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U.S. International Transactions in 2000

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The U.S. current account deficit widened substantially in 2000 as the lagged effect of strong growth in the U.S. economy in late 1999 and early 2000 continued to drive up imports of goods and services faster than exports increased. To a lesser extent, a decline in U.S. price competitiveness also contributed to the expansion in the deficit.

Strong foreign economic growth supported a rapid increase of U.S. exports of both goods and services in 2000. However, U.S. imports of goods and services grew more than exports as U.S. gross domestic product (GDP) accelerated in late 1999 and the first half of 2000. Both U.S. and foreign GDP growth slowed sharply in the second half of 2000, but the lagged effect of the previous acceleration continued to widen the trade deficit. The real trade-weighted value of the dollar rose throughout the year, exerting a restraining influence on exports and helping to increase import demand. The net effect of these developments was an expansion in the goods and services trade deficit of more than $100 billion in 2000 (table 1).

The investment income deficit decreased modestly in 2000 despite a growing net foreign liability position. Strong growth abroad and the effect of high oil prices on the profitability of U.S. energy companies raised the rate of return on U.S. foreign direct investment assets at the same time that the rate of return on U.S. direct investment liabilities fell slightly. The deficit on unilateral transfers continued to grow at a moderate pace.

The current account deficit reached a new record of nearly 4½ percent of U.S. GDP last year (chart 1). This deficit represents an excess of U.S. investment over U.S. saving of more than $400 billion. In addition, almost $300 billion of U.S. saving flowed abroad in the form of a continued increase in foreign direct and portfolio investment by U.S. residents. To finance the current account deficit and the capital outflow, the foreign private sector purchased a record amount—more than $700 billion—of U.S. securities and direct investment assets. Continuing a trend that began in 1999, more than 100 percent of net foreign private securities purchases involved U.S. corporate bonds and stocks (including agency securities); the foreign

1. U.S. international transactions, 1996–2000

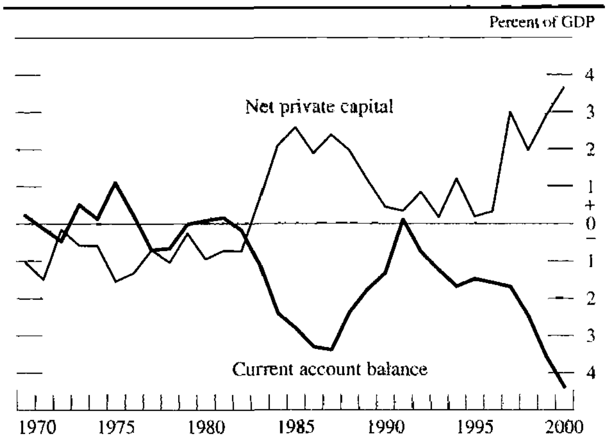
Billions of dollars except as noted

Item	1996	1997	1998	1999	2000	Change, 1999–2000
Trade in goods and services, net	−102	−106	−167	−265	−368	−104
Goods, net	−191	−197	−247	−346	−449	−104
Services, net	89	91	80	81	81	0
Investment income, net	23	11	−1	−13	−8	5
Compensation of employees, net	−5	−5	−5	−5	−6	0
Unilateral current transfers, net	−40	−41	−44	−48	−53	−5
Current account balance	**−123**	**−141**	**−217**	**−331**	**−435**	**−104**
Official capital, net	132	18	−27	54	35	−19
Private capital, net	25	250	174	269	364	95
Financial account balance	**158**	**268**	**147**	**323**	**399**	**76**
Capital account balance	**1**	**0**	**1**	**−4**	**1**	**4**
Statistical discrepancy	**−35**	**−128**	**70**	**12**	**36**	**24**
MEMO						
Current account as percentage of GDP	−1.6	−1.7	−2.5	−3.6	−4.4	−.8

NOTE. In this and the tables that follow, components may not sum to totals because of rounding.

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, U.S. international transactions accounts.

1. U.S. external balances, 1970–2000



SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis.

private sector was a net seller of U.S. Treasury securities. Net official inflows were down slightly from the moderate pace of 1999.

MAJOR ECONOMIC INFLUENCES ON U.S. INTERNATIONAL TRANSACTIONS

Many factors influenced the U.S. current and financial accounts in 2000. The most important of these were the lagged effects of strong U.S. and foreign growth in late 1999 and early 2000, the sharp rise in oil prices in 1999 that continued into 2000, and a further appreciation of the dollar—following a pause in 1999—which built on earlier appreciations in 1997 and 1998.

Foreign Economic Activity

Following the slowdown of 1998, foreign growth increased through 1999 and peaked at a 5½ percent annual rate in the first half of 2000 (table 2). In the second half of 2000, foreign growth slowed to 3 percent at an annual rate, and for the four quarters of 2000, foreign GDP grew 4¼ percent. The pattern of slowing from strong growth rates early in the year was shared on average by the industrial countries and by all major developing regions.

Among the major foreign industrial countries, the strongest performers in 2000 were Canada and Australia, which each grew 4 percent. The European Union grew almost 3 percent and Japan, 2¾ percent. Of these regions, the European Union exhibited the least slackening in growth during the course of last year.

In the foreign industrial countries, average inflation edged up to 3 percent, a result mainly of higher oil prices. During the first part of the year, monetary authorities moved to tighten conditions in many industrial countries in reaction to continued strong growth in economic activity that was starting to impinge on capacity constraints, as well as some upward pressures on prices. Interest rates on long-term government securities declined on balance in most industrial countries, especially toward year-end

2. Change in real GDP in the United States and abroad, 1997–2000

Percentage change, annual rate

Area	1997	1998	1999	2000	Half years				
					1998:H2	1999:H1	1999:H2	2000:H1	2000:H2
United States	**4.3**	**4.6**	**5.0**	**3.4**	**4.5**	**3.0**	**7.0**	**5.2**	**1.6**
Total foreign[1]	**4.3**	**1.2**	**4.8**	**4.2**	**1.8**	**4.5**	**5.1**	**5.5**	**2.9**
Asian emerging markets[2]	4.8	−1.8	8.9	6.3	2.6	9.6	8.2	7.7	4.8
China	8.2	9.5	6.2	7.4	12.4	1.7	11.0	5.7	9.2
Indonesia	1.2	−18.2	5.8	5.3	−8.8	14.0	−1.8	12.7	−1.7
Korea	3.4	−5.2	13.8	5.2	6.9	15.2	12.4	6.5	3.9
Malaysia	6.3	−11.1	11.0	6.5	−5.4	16.5	5.9	11.0	2.3
Philippines	5.0	−2.0	5.1	3.6	.9	6.3	3.8	4.9	2.3
Taiwan	7.0	3.4	6.5	4.1	3.9	8.9	4.2	6.7	1.6
Latin America[3]	6.1	1.2	4.3	4.7	−.5	3.0	5.6	7.4	2.1
Argentina	7.6	−.5	−.6	−2.0	−6.2	−4.1	3.2	−2.8	−1.3
Brazil	2.4	−.8	3.4	4.3	−4.0	3.5	3.4	3.8	4.8
Mexico	6.7	2.8	5.5	5.2	2.4	4.5	6.4	8.7	1.7
Venezuela	6.7	−4.7	−4.1	5.5	−10.3	−4.6	−3.7	9.5	1.7
Canada	4.8	3.2	4.9	4.0	4.5	4.1	5.8	4.5	3.5
European Union	3.1	2.1	3.4	2.9	1.7	2.6	4.1	3.3	2.5
Japan	.7	−1.4	.4	2.8	−1.9	4.1	−3.1	5.4	.4

NOTE. Aggregate measures are weighted by moving bilateral shares in U.S. exports of nonagricultural merchandise. Annual data are four-quarter changes. Half-yearly data are calculated as Q4/Q2 or Q2/Q4 changes at an annual rate.

1. Selected regions and economies are shown below.

2. Weighted average of China, Hong Kong, Indonesia, Korea, Malaysia, Philippines, Singapore, Taiwan, and Thailand.

3. Weighted average of Mexico, Argentina, Brazil, Chile, Colombia, and Venezuela.

SOURCE. Various national sources.

when evidence of a slowdown in global economic growth started to emerge.

The improvement in overall fiscal positions of the major industrial countries continued during 2000. Partly as a result of one-time revenues from the sale of mobile telephone licenses, the general government balance of the euro area moved into surplus. The Canadian surplus is estimated to have been 2½ percent of GDP last year. Even in Japan, where the deficit is estimated to have been nearly 6½ percent of GDP in 2000, there has been some movement toward fiscal consolidation.

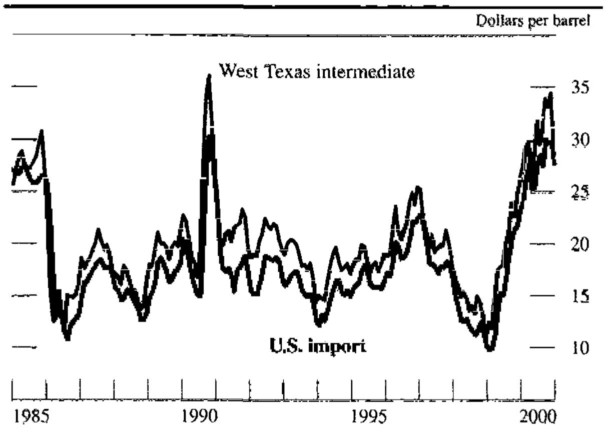
The experiences of major Latin American countries were mixed in 2000. Brazil enjoyed relatively strong growth as a result of lower domestic nominal and real interest rates. Mexico began 2000 with extremely strong growth rates supported by high oil prices, but growth slowed sharply in the second half, in response partly to tighter monetary policy and partly to slower growth in the United States late in the year. Strong oil prices also supported a return to growth in Venezuela last year. In contrast, Argentina's economy contracted substantially in 2000 after a stagnant 1999. The Argentine government continued to struggle to put policies in place that would bolster market confidence and support recovery.

Growth in Asian developing economies slowed sharply during 2000, with the principal exception of China. To a large extent, this pattern reflects the importance of high-technology exports to the United States and the slackening in U.S. high-tech imports late in the year. Another contributing factor to the Asian slowdown may have been the sustained high price of imported oil. Finally, specific factors in individual economies played a role in holding down growth, including a resurgence of corporate-restructuring problems in Korea and heightened political uncertainty in Indonesia, the Philippines, and Taiwan.

U.S. Economic Activity

After expanding briskly in the first half, the U.S economy decelerated dramatically in the second half of 2000. For the year as a whole, GDP increased 3½ percent (table 2). The major contributor to the deceleration was business investment in equipment and software, which slowed in the third quarter and contracted in the fourth. The high-tech sector was especially hard hit, but slowing growth in business output, rising energy costs, and falling profits took their toll on business expenditures on motor vehicles and other types of equipment as well.

2. Oil prices, 1985–2000



NOTE. The data are monthly.
SOURCE. *Wall Street Journal* and the U.S. Department of Commerce, Bureau of Economic Analysis.

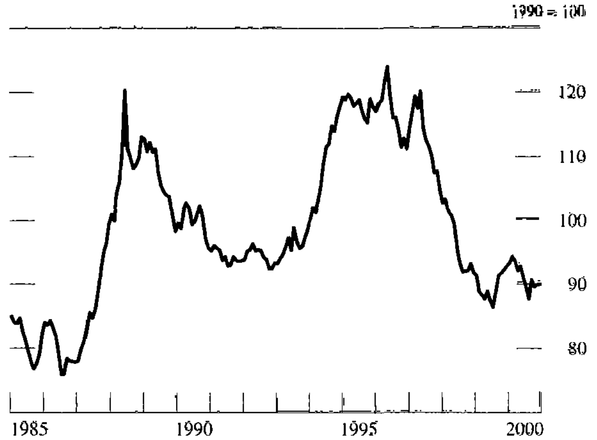
Household spending on services advanced at a rapid pace throughout the year. But spending on goods stagnated in the second half, in part because of an outright decline in motor vehicle sales. The sluggish pace of consumer spending was likely linked to a less favorable labor market situation, decelerating real personal income, and the waning of positive wealth effects from previous stock price increases. In addition, there was probably some rebound from the strong light vehicle purchases in 1999 and early 2000. Businesses were apparently caught off guard by the slowing in final sales last year, and inventories built up, leaving inventory–sales ratios elevated at year-end. Housing starts declined from a very high level at the beginning of the year before flattening out as falling mortgage rates balanced the restraining effects of a leveling-off of household wealth.

Real government spending rose only 1 percent over the four quarters of 2000. Federal purchases declined after a surge in spending in late 1999 due to Y2K concerns. State and local government purchases posted only a modest gain, as spending on investment slowed from its rapid 1999 pace. The general government surplus rose to 2¼ percent of GDP for the year as a whole.

Oil and Other Primary Commodity Prices

The phrase "high and volatile" best describes oil prices during 2000. The spot price of West Texas intermediate, the U.S. benchmark crude, fluctuated between $24 and $37 per barrel last year and reached levels not seen since the Gulf War in 1991 (chart 2). Relatively high oil prices persisted throughout the

3. Prices of world non-oil primary commodities, 1985–2000



NOTE. The data are monthly.
SOURCE. International Monetary Fund, *International Financial Statistics*, index of non-oil commodity prices in dollars.

year as a result of demand spurred by strong global economic growth. The underlying strength of world oil demand was apparent: Oil prices remained elevated even as world oil production increased sharply. Most of the expansion in production came from the Organization of Petroleum Exporting Countries (OPEC), which reversed the production restraints that had been implemented in the previous two years. Non-OPEC production rebounded as well, led notably by increases in the former Soviet Union.

The unusual volatility of oil prices during 2000 was the consequence of historically low levels of crude oil and petroleum product inventories in the United States and abroad. With little scope for changes in inventories to accommodate fluctuations in supply and demand, large and rapid swings in oil prices were common. For example, in September as the spot price of West Texas intermediate approached its high for the year, the U.S. government authorized a release of 30 million barrels from the Strategic Petroleum Reserve, and oil prices declined about $7 per barrel within a few days. Oil prices soon reversed this decline, however, but then fell $10 per barrel during the last two months of the year as evidence mounted that U.S. economic growth was slowing.

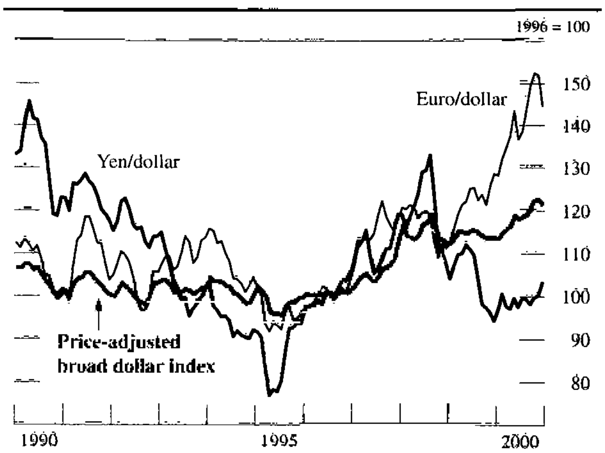
Prices of non-oil primary commodities resumed their decline last year, following a modest uptick in late 1999 (chart 3). From 1997 through the first half of 1999, weak global demand, combined with a large supply increase in response to the high prices of the mid-1990s (especially for agricultural products), put severe downward pressure on commodity prices. Reduced supplies and the recovery in global economic activity reversed this decline, and prices strengthened in the second half of 1999. The combination of the strength of the dollar and the slowdown in global economic growth led prices of non-oil primary commodities to resume their decline in mid-2000. By the end of last year, the decline in prices was particularly evident in the cyclically sensitive commodities—metals and agricultural raw materials.

U.S. Price Competitiveness

Over 2000, non-energy price increases remained subdued in the United States and in most of its trading partners. As is usually the case, the major factor contributing to gains and losses in U.S. international price competitiveness has been the exchange value of the dollar. After remaining flat in 1999, the real trade-weighted exchange value of the dollar in terms of an index of a broad group of U.S. trading partners appreciated 7½ percent over the four quarters of 2000. As of year-end, the broad dollar index had appreciated 27 percent from its previous low point in July 1995 (chart 4).

The dollar's movements last year differed significantly across the trading partners of the United States. The dollar appreciated (in real terms) 20 percent against the euro, 14 percent against the pound, 10 percent against the yen, and 4 percent against the Canadian dollar. The dollar's appreciation against the euro in 2000 followed an appreciation during 1999 of

4. Foreign exchange value of the U.S. dollar, 1990–2000



NOTE. The broad dollar index included thirty-five currencies until the beginning of stage three of European Economic and Monetary Union on January 1, 1999, when the euro replaced the ten euro-area currencies; the broad dollar index now has twenty-six currencies. Currencies of all foreign countries or regions that had a share of U.S. non-oil imports or nonagricultural exports of at least ½ percent in 1997 are included in the broad dollar index. The data for the euro use the restated German mark before January 1999. The data are monthly.

nearly 15 percent, and it persisted despite year-end evidence that the U.S. economy had slowed to a rate of growth below that of Europe. Against a weighted average of developing country trading partners, the dollar appreciated just over 2 percent in real terms during 2000. A number of developing countries have significantly higher inflation rates than the United States, so that their currencies tend to appreciate against the dollar in real terms even when the nominal exchange rate is constant or slowly depreciating. For example, the Mexican peso appreciated nearly 5 percent against the dollar in real terms last year, primarily because of higher inflation in Mexico.

DEVELOPMENTS IN U.S. TRADE IN GOODS AND SERVICES

The U.S. trade deficit in goods and services was substantially larger in 2000 than in 1999 (table 3). The steep decline in the external balance reflected the lagged effects on imports of robust economic growth in the United States early in the year and the increasing price competitiveness of foreign goods as the dollar appreciated; together these factors outweighed the pull on exports of generally strong economic growth abroad during the first three quarters of 2000.

Exports

The value of exports of goods and services rose $113 billion in 2000 after a very small increase in 1999 (table 3). Receipts from services rose 9 percent, more than twice the rate recorded in 1999, with much of the increase recorded in receipts from foreign travelers in the United States and "other private services" (mostly business, professional, technical, and financial services). Sales of military equipment declined slightly as did receipts from other government services.

The value of goods exports expanded 13 percent after a marginal increase in 1999. Capital equipment

3. U.S. international trade in goods and services, 1997–2000
Billions of dollars except as noted

Item	1997	1998	1999	2000	Dollar change			Percentage change, 1999 to 2000
					1997 to 1998	1998 to 1999	1999 to 2000	
Balance on goods and services	**−106**	**−167**	**−265**	**−368**	**−61**	**−98**	**−104**	. . .
Exports of goods and services	**937**	**933**	**956**	**1,070**	**−4**	**23**	**113**	**12**
Services	257	263	272	296	5	9	24	9
Goods	680	670	684	773	−9	14	89	13
Agricultural products	58	53	50	53	−5	−3	4	7
Nonagricultural goods	621	617	635	720	−4	18	85	13
Capital equipment	296	300	312	357	4	12	45	14
Aircraft and parts	41	54	53	48	12	−1	−5	−9
Computers, peripherals, and parts	49	45	47	56	−4	1	9	19
Semiconductors	39	38	47	60	−1	9	13	28
Telecommunications equipment	24	25	27	33	1	2	6	22
Other machinery and equipment	142	139	139	161	−3	0	22	16
Industrial supplies	148	138	139	163	−9	1	24	17
Automotive products	74	73	76	80	−1	3	4	6
Consumer goods	77	79	81	89	2	2	8	10
Other nonagricultural exports	26	26	27	31	0	1	4	15
Imports of goods and services	**1,043**	**1,100**	**1,221**	**1,438**	**57**	**121**	**217**	**18**
Services	167	183	191	215	16	9	24	13
Goods	876	917	1,030	1,223	41	113	193	19
Oil	72	51	68	120	−21	17	52	77
Non-oil	805	866	962	1,102	62	96	140	15
Capital equipment	253	270	297	352	16	28	55	19
Aircraft and parts	17	22	24	26	5	2	3	11
Computers, peripherals, and parts	70	72	81	90	2	9	8	10
Semiconductors	37	33	38	48	−3	4	11	28
Telecommunications equipment	15	17	24	38	2	7	14	59
Other machinery and equipment	115	125	130	150	10	6	19	15
Industrial supplies	146	152	157	181	7	5	24	15
Automotive products	140	149	179	196	9	30	17	9
Consumer goods	194	217	240	276	23	23	36	15
Food and other goods	72	79	89	97	7	10	8	9

. . . Not applicable.

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, U.S. international transactions accounts.

Structural Change in U.S. Export Markets

In recent years, U.S. goods exports have grown faster than would have been predicted by historical relationships based on foreign GDP growth and relative prices. Examination of the pattern of U.S. export growth across destination markets suggests that this acceleration of goods exports is the result of trade liberalization and the opening of markets abroad.

Chart 5 displays U.S. goods exports as a share of GDP in five major markets: Australia, Canada, the European Union, Japan, and Mexico, which together account for nearly 70 percent of total U.S. goods exports. The data are normalized so that the U.S. export share of destination market GDP is 100 in 1990. This normalization allows us to compare changes in market penetration over time. To a reasonable approximation, changes in foreign GDP and real exchange rates should not affect market penetration in nominal terms.[1]

Chart 5 shows that U.S. exports to Canada and Mexico have increased much faster than Canadian and Mexican GDP. We attribute this structural change to the U.S.–Canadian Free Trade Agreement of 1989 and to the North American Free Trade Agreement of 1994. Apparently, barriers to U.S. exports have fallen substantially in these countries, and U.S. businesses have taken advantage of the opportunities created.

