Morgan & Co"). Morgan Guaranty is the 11th largest banking organization in New York, controlling deposits of $5.4 billion, representing 2.2 percent of the total deposits in commercial banking organizations in New York.[2] Morgan Delaware is the 20th largest commercial banking organization in Delaware, controlling deposits of $242.5 million, representing less than 1 percent of the total deposits in commercial banking organizations in Delaware. The proposal represents a reorganization of Morgan & Co.'s existing banking operations.[3] Based on all the facts of record, the Board concludes that consummation of the proposal would not have any significantly adverse effect on competition in any relevant banking market.

Convenience and Needs Considerations

In acting on the applications under the relevant banking statutes, the Board must consider the convenience and needs of the communities to be served and take into account the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate, consistent with their safe and sound

1. Branches of Morgan Delaware to be established by Morgan Guaranty are located at 902 N. Market Street, Wilmington, Delaware 19801, and 500 Stanton Christiana Road, Newark, Delaware 19713.

2. Deposit data are as of June 30, 1995.

3. After the merger of Morgan Guaranty and Morgan Delaware, Morgan Guaranty would be a New York state bank with branches in New York and Delaware. The office of the New York Superintendent of Banks has informally indicated that the proposal is consistent with applicable state law, and the Delaware State Bank Commissioner has approved the proposal. The Board concludes that this proposed merger is consistent with applicable state law. Act of Feb. 6, 1996, §§ 5 and 19, 1996 N.Y. ALS 9; Del. Code Ann. tit. 5, § 795F (1995).

operation. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of such institution," and to take that record into account in its evaluation of an application for a deposit facility.[4]

The Board has received comments on this proposal from Inner City Press/Community on the Move, Bronx, New York ("Protestant"), asserting that the CRA-related activities of Morgan Guaranty and Morgan Delaware do not adequately assist in meeting the credit needs of communities with predominately low- to moderate-income and minority residents, particularly in light of the amount of assets controlled by these institutions. The Board has carefully reviewed the CRA performance records of Morgan Guaranty and Morgan Delaware, all comments received regarding these applications, Morgan Guaranty's responses to those comments, and all other relevant facts of record in light of the CRA, the Board's regulations and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").[5]

Evaluation of CRA Performance

A. Examination Record of CRA Performance

The Agency CRA Statement provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record and that reports of these examinations will be given great weight in the applications process.[6] The Board notes that Morgan Guaranty received a "satisfactory" rating from the Federal Reserve Bank of New York ("Reserve Bank") at its most recent examination for CRA performance in July 1994 ("1994 Morgan Guaranty Examination"), and that Morgan Delaware received an "outstanding" rating from its primary federal supervisor, the FDIC, at its most recent examination for CRA performance in February 1995 ("1995 Morgan Delaware Examination").[7] Morgan & Co.'s remaining depository institution, J.P. Morgan Florida Federal Savings Bank, Palm Beach, Florida ("Morgan Florida"), received a "satisfactory" rating from its primary federal regulator, the Office of Thrift Supervision ("OTS"), at the most recent examination of its CRA performance.[8]

The most recent examinations of Morgan's depository institutions found no evidence of illegal discrimination. In particular, the 1994 Morgan Guaranty Examination and the 1995 Morgan Delaware Examination found no credit practices that were inconsistent with the substantive provisions of the anti-discrimination laws and regulations at Morgan Guaranty[9] or Morgan Delaware.[10] Examiners also concluded that neither Morgan Guaranty nor Morgan Dela-

4. 12 U.S.C. § 2903.

5. 54 *Federal Register* 13,742 (1989).

6. *Id.* at 13,745.

7. Protestant argues that the 1994 Morgan Guaranty Examination is unreliable because, among other things, it is almost two years old and merely recites verbatim information contained in Morgan Guaranty's CRA Statement. The Board notes that the 1994 Morgan Guaranty Examination is the result of an on-site review of the activities and policies of Morgan Guaranty, and includes more information than that provided in Morgan Guaranty's CRA Statement. The Board has considered this performance evaluation and information provided by Protestant and Morgan Guaranty relating to the bank's CRA performance since the evaluation.

8. Protestant cites criticisms by OTS examiners of aspects of Morgan Florida's performance record in this examination as adverse considerations for the proposal. The Board notes that, although the examination indicates areas for improvement in the institution's CRA performance, Morgan Florida's overall rating was "satisfactory." OTS examiners also recognized that Morgan Florida is located in an area with no low- to moderate-income census tracts, and encouraged Morgan Florida to consider strategies for improving its lending within the local community. Based on all the facts of record, including Morgan Florida's overall satisfactory record and the records of performance by the institutions involved in this proposal, Protestant's comments on Morgan Florida do not present adverse CRA considerations for this proposal.

9. Protestant alleges, without providing supporting facts, that the mortgage-backed securities activities of Morgan Guaranty, J.P. Morgan Securities, Inc. ("Morgan Securities"), and J.P. Morgan Commercial Mortgage Finance Corp., all subsidiaries of Morgan & Co., have a negative effect on the availability of mortgage credit in low- and moderate-income neighborhoods and to minorities, and that these institutions disproportionately avoid mortgages from low- and moderate-income and minority individuals in their mortgage underwriting, dealing and purchasing activities in violation of the Fair Housing Act (42 U.S.C. § 3601 *et seq.*) ("FHA"). Protestant also generally alleges, without providing supporting facts, that the other asset-backed securities activities of these institutions avoid loans in Morgan Guaranty's delineated community and in low- to moderate-income neighborhoods.

10. Protestant contends that Morgan Delaware's 1994 and 1995 Loan Application Registers and the 1995 Loan Application Registers for Morgan Guaranty and Morgan Florida show a lack of lending to minorities in violation of the Equal Credit Opportunity Act (15 U.S.C. § 1691 *et seq.*) ("ECOA") and the FHA. Protestant alleges that all three institutions violate ECOA and the Home Mortgage Disclosure Act (12 U.S.C. § 2801 *et seq.*) ("HMDA") by prescreening mortgage loans. Protestant also alleges that Morgan Delaware has not complied with the HMDA by failing to report the gender and race of borrowers receiving mortgage loans, and by failing to record census tract and other geographical data, and suggests, without providing supporting evidence, that Morgan Delaware may not request race and gender information on its application forms. As noted, no evidence of illegal discrimination was found during the most recent examinations of Morgan & Co.'s depository institutions. These institutions, moreover, are not in the business of making residential mortgage loans and make a limited number of such loans as an accommodation for their private banking clients and for the private banking clients of affiliates. Morgan & Co. has denied the allegations that Morgan Delaware does not comply with HMDA reporting requirements, indicating that most of Morgan Delaware's mortgage applications do not involve face-to-face meetings with a loan officer, but rather are submitted by mail or telephone, and that Morgan Delaware's application forms do request information required for government monitoring purposes. Under regulations implementing the HMDA and ECOA, a HMDA reporter is not required to report the race or gender of an applicant if this information is not provided by the applicant in the written application form received by mail. *See* 12 C.F.R. 203, Appendix A, § V(D)(2) and Appendix B, § I(B)(4); Official Staff Commentary on Regulation B, F.R.R.S., ¶ 6-197.6(3).

ware discouraged credit applications for the types of credit it identified in its CRA statement. Both institutions have also adopted fair lending policies and conduct periodic training on fair lending compliance.

B. Morgan Guaranty's Record of CRA Performance

Morgan Guaranty is a wholesale institution that specializes in providing financial services to institutional customers such as corporations and governmental entities and to high net worth individuals. As a wholesale institution, Morgan Guaranty does not engage in residential mortgage lending, other than as an accommodation to its existing customers, or provide other traditional retail credit products, and it does not hold itself out as a retail lender. Although the CRA does not require a bank to extend any particular type of credit, a wholesale institution such as Morgan Guaranty is not exempted from the CRA or exempted from having its CRA performance record assessed in an application for a deposit facility.[11]

Morgan Guaranty uses a variety of methods to help meet the credit needs of low- and moderate-income areas in its delineated community,[12] in the broader New York City area, and nationally.[13] Morgan Guaranty uses the J.P. Morgan Community Development Corporation, New York, New York ("MCDC"), a wholly owned community development subsidiary of Morgan & Co., which provides financial assistance in the form of loans and investments for affordable housing and minority enterprises,[14] as a means to assist in meeting the housing-related credit needs of its delineated community. In 1995, MCDC committed to invest $3.6 million to Holland House for the conversion of a former single-room occupancy hotel in Times Square into permanent housing with on-site social services for people with limited financial resources. MCDC modeled this investment on its $5 million commitment in 1993 to the Common Ground Community Housing Development Fund Corporation for the conversion of a 652 unit single room occupancy hotel in Times Square.

The 1994 Morgan Guaranty Examination found that Morgan Guaranty, through MCDC and the J.P. Morgan Charitable Trust ("Trust"), has also been a major investor in efforts to develop and sustain affordable housing and to support economic development. The record indicates that approximately 75 percent of MCDC's community lending and investing creates and supports affordable housing. MCDC has provided almost $100 million in equity and bridge loans to the Local Initiative Support Corporation ("LISC") and the Enterprise Foundation, financial intermediaries that directly fund organizations involved in providing affordable housing to low- to moderate-income individuals.[15]

In addition, the 1994 Morgan Guaranty Examination noted that MCDC purchased a $5 million participation interest in a loan to a local housing partnership development corporation. The loan proceeds were used in a construction loan pool designed to create 513 units of affordable housing. In partnership with the U.S. Department of Housing and Urban Development and 9 other entities, MCDC also committed $12 million to a national community development initiative organized to invest $87 million in loans and grants to community development corporations in 23 cities. Of the $87 million, approximately $6.2 million in commitments were scheduled to be advanced between 1994 and 1996 to projects in New York City and Los Angeles.[16]

11. *See Continental Bank Corporation*, 75 *Federal Reserve Bulletin* 304 (1989), and *U.S. Trust Corporation*, 81 *Federal Reserve Bulletin* 893 (1995). Protestant maintains that Morgan & Co.'s subsidiary depository institutions have been effectively and inappropriately exempted from the CRA because these banks are considered as "private banks" by examiners.

12. Protestant contends that Morgan Guaranty's delineation of its service community is arbitrary. The Board previously has stated that an assessment of an institution's delineated community can be most effectively considered in an on-site examination by the institution's primary federal supervisor and that such an examination provides a better opportunity to consider whether an institution's delineated community reflects illegal discrimination in light of all the institution's lending activities. *See North Fork Bancorporation*, 82 *Federal Reserve Bulletin* 338 (1996). The 1994 Morgan Guaranty Examination concluded that the bank's community delineation was reasonable and did not arbitrarily exclude low- to moderate-income neighborhoods. Morgan Guaranty also has indicated that it intends to designate all of New York City as its assessment area.

13. Protestant maintains that Morgan Guaranty is required to be evaluated only on its activities to assist low- to moderate-income neighborhoods within its delineated community, and that if in fact Morgan Guaranty lends and invests city wide, then all of New York City should be included in its delineation. The 1994 Morgan Guaranty Examination recognized that Morgan Guaranty's CRA-related efforts consisted of community development activities undertaken in its two local communities with special efforts to reach low- to moderate-income areas in the five boroughs of New York City. The Board notes that banks may receive positive consideration for activities and programs conducted outside the bank's delineated community in the context of the institution's overall CRA program if the institution has an adequate record of addressing credit needs within its delineated community.

14. MCDC's total outstanding loans and commitments have increased from $62.9 million on December 31, 1992, to $184 million on March 1, 1996.

15. In 1995, MCDC committed $20 million to the New York and national equity funds associated with LISC, and in 1996, MCDC has committed $25 million to the New York, New York-Series II and national equity funds.

16. Protestant alleges that Morgan Guaranty's 1995 HMDA data indicate a lack of lending for multifamily housing in New York, and Delaware, and in low- to moderate-income areas; prescreening of loan applicants; and violations of the FHA because loans are not made for multifamily housing located in neighborhoods with predominately minority residents. Morgan Guaranty indicates that, although it acquires multifamily loans from unaffiliated institutions for the purpose of having them pooled and securitized by an affiliate and sold to investors, it reports them as originations for HMDA purposes because it provides the underwriting criteria and makes the credit decision on the applicants. Morgan Guaranty states that it has been unsuccessful in locating a broker in the New York City area to participate in this activity, but will continue its attempts to do so. Morgan Guaranty denies that it or any broker that it works with prescreens these loans, indicating that its fair lending policies apply to this activity and that a purchase of a loan is based solely on objective financial criteria.

The 1994 Morgan Guaranty Examination also noted that Morgan Guaranty participated through MCDC in small business lending and investment programs.[17] Examiners found that MCDC supported the development and growth of small businesses and promotes overall economic development of low- to moderate-income areas. For example, MCDC made a $100,000 loan to and a $300,000 capital investment in a minority-owned sports and entertainment management and marketing firm. Since the 1994 Morgan Guaranty Examination, MCDC has participated in new programs, including the creation of a small business investment company, New York Community Investment Company ("CIC") in 1995. Morgan Guaranty worked with ten member banks of the New York Clearing House Association to help create CIC, which is capitalized at $10 million, and which will provide capital and subordinated debt to small businesses operating in low- to moderate-income communities in New York City. MCDC also invested $250,000 in Sylvia Wood's Enterprises, a food products company in Harlem, to help recapitalize the business and to provide for its growth.

MCDC and Morgan Guaranty's Community Relations and Public Affairs Department, through the Trust, support a number of nonprofit organizations engaged in housing, community development, urban affairs and health care issues. Morgan Guaranty made a number of charitable contributions through the Trust to organizations that provide health care services. In 1995, MCDC's health care grants included commitments of $390,00 to the Institute for Urban Family Health, $500,000 to the Brownsville Multi-Service Family Health Center and $351,000 to Urban Health Plan, organizations providing primary health care in neighborhood settings in Brooklyn, Harlem, South Bronx and Manhattan. Other grants include a $40,000 grant in 1994 for the development of the South Bronx Family Learning Center; annual support in the amount of $20,000 to the Mid-Bronx Desperados Community Housing Corporation, which develops and manages low- to moderate-income housing; and, since 1992, five grants totalling $160,000 to the Mount Hope Housing Company in the Bronx, which owns or manages 26 buildings with more than 1,000 low- to moderate-income tenants.

Morgan Guaranty also provides services to large nonprofit organizations. Morgan Guaranty's private banking unit helps nonprofit institutions manage their portfolios or raise funds through private placements. In 1994, the private banking unit helped 14 groups, including educational and health care organizations, raise $82 million through private placements.[18]

Examiners also concluded in the 1994 Morgan Guaranty Examination that the bank's efforts to ascertain the credit needs of its community provided a strong foundation for community development lending and equity capital investments.[19] Examiners found that Morgan Guaranty's ascertainment efforts were well coordinated and include ongoing and meaningful contact with numerous and diverse community-based organizations. Morgan Guaranty also distributes a number of publications to inform community groups and public officials of its CRA activities.

C. Morgan Delaware's Record of CRA Performance

Morgan Delaware also specializes in wholesale banking products and only offers consumer loan products to accommodate its corporate customers. Morgan Delaware is required by the Delaware Financial Center Development Act ("FCD Act") to operate in a manner and at a location that is not likely to attract customers from the general public, and the bank is prohibited from soliciting business within Delaware. Accordingly, the bank has focused its CRA activities on community development lending through consortia which are not prohibited by the FCD Act.

The 1995 Morgan Delaware Examination cited a number of examples of Morgan Delaware's participation in community and affordable housing development programs. For example, Morgan Delaware is a founding $1 million stockholder in Delaware Community Investment Corporation ("DCIC"), a multi-bank owned corporation, which provides debt financing and equity funding for affordable housing development throughout Delaware.[20] MCDC, on behalf of Morgan Delaware, arranged and structured a

Morgan Guaranty also notes that approximately 30 percent of the multifamily mortgages it has acquired to date were made in low- to moderate-income areas, and approximately 53 percent were made in census tracts where 25 percent of more of the population were minority. The CRA does not require an institution to engage in any particular type of lending in order to assist in meeting the credit needs of its community, and, as noted, an institution can have a satisfactory record of performance without conducting a specific type of CRA-related activity in its community. Thus, multifamily lending activities have been considered in light of Morgan Guaranty's entire record of activities.

17. Protestant criticizes the lack of small business lending reflected in the call reports filed by Morgan & Co.'s subsidiary banks. As noted above, neither the CRA nor the Agency CRA Statement requires an institution to engage in a particular type of lending in order to have a satisfactory record of performance, and an institution has the flexibility to select the types of activities that would result in an effective CRA program in light of the institution's operations and business strategies. Morgan Guaranty has elected to provide small business credit through MCDC.

18. Protestant contests whether the municipal bond activities of Morgan Guaranty's affiliates resulted in actual benefits to the public. The 1994 Morgan Guaranty Examination found that these activities provided needed capital for local projects such as schools, hospitals, and public power and transportation projects.

19. Protestant disputes this conclusion because Morgan Guaranty listed the same community contacts at the 1994 examination that it identified at the 1992 examination. The Board notes that ongoing contacts with organizational, community and government leaders, as well as established productive relationships with private, nonprofit developers or financial intermediaries resulting in public/private partnership activities, can assist in an institution's ascertainment and outreach efforts.

20. No fees were charged by Morgan Delaware or MCDC to establish DCIC or for MCDC's services as administrative agent. In addition, Morgan Delaware's in-house legal department drafted loan and security documents at no cost to DCIC.

$7.5 million bridge loan for DCIC's Equity Fund. MCDC acted as agent and lead lender, committing $2.4 million.

Morgan Delaware also is a member of several housing partnerships, including the Delaware State Housing Partnership and the Wilmington Housing Partnership, committed to providing affordable housing for first-time buyers and low- to moderate-income individuals. Since 1991, Morgan Delaware has extended $7.35 million in credit commitments for projects to increase the stock of quality, affordable housing in New Castle County, Delaware.

Examiners found that Morgan Delaware made substantial contributions to a variety of charitable organizations. The record indicates that in both 1994 and 1995, Morgan Delaware contributed approximately $400,000 to such organizations. Of its $2.9 million in grants to community-based nonprofit organizations since 1981, Morgan Delaware has contributed more than 60 percent of these funds to organizations involved in housing, economic and community development. Morgan Delaware also has supported programs that provide assistance to minority groups within its local community. For example, Morgan Delaware has committed $150,000 to the University of Delaware College of Business and Economics Fortune 2000, a program that provides minority college students with academic, employment and financial assistance. Morgan Delaware also has contributed $100,000 to Wilmington 2000, a public/private partnership to revitalize downtown Wilmington.[21]

D. Conclusion Regarding Convenience and Needs Considerations

The Board has carefully considered the entire record, including the comments filed in this case, in reviewing the convenience and needs factors under the relevant banking statutes. Based on a review of the entire record of performance, including information provided by Protestant and Morgan Guaranty, and the CRA performance examinations, the Board concludes that the efforts of Morgan Guaranty and Morgan Delaware to help meet the credit needs of all segments of the communities they serve, including low- to moderate-income neighborhoods, are consistent with approval.[22] For these reasons, and based on all the facts of record, the Board concludes that convenience and needs considerations, including the CRA performance records of Morgan Guaranty and Morgan Delaware, are consistent with approval of the applications.

Other Considerations

The Board also has concluded that the financial and managerial resources and future prospects of institutions involved as well as other factors the Board must consider under sections 9 and 25 of the Federal Reserve Act are consistent with approval in light of all the facts of record.[23]

Based on the foregoing and all the facts of record, the Board has determined that these applications and notice should be and hereby are, approved.[24] The Board's approval of the proposal is conditioned on compliance by Morgan Guaranty with the commitments made in connection with the proposal. For purposes of this action, the commitments and conditions relied on in reaching this decision are deemed to be conditions imposed in writing by the Board and, as such, may be enforced in proceedings under applicable law.

The merger of Morgan Guaranty with Morgan Delaware 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 the Reserve Bank, acting pursuant to delegated authority.

By order of the Board of Governors, effective April 29, 1996.

21. Through the Delaware branches, Morgan Guaranty plans to continue the CRA-related activities of Morgan Delaware on consummation of the proposal.

22. The Board also has received comments from a company alleging that MCDC refused to invest in a community development product created by the commenter and, in fact, expropriated the product for its own use. This commenter also alleges that HMDA data filed by one of Morgan's subsidiary banks may indicate illegal discrimination and that Morgan & Co.'s nonbanking subsidiary, J.P. Morgan Capital Corporation, illegally discriminates against companies owned by minorities and women. The commenter's business dealings with MCDC involve an individual private transaction that does not reflect adversely on the record of CRA performance of Morgan Guaranty and Morgan Delaware. The Board also notes that a court may provide commenter with an appropriate remedy if illegal use of the commenter's investment product can be substantiated. Commenter's allegations of illegal discrimination do not show that Morgan & Co.'s subsidiaries engaged in any activities on a basis prohibited by law such as race or gender, and are not supported by the facts of record.

23. Protestant states that one loan entry on Morgan Delaware's 1994 Loan Application Register indicates insufficient income to support the amount of the loan. The Board has considered this comment in light of all the facts of record, including reports of examination assessing the financial and managerial resources of Morgan's subsidiary banks, and has sufficient supervisory authority to address any substantiated unsafe or unsound lending practices. Protestant also alleges that Morgan & Co.'s merger and acquisition advisory services have had a negative effect on low- to moderate-income and minority neighborhoods through the loss of jobs and plant and branch closings. Protestant also believes that these advisory services may be anti-competitive when provided to bank holding company clients. The record does not support the conclusion that these services are being provided in violation of any applicable banking regulations or that an adverse effect on a community resulting from a transaction advised by Morgan & Co. is related to a statutory factor required to be considered in the proposal. The Board also notes that it has considered all of Protestant's comments in assessing the relevant statutory factors and has concluded that none of these comments warrants denial of the proposal.

24. Protestant requests that the Board delay action on the proposal pending a review of Morgan Delaware's mortgage loan files, a detailed inquiry into the mortgage-backed activities, including multifamily housing activities, of Morgan Guaranty, Morgan Securities and J.P. Morgan Commercial Mortgage Finance Corp., and the results of a new CRA examination of Morgan Guaranty. As discussed above, the Board has carefully reviewed the record in this case, including Protestant's comments and Morgan Guaranty's responses. Based on all the facts of record, the Board concludes that the record is sufficient to act on the proposal at this time, and that delay or denial of the proposal on the grounds of informational insufficiency is not warranted.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Signet Bank
Richmond, Virginia

Order Approving the Merger of Banks and Establishment of Bank Branches

Signet Bank, Richmond, Virginia ("Signet VA"), a state member bank, has requested Board approval under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) (the "Bank Merger Act") to merge with Signet Bank N.A., Falls Church, Virginia ("Signet NA"), with Signet VA surviving the merger.[1] Signet VA also has requested Board approval under section 9 of the Federal Reserve Act (12 U.S.C. § 321) to establish branch offices at the current locations of the Signet NA branch offices.[2]

Notice of the applications, 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 OCC, 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.

Signet VA and Signet NA are wholly owned subsidiaries of Signet Banking Corporation, Richmond, Virginia ("Signet"). Signet is the sixth largest commercial banking organization in Virginia, controlling deposits of approximately \$4.8 billion, representing 7.8 percent of the total deposits in commercial banking organizations in Virginia, and is the fifth largest commercial banking organization in the District of Columbia, controlling deposits of approximately \$441 million, representing 5 percent of the total deposits in commercial banking organizations in the District of Columbia.[3] This proposal represents a reorganization of Signet's existing banking operations. Based on all the facts of record, consummation of the proposal would not have any significantly adverse effects on competition in any relevant banking market.

The Board also concludes that the financial and managerial resources and future prospects of Signet VA are consistent with approval of these applications, as are the convenience and needs of the communities to be served, and the other factors that the Board is required to consider under the Bank Merger Act and the Federal Reserve Act.[4]

Based on the foregoing and all the facts of record, the Board has determined that these applications should be, and hereby are, approved. The Board's approval of this proposal is conditioned on compliance by Signet VA with the commitments made in connection with these applications. For purposes of this action, the commitments and conditions relied on in reaching this decision are both conditions imposed in writing by the Board and, as such, may be enforced in proceedings under applicable law.

The merger of Signet NA with and into Signet VA may not be consummated before the fifteenth calendar day following the effective date of this order, and this proposal may not be consummated later than three months after the effective date of this order, unless such period is extended by the Board or by the Federal Reserve Bank of Richmond, acting pursuant to delegated authority.

By order of the Board of Governors, effective April 29, 1996.

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

JENNIFER J. JOHNSON
Deputy Secretary of Board

Appendix

Branch offices of Signet NA to be established by Signet VA:

1. 1510 K Street, NW, Washington, DC 20005
2. 2119 Bladensburg Road, NE, Washington, DC 20018
3. 1350 F Street, NW, Washington, DC 20045
4. 1850 M Street, NW, Washington, DC 20036
5. 5025 Connecticut Avenue, NW, Washington, DC 20008

1. Signet NA relocated its main office from the District of Columbia to Falls Church, Virginia, a distance of less than 30 miles, after approval by the Office of the Comptroller of the Currency ("OCC").

2. The locations of the branches that Signet VA proposes to establish are listed in the Appendix.

3. Deposit data are as of June 30, 1995.

4. Section 9 of the FRA prohibits a state member bank from establishing and operating a branch at any location unless a national bank would be permitted to establish and operate a branch at that location. 12 U.S.C. § 321. The OCC has determined that Signet NA may establish and operate branches in Virginia and the District of Columbia after its relocation to Virginia and would permit two national banks located in Virginia to merge and retain branches in Virginia and the District of Columbia. Section 9 of the FRA, therefore, would not prevent Signet VA from retaining Signet NA's branches in the District of Columbia. In addition, the establishment of these branches is permissible under the laws of the Commonwealth of Virginia and has been approved by the Virginia State Corporation Commission. *See Signet Bank*, Certificate of Authority, case number: BAN19960053, April 17, 1996. The establishment of these branches also is permissible under the laws of the District of Columbia. Corporations engaged in and doing a banking business in the District of Columbia on March 4, 1933, may continue to engage in that business. D.C. Code Ann. § 26-103(a)(1) (1991 Repl. Vol.). Signet NA has been continuously doing a banking business in the District of Columbia since prior to March 4, 1933. Furthermore, Signet VA may establish these branches in the District of Columbia as the successor in interest to Signet NA. *See* Va. Code Ann. § 6.1-44 (Michie 1996); D.C. Code Ann. § 29-370(4) (1991 Repl. Vol.).

6. 215 Pennsylvania Avenue, SE, Washington, DC 20003
7. 1130 Connecticut Avenue, NW, Washington, DC 20036
8. 400 7th Street, NW, Washington, DC 20004
9. 620 Michigan Avenue, NE, Washington, DC 20064
10. 1287 4th Street, NE, Washington, DC 20002
11. 4841 Massachusetts Avenue, NW, Washington, DC 20016
12. 3940 Minnesota Avenue, NE, Washington, DC 20019
13. 2801 Georgia Avenue, NW, Washington, DC 20001
14. 1400 Montana Avenue, NE, Washington, DC 20018
15. 1850 K Street, NW, Washington, DC 20006
16. 1532 Benning Road, NE, Washington, DC 20002

ORDERS ISSUED UNDER INTERNATIONAL BANKING ACT

Cedel Bank, S.A.
Luxembourg

Order Approving Establishment of a Representative Office

Cedel Bank, S.A. ("Bank"), Luxembourg, 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 submit comments, has been published in a newspaper of general circulation in New York, New York (*New York Times*, November 23, 1994). The time for filing comments has expired, and the Board has considered the application and all comments received.

As of December 31, 1994, Bank had total assets of approximately $2.5 billion. Bank, which is one of Europe's major securities clearing, settlement and custody organizations, converted to bank status under Luxembourg law as of January 1, 1995. Prior to conversion, Bank was licensed as a non-bank financial institution authorized to conduct business as a financial advisor and a professional depository of securities and other financial instruments. Bank continues to be engaged primarily in providing specialized services relating to securities clearing and settlement. The shares of Bank are held directly by Cedel International, S.A. ("Parent"), which is a holding company separately licensed as a professional depository of securities by the Luxembourg Ministry of the Treasury. Parent is owned by approximately 100 banks, securities dealers, and other financial institutions from around the world. None of Parent's shareholders owns more than 5 percent of its shares.

In acting on an application to establish a representative office, the IBA and Regulation K provide that the Board shall take into account whether the foreign bank engages directly in the business of banking outside of the United States, has furnished to the Board the information it needs to assess adequately the application, is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor, and has provided adequate assurances of access to information on the operations of the bank and its affiliates to determine compliance with U.S. laws. (12 U.S.C. § 3107(a); 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.[1] Moreover, the Board also has determined that an application by a foreign bank to establish a representative office may be approved if:

> (i) The bank commits that the proposed representative office will engage only in a limited set of activities considered to pose minimal risk to U.S. markets or U.S. counterparties and
> (ii) The bank is subject to a supervisory framework that is consistent with approval of the application, taking into account the limited activities of the proposed office and the operating record of the bank.[2]

In this case, the activities of Bank's representative office would be limited to those relating to Bank's business as a provider of clearing, settlement, and custody services for institutional customers, including marketing and promotional activities, providing technical assistance to Bank's customers in North and South America, answering customer inquiries and engaging in research. The representative office would not engage in activities such as making credit decisions on behalf of Bank or soliciting business of any kind from individuals acting in their personal capacity. With respect to home country supervision of Bank, the Board has considered the following information. The Institut Mon taire Luxembourgeois ("IML") is the primary supervisor of financial institutions in Luxembourg and, as such, is the home country supervisor of Bank. The IML establishes capital and liquidity requirements, evaluates the financial condition and performance of all Luxembourg financial institutions, and monitors all financial institutions and their controlling companies for adherence to Luxembourg laws and regulations. The IML, which has authorized Bank to establish the proposed representative office, supervises the foreign and domestic activities of Bank and Parent.

The IML monitors the operations of Bank through the review of periodic prudential reports from Bank, the review of reports from the Bank's external auditor and the IML's own on-site inspections of Bank. Bank is required to submit to the IML monthly balance sheets, foreign exchange position reports, and solvency and liquidity ratios. In addition, Bank is required to submit quarterly income statements and reports on large exposures and on the

1. *Citizens National Bank*, 79 *Federal Reserve Bulletin* 805 (1993).
2. *Promstroybank of Russia*, 82 *Federal Reserve Bulletin* 599 (1996).

maturity structure of Bank's assets and liabilities. The IML requires Bank to undergo annual external audits by approved auditors and to forward the results of such audits, as well as any special audits, to the IML. Bank's external auditors are required, among other things, to review Bank's accounting and risk management systems and to assess the reliability of Bank's periodic prudential reports to the IML. The IML is in the process of implementing an enhanced supervision system for Bank in order to monitor the risks associated with Bank's specialized services.

Bank's operations are conducted primarily from its headquarters in Luxembourg. Bank's internal audit department performs comprehensive audits at least once a year, which include reviews of management processes and practices, verification of accounting records, and operational procedures and controls. The representative office would be subject to a comprehensive internal audit at least annually, the results of which would also be reviewed by Bank's external auditors.

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 Luxembourg. 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 IML has authorized Bank to establish the proposed representative office.

The Board also has determined that the financial and managerial factors are consistent with approval of the representative office. Bank appears to have the experience and capacity to support the proposed office and 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 Luxembourg and has communicated with appropriate government authorities regarding access to information. Bank and Parent each have 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 and Parent have committed to cooperate with the Board to obtain any necessary consents or waivers that might be required from third parties in connection with disclosure of certain information. In addition, subject to certain conditions, the IML may share information on Bank's operations with other supervisors, including the Board. In light of the commitments provided by Bank and Parent 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 and any of its affiliates subsequently interfere with the Board's ability to determine the compliance by Bank or its affiliates with applicable federal statutes, the Board may require termination of any of Bank's direct or indirect activities in the United States. Approval of this application is also specifically conditioned on compliance by Bank with the commitments made in connection with this application and with the conditions in this order.[3] 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 April 24, 1996.

Voting for this action: Chairman Pro Tempore Greenspan and Governors Kelley, Lindsey, Phillips, and Yellen.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Commercial Bank "Ion Tiriac", S.A. Bucharest, Romania

Order Approving Establishment of a Representative Office

Commercial Bank "Ion Tiriac", S.A. ("Bank"), Bucharest, Romania, 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 submit comments, has been published in a newspaper of general circulation in New York, New York (*New York Times*, June 6, 1995). The time for filing com-

3. 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, to license the proposed representative office of Bank in accordance with any terms or conditions that the New York State Banking Department may impose.

ments has expired, and the Board has considered the application and all comments received.

Bank, with approximately $291 million in assets,[1] is the second largest privately owned bank in Romania and the sixth largest bank overall in that country. Bank was founded in 1991 and operates through approximately 15 branches in Romania. Mr. Ion Tiriac and parties associated with him control approximately 32 percent of the total shares of Bank. The European Bank for Reconstruction and Development ("EBRD") owns 20 percent of Bank's shares. No other single shareholder holds 10 percent or more of Bank's shares.

In acting on an application to establish a representative office, the IBA and Regulation K provide that the Board shall take into account whether the foreign bank engages directly in the business of banking outside of the United States, has furnished to the Board the information it needs to assess adequately the application, and is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor (12 U.S.C. § 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)(2)).

With respect to supervision by home country authorities, the Board generally has required foreign banks that propose to establish a representative office to be subject to a significant degree of supervision by their home country supervisor, as determined with reference to a number of factors.[2] The Board also has determined that, in appropriate circumstances, an exception may be made to the general representative office standard that would permit approval of an application by a foreign bank to establish a representative office, if:

(i) The bank commits that the proposed representative office will engage only in a limited set of activities considered to pose minimal risk to U.S. markets or U.S. counterparties, and

(ii) The bank is subject to a supervisory framework that is consistent with approval of the application, taking into account the limited activities of the proposed office and the operating record of the bank.[3]

In this application, Bank has committed that the activities of its proposed representative office would be limited to general marketing or promotional activities, developing and strengthening correspondent banking relationships, research and consulting activities, and certain loan solicitation activities. Bank has also committed that the representative office would not make credit decisions on behalf of the parent bank, solicit deposits from other than institutional investors, solicit business of any kind from individuals acting in their personal capacity, or conduct any activities related to trading.

1. Data are as of September 30, 1995, unless otherwise noted.
2. *Citizens National Bank*, 79 *Federal Reserve Bulletin* 805 (1993).
3. *Promstroybank of Russia*, 82 *Federal Reserve Bulletin* 599 (1996).

With respect to supervision by home country authorities, Romania has taken steps to strengthen its system of bank supervision. Among other things, since 1991 Romania has enacted laws to establish a framework for the supervision of Romanian banks and to strengthen their operations. The National Bank of Romania ("NBR") is the licensing, regulatory, and supervisory authority for all banking institutions in Romania and, as such, is the home country supervisor of Bank. The NBR establishes capital and reserve requirements, defines permissible banking activities and operations, and establishes accounting and audit procedures for Romanian banks. The NBR supervises the activities of Romanian banks both within Romania and abroad. The NBR has authorized Bank to establish the proposed representative office.

The NBR monitors the operations of Bank through on-site examinations, the review of periodic prudential reports, and the review of external auditor's reports. The frequency of on-site examinations is at the discretion of the NBR but generally takes place annually. The scope of on-site examinations is also in the discretion of the NBR, but generally focuses on Bank's capitalization, asset quality, risk provisions, large exposures, and verification of data provided in reports to the NBR. Bank is required to submit various periodic financial and regulatory reports to the NBR, including monthly reports of large loans; quarterly balance sheets, income statements, and reports on hard currency commitments and receivables; semiannual reports on classified loans; and annual audited financial statements. The NBR requires Bank to undergo annual external audits and requires the external auditors to take into account the NBR's regulatory requirements and standards. In this context, the external auditors review Bank's asset quality and internal controls. By agreement with the EBRD, Bank is required to be audited according to international standards.

The NBR has the authority to impose administrative sanctions on any Romanian bank found to be in violation of the regulations issued by the NBR. The sanctions available to the NBR include limiting the bank's operations, imposing fines on the bank, and revoking the bank's license.

Bank currently has no offices outside Romania. Bank's internal auditors review the valuation of securities held by Bank monthly and review its financial statements quarterly. The proposed representative office would provide quarterly written reports to Bank's head office.

Based on all 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, taking into account its limited activities and Bank's operating record. The Board also has determined that Bank engages directly in the business of banking outside of the United States through its banking operations in Romania. Bank has provided the Board with information necessary to assess the application through submissions that address the relevant issues.

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

The Board has determined that the financial and managerial factors are consistent with approval of the representative office. Bank's financial and managerial resources indicate that there is a reasonable degree of certainty concerning the financial stability of Bank, based on its operating record and financial standing within Romania. In addition, Bank's operating record indicates that it is capable of complying with applicable laws.

Finally, with respect to access to information about Bank's operations, the Board has reviewed the restrictions on disclosure under applicable law and has communicated with the relevant 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 certain information. In light of these commitments and other facts of record, and subject to the condition described below, the Board concludes that Bank has provided adequate assurances of access to any necessary information the Board may request.

On the basis of all the facts of record, and subject to the commitments made by Bank, as well as the terms and conditions set forth in this order, the Board has determined that Bank's application to establish a representative office should be, and hereby is, approved. Should any restrictions on access to information on the operations or activities of Bank and any of its affiliates subsequently interfere with the Board's ability to determine the compliance by Bank or its affiliates with applicable federal statutes, the Board may require termination of any of Bank's direct or indirect activities in the United States. Approval of this application is also specifically conditioned on Bank's compliance with the commitments made in connection with this application and with the conditions in this order.[4] 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 April 22, 1996.

4. 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, to license the proposed representative office of Bank in accordance with any terms or conditions that the New York State Banking Department may impose.

Voting for this action: Chairman Pro Tempore Greenspan and Governors Kelley, Lindsey, Phillips, and Yellen.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Creditanstalt-Bankverein
Vienna, Austria

Order Approving Establishment of a Branch

Creditanstalt-Bankverein, Vienna, Austria ("Bank"), a foreign bank within the meaning of the International Banking Act ("IBA"), has applied under section 7(d) of the IBA (12 U.S.C. § 3105(d)) to relocate its existing federally licensed uninsured branch from New York, New York, to Greenwich, Connecticut. The Foreign Bank Supervision Enhancement Act of 1991 ("FBSEA"), which amended the IBA, provides that a foreign bank must obtain the approval of the Board to establish a branch in the United States.

Notice of the application, affording interested persons an opportunity to comment, has been published in a newspaper of general circulation in Greenwich (*The New York Times*, December 12, 1995). The time for filing comments has expired, and the Board has considered the application and all comments received.

Bank, with total consolidated assets of approximately $64 billion, is the second largest bank in Austria.[1] The Republic of Austria, which owns 69.5 percent of Bank's voting shares, is Bank's largest shareholder. No other single shareholder holds 5 percent or more of the outstanding voting shares of Bank.

In addition to its network of domestic branches, Bank operates various financial subsidiaries engaged in consumer finance, leasing, trade finance, investment banking, risk management, and housing finance activities in Austria. Bank also is the largest shareholder in three Austrian regional banks. International operations include branches, representative offices, and banking and financial subsidiaries located in Europe, Asia, Latin America, and the United States. In the United States, Bank operates the branch in New York, New York, representative offices in Atlanta, Georgia, and San Francisco, California, and numerous nonbank subsidiaries that are authorized to engage in leasing, commercial lending, investment advisory activities, loan acquisition and servicing, brokerage and permissible securities activities, and the issuance of commercial paper.

Bank's current home state under the IBA and Regulation K is New York. Upon relocation, Bank would change its home state to Connecticut.[2] The proposed branch in Connecticut would conduct a wholesale commercial bank-

1. All data are as of September 30, 1995.

2. Under Regulation K, a foreign bank may change its home state once provided domestic branches established and investments in banks acquired in reliance on its original home state selection are conformed to those that would have been permissible had the new home state been selected as its home state originally. (*See* 12 C.F.R. 211.22(b)).

ing business identical to the banking business currently engaged in by the New York branch, which would be closed. Bank states that the relocation would result in substantial savings with respect to real estate lease expenditures, human resources, tax obligations, and other costs. Upon relocation, all assets of the New York branch would be transferred to the Connecticut branch.

The Austrian Federal Ministry of Finance (the "Ministry") has no objection to the establishment of the proposed branch. Bank has also received approval from the Office of the Comptroller of the Currency (the "OCC") to relocate the New York branch to Connecticut.

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

Bank engages directly in the business of banking outside of the United States through its commercial banking operations in Austria. Bank also has provided the Board with the information necessary to assess the application through submissions that address the relevant issues.

Regulation K provides that a foreign bank will be considered to be subject to comprehensive supervision or regulation on a consolidated basis if the Board determines that the bank is supervised and regulated in such a manner that its home country supervisor receives sufficient information on the foreign bank's worldwide operations, including the relationship of the foreign bank to any affiliate, to assess the overall financial condition of the foreign bank and its compliance with law and regulation (12 C.F.R. 211.24(c)(1)).[3]

In this case, with respect to the issue of supervision by home country authorities, the Board has considered the following information. The Ministry has primary responsibility for regulating and supervising credit and financial institutions in Austria and their branches located abroad.[4] The Ministry has the authority to grant and revoke licenses for such institutions, authorize merger or affiliation of credit institutions, authorize the establishment of foreign branches, approve new banking activities, and set capital standards.[5] The Austrian National Bank ("Central Bank") also is closely involved in supervision; it receives and processes periodic reports from credit institutions, renders opinions on certain reports to the Ministry, and may also supervise foreign branches at the request of the Ministry.

While the Ministry has the authority to conduct on-site examinations of Austrian credit institutions, it has not exercised its authority to do so. It primarily relies on the review of periodic financial and regulatory reports, the review of reports prepared by external auditors, and the appointment of state commissioners to certain banks.[6] The Ministry may obtain any information required to assess a credit institution's compliance with the Austrian Banking Act and other applicable laws.

Bank is required to submit to both the Ministry and the Central Bank a number of monthly, quarterly, and annual financial statements. Annual financial statements are prepared for the Ministry on a consolidated basis; Bank also submits consolidated monthly reports to the Central Bank with respect to liquidity, capital, and major investments and holdings. Other monthly statements submitted to the Ministry include balance sheets and reports on liquidity, own funds, asset quality, off-balance sheet transactions, open foreign exchange positions, risk-based capital calculations, large credit exposures, and certain major invest-

Under Connecticut law, Bank must designate Connecticut as its home state.

3. In assessing this standard, the Board considers, among other factors, the extent to which the home country supervisors:

(i) Ensure that the bank has adequate procedures for monitoring and controlling its activities worldwide;

(ii) Obtain information on the condition of the bank and its subsidiaries and offices through regular examination reports, audit reports, or otherwise;

(iii) Obtain information on the dealings with and relationship between the bank and its affiliates, both foreign and domestic;

(iv) Receive from the bank financial reports that are consolidated on a worldwide basis, or comparable information that permits analysis of the bank's financial condition on a worldwide consolidated basis;

(v) Evaluate prudential standards, such as capital adequacy and risk asset exposure, on a worldwide basis.

These are indicia of comprehensive, consolidated supervision. No single factor is essential and other elements may inform the Board's determination.

4. A credit institution is an institution authorized to transact banking activities. A financial institution is a non-banking entity that may engage in certain financial activities such as leasing, over-the counter foreign exchange, and providing financial advice to companies and individuals.

5. The Ministry has various enforcement powers available in its supervision of Austrian banks, including, *inter alia*, levying of monetary fines, removal of individuals from office, and revocation of the license of the bank.

6. The Ministry appoints a state commissioner to serve at credit institutions whose balance sheet assets exceed ATS 5 billion (approximately $500 million), including Bank. The state commissioner has the authority to participate in all general meetings of shareholders, all sessions of the supervisory board, and all meetings of the supervisory board subcommittees empowered to make decisions. If the state commissioner determines that decisions adopted by any of these bodies would result in a violation of law, he may enter an objection which would delay the execution of the resolution to allow the Ministry to express an opinion, and if deemed necessary, take appropriate action.

ments.[7] Quarterly reports also are submitted to the Ministry with regard to earnings performance.

Bank states that its external auditor performs an annual audit of its worldwide operations. The auditing firm is responsible for reviewing Bank's annual financial statements and certifying that they comply with statutory provisions of the Austrian Banking Act. The results of the review are included in a separate report that is required to be submitted to the Ministry. The annual audit also comprises a review of asset valuations, including whether required depreciation, value adjustments, and adequate provisions have been made. The external auditor is under an obligation to inform the Ministry and Central Bank immediately if it finds that Bank's financial condition has deteriorated such that it may not be able to meet its obligations or that the credit institution is violating applicable laws or regulations.[8] The external auditor also must inform the Ministry if the management of Bank fails to provide requested information.

Austian credit institutions, including Bank, are subject to certain restrictions with respect to transactions with affiliates and investments in other companies. Loans to companies that are managed or owned by a manager or owner of an Austrian credit institution may not be extended without the consent of the credit institution's supervisory board. Furthermore, the supervisory board must receive a report of such loans each year. Austrian credit institutions also may not have investments in other companies in excess of 15 percent of their capital unless the acquired company is a credit or financial institution, engages in banking activities, or is an insurance company. With certain exceptions, the aggregate investment in all companies other than those noted above is limited to 60 percent of the bank's capital. Any major investments of the bank require the express consent of the supervisory board and a report on each major investment must be provided to the supervisory board at least once each year.

With respect to the monitoring of its worldwide operations, Bank's internal audit department conducts regular audits of all its foreign and domestic offices and major subsidiaries. Audit reports of the parent bank and its branches are distributed to Bank's board of directors. With respect to international operations, the local audit department in each branch and major subsidiary reports directly to the internal audit department of the head office. The head office audit department approves the annual audit plans of the local offices and receives all audit reports. In addition, head office auditors visit the foreign branches and major subsidiaries at least annually and review certain areas of the local operations.[9]

Bank also monitors and controls its worldwide operations by requiring the preparation and review of a variety of financial reports, which analyze product, customer, and unit performance. These reports are also forwarded to the external auditor. The internal auditors are required to verify the accuracy of information supplied by subsidiaries to the parent company, the external auditors, the Ministry and the Central Bank.

Based on all the facts of record, including the information described above, the Board concludes that Bank is subject to comprehensive supervision on a consolidated basis by its home country supervisor.

The Board has also taken into account the additional standards set forth in section 7 of the IBA (*see* 12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)). Bank has provided the Board with the information necessary to assess the application through submissions that address the relevant issues. As noted above, Bank has received the consent of the Ministry to establish the proposed federally-licensed uninsured branch. In addition, the Ministry may share information on Bank's operations with other supervisors, including the Board.

Austria is a signatory to the Basle risk-based capital standards, and Austrian risk-based capital standards meet those established by the Basle Capital Accord and the European Union. Bank's capital is in excess of the minimum levels that would be required by the Basle Capital Accord and is considered equivalent to capital that would be required of a U.S. banking organization. Managerial and other financial resources of Bank also are considered consistent with approval, and Bank appears to have the experience and capacity to support the proposed branch. Bank has established controls and procedures for the proposed branch in order to ensure compliance with U.S. law, as well as controls and procedures for its worldwide operations in general.

Finally, the Board has reviewed the restrictions on disclosure in relevant jurisdictions in which Bank operates and has communicated with relevant government authorities about access to information. Bank has committed that it will make available to the Board such information on the operations of Bank and any affiliate of Bank that the Board

7. Austrian banking law requires the consolidation of financial information of all controlled domestic and foreign credit institutions as well as the major controlled domestic and foreign financial institutions. Control exists for these purposes if Creditanstalt directly or indirectly holds a majority of the institution's shares, a majority of the voting rights or the right to elect a majority of the management or supervisory board, or if it otherwise has the right to exercise a controlling influence. Major investments are those whose book value amounts to 7 million schillings (approximately $700,000) and exceeds 15 percent of the credit institution's capital.

Although Bank is not required to consolidate line by line the accounts of the three regional Austrian banks in which it is the largest shareholder but holds less than 50 percent ownership, it presents a combination of its consolidated balance sheet with the three regional banks voluntarily in its annual report.

8. The appointment of the auditor must be reported to the Ministry which has the authority to reject such appointment. The Ministry also has established grounds for disqualification of auditors based on circumstances, such as lack of expertise or conflicts of interest, that would suggest that an orderly audit would be unlikely.

9. For example, an audit of selected credits is performed annually by the audit manager of the U.S. branch, supported by a representative of the head office's internal audit division. This is in addition to the audit performed annually by the external auditors in the U.S. under instructions from the head office.

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

On the basis of all the facts of record, and subject to the commitments made by Bank, as well as the terms and conditions set forth in this order, the Board has determined that Bank's application to establish a federally-licensed uninsured branch should be, and hereby is, approved. Should any restrictions on access to information on the operations or activities of Bank and its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by Bank or its affiliates with applicable federal statutes, the Board may recommend termination of any of Bank's direct or indirect activities in the United States. Approval of this application is also specifically conditioned on Bank's compliance with the commitments made in connection with this application and with the conditions in this order.[10] The commitments and conditions referred to above are conditions imposed in writing by the Board in connection with its decision, and may be enforced in proceedings under 12 U.S.C. § 1818 or 12 U.S.C. § 1847 against Bank, its offices, and its affiliates.

By order of the Board of Governors, effective April 22, 1996.

Voting for this action: Chairman Pro Tempore Greenspan, and Governors Kelley, Lindsey, Phillips, and Yellen.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Komercni Banka, a.s.
Prague, Czech Republic

Order Approving Establishment of a Representative Office

Komercni Banka, a.s. ("Bank"), Prague, Czech Republic, 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 ("FBSEA"), which amended the IBA, provides that a foreign bank must obtain the approval of the Board to establish a representative office in the United States.

Notice of the application, affording interested persons an opportunity to submit comments, has been published in a newspaper of general circulation in New York, New York (*The New York Times*, April 24, 1995). The time for filing comments has expired and the Board has considered the application and all comments received.

Bank was established in 1990 to assume most of the commercial banking operations of the former State Bank of Czechoslovakia, and was converted to a joint stock company in 1992. At present, the National Property Fund of the Czech Republic, a governmental entity established to administer and privatize the state's interest in state properties, owns 48.7 percent of Bank's shares. The remainder of Bank's shares are widely held by various investment privatization funds, pension funds, and private investors.

Bank is a universal bank that is principally engaged in commercial and retail banking, foreign exchange, trade finance, and investment banking. Bank operates approximately 380 offices throughout the Czech Republic, and representative offices in the United Kingdom, Germany, and Russia. Bank also controls a subsidiary bank in the Slovak Republic. Bank also has investments in nonbank companies engaged in activities such as insurance, real estate appraisal, investment management, bank security and transportation services, building society lending, leasing, pension fund management, and other financial services. As of December 31, 1995, Bank had total assets of $14.6 billion.

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 the Board with 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 as set forth in the IBA (12 U.S.C. § 3107(a)(2) and Regulation K (12 C.F.R. 211.24(d)). The Board also takes 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)).

With respect to supervision by home country authorities, the Board has required foreign banks that propose to establish a representative office to be subject to a significant degree of supervision by their home country supervisor, as determined with reference to a number of factors.[1] The Board also has determined that, in appropriate circumstances, an exception may be made to the general represen-

10. The Board's authority to approve establishment of the proposed branch office parallels the continuing authority of the OCC to license federal offices of a foreign bank. The Board's approval of this application does not supplant the authority of the OCC to license the proposed branch office of Bank in accordance with any terms or conditions that the OCC may impose.

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

tative office standard that would permit approval of an application by a foreign bank to establish a representative office, if:

> (i) The bank commits that the proposed representative office will engage only in a limited set of activities considered to pose minimal risk to U.S. markets or U.S. counterparties, and
> (ii) The bank is subject to a supervisory framework that is consistent with approval of the application, taking into account the limited activities of the proposed office and the operating record of the bank.[2]

In this application, Bank has committed that the activities of its proposed representative office would be limited to general marketing or promotional activities, developing and strengthening correspondent banking relationships, research and consulting activities, and certain loan solicitation activities. Bank has also committed that the representative office would not make credit decisions on behalf of the parent bank, solicit deposits from other than institutional investors, solicit business of any kind from individuals acting in their personal capacity, or conduct any activities related to trading of securities or foreign exchange.

With respect to supervision by home country authorities, the Czech Republic has taken steps to strengthen its system of bank supervision by, among other things, enacting several laws to establish a framework for the supervision of Czech banks and to strengthen their operations. Bank's primary home country supervisor, the Czech National Bank (the "CNB"), supervises Czech banks through a combination of on-site examinations, review of required regulatory reports, and internal and external audits.

Comprehensive on-site examinations of banks that have been determined to be in satisfactory condition through off-site supervision generally are conducted every three years.[3] Examinations generally cover all areas of a bank's operations, with particular emphasis on management information systems and the credit function. Other specific areas of review include credit administration, management and control functions in the lending areas, internal controls and the audit function, and asset quality. Examination findings are discussed with bank management, and any identified problems that cannot be resolved internally by management are resolved through issuance of orders by the CNB and may be monitored further through supplemental targeted examinations.

The CNB also establishes various prudential requirements relating to, among other things, Bank's capital adequacy, liquidity, credit exposure, foreign exchange positions, asset quality, and investments in other companies. Information on Bank's transactions with affiliates is reported to the CNB in Bank's quarterly report on loan classifications. Bank's investments in nonbank financial institutions may not exceed specified limits without the prior consent of the CNB. The CNB limits Bank's loans to individual subsidiaries, affiliates, and major shareholders of Bank.

The CNB monitors Bank's compliance with these prudential requirements through review of periodic reports submitted by Bank, which must be reviewed by Bank's internal auditors. Bank submits monthly and annual balance sheets and income statements. Bank also submits, among other things, daily reports on foreign exchange positions, and monthly reports on loans, deposits, net credit exposures, selected problem credits, interbank transactions, investments in securities, and foreign exchange positions. Bank submits quarterly reports on liquidity, foreign receipts and payments, capital adequacy, asset quality, and interest income and expenses. Bank also prepares an annual business plan for submission to the CNB. Consistent with Czech accounting standards ("CAS"), regulatory reports generally are submitted to the CNB on an unconsolidated basis for Bank only. Bank presently does not provide the CNB with financial reports on its nonbank subsidiaries.

Bank is required to engage external auditors to verify and report on Bank's condition and results for the fiscal year. The CNB may reject the firm that Bank selects as its external auditor. The external auditors perform annual audits of the balance sheets and income statements of Bank in accordance with CAS and adjust these financial statements to reflect the requirements of international accounting standards. In addition, Bank's external auditors conduct operational audits of Bank (including reviews of accounting systems, risk management, management information systems, data processing, and internal controls), evaluate Bank's compliance with CNB regulations, and present their findings to the CNB in a special report.

Bank supervises its domestic offices and subsidiaries through internal audits.[4] The internal auditors report their findings to Bank's senior management and to Bank's supervisory board. Audit committees established at Bank's board of directors and supervisory board monitor the activities of Bank's internal audit department and oversee reports and corrective actions.

Based on all 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, taking into account its limited activities and Bank's operating record. The Board also has determined that Bank engages directly in the business of banking outside the United States through its banking operations in the Czech Republic. Bank has provided the Board with information necessary to assess the application through submissions that address the relevant issues.

The Board also has taken into account the additional standards set forth in section 7 of the IBA and Regulation K (12 U.S.C. § 3105(d)(3),(4); 12 C.F.R. 211. 24(c)(2)). In this regard, the CNB has indicated that it

2. *Promstroybank of Russia*, 82 *Federal Reserve Bulletin* 599 (1996).

3. On-site examinations of banks that have had problems in the past may be conducted more frequently, generally every two years.

4. The internal auditors review Bank's foreign operations as needed.

does not object to the establishment of Bank's proposed representative office.

The Board has determined that financial and managerial factors are consistent with approval of the proposed representative office. Bank's financial and managerial resources indicate that there is a reasonable degree of certainty concerning the financial stability of Bank, based on its operating record and financial standing within the country. In addition, Bank's operating record indicates that it is capable of complying with applicable laws.

Finally, with respect to access to information about Bank's operations, the Board has reviewed the restrictions on disclosure under applicable law and has communicated with the relevant government authorities regarding access to information. Bank has committed to make available to the Board such information on the operations of Bank and 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 in obtaining any necessary consents or waivers that might be required from third parties in connection with the disclosure of certain information. In light of these commitments and other facts of record, and subject to the conditions 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 and any of its affiliates subsequently interfere with the Board's ability to determine the compliance by Bank or its affiliates with applicable federal statutes, the Board may require termination of any of Bank's direct or indirect activities in the United States. Approval of this application is also specifically conditioned on compliance by Bank with the commitments made in connection with this application, and with the conditions in this order.[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 April 22, 1996.

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

Voting for this action: Chairman Pro Tempore Greenspan and Governors Kelley, Lindsey, Phillips, and Yellen.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Promstroybank of Russia
Moscow, Russian Federation

Order Approving Establishment of a Representative Office

Promstroybank of Russia ("Bank"), Moscow, Russian Federation, 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 ("FBSEA"), which amended the IBA, provides that a foreign bank must obtain the approval of the Board to establish a representative office in the United States.

Notice of the application, affording interested persons an opportunity to submit comments, has been published in a newspaper of general circulation in New York, New York (*The New York Times*, September 23, 1994). The time for filing comments has expired and the Board has considered the application and all comments received.

Bank was established as a state-owned enterprise in 1922 and was privatized in 1991. No shareholder of Bank currently owns more than 2 percent of its shares. As of July 1, 1995, Bank had assets of $1 billion. Bank engages in a broad range of banking activities and related financial services through a network of branches in Russia. In addition, Bank has 11 bank subsidiaries in Russia.[1] Bank also maintains representative offices in London, England, and Geneva, Switzerland.

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 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)(2)). The Board also takes 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 has discretion under FBSEA with regard to requirements it may impose in connection with approval of an application to establish a representative office (12 U.S.C. § 3107(a)(2); 12 C.F.R. 211.24(d)). The Board has stated previously that the standards that apply to the establish-

1. Bank also has four nonbank subsidiaries that engage in marketing, securities activities, real estate and insurance, and equity investments (less than 20 percent) in seven other nonbank companies.

ment 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. In evaluating an application to establish a representative office under the IBA and Regulation K, the Board will take into account the standards that apply to establishment of branches and agencies, subject to certain considerations.

With respect to supervision by home country authorities, the Board to date has required foreign banks that proposed to establish a representative office to be subject to a significant degree of supervision by their home country supervisor as determined with reference to a number of factors.[2] This standard, however, is not mandated by law and may not be necessary in instances in which the activities to be conducted by the proposed representative office would be limited generally to traditional representative office activities, such as gathering information or activities of a generally promotional nature; the number of proposed employees would be limited; or there are other particular factors that minimize the potential of such office to affect adversely U.S. customers or counterparties.