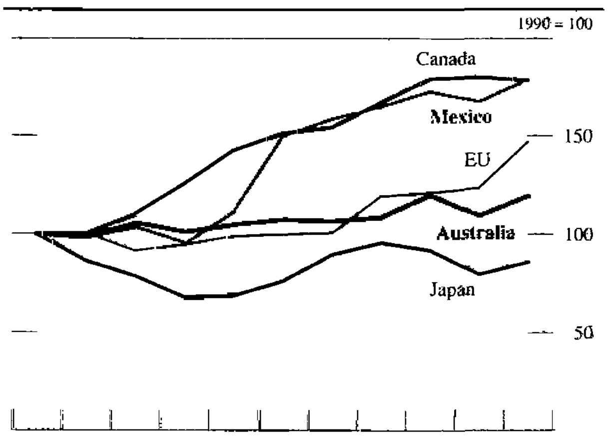
The data for exports to Australia and Japan provide little evidence of structural change in the 1990s. However, U.S. exports to the European Union have increased much faster than European GDP in the past four years. This development raises the intriguing possibility that the European Single Market initiative of 1992 and the establishment of European Economic and Monetary Union in 1999 have increased the attractiveness of the European market for U.S. exporters.

1. If the income and price elasticities of foreign demand for U.S. exports are both equal to one, then the market penetration ratio is constant except for structural change and (relatively minor) lagged volume adjustments. Estimates of the income and price elasticities of U.S. goods exports are typically close to one. See, for example, the long-run and short-run estimates in Peter Hooper, Karen Johnson, and Jaime Marquez, "Trade Elasticities for the G-7 Countries," Princeton Studies in International Economics No. 87, Princeton University, August 2000.

This study and other studies have found a higher estimate of the income elasticity of U.S. goods imports, typically around two, compared with one for exports. The source of this higher import elasticity is not clear, but it implies that U.S. imports tend to grow faster than U.S. exports even when the U.S. economy grows at the same rate as that of the rest of the world.

and industrial supplies accounted for most of the growth in goods exports. There were strong increases in high-tech equipment, such as computers, semiconductors, and telecommunications equipment, as well as in other machinery, such as power-generating, industrial, and service equipment. Increases in exported industrial supplies were spread widely among categories and were especially strong in petroleum products, steel, other metals, paper, chemicals, and textiles. There was a smaller expansion in exports of automotive products, consumer goods, and agricultural products. Exports of aircraft and parts declined moderately in 2000.

5. U.S. bilateral export values relative to destination GDP, 1990–2000



SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis; various national sources.

Although goods exports rose strongly during much of the year, in the fourth quarter most categories of exports fell. This reduction coincided with a sharp slowing of growth rates both in the United States and abroad. The U.S. slowdown contributed to the fourth-quarter decline in exports because a large fraction of U.S. high-tech and automotive exports are processed abroad and returned to the United States for final sale.

Reflecting the strength of economic activity in North America for most of the year, U.S. exports to Canada and Mexico advanced rapidly in the first three quarters of 2000. This growth in exports to Canada and Mexico continues a pattern evident since the 1994 North American Free Trade Agreement of stronger-than-expected exports to these countries (see box). Exports to Mexico rose $25 billion in 2000, or nearly 30 percent, with increases spread over all major categories of trade (table 4). Capital equipment exports to Mexico made up more than 35 percent of the total, and industrial supplies, nearly 30 percent. Automotive products (largely parts) accounted for 15 percent of exports to Mexico. Exports to Canada expanded $12 billion, or 7 percent. Increases were largely in capital equipment and industrial supplies. Automotive products (one-fourth of U.S. exports to Canada) declined in 2000, primarily in the second half of the year.

Exports of goods to Asian emerging markets grew $24 billion in 2000, or 23 percent. Almost all of the increase was in capital goods (particularly high-tech equipment), which accounted for 60 percent of U.S. exports to that region. After gaining strength in the first three quarters, exports to this region accounted for much of the decline in total U.S. exports in the fourth quarter. Exports to Japan followed a more muted pattern, rising moderately through the third quarter before leveling off in the fourth quarter.

The value of exports to Western Europe rose strongly in 2000, following several years of lackluster performance, as economic growth picked up in the area. Capital equipment constituted nearly 55 percent of U.S. exports to Western Europe in 2000, and industrial supplies another 20 percent. In contrast to most other regions, exports to Western Europe continued to rise in the fourth quarter, even as total U.S. goods exports declined.

The quantity of exports rose 7 percent in 2000 (Q4/Q4), substantially faster than in the previous two years (table 5). Increases were spread across most major categories of trade, with the exception of aircraft exports, which declined.

Prices of goods exports rose ¾ percent in 2000 (table 6). When computers, semiconductors, and agricultural products are excluded, the increase in the index for export prices was larger, 1¾ percent, which was about the same rate as in 1999. Stronger growth in prices of exported industrial supplies and aircraft was moderated by small rises in prices of other machinery and automotive products. Prices of agricultural exports declined ½ percent, the smallest rate of decrease in four years. Prices of computers and semiconductors (measured by hedonic indexes) continued to decline.

4. U.S. exports of goods to its major trading partners, 1997–2000

Billions of dollars

Destination	1997	1998	1999	2000	Change, 1999 to 2000
Total goods exports	**680**	**670**	**684**	**773**	**89**
Western Europe	153	159	163	178	16
Canada	152	156	167	179	12
Latin America	135	142	141	171	29
Mexico	71	78	87	111	25
Other countries	64	63	55	59	4
Asia	183	154	161	193	32
Japan	65	57	56	64	8
Other Asia[1]	118	97	104	129	24
All other[2]	57	59	53	53	-1

1. Includes China, Hong Kong, Singapore, Taiwan, Indonesia, Philippines, Malaysia, and Thailand.

2. Includes Australia, New Zealand, Middle East, Eastern Europe, and Africa.

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, U.S. international transactions accounts.

5. Change in the quantity of U.S. exports and imports of goods and services, 1997–2000

Percent, fourth quarter to fourth quarter

Item	1997	1998	1999	2000
Exports of goods and services	**9**	**2**	**4**	**7**
Services	1	3	0	3
Goods	12	2	6	8
Capital equipment	18	5	7	13
Aircraft and parts	8	49	−18	−14
Computers, peripherals, and parts	26	7	13	24
Semiconductors	21	9	34	27
Other machinery and equipment	17	−8	7	15
Industrial supplies	6	−3	6	7
Automotive vehicles and parts	14	−2	3	0
Consumer goods	7	1	6	6
Agricultural products	1	0	0	7
Imports of goods and services	**14**	**11**	**12**	**11**
Services	14	9	2	13
Goods	14	12	14	11
Oil	4	5	−4	13
Non-oil	15	12	15	11
Capital equipment	25	11	19	20
Aircraft and parts	26	31	−2	23
Computers, peripherals, and parts	33	27	25	15
Semiconductors	33	−7	34	23
Other machinery and equipment	17	6	17	21
Industrial supplies	7	9	9	1
Automotive vehicles and parts	8	16	15	2
Consumer goods	14	10	15	14
Foods, feeds, and beverages	9	5	11	7

NOTE. Quantities are measured in chained (1996) dollars.

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, national income and product accounts; and the Federal Reserve Board.

Imports

The value of imports grew 18 percent in 2000, nearly twice as fast as in 1999, with increases recorded in all major categories of trade (table 3). The expansion of imports was fueled by the sharp growth of U.S. domestic expenditures throughout most of the year, the increasing price competitiveness of foreign goods as the dollar appreciated, and the rise in the price of imported oil. Oil and capital equipment each accounted for one-quarter of the rise in imports; consumer goods accounted for another 17 percent;

6. Change in prices of U.S. exports and imports of goods and services, 1997–2000

Percent, fourth quarter to fourth quarter

Item	1997	1998	1999	2000
Total exports of goods and services	**–.8**	**–2.6**	**1.0**	**1.3**
Services	.8	–.2	2.9	2.6
Goods	–1.5	–3.5	.3	.7
Agricultural products	–3.2	–10.1	–5.1	–.5
Nonagricultural goods	–1.3	–2.9	.7	.8
Computers, peripherals, and parts	–11.0	–12.7	–6.9	–4.4
Semiconductors	–13.3	–5.6	–3.6	–4.3
Other goods	.6	–1.9	1.7	1.8
Industrial supplies	–.5	–7.3	4.1	4.0
Aircraft	2.6	1.2	2.6	4.5
Other machinery	1.2	–.1	.3	.7
Automotive products	.7	.4	.8	.6
Consumer goods	.8	–.5	.1	.0
Total imports of goods and services	**–4.2**	**–5.0**	**3.6**	**2.4**
Services	–2.3	–.4	3.2	–1.2
Goods	–4.6	–5.9	3.7	3.1
Oil	–20.2	–35.7	93.6	31.9
Non-oil	–2.8	–3.6	–.7	.6
Computers, peripherals, and parts	–14.8	–16.4	–10.6	–6.1
Semiconductors	–14.9	–8.2	–2.7	–2.9
Other goods	–.8	–2.0	.4	1.4
Industrial supplies	–.1	–6.8	4.3	10.6
Aircraft	3.4	1.7	1.6	3.4
Other machinery	–3.2	–1.3	–1.6	–1.1
Automotive products	.6	–.3	.9	.7
Consumer goods	–1.3	–1.2	–.6	–1.1
Foods, feeds, and beverages	.1	–3.0	–3.1	–2.4

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, national income and product accounts; chain-weighted indexes; and the Federal Reserve Board.

and automotive products, industrial supplies, and services each accounted for about 10 percent.

Oil Imports

The quantity of U.S. imports of crude oil and petroleum products increased 13 percent over the four quarters of 2000. Despite robust economic growth through the first half of the year, U.S. final demand for oil was essentially unchanged from 1999, a reflection, at least in part, of the effects of high oil prices. High prices also helped to stabilize domestic oil production in 2000 after several years of declines. With flat consumption and production, one would normally not expect such a strong increase in imports. The explanation lies in the fact that oil imports in 1999 were moderated by a considerable drawdown in oil inventories. With U.S. oil stocks near historically low levels by the end of 1999, a boost in oil imports was required just to keep consumption constant. Reflecting both higher quantities and prices, the value of U.S. oil imports grew 50 percent in 2000 (Q4/Q4).

Non-Oil Imports

The quantity of non-oil imports grew 11 percent in 2000 (Q4/Q4, table 5). Reflecting the strength of spending by both households and businesses in the United States, the quantity of imported consumer goods (other than automotive products) rose 14 percent, and the quantity of imported capital equipment increased 20 percent. The slowdown in U.S. GDP growth that occurred during the second half of the year was reflected in a drop in the growth of goods imports from a pace of more than 15 percent at an annual rate during the first three quarters of the year to about zero growth in the fourth quarter. Imports of automotive products, which increased only 2½ percent during the year, turned down in the fourth quarter as U.S. sales of vehicles dropped back from the very high levels recorded earlier in the year. In addition, there were significant declines in the fourth quarter in the quantity of imported high-tech equipment and industrial supplies. Fourth-quarter increases were recorded for imports of other capital equipment and of consumer goods and services, albeit at a somewhat slower pace than in the first half of the year.

Overall, U.S. non-oil import prices rose ½ percent in 2000 (table 6). When prices of computers and semiconductors are excluded, the import price increases were larger, 1½ percent. Much of the rise in these prices was attributable to industrial supplies, whose prices surged more than 10 percent, an increase led by prices of natural gas, paper, nonferrous metals, fertilizers, and organic chemicals. In contrast, prices of other imported goods, such as machinery other than computers and semiconductors and consumer goods, declined at rates of just over 1 percent in 2000, rates only slightly different from those recorded during the previous two years. The hedonic indexes of prices of computers and semiconductors continued to drop in 2000.

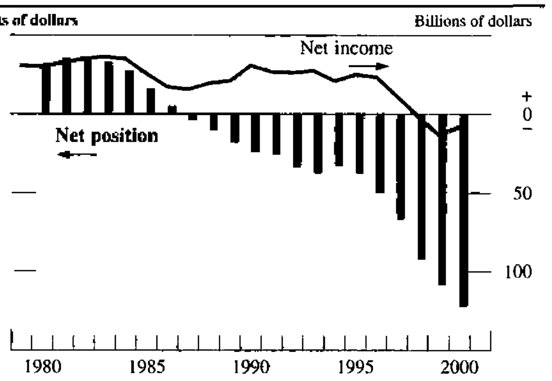
DEVELOPMENTS IN THE NONTRADE CURRENT ACCOUNT

The two major components of the current account other than trade in goods and services are investment income and unilateral transfers.

Investment Income

Net investment income is the difference between the income that U.S. residents earn on their holdings of

6. U.S. net international investment:
Position and receipts, 1980–2000



NOTE. The net position data are averages of the end-of-year positions for the current and previous years. The year-end position for 2000 was constructed by adding the recorded portfolio investment flows during 2000 to the recorded year-end position for 1999. The net position excludes U.S. gold holdings and foreign holdings of U.S. currency.
SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis; and the Federal Reserve Board.

foreign assets (receipts) and the income that foreigners earn on their holdings of U.S. assets (payments). Traditionally (since 1914), the balance on investment income has been positive, but starting in the early 1990s it began a persistent decline that brought it to near zero in 1998 and to negative $13 billion in 1999—a net payment position (chart 6). This recent decline in net investment income has resulted primarily from the fact that, over the period, the United States has experienced large net financial inflows from the rest of the world. That is, foreign acquisition of U.S. assets has vastly exceeded U.S. acquisition of foreign assets. Although the net financial asset position is the primary determinant of net investment income, changing rates of return on these assets also affect the balance. In 2000, net investment payments were $8 billion, slightly less than in 1999. Although large financial inflows last year tended to increase net payments, the inflows were more than offset by an increase in the rate of return on U.S. direct investment abroad and a decline in the rate of return on foreign direct investment in the United States.

Direct Investment Income

Net direct investment income—the difference between receipts from U.S. direct investment abroad and payments on foreign direct investment in the United States—increased almost 35 percent in 2000, to $84 billion dollars. Direct investment receipts grew a robust 26 percent (table 7). Despite a slowdown in the last half of the year, payments grew 18 percent over 1999.

The growth in receipts reflected strong GDP growth abroad in the first three quarters of the year, a rising stock of direct investment capital, and the effects of high oil prices on the profitability of U.S.-based international energy corporations. Receipts grew strongly despite the offsetting effect of the strength of the dollar vis-à-vis many of the important host countries for U.S. direct investment, which lowered the dollar value of profits earned in foreign currencies.

Major increases in direct investment receipts were registered for Western European countries, particularly the United Kingdom, and for Canada, Japan, and a number of other Asian countries. Receipts from Latin America were flat for the second straight year. Mirroring the overall strength of receipts, the rate of return on the direct investment position rose to 10½ percent—more than 1 percentage point higher than in 1999 (chart 7).[1]

Although income payments on direct investment in the United States, at $66 billion for 2000, increased

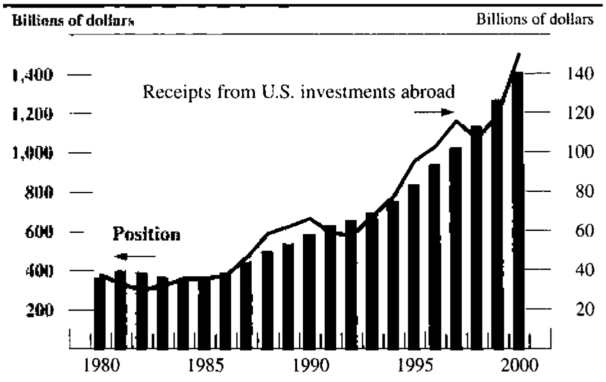
1. In charts 6–9, the investment receipts (or payments) scale is one-tenth of the investment position scale, and thus when the receipts (or payments) line coincides with the top of the position bar, the implied rate of return is 10 percent.

7. U.S. net investment income, 1995–2000
Billions of dollars

Item	1995	1996	1997	1998	1999	2000	Change, 1999 to 2000
Investment income, net	**25**	**23**	**11**	**−1**	**−13**	**−8**	**5**
Direct investment income, net	65	69	72	68	63	84	21
Receipts	95	103	116	106	119	149	31
Payments	30	33	44	39	56	66	10
Portfolio investment income, net	−40	−46	−61	−69	−76	−92	−16
Receipts	114	120	140	150	155	194	38
Payments	154	166	201	219	231	286	55

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, U.S. international transactions accounts.

7. U.S. direct investment abroad:
Position and receipts, 1980–2000



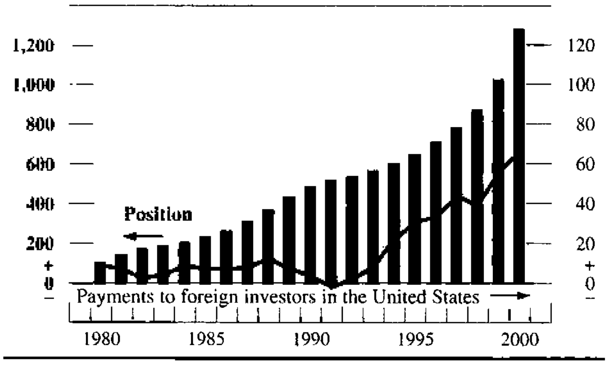
NOTE. The position data are averages using the current-cost measures as of year-end for the current and previous years. The year-end data for 2000 were constructed by adding the recorded direct investment capital flows and current cost adjustment during 2000 to the recorded year-end position for 1999.

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis; and the Federal Reserve Board.

significantly over 1999, the growth slowed considerably in the second half of 2000 as the U.S. economy cooled. The overall rate of return, at about 5 percent, was ¼ of a percentage point lower than that in 1999 (chart 8).

With the net direct investment position continuing its trend decline toward zero, the large positive balance on direct investment income was primarily the result of the long-standing higher rate of return on U.S. direct investment abroad than on foreign direct investment in the United States. The reasons for the differential in the rates of return are not well understood, but age-related factors appear to be important: Foreign direct investment in the United States is typically newer than U.S. direct investment abroad and hence is more likely to be incurring startup and restructuring costs and less likely to have fully realized the gains from operational experience.

8. Foreign direct investment in the United States:
Position and payments, 1980–2000



NOTE. The position data are averages using the current-cost measures as of year-end for the current and previous years. The year-end data for 2000 were constructed by adding the recorded direct investment capital flows and current-cost adjustment during 2000 to the recorded year-end position for 1999.

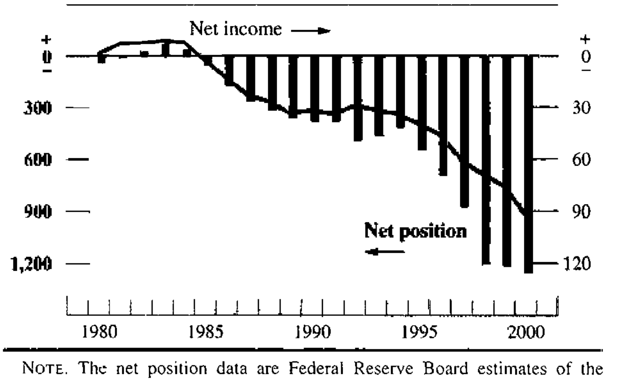
SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis; and the Federal Reserve Board.

Portfolio Investment Income

Portfolio receipts reflect the dividends and interest that U.S. residents receive on their holdings of foreign financial assets, whereas payments reflect the dividends and interest that foreigners receive on their holdings of U.S. financial assets. The Bureau of Economic Analysis (BEA) estimates these payments and receipts by using estimates of the holdings of various types of assets combined with estimates of the interest or dividend-payout rates for the various assets. Portfolio income excludes any capital gains or losses (realized or not) that result from changes in the price of the underlying assets.

Although portfolio income is affected by changes in interest rates and the composition of the assets held, the primary determinant of net portfolio payments is the net portfolio asset position, which is illustrated in chart 9. As shown in the chart, net portfolio income turned negative in 1985 when the net investment position moved from one of net creditor to net debtor, and it has followed the general contour of the net investment position since. Between 1999 and 2000, net income declined $15 billion, to negative $92 billion. This decline reflects a further deterioration of the net asset position as well as a

9. Net portfolio investment: Position and receipts, 1980–2000



NOTE. The net position data are Federal Reserve Board estimates of the average position during the year. Through 1999 these are based on quarterly financial flows and year-end position estimates published by the BEA. For 2000, the average is based on year-end 1999 position data and quarterly financial flows during 2000. The net position excludes U.S. gold holdings and foreign holdings of U.S. currency.

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis; and the Federal Reserve Board.

general increase in interest rates, which raised the rate of return on portfolio assets.

Unilateral Transfers

Unilateral transfers include government grant and pension payments as well as private transfers to and from foreigners. In 2000, net unilateral transfers recorded a deficit of $52 billion, $4 billion more than in 1999. About half the increase was in private remittances, and half was in government grants.

FINANCIAL AND CAPITAL ACCOUNT TRANSACTIONS

The counterpart to the increase in the U.S. current account deficit in 2000 was an increase in net financial inflows. As in 1999, U.S. financial flows in 2000 reflected the relatively strong cyclical position of the U.S. economy and the global wave of corporate mergers. Foreign private purchases of U.S. securities were exceptionally strong—well in excess of the record set in 1997.

The composition of U.S. securities purchased by foreigners continued the shift away from Treasuries that began in 1999, as the U.S. budget surplus and the attendant decline in the supply of Treasuries lowered their yield relative to that of other debt securities. Last year sales by private foreigners were, on net, $52 billion in Treasury securities, compared with net sales of $21 billion in 1999 (table 8). Although sizable, these sales were slightly less than they would have been had foreigners reduced their holdings in proportion to the reduction in Treasuries outstanding. The increased sale of Treasuries was fully offset by larger foreign purchases of U.S. securities issued by government-sponsored agencies. Net purchases of agency securities topped $110 billion, compared with the record $72 billion set in 1999. In contrast to the shrinking supply of Treasury securities, U.S.-government-sponsored agencies accelerated the pace of their debt issuance. Private foreign purchases of U.S. corporate and other bonds (including agencies) grew to a record $294 billion, while net purchases of U.S. equities ballooned from $99 billion in 1999 to $172 billion.

The pace of foreign direct investment inflows also accelerated from the record pace of 1999. As in the previous two years, direct investment inflows were driven by foreign acquisition of U.S. firms, which reflected the global strength in merger and acquisi-

8. Composition of U.S. financial flows, 1995–2000
Billions of dollars

Item	1995	1996	1997	1998	1999	2000
Current account balance	**–110**	**–123**	**–141**	**–217**	**–332**	**–435**
Official financial flows, net	**99**	**132**	**18**	**–27**	**54**	**35**
Foreign official assets in the United States	110	127	19	–20	43	36
U.S. official reserve assets	–10	7	–1	–7	9	0
Other U.S. government assets	–1	–1	0	0	3	–1
Private financial flows, net	**14**	**25**	**250**	**174**	**269**	**364**
Net inflows reported by U.S. banking offices	–45	–75	8	4	–3	–31
Securities transactions, net	73	135	225	131	183	290
Private foreign net purchases of U.S. securities	196	285	344	267	311	414
Treasury securities	100	155	146	49	–21	–52
Corporate and other bonds	83	119	128	172	233	294
Corporate stocks	14	11	70	46	99	172
U.S. net purchases of foreign securities	–123	–150	–119	–136	–129	–124
Bonds	–57	–67	–61	–35	–14	–25
Stocks	–65	–83	–58	–101	–114	–99
Stock swaps	–7	–11	–3	–96	–123	–80
Direct investment, net	–41	–5	1	40	125	155
Foreign direct investment in the United States	58	87	106	186	276	317
U.S. direct investment abroad	–99	–92	–105	–146	–151	–162
Foreign holdings of U.S. currency	12	17	25	17	22	1
Other	14	–47	–9	–18	–58	–51
Capital account balance	**0**	**1**	**0**	**1**	**–4**	**1**
Statistical discrepancy	**–4**	**–35**	**–128**	**70**	**12**	**36**

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, U.S. international transactions accounts.

tion activity. Of the $317 billion in direct investment inflows in 2000, almost $200 billion was directly attributable to merger activity. Many of these mergers were financed, at least in part, by an exchange of equity, in which shares in the U.S. firm were swapped for equity in the acquiring firm. Although U.S. residents generally appear to have sold a portion of the equity acquired through these swaps, the swaps likely contributed significantly to the $124 billion capital outflow attributed to U.S. acquisition of foreign securities. U.S. direct investment abroad was also boosted by merger activity and totaled $162 billion in 2000—a modest increase over 1999.

Financial inflows from foreign official sources totaled $36 billion in 2000—a slight decrease from 1999. Nearly all of the official inflows were attributable to reinvested interest earnings. Modest official sales of dollar assets associated with foreign exchange intervention were offset by larger inflows from some non-OPEC oil exporting countries, which benefited from the elevated price of oil. U.S. government assets abroad (official and other) were little changed on balance last year.

Capital account transactions—which consist mainly of debt forgiveness and wealth transfers associated with immigration—netted to positive $1 billion last year. In 1999, they were negative $4 billion, most of which reflected the transfer of the Panama Canal to the Republic of Panama.

Prospects for 2001

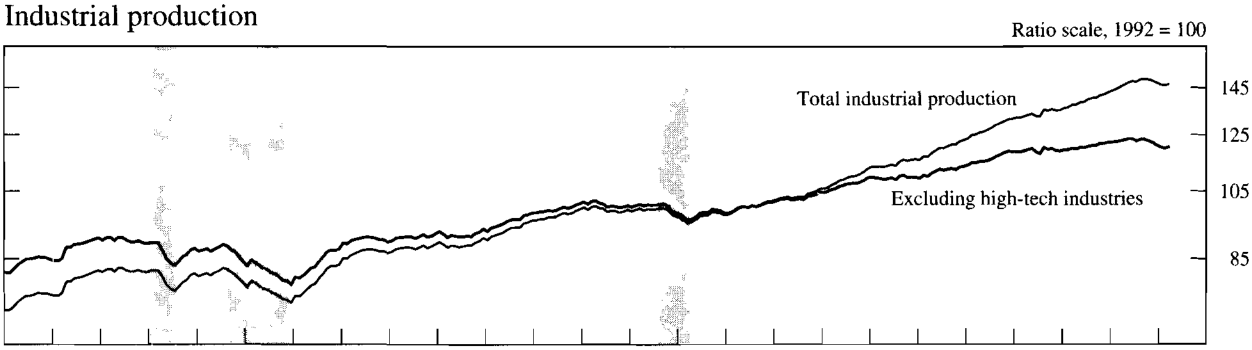
Opposing forces have been at work on the U.S. current account balance since late 2000. The continued appreciation of the dollar into the first few months of 2001 will tend to increase the goods and services trade deficit this year as the adjustment process unfolds. In addition, the ongoing deterioration of the U.S. net international investment position will tend to increase the deficit on investment income. However, domestic spending growth appears to have slowed more sharply than foreign spending growth recently, which puts more downward pressure on the growth rate of imports than on that of exports. If these circumstances persist, the current account deficit is likely to change much less in 2001 than it did in 2000. □

Industrial Production and Capacity Utilization for March 2001

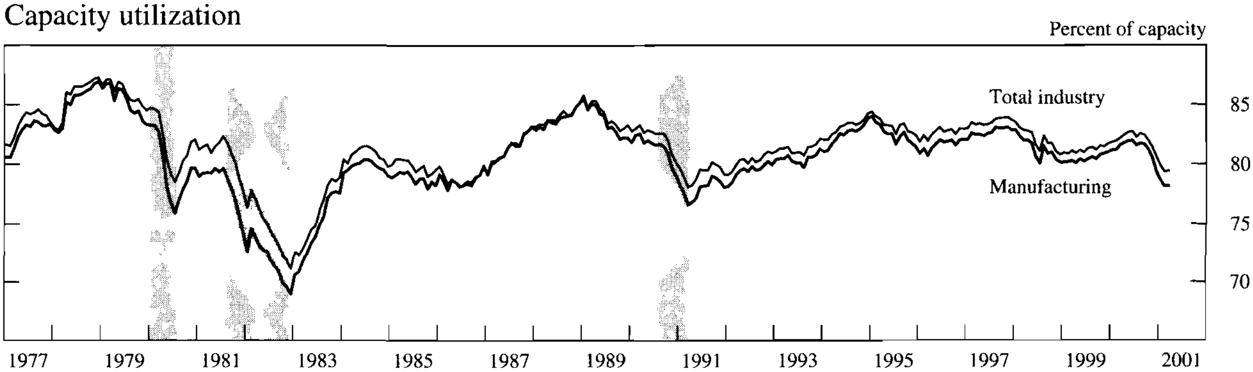
Released for publication April 17

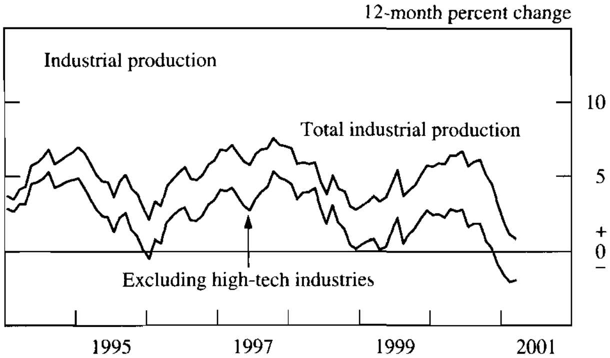
Industrial production increased 0.4 percent in March, its first increase since September. At 146.5 percent of its 1992 average, industrial production in March was 0.8 percent higher than in March 2000. Manufacturing output rose 0.3 percent after a 0.3 percent drop in February; excluding motor vehicles and parts, manufacturing output edged down 0.1 percent in March. Output at utilities increased 1.1 percent, and production in mining rose 0.8 percent. For the first quarter as a whole, total industrial production contracted at

Industrial production

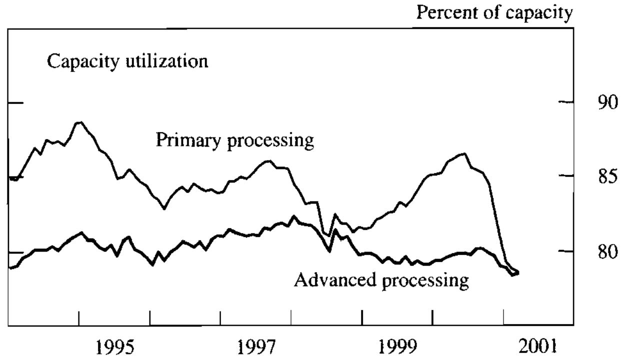


Capacity utilization





High-tech industries are defined as semiconductors and related electronic components (SIC 3672-9), computers (SIC 357), and communications equipment (SIC 366).



Shaded areas are periods of business recession as defined by the NBER.

Industrial production and capacity utilization, March 2001

Category	Industrial production, index, 1992=100								
	2000	2001			Percent change				
					2000[1]	2001[1]			Mar. 2000 to Mar. 2001
	Dec.r	Jan.r	Feb.r	Mar.p	Dec.r	Jan.r	Feb.r	Mar.p	
Total	**147.3**	**146.4**	**145.9**	**146.5**	**-.6**	**-.6**	**-.4**	**.4**	**.8**
Previous estimate	147.7	146.8	146.0	...	-.3	-.6	-.6	...	...
Major market groups									
Products, total[2]	136.0	135.5	134.9	135.4	-.2	-.3	-.4	.4	.7
Consumer goods	123.1	122.1	122.0	122.3	.6	-.8	-.1	.3	.1
Business equipment	199.2	198.2	196.2	197.9	-.7	-.5	-1.0	.9	4.8
Construction supplies	140.6	140.3	139.5	139.1	-.7	-.3	-.5	-.3	-3.8
Materials	167.8	166.2	165.8	166.5	-1.2	-1.0	-.2	.4	1.1
Major industry groups									
Manufacturing	152.6	151.8	151.3	151.8	-1.0	-.5	-.3	.3	.4
Durable	195.1	192.7	191.9	193.6	-.8	-1.2	-.4	.9	2.5
Nondurable	114.1	114.6	114.4	114.0	-1.2	.4	-.1	-.4	-2.3
Mining	99.6	100.7	101.1	101.9	-1.5	1.1	.4	.8	1.5
Utilities	129.1	124.4	121.8	123.1	5.9	-3.6	-2.0	1.1	7.3
	Capacity utilization, percent								MEMO Capacity, percent change, Mar. 2000 to Mar. 2001
	Average, 1967–00	Low, 1982	High, 1988–89	2000		2001			
				Mar.	Dec.r	Jan.r	Feb.r	Mar.p	
Total	**82.1**	**71.1**	**85.4**	**82.2**	**80.6**	**79.9**	**79.3**	**79.4**	**4.4**
Manufacturing	81.1	69.0	85.7	81.6	79.3	78.6	78.2	78.1	4.8
Advanced processing	80.6	71.0	84.2	79.6	79.0	78.9	78.4	78.5	2.5
Primary processing	82.2	65.7	88.3	85.9	80.9	79.3	78.8	78.6	8.4
Mining	87.4	80.3	88.0	86.1	86.1	87.1	87.5	88.4	-1.1
Utilities	87.6	75.9	92.6	87.2	95.7	92.0	89.8	90.5	3.4

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.

an annual rate of 4.7 percent—the biggest quarterly decline since the first quarter of 1991; the index edged down at a 0.9 percent rate in the fourth quarter of 2000. The rate of capacity utilization for total industry moved up in March to 79.4 percent but remains at a level more than 2½ percentage points below its 1967–2000 average.

MARKET GROUPS

The output of consumer goods rose 0.3 percent in March; an increase of 2.4 percent in the production of consumer durables more than offset a decline in the production of nondurables. The output of automotive products rose 5.7 percent; nonetheless, because of the sharp cutbacks during the fourth quarter of 2000 and earlier this year, output in March remained 6.7 percent below its year-ago level. The output of home electronics rose 2.7 percent, but the production of other consumer durables decreased. Among consumer nondurables, the production of non-energy consumer goods declined 0.4 percent; declines in the output of paper products, foods and tobacco, and clothing were only partly offset by a gain in the production of consumer chemicals. The output of consumer energy products, which had fallen in the preceding two months, rose 0.6 percent and was boosted by an increase in utilities' sales to residences.

The production of business equipment increased 0.9 percent in March after three months of declines. The output of transit equipment rebounded 4.5 percent because of gains in the production of autos, trucks, and commercial aircraft. The production of information processing and related equipment posted a relatively small increase of 0.7 percent. After having risen 23.1 percent last year, this index slowed to a 6.1 percent pace in the first quarter. The production of industrial and other equipment fell 0.3 percent in March, with declines in the output of construction equipment, electrical distribution equipment, and special industry machinery.

The production of construction supplies fell 0.3 percent further in March; for the first quarter, it dropped 5.1 percent at an annual rate, a decline close to that for the fourth quarter of last year. The output of materials was up 0.4 percent in March, the first gain since September. The output of durable goods materials rose 0.5 percent, led by an increase of 2.6 percent in the output of parts for consumer goods. Equipment parts (including the production of semiconductors and related electronic components) increased 0.5 percent in March and rose only 0.8 percent in the first quarter; output has decelerated steadily after having peaked at a 57.0 percent annual growth rate in the second quarter of last year. The output of nondurable goods materials slipped 0.2 percent in March, with declines in the production of textiles, paper, and chemical materials. The production of energy materials was up 0.8 percent.

INDUSTRY GROUPS

Manufacturing output rose 0.3 percent in March, the first increase since September, because of gains in the production of durable goods; the production of nondurable goods slipped 0.4 percent. Among durable goods, the largest increases were in the production of motor vehicles and parts and aerospace and miscellaneous transportation equipment. For the quarter, however, durable goods production fell at an annual rate of 7.4 percent, the largest drop since the first quarter of 1991. In March, declines in the output of nondurables were fairly widespread. The only exceptions were small increases in apparel products and chemicals.

The factory operating rate edged down, to 78.1 percent. The utilization rate for primary-processing industries decreased slightly, to 78.6 percent, while the rate for advanced-processing industries edged up, to 78.5 percent. Capacity utilization in high-technology industries (computers, communications equipment, and semiconductors) dropped for the eighth successive month, to 77.3 percent, a level 12.7 percentage points below its July 2000 peak. The operating rate at utilities rose to 90.5 percent. The operating rate for mining increased for the third consecutive month, to 88.4 percent.

NEW RELEASE FORMAT

Beginning with the February 16 issue, the G.17 statistical release has been redesigned. Special aggregates have been added. Although some detailed industry data no longer appear in the regular release, these series continue to be available on the Federal Reserve Board's public web site (www.federalreserve.gov/releases/g17). □

Testimony of Federal Reserve Officials

Testimony by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Committee on the Budget, U.S. House of Representatives, March 2, 2001

I am pleased to appear here today to discuss some of the important issues surrounding the outlook for the federal budget and the attendant implications for the formulation of fiscal policy. In doing so, I want to emphasize that I speak for myself and not necessarily for the Federal Reserve.

The challenges you face both in shaping a budget for the coming year and in designing a longer-run strategy for fiscal policy have been brought into sharp focus by the budget projections that have been released in the past month and a half. Both the Bush Administration and the Congressional Budget Office (CBO) project growing on-budget surpluses under current policy over the next decade. Indeed, growing on-budget surpluses were projected even under the more conservative assumptions of the Clinton Administration's final budget projections.

The key factor driving the cumulative upward revisions in the budget picture in recent years has been the extraordinary pickup in the growth of labor productivity experienced in this country since the mid-1990s. Between the early 1970s and 1995, output per hour in the nonfarm business sector rose about 1½ percent per year, on average. Since 1995, however, productivity growth has accelerated markedly, about doubling the earlier pace, even after one takes account of the impetus from cyclical forces. Though hardly definitive, the apparent sustained strength in measured productivity in the face of a pronounced slowing in the growth of aggregate demand during the second half of last year was an important test of the extent of the improvement in structural productivity. These most recent indications have added to the accumulating evidence that the apparent increases in the growth of output per hour are more than transitory.

It is these observations that appear to be causing economists to raise their forecasts of the economy's long-term growth rates and budget surpluses. This increased optimism receives support from the forward-looking indicators of technical innovation and structural productivity growth, which have shown few signs of weakening despite the marked curtailment in recent months of capital investment plans for equipment and software.

To be sure, these impressive upward revisions to the growth of structural productivity and economic potential are based on inferences drawn from economic relationships that are different from anything we have considered in recent decades. The resulting budget projections, therefore, are necessarily subject to a relatively wide range of uncertainty. CBO, for example, expects productivity growth rates through the next decade to average roughly 2½ percent per year—far above the average pace from the early 1970s to the mid-1990s, but still below that of the past five years.

Had the innovations of recent decades, especially in information technologies, not come to fruition, productivity growth during the past five to seven years, arguably, would have continued to languish at the rate of the preceding twenty years. The sharp increase in prospective long-term rates of return on high-tech investments would not have emerged as it did in the early 1990s, and the associated surge in stock prices would surely have been largely absent. The accompanying wealth effect, so evidently critical to the growth of economic activity since the mid-1990s, would never have materialized.

In contrast, the experience of the past five to seven years has been truly without recent precedent. The doubling of the growth rate of output per hour has caused individuals' real taxable income to grow nearly two and one-half times as fast as it did over the preceding ten years and has resulted in the substantial surplus of receipts over outlays that we are now experiencing. Not only has taxable income risen, with the faster growth of GDP, but the associated large increase in asset prices and capital gains created additional tax liabilities not directly related to income from current production.

The most recent projections from the Office of Management and Budget (OMB) and CBO indicate that, if current policies remain in place, the total unified surplus will reach about $800 billion in fiscal year 2010, including an on-budget surplus of almost $500 billion. Moreover, the admittedly quite uncertain long-term budget exercises released by the CBO last October maintain an implicit on-budget surplus under baseline assumptions well past 2030 despite the budgetary pressures from the aging of the baby-boom generation, especially on the major health programs.

These most recent projections, granted their tentativeness, nonetheless make clear that the highly desirable goal of paying off the federal debt is in reach and, indeed, would occur well before the end of the decade under baseline assumptions. This is in marked contrast to the perception of a year ago when the elimination of the debt did not appear likely until the next decade. But continuing to run surpluses beyond the point at which we reach zero or near-zero federal debt brings to center stage the critical longer-term fiscal policy issue of whether the federal government should accumulate large quantities of private (more technically nonfederal) assets.

At zero debt, the continuing unified budget surpluses now projected under current law imply a major accumulation of private assets by the federal government. Such an accumulation would make the federal government a significant factor in our nation's capital markets and would risk significant distortion in the allocation of capital to its most productive uses. Such a distortion could be quite costly, as it is our extraordinarily effective allocation process that has enabled such impressive increases in productivity and standards of living despite a relatively low domestic saving rate.

I doubt that it is possible to secure and sustain institutional arrangements that would insulate federal investment decisions, over the long run, from political pressures. To be sure, the roughly $100 billion of assets in the federal government's defined-contribution Thrift Savings Plan have been well-insulated from political pressures. But the defined-contribution nature of this plan means that it is effectively self-policed by individual contributors, who would surely object were their retirement assets to be diverted to investments that offered less than market returns.

But such countervailing forces may be greatly attenuated for federal government defined-benefit plans such as social security. To the extent that benefits are perceived to be guaranteed by the government, beneficiaries may be much less vigilant about the stewardship of trust fund assets.

Requiring the federal government to invest in indexed funds arguably would largely insulate the investment decision from political tampering. But such assets, by definition, can cover only publicly traded securities, perhaps three-fifths of total private capital assets. With large allocations of public funds invested in larger enterprises, our innovative, smaller, non-publicly traded businesses might find themselves competitively disadvantaged in obtaining financing. To be sure, there is not universal agreement among economists on this point; but it is a consideration that should be kept in mind. More generally, the problematic experiences of some other countries with large government accumulation of private assets should give us pause about moving in that direction. To repeat, over time, having the federal government hold significant amounts of private assets would risk suboptimal performance by our capital markets, diminished economic efficiency, and lower overall standards of living than would be achieved otherwise.

Private asset accumulation may be forced upon us well short of reaching zero debt. Obviously, savings bonds and state and local government series bonds are not readily redeemable before maturity. But the more important issue is the potentially rising cost of retiring long-maturity marketable Treasury debt. While shorter-term marketable securities could be allowed to run off as they mature, longer-term issues could only be retired before maturity through debt buybacks. The magnitudes are large: As of January 1, for example, there was in excess of three-quarters of a trillion dollars in outstanding nonmarketable securities, such as savings bonds and state and local series issues, and marketable securities (excluding those held by the Federal Reserve) that do not mature and could not be called before 2011. Some holders of long-term Treasury securities may be reluctant to give them up, especially those who highly value the risk-free status of those issues. Inducing such holders, including foreign holders, to willingly offer to sell their securities before maturity could require paying premiums that far exceed any realistic value of retiring the debt before maturity. Both CBO and OMB project an inability of current services unified budget surpluses to be applied wholly to repay debt by the middle of this decade. Without policy changes, private asset accumulation is likely to begin in just a few short years.

In summary, the Congress needs to make a policy judgment regarding whether and how private assets should be accumulated in federal government accounts. This judgment will have important implications for the level of saving and, hence, investment in our economy, as well as for the nature of government programs. If, for example, the accumulation of assets is avoided by eliminating unified budget surpluses through tax and spending changes, public and presumably national saving may well fall from already low levels. If so, over time, capital accumulation and the productive capacity of the economy presumably would be reduced through this channel. Eliminating unified surpluses by transforming social security into a defined-contribution system with accounts held in the private sector would likely better maintain national saving levels. But the nature of social security would at the same time be fundamentally changed. Alternatively, unified surpluses could be used to establish mandated individual retirement accounts outside the social security system, also mitigating the erosion in national saving.