The Board has determined that, in appropriate circumstances, an exception may be made to the general representative office standard that would permit approval of an application by a foreign bank to establish a representative office, if:

(i) The bank commits that the proposed representative office will engage only in a limited set of activities considered to pose minimal risk to U.S. markets or U.S. counterparties, and

(ii) The bank is subject to a supervisory framework that is consistent with approval of the application, taking into account the limited activities of the proposed office and the operating record of the bank.

In assessing whether a particular applicant would be eligible for this standard, a review of the home country supervisory system would be expected to indicate that the bank's home country supervisor is taking definite action to implement a system of supervision containing the factors previously required in representative office applications.[3]

Permissible activities normally would include soliciting new non-retail business, conducting research, acting as liaison between the foreign bank's head office and customers in the United States, or other limited purpose functions. Among other things, the limited representative office would not be authorized to make loan decisions, solicit deposits from non-institutional sources, or engage in business of any kind with individuals acting in their personal capacity.

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

3. These would include the extent to which there is a regular review of a substantial portion of the bank's operations by the home country supervisor through examination, review of external audits, or a comparable method; submission of periodic reports relating to financial performance; and assurance that the bank has a system of internal monitoring and control that enables bank management to administer properly the bank's operations.

Further, the number of employees of the representative office would be restricted.

The financial and managerial resources of the bank would be reviewed to determine that there was a reasonable degree of certainty concerning the financial stability of the bank, based on its operating record and financial standing within the country. In addition, based on the bank's operating record and other information obtained, a determination would be made that the bank's record indicated that it was capable of complying with applicable laws. Finally, all foreign banks, whether operating through branches, agencies or representative offices, will continue to 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.

In this application, Bank has committed that the activities of its proposed representative office will be limited to general marketing or promotional activities, developing and strengthening correspondent banking relationships, research and consulting activities, and certain loan solicitation activities. Bank has also committed that the representative office will not make credit decisions on behalf of the parent bank, solicit deposits from other than institutional investors, solicit business of any kind from individuals acting in their personal capacity, or conduct any activities related to trading of securities or foreign exchange.

With respect to home country supervision of Bank, the Russian Federation has taken steps to strengthen its system of bank supervision by, among other things, enacting several laws to establish a framework for the supervision of Russian banks and to strengthen their operations. The Central Bank of Russia (the "CBR") is the primary home country supervisor of Russian banks. The CBR is implementing the new system of bank supervision, although such supervision would not be conducted on a consolidated basis.

Pursuant to its expanded authority, the CBR may issue bank licenses, set minimum capital standards and prudential liquidity ratios, specify accounting standards, and license bank auditors. Oversight of the banking operations of Bank currently is carried out by the CBR primarily through review of required regulatory reports (submitted monthly, quarterly and annually), and the review of external audit reports.[4] None of the reports submitted to the CBR presently consolidates the operations or financial condition of Bank's subsidiaries. Monthly regulatory reports submitted by Bank to the CBR include balance sheets for the head office, branches, and the head office consolidated with branches. Quarterly reports include reports of income, changes in balance sheet accounts, and certain asset quality information. Annual reports include audited financial statements, such as an income statement and balance sheet, and detailed reports on investments, cash, and foreign currency.

4. The CBR also has conducted limited-scope on-site examinations of certain of Bank's operations.

Bank also is subject to an annual external audit. The external auditors are required to verify financial statements, and to report any negative or adverse findings. External audit reports of banks are required to address the accuracy of the bank's financial reports; the adequacy of the bank's internal controls; compliance with the CBR's bookkeeping and accounting requirements; and the bank's implementation of recommendations made in the previous audit.

In addition to the off-site surveillance and external audit requirements described above, the CBR imposes certain prudential restrictions on Russian banking institutions, including a requirement that loans to a single borrower in an amount equal to more than 20 percent of capital must be approved by the CBR.[5] The CBR does not impose restrictions on transactions with affiliates.

Bank supervises its domestic branches through the appointment of managers and chief accountants and through internal reports, internal audits, and head office review of branch financial plans. Bank monitors its subsidiary banks through its representatives on the boards of directors, review of activity reports, and biannual meetings with management of the subsidiaries. The head office conducts audits of all branches, but does not audit Bank's subsidiaries.

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, taking into account its limited activities and Bank's operating record. The Board has also found that Bank engages directly in the business of banking outside of the United States through its banking operations in Russia. Bank has provided the Board with the information necessary to assess the application through submissions that address the relevant issues.

The Board has also taken into account the additional standards set forth in section 7 of the IBA and Regulation K (12 U.S.C. § 3105(d)(3),(4); 12 C.F.R. 211.24(c)(2)). The Board notes that the CBR has approved the request by Bank to establish the proposed representative office.

The Board has determined that financial and managerial factors are consistent with approval of the proposed representative office. Bank's managerial and financial resources indicate that there is a reasonable degree of certainty concerning the financial stability of Bank, based on its operating record and financial standing within the country. In addition, Bank's operating record indicates that it is capable of complying with applicable laws.

Finally, with respect to access to information on Bank's operations, the Board has reviewed the restrictions on disclosure under applicable law and has communicated with the relevant government authorities regarding access to information. Bank has committed that it will make available to the Board such information on the operations of Bank and 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 is prohibited or impeded by law, Bank has committed to cooperate with the Board in obtaining any necessary consents or waivers that might be required from third parties in connection with the disclosure of certain information. In light of these commitments and other facts of record, and subject to the conditions 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 and 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 this application is also specifically conditioned on compliance by Bank with the commitments made in connection with this application and with the conditions of this order.[6] The commitments and conditions referred to above are conditions imposed in writing by the Board in connection with its decision, and may be enforced in proceedings under 12 U.S.C § 1818 against Bank and its affiliates.

By order of the Board of Governors, effective April 8, 1996.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

5. Additionally, open foreign exchange positions are limited to not more than 10 percent of the bank's capital.

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

APPLICATIONS APPROVED UNDER BANK HOLDING COMPANY ACT
By the Secretary of the Board

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

Section 3

Applicant(s)	Bank(s)	Effective Date
Compass Bancshares, Inc., Birmingham, Alabama Compass Banks of Texas, Inc., Houston, Texas Compass Bancorporation of Texas, Inc., Wilmington, Delaware	Peoples Bancshares, Inc., Belton, Texas	April 17, 1996
Compass Bancshares, Inc., Birmingham, Alabama Compass Banks of Texas, Inc., Houston, Texas Compass Bancorporation of Texas, Inc., Wilmington, Delaware	Royall Financial Corporation, Palestine, Texas	April 22, 1996

Section 4

Applicant(s)	Nonbanking Activity/Company	Effective Date
Capital City Bank Group, Inc., Tallahassee, Florida	First Financial Bancorp, Inc., Tallahassee, Florida	April 1, 1996

APPLICATIONS APPROVED UNDER BANK HOLDING COMPANY ACT
By Federal Reserve Banks

Recent applications have been approved by the Federal Reserve Banks as listed below. Copies are available upon request to the Reserve Banks.

Section 3

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
ABC Bancorp, Moultrie, Georgia	*Southland Bancorporation, Dothan, Alabama*	Atlanta	April 16, 1996
Absarokee Bancorporation, Absarokee, Montana	United Bank of Columbus, N.A., Columbus, Montana	Minneapolis	April 17, 1996
Am-First Financial Corp., Madison, South Dakota Farmers and Merchants Investment Co., Omaha, Nebraska	American Federal Bank, Madison, South Dakota	Minneapolis	April 9, 1996
BancTenn Corp., Kingsport, Tennessee	Cornerstone Community Bank, Chattanooga, Tennessee	Atlanta	March 22, 1996
Bank of Waunakee Employee Stock Ownership Plan, Waunakee, Wisconsin	Bank of Waunakee, Waunakee, Wisconsin	Chicago	March 28, 1996

Section 3 Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Bastrop Holdings, Inc., Wilmington, Delaware	The First National Bank of Bastrop, Bastrop, Texas	Dallas	March 26, 1996
Beach First National Bancshares, Inc., Myrtle Beach, South Carolina	Beach First National Bank, Myrtle Beach, South Carolina	Richmond	April 17, 1996
Brazos Bancshares, Inc., Joshua, Texas	Heritage Eagle Corp., Red Oak, Texas Fore Corporation, Wilmington, Delaware Heritage Bank, Red Oak, Texas	Dallas	April 22, 1996
BT Financial Corporation, Johnstown, Pennsylvania	The Armstrong County Trust Company, Kittanning, Pennsylvania	Philadelphia	April 10, 1996
The Caddo Financial Corporation, Caddo Mills, Texas	The State National Bank of Caddo Mills, Caddo Mills, Texas	Dallas	April 9, 1996
Carnegie Bancorp, Princeton, New Jersey	Regent Bancshares Corp, Philadelphia, Pennsylvania	Philadelphia	April 16, 1996
Carter County Bancorp, Inc., Elizabethton, Tennessee	Cornerstone Community Bank, Chattanooga, Tennessee	Atlanta	March 22, 1996
Central Coast Bancorp, Salinas, California	Cypress Coast Bank, Seaside, California	San Francisco	April 24, 1996
City State Bancshares, Inc.-Delaware, Dover, Delaware	The City State Bank of Palacios, Palacios, Texas	Dallas	April 4, 1996
City State Bancshares, Inc., Palacios, Texas	City State Bancshares, Inc.-Delaware, Dover, Delaware The City State Bank of Palacios, Palacios, Texas	Dallas	April 4, 1996
ComBankshares, Inc., Prairie Village, Kansas	Community Bank, Chapman, Kansas	Kansas City	April 1, 1996
Community Financial Group, Inc., Nashville, Tennessee	The Bank of Nashville, Nashville, Tennessee	Atlanta	March 29, 1996
East Texas Financial Corporation, Kilgore, Texas East Texas (Delaware) Holdings, Ltd., Wilmington, Delaware	Gladewater National Bank, Gladewater, Texas	Dallas	April 23, 1996
East Texas National, Inc., Palestine, Texas East Texas-Dover, Inc., Wilmington, Delaware	American Bank, Huntsville, Texas	Dallas	March 22, 1996
FBT Bancorp, Baton Rouge, Louisiana	Equitable Trust Savings Bank, Baton Rouge, Louisiana	Atlanta	April 17, 1996
First Capital Bankshares, Inc., Peoria, Illinois	First Capital Bank (In Organization), Peoria, Illinois	Chicago	March 18, 1996

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
First Commerce Bancshares, Inc., Lincoln, Nebraska The Stuart Family Partnership, Lincoln, Nebraska The Catherine Stuart Schmoker Family Partnership, Lincoln, Nebraska The James Stuart, Jr. Family Partnership, Lincoln, Nebraska The Scott Stuart Family Partnership, Lincoln, Nebraska	Bank of Bertrand, Bertrand, Nebraska	Kansas City	April 12, 1996
First Commerce Bancshares, Inc., Lincoln, Nebraska The Stuart Family Partnership, Lincoln, Nebraska The Catherine Stuart Schmoker Family Partnership, Lincoln, Nebraska The James Stuart, Jr. Family Partnership, Lincoln, Nebraska The Scott Stuart Family Partnership, Lincoln, Nebraska	First State Bank, Randolph, Nebraska	Kansas City	April 12, 1996
First Michigan Bank Corporation, Holland, Michigan	Arcadia Financial Corporation, Portage, Michigan Arcadia Bank & Trust Company, Kalamazoo, Michigan	Chicago	March 27, 1996
First National Monahans Bancshares, Inc., Monahans, Texas	Monahans Delaware Financial Corporation, Dover, Delaware First National Bank of Monahans, Monahans, Texas	Dallas	April 9, 1996
First State Bank of Rushmore KSOP Plan and Trust, Worthington, Minnesota	First Rushmore Bancorporation, Worthington, Minnesota	Minneapolis	March 22, 1996
Forrest Bancshares, Inc., Forrest, Illinois	Erie Bancorp, Inc., Erie, Illinois	Chicago	April 11, 1996
Fort Wayne National Corporation, Fort Wayne, Indiana	Valley Financial Services, Inc., Mishawaka, Indiana Valley American Bank and Trust Company, South Bend, Indiana	Chicago	April 19, 1996
George Mason Bankshares, Inc., Fairfax, Virginia Mason Holding Corporation, Fairfax, Virginia	The Palmer National Bancorp, Inc., Washington, D.C. The Palmer National Bank, Washington, D.C.	Richmond	April 18, 1996
Holcomb Bancorp, Inc. Employee Stock Ownership Plan, Holcomb, Illinois	Holcomb Bancorp, Inc., Holcomb, Illinois	Chicago	March 15, 1996
International Bancorporation, Golden Valley, Minnesota	Northern National Bank, Nisswa, Minnesota	Minneapolis	April 17, 1996

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Kanbanc, Inc., Overland Park, Kansas	Citizens Bank of Norborne, Norborne, Missouri	Kansas City	April 24, 1996
LeMars Bancorporation, Inc., LeMars, Iowa	Brunsville Bancorporation, Inc., Brunsville, Iowa First State Bank, Brunsville, Iowa Merrill Bancorporation, Inc., Merrill, Iowa Farmers State Bank, Merrill, Iowa	Chicago	April 12, 1996
Medina Community Bancshares, Inc., Hondo, Texas	Medina Community Bancshares of Delaware, Inc., Wilmington, Delaware Community National Bank, Hondo, Texas	Dallas	April 17, 1996
Medina Community Bancshares of Delaware, Inc., Wilmington, Delaware	Community National Bank, Hondo, Texas	Dallas	April 17, 1996
Monahans Delaware Financial Corporation, Dover, Delaware	First National Bank of Monahans, Monahans, Texas	Dallas	April 9, 1996
National Bankshares, Inc., Blacksburg, Virginia	Bank of Tazewell County, Tazewell, Virginia	Richmond	April 24, 1996
Star Bancshares, Inc., Austin, Texas	Star Bancshares of Nevada, Inc., Carson City, Nevada First State Bank, Austin, Texas	Dallas	April 9, 1996
Star Bancshares of Nevada, Inc., Carson City, Nevada	First State Bank, Austin, Texas	Dallas	April 9, 1996
Valley Community Bancorp, Inc., St. Charles, Illinois	Valley Community Bank, St. Charles, Illinois	Chicago	April 4, 1996
Valley Ridge Financial Corporation, Kent City, Michigan	Community Bank Corporation, Grant, Michigan Grant State Bank, Grant, Michigan	Chicago	April 19, 1996
Westwood Financial Corp., Westwood, New Jersey	Westwood Savings Bank, Westwood, New Jersey	New York	April 5, 1996
Westside Financial Corporation, Kennesaw, Georgia	Eastside Holding Corporation, Snellville, Georgia	Atlanta	March 29, 1996
West Texas Bancshares, Inc., Kermit, Texas	Monahans Bancshares, Inc., Monahans, Texas	Dallas	March 19, 1996
White Pine Bancorp, Inc., Pine River, Minnesota Randall Bancorp, Inc., Pine River, Minnesota Norbanc Group, Inc., Pine River, Minnesota	Bankers Capital Corporation, Lusk, Wyoming	Minneapolis	April 17, 1996

Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Capital Corp of the West, Merced, California	To engage *de novo* in: (i) furnishing general economic information and advice, general economic statistical forecasting services and industry studies; (ii) providing advice, including rendering fairness opinions and providing valuation services, in connection with mergers, acquisitions, divestitures, joint ventures, leveraged buyouts, recapitalizations, capital structurings, and financial transactions (including private and public financing and loan syndications); and (iii) conducting financial feasibility studies	San Francisco	March 21, 1996
Community First Bankshares, Inc., Fargo, North Dakota	Wheaton Insurance Agency, Inc., Wheaton, Minnesota	Minneapolis	April 1, 1996
Community Trust Financial Services Corporation, Hiram, Georgia	Personal Finance Service, Inc., Rossville, Georgia Rock City Enterprises, Inc., Rockmart, Georgia	Atlanta	March 26, 1996
FCNB Corp, Frederick, Maryland	Harbor Investment Corporation, Odenton, Maryland Odenton Federal Savings and Loan Association, Odenton, Maryland	Richmond	April 10, 1996
First Chicago NBD Corporation, Chicago, Illinois	Barrington Bancorp, Inc., Barrington, Illinois First Federal Savings Bank, Barrington, Illinois	Chicago	April 1, 1996
Harris Financial, MHC, Harrisburg, Pennsylvania	First Harrisburg Bancor, Inc., Harrisburg, Pennsylvania First Federal Savings and Loan Association of Harrisburg, Harrisburg, Pennsylvania	Philadelphia	March 29, 1996
Heritage Bancshares Group, Inc., Minneapolis, Minnesota	To engage in making and servicing loans	Chicago	April 12, 1996
InterWest Bancorp, Reno, Nevada	InterWest Mortgage, Reno, Nevada	San Francisco	April 9, 1996
Mid Am, Inc., Bowling Green, Ohio	Mid Am Credit Corp., Columbus, Ohio	Cleveland	April 1, 1996
Midstates Bancshares, Inc., Harlan, Iowa	Midstates Financial Services, Harlan, Iowa	Chicago	April 2, 1996
Pilot Bancshares, Inc., Tampa, Florida	National Aircraft Finance Company, Lakeland, Florida	Atlanta	March 22, 1996
South Plains Financial, Inc., Lubbock, Texas South Plains Delaware Financial Corporation, Dover, Delaware	South Plains Financial Services, Inc., Lubbock, Texas	Dallas	March 22, 1996
Texas Bancshares, Inc., San Antonio, Texas	To engage *de novo* in lending activities	Dallas	April 24, 1996
The Tampa Banking Company, Tampa, Florida	Florida Investment Advisors, Inc., Tampa, Florida	Atlanta	March 27, 1996

Section 4—Continued

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Mason Holding Corporation, Fairfax, Virginia George Mason Bankshares, Inc., Fairfax, Virginia	Palmer National Mortgage, Inc., Rockville, Maryland	Richmond	April 18, 1996

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 Commercial and Savings Bank, Flint, Michigan	Second National Bank of Saginaw, Saginaw, Michigan National Bank of Royal Oak, Royal Oak, Michigan State Bank of Standish, Standish, Michigan Second National Bank of Bay City, Bay City, Michigan Grayling State Bank, Grayling, Michigan	April 11, 1996

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 Tazewell County, Tazewell, Virginia	NBI Interim Bank, Blacksburg, Virginia	Richmond	April 24, 1996
Crestar Bank MD, Bethesda, Maryland	Mellon Bank (MD), Rockville, Maryland	Richmond	April 19, 1996
Elkridge Bank, Elkridge, Maryland	Odenton Federal Savings and Loan Association, Odenton, Maryland	Richmond	April 10, 1996
F & M Bank, Kaukauna, Wisconsin	Little Chute Branch of TCF Bank Wisconsin fsb, Milwaukee, Wisconsin	Chicago	March 21, 1996
Johnstown Bank and Trust Company, Johnstown, Pennsylvania	The Armstrong County Trust Company, Kittanning, Pennsylvania	Philadelphia	April 10, 1996
Marine Midland Bank, Buffalo, New York	River Bank America, Valley Stream, New York	New York	April 12, 1996
Midland American Bank, Midland, Texas	Stanton National Bank, Stanton, Texas	Dallas	April 24, 1996
Triangle Bank, Raleigh, North Carolina	Southern Bank and Trust Company, Mount Olive, North Carolina	Richmond	April 24, 1996

Bank Merger Act—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Vectra Bank, Denver, Colorado	Bank Land Company, Denver, Colorado Southwest State Bank, Denver, Colorado	Kansas City	April 17, 1996

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.

Kuntz v. Board of Governors, No. 96-1079 (D.C. Cir., filed March 7, 1996). Petition for review of a Board order dated February 7, 1996, approving applications by The Fifth Third Bank, Cincinnati, Ohio, and The Firth Third Bank of Columbus, Columbus, Ohio, to acquire certain assets and assume certain liabilities of 25 branches of NBD Bank, Columbus, Ohio. Petitioner has moved to consolidate the case with *Kuntz v. Board of Governors*, No. 95–1495. On April 8, 1996, the Board filed a motion to dismiss the action.

Henderson v. Board of Governors, No. 96-1054 (D.C. Cir., filed February 16, 1996). Petition for review of a Board order dated January 17, 1996, approving the merger of First Citizens BancShares, Inc., Raleigh, North Carolina, with Allied Bank Capital, Inc., Sanford, North Carolina. Petitioners' motion for a stay was denied on March 7, 1996.

Research Triangle Institute v. Board of Governors, No. 1:96CV00102 (M.D.N.C., filed February 12, 1996). Contract dispute.

In re: Subpoena Duces Tecum, Misc. No. 96-MS-43(TPJ) (D. D.C., filed February 7, 1996). Motion to enforce a subpoena issued to the Board seeking, among other things, bank examination material. On March 18, 1996, the matter was stayed pending the disposition of the application for a writ of certiorari from *In re: Bankers Trust Co.*, 61 F.3d 465 (6th Cir. 1996).

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.

Hotchkiss v. Board of Governors, No. 3:96CV7033 (N.D. Ohio, filed January 19, 1996). Appeal of order of bankruptcy court granting Board's motion for summary judgment in adversary proceeding challenging dischargeability of Board consent order.

Menick v. Greenspan, No. 95-CV-01916 (D. D.C., filed October 10, 1995). Complaint alleging sex, age, and handicap discrimination in employment.

Kuntz v. Board of Governors, No. 95–1495 (D.C. Cir., filed September 21, 1995). Petition for review of Board order dated August 23, 1995, approving the applications of The Fifth Third Bank, Cincinnati, Ohio, to acquire certain assets and assume certain liabilities of 12 branches of PNC Bank, Ohio, N.A., Cincinnati, Ohio, and to establish certain branches. The Board's motion to dismiss was filed on October 26, 1995.

Lee v. Board of Governors, No. 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.

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 appellants' brief was filed on June 23, 1995; the Board's brief was filed on July 12, 1995.

Board of Governors v. Scott, Misc. No. 95–127 (LFO/PJA) (D. D.C., filed April 14, 1995). Application to enforce an administrative investigatory subpoena for documents and testimony. On August 3, 1995, the magistrate judge issued an order granting in part and denying in part the Board's application. On September 18, 1995, the intervenor moved for reconsideration of a portion of the magistrate's ruling.

Money Station, Inc. v. Board of Governors, No. 95–1182 (D.C. Cir., filed March 30, 1995). Petition for review of a Board order dated March 1, 1995, approving notices by Bank One Corporation, Columbus, Ohio; CoreStates Financial Corp., Philadelphia, Pennsylvania; PNC Bank Corp., Pittsburgh, Pennsylvania; and KeyCorp, Cleveland, Ohio, to acquire certain data processing assets of National City Corporation, Cleveland, Ohio, through a joint venture subsidiary. On April 23, 1996, the court vacated the Board's order.

Jones v. Board of Governors, No. 95–1142 (D.C. Cir., filed March 3, 1995). Petition for review of a Board order dated

February 2, 1995, approving the applications by First Commerce Corporation, New Orleans, Louisiana, to merge with City Bancorp, Inc., New Iberia, Louisiana, and First Bankshares, Inc., Slidell, Louisiana. Oral argument was heard on February 27, 1996. On March 26, 1996, the court denied the petition for review.

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 DECISION ISSUED BY THE BOARD OF GOVERNORS

In the Matter of

Interamericas Investments Ltd.
Cayman Islands

Docket Nos.

94-064-B-HC
94-064-B-II
94-064-CMP-HC
94-064-CMP-II

Final Decision and Order

This is an administrative proceeding initiated by the Board of Governors of the Federal Reserve System (the "Board") on August 8, 1994, by the issuance of a "Notice of Charges and of Hearing Issued Pursuant to Section 8(b) of the Federal Deposit Insurance Act, as Amended ("FDI Act"), and Notice of Assessment of Civil Money Penalty Issued Pursuant to Section 8(i) of the FDI Act and Section 8(b) of the Bank Holding Company Act, as Amended (the "BHC Act")" (the "Notice") against Interamericas Investments, Ltd., a Cayman Islands corporation ("IAI"); Peter Ulrich, an institution-affiliated party of IAI ("Ulrich"); and Robert L. Rice, an institution-affiliated party of Sun Belt Bancshares, Inc. ("Rice"). The Notice alleged that IAI, and Ulrich and Rice as institution-affiliated parties of IAI,[1] violated Section 3(a) and Section 4(a) of the Bank Holding Company Act of 1956, as amended ("BHC Act");[2] and Section 11(a) and Section 21(a) of the Board's Regulation Y.[3] The Notice sought the entry of a cease and desist order against IAI, Ulrich and Rice, and also sought civil money penalties in the amounts of $1,000,000 against IAI and $10,000 against Ulrich.[4] On February 16, 1995, Rice entered into a consent cease and desist order with the Board pursuant to which he was dismissed from this proceeding.[5]

Administrative Hearing and Post-Hearing Matters

After a week-long hearing, Administrative Law Judge Walter J. Alprin issued his Recommended Decision on September 14, 1995. In the Recommended Decision, Judge Alprin found that the Board had established by a preponderance of the evidence its allegations against Respondents: that Respondents had violated the BHC Act and Regulation Y by IAI's acquisition of control of the National Bank of Conroe ("NBC") and of Sun Belt Bancshares ("Sun Belt") without prior Board approval; that in so doing IAI had violated Section 3(a) of the BHC Act by becoming a bank holding company without prior Board approval; and that Respondents had violated Section 4(a) of the BHC Act by engaging in non-banking businesses without Board approval through subsidiaries and affiliates of IAI. Accordingly, Judge Alprin recommended the imposition of civil money penalties in the amounts sought in the Notice: $10,000 against Ulrich and $1,000,000 against IAI. Judge Alprin did not recommend the institution of a cease and desist order against Respondents.

The parties filed Exceptions to the Recommended Decision on October 23, 1995. Respondents argued in their exceptions primarily that they had committed no violations because IAI did not have "control" of NBC or of Sun Belt within the meaning of the BHC Act. Enforcement Counsel

1. "Institution-affiliated party" is defined in 12 U.S.C. § 1813(u) as "any director, officer, employee, or controlling stockholder (other than a bank holding company) of, *or agent for*, an insured depository institution." 12 U.S.C. § 1813(u) (emphasis added). These proceedings, instituted under Sections 8(b) (cease and desist order) and 8(i) (civil money penalties) of the FDI Act, 12 U.S.C. §§ 1818(b) and 1818(i), are applicable with respect to bank holding companies by operation of 12 U.S.C. § 1818(b)(3), which provides that 12 U.S.C. § 1818(b)-(s) and 12 U.S.C. § 1818(u) "shall apply to any bank holding company, . . . in the same manner as they apply to a State member insured depository institution." Ulrich, as "ministerial agent" in the United States for IAI, is therefore an "institution-affiliated party" of IAI and accordingly subject to these proceedings. *See In the Matter of James L. Magee*, 78 *Federal Reserve Bulletin* 968 (1992) (order of prohibition under FDI Act against individual institution-affiliated party of bank holding company).

2. 12 U.S.C. §§ 1842(a) and 1843(a).

3. 12 C.F.R. 225.11(a), 225.21(a).

4. The Notice did not seek civil money penalties against Rice. In 1992, Rice entered into a consent order of prohibition and a consent order of assessment of civil money penalties with the Office of the Comptroller of the Currency to settle allegations of violations in connection with his role in the 1985 Notice of Change in Bank Control filed with the OCC concerning IAI's role in the acquisition of control of NBC. *See In the Matter of Robert L. Rice*, Order to Cease and Desist Issued Upon Consent Pursuant to the Federal Deposit Insurance Act, as Amended (February 16, 1995) (consent order); *see infra* at B.1. (*May 1985 Notice of Change in Bank Control*) (1985 Notice of Change in Bank Control).

5. IAI and Ulrich are hereinafter collectively referred to as "Respondents."

argued in their exceptions that the Administrative Law Judge should have recommended that the Board impose cease and desist orders against Respondents. On January 19, 1996, the Secretary of the Board served notice pursuant to Section 40 of the Uniform Rules of Practice and Procedure, 12 CFR Part 263 ("Uniform Rules"), that the record was deemed complete and submitted for final decision.

Summary of Findings and Conclusions

Upon review of the administrative record, including all post-trial submissions of the parties, the Board hereby makes its Final Decision, and adopts the Administrative Law Judge's Recommended Decision, Recommended Findings of Preliminary Fact and Recommended Conclusions of Law, except as specifically supplemented or modified herein. The Board accordingly determines that the attached Final Assessment of Civil Money Penalty and Cease and Desist Order shall issue against IAI and against Ulrich.

A. Statutory and Regulatory Background

1. *Becoming a Bank Holding Company Without Prior Board Approval by Acquiring Control of a Bank or of a Bank Holding Company Without Prior Board Approval.* Section 3(a) of the BHC Act requires prior Board approval before a company becomes a bank holding company. 12 U.S.C. § 1842(a). A "bank holding company" is any company which has control over any bank or over any company that is or becomes a bank holding company. 12 U.S.C. § 1841(a)(1).

Section 2(a)(2) of the BHC Act defines "control" as follows: Any company has control over a bank or over any company if

> (A) The company directly or indirectly or acting through one or more other persons owns, controls, or has power to vote 25 per centum or more of any class of voting securities of the bank or company;
> (B) The company controls in any manner the election of a majority of the directors or trustees of the bank or company; or
> (C) The Board determines, after notice and opportunity for hearing, that the company directly or indirectly exercises a controlling influence over the management or policies of the bank or company.

12 U.S.C. § 1841(a)(2). Section 11(a) of the Board's Regulation Y implements this statutory provision by requiring a prior application to the Board for the formation of a bank holding company. 12 C.F.R. 225.11(a).

2. *Engaging in Non-Banking Businesses Per Se and Without Prior Board Approval.* Section 4 of the BHC Act contains two provisions that together limit the nonbanking activities of bank holding companies and their nonbank subsidiaries. Section 4(a) of the BHC Act prohibits, with certain specific exceptions, a bank holding company from acquiring or retaining the direct or indirect ownership or control of voting shares "of any company which is not a bank." Section 4(a)(2) of the Act specifically prohibits a bank holding company from "engaging in any activities other than (A) those of banking or of managing or controlling banks and other subsidiaries authorized under the Act . . . and (B) those permitted under [section 4(c)(8) of the Act.]" Section 4(c)(8) of the BHC Act permits a bank holding company to acquire shares of any company where prior Board approval has been obtained and the Board has determined that the company's activities are closely related to banking. 12 U.S.C. § 1843(a)(1)-(2).

Section 21(a) of the Board's Regulation Y implements this section by providing that a bank holding company or a subsidiary may not engage in activities that are not closely related to banking, and that it may not engage in an activity which is closely related to banking unless it obtains prior Board approval. 12 C.F.R. 225.21(a).

B. Summary of Findings of Fact and Conclusions of Law

1. *Factual Summary. Respondents' Plan to Acquire A Bank.* Ulrich is a Mexican national who settled in the Conroe, Texas area in 1982. Ulrich began dealing with major Houston banks, including Texas Commerce Bank and First City Bank, on behalf of his family members and other wealthy Mexican nationals whom he knew.[6] During this time he became reacquainted with Helmut Eindorf ("Eindorf"), whom he had known from childhood in Mexico City and who had also moved to the Conroe area. By late 1984, Ulrich and Eindorf began discussing various business investment opportunities with Mack Barnhill ("Barnhill"), a local State Farm Insurance agent. Barnhill introduced Ulrich and Eindorf to Rice, a local attorney, whom he described as an international lawyer with particular experience in organizing offshore corporations. Rice's legal practice had in fact consisted mostly of preparing loan documentation for residential real estate and simple commercial real estate transactions. By the beginning of 1985, Ulrich, Eindorf, Barnhill and Rice decided to form or to acquire an as-yet-unidentified bank in the Conroe area.

6. As Judge Alprin found in the Recommended Decision, the evidence does not establish with any specificity the identities of the various wealthy Mexican nationals involved in this case or the precise role which each played. *See, e.g.*, Recommended Decision at 70. While the nationality of these individuals is relevant to the Board's determination in that it provided an incentive to disguise their involvement in the violations, the Board does not find it necessary to determine the precise actions of each person, since the evidence is sufficient to support the Board's conclusions.

The Confidential Offering Memorandum. In order to finance this venture, the group decided that it would need to obtain funds from wealthy Mexican nationals acquainted with Ulrich or Eindorf. Enrique Pimienta ("Pimienta"), a friend of Ulrich's, agreed in early 1985 to assist in gathering investors. The group believed that it would be easier to attract potential Mexican investors if they were promised anonymity.

Rice prepared a "Confidential Offering Memorandum" soliciting shareholder subscriptions of $5,100,000 for the formation of a Cayman Islands holding company. The Confidential Offering Memorandum stated that the proposal's primary objective was "Acquisition of a United State Bank and Trust at the Earliest Possible Date."

The Confidential Offering Memorandum stated that an "executive committee" of the Cayman Islands holding company would choose the officers and directors of the bank, and that a "representative" answerable to this "executive committee" would control the bank as chairman of the bank's executive committee. The Confidential Offering Memorandum stated that this "representative" would be required to be a United States citizen in order to be on the bank's board of directors.

The Creation of IAI. In February 1985, Rice arranged for a Cayman Islands accountant to organize Interamericas Investments Ltd. ("IAI"), a Cayman Islands company. IAI issued two classes of shares: Class A voting shares, which were not entitled to dividends or other distributions; and Class B nonvoting shares, which were entitled to all dividends and distributions. Ultimately, Pimienta became the holder of all authorized and issued Class A shares of IAI. Rice also arranged for the creation of an IAI subsidiary through which IAI was to pay Rice's expenses.

The Acquisition of NBC. In February or March 1985 Rice entered into negotiations on behalf of Ulrich, Eindorf, Pimienta and himself for the acquisition of a majority of the common stock of the National Bank of Conroe ("NBC"). By April 1985, however, Rice had met with representatives of the Office of the Comptroller of the Currency ("OCC") and had learned that foreign nationals would have difficulty in obtaining regulatory approval to control NBC. Rice stated to the sellers of NBC, on behalf of the group, that they were interested only in a majority interest in NBC and not in simply injecting additional capital in the bank. An agreement for the acquisition and control of NBC was signed on May 8, 1985, by the sellers of NBC and by Rice as "Trustee." IAI posted the earnest money deposit required under the agreement.

Local Conroe Participants/Voting Trusts. Ulrich and Pimienta raised all the funds necessary for the acquisition, and recruited local Conroe individuals ("Local Conroe Participants") to hold the NBC shares for IAI so that the Mexican investors could remain anonymous. Because Ulrich told Rice that the Mexican investors would prefer to capitalize NBC indirectly, Rice arranged to have the Local Conroe Participants borrow funds to purchase the NBC shares from Langham Creek National Bank in Houston ("Langham Creek") and in exchange for executing nonrecourse notes in favor of Langham Creek. Rice further arranged the funding of the loans by wealthy Mexican nationals, who deposited funds in 90-day certificates of deposit ("CDs") at Langham Creek. These CDs fully secured Langham Creek's nonrecourse loans to the Local Conroe Participants. The Local Conroe Participants were told that they would have no personal liability on the loans and that Mexican investors would purchase their personal Langham Creek notes before any payments of principal or interest became due. The Local Conroe Participants were not told, however, that the loans had been fully secured by CDs whose funding had been arranged by IAI and its agents. None of the Local Conroe Participants paid any of their own funds for any shares of NBC stock, except for the purchase by Rice and four other Local Conroe Participants of qualifying directors' shares. By the end of June 1985, each Local Conroe Participant executed an "irrevocable" Voting Trust Agreement granting Rice the sole power to vote that individual's shares.

May 1985 Notice of Change in Bank Control. On May 30, 1985, Rice filed a Notice of Change in Bank Control with the OCC ("CIBC Notice") in which he listed the acquiring parties of approximately 80 per cent of NBC's common stock as himself, Barnhill, and the other 15 Local Conroe Participants. The CIBC Notice indicated that the purchase price was to be financed by loans from Langham Creek and that the only collateral for the loans was "bank stock purchased." The CIBC Notice did not refer to the CDs pledged by IAI which fully secured the loans, nor did it refer to the nonrecourse status of the loans to the Local Conroe Participants. The CIBC Notice did not disclose any facts relating to IAI, Ulrich, the Mexican investors who funded the NBC acquisition, or to IAI's intention to acquire the Langham Creek notes before any payments became due, and thereby to become the majority owner of NBC.

The Schematic Chart. On approximately June 11, 1985, Rice met with Ulrich and Pimienta in preparation for the closing of the NBC acquisition. At this meeting, Rice prepared a handwritten diagram showing the intended relationship between IAI and NBC (the "Schematic Chart"). Notwithstanding his knowledge that Mexican nationals could not control a bank, Rice used the Schematic Chart to show Ulrich (and, through him, wealthy Mexican nationals) how those nationals could obtain control of NBC despite lack of regulatory approval.

The Schematic Chart showed IAI was to have control over an "executive committee", which was to have control over a "voting trustee," who in turn would have control over the board of directors of NBC. The Schematic Chart listed names of individuals who were to constitute NBC's directors, and these individuals were in fact subsequently elected to the board of directors of NBC. Among these names was the name of the then-current chairman of NBC's board, George Sowers ("Sowers").

The Acquisition of NBC: Closing and Election of NBC Directors. When the NBC acquisition closed on July 12, 1985, Rice and the Local Conroe Participants became record owners of a total of approximately 80 percent of the outstanding shares of NBC. After the closing, Rice as voting trustee elected a new slate of directors for NBC and made himself chairman of the board.

The Formation of Sun Belt. During the time prior to and immediately after the closing of the NBC acquisition, Rice began forming Sun Belt Bancshares ("Sun Belt") to be a holding company for NBC. Rice wrote to the Local Conroe Participants shortly after the NBC acquisition, stating that he was applying to the Federal Reserve Bank of Dallas ("FRB-Dallas") for approval of formation of a one-bank holding company. Earlier, Rice had told some of the Local Conroe Participants that they would receive shares in Sun Belt as a reward for their participation in the NBC/Langham Creek stock loan transactions. Rice requested that the Local Conroe Participants agree to exchange their voting shares in NBC for non-voting preferred shares of Sun Belt.

FRB-Dallas returned Rice's first two bank holding company applications for Sun Belt as "substantially incomplete" because, among other things, the proposed capital structure did not meet FRB-Dallas requirements as to the maximum permissible amount of equity in the form of preferred stock. These applications made no mention of IAI's relationship to Sun Belt, NBC or Rice.

In a third bank holding company application filed with FRB-Dallas, Rice proposed that he and the other Local Conroe Participants would acquire Sun Belt shares in exchange for NBC shares, and that the Local Conroe Participants would execute a Sun Belt voting trust agreement substantially the same as the NBC voting trust agreement. In response to FRB-Dallas's concerns on the use of preferred stock, Rice's cover letter stated "*PREFERRED SHARES WILL NOT BE USED TO ANY DEGREE IN THE CONTEMPLATED EXCHANGE UNDER THIS APPLICATION.*" (Capitals and underlining in original.) The third application accordingly did not contain any proposal concerning using preferred stock as part of the holding company's equity. The third application, like the first two, failed to disclose any relationship or involvement between the proposed bank holding company on the one hand, and IAI, Ulrich or Pimienta on the other. The third application also failed to disclose that Rice's indebtedness to Langham Creek was both nonrecourse and fully secured by an IAI-related CD. On the basis of the facts presented to it, FRB-Dallas approved the third application.

Sun Belt Issues Preferred Stock. Notwithstanding the representations to FRB-Dallas, Rice as president and sole director of Sun Belt amended Sun Belt's articles of incorporation one week after the third Sun Belt application was approved to authorize the issuance of preferred shares and to create two series of common shares, Series A and Series B, where only Series A shares had voting rights. FRB-Dallas was not notified of this action. This amendment of Sun Belt's articles of incorporation also provided that Sun Belt's board of directors could declare dividends on any class or series of stock to the exclusion of any other class of stock.

Sun Belt Acquires NBC. According to documents prepared by Rice, Sun Belt became a bank holding company through the exchange of NBC shares by Rice and the Local Conroe Participants (as well as a few of NBC's original shareholders) for Series A voting shares of Sun Belt. All of the Local Conroe Participants executed new voting trust agreements granting Rice the power to vote all of Sun Belt's shares. Rice then elected himself to Sun Belt's board of directors. Sun Belt's board then elected Rice as President.

IAI Acquires Sun Belt. Between January and July 1986, Rice and IAI, with the assistance of Ulrich, arranged a series of transactions through which IAI acquired Sun Belt. At the conclusion of this series of transactions, Rice as the agent of IAI held 100 per cent of Sun Belt's voting shares, and IAI held Sun Belt's nonvoting shares.

Between January and August 1986, IAI directly purchased additional nonvoting shares of Sun Belt so that IAI owned approximately 97 percent of the equity of Sun Belt. Sun Belt contributed most of these funds as capital to NBC to support NBC's increased volume of back-to-back loan transactions[7] with wealthy Mexican nationals associated with IAI.

Disputes Between IAI and Rice. Eventually the relationship between Rice and IAI (and, in particular, between Rice and Ulrich) soured. Rice agreed to sell the voting shares of Sun Belt and sever his relationship with IAI, Sun Belt and NBC. Although Rice ultimately did sell his voting shares to Ulrich, Rice initially requested $1,000,000, which Ulrich rejected as too high. On July 6, 1988, Rice and Ulrich executed documents reflecting the sale of the Sun Belt voting shares, the placement of those shares into escrow pending approval of their sale to Ulrich, the severance of Rice's relationships with all the IAI affiliates, and mutual releases.

Non-Banking Businesses. After July 25, 1985, and throughout the period relevant to these proceedings, IAI operated various non-banking businesses through subsidiaries in which it had a voting interest of 50 percent or more, including a restaurant franchise operation, an import/export trading concern, a mortgage investment and servicing operation, a real estate title insurance company, an automobile repair facility; and a mortgage investing company.

1988-1989 Notices of Change in Bank Control. From July 1988 through August 1989 Ulrich submitted three Notices of Change in Bank Control with FRB-Dallas regarding his proposed acquisition of the Sun Belt voting shares. Ulrich revealed to FRB-Dallas some but not all of the circumstances surrounding IAI's previously-undisclosed acquisition of control of NBC and Sun Belt. When FRB-Dallas returned the first Notice on August 2, 1988, it observed that IAI appeared already to be a bank holding company in violation of the BHC Act and recommended that IAI either file a formal application or divest itself of ownership in

7. *I.e.*, loans fully secured by certificates of deposit. *See, e.g.*, Recommended Decision ("RD") at 14 (" 'back-to-back' certificates of deposit to be pledged by IAI [to secure the Langham Creek loans to the Local Conroe Participants]").

Sun Belt to an acceptable limit. Ultimately, the Board of Governors issued a Notice of Intent to Disapprove on March 14, 1990, indicating that IAI's ownership and control of Sun Belt and NBC was "inconsistent with the BHC Act" and stating that the Board of Governors expected that IAI "will take all steps necessary to comply with the BHC Act by year-end 1990."

After the March 14 Notice of Intent to Disapprove was issued, Respondents requested a hearing under the Change in Bank Control Act. In lieu of pursuing this hearing, a request for reconsideration was filed with the Board's staff, which was delayed when the U.S. Customs Service began an investigation of money laundering allegations relating to NBC and IAI. That investigation did not result in any money laundering charges against NBC, IAI or their principals. A new divestiture plan was submitted to the Board in September 1992 pursuant to which Sun Belt would be dissolved and an IAI shareholder who was a relative of Ulrich's, together with other unidentified Mexican investors, would file a Notice of Change in Bank Control with the OCC. On August 8, 1994, the Notice of Charges instituting these proceedings was issued.

2. *Summary of Legal Conclusions and Adoption by Board.* In his Recommended Decision, which the Board adopts, the Administrative Law Judge concludes that IAI was an illegal bank holding company because it had "control" over NBC within the meaning of Section 2(a)(2)(A) of the BHC Act, "indirectly" and/or "acting through" Rice, by virtue of IAI's role in the July 1985 acquisition of NBC and by virtue of its relationship with Rice. The Administrative Law Judge also concludes, and the Board adopts the conclusion, that IAI had "control" over Sun Belt within the meaning of Section 2(a)(2)(A) of the BHC Act by virtue of its role in the acquisition of equity interests in Sun Belt and by virtue of its relationship with Rice. The Administrative Law Judge further concludes, and the Board adopts the conclusion, that IAI and Ulrich violated Section 3(a) of the BHC Act and Section 11(a) of Regulation Y by causing IAI to become a bank holding company without prior Board approval.

The Administrative Law Judge also concludes, and the Board adopts the conclusion, that IAI violated Section 4(a) of the BHC Act and Section 21(a) of Regulation Y by acquiring and retaining, after July 25, 1985, direct or indirect ownership or control of voting shares of IAI Inc., a company engaged either directly or indirectly through subsidiaries and joint business agreements in non-approved non-banking businesses.

C. Respondents' Exception Arguments are Unfounded

1. *The Evidence Establishes Indirect Control.* Respondents contend that the Administrative Law Judge's finding of indirect control is contradicted by:

(a) The lack of evidence that Respondents ever exercised or attempted to exercise control; and

(b) The existence of the July 1988 stock escrow.

Instead, Respondents argue that "[t]his was Rice's show from the beginning" (Respondents' Exceptions at 3), contending that although Rice may have been their lawyer, he betrayed their trust and was not acting in their interests but rather on his own behalf. Respondents argue that this independence prevented the existence of any control relationship between IAI on the one hand, and NBC and Sun Belt on the other hand.

a. Respondents' "Exercise of Control or Attempts to Exercise Control" Arguments Do Not Rebut the Finding of Indirect Control. Respondents contend that they could not have exercised indirect control because there was no evidence of the exercise of control or of attempts to exercise control: "not one single witness testified to any efforts, much less successful efforts, by Respondents to control the activities of either the bank or the holding company." (Respondents' Exceptions at 2) These arguments, however, are beside the point in that they do not address the Administrative Law Judge's finding that IAI *indirectly* controlled NBC and Sun Belt within the meaning of Section 2(a)(2)(A). Respondents' arguments instead address only an alternative statutory basis for finding control that was not relied upon by Enforcement Counsel or the Administrative Law Judge.

Respondents' position, therefore, reflects a fundamental misreading of the alternative bases for control under the BHC Act. The Respondents would require that the Board ignore Section 2(a)(2)(A) entirely by making the control determination here turn on the alternate Section 2(a)(2)(C) that "the company directly or indirectly *exercises a controlling influence* over the management or policies of the bank or company" in order to find control under that subsection. 12 U.S.C. § 1841(a)(2)(C) (emphasis added). Section 2(a)(2)(A), an independent basis for a control determination upon which the Recommended Decision relies, requires no such showing. Since the definitions of control in Section 2(a)(2) of the BHC Act are *disjunctive* and not conjunctive, the Administrative Law Judge was not required to make any findings under Section 2(a)(2)(C). Respondents have based their exceptions upon disproving an evidentiary showing which is irrelevant to this case while failing to rebut the applicable one.

The plain language of the statute does not permit the limitation that Respondents propose. The Supreme Court described the wide latitude of the control determination provisions: "[E]ven before its scope was expanded in 1970 [by the addition of the "acting through . . . persons" language], section 1842(a) was concerned with more than the literal 'acquisition' of stock: It took broad account of the 'indirect' control of stock and the control of boards of directors 'in any manner' by bank holding companies." *United States v. Citizens & Southern Nat'l Bank*, 422 U.S. 86, 109 (1975). Either the "indirectly" phrase or the "acting through one or more other persons" phrase, or both taken together, would reach the situation here where an individual holds voting shares of a bank or a company, not in his own right, but for the benefit of a company. The principle that attributes shares nominally held by an individual (such as Rice) to a company (such as IAI) in appropriate circumstances requires no semantic stretch, but merely gives the language of the statute its plain meaning.

Even if it were necessary to look past the plain language, an examination of the legislative history of the statute demonstrates that Congress intended "indirect control" to reach circumstances such as those presented here. As the Administrative Law Judge observed in the Recommended Decision, Congress in the 1966 amendments to the BHC Act has "because of indirect dominance *deemed* a company to be in control of bank shares in order to avoid the practical and procedural problems inherent in proving *actual* control." (RD at 58, *citing* Committee on Banking & Currency, 89 Cong., 1st Sess., Amendments to the Bank holding Company Act of 1956: Analyses of S. 2353, S. 2418, and H.R. 7271 at 8–9)." Thus, the Administrative Law Judge concluded, "Congress decided that under appropriate circumstances a company may still be a bank holding company on the basis of bank shares that the company does not own directly and regardless of whether actual control is proven, where an indirect control is shown by the entirety of the facts." (RD at 58.) The Board agrees that this case presents those "appropriate circumstances" where the entirety of the facts shows indirect control and that, therefore, the company exercising that indirect control is to be deemed a bank holding company within the meaning of the BHC Act.

b. The Evidence Establishes Rice's Agency Relationship with IAI. Ample evidence supports the Administrative Law Judge's conclusion that IAI, acting through its agents, exercised indirect control over NBC and Sun Belt through:

(1) The relationship between Rice and IAI; and

(2) The role of IAI and its agents in the NBC and Sun Belt acquisitions.

Recommended Decision ("RD") at 2, 63, 71–72. That evidence refutes Respondents' argument that Rice was not IAI's agent, but was acting on his own behalf and without IAI's authorization throughout the time prior to July 6, 1988.[8] The record makes manifestly clear that both Respondents and Rice acknowledged and intended that from 1985 through at least July 6, 1988, Rice would act as the agent of IAI and his actions as agent are attributable to IAI.

Among the abundant evidence of Rice's agency is a document drafted at the request of and with the approval of IAI, and executed by both Ulrich and Rice, which states that Rice was IAI's agent. The Indemnification Agreement ("Indemnification Agreement") which constituted part of the July 6, 1988 stock purchase and escrow agreement package, stated in its first paragraph of recitals: "Rice has been serving . . . Interamericas [Investments, Ltd.] (the "Company") in various capacities, *including those of attorney and agent*; . . ." (Board Exh. 105 I (emphasis added).) This Indemnification Agreement and other evidence in the record clearly show that at the relevant time both the Respondents on one hand and Rice on the other hand acknowledged that Rice was and had been *both* the *attorney* and the *agent* of IAI. Notwithstanding Rice's testimony denying his agent status,[9] therefore, there is simply no credible evidence to the contrary. Accordingly, IAI cannot escape the attribution to it of Rice's activities as its agent.

c. IAI's Role in the Acquisition of NBC and Sun Belt Supports the Finding of Indirect Control by IAI. The evidence of Respondents' role in the NBC and Sun Belt acquisitions refutes Respondents' arguments that those roles were not sufficient to support a finding of indirect control by IAI of NBC and Sun Belt.

(1) The Actions Taken to Control NBC Conform to Respondents' Written Intentions. The Recommended Decision found that the Confidential Offering Memorandum which Rice prepared in early 1985 (Board Exh. 1) ("Confidential Offering Memorandum") and the handwritten schematic chart presented by Rice to Ulrich and Pimienta in June 1985 (Board Exh. 11) ("Schematic Chart") taken together demonstrated that Respondents intended to and did carry out a plan to obtain control over a United States bank and bank holding company. (RD at 42–46.) Respondents acknowledge that the Confidential Offering Memorandum reflects an intent to control a bank, but Respondents claim that they abandoned this intent after Rice's meeting with the OCC in April 1985, where he was told that such control was not permissible. The Schematic Chart, however, was prepared *after* Rice's April 1985 meeting with the OCC and "show[s] that Respondents knew that without obtaining authority they could not control NBC at that point but nevertheless still planned and ultimately engineered the control of the bank." (RD at 46.)[10] Furthermore, the fact that the acquisition of NBC and Sun Belt did take place virtually exactly as described in the Confidential Offering Memorandum and in the Schematic Chart supports the inference that those actions were undertaken pursuant to and in furtherance of the plans set forth therein.[11] Therefore, the evidence supports the Administrative Law

8. Respondents contend that, after July 1988, IAI was insulated from control by the escrow agreement.

9. For example, Rice refused at trial to acknowledge that he had even been IAI's attorney. *See, e.g.*, Transcript at 1507, 1510.

10. The fact that Rice created the Schematic Chart does not preclude its attribution to Respondents because, as discussed *supra*, Rice was acting as the agent of Respondents until at least July 1988, as Respondents and Rice together acknowledged. Furthermore, as noted in the Recommended Decision, this particular undertaking of Rice's was ratified by Ulrich because "the chart was utilized in indicating to Ulrich and through him to the Mexican investors the conclusive intent to violate the statute by obtaining control without authority." (RD at 46.)

11. Where the government presents circumstantial evidence of an ongoing pattern of similar transactions, the finder of fact "may reasonably infer from the pattern itself that evidence otherwise susceptible of innocent interpretation is plausibly explained only as part of the pattern." *U.S. v. Kington*, 875 F.2d 1091, 1100 (5th Cir. 1989) (convictions for failing to file required currency reports supported in part by defendants' interests in hiding illicit dealings).

Judge's rejection of the claim that Respondents abandoned the plan set forth in the Confidential Offering Memorandum.

(2) *Respondents' Explanations of Their Role in the Acquisitions Are Not Credible.* Since at least the trial in this matter, and throughout the post trial briefing, Respondents have proffered alternative explanations for their actions in an attempt to rebut the conclusions that their actions were undertaken to obtain and maintain IAI's control of NBC and Sun Belt. These alternative explanations were thoroughly evaluated and rejected in the Recommended Decision. Respondents have presented no new arguments as to why any of the conclusions of the Recommended Decision on these points should be overturned. In particular, Respondents have advanced no argument as to why the Administrative Law Judge's determinations of credibility, to which the Board gives special deference, should not be respected. *Cf. In the Matter of Preston J. Brooks*, OCC No. AA-EC-91-154 (Aug. 6, 1993) at 9-10 ("the Board generally defers to an Administrative Law Judge's factual findings, especially those based on the Administrative Law Judge's judgments as to the credibility of the witnesses, . . ."); *In the Matter of James L. Magee*, 78 Fed. Res. Bull. 968, 969 (Dec. 1992) (adopting Administrative Law Judge's rejection of arguments and determination "based in large part on the Administrative Law Judge's credibility determinations, . . .").

For example, Respondents contend that Rice never informed them of the details of IAI's participation in the acquisition of NBC. The Administrative Law Judge expressly found that Ulrich was not credible when he claimed to be uninformed, pointing out that Ulrich directed Rice to get a lower purchase price during the negotiations for the acquisition of NBC. Ulrich could not have done so, the Administrative Law Judge observed, unless he knew what he was paying for.[12]

The Recommended Decision also expressly rejects Respondents' contention that through the Langham Creek transaction they merely provided bridge loans for the Local Conroe Participants. "If this had been the case, certainly Ulrich would have required documentation from the local investors, as beneficiaries of the supposed bridge loans, and guarantees as to the repayment of bridge loans. Of course, no such documentation exists, and the argument is without credible basis." (RD at 54.)

The Administrative Law Judge also found unpersuasive Respondents' argument that IAI ultimately purchased the Langham Creek notes from the local investors to avoid "an impending crisis," but found rather that it was part of and pursuant to a plan to complete the financing of the acquisition of NBC. (RD at 54.) Shortly after averting the supposed "impending crisis" by purchasing the Langham Creek notes, IAI gave these same "local investors" gifts of Sun Belt Class B common stock and options. The Administrative Law Judge concluded that "this was the *quid pro quo* for the use of the names, credit, and reputations of the nominees." (RD at 54.) Citing the testimony of an actual "local investor," the Administrative Law Judge found that "[t]hese local business people had a full understanding that they were lending their names and legitimacy to a transaction that could not be achieved by the foreign investors alone." (RD at 55.) IAI completely financed the acquisition[13] which, according to the testimony of the loan officer at Langham Creek, had been IAI's expressed intent (expressed through Rice) since before the time that the transaction was entered into. (RD at 55.) Respondents have provided no argument which makes it any less "painfully clear that while Respondents continue to refer to 'local investors,' in truth and in fact these individuals were no more than 'Nominal Investors' knowingly utilized to perpetuate a bogus transaction." (RD at 55.)

The Administrative Law Judge likewise dismissed Respondents' argument that their involvement in the acquisition of NBC was for the innocent purpose of trying to establish a suitable track record, finding instead that "Respondents purposely formulated this seemingly irrational business transaction" in order to obtain control of the bank, as shown through "clear documentary evidence of each of the involved steps." (RD at 59.) The Administrative Law Judge concluded, and Respondents have failed to rebut, that "a $3,000,000 'assistance' in a bank that Respondents viewed as imminently unstable with people they had never before conducted business seems like an unreasonable venture in which to begin establishing a track record." (RD at 60 n.14.)

d. *The Escrow Agreement.* Respondents argue throughout their exceptions that, regardless of their relationship with Rice and their involvement in the acquisitions of NBC and Sun Belt prior to July 1988, any finding of indirect control by Respondents after July 1988 is precluded by the Escrow Agreement between Rice and Ulrich, pursuant to which the voting shares of Sun Belt were placed into escrow pending approval of their sale to Ulrich. Respondents contend that, from the time of the execution of the Escrow Agreement until March 1995, neither Rice nor Ulrich had control over the voting stock by virtue of the existence of these escrow arrangements. The Administrative Law Judge did not address these arguments in the Recommended Decision. The Board, however, concludes that the Escrow Agreement was insufficient to preclude this finding.

The Escrow Agreement was contained in a package of documentation executed in July 1988 for the ostensible

12. "The only way for Ulrich, an experienced businessman, to analyze whether the price was too high would have at a minimum been to determine what percentage of ownership he was getting, the condition of the bank, and the prices recently paid for similar banks. And Ulrich was certainly too experienced and sophisticated to expend $3,000,000 without some assurance that he would receive what he was paying for." RD at 53.

13. IAI accomplished the complete financing of the NBC acquisition by providing collateral for the loans (collateral whose existence was not revealed to either the "local investors" or to the regulators) in the form of CDs in the face amount of the loan and then later purchased the outstanding notes before any payments thereon were due. RD at 54.

purpose of severing Rice's relationships with Ulrich, NBC, Sun Belt, IAI and its affiliates. The entire package taken together demonstrates that to the extent that the Escrow Agreement and related documentation were actually sufficient to remove Rice as the agent of IAI's indirect control, such control was either vested in another IAI agent, Ulrich, or in Rice and Ulrich acting together. Thus, the Escrow Agreement could not have been effective to insulate Sun Belt and NBC from IAI's indirect control. If the Escrow Agreement had any effect at all, that effect was solely to prevent Rice from acting alone, since under the Escrow Agreement anything could be done provided that both Ulrich and Rice consented to it.