The task before the Administration and the Congress in the years ahead is likely to prove truly testing. But, of course, the choices confronting you are far more benign than having to deal with deficits "as far as the eye can see."

Returning to the broader fiscal picture, I continue to believe, as I have testified previously, that all else being equal, a declining level of federal debt is desirable because it holds down long-term real interest rates, thereby lowering the cost of capital and elevating private investment. The rapid capital deepening that has occurred in the U.S. economy in recent years is a testament to these benefits. But the sequence of upward revisions to the budget surplus projections for several years now has reshaped the choices and opportunities before us.

Indeed, in almost any credible baseline scenario, short of a major and prolonged economic contraction, the full benefits of debt reduction are now achieved well before the end of this decade—a prospect that did not seem reasonable only a year or even six months ago. Thus, the emerging key fiscal policy need now is to address the implications of maintaining surpluses beyond the point at which publicly held debt is effectively eliminated.

But, though special care must be taken not to conclude that wraps on fiscal discipline are no longer necessary, at the same time we must avoid a situation in which we come upon the level of irreducible debt so abruptly that the only alternative to the accumulation of private assets would be a sharp reduction in taxes or an increase in expenditures. These actions might occur at a time when sizable economic stimulus would be inappropriate. Should this Congress conclude that this is a sufficiently high probability, it is none too soon to adjust policy to fend off such potential imbalances.

In general, for reasons I have testified to previously, if long-term fiscal stability is the criterion, it is far better, in my judgment, that the surpluses be lowered by tax reductions than by spending increases. The flurry of increases in outlays that occurred near the conclusion of last fall's budget deliberations is troubling because it makes the previous year's lack of discipline less likely to have been an aberration.

As for tax policy over the longer run, most economists believe that it should be directed at setting rates at the levels required to meet spending commitments, while doing so in a manner that minimizes distortions, increases efficiency, and enhances incentives for saving, investment, and work.

In recognition of the uncertainties in the economic and budget outlook, it is important that any long-term tax plan, or spending initiative for that matter, be phased in. Conceivably, it could include provisions that, in some way, would limit surplus-reducing actions if specified targets for the budget surplus or federal debt levels were not satisfied. Only if the probability were very low that prospective tax cuts or new outlay initiatives would send the on-budget accounts into deficit, would unconditional initiatives appear prudent.

The reason for caution, of course, rests on the tentativeness of our projections. What if, for example, the forces driving the surge in tax revenues in recent years begin to dissipate or reverse in ways that we do not now foresee? Indeed, we still do not have a full understanding of the exceptional strength in individual income tax receipts during the latter years of the 1990s. To the extent that some of the surprise has been indirectly associated with the surge in asset values in the 1990s, the softness in equity prices over the past year has highlighted some of the risks going forward.

To be sure, unless the current economic weakness reveals a less favorable relationship between tax receipts, income, and asset prices than has been assumed in recent projections, receipts should be reasonably well maintained in the near term, as the effects of earlier gains in asset values continue to feed through with a lag into tax liabilities. But the longer-run effects of movements in asset values are much more difficult to assess, and those uncertainties would intensify should equity prices remain significantly off their peaks. Of course, the uncertainties in the receipts outlook do seem less troubling in view of the cushion provided by the recent sizable upward revisions to the ten-year surplus projections. But the risk of adverse movements in receipts is still real, and the probability of dropping back into deficit as a consequence of imprudent fiscal policies is not negligible.

In the end, the outlook for federal budget surpluses rests fundamentally on expectations of longer-term trends in productivity, fashioned by judgments about the technologies that underlie these trends. Economists have long noted that the diffusion of technology starts slowly, accelerates, and then slows with maturity. But knowing where we now stand in that sequence is difficult—if not impossible—in real time. Faced with these uncertainties, it is crucial that we develop budgetary strategies that deal with any disappointments that could occur.

That said, the changes in the budget outlook over the past several years are truly remarkable. Little more than a decade ago, the Congress established budget controls that were considered successful because they were instrumental in squeezing the burgeoning budget deficit to tolerable dimensions. Nevertheless, despite the sharp curtailment of defense expenditures under way during those years, few believed that a surplus was anywhere on the horizon. And the notion that the rapidly mounting federal debt could be paid off would not have been taken seriously.

But let me end on a cautionary note. With today's euphoria surrounding the surpluses, it is not difficult to imagine the hard-earned fiscal restraint developed in recent years rapidly dissipating. We need to resist those policies that could readily resurrect the deficits of the past and the fiscal imbalances that followed in their wake.

Testimony by Laurence H. Meyer, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Financial Institutions and Consumer Credit of the Committee on Financial Services, U.S. House of Representatives, March 13, 2001

I welcome the opportunity to testify on behalf of the Federal Reserve Board on issues related to interest on demand deposits and interest on balances held at Reserve Banks. The Board continues to strongly support legislative proposals to authorize the payment of interest on demand deposits and interest on balances held by depository institutions at Reserve Banks. It also supports obtaining increased flexibility in setting reserve requirements—a proposal included in legislation that passed the House last year. As we have previously testified, unnecessary restrictions on the payment of interest on demand deposits and balances held at Reserve Banks distort market prices and lead to economically wasteful efforts to circumvent these restrictions. Authorization of interest on balances at Reserve Banks could also be helpful in ensuring that the Federal Reserve will continue to be able to implement monetary policy with its existing procedures, while increased flexibility in setting reserve requirements would allow the Federal Reserve to reduce a regulatory burden on the financial sector to the extent that is consistent with the effective implementation of monetary policy.

As background, let me begin by discussing the role of balances held at Reserve Banks in the implementation of monetary policy. The Federal Open Market Committee (FOMC) formulates monetary policy by setting a target for the overnight federal funds rate—the interest rate on loans between depository institutions of balances held in their accounts at Reserve Banks. While the federal funds rate is a market interest rate, the Federal Reserve can strongly influence its level by adjusting the aggregate supply of deposit balances held at Reserve Banks through open market operations—the purchase or sale of securities that causes increases or decreases in such balances. However, in deciding on the appropriate level of balances to supply to achieve the targeted funds rate, the Open Market Desk must estimate the aggregate demand for such balances.

In estimating that demand, the Desk must take account of the demand for the three types of balances held by depository institutions at the Federal Reserve—required reserve balances, contractual clearing balances, and excess reserve balances. Required reserve balances are the balances that a depository institution must hold to meet reserve requirements. At present, the Federal Reserve requires depository institutions to maintain reserves equal to 10 percent of their transaction deposits above certain minimum levels. Reserve requirements may be satisfied either with vault cash or with required reserve balances, neither of which earn interest.

Depository institutions may also commit themselves in advance to holding additional balances called required or contractual clearing balances. They are called clearing balances because institutions tend to hold them when they need a higher level of balances than their required reserve balances in order to clear checks or wire transfers without running into overdrafts. These clearing balances are similar to the compensating balances offered by depository institutions to their business customers. The clearing balances earn no explicit interest, but earn implicit interest for depository institutions in the form of credits that may offset the cost of using Federal Reserve services, such as check-clearing. Finally, excess reserve balances are funds held by depository institutions in their accounts at Reserve Banks in excess of their required reserve and contractual clearing balances.

Depository institutions must maintain their specified levels of both required reserve and contractual clearing balances, not day-by-day, but on an average basis over a maintenance period that is typically two weeks long. This averaging feature allows these two types of balances to be helpful for the implementation of monetary policy. The required amounts of both types of balances are known before the beginning of the maintenance period, so the Open Market Desk knows the balances it needs to supply on average over the period to satisfy these needs. Moreover, the two-week averaging creates incentives for depository institutions to arbitrage the funds rate from one day to the next in a manner that helps keep that rate close to the FOMC's target. For instance, if the funds rate were higher than usual on a particular day, some depository institutions could choose to hold lower balances on that day, and their reduced demand would help to damp the upward pressure on the funds rate. Later in the two-week period, when the funds rate might be lower, those institutions could choose to hold extra balances to make up the shortfall in their average holdings of reserve balances. These actions are desirable in that they help smooth out the funds rate over the two-week maintenance period.

The averaging feature is only effective in stabilizing markets, however, if the sum of required reserve and contractual clearing balances is sufficiently high. If their sum dropped to a very low level, depositories would be at increased risk of overdrafting their accounts at Reserve Banks because of unpredictable payments out of the accounts of depository institutions late in the day. Depositories would need to hold higher levels of excess reserves at Federal Reserve Banks as a precaution against such overdrafts, and demand for these excesses would vary from day to day and be difficult to predict. For example, on days when payment flows are particularly heavy and uncertain, or when the distribution of reserves around the banking system is substantially different from normal, depositories need a higher-than-usual level of precautionary balances to reduce the risk of overdrafts. The uncertainties about how many balances depositories wish to hold in a given day would make it harder for the Federal Reserve to determine the appropriate daily quantity of balances to supply to the market to keep the federal funds rate near the target level set by the FOMC. Moreover, if the marginal demand for balances were for daily precautionary purposes, there would be less arbitrage of the funds rate by depositories across the days of a maintenance period. Thus, if the demand for balances were determined largely by daily precautionary demands for excess reserves, the funds rate could become more volatile and could diverge markedly at times from its targeted level.

Moderate levels of volatility are not a concern for monetary policy, in part because the Federal Reserve now announces the target federal funds rate, eliminating the possibility that fluctuations in the actual funds rate in the market would give misleading signals about monetary policy. A significant increase in volatility in the federal funds rate, however, would be of concern because it would affect other overnight interest rates, raising funding risks for most large banks, securities dealers, and other money market participants. Suppliers of funds to the overnight markets, including many small banks and thrifts, would face greater uncertainty about the returns they would earn, and market participants would incur additional costs in managing their funding to limit their exposure to the heightened risks.

As we have previously testified, the issue of potential volatility in the funds rate has arisen in recent years because of substantial declines in required reserve balances owing to the reserve-avoidance activities of depository institutions. Depositories have always attempted to reduce required reserve balances to a minimum, in large part because those balances earn no interest. For more than two decades, some commercial banks have done so by sweeping the reservable transaction deposits of businesses into instruments that are not subject to reserve requirements. These wholesale business sweeps not only have avoided reserve requirements, but also have allowed businesses to earn interest on instruments that are effectively equivalent to demand deposits. In recent years, developments in information systems have allowed depository institutions to sweep transaction deposits of retail customers into nonreservable accounts. These retail sweep programs use computerized systems to transfer consumer and some small business transaction deposits, which are subject to reserve requirements, into savings accounts, which are not. Largely because of such programs, required reserve balances have dropped from about $28 billion in late 1993 to around $5 billion or $6 billion today, and the spread of such programs probably has not yet fully run its course.

Despite the unusually low level of required reserve balances, no trend increase in the volatility of the funds rate has been observed to date. In part, this stability reflects the increasingly important role of contractual clearing balances, which have risen over the last decade to the point where they now exceed the level of required reserve balances. In addition, improvements in information technology have evidently allowed depository institutions to become much more adept at managing their reserve positions, and as a result, their need for day-to-day precautionary balances have declined considerably. A number of measures taken by the Federal Reserve also have helped to foster stability in the funds market. These include improvements in the timeliness of account information provided to depository institutions; more frequent open market operations geared increasingly to daily payment needs rather than two-week-average requirements; a shift to lagged reserve requirements, which give depositories and the Federal Reserve advance information on the demand for reserves; and improved procedures for estimating reserve demand.

To prevent the sum of required reserve and contractual clearing balances from falling even lower and to diminish the incentives for depositories to engage in wasteful reserve-avoidance activities, the Federal Reserve has sought authorization to pay interest on required reserve balances and to pay explicit interest on contractual clearing balances. With interest on required reserve balances, some of the retail sweep programs that have been implemented in recent years might be unwound, and new programs would be less likely to be implemented, thereby helping to boost the level of such balances. Eliminating such wasteful reserve-avoidance activities would also tend to improve the efficiency of the financial sector.

Payment of explicit interest on contractual clearing balances could result in an increase in the level of these balances; some depositories are currently constrained in the amount of such credit-earning balances they can hold because of their limited use of Federal Reserve services. Moreover, payment of explicit interest would help to maintain the level of clearing balances at a time of rising interest rates. At present, some depositories pay for all their Federal Reserve services with credits earned on clearing balances; these institutions would not be able to use their additional credits if interest rates were to rise. If enough institutions were in this position, contractual clearing balances might drop below levels needed to be helpful for the implementation of monetary policy. With explicit interest, the level of balances on which interest could be effectively earned would not be limited to the level of charges incurred for the use of Federal Reserve services. Therefore, these depositories would not be impelled to reduce their balances when interest rates rise.

The substantial decline in balances held at Reserve Banks has not produced any trend increase in the volatility of the funds rate in recent years. Thus, the question arises as to the continued need for reserve requirements at current levels. Some other industrialized countries have eliminated reserve requirements altogether, thereby avoiding completely the waste of resources associated with reserve-avoidance activities. These countries do not have contractual clearing balance programs but have employed alternative procedures for implementing monetary policy, such as central bank lending at an interest rate that acts like a ceiling on overnight market interest rates. Some central banks also establish a floor for overnight rates by paying interest on the non-reserve deposits they hold. The Federal Reserve could establish such a floor for overnight rates if it were authorized to pay interest on excess reserves; a depository would not likely lend balances to another depository at a lower interest rate than it could earn by keeping the excess funds in its account at the Federal Reserve. Hence, the authorization to pay interest on excess reserve balances would be a potentially useful addition to the monetary toolkit of the Federal Reserve, although such interest payments are not needed for monetary policy purposes at the present time.

At present, the Federal Reserve is constrained in its flexibility to adjust reserve requirements. By law, the ratio of required reserves on transaction deposits above a certain level must be set between 8 percent and 14 percent. Authorization of increased flexibility in setting reserve requirements would allow the Federal Reserve to consider exploring at some point the possibility of reducing reserve requirements below the minimum levels currently allowed by law, provided we are also granted the authority to pay interest on contractual clearing balances to ensure a stable and predictable demand for the remaining deposit balances at the Federal Reserve, an essential pillar for the effective implementation of monetary policy. If the Federal Reserve were granted these additional authorities, before making modifications in our procedures, we would carefully study the new range of possible strategies for implementing monetary policy in the most efficient possible way.

The payment of interest on required reserve balances would reduce the revenues received by the Treasury from the Federal Reserve. The extent of the revenue loss, however, has fallen in recent years as banks have increasingly implemented reserve-avoidance techniques. Paying interest on contractual clearing balances would primarily involve a switch to explicit interest from the implicit interest currently paid in the form of credits and therefore would have essentially no net cost to the Treasury. In the past, bills approved by the Committee, such as H.R. 4209 from the last Congress, have provided for a general authorization for the payment of interest on any balances held by depository institutions at Reserve

Banks. This would be a desirable outcome. However, if budgetary issues continue to inhibit the passage of legislation to authorize payment of interest on required reserve balances, the Federal Reserve would support a separate authorization of the payment of interest on contractual clearing balances, which would have essentially no budgetary cost. The payment of interest on excess reserves could also be authorized without immediate effect on the budget because the Federal Reserve would use that authority only in circumstances that do not seem likely to arise in the years immediately ahead.

Another legislative proposal that would improve the long-run efficiency of our financial sector is elimination of the prohibition of interest on demand deposits. This prohibition was enacted during the Great Depression, a time when the Congress was concerned that large money center banks might have earlier bid deposits away from country banks to make loans to stock market speculators, depriving rural areas of financing. It is unclear whether the rationale for this prohibition was ever valid, and it is certainly no longer applicable today. Funds flow freely around the country, and among banks of all sizes, to find the most profitable lending opportunities, using a wide variety of market mechanisms, including the federal funds market. Moreover, Congress authorized interest payments on household checking accounts with the approval of nationwide NOW accounts in the early 1980s. The absence of interest on demand deposits, which are held predominantly by businesses, is no bar to the movement of funds from depositories with surpluses—whatever their size or location—to the markets where the funding can be profitably employed. In fact, small firms in rural areas are able to bypass their local banks and invest in money market mutual funds with transaction capabilities. Indeed, smaller banks complain that they are unable to compete for the deposits of businesses precisely because of their inability to offer interest on demand deposits.

The prohibition of interest on demand deposits distorts the pricing of transaction deposits and associated bank services. In order to compete for the liquid assets of businesses, banks set up complicated procedures to pay implicit interest on compensating balance accounts. Banks also spend resources—and charge fees—for sweeping the excess demand deposits of businesses into money market investments on a nightly basis. To be sure, the progress of computer technology has reduced the cost of such systems over time. However, the expenses are not trivial, particularly when substantial efforts are needed to upgrade such automation systems or to integrate the diverse systems of merging banks. Such expenses waste the economy's resources and would be unnecessary if interest were allowed to be paid on both demand deposits and the reserve balances that must be held against them.

The prohibition of interest on demand deposits also distorts the pricing of other bank products. Because banks cannot attract demand deposits through the payment of explicit interest, they often try to attract these deposits, aside from compensating balances, through the provision of services at little or no cost. When services are offered below cost, they tend to be overused to the extent that the benefits of consuming them are less than the costs to society of producing them.

Previous legislative proposals have included a transition period before the direct payment of interest on demand deposits would be effective. During the transition, a reservable twenty-four-transaction money market deposit account (MMDA) would be authorized. Banks would be able to sweep balances from demand deposits into these twenty-four-transaction MMDAs each night, pay interest on them, and then sweep them back into demand deposits the next day. This type of account in effect would permit banks to pay interest on demand deposits, but perhaps more selectively than with direct interest payments. The twenty-four-transaction MMDA, which would be useful only during the transition period before direct interest payments were allowed, could be implemented at lower cost by banks already having sweep programs. Because other banks would face a competitive disadvantage, while some businesses would not benefit from this MMDA, and extra costs would be incurred in operating new sweep programs, a long delay before interest could be paid directly on demand deposits would be very undesirable. A short transition period of a year or so would not be as objectionable, given that many banks may take some time in any case to develop competitive interest-bearing demand deposit products.

Small businesses that currently earn no interest on their checking accounts would see important benefits from interest on demand deposits. For banks, interest on demand deposits would increase costs, at least in the short run. Interest on required reserve balances, or possibly a lower burden associated with reduced reserve requirements, would help to offset the rise in costs, however. And over time, these measures should help the banking sector attract liquid funds in competition with nonbank institutions and direct market investments by businesses. Small banks in particular should be able to bid for business demand deposits on a more level playing field vis-à-vis both nonbank competition and large banks using sweep programs for such deposits. Moreover, large and small banks will be strengthened by the elimination of unnecessary costs associated with sweep programs and other reserve-avoidance procedures.

In summary, the Federal Reserve Board strongly supports legislative proposals to authorize the payment of interest on demand deposits and on balances held by depository institutions at Reserve Banks, as well as increased flexibility in the setting of reserve requirements. We believe these steps would improve the efficiency of our financial sector, make a wider variety of interest-bearing accounts available to more bank customers, and better ensure the efficient conduct of monetary policy in the future. □

Announcements

Federal Open Market Committee Actions and Changes in Discount Rate

The Federal Open Market Committee at its meeting on March 20, 2001, decided to lower its target for the federal funds rate by 50 basis points to 5 percent. In a related action, the Board of Governors approved a 50 basis point reduction in the discount rate to 4½ percent.

Persistent pressures on profit margins are restraining investment spending and, through declines in equity wealth, consumption. The associated backup in inventories has induced a rapid response in manufacturing output and, with spending having firmed a bit since last year, inventory adjustment appears to be well under way.

Although current developments do not appear to have materially diminished the prospects for long-term growth in productivity, excess productive capacity has emerged recently. The possibility that this excess could continue for some time and the potential for weakness in global economic conditions suggest substantial risks that demand and production could remain soft. In these circumstances, when the economic situation could be evolving rapidly, the Federal Reserve will need to monitor developments closely.

The Committee continues to believe that against the background of its long-run goals of price stability and sustainable economic growth and of the information currently available, the risks are weighted mainly toward conditions that may generate economic weakness in the foreseeable future.

In taking the discount rate action, the Federal Reserve Board approved requests submitted by the Boards of Directors of all twelve Reserve Banks.

Central Bank Research Conference on Risk Measurement

The Joint Central Bank Research Conference on Risk Measurement and Systemic Risk will be held on March 7–8, 2002, at the Bank for International Settlements (BIS) in Basel, Switzerland. The conference is the third in a series.

The Committee on the Global Financial System (CGFS) will host the conference at the BIS in cooperation with the Bank of Japan, the Board of Governors of the Federal Reserve System, and the European Central Bank. The conference will focus on risk measurement and systemic risks from a central bank perspective. Conference organizers seek to bring together central bankers, market practitioners, and academics.

Those interested in presenting research papers should submit completed papers or extended abstracts to the BIS by the end of August 2001. Details can be obtained in the conference announcement and call for papers on the BIS web site: http://www.bis.org/cgfs/cgfscfp2001.htm.

The CGFS is a central bank forum established by the governors of the Group of Ten central banks to monitor and examine issues related to financial markets and systems and to make appropriate policy recommendations.

Consumer Advisory Council Meeting

The Federal Reserve Board announced on March 8, 2001, that the Consumer Advisory Council would hold its next meeting on Thursday, March 22.

The Council's function is to advise the Board on the exercise of its responsibilities under the Consumer Credit Protection Act and on other matters on which the Board seeks its advice.

Revisions to Staff Commentary on Regulation E

The Federal Reserve Board on March 13, 2001, published revisions to the Regulation E (Electronic Fund Transfers) Official Staff Commentary, which applies and interprets the requirements of the regulation.

The effective date is March 15, 2001; however, to allow time for any necessary operational changes, the mandatory compliance date is January 1, 2002.

The revisions provide guidance on electronic check conversion transactions when a consumer authorizes the use of a check to capture information for initiating an electronic debit from the consumer's account. Guidance is also provided on electronic authorizations permitting recurring debits from a consumer's account and on other issues. The commentary is intended to help financial institutions comply with Regulation E when they offer electronic fund transfer services to consumers.

Guidance on Public Disclosure of Market Risk and Credit Quality

The Federal Reserve Board on March 23, 2001, issued supervisory guidance that encourages large banking organizations to enhance their public disclosures by using the recommendations of the Working Group on Public Disclosure.

This private-sector working group recommended several specific practices that would enhance disclosure by large banking organizations. These include quarterly disclosure of some market-risk information that is now disclosed annually and enhanced quarterly disclosures about credit concentrations and credit quality of portfolios.

The Federal Reserve believes that the types of disclosures recommended by the working group can enhance the transparency of well-managed institutions.

The Federal Reserve's supervisory guidance, including the specific disclosure recommendations of the working group, is detailed in Supervision and Regulation Letter (SR Letter) 01-06, Enhancements to Public Disclosure. SR Letters can be viewed on the Board's web site (www.federalreserve.gov/boarddocs/srletters).

Procedures for Filing Documents under CRA Sunshine Requirements

The Federal Reserve Board on March 22, 2001, announced procedures for the filing of documents required by the CRA Sunshine Requirements of the Federal Deposit Insurance Act, which were enacted by the Gramm–Leach–Bliley Act of 1999.

On December 21, 2000, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision approved final regulations implementing the CRA Sunshine Requirements. The joint final rule was published in the *Federal Register* on January 10, 2001, and took effect on April 1, 2001. The Federal Reserve's implementing rule is Regulation G, Disclosure and Reporting of CRA-Related Agreements (12 CFR 207).

The new CRA sunshine provisions require nongovernmental entities or persons (NGEPs) and insured depository institutions or affiliates that are parties to certain written agreements that are in fulfillment of the Community Reinvestment Act (CRA) to (1) make the agreement available to the public and the relevant bank or thrift supervisory agency and (2) file an annual report about the agreement with the relevant supervisory agency.

For an agreement to be covered by the rule, an NGEP that is a party to the agreement must have had a "CRA communication," as defined in the rule, before the agreement, and the agreement must meet certain dollar thresholds set forth in the rule.

A compliance chart, which was published in the *Federal Register* with the final rule, highlights the rule's disclosure and annual reporting requirements. The chart notes that the rule's disclosure requirements apply only to covered agreements entered into after November 12, 1999, and the rule's annual reporting requirements apply only to covered agreements entered into on or after May 12, 2000. The chart and the final rule also describe the procedures for filing agreements that include confidential information.

If a covered agreement, list of covered agreements, or annual report must be filed with the Federal Reserve, the documents should be sent to the following individual:

Ms. Jennifer J. Johnson
Secretary of the Board
Attention: CRA Sunshine Agreements
and Annual Reports
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551

As a general matter, a covered agreement, list of covered agreements, or annual report concerning a covered agreement must be filed with the Federal Reserve if

- The parties to the agreement include a state member bank, a subsidiary of a state member bank, a bank holding company, or a subsidiary of a bank holding company (other than an insured depository institution or subsidiary thereof); or
- A state member bank, or a subsidiary or CRA affiliate of a state member bank, provides funds or resources under the agreement.

For more information about the final rule, please contact Kathleen Ryan, Senior Attorney (202-452-3667), of the Board's Division of Consumer and

Community Affairs; or Kieran Fallon, Senior Counsel (202-452-5270), or Andrew Miller, Senior Attorney (202-452-3428), of the Board's Legal Division. For more information about submitting agreements, lists, and annual reports to the Federal Reserve, please contact Cathy Gates, Team Leader, or Kathleen Conley, Senior Review Examiner (202-452-3946).

INTERIM RULE ON UNIFORM STANDARDS FOR ELECTRONIC DELIVERY OF DISCLOSURES TO CONSUMERS

The Federal Reserve Board on March 29, 2001, published interim final rules to establish uniform standards for the electronic delivery of federally mandated disclosures under five consumer protection regulations: B (Equal Credit Opportunity), E (Electronic Fund Transfers), M (Consumer Leasing), Z (Truth in Lending), and DD (Truth in Savings).

Under the rules, financial institutions, creditors, lessors, and others may deliver disclosures electronically if they obtain consumer consent in accordance with the requirements of the Electronic Signatures in Global and National Commerce Act (the "E-Sign Act"), enacted in June 2000. The Board's interim rules provide guidance on the timing and delivery of electronic disclosures, consistent with proposed rules issued by the Board in August 1999, to ensure that consumers have adequate opportunity to access and retain the information.

The rules are being published as interim rules to allow commenters to present new information or views not previously considered in the context of the Board's 1999 proposals. In addition, comment is solicited on the need for the Board to interpret the E-Sign Act's provisions requiring consumer consent to receive electronic disclosures and other provisions. Comment is also solicited on any further statutory or regulatory changes that might be needed to facilitate on-line delivery of financial services to consumers. Comment is requested by June 1, 2001.

INTERAGENCY GUIDANCE ON APPROPRIATE ACCOUNTING AND REPORTING FOR LOANS HELD FOR SALE

The federal financial institution regulatory agencies on March 27, 2001, issued guidance to institutions and examiners about the appropriate accounting and reporting treatment for certain loans that are sold directly from the loan portfolio or transferred to a held-for-sale account.

The Interagency Guidance on Certain Loans Held for Sale applies when (1) an institution decides to sell loans that were not originated or otherwise acquired with the intent to sell and (2) the fair value of those loans has declined for any reason other than a change in the general market level of interest or foreign exchange rates.

Selling loans has become an increasingly important portfolio risk-management tool for institutions seeking to manage concentrations, change risk profiles, improve returns, and generate liquidity.

Examiners, however, have noted differences among institutions in the accounting for and reporting of these transactions. Specifically, accounting inconsistencies relate to (1) how and where initial and subsequent fair value adjustments are recorded and (2) the reporting of past-due and non-accrual loans that have been designated as held for sale.

The interagency guidance clarifies existing instructions and promotes accounting transparency consistent with generally accepted accounting principles. The guidance reminds institutions to appropriately report reductions in the value of loans transferred to a held-for-sale account through a write-down of the recorded investment to fair value upon transfer. At the same time, there should be a charge to the institution's allowance for loan and lease losses. Institutions are also reminded that loans transferred to a held-for-sale account should continue to be accorded the same past-due and non-accrual treatment as other loans.

The Securities and Exchange Commission said in a letter to the agencies that it had reviewed the interagency guidance and determined that the guidance will assist in promoting consistent accounting and reporting treatment for loan sales and transfers of loans to held-for-sale accounts that are within the scope of the agencies' guidance.

FEDERAL BANKING AGENCIES ALLOW PRIVACY NOTICES UNDER EXISTING FAIR CREDIT REPORTING ACT

Federal banking agencies announced on March 14, 2001, that any final Fair Credit Reporting Act (FRCA) rule will not require depository institutions to revise Gramm–Leach–Bliley (GLB) Act privacy notices prepared in accordance with existing FCRA law and delivered to consumers before January 2002.

The agencies will provide guidance on any final FCRA rule concerning the effect that new requirements imposed in the rule will have on notices sent after January 1, 2002.

The agencies indicated in a *Federal Register* notice that institutions should not delay delivering their privacy notices in anticipation of a final FCRA rule. The Office of Thrift Supervision, the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation jointly issued the notice.

The agencies believe that financial institution customers will benefit by receiving GLB Act privacy notices that accurately describe their institution's information practices before the mandatory GLB Act privacy compliance date, July 1, 2001. In the absence of a final FCRA rule, financial institutions providing GLB Act privacy notices should comply with the FCRA statute when preparing the FCRA portion of their privacy notices.

Agencies Extend Effective Date on Bank Insurance Rules

The federal banking regulatory agencies on March 14, 2001, approved a joint rule that extends the effective date of consumer protection rules for the sale of insurance products by depository institutions on their premises, or on their behalf. The new effective date will be October 1, 2001, rather than the original effective date of April 1, 2001. No other provisions of the rules have changed.

The final rules implement section 305 of the Gramm–Leach–Bliley Act and were jointly published on December 4, 2000, by the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision.

After issuing the final rules, the banking agencies found that a significant number of institutions required additional time to fully implement the requirements of the regulation by the April 1 effective date. The extension will allow more time to change systems, alter forms, gain state regulatory approvals, and train personnel.

Revised Brochure on Home Equity Lines of Credit

The Federal Reserve Board on March 22, 2001, announced that it has revised its brochure *When Your Home Is on the Line: What You Should Know about Home Equity Lines of Credit.*

Regulation Z, which implements the Truth in Lending Act, requires creditors to provide the brochure, or a suitable substitute, to consumers when an application form is provided for a home equity line of credit.

Creditors may use the earlier version of the brochure until existing supplies are exhausted.

Single as well as multiple copies of the revised brochure are available from Publications Services, Mail Stop 127, Board of Governors of the Federal Reserve System, Washington, DC 20551 (202-452-3245). The first 100 copies are free of charge. The brochure is also available on the Board's public web site: http://www.federalreserve.gov/pubs/HomeLine/.

Enforcement Actions

The Federal Reserve Board on March 29, 2001, announced the issuance of a consent order of assessment of civil money penalty against First Community Bank, Conway, Arkansas, a state member bank. First Community Bank, without admitting to any allegations, consented to the issuance of the order in connection with its alleged violations of the Board's regulations implementing the National Flood Insurance Act. The order requires First Community Bank to pay a civil money penalty of $2,000.

The Federal Reserve Board on March 26, 2001, announced that a public administrative hearing would commence on April 2, 2001, in connection with an enforcement action against Oren L. Benton, the former sole shareholder and a director of The Professional Bank, a former state member bank, and Edward D. Scott, a former executive vice president and director of the bank.

The hearing was scheduled to be held before an administrative law judge to determine whether Messrs. Benton and Scott should be permanently barred from the banking industry and whether the Board should assess a fine of $1.25 million against Mr. Benton and a fine of $75,000 against Mr. Scott.

The notice alleges that Messrs. Benton and Scott violated laws and regulations, engaged in unsafe or unsound banking practices, and breached their fiduciary duty to the bank when they caused the bank to violate section 23A of the Federal Reserve Act and the Board's Regulation O.

The Federal Reserve Board on March 16, 2001, announced the execution of a written agreement by and between USABancShares.com, Inc., Philadelphia, Pennsylvania, and the Federal Reserve Bank of Philadelphia.

The Federal Reserve Board announced on March 14, 2001, the issuance of a final decision and order dismissing an enforcement action brought against Guillaume Henri Andre Fonkenell, a former institution-affiliated party of Bankers Trust Company, New York, New York. □

Minutes of the Meeting of the Federal Open Market Committee Held on January 30–31, 2001

A meeting of the Federal Open Market Committee was held in the offices of the Board of Governors of the Federal Reserve System in Washington, D.C., beginning on Tuesday, January 30, 2001, at 9:00 a.m. and continuing on Wednesday, January 31, 2001, at 9:00 a.m.

Present:

Mr. Greenspan, Chairman
Mr. McDonough, Vice Chairman
Mr. Ferguson
Mr. Gramlich
Mr. Hoenig
Mr. Kelley
Mr. Meyer
Ms. Minehan
Mr. Moskow
Mr. Poole

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

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

Mr. Kohn, Secretary and Economist
Mr. Bernard, Deputy Secretary
Ms. Fox, Assistant Secretary
Mr. Gillum, Assistant Secretary
Mr. Mattingly, General Counsel
Mr. Baxter, Deputy General Counsel
Ms. Johnson, Economist
Mr. Stockton, Economist

Ms. Cumming, Messrs. Fuhrer, Hakkio, Howard, Hunter, Lindsey, Rasche, Reinhart, and Slifman, Associate Economists

Mr. Fisher, Manager, System Open Market Account

Mr. Winn,[1] Assistant to the Board, Office of Board Members, Board of Governors

Ms. Johnson,[2] Secretary of the Board, Office of the Secretary, Board of Governors

Mr. Simpson, Senior Adviser, Division of Research and Statistics, Board of Governors

Mr. Madigan, Associate Director, Division of Monetary Affairs, Board of Governors

Messrs. Oliner, Struckmeyer, and Whitesell, Assistant Directors, Divisions of Research and Statistics, Research and Statistics, and Monetary Affairs respectively, Board of Governors

Messrs. Morton,[1] Rosine,[1] and Sack,[1] Senior Economists, Divisions of International Finance, Research and Statistics, and Monetary Affairs respectively, Board of Governors

Mr. Reifschneider,[3] Section Chief, Division of Research and Statistics, Board of Governors

Ms. Garrett,[3] Economist, Division of Monetary Affairs, Board of Governors

Ms. Low, Open Market Secretariat Assistant, Division of Monetary Affairs, Board of Governors

Mr. Lang, Executive Vice President, Federal Reserve Bank of Philadelphia

Messrs. Beebe, Eisenbeis, Goodfriend, Kos, Ms. Krieger, Messrs. Rosenblum, and Sniderman, Senior Vice Presidents, Federal Reserve Banks of San Francisco, Atlanta, Richmond, New York, New York, Dallas, and Cleveland respectively

Mr. Weber, Vice President, Federal Reserve Bank of Minneapolis

In the agenda for this meeting, it was reported that advices of the election of the following members and alternate members of the Federal Open Market Committee for the period commencing January 1, 2001, and ending December 31, 2001, had been received and that these individuals had executed their oaths of office.

1. Attended Tuesday session only.
2. Attended portion of meeting relating to a staff study of the Federal Reserve asset portfolio.
3. Attended Wednesday session only.

The elected members and alternate members were as follows:

William J. McDonough, President of the Federal Reserve Bank of New York, with Jamie B. Stewart, Jr., First Vice President of the Federal Reserve Bank of New York, as alternate

Cathy E. Minehan, President of the Federal Reserve Bank of Boston, with Anthony M. Santomero, President of the Federal Reserve Bank of Philadelphia, as alternate

Michael H. Moskow, President of the Federal Reserve Bank of Chicago, with Jerry L. Jordan, President of the Federal Reserve Bank of Cleveland, as alternate

William Poole, President of the Federal Reserve Bank of St. Louis, with Robert D. McTeer, Jr., President of the Federal Reserve Bank of Dallas, as alternate

Thomas M. Hoenig, President of the Federal Reserve Bank of Kansas City, with Gary H. Stern, President of the Federal Reserve Bank of Minneapolis, as alternate

By unanimous vote, the following officers of the Federal Open Market Committee were elected to serve until the election of their successors at the first regularly scheduled meeting of the Committee after December 31, 2001, with the understanding that in the event of the discontinuance of their official connection with the Board of Governors or with a Federal Reserve Bank, they would cease to have any official connection with the Federal Open Market Committee:

Alan Greenspan	Chairman
William J. McDonough	Vice Chairman
Donald L. Kohn	Secretary and Economist
Normand R.V. Bernard	Deputy Secretary
Lynn S. Fox and Gary P. Gillum	Assistant Secretaries
J. Virgil Mattingly, Jr.	General Counsel
Thomas C. Baxter, Jr.	Deputy General Counsel
Karen H. Johnson and David J. Stockton	Economists

Christine M. Cumming, Jeffrey C. Fuhrer, Craig S. Hakkio, William C. Hunter, David H. Howard, David E. Lindsey, Robert H. Rasche, Vincent R. Reinhart, and Lawrence Slifman, Associate Economists

By unanimous vote, Peter R. Fisher was selected to serve at the pleasure of the Committee as Manager, System Open Market Account, on the understanding that his selection was subject to being satisfactory to the Federal Reserve Bank of New York.

Secretary's note: Advice subsequently was received that the selection of Mr. Fisher as Manager was satisfactory to the board of directors of the Federal Reserve Bank of New York.

By unanimous vote, the minutes of the meetings of the Federal Open Market Committee held on December 19, 2000, and January 3, 2001, were approved.

The next item on the agenda encompassed issues relating in part to the discount window and other matters that are within the legal purview of the Board of Governors. Accordingly, a Board meeting was formally convened and this item was considered in a joint Board–Federal Open Market Committee session. The Board members voted unanimously at the outset to close the Board meeting.

At its meeting in March 2000, the Committee asked the staff to undertake a broad study of alternative approaches to the management of the System asset portfolio in the current and prospective environment of large budget surpluses and rapid associated declines in the amount of Treasury debt outstanding. Such paydowns were having favorable effects on the macroeconomy and would not impair the Committee's ability to pursue its overall economic objectives. But the FOMC's historical reliance on purchases and sales of Treasury securities to implement monetary policy would be difficult to maintain if steep paydowns of debt were, as seemed likely, to continue. To prepare for such a contingency, the Committee needed to identify and explore alternative instruments for the conduct of monetary policy.

In their discussion at this meeting, the members agreed that continuing paydowns of Treasury debt outstanding could create complications for the implementation of monetary policy well before the full repayment of marketable federal debt. In particular, the Treasury market could be expected to become less liquid over time, making it more difficult for the Federal Reserve to accommodate the trend growth of currency through outright purchases of Treasuries without unduly affecting market prices. Reduced activity in the Treasury repurchase agreement (RP) market could complicate the use of such obligations to respond to seasonal and unexpected variations in the aggregate supply of reserves.

In reviewing the possibilities, the members noted that relative to investments in Treasury securities, all of the options could entail significant drawbacks, including increases in credit risk, reductions in liquidity, and potentially distorting effects on relative prices in financial markets. In light of these potential issues, the Committee agreed that it should proceed cautiously and maintain the current emphasis on Treasury securities in the SOMA portfolio, especially the portion of the portfolio held outright, for as long as practicable. In that regard, some members suggested that the Committee look carefully at whether it could loosen the limits it currently imposes on holdings of individual Treasury issues without causing undue market distortions. Some felt it would be desirable to consider buying and holding Ginnie Mae mortgage-backed securities, which are guaranteed by the full faith and credit of the United States. A few members suggested that consideration might be given to the possibility of continuing to rely on Treasury securities, even as the publicly held debt is paid down, by acquiring such securities through special arrangements with the Treasury.

In the near term, the members agreed that it would be useful to extend for at least another year the temporary authority, in effect since late August 1999, of the Manager to supplement repurchase agreements in Treasuries and direct agency debt with repurchase transactions in mortgage-backed securities guaranteed by a federal agency or a government-sponsored enterprise. They also asked the staff to investigate the possibility of authorizing the Desk to engage in RP operations using assets that could be purchased under existing legal authority but were not currently authorized by the Committee—specifically, certain debt obligations of U.S. state and local governments and of foreign governments. Making a wider range of assets available for RP operations would reduce the potential for distortions to the pricing of instruments collateralizing RPs, but would entail resolving a number of issues. The Congress and market participants would need to be consulted before the Committee decided to undertake any such operations.

From a somewhat longer-term perspective, Committee members identified several alternative issues for further study. One involved the appropriate degree of reliance on outright purchases of a broader array of assets relative to greater use of temporary short-term transactions undertaken through intermediaries. A number of members saw advantages to the greater reliance on the latter—RPs with security dealers and discount window loans to depository institutions—especially when they involved a wide range of underlying assets. It was noted that such instruments would afford the Federal Reserve considerable protection against credit risks, could be structured to provide substantial liquidity to respond to unanticipated changes in the supply or demand for reserves, and, relative to outright purchases of the underlying collateral, could help to mitigate potential distortions to asset pricing and credit allocation. Many members indicated that a potentially attractive approach to expanding the role of the discount window might involve auctioning such credit to financially sound depository institutions. Some members expressed reservations about this option, noting that such a program would have to be carefully structured in order to avoid situations in which some institutions might become heavily dependent on such credit or engage in excessive risk taking. But extremely heavy reliance on temporary transactions could itself influence credit flows, suggesting that approaches to staying longer with Treasury securities or adding new assets not currently allowed by law to the permanent portfolio would also need to be studied.

The use of private securities for temporary transactions or permanent portfolio holdings had a number of risk-management and accounting implications that would need to be examined carefully. Another aspect that required further examination was the approach to diversification of the System portfolio in order to minimize any effects on credit conditions. In this context, the members compared the merits of an incremental approach in which classes of private securities were gradually added to the RP pool or the permanent portfolio, with the safest and most liquid being used first, to an alternative approach in which very broad diversification was sought quickly through investment in diverse pools of assets.

In view of the importance of these issues and their complexity, the Committee determined to explore various means to seek the input of the public and the Congress to develop and refine alternatives and to investigate all the associated policy issues.

By unanimous vote, the Committee approved amendments to paragraphs 1(b), 1(c), and 3 of the Authorization for Domestic Open Market Operations to permit temporary operations with a maturity limit of 65 business days.