The Escrow Agreement pursuant to its own terms was terminable upon either the performance or termination of the "Purchase Agreement,"[14] which was the central document in the July 1988 package between Rice and Ulrich. Under the Purchase Agreement, Ulrich was to buy Rice's "beneficial interest" in the voting shares of Sun Belt and NBC upon obtaining regulatory approval through filing a Notice of Change in Bank Control.[15] The terms of the Purchase Agreement granted Ulrich considerable control over both the initiation and the termination of the escrow and the Purchase Agreement underlying it.[16] Most significantly, the Purchase Agreement, Escrow Agreement and other documents do not prohibit Rice and Ulrich from taking any action they might agree upon, including termination of the transfer to Ulrich. (Purchase Agreement ¶ 6.03, Escrow Agreement ¶ 7(a).) Thus the disposition of the voting stock under this documentation was ultimately subject to IAI's indirect control, either through Ulrich alone or through Ulrich and Rice together.

The Board has in the past interpreted the BHC Act and Regulation Y to mean that "individuals and bank holding companies should not enter into escrow arrangements . . . without securing the prior approval of the Board, since such action could constitute a violation of the [BHC] Act." 12 C.F.R. 225.134. In that interpretation, the Board considered an application to become a bank holding company wherein shares of a bank were acquired and then placed in escrow with an unaffiliated escrow agent prior to the Board's approval of the application. The escrow agreement in that instance provided, among other things, that the applicant could not exercise voting or any other voting rights with respect to those shares while the shares were held in escrow. The Board concluded that the company had violated the prior approval provisions of section 3 of the BHC Act "and that, for purposes of the BHC Act, that company *continued to control those shares in violation of the Act.*" 12 C.F.R. 225.134(b) (emphasis added).

The escrow arrangements here militate even more strongly in favor of a finding that they did not insulate Respondents from control within the meaning of the BHC Act. Compared to the escrow arrangements at bar, the escrow arrangements in the interpretation placed significantly greater protections between the shares and those who were found to "control" them. The escrow arrangement in the interpretation provided for an unaffiliated escrow agent, while the escrow agent in the escrow arrangements here was NBC, a wholly owned subsidiary of Sun Belt. In addition, the escrow arrangement in the interpretation was not described as having all of the additional provisions described above granting the parties to the arrangement further disposition over the shares in escrow. Nonetheless, the escrow arrangements in the interpretation were found to be insufficient to preclude "control" within the meaning of the BHC Act. Accordingly, the Board finds that Respondents did not cease having indirect control within the meaning of the BHC Act because of the execution of the Escrow Agreement.

2. *The Board's Authority to Impose Penalties and a Cease and Desist Order is not Time-Barred.* The Board rejects Respondents' argument that the case should be dismissed as precluded by a five-year statute of limitations. Respondents argued in a pre-hearing motion to dismiss that the August 8, 1994, notices that initiated this prosecution were predicated solely upon two discrete acts that took place more than five years earlier:

(a) IAI's acquisition of control of NBC without prior approval of the Board on July 12, 1985; and

(b) IAI's unauthorized acquisition of control of Sun Belt on January 13, 1985.

Enforcement Counsel opposed the motion on a variety of grounds, arguing that the civil money penalties were not barred because the violations continued during the five-year period preceding the issuance of the notices and that the cease and desist order was not barred because the statute of limitations does not by its terms apply to injunctive relief.

The Administrative Law Judge denied the motion to

14. The escrow agent under the Escrow Agreement was NBC itself, with Sowers signing on behalf of NBC as its President. To the extent that the Escrow Agreement prevented anyone from voting Sun Belt's voting shares, it preserved the status quo wherein George Sowers became the only remaining director of Sun Belt in addition to continuing to serve as NBC's president. The Administrative Law Judge specifically found that Sowers was a credible witness and expressed his "concern" with Sowers' testimony concerning the "presence of ownership of [IAI] in [Sun Belt]." (RD at 50.) The Recommended Decision noted that Sowers in his testimony "certainly intimates a suspicion, if not a knowledge, . . . of at least indirect control by IAI of Sun Belt." (*Id.*) Thus, any *status quo* preserved by the Escrow Agreement was one where the president of the bank and the sole remaining director of Sun Belt was someone who was particularly cognizant of IAI's "ownership" of Sun Belt and therefore of NBC.

15. However, the terms of the Purchase Agreement permitted Ulrich to waive the requirement of regulatory approval prior to consummation of the purchase transaction. *See* Purchase Agreement at ¶¶ 7.02, 7.02(e).

16. For example, the Purchase Agreement provided: that Ulrich was entitled to specific performance of the Purchase Agreement in the event of a breach by Rice (¶ 3.03); that Ulrich could substitute in any other person in his place in the Purchase Agreement (¶ 8.02); that Ulrich in his sole discretion could determine whether Rice had caused an "adverse change" entitling Ulrich to terminate the Purchase Agreement (¶¶ 7.02, 7.02(b)); and that Ulrich could waive the requirement of regulatory approval prior to consummation of the purchase ((¶¶ 7.02, 7.02(e)).

dismiss, finding that the Respondents were charged with retention of control of NBC and Sunbelt in violation of the BHC Act up to and including the time the Administrative Law Judge ruled on the motion. Since the allegations included violations extending throughout the five-year period before the notices, the Administrative Law Judge found that the allegations were not time-barred. In their post-hearing brief, the respondents renewed their statute of limitations argument by reference. The Administrative Law Judge again rejected the argument on the ground that the violations were continuing. RD at 67 n.22. Respondents except to that conclusion. Exceptions at 48.

The Board concludes that its authority to impose civil money penalties and to enter a cease and desist order in this case is not divested by the statute of limitations, 28 U.S.C. § 2462. Even to the extent that the statute applies to the entry of penalties under the BHC Act and the FDI Act, the statute would be inapplicable because the respondents engaged in violations throughout the five-year period preceding the issuance of the notices. Furthermore, the limitations statute does not by its terms extend to injunctive relief, such as the cease and desist order.

The limitations statute reads, in relevant part: "Except as otherwise provided by Act of Congress, an action, suit or proceeding for the enforcement of any civil fine, penalty, or forfeiture, pecuniary or otherwise, shall not be entertained unless commenced within five years from the date when the claim first accrued. . . . " 28 U.S.C. § 2462. In *3M Company (Minnesota Mining and Manufacturing) v. Browner*, 17 F.3d 1453 (1994), the D.C. Circuit ruled in a case involving the imposition of penalties by the Environmental Protection Agency that the limitations period applies, not just to court cases to collect penalties already assessed by agencies, but also to the agency adjudications themselves. The court noted, however, that the limitations period might be tolled in cases of fraudulent concealment. 17 F.3d at 1461 n.15.

The Board questions whether the holding of *3M* applies to enforcement proceedings under the BHC Act and the FDI Act. Those statutes prohibit not just one-time events, but also continuing failures to bring an institution or practice into conformity with the law. Furthermore, Congress has explicitly addressed in the banking context the degree of repose that a banking official can expect, in that Congress authorized banking agencies to pursue penalties against bank insiders within six years after they have left the institution and therefore at least six years after they have participated in banking violations.[17] While the applicability of section 2462 is in doubt, however, the Board need not resolve that question because the imposition of penalties in these factual circumstances would be consistent with the statute in any event.

It is axiomatic that the application of a statute of limitations against the United States must receive a strict construction in favor of the government. *Badaracco v. Commissioner of Internal Revenue*, 464 U.S. 386, 391 (1984). Indeed, this axiom has been applied to section 2462. *Capozzi v. United States*, 980 F.2d 872, 875 (2d Cir. 1992). In contrast to a classic criminal offense, which is complete as soon as each element of the crime has occurred, a continuing offense is "an unlawful course of conduct that does perdure." *U.S. v. McGoff*, 831 F.2d 1071, 1078 (D.C. Cir. 1987). Examples of continuing offenses include repeated failure to file reports and failure to register as required by statute. *Id.* at 1078 n.13, *citing Toussie v. U.S.*, 397 U.S. 112, 134–36 (1970) (White, J., dissenting) (general discussion of continuing offenses). Where a violation continues, a claim accrues throughout the duration of the violation. *Hanover Shoe, Inc. v. United Shoe Machinery Corp.*, 392 U.S. 481, 502 n.15 (1967). The statute of limitations as to prosecutions for continuing offenses runs from the last day of the continuing offense. *U.S. v. McGoff*, 831 F.2d 1071, 1079 (D.C. Cir. 1987).

Applying these authorities to the facts of this case, it is clear that the statute of limitations never began to run because these were continuing violations that were not discontinued until after the notices were issued.[18] The continuing nature of the violations is supported by the statutory scheme, which imposes penalties for violations on a daily basis. *See* 12 U.S.C. § 1847(b)(1). Thus, each day that illegal control was maintained marked the accrual of a discrete maximum penalty increment of $25,000. Contrary to Respondents' assertions, the penalties are based, not on Respondents' initial violations in the mid-1980's, but on the perpetuation of those violations until

17. The application of the five year limitation to administrative actions by banking agencies would be inconsistent with the intent of Congress manifested in a provision added to the FDI Act in 1989. The "*Stoddard* fix," so called because the legislative history makes clear that it was enacted to overturn the ruling of the D.C. Circuit in *Stoddard v. Board of Governors*, 868 F.2d 1308 (D.C. Cir. 1989), states that the separation of an individual from a financial institution "shall not affect" the jurisdiction of the relevant banking agency to bring a penalty proceeding against the individual for up to six years after he or she has separated from an institution. 12 U.S.C. § 1818(i)(3). Because this provision is not by its terms a limitation, it does not directly displace the five year limitation period of section 2462. Yet, it displays a clear, recently expressed Congressional intent that the period of repose from administrative actions should not begin for a banking insider until six years after he or she has left the institution. The five year limitation on administrative action is also anomalous when juxtaposed with the 10-year limitations period applicable to both a civil court suit brought by the Attorney General based on banking law violations (12 U.S.C. § 1833a(g)(adopted in 1990)) and to a criminal prosecution for bank fraud. 18 U.S.C. § 3293. While Congress might conceivably have intended to apply varying limitations periods for administrative and judicial proceedings, there is nothing in the general policies of repose or prompt litigation invoked by the *3M* court to justify a longer period of hazard for a criminal prosecution than for an administrative proceeding. In the case of the banking agencies, therefore, it is by no means clear that section 2462 should apply to penalty assessments.

18. While the *3M* court expressed doubt about the application of a "continuing violation" theory in that case, it did not directly address that theory since it was not relied upon by EPA. *3M*, 17 F.3d at 1455 n.2.

early 1995.[19] This is particularly true with respect to the violations of Section 4 of the BHC Act, which prohibits unauthorized *retention* of direct or indirect ownership or control of companies engaging in non-banking businesses. 12 U.S.C. § 1843(a)(2). Thus, the civil money penalties may be sustained on the basis of violations within the limitations period.[20]

Even if the civil money penalties were time-barred, the cease-and-desist proceedings would not be. There is simply no textual basis for applying section 2462 to cease-and-desist orders, which do not fit within the scope of the "fines, penalties or forfeitures" covered by section 2462. *See Federal Election Commission v. Nat'l Republican Senatorial Committee*, 877 F. Supp. 15, 21 (D.D.C. 1995).

D. Enforcement Counsel's Exception Arguments

1. *Imposition of a Cease and Desist Order is Warranted by the Evidence.* Enforcement Counsel excepts to the Administrative Law Judge's failure to impose the requested cease and desist order in the Recommended Decision. (Enforcement Counsel's Exceptions at 2–3.) Respondents raise two arguments in opposition: first, Respondents state that Enforcement Counsel is not entitled to a cease and desist order because it "failed to request a prophylactic cease and desist order;" and second, Respondents state that "there was no evidence [presented] to support a prophylactic cease and desist." (Respondents' Exceptions at 2–3.) Upon consideration of the record and the briefs submitted by the parties, the Board finds that the evidence presented supports the imposition of a cease and desist order herein.

Both of Respondents' exception arguments stem from a fundamental misapprehension of the statute and the applicable law concerning cease and desist orders. This misapprehension, simply stated, is that the imposition of a cease and desist order requires an evidentiary finding of "reasonable cause . . . to believe Respondents *are about to engage* in an unsafe or unsound practice or violate a law, rule or regulation" before it may impose a cease and desist order. (Respondents' Exceptions at 3 (emphasis added).) Based on this misinterpretation, Respondents contend both that the Board's Notice of Charges failed to give them notice sufficient to prepare a defense (*i.e.*, failed to inform them that the Board intended to show likelihood of prospective violations), and that the Board in any event failed to present any such evidence. *Id.*

Respondents' arguments fail because both the statute and applicable case law make clear that the finding of past violations under the BHC Act supports the imposition of a cease and desist order as well as the assessment of civil money penalties.[21] Section 8(b) of the Federal Deposit Insurance Act ("FDI Act") provides that the Board may issue and serve a notice of charges to determine whether a cease and desist order should issue if, in its opinion, the bank holding company or institution-affiliated party:

> is engaging, *or has engaged*, or the agency has reasonable cause to believe that the [bank holding company] or any institution-affiliated party is about to engage, in an unsafe or unsound practice . . . or is violating, *or has violated*, or the agency has reasonable cause to believe . . . is about to violate, *a law, rule, or regulation* . . . .

12 U.S.C. § 1818(b)(1) (emphasis added).[22] Thus, the statute on its face makes clear that cease and desist proceedings under Section 8(b) of the FDI Act are appropriate in instances of *past* occurrences of unsafe or unsound practices or when the respondent *has violated* a law, rule or regulation and not merely in cases of suspected prospective violations. Therefore, Enforcement Counsel was not required to state in the Notice of Charges or to prove at the hearing that it had reasonable cause to believe that Respondents were *about to engage* in unsafe or unsound practices or violate a law, rule, or regulation. Instead, Respondents have based their exceptions upon disproving an evidentiary showing which is not necessary to this case but have failed to rebut an applicable one.

As the Administrative Law Judge correctly observed in the Recommended Decision, "it is well established law that a Cease and Desist Order may be instituted for past violations that have been corrected." (RD at 70.) *See First State Bank v. FDIC*, 770 F.2d 81, 83 (8th Cir. 1985). Respondents have failed to direct the Board's attention to any reported cases holding that a finding of *prospective* violations must be made in order to impose any cease and desist order.[23]

19. The total of penalties that could be assessed based solely on continued violations over the five years preceding the notices easily exceeds the penalties imposed here.

20. Indeed, even if the continuing violation theory were not available here, the facts of this case would fall within the fraudulent concealment doctrine expressly recognized by *3M*, and the statute of limitation period would thereby have been tolled. *See 3M*, 17 F.3d at 1461 n.15. The evidence in support of this conclusion would include the misleading Notices of Change in Bank Control filed in July 1988 (Recommended Decision at 33, ¶ 98) and November 1989 (*id.* at 36, ¶ 108); as well as Respondents's failure to disclose information relevant to the November 1989 Notice that was only discovered through a targeted examination of Sun Belt by FRB-Dallas and the OCC in November-December 1989 (*Id.* at 36–37, ¶¶ 109, 110).

21. Respondents suggest a distinction between "prophylactic" or "prospective" cease and desist orders on the one hand, and other cease and desist orders on the other hand. However, such a distinction does not appear in the statute, and the analysis herein does not depend upon a construction which makes such a differentiation.

22. This provision, applicable on its face to "insured depository institution[s]," applies to IAI because it is applicable to bank holding companies by operation of 12 U.S.C. § 1818(b)(3). *See* n.1, *supra*. The Board may then issue a cease and desist order if the party served with the notice of charges consents thereto or if, upon the record made at a hearing, the Board "shall find that any violation . . . has been established." 12 U.S.C. § 1818(b)(1).

23. The Board's decision to impose a cease and desist order where the Recommended Decision did not propose one does not undermine the Board's adoption of the Administrative Law Judge's findings of fact and conclusions of law. Rather, the choice of remedy for regulatory violations found by the Administrative Law Judge is uniquely within the province of the agency charged with administering the law

In this case, the Administrative Law Judge found, and the Board agrees, that more than sufficient evidence has been presented to support the conclusion that Respondents violated the BHC Act and that, accordingly, civil money penalties may be imposed. The Administrative Law Judge provided no legal or other explanation for the Board to review concerning his decision not to recommend a cease and desist order. The Board in its final review of a recommended decision is uniquely qualified to match the choice of remedies to the achievement of the objectives of the BHC Act. Based on the Recommended Decision and the evidence presented, the Board finds that a cease and desist order shall issue under Section 8(b) of the FDI Act because Respondents have violated Section 3(a) and Section 4(a) of the BHC Act.[24]

2. *Failure to Find Control of Election of Majority of Directors.* Enforcement Counsel excepts to the Administrative Law Judge's failure to find that Respondents "control[led] in any manner the election of a majority of the directors or trustees of the bank or company" under Section 2(a)(2)(B) of the BHC Act. The Administrative Law Judge apparently did not conclude that the evidence presented would support such a conclusion, because although it was requested by Enforcement Counsel the Recommended Decision did not include proposed findings related to Section 2(a)(2)(B). Because Section 2(a)(2)(B) is only one among alternative definitions of "control," and because "control" has already been shown within the meaning of Section 2(a)(2)(A), the Board need not reach this issue and therefore denies Enforcement Counsel's exception to the Administrative Law Judge's failure to make a finding of control within the meaning of Section 2(a)(2)(B) of the BHC Act.

E. All Exceptions are Denied Except to the Extent Granted Herein

Respondents and Enforcement Counsel submitted detailed exceptions to the Recommended Decision. Certain of those exceptions are necessarily granted or denied by the foregoing discussion. In addition, the Board finds that certain specific exceptions should be and hereby are granted for the clarification of the record.[25] All other exceptions by Respondents and by Enforcement Counsel are hereby denied.

F. Non-Banking Businesses

The Recommended Decision found that "[t]here is no dispute that IAI, through its subsidiaries, has throughout the relevant period engaged in non-banking activities that are either absolutely prohibited by the BHC Act for bank holding companies, or require prior Board approval." (RD at 62 (footnotes omitted).) Respondents except only to the finding that IAI is a bank holding company such that these prohibitions apply to it. (Respondents' Exceptions at 44-45.) However, as discussed *supra*, the Board rejects Respondents' argument that a Section 2(a)(2)(C) finding is a prerequisite to a Section 2(a)(2)(A) finding. Therefore, because the Board adopts the Recommended Decision's conclusion that IAI was a bank holding company within the meaning of Section 2(a)(2)(A) of the BHC Act, it also adopts the Recommended Decision's conclusion that "the violations of Section 4 of the BHC Act alleged in the Notice follow automatically from the conclusion that IAI is a bank holding company." (RD at 62-63.)

G. Request for Oral Argument

Respondents in their Exceptions requested oral argument. Oral argument is a discretionary procedure. *See* 12 C.F.R. 263.29(c). The Board finds that the arguments have been sufficiently presented in the pleadings before the Board. The legal issues presented in this case are clearly and simply stated: whether or not the preponderance of the evidence established IAI's indirect control of NBC and Sun Belt. Thus, this matter rests particularly upon the Administrative Law Judge's assessment of the weight of that evidence and especially the credibility of the witnesses, an area where the Board is inclined to defer to the Administrative Law Judge's determinations. In this case, then, there is no need for further argument, and the Board hereby denies the request for oral argument.

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and regulations in question. "[W]here Congress has entrusted an administrative agency with the responsibility of selecting the means of achieving the statutory policy 'the relation of remedy to policy is peculiarly a matter for administrative competence.' " *Butz v. Glover Livestock Comm'n Co.*, 411 U.S. 182, 185 (1973).

24. Although not necessary to the Board's conclusion here, the Board notes that the Administrative Law Judge did specifically find that "[t]he principals of IAI, . . . have shown their willingness and ability to obfuscate through the use of offshore corporations, and except for their exposure to meaningful money penalties or criminal proceedings would no doubt attempt to make another attempt [sic] to obtain unauthorized control of a United States banking institution." RD at 70. The Administrative Law Judge did not express whether the civil money penalties requested by Enforcement Counsel and imposed in the Recommended Decision were sufficiently "meaningful money penalties" as to dissuade any future attempts to obtain unauthorized control.

25. In the Recommended Decision, the following paragraphs thereof are modified as follows: The citation at the end of ¶ 11 is modified to read "[Tr. 1137 [Ulrich]]"; the citation at the end of ¶¶ 43 and 44 are modified to read "[BD Ex. 11 at pg. 8]"; ¶ 84 is modified to insert at the end thereof, "IAI made gifts of Series B non-voting common stock of Sun Belt to the Local Conroe Participants, and also granted them options to acquire more Series B non-voting stock. [Tr. 1230-34 and 1259-60 [Ulrich]; BD Exs. 57, 57(a), 75, 75(a) and 79(a)]"; ¶ 92 is modified to delete the words ", also an accountant," from the second line; ¶ 94 is modified to delete the words "the parent of NBC and" in the third line, and to delete the word "an" in the fourth line, and to delete the figure "$205,000" from the last line and replace it with the word "payments"; and ¶ 101 is modified to delete the words "of $205,000" in the fourth and fifth lines, and to delete the figure "$457,000" from the end and replace it with the words "an amount between $252,000 and $277,000".

Conclusion

For the foregoing reasons, the Board orders that the attached Final Assessment of Civil Money Penalties and Final Imposition of Cease and Desist Order issue against IAI and against Ulrich.

By Order of the Board of Governors, this 9th day of April, 1996.

Board of Governors of the
Federal Reserve System

WILLIAM W. WILES
Secretary of the Board

Final Assessment of Civil Money Penalty and Final Imposition of Order to Cease and Desist

WHEREAS, this matter came before the Board upon the issuance on August 8, 1994 of a Notice of Charges and of Hearing, and Notice of Assessment of Civil Money Penalty against remaining Respondents Interamericas Investments Ltd., and Peter Ulrich, pursuant to the provision of Sections 8(b) and (i) of the Federal Deposit Insurance Act, 12 U.S.C. §§ 1818(b) and 1818(i), and pursuant to Section 8 of the Bank Holding Company Act of 1956, as amended, 12 U.S.C. § 1847(b), seeking civil money penalty assessments in the amount of $1,000,000 against Interamericas Investments Ltd. and $10,000 against Peter Ulrich, upon charges of violating the Bank Holding Company Act of 1956, 12 U.S.C. § 1841 *et seq.*, and Regulation Y of the Board of Governors of the Federal Reserve System, 12 C.F.R. 225, by acquisition of the control of the National Bank of Conroe, Conroe, Texas, a National Bank, and Sun Belt Bancshares, Inc., of Conroe, Texas, a Bank Holding Company, without prior approval, in violation of Section 3(a) of the Bank Holding Company Act, 12 U.S.C. § 1842(a); and further by engaging in nonbanking businesses as a Bank Holding Company without prior Board approval, in violation of Section 4(a) of the Bank Holding Company Act, 12 U.S.C. § 1843(a); and seeking the issuance of an order requiring them to cease and desist from further violations of the Bank Holding Company Act; and

WHEREAS, after a hearing on the record pursuant to the Administrative Procedure Act, Chapter 5 of Title 5 of the United States Code, and Briefing of the Issues, the Administrative Law Judge issued a Recommended Decision on September 14, 1995, recommending imposition of the civil money penalties assessed, and recommending that no order to cease and desist should issue; and

WHEREAS, it is the Final Determination of the Board of Governors of the Federal Reserve System that the Recommended Decision of the Administrative Law Judge shall be accepted as modified by the Final Decision issued concurrently herewith; and for other good cause shown, it is hereby

ORDERED, that a civil money penalty in the sum of $1,000,000 be, and it is hereby, assessed against Interamericas Investments Ltd., remittance of which must be made forthwith, in immediately available funds payable to the order of the Secretary of the Board of Governors, who shall make remittance of the same to the Treasury of the United States; and it is further

ORDERED, that a civil money penalty in the sum of $10,000 be, and it is hereby, assessed against Peter Ulrich, remittance of which must be made forthwith, in immediately available funds payable to the order of the Secretary of the Board of Governors, who shall make remittance of the same to the Treasury of the United States; and it is further

ORDERED, that Interamericas Investments Ltd. and Peter Ulrich shall cease and desist from any violations of the Bank Holding Company Act of 1956, as amended; and it is further

ORDERED, that this Order shall become effective upon the expiration of sixty days after service hereof is made, and that each provision hereof is and shall remain fully effective and enforceable until expressly stayed, modified, terminated or suspending in writing by the Board, or by a duly authorized court.

By Order of the Board of Governors, this 9th day of April, 1996.

Board of Governors of the
Federal Reserve System

WILLIAM W. WILES
Secretary of the Board

Financial and Business Statistics

DOMESTIC NONFINANCIAL STATISTICS—CONTINUED

Selected Measures—Continued

INTERNATIONAL STATISTICS

Summary Statistics

Reported by Banks in the United States

Reported by Nonbanking Business Enterprises in the United States

Securities Holdings and Transactions

Interest and Exchange Rates

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	1995			1996	1995		1996		
	Q2	Q3	Q4	Q1	Nov	Dec.	Jan	Feb	Mar.
Reserves of depository institutions[2]									
1 Total	7.5	1.5	6.9	8.0	10.7	.7	16.1	16.4	18.8
2 Required	6.6	2.5	7.7	8.5	7.9	6.6	21.0	2.7	13.2
3 Nonborrowed	8.2	2.4	6.4	6.5	9.8	.5	11.5	16.3	19.1
4 Monetary base[3]	5.8	1.7	2.7	1.4	1.3	5.0	.4	4.2	8.8
Concepts of money, liquid assets, and debt[4]									
5 M1	.4	1.5	5.1	2.8	3.0	-4.4[r]	6.2	2.1	9.8
6 M2	3.8	6.9	3.9	5.6	3.6	5.5	4.8	5.0	11.2
7 M3	6.3	8.0	4.4[r]	7.0	2.8[r]	3.6	7.6[r]	9.8	10.4
8 L	7.3	9.1	5.8	n.a.	1.2[r]	5.3	4.2[r]	6.3	n.a.
9 Debt	7.0	4.6	4.5	n.a.	6.2	3.6	2.5[r]	5.5	n.a.
Nontransaction components									
10 In M2[5]	5.8	10.9	8.1	9.4	6.5	9.9	9.7	8.1	11.8
11 In M3 only[6]	16.9	12.1	6.3[r]	12.5	.1	3.9	18.3[r]	28.6[r]	7.5
Time and savings deposits									
Commercial banks									
12 Savings, including MMDAs	6.5	9.0	13.1	22.6	10.2	23.2	28.2	16.6	25.2
13 Small time[7]	20.4	11.0	3.9	.7	4.6	1.7	4.6	3.9	7.5
14 Large time[8,9]	13.6	13.1	19.4	8.6	19.0	6.0	6.7	20.1[r]	26.3
Thrift institutions									
15 Savings, including MMDAs	14.5	7.3	2.8	.3	6.3	2.7	3.0	6.4	5.7
16 Small time[7]	23.5	4.3	4.7	-2.0	6.1	3.7	8.0	.7	8.7
17 Large time[8]	16.7	13.7	8.0	6.6	4.8	4.8	16.0	3.2	9.4
Money market mutual funds									
18 Retail	14.2	36.9	16.5	14.7	13.5	13.0	9.0	15.6	32.6
19 Institution-only	30.5	27.6	10.3[r]	27.9	5.9	12.8[r]	18.0[r]	69.2[r]	21.6
Repurchase agreements and Eurodollars									
20 Repurchase agreements[10]	7.4	5.0	14.9	2.7	29.7	51.2	49.4	15.0[r]	14.8
21 Eurodollars[10]	18.6	9.4	6.2[r]	13.8	27.1	7.9[r]	53.8	8.8	41.2
Debt components[4]									
22 Federal	5.4	4.6	2.3	n.a.	4.4	.4	3.3	7.2	n.a.
23 Nonfederal	7.6	4.7	5.3	n.a.	6.8	5.0	4.6[r]	4.9	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						
	1996			1996						
	Jan	Feb.	Mar	Feb. 14	Feb. 21	Feb 28	Mar. 6	Mar. 13	Mar. 20	Mar 27
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	416,469	408,620	414,343	407,323	408,952	410,744	411,236	414,687	415,312	414,640
U.S. government securities[2]										
2 Bought outright System account	376,397	373,807	377,309	372,280	375,178	375,090	377,575	377,113	377,692	376,932
3 Held under repurchase agreements	1,810	215	2,398	0	0	890	0	2,591	2,724	3,077
Federal agency obligations										
4 Bought outright	2,634	2,634	2,559	2,634	2,634	2,634	2,628	2,568	2,539	2,533
5 Held under repurchase agreements	590	26	417	0	0	109	0	314	403	560
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	76	27	10	7	8	69	10	5	6	10
8 Seasonal credit	5	7	10	8	8	8	8	7	10	13
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	2,461	1,139	615	628	1,382	1,834	585	1,270	747	204
11 Other Federal Reserve assets	32,496	30,764	31,025	31,767	29,742	30,110	30,430	30,819	31,190	31,312
12 Gold stock	11,051	11,053	11,053	11,052	11,053	11,053	11,053	11,053	11,053	11,053
13 Special drawing rights certificate account	10,168	10,168	10,168	10,168	10,168	10,168	10,168	10,168	10,168	10,168
14 Treasury currency outstanding	24,043	24,104	24,164	24,095	24,109	24,123	24,137	24,151	24,165	24,179
ABSORBING RESERVE FUNDS										
15 Currency in circulation	417,900	412,780	415,713	412,404	413,270	413,351	414,342	415,723	416,286	415,859
16 Treasury cash holdings	247	276	297	274	279	279	279	282	313	301
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	6,298	4,953	5,610	5,204	5,137	3,883	4,312	5,507	7,235	5,048
18 Foreign	191	220	186	177	220	279	198	181	171	194
19 *Service-related balances and adjustments*	5,997	6,005	5,992	5,835	5,784	5,592	5,763	6,429	5,743	6,035
20 Other	333	386	394	375	393	376	397	392	385	371
21 Other Federal Reserve liabilities and capital	12,741	12,600	13,022	12,659	12,779	12,856	13,147	13,309	12,928	12,872
22 Reserve balances with Federal Reserve Banks[3]	18,024	16,724	18,515	15,710	16,421	19,472	18,156	18,237	17,636	19,357

Factor	End of month figures			Wednesday figures						
	Jan.	Feb.	Mar	Feb 14	Feb. 21	Feb. 28	Mar. 6	Mar. 13	Mar. 20	Mar. 27
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	413,136	409,894	415,997	409,636	412,823	416,515	411,179	423,455	413,340	421,052
U.S. government securities[2]										
2 Bought outright System account	378,208	376,519	377,056	374,081	375,706	376,928	377,404	377,459	378,383	376,787
3 Held under repurchase agreements	0	0	3,896	0	0	6,230	0	10,493	0	8,236
Federal agency obligations										
4 Bought outright	2,634	2,634	2,526	2,634	2,634	2,634	2,589	2,539	2,539	2,526
5 Held under repurchase agreements	0	0	1,000	0	0	765	0	1,100	0	2,089
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	10	12	34	20	3	78	10	6	7	26
8 Seasonal credit	5	6	9	9	9	8	6	8	14	12
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	928	393	29	996	4,490	749	547	447	1,331	237
11 Other Federal Reserve assets	31,350	30,330	31,447	31,896	29,981	30,621	30,623	31,404	31,066	31,613
12 Gold stock	11,052	11,053	11,053	11,053	11,053	11,053	11,053	11,053	11,053	11,053
13 Special drawing rights certificate account	10,168	10,168	10,168	10,168	10,168	10,168	10,168	10,168	10,168	10,168
14 Treasury currency outstanding	24,067	24,137	24,193	24,095	24,109	24,123	24,137	24,151	24,165	24,179
ABSORBING RESERVE FUNDS										
15 Currency in circulation	412,652	413,951	416,204	413,386	414,066	414,253	415,930	416,969	416,594	417,152
16 Treasury cash holdings	273	279	314	278	280	279	277	313	313	314
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	8,210	5,632	7,021	5,177	5,192	4,700	4,254	5,205	4,444	4,593
18 Foreign	165	209	191	173	294	167	164	166	168	172
19 *Service-related balances and adjustments*	6,317	5,763	5,930	5,835	5,784	5,592	5,763	6,429	5,743	6,035
20 Other	406	318	348	378	368	320	386	376	375	375
21 Other Federal Reserve liabilities and capital	11,832	13,062	12,714	12,610	12,642	12,692	12,892	12,968	12,664	12,695
22 Reserve balances with Federal Reserve Banks[3]	18,568	16,038	18,689	17,114	19,527	23,856	16,873	26,402	18,424	24,816

1. Amounts of cash held as reserves are shown in table 1.12, line 2.

2. Includes securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale–purchase transactions.

3. Excludes required clearing balances and adjustments to compensate for float.

1.12 RESERVES AND BORROWINGS Depository Institutions[1]

Millions of dollars

Reserve classification	1993 Dec.	1994 Dec.	1995 Dec.	1995 Sept.	1995 Oct.	1995 Nov.	1995 Dec.	1996 Jan.	1996 Feb.	1996 Mar.
	Prorated monthly averages of biweekly averages									
1 Reserve balances with Reserve Banks[2]	29,374	24,658	20,440	20,519	20,055	20,066	20,440	17,763	16,792	18,404
2 Total vault cash[3]	36,818	40,378	42,117	40,652	40,564	40,576	42,117	44,790	42,205	40,968
3 Applied vault cash[4]	33,484	36,682	37,460	36,640	36,345	36,332	37,460	39,170	36,957	36,459
4 Surplus vault cash[5]	3,334	3,696	4,657	4,012	4,219	4,244	4,657	5,620	5,248	4,509
5 Total reserves[6]	62,858	61,340	57,900	57,159	56,400	56,397	57,900	56,934	53,749	54,863
6 Required reserves	61,795	60,172	56,622	56,209	55,319	55,454	56,622	55,449	52,898	53,750
7 Excess reserve balances at Reserve Banks[7]	1,063	1,168	1,278	950	1,081	943	1,278	1,485	851	1,113
8 Total borrowings at Reserve Banks[8]	82	209	257	278	245	203	257	38	35	21
9 Seasonal borrowings	31	100	40	252	199	73	40	7	7	10
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									
	1995 Dec. 6	1995 Dec. 20	1996 Jan. 3	1996 Jan. 17	1996 Jan. 31	1996 Feb. 14	1996 Feb. 28	1996 Mar. 13[r]	1996 Mar. 27	1996 Apr. 10
1 Reserve balances with Reserve Banks[2]	20,438	19,563	21,558	19,658	15,055	15,546	17,938	18,192	18,492	18,786
2 Total vault cash[3]	40,653	42,943	41,865	44,166	46,042	44,132	40,326	41,536	40,438	40,977
3 Applied vault cash[4]	36,274	38,053	37,353	39,104	39,626	38,455	35,468	36,845	36,011	36,775
4 Surplus vault cash[5]	4,379	4,890	4,513	5,062	6,416	5,677	4,858	4,691	4,428	4,202
5 Total reserves[6]	56,712	57,615	58,910	58,762	54,681	54,001	53,406	55,037	54,502	55,561
6 Required reserves	55,623	56,508	57,313	57,143	53,356	53,288	52,436	53,926	53,346	54,591
7 Excess reserve balances at Reserve Banks[7]	1,089	1,107	1,597	1,619	1,326	713	970	1,111	1,156	970
8 Total borrowings at Reserve Banks[8]	233	300	218	22	16	24	47	15	20	47
9 Seasonal borrowings	51	41	34	4	5	7	8	8	12	16
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	1996[r], week ending Monday Jan. 1	Jan. 8	Jan. 15	Jan. 22	Jan. 29	Feb. 5	Feb. 12	Feb. 19	Feb. 26
Federal funds purchased, repurchase agreements, and other selected borrowings									
From commercial banks in the United States									
1 For one day or under continuing contract	78,477	84,184	83,771	84,683	79,608	89,298	88,072	85,953	82,749
2 For all other maturities	14,068	13,704	13,211	13,189	13,147	12,094	12,728	13,992	13,801
From other depository institutions, foreign banks and official institutions, and U.S. government agencies									
3 For one day or under continuing contract	19,658	23,281	23,504	23,102	23,785	19,808	19,374	20,324	20,481
4 For all other maturities	19,908	18,768	19,861	19,558	18,911	18,516	18,016	17,783	18,461
Repurchase agreements on U.S. government and federal agency securities									
Brokers and nonbank dealers in securities									
5 For one day or under continuing contract	18,932	21,283	20,264	22,225	21,598	23,815	23,082	24,885	25,606
6 For all other maturities	28,083	28,316	32,043	28,315	28,358	27,495	28,792	31,675	32,674
All other customers									
7 For one day or under continuing contract	41,234	41,233	41,155	39,608	38,913	39,309	39,309	38,241	36,351
8 For all other maturities	15,225	15,369	15,691	16,552	15,665	14,547	14,716	14,135	14,061
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	60,616	59,372	58,204	60,125	57,919	61,942	59,641	61,193	60,961
10 To all other specified customers[2]	29,037	30,104	29,055	29,222	30,887	33,460	27,534	27,535	23,729

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 5/3/96	Effective date	Previous rate	On 5/3/96	Effective date	Previous rate	On 5/3/96	Effective date	Previous rate
Boston	5.00	2/1/96	5.25	5.30	4/25/96	5.30	5.80	4/25/96	5.80
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	5.30	4/25/96	5.30	5.80	4/25/96	5.80

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
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
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 May 3, 1996	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–\$52.0 million[3]	3	12/19/95
2 More than \$52.0 million[4]	10	12/19/95
3 Nonpersonal time deposits[5]	0	12/27/90
4 Eurocurrency liabilities[6]	0	12/27/90

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

2. 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, money market deposit accounts (MMDAs) and similar accounts subject to the rules that permit no more than six preauthorized, automatic, or other transfers per month, of which no more than three may be checks, are savings deposits, not transaction accounts.

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 Dec. 19, 1995, the amount was decreased from \$54.0 million to \$52.0 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 Dec. 19, 1995, the exemption was raised from \$4.2 million to \$4.3 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 was the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years (see note 5).

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

Type of transaction and maturity	1993	1994	1995	1995					1996	
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
U.S. TREASURY SECURITIES										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	17,717	17,484	10,932	433	409	1,350	4,271	0	0	0
2 Gross sales	0	0	0	0	0	0	0	0	0	0
3 Exchanges	332,229	376,277	398,487	39,195	30,333	29,397	39,057	31,535	31,476	39,332
4 Redemptions	0	0	900	0	0	900	0	0	0	0
Others within one year										
5 Gross purchases	1,223	1,238	390	0	0	0	0	390	0	0
6 Gross sales	0	0	0	0	0	0	0	0	0	0
7 Maturity shifts	31,368	0	0	7,805	0	1,745	6,108	0	2,048	2,746
8 Exchanges	36,582	21,444	0	5,599	0	2,049	4,937	0	3,287	7,575
9 Redemptions	0	0	0	0	485	0	0	0	1,228	0
One to five years										
10 Gross purchases	10,350	9,168	4,966	0	100	0	0	2,317	0	0
11 Gross sales	0	0	0	0	0	0	0	0	0	0
12 Maturity shifts	27,140	6,004	0	3,379	0	1,745	5,292	0	2,048	1,908
13 Exchanges	0	17,801	0	4,905	0	2,049	3,237	0	3,287	5,175
Five to ten years										
14 Gross purchases	4,168	3,818	1,239	0	0	0	400	0	0	0
15 Gross sales	0	0	0	0	0	0	0	0	0	0
16 Maturity shifts	0	3,145	0	319	0	0	816	0	0	818
17 Exchanges	0	2,903	0	1,800	0	0	1,700	0	0	1,500
More than ten years										
18 Gross purchases	3,457	3,606	3,122	0	100	0	0	1,884	0	0
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shifts	0	918	0	525	0	0	0	0	0	20
21 Exchanges	0	775	0	1,100	0	0	0	0	0	900
All maturities										
22 Gross purchases	36,915	35,314	20,649	433	609	1,350	4,671	4,591	0	0
23 Gross sales	0	0	0	0	0	0	0	0	0	0
24 Redemptions	767	2,337	2,376	0	0	1,385	0	0	1,228	0
Matched transactions										
25 Gross purchases	1,475,941	1,700,836	2,197,736	179,571	195,830	216,755	226,340	227,858	260,425	274,290
26 Gross sales	1,475,085	1,701,309	2,202,030	185,711	198,587	213,161	228,419	228,071	259,186	275,979
Repurchase agreements										
27 Gross purchases	475,447	309,276	331,694	4,130	43,286	28,825	44,569	34,325	16,040	6,230
28 Gross sales	470,723	311,898	328,497	1,075	39,896	32,980	39,876	28,546	28,802	6,230
29 Net change in U.S. Treasury securities	41,729	29,882	17,175	2,651	1,241	597	7,285	10,157	12,751	1,689
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
30 Gross purchases	0	0	0	0	0	0	0	0	0	0
31 Gross sales	0	0	0	0	0	0	0	0	0	0
32 Redemptions	774	1,002	1,303	122	46	83	120	58	0	0
Repurchase agreements										
33 Gross purchases	35,063	52,696	36,851	1,610	1,434	3,740	3,763	2,888	9,793	765
34 Gross sales	34,669	52,696	36,776	1,510	1,459	3,605	3,973	1,788	10,893	765
35 Net change in federal agency obligations	380	1,002	1,228	22	71	52	330	1,042	1,100	0
36 **Total net change in System Open Market Account**	**41,348**	**28,880**	**15,948**	**−2,673**	**1,170**	**−545**	**6,955**	**11,199**	**−13,851**	**−1,689**

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

1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements[1]

Millions of dollars

Account	Wednesday 1996 Feb. 28	Mar. 6	Mar. 13	Mar. 20	Mar. 27	End of month 1996 Jan. 31	Feb. 29	Mar. 31
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,053	11,053	11,053	11,053	11,053	11,052	11,053	11,053
2 Special drawing rights certificate account	10,168	10,168	10,168	10,168	10,168	10,168	10,168	10,168
3 Coin	543	540	551	559	560	513	547	579
Loans								
4 To depository institutions	86	16	14	20	38	15	18	43
5 Other	0	0	0	0	0	0	0	0
6 Acceptances held under repurchase agreements	0	0	0	0	0	0	0	0
Federal agency obligations								
7 Bought outright	2,634	2,589	2,539	2,539	2,526	2,634	2,634	2,526
8 Held under repurchase agreements	765	0	1,100	0	2,089	0	0	1,000
9 **Total U.S. Treasury securities**	**383,158**	**377,404**	**387,952**	**378,383**	**385,023**	**378,208**	**376,519**	**380,952**
10 Bought outright[2]	376,928	377,404	377,459	378,383	376,787	378,208	376,519	377,056
11 Bills	183,074	183,550	183,605	184,530	182,933	184,355	182,666	183,202
12 Notes	148,885	148,885	148,885	148,885	148,885	149,785	148,885	148,885
13 Bonds	44,969	44,969	44,969	44,969	44,969	44,069	44,969	44,969
14 Held under repurchase agreements	6,230	0	10,493	0	8,236	0	0	3,896
15 **Total loans and securities**	**386,643**	**380,009**	**391,605**	**380,943**	**389,675**	**380,857**	**379,171**	**384,521**
16 Items in process of collection	5,577	7,066	5,932	7,696	5,148	6,374	4,791	3,197
17 Bank premises	1,141	1,141	1,150	1,150	1,149	1,134	1,140	1,150
Other assets								
18 Denominated in foreign currencies[3]	19,833	20,219	20,228	20,236	20,246	19,798	20,212	19,985
19 All other[4]	9,625	9,190	10,001	9,642	10,164	10,447	8,965	10,333
20 **Total assets**	**444,582**	**439,385**	**450,688**	**441,447**	**448,163**	**440,344**	**436,048**	**441,986**
LIABILITIES								
21 Federal Reserve notes	390,952	392,609	393,681	393,301	394,146	389,371	390,640	392,903
22 **Total deposits**	**35,524**	**27,710**	**38,630**	**29,955**	**36,115**	**33,903**	**28,135**	**32,301**
23 Depository institutions	30,337	22,906	32,883	24,967	30,974	25,122	21,768	24,740
24 U.S. Treasury—General account	4,700	4,254	5,205	4,444	4,593	8,210	5,632	7,021
25 Foreign—Official accounts	167	164	166	168	172	165	209	191
26 Other	320	386	376	375	375	406	318	348
27 Deferred credit items	5,414	6,175	5,409	5,527	5,208	5,239	4,211	4,069
28 Other liabilities and accrued dividends[5]	4,185	4,074	4,481	4,152	4,206	4,181	4,158	4,261
29 **Total liabilities**	**436,075**	**430,567**	**442,201**	**432,935**	**439,674**	**432,693**	**427,144**	**433,534**
CAPITAL ACCOUNTS								
30 Capital paid in	4,037	4,033	4,031	4,036	4,036	3,996	4,031	4,037
31 Surplus	3,945	3,945	3,966	3,966	3,966	3,654	3,945	3,966
32 Other capital accounts	525	840	490	510	486	1	928	449
33 **Total liabilities and capital accounts**	**444,582**	**439,385**	**450,688**	**441,447**	**448,163**	**440,344**	**436,048**	**441,986**
MEMO								
34 Marketable U.S. Treasury securities held in custody for foreign and international accounts	529,208	546,891	549,096	551,910	545,127	509,044	536,476	550,496
	Federal Reserve note statement							
35 Federal Reserve notes outstanding (issued to Banks)	500,359	501,831	502,678	504,697	505,705	489,867	501,002	506,144
36 LESS: Held by Federal Reserve Banks	109,407	109,222	108,996	111,396	111,559	100,496	110,362	113,241
37 Federal Reserve notes, net	390,952	392,609	393,681	393,301	394,146	389,371	390,640	392,903
Collateral held against notes, net								
38 Gold certificate account	11,053	11,053	11,053	11,053	11,053	11,052	11,053	11,053
39 Special drawing rights certificate account	10,168	10,168	10,168	10,168	10,168	10,168	10,168	10,168
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities	369,730	371,388	372,461	372,080	372,925	368,150	369,419	371,682
42 **Total collateral**	**390,952**	**392,609**	**393,681**	**393,301**	**394,146**	**389,371**	**390,640**	**392,903**

1. Some of the data in this table also appear in the Board's H.4.1 (503) weekly statistical release. For ordering address, see inside front cover.
2. Includes securities loaned—fully guaranteed by U.S. Treasury securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale–purchase transactions.
3. Valued monthly at market exchange rates.
4. Includes special investment account at the Federal Reserve Bank of Chicago in Treasury bills maturing within ninety days.
5. Includes exchange-translation account reflecting the monthly revaluation at market exchange rates of foreign-exchange commitments.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holding

Millions of dollars

Type of holding and maturity	Wednesday					End of month		
	1996					1996		
	Feb. 28	Mar. 6	Mar. 13	Mar. 20	Mar. 27	Jan. 31	Feb. 29	Mar. 31
1 **Total loans**	**77**	**16**	**14**	**20**	**38**	**15**	**35**	**43**
2 Within fifteen days[1]	75	12	12	18	33	15	32	36
3 Sixteen days to ninety days	2	4	2	2	5		3	7
4 **Total U.S. Treasury securities**	**383,158**	**377,404**	**387,952**	**378,383**	**385,023**	**378,208**	**376,519**	**377,056**
5 Within fifteen days[1]	20,393	12,275	18,050	16,491	23,309	20,294	4,962	8,963
6 Sixteen days to ninety days	87,722	94,924	95,348	87,488	87,710	84,103	87,722	99,039
7 Ninety-one days to one year	117,566	111,025	15,375	115,225	114,825	119,461	124,656	109,875
8 One year to five years	87,524	89,228	89,228	89,228	89,228	85,961	89,228	89,228
9 Five years to ten years	32,151	32,151	32,151	32,151	32,151	31,469	32,151	32,151
10 More than ten years	37,801	37,801	37,801	37,801	37,801	36,921	37,801	37,801
11 **Total federal agency obligations**	**3,399**	**2,589**	**3,639**	**2,539**	**4,614**	**2,634**	**2,634**	**2,526**
12 Within fifteen days[1]	1,180	50	1,113	293	2,369	141	415	280
13 Sixteen days to ninety days	510	842	849	569	569	660	510	569
14 Ninety-one days to one year	615	603	583	583	600	617	615	600
15 One year to five years	543	543	543	543	526	664	543	526
16 Five years to ten years	527	527	527	527	527	527	527	527
17 More than ten years	25	25	25	25	25	25	25	25

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

NOTE. Total acceptances data have been deleted from this table because data are no longer available.

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE[1]

Billions of dollars, averages of daily figures

Item	1992 Dec.	1993 Dec.	1994 Dec.	1995 Dec.	1995 Aug.	1995 Sept.	1995 Oct.	1995 Nov.	1995 Dec.	1996 Jan.	1996 Feb.	1996 Mar.
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]					Seasonally adjusted							
1 Total reserves[3]	54.37	60.52	59.36	56.36	57.50	57.34	56.84	56.33	56.36	55.61	54.85	55.71
2 Nonborrowed reserves[4]	54.24	60.44	59.16	56.11	57.22	57.07	56.59	56.13	56.11	55.57	54.81	55.69
3 Nonborrowed reserves plus extended credit[5]	54.24	60.44	59.16	56.11	57.22	57.07	56.59	56.13	56.11	55.57	54.81	55.69
4 Required reserves	53.21	59.46	58.20	55.09	56.51	56.39	55.76	55.39	55.09	54.12	54.00	54.59
5 Monetary base[6]	351.24	386.88	418.72	435.01	430.81	431.69	432.74	433.21	435.01	435.15	433.62	436.79
					Not seasonally adjusted							
6 Total reserves[7]	56.06	62.37	61.13	58.02	56.94	57.30	56.56	56.57	58.02	56.95	53.80	54.95
7 Nonborrowed reserves	55.93	62.29	60.92	57.76	56.66	57.03	56.31	56.37	57.76	56.91	53.77	54.93
8 Nonborrowed reserves plus extended credit[5]	55.93	62.29	60.92	57.76	56.66	57.03	56.31	56.37	57.76	56.91	53.77	54.93
9 Required reserves[8]	54.90	61.31	59.96	56.74	55.96	56.35	55.48	55.63	56.74	55.47	52.95	53.84
10 Monetary base[9]	354.55	390.59	422.51	439.03	431.09	431.64	431.60	433.22	439.03	435.99	430.24	434.77
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[10]												
11 Total reserves[11]	56.54	62.86	61.34	57.90	56.82	57.16	56.40	56.40	57.90	56.93	53.75	54.86
12 Nonborrowed reserves	56.42	62.78	61.13	57.64	56.54	56.88	56.15	56.19	57.64	56.90	53.72	54.84
13 Nonborrowed reserves plus extended credit[5]	56.42	62.78	61.13	57.64	56.54	56.88	56.15	56.19	57.64	56.90	53.72	54.84
14 Required reserves	55.39	61.80	60.17	56.62	55.83	56.21	55.32	55.45	56.62	55.45	52.90	53.75
15 Monetary base[12]	360.90	397.62	427.25	444.45	435.59	436.20	436.34	438.19	444.45	441.94	436.21	440.68
16 Excess reserves[13]	1.16	1.06	1.17	1.28	.99	.95	1.08	.94	1.28	1.49	.85	1.11
17 Borrowings from the Federal Reserve	.12	.08	.21	.26	.28	.28	.25	.20	.26	.04	.04	.02

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	1992 Dec.	1993 Dec.	1994 Dec.	1995 Dec.	1995	1996		
					Dec.	Jan.	Feb.	Mar.
	Seasonally adjusted							
Measures[2]								
1 M1	1,024.4	1,128.6	1,148.7	1,124.9r	1,124.9r	1,119.1	1,117.1r	1,126.2
2 M2	3,438.7	3,494.1	3,509.4	3,660.3r	3,660.3r	3,675.0	3,690.4r	3,724.9
3 M3	4,187.3	4,249.6	4,319.7	4,573.5r	4,573.5r	4,602.3r	4,639.7r	4,680.0
4 L	5,075.8	5,164.5	5,303.7	5,684.0r	5,684.0r	5,703.7r	5,733.7	n.a.
5 Debt	11,881.7	12,516.4	13,153.2	13,871.3	13,871.3	13,900.1r	13,963.4	n.a.
M1 components								
6 Currency[3]	292.9	322.4	354.9	373.2	373.2	373.6	373.2r	375.2
7 Travelers checks[4]	8.1	7.9	8.5	8.9	8.9	8.9	8.9	8.9
8 Demand deposits[5]	339.1	384.3	382.4	389.8	389.8	393.5	397.4	407.1
9 Other checkable deposits[6]	384.2	414.0	402.9	353.0	353.0	343.1r	337.5	335.0
Nontransaction components								
10 In M2[7]	2,414.3	2,365.4	2,360.7	2,535.4	2,535.4	2,556.0	2,573.3	2,598.6
11 In M3 only[8]	748.6	755.6	810.3	913.3r	913.3r	927.2r	949.3r	955.2
Commercial banks								
12 Savings deposits, including MMDAs	754.1	785.0	751.9	775.0	775.0	793.2	804.2	821.1
13 Small time deposits[9]	509.3	470.4	505.4	576.2	576.2	578.4	576.5	572.9
14 Large time deposits[10, 11]	286.6	272.3	298.7	342.4	342.4	340.5	346.2r	353.8
Thrift institutions								
15 Savings deposits, including MMDAs	433.0	433.8	397.0	359.5	359.5	358.6	360.5	362.2
16 Small time deposits[9]	361.9	317.6	318.2	359.5	359.5	357.1	357.3	354.7
17 Large time deposits[10]	67.1	61.5	64.8	75.0	75.0	76.0	76.2	75.6
Money market mutual funds								
18 Retail	356.0	358.7	388.1	465.1	465.1	468.6	474.7	487.6
19 Institution only	199.8	197.9	183.7	227.2r	227.2r	230.6r	243.9r	248.3
Repurchase agreements and Eurodollars								
20 Repurchase agreements[12]	128.1	157.5	180.8	177.3	177.3	184.6	186.9r	183.6
21 Eurodollars[12]	66.9	66.3	82.3	91.4	91.4	95.5	96.2	92.9
Debt components								
22 Federal debt	3,068.6	3,328.3	3,497.6	3,644.6	3,644.6	3,634.7	3,656.4	n.a.
23 Nonfederal debt	8,813.1	9,188.1	9,655.6	10,226.7	10,226.7	10,265.5r	10,307.1	n.a.
	Not seasonally adjusted							
Measures[2]								
24 M1	1,046.0	1,153.7	1,174.2	1,150.7	1,150.7	1,128.0r	1,103.4	1,115.5
25 M2	3,455.1	3,514.1	3,529.8	3,680.0r	3,680.0r	3,676.8r	3,670.9r	3,717.6
26 M3	4,205.3	4,271.3	4,341.5	4,594.6r	4,594.6r	4,606.9r	4,620.9r	4,669.9
27 L	5,103.1	5,194.2	5,333.2	5,713.6r	5,713.6r	5,717.1r	5,723.0	n.a.
28 Debt	11,883.2	12,509.3	13,145.8	13,858.0	13,858.0	13,894.5r	13,946.7	n.a.
M1 components								
29 Currency[3]	295.0	324.8	357.5	376.1	376.1	371.6r	370.8	374.2
30 Travelers checks[4]	7.8	7.6	8.1	8.5	8.5	8.5	8.5	8.6
31 Demand deposits[5]	354.4	401.8	400.1	407.9r	407.9r	399.0	388.3	397.5
32 Other checkable deposits[6]	388.9	419.4	408.4	358.1	358.1	348.8r	335.8	335.2
Nontransaction components								
33 In M2[7]	2,409.1	2,360.4	2,355.6	2,529.2	2,529.2	2,548.8	2,567.5	2,602.1
34 In M3 only[8]	750.2	757.1	811.7	914.7r	914.7r	930.1r	950.0r	952.3
Commercial banks								
35 Savings deposits, including MMDAs	752.9	784.3	751.6	775.0	775.0	789.5	799.0	819.1
36 Small time deposits[9]	507.8	468.2	502.5	572.3	572.3	576.1	575.6	574.1
37 Large time deposits[10, 11]	286.2	272.1	298.5	342.3	342.3	337.8	344.6r	352.3
Thrift institutions								
38 Savings deposits, including MMDAs	432.4	433.4	396.9	359.5	359.5	356.9	358.2	361.4
39 Small time deposits[9]	360.9	316.1	316.4	357.0	357.0	355.6	356.7	355.4
40 Large time deposits[10]	67.0	61.5	64.8	75.0	75.0	75.4	75.8	75.2
Money market mutual funds								
41 Retail	355.1	358.3	388.2	465.4	465.4	470.6	478.0	492.1
42 Institution-only	201.1	199.4	185.5	229.4r	229.4r	238.2r	249.6r	248.7
Repurchase agreements and Eurodollars								
43 Repurchase agreements[12]	127.2	156.6	179.6	175.8	175.8	183.3	184.1r	182.8
44 Eurodollars[12]	68.7	67.6	83.4	92.1	92.1	95.4	95.8	93.2
Debt components								
45 Federal debt	3,069.8	3,329.5	3,499.0	3,645.9	3,645.9	3,634.1	3,655.5	n.a.
46 Nonfederal debt	8,813.4	9,179.8	9,646.8	10,212.1	10,212.1	10,260.2r	10,291.2	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	1993 Dec.	1994 Dec.	1995 July	1995 Aug.	1995 Sept.	1995 Oct.	1995 Nov.	1995 Dec.	1996 Jan.	1996 Feb.[r]	1996 Mar.
	Interest rates (annual effective yields)[2]										
INSURED COMMERCIAL BANKS											
1 Negotiable order of withdrawal accounts	1.86	1.96	1.93	1.93	1.94	1.93	1.95	1.92	1.92	1.93	1.87
2 Savings deposits[3]	2.46	2.92	3.13	3.12	3.14	3.11	3.13	3.10	3.01	2.98	2.90
Interest-bearing time deposits with balances of less than $100,000, by maturity											
3 7 to 91 days	2.65	3.79	4.17	4.10	4.10	4.11	4.12	4.11	4.01	4.00	4.03
4 92 to 182 days	2.91	4.44	4.77	4.77	4.75	4.75	4.74	4.69	4.57	4.47	4.50
5 183 days to 1 year	3.13	5.12	5.18	5.15	5.14	5.15	5.12	5.03	4.92	4.80	4.84
6 More than 1 year to 2½ years	3.55	5.74	5.38	5.39	5.32	5.31	5.27	5.18	5.03	4.90	4.95
7 More than 2½ years	4.28	6.30	5.62	5.63	5.60	5.56	5.49	5.41	5.26	5.11	5.19
BIF-INSURED SAVINGS BANKS[4]											
8 Negotiable order of withdrawal accounts	1.87	1.94	1.97	1.98	1.98	1.97	1.94	1.91	1.85	1.84	1.83
9 Savings deposits[3]	2.63	2.87	2.97	2.96	2.96	2.97	2.99	2.99	2.95	2.92	2.86
Interest-bearing time deposits with balances of less than $100,000, by maturity											
10 7 to 91 days	2.81	3.80	4.28	4.34	4.29	4.34	4.45	4.44	4.38	4.29	4.39
11 92 to 182 days	3.02	4.89	5.16	5.12	5.08	5.06	5.02	4.95	4.87	4.79	4.77
12 183 days to 1 year	3.31	5.52	5.47	5.45	5.35	5.32	5.28	5.19	5.07	4.93	4.90
13 More than 1 year to 2½ years	3.67	6.09	5.62	5.60	5.51	5.50	5.46	5.32	5.22	5.11	5.16
14 More than 2½ years	4.62	6.43	5.82	5.78	5.74	5.69	5.64	5.47	5.34	5.25	5.25
	Amounts outstanding (millions of dollars)										
INSURED COMMERCIAL BANKS											
15 Negotiable order of withdrawal accounts	305,237	304,896	274,140	267,644	253,174	258,411	259,259	252,434	248,464	246,902	224,163
16 Savings deposits[3]	767,035	737,068	726,697	735,930	744,839	747,943	767,431	793,168	774,748	798,354	841,368
17 Personal	598,276	580,438	570,299	575,204	584,239	587,235	599,787	628,372	617,570	634,470	674,638
18 Nonpersonal	168,759	156,630	156,398	160,726	160,600	160,707	167,644	164,796	157,177	163,885	166,730
Interest-bearing time deposits with balances of less than $100,000, by maturity											
19 7 to 91 days	29,362	32,265	33,142	30,937	29,804	29,940	31,083	32,807	34,275	36,286	36,008
20 92 to 182 days	109,050	96,650	91,975	90,796	92,220	94,418	97,401	96,902	96,811	100,011	100,432
21 183 days to 1 year	145,386	163,062	189,011	189,565	189,338	188,859	188,043	187,828	186,068	188,640	191,694
22 More than 1 year to 2½ years	139,781	164,395	202,467	204,453	203,548	206,993	211,169	211,388	214,093	214,396	213,429
23 More than 2½ years	180,461	192,712	195,623	201,306	200,182	200,201	202,357	203,227	200,849	202,363	202,803
24 IRA and Keogh plan deposits	144,011	144,097	150,426	150,648	149,570	151,094	151,869	152,390	152,984	155,305	155,791
BIF-INSURED SAVINGS BANKS[4]											
25 Negotiable order of withdrawal accounts	11,191	11,175	11,147	10,999	11,408	11,317	11,613	12,727	11,410	11,984	12,106
26 Savings deposits[3]	80,376	70,082	66,409	66,478	69,752	69,636	70,265	71,402	67,540	71,006	70,571
27 Personal	77,263	67,159	63,194	63,149	66,403	66,193	66,688	67,919	64,172	67,679	67,275
28 Nonpersonal	3,113	2,923	3,215	3,329	3,349	3,443	3,577	3,482	3,369	3,327	3,296
Interest-bearing time deposits with balances of less than $100,000, by maturity											
29 7 to 91 days	2,746	2,144	1,769	1,856	1,739	1,768	1,903	2,115	1,988	2,226	2,233
30 92 to 182 days	12,974	11,361	11,030	11,079	11,258	11,231	11,848	12,754	12,581	14,018	14,253
31 183 days to 1 year	17,469	18,391	21,969	22,294	24,837	25,036	25,887	27,072	26,750	28,330	27,996
32 More than 1 year to 2½ years	16,589	17,787	24,876	25,029	27,825	27,755	28,247	28,966	26,968	27,819	26,802
33 More than 2½ years	20,501	21,293	22,713	22,563	23,351	23,470	23,574	24,247	22,769	22,677	23,508
34 IRA and Keogh plan accounts	19,791	19,008	20,286	20,333	21,913	21,784	21,758	21,949	21,229	21,137	21,373

1. BIF, Bank Insurance Fund. Data in this table also appear in the Board's H.6 (508) Special Supplementary Table monthly statistical release. For ordering address, see inside front cover. Estimates are based on data collected by the Federal Reserve System from a stratified random sample of about 425 commercial banks and 75 savings banks on the last day of each month. Data are not seasonally adjusted and include IRA and Keogh deposits and foreign currency-denominated deposits. Data exclude retail repurchase agreements and deposits held in U.S. branches and agencies of foreign banks.