Authorization for Domestic Open Market Operations (Amended January 30, 2001)

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

(a) To buy or sell U.S. Government securities, including securities of the Federal Financing Bank, and securities that are direct obligations of, or fully guaranteed as to principal and interest by, any agency of the United States in the open market, from or to securities dealers and foreign and international accounts maintained at the Federal Reserve Bank of New York, on a cash, regular, or deferred delivery basis, for the System Open Market Account at market prices, and, for such Account, to exchange maturing U.S. Government and Federal agency securities with the Treasury or the individual agencies or to allow them to mature without replacement; provided that the aggregate amount of U.S. Government and Federal agency securities held in such Account (including forward commitments) at the close of business on the day of a meeting of the Committee at which action is taken with respect to a domestic policy directive shall not be increased or decreased by more than $12.0 billion during the period commencing with the opening of business on the day following such meeting and ending with the close of business on the day of the next such meeting;

(b) To buy U.S. Government securities and obligations that are direct obligations of, or fully guaranteed as to principal and interest by, any agency of the United States, from dealers for the account of the Federal Reserve Bank of New York under agreements for repurchase of such securities or obligations in 65 business days or less, at rates that, unless otherwise expressly authorized by the Committee, shall be determined by competitive bidding, after applying reasonable limitations on the volume of agreements with individual dealers; provided that in the event Government securities or agency issues covered by any such agreement are not repurchased by the dealer pursuant to the agreement or a renewal thereof, they shall be sold in the market or transferred to the System Open Market Account;

(c) To sell U.S. Government securities and obligations that are direct obligations of, or fully guaranteed as to principal and interest by, any agency of the United States to dealers for System Open Market Account under agreements for the resale by dealers of such securities or obligations in 65 business days or less, at rates that, unless otherwise expressly authorized by the Committee, shall be determined by competitive bidding, after applying reasonable limitations on the volume of agreements with individual dealers.

2. In order to ensure the effective conduct of open market operations, the Federal Open Market Committee authorizes the Federal Reserve Bank of New York to lend on an overnight basis U.S. Government securities held in the System Open Market Account to dealers at rates that shall be determined by competitive bidding but that in no event shall be less than 1.0 percent per annum of the market value of the securities lent. The Federal Reserve Bank of New York shall apply reasonable limitations on the total amount of a specific issue that may be auctioned, and on the amount of securities that each dealer may borrow. The Federal Reserve Bank of New York may reject bids which could facilitate a dealer's ability to control a single issue as determined solely by the Federal Reserve Bank of New York.

3. In order to ensure the effective conduct of open market operations, while assisting in the provision of short-term investments for foreign and international accounts maintained at the Federal Reserve Bank of New York, the Federal Open Market Committee authorizes and directs the Federal Reserve Bank of New York (a) for System Open Market Account, to sell U.S. Government securities to such foreign and international accounts on the bases set forth in paragraph 1(a) under agreements providing for the resale by such accounts of those securities in 65 business days or less on terms comparable to those available on such transactions in the market; and (b) for New York Bank account, when appropriate, to undertake with dealers, subject to the conditions imposed on purchases and sales of securities in paragraph 1(b), repurchase agreements in U.S. Government and agency securities, and to arrange corresponding sale and repurchase agreements between its own account and foreign and international accounts maintained at the Bank. Transactions undertaken with such accounts under the provisions of this paragraph may provide for a service fee when appropriate.

4. In the execution of the Committee's decision regarding policy during any intermeeting period, the Committee authorizes and directs the Federal Reserve Bank of New York, upon the instruction of the Chairman of the Committee, to adjust somewhat in exceptional circumstances the degree of pressure on reserve positions and hence the intended federal funds rate. Any such adjustment shall be made in the context of the Committee's discussion and decision at its most recent meeting and the Committee's long-run objectives for price stability and sustainable economic growth, and shall be based on economic, financial, and monetary developments during the intermeeting period. Consistent with Committee practice, the Chairman, if feasible, will consult with the Committee before making any adjustment.

By unanimous vote, the Committee approved until the Committee's first scheduled meeting in 2002 an extension of the temporary suspension of paragraphs 3 to 6 of the Guidelines for the Conduct of System Operations in Federal Agency Issues. For the year ahead, the Guidelines therefore continued to read as follows:

Guidelines for the Conduct of System Open Market Operations in Federal Agency Issues (Reaffirmed January 30, 2001)

1. System open market operations in Federal agency issues are an integral part of total System open market operations designed to influence bank reserves, money market conditions, and monetary aggregates.

2. System open market operations in Federal agency issues are not designed to support individual sectors of the market or to channel funds into issues of particular agencies.

By unanimous vote, the Foreign Currency Authorization was reaffirmed in the form shown below.

Authorization for Foreign Currency Operations (Reaffirmed January 30, 2001)

1. The Federal Open Market Committee authorizes and directs the Federal Reserve Bank of New York, for System Open Market Account, to the extent necessary to carry out the Committee's foreign currency directive and express authorizations by the Committee pursuant thereto, and in conformity with such procedural instructions as the Committee may issue from time to time:

A. To purchase and sell the following foreign currencies in the form of cable transfers through spot or forward transactions on the open market at home and abroad, including transactions with the U.S. Treasury, with the U.S. Exchange Stabilization Fund established by Section 10 of the Gold Reserve Act of 1934, with foreign monetary authorities, with the Bank for International Settlements, and with other international financial institutions:

Canadian dollars	Mexican pesos
Danish kroner	Norwegian kroner
Euro	Swedish kronor
Pounds sterling	Swiss francs
Japanese yen	

B. To hold balances of, and to have outstanding forward contracts to receive or to deliver, the foreign currencies listed in paragraph A above.

C. To draw foreign currencies and to permit foreign banks to draw dollars under the reciprocal currency arrangements listed in paragraph 2 below, provided that drawings by either party to any such arrangement shall be fully liquidated within 12 months after any amount outstanding at that time was first drawn, unless the Committee, because of exceptional circumstances, specifically authorizes a delay.

D. To maintain an overall open position in all foreign currencies not exceeding $25.0 billion. For this purpose, the overall open position in all foreign currencies is defined as the sum (disregarding signs) of net positions in individual currencies. The net position in a single foreign currency is defined as holdings of balances in that currency, plus outstanding contracts for future receipt, minus outstanding contracts for future delivery of that currency, i.e., as the sum of these elements with due regard to sign.

2. The Federal Open Market Committee directs the Federal Reserve Bank of New York to maintain reciprocal currency arrangements ("swap" arrangements) for the System Open Market Account for periods up to a maximum of 12 months with the following foreign banks, which are among those designated by the Board of Governors of the Federal Reserve System under Section 214.5 of Regulation N, Relations with Foreign Banks and Bankers, and with the approval of the Committee to renew such arrangements on maturity:

Foreign bank	Amount of arrangement (millions of dollars equivalent)
Bank of Canada	2,000
Bank of Mexico	3,000

Any changes in the terms of existing swap arrangements, and the proposed terms of any new arrangements that may be authorized, shall be referred for review and approval to the Committee.

3. All transactions in foreign currencies undertaken under paragraph 1.A. above shall, unless otherwise expressly authorized by the Committee, be at prevailing market rates. For the purpose of providing an investment return on System holdings of foreign currencies, or for the purpose of adjusting interest rates paid or received in connection with swap drawings, transactions with foreign central banks may be undertaken at non-market exchange rates.

4. It shall be the normal practice to arrange with foreign central banks for the coordination of foreign currency transactions. In making operating arrangements with foreign central banks on System holdings of foreign currencies, the Federal Reserve Bank of New York shall not commit itself to maintain any specific balance unless authorized by the Federal Open Market Committee. Any agreements or understandings concerning the administration of the accounts maintained by the Federal Reserve Bank of New York with the foreign banks designated by the Board of Governors under Section 214.5 of Regulation N shall be referred for review and approval to the Committee.

5. Foreign currency holdings shall be invested to ensure that adequate liquidity is maintained to meet anticipated needs and so that each currency portfolio shall generally have an average duration of no more than 18 months (calculated as Macaulay duration). When appropriate in connection with arrangements to provide investment facilities for foreign currency holdings, U.S. Government securities may be purchased from foreign central banks under agreements for repurchase of such securities within 30 calendar days.

6. All operations undertaken pursuant to the preceding paragraphs shall be reported promptly to the Foreign Currency Subcommittee and the Committee. The Foreign Currency Subcommittee consists of the Chairman and Vice Chairman of the Committee, the Vice Chairman of the Board of Governors, and such other member of the Board as the Chairman may designate (or in the absence of members of the Board serving on the Subcommittee, other Board members designated by the Chairman as alternates, and in the absence of the Vice Chairman of the Committee, his alternate). Meetings of the Subcommittee shall be called at the request of any member, or at the request of the Manager, System Open Market Account ("Manager"), for the purposes of reviewing recent or contemplated operations and of consulting with the Manager on other matters relating to his responsibilities. At the request of any member of the Subcommittee, questions arising from such reviews and consultations shall be referred for determination to the Federal Open Market Committee.

7. The Chairman is authorized:

A. With the approval of the Committee, to enter into any needed agreement or understanding with the Secretary of the Treasury about the division of responsibility for foreign currency operations between the System and the Treasury;

B. To keep the Secretary of the Treasury fully advised concerning System foreign currency operations, and to consult with the Secretary on policy matters relating to foreign currency operations;

C. From time to time, to transmit appropriate reports and information to the National Advisory Council on International Monetary and Financial Policies.

8. Staff officers of the Committee are authorized to transmit pertinent information on System foreign currency operations to appropriate officials of the Treasury Department.

9. All Federal Reserve Banks shall participate in the foreign currency operations for System Account in accordance with paragraph 3 G(1) of the Board of Governors' Statement of Procedure with Respect to Foreign Relationships of Federal Reserve Banks dated January 1, 1944.

By unanimous vote, the Foreign Currency Directive was reaffirmed in the form shown below.

Foreign Currency Directive (Reaffirmed January 30, 2001)

1. System operations in foreign currencies shall generally be directed at countering disorderly market conditions, provided that market exchange rates for the U.S. dollar reflect actions and behavior consistent with the IMF Article IV, Section 1.

2. To achieve this end the System shall:

A. Undertake spot and forward purchases and sales of foreign exchange.

B. Maintain reciprocal currency ("swap") arrangements with selected foreign central banks.

C. Cooperate in other respects with central banks of other countries and with international monetary institutions.

3. Transactions may also be undertaken:

A. To adjust System balances in light of probable future needs for currencies.

B. To provide means for meeting System and Treasury commitments in particular currencies, and to facilitate operations of the Exchange Stabilization Fund.

C. For such other purposes as may be expressly authorized by the Committee.

4. System foreign currency operations shall be conducted:

A. In close and continuous consultation and cooperation with the United States Treasury;

B. In cooperation, as appropriate, with foreign monetary authorities; and

C. In a manner consistent with the obligations of the United States in the International Monetary Fund regarding exchange arrangements under the IMF Article IV.

By unanimous vote, the Procedural Instructions with Respect to Foreign Currency Operations were reaffirmed in the form shown below.

Procedural Instructions with Respect to Foreign Currency Operations (Reaffirmed January 30, 2001)

In conducting operations pursuant to the authorization and direction of the Federal Open Market Committee as set forth in the Authorization for Foreign Currency Operations and the Foreign Currency Directive, the Federal Reserve Bank of New York, through the Manager, System Open Market Account ("Manager"), shall be guided by the following procedural understandings with respect to consultations and clearances with the Committee, the Foreign Currency Subcommittee, and the Chairman of the Committee. All operations undertaken pursuant to such clearances shall be reported promptly to the Committee.

1. The Manager shall clear with the Subcommittee (or with the Chairman, if the Chairman believes that consultation with the Subcommittee is not feasible in the time available):

A. Any operation that would result in a change in the System's overall open position in foreign currencies exceeding $300 million on any day or $600 million since the most recent regular meeting of the Committee.

B. Any operation that would result in a change on any day in the System's net position in a single foreign currency exceeding $150 million, or $300 million when the operation is associated with repayment of swap drawings.

C. Any operation that might generate a substantial volume of trading in a particular currency by the System, even though the change in the System's net position in that currency might be less than the limits specified in 1.B.

D. Any swap drawing proposed by a foreign bank not exceeding the larger of (i) $200 million or (ii) 15 percent of the size of the swap arrangement.

2. The Manager shall clear with the Committee (or with the Subcommittee, if the Subcommittee believes that consultation with the full Committee is not feasible in the time available, or with the Chairman, if the Chairman believes that consultation with the Subcommittee is not feasible in the time available):

A. Any operation that would result in a change in the System's overall open position in foreign currencies exceeding $1.5 billion since the most recent regular meeting of the Committee.

B. Any swap drawing proposed by a foreign bank exceeding the larger of (i) $200 million or (ii) 15 percent of the size of the swap arrangement.

3. The Manager shall also consult with the Subcommittee or the Chairman about proposed swap drawings by the System and about any operations that are not of a routine character.

On January 22, 2001, the continuing rules, regulations, and other instructions of the Committee had been distributed with the advice that, in accordance with procedures approved by the Committee, they were being called to the Committee's attention before the January 30–31 organization meeting to give members an opportunity to raise any questions they might have concerning them. Members were asked to indicate if they wished to have any of the instruments in question placed on the agenda for consideration at this meeting. The Guidelines for the Conduct of System Operations in Federal Agency Issues were placed on the agenda and an extension of their temporary amendment was approved as noted above.

The Manager of the System Open Market Account reported on recent developments in foreign exchange markets. There were no open market operations in foreign currencies for the System's account in the period since the previous meeting.

The Manager also reported on developments in domestic financial markets and on System open market transactions in government securities and federal agency obligations during the period December 20, 2000, through January 30, 2001. By unanimous vote, the Committee ratified these transactions.

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

The information reviewed at this meeting indicated that the expansion of economic activity had slowed appreciably over the fourth quarter. Consumer and business spending decelerated further, with outlays for consumer durables and business equipment particularly weak. Housing construction remained relatively firm, though significantly below its brisk pace of earlier in the year. The slower growth of final spending resulted in inventory overhangs in a number of industries, most notably those related to the motor vehicle sector. Manufacturing production declined sharply as a result, and overall employment gains moderated further. Price inflation was still relatively subdued.

Labor demand softened further in December, with private nonfarm payroll employment continuing to increase slowly and the average workweek to decline. Nonetheless, the labor market remained very tight and the unemployment rate held at 4 percent, its average for the year. Reduced labor demand in manufacturing accounted for much of the slowdown in nonfarm payroll gains in the fourth quarter, with factory payrolls falling sharply further in December, but in addition sizable cuts in net new hires were recorded in the help-supply and construction industries.

The contraction in industrial production that began in October, largely in the motor vehicle sector, deepened and broadened in November and December. For the fourth quarter as a whole, the drop in production was concentrated in manufacturing; mining activity fell by less while utilities output surged late in the year in response to unseasonably cold weather. Most of the initial weakness in manufacturing output was related directly or indirectly to the slowing in the motor vehicle sector, but by year-end all major market groups had registered steep declines in production. Weaker factory activity in December resulted in a sizable drop in the rate of capacity utilization in manufacturing to a level further below its long-run average.

Against a background of slowing growth of disposable personal income and abrupt declines in consumer sentiment, consumer spending decelerated substantially in the fourth quarter. Purchases of motor vehicles slumped and outlays for other goods increased only a little. However, spending on services picked up somewhat in November (latest data), reflecting at least in part higher expenditures for heating services owing to unseasonably cold weather.

The decline in mortgage rates since the middle of last year had provided some support to residential building activity. Total housing starts increased slightly further in December, with single-family starts recording a brisk rise that might have been, in part, a response to the lower mortgage rates. By contrast, multifamily starts slowed, more than reversing November's run-up. Sales of new homes jumped in December to a very high level, but sales of existing homes dropped considerably.

Business fixed investment contracted slightly in the fourth quarter, reflecting a sizable decline in business spending on equipment and software that was offset in part by a large increase in nonresidential construction. Data on nominal shipments of nondefense capital goods in the fourth quarter indicated a drop in office and computing equipment, only a small gain in communications equipment, and a decline, on net, in non-high-tech equipment. By contrast, investment in nonresidential structures increased briskly further in October and November (latest data). While spending for new office buildings was rising less rapidly, outlays for other commercial structures picked up, and investment in industrial structures remained robust.

Business inventories on a book-value basis mounted further in October and November. Despite production cutbacks, stockbuilding in manufacturing remained rapid and sizable inventory overhangs had emerged in some industries, particularly those related to the motor vehicle sector. As a result, the aggregate stock–sales ratio for the manufacturing sector continued its upward drift that began early last year. Sizable inventory buildups and associated overhangs also were apparent in portions of the retail sector, and the aggregate inventory–sales ratio for the sector remained at the upper end of its range over the past year. At the wholesale level, inventory accumulation was moderate in October and November, but the sector's inventory–sales ratio continued to be at the top of its range for the last twelve months.

The U.S. trade deficit in goods and services fell slightly in October and November after having posted a new record high in September. Nevertheless, the average deficit for October and November was larger than the rate for the third quarter. The value of exports declined in both months, and the average value for the two-month period was below the third-quarter level; the weakness in exports was spread across a number of trade categories. The value of imports for the first two months of the fourth quarter was slightly above the third-quarter average. Economic growth in foreign industrial countries moderated in the second half of last year. The pace of economic expansion in the euro area softened somewhat further in the fourth quarter, as consumer spending remained weak. In Japan, available indicators suggested that economic activity had stagnated in the fourth quarter. Economic growth in Canada and the United Kingdom seemed to have slowed somewhat in the fourth quarter. In addition, the latest data for the major developing countries pointed to reduced expansion in many of those countries.

By most measures, price inflation had remained moderate in recent months. Judging by the consumer price index (CPI), total and core consumer prices rose mildly over November and December, but both accelerated somewhat on a year-over-year basis. In terms of the personal consumption expenditure (PCE) chain-type price index, however, core consumer price inflation was modest in both November (latest data) and the twelve months ended in November, and there was essentially no change year over year. At the producer level, core prices edged up over the November–December period, and the rise in core prices over the year was minimal as well. With regard to labor costs, the employment cost index of hourly compensation for private industry workers (ECI) decelerated noticeably in the fourth quarter, with both the wage and benefit components recording smaller gains. However, growth of ECI compensation picked up somewhat in 2000 from 1999, probably owing in large part to the upward trend in productivity growth. Productivity improvements also showed through to the average hourly earnings of production or nonsupervisory workers, which exhibited a roughly similar acceleration.

At its meeting on December 19, 2000, the Committee adopted a directive that continued to call for maintaining conditions in reserve markets consistent with an unchanged federal funds rate of about 6½ percent. At the same time, however, the members concluded that the balance of risks had shifted sufficiently that they had become weighted toward conditions that could generate economic weakness in the foreseeable future. Indeed, very recent information had seemed to signal sudden further weakness, but it was largely anecdotal and most of the aggregate data on spending and employment suggested continued economic expansion, albeit at a relatively slow rate. As a result, most members believed that it would be prudent to await further confirmation of a noticeably weaker expansion before implementing any monetary easing, particularly given the current high level of resource utilization and the record over the last several years of strong rebounds from brief lulls in growth. If, however, incoming data were to reinforce the recent anecdotal indications, the Committee would be prepared to respond promptly.

Open market operations during the intermeeting period were initially directed toward maintaining the federal funds rate at the Committee's targeted level of 6½ percent. However, information that became available in the weeks after the December meeting tended to confirm the earlier indications of weakness in spending, and at a telephone conference on January 3, 2001, the Committee approved a ½ percentage point reduction in the federal funds rate, to 6 percent, and also agreed that the risks remained weighted toward economic weakness. The federal funds rate remained close to the Committee's targets over the intermeeting period, and interest rates on short-term Treasury securities and high-quality private debt obligations declined over the period almost as much as the funds rate. The Committee's action seemed to help ease some concerns about the longer-term outlook, and risk spreads on lower-grade bonds fell substantially while broad indexes of U.S. stock market prices rose on balance over the intermeeting period.

In foreign exchange markets, the trade-weighted value of the dollar changed little on balance over the intermeeting interval in terms of an index of major foreign currencies. The dollar lost ground against the euro as market participants took note of the deterioration of near-term prospects for economic growth in the United States relative to those for Europe. However, that decline was roughly counterbalanced by a rise in the dollar against the yen, reflecting continuing economic stagnation in Japan. The dollar posted a small gain against an index of the currencies of other important trading partners, largely reflecting expectations that some emerging economies might be adversely affected by slower growth in the United States.

The broad monetary aggregates accelerated sharply in December and apparently strengthened further in January. The pickup in M2 growth evidently reflected a flight from heightened equity market volatility late last year to the safety and liquidity of M2 assets along with a recent narrowing of the opportunity costs of holding funds in M2 accounts. M3 grew even faster than M2, boosted in part by stepped-up issuance of large time deposits to fund a pickup in bank credit. The expansion of domestic nonfinancial debt increased in November and December (latest data), reflecting greater business borrowing, perhaps to finance growing inventories and smaller contractions in the amount of federal debt outstanding.

The staff forecast prepared for this meeting suggested that, after a pause associated in part with an inventory correction, the economic expansion would regain strength over the next two years and gradually move to a rate near the staff's current estimate of the growth of the economy's potential output. The period of sub-par activity was expected to foster an appreciable slackening of resource utilization and some moderation in core price inflation. The forecast anticipated that the expansion of domestic final demand would be held back to some extent by the decline in household net worth associated with the downturn that had occurred in equity prices, the remaining effects of prior monetary restraint, and the continuation of somewhat stringent credit terms and conditions on some types of loans by financial institutions. As a result, growth of spending on consumer durables was expected to be appreciably below that of the first half of last year and housing demand to be about unchanged from its recent level. Business fixed investment, notably outlays for equipment and software, was projected to resume relatively robust growth after a comparatively brief period of adjustment of capital stocks to more desirable levels; growth abroad was seen as supporting the expansion of U.S. exports; and fiscal policy was assumed to become more expansionary.

In the Committee's discussion of current and prospective economic developments, members commented that while a slowdown in the expansion over the second half of 2000 was not unexpected in light of the previously unsustainable rate of increase in output, the speed and extent of the slowdown were much more pronounced than they had anticipated. Consumer spending and business capital investment had decelerated markedly, partly in association with a sharp decline in consumer and business confidence. This weakening, which was especially evident in durable goods producing industries, had led to large cutbacks in manufacturing output as numerous business firms attempted to pare what they now viewed as excessive inventories. The eventual degree and duration of the softening in economic conditions were difficult to predict. In particular, it was unclear whether the pause in the economic expansion would be largely limited to a relatively short inventory correction or would involve a more extensive cyclical adjustment.