2. As of October 31, 1994, interest rate data for NOW accounts and savings deposits reflect a series break caused by a change in the survey used to collect these data.

3. Includes personal and nonpersonal money market deposits.

4. Includes both mutual and federal savings banks.

1.23 BANK DEBITS AND DEPOSIT TURNOVER[1]

Debits are in billions of dollars; turnover is ratio of debits to deposits; monthly data are at annual rates

Bank group, or type of deposit	1993[2]	1994[2]	1995[2]	1995					1996
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
DEBITS	Seasonally adjusted								
Demand deposits[3]									
1 All insured banks	334,784.1	369,029.1	397,649.3	407,389.4	397,843.6	413,927.0	409,460.9	397,538.3	430,510.0
2 Major New York City banks	171,224.3	191,168.8	201,161.4	206,835.9	207,576.7	210,336.6	204,484.0	203,977.5	229,379.8
3 Other banks	163,559.7	177,860.3	196,487.9	200,553.5	190,266.9	203,590.4	204,976.9	193,560.8	201,130.2
4 Other checkable deposits[4]	3,481.5	3,798.6	4,207.4	4,236.1	4,366.8	4,690.4	4,891.5	4,595.5	4,959.4
5 Savings deposits (including MMDAs)[5]	3,497.4	3,766.3	4,507.8	4,745.4	4,898.4	5,328.6	5,679.4	5,703.6	5,996.4
DEPOSIT TURNOVER									
Demand deposits[3]									
6 All insured banks	785.9	817.4	874.1	887.9	858.0	907.5	905.5	852.7	917.1
7 Major New York City banks	4,198.1	4,481.5	4,867.3	4,970.9	5,018.0	5,269.7	5,222.3	5,069.7	5,368.0
8 Other banks	424.6	435.1	475.2	480.7	450.5	489.2	496.3	454.4	471.3
9 Other checkable deposits[4]	11.9	12.6	15.4	15.5	16.3	18.0	19.1	18.6	20.8
10 Savings deposits (including MMDAs)[5]	4.6	4.9	6.1	6.5	6.6	7.1	7.5	7.4	7.7
DEBITS	Not seasonally adjusted								
Demand deposits[3]									
11 All insured banks	334,899.2	369,121.8	397,657.8	421,875.3	395,203.2	413,547.6	398,219.1	411,802.7	429,301.9
12 Major New York City banks	171,283.5	191,226.0	201,182.6	213,958.6	207,994.2	212,506.0	202,744.5	210,780.0	227,293.7
13 Other banks	163,615.7	177,895.7	196,475.3	207,916.7	187,209.0	201,041.7	195,474.6	201,022.7	202,008.2
14 Other checkable deposits[4]	3,481.7	3,795.6	4,202.6	4,203.3	4,431.9	4,565.4	4,566.6	4,784.8	5,384.8
15 Savings deposits (including MMDAs)[5]	3,498.3	3,764.4	4,500.8	4,750.1	4,849.1	5,075.1	5,388.7	6,013.9	6,268.3
DEPOSIT TURNOVER									
Demand deposits[3]									
16 All insured banks	786.1	818.2	874.6	936.7	856.4	895.4	860.5	847.5	895.6
17 Major New York City banks	4,197.9	4,490.3	4,873.1	5,343.0	5,069.5	5,292.2	5,046.6	4,900.9	5,109.7
18 Other banks	424.8	435.3	475.4	506.7	445.3	476.7	462.5	453.9	463.5
19 Other checkable deposits[4]	11.9	12.6	15.3	15.6	16.7	17.7	17.8	19.0	22.0
20 Savings deposits (including MMDAs)[5]	4.6	4.9	6.1	6.5	6.6	6.8	7.1	7.8	8.0

1. Historical tables containing revised data for earlier periods can be obtained from the Publications Section, Division of Support Services, Board of Governors of the Federal Reserve System, Washington, DC 20551.

Data in this table also appear in the Board's G.6 (406) monthly statistical release. For *ordering address, see inside front cover.*

2. Annual averages of monthly figures.

3. Represents accounts of individuals, partnerships, and corporations and of states and political subdivisions.

4. As of January 1994, other checkable deposits (OCDs), previously defined as automatic transfer to demand deposits (ATSs) and negotiable order of withdrawal (NOW) accounts, were expanded to include telephone and preauthorized transfer accounts. This change redefined OCDs for debits data to be consistent with OCDs for deposits data.

5. *Money market deposit accounts.*

1.26 ASSETS AND LIABILITIES OF COMMERCIAL BANKS[1]

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1995	1995[r]				1996[r]			1996			
	Mar.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Mar. 6	Mar. 13	Mar. 20	Mar. 27
ALL COMMERCIAL BANKING INSTITUTIONS	Seasonally adjusted											
Assets												
1 Bank credit	3,392.5	3,566.2	3,579.3	3,591.2	3,603.6	3,630.6	3,640.2	3,631.4	3,621.4	3,629.7	3,632.2	3,640.6
2 Securities in bank credit	941.6	984.2	986.2	987.0	988.8	988.8	993.4	977.4	977.1	979.9	977.6	982.8
3 U.S. government securities	712.0	708.3	713.3	714.6	710.9	702.9	715.7	705.1	703.7	704.7	705.6	708.7
4 *Other securities*	229.6	275.8	272.9	272.4	277.9	285.9	277.7	272.4	273.3	275.2	272.0	274.1
5 Loans and leases in bank credit[2]	2,450.9	2,582.0	2,593.1	2,604.2	2,614.8	2,641.7	2,646.8	2,654.0	2,644.4	2,649.8	2,654.6	2,657.9
6 Commercial and industrial	673.9	708.7	711.0	715.6	719.1	725.6	729.3	727.4	725.5	725.1	727.7	729.1
7 Real estate	1,029.0	1,072.0	1,075.8	1,077.8	1,078.8	1,085.7	1,088.4	1,093.1	1,092.5	1,093.5	1,094.1	1,092.9
8 Revolving home equity	76.1	78.4	78.5	78.8	79.1	79.6	79.9	79.9	79.9	79.9	79.9	80.0
9 Other	952.9	993.7	997.4	998.9	999.7	1,006.0	1,008.6	1,013.2	1,012.6	1,013.6	1,014.2	1,012.9
10 Consumer	464.3	489.4	490.0	493.1	496.2	500.9	500.9	504.2	503.2	502.9	504.6	504.1
11 Security[3]	76.0	86.6	86.9	86.9	83.6	84.8	85.6	85.0	82.8	86.2	83.5	85.4
12 Other	207.7	225.3	229.4	230.8	237.0	244.7	242.5	244.4	240.3	242.1	244.7	246.3
13 Interbank loans[4]	182.9	192.2	194.0	196.4	196.7	203.9	194.3	205.4	200.5	205.4	207.3	209.9
14 Cash assets[5]	210.8	214.9	222.3	216.2	223.7	233.1	219.1	215.7	212.5	217.1	212.5	218.8
15 Other assets[6]	232.6	225.4	228.1	231.4	239.9	236.4	242.9	241.9	246.5	243.4	239.0	238.6
16 **Total assets**[7]	**3,962.4**	**4,141.9**	**4,166.9**	**4,178.7**	**4,207.5**	**4,247.1**	**4,239.9**	**4,237.7**	**4,224.3**	**4,239.0**	**4,234.5**	**4,251.4**
Liabilities												
17 Deposits	2,519.4	2,629.5	2,644.2	2,642.1	2,659.2	2,686.9	2,680.8	2,701.4	2,695.7	2,695.9	2,698.2	2,704.9
18 Transaction	794.0	781.1	778.6	768.2	773.9	783.3	766.6	768.4	766.6	762.4	769.9	772.8
19 Nontransaction	1,755.4	1,848.4	1,865.6	1,873.9	1,885.3	1,903.6	1,914.2	1,933.0	1,929.1	1,933.5	1,928.3	1,932.1
20 Large time	381.7	415.6	422.8	423.3	421.4	422.2	426.1	428.4	426.8	427.3	428.5	428.6
21 Other	1,373.7	1,432.9	1,442.8	1,450.6	1,463.9	1,481.5	1,488.1	1,504.5	1,502.4	1,506.2	1,499.8	1,503.4
22 Borrowings	652.2	687.3	683.2	674.6	690.7	705.4	691.2	687.1	667.5	684.9	703.9	691.2
23 From banks in the U.S.	187.6	198.0	198.9	198.4	198.3	208.0	195.5	207.6	204.3	212.2	215.2	204.4
24 From nonbanks in the U.S.	464.7	489.3	484.3	476.2	492.5	497.5	495.7	479.5	463.2	472.7	488.7	486.8
25 Net due to related foreign offices	243.2	251.9	257.6	263.8	262.9	270.0	276.4	261.3	269.0	271.9	255.5	252.8
26 Other liabilities[8]	187.8	221.4	222.9	226.6	236.9	229.4	232.7	223.9	225.7	226.1	222.6	221.5
27 **Total liabilities**	**3,632.6**	**3,790.1**	**3,807.9**	**3,807.1**	**3,849.6**	**3,891.8**	**3,881.1**	**3,873.6**	**3,857.9**	**3,878.8**	**3,880.2**	**3,870.4**
28 Residual (assets less liabilities)[9]	329.8	351.8	359.0	371.6	357.8	355.3	358.8	364.1	366.4	360.2	354.3	381.0
	Not seasonally adjusted											
Assets												
29 Bank credit	3,388.4	3,570.9	3,581.0	3,597.5	3,611.4	3,621.4	3,631.9	3,625.8	3,623.3	3,627.5	3,625.2	3,622.6
30 Securities in bank credit	946.3	987.1	987.9	985.9	979.2	976.6	988.5	982.0	983.5	985.9	981.0	981.3
31 U.S. government securities	716.4	710.0	711.5	713.0	706.3	697.6	711.1	709.5	706.5	709.8	711.0	711.2
32 Other securities	229.9	277.1	276.4	273.0	272.9	279.0	277.4	272.5	277.1	276.1	270.0	270.1
33 Loans and leases in bank credit[2]	2,442.1	2,583.8	2,593.1	2,611.6	2,632.2	2,644.8	2,643.4	2,643.9	2,639.8	2,641.7	2,644.1	2,641.3
34 Commercial and industrial	677.6	704.1	707.0	713.9	717.2	722.6	727.5	731.3	728.3	728.4	732.7	732.4
35 Real estate	1,023.9	1,074.0	1,079.0	1,083.4	1,083.6	1,085.5	1,085.3	1,087.5	1,087.4	1,088.4	1,087.4	1,087.1
36 Revolving home equity	75.3	78.9	79.1	79.3	79.2	79.5	79.4	79.1	79.3	79.2	79.1	79.1
37 Other	948.5	995.1	999.9	1,004.2	1,004.4	1,006.0	1,005.9	1,008.4	1,008.1	1,009.1	1,008.2	1,008.0
38 Consumer	460.4	490.7	490.6	493.9	502.0	505.5	501.4	500.0	499.7	498.8	500.3	499.5
39 Security[3]	76.0	86.3	85.5	88.2	87.6	86.7	88.5	84.8	85.6	88.5	84.6	82.1
40 Other	204.2	228.8	231.0	232.1	241.8	244.5	240.6	240.2	238.8	237.7	239.1	240.2
41 Interbank loans[4]	180.8	188.0	193.3	199.6	209.2	212.8	196.1	203.3	205.1	204.9	199.9	200.7
42 Cash assets[5]	204.0	215.8	223.3	220.3	238.4	240.5	219.9	208.4	206.2	211.3	205.3	207.7
43 Other assets[6]	231.1	226.5	228.5	231.0	239.6	237.1	242.3	240.4	246.9	241.5	236.0	236.9
44 **Total assets**[7]	**3,947.6**	**4,144.2**	**4,169.5**	**4,191.7**	**4,241.8**	**4,255.4**	**4,233.7**	**4,221.2**	**4,224.6**	**4,228.4**	**4,209.5**	**4,211.3**
Liabilities												
45 Deposits	2,537.7	2,628.3	2,644.2	2,658.1	2,690.4	2,693.7	2,671.8	2,687.7	2,692.2	2,686.5	2,674.0	2,672.8
46 Transaction	781.2	779.8	778.9	781.7	809.1	795.0	759.4	753.6	760.5	750.5	745.4	743.2
47 Nontransaction	1,756.5	1,848.5	1,865.4	1,876.3	1,881.2	1,898.7	1,912.4	1,934.1	1,931.7	1,936.0	1,928.6	1,929.6
48 Large time	383.1	414.6	421.3	424.3	420.3	419.2	426.7	429.9	428.2	429.8	430.2	430.2
49 Other	1,373.4	1,433.9	1,444.1	1,452.0	1,460.9	1,479.5	1,485.7	1,504.1	1,503.5	1,506.2	1,498.5	1,499.4
50 Borrowings	644.6	693.5	688.8	683.6	695.3	692.4	685.3	678.6	673.4	677.1	690.2	678.9
51 From banks in the U.S.	183.4	190.3	194.0	200.6	211.3	215.0	197.2	202.6	204.4	204.2	199.2	200.0
52 From nonbanks in the U.S.	461.3	503.2	494.8	483.1	484.1	477.4	488.1	476.0	469.0	472.9	491.0	478.9
53 Net due to related foreign offices	244.7	247.6	258.7	262.8	264.0	277.1	278.1	262.0	261.7	268.4	255.6	270.5
54 Other liabilities[8]	189.1	221.6	222.2	228.7	232.1	231.1	233.1	225.4	229.4	228.7	221.9	222.4
55 **Total liabilities**	**3,616.1**	**3,790.9**	**3,814.0**	**3,833.2**	**3,881.8**	**3,894.3**	**3,868.3**	**3,853.7**	**3,856.7**	**3,860.8**	**3,841.7**	**3,844.6**
56 Residual (assets less liabilities)[9]	331.5	353.3	355.5	358.5	360.1	361.0	365.4	367.4	367.8	367.6	367.9	366.7

Footnotes appear on next page

1.26 ASSETS AND LIABILITIES OF COMMERCIAL BANKS[1]—Continued

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1995	1995r				1996r			1996			
	Mar.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Mar. 6	Mar. 13	Mar. 20	Mar. 27
DOMESTICALLY CHARTERED COMMERCIAL BANKS	Seasonally adjusted											
Assets												
57 Bank credit	3,027.1	3,139.1	3,149.9	3,162.6	3,176.8	3,198.0	3,196.2	3,197.5	3,187.4	3,197.3	3,198.7	3,204.2
58 Securities in bank credit	856.0	852.8	852.7	854.5	855.1	854.5	853.0	843.4	840.8	845.3	843.8	848.6
59 U.S. government securities	649.2	642.7	647.0	647.5	644.0	640.1	643.2	635.4	632.6	634.7	636.3	640.3
60 Other securities	206.8	210.1	205.8	207.0	211.1	214.4	209.8	208.0	208.2	210.5	207.5	208.2
61 Loans and leases in bank credit[2]	2,171.0	2,286.3	2,297.1	2,308.1	2,321.7	2,343.5	2,343.2	2,354.1	2,346.6	2,352.0	2,354.9	2,355.7
62 Commercial and industrial	502.3	528.6	531.7	535.0	535.3	540.4	541.1	541.2	540.0	539.5	541.2	543.5
63 Real estate	989.0	1,035.1	1,038.4	1,040.8	1,042.6	1,050.5	1,054.3	1,060.0	1,059.1	1,060.1	1,061.1	1,060.1
64 Revolving home equity	76.1	78.3	78.4	78.8	79.1	79.6	79.9	79.8	79.9	79.9	79.9	80.0
65 Other	913.0	956.7	960.0	962.0	963.5	970.9	974.4	980.2	979.2	980.2	981.2	980.1
66 Consumer	464.3	489.4	490.0	493.1	496.2	500.9	500.9	504.2	503.2	502.9	504.6	504.1
67 Security[3]	46.5	51.7	51.6	53.5	56.2	55.6	52.3	51.5	50.4	53.9	50.2	49.2
68 Other	169.0	181.6	185.5	185.8	191.3	196.1	194.7	197.2	193.9	195.6	197.7	198.8
69 Interbank loans[4]	158.4	168.2	167.3	169.1	173.6	182.1	173.6	184.6	181.8	182.3	185.8	187.8
70 Cash assets[5]	184.3	187.9	194.2	186.2	193.6	202.0	189.8	188.3	185.2	189.3	185.1	191.8
71 Other assets[6]	173.2	171.5	174.5	177.7	184.5	182.7	186.1	186.7	190.5	185.3	185.5	185.1
72 **Total assets**[7]	**3,486.5**	**3,609.9**	**3,629.2**	**3,639.1**	**3,672.1**	**3,707.9**	**3,689.2**	**3,700.6**	**3,688.4**	**3,697.6**	**3,698.7**	**3,712.5**
Liabilities												
73 Deposits	2,396.6	2,458.9	2,470.8	2,473.6	2,491.8	2,523.1	2,516.1	2,533.5	2,529.0	2,527.1	2,531.7	2,536.6
74 Transaction	783.9	772.1	769.4	758.3	763.4	772.6	755.9	758.6	756.7	752.3	760.4	763.1
75 Nontransaction	1,612.7	1,686.8	1,701.3	1,715.3	1,728.4	1,750.5	1,760.2	1,775.0	1,772.3	1,774.7	1,771.3	1,773.5
76 Large time	241.0	255.0	261.0	267.7	270.1	272.0	273.8	272.5	271.6	271.8	272.5	272.5
77 Other	1,371.7	1,431.8	1,440.3	1,447.6	1,458.3	1,478.5	1,486.3	1,502.5	1,500.7	1,503.0	1,498.8	1,501.0
78 Borrowings	538.8	569.6	567.3	565.6	577.7	591.2	573.6	575.3	553.9	576.7	590.9	577.8
79 From banks in the U.S.	168.6	178.9	179.2	178.6	179.8	186.6	176.0	187.1	181.1	192.6	196.2	184.0
80 From nonbanks in the U.S.	370.2	390.7	388.1	387.0	397.9	404.7	397.6	388.2	372.8	384.0	394.7	393.7
81 Net due to related foreign offices	86.5	92.2	92.6	89.6	91.0	93.0	90.4	81.2	86.0	83.9	76.9	81.2
82 Other liabilities[8]	138.3	141.8	143.5	148.2	155.4	153.6	155.8	149.8	151.6	149.7	149.0	148.0
83 **Total liabilities**	**3,160.2**	**3,262.5**	**3,274.1**	**3,277.0**	**3,316.0**	**3,360.9**	**3,335.9**	**3,339.9**	**3,320.4**	**3,337.3**	**3,348.5**	**3,343.6**
84 Residual (assets less liabilities)[9]	326.4	347.4	355.1	362.1	356.1	347.0	353.3	360.8	368.0	360.3	350.2	368.9
	Not seasonally adjusted											
Assets												
85 Bank credit	3,021.3	3,142.8	3,154.5	3,172.3	3,182.7	3,186.3	3,188.2	3,190.4	3,186.6	3,191.0	3,188.9	3,189.7
86 Securities in bank credit	859.5	854.7	853.8	855.3	848.5	843.5	849.1	846.8	845.6	849.5	845.8	848.9
87 U.S. government securities	652.5	644.8	645.9	646.6	640.2	633.0	639.2	638.6	634.6	638.2	639.6	642.2
88 Other securities	207.0	209.9	207.8	208.7	208.3	210.5	209.9	208.2	211.0	211.2	206.2	206.7
89 Loans and leases in bank credit[2]	2,161.8	2,288.1	2,300.7	2,317.0	2,334.2	2,342.8	2,339.1	2,343.6	2,341.0	2,341.5	2,343.1	2,340.8
90 Commercial and industrial	505.1	524.7	529.2	533.9	533.3	537.3	540.3	544.3	542.5	541.8	545.0	546.0
91 Real estate	983.7	1,036.9	1,041.5	1,046.2	1,047.4	1,050.4	1,051.0	1,054.2	1,053.7	1,054.7	1,054.0	1,054.3
92 Revolving home equity	75.3	78.9	79.1	79.3	79.2	79.5	79.4	79.1	79.3	79.2	79.1	79.1
93 Other	908.4	958.0	962.5	967.0	968.2	970.9	971.6	975.2	974.4	975.5	974.9	975.2
94 Consumer	460.4	490.7	490.6	493.9	502.0	505.5	501.4	500.0	499.7	498.8	500.3	499.5
95 Security[3]	46.6	51.6	51.9	55.4	56.9	53.9	53.3	51.6	52.7	54.5	50.8	47.8
96 Other	165.9	184.3	187.6	187.5	194.6	195.7	193.0	193.5	192.5	191.7	192.9	193.2
97 Interbank loans[4]	157.1	163.1	164.8	173.2	184.6	189.8	177.3	183.2	188.3	182.7	180.3	177.2
98 Cash assets[5]	177.9	187.9	194.8	190.7	208.5	209.8	191.7	181.5	179.6	184.0	178.2	180.5
99 Other assets[6]	172.5	172.4	175.2	176.3	183.8	183.6	185.0	186.0	190.2	183.4	184.0	184.6
100 **Total assets**[7]	**3,472.2**	**3,609.2**	**3,632.7**	**3,655.8**	**3,703.0**	**3,713.0**	**3,685.6**	**3,684.5**	**3,688.0**	**3,684.3**	**3,674.8**	**3,675.5**
Liabilities												
101 Deposits	2,384.4	2,457.9	2,472.4	2,488.5	2,522.1	2,529.0	2,507.3	2,519.4	2,526.7	2,517.2	2,506.3	2,502.5
102 Transaction	771.3	770.2	769.5	771.8	798.3	784.2	748.8	743.9	750.9	740.8	736.0	733.3
103 Nontransaction	1,613.1	1,687.7	1,702.9	1,716.8	1,723.8	1,744.7	1,758.6	1,775.5	1,775.7	1,776.5	1,770.2	1,769.2
104 Large time	241.3	254.7	260.8	267.4	265.8	269.3	275.2	273.0	273.4	272.8	272.7	271.8
105 Other	1,371.8	1,433.0	1,442.2	1,449.3	1,458.1	1,475.4	1,483.3	1,502.6	1,502.3	1,503.7	1,497.5	1,497.4
106 Borrowings	531.8	573.3	574.9	576.7	584.2	581.9	572.4	567.5	558.3	567.8	577.0	572.0
107 From banks in the U.S.	164.4	171.1	175.6	181.1	191.7	193.5	178.5	182.0	181.6	183.8	180.5	180.8
108 From nonbanks in the U.S.	367.4	402.2	399.3	395.6	392.5	388.4	393.9	385.5	376.7	384.0	396.5	391.1
109 Net due to related foreign offices	89.7	88.7	92.0	88.4	89.3	92.9	92.3	84.5	87.7	85.8	79.8	90.3
110 Other liabilities[8]	139.8	141.9	143.9	149.9	153.4	154.3	154.2	151.6	153.5	151.9	149.9	150.2
111 **Total liabilities**	**3,145.6**	**3,261.7**	**3,283.2**	**3,303.4**	**3,349.1**	**3,358.0**	**3,326.3**	**3,323.1**	**3,326.2**	**3,322.8**	**3,313.0**	**3,314.9**
112 Residual (assets less liabilities)[9]	326.5	347.4	349.5	352.4	353.9	355.0	359.3	361.4	361.8	361.5	361.8	360.7

1. Covers the following types of institutions in the fifty states and the District of Columbia: domestically chartered commercial banks that submit a weekly report of condition (large domestic); other domestically chartered commercial banks (small domestic); branches and agencies of foreign banks; New York State investment companies, and Edge Act and agreement corporations (foreign-related institutions). Excludes international banking facilities. Data are Wednesday values, or pro rata averages of Wednesday values. Large domestic banks constitute a universe; data for small domestic banks and foreign-related institutions are estimates based on weekly samples and on quarter-end condition reports. Data are adjusted for breaks caused by reclassifications of assets and liabilities.
2. Excludes federal funds sold to, reverse repurchase agreements with, and loans to commercial banks in the United States.
3. Consists of reserve repurchase agreements with broker–dealers and loans to purchase and carry securities.
4. Consists of federal funds sold to, reverse repurchase agreements with, and loans to commercial banks in the United States.
5. Includes vault cash, cash items in process of collection, demand balances due from depository institutions in the United States, balances due from Federal Reserve Banks, and other cash assets.
6. Excludes the due-from position with related foreign offices, which is included in lines 25, 53, 81, and 109.
7. Excludes unearned income, reserves for losses on loans and leases, and reserves for transfer risk. Loans are reported gross of these items.
8. Excludes the due-to position with related foreign offices, which is included in lines 25, 53, 81, and 109.
9. This balancing item is not intended as a measure of equity capital for use in capital adequacy analysis.

1.27 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS

Millions of dollars, Wednesday figures

Account	1996								
	Jan. 31r	Feb. 7	Feb. 14	Feb. 21	Feb. 28	Mar. 6	Mar. 13	Mar. 20	Mar. 27
ASSETS									
1 Cash and balances due from depository institutions	124,589	114,156	114,434	135,342	117,389r	108,667	113,510	109,275	110,535
2 U.S. Treasury and government securities	285,359	288,919	289,779	291,741	290,002	286,686	285,376	284,298	285,106
3 Trading account	21,443	22,743r	24,342r	26,874r	25,054r	25,868	27,040	26,792	26,624
4 Investment account	263,916	266,176r	265,438r	264,866r	264,948r	260,818	258,336	257,506	258,482
5 Mortgage-backed securities[1]	111,660	111,484r	111,805r	112,116r	111,935r	111,475	110,458	110,073	112,357
All others, by maturity									
6 One year or less	38,582	39,396r	39,705r	38,961r	38,030r	37,007	36,418	36,436	35,878
7 One year through five years	65,061	65,518r	65,313r	63,467r	64,541r	62,630	61,496	61,495	61,452
8 More than five years	48,613	49,778r	48,615r	50,322r	50,442r	49,706	49,964	49,502	48,796
9 Other securities	124,963	126,331	125,351	123,731	122,220r	124,994	124,936	119,876	120,071
10 Trading account	1,544	1,472	1,512	1,496	1,493	1,477	1,469	1,539	1,667
11 Investment account	65,269	65,097r	64,766r	64,055r	63,702r	64,834	64,907	64,121	63,839
12 State and local government, by maturity	18,998	18,920	18,894	18,847	18,885	18,952	18,968	18,899	18,905
13 One year or less	4,424	4,344	4,341	4,309	4,291	4,246	4,231	4,205	4,193
14 More than one year	14,573	14,577	14,553	14,537	14,594	14,706	14,737	14,693	14,712
15 Other bonds, corporate stocks, and securities	46,271	46,176r	45,872r	45,209r	44,817r	45,882	45,939	45,222	44,934
16 Other trading account assets	58,149	59,762r	59,073r	58,179r	57,025r	58,683	58,560	54,216	54,564
17 Federal funds sold[2]	110,588	99,437	109,726	104,420	107,153	105,488	108,379	106,118	102,037
18 To commercial banks in the United States	74,149	62,420	69,746	67,806	70,082	70,120	71,352	72,224	70,932
19 To nonbank brokers and dealers in securities	29,894	28,656	32,119	29,421	29,951	29,310	31,365	28,658	26,064
20 To others[3]	6,546	8,361	7,862	7,192	7,119	6,058	5,661	5,236	5,040
21 Other loans and leases, gross	1,284,585	1,279,295r	1,282,062r	1,282,608r	1,282,712r	1,284,588	1,284,577	1,286,121	1,286,328
22 Commercial and industrial	352,606	351,252r	351,641r	351,892r	352,922r	353,981	353,280	355,450	356,291
23 Bankers acceptances and commercial paper	1,318	1,409	1,450	1,495	1,465	1,596	1,579	1,627	1,601
24 All other	351,288	349,842r	350,191r	350,397r	351,457r	352,385	351,700	353,823	354,690
25 U.S. addressees	348,518	347,060r	347,415r	347,625r	348,641r	349,588	348,901	351,065	351,955
26 Non-U.S. addressees	2,770	2,782	2,776	2,772	2,816	2,797	2,800	2,758	2,735
27 Real estate loans	506,283	507,327	507,318	504,417	505,117	508,683	508,792	507,282	506,562
28 Revolving, home equity	47,997	47,882	47,922	47,781	47,985	47,972	47,920	47,825	47,765
29 All other	458,286	459,445	459,396	456,635	457,132	460,711	460,872	459,457	458,796
30 To individuals for personal expenditures	251,145	250,140r	250,093r	250,209r	247,863r	247,903	246,948	247,608	247,337
31 To depository and financial institutions	68,578	68,122r	67,899r	68,931r	68,520r	69,075	70,405	70,823	71,316
32 Commercial banks in the United States	39,324r	38,671r	38,544r	39,467r	39,630r	39,645	40,523	39,792	39,904
33 Banks in foreign countries	3,150	3,259r	3,204r	3,648r	2,783r	2,649	3,001	3,082	3,211
34 Nonbank depository and other financial institutions	26,104r	26,192r	26,151	25,816	26,107	26,781	26,881	27,949	28,202
35 For purchasing and carrying securities	17,490	14,857	17,063	17,445	19,657	16,741	17,006	16,207	15,923
36 To finance agricultural production	6,522	6,485	6,460	6,408	6,532	6,564	6,521	6,504	6,554
37 To states and political subdivisions	10,576	10,513	10,547	10,458	10,553	10,610	10,572	10,522	10,589
38 To foreign governments and official institutions	1,159	1,157r	1,233r	1,146r	1,286r	1,115	1,120	1,102	1,082
39 All other loans	27,535	26,597	26,522	28,321	26,754	25,940	25,538	26,064	26,083
40 Lease-financing receivables	42,691	42,847	43,286	43,382	43,509	43,975	44,396	44,559	44,592
41 LESS: Unearned income	1,734	1,721	1,770	1,770	1,778	1,764	1,803	1,793	1,791
42 Loan and lease reserve[3]	33,276	33,400	33,471	33,348	33,276	33,537	33,517	33,447	33,182
43 Other loans and leases, net	1,249,575	1,244,174r	1,246,821r	1,247,491r	1,247,658r	1,249,287	1,249,257	1,250,881	1,251,356
44 All other assets	142,304	139,531r	141,943r	140,643r	142,255r	147,131	142,484	144,909	143,543
45 **Total assets**	**2,037,377**	**2,012,548**	**2,028,054**	**2,043,366**	**2,026,677r**	**2,022,253**	**2,023,941**	**2,015,357**	**2,012,648**

Footnotes appear on the following page.

1.27 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS—Continued

Millions of dollars, Wednesday figures

Account	1996								
	Jan. 31[r]	Feb. 7	Feb. 14	Feb. 21	Feb. 28	Mar. 6	Mar. 13	Mar. 20	Mar. 27
LIABILITIES									
46 Deposits	1,211,596	1,203,600	1,208,803	1,212,020	1,194,293[r]	1,214,607	1,209,808	1,202,987	1,198,002
47 Demand deposits	316,332	299,712	304,213	314,317	298,488[r]	301,580	297,915	296,239	294,139
48 Individuals, partnerships, and corporations	266,036	253,049[r]	257,465[r]	261,837[r]	255,041[r]	258,736	257,055	251,947	250,720
49 Other holders	50,296	46,663[r]	46,748[r]	52,480[r]	43,447[r]	42,844	40,859	44,293	43,420
50 States and political subdivisions	10,171	8,475[r]	8,229[r]	9,147[r]	8,336[r]	7,895	7,473	8,641	8,212
51 U.S. government	2,301	1,999	1,949	1,494	1,709	2,160	1,698	1,959	1,691
52 Depository institutions in the United States	21,488	19,743	20,010	25,727	19,860[r]	20,260	19,412	20,459	20,140
53 Banks in foreign countries	5,615	4,929	5,300	5,410	5,842	4,998	5,019	5,750	5,468
54 Foreign governments and official institutions	709	524	693	607	553	680	678	695	604
55 Certified and officers' checks	9,911	10,993	10,567	10,095	7,147	6,851	6,580	6,788	7,304
56 Transaction balances other than demand deposits[4]	88,831	86,072	84,896	86,086	85,171	86,023	84,122	85,054	84,557
57 Nontransaction balances	806,433	817,817	819,695	811,617	810,634	827,004	827,771	821,694	819,305
58 Individuals, partnerships, and corporations	782,500[r]	793,128[r]	794,916[r]	786,998[r]	786,031[r]	801,769	802,876	796,780	794,426
59 Other holders	23,933[r]	24,688[r]	24,778[r]	24,618[r]	24,603[r]	25,235	24,895	24,914	24,880
60 States and political subdivisions	20,947[r]	21,602[r]	21,631[r]	21,599[r]	21,600[r]	22,275	22,034	22,103	21,980
61 U.S. government	829	862	894	730	739	785	781	747	728
62 Depository institutions in the United States	1,868[r]	1,935[r]	1,962[r]	2,001[r]	1,979[r]	1,889	1,776	1,752	1,879
63 Foreign governments, official institutions, and banks	290[r]	290[r]	289[r]	289[r]	285	286	305	312	292
64 Liabilities for borrowed money[5]	409,509	396,891	406,215	410,656	410,004	394,734	404,051	410,568	402,667
65 Borrowings from Federal Reserve Banks	0	0	0	0	0	0	0	0	0
66 Treasury tax and loan notes	21,406	3,561[r]	5,234[r]	5,295[r]	21,229[r]	7	463	15,825	11,733
67 Other liabilities for borrowed money[6]	388,103	393,330[r]	400,981	405,360	388,774	394,727	403,588	394,743	390,934
68 Other liabilities (including subordinated notes and debentures)	220,010	215,939	215,868	223,966	225,673[r]	215,840	212,309	204,359	214,807
69 **Total liabilities**	**1,841,114**	**1,816,430**	**1,830,886**	**1,846,641**	**1,829,970[r]**	**1,825,181**	**1,826,167**	**1,817,914**	**1,815,476**
70 Residual (total assets less total liabilities)[7]	196,263	196,118	197,168	196,724	196,707	197,072	197,774	197,443	197,172
MEMO									
71 Total loans and leases, gross, adjusted, plus securities[8]	1,692,022[r]	1,692,891[r]	1,698,628	1,695,227	1,692,375[r]	1,691,990	1,691,392	1,684,398	1,682,706
72 Time deposits in amounts of $100,000 or more	118,288[r]	120,284[r]	120,115[r]	119,109[r]	118,222[r]	118,768	117,990	117,728	116,262
73 Loans sold outright to affiliates[9]	1,215	1,208	1,196	1,187	1,177	1,168	1,151	1,136	1,125
74 Commercial and industrial	275	275	275	275	275	275	270	270	269
75 Other	940	933	921	912	902	892	880	866	856
76 Foreign branch credit extended to U.S. residents[10]	27,814	27,584	27,767	27,990	27,714	27,546	27,354	27,162	26,956
77 Net owed to related institutions abroad	83,845	82,637	78,912	92,098	92,665	82,191	80,559	73,999	85,122

1. Includes certificates of participation, issued or guaranteed by agencies of the U.S. government, in pools of residential mortgages.
2. Includes securities purchased under agreements to resell.
3. Includes allocated transfer risk reserve.
4. Includes negotiable order of withdrawal (NOWs) and automatic transfer service (ATS) accounts, and telephone and preauthorized transfers of savings deposits.
5. Includes borrowings only from other than directly related institutions.
6. Includes federal funds purchased and securities sold under agreements to repurchase.
7. This balancing item is not intended as a measure of equity capital for use in capital adequacy analysis.
8. Excludes loans to and federal funds transactions with commercial banks in the United States.
9. Affiliates include a bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company.
10. Credit extended by foreign branches of domestically chartered weekly reporting banks to nonbank U.S. residents. Consists mainly of commercial and industrial loans, but includes an unknown amount of credit extended to other than nonfinancial businesses.

1.28 LARGE WEEKLY REPORTING U.S. BRANCHES AND AGENCIES OF FOREIGN BANKS
Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1996								
	Jan. 31	Feb. 7	Feb. 14	Feb. 21	Feb. 28	Mar. 6	Mar. 13	Mar. 20	Mar. 27
ASSETS									
1 Cash and balances due from depository institutions	18,636	17,402	18,058	16,949	16,736	16,242	16,694	16,500	16,611
2 U.S. Treasury and government agency securities	42,544	46,388	46,201	46,714	49,319	47,099	46,911	46,967	45,429
3 Other securities	38,134[r]	45,564[r]	45,777[r]	44,251[r]	44,704[r]	44,099	43,329	42,717	42,555
4 Federal funds sold[1]	27,917	28,750	31,485	25,529	31,387	27,075	29,682	28,169	30,121
5 To commercial banks in the United States	7,602	6,251	6,845	4,414	7,963	5,202	7,274	5,948	7,812
6 To others[2]	20,314	22,499	24,640	21,114	23,425	21,873	22,409	22,221	22,308
7 Other loans and leases, gross	181,613	181,988	184,179	184,096	185,298[r]	180,675	181,937	183,360	183,599
8 Commercial and industrial	118,802	120,234	120,731[r]	120,733[r]	120,912[r]	119,678	120,149	121,260	120,681
9 Bankers acceptances and commercial paper	5,134	5,141	5,080	5,163	5,290[r]	5,155	5,048	5,149	5,188
10 All other	113,668	115,093	115,651[r]	115,570[r]	115,622[r]	114,523	115,100	116,112	115,493
11 U.S. addressees	107,765	109,132	109,630[r]	109,648[r]	109,699[r]	108,519	109,007	109,988	109,311
12 Non-U.S. addressees	5,903	5,961	6,021	5,921	5,923	6,004	6,093	6,123	6,182
13 Loans secured by real estate	21,165	21,326	21,280	21,285	21,009	20,833	20,817	20,687	20,374
14 Loans to depository and financial institutions	30,063	28,888	29,382	29,575	29,673	28,376	28,907	29,314	30,067
15 Commercial banks in the United States	2,444	2,341	2,791	2,381	2,413	2,510	3,231	3,144	3,273
16 Banks in foreign countries	2,819	2,907	2,781	2,703	3,050	2,883	2,845	2,671	2,755
17 Nonbank financial institutions	24,800	23,640	23,809	24,491	24,210	22,984	22,830	23,500	24,039
18 For purchasing and carrying securities	4,888	4,891	5,768[r]	5,836[r]	7,014[r]	5,113	5,389	5,503	5,782
19 To foreign governments and official institutions	587	641	735	661	661	686	593	669	591
20 All other	4,211[r]	4,150[r]	4,340[r]	4,148	4,166[r]	4,138	4,202	4,094	4,214
21 Other assets (claims on nonrelated parties)	39,161[r]	40,808[r]	40,477[r]	40,227	40,848[r]	40,115	41,240	36,505	36,785
22 **Total assets**[3]	**387,035[r]**	**388,151[r]**	**392,427[r]**	**385,692[r]**	**396,549[r]**	**386,611**	**387,969**	**384,985**	**384,098**
LIABILITIES									
23 Deposits or credit balances owed to other than directly related institutions	100,709	101,265	100,901	99,493	104,192[r]	103,864	105,992	105,042	105,989
24 Demand deposits[4]	4,483	4,280	4,910	4,247	3,887	3,778	3,896	3,623	3,954
25 Individuals, partnerships, and corporations	3,416	3,289	3,335	3,268	3,166	3,183	3,105	2,921	3,124
26 Other	1,067	991	1,576	980	721	595	791	702	830
27 Nontransaction accounts	96,226	96,985	95,991	95,246	100,306[r]	100,086	102,097	101,419	102,035
28 Individuals, partnerships, and corporations	65,759	66,191	64,697	65,020	68,847[r]	69,719	72,078	71,613	71,374
29 Other	30,466	30,794	31,294	30,226	31,458	30,366	30,018	29,807	30,661
30 Borrowings from other than directly related institutions	71,685	73,162	73,791	71,983	75,816	77,113	72,747	75,565	70,075
31 Federal funds purchased[5]	47,553	44,921	45,700	43,012	45,012	49,350	45,236	47,141	43,941
32 From commercial banks in the United States	11,188	7,831	9,046	7,648	10,198	11,755	10,305	8,850	8,730
33 From others	36,365	37,090	36,654	35,365	34,814	37,595	34,931	38,291	35,211
34 Other liabilities for borrowed money	24,132	28,240	28,091	28,971	30,803	27,764	27,511	28,424	26,133
35 To commercial banks in the United States	4,013	4,119	4,479	3,864	4,304	4,282	3,949	4,244	4,381
36 To others	20,119	24,122	23,612	25,107	26,500	23,482	23,562	24,181	21,753
37 Other liabilities to nonrelated parties	64,667	64,812	63,753	62,228	64,960	62,461	63,064	59,105	58,817
38 **Total liabilities**[6]	**387,035[r]**	**388,151[r]**	**392,427[r]**	**385,692[r]**	**396,549[r]**	**386,611**	**387,969**	**384,985**	**384,098**
MEMO									
39 Total loans (gross) and securities, adjusted[7]	290,162[r]	294,097[r]	298,005[r]	293,794[r]	300,334[r]	291,237	291,354	292,121	290,617
40 Net owed to related institutions abroad	120,944[r]	121,661[r]	127,731[r]	124,061[r]	123,325[r]	111,868	117,991	114,507	120,219

1. Includes securities purchased under agreements to resell.
2. Includes transactions with nonbank brokers and dealers in securities.
3. For U.S. branches and agencies of foreign banks having a net "due from" position, includes net due from related institutions abroad.
4. Includes other transaction deposits.
5. Includes securities sold under agreements to repurchase.
6. For U.S. branches and agencies of foreign banks having a net "due to" position, includes net owed to related institutions abroad.
7. Excludes loans to and federal funds transactions with commercial banks in the United States.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Item	Year ending December					1995				1996	
	1991	1992	1993	1994	1995	Sept.	Oct.	Nov	Dec.	Jan.	Feb.
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**528,832**	**545,619**	**555,075**	**595,382**	**674,903**	**670,642**	**673,241**	**669,656**	**674,903**	**685,795**	**687,668**
Financial companies[1]											
2 Dealer placed paper[2], total	212,999	226,456	218,947	223,038	275,815	269,636	271,299	276,223	275,815	288,367	293,313
3 Directly placed paper[3], total	182,463	171,605	180,389	207,701	210,828	215,179	215,982	213,574	210,828	208,164	208,046
4 Nonfinancial companies[4]	133,370	147,558	155,739	164,643	188,260	185,827	185,960	179,859	188,260	189,264	186,309
	Bankers dollar acceptances (not seasonally adjusted)[5]										
5 **Total**	**43,770**	**38,194**	**32,348**	**29,835**							
By holder											
6 Accepting banks	11,017	10,555	12,421	11,783							
7 Own bills	9,347	9,097	10,707	10,462							
8 Bills bought from other banks	1,670	1,458	1,714	1,321							
Federal Reserve Banks[6]											
9 Foreign correspondents	1,739	1,276	725	410	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 Others	31,014	26,364	19,202	17,642							
By basis											
11 Imports into United States	12,843	12,209	10,217	10,062							
12 Exports from United States	10,351	8,096	7,293	6,355							
13 All other	20,577	17,890	14,838	13,417							

1. Institutions engaged primarily in commercial, savings, and mortgage banking; sales, personal, and mortgage financing; factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.
2. Includes all financial-company paper sold by dealers in the open market.
3. As reported by financial companies that place their paper directly with investors.
4. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.
5. Data on bankers dollar acceptances are gathered from approximately 100 institutions. The reporting group is revised every January. Beginning January 1995, data for Bankers dollar acceptances will be reported annually in September.
6. In 1977 the Federal Reserve discontinued operations in bankers dollar acceptances for its own account.

1.33 PRIME RATE CHARGED BY BANKS Short-Term Business Loans[1]

Percent per year

Date of change	Rate	Period	Average rate	Period	Average rate	Period	Average rate
1993 Jan 1	6.00	1993	6.00	1994 - Jan.	6.00	1995 Jan	8.50
		1994	7.15	Feb.	6.00	Feb.	9.00
1994 Mar 24	6.25	1995	8.83	Mar.	6.06	Mar.	9.00
Apr 19	6.75			Apr.	6.45	Apr.	9.00
May 17	7.25	1993 Jan.	6.00	May	6.99	May	9.00
Aug. 16	7.75	Feb	6.00	June	7.25	June	9.00
Nov 15	8.50	Mar.	6.00	July	7.25	July	8.80
		Apr.	6.00	Aug	7.51	Aug.	8.75
1995 Feb. 1	9.00	May	6.00	Sept.	7.75	Sept.	8.75
July 7	8.75	June	6.00	Oct	7.75	Oct	8.75
Dec 20	8.50	July	6.00	Nov.	8.15	Nov	8.75
		Aug	6.00	Dec	8.50	Dec	8.65
1996 - Feb 1	8.25	Sept	6.00				
		Oct	6.00			1996 Jan	8.50
		Nov.	6.00			Feb	8.25
		Dec.	6.00			Mar	8.25
						Apr	8.25

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	1993	1994	1995	1995	1996			1996, week ending				
				Dec.	Jan.	Feb.	Mar.	Mar. 1	Mar. 8	Mar. 15	Mar. 22	Mar. 29
MONEY MARKET INSTRUMENTS												
1 Federal funds[1,2,3]	3.02	4.21	5.83	5.60	5.56	5.22	5.31	5.31	5.57	5.24	5.36	5.22
2 Discount window borrowing[2,4]	3.00	3.60	5.21	5.25	5.24	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Commercial paper[3,5,6]												
3 1-month	3.17	4.43	5.93	5.84	5.56	5.29	5.39	5.30	5.31	5.37	5.41	5.48
4 3-month	3.22	4.66	5.93	5.64	5.40	5.15	5.31	5.17	5.21	5.33	5.36	5.37
5 6-month	3.30	4.93	5.93	5.43	5.23	4.99	5.26	5.05	5.12	5.31	5.33	5.32
Finance paper, directly placed[3,5,7]												
6 1-month	3.12	4.33	5.81	5.70	5.44	5.20	5.29	5.20	5.22	5.26	5.32	5.36
7 3-month	3.16	4.53	5.78	5.47	5.25	5.00	5.18	5.03	5.05	5.21	5.24	5.26
8 6-month	3.15	4.56	5.68	5.20	5.01	4.77	5.04	4.83	4.89	5.08	5.09	5.14
Bankers acceptances[3,5,8]												
9 3-month	3.13	4.56	5.81	5.52	5.31	5.07	5.21	5.09	5.11	5.23	5.26	5.26
10 6-month	3.21	4.83	5.80	5.34	5.14	4.91	5.17	4.99	5.01	5.20	5.23	5.22
Certificates of deposit, secondary market[3,9]												
11 1-month	3.11	4.38	5.87	5.75	5.47	5.23	5.31	5.23	5.24	5.30	5.34	5.36
12 3-month	3.17	4.63	5.92	5.62	5.39	5.15	5.29	5.16	5.19	5.31	5.33	5.34
13 6-month	3.28	4.96	5.98	5.49	5.28	5.03	5.30	5.12	5.18	5.33	5.36	5.37
14 Eurodollar deposits, 3-month[3,10]	3.18	4.63	5.93	5.64	5.40	5.14	5.28	5.11	5.18	5.31	5.31	5.33
U.S. Treasury bills												
Secondary market[3,5]												
15 3-month	3.00	4.25	5.49	5.14	5.00	4.83	4.96	4.87	4.89	4.97	5.00	5.00
16 6-month	3.12	4.64	5.56	5.13	4.92	4.77	4.96	4.82	4.87	4.99	5.03	5.00
17 1-year	3.29	5.02	5.60	5.03	4.82	4.69	5.06	4.87	4.89	5.13	5.15	5.13
Auction average[3,5,11]												
18 3-month	3.02	4.29	5.51	5.16	5.02	4.87	4.96	4.86	4.89	4.95	5.02	4.99
19 6-month	3.14	4.66	5.59	5.15	4.97	4.79	4.96	4.80	4.80	5.00	5.06	4.97
20 1-year	3.33	5.02	5.69	5.06	4.89	4.64	4.98	n.a.	4.98	n.a.	n.a.	n.a.
U.S. TREASURY NOTES AND BONDS												
Constant maturities[12]												
21 1-year	3.43	5.32	5.94	5.31	5.09	4.94	5.34	5.14	5.15	5.41	5.44	5.42
22 2-year	4.05	5.94	6.15	5.32	5.11	5.03	5.66	5.32	5.40	5.76	5.79	5.78
23 3-year	4.44	6.27	6.25	5.39	5.20	5.14	5.79	5.44	5.52	5.90	5.91	5.89
24 5-year	5.14	6.69	6.38	5.51	5.36	5.38	5.97	5.65	5.71	6.06	6.08	6.08
25 7-year	5.54	6.91	6.50	5.63	5.54	5.64	6.19	5.91	5.96	6.30	6.30	6.27
26 10-year	5.87	7.09	6.57	5.71	5.65	5.81	6.27	6.06	6.08	6.37	6.36	6.32
27 20-year	6.29	7.49	6.95	6.12	6.11	6.30	6.74	6.55	6.57	6.82	6.82	6.81
28 30-year	6.59	7.37	6.88	6.06	6.05	6.24	6.60	6.45	6.47	6.68	6.67	6.65
Composite												
29 More than 10 years (long-term)	6.45	7.41	6.93	6.11	6.07	6.28	6.72	6.53	6.55	6.79	6.79	6.78
STATE AND LOCAL NOTES AND BONDS												
Moody's series[13]												
30 Aaa	5.38	5.77	5.80	5.40	5.27	5.24	5.33	5.30	5.29	5.23	5.38	5.44
31 Baa	5.83	6.17	6.10	5.66	5.59	5.59	5.72	5.61	5.57	5.57	5.91	5.96
32 *Bond Buyer* series[14]	5.60	6.18	5.95	5.45	5.43	5.43	5.79	5.57	5.59	5.81	5.86	5.90
CORPORATE BONDS												
33 Seasoned issues, all industries[15]	7.54	8.26	7.83	7.11	7.10	7.27	7.65	7.49	7.51	7.72	7.71	7.69
Rating group												
34 Aaa	7.22	7.97	7.59	6.82	6.80	6.99	7.35	7.20	7.21	7.42	7.41	7.39
35 Aa	7.40	8.15	7.72	6.99	6.99	7.16	7.52	7.38	7.39	7.59	7.58	7.57
36 A	7.58	8.28	7.83	7.13	7.12	7.31	7.68	7.52	7.55	7.75	7.74	7.72
37 Baa	7.93	8.63	8.20	7.49	7.47	7.63	8.03	7.86	7.90	8.10	8.10	8.09
38 A-rated, recently offered utility bonds[16]	7.46	8.29	7.86	7.19	7.09	7.31	7.75	7.45	7.80	7.87	7.76	7.77
MEMO												
Dividend-price ratio[17]												
39 Common stocks	2.78	2.82	2.56	2.30	2.31	2.22	2.22	2.23	2.21	2.25	2.21	2.21

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	1993	1994	1995	1995 July	1995 Aug.	1995 Sept	1995 Oct	1995 Nov.	1995 Dec.	1996 Jan.	1996 Feb.	1996 Mar.
	Prices and trading volume (averages of daily figures)											
Common stock prices (indexes)												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	249.71	254.16	291.18	298.18	300.05	310.41	311.78	317.58	327.90	329.22	346.46	346.73
2 Industrial	300.10	315.32	367.40	379.13	379.79	390.42	389.63	398.66	412.11	413.05	435.92	439.55
3 Transportation	242.68	247.17	270.14	279.15	285.63	295.54	291.16	300.06	303.53	300.43	315.29	324.77
4 Utility	114.55	104.96	114.61	109.59	111.06	114.67	123.59	119.49	173.95	127.09	135.51	122.83
5 Finance	216.55	209.75	238.48	240.49	245.27	260.72	265.12	266.12	273.36	274.96	290.97	290.44
6 *Standard & Poor's Corporation* (1941–43 = 10)[1]	451.63	460.42	541.72	557.37	559.11	578.77	582.92	595.53	614.57	614.42	649.54	647.07
7 American Stock Exchange (Aug. 31, 1973 = 50)[2]	438.77	449.49	498.13	513.25	526.86	547.64	530.26	529.93	538.01	540.48	562.34	565.69
Volume of trading (thousands of shares)												
8 New York Stock Exchange	263,374	290,652	345,729	363,780	309,879	352,184	365,108	360,199	384,310	416,048	434,607	426,198
9 American Stock Exchange	18,188	17,951	20,387	23,283	21,825	25,422	17,865	16,724	21,085	21,069	27,107	22,988
	Customer financing (millions of dollars, end-of-period balances)											
10 **Margin credit at broker–dealers**[3]	**60,310**	**61,160**	**76,680**	**67,600**	**71,440**	**77,076**	**75,005**	**77,875**	**76,680**	**73,530**	**77,090**	**78,308**
Free credit balances at brokers[4]												
11 Margin accounts[5]	12,360	14,095	16,250	13,830	13,900	14,806	14,753	15,590	16,250	14,950	15,840	15,770
12 Cash accounts	27,715	28,870	34,340	28,600	29,190	29,796	29,908	30,340	34,340	32,465	34,700	33,113

	Margin requirements (percent of market value and effective date)[6]					
	Mar. 11, 1968	June 8, 1968	May 6, 1970	Dec. 6, 1971	Nov. 24, 1972	Jan. 3, 1974
13 Margin stocks	70	80	65	55	65	50
14 Convertible bonds	50	60	50	50	50	50
15 Short sales	70	80	65	55	65	50

1. In July 1976 a financial group, composed of banks and insurance companies, was added to the group of stocks on which the index is based. The index is now based on 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.
2. On July 5, 1983, the American Stock Exchange rebased its index, effectively cutting previous readings in half.
3. Since July 1983, under the revised Regulation T, margin credit at broker–dealers has included credit extended against stocks, convertible bonds, stocks acquired through the exercise of subscription rights, corporate bonds, and government securities. Separate reporting of data for margin stocks, convertible bonds, and subscription issues was discontinued in April 1984.
4. Free credit balances are amounts in accounts with no unfulfilled commitments to brokers and are subject to withdrawal by customers on demand.
5. Series initiated in June 1984.
6. Margin requirements, stated in regulations adopted by the Board of Governors pursuant to the Securities Exchange Act of 1934, limit the amount of credit that can be used to purchase and carry "margin securities" (as defined in the regulations) when such credit is collateralized by securities. Margin requirements on securities other than options are the difference between the market value (100 percent) and the maximum loan value of collateral as prescribed by the Board. Regulation T was adopted effective Oct. 15, 1934; Regulation U, effective May 1, 1936; Regulation G, effective Mar. 11, 1968; and Regulation X, effective Nov. 1, 1971.

On Jan. 1, 1977, the Board of Governors for the first time established in Regulation T the initial margin required for writing options on securities, setting it at 30 percent of the current market value of the stock underlying the option. On Sept. 30, 1985, the Board changed the required initial margin, allowing it to be the same as the option maintenance margin required by the appropriate exchange or self-regulatory organization; such maintenance margin rules must be approved by the Securities and Exchange Commission. Effective Jan. 31, 1986, the SEC approved new maintenance margin rules, permitting margins to be the price of the option plus 15 percent of the market value of the stock underlying the option.

Effective June 8, 1988, margins were set to be the price of the option plus 20 percent of the market value of the stock underlying the option (or 15 percent in the case of stock index options).

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year			Calendar year					
	1993	1994	1995	1995			1996		
				Oct	Nov.	Dec.	Jan.	Feb.	Mar.
U.S. budget[1]									
1 Receipts, total	1,153,535	1,257,745	1,355,213	95,593	90,008	138,271	142,922	89,349	89,011
2 On budget	841,601	922,719	1,004,134	72,200	63,651	110,322	110,615	60,912	56,677
3 Off budget	311,934	335,026	351,079	23,393	26,357	27,949	32,307	28,437	32,334
4 Outlays, total	1,408,205	1,460,914	1,519,133	118,352	128,458	132,984	123,647	133,644	136,286
5 On budget	1,141,618	1,181,542	1,230,469	92,151	101,767	121,753	98,057	105,711	108,365
6 Off budget	266,587	279,372	288,664	26,200	26,691	11,232	25,591	27,933	27,921
7 Surplus or deficit (-), total	255,670	203,169	163,920	22,758	38,450	5,286	19,274	44,295	47,275
8 On budget	300,017	258,823	226,335	19,951	-38,116	11,431	12,558	44,799	51,688
9 Off budget	45,347	55,654	62,415	2,807	334	16,717	6,716	504	4,413
Source of financing (total)									
10 Borrowing from the public	248,594	184,998	171,288	13,353	38,339	-18,358	4,747	47,022	39,189
11 Operating cash (decrease, or increase (-))	6,283	16,564	2,007	16,755	4,911	5,610	16,959	6,297	9,283
12 Other[2]	429	1,540	5,468	7,350	5,022	7,462	2,432	9,024	197
MEMO									
13 Treasury operating balance (level, end of period)	52,506	35,942	37,949	21,194	26,105	20,495	37,454	31,157	21,874
14 Federal Reserve Banks	17,289	6,848	8,620	7,018	5,703	5,979	8,210	5,632	7,021
15 Tax and loan accounts	35,217	29,094	29,329	14,176	20,402	14,515	29,243	25,525	14,853

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 1994	Fiscal year 1995	Calendar year 1994 H1	Calendar year 1994 H2	Calendar year 1995 H1	Calendar year 1995 H2	Calendar year 1996 Jan.	Calendar year 1996 Feb.	Calendar year 1996 Mar.
RECEIPTS									
1 **All sources**	**1,257,737**	**1,355,213**	**652,234**	**625,557**	**710,542**	**656,400**	**142,922**	**89,349**	**89,011**
2 Individual income taxes, net	543,055	590,244	275,052	273,474	307,498	292,393	86,192	40,327	22,523
3 Withheld	459,699	499,927	225,387	240,062	251,398	256,916[r]	55,351	46,722	41,834
4 Presidential Election Campaign Fund	70	69	63	10	58	9	1	7	16
5 Nonwithheld	160,047	175,786	117,620	42,031	132,006	43,100	31,159	3,163	5,790
6 Refunds	76,761	85,538	68,325	9,207	75,958	10,058	319	9,565	25,118
Corporation income taxes									
7 Gross receipts	154,205	174,422	80,536	78,392	92,132	88,302	6,381	3,797	17,793
8 Refunds	13,820	17,418	6,933	7,331	10,399	7,518	1,223	2,105	2,332
9 Social insurance taxes and contributions, net	461,475	484,473	248,301	220,141	261,837	224,269	42,197	38,960	41,763
10 Employment taxes and contributions[2]	428,810	451,045	228,714	206,613	228,663	211,323	40,742	36,011	41,086
11 Self employment taxes and contributions[3]	24,433	27,127	20,762	4,135	23,429	3,557	2,188	278	1,006
12 Unemployment insurance	28,004	28,878	17,301	11,177	18,001	10,702	1,081	2,546	258
13 Other net receipts[4]	4,661	4,550	2,284	2,349	2,267	2,247	374	403	419
14 Excise taxes	55,225	57,484	26,444	30,062	27,452	30,014	4,241	4,308	4,133
15 Customs deposits	20,099	19,301	9,500	11,042	8,847	9,849	1,482	1,456	1,528
16 Estate and gift taxes	15,225	14,763	8,197	7,071	7,494	7,718	1,288	1,090	1,137
17 Miscellaneous receipts[5]	22,274	31,944	11,170	13,305	15,749	11,374	2,364	1,517	2,467
OUTLAYS									
18 **All types**	**1,460,841**	**1,519,133**	**710,620**	**752,151**	**760,824**	**752,511[r]**	**123,647**	**133,644**	**136,286**
19 National defense	281,642	272,066	133,844	141,885	135,862	132,954	20,243	21,691	22,479
20 International affairs	17,083	16,434	5,800	11,889	4,791	6,994	1,089	2,604	1,391
21 General science, space, and technology	16,227	16,724	8,502	7,604	8,611	8,810	1,536	1,326	1,381
22 Energy	5,219	4,936	2,237	2,923	2,358	2,203	115	54	131
23 Natural resources and environment	21,061	22,105	10,111	11,911	10,272[r]	12,633	1,869	1,817	1,592
24 Agriculture	15,046	9,773	7,451	7,623	4,010	3,062	336	345	62
25 Commerce and housing credit	5,118	14,441	4,962	4,270	13,936	4,412	2,014	1,024	1,443
26 Transportation	38,066	39,350	16,739	21,835	18,193	19,931	3,094	2,960	2,864
27 Community and regional development	10,454	10,641	3,571	6,283	4,858	6,085	1,009	396	1,007
28 Education, training, employment, and social services	46,307	54,263	19,262	27,450	25,738	24,820	5,418	4,498	4,270
29 Health	107,122	115,418	53,195	54,147	58,759	57,013	8,665	9,542	10,306
30 Social security and Medicare	464,312	495,701	232,777	236,817	251,975	251,387	42,786	42,950	43,239
31 Income security	214,031	220,449	109,080	101,806	117,638	104,214	17,188	23,812	25,968
32 Veterans benefits and services	37,642	37,938	16,686	19,761	19,268[r]	18,684	2,165	2,901	3,300
33 Administration of justice	15,256	16,223	7,718	7,753	8,062	8,118[r]	1,806	1,281	1,342
34 General government	11,303	13,835	5,084	7,355	5,798	7,623	391	1,575	766
35 Net interest[6]	202,957	232,173	99,844	109,434	116,170	119,350	20,765	19,771	20,244
36 Undistributed offsetting receipts[7]	37,772	44,155	17,308	20,066	17,632	26,994	2,812	2,855	2,490

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. Old-age, disability, and hospital insurance.
4. Federal employee retirement contributions and civil service retirement and disability fund.
5. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.
6. Includes interest received by trust funds.
7. Rents and royalties for the outer continental shelf, U.S. government contributions for employee retirement, and certain asset sales.

SOURCE. Fiscal year totals: U.S. Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 1997*; 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	1994 Mar. 31	1994 June 30	1994 Sept. 30	1994 Dec. 31	1995 Mar. 31	1995 June 30	1995 Sept. 30	1995 Dec. 31	1996 Mar. 31
1 **Federal debt outstanding**	**4,602**	**4,673**	**4,721**	**4,827**	**4,891**	**4,978**	**5,001**	**5,017**	n.a.
2 Public debt securities	4,576	4,646	4,693	4,800	4,864	4,951	4,974	4,989	5,118[r]
3 Held by public	3,434	3,443	3,480	3,543	3,610	3,635	3,653	3,684	↑
4 Held by agencies	1,142	1,203	1,213	1,257	1,255	1,317	1,321	1,305	
5 Agency securities	26	28	29	27	27	27	27	28	n.a.
6 Held by public	26	27	29	27	26	27	27	28	
7 Held by agencies	0	0	0	0	0	0	0	0	↓
8 **Debt subject to statutory limit**	**4,491**	**4,559**	**4,605**	**4,711**	**4,775**	**4,861**	**4,885**	**4,900**	**5,030[r]**
9 Public debt securities	4,491	4,559	4,605	4,711	4,774	4,861	4,885	4,900	5,030[r]
10 Other debt[1]	0	0	0	0	0	0	0	0	0[r]
MEMO									
11 Statutory debt limit	4,900	4,900	4,900	4,900	4,900	4,900	4,900	4,900	5,500[r]

1. Consists of guaranteed debt of U.S. Treasury and other federal agencies, specified participation certificates, notes to international lending organizations, and District of Columbia stadium bonds.

SOURCES. U.S. Department of the Treasury, *Monthly Statement of the Public Debt of the United States* and *Treasury Bulletin*.

1.41 GROSS PUBLIC DEBT OF U.S. TREASURY Types and Ownership

Billions of dollars, end of period

Type and holder	1992	1993	1994	1995	1995 Q2	1995 Q3	1995 Q4	1996 Q1
1 **Total gross public debt**	**4,177.0**	**4,535.7**	**4,800.2**	**4,988.7**	**4,951.4**	**4,974.0**	**4,988.7**	**5,117.8**
By type								
2 Interest bearing	4,173.9	4,532.3	4,769.2	4,964.4	4,947.8	4,950.6	4,964.4	5,083.0
3 Marketable	2,754.1	2,989.5	3,126.0	3,307.2	3,252.6	3,260.5	3,307.2	3,375.1
4 Bills	657.7	714.6	733.8	760.7	748.3	742.5	760.7	811.9
5 Notes	1,608.9	1,764.0	1,867.0	2,010.3	1,974.7	1,980.3	2,010.3	2,014.1
6 Bonds	472.5	495.9	510.3	521.2	514.7	522.6	521.2	534.1
7 Nonmarketable[1]	1,419.8	1,542.9	1,643.1	1,657.2	1,695.2	1,690.2	1,657.2	1,707.9
8 State and local government series	153.5	149.5	132.6	104.5	121.2	113.4	104.5	96.5
9 Foreign issues[2]	37.4	43.5	42.5	40.8	41.4	41.0	40.8	40.4
10 Government	37.4	43.5	42.5	40.8	41.4	41.0	40.8	40.4
11 Public	0	0	.0	0	.0	.0	.0	0
12 Savings bonds and notes	155.0	169.4	177.8	181.9	180.1	181.2	181.9	183.0
13 *Government account series*[3]	1,043.5	1,150.0	1,259.8	1,299.6	1,322.0	1,324.3	1,299.6	1,357.7
14 Non-interest bearing	3.1	3.4	31.0	24.3	3.6	23.3	24.3	34.8
By holder[4]								
15 U.S. Treasury and other federal agencies and trust funds	1,047.8	1,153.5	1,257.1	1,304.5	1,316.6	1,320.8	1,304.5	↑
16 Federal Reserve Banks	302.5	334.2	374.1	391.0	389.0	374.1	391.0	
17 Private investors	2,839.9	3,047.4	3,168.0	3,294.9	3,245.0	3,279.5	3,294.9	
18 Commercial banks	294.4	322.2	290.1	285.0	298.0	289.0	285.0	
19 *Money market funds*	79.7	80.8	67.6	71.3	58.7	64.2	71.3	
20 Insurance companies	197.5	234.5	240.1	252.0	248.6	250.5	252.0	
21 Other companies	192.5	213.0	226.5	288.8	227.7	224.1	288.8	n.a.
22 State and local treasuries[5,6]	579.3	631.9	521.4	420.0	470.9	422.9	420.0	
Individuals								
23 Savings bonds	157.3	171.9	180.5	185.0	183.6	183.5	185.0	
24 Other securities	131.9	137.9	150.7	162.7	161.6	162.4	162.7	
25 Foreign and international[7]	549.7	623.0	688.6	861.8	784.1	848.1	861.8	
26 *Other miscellaneous investors*[6,8]	657.5	632.3	802.5	768.3	812.8	834.8	768.3	↓

1. Includes (not shown separately) securities issued to the Rural Electrification Administration, depository bonds, retirement plan bonds, and individual retirement bonds.
2. Nonmarketable series denominated in dollars, and series denominated in foreign currency held by foreigners.
3. Held almost entirely by U.S. Treasury and other federal agencies and trust funds.
4. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.
5. Includes state and local pension funds.
6. In March 1996, in a redefinition of series, fully defeased debt backed by nonmarketable federal securities was removed from "Other miscellaneous investors" and added to "State and local treasuries." The data shown here have been revised accordingly.
7. Consists of investments of foreign balances and international accounts in the United States.
8. Includes savings and loan associations, nonprofit institutions, credit unions, mutual savings banks, corporate pension trust funds, dealers and brokers, certain U.S. Treasury deposit accounts, and federally sponsored agencies.

SOURCES. U.S. Treasury Department, data by type of security, *Monthly Statement of the Public Debt of the United States*; data by holder, *Treasury Bulletin*.

1.42 U.S. GOVERNMENT SECURITIES DEALERS Transactions[1]

Millions of dollars, daily averages

Item	1995	1996		1996, week ending									
	Dec.	Jan.	Feb	Jan. 31	Feb 7	Feb. 14	Feb 21	Feb. 28	Mar. 6	Mar 13	Mar. 20	Mar. 27
OUTRIGHT TRANSACTIONS[2]												
By type of security												
1 U.S. Treasury bills	54,313	53,618	65,579	56,939	66,365	56,382	63,493	75,724	65,246	58,612	52,050	45,640
Coupon securities, by maturity												
2 Five years or less	84,303	103,365	126,691	121,484	124,315	97,119	139,440	149,129	123,253	140,482	94,691	82,167
3 More than five years	43,615	54,608	67,822	58,119	69,703	71,497	71,386	61,941	55,182	62,864	44,568	42,324
4 Federal agency	26,368	27,947	26,759	26,477	26,486	26,419	27,570	26,578	27,494	27,651	26,045	28,636
5 Mortgage backed	33,205	37,009	40,769	28,703	49,268	47,660	34,847	30,067	41,011	62,577	35,464	28,483
By type of counterparty												
With interdealer broker												
6 U.S. Treasury	104,651	123,512	148,665	139,201	148,974	129,505	155,082	164,587	137,632	152,717	113,332	101,779
7 Federal agency	672	954	1,107	1,200	1,367	1,377	945	799	650	702	621	739
8 Mortgage-backed	12,863	12,634	14,663	9,989	16,433	17,213	14,038	10,950	14,124	24,033	13,603	10,526
With other												
9 U.S. Treasury	77,580	88,079	111,426	97,341	111,408	95,493	119,236	122,206	106,049	109,240	77,976	68,352
10 Federal agency	25,696	26,993	25,652	25,278	25,119	25,041	26,625	25,779	26,844	26,949	25,425	27,897
11 Mortgage-backed	20,342	24,375	26,106	18,714	32,835	30,447	20,809	19,117	26,887	38,543	21,861	17,956
FUTURES TRANSACTIONS[3]												
By type of deliverable security												
12 U.S. Treasury bills	603	451	346	675	203	358	524	305	492	567	591	410
Coupon securities, by maturity												
13 Five years or less	2,045	1,592	2,269	1,513	1,206	1,153	3,664	3,186	2,990	2,524	1,845	1,385
14 More than five years	12,577	14,331	17,420	14,583	14,504	15,602	23,229	17,566	17,128	18,600	15,054	10,829
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	0	0	0	0	0	0	0	0
Coupon securities, by maturity												
18 Five years or less	1,098	1,860	2,730	1,688	1,544	2,513	2,614	3,918	4,262	3,381	1,914	2,067
19 More than five years	3,898	4,109	4,580	4,345	4,066	3,874	7,542	3,653	3,476	3,967	2,366	2,547
20 Federal agency	0	0	0	0	0	0	0	0	0	0	0	0
21 Mortgage backed	862	860	1,341	685	972	1,159	2,476	909	1,720	1,600	792	459

1. Transactions are market purchases and sales of securities as reported to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Monthly averages are based on the number of trading days in the month. Transactions are assumed evenly distributed among the trading days of the report week. Immediate, forward, and futures transactions are reported at principal value, which does not include accrued interest; options transactions are reported at the face value of the underlying securities.

Dealers report cumulative transactions for each week ending Wednesday.

2. Outright transactions include immediate and forward transactions. Immediate delivery refers to purchases or sales of securities (other than mortgage-backed federal agency securities) for which delivery is scheduled in five business days or less and "when-issued" securities that settle on the issue date of offering. Transactions for immediate delivery of mortgage-backed agency securities include purchases and sales for which delivery is scheduled in thirty business days or less. Stripped securities are reported at market value by maturity of coupon or corpus.

Forward transactions are agreements made in the over-the-counter market that specify delayed delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.

3. Futures transactions are standardized agreements arranged on an exchange. All futures transactions are included regardless of time to delivery.

4. Options transactions are purchases or sales of put and call options, whether arranged on an organized exchange or in the over-the-counter market, and include options on futures contracts on U.S. Treasury and federal agency securities.

NOTE. "n.a." indicates that data are not published because of insufficient activity.

Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending July 6, 1994.

1.43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing[1]

Millions of dollars

Item	1995	1996		1996, week ending								
	Dec.	Jan.	Feb.	Jan. 31	Feb. 7	Feb. 14	Feb. 21	Feb. 28	Mar. 6	Mar. 13	Mar. 20
	Positions[2]										
NET OUTRIGHT POSITIONS[3]											
By type of security											
1 U.S. Treasury bills	16,960	9,173	8,316	2,468	7,984	7,984	1,932	14,082	17,288	21,460	13,482
Coupon securities, by maturity											
2 Five years or less	21,659	21,332	11,937	23,003	20,116	10,734	8,146	9,208	8,753	6,044	7,306
3 More than five years	11,698	14,408	14,139	16,726	12,740	8,641	14,695	19,897	18,223	24,674	25,707
4 Federal agency	22,446	23,115	23,424	18,084	25,297	23,052	21,080	24,586	21,197	30,359	27,515
5 Mortgage-backed	39,509	38,362	40,161	37,788	38,760	41,553	39,944	40,488	39,464	37,792	38,374
NET FUTURES POSITIONS[4]											
By type of deliverable security											
6 U.S. Treasury bills	2,484	2,787	2,582	2,663	2,901	2,652	2,882	2,059	1,418	2,106	3,929
Coupon securities, by maturity											
7 Five years or less	4,338	2,534	587	1,878	2,375	2,704	1,241	1,327	551	1,211	460
8 More than five years	17,662	12,781	9,037	11,649	10,968	16,809	5,373	3,348	6,594	2,425	4,030
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	1,439	931	5	1,808	1,829	850	1,112	1,463	887	613	1,100
13 More than five years	7,216	7,488	2,706	8,221	6,682	7,324	2,341	564	759	1,562	1,578
14 Federal agency	0	0	0	0	0	0	0	0	0	0	0
15 Mortgage-backed	90	638	3,052	640	1,686	1,777	3,410	5,191	4,048	5,614	5,403
	Financing[5]										
Reverse repurchase agreements											
16 Overnight and continuing	240,460	258,137	264,519	291,013	261,033	272,198	269,437	255,386	264,678	264,903	262,954
17 Term	389,626	405,768	424,730	393,531	450,293	464,098	381,535	406,947	397,073	439,536	450,306
Securities borrowed											
18 Overnight and continuing	154,078	171,843	166,781	172,495	164,331	159,871	171,620	169,882	176,708	177,763	176,291
19 Term	62,835	59,920	65,051	60,188	65,626	64,365	64,703	65,419	65,699	66,423	66,505
Securities received as pledge											
20 Overnight and continuing	4,132	3,114	1,878	2,022	1,577	1,658	2,117	2,014	2,686	5,088	6,067
21 Term	69	53	126	58	315	68	77	51	66	90	57
Repurchase agreements											
22 Overnight and continuing	535,088	553,719	562,396	573,013	557,489	566,822	572,853	552,013	565,231	576,134	565,550
23 Term	355,266	368,819	387,953	364,158	412,886	434,282	342,983	366,235	355,933	398,797	403,225
Securities loaned											
24 Overnight and continuing	5,543	5,566	4,714	3,699	4,401	4,129	5,052	5,183	5,345	5,429	5,406
25 Term	1,916	1,578	2,409	1,600	1,780	2,670	2,655	2,509	2,552	2,470	2,178
Securities pledged											
26 Overnight and continuing	34,010	34,769	33,230	34,040	32,277	29,935	35,183	34,748	38,677	39,007	42,694
27 Term	5,518	5,597	7,230	6,650	6,906	6,547	7,299	8,039	8,135	7,932	8,206
Collateralized loans											
28 Overnight and continuing	12,694	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
29 Term	1,989	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
30 Total	n.a.	17,606	14,667	17,275	18,124	14,891	12,828	13,054	13,062	10,210	11,300
MEMO: Matched book[6]											
Securities in											
31 Overnight and continuing	240,188	264,459	253,184	278,995	257,499	266,238	251,446	239,549	239,209	241,556	244,345
32 Term	391,281	403,403	426,185	388,620	449,324	460,794	388,695	409,045	404,360	442,808	445,405
Securities out											
33 Overnight and continuing	311,005	334,864	333,340	350,865	338,919	341,946	341,216	312,477	324,965	331,758	339,704
34 Term	309,089	318,147	330,450	308,250	354,223	372,456	287,026	311,512	306,521	341,791	344,393

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	1992	1993	1994	1995	1995				1996
					Sept.	Oct.	Nov.	Dec.	Jan.
1 **Federal and federally sponsored agencies**	**483,970**	**570,711**	**738,928**	n.a.	**811,182**	n.a.	n.a.	n.a.	n.a.
2 Federal agencies	41,829	45,193	39,186	37,347	38,030	38,237	39,207	37,347[r]	37,273
3 Defense Department[1]	7	6	6	6	6	6	6	6	6
4 Export-Import Bank[2,3]	7,208	5,315	3,455	2,050	2,512	2,512	2,512	2,050[r]	2,050
5 Federal Housing Administration[4]	374	255	116	97	87	88	93	97	31
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]	10,660	9,732	8,073	5,765	7,265	7,265	7,265	5,765	5,765
8 Tennessee Valley Authority	23,580	29,885	27,536	29,429	28,160	28,366	29,331	29,429	29,421
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]	442,141	523,452	699,742	n.a.	773,152	n.a.	n.a.	n.a.	n.a.
11 Federal Home Loan Banks	114,733	139,512	205,817	243,194	236,851	234,192	239,034	243,194	234,664
12 Federal Home Loan Mortgage Corporation	29,631	49,993	93,279	119,961	111,610	115,626	115,603	119,961	120,868
13 Federal National Mortgage Association	166,300	201,112	257,230	299,174	277,192	280,582	289,768	299,174	297,657
14 Farm Credit Banks[8]	51,910	53,123	53,175	57,379	55,800	56,529	56,694	57,379	58,659
15 Student Loan Marketing Association[9]	39,650	39,784	50,335	47,529	51,672	51,906	50,535	47,529	n.a.
16 Financing Corporation[10]	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170
17 Farm Credit Financial Assistance Corporation[11]	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261
18 Resolution Funding Corporation[12]	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996
MEMO									
19 **Federal Financing Bank debt**[13]	**154,994**	**128,187**	**103,817**	**78,681**	**84,297**	**82,622**	**81,693**	**78,681**	**78,512**
Lending to federal and federally sponsored agencies									
20 Export-Import Bank[3]	7,202	5,309	3,449	2,044	2,506	2,506	2,506	2,044[r]	2,044
21 Postal Service[6]	10,440	9,732	8,073	5,765	7,265	7,265	7,265	5,765	5,765
22 Student Loan Marketing Association	4,790	4,760	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
23 Tennessee Valley Authority	6,975	6,325	3,200	3,200	3,200	3,200	3,200	3,200	3,200
24 United States Railway Association[6]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other lending[14]									
25 Farmers Home Administration	42,979	38,619	33,719	21,015	26,845	26,210	21,015	21,015	21,015
26 Rural Electrification Administration	18,172	17,578	17,392	17,144	17,276	17,045	17,141	17,144	17,026
27 Other	64,436	45,864	37,984	29,513	27,205	26,396	30,566	29,513[r]	29,462

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	1993	1994	1995[r]	1995 Aug.[r]	1995 Sept.	1995 Oct.	1995 Nov.	1995 Dec.	1996 Jan.	1996 Feb.	1996 Mar.
1 **All issues, new and refunding**[1]	**279,945**	**153,950**	**143,101**	**12,467**	**9,750**	**13,898**	**16,839**	**16,978**	**11,340**	**11,598**	**15,244**
By type of issue											
2 General obligation	90,599	54,404	55,737	4,519	3,482	6,184	6,194	5,489	2,652	2,063	4,846
3 Revenue	189,346	99,546	86,555	7,789	6,268	7,714	10,645	11,489	8,688	9,535	10,398
By type of issuer											
4 State	27,999	19,186	14,215	617	1,510	1,825	1,491	951	1,630	695	901
5 Special district or statutory authority[2]	178,714	95,896	91,419	7,491	5,807	8,155	10,736	11,678	6,909	7,820	10,141
6 Municipality, county, or township	73,232	38,868	36,658	4,200	2,433	3,918	4,612	4,349	2,801	3,083	4,199
7 **Issues for new capital**	**91,434**	**105,972**	**94,412**	**6,252**	**6,095**	**7,868**	**11,415**	**11,070**	**6,399**	**6,383**	**10,621**
By use of proceeds											
8 Education	16,831	21,267	24,926	1,227	1,474	1,785	3,377	2,968	2,010	2,226	1,847
9 Transportation	9,167	10,836	11,887	870	147	367	1,169	1,178	566	359	1,417
10 Utilities and conservation	12,014	10,192	9,618	689	569	1,780	554	1,664	422	582	892
11 Social welfare	13,837	20,289	18,612	1,351	1,140	1,716	2,177	1,614	930	904	2,715
12 Industrial aid	6,862	8,161	6,566	256	654	227	650	1,325	316	110	785
13 Other purposes	32,723	35,227	26,518	1,859	1,811	1,993	3,188	2,321	2,155	2,202	2,965

1. Par amounts of long-term issues based on date of sale.
2. Includes school districts.

SOURCES. Securities Data Company beginning January 1993; *Investment Dealer's Digest* before then.

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue, offering, or issuer	1993	1994	1995	1995 July	1995 Aug.	1995 Sept.	1995 Oct.	1995 Nov.	1995 Dec.	1996 Jan.[r]	1996 Feb.
1 **All issues**[1]	**769,088**	**583,240**[r]	n.a.	**36,621**	**50,163**	**57,262**[r]	**52,112**[r]	**55,349**[r]	**40,149**[r]	**46,808**	**59,652**
2 **Bonds**[2]	**646,634**	**498,039**[r]	n.a.	**31,955**	**43,911**	**49,905**	**43,452**	**47,568**	**34,619**	**42,066**	**50,682**
By type of offering											
3 Public, domestic	487,029	365,222[r]	408,806	25,617	34,490	43,137	36,692	43,336	32,219	33,306	44,266
4 Private placement, domestic[3]	121,226	76,065	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5 Sold abroad	38,379	56,755	76,910	6,337	9,421	6,768	6,760	4,232	2,399	8,761	6,416
By industry group											
6 Manufacturing	88,160	43,423	42,950	4,456	4,082	3,284	3,397	4,017	3,205	3,759	2,472
7 Commercial and miscellaneous	58,559	40,735	37,139	1,403	2,480	2,607	3,532	4,178	3,099	2,151	2,601
8 Transportation	10,816	6,867	5,727	10	133	908	187	225	1,240	664	354
9 Public utility	56,330	13,322[r]	11,974	540	640	911	1,241	485	685	1,921	955
10 Communication	31,950	13,340	18,158	1,520	1,240	2,829	2,389	3,333	648	748	2,691
11 Real estate and financial	400,820	380,352[r]	369,769	24,026	35,335	39,365	32,706	35,330	25,742	32,824	41,610
12 **Stocks**[2]	**122,454**	**85,155**	n.a.	**4,666**	**6,252**	**7,357**[r]	**8,660**[r]	**7,781**[r]	**5,530**[r]	**4,742**	**8,970**
By type of offering											
13 Public preferred	18,897	12,570	10,963	768	1,261	1,035	836	2,210	890	2,167	3,240
14 Common	82,657	47,828	57,809[r]	3,836	5,005	6,322[r]	7,824[r]	5,571[r]	4,640[r]	2,575	5,730
15 Private placement[3]	20,900	24,800	↑	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By industry group											
16 Manufacturing	22,271	17,798		1,306	n.a.	2,383[r]	1,815[r]	2,209[r]	681[r]	406	1,413
17 Commercial and miscellaneous	25,761	15,713	n.a.	1,969	1,541	2,801[r]	4,628	3,274[r]	2,632[r]	2,404	2,619
18 Transportation	2,237	2,203		0	87	32	39	97	156[r]	38	129
19 Public utility	7,050	2,214		133	91	190	60	36	322	115	809
20 Communication	3,439	494		64	0	47	0	0	0	200	122
21 Real estate and financial	61,004	46,733	↓	1,132	2,273	1,905	2,118	2,166[r]	1,739[r]	1,579	3,681

1. Figures represent gross proceeds of issues maturing in more than one year; they are the principal amount or number of units calculated by multiplying by the offering price. Figures exclude secondary offerings, employee stock plans, investment companies other than closed-end, intracorporate transactions, equities sold abroad, and Yankee bonds. Stock data include ownership securities issued by limited partnerships.
2. Monthly data cover only public offerings.
3. Monthly data are not available.

SOURCES. Beginning July 1993, Securities Data Company and the Board of Governors of the Federal Reserve System.

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Assets[1]

Millions of dollars

Item	1993	1994	1995						1996	
			July	Aug	Sept.	Oct.	Nov.	Dec	Jan	Feb.
1 **Sales of own shares**[2]	**851,885**	**841,286**	**76,081**	**72,113**	**68,694**	**72,730**	**70,499**	**94,719**	**112,332**	**90,370**
2 Redemptions of own shares	567,881	699,823	56,344	57,610	54,473	56,174	52,727	67,945	75,354	60,398
3 Net sales[3]	284,004	141,463	19,736	14,503	14,221	16,556	17,772	26,774	36,978	29,972
4 **Assets**[4]	**1,510,209**	**1,550,490**	**1,880,754**	**1,908,525**	**1,962,817**	**1,963,496**	**2,032,958**	**2,067,337**	**2,143,185**	**2,181,711**
5 Cash[5]	100,209	121,296	126,340	127,173	127,446	133,653	141,489	142,572	150,772	144,520
6 Other	1,409,838	1,429,195	1,754,415	1,781,352	1,835,371	1,829,843	1,891,470	1,924,765	1,992,414	2,037,191

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	1993	1994	1995	1994				1995			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1 Profits with inventory valuation and capital consumption adjustment	464.5	526.5	588.6	455.9	531.5	549.8	568.9	559.6	561.1	614.9	618.6
2 Profits before taxes	464.3	528.2	600.8	471.7	523.2	547.5	570.4	594.1	588.4	609.6	611.0
3 Profits-tax liability	163.8	195.3	218.7	171.4	192.8	203.4	213.5	217.3	214.2	224.5	218.7
4 Profits after taxes	300.5	332.9	382.1	300.3	330.4	344.1	356.8	376.8	374.1	385.1	392.3
5 Dividends	197.3	211.0	227.4	204.4	208.8	212.5	218.5	221.7	224.6	228.5	234.7
6 Undistributed profits	103.3	121.9	154.7	95.9	121.7	131.6	138.3	155.1	149.6	156.6	157.6
7 Inventory valuation	6.6	13.3	28.1	3.9	9.8	16.5	22.8	51.9	42.3	9.3	8.8
8 Capital consumption adjustment	6.7	11.6	15.9	11.8	18.1	18.8	21.3	17.4	15.0	14.6	16.5

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	1993	1994	1995	1994			1995			
				Q2	Q3	Q4	Q1	Q2	Q3	Q4
ASSETS										
1 Accounts receivable, gross[2]	482.8	551.0	614.6	511.3	524.1	551.0	568.5	586.9	594.7	614.6
2 Consumer	116.5	134.8	152.0	124.3	130.3	134.8	135.8	141.7	146.2	152.0
3 Business	294.6	337.6	375.9	313.2	317.2	337.6	351.9	361.8	362.4	375.9
4 Real estate	71.7	78.5	86.6	73.8	76.6	78.5	80.8	83.4	86.1	86.6
5 LESS: Reserves for unearned income	50.7	55.0	63.2	51.9	51.1	55.0	58.9	62.1	61.2	63.2
6 Reserves for losses	11.2	12.4	14.1	12.1	12.1	12.4	12.9	13.7	13.8	14.1
7 Accounts receivable, net	420.9	483.5	537.3	447.3	460.9	483.5	496.7	511.1	519.7	537.3
8 All other	170.9	183.4	211.9	174.6	177.2	183.4	194.6	198.1	198.1	211.9
9 **Total assets**	**591.8**	**666.9**	**749.2**	**621.9**	**638.1**	**666.9**	**691.4**	**709.2**	**717.8**	**749.2**
LIABILITIES AND CAPITAL										
10 Bank loans	25.3	21.2	23.1	23.3	21.6	21.2	21.0	24.5	21.8	23.1
11 Commercial paper	159.2	184.6	184.5	171.2	171.0	184.6	181.3	181.3	178.0	184.5
Debt										
12 Owed to parent	42.7	51.0	62.3	44.7	50.0	51.0	52.5	57.5	59.0	62.3
13 Not elsewhere classified	206.0	235.0	284.7	219.6	228.2	235.0	254.4	261.4	272.1	284.7
14 All other liabilities	87.1	99.5	105.1	89.9	95.0	99.5	102.5	102.4	102.4	105.1
15 Capital, surplus, and undivided profits	71.4	75.7	87.2	73.2	72.3	75.7	79.7	82.5	84.1	87.2
16 **Total liabilities and capital**	**591.8**	**666.9**	**746.9**	**621.9**	**638.1**	**666.9**	**691.4**	**709.2**	**717.8**	**746.9**

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	1993	1994	1995	1995				1996	
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
	Seasonally adjusted								
1 **Total**	**545,533**	**614,784**	**690,191**	**675,247**	**682,627**	**687,187**	**690,191**	**696,302**	**702,591**
2 Consumer	160,349	176,198	198,860	193,555	194,620	197,303	198,860	199,175	201,125
3 Real estate[2]	71,965	78,770	86,944	86,121	87,266	87,699	86,944	88,109	88,236
4 Business	313,219	359,816	404,387	395,571	400,741	402,185	404,387	409,018	413,231
	Not seasonally adjusted								
5 **Total**	**550,751**	**620,975**	**697,340**	**672,653**	**681,965**	**687,944**	**697,340**	**696,771**	**701,397**
6 Consumer	162,770	178,999	202,101	193,615	194,931	198,072	202,101	201,070	200,991
7 Motor vehicles	56,057	61,609	70,061	68,857	70,816	68,167	70,061	70,847	72,658
8 Other consumer[3]	60,396	73,221	81,988	77,345	77,865	78,926	81,988	81,002	80,615
9 Securitized motor vehicles[4]	36,024	31,897	33,633	31,693	30,096	34,394	33,633	32,128	30,361
10 Securitized other consumer[4]	10,293	12,272	16,419	15,720	16,154	16,585	16,419	17,093	17,324
11 Real estate[2]	71,727	78,479	86,606	86,128	87,471	87,672	86,606	88,530	88,756
12 Business	316,254	363,497	408,633	392,910	399,563	402,200	408,633	407,171	411,650
13 Motor vehicles	95,173	118,197	133,277	125,053	129,216	129,708	133,277	131,792	132,000
14 Retail[5]	18,091	21,514	25,304	25,006	25,752	24,564	25,304	25,689	26,331
15 Wholesale[6]	31,148	35,037	36,427	29,313	32,209	33,519	36,427	34,166	33,329
16 Leasing	45,934	61,646	71,546	70,734	71,255	71,625	71,546	71,937	72,340
17 Equipment	145,452	157,953	177,297	171,239	172,657	173,183	177,297	176,159	176,951
18 Retail	35,513	39,680	48,843	42,823	43,697	44,194	48,843	49,109	49,165
19 Wholesale[6]	8,001	9,678	10,266	12,210	11,581	10,889	10,266	9,233	8,875
20 Leasing	101,938	108,595	118,188	116,206	117,379	118,100	118,188	117,817	118,911
21 Other business[7]	53,997	61,495	65,363	66,111	66,238	66,678	65,363	66,840	68,492
22 Securitized business assets[4]	21,632	25,852	32,696	30,507	31,452	32,631	32,696	32,380	34,207
23 Retail	2,869	4,494	4,723	4,818	4,586	4,974	4,723	4,467	4,252
24 Wholesale	10,584	14,826	21,327	19,773	20,390	21,208	21,327	21,130	23,160
25 Leasing	8,179	6,532	6,646	5,916	6,476	6,449	6,646	6,783	6,795

1. Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data are before deductions for unearned income and losses. Data in this table also appear in the Board's G.20 (422) monthly statistical release. For ordering address, see inside front cover.

2. Includes all loans secured by liens on any type of real estate, for example, first and junior mortgages and home equity loans.

3. Includes personal cash loans, mobile home loans, and loans to purchase other types of consumer goods such as appliances, apparel, general merchandise, and recreation vehicles.

4. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.

5. Passenger car fleets and commercial land vehicles for which licenses are required.

6. Credit arising from transactions between manufacturers and dealers, that is, floor plan financing.

7. Includes loans on commercial accounts receivable, factored commercial accounts, and receivable dealer capital; small loans used primarily for business or farm purposes; and wholesale and lease paper for mobile homes, campers, and travel trailers.

1.53 MORTGAGE MARKETS Mortgages on New Homes

Millions of dollars except as noted

Item	1993	1994	1995	1995 Sept.	1995 Oct.	1995 Nov.	1995 Dec.	1996 Jan.	1996 Feb.	1996 Mar.
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Terms[1]										
1 Purchase price (thousands of dollars)	163.1	170.4	175.8	174.8	174.3	178.6	181.7	179.2	181.7	184.5
2 Amount of loan (thousands of dollars)	123.0	130.8	134.5	131.8	133.0	136.4	140.9	135.8	143.2	141.5
3 Loan-to-price ratio (percent)	78.0	78.8	78.6	78.1	77.8	78.9	79.1	77.3	80.3	77.8
4 Maturity (years)	26.1	27.5	27.7	28.0	26.6	27.7	27.6	27.7	27.8	26.4
5 Fees and charges (percent of loan amount)[2]	1.30	1.29	1.21	1.20	1.11	1.22	1.21	1.07	1.24	1.30
Yield (percent per year)										
6 Contract rate[1]	7.03	7.26	7.65	7.50	7.39	7.27	7.20	7.15	7.00	7.25
7 Effective rate[1,3]	7.24	7.47	7.85	7.69	7.58	7.46	7.40	7.32	7.20	7.49
8 Contract rate (HUD series)[4]	7.37	8.58	8.05	7.78	7.62	7.46	7.30	7.23	7.56	7.97
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (Section 203)[5]	7.46	8.68	8.18	8.03	7.61	7.51	7.52	7.11	7.57	8.09
10 GNMA securities[6]	6.65	7.96	7.57	7.26	7.16	7.01	6.82	6.71	6.85	7.40
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	190,861	222,057	253,511	241,378	246,234	249,928	253,511	255,619	257,970	262,014
12 FHA/VA insured	23,857	27,558	28,762	28,726	28,765	28,901	28,762	28,622	28,502	28,744
13 Conventional	167,004	194,499	224,749	212,652	217,469	221,027	224,749	226,997	229,468	233,270
14 Mortgage transactions purchased (during period)	92,037	62,389	56,598	5,002	7,443	6,148	6,243	4,810	5,371	7,681
Mortgage commitments (during period)										
15 Issued[7]	92,537	54,038	56,092	6,019	6,732	6,038	4,765	5,750	7,013	6,293
16 To sell[8]	5,097	1,820	360	9	0	10	0	3	0	29
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	55,012	72,693	107,424	94,989	99,758	102,997	107,424	111,143	114,793	117,420
18 FHA/VA insured	321	276	267	281	276	271	267	226	223	220
19 Conventional	54,691	72,416	107,157	94,708	99,482	102,726	107,157	110,917	114,570	117,200
Mortgage transactions (during period)										
20 Purchases	229,242	124,697	98,470	11,458	11,092	9,989	13,108	13,357	10,891	11,984
21 Sales	208,723	117,110	85,877	10,239	9,856	9,011	11,712	11,624	9,733	11,384
22 Mortgage commitments contracted (during period)[9]	274,599	136,067	118,659	12,469	10,388	11,339	14,609	12,765	10,378	14,520

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	1992	1993	1994	1994	1995			
				Q4	Q1	Q2	Q3	Q4[p]
1 **All holders**	**4,092,984**	**4,268,919**	**4,475,242**	**4,475,242**	**4,516,816**	**4,584,661**	**4,660,895**	**4,724,076**
By type of property								
2 One- to four-family residences	3,037,408	3,227,633	3,432,165	3,432,165	3,466,026	3,524,474	3,591,013	3,640,099
3 Multifamily residences	274,234	270,796	275,304	275,304	276,398	280,390	284,237	289,187
4 Commercial	700,604	689,296	684,803	684,803	690,988	695,947	701,225	710,498
5 Farm	80,738	81,194	82,971	82,971	83,403	83,850	84,420	84,292
By type of holder								
6 Major financial institutions	1,769,187	1,767,835	1,815,810	1,815,810	1,841,815	1,868,175	1,895,285	1,901,935
7 Commercial banks[2]	894,513	940,444	1,004,280	1,004,280	1,024,854	1,053,048	1,072,780	1,080,320
8 One- to four-family	507,780	556,538	611,697	611,697	625,378	648,705	662,126	665,044
9 Multifamily	38,024	38,635	38,916	38,916	39,746	40,593	43,003	43,522
10 Commercial	328,826	324,409	331,100	331,100	336,795	340,176	343,826	347,927
11 Farm	19,882	20,862	22,567	22,567	22,936	23,575	23,824	23,827
12 Savings institutions[3]	627,972	598,330	596,199	596,199	601,777	599,745	604,614	602,855
13 One- to four-family	489,622	469,959	477,499	477,499	483,625	482,005	489,150	488,234
14 Multifamily	69,791	67,362	64,400	64,400	63,778	64,404	63,569	62,171
15 Commercial	68,235	60,704	54,011	54,011	54,085	53,054	51,604	52,160
16 Farm	324	305	289	289	288	282	291	290
17 Life insurance companies	246,702	229,061	215,332	215,332	215,184	215,382	217,892	218,759
18 One- to four-family	11,441	9,458	7,910	7,910	7,892	7,911	8,006	8,038
19 Multifamily	27,770	25,814	24,306	24,306	24,250	24,310	24,601	24,700
20 Commercial	198,269	184,305	173,539	173,539	173,142	173,565	175,643	176,353
21 Farm	9,222	9,484	9,577	9,577	9,900	9,596	9,643	9,668
22 Federal and related agencies	286,263	328,598	323,491	323,491	319,770	315,208	314,358	310,408
23 Government National Mortgage Association	30	22	6	6	15	7	2	2
24 One- to four-family	30	15	6	6	15	7	2	2
25 Multifamily	0	7	0	0	0	0	0	0
26 Farmers Home Administration[4]	41,695	41,386	41,781	41,781	41,857	41,917	41,858	41,791
27 One- to four-family	16,912	15,303	13,826	13,826	13,507	13,217	12,914	12,643
28 Multifamily	10,575	10,940	11,319	11,319	11,418	11,512	11,557	11,617
29 Commercial	5,158	5,406	5,670	5,670	5,807	5,949	6,096	6,248
30 Farm	9,050	9,739	10,966	10,966	11,124	11,239	11,291	11,282
31 Federal Housing and Veterans' Administrations	12,581	12,215	10,964	10,964	10,890	10,098	9,535	9,497
32 One- to four-family	5,153	5,364	4,753	4,753	4,715	4,838	4,918	4,867
33 Multifamily	7,428	6,851	6,211	6,211	6,175	5,260	4,617	4,629
34 Resolution Trust Corporation	32,045	17,284	10,428	10,428	9,342	6,456	4,889	1,700
35 One- to four-family	12,960	7,203	5,200	5,200	4,755	2,870	2,299	761
36 Multifamily	9,621	5,327	2,859	2,859	2,494	1,940	1,420	515
37 Commercial	9,464	4,754	2,369	2,369	2,092	1,645	1,170	424
38 Farm	0	0	0	0	0	0	0	0
39 Federal Deposit Insurance Corporation	0	14,112	7,821	7,821	6,730	6,039	5,015	4,303
40 One- to four-family	0	2,367	1,049	1,049	840	731	618	492
41 Multifamily	0	1,426	1,595	1,595	1,310	1,135	722	428
42 Commercial	0	10,319	5,177	5,177	4,580	4,173	3,674	3,383
43 Farm	0	0	0	0	0	0	0	0
44 Federal National Mortgage Association	137,584	166,642	178,059	178,059	177,615	178,462	182,229	183,782
45 One- to four-family	124,016	151,310	162,160	162,160	161,780	162,674	166,393	168,122
46 Multifamily	13,568	15,332	15,899	15,899	15,835	15,788	15,836	15,660
47 Federal Land Banks	28,664	28,460	28,555	28,555	28,065	28,005	28,151	28,019
48 One- to four-family	1,687	1,675	1,671	1,671	1,651	1,648	1,656	1,652
49 Farm	26,977	26,785	26,885	26,885	26,414	26,357	26,495	26,367
50 Federal Home Loan Mortgage Corporation	33,665	48,476	45,876	45,876	45,256	44,224	42,678	41,315
51 One- to four-family	31,032	45,929	43,046	43,046	42,122	40,963	39,244	37,463
52 Multifamily	2,633	2,547	2,830	2,830	3,134	3,261	3,434	3,852
53 Mortgage pools or trusts[5]	1,434,264	1,563,453	1,716,209	1,716,209	1,731,272	1,759,314	1,797,162	1,849,640
54 Government National Mortgage Association	419,516	414,066	450,934	450,934	454,401	457,101	463,654	472,298
55 One- to four-family	410,675	404,864	441,198	441,198	444,632	446,855	453,114	461,453
56 Multifamily	8,841	9,202	9,736	9,736	9,769	10,246	10,540	10,845
57 Federal Home Loan Mortgage Corporation	407,514	446,029	486,480	486,480	488,723	496,139	503,457	517,609
58 One- to four-family	401,525	441,494	483,354	483,354	485,643	493,105	500,504	514,796
59 Multifamily	5,989	4,535	3,126	3,126	3,080	3,034	2,953	2,813
60 Federal National Mortgage Association	444,979	495,525	530,343	530,343	533,262	543,669	559,585	582,959
61 One- to four-family	435,979	486,804	520,763	520,763	523,903	533,091	548,400	569,724
62 Multifamily	9,000	8,721	9,580	9,580	9,359	10,578	11,185	13,235
63 Farmers Home Administration[4]	38	28	19	19	14	13	12	11
64 One- to four-family	8	5	3	3	2	2	2	2
65 Multifamily	0	0	0	0	0	0	0	0
66 Commercial	17	13	9	9	7	6	5	5
67 Farm	13	10	7	7	5	5	5	4
68 Private mortgage conduits	162,217	207,806	248,433	248,433	254,871	262,393	270,454	276,763
69 One- to four-family	140,718	173,635	196,733	196,733	201,314	205,018	209,713	208,354
70 Multifamily	6,305	8,701	14,925	14,925	15,743	17,281	18,903	22,436
71 Commercial	15,194	25,469	36,774	36,774	37,814	40,094	41,838	45,972
72 Farm	0	0	0	0	0	0	0	0
73 Individuals and others[6]	603,270	609,032	619,732	619,732	623,960	641,964	654,089	662,092
74 One- to four-family	447,871	455,709	461,297	461,297	464,252	480,834	491,954	498,452
75 Multifamily	64,688	65,397	69,602	69,602	70,305	71,049	71,896	72,763
76 Commercial	75,441	73,917	76,153	76,153	76,667	77,284	77,368	78,025
77 Farm	15,270	14,009	12,681	12,681	12,736	12,796	12,872	12,853

1. Multifamily debt refers to loans on structures of five or more units.
2. Includes loans held by nondeposit trust companies but not loans held by bank trust departments.
3. Includes savings banks and savings and loan associations.
4. FmHA-guaranteed securities sold to the Federal Financing Bank were reallocated from FmHA mortgage pools to FmHA mortgage holdings in 1986:Q4 because of accounting changes by the Farmers Home Administration.
5. Outstanding principal balances of mortgage-backed securities insured or guaranteed by the agency indicated.
6. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and finance companies.

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.

1.55 CONSUMER INSTALLMENT CREDIT[1]

Millions of dollars, amounts outstanding, end of period

Holder and type of credit	1993	1994	1995	1995				1996	
				Sept.	Oct.	Nov.	Dec.	Jan.[r]	Feb.
	Seasonally adjusted								
1 **Total**	**790,351**	**902,853**	**1,024,809**	**993,843**	**1,005,178**	**1,015,029**	**1,024,809**	**1,035,691**	**1,047,710**
2 Automobile	280,566	317,237	353,326	341,155	344,671	349,138	353,326	356,261	359,316
3 Revolving	286,588	334,511	395,234	382,094	387,180	390,123	395,234	400,826	407,173
4 Other[2]	223,197	251,106	276,249	270,595	273,326	275,768	276,249	278,604	281,220
	Not seasonally adjusted								
5 **Total**	**809,440**	**925,000**	**1,050,642**	**996,525**	**1,005,423**	**1,018,961**	**1,050,642**	**1,045,618**	**1,046,116**
By major holder									
6 Commercial banks	367,566	427,851	464,993	449,502	451,232	453,690	464,993	459,740	459,324
7 Finance companies	116,453	134,830	152,059	146,202	148,681	147,093	152,059	151,849	153,303
8 Credit unions	101,634	119,594	132,033	129,027	130,261	130,970	132,033	131,587	131,259
9 Savings institutions	37,855	38,468	38,500	38,894	38,500	38,500	38,500	38,500	38,500
10 Nonfinancial business[3]	55,296	60,957	57,497	54,177	54,607	53,139	57,497	54,702	52,940
11 Pools of securitized assets[4]	130,636	143,300	205,560	178,723	182,142	195,569	205,560	209,240	210,790
By major type of credit[5]									
12 Automobile	281,458	318,213	354,395	344,401	347,513	351,024	354,395	354,520	356,777
13 Commercial banks	122,000	141,851	151,057	148,901	150,782	149,905	151,057	152,290	153,173
14 Finance companies	56,057	61,609	70,061	68,857	70,816	68,167	70,061	70,847	72,658
15 Pools of securitized assets[4]	39,481	34,918	43,666	37,476	36,453	43,240	43,666	41,901	41,495
16 Revolving	301,837	352,266	416,187	380,341	384,625	392,689	416,187	409,293	406,898
17 Commercial banks	149,920	180,183	198,076	185,572	186,463	189,405	198,076	189,317	186,974
18 Nonfinancial business[3]	50,125	55,341	51,971	48,968	49,358	47,839	51,971	49,267	47,577
19 Pools of securitized assets[4]	79,878	94,376	142,721	123,749	126,739	132,978	142,721	147,522	149,280
20 Other	226,145	254,521	280,060	271,845	273,285	275,248	280,060	281,805	282,441
21 Commercial banks	95,646	105,817	115,860	115,029	113,987	114,380	115,860	118,133	119,177
22 Finance companies	60,396	73,221	81,998	77,345	77,865	78,926	81,998	81,002	80,645
23 Nonfinancial business[3]	5,171	5,616	5,526	5,271	5,249	5,300	5,526	5,435	5,363
24 Pools of securitized assets[4]	11,277	14,006	19,173	17,498	18,950	19,351	19,173	19,817	20,015

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals that is scheduled to be repaid (or has the option of repayment) in two or more installments. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.
2. Comprises mobile home loans and all other installment loans that are not included in automobile or revolving credit, such as loans for education, boats, trailers, or vacations. These loans may be secured or unsecured.
3. Includes retailers and gasoline companies.
4. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.
5. Totals include estimates for certain holders for which only consumer credit totals are available.