In general, members saw favorable prospects for an appreciable recovery in overall business activity as the year progressed. Members referred to indications that both residential and nonresidential construction activity had remained relatively robust and to fragmentary data and anecdotal reports suggesting that consumer spending had steadied or possibly turned up early this year. Several commented that the sound condition of the banking system was another supportive factor. Some also observed that, counter to the experience generally associated with the onset of earlier recessions, monetary growth had been well maintained in recent months, and a few noted that long-term interest rates currently were appreciably below their peaks of the past year. The prospect that fiscal policy might begin to move in an expansionary direction later in the year was cited as another factor in the outlook for stronger economic activity. A decline in energy prices, should it materialize as anticipated in futures markets, would have a positive effect on both business and consumer spending by lowering business costs and raising disposable consumer incomes adjusted for energy costs. Perhaps the most critical element in this outlook was the persistence of elevated growth in structural labor productivity, which seemed likely to play a vital role in supporting growth in incomes and aggregate demand while also helping to limit inflation pressures.

At the same time, members also saw considerable downside risks to the economic expansion. Energy prices remained elevated and were continuing to depress business and household purchasing power; the overhang of excess capital stocks in some sectors could turn out to be sizable, depressing investment spending for some time; consumer confidence could worsen appreciably more in the face of weaker expansion of incomes and higher job layoffs; and investor concerns about earnings could increase further, sparking lower equity prices and tighter standards and terms on credit.

Except for prices of energy and medical services, the currently available information indicated relatively subdued rates of inflation, and recent surveys pointed to little change in inflation expectations. Looking ahead, members anticipated that somewhat reduced pressures in labor and product markets would foster some softening in consumer price inflation over coming quarters, a development that would be abetted should prices of oil and natural gas ease during the year in line with current market expectations.

In preparation for a semi-annual report to Congress, the members of the Board of Governors and the presidents of the Federal Reserve Banks provided individual projections of the growth in nominal and real GDP, the rate of unemployment, and the rate of inflation for the year 2001. The forecasts were concentrated in ranges of 4 to 5 percent for the growth in nominal GDP and 2 to 2½ percent for the expansion in real GDP, implying some strengthening of economic activity as the year progressed. With growth in business activity falling short of the expansion in the economy's potential, the rate of unemployment was expected to rise somewhat to an average of about 4½ percent by the fourth quarter of the year. Forecasts of the rate of inflation, as measured by the chain-type price index for personal consumption expenditures, were centered in a range of 1¾ to 2¼ percent, reflecting declines from the inflation rate last year largely stemming from the projected reductions in energy prices.

The marked deceleration in final sales experienced late last year was concentrated in consumer spending for motor vehicles and other durable goods and in business expenditures for equipment and software. In the household sector, rapidly declining consumer confidence, apparently associated in important measure with increasing worker layoffs and growing concerns about future job prospects, had contributed to generally disappointing retail sales during the holiday season. There was some evidence that sales had stabilized and possibly risen slightly in January, though a part of the improvement could reflect steep price discounts for the purpose of reducing inventories. Other negative factors cited by the members included the adverse wealth effects of the decrease in stock market valuations, relatively high consumer debt service burdens, and possible retrenchment by consumers after an extended period of large increases in purchases and related buildups of consumer durables. Nonetheless, in the absence of possible developments leading to further deterioration in consumer sentiment, the members saw reasonable prospects for strengthening consumer spending this year even assuming some decline in such expenditures relative to income. An important factor in this outlook was the expectation of some reduction in energy prices, which would boost disposable incomes available for non-energy expenditures and likely provide a fillip to consumer sentiment in the process. Moreover, with the relatively high rate of growth in structural productivity showing little or no signs of waning, the longer-run prospects for household incomes remained positive. On balance, the various factors weighing on the outlook for consumer spending later this year seemed favorable, though substantial downside risks clearly would persist for some interim period of uncertain duration.

The depressing effects of lagging final sales on business investment spending, notably for equipment and software, were reinforced by deterioration in the financial balance sheets of some business firms, tighter supply conditions in segments of the credit markets, and a buildup in excess capacity that had eroded profitability. In this regard, members referred to earlier unsustainable rates of investment by many high-tech firms that were now obliged to retrench despite still high rates of growth in the demand for their products and services. With regard to the nonresidential construction sector, members provided anecdotal reports of continued high levels of activity in several parts of the country and little evidence of the substantial overbuilding that had characterized the construction industry in earlier periods of developing economic weakness. On balance, while the business investment outlook seemed vulnerable to somewhat greater than projected weakness in the short run, the members were persuaded that, against the background of large continuing gains in structural productivity and cost savings from further investment in equipment and software, business firms were likely to accelerate their spending for new capital after a period of adjustment.

Concerning the outlook for housing activity, recent statistical and anecdotal reports indicated that housing sales and construction were being well maintained and indeed were a bright spot in several regions. Reduced mortgage interest rates appeared to be largely offsetting the marked decline in consumer confidence. Accordingly, and contrary to the experience in earlier periods of softening economic activity, the stabilization of housing activity at a pace near its current fairly high level was seen as a reasonable expectation.

The outlook for inventory investment was more uncertain. The drop in final sales during late 2000 evidently was much faster than generally expected, and inventories rose considerably over the fourth quarter as a whole despite sharp downward adjustments in manufacturing output. In keeping with just-in-time inventory policies, which had been furthered in recent years by advances in technology that allowed faster and more complete readings on sales and adjustments in orders, efforts to reduce inventories were continuing in recent weeks and net inventory liquidation was anticipated in the current quarter. Looking further ahead, a number of members commented that they expected a period of inventory correction that would be relatively sharp but short by historical standards. Improvements in inventory management and related indications that inventory overhangs were small compared to earlier historical experience were factors in this assessment. At the same time, members recognized that the inventory correction had just begun and its duration would depend importantly on the ongoing strength of final sales. In this regard, developments bearing on business and consumer confidence and willingness to spend would play a crucial, though at this point uncertain, role.

Members expressed some divergence of views regarding the outlook for foreign economic activity and the implications for the domestic economy. Some emphasized that most of the nation's important trading partners had growing economies that were likely to provide support for expanding U.S. exports. Other members were concerned about indications of growing weakness in a number of foreign economies that might increasingly inhibit U.S. exports and add to competitive pressures on U.S. producers in domestic markets. The large current account deficit was seen as a factor pointing to potential depreciation of the dollar over time, with adverse repercussions on domestic inflation albeit favorable effects on exports.

In their comments about the outlook for inflation, members noted that current indicators continued on the whole to point to subdued price increases, with lagging demand and strong competitive pressures in many markets severely limiting the ability of business firms to raise their prices. Labor markets were described as still tight across the nation, but reports of layoffs in specific industries were increasing and numerous business contacts indicated that openings were now much easier to fill in many job markets. There were some related indications that wage pressures might be easing. Against the background of a sluggish economy in the near term and forecasts of only moderate economic growth, the members anticipated that inflation would remain contained over the forecast horizon. A key factor in this assessment continued to be their outlook for rapid further gains in structural productivity that would help to hold down increases in unit labor costs. Other factors included the prospect of some decline in energy prices and the persistence of generally benign inflation expectations. On balance, with pressures in labor and product markets ebbing, the outlook for inflation was a source of diminished though persisting concern.

In the Committee's discussion of policy for the intermeeting period ahead, all the members endorsed a proposal calling for a further easing in reserve conditions consistent with a 50 basis point decrease in the federal funds rate to a level of 5½ percent. Such a policy move in conjunction with the 50 basis point reduction in early January would represent a relatively aggressive policy adjustment in a short period of time, but the members agreed on its desirability in light of the rapid weakening in the economic expansion in recent months and associated deterioration in business and consumer confidence. The extent and duration of the current economic correction remained uncertain, but the stimulus provided by the Committee's policy easing actions would help guard against cumulative weakness in economic activity and would support the positive factors that seemed likely to promote recovery later in the year. Several members observed that the evolving nature of the domestic economy, including the ongoing improvements in inventory management and the increase in managerial flexibility to alter the level and mix of capital equipment, associated in part with the greater availability of information, appeared to have fostered relatively prompt adjustments by businesses to changing economic conditions. As a consequence, monetary policy reactions to shifts in economic trends needed in this view to be undertaken more aggressively and completed sooner than in the past. In current circumstances, members saw little inflation risk in such a "front-loaded" easing policy, given the reduced pressures on resources stemming from the sluggish performance of the economy and relatively subdued expectations of inflation.

All the members agreed that the balance of risks sentence in the press statement to be released shortly after this meeting should continue to indicate that the risks would remain tilted toward economic weakness even after today's easing action. The members saw substantial underlying strength and resilience in the economy and they remained optimistic about its prospects beyond the near term in light of the monetary policy stimulus that was being implemented and the persistence of rapid advances in productivity. In this regard, some members commented that the upside risks could not be totally dismissed. But with the adjustments to the stock of capital, consumer durable goods, and inventories to more sustainable levels likely only partly completed and with investors in financial markets remaining skittish, the risks that growth would persist below that of the economy's productivity-enhanced potential continued to dominate the outlook.

At the conclusion of this discussion, the Committee voted to authorize and direct the Federal Reserve Bank of New York, until it was instructed otherwise, to execute transactions in the System Account in accordance with the following domestic policy directive:

> The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. To further its long-run objectives, the Committee in the immediate future seeks conditions in reserve markets consistent with reducing the federal funds rate to an average of around 5½ percent.

The vote encompassed approval of the sentence below for inclusion in the press statement to be released shortly after the meeting:

> Against the background of its long-run goals of price stability and sustainable economic growth and of the information currently available, the Committee believes that the risks are weighted mainly toward conditions that may generate economic weakness in the foreseeable future.

> Votes for this action: Messrs. Greenspan, McDonough, Ferguson, Gramlich, Hoenig, Kelley, Meyer, Ms. Minehan, Messrs. Moskow and Poole. Votes against this action: None.

By notation vote completed on March 15, 2001, the Federal Open Market Committee voted unanimously to select Dino Kos as Manager for Domestic and Foreign Operations of the System Open Market Account to serve in that capacity until the first regularly scheduled meeting after December 31, 2001, subject to the understanding that in the event of the discontinuance of his official connection with the Federal Reserve Bank of New York he would cease to have any official connection with the Federal Open Market Committee. It also was understood that this selection needed to be satisfactory to the Federal Reserve Bank New York. Advice subsequently was received that the selection of Mr. Kos as Manager was satisfactory to the board of directors of that Bank.

It was agreed that the next meeting of the Committee would be held on Tuesday, March 20, 2001.

The meeting adjourned at 10:50 a.m. on January 31, 2001.

Donald L. Kohn
Secretary

Legal Developments

FINAL RULE—AMENDMENT TO REGULATION E

The Board of Governors is amending 12 C.F.R. Part 205, its Official Staff Commentary to Regulation E, which implements the Electronic Fund Transfer Act. The commentary interprets the requirements of Regulation E to facilitate compliance by financial institutions that offer electronic fund transfer services to consumers. The final rule provides guidance on Regulation E coverage of electronic check conversion transactions and computer-initiated bill payments; authorization of recurring debits from a consumer's account; telephone-initiated transfer; and other issues.

Effective March 15, 2001, 12 C.F.R. Part 205 is amended as follows:

Part 205—Electronic Fund Transfers (Regualtion E)

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

Authority: 15 U.S.C. 1693b.

2. In Supplement I to Part 205, the following amendments are made:
   a. Under *Section 205.2-Definitions,* under *2(a) Access Device,* a new paragraph 2. is added;
   b. Under *Section 205.2-Definitions,* under *2(h) Electronic Terminal,* paragraph 2. is revised;
   c. Under *Section 205.2-Definitions,* a new heading *2(k) Preauthorized Electronic Fund Transfer,* and a new paragraph 1. are added;
   d. Under *Section 205.2-Definitions,* under *2(m) Unauthorized Electronic Fund Transfer,* a new paragraph 5. is added;
   e. Under *Section 205.3-Coverage,* under *3(b) Electronic Fund Transfer,* new paragraphs 1.v., 1.vi., and 3. are added;
   f. Under *Section 205.3-Coverage,* under *3(c) Exclusions from Coverage,* a new heading "Paragraph 3(c)(1)-Checks" is added;
   g. Under *Section 205.3-Coverage,* under *3(c) Exclusions from Coverage,* under newly added heading Paragraph 3(c)(1)-Checks, paragraphs 1. and 2. are added;
   h. Under *Section 205.3-Coverage,* under *3(c) Exclusions from Coverage,* under Paragraph 3(c)(6)-Telephone-Initiated Transfers, paragraph 1. is revised and paragraph 2.v. is added;
   i. Under *Section 205.6-Liability Of Consumer For Unauthorized Transfers,* under *Paragraph 6(b)(1)-Timely Notice Given,* new paragraph 3. is added;
   j. Under *Section 205.7-Initial Disclosures,* under *7(a) Timing of Disclosures,* paragraph 2. is revised;
   k. Under *Section 205.7-Initial Disclosures,* under Paragraph 7(b)(10) Error Resolution, paragraph 2. is revised;
   l. Under *Section 205.8-Change-In-Terms Notice; Error Resolution Notice,* under *8(b) Error Resolution Notice,* a new paragraph 2. is added;
   m. Under *Section 205.9-Receipts At Electronic Terminals; Periodic Statements,* under Paragraph 9(a)(5)-Terminal Location, paragraph 1. is revised;
   n. Under *Section 205.9-Receipts At Electronic Terminals; Periodic Statements,* under Paragraph 9(a)(5)(iv), paragraphs 1. and 2. are redesignated as paragraphs 3. and 4. under paragraph 9(a)(5) and republished;
   o. Under *Section 205.9-Receipts At Electronic Terminals; Periodic Statements,* Paragraph 9(a)(5)(iv) is removed;
   p. Under *Section 205.9-Receipts At Electronic Terminals; Periodic Statements,* under 9(b) Periodic Statements, paragraph 4. is revised;
   q. Under *Section 205.9-Receipts At Electronic Terminals; Periodic Statements,* under *9(c) Exceptions to the Periodic Statement Requirements for Certain Accounts,* a new heading, *Paragraph 9(c)(1)-Preauthorized Transfers to Accounts* is added and new paragraphs 1. and 2. are added to the newly designated heading;
   r. Under *Section 205.10-Preauthorized Transfers,* under *10(b) Written Authorization for Preauthorized Transfers from Consumer's Account,* paragraph 5. is revised, and new paragraph 7. is added;
   s. Under *Section 205.10-Preauthorized Transfers,* under *Paragraph 10(e)(2)-Employment or Government Benefit,* paragraph 1. is revised;
   t. Under *Section 205.11-Procedures For Resolving Errors, under 11(a) Definition of Error,* paragraph 2. is revised; and
   u. Under *Section 205.12-Relation To Other Laws,* under *12(a) Relation to Truth in Lending,* paragraph 1. is revised.

Supplement to Part 205—Official Staff Interpretations

Section 205.2—Definitions

2(a) Access Device

* * * * *

2. *Checks used to capture information.* The term ''access device'' does not include a check or draft used to capture the MICR (Magnetic Ink Character Recognition) encoding to initiate a one-time ACH debit. For example, if a consumer authorizes a one-time ACH debit from the consumer's account using a blank, partially completed, or fully completed and signed check for the merchant to capture the routing, account, and serial numbers to initiate the debit, the check is not an access device. (Although the check is not an access device under Regulation E, the transaction is nonetheless covered by the regulation. *See* comment 3(b)-1(v).)

* * * * *

2(h) Electronic Terminal

* * * * *

2. *POS terminals.* A POS terminal that captures data electronically, for debiting or crediting to a consumer's asset account, is an electronic terminal for purposes of Regulation E even if no access device is used to initiate the transaction. (*See* section 205.9 for receipt requirements.)

* * * * *

2(k) Preauthorized Electronic Fund Transfer

1. *Advance authorization.* A ''preauthorized electronic fund transfer'' under Regulation E is one authorized by the consumer in advance of a transfer that will take place on a recurring basis, at substantially regular intervals, and will require no further action by the consumer to initiate the transfer. In a bill-payment system, for example, if the consumer authorizes a financial institution to make monthly payments to a payee by means of EFTs, and the payments take place without further action by the consumer, the payments are preauthorized EFTs. In contrast, if the consumer must take action each month to initiate a payment (such as by entering instructions on a touch-tone telephone or home computer), the payments are not preauthorized EFTs.

* * * * *

2(m) Unauthorized Electronic Fund Transfer

* * * * *

5. *Reversal of direct deposits.* The reversal of a direct deposit made in error is not an unauthorized EFT when it involves:
   i. A credit made to the wrong consumer's account;
   ii. A duplicate credit made to a consumer's account; or
   iii. A credit in the wrong amount (for example, when the amount credited to the consumer's account differs from the amount in the transmittal instructions).

* * * * *

Section 205.3—Coverage

* * * * *

3(b) Electronic Fund Transfer

1. *Fund transfers covered.* * * *
   v. A transfer via ACH where a consumer has provided a check to enable the merchant or other payee to capture the routing, account, and serial numbers to initiate the transfer, whether the check is blank, partially completed, or fully completed and signed; whether the check is presented at POS or is mailed to a merchant or other payee or lockbox and later converted to an EFT; or whether the check is retained by the consumer, the merchant or other payee, or the payee's financial institution.
   vi. A payment made by a bill payer under a bill-payment service available to a consumer via computer or other electronic means, unless the terms of the bill-payment service explicitly state that all payments, or all payments to a particular payee or payees, will be solely by check, draft, or similar paper instrument drawn on the consumer's account, and the payee or payees that will be paid in this manner are identified to the consumer.

* * * * *

3. *Authorization of one-time EFT initiated using MICR encoding on a check.* A consumer authorizes a one-time EFT (in providing a check to a merchant or other payee for the MICR encoding), where the consumer receives notice that the transaction will be processed as an EFT and completes the transaction. Examples of notice include, but are not limited to, signage at POS and written statements.

* * * * *

3(c) Exclusions from Coverage

Paragraph 3(c)(1)-Checks

1. *Re-presented checks.* The electronic re-presentment of a returned check is not covered by Regulation E because the transaction originated by check. Regulation E does apply, however, to any fee authorized by the consumer to be debited electronically from the consumer's account because the check was returned for insufficient funds. Authorization occurs where the consumer has received notice that a fee imposed for returned checks will be debited electronically from the consumer's account.

2. *Check used to capture information for a one-time EFT. See* comment 3(b)-1(v).

* * * * *

Paragraph 3(c)(6) Telephone-Initiated Transfers

1. *Written plan or agreement.* A transfer that the consumer initiates by telephone is covered by Regulation E if the transfer is made under a written plan or agreement between the consumer and the financial institution making the transfer. A written statement available to the public or to account holders that describes a service allowing a consumer to initiate transfers by telephone constitutes a plan—for example, a brochure, or material included with periodic statements. The following, however, do not by themselves constitute a written plan or agreement:
   i. A hold-harmless agreement on a signature card that protects the institution if the consumer requests a transfer.
   ii. A legend on a signature card, periodic statement, or passbook that limits the number of telephone-initiated transfers the consumer can make from a savings account because of reserve requirements under Regulation D (12 C.F.R. Part 204).
   iii. An agreement permitting the consumer to approve by telephone the rollover of funds at the maturity of an instrument.
2. *Examples of covered transfers.* * * *
   v. The consumer initiates the transfer using a financial institution's audio-response or voice-response telephone system.

* * * * *

Section 205.6—Liability of Consumer for Unauthorized Transfers

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6(b) Limitations on Amount of Liability

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Paragraph 6(b)(1) Timely Notice Given

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3. *Two-business-day rule.* The two-business-day period does not include the day the consumer learns of the loss or theft or any day that is not a business day. The rule is calculated based on two 24-hour periods, without regard to the financial institution's business hours or the time of day that the consumer learns of the loss or theft. For example, a consumer learns of the loss or theft at 6 p.m. on Friday. Assuming that Saturday is a business day and Sunday is not, the two-business-day period begins on Saturday and expires at 11:59 p.m. on Monday, not at the end of the financial institution's business day on Monday.

* * * * *

Section 205.7—Initial Disclosures

7(a) Timing of Disclosures

* * * * *

2. *Lack of advance notice of a transfer.* Where a consumer authorizes a third party to debit or credit the consumer's account, an account-holding institution that has not received advance notice of the transfer or transfers must provide the required disclosures as soon as reasonably possible after the first debit or credit is made, unless the institution has previously given the disclosures.

* * * * *

Paragraph 7(b)(10)-Error Resolution

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2. *Extended time-period for certain transactions.* To take advantage of the longer time periods for resolving errors under section 205.11(c)(3) (for new accounts as defined in Regulation CC (12 C.F.R. Part 229), transfers initiated outside the United States, or transfers resulting from POS debit-card transactions), a financial institution must have disclosed these longer time periods. Similarly, an institution that relies on the exception from provisional crediting in section 205.11(c)(2) for accounts subject to Regulation T (12 C.F.R. Part 220) must have disclosed accordingly.

Section 205.8—Change-in-Terms Notice; Error Resolution Notice

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8(b) Error Resolution Notice

* * * * *

2. *Exception for new accounts.* For new accounts, disclosure of the longer error resolution time periods under section 205.11(c)(3) is not required in the annual error resolution notice or in the notice that may be provided with each periodic statement as an alternative to the annual notice.

Section 205.9—Receipts at Electronic Terminals; Periodic Statements

9(a) Receipts at Electronic Terminals

* * * * *

Paragraph 9(a)(5)Terminal Location

1. *Options for identifying terminal.* The institution may provide either:
   i. The city, state or foreign country, and the information in sections 205.9(a)(5)(i), (ii), or (iii), or

ii. A number or a code identifying the terminal. If the institution chooses the second option, the code or terminal number identifying the terminal where the transfer is initiated may be given as part of a transaction code.