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT[1]

Percent per year except as noted

Item	1993	1994	1995	1995					1996	
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
INTEREST RATES										
Commercial banks[2]										
1 48-month new car	8.09	8.12	9.57	9.44	n.a.	n.a.	9.36	n.a.	n.a.	9.12
2 24-month personal	13.47	13.19	13.94	13.84	n.a.	n.a.	13.80	n.a.	n.a.	13.63
Credit card plan										
3 All accounts	n.a.	15.69	16.02	15.98	n.a.	n.a.	15.81	n.a.	n.a.	15.82
4 Accounts assessed interest	n.a.	15.77	15.79	15.94	n.a.	n.a.	15.71	n.a.	n.a.	15.41
Auto finance companies										
5 New car	9.48	9.79	11.19	10.85	10.75	10.89	10.84	10.52	9.74	9.86
6 Used car	12.79	13.49	14.48	14.23	14.12	14.06	13.98	13.83	13.27	13.28
OTHER TERMS[3]										
Maturity (months)										
7 New car	54.5	54.0	54.1	53.5	53.4	54.6	54.5	53.6	51.8	52.3
8 Used car	48.8	50.2	52.2	52.3	52.3	52.3	52.2	51.8	52.2	52.1
Loan-to-value ratio										
9 New car	91	92	92	92	92	92	92	92	92	91
10 Used car	98	99	99	99	100	99	99	99	99	98
Amount financed (dollars)										
11 New car	14,332	15,375	16,210	16,056	16,402	16,430	16,583	17,034	16,698	16,627
12 Used car	9,875	10,709	11,590	11,662	11,725	11,883	12,012	12,152	12,059	11,990

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals that is scheduled to be repaid (or has the option of repayment) in two or more installments. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.
2. Data are available for only the second month of each quarter.
3. At auto finance companies.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]

Billions of dollars; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1991	1992	1993	1994	1995	1994 Q2	1994 Q3	1994 Q4	1995 Q1	1995 Q2	1995 Q3	1995 Q4
	Nonfinancial sectors											
1 Total net borrowing by domestic nonfinancial sectors	**480.6**	**545.3**	**625.9**	**617.0**	**716.7**	**581.2**	**579.9**	**654.3**	**839.7**	**879.3**	**529.6**	**618.4**
By sector and instrument												
2 U.S. government	278.2	304.0	256.1	155.9	144.4	131.3	135.6	150.1	266.8	202.8	65.8	42.4
3 Treasury securities	292.0	303.8	248.3	155.7	142.9	126.6	132.8	155.7	268.0	201.2	65.4	37.2
4 Budget agency issues and mortgages	−13.8	.2	7.8	.2	1.5	4.7	2.9	−5.7	−1.2	1.6	.4	5.1
5 Private	202.4	241.3	369.8	461.1	572.3	449.9	444.3	504.2	572.9	676.5	463.9	576.0
By instrument												
6 Municipal securities	87.8	30.5	74.8	−29.3	−47.2	−20.7	−58.4	−53.8	−48.2	−9.5	−113.0	−18.0
7 Corporate bonds	78.8	67.6	75.2	23.3	75.0	37.4	15.4	6.2	55.3	99.0	60.7	84.8
8 Mortgages	158.4	130.9	157.2	196.5	243.5	194.2	203.9	213.5	217.7	236.1	278.2	242.0
9 Home mortgages	173.6	187.6	187.9	204.5	207.9	186.2	208.8	219.8	192.1	203.8	244.6	191.2
10 Multifamily residential	−5.5	−10.4	−6.0	1.3	12.1	4.0	5.6	−4.2	2.6	14.2	13.7	18.0
11 Commercial	−10.0	−47.8	−25.0	−11.1	22.1	1.1	−12.7	−3.4	21.2	16.3	17.6	33.4
12 Farm	.4	1.4	.5	1.8	1.3	2.9	2.2	1.4	1.7	1.8	2.3	−.5
13 Consumer credit	−14.8	7.3	58.9	121.2	130.8	129.8	124.8	165.2	93.8	158.1	109.6	161.8
14 Bank loans n.e.c.	−40.9	−13.7	3.8	72.7	99.7	58.7	97.1	77.1	146.6	97.3	85.4	69.5
15 Commercial paper	−18.4	8.6	10.0	21.4	18.1	9.7	26.4	23.5	23.1	37.5	16.0	−4.1
16 Other loans and advances	−48.5	10.1	−10.2	55.4	52.4	40.8	35.1	72.4	84.5	58.0	26.9	40.0
By borrowing sector												
17 Household	182.7	200.7	246.5	360.3	373.1	349.9	379.7	419.1	303.5	390.4	401.8	396.5
18 Nonfinancial business	−61.9	19.5	61.0	144.3	250.8	139.4	130.0	153.6	316.8	302.4	178.3	205.5
19 Farm	2.1	1.3	2.0	2.8	1.7	7.8	2.4	−2.0	.9	3.6	4.3	−2.2
20 Nonfarm noncorporate	−11.0	−16.0	7.0	12.1	37.9	10.0	8.8	16.5	51.3	34.4	29.8	36.2
21 Corporate	53.0	34.1	52.0	129.3	211.1	121.7	118.8	139.1	264.6	264.3	144.1	171.5
22 State and local government	81.6	21.1	62.3	−43.4	−51.5	−39.5	−65.4	−68.5	−47.5	−16.3	116.2	−26.1
23 Foreign net borrowing in United States	14.8	22.6	68.8	−20.3	67.4	−34.2	19.6	33.5	61.4	40.4	97.5	70.1
24 Bonds	15.0	15.7	81.3	7.1	47.3	−17.4	20.8	27.7	13.5	49.9	55.0	70.8
25 Bank loans n.e.c.	3.1	2.3	.7	1.4	8.3	−4.5	4.7	−.5	8.1	5.6	8.2	11.3
26 Commercial paper	6.4	5.2	−9.0	−27.3	13.6	−5.2	−8.1	5.9	37.9	−11.1	30.9	−3.4
27 Other loans and advances	−9.8	−.6	−4.2	−1.6	−1.8	−7.1	2.2	.4	1.9	−4.0	3.4	−8.6
28 Total domestic plus foreign	**495.4**	**568.0**	**694.7**	**596.6**	**784.1**	**546.9**	**599.5**	**687.8**	**901.1**	**919.7**	**627.2**	**688.5**
	Financial sectors											
29 Total net borrowing by financial sectors	**154.5**	**240.1**	**290.8**	**459.4**	**455.9**	**380.1**	**419.7**	**544.8**	**264.9**	**433.6**	**461.7**	**663.5**
By instrument												
30 U.S. government-related	145.7	155.8	164.2	284.3	213.6	264.5	245.7	317.5	93.0	197.7	230.1	333.5
31 Government-sponsored enterprises securities	9.2	40.3	80.6	176.9	108.5	146.6	152.1	249.0	62.9	127.2	101.5	142.2
32 Mortgage pool securities	136.6	115.6	83.6	112.1	105.1	117.9	93.6	68.5	30.0	70.5	128.6	191.3
33 Loans from U.S. government	.0	.0	.0	−4.8	.0	.0	.0	.0	.0	.0	.0	.0
34 Private	8.7	84.3	126.6	175.2	242.4	115.5	174.0	227.3	172.0	236.0	231.6	329.9
35 Corporate bonds	68.8	82.8	119.8	113.4	180.8	96.4	99.5	96.5	155.7	174.2	170.2	223.1
36 Mortgages	.5	.6	3.6	9.8	5.3	12.4	12.0	4.9	5.2	5.2	5.2	5.6
37 Bank loans n.e.c.	8.8	2.2	−13.0	−12.3	8.0	−27.4	−11.7	1.9	−3.0	21.2	7.1	6.6
38 Open market paper	−32.0	−.7	−6.2	41.6	42.6	4.3	41.3	85.9	38.5	34.0	43.3	54.6
39 Other loans and advances	−37.3	−.6	22.4	22.6	5.7	29.8	32.8	38.1	−24.5	1.3	5.9	40.1
By borrowing sector												
40 Government-sponsored enterprises	9.1	40.2	80.6	172.1	108.5	146.6	152.1	249.0	62.9	127.2	101.5	142.2
41 Federally related mortgage pools	136.6	115.6	83.6	112.1	105.1	117.9	93.6	68.5	30.0	70.5	128.6	191.3
42 Private financial sectors	8.7	84.3	126.6	175.2	242.4	115.5	174.0	227.3	172.0	236.0	231.6	329.9
43 Commercial banks	−10.7	7.7	4.6	9.9	9.7	10.6	23.9	4.1	6.3	18.2	9.6	4.5
44 Bank holding companies	−2.5	2.3	8.8	10.3	15.3	10.1	11.5	16.0	13.3	23.8	25.2	−1.3
45 Funding corporations	6.5	13.2	2.9	24.2	45.2	−10.5	47.3	11.1	61.5	21.7	52.1	45.5
46 Savings institutions	−44.7	−7.0	11.3	12.8	3.4	5.8	14.8	36.1	−18.9	−7.2	5.3	34.2
47 Credit unions	.0	.0	.2	.2	−.1	.2	.5	.2	−.3	−.1	.1	.0
48 Life insurance companies	.0	.0	.2	.3	−.1	.0	.0	1.3	.0	.1	−.1	−.4
49 Finance companies	17.7	−1.6	.2	50.2	51.6	63.6	16.3	57.3	83.1	57.2	6.5	59.6
50 Mortgage companies	−2.4	8.0	.0	−11.5	2.9	−18.2	−7.0	1.1	−7.4	14.8	4.0	.0
51 Real estate investment trusts (REITs)	1.2	.3	3.4	13.7	5.4	15.3	18.8	6.3	5.2	5.2	5.2	6.0
52 Brokers and dealers	3.7	2.7	12.0	.5	−5.0	.3	−7.6	19.3	−29.5	−.1	2.1	7.7
53 Issuers of asset-backed securities (ABSs)	52.9	58.6	83.0	64.5	114.1	38.5	55.4	74.5	58.8	102.2	121.6	174.1

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]—Continued

Transaction category or sector	1991	1992	1993	1994	1995	1994			1995			
						Q2	Q3	Q4	Q1	Q2	Q3	Q4
	All sectors											
54 **Total net borrowing, all sectors**	**649.9**	**808.0**	**985.5**	**1,056.0**	**1,240.0**	**927.0**	**1,019.2**	**1,232.6**	**1,166.0**	**1,353.4**	**1,088.9**	**1,351.9**
55 U.S. government securities	424.0	459.8	420.3	444.9	358.0	395.8	381.3	467.5	359.8	400.5	295.9	375.9
56 Municipal securities	87.8	30.5	74.8	−29.3	−47.2	−20.7	−58.4	−53.8	−48.2	−9.5	−113.0	−18.0
57 Corporate and foreign bonds	162.5	166.1	276.3	143.8	303.0	116.4	135.7	130.4	224.5	323.1	285.9	378.7
58 Mortgages	158.9	131.5	160.8	206.3	248.8	206.6	215.9	218.4	223.0	241.4	283.4	247.6
59 Consumer credit	−14.8	7.3	58.9	121.2	130.8	129.8	124.8	165.2	93.8	158.1	109.6	161.8
60 Bank loans n.e.c.	−29.1	−9.3	−8.5	61.8	116.0	26.8	90.1	78.5	151.7	124.1	100.7	87.4
61 Open market paper	−44.0	13.1	−5.1	35.7	74.3	8.8	59.6	115.3	99.5	60.4	90.2	47.1
62 Other loans and advances	−95.6	8.9	8.0	71.7	56.2	63.5	70.2	111.0	61.8	55.4	36.2	71.5
	Funds raised through mutual funds and corporate equities											
63 **Total net share issues**	**209.4**	**294.9**	**442.1**	**150.8**	**157.1**	**263.9**	**113.2**	**−81.1**	**18.1**	**169.2**	**190.1**	**250.9**
64 Mutual funds	147.2	209.1	323.7	128.9	171.1	199.6	129.7	−12.6	65.1	174.1	195.7	249.7
65 Corporate equities	62.2	85.8	118.4	21.9	−14.1	64.3	−16.4	−68.5	−46.9	−4.9	−5.6	1.2
66 Nonfinancial corporations	18.3	27.0	21.3	−44.9	−76.0	−2.0	−50.0	−118.0	−68.4	−59.6	−98.8	−77.2
67 Financial corporations	13.3	28.1	36.6	24.1	14.2	20.4	10.5	16.3	8.7	17.7	11.2	19.0
68 Foreign shares purchased by U.S. residents	30.7	30.7	60.5	42.7	47.8	45.9	23.1	33.2	12.8	37.0	82.0	59.4

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	1991	1992	1993	1994	1995	1994 Q2	1994 Q3	1994 Q4	1995[r] Q1	1995[r] Q2	1995[r] Q3	1995[r] Q4
NET LENDING IN CREDIT MARKETS[2]												
1 Total net lending in credit markets	**649.9**	**808.0**	**985.5**	**1,056.0**	**1,240.0**	**927.0**	**1,019.2**	**1,232.6**	**1,166.0**	**1,353.4**	**1,088.9**	**1,351.9**
2 *Private domestic nonfinancial sectors*	104.1	90.2	62.7	252.9	105.1	255.5	205.1	252.0	.0	158.5	124.7	137.1
3 Households	27.9	81.0	37.1	291.8	51.6	297.6	283.9	336.7	179.7	99.4	131.5	5.3
4 Nonfarm noncorporate business	5.3	.1	.6	.7	.9	1.5	.7	.9	.5	1.0	1.0	2.2
5 Nonfinancial corporate business	30.7	27.8	21.3	51.9	11.9	27.5	37.4	84.1	85.2	47.5	47.3	37.5
6 State and local governments	50.8	21.5	3.7	91.6	143.9	71.1	117.0	169.7	94.9	105.7	207.9	167.1
7 U.S. government	10.5	11.9	18.1	24.2	22.8	14.6	11.3	24.4	13.2	24.3	23.4	30.1
8 Rest of the world	13.3	98.2	128.3	131.4	270.9	65.7	137.5	210.9	211.9	325.9	352.8	159.8
9 Financial sectors	522.0	631.5	812.8	693.0	1,097.0	620.4	687.9	794.0	934.3	1,210.2	884.2	1,359.3
10 Government sponsored enterprises	15.4	68.8	90.2	123.2	78.9	100.9	125.4	175.2	11.2	86.9	50.8	166.8
11 *Federally related mortgage pools*	136.6	115.6	83.6	112.1	105.1	117.9	93.6	68.5	30.0	70.5	128.6	191.3
12 Monetary authority	31.1	27.9	36.2	31.5	12.7	24.9	29.7	30.0	16.3	20.8	11.1	24.7
13 Commercial banking	80.8	95.3	142.2	163.4	264.0	128.5	183.4	174.5	342.7	316.0	243.5	153.6
14 U.S.-chartered banks	35.7	69.5	149.6	148.1	186.6	136.1	155.6	174.2	183.4	222.4	227.5	112.9
15 Foreign banking offices in United States	48.5	16.5	9.8	11.2	75.3	10.0	22.9	5.6	158.8	83.9	24.1	34.3
16 Bank holding companies	1.5	5.6	.0	.9	.2	.2	2.7	2.4	2.0	5.7	9.0	6.0
17 Banks in U.S.-affiliated areas	1.9	3.7	2.4	3.3	1.9	2.1	2.2	8.3	2.4	1.0	1.0	.1
18 Funding corporations	8.2	17.7	19.1	27.4	6.8	35.6	15.5	11.4	17.1	9.6	22.0	42.8
19 Thrift institutions	146.1	61.3	1.7	34.9	20.0	41.5	53.8	32.4	28.2	9.4	40.9	1.6
20 Life insurance companies	86.5	78.5	100.9	66.3	108.0	26.7	89.5	79.4	132.4	131.2	77.0	91.5
21 Other insurance companies	30.0	6.7	27.7	24.9	21.4	22.3	25.3	30.4	19.2	21.7	21.8	22.8
22 Private pension funds	35.4	41.1	15.9	47.0	56.3	49.9	42.5	71.7	58.9	57.2	47.5	61.6
23 State and local government retirement funds	41.1	23.0	19.8	29.0	32.7	46.1	11.4	36.6	62.4	3.2	53.0	12.1
24 Finance companies	9.2	7.5	9.0	68.2	63.1	61.2	63.1	80.4	91.8	70.1	42.9	47.3
25 Mortgage companies	11.2	.1	.0	22.9	5.9	36.3	11.0	2.1	14.4	29.9	7.3	.6
26 Mutual funds	80.1	126.2	159.5	7.1	51.5	55.4	29.3	70.4	28.8	21.6	51.3	162.0
27 Closed-end funds	12.8	18.2	11.0	5.5	5.8	11.6	13.6	10.0	3.5	6.4	8.1	5.0
28 Money market mutual funds	32.7	4.7	20.4	30.0	86.5	26.6	57.7	53.9	53.1	135.2	33.2	121.6
29 Real estate investment trusts (REITs)	.7	1.1	.6	4.7	1.8	6.6	5.5	.2	1.8	1.8	1.8	1.9
30 Brokers and dealers	17.5	1.3	14.8	41.2	87.9	57.7	21.9	8.0	30.5	146.2	1.8	177.0
31 Asset-backed securities issuers (ABSs)	48.9	53.8	80.5	57.8	100.8	42.8	16.3	51.3	46.7	89.8	109.7	156.9
32 Bank personal trusts	10.0	8.0	9.5	7.1	1.4	10.2	7.7	1.4	1.6	1.8	1.5	.8
RELATION OF LIABILITIES TO FINANCIAL ASSETS												
33 Net flows through credit markets	**649.9**	**808.0**	**985.5**	**1,056.0**	**1,240.0**	**927.0**	**1,019.2**	**1,232.6**	**1,166.0**	**1,353.4**	**1,088.9**	**1,351.9**
Other financial sources												
34 Official foreign exchange	5.9	1.6	.8	5.8	8.8	14.6	.2	8.6	17.8	10.3	9.0	1.9
35 Special drawing rights certificates	.0	2.0	.0	.0	2.2	.0	.0	.0	.0	.0	8.6	.0
36 Treasury currency	.0	.2	.4	.7	.6	.6	.8	.7	.7	.7	.8	.0
37 Life insurance reserves	25.7	27.3	35.2	34.0	43.8	21.7	67.7	24.6	54.0	19.9	29.9	11.5
38 Pension fund reserves	198.2	238.6	247.3	248.0	248.4	220.7	238.0	293.4	302.5	310.7	211.2	166.2
39 Interbank claims	3.4	13.5	56.4	89.4	6.7	110.7	1.1	98.4	17.4	28.7	11.4	56.7
40 Checkable deposits and currency	86.3	113.5	117.3	9.7	12.6	41.9	66.0	40.5	42.8	133.5	150.5	76.1
41 Small time and savings deposits	1.5	57.2	70.3	40.0	89.5	57.5	51.8	46.9	18.1	112.0	107.6	120.3
42 Large time deposits	58.5	73.2	23.5	19.6	80.5	3.6	84.0	36.5	116.8	69.2	111.5	24.7
43 Money market fund shares	41.6	4.5	20.2	43.3	142.3	31.0	56.4	86.5	59.9	243.5	121.2	154.8
44 Security repurchase agreements	16.5	43.1	71.2	78.3	110.7	166.0	86.0	51.9	161.8	130.7	85.1	65.0
45 Foreign deposits	26.5	3.5	18.5	45.8	42.0	50.6	28.1	97.9	39.2	90.6	28.0	10.0
46 Mutual fund shares	147.2	209.1	323.7	128.9	171.1	199.6	129.7	12.6	65.1	174.1	195.7	249.7
47 Corporate equities	62.2	85.8	118.4	21.9	14.4	61.3	16.4	68.5	16.9	4.9	5.6	1.2
48 Security credit	51.4	4.6	61.4	.1	20.6	20.7	59.3	37.1	10.7	30.8	35.4	26.9
49 Trade payables	31.0	46.6	37.8	111.9	101.5	144.4	95.4	156.3	112.4	32.5	184.2	77.1
50 Taxes payable	6.2	8.5	4.5	3.0	1.7	13.1	10.1	1.3	15.5	4.0	1.4	9.3
51 Noncorporate proprietors' equity	.2	16.9	1.0	23.8	35.6	36.8	46.6	24.2	28.1	32.6	48.3	33.6
52 *Investment in bank personal trusts*	16.1	7.1	1.6	18.8	20.5	24.7	23.6	11.9	21.0	22.3	20.8	18.0
53 Miscellaneous	277.4	287.2	296.3	265.9	409.8	129.4	269.0	372.1	366.0	467.2	289.2	516.6
54 Total financial sources	**1,471.4**	**1,792.8**	**2,269.8**	**2,133.8**	**2,749.6**	**1,946.2**	**1,965.5**	**2,348.4**	**2,512.3**	**3,273.6**	**2,385.3**	**2,827.2**
Floats not included in assets (–)												
55 U.S. government checkable deposits	13.1	.7	1.5	4.8	6.0	.8	7.4	24.4	13.2	16.3	3.5	24.3
56 Other checkable deposits	4.5	1.6	1.3	2.8	3.8	3.5	3.3	2.3	3.7	3.9	3.5	4.2
57 Trade credit	36.1	11.3	29.7	3.0	.5	20.3	16.0	29.7	25.7	19.9	6.0	11.5
Liabilities not identified as assets (–)												
58 Treasury currency	.6	.1	.2	.2	.4	.2	.2	.2	.2	.4	.3	.9
59 Interbank claims	26.2	4.9	4.2	2.7	3.2	5.4	10.1	1.7	.8	8.2	7.6	29.4
60 Security repurchase agreements	9.5	3.6	34.3	27.9	8.5	108.1	17.3	83.0	73.5	40.1	13.6	12.9
61 *Foreign deposits*	24.0	2.8	7.1	36.9	35.3	56.1	39.5	55.8	16.0	81.7	1.8	15.8
62 Taxes payable	1.0	10.8	10.4	8.5	5.3	6.2	10.8	.8	8.7	31.9	11.2	13.1
63 Miscellaneous	8.9	.8	48.8	109.6	97.5	336.3	73.1	14.8	226.8	125.1	32.4	5.9
64 Total identified to sectors as assets	**1,443.8**	**1,772.0**	**2,250.0**	**2,183.7**	**2,811.8**	**2,089.3**	**2,005.7**	**2,254.0**	**2,592.5**	**3,317.5**	**2,393.5**	**2,943.7**

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	1992	1993	1994	1995	1994 Q2	1994 Q3	1994 Q4	1995 Q1	1995 Q2	1995 Q3	1995 Q4
	Nonfinancial sectors										
1 Total credit market debt owed by domestic nonfinancial sectors	**11,896.7**	**12,537.4**	**13,160.6**	**13,877.3**	**12,808.0**	**12,962.6**	**13,160.6**	**13,338.7**	**13,544.3**	**13,686.8**	**13,877.3**
By sector and instrument											
2 U.S. government	3,080.3	3,336.5	3,492.3	3,636.7	3,395.4	3,432.3	3,492.3	3,557.9	3,583.5	3,603.4	3,636.7
3 Treasury securities	3,061.6	3,309.9	3,465.6	3,608.5	3,368.0	3,404.1	3,465.6	3,531.5	3,556.7	3,576.5	3,608.5
4 Budget agency issues and mortgages	18.8	26.6	26.7	28.2	27.4	28.2	26.7	26.4	26.8	26.9	28.2
5 Private	8,816.3	9,200.9	9,668.3	10,240.6	9,412.6	9,530.3	9,668.3	9,780.8	9,960.8	10,083.4	10,240.6
By instrument											
6 Municipal securities	1,302.8	1,377.5	1,348.2	1,301.1	1,372.2	1,362.6	1,348.2	1,334.8	1,329.8	1,306.6	1,301.1
7 Corporate bonds	1,154.5	1,229.7	1,253.0	1,328.0	1,247.6	1,251.5	1,253.0	1,266.8	1,291.6	1,306.8	1,328.0
8 Mortgages	4,088.7	4,260.0	4,456.5	4,700.0	4,345.8	4,401.9	4,456.5	4,496.8	4,563.3	4,638.2	4,700.0
9 Home mortgages	3,037.4	3,227.6	3,432.2	3,640.1	3,318.7	3,376.0	3,432.2	3,466.0	3,524.5	3,591.0	3,640.1
10 Multifamily residential	272.5	267.8	269.1	281.2	268.8	270.2	269.1	269.8	273.3	276.8	281.2
11 Commercial	698.1	683.4	672.3	694.4	676.3	673.1	672.3	677.6	681.6	686.1	694.4
12 Farm	80.7	81.2	83.0	84.3	82.1	82.6	83.0	83.4	83.9	84.4	84.3
13 Consumer credit	804.6	863.5	984.7	1,115.5	891.6	929.4	984.7	987.9	1,026.5	1,060.8	1,115.5
14 Bank loans n.e.c.	672.2	676.0	748.6	848.3	705.3	724.7	748.6	781.8	810.3	826.0	848.3
15 Commercial paper	107.1	117.8	139.2	157.4	135.7	138.7	139.2	149.8	162.9	163.3	157.4
16 Other loans and advances	686.5	676.3	738.0	790.4	714.4	721.6	738.0	762.9	776.4	781.8	790.4
By borrowing sector											
17 Household	4,023.6	4,272.4	4,632.3	5,005.4	4,407.5	4,511.8	4,632.3	4,675.3	4,780.3	4,890.0	5,005.4
18 Nonfinancial business	3,696.8	3,770.3	3,921.1	4,171.9	3,860.9	3,885.6	3,921.1	4,004.2	4,085.6	4,122.6	4,171.9
19 Farm	136.3	138.3	141.2	142.8	141.5	143.1	141.2	138.9	142.8	144.9	142.8
20 Nonfarm noncorporate	1,122.9	1,129.9	1,142.0	1,180.0	1,135.6	1,137.4	1,142.0	1,154.5	1,163.3	1,170.4	1,180.0
21 Corporate	2,437.6	2,502.0	2,638.0	2,849.1	2,583.7	2,605.0	2,638.0	2,710.7	2,779.4	2,807.3	2,849.1
22 State and local government	1,095.9	1,158.2	1,114.8	1,063.3	1,144.2	1,132.8	1,114.8	1,101.6	1,094.9	1,070.8	1,063.3
23 Foreign credit market debt held in United States	**313.1**	**381.9**	**361.6**	**429.0**	**348.7**	**352.4**	**361.6**	**376.8**	**387.6**	**410.7**	**429.0**
24 Bonds	146.2	227.1	234.6	281.9	222.4	227.6	234.6	237.9	250.4	264.2	281.9
25 Bank loans n.e.c.	23.9	24.6	26.1	34.4	25.1	26.3	26.1	28.2	29.6	31.6	34.4
26 Commercial paper	77.7	68.7	41.4	55.0	42.0	39.9	41.4	50.9	48.1	55.8	55.0
27 Other loans and advances	65.3	61.1	59.6	57.7	59.2	58.6	59.6	59.8	59.5	59.1	57.7
28 Total credit market debt owed by nonfinancial sectors, domestic and foreign	**12,209.7**	**12,919.3**	**13,522.2**	**14,306.3**	**13,156.7**	**13,315.0**	**13,522.2**	**13,715.5**	**13,931.9**	**14,097.5**	**14,306.3**
	Financial sectors										
29 Total credit market debt owed by financial sectors	**3,024.9**	**3,321.0**	**3,785.7**	**4,244.3**	**3,545.3**	**3,648.1**	**3,785.7**	**3,853.5**	**3,964.8**	**4,078.0**	**4,244.3**
By instrument											
30 U.S. government-related	1,720.0	1,884.1	2,168.4	2,381.9	2,030.5	2,089.8	2,168.4	2,192.7	2,245.0	2,300.2	2,381.9
31 Government-sponsored enterprises securities	443.1	523.7	700.6	809.1	600.3	638.3	700.6	716.3	748.1	773.5	809.1
32 Mortgage pool securities	1,272.0	1,355.6	1,467.8	1,572.9	1,430.1	1,451.5	1,467.8	1,476.4	1,496.9	1,526.7	1,572.9
33 Loans from U.S. government	4.8	4.8	0	.0	0	0	0	0	0	0	0
34 Private	1,304.9	1,436.9	1,617.3	1,862.3	1,514.9	1,558.3	1,617.3	1,660.8	1,719.8	1,777.7	1,862.3
35 Corporate bonds	738.2	858.0	969.0	1,149.8	920.0	944.8	969.0	1,007.9	1,051.4	1,094.0	1,149.8
36 Mortgages	5.3	8.9	18.7	24.0	14.5	17.5	18.7	20.0	21.3	22.6	24.0
37 Bank loans n.e.c.	80.5	67.6	55.3	63.3	56.3	53.4	55.3	53.4	58.4	60.3	63.3
38 Open market paper	394.3	393.5	442.8	488.0	410.3	420.5	442.8	454.1	462.8	473.6	488.0
39 Other loans and advances	86.6	108.9	131.6	137.2	113.8	122.0	131.6	125.4	125.7	127.2	137.2
By borrowing sector											
40 Government sponsored enterprises	447.9	528.5	700.6	809.1	600.3	638.3	700.6	716.3	748.1	773.5	809.1
41 Federally related mortgage pools	1,272.0	1,355.6	1,467.8	1,572.9	1,430.1	1,451.5	1,467.8	1,476.4	1,496.9	1,526.7	1,572.9
42 Private financial sectors	1,304.9	1,436.9	1,617.3	1,862.3	1,514.9	1,558.3	1,617.3	1,660.8	1,719.8	1,777.7	1,862.3
43 Commercial banks	80.0	84.6	94.5	104.1	86.7	92.6	94.5	95.0	99.9	102.2	104.1
44 Bank holding companies	114.6	123.4	133.6	148.9	126.8	129.6	133.6	137.0	142.9	149.2	148.9
45 Funding corporations	161.6	169.9	199.3	247.1	191.5	200.6	199.3	221.0	229.9	240.0	247.1
46 Savings institutions	88.4	99.6	112.4	115.8	99.7	103.4	112.4	107.7	105.9	107.2	115.8
47 Credit unions	0	.2	.5	.4	.3	.4	.5	.4	.3	.4	.4
48 Life insurance companies	0	.2	.6	.5	.3	.3	.6	.6	.6	.6	.5
49 Finance companies	390.4	390.5	440.7	492.3	414.2	420.9	440.7	456.7	467.2	471.9	492.3
50 Mortgage companies	30.2	30.2	18.7	21.6	20.2	18.5	18.7	16.9	20.6	21.6	21.6
51 Real estate investment trusts (REITs)	13.9	17.4	31.1	36.5	24.8	29.5	31.1	32.4	33.7	35.0	36.5
52 Brokers and dealers	21.7	33.7	34.3	29.3	31.3	29.4	34.3	26.9	26.8	27.4	29.3
53 Issuers of asset backed securities (ABSs)	404.2	487.2	551.6	665.8	519.2	533.0	551.6	566.3	591.9	622.3	665.8
	All sectors										
54 Total credit market debt, domestic and foreign	**15,234.6**	**16,240.3**	**17,307.9**	**18,550.6**	**16,702.0**	**16,963.1**	**17,307.9**	**17,569.1**	**17,896.7**	**18,175.4**	**18,550.6**
55 U.S. government securities	4,795.5	5,215.8	5,660.7	6,018.7	5,425.9	5,522.1	5,660.7	5,750.6	5,828.5	5,903.6	6,018.7
56 Municipal securities	1,302.8	1,377.5	1,348.2	1,301.1	1,372.2	1,362.6	1,348.2	1,334.8	1,329.8	1,306.6	1,301.1
57 Corporate and foreign bonds	2,038.9	2,315.2	2,456.5	2,759.6	2,390.0	2,423.9	2,456.5	2,512.7	2,593.4	2,664.9	2,759.6
58 Mortgages	4,093.1	4,269.0	4,475.2	4,724.1	4,360.3	4,419.4	4,475.2	4,516.8	4,584.7	4,660.9	4,724.1
59 Consumer credit	804.6	863.5	984.7	1,115.5	891.6	929.4	984.7	987.9	1,026.5	1,060.8	1,115.5
60 Bank loans n.e.c.	776.6	768.2	830.0	946.0	786.7	804.3	830.0	863.3	898.2	917.9	946.0
61 Open market paper	579.0	580.0	623.5	700.4	587.9	599.2	623.5	654.7	673.8	692.7	700.4
62 Other loans and advances	843.1	851.1	929.1	985.4	887.4	902.2	929.1	948.1	961.7	968.1	985.4

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.2 through L.4. For ordering address, see inside front cover.

1.60 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES[1]

Billions of dollars except as noted, end of period

Transaction category or sector	1992	1993	1994	1995	1994 Q2	1994 Q3	1994 Q4	1995 Q1	1995 Q2	1995 Q3	1995 Q4
CREDIT MARKET DEBT OUTSTANDING[2]											
1 **Total credit market assets**	**15,234.6**	**16,240.3**	**17,307.9**	**18,550.6**	**16,702.0**	**16,963.1**	**17,307.9**	**17,569.1**	**17,896.7**	**18,175.4**	**18,550.6**
2 *Private domestic nonfinancial sectors*	2,673.7	2,729.3	3,012.5	2,903.4	2,824.7	2,893.9	3,012.5	2,983.7	2,929.5	2,916.3	2,903.4
3 Households	1,620.6	1,646.0	1,971.1	2,018.7	1,747.4	1,839.5	1,971.1	1,996.3	1,953.1	2,007.1	2,018.7
4 Nonfarm noncorporate business	38.1	38.8	39.5	38.6	39.1	39.3	39.5	39.6	39.4	39.1	38.6
5 Nonfinancial corporate business	257.8	283.7	335.6	323.7	298.5	306.8	335.6	307.2	319.0	306.4	323.7
6 State and local governments	757.2	760.8	666.3	522.4	739.8	708.3	666.3	640.6	618.1	563.7	522.4
7 U.S. government	235.0	230.7	206.5	183.8	215.4	212.6	206.5	203.2	197.1	191.3	183.8
8 Rest of the world	1,022.8	1,146.6	1,255.7	1,526.6	1,205.4	1,240.7	1,255.7	1,325.3	1,403.4	1,492.7	1,526.6
9 Financial sectors	11,303.1	12,133.7	12,833.2	13,936.9	12,456.6	12,615.9	12,833.2	13,056.9	13,366.6	13,575.1	13,936.9
10 Government-sponsored enterprises	457.8	548.0	671.2	750.1	596.0	627.5	671.2	673.3	695.8	708.5	750.1
11 Federally related mortgage pools	1,272.0	1,355.6	1,467.8	1,572.9	1,430.1	1,451.5	1,467.8	1,476.4	1,496.9	1,526.7	1,572.9
12 Monetary authority	300.4	336.7	368.2	380.8	351.6	356.8	368.2	367.1	375.7	370.6	380.8
13 Commercial banking	2,948.6	3,090.8	3,254.3	3,518.2	3,155.9	3,203.9	3,254.3	3,327.7	3,409.8	3,472.9	3,518.2
14 U.S. chartered banks	2,571.9	2,721.5	2,869.6	3,056.1	2,780.3	2,822.3	2,869.6	2,906.5	2,963.7	3,023.7	3,056.1
15 Foreign banking offices in United States	335.8	326.0	337.1	412.4	330.8	335.5	337.1	373.6	396.0	401.1	412.4
16 Bank holding companies	17.5	17.5	18.4	18.6	18.3	19.0	18.4	17.9	19.3	17.0	18.6
17 Banks in U.S. affiliated areas	23.4	25.8	29.2	31.1	26.5	27.1	29.2	29.8	30.8	31.0	31.1
18 Funding corporations	162.5	149.5	129.8	125.6	138.7	130.5	129.8	140.2	135.7	134.0	125.6
19 Thrift institutions	1,134.5	1,132.7	1,167.6	1,187.7	1,146.1	1,160.4	1,167.6	1,173.4	1,177.3	1,188.1	1,187.7
20 Life insurance companies	1,309.1	1,420.6	1,487.0	1,595.0	1,449.0	1,470.7	1,487.0	1,523.1	1,557.1	1,575.5	1,595.0
21 Other insurance companies	389.4	422.7	446.4	471.9	433.1	439.1	446.4	451.8	458.5	464.4	471.9
22 Private pension funds	571.7	617.6	664.6	720.9	635.3	645.9	664.6	679.3	693.6	705.5	720.9
23 State and local government retirement funds	417.5	437.3	466.3	498.9	459.2	454.3	466.3	480.7	482.1	493.3	498.9
24 Finance companies	496.4	482.8	551.0	614.0	511.3	524.1	551.0	568.5	586.9	594.7	614.0
25 Mortgage companies	60.5	60.4	37.5	43.3	40.4	37.0	37.5	33.9	41.4	43.2	43.3
26 Mutual funds	566.4	725.9	718.8	770.3	747.8	741.8	718.8	715.9	721.5	735.6	770.3
27 Closed-end funds	67.7	78.6	73.1	78.9	79.0	75.6	73.1	74.0	75.6	77.7	78.9
28 Money market mutual funds	408.6	429.0	459.0	545.5	433.5	437.9	459.0	480.6	508.0	505.7	545.5
29 Real estate investment trusts (REITs)	8.1	8.6	13.3	15.1	11.9	13.3	13.3	13.8	14.2	14.7	15.1
30 Brokers and dealers	122.7	137.5	93.3	181.3	100.8	95.3	93.3	101.0	137.5	137.0	181.3
31 Asset-backed securities issuers (ABSs)	377.9	458.4	516.1	616.9	491.0	502.6	516.1	527.8	550.3	577.7	616.9
32 Bank personal trusts	231.5	240.9	248.0	249.4	245.7	247.7	248.0	248.4	248.8	249.2	249.4
RELATION OF LIABILITIES TO FINANCIAL ASSETS											
33 ***Total credit market debt***	**15,234.6**	**16,240.3**	**17,307.9**	**18,550.6**	**16,702.0**	**16,963.1**	**17,307.9**	**17,569.1**	**17,896.7**	**18,175.4**	**18,550.6**
Other liabilities											
34 Official foreign exchange	51.8	53.4	53.2	63.7	54.9	55.5	53.2	64.1	67.1	65.1	63.7
35 Special drawing rights certificates	8.0	8.0	8.0	10.2	8.0	8.0	8.0	8.0	8.0	10.2	10.2
36 Treasury currency	16.5	17.0	17.6	18.2	17.3	17.5	17.6	17.8	18.0	18.2	18.2
37 Life insurance reserves	433.0	468.2	502.2	546.0	479.9	496.8	502.2	515.7	528.1	535.6	546.0
38 Pension fund reserves	4,055.1	4,471.6	4,693.9	5,435.3	4,524.0	4,677.0	4,693.9	4,895.7	5,095.4	5,320.1	5,435.3
39 Interbank claims	132.6	189.3	279.7	287.0	237.5	250.1	279.7	271.7	265.5	267.4	287.0
40 Deposits at financial institutions	5,050.2	5,154.9	5,296.0	5,748.4	5,186.7	5,212.4	5,296.0	5,389.5	5,572.4	5,638.7	5,748.4
41 Checkable deposits and currency	1,134.4	1,251.7	1,242.0	1,229.5	1,229.9	1,205.0	1,242.0	1,193.9	1,246.3	1,200.7	1,229.5
42 Small time and savings deposits	2,293.5	2,223.2	2,183.3	2,272.7	2,214.4	2,199.1	2,183.3	2,200.1	2,222.4	2,247.0	2,272.7
43 Large time deposits	415.2	391.7	411.2	491.8	379.3	402.6	411.2	441.1	456.2	486.2	491.8
44 Money market fund shares	539.5	559.6	602.9	745.3	569.2	578.7	602.9	634.0	678.5	702.7	745.3
45 Security repurchase agreements	399.9	471.1	549.4	660.1	522.1	548.1	549.4	603.4	629.3	655.6	660.1
46 Foreign deposits	267.7	257.6	307.1	349.1	271.9	278.9	307.1	316.9	339.6	346.6	349.1
47 Mutual fund shares	992.5	1,375.4	1,477.3	1,865.0	1,445.4	1,515.8	1,477.3	1,552.8	1,664.4	1,789.6	1,865.0
48 Security credit	217.7	279.0	279.0	299.6	279.1	263.9	279.0	269.5	277.9	286.2	299.6
49 Trade payables	995.1	1,032.8	1,144.8	1,246.2	1,059.9	1,082.3	1,144.8	1,143.8	1,158.6	1,202.0	1,246.2
50 Taxes payable	79.7	84.2	87.3	88.9	82.0	86.3	87.3	93.5	88.6	91.4	88.9
51 Investment in bank personal trusts	660.6	691.3	699.4	841.7	680.0	701.1	699.4	736.3	774.6	817.0	841.7
52 Miscellaneous	4,791.2	5,102.9	5,363.9	5,724.6	5,239.7	5,322.2	5,363.9	5,437.9	5,510.4	5,586.2	5,724.6
53 **Total liabilities**	**32,718.6**	**35,168.3**	**37,210.2**	**40,725.4**	**35,996.6**	**36,652.0**	**37,210.2**	**37,965.3**	**38,925.7**	**39,803.2**	**40,725.4**
Financial assets not included in liabilities (+)											
54 Gold and special drawing rights	19.6	20.1	21.1	22.1	20.8	21.0	21.1	22.7	22.9	22.1	22.1
55 Corporate equities	5,462.9	6,278.5	6,293.4	8,345.4	5,965.8	6,228.7	6,293.4	6,835.8	7,393.0	8,013.8	8,345.4
56 Household equity in noncorporate business	2,458.3	2,476.3	2,564.6	2,635.6	2,523.9	2,550.9	2,564.6	2,576.8	2,608.5	2,622.2	2,635.6
Floats not included in assets (−)											
57 U.S. government checkable deposits	6.8	5.6	3.4	3.1	.9	1.2	3.4	4.2	2.0	.6	3.1
58 Other checkable deposits	42.0	40.7	38.0	34.2	38.7	30.6	38.0	33.3	35.7	27.3	34.2
59 Trade credit	251.0	215.1	219.0	219.5	280.2	282.3	219.0	258.1	277.1	283.9	219.5
Liabilities not identified as assets (−)											
60 Treasury currency	4.9	5.1	5.4	5.8	5.2	5.3	5.4	5.4	5.5	5.6	5.8
61 Interbank claims	9.3	4.7	6.5	9.1	7.4	3.4	6.5	2.7	2.9	.1	9.1
62 Security repurchase agreements	43.0	77.3	105.2	113.7	99.3	98.0	105.2	131.6	115.0	130.4	113.7
63 Foreign deposits	217.6	218.3	258.7	294.1	231.4	241.3	258.7	270.2	290.6	290.2	294.1
64 Taxes payable	25.3	26.2	24.2	38.0	21.3	22.0	24.2	7.9	21.2	23.6	38.0
65 *Miscellaneous*	514.4	589.8	723.9	785.0	569.2	612.4	723.9	782.6	787.4	802.6	785.0
66 **Total identified to sectors as assets**	**41,104.3**	**44,389.7**	**46,614.6**	**52,264.7**	**44,977.5**	**45,963.0**	**46,614.6**	**48,002.3**	**49,558.5**	**51,081.2**	**52,264.7**

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 1987 = 100, except as noted

Measure	1993	1994	1995	1995 July	1995 Aug.	1995 Sept	1995 Oct	1995 Nov	1995 Dec.[r]	1996 Jan.[r]	1996 Feb.[r]	1996 Mar
1 **Industrial production**[1]	**111.5**	**118.1**	**121.9**	**121.5**	**122.7**	**122.8**	**122.2**	**122.6**	**122.8**	**122.5**	**124.1**	**123.5**
Market groupings												
2 Products, total	110.0	115.6	118.3	118.0	119.2	119.4	118.3	118.8	119.2	118.6	120.6	119.9
3 Final, total	112.7	118.3	121.4[r]	121.2	122.4	122.6	121.3	121.9	122.1	121.8	124.2	123.2
4 Consumer goods	109.5	113.7	115.1[r]	114.6	115.9	116.0	114.9	115.9	115.7	114.3	116.2	115.1
5 Equipment	117.5	125.3	131.4	131.6	132.9	133.1	131.5	131.4	132.3	133.8	137.1	136.2
6 Intermediate	101.8	107.3	109.0	108.5	109.4	109.5	109.2	109.3	110.1	109.0	109.8	110.1
7 Materials	113.8	122.0	127.4	126.8	128.1	128.1	128.1	128.4	128.4	128.4	129.5	128.9
Industry groupings												
8 Manufacturing	112.3	119.7	123.9	123.3	124.2	124.9	124.4	124.5	124.8	124.5	126.1	125.4
9 Capacity utilization, manufacturing (percent)[2]	80.6	83.3	82.9	82.3	82.6	82.8	82.1	81.9	81.9	81.3	82.3	81.4
10 Construction contracts[3]	105.2[r]	114.1[r]	117.6[r]	119.0	124.0[r]	120.0	119.0	120.0	111.0	117.0	111.0	118.0
11 Nonagricultural employment, total[4]	108.4	111.3	114.4	114.3	114.6	114.7	114.8	115.0	115.1	115.0	115.6	115.7
12 Goods-producing, total	94.3	95.6	98.2	97.9	97.9	97.9	97.9	97.8	98.0	97.7	98.3	98.0
13 Manufacturing, total	94.8	95.1	96.9	96.6	96.6	96.4	96.3	96.2	96.4	96.0	96.1	95.8
14 Manufacturing, production workers	95.3	97.1	98.3	97.8	97.9	97.7	97.5	97.4	97.7	97.1	97.3	96.9
15 Service-producing	112.9	116.3	119.5	119.6	119.9	120.1	120.1	120.4	120.6	120.5	121.1	121.4
16 Personal income, total	141.3	148.3	157.4	157.9	158.0	158.8	159.6	160.1[r]	161.1	161.3	162.6	n.a.
17 Wages and salary disbursements	136.0	142.6	150.5	151.3	151.1	152.0	153.0	152.9	153.7	153.4	155.1	n.a.
18 Manufacturing	119.3	125.0	129.3	129.0	129.3	129.6	129.5	129.5	129.8	128.3	130.0	n.a.
19 Disposable personal income[5]	142.4	149.2	157.8	158.4	158.5	159.3	160.0[r]	160.6[r]	161.7	162.0	163.2	n.a.
20 Retail sales[5]	134.7	144.8[r]	152.2[r]	152.4[r]	153.4[r]	153.4[r]	153.0[r]	154.3[r]	155.3	155.3	158.2	158.3
Prices[6]												
21 Consumer (1982–84 = 100)	144.5	148.2	152.4	152.5	152.9	153.2	153.7	153.6	153.5	154.4	154.9	155.7
22 Producer finished goods (1982 = 100)	124.7	125.5	127.9	128.2	128.1	127.9	128.7	128.7[r]	129.0	129.5	129.4	130.2

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 November 1995. See "A Revision to Industrial Production and Capacity Utilization, 1991–95," *Federal Reserve Bulletin*, vol. 82 (January 1996), pp. 16–25. 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	1993	1994	1995	1995 Aug	1995 Sept	1995 Oct	1995 Nov.	1995 Dec.	1996 Jan.[r]	1996 Feb.[r]	1996 Mar
HOUSEHOLD SURVEY DATA[1]											
1 Civilian labor force[2]	128,040	131,056	132,304	132,298	132,501	132,473	132,471	132,352	132,903	133,018	133,655
Employment											
2 Nonagricultural industries[3]	116,232	119,651	121,460	121,483	121,701	121,810	121,739	121,656	121,698	122,143	122,664
3 Agriculture	3,074	3,409	3,440	3,376	3,335	3,434	3,323	3,325	3,529	3,519	3,487
Unemployment											
4 Number	8,734	7,996	7,401	7,439	7,465	7,229	7,409	7,371	7,677	7,355	7,504
5 Rate (percent of civilian labor force)	6.8	6.1	5.6	5.6	5.6	5.5	5.6	5.6	5.8	5.5	5.6
ESTABLISHMENT SURVEY DATA											
6 **Nonagricultural payroll employment**[4]	**110,525**	**113,423**	**116,597**	**116,838**	**116,932**	**117,000**	**117,212**	**117,357**	**117,211**	**117,835**	**117,975**
7 Manufacturing	18,003	18,064	18,406	18,357	18,322	18,301	18,272	18,307	18,235	18,262	18,200
8 Mining	611	601	579	575	573	571	567	569	567	572	575
9 Contract construction	4,642	4,916	5,244	5,233	5,262	5,287	5,295	5,297	5,314	5,428	5,415
10 Transportation and public utilities	5,787	5,842	6,194	6,217	6,206	6,217	6,240	6,231	6,231	6,246	6,256
11 Trade	25,675	26,362	27,156	27,177	27,245	27,256	27,362	27,376	27,334	27,470	27,507
12 Finance	6,712	6,789	6,948	6,947	6,957	6,977	6,991	7,001	7,007	7,035	7,044
13 Service	30,278	31,805	32,788	32,986	33,047	33,076	33,185	33,248	33,232	33,495	33,626
14 Government	18,817	19,041	19,282	19,346	19,320	19,315	19,300	19,328	19,291	19,327	19,352

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	1995 Q2	1995 Q3	1995 Q4	1996 Q1	1995 Q2	1995 Q3	1995 Q4	1996 Q1	1995 Q2	1995 Q3	1995 Q4	1996 Q1
	Output (1987=100)				Capacity (percent of 1987 output)				Capacity utilization rate (percent)[2]			
1 **Total industry**	**121.4**	**122.3**	**122.5**	**123.3**	**145.0**	**146.4**	**147.8**	**149.2**	**83.7**	**83.6**	**82.9**	**82.7**
2 Manufacturing	123.3	124.1	124.6	125.4	148.7	150.3	152.0	153.5	82.9	82.6	82.0	81.7
3 Primary processing[3]	117.7	117.1	117.1	116.9	134.4	135.4	136.4	137.2	87.6	86.5	85.9	85.2
4 Advanced processing[4]	126.0	127.5	128.1	129.5	155.6	157.5	159.5	161.4	81.0	80.9	80.3	80.2
5 Durable goods	131.4	133.0	134.2	136.1	158.9	161.1	163.4	165.7	82.7	82.5	82.1	82.1
6 Lumber and products	102.9	104.6	105.8	105.3	118.0	118.6	119.2	119.7	87.2	88.2	88.7	88.0
7 Primary metals	119.1	118.2	118.8	120.1	127.5	128.0	128.6	129.2	93.4	92.3	92.4	93.0
8 Iron and steel	121.9	121.3	121.3	123.9	131.7	132.5	133.2	133.9	92.6	91.6	91.0	92.5
9 Nonferrous	115.1	113.9	115.3	115.0	121.9	122.2	122.5	122.8	94.5	93.2	94.1	93.7
10 Industrial machinery and equipment	174.4	178.9	186.8	195.4	199.6	204.5	209.7	215.1	87.4	87.5	89.1	90.8
11 Electrical machinery	171.2	178.4	182.9	186.2	197.6	203.9	210.4	217.0	86.7	87.5	86.9	85.8
12 Motor vehicles and parts	140.5	140.7	140.5	132.1	174.2	176.4	178.7	180.3	80.6	79.8	78.6	73.3
13 Aerospace and miscellaneous transportation equipment	88.7	86.9	79.0	83.6	132.2	132.1	132.1	132.0	67.1	65.8	59.8	63.3
14 Nondurable goods	114.4	114.3	113.9	113.7	137.5	138.4	139.4	140.2	83.2	82.6	81.8	81.1
15 Textile mill products	113.7	110.9	109.4	104.9	130.1	131.1	132.1	132.9	87.5	84.6	82.8	78.9
16 Paper and products	121.2	119.5	118.1	115.4	131.5	132.5	133.4	134.3	92.1	90.2	88.5	85.9
17 Chemicals and products	124.0	124.6	126.4	126.6	154.7	155.6	156.6	157.6	80.1	80.1	80.7	80.4
18 Plastics materials	122.9	118.3	123.1	...	133.8	135.4	137.1	...	91.9	87.3	89.7	...
19 Petroleum products	108.0	109.2	107.7	110.6	116.2	116.4	116.6	116.8	92.9	93.8	92.4	94.7
20 Mining	100.7	100.2	98.2	98.6	112.0	112.0	112.1	112.1	89.9	89.4	87.6	88.0
21 Utilities	120.7	124.7	124.1	125.0	134.8	135.2	135.6	135.9	89.5	92.3	91.5	92.0
22 Electric	120.4	125.0	123.7	125.1	132.1	132.5	133.0	133.3	91.1	94.3	93.1	93.9

Series	1973 High	1975 Low	Previous cycle[5] High	Previous cycle[5] Low	Latest cycle[6] High	Latest cycle[6] Low	1995 Mar.	1995 Oct.	1995 Nov.	1995 Dec.[r]	1996 Jan.[r]	1996 Feb.	1996 Mar.[p]
	Capacity utilization rate (percent)[2]												
1 **Total industry**	**89.2**	**72.6**	**87.3**	**71.8**	**84.9**	**78.0**	**84.6**	**82.9**	**82.9**	**82.8**	**82.3**	**83.2**	**82.5**
2 Manufacturing	88.9	70.8	87.3	70.0	85.2	76.6	84.0	82.1	81.9	81.9	81.3	82.3	81.4
3 Primary processing[3]	92.2	68.9	89.7	66.8	89.0	77.9	88.9	86.0	85.9	85.8	85.2	85.2	85.1
4 Advanced processing[4]	87.5	72.0	86.3	71.4	83.5	76.1	81.9	80.5	80.3	80.2	79.7	81.1	79.9
5 Durable goods	88.8	68.5	86.9	65.0	84.0	73.7	83.9	82.0	82.2	82.1	81.8	83.1	81.6
6 Lumber and products	90.1	62.2	87.6	60.9	93.3	76.1	88.4	88.8	87.9	89.5	87.6	87.7	88.7
7 Primary metals	100.6	66.2	102.4	46.8	92.8	74.2	95.5	90.1	93.9	93.2	94.1	92.0	92.9
8 Iron and steel	105.8	66.6	110.4	38.3	95.7	72.0	95.9	86.5	94.7	91.9	95.9	89.7	92.0
9 Nonferrous	92.9	61.3	90.5	62.2	88.7	75.2	94.9	94.6	92.9	94.7	91.9	95.0	94.1
10 Industrial machinery and equipment	96.4	74.5	92.1	64.9	84.0	71.8	87.8	88.4	88.9	89.9	90.1	91.3	91.1
11 Electrical machinery	87.8	63.8	89.4	71.1	84.9	77.0	87.5	87.6	87.2	86.0	84.7	86.9	85.8
12 Motor vehicles and parts	93.4	51.1	93.0	44.5	85.1	56.6	85.4	78.5	78.7	78.7	75.2	78.2	66.4
13 Aerospace and miscellaneous transportation equipment	77.0	66.6	81.1	66.9	88.4	78.8	67.7	60.6	58.8	60.1	62.3	63.5	64.2
14 Nondurable goods	87.9	71.8	87.0	76.9	86.7	80.3	84.1	82.2	81.6	81.5	80.7	81.3	81.2
15 Textile mill products	92.0	60.4	91.7	73.8	92.1	78.8	89.8	84.3	82.5	81.8	78.2	78.8	79.8
16 Paper and products	96.9	69.0	94.2	82.0	94.8	86.7	92.5	90.0	87.1	88.4	85.4	85.7	86.7
17 Chemicals and products	87.9	69.9	85.1	70.1	85.9	79.0	81.1	81.1	80.5	80.6	80.7	80.4	80.0
18 Plastics materials	102.0	50.6	90.9	63.4	97.0	74.8	93.3	89.4	90.3	89.6	90.8	...	...
19 Petroleum products	96.7	81.1	89.5	68.2	88.5	84.6	94.0	91.8	92.1	93.3	93.4	95.5	95.1
20 Mining	94.4	88.4	96.6	80.6	86.5	86.1	89.6	87.6	87.7	87.6	86.5	87.9	89.6
21 Utilities	95.6	82.5	88.3	76.2	92.6	83.1	88.6	89.8	92.5	92.2	92.6	91.4	92.0
22 Electric	99.0	82.7	88.3	78.7	94.8	86.7	90.7	93.1	93.0	93.1	94.2	93.7	93.6

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1995. See "A Revision to Industrial Production and Capacity Utilization, 1991–95," *Federal Reserve Bulletin*, vol. 82 (January 1996), pp. 16–25. 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	1995 avg.	1995 Mar.	1995 Apr.	1995 May	1995 June	1995 July	1995 Aug.	1995 Sept.	1995 Oct.	1995 Nov.	1995 Dec.[r]	1996 Jan.[r]	1996 Feb.	1996 Mar.[p]
			Index (1987 = 100)												
MAJOR MARKETS															
1 **Total index**	**100.0**	**121.9**	**121.9**	**121.4**	**121.3**	**121.4**	**121.5**	**122.7**	**122.8**	**122.2**	**122.6**	**122.8**	**122.5**	**124.1**	**123.5**
2 Products	60.6	118.3	118.5	117.7	117.5	117.9	118.0	119.2	119.4	118.3	118.8	119.2	118.6	120.6	119.9
3 Final products	46.3	121.4	121.5	120.9	120.6	121.1	121.2	122.4	122.6	121.3	121.9	122.1	121.8	124.2	123.2
4 Consumer goods, total	28.6	115.1	115.3	114.4	114.1	114.8	114.6	115.9	116.0	114.9	115.9	115.7	114.3	116.2	115.1
5 Durable consumer goods	5.6	124.2	126.0	124.9	121.6	122.3	121.4	124.0	125.8	123.4	124.9	126.3	120.1	124.5	117.5
6 Automotive products	2.5	130.7	134.4	131.7	127.1	129.1	125.3	130.7	132.9	128.5	130.5	132.8	125.8	132.6	118.2
7 Autos and trucks	1.6	131.4	137.5	132.8	127.4	129.5	123.9	132.0	133.1	128.6	129.8	132.1	123.9	133.2	111.0
8 Autos, consumer	.9	103.1	111.2	105.5	99.4	99.2	101.0	100.6	102.6	100.2	100.2	99.5	92.8	99.7	77.0
9 Trucks, consumer	.7	181.7	183.6	180.9	177.1	183.6	163.9	188.2	187.7	179.1	182.8	190.6	179.9	193.6	172.9
10 Auto parts and allied goods	.9	127.8	126.7	128.0	125.0	126.8	126.6	126.6	130.8	126.7	130.2	132.7	128.1	129.6	131.1
11 Other	3.0	118.6	118.6	119.0	116.7	116.3	118.1	118.1	119.6	118.9	119.9	120.5	115.1	117.4	116.9
12 Appliances, televisions, and air conditioners	.7	135.5	132.2	131.6	131.2	131.4	132.2	135.8	139.4	140.1	145.3	141.9	131.6	134.9	133.8
13 Carpeting and furniture	.8	105.8	106.1	109.1	103.0	101.8	107.9	104.4	106.9	105.6	104.1	107.4	100.5	103.5	104.0
14 Miscellaneous home goods	1.5	118.2	119.7	118.8	118.1	118.0	117.4	118.0	117.8	116.9	117.6	118.3	116.2	117.5	116.6
15 Nondurable consumer goods	23.0	112.9	112.7	111.8	112.4	113.1	113.0	113.9	113.7	112.9	113.8	113.2	113.0	114.2	114.6
16 Foods and tobacco	10.3	111.3	111.5	111.2	111.5	113.1	112.8	111.8	111.6	111.1	110.9	110.6	110.6	111.9	112.9
17 Clothing	2.4	94.8	98.7	96.9	96.7	94.6	93.6	93.9	93.4	92.9	91.5	89.7	88.0	90.2	89.7
18 Chemical products	4.5	131.3	129.7	126.9	127.3	128.6	128.6	132.6	134.0	135.7	135.0	136.5	136.7	137.0	136.6
19 Paper products	2.9	106.6	105.9	106.9	106.5	106.3	107.6	106.7	107.3	106.6	108.4	106.3	104.6	107.4	107.3
20 Energy	2.9	116.5	113.9	112.2	115.8	115.8	116.1	122.3	119.0	113.1	121.1	119.5	120.7	120.2	121.2
21 Fuels	.9	108.8	110.4	108.8	108.2	108.8	108.2	108.4	111.4	107.3	108.2	108.6	108.6	112.8	111.8
22 Residential utilities	2.1	119.6	115.2	113.5	119.0	118.7	119.4	128.2	122.2	115.4	126.6	124.1	125.7	123.3	125.1
23 Equipment	17.7	131.4	131.4	131.3	130.8	131.2	131.6	132.9	133.1	131.5	131.4	132.3	133.8	137.1	136.2
24 Business equipment	13.7	155.7	155.1	155.0	154.3	155.1	155.7	157.5	158.2	156.5	156.9	158.4	160.6	164.7	162.9
25 Information processing and related	5.7	198.1	191.6	194.5	193.9	196.0	197.2	201.0	203.0	206.5	208.1	209.4	214.0	220.2	223.4
26 Computer and office equipment	1.4	373.5	343.6	356.4	362.1	363.2	371.7	379.6	390.0	402.9	417.8	431.7	447.3	463.3	477.1
27 Industrial	4.0	127.5	126.9	126.1	126.5	126.2	127.1	129.1	128.7	128.6	129.1	129.5	129.4	131.4	130.4
28 Transit	2.6	136.3	145.7	142.9	139.6	140.3	139.8	138.0	137.9	122.3	119.6	124.5	128.1	133.0	117.5
29 Autos and trucks	1.2	140.1	146.2	141.5	137.8	139.5	139.9	141.3	143.3	135.7	134.2	135.3	129.0	135.8	109.4
30 Other	1.4	123.2	126.3	123.2	122.7	122.6	122.6	122.2	123.3	120.9	121.4	121.7	121.9	123.3	123.5
31 Defense and space equipment	3.3	65.9	67.8	67.1	66.8	66.8	66.5	66.1	65.2	64.4	62.9	62.0	61.7	62.5	62.8
32 Oil and gas well drilling	.6	87.1	87.2	89.3	90.5	86.8	88.4	89.5	88.3	83.5	83.1	83.8	85.1	89.7	96.3
33 Manufactured homes	.2	152.7	145.8	146.6	148.3	149.6	148.6	155.9	158.0	158.9	161.8	164.4	158.1	157.8	...
34 Intermediate products, total	14.3	109.0	109.2	108.2	108.2	108.2	108.5	109.4	109.5	109.2	109.3	110.1	109.0	109.8	110.1
35 Construction supplies	5.3	108.2	109.2	108.0	106.6	107.2	107.3	107.0	108.4	108.3	108.7	110.5	108.0	110.3	110.7
36 Business supplies	9.0	109.6	109.3	108.5	109.4	109.1	109.5	111.0	110.3	109.9	109.9	110.0	109.8	109.6	110.0
37 Materials	39.4	127.4	127.2	127.0	127.2	126.8	126.8	128.1	128.1	128.1	128.4	128.4	128.4	129.5	128.9
38 Durable goods materials	20.8	141.5	140.3	139.8	139.8	139.7	140.2	142.3	144.1	143.9	145.3	144.8	145.6	147.5	145.8
39 Durable consumer parts	4.0	138.5	140.4	137.9	135.9	135.8	133.9	138.4	139.8	138.6	140.1	139.3	140.3	140.4	131.2
40 Equipment parts	7.5	163.0	157.3	158.9	160.3	161.7	164.4	167.1	169.1	169.4	171.0	170.8	171.7	177.0	177.8
41 Other	9.2	126.2	127.0	125.9	125.6	124.5	124.4	124.9	126.8	126.5	127.9	127.2	128.0	128.2	127.7
42 Basic metal materials	3.1	125.7	126.7	126.1	125.5	123.5	124.9	123.1	127.0	124.3	128.1	126.6	125.6	124.4	125.5
43 Nondurable goods materials	8.9	119.8	121.5	121.7	122.2	120.4	118.9	118.8	117.8	118.7	116.6	117.4	115.6	115.7	116.2
44 Textile materials	1.1	109.2	113.6	113.2	112.8	109.0	102.6	109.2	106.2	107.3	104.8	103.3	100.2	99.8	101.5
45 Paper materials	1.8	120.5	122.5	122.3	125.6	121.0	123.9	120.4	117.0	121.4	114.3	115.2	113.0	113.8	115.2
46 Chemical materials	3.9	124.4	125.6	125.6	126.2	125.2	124.4	123.1	123.3	122.9	122.7	121.9	121.7	121.3	120.9
47 Other	2.1	116.5	117.4	118.4	116.9	117.4	113.8	114.6	115.1	114.6	114.1	118.9	115.1	115.9	116.8
48 Energy materials	9.7	106.6	106.4	106.6	107.2	107.2	107.5	108.5	105.8	105.5	105.7	106.0	105.9	106.1	107.1
49 Primary energy	6.3	101.9	102.1	102.2	102.3	103.0	102.3	101.4	101.2	101.7	100.8	101.0	100.4	100.9	102.3
50 Converted fuel materials	3.3	116.0	114.9	115.5	116.9	115.5	118.1	122.8	115.0	113.1	115.4	116.2	116.9	116.5	116.8
SPECIAL AGGREGATES															
51 Total excluding autos and trucks	97.2	121.5	121.3	120.9	121.0	121.1	121.2	122.3	122.4	121.9	122.3	122.5	122.4	123.8	123.9
52 Total excluding motor vehicles and parts	95.2	120.9	120.6	120.3	120.5	120.5	120.7	121.7	121.8	121.3	121.7	121.9	121.8	123.2	123.7
53 Total excluding computer and office equipment	98.2	118.2	118.5	117.9	117.8	117.8	117.8	118.9	118.9	118.1	118.4	118.5	118.0	119.4	118.6
54 Consumer goods excluding autos and trucks	27.0	114.0	113.8	113.1	113.3	113.9	114.0	114.8	114.9	114.0	115.0	114.7	113.7	115.0	115.4
55 Consumer goods excluding energy	25.7	114.9	115.4	114.6	113.9	114.7	114.5	115.1	115.7	115.1	115.3	115.3	113.6	115.7	114.4
56 Business equipment excluding autos and trucks	12.5	157.0	155.8	156.2	155.8	156.5	157.2	158.9	159.5	158.4	159.0	160.5	163.7	167.4	168.2
57 Business equipment excluding computer and office equipment	12.2	133.0	134.8	133.7	132.5	133.2	133.2	134.4	134.3	131.6	130.8	131.3	132.4	135.3	132.4
58 Materials excluding energy	29.7	134.9	134.6	134.3	134.4	133.8	133.7	135.1	136.1	136.2	136.6	136.4	136.4	137.8	136.7

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]—Continued

Group	SIC[2] code	1992 proportion	1995 avg.	1995 Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.[r]	1996 Jan.[r]	Feb.	Mar.[p]
				Index (1987 = 100)												
MAJOR INDUSTRIES																
59 **Total index**	...	**100.0**	**121.9**	**121.9**	**121.4**	**121.3**	**121.4**	**121.5**	**122.7**	**122.8**	**122.2**	**122.6**	**122.8**	**122.5**	**124.1**	**123.5**
60 Manufacturing	...	85.4	123.9	124.0	123.5	123.2	123.3	123.3	124.2	124.9	124.4	124.5	124.8	124.5	126.4	125.4
61 Primary processing	...	26.6	117.6	118.9	118.2	117.9	117.1	116.9	116.6	117.8	117.0	117.1	117.3	116.7	116.9	117.0
62 Advanced processing	...	58.9	126.8	126.5	126.0	125.7	126.3	126.3	127.8	128.2	127.9	128.0	128.4	128.2	130.8	129.4
63 Durable goods	...	45.0	132.5	132.2	131.6	131.1	131.5	131.5	133.2	134.4	133.5	134.3	134.8	134.9	137.6	135.7
64 Lumber and products	24	2.0	104.5	103.9	103.9	101.7	103.0	103.7	103.7	106.2	105.7	104.8	106.9	104.7	104.9	106.3
65 Furniture and fixtures	25	1.4	111.6	113.4	111.4	110.8	111.3	111.1	110.9	112.0	110.9	109.8	109.3	108.5	110.3	110.3
66 Stone, clay, and glass products	32	2.1	104.1	104.7	103.4	104.1	103.8	103.2	103.0	103.8	104.5	104.9	104.3	105.2	104.7	104.0
67 Primary metals	33	3.1	119.2	121.3	120.2	119.5	117.5	118.3	115.4	121.0	115.7	120.8	120.0	121.4	118.8	120.1
68 Iron and steel	331.2	1.7	122.4	125.8	123.5	123.0	119.2	119.3	117.7	127.0	115.1	126.1	122.7	128.1	120.1	123.5
69 Raw steel	331PT	.1	114.7	116.8	114.7	113.0	112.9	111.5	114.2	118.6	111.3	116.4	118.0	113.9	112.5	...
70 Nonferrous	333−6.9	1.4	114.8	115.4	115.7	114.8	114.9	116.5	111.9	113.2	115.8	113.8	116.2	112.8	116.6	115.5
71 Fabricated metal products	34	5.0	113.9	114.3	112.3	113.7	113.7	112.4	114.3	115.1	114.0	114.5	115.0	115.4	117.0	115.9
72 Industrial machinery and equipment	35	8.0	177.8	172.4	174.3	174.6	174.4	176.0	179.5	181.3	183.8	186.5	190.1	192.1	196.3	197.6
73 Computer and office equipment	357	1.8	373.5	343.6	356.4	362.1	363.2	371.7	379.6	390.0	402.9	417.8	431.7	447.3	463.3	477.1
74 Electrical machinery	36	7.2	174.9	169.4	169.6	171.1	173.0	175.7	178.7	180.8	182.4	183.6	182.8	182.1	188.5	188.0
75 Transportation equipment	37	9.5	113.3	118.0	115.7	113.2	113.4	111.6	114.1	114.1	109.3	108.6	109.7	108.3	111.9	102.0
76 Motor vehicles and parts	371	4.8	141.9	147.6	143.0	138.8	139.7	136.7	142.1	143.3	139.7	140.7	141.2	135.4	141.0	120.0
77 Autos and light trucks	371PT	2.5	131.3	137.9	132.9	127.3	129.2	124.3	131.6	132.8	128.4	129.6	131.5	123.3	132.6	109.8
78 Aerospace and miscellaneous transportation equipment	372−6.9	4.7	85.8	89.5	89.4	88.5	88.1	87.6	87.2	85.9	80.0	77.7	79.4	82.3	83.8	84.7
79 Instruments	38	5.4	110.7	110.9	111.2	109.6	110.9	110.2	111.4	111.3	111.4	111.5	109.7	110.8	113.0	113.7
80 Miscellaneous	39	1.3	122.7	123.3	122.7	122.3	123.1	121.4	122.4	122.9	122.2	123.3	123.5	122.1	124.2	124.6
81 Nondurable goods	...	40.5	114.3	115.1	114.6	114.4	114.3	114.3	114.3	114.4	114.3	113.7	113.8	113.0	114.0	114.0
82 Foods	20	9.4	115.3	115.0	115.1	115.9	116.1	115.3	115.5	115.5	115.4	114.8	114.8	115.0	116.4	117.1
83 Tobacco products	21	1.6	90.2	92.3	92.0	89.3	96.4	99.1	91.3	90.2	88.2	88.9	88.4	86.6	88.0	89.8
84 Textile mill products	22	1.8	112.6	116.2	117.2	113.6	110.4	109.9	112.4	110.5	111.1	108.9	108.3	103.8	104.7	106.1
85 Apparel products	23	2.2	95.7	99.3	97.4	97.5	95.5	94.8	94.5	94.5	93.3	92.4	91.5	89.2	91.1	90.2
86 Paper and products	26	3.6	119.8	121.1	121.2	122.4	119.9	121.3	118.6	118.5	119.7	116.2	118.2	114.4	115.1	116.7
87 Printing and publishing	27	6.8	99.4	99.3	99.2	99.0	98.6	99.0	100.5	99.8	98.9	99.3	98.8	98.0	99.3	98.6
88 Chemicals and products	28	9.9	125.0	125.0	123.5	124.0	124.4	124.0	124.4	125.3	126.7	126.0	126.5	126.8	126.7	126.3
89 Petroleum products	29	1.4	108.3	109.1	107.8	107.4	108.6	109.0	108.5	110.0	106.9	107.4	108.9	109.0	111.5	111.2
90 Rubber and plastic products	30	3.5	139.4	141.1	140.8	138.2	137.8	137.7	138.7	139.8	139.7	140.3	139.3	139.0	139.9	138.7
91 Leather and products	31	.3	81.3	85.8	82.7	83.0	81.2	78.7	80.8	80.5	79.7	78.2	76.8	75.3	76.9	77.4
92 Mining	...	6.9	99.9	100.3	100.6	100.5	101.0	100.7	100.0	100.0	98.2	98.3	98.1	97.0	98.5	100.4
93 Metal	10	.5	169.3	164.5	164.6	164.3	166.8	172.2	172.1	170.8	178.3	175.9	172.8	160.0	157.7	157.3
94 Coal	12	1.0	112.9	114.0	112.3	110.8	112.2	117.0	109.7	116.2	112.3	109.5	108.5	103.3	108.0	114.8
95 Oil and gas extraction	13	4.8	91.9	92.2	93.1	93.4	93.6	91.9	92.4	91.2	89.2	90.1	90.1	90.6	91.2	92.5
96 Stone and earth minerals	14	.6	112.3	114.2	112.7	111.1	111.9	113.5	111.6	113.1	112.4	110.9	112.4	108.9	114.5	115.5
97 Utilities	...	7.7	122.0	119.2	118.8	122.1	121.0	122.7	128.8	122.7	121.6	125.4	125.1	125.7	124.3	125.1
98 Electric	491,493PT	6.1	122.1	119.5	118.9	121.2	121.2	122.2	130.0	122.7	123.7	123.6	123.9	125.5	125.0	124.8
99 Gas	492,493PT	1.6	121.7	118.0	118.4	125.5	120.6	124.5	124.3	122.4	113.6	132.5	129.9	126.3	121.4	126.1
SPECIAL AGGREGATES																
100 Manufacturing excluding motor vehicles and parts	...	80.6	122.8	122.6	122.3	122.2	122.3	122.5	123.1	123.8	123.4	123.6	123.9	123.8	125.5	125.7
101 Manufacturing excluding office and computing machines	...	83.7	119.5	120.1	119.3	118.9	119.1	118.9	119.8	120.3	119.6	119.6	119.7	119.2	120.8	119.7
	Gross value (billions of 1992 dollars, annual rates)															
MAJOR MARKETS																
102 **Products, total**	...	**2,002.9**	**2,245.6**	**2,252.0**	**2,236.5**	**2,231.5**	**2,239.1**	**2,238.8**	**2,257.8**	**2,268.1**	**2,240.3**	**2,255.8**	**2,265.7**	**2,250.1**	**2,293.3**	**2,267.1**
103 Final	...	1,552.2	1,748.7	1,755.0	1,743.1	1,737.4	1,745.6	1,743.2	1,760.5	1,768.2	1,741.9	1,756.8	1,761.9	1,751.6	1,791.4	1,762.9
104 Consumer goods	...	1,033.4	1,130.5	1,135.5	1,125.2	1,122.3	1,128.4	1,124.0	1,135.7	1,141.1	1,125.1	1,139.3	1,139.0	1,122.5	1,146.5	1,128.5
105 Equipment	...	518.8	618.3	619.5	617.9	615.1	617.1	619.2	624.8	627.1	616.7	617.5	622.9	629.1	644.9	634.4
106 Intermediate	...	450.7	496.9	497.0	493.4	494.0	493.5	495.6	497.3	499.9	498.4	499.0	503.8	498.5	501.9	504.2

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 November 1995. See "A Revision to Industrial Production and Capacity Utilization, 1991–95," *Federal Reserve Bulletin*, vol. 82 (January 1996), pp. 16–25. 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	1993	1994	1995[r]	1995 May	1995 June	1995 July	1995 Aug.	1995 Sept.	1995 Oct.	1995 Nov.	1995 Dec.[r]	1996 Jan.[r]	1996 Feb.
	Private residential real estate activity (thousands of units except as noted)												
NEW UNITS													
1 Permits authorized	1,199	1,372	1,331	1,243	1,275	1,355	1,368	1,405	1,384	1,448	1,478	1,372	1,411
2 One-family	987	1,068	997	930	958	1,011	1,044	1,073	1,051	1,069	1,110	1,050	1,082
3 Two-family or more	213	303	335	313	317	344	324	332	333	379	368	322	329
4 Started	1,288	1,457	1,354	1,300	1,301	1,450	1,401	1,401	1,351	1,458	1,425	1,453	1,505
5 One-family	1,126	1,198	1,076	1,005	1,036	1,125	1,135	1,130	1,109	1,129	1,150	1,146	1,175
6 Two-family or more	162	259	278	295	265	325	266	271	242	329	275	307	330
7 Under construction at end of period[1]	680	762	776	755	755	762	772	783	781	790	800	807	805
8 One-family	543	558	547	537	533	539	547	555	560	562	569	571	571
9 Two-family or more	137	204	229	218	222	223	225	228	221	228	231	236	234
10 Completed	1,193	1,347	1,313	1,324	1,256	1,332	1,247	1,267	1,320	1,360	1,225	1,389	1,299
11 One-family	1,040	1,160	1,066	1,058	1,049	1,034	1,019	1,009	1,039	1,081	1,003	1,102	1,037
12 Two-family or more	153	187	247	266	207	298	228	258	281	279	222	287	262
13 Mobile homes shipped	254	304	340	335	333	337	344	352	354	355	352	352	341
Merchant builder activity in one-family units													
14 Number sold	666	670	665	667	724	782	707	684	673	679	683[r]	729	727
15 Number for sale at end of period[1]	293	337	372	347	347	344	349	350	360	368	372[r]	373	363
Price of units sold (thousands of dollars)[2]													
16 Median	126.1	130.4	133.4	133.9	133.7	131.0	134.9	130.0	135.2	137.0	138.6[r]	131.0	138.0
17 Average	147.6	153.7	157.6	158.0	160.2	154.2	162.0	155.6	156.2	160.7	165.6[r]	154.2	163.5
EXISTING UNITS (one-family)													
18 Number sold	3,800	3,946	3,801	3,620	3,800	3,970	4,050	4,090	4,070	4,000	3,870	3,720	3,940
Price of units sold (thousands of dollars)[2]													
19 Median	106.5	109.6	112.2	109.1	116.2	116.0	117.6	114.8	113.2	114.3	113.9	114.8	114.0
20 Average	133.1	136.4	138.4	135.5	143.3	142.5	144.5	140.2	138.7	139.5	138.7	141.2	138.7
	Value of new construction (millions of dollars)[3]												
CONSTRUCTION													
21 Total put in place	**464,504**	**506,904**	**526,597**	**514,515**	**518,934**	**528,673**	**528,397**	**535,106**	**534,488[r]**	**531,710[r]**	**535,143**	**539,841**	**534,909**
22 Private	339,161	376,566	383,887	376,148	377,486	384,307	385,653	386,960	388,882[r]	386,666[r]	390,266	392,191	390,579
23 Residential	210,455	238,884	236,114	231,342	228,388	231,002	233,982	237,618	237,741[r]	239,427[r]	241,950	241,488	241,432
24 Nonresidential	128,706	137,682	147,773	144,806	149,098	153,305	151,671	149,342	151,141[r]	147,239[r]	148,316	150,703	149,147
25 Industrial buildings	19,533	21,121	24,154	24,760	24,416	24,399	24,202	24,096	24,964[r]	24,579[r]	24,153	25,208	24,682
26 Commercial buildings	42,627	48,552	55,159	51,779	55,420	57,015	55,709	55,079	56,472[r]	55,482[r]	57,596	56,072	55,256
27 Other buildings	23,626	23,912	23,990	24,319	23,447	24,525	24,015	23,962	24,547[r]	23,753[r]	24,033	24,478	24,407
28 Public utilities and other	42,920	44,097	44,470	43,948	45,815	47,366	47,745	46,205	45,158[r]	43,425[r]	42,534	44,945	44,802
29 Public	125,342	130,337	142,713	138,367	141,447	144,366	142,744	148,146	145,606[r]	145,044[r]	144,877	147,650	144,330
30 Military	2,454	2,319	2,905	2,442	2,569	3,124	3,010	3,090	2,527[r]	3,195[r]	3,216	3,116	3,243
31 Highway	37,431	39,882	42,221	38,657	40,875	44,274	42,902	42,942	44,351[r]	43,361[r]	43,914	44,157	48,115
32 Conservation and development	5,978	6,228	6,316	5,531	6,117	6,603	6,769	6,469	5,191[r]	6,048[r]	5,823	5,637	5,814
33 Other	79,479	81,908	91,271	91,737	91,886	90,365	90,063	95,645	93,537[r]	92,440[r]	91,924	94,740	87,158

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, Mar. 1996[1]
	1995 Mar.	1996 Mar.	1995 June	1995 Sept.	1995 Dec.	1996 Mar.	1995 Nov.	1995 Dec.	1996 Jan.	1996 Feb.	1996 Mar.	
CONSUMER PRICES[2] (1982–84=100)												
1 **All items**	**2.9**	**2.8**	**3.5**	**1.6**	**2.4**	**4.0**	**.1**	**.2**	**.4**	**.2**	**.4**	**155.7**
2 Food	2.9	2.8	3.6	2.7	1.9	3.2	.0	.1	.1	.1	.6	151.6
3 Energy items	1.3	2.8	5.8	−10.5	1.9	15.8	−.9	1.1	1.9	.4	1.4	106.1
4 All items less food and energy	3.0	2.8	3.0	2.8	2.2	3.5	.1	.1	.3	.2	.3	164.9
5 Commodities	1.8	1.8	.9	2.0	1.7	2.6	.1	.1	.4	−.1	.4	141.9
6 Services	3.5	3.3	4.3	3.0	2.5	3.4	.2	.1	.3	.3	.2	178.1
PRODUCER PRICES (1982=100)												
7 Finished goods	1.8	2.4	1.3	1.6	4.1	2.8	.3r	.5r	.3	−.2	.5	130.2
8 Consumer foods	.9	2.6	−2.5	8.8	4.4	.3	1.1r	.1r	−.2	−.3	.6	132.0
9 Consumer energy	2.8	4.3	1.5	−10.2	10.3	18.4	−1.0	3.7	2.7	−.7	2.4	80.1
10 Other consumer goods	1.8	2.2	2.9	2.3	3.1	.6	.3	.1r	−.1	.1	.1	144.2
11 Capital equipment	1.9	1.5	1.8	1.8	2.7	.0	.4r	−.1r	−.1	.1	−.1	138.3
Intermediate materials												
12 Excluding foods and feeds	6.6	.4	3.9	−.6	−.9	−.6	−.2	.1	.1	−.3	.1	125.0
13 Excluding energy	7.3	−.1	4.2	1.5	−3.2	−2.9	−.3r	−.3r	−.3	−.2	−.2	134.2
Crude materials												
14 Foods	−9.6	12.6	4.0	34.8	20.4	−3.4	2.8r	−.5r	−.4	−.5	.1	116.2
15 Energy	3.6	13.7	14.6	−21.0	15.7	59.9	2.1	2.3	7.3	−1.1	5.9	78.6
16 Other	17.0	−11.0	3.9	−17.6	−19.6	−8.8	−1.7r	−1.3r	.0	−.5	−1.8	159.4

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	1993	1994	1995[r]	1994	1995			
				Q4	Q1	Q2	Q3	Q4[r]
GROSS DOMESTIC PRODUCT								
1 **Total**	**6,550.2**	**6,931.4**	**7,245.8**	**7,080.0**	**7,147.8**	**7,196.5**	**7,298.5**	**7,340.4**
By source								
2 Personal consumption expenditures	4,454.1	4,698.7	4,924.3	4,796.0	4,836.3	4,908.7	4,960.0	4,992.3
3 Durable goods	530.7	580.9	606.4	602.7	593.0	604.0	615.8	612.8
4 Nondurable goods	1,368.9	1,429.7	1,486.1	1,459.0	1,471.6	1,486.9	1,491.4	1,494.8
5 Services	2,554.6	2,688.1	2,831.8	2,734.4	2,771.7	2,817.9	2,852.8	2,884.7
6 Gross private domestic investment	871.1	1,014.4	1,065.3	1,050.1	1,072.0	1,050.3	1,074.8	1,064.0
7 Fixed investment	850.5	954.9	1,028.2	991.4	1,013.9	1,016.3	1,036.6	1,046.2
8 Nonresidential	598.8	667.2	738.5	697.9	723.6	734.4	746.3	749.7
9 Structures	171.8	180.2	199.7	188.8	194.5	197.6	202.5	204.0
10 Producers' durable equipment	427.0	487.0	538.8	509.1	529.0	536.8	543.8	545.7
11 Residential structures	251.7	287.7	289.8	293.5	290.4	281.9	290.3	296.5
12 Change in business inventories	20.6	59.5	37.0	58.7	58.1	34.0	38.2	17.8
13 Nonfarm	26.8	48.0	39.6	55.1	60.8	36.1	41.5	19.9
14 Net exports of goods and services	64.9	96.4	102.3	99.7	106.6	122.4	100.8	79.3
15 Exports	660.0	722.0	804.5	763.6	778.6	796.9	812.5	829.9
16 Imports	724.9	818.4	906.7	863.3	885.1	919.3	913.3	909.2
17 Government consumption expenditures and gross investment	1,289.9	1,314.7	1,358.5	1,333.5	1,346.0	1,359.9	1,364.5	1,363.5
18 Federal	522.1	516.3	516.7	520.9	519.9	522.6	516.7	507.8
19 State and local	767.8	798.4	841.7	812.6	826.1	837.3	847.7	855.7
By major type of product								
20 Final sales, total	6,529.7	6,871.8	7,208.8	7,021.3	7,089.7	7,162.5	7,260.3	7,322.6
21 Goods	2,400.9	2,534.2	2,660.3	2,600.9	2,617.3	2,642.3	2,684.5	2,697.1
22 Durable	1,013.8	1,085.9	1,144.9	1,113.3	1,118.6	1,134.0	1,162.5	1,164.5
23 Nondurable	1,387.2	1,448.3	1,515.4	1,487.6	1,498.7	1,508.3	1,522.1	1,532.6
24 Services	3,581.7	3,742.4	3,920.9	3,806.3	3,852.6	3,904.5	3,943.2	3,983.1
25 Structures	547.0	595.3	627.6	614.1	619.8	615.7	632.6	642.3
26 Change in business inventories	20.6	59.5	37.0	58.7	58.1	34.0	38.2	17.8
27 Durable goods	15.7	31.9	34.9	33.1	54.4	28.5	29.2	27.3
28 Nondurable goods	4.9	27.7	2.2	25.6	3.7	5.4	9.1	9.4
MEMO								
29 **Total GDP in chained 1992 dollars**	**6,383.8**	**6,604.2**	**6,739.0**	**6,691.3**	**6,701.6**	**6,709.4**	**6,768.3**	**6,776.5**
NATIONAL INCOME								
30 **Total**	**5,194.4**	**5,495.1**	**5,799.2**	**5,635.0**	**5,697.7**	**5,738.9**	**5,849.2**	**5,911.1**
31 Compensation of employees	3,809.4	4,008.3	4,209.1	4,083.7	4,141.6	4,178.9	4,235.9	4,280.2
32 Wages and salaries	3,095.2	3,255.9	3,419.7	3,320.2	3,363.0	3,393.3	3,442.3	3,480.1
33 Government and government enterprises	584.2	602.5	621.7	608.3	616.3	619.6	624.1	626.9
34 Other	2,511.0	2,653.4	2,797.9	2,711.9	2,746.6	2,773.6	2,818.2	2,853.2
35 Supplement to wages and salaries	714.2	752.4	789.5	763.6	778.6	785.6	793.7	800.1
36 Employer contributions for social insurance	333.3	350.2	365.5	355.8	360.8	363.6	367.8	369.8
37 Other labor income	380.9	402.2	424.0	407.8	417.7	422.0	425.9	430.2
38 Proprietors' income[1]	420.0	450.9	478.3	469.4	472.0	474.7	479.6	486.7
39 Business and professional[1]	388.1	415.9	449.3	437.1	443.5	447.1	451.5	454.9
40 Farm[1]	32.0	35.0	29.0	32.3	28.5	27.6	28.1	31.8
41 Rental income of persons[2]	102.5	116.6	122.2	121.9	120.6	121.6	120.9	125.8
42 Corporate profits[1]	464.5	526.5	588.6	568.9	559.6	561.1	614.9	618.6
43 Profits before tax[3]	464.3	528.2	600.8	570.4	594.1	588.4	609.6	611.0
44 Inventory valuation adjustment	6.6	13.3	28.1	22.8	51.9	42.3	9.3	8.8
45 Capital consumption adjustment	6.7	11.6	15.9	21.3	17.4	15.0	14.6	16.5
46 Net interest	398.1	392.8	401.0	391.1	403.9	402.6	397.8	399.7

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.
3. For after-tax profits, dividends, and the like, see table 1.48.

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

2.17 PERSONAL INCOME AND SAVING

Billions of current dollars except as noted; quarterly data at seasonally adjusted annual rates

Account	1993	1994	1995[1]	1994	1995			
				Q4	Q1	Q2	Q3	Q4[1]
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**5,479.2**	**5,750.2**	**6,101.7**	**5,893.9**	**5,995.5**	**6,061.9**	**6,135.6**	**6,213.9**
2 Wage and salary disbursements	3,090.6	3,241.1	3,419.7	3,318.5	3,361.6	3,393.3	3,442.3	3,481.5
3 Commodity-producing industries	781.3	825.0	858.7	846.0	856.2	855.0	859.9	863.5
4 Manufacturing	593.1	621.3	642.8	636.0	643.4	640.5	642.9	644.5
5 Distributive industries	698.4	739.3	787.9	762.7	768.8	778.6	795.4	808.9
6 Service industries	1,026.6	1,074.3	1,151.3	1,101.6	1,120.2	1,140.0	1,162.8	1,182.2
7 Government and government enterprises	584.2	602.5	621.7	608.3	616.3	619.6	624.1	626.9
8 Other labor income	380.9	402.2	424.0	407.8	417.7	422.0	425.9	430.2
9 Proprietors' income[1]	420.0	450.9	478.3	469.4	472.0	474.7	479.6	486.7
10 Business and professional[1]	388.1	415.9	449.3	437.1	443.5	447.1	451.5	454.9
11 Farm[1]	32.0	35.0	29.0	32.3	28.5	27.6	28.1	31.8
12 Rental income of persons[2]	102.5	116.6	122.2	121.9	120.6	121.6	120.9	125.8
13 Dividends	186.8	199.6	214.8	206.7	209.5	212.2	215.8	221.7
14 Personal interest income	647.3	661.6	714.6	678.4	701.9	713.9	717.5	725.2
15 Transfer payments	910.7	956.3	1,022.6	974.7	1,002.4	1,016.8	1,029.9	1,041.4
16 Old-age survivors, disability, and health insurance benefits	444.4	472.9	507.4	482.1	497.6	505.1	510.7	516.1
17 LESS: Personal contributions for social insurance	259.6	278.1	294.5	283.5	290.2	292.7	296.2	298.8
18 EQUALS: Personal income	5,479.2	5,750.2	6,101.7	5,893.9	5,995.5	6,061.9	6,135.6	6,213.9
19 LESS: Personal tax and nontax payments	689.9	731.4	794.3	748.1	770.0	801.5	798.4	807.2
20 EQUALS: Disposable personal income	4,789.3	5,018.8	5,307.4	5,145.8	5,225.5	5,260.4	5,337.2	5,406.7
21 LESS: Personal outlays	4,572.9	4,826.5	5,066.7	4,927.9	4,972.2	5,049.0	5,104.6	5,140.9
22 EQUALS: Personal saving	216.4	192.4	240.8	217.8	253.3	211.4	232.6	265.8
MEMO								
Per capita (chained 1992 dollars)								
23 Gross domestic product	24,724.2	25,332.6	25,613.8	25,568.6	25,559.1	25,540.2	25,695.9	25,668.6
24 Personal consumption expenditures	16,807.5	17,150.4	17,402.1	17,280.5	17,280.3	17,391.7	17,465.5	17,477.7
25 Disposable personal income	18,075.0	18,320.0	18,757.0	18,544.0	18,672.0	18,634.0	18,794.0	18,926.0
26 Saving rate (percent)	4.5	3.8	4.5	4.2	4.8	4.0	4.4	4.9
GROSS SAVING								
27 **Gross saving**	**938.4**	**1,055.9**	**1,141.6**	**1,064.9**	**1,110.5**	**1,092.3**	**1,155.7**	**1,207.9**
28 Gross private saving	964.5	1,006.0	1,062.5	1,012.8	1,039.9	1,007.3	1,076.1	1,126.6
29 Personal saving	216.4	192.4	240.8	217.8	253.3	211.4	232.6	265.8
30 Undistributed corporate profits[1]	103.4	120.2	142.5	136.8	120.6	122.3	162.0	165.2
31 Corporate inventory valuation adjustment	6.6	13.3	28.1	22.8	51.9	42.3	9.3	8.8
Capital consumption allowances								
32 Corporate	417.0	441.0	454.0	439.3	444.4	451.3	456.9	463.6
33 Noncorporate	223.1	237.7	225.2	217.3	220.2	222.4	224.7	233.4
34 Government surplus, or deficit (–), national income and product accounts	159.8	90.2	67.6	91.1	74.4	61.5	67.7	66.8
35 Federal	254.7	189.9	162.6	190.4	173.3	160.5	161.6	154.9
36 State and local	94.9	99.7	95.0	99.3	99.0	99.0	93.9	88.1
37 **Gross investment**	**993.5**	**1,087.2**	**1,146.1**	**1,104.5**	**1,146.7**	**1,113.9**	**1,150.7**	**1,173.0**
38 Gross private domestic investment	871.1	1,014.4	1,065.3	1,050.1	1,072.0	1,050.3	1,074.8	1,064.0
39 Net foreign investment	88.2	139.6	141.1	161.9	144.4	160.1	148.9	111.0
40 **Statistical discrepancy**	**55.1**	**31.3**	**4.5**	**39.7**	**36.2**	**21.6**	**−5.0**	**−34.9**

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	1993	1994	1995	1994	1995			
				Q4	Q1	Q2	Q3	Q4[p]
1 Balance on current account	99,925	151,245	152,915	43,277	38,454	43,142	40,250	31,073
2 Merchandise trade balance[2]	132,618	166,099	174,469	43,488	44,459	48,654	43,326	38,030
3 Merchandise exports	456,823	502,485	574,879	133,926	138,325	142,667	145,050	148,837
4 Merchandise imports	589,441	668,584	749,348	177,414	182,784	191,321	188,376	186,867
5 Military transactions, net	448	2,148	2,810	679	542	587	889	792
6 Other service transactions, net	57,328	57,739	60,242	15,342	15,013	14,726	15,130	15,369
7 Investment income, net	9,000	9,272	11,402	3,571	2,030	2,684	5,163	1,527
8 U.S. government grants	16,311	15,814	11,027	6,245	2,867	2,284	2,942	2,934
9 U.S. government pensions and other transfers	3,785	4,247	3,414	1,063	682	889	887	656
10 Private remittances and other transfers	13,988	15,700	15,954	3,931	3,971	3,944	3,951	4,087
11 Change in U.S. government assets other than official reserve assets, net (increase, –)	330	322	326	931	152	180	246	240
12 Change in U.S. official reserve assets (increase, –)	1,379	5,346	9,742	2,033	5,318	2,722	1,893	191
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	537	441	808	121	867	156	362	147
15 Reserve position in International Monetary Fund	44	494	2,466	27	526	786	991	163
16 Foreign currencies	797	5,293	6,468	2,181	3,925	1,780	1,264	501
17 Change in U.S. private assets abroad (increase, –)	182,880	130,875	270,028	56,258	69,985	97,453	25,870	76,720
18 Bank-reported claims[3]	29,947	915	59,004	16,651	29,284	39,982	14,634	4,369
19 Nonbank reported claims	1,581	32,621	20,358	12,449	11,518	18,499	9,659	...
20 U.S. purchases of foreign securities, net	141,807	49,799	93,769	15,238	6,567	21,731	33,998	31,473
21 U.S. direct investments abroad, net	72,601	49,370	96,897	11,920	22,616	17,241	16,162	40,878
22 Change in foreign official assets in United States (increase, +)	72,146	39,409	110,483	324	22,308	37,836	39,346	10,993
23 U.S. Treasury securities	48,952	30,723	68,773	7,470	10,131	25,169	20,489	12,984
24 Other U.S. government obligations	4,062	6,025	3,734	1,228	1,126	1,326	518	764
25 Other U.S. government liabilities[4]	1,706	2,211	1,814	692	154	506	89	1,373
26 Other U.S. liabilities reported by U.S. banks[3]	14,841	2,923	32,896	9,856	10,940	7,886	18,478	4,408
27 Other foreign official assets[5]	2,585	2,473	3,266	45	265	2,949	228	280
28 Change in foreign private assets in United States (increase, +)	176,382	251,956	315,842	85,136	72,533	86,496	77,198	79,616
29 U.S. bank reported liabilities[3]	20,859	114,396	19,906	34,676	531	12,239	21,578	29,776
30 U.S. nonbank reported liabilities	10,489	4,324	27,578	5,242	10,113	10,527	6,938	...
31 Foreign private purchases of U.S. Treasury securities, net	24,063	33,811	99,081	25,929	29,910	30,315	37,192	1,664
32 Foreign purchases of other U.S. securities, net	79,864	58,625	94,576	10,195	15,816	20,549	30,977	27,234
33 Foreign direct investments in United States, net	41,107	49,448	74,701	19,578	17,225	12,866	23,669	20,942
34 Allocation of special drawing rights	0	0	0	0	0	0	0	0
35 Discrepancy	35,985	14,269	6,684	13,718	19,068	19,165	48,777	17,233
36 Due to seasonal adjustment	.			782	6,162	317	7,076	600
37 Before seasonal adjustment	35,985	14,269	6,685	12,936	12,906	18,847	41,702	16,633
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, –)	1,379	5,346	9,742	2,033	5,318	2,722	1,893	191
39 Foreign official assets in United States, excluding line 25 (increase, +)	70,440	37,198	108,669	1,113	22,462	37,330	39,257	9,620
40 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22)	3,717	1,184	4,482	1,120	322	11	6,278	1,463

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	1993	1994	1995	1995 Aug.	1995 Sept	1995 Oct	1995 Nov	1995 Dec	1996 Jan.	1996 Feb[p]
1 Goods and services, balance	74,842	106,214	111,505	8,256	8,070	8,165	6,837	6,958	9,878	8,192
2 Merchandise	132,618	166,101	174,555	13,153	13,697	13,692	12,125	12,306	15,075	13,786
3 Services	57,777	59,887	63,050	5,197	5,627	5,527	5,288	5,348	5,197	5,594
4 Goods and services, exports	644,579	701,200	783,705	66,545	67,574	66,652	67,393	68,109	66,793	68,096
5 Merchandise	456,824	502,484	574,877	49,023	49,717	48,920	49,523	50,398	49,011	49,721
6 Services	187,755	198,716	208,828	17,522	17,857	17,732	17,870	17,711	17,782	18,375
7 Goods and services, imports	719,421	807,414	895,210	74,801	75,644	74,817	74,230	75,067	76,671	76,288
8 Merchandise	589,442	668,585	749,432	62,476	63,414	62,612	61,648	62,704	64,086	63,507
9 Services	129,979	138,829	145,778	12,325	12,230	12,205	12,582	12,363	12,585	12,781

1. Data show monthly values consistent with quarterly figures in the U.S. balance of payments accounts.

SOURCE. *FT900*, U.S. Department of Commerce, Bureau of the Census and Bureau of Economic Analysis

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Asset	1992	1993	1994	1995 Aug	1995 Sept	1995 Oct.	1995 Nov.	1995 Dec	1996 Jan.	1996 Feb	1996 Mar.[p]
1 **Total**	**71,323**	**73,442**	**74,335**	**86,648**	**87,152**	**86,224**	**85,755**	**85,832**	**82,717**	**84,270**	**84,212**
2 Gold stock, including Exchange Stabilization Fund[1]	11,056	11,053	11,051	11,053	11,051	11,051	11,050	11,050	11,052	11,053	11,053
3 Special drawing rights[2,3]	8,503	9,039	10,039	11,146	11,035	10,949	11,034	11,037	10,778	11,106	11,049
4 Reserve position in International Monetary Fund[2]	11,759	11,818	12,030	14,470	14,681	14,700	14,572	14,649	14,312	14,813	15,249
5 Foreign currencies[4]	40,005	41,532	41,215	49,979	50,385	49,524	49,099	49,096	46,575	47,298	46,861

1. Gold held "under earmark" at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13, line 3. Gold stock is valued at $42.22 per fine troy ounce.

2. Special drawing rights (SDRs) are valued according to a technique adopted by the International Monetary Fund (IMF) in July 1974. Values are based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, sixteen currencies were used; since January 1981, five currencies have been used. U.S. SDR holdings and reserve positions in the IMF also have been valued on this basis since July 1974.

3. Includes allocations of SDRs by the International Monetary Fund on Jan. 1 of the year indicated, as follows: 1970—$867 million; 1971—$717 million; 1972—$710 million; 1979—$1,139 million; 1980—$1,152 million; 1981—$1,093 million; plus net transactions in SDRs.

4. Valued at current market exchange rates.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS[1]

Millions of dollars, end of period

Asset	1992	1993	1994	1995 Aug	1995 Sept	1995 Oct	1995 Nov	1995 Dec.	1996 Jan	1996 Feb	1996 Mar.[p]
1 **Deposits**	**205**	**386**	**250**	**165**	**201**	**275**	**194**	**386**	**165**	**209**	**191**
Held in custody											
2 U.S. Treasury securities[2]	314,481	379,394	441,866	502,737	506,572	507,075	522,950	522,170	532,776	559,741	573,435
3 Earmarked gold[3]	13,118	12,327	12,033	11,728[4]	11,728	11,709	11,702	11,702	11,702	11,689	11,590

1. Excludes deposits and U.S. Treasury securities held for international and regional organizations.

2. Marketable U.S. Treasury bills, notes, and bonds and nonmarketable U.S. Treasury securities, in each case measured at face (not market) value.

3. Held in foreign and international accounts and valued at $42.22 per fine troy ounce; not included in the gold stock of the United States.

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1993	1994	1995					1996	
			Aug.	Sept.	Oct.[r]	Nov.	Dec.	Jan.	Feb.[p]
1 **Total**[1]	**482,915**	**520,828**	**613,146**[r]	**619,711**[r]	**617,912**	**632,730**[r]	**630,221**[r]	**644,567**	**670,394**
By type									
2 Liabilities reported by banks in the United States[2]	69,721	73,281	101,965[r]	110,245[r]	108,075	109,516[r]	106,704[r]	103,502	102,990
3 U.S. Treasury bills and certificates[3]	151,100	139,570	157,516	163,093	157,277	171,366	168,531	173,949	191,188
U.S. Treasury bonds and notes									
4 Marketable	212,237	254,059	290,768	286,243	291,948	291,033	293,684	306,299	314,980
5 Nonmarketable[4]	5,652	6,109	6,329	6,366	6,407	6,449	6,491	6,534	6,576
6 U.S. securities other than U.S. Treasury securities[5]	44,205	47,809	53,568	53,764	54,205	54,366	54,808	54,283	54,660
By area									
7 Europe[1]	207,034	215,274	221,130	222,869	222,003	228,180	221,923[r]	223,319	231,270
8 Canada	15,285	17,235	21,508	20,522	20,355	19,535	19,473	19,078	18,850
9 Latin America and Caribbean	55,898	41,492	63,557[r]	63,618[r]	61,534	62,344[r]	66,568[r]	70,538	70,761
10 Asia	197,702	236,819	297,343	303,809	305,025	311,638	310,955	320,502	339,018
11 Africa	4,052	4,179	4,133	4,684	4,761	6,086	6,296	6,924	6,574
12 Other countries	2,912	5,827	5,173	4,207	4,232	4,945	5,004	4,204	3,919

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	1992	1993	1994	1995[r]			
				Mar.	June	Sept.	Dec.
1 Banks' liabilities	72,796	78,259	89,284	96,139	106,624	102,068	112,521
2 Banks' claims	62,799	62,017	60,689	72,732	77,138	69,450	74,874
3 Deposits	24,240	20,993	19,661	24,420	28,909	25,712	22,688
4 Other claims	38,559	41,024	41,028	48,312	48,229	43,738	52,186
5 Claims of banks' domestic customers[2]	4,432	12,854	10,878	8,879	10,244	6,624	6,145

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	1993	1994	1995[r]	1995 Aug.	1995 Sept.	1995 Oct.	1995 Nov.	1995 Dec.[r]	1996 Jan.	1996 Feb.[p]
BY HOLDER AND TYPE OF LIABILITY										
1 **Total, all foreigners**	**926,672**	**1,018,472**	**1,095,400**	**1,076,427**	**1,074,039[r]**	**1,098,512[r]**	**1,104,705[r]**	**1,095,400**	**1,094,461**	**1,096,757**
2 Banks' own liabilities	626,919	722,155	749,552	745,680	735,152[r]	762,723[r]	755,089[r]	749,552	743,062	727,297
3 Demand deposits	21,569	23,386	24,446	21,779	23,704	23,161	23,114	24,446	22,181	23,525
4 Time deposits[2]	175,106	186,512	193,219	197,101	188,154[r]	202,532	193,884[r]	193,219	198,708	192,873
5 Other[3]	111,971	116,699	139,347	139,335	136,550	146,456	154,115	139,347	141,678	147,613
6 Own foreign offices[4]	318,273	395,558	392,540	387,465	386,744[r]	390,574[r]	383,976[r]	392,540	380,495	363,286
7 Banks' custodial liabilities[5]	299,753	296,317	345,848	330,747	338,887	335,789[r]	349,616[r]	345,848	351,399	369,460
8 U.S. Treasury bills and certificates[6]	176,739	162,857	197,066	187,318	193,070	188,575[r]	201,845[r]	197,066	203,478	223,865
9 Other negotiable and readily transferable instruments[7]	36,289	42,532	52,249	45,175	47,279	47,911[r]	49,969	52,249	46,973	43,404
10 Other	86,725	90,928	96,533	98,254	98,538	99,303[r]	97,802[r]	96,533	100,948	102,191
11 Nonmonetary international and regional organizations[8]	10,936	8,606	10,838	10,319	13,011	10,294	9,794[r]	10,838	10,553	9,911
12 Banks' own liabilities	5,639	8,176	10,146	9,015	12,120	8,466	8,339[r]	10,146	9,559	9,116
13 Demand deposits	15	29	21	40	24	77	33	21	30	43
14 Time deposits[2]	2,780	3,298	4,656	4,642	4,315	3,901	3,631[r]	4,656	4,332	3,216
15 Other[3]	2,844	4,849	5,469	4,333	7,781	4,488	4,675	5,469	5,197	5,857
16 Banks' custodial liabilities[5]	5,297	430	692	1,304	891	1,828	1,455	692	991	795
17 U.S. Treasury bills and certificates[6]	4,275	281	350	826	354	1,342	962	350	761	555
18 Other negotiable and readily transferable instruments[7]	1,022	149	341	478	537	486	493	341	230	230
19 Other	0	0	1	0	0	0	0	1	0	10
20 Official institutions[9]	220,821	212,851	275,238	262,481	273,338[r]	265,352[r]	280,882[r]	275,238	277,451	294,178
21 Banks' own liabilities	64,144	59,830	82,759	83,566	86,192[r]	83,837[r]	85,551[r]	82,759	84,623	83,825
22 Demand deposits	1,600	1,564	2,098	1,547	1,362	1,646	1,690	2,098	1,522	1,687
23 Time deposits[2]	21,653	23,511	30,959	31,774	32,242[r]	30,634[r]	30,627[r]	30,959	27,921	29,723
24 Other[3]	40,891	34,755	49,702	50,245	52,588	51,557	53,234	49,702	55,180	52,415
25 Banks' custodial liabilities[5]	156,677	153,021	192,479	178,915	187,146	181,515[r]	195,331[r]	192,479	192,828	210,353
26 U.S. Treasury bills and certificates[6]	151,100	139,570	168,534	157,516	163,093	157,277[r]	171,366	168,534	173,949	191,188
27 Other negotiable and readily transferable instruments[7]	5,482	13,245	23,601	20,735	23,777	24,000[r]	23,610[r]	23,601	18,532	18,138
28 Other	95	206	344	664	276	238[r]	355	344	347	1,027
29 Banks[10]	592,171	681,051	687,403	684,091	670,370[r]	699,109[r]	687,415[r]	687,403	683,498	666,565
30 Banks' own liabilities	478,755	566,161	564,063	562,651	547,762[r]	575,678[r]	562,115[r]	564,063	555,049	537,259
31 Unaffiliated foreign banks	160,482	170,603	171,523	175,186	161,018[r]	185,104[r]	178,139[r]	171,523	174,554	173,973
32 Demand deposits	9,718	10,633	11,745	10,061	11,818	11,341	11,232	11,745	10,247	10,915
33 Time deposits[2]	105,262	111,171	103,837	108,681	98,668	114,401	105,401[r]	103,837	110,921	105,202
34 Other[3]	45,502	48,799	55,941	56,444	50,532	59,362	61,506	55,941	53,386	57,856
35 Own foreign offices[4]	318,273	395,558	392,540	387,465	386,744[r]	390,574[r]	383,976[r]	392,540	380,495	363,286
36 Banks' custodial liabilities[5]	113,416	114,890	123,340	121,440	122,608	123,431	125,300	123,340	128,449	129,306
37 U.S. Treasury bills and certificates[6]	10,712	11,240	15,634	15,489	16,170	16,429	16,687	15,634	15,992	17,947
38 Other negotiable and readily transferable instruments[7]	17,020	14,505	13,035	10,142	9,690	9,754	13,070	13,035	13,590	12,094
39 Other	85,684	89,145	94,671	95,809	96,748	97,248	95,543	94,671	98,867	99,265
40 Other foreigners	102,744	115,964	121,921	119,536	117,320	123,757[r]	126,614[r]	121,921	122,959	126,103
41 Banks' own liabilities	78,381	87,988	92,584	90,448	89,078	94,742	99,084	92,584	93,831	97,097
42 Demand deposits	10,236	11,160	10,582	10,131	10,500	10,097	10,159	10,582	10,382	10,880
43 Time deposits[2]	45,411	48,532	53,767	52,004	52,929	53,596	54,225	53,767	55,534	54,732
44 Other[3]	22,734	28,296	28,235	28,313	25,649	31,049	34,700	28,235	27,915	31,485
45 Banks' custodial liabilities[5]	24,363	27,976	29,337	29,088	28,242	29,015	27,530	29,337	29,128	29,006
46 U.S. Treasury bills and certificates[6]	10,652	11,766	12,548	13,487	13,453	13,527	12,830[r]	12,548	12,773	14,175
47 Other negotiable and readily transferable instruments[7]	12,765	14,633	15,272	13,820	13,275	13,671[r]	12,796[r]	15,272	14,621	12,942
48 Other	946	1,577	1,517	1,781	1,514	1,817	1,904[r]	1,517	1,734	1,889
MEMO										
49 Negotiable time certificates of deposit in custody for foreigners	17,567	17,895	9,099	10,409	9,938	10,290	9,837[r]	9,099	10,479	10,544

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	1993	1994	1995[r]	1995 Aug.	1995 Sept	1995 Oct.	1995 Nov.	1995 Dec.[r]	1996 Jan.	1996 Feb.[p]
AREA										
50 **Total, all foreigners**	**926,672**	**1,018,472**	**1,095,400**	**1,076,427**	**1,074,039[r]**	**1,098,512[r]**	**1,104,705[r]**	**1,095,400**	**1,094,461**	**1,096,757**
51 **Foreign countries**	**915,736**	**1,009,866**	**1,084,562**	**1,066,108**	**1,061,028[r]**	**1,088,218[r]**	**1,094,911[r]**	**1,084,562**	**1,083,908**	**1,086,846**
52 Europe	377,911	393,141	362,954	376,545	362,080	376,427[r]	384,013[r]	362,954	368,324	374,504
53 Austria	1,917	3,653	3,537	3,869	5,221	4,887	4,755	3,537	3,437	2,996
54 Belgium and Luxembourg	28,670	21,978	24,815	24,598	24,039[r]	25,192	28,357	24,815	24,881	27,182
55 Denmark	4,517	2,784	2,921	2,468	2,476	3,177	3,418	2,921	2,979	3,861
56 Finland	1,872	1,436	2,831	2,270	1,972	2,419	2,315	2,831	2,421	2,409
57 France	40,316	45,217	39,204	43,314	38,117	43,134	40,415	39,204	39,697	40,845
58 Germany	26,685	27,191	24,085	31,257	31,390	26,362	26,798	24,085	25,988	24,695
59 Greece	1,519	1,393	2,011	2,398	2,119	2,033	2,265	2,011	1,998	2,063
60 Italy	11,759	10,885	10,670	10,823	8,947	10,251	10,759	10,670	9,616	12,468
61 Netherlands	16,096	16,033	13,717	10,685	13,107	14,933[r]	15,317[r]	13,717	11,349	12,175
62 Norway	2,966	2,338	1,394	2,087	1,011	1,048	1,287	1,394	1,067	1,246
63 Portugal	3,366	2,846	2,761	2,933	3,033	2,902	2,718	2,761	3,055	2,931
64 Russia	2,511	2,714	7,950	7,265	6,367	7,338	8,979	7,950	7,858	9,180
65 Spain	20,496	14,675	10,012	10,000	10,100	13,467	10,809	10,012	11,838	11,657
66 Sweden	2,738	3,094	3,245	2,896	3,167	2,035	3,720	3,245	2,555	2,813
67 Switzerland	41,560	41,956	43,627	41,644	41,406	42,588	41,178	43,627	40,806	42,014
68 Turkey	3,227	3,341	4,124	3,523	3,936	4,067	4,010	4,124	4,350	4,559
69 United Kingdom	133,993	163,793	139,485	150,781	141,577	147,448	148,384	139,485	152,654	147,475
70 Yugoslavia[11]	372	245	177	146	215	210	171	177	163	163
71 Other Europe and other former U.S.S.R.[12]	33,331	27,769	26,388	23,588	23,880	22,936	28,358[r]	26,388	21,612	23,772
72 Canada	20,235	24,727	26,239	28,296	28,872	35,378[r]	27,450[r]	26,239	28,625	27,434
73 Latin America and Caribbean	362,238	423,797	440,159	447,521	434,353[r]	439,920[r]	436,580[r]	440,159	435,915	422,183
74 Argentina	14,477	17,203	12,236	11,541	11,180	11,539	13,031[r]	12,236	13,524	11,764
75 Bahamas	73,820	104,002	94,991	96,017	92,850	96,287	87,719	94,991	96,849	91,140
76 Bermuda	8,117	8,445	4,897	6,794	5,996	6,589	6,561	4,897	4,633	4,702
77 Brazil	5,301	9,145	23,790	26,743	27,592	27,366	27,364	23,790	22,708	21,876
78 British West Indies	193,699	229,525	239,026	244,305	234,643	236,053	240,353	239,026	233,603	227,513
79 Chile	3,183	3,126	2,825	2,890	2,698	2,574	2,696	2,825	2,978	2,772
80 Colombia	3,171	4,615	3,666	3,348	3,257	3,399	3,443	3,666	3,713	3,888
81 Cuba	33	13	8	3	4	13	8	8	7	7
82 Ecuador	880	875	1,315	1,160	1,130	1,311	1,307	1,315	1,236	1,201
83 Guatemala	1,207	1,121	1,275	1,122	1,197	1,068	1,210	1,275	1,058	1,075
84 Jamaica	410	529	481	444	484	430	417	481	500	495
85 Mexico	28,019	12,250	24,551	22,120	22,069	20,894[r]	20,993[r]	24,551	23,643	23,926
86 Netherlands Antilles	4,686	5,217	4,685	4,778	5,016	5,349	5,644	4,685	4,448	4,460
87 Panama	3,582	4,551	4,265	4,998	4,682	4,561	4,287	4,265	4,030	4,173
88 Peru	929	900	974	1,028	909	897	916	974	1,025	1,092
89 Uruguay	1,611	1,597	1,835	1,933	1,839	1,856	1,912	1,835	1,799	1,726
90 Venezuela	12,786	13,983	11,810	11,195	11,971	12,642	11,622[r]	11,810	12,662	12,628
91 Other	6,327	6,700	7,529	7,102	6,836[r]	7,092[r]	7,067[r]	7,529	7,499	7,745
92 Asia	144,527	155,642	240,791	199,624	223,096[r]	222,967[r]	232,222[r]	240,791	238,162	249,398
China										
93 People's Republic of China	4,011	10,066	33,750	13,208	22,273	22,341[r]	29,875[r]	33,750	35,733	32,200
94 Republic of China (Taiwan)	10,627	9,844	11,714	9,838	10,253	10,729	11,365	11,714	12,311	12,955
95 Hong Kong	17,132	17,102	20,333	24,152	21,866[r]	21,893[r]	20,287[r]	20,333	20,307	22,286
96 India	1,114	2,338	3,373	2,745	2,914	3,010	3,272	3,373	3,263	3,527
97 Indonesia	1,986	1,587	2,708	2,175	2,366	2,174	2,485	2,708	2,011	2,349
98 Israel	1,435	5,157	4,073	4,723	4,209	3,812	4,090[r]	4,073	1,348	5,780
99 Japan	61,466	64,284	109,192	89,117	104,315	104,566	105,546	109,192	106,728	113,326
100 Korea (South)	4,913	5,124	5,770	4,883	5,484	5,368	5,593	5,770	5,079	5,593
101 Philippines	2,035	2,714	3,089	2,793	2,786	2,839[r]	2,880[r]	3,089	2,394	2,366
102 Thailand	6,137	6,466	12,279	11,177	11,803	10,458	12,144	12,279	13,121	13,389
103 Middle Eastern oil-exporting countries[13]	15,822	15,489	15,582	15,779	16,895	17,350	16,238[r]	15,582	14,417	13,491
104 Other	14,849	15,471	18,928	19,034	17,932[r]	18,427[r]	18,447[r]	18,928	18,450	22,136
105 Africa	6,633	6,523	7,641	6,989	7,033	7,211	7,793	7,641	7,679	7,818
106 Egypt	2,208	1,879	2,136	1,924	2,127	1,948	1,907	2,136	1,848	2,375
107 Morocco	99	97	104	87	79	66	60	104	99	52
108 South Africa	451	433	739	746	467	934	1,206	739	1,217	665
109 Zaire	12	9	10	15	9	4	9	10	11	8
110 Oil-exporting countries[14]	1,303	1,343	1,797	1,667	1,792	1,544	1,826	1,797	1,774	1,968
111 Other	2,560	2,762	2,855	2,550	2,559	2,715	2,785	2,855	2,730	2,750
112 Other	4,192	6,036	6,778	7,133	5,594	6,315	6,853	6,778	5,203	5,509
113 Australia	3,308	5,142	5,648	5,459	4,777	5,007	5,758	5,648	4,326	4,503
114 Other	884	894	1,130	1,674	817	1,308	1,095	1,130	877	1,006
115 Nonmonetary international and regional organizations	10,936	8,606	10,838	10,319	13,011	10,294	9,794[r]	10,838	10,553	9,911
116 International[15]	6,851	7,537	9,099	8,303	11,279	8,458	8,470[r]	9,099	9,570	8,837
117 Latin American regional[16]	3,218	613	893	1,010	876	552	371	893	349	332
118 Other regional[17]	867	456	846	1,006	856	1,284	953	846	634	742

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	1993	1994	1995[r]	1995 Aug	1995 Sept	1995 Oct	1995 Nov	1995 Dec.	1996 Jan	1996 Feb.[p]
1 **Total, all foreigners**	**488,497**	**483,242[r]**	**526,252**	**521,168[r]**	**515,573[r]**	**522,646[r]**	**533,906[r]**	**526,252[r]**	**522,811**	**515,143**
2 **Foreign countries**	**486,092**	**478,651[r]**	**524,321**	**519,751[r]**	**512,746[r]**	**520,988[r]**	**532,485[r]**	**524,321[r]**	**520,538**	**513,010**
3 Europe	123,741	123,380[r]	130,316	127,681	116,784[r]	131,519[r]	131,660[r]	130,316[r]	133,923	138,483
4 Austria	412	692	565	685	670	880	639	565	683	773
5 Belgium and Luxembourg	6,532	6,738	7,599	8,257	7,056	7,103	10,691	7,599[r]	8,365	8,519
6 Denmark	382	1,129[r]	403	428	572[r]	634	602	403[r]	541	599
7 Finland	593	512[r]	1,055	1,001	1,221	1,916	1,097	1,055	1,397	1,313
8 France	11,822	12,146[r]	14,799	15,200	13,956	14,807	15,259	14,799[r]	12,253	13,070
9 Germany	7,723	7,608	8,863	8,731	8,691	8,081	8,431	8,863[r]	8,072	8,774
10 Greece	691	604	449	386	385	404	378	449[r]	555	603
11 Italy	8,834	6,013	5,361	5,757	5,921	5,530[r]	5,390	5,361	5,010	4,839
12 Netherlands	3,063	2,959[r]	5,051	4,354	4,696	4,592[r]	4,909[r]	5,051[r]	4,305	4,722
13 Norway	396	501	665	1,047	1,392	1,457	1,376	665	1,098	1,108
14 Portugal	834	938	888	916	986	1,036	862	888	853	713
15 Russia	2,310	973[r]	660	506	121	696	949	660	678	775
16 Spain	3,717	3,530	2,166	3,494	3,520	3,162	3,191	2,166	3,811	4,010
17 Sweden	4,254	4,098	2,060	2,840	2,700	2,642	2,362	2,060	2,315	2,151
18 Switzerland	6,605	5,746[r]	7,074	7,362	7,246[r]	6,335	5,925	7,074	4,613	4,016
19 Turkey	1,301	878[r]	785	768	807[r]	830	926	785	732	707
20 United Kingdom	62,013	66,846[r]	67,388	64,607	54,522	69,015[r]	66,911[r]	67,388[r]	75,147	78,040
21 Yugoslavia[2]	473	265	147	230	234	233	237	147	481	118
22 Other Europe and other former U.S.S.R.[3]	1,784	1,171[r]	4,334	1,112	1,788	2,166	1,525	1,334[r]	3,014	3,273
23 Canada	18,617	18,490[r]	16,115	17,306	18,811[r]	17,820[r]	17,010[r]	16,115[r]	15,690	13,834
24 Latin America and Caribbean	225,238	223,523[r]	257,384	250,220[r]	250,441[r]	251,325[r]	266,635[r]	257,384[r]	257,114	248,538
25 Argentina	4,474	5,844[r]	6,439	6,151	6,110[r]	6,003	6,090	6,439	6,185	6,057
26 Bahamas	63,353	66,410[r]	59,258	61,224	62,796[r]	55,788	60,030	59,258[r]	60,284	63,311
27 Bermuda	8,901	8,481	5,718	8,944	6,012[r]	5,537	8,096	5,718	5,011	4,742
28 Brazil	11,848	9,583[r]	13,297	12,962	13,073[r]	13,334	12,983	13,297	13,252	13,915
29 British West Indies	99,319	95,741[r]	123,914	117,919[r]	120,012[r]	123,700[r]	129,472[r]	123,914[r]	122,759	108,833
30 Chile	3,643	3,820[r]	5,024	4,664	4,388	4,660	4,775	5,024	4,996	4,593
31 Colombia	3,181	4,004	4,550	4,270	4,358	4,593	4,516	4,550	4,622	4,492
32 Cuba	0	0	0	0	0	0	0	0	0	0
33 Ecuador	681	682[r]	825	725	805	846	847	825[r]	841	842
34 Guatemala	288	366	457	350	361	385	424	457	439	461
35 Jamaica	195	258	323	290	287	289	285	323	299	362
36 Mexico	15,879	17,749[r]	18,028	16,836[r]	16,990[r]	16,657	16,826	18,028	17,114	17,166
37 Netherlands Antilles	2,683	1,396[r]	9,229	6,313	5,533[r]	9,233	12,048	9,229	11,013	12,973
38 Panama	2,894	2,198[r]	3,003	2,503	2,594	2,816	3,049	3,003	2,813	2,805
39 Peru	657	997	1,829	1,368	1,464	1,501	1,577	1,829	1,762	1,928
40 Uruguay	969	503	466	124	386	441	431[r]	466[r]	122	163
41 Venezuela	2,910	1,831	1,661	1,596	1,480	1,826	1,695[r]	1,661[r]	1,575	1,572
42 Other	3,363	3,660	3,363	3,682	3,792	3,686	3,488	3,363[r]	3,697	4,023
43 Asia	111,775	107,079[r]	115,312	118,264	120,225[r]	114,575	111,443[r]	115,312[r]	108,922	106,714
China										
44 People's Republic of China	2,271	836	1,023	1,163	1,316	1,241	1,069	1,023	1,014	1,351
45 Republic of China (Taiwan)	2,625	1,448[r]	1,713	1,600	1,581	1,595	1,184	1,713	1,407	1,104
46 Hong Kong	10,828	9,161[r]	12,895	14,520	15,677	12,539	10,713	12,895	13,254	13,867
47 India	589	994	1,846	1,905	1,944	1,924	1,823	1,846	1,864	1,859
48 Indonesia	1,527	1,470	1,678	1,620	1,596	1,623	1,583	1,678	1,458	1,478
49 Israel	826	688	739	700	714[r]	886	728	739	668	683
50 Japan	60,032	59,151[r]	61,308	63,301	63,075	61,878	60,522	61,308[r]	55,897	55,077
51 Korea (South)	7,539	10,286	14,075	12,866	12,992	13,357	14,115[r]	14,075[r]	14,450	15,289
52 Philippines	1,410	662	1,350	623	725	673	789	1,350	814	779
53 Thailand	2,170	2,902	2,581	2,594	2,594	2,568	2,538	2,581	2,381	3,256
54 Middle Eastern oil-exporting countries[4]	15,115	13,748[r]	9,639	11,403	11,723	9,963	9,604	9,639[r]	8,053	6,110
55 Other	6,843	5,733	6,465	5,969	6,285[r]	6,328	6,475	6,465	7,662	5,261
56 Africa	3,861	3,050[r]	2,727	2,826	2,705	2,783	2,732	2,727	2,798	2,827
57 Egypt	196	225	210	194	202	224	268	210	208	237
58 Morocco	481	429	514	653	647	457	433	514	514	561
59 South Africa	633	671	465	544	454	604	462	465	483	520
60 Zaire	4	2	1	2	2	1	1	1	1	1
61 Oil-exporting countries[5]	1,129	856[r]	552	614	615	586	578	552	589	526
62 Other	1,418	867[r]	985	819	785	911	990	985	1,003	982
63 Other	2,860	3,129	2,467	3,454	3,780	2,966	3,005	2,467[r]	2,091	2,614
64 Australia	2,037	2,186	1,622	2,072	2,639	2,095	1,969	1,622	1,822	2,243
65 Other	823	943	845	1,382	1,141	871	1,036	845[r]	269	371
66 Nonmonetary international and regional organizations[6]	2,405	4,591	1,931	1,417	2,827	1,658	1,421	1,931[r]	2,273	2,133

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	1993	1994[r]	1995[r]	1995[r] Aug	Sept	Oct	Nov	Dec	1996 Jan	Feb.[p]
1 **Total**	**575,613**	**599,256**	**649,019**	...	**645,193**	...	...	**649,019**	...	...
2 Banks' claims	488,497	483,242	526,252	521,168	515,573	522,646	533,906	526,252	522,811	515,143
3 Foreign public borrowers	29,228	23,416	22,483	21,424	22,439	20,863	19,351	22,483	23,070	23,675
4 Own foreign offices[2]	285,510	283,183	303,867	296,613	298,231	303,573	308,664	303,867	300,634	290,493
5 *Unaffiliated foreign banks*	100,865	109,228	98,668	112,080	107,532	103,949	99,555	98,668	97,213	98,132
6 Deposits	49,892	59,250	37,346	57,734	50,767	47,103	42,905	37,346	35,520	37,565
7 Other	50,973	49,978	61,322	54,346	56,765	56,846	56,650	61,322	61,693	60,567
8 All other foreigners	72,894	67,415	101,234	91,051	87,361	94,261	106,336	101,234	101,894	102,843
9 Claims of banks' domestic customers[3]	87,116	116,014	122,767		129,620			122,767		...
10 Deposits	41,734	64,829	57,529		66,067			57,529		...
11 Negotiable and readily transferable instruments[4]	31,186	36,008	45,265	...	45,190	...		45,265	...	...
12 Outstanding collections and other claims	14,196	15,177	19,973	...	18,363	...		19,973	...	...
MEMO										
13 Customer liability on acceptances	7,918	8,427	8,380	...	8,821	...	...	8,380	...	...
14 Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	29,150	32,796	30,717	36,293	35,034	33,828	31,355	30,717	27,793	n.a.

1. For banks' claims, data are monthly; for claims of banks' domestic customers, data are for quarter ending with month indicated.
Reporting banks include all types of depository institution as well as some brokers and dealers.
2. For U.S. banks, includes amounts due from own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority owned subsidiaries of foreign banks, consists principally of amounts due from the head office or parent foreign bank, and from foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.
3. Assets held by reporting banks in the accounts of their domestic customers.
4. Principally negotiable time certificates of deposit, bankers acceptances, and commercial paper.
5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Maturity, by borrower and area[2]	1992	1993	1994[r]	1995 Mar.[r]	June[r]	Sept.[r]	Dec.[p]
1 **Total**	**195,119**	**202,566**	**200,048**	**200,908**	**220,205**	**217,010**	**222,101**
By borrower							
2 Maturity of one year or less	163,325	172,662	168,332	165,893	186,314	178,675	176,278
3 Foreign public borrowers	17,813	17,828	15,435	15,482	15,817	14,177	14,995
4 All other foreigners	145,512	154,834	152,897	150,411	170,497	164,498	161,283
5 Maturity of more than one year	31,794	29,904	31,716	35,015	33,891	38,335	45,823
6 Foreign public borrowers	13,266	10,874	7,838	8,164	7,892	8,220	7,492
7 All other foreigners	18,528	19,030	23,878	26,851	25,999	30,115	38,331
By area							
Maturity of one year or less							
8 Europe	53,300	57,413	55,743	53,072	60,325	52,045	54,022
9 Canada	6,091	7,727	6,690	6,878	7,838	7,135	6,092
10 *Latin America and Caribbean*	50,376	60,490	58,877	61,946	68,630	71,319	72,413
11 Asia	45,709	41,418	39,851	37,605	43,945	42,542	40,090
12 Africa	1,784	1,820	1,376	1,227	1,447	1,261	1,272
13 All other[3]	6,065	3,794	5,795	5,165	4,129	4,373	2,389
Maturity of more than one year							
14 Europe	5,367	5,310	4,204	5,629	4,240	4,594	4,733
15 Canada	3,287	2,581	3,505	4,014	3,694	3,589	2,654
16 Latin America and Caribbean	15,312	14,025	15,721	15,638	17,571	20,238	27,730
17 Asia	5,038	5,606	5,318	7,277	5,949	7,376	7,991
18 Africa	2,380	1,935	1,583	1,610	1,389	1,389	1,429
19 All other[3]	410	147	1,385	847	1,048	1,149	1,286

1. Reporting banks include all types of depository institutions as well as some brokers and dealers.
2. Maturity is time remaining until maturity.
3. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. and Foreign Offices of U.S. Banks[1]

Billions of dollars, end of period

Area or country	1991	1992	1993	1994				1995			
			Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.
1 **Total**	**343.5**	**344.7**	**407.7**	**476.8[r]**	**486.1[r]**	**486.4[r]**	**496.6[r]**	**539.7[r]**	**524.0[r]**	**524.5**	**549.1**
2 G-10 countries and Switzerland	137.5	131.3	161.8	178.4[r]	173.3[r]	182.6[r]	190.6[r]	208.7[r]	200.5[r]	195.5[r]	200.3
3 Belgium and Luxembourg	.0	5.6	7.4	8.0	8.6	9.6	7.0	8.3	7.3	8.5	12.1
4 France	11.3	15.3	12.0	16.6	18.6[r]	20.7[r]	19.1[r]	19.8[r]	19.3	17.5	19.2
5 Germany	8.3	9.1	12.6	29.7[r]	24.7[r]	24.0[r]	24.7	31.2[r]	29.9	28.6	26.9
6 Italy	5.6	6.5	7.7	15.6	14.0	11.6	11.8	10.6	10.7	12.6	11.5
7 Netherlands	.0	2.8	3.7	3.8[r]	3.4[r]	3.4[r]	3.6	3.5[r]	4.3	3.9	3.3
8 Sweden	1.9	2.3	2.7	2.9	3.0	2.6	2.7	3.1	3.0	2.7	2.7
9 Switzerland	3.4	4.8	5.9	4.5[r]	5.4[r]	5.5[r]	5.1[r]	5.7[r]	6.2[r]	6.0	6.1
10 United Kingdom	68.4	59.7	84.3	69.9[r]	64.9[r]	78.4	85.7[r]	89.9	86.7	79.8	80.7
11 Canada	5.8	6.3	6.9	7.8	9.9[r]	10.2[r]	10.0[r]	10.5[r]	11.1[r]	11.9[r]	9.4
12 Japan	22.2	18.8	17.6	19.6	20.7	16.5	20.7[r]	25.9[r]	22.1	24.0	28.5
13 Other industrialized countries	22.8	24.0	25.6	42.2	42.6	42.6[r]	45.2[r]	44.0[r]	43.3[r]	49.8[r]	50.0
14 Austria	.6	1.2	.4	1.0	1.0	1.0	1.1	.9	.7	1.2	.9
15 Denmark	.9	.9	1.0	1.1	1.1	1.0[r]	1.3[r]	1.7[r]	1.1	1.8[r]	2.6
16 Finland	.7	.7	.4	1.0	.8	.8	.9[r]	1.1	.5	.7	.8
17 Greece	2.6	3.0	3.2	3.8	4.6	4.3	1.5	4.9	5.0	5.1	5.7
18 Norway	1.4	1.2	1.7	1.6	1.6	1.6	2.0	2.4	1.8	2.3	3.2
19 Portugal	.6	.4	.8	1.2	1.1	1.0	1.2	1.0	1.2	1.7	1.1
20 Spain	8.3	8.9	9.9	13.2	12.6	14.0	13.6	14.1	13.3	13.3	11.6
21 Turkey	1.4	1.3	2.1	2.4	2.1	1.8	1.6	1.4	1.4	2.0	1.9
22 Other Western Europe	1.8	1.7	2.6	3.1	2.8	1.0	2.7	2.5	2.6	3.0	4.7
23 South Africa	1.9	1.7	1.1	1.2	1.2	1.2	1.0	1.5[r]	1.4	1.3	1.2
24 Australia	2.7	2.9	2.3	12.7	13.7	15.0	15.4	12.6	14.3	17.4	16.4
25 OPEC[2]	14.5	15.8	17.4	22.9	21.6	21.7[r]	23.9	19.5	20.3	22.3	22.3
26 Ecuador	.7	.6	.5	.6[r]	.5	.4	.5	.5	.7	.7	.7
27 Venezuela	5.4	5.2	5.1	4.6[r]	4.4[r]	3.9	3.7	3.5	3.5	3.0	2.7
28 Indonesia	2.7	2.7	3.3	3.4	3.2	3.3	3.8	4.0	4.1	4.4	5.0
29 Middle East countries	4.2	6.2	7.4	13.2	12.4	13.0	15.0	10.7	11.4	13.5	13.3
30 African countries	1.5	1.1	1.2	1.1	1.1	1.1[r]	.9	.7	.6	.6	.6
31 Non-OPEC developing countries	64.3	72.6	83.1	94.7[r]	94.8[r]	93.2[r]	96.0[r]	98.5[r]	103.6	103.6[r]	112.0
Latin America											
32 Argentina	4.8	6.6	7.7	8.7	9.8[r]	10.5	11.2	11.4	12.3	10.9	12.9
33 Brazil	9.6	10.8	12.0	12.7	12.0	9.3	8.4	9.2	10.0	13.1	13.1
34 Chile	3.6	4.4	4.7	5.1	5.1	5.5	6.1	6.4	7.1	6.4	6.8
35 Colombia	1.7	1.8	2.1	2.2	2.4	2.4	2.6	2.6	2.6	2.9	2.9
36 Mexico	15.5	16.0	17.8	19.0	18.6	19.8	18.3	17.8	17.6	16.3	17.3
37 Peru	.4	.5	.4	.6	.6	.6	.5	.6	.8	.7	.8
38 Other	2.1	2.6	3.1	2.9[r]	2.7	2.8	2.7	2.4	2.6	2.6	2.8
Asia											
China											
39 People's Republic of China	.3	.7	2.0	.8	.8	1.0	1.1	1.1	1.3	1.7	1.8
40 Republic of China (Taiwan)	4.1	5.2	7.3	7.6	7.1	6.9	9.2	8.5	9.0	9.0	9.4
41 India	3.0	3.2	3.2	3.4	3.7	3.9	4.2	3.8	4.0	4.4	4.1
42 Israel	.5	.4	.5	.4	.4	.4	.4	.6	.7[r]	.5	.5
43 Korea (South)	6.8	6.6	6.7	11.1	14.3	14.4	16.2	16.9	18.7	18.0	19.1
44 Malaysia	2.3	3.1	4.4	5.2	5.2	3.9	3.1	3.9	4.1	4.3	4.4
45 Philippines	3.7	3.6	3.1	3.4	3.2	2.9	3.3	3.0	3.6	3.3	4.1
46 Thailand	1.7	2.2	3.1	3.0	3.3	3.5	2.1	3.3	3.8	3.9	4.9
47 Other Asia	2.4	3.1	3.1	3.1	3.2	3.4	4.7	4.9	3.5	3.7[r]	4.5
Africa											
48 Egypt	.4	.2	.4	.4	.5	.3	.3	.4	.4	.4	.4
49 Morocco	.7	.6	.7	.8[r]	.7	.7	.6	.6	.9	.9	.7
50 Zaire	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
51 Other Africa[3]	.7	1.0	.8	1.1[r]	1.0[r]	.9	.8	.7	.6	.7	.9
52 Eastern Europe	2.4	3.1	3.2	3.8[r]	3.2[r]	3.0	2.7	2.3	1.8	3.4	4.2
53 Russia[4]	.9	1.9	1.6	1.6[r]	1.3[r]	1.1	.8	.7[r]	.4	.6	1.0
54 Yugoslavia[5]	.9	.6	.6	.5	.5	.5	.5	.4	.3	.4	.3
55 Other	.7	.6	.9	1.6[r]	1.4	1.5	1.4	1.2	1.0	2.3	2.8
56 Offshore banking centers	53.8	58.1	73.0	78.6[r]	80.6	77.2	71.4[r]	84.1[r]	82.1[r]	86.0[r]	103.0
57 Bahamas	11.9	6.9	10.9	13.7	13.3	13.8	10.3[r]	12.5[r]	8.4	12.6	15.0
58 Bermuda	2.3	6.2	8.9	8.8[r]	6.5	6.0	8.4	8.6[r]	8.3[r]	6.1[r]	6.3
59 Cayman Islands and other British West Indies	15.5	21.5	18.0	17.8[r]	23.8	21.5	19.9	19.4	23.7	23.4	32.1
60 Netherlands Antilles	1.2	1.1	2.6	3.4[r]	2.5	1.7	1.3[r]	.9	2.4[r]	5.5	9.9
61 Panama[6]	1.4	1.9	2.4	2.0	2.0[r]	1.9	1.3	1.1	1.3	1.3	1.4
62 Lebanon	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
63 Hong Kong	14.3	13.9	18.7	19.7	21.8	20.3	19.9	22.5[r]	23.1	23.7	25.1
64 Singapore	7.1	6.5	11.2	13.0	10.6	11.8	10.1	19.2	14.8	13.3	13.1
65 Other[7]	.0	.0	.1	.0	.0	.0	.1	.0	.0	.1	.1
66 Miscellaneous and unallocated[8]	47.9	39.7	43.4	55.9	69.7	65.8	66.7	82.0	72.1	63.7	57.0

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 Herzegovina, 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	1992	1993	1994	1994		1995			
				Sept.	Dec.	Mar.	June	Sept.	Dec.[p]
1 **Total**	**45,511**	**50,597**	**54,309**	**57,630[r]**	**54,309[r]**	**50,187[r]**	**49,973[r]**	**47,673[r]**	**46,494**
2 Payable in dollars	37,456	38,728	38,298	41,879[r]	38,298[r]	35,903[r]	34,281[r]	33,908[r]	33,949
3 Payable in foreign currencies	8,055	11,869	16,011	15,751	16,011	14,284	15,692[r]	13,765[r]	12,545
By type									
4 Financial liabilities	23,841	29,226	32,954	36,440[r]	32,954[r]	29,775[r]	29,282[r]	26,237[r]	24,287
5 Payable in dollars	16,960	18,545	18,818	22,558[r]	18,818[r]	16,704[r]	15,028[r]	13,872[r]	12,949
6 Payable in foreign currencies	6,881	10,681	14,136	13,882	14,136	13,071	14,254[r]	12,365[r]	11,338
7 Commercial liabilities	21,670	21,371	21,355	21,190	21,355	20,412	20,691	21,436	22,207
8 Trade payables	9,566	8,802	10,005	9,550	10,005	9,844	10,527	10,061	11,013
9 Advance receipts and other liabilities	12,104	12,569	11,350	11,640	11,350	10,568	10,164	11,375	11,194
10 Payable in dollars	20,496	20,183	19,480	19,321	19,480	19,199	19,253	20,036	21,000
11 Payable in foreign currencies	1,174	1,188	1,875	1,869	1,875	1,213	1,438	1,400	1,207
By area or country									
Financial liabilities									
12 Europe	13,387	18,810	21,703	25,288[r]	21,703[r]	17,541[r]	18,223[r]	16,401[r]	15,622
13 Belgium and Luxembourg	414	175	495	661	495	612	778	347	369
14 France	1,623	2,539	1,727	2,241	1,727	2,046	1,101	1,365	999
15 Germany	889	975	1,961	1,467	1,961	1,755	1,589	1,670	1,974
16 Netherlands	606	534	552	648	552	633	530	474	466
17 Switzerland	569	634	688	633	688	883	1,056	948	895
18 United Kingdom	8,610	13,332	15,543	18,323[r]	15,543[r]	10,764[r]	12,138	10,518[r]	10,138
19 Canada	514	859	629	618	629	1,817	893	797	632
20 Latin America and Caribbean	4,053	3,359	2,034	1,977[r]	2,034[r]	2,065[r]	1,950[r]	1,904[r]	1,829
21 Bahamas	379	1,148	101	121[r]	101[r]	135[r]	81[r]	79[r]	68
22 Bermuda	114	0	80	15	80	149	138	144	152
23 Brazil	19	18	207	7	207	58	58	111	57
24 British West Indies	2,850	1,533	998	1,173[r]	998[r]	1,068[r]	1,030[r]	930[r]	898
25 Mexico	12	17	0	15	0	10	3	3	12
26 Venezuela	6	5	5	5	5	5	4	3	2
27 Asia	5,818	5,956	8,403	8,405[r]	8,403[r]	8,156[r]	8,023[r]	6,947[r]	5,988
28 Japan	4,750	4,887	7,314	7,248	7,314	7,182	7,141[r]	6,308[r]	5,436
29 Middle Eastern oil-exporting countries[1]	19	23	35	31	35	27	25	25	27
30 Africa	6	133	135	133	135	156	151	149	150
31 Oil-exporting countries[2]	0	123	123	123	123	122	122	122	122
32 All other[3]	33	109	50	19	50	40	42	39	66
Commercial liabilities									
33 Europe	7,398	6,827	6,773	6,868	6,773	6,642	6,776	7,263	7,700
34 Belgium and Luxembourg	298	239	241	287	241	271	311	349	331
35 France	700	655	728	744	728	642	504	528	481
36 Germany	729	684	604	552	604	482	556	660	767
37 Netherlands	535	688	722	674	722	536	448	566	500
38 Switzerland	350	375	327	391	327	327	432	255	413
39 United Kingdom	2,505	2,039	2,444	2,350	2,444	2,848	2,902	3,351	3,568
40 Canada	1,002	879	1,037	1,068	1,037	1,235	1,146	1,219	1,040
41 Latin America and Caribbean	1,533	1,658	1,857	1,783	1,857	1,368	1,836	1,607	1,740
42 Bahamas	3	21	19	6	19	8	3	1	1
43 Bermuda	307	350	345	200	345	260	397	219	205
44 Brazil	209	214	161	147	161	96	107	143	98
45 British West Indies	33	27	23	33	23	29	12	5	56
46 Mexico	457	481	574	672	574	356	420	357	416
47 Venezuela	142	123	276	189	276	273	204	175	221
48 Asia	10,594	10,980	10,741	10,370	10,741	10,151	9,978	10,275	10,421
49 Japan	3,612	4,314	4,555	4,128	4,555	4,110	3,531	3,475	3,315
50 Middle Eastern oil-exporting countries[1]	1,889	1,534	1,576	1,663	1,576	1,787	1,790	1,647	1,912
51 Africa	568	453	428	468	428	463	481	589	619
52 Oil-exporting countries[2]	309	167	256	264	256	248	252	241	254
53 Other[3]	575	574	519	633	519	553	474	483	687

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	1992	1993	1994	1994		1995			
				Sept.	Dec.	Mar.	June[r]	Sept.	Dec.[p]
1 **Total**	**45,073**	**49,159**	**57,888**	**54,833**	**57,888**	**52,218**	**58,051**	**53,424[r]**	**52,483**
2 Payable in dollars	42,281	45,161	53,805	50,460	53,805	48,425	54,138	49,696[r]	48,687
3 Payable in foreign currencies	2,792	3,998	4,083	4,373	4,083	3,793	3,913	3,728	3,796
By type									
4 Financial claims	26,509	27,771	33,897	32,236	33,897	29,606	34,574	29,891[r]	27,398
5 Deposits	17,695	15,717	18,507	19,118	18,507	17,115	22,046	17,974[r]	15,133
6 Payable in dollars	16,872	15,182	18,026	18,502	18,026	16,458	21,351	17,393[r]	14,654
7 Payable in foreign currencies	823	535	481	616	481	657	695	581	479
8 Other financial claims	8,814	12,054	15,390	13,118	15,390	12,491	12,528	11,917	12,265
9 Payable in dollars	7,890	10,862	14,306	11,903	14,306	11,275	11,370	10,689	10,976
10 Payable in foreign currencies	924	1,192	1,084	1,215	1,084	1,216	1,158	1,228	1,289
11 Commercial claims	18,564	21,388	23,991	22,597	23,991	22,612	23,477	23,533[r]	25,085
12 Trade receivables	16,007	18,425	21,158	19,825	21,158	20,415	21,326	21,409[r]	22,973
13 Advance payments and other claims	2,557	2,963	2,833	2,772	2,833	2,197	2,151	2,124[r]	2,112
14 Payable in dollars	17,519	19,117	21,473	20,055	21,473	20,692	21,417	21,614[r]	23,057
15 Payable in foreign currencies	1,045	2,271	2,518	2,542	2,518	1,920	2,060	1,919	2,028
By area or country									
Financial claims									
16 Europe	9,331	7,299	7,936	8,914	7,936	7,630	7,927	7,840	7,609
17 Belgium and Luxembourg	8	134	86	115	86	116	155	160	193
18 France	764	826	800	931	800	808	730	753	803
19 Germany	326	526	540	413	540	527	356	301	436
20 Netherlands	515	502	429	503	429	606	601	522	517
21 Switzerland	490	530	523	777	523	490	514	530	498
22 United Kingdom	6,252	3,585	4,649	5,023	4,649	4,010	4,790	4,924	4,303
23 Canada	1,833	2,032	3,581	3,812	3,581	3,848	3,705	3,526	2,851
24 Latin America and Caribbean	13,893	16,224	19,536	16,608	19,536	16,109	21,159	15,345[r]	14,500
25 Bahamas	778	1,336	2,424	1,121	2,424	940	2,355	1,552	1,965
26 Bermuda	40	125	27	52	27	37	85	35	81
27 Brazil	686	654	520	411	520	528	502	851	830
28 British West Indies	11,747	12,699	15,228	13,694	15,228	13,531	17,013	11,816[r]	10,393
29 Mexico	445	872	723	691	723	583	635	487	554
30 Venezuela	29	161	35	31	35	27	27	50	32
31 Asia	864	1,657	1,871	2,176	1,871	1,504	1,235	2,160	1,579
32 Japan	668	892	953	661	953	621	171	1,401	871
33 Middle Eastern oil exporting countries[1]	3	3	141	19	141	4	3	4	3
34 Africa	83	99	373	197	373	141	138	188	276
35 Oil-exporting countries[2]	9	1	0	0	0	9	9	6	5
36 All other[3]	505	460	600	529	600	374	410	832	583
Commercial claims									
37 Europe	8,451	9,105	9,540	8,810	9,540	8,947	9,200	8,862[r]	9,822
38 Belgium and Luxembourg	189	184	213	178	213	199	218	224	231
39 France	1,537	1,947	1,881	1,766	1,881	1,790	1,669	1,706	1,830
40 Germany	933	1,018	1,027	883	1,027	977	1,023	997	1,070
41 Netherlands	552	423	311	331	311	324	341	338	452
42 Switzerland	362	432	557	538	557	556	612	438	520
43 United Kingdom	2,094	2,377	2,556	2,505	2,556	2,388	2,469	2,479[r]	2,655
44 Canada	1,286	1,781	1,988	1,906	1,988	2,010	2,003	1,971[r]	1,950
45 Latin America and Caribbean	3,043	3,274	4,117	3,963	4,117	4,140	4,370	4,359[r]	4,348
46 Bahamas	28	11	9	34	9	17	21	26[r]	30
47 Bermuda	255	182	234	246	234	208	210	245	272
48 Brazil	357	460	612	471	612	695	777	745	897
49 British West Indies	40	71	83	49	83	55	83	66[r]	79
50 Mexico	924	990	1,243	1,137	1,243	1,106	1,109	1,026	985
51 Venezuela	345	293	348	388	348	295	319	325	285
52 Asia	4,866	6,014	6,982	6,679	6,982	6,200	6,516	6,826	7,307
53 Japan	1,903	2,275	2,655	2,591	2,655	1,911	2,011	1,998	1,868
54 Middle Eastern oil-exporting countries[1]	693	704	708	617	708	689	707	775	974
55 Africa	554	493	454	447	454	468	478	544	654
56 Oil-exporting countries[2]	78	72	67	61	67	71	60	74	87
57 Other[3]	364	721	910	792	910	847	910	971	1,004

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	1994	1995	1996 Jan.–Feb.	1995 Aug.	Sept.	Oct.	Nov.	Dec.	1996 Jan.	Feb.[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	350,593	462,884	95,836	41,908	44,450	41,492	41,937	46,479	43,574	52,262
2 Foreign sales	348,716	451,709	93,039	39,366	44,218	42,860	39,071	44,372	41,948	51,091
3 **Net purchases, or sales (−)**	**1,877**	**11,175**	**2,797**	**2,542**	**232**	**−1,368**	**2,866**	**2,107**	**1,626**	**1,171**
4 **Foreign countries**	**1,867**	**11,380**	**2,923**	**2,565**	**295**	**−1,328**	**2,877**	**2,109**	**1,623**	**1,300**
5 Europe	6,714	4,847	882	1,836	1,319	1,647	954	1,028	1,954	1,072
6 France	201	1,099	3	17	126	54	58	382	164	161
7 Germany	2,110	1,837	202	104	136	5	131	11	239	37
8 Netherlands	2,251	3,507	680	431	197	528	230	373	660	20
9 Switzerland	30	2,283	198	847	9	449	227	191	639	441
10 United Kingdom	810	8,001	388	2,330	1,114	878	543	1,277	165	223
11 Canada	1,160	1,517	1,163	10	197	74	405	175	645	518
12 Latin America and Caribbean	2,111	5,814	2,201	1,811	752	2,920	1,361	219	487	2,688
13 Middle East[1]	1,142	337	792	5	77	8	63	148	507	285
14 Other Asia	1,233	2,503	376	961	1,048	61	342	883	40	336
15 Japan	1,162	2,725	37	1,076	598	56	406	1,231	94	131
16 Africa	29	2	56	17	34	17	26	1	6	62
17 Other countries	771	68	99	123	54	17	96	7	52	151
18 **Nonmonetary international and regional organizations**	**10**	**−205**	**−126**	**−23**	**−63**	**−40**	**−11**	**−2**	**3**	**−129**
BONDS[2]										
19 Foreign purchases	289,586	293,030[r]	59,130	24,790[r]	28,187[r]	26,424[r]	31,642	21,698	26,544	32,586
20 Foreign sales	229,665	206,951	41,404	16,741	17,759	19,199	20,741	21,117	17,726	23,678
21 **Net purchases, or sales (−)**	**59,921**	**86,079[r]**	**17,726**	**8,049[r]**	**10,428[r]**	**7,225[r]**	**10,901**	**581**	**8,818**	**8,908**
22 **Foreign countries**	**59,036**	**86,533[r]**	**17,763**	**8,030[r]**	**10,406[r]**	**7,293[r]**	**10,948**	**553**	**8,776**	**8,987**
23 Europe	37,065	69,815[r]	14,372	5,609[r]	7,931[r]	6,418[r]	9,759	1,309	5,577	8,795
24 France	242	1,143	1,153	538	63	732	101	137	839	314
25 Germany	657	5,806	1,833	1,163	916	113	894	236	26	1,859
26 Netherlands	3,322	1,463	521	45	203	204	219	101	156	365
27 Switzerland	1,055	494	30	99	343	148	101	381	56	86
28 United Kingdom	31,642	57,220[r]	9,914	3,823[r]	5,486	4,599[r]	6,999	925	3,807	6,107
29 Canada	2,958	2,569	269	415	349	139	20	181	104	165
30 Latin America and Caribbean	5,442	6,141	1,383	754	1,719	61	1,426	848	2,096	713
31 Middle East[1]	771	1,869	528	281	241	246	188	187	−194	334
32 Other Asia	12,153	5,659	2,433	919	139	1,126	705	293	1,272	1,161
33 Japan	5,486	2,250	674	1,008	371	645	899	904	338	336
34 Africa	7	234	56	61	23	223	240	86	16	40
35 Other countries	654	246	110	12	1	140	20	69	63	47
36 **Nonmonetary international and regional organizations**	**885**	**−454**	**−37**	**19**	**22**	**−68**	**−47**	**28**	**42**	**−79**

Transaction, and area or country	1994	1995	1996 Jan.–Feb.	1995 Aug.	Sept.	Oct.	Nov.	Dec.	1996 Jan.	Feb.[p]
	Foreign securities									
37 Stocks, net purchases, or sales (−)	48,071	50,786[r]	11,917	5,956[r]	7,959	5,769[r]	1,725	6,830	6,432	5,485
38 Foreign purchases	386,106	345,498	70,887	30,867	28,712	29,382	30,307	32,366	33,481	37,406
39 Foreign sales	434,177	396,284[r]	82,804	36,823[r]	36,671	35,151[r]	32,032	39,196	39,913	42,891
40 Bonds, net purchases, or sales (−)	9,224	47,159[r]	5,492	3,775[r]	5,483[r]	7,580	6,235	3,923[r]	4,467	1,025
41 Foreign purchases	848,368	889,143[r]	179,599	71,216[r]	81,022[r]	76,889	78,563	80,310	84,508	95,091
42 Foreign sales	857,592	936,302[r]	185,091	74,991[r]	86,505[r]	84,469	84,798	84,233[r]	88,975	96,116
43 **Net purchases, or sales (−), of stocks and bonds**	**−57,295**	**−97,945[r]**	**−17,409**	**−9,731[r]**	**−13,442[r]**	**−13,349[r]**	**−7,960**	**−10,753[r]**	**−10,899**	**−6,510**
44 **Foreign countries**	**−57,815**	**−97,140[r]**	**−17,315**	**−9,558[r]**	**−13,497[r]**	**−13,240[r]**	**−7,882**	**−10,812[r]**	**−10,930**	**−6,385**
45 Europe	3,516	47,905[r]	6,111	2,591[r]	2,928	7,249[r]	4,609	6,033[r]	3,968	2,143
46 Canada	7,475	7,871	2,561	851	3,471	1,311	494	14	2,649	88
47 Latin America and Caribbean	18,334	7,071	1,028	817	781	3,883	184	802	3	1,025
48 Asia	24,275	34,019[r]	7,242	7,270[r]	7,810[r]	2,511[r]	2,001	4,389	4,685	2,557
49 Japan	17,327	25,070[r]	5,019	5,519[r]	5,637[r]	849	1,388	3,685	3,427	1,592
50 Africa	467	327	257	34	117	5	19	44	−96	161
51 Other countries	3,748	83	116	303	48	913	613	470	471	587
52 **Nonmonetary international and regional organizations**	**520**	**−805**	**−94**	**−173**	**55**	**−109**	**−78**	**59**	**31**	**−125**

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	1994	1995	1996 Jan.–Feb.	1995 Aug.	1995 Sept.	1995 Oct.	1995 Nov.	1995 Dec.	1996 Jan.	1996 Feb.^p
1 **Total estimated**	**78,801**	**133,991**	**29,459**	**26,082**	**–11,072**	**4,819**	**15,307**	**–9,454**	**14,008**	**15,451**
2 Foreign countries	78,637	133,552	29,895	26,442	11,002	4,650	14,936	9,016	13,703	16,192
3 Europe	38,542	50,000	15,743	9,170	6,377	4,608	821	1,120	7,281	8,462
4 Belgium and Luxembourg	1,098	591	29	580	143	25	81	171	149	120
5 Germany	5,709	6,136	3,214	2,995	2,568	2,831	52	452	1,385	1,829
6 Netherlands	1,254	1,891	1,161	1,468	1,915	160	833	381	807	354
7 Sweden	794	358	758	100	61	92	30	285	45	803
8 Switzerland	181	472	160	515	818	174	568	664	76	84
9 United Kingdom	23,365	34,778	2,811	7,950	5,570	5,965	1,309	1,377	1,167	1,644
10 Other Europe and former U.S.S.R.	5,841	6,718	7,610	472	868	1,875	856	3,202	3,742	3,868
11 Canada	3,491	252	3,730	825	2,284	1,864	43	208	1,867	1,863
12 Latin America and Caribbean	10,383	18,609	5,579	11,265	5,299	17,453	13,496	3,762	2,648	2,931
13 Venezuela	319	2	235	359	524	92	232	61	142	93
14 Other Latin America and Caribbean	20,193	25,152	7,026	5,364	1,171	3,033	3,723	4,710	8,922	1,896
15 Netherlands Antilles	10,429	23,459	12,370	6,260	5,946	14,512	9,541	1,009	11,428	942
16 Asia	47,317	32,319	15,536	7,322	10,055	6,879	107	11,843	6,920	8,616
17 Japan	29,793	16,863	5,688	5,130	4,021	10,115	1,316	5,695	2,619	3,069
18 Africa	240	1,464	415	130	108	501	458	252	515	100
19 Other	570	908	50	360	151	17	311	275	232	282
20 Nonmonetary international and regional organizations	161	439	436	360	70	169	371	438	305	741
21 International	526	9	98	140	196	2	368	347	210	308
22 Latin American regional	154	261	299	10	6	185	43	115	45	254
MEMO										
23 Foreign countries	78,637	133,552	29,895	26,442	11,002	4,650	14,936	9,016	13,703	16,192
24 Official institutions	41,822	39,625	21,296	364	4,525	5,705	915	2,651	12,615	8,681
25 Other foreign	36,815	93,927	8,599	26,806	6,477	1,055	15,851	11,667	1,088	7,511
Oil-exporting countries										
26 Middle East[2]	38	3,075	536	1,890	50	624	826	1,085	658	122
27 Africa[3]	0	2	1	0	0	0	0	0	0	1

1. *Official and private transactions in marketable U.S. Treasury securities having an original maturity of more than one year.* Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

2. *Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).*

3. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS[1]

Percent per year, averages of daily figures

Country	Rate on Mar. 31, 1996 Percent	Rate on Mar. 31, 1996 Month effective	Country	Rate on Mar. 31, 1996 Percent	Rate on Mar. 31, 1996 Month effective
Austria	2.5	Apr. 1996	Germany	2.5	Apr. 1996
Belgium	3.0	Dec. 1995	Italy	9.0	June 1995
Canada	5.0	Apr. 1996	Japan	.5	Sept. 1995
Denmark	3.75	Feb. 1996	Netherlands	2.5	Apr. 1996
France[2]	3.7	Apr. 1996	Switzerland	1.5	Dec. 1995

1. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper or government securities for commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood that the central bank transacts the largest proportion of its credit operations.

2. Since February 1981, the rate has been that at which the Bank of France discounts Treasury bills for seven to ten days.

3.27 FOREIGN SHORT-TERM INTEREST RATES[1]

Percent per year, averages of daily figures

Type or country	1993	1994	1995	1995 Oct.	1995 Nov.	1995 Dec.	1996 Jan.	1996 Feb.	1996 Mar.	1996 Apr.
1 Eurodollars	3.18	4.63	5.93	5.81	5.75	5.64	5.40	5.14	5.28	5.36
2 United Kingdom	5.88	5.45	6.63	6.69	6.61	6.42	6.31	6.13	6.02	5.97
3 Canada	5.14	5.57	7.14	6.66	6.02	5.91	5.58	5.22	5.23	5.03
4 Germany	7.17	5.25	4.43	4.00	3.91	3.82	3.51	3.26	3.25	3.22
5 Switzerland	4.79	4.03	2.94	2.15	1.98	1.94	1.65	1.61	1.68	1.68
6 Netherlands	6.73	5.09	4.30	3.88	3.73	3.58	3.20	3.00	3.09	2.83
7 France	8.30	5.72	6.43	6.73	5.74	5.47	4.56	4.29	4.14	3.87
8 Italy	10.09	8.45	10.43	10.74	10.65	10.58	10.05	9.90	9.82	9.60
9 Belgium	8.10	5.65	4.73	4.14	3.87	3.74	3.47	3.23	3.25	3.23
10 Japan	2.96	2.24	1.20	.51	.54	.52	.55	.61	.60	.61

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	1993	1994	1995	1995 Nov.	1995 Dec.	1996 Jan.	1996 Feb.	1996 Mar.	1996 Apr.
1 Australia/dollar[2]	67.993	73.161	74.073	74.534	74.053	74.171	75.557	77.136	78.566
2 Austria/schilling	11.639	11.409	10.076	9.974	10.142	10.296	10.321	10.391	10.580
3 Belgium/franc	34.581	33.426	29.472	29.154	29.615	30.081	30.115	30.371	30.902
4 Canada/dollar	1.2902	1.3664	1.3725	1.3534	1.3693	1.3669	1.3752	1.3656	1.3592
5 China, P.R./yuan	5.7795	8.6403	8.3700	8.3334	8.3350	8.3384	8.3338	8.3495	8.3583
6 Denmark/krone	6.4863	6.3561	5.5999	5.4923	5.5791	5.6618	5.6749	5.7074	5.9414
7 Finland/markka	5.7251	5.2340	4.3763	4.2489	4.3361	4.4510	4.5532	4.6066	4.7288
8 France/franc	5.6669	5.5459	4.9864	4.8882	4.9565	5.0117	5.0440	5.0583	5.1019
9 Germany/deutsche mark	1.6545	1.6216	1.4321	1.4173	1.4406	1.4635	1.4669	1.4776	1.5048
10 Greece/drachma	229.64	242.50	231.68	234.16	238.06	240.91	242.21	241.54	242.00
11 Hong Kong/dollar	7.7357	7.7290	7.7357	7.7338	7.7345	7.7329	7.7323	7.7325	7.7345
12 India/rupee	31.291	31.394	32.418	34.710	34.966	35.812	36.595	34.485	34.320
13 Ireland/pound[2]	146.47	149.69	160.35	160.54	159.18	158.18	158.10	157.21	156.51
14 Italy/lira	1,573.41	1,611.49	1,629.45	1,592.67	1,593.88	1,581.87	1,570.00	1,562.43	1,565.60
15 Japan/yen	111.08	102.18	93.96	101.94	101.85	105.75	105.79	105.94	107.20
16 Malaysia/ringgit	2.5738	2.6237	2.5073	2.5389	2.5399	2.5563	2.5487	2.5417	2.5113
17 Netherlands/guilder	1.8585	1.8190	1.6044	1.5877	1.6127	1.6388	1.6424	1.6540	1.6805
18 New Zealand/dollar[2]	54.127	59.358	65.625	65.224	64.996	66.195	67.495	68.079	68.242
19 Norway/krone	7.1009	7.0553	6.3355	6.2536	6.3579	6.4275	6.4103	6.4277	6.4901
20 Portugal/escudo	161.08	165.93	149.88	148.68	151.03	151.90	152.49	152.93	154.51
21 Singapore/dollar	1.6158	1.5275	1.4171	1.4128	1.4148	1.4214	1.4115	1.4095	1.4082
22 South Africa/rand	3.2729	3.5526	3.6286	3.6499	3.6632	3.6413	3.7420	3.9293	4.2130
23 South Korea/won	805.75	806.93	772.82	769.78	771.31	787.13	780.12	781.31	780.42
24 Spain/peseta	127.48	133.88	124.64	121.81	122.53	123.38	123.65	124.39	125.49
25 Sri Lanka/rupee	48.211	49.170	51.047	53.199	53.808	53.874	53.716	53.748	54.163
26 Sweden/krona	7.7956	7.7161	7.1406	6.6088	6.6393	6.7405	6.8775	6.7318	6.7141
27 Switzerland/franc	1.4781	1.3667	1.1812	1.1437	1.1631	1.1818	1.1967	1.1959	1.2180
28 Taiwan/dollar	26.416	26.465	26.495	27.257	27.315	27.406	27.485	27.400	27.188
29 Thailand/baht	25.333	25.161	24.921	25.166	25.164	25.298	25.250	25.251	25.290
30 United Kingdom/pound[2]	150.16	153.19	157.85	156.25	154.05	152.88	153.60	152.71	151.60
MEMO									
31 United States/dollar[3]	93.18	91.32	84.25	84.14	85.07	86.23	86.41	86.57	87.46

1. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) monthly statistical release. For ordering address, see inside front cover.
2. Value in U.S. cents.
3. Index of weighted-average exchange value of U.S. dollar against the currencies of ten industrial countries. The weight for each of the ten countries is the 1972–76 average world trade of that country divided by the average world trade of all ten countries combined. Series revised as of August 1978 (see *Federal Reserve Bulletin*, vol. 64 (August 1978), p. 700).

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How to File a Consumer Complaint
Making Deposits: When Will Your Money Be Available?
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Staff Studies 1–157 are out of print.

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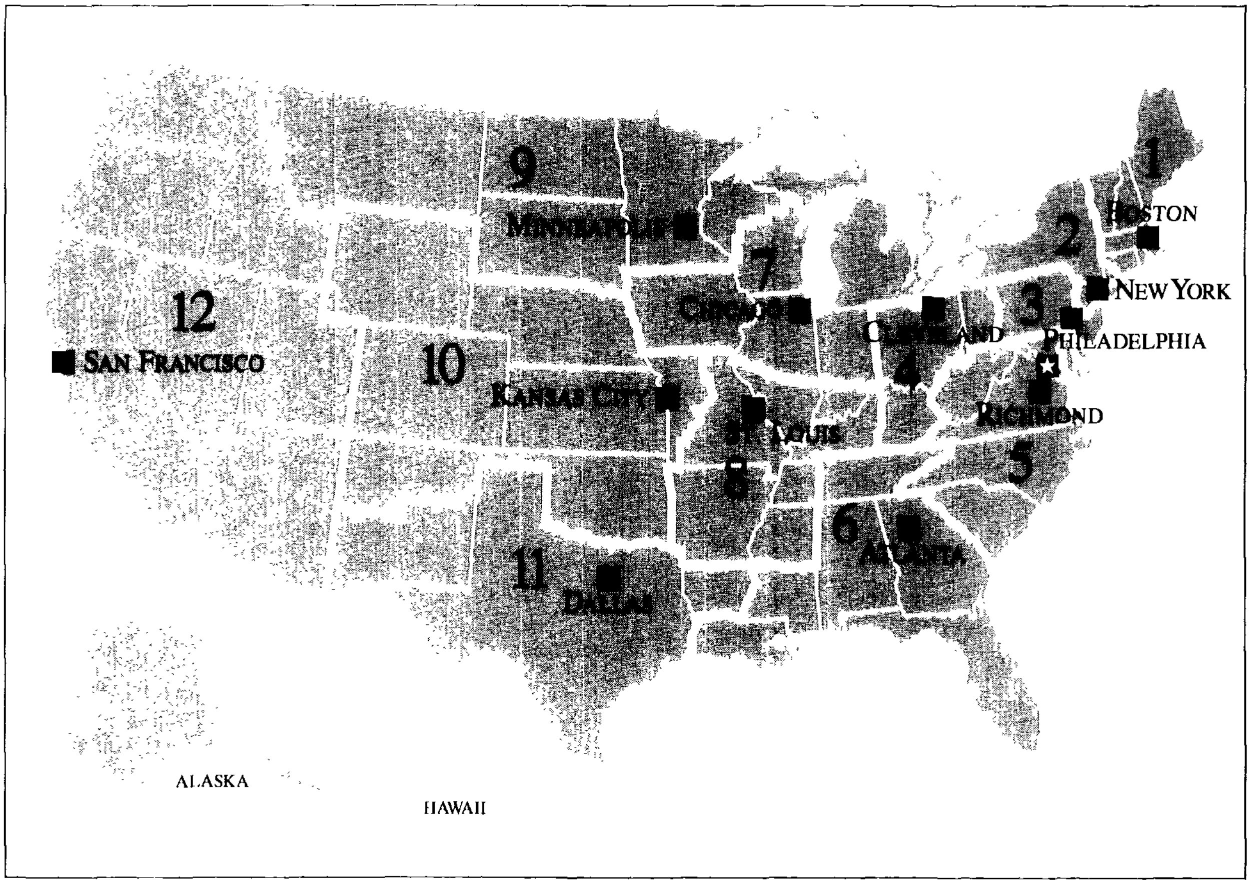
Release number and title	Annual USPS rate	Annual fax rate	Approximate release days[1]	Period or date to which data refer	Corresponding *Bulletin* table numbers[2]
Weekly Releases					
H.2. Actions of the Board: Applications and Reports Received	$55.00	n.a.	Friday	Week ended previous Saturday	. . .
H.3. Aggregate Reserves of Depository Institutions and the Monetary Base	$20.00	$20.00	Thursday	Week ended previous Wednesday	1.20
H.4.1. Factors Affecting Reserves of Depository Institutions and Condition Statement of Federal Reserve Banks	$20.00	$35.00	Thursday	Week ended previous Wednesday	1.11, 1.18
H.4.2. Weekly Consolidated Condition Report of Large Commercial Banks in the United States	$20.00	$20.00	Friday	Wednesday, one week earlier	1.26, 1.27, 1.28
H.5. Selected Borrowings in Immediately Available Funds of Large Commercial Banks	$20.00	$20.00	Wednesday	Week ended Thursday of previous week	1.13
H.6. Money Stock, Liquid Assets, and Debt Measures	$35.00	$90.00	Thursday	Week ended Monday of previous week	1.21
H.8. Assets and Liabilities of Commercial Banks in the United States	$30.00	$90.00	Friday	Week ended previous Wednesday	1.26
H.10. Foreign Exchange Rates	$20.00	$20.00	Monday	Week ended previous Friday	3.28
H.15. Selected Interest Rates	$20.00	$20.00	Monday	Week ended previous Saturday	1.35
Monthly Releases					
G.5. Foreign Exchange Rates	$ 5.00	$ 5.00	First of month	Previous month	3.28
G.6. Debits and Deposit Turnover at Commercial Banks	$ 5.00	$ 5.00	Twelfth of month	Previous month	1.23
G.13. Selected Interest Rates	$ 5.00	$ 5.00	First Tuesday of month	Previous month	1.35
G.15. Research Library—Recent Acquisitions	No charge	n.a.	First of month	Previous month	. . .
G.17. Industrial Production and Capacity Utilization	$15.00	n.a.	Midmonth	Previous month	2.12, 2.13
G.19. Consumer Installment Credit	$ 5.00	$ 5.00	Fifth working day of month	Second month previous	1.55, 1.56
G.20. Finance Companies	$ 5.00	$ 5.00	Fifth working day of month	Second month previous	1.51, 1.52

Release number and title	Annual USPS rate	Annual fax rate	Approximate release days[1]	Period or date to which data refer	Corresponding *Bulletin* table numbers[2]
Quarterly Releases					
E.2. Survey of Terms of Bank Lending to Business	$ 5.00	$ 5.00	Midmonth of March, June, September, and December	February, May, August, and November	4.23
E.7. List of OTC Margin Stocks	No charge	n.a.	January, April, July, and October	February, May, August, and November	...
E.11. Geographical Distribution of Assets and Liabilities of Major Foreign Branches of U.S. Banks	$ 5.00	$ 5.00	15th of March, June, September, and December	Previous quarter	...
E.15. Agricultural Finance Databook	$ 5.00	n.a.	End of March, June, September, and December	January, April, July, and October	...
E.16. Country Exposure Lending Survey	$ 5.00	n.a.	January, April, July, and October	Previous quarter	...
Z.1. Flow of Funds Accounts: Seasonally Adjusted and Unadjusted	$25.00	n.a.	23rd of February, May, August, and November	Previous quarter	1.57, 1.58
Z.7. Flow of Funds Summary Statistics	$ 5.00	$ 5.00	15th of February, May, August, and November	Previous quarter	1.59, 1.60
Semiannual Release					
C.9. Balance Sheets for the U.S. Economy	$ 5.00	n.a.	October and April	Previous year	...
Annual Release					
C.2. Aggregate Summaries of Annual Surveys of Securities Credit Extension	$ 5.00	n.a.	February	End of previous June	...

1. Please note that for some releases there is normally a certain variability in the release date because of reporting or processing procedures. Moreover, for all series unusual circumstances may, from time to time, result in a release date being later than anticipated.
2. The data in some releases are also reported in the *Bulletin* statistical appendix.
n.a. Not available.

Maps of the Federal Reserve System



LEGEND

Both pages

- ■ Federal Reserve Bank city
- ◘ Board of Governors of the Federal Reserve System, Washington, D.C.

Facing page

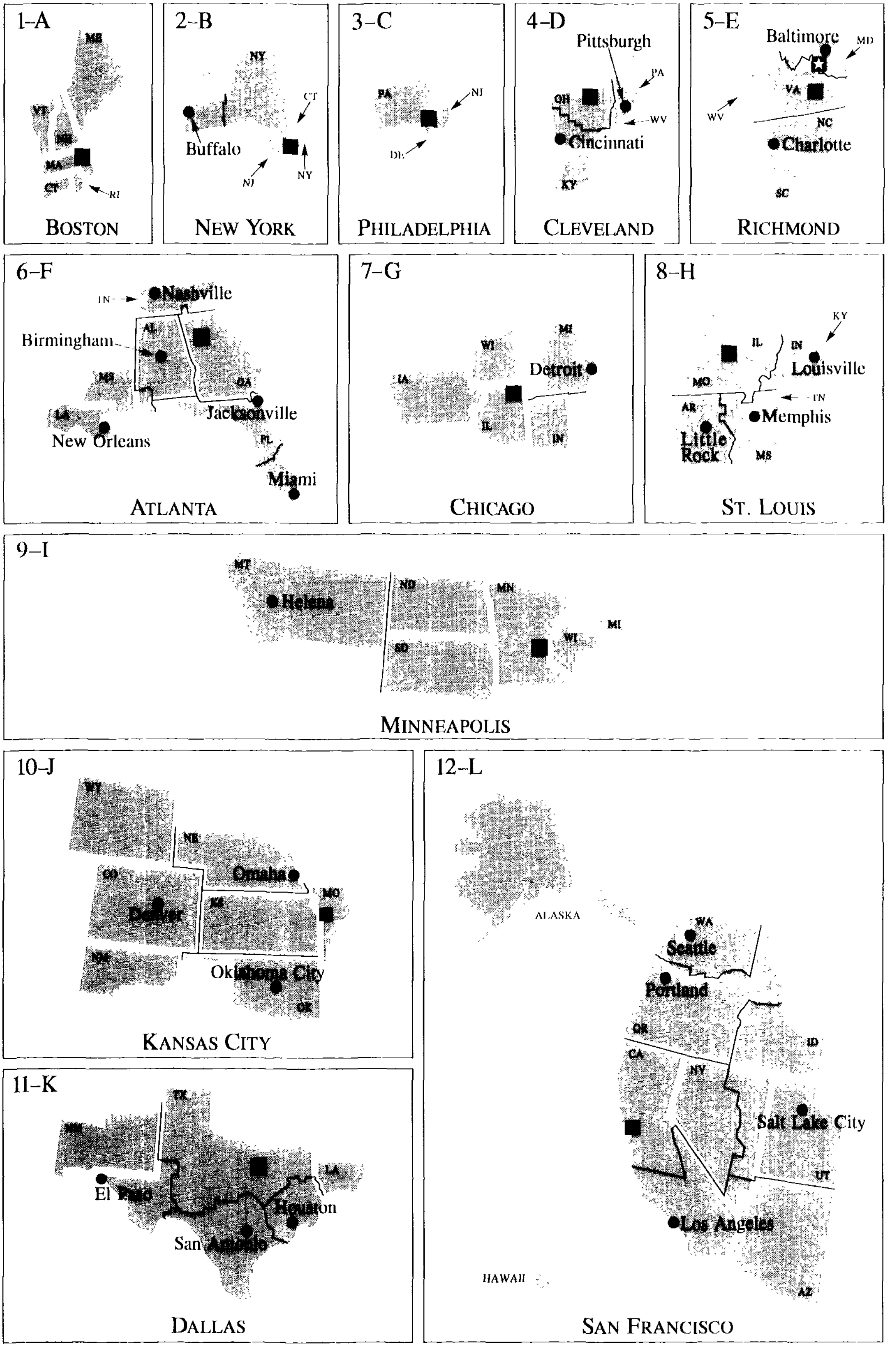
- • Federal Reserve Branch city
- — Branch boundary

NOTE

The Federal Reserve officially identifies Districts by number and Reserve Bank city (shown on both pages) and by letter (shown on the facing page).

In the 12th District, the Seattle Branch serves Alaska, and the San Francisco Bank serves Hawaii.

The System serves commonwealths and territories as follows: the New York Bank serves the Commonwealth of Puerto Rico and the U.S. Virgin Islands; the San Francisco Bank serves American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands. The Board of Governors revised the branch boundaries of the System most recently in December 1991.


1-A
BOSTON
2-B
Buffalo
NEW YORK
3-C
PHILADELPHIA
4-D
Pittsburgh
Cincinnati
CLEVELAND
5-E
Baltimore
Charlotte
RICHMOND
6-F
Nashville
Birmingham
Jacksonville
New Orleans
Miami
ATLANTA
7-G
Detroit
CHICAGO
8-H
Louisville
Memphis
Little Rock
ST. LOUIS
9-I
Helena
MINNEAPOLIS
10-J
Omaha
Denver
Oklahoma City
KANSAS CITY
11-K
El Paso
Houston
San Antonio
DALLAS
12-L
ALASKA
Seattle
Portland
Salt Lake City
Los Angeles
HAWAII
SAN FRANCISCO

Federal Reserve Banks, Branches, and Offices

FEDERAL RESERVE BANK branch, or *facility*	Zip	Chairman / Deputy Chairman	President / First Vice President	Vice President in charge of branch
BOSTON*	02106	Jerome H. Grossman William C. Brainard	Cathy E. Minehan Paul M. Connolly	
NEW YORK*	10045	John C. Whitehead Thomas W. Jones	William J. McDonough Ernest T. Patrikis	
Buffalo	14240	Joseph J. Castiglia		Carl W. Turnipseed[1]
PHILADELPHIA	19105	Donald J. Kennedy Joan Carter	Edward G. Boehne William H. Stone, Jr.	
CLEVELAND*	44101	A. William Reynolds G. Watts Humphrey, Jr.	Jerry L. Jordan Sandra Pianalto	
Cincinnati	45201	John N. Taylor, Jr.		Charles A. Cerino[1]
Pittsburgh	15230	John T. Ryan III		Harold J. Swart[1]
RICHMOND*	23219	Claudine B. Malone Robert L. Strickland	J. Alfred Broaddus, Jr. Walter A. Varvel	
Baltimore	21203	Michael R. Watson		William J. Tignanelli[1]
Charlotte	28230	James O. Roberson		Dan M. Bechter[1]
Culpeper	22701			Julius Malinowski, Jr.[2]
ATLANTA	30303	Hugh M. Brown Daniel E. Sweat, Jr.	Jack Guynn Patrick K. Barron	James M. Mckee[1]
Birmingham	35283	Donald E. Boomershine		Fred R. Herr[1]
Jacksonville	32231	Joan D. Ruffier		James D. Hawkins[1]
Miami	33152	R. Kirk Landon		James T. Curry III
Nashville	37203	Paula Lovell		Melvyn K. Purcell
New Orleans	70161	Lucimarian Roberts		Robert J. Musso
CHICAGO*	60690	Robert M. Healey Lester H. McKeever, Jr.	Michael H. Moskow William C. Conrad	
Detroit	48231	John D. Forsyth		David R. Allardice[1]
ST. LOUIS	63166	John F. McDonnell Susan S. Elliott	Thomas C. Melzer W. LeGrande Rives	
Little Rock	72203	Janet M. Jones		Robert A. Hopkins
Louisville	40232	John A. Williams		Thomas A. Boone
Memphis	38101	John V. Myers		John P. Baumgartner
MINNEAPOLIS	55480	Jean D. Kinsey David A. Koch	Gary H. Stern Colleen K. Strand	
Helena	59601	Lane W. Basso		John D. Johnson
KANSAS CITY	64198	Herman Cain A. Drue Jennings	Thomas M. Hoenig Richard K. Rasdall	
Denver	80217	Peter I. Wold		Carl M. Gambs[1]
Oklahoma City	73125	Barry L. Eller		Mark L. Mullinix
Omaha	68102	LeRoy W. Thom		Harold L. Shewmaker
DALLAS	75201	Cece Smith Roger R. Hemminghaus	Robert D. McTeer, Jr. Helen E. Holcomb	
El Paso	79999	Patricia Z. Holland-Branch		Sammie C. Clay
Houston	77252	Issac H Kempner III		Robert Smith, III[1]
San Antonio	78295	Carol L. Thompson		James L. Stull[1]
SAN FRANCISCO	94120	Judith M. Runstad James A. Vohs	Robert T. Parry John F. Moore	
Los Angeles	90051	Anita E. Landecker		Temporarily vacant
Portland	97208	Ross R. Runkel		Raymond H. Laurence
Salt Lake City	84125	Gerald R. Sherratt		Andrea P. Wolcott
Seattle	98124	George F. Russell, Jr.		Gordon Werkema[3]

*Additional offices of these Banks are located at Lewiston, Maine 04240; Windsor Locks, Connecticut 06096; East Rutherford, New Jersey 07016; Jericho, New York 11753; Utica at Oriskany, New York 13424; Columbus, Ohio 43216; Columbia, South Carolina 29210; Charleston, West Virginia 25311; Des Moines, Iowa 50306; Indianapolis, Indiana 46204; Milwaukee, Wisconsin 53202; and Peoria, Illinois 61607.

1. Senior Vice President.
2. Assistant Vice President.
3. Executive Vice President.