* * * * *

3. *Omission of state.* The state may be omitted from the location information on the receipt if:
   i. All the terminals owned or operated by the financial institution providing the statement (or by the system in which it participates) are located in that state, or
   ii. All transfers occur at terminals located within 50 miles of the financial institution's main office.
4. *Omission of city and state.* The city and state may be omitted if all the terminals owned or operated by the financial institution providing the statement (or by the system in which it participates) are located in the same city.

* * * * *

9(b) Periodic Statements

* * * * *

4. *Statement pickup.* A financial institution may permit, but may not require, consumers to pick up their periodic statements at the financial institution.

* * * * *

9(c) Exceptions to the Periodic Statement Requirements for Certain Accounts

* * * * *

Paragraph 9(c)(1) Preauthorized Transfers to Accounts

1. *Accounts that may be accessed only by preauthorized transfers to the account.* The exception for "accounts that may be accessed only by preauthorized transfers to the account" includes accounts that can be accessed by means other than EFTs, such as checks. If, however, an account may be accessed by any EFT other than preauthorized credits to the account, such as preauthorized debits or ATM transactions, the account does not qualify for the exception.
2. *Reversal of direct deposits.* For direct-deposit-only accounts, a financial institution must send a periodic statement at least quarterly. A reversal of a direct deposit to correct an error does not trigger the monthly statement requirement when the error represented a credit to the wrong consumer's account, a duplicate credit, or a credit in the wrong amount. (*See also* comment 2(m)-5.)

* * * * *

Section 205.10—Preauthorized Transfers

* * * * *

10(b) Written Authorization for Preauthorized Transfers from Consumer's Account

* * * * *

5. *Similarly authenticated.* The similarly authenticated standard permits signed, written authorizations to be provided electronically. The writing and signature requirements of this section are satisfied by complying with the Electronic Signatures in Global and National Commerce Act, 15 U.S.C. 7001 *et seq.*, which defines electronic records and electronic signatures. Examples of electronic signatures include, but are not limited to, digital signatures and security codes. A security code need not originate with the account-holding institution. The authorization process should evidence the consumer's identity and assent to the authorization. The person that obtains the authorization must provide a copy of the terms of the authorization to the consumer either electronically or in paper form. Only the consumer may authorize the transfer and not, for example, a third-party merchant on behalf of the consumer.

* * * * *

7. *Bona fide error.* Consumers sometimes authorize third-party payees, by telephone or on-line, to submit recurring charges against a credit card account. If the consumer indicates use of a credit card account when in fact a debit card is being used, the payee does not violate the requirement to obtain a written authorization if the failure to obtain written authorization was not intentional and resulted from a bona fide error, and if the payee maintains procedures reasonably adapted to avoid any such error. If the payee is unable to determine, at the time of the authorization, whether a credit or debit card number is involved, and later finds that the card used is a debit card, the payee must obtain a written and signed or (where appropriate) a similarly authenticated authorization as soon as reasonably possible, or cease debiting the consumer's account.

* * * * *

10(e) Compulsory Use

* * * * *

Paragraph 10(e)(2) Employment or Government Benefit

1. *Payroll.* An employer (including a financial institution) may not require its employees to receive their salary by direct deposit to any particular institution. An employer may require direct deposit of salary by electronic means if employees are allowed to choose the institution that will receive the direct deposit. Alternatively, an employer may give employees the choice of having their salary deposited at a particular institution (designated by the employer) or receiving their salary by another means, such as by check or cash.

Section 205.11—Procedures for Resolving Errors

11(a) Definition of Error

* * * * *

2. *Verifying an account debit or credit.* If the consumer contacts the financial institution to ascertain whether a payment (for example, in a home-banking or bill-payment program) or any other type of EFT was debited to the account, or whether a deposit made via ATM, preauthorized transfer, or any other type of EFT was credited to the account, without asserting an error, the error resolution procedures do not apply.

* * * * *

Section 205.12—Relation to other Laws

12(a) Relation to Truth in Lending

1. *Determining applicable regulation.*
   i. For transactions involving access devices that also function as credit cards, whether Regulation E or Regulation Z (12 C.F.R. Part 226) applies depends on the nature of the transaction. For example, if the transaction solely involves an extension of credit, and does not include a debit to a checking account (or other consumer asset account), the liability limitations and error resolution requirements of Regulation Z apply. If the transaction debits a checking account only (with no credit extended), the provisions of Regulation E apply. If the transaction debits a checking account but also draws on an overdraft line of credit attached to the account, Regulation E's liability limitations apply, in addition to sections 226.13(d) and (g) of Regulation Z (which apply because of the extension of credit associated with the overdraft feature on the checking account). If a consumer's access device is also a credit card and the device is used to make unauthorized withdrawals from a checking account, but also is used to obtain unauthorized cash advances directly from a line of credit that is separate from the checking account, both Regulation E and Regulation Z apply.
   ii. The following examples illustrate these principles:
      A. A consumer has a card that can be used either as a credit card or a debit card. When used as a debit card, the card draws on the consumer's checking account. When used as a credit card, the card draws only on a separate line of credit. If the card is stolen and used as a credit card to make purchases or to get cash advances at an ATM from the line of credit, the liability limits and error resolution provisions of Regulation Z apply; Regulation E does not apply.
      B. In the same situation, if the card is stolen and is used as a debit card to make purchases or to get cash withdrawals at an ATM from the checking account, the liability limits and error resolution provisions of Regulation E apply; Regulation Z does not apply.
      C. In the same situation, assume the card is stolen and used both as a debit card and as a credit card; for example, the thief makes some purchases using the card as a debit card, and other purchases using the card as a credit card. Here, the liability limits and error resolution provisions of Regulation E apply to the unauthorized transactions in which the card was used as a debit card, and the corresponding provisions of Regulation Z apply to the unauthorized transactions in which the card was used as a credit card.
      D. Assume a somewhat different type of card, one that draws on the consumer's checking account and can also draw on an overdraft line of credit attached to the checking account. There is no separate line of credit, only the overdraft line, associated with the card. In this situation, if the card is stolen and used, the liability limits and the error resolution provisions of Regulation E apply. In addition, if the use of the card has resulted in accessing the overdraft line of credit, the error resolution provisions of section 226.13(d) and (g) of Regulation Z also apply, but not the other error resolution provisions of Regulation Z.

ORDERS ISSUED UNDER BANK HOLDING COMPANY ACT

Orders Issued Under Section 3 of the Bank Holding Company Act

Bank Hapoalim, B.M.
Tel Aviv, Israel

Zohar Hashemesh Le'Hashkaot Ltd.
Tel Aviv, Israel

Hapoalim U.S.A. Holding Company, Inc.
New York, New York

Arison Holdings (1998) Ltd.
Tel Aviv, Israel

Israel Salt Industries Ltd.
Atlit, Israel

Order Approving Formation of Bank Holding Companies and Acquisition of a Bank

Bank Hapoalim, B.M. ("Bank Hapoalim"), Zohar Hashemesh Le'Hashkaot Ltd. ("Zohar"), Hapoalim U.S.A. Holding Company, Inc. ("Hapoalim U.S.A."), Arison Holdings (1998) Ltd. ("Arison"), and Israel Salt Industries Ltd. ("Israel Salt") (collectively, "Applicants") have requested the Board's approval under section 3(a)(1) of the Bank Holding Company Act ("BHC Act") (12 U.S.C.

§ 1842(a)(1)) to become bank holding companies by acquiring control of all the voting shares of Signature Bank, New York, New York ("Bank"), a *de novo* New York State-chartered bank.[1]

Notice of the application, affording interested persons an opportunity to comment, has been published (65 *Federal Register* 57,353; 69,537; and 70,570 (2000)). 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.

Bank Hapoalim, with consolidated assets of $52.8 billion, is the largest banking organization headquartered in Israel.[2] Bank Hapoalim maintains three branches in New York, New York; a branch in Chicago, Illinois; an agency in Miami, Florida, and a representative office in San Francisco, California. Bank Hapoalim also engages in securities brokerage activities in the United States.

Competitive Considerations

The proposal involves the formation and acquisition of a *de novo* bank. The Board previously has noted that the establishment of a *de novo* bank enhances competition in the relevant banking market and is a positive consideration in an application under section 3 of the BHC Act.[3] There is no evidence in this case that the transaction would lessen competition or create or further a monopoly in any relevant market. Accordingly, the Board concludes that consummation of the 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.[4]

Financial, Managerial, and Supervisory Considerations

The BHC Act requires the Board to consider the financial and managerial resources and future prospects of the companies and banks involved in the proposal and certain supervisory factors. The Board has reviewed information provided by Bank Hapoalim, confidential supervisory and examination information, and publicly reported financial and other information in assessing the financial and managerial strength of Bank Hapoalim and its subsidiaries. Bank Hapoalim's capital ratios exceed the minimum levels that would be required under the Basle Capital Accord and are considered equivalent to the capital that would be required of a U.S. banking organization. In addition, the Board has reviewed supervisory information from the home country authorities responsible for supervising Bank Hapoalim concerning the proposal and the managerial resources of Applicants, as well as reports of examination from the appropriate federal and state supervisors of the U.S. operations of Bank Hapoalim assessing its managerial resources. Based on all the facts of record, the Board concludes that the financial and managerial resources and future prospects of Applicants and Bank are consistent with approval under section 3 of the BHC Act.

Under section 3 of the BHC Act, the Board may not approve an application involving a foreign bank unless the bank is "subject to comprehensive supervision or regulation on a consolidated basis by the appropriate authorities in the bank's home country."[5] The Supervisor of Banks, who heads the Banking Supervision Unit within the Bank of Israel, is the primary regulator of Israeli banks, including Bank Hapoalim. The Supervisor of Banks conducts on-site examinations of Bank Hapoalim that cover areas such as major lines of business, risk management, corporate governance, compliance, asset quality, and transactions with affiliates. These examinations include a review of Bank Hapoalim's internal audit function and internal audit reports. Examinations by the Supervisor of Banks include frequent targeted examinations of specific business lines or supervisory areas. Although the Bank of Israel does not generally conduct on-site examinations of foreign offices, the Supervisor of Banks reviews Bank Hapoalim's foreign operations based on periodic reporting provided by Bank Hapoalim and information provided by host country supervisors.

External auditors evaluate Bank Hapoalim's internal controls and audit Bank Hapoalim's consolidated financial statements annually. Their comments and findings are provided to the board of directors of Bank Hapoalim. The Supervisor of Banks reviews the findings of the external auditors.

Bank Hapoalim is subject to extensive reporting requirements and must provide reports to the Supervisor of Banks

1. The New York State Banking Department conditionally approved Bank's organization certificate on September 7, 2000. Bank would be wholly owned by Hapoalim U.S.A., which is a wholly owned subsidiary of Zohar. Hapoalim U.S.A. and Zohar are wholly owned subsidiaries of Bank Hapoalim. Arison and Israel Salt own 20.7 percent and 11.6 percent, respectively, of the voting shares of Bank Hapoalim. Arison and Israel Salt also are parties to a shareholder agreement among the owners of 42.5 percent of the voting shares of Bank Hapoalim. Under this agreement, Arison and Israel Salt each have the power under certain circumstances to control the voting of all the shares held by the parties to the agreement. As a result, Arison and Israel Salt each are considered to control Bank Hapoalim and have joined in the filing of this application. Arison and Israel Salt are each qualifying foreign banking organizations under Regulation K. *See* 12 C.F.R. 211.23.

2. Asset data are as of June 30, 2000, and use exchange rates then in effect. Ranking data are as of November 1, 2000.

3. *See Wilson Bank Holding Company,* 82 *Federal Reserve Bulletin* 568 (1996).

4. After consummation of the proposal, New York would be the home state of Applicants and Bank for purposes of the BHC Act. Accordingly, the proposed transaction is not barred by section 3(d) of the BHC Act. *See* 12 U.S.C. §§ 1841(o)(4) and 1842(d).

5. 12 U.S.C. § 1842(c)(3)(B). As provided in Regulation Y, the Board determines whether a foreign bank is subject to consolidated home country supervision under the standards set forth in Regulation K. 12 C.F.R. 225.13(a)(4). Regulation K provides that a foreign bank may be considered subject to consolidated supervision if the Board determines that the bank is supervised or regulated in such a manner that its home country supervisor receives sufficient information on the worldwide operations of the foreign bank, including the relationships of the bank to its affiliates, to assess the foreign bank's overall financial condition and compliance with law and regulation. 12 C.F.R. 211.24(c)(1)(ii).

concerning, among other things, profit and loss, capital adequacy, liquidity, asset quality, large exposures, currency positions, loans to related parties, investments in subsidiaries and affiliated companies, and controlling shareholders. Bank Hapoalim also must submit quarterly and annual reports on overseas operations, as well as annual audited consolidated financial statements. The Supervisor of Banks has the authority to require Bank Hapoalim, its directors, employees, or auditors to provide any information related to the bank's business and any corporation under the bank's control.

The Supervisor of Banks has promulgated regulations for banks limiting loans to one borrower or a group of borrowers under common control and limiting aggregate exposure to the bank's six largest borrowers. In addition, the Supervisor of Banks has imposed capital-based limits on the amounts that a credit institution may invest overseas and in nonfinancial companies.

With respect to affiliate transactions, a directive of the Supervisor of Banks limits the aggregate amount of Bank Hapoalim's exposure to related parties to 10 percent of the bank's capital. Additionally, the Supervisor of Banks requires that transactions between Bank Hapoalim and related parties be conducted on market terms.

The Supervisor of Banks has statutory authority to revoke the license of a bank. In addition, the Supervisor of Banks may restrict the business activities of a bank, forbid the distribution of dividends, and suspend or limit the powers of directors or managers if an institution fails to follow its remedial directives or if the Supervisor determines the condition of the bank requires such actions.

Bank Hapoalim also is subject to laws and regulations issued by other Israeli government entities. As a company whose shares are listed on the Tel Aviv Stock Exchange ("TASE"), Bank Hapoalim is subject to laws and regulations applicable to public companies and enforced by the TASE and the Israeli securities authority. Bank Hapoalim and its affiliates are also subject to the jurisdiction of the Tax Authorities, the Trade Practices Commission, and the Registrar of Companies. The Bank of Israel may exchange supervisory information with these other authorities.

Based on all the facts of record, the Board has concluded that Bank Hapoalim is subject to comprehensive supervision and regulation on a consolidated basis by its home country supervisor.

The BHC Act also requires the Board to determine that the foreign bank has provided adequate assurances that it will make available to the Board such information on its operations and activities and those of its affiliates that the Board deems appropriate to determine and enforce compliance with the BHC Act.[6] The Board has reviewed the restrictions on disclosure in jurisdictions where Bank Hapoalim has material operations and has communicated with relevant government authorities concerning access to information. Each of Bank Hapoalim and its parents has committed that it will make available to the Board such information on the operations of Bank Hapoalim and any of its affiliates that the Board deems necessary to determine and enforce compliance with the BHC Act, the International Banking Act (12 U.S.C. § 3101 *et seq.*), and other applicable federal law. Each of Bank Hapoalim and its parents also has committed to cooperate with the Board to obtain any waivers or exemptions that may be necessary to enable Bank Hapoalim to make such information available to the Board. In light of these commitments and other facts of record, the Board has concluded that Bank Hapoalim has provided adequate assurances of access to any appropriate information the Board may request.

For these reasons, and based on all the facts of record, the Board has concluded that the supervisory factors it is required to consider under section 3(c) of the BHC Act are consistent with approval.

Convenience and Needs Considerations

The Board also has carefully considered the effect of the proposal on the convenience and needs of the communities to be served in light of all the facts of record. The Board has long held that consideration of the convenience and needs factor includes a review of the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). As provided in the CRA, the Board evaluates the record of performance of an institution in light of examinations by the appropriate federal supervisors of the CRA performance records of the relevant institutions. An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation of the institution's overall record of performance under the CRA by its appropriate federal supervisor.[7]

One of Bank Hapoalim's New York branches (the "New York Branch") is currently subject to the CRA. At its most recent examination for CRA performance, as of May 22, 2000 (the "2000 Examination"), the New York Branch received an overall rating of "satisfactory" from its primary federal regulator, the Federal Deposit Insurance Corporation.[8] The branch's levels of community development lending, qualified investments and grants, and community development services were all found to be adequate.[9]

As noted above, Bank is a newly chartered bank that has not yet begun operation. Bank Hapoalim's CRA plan calls for Bank to engage in community development lending by

6. *See* 12 U.S.C. § 1842(c)(3)(A).

7. The Interagency Questions and Answers Regarding Community Reinvestment provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record. *See* 65 *Federal Register* 25,088 and 25,107 (2000).

8. The New York Branch is designated as a wholesale institution for CRA purposes and is, therefore, evaluated under the community development test. *See* 12 C.F.R. 345.25.

9. At its previous CRA examination, as of June 30, 1997, the New York Branch received a rating of "needs to improve." The 2000 Examination, however, found that the New York Branch had improved its CRA performance and merited a "satisfactory" CRA rating.

extending credit to community development financial institutions ("CDFIs") that would make loans to nonprofit organizations funding affordable housing and economic development projects in Bank's assessment area.[10] Bank also would lend to community development corporations ("CDCs") and local development corporations ("LDCs") in its assessment area. Bank's community development investments would include nonmember deposits in credit unions in low- and moderate-income neighborhoods in New York City. Bank Hapoalim also expects Bank to make grants to CDFIs, CDCs, and LDCs as it develops relationships with them. Bank's services are expected to include basic checking accounts and products designed for small businesses and nonprofit organizations.

Based on all the facts of record, including Bank Hapoalim's record of performance under the CRA, the Board concludes that convenience and needs considerations are consistent with approval of the proposal.

Conclusion

Based on the foregoing, the Board has determined that the application should be, and hereby is, approved. In reaching this conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act and other applicable statutes.[11] The Board's approval is specifically conditioned on compliance by Applicants with all the commitments made in connection with the application, including the commitments discussed in this order and the conditions set forth in this order and the above-noted Board regulations and orders, and on the Board's receiving access to information on the operations or activities of Applicants and any of their affiliates that the Board determines to be appropriate to determine and enforce compliance with applicable federal statutes and regulations by Applicants and their affiliates. For the purpose of this action, the commitments 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.

10. Bank Hapoalim has identified Bank's assessment area for CRA purposes to be Bronx, Kings, New York, and Queens Counties in New York State.

11. The Board notes that, in a report dated June 22, 2000, the Financial Action Task Force, an intergovernmental body that develops and promotes policies to combat money laundering, identified Israel as having certain deficiencies in its anti-money laundering policies and procedures. In connection with this action, the U.S. Department of the Treasury's Financial Crimes Enforcement Network ("FinCEN") issued an advisory concerning potential problems that could arise in dealing with banks in Israel in light of the lack of adequate anti-money laundering policies. Since that time, Israel has enacted anti-money laundering legislation and issued implementing regulations to address these deficiencies, including adopting requirements that banks report suspicious transactions and maintain records of customer transactions. In light of these and other actions taken by Israel to strengthen its anti-money laundering policies and procedures, the Board believes that the application may be approved.

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

By order of the Board of Governors, effective March 26, 2001.

This action was taken pursuant to the Board's Rules Regarding Delegation of Authority (12 C.F.R. 265.4(b)(1)) by a committee of Board members. Voting for this action: Chairman Greenspan and Governors Kelley and Meyer. Absent and not voting: Vice Chairman Ferguson and Governor Gramlich.

ROBERT DEV. FRIERSON
Associate Secretary of the Board

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

Fifth Third Bancorp, Cincinnati, Ohio

Order Approving the Acquisition of a Bank Holding Company

Fifth Third Bancorp ("Fifth Third"), a financial holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire Old Kent Financial Corporation, Grand Rapids ("Old Kent"), also a financial holding company, and thereby acquire Old Kent's subsidiary banks: Old Kent Bank, its lead subsidiary bank, also in Grand Rapids, and Old Kent Bank, N.A., Jonesville, all in Michigan. Fifth Third proposes to acquire Old Kent through a merger with a newly formed direct subsidiary of Fifth Third, Fifth Third Financial Corporation, Cincinnati ("FTFC").[1] Fifth Third also has requested the Board's approval under section 3 of the BHC Act for FTFC to become a bank holding company by acquiring Old Kent and has filed with the Board an election for FTFC to become a financial holding company pursuant to section 4(k) and (l) of the BHC Act (12 U.S.C. § 1843(k) and (l)) and section 225.82 of the Board's Regulation Y (12 C.F.R. 225.82).[2]

1. In addition, Fifth Third has requested the Board's approval to exercise an option to acquire up to 19.9 percent of Old Kent's voting shares if certain events occur. The option would expire on consummation of the proposal.

2. Fifth Third initially would hold the subsidiary banks of Old Kent as direct subsidiaries of FTFC. Fifth Third has informed the Board that it might reorganize the branch structure of some of its subsidiary banks through consolidations, mergers, and purchase and assumption transactions after the Board's decision on the current applications and notices, and that it would make the necessary filings and request the Board's prior approval for any such reorganization under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) and section 9 of the Federal Reserve Act (12 U.S.C. § 321).

In addition, Fifth Third and FTFC (collectively, "Fifth Third") have requested the Board's approval under section 4(c)(8) and (j) of the BHC Act (12 U.S.C. § 1843(c)(8) and (j)) to acquire all the nonbanking subsidiaries of Old Kent and thereby engage in certain nonbanking activities.[3] In addition, Fifth Third has provided notice under section 25 of the Federal Reserve Act (12 U.S.C. § 601 *et seq.*) and the Board's Regulation K (12 C.F.R. Part 211) of its intention to acquire the agreement corporation subsidiary of Old Kent.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (66 *Federal Register* 110 and 7,490 (2001)). 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 the BHC Act and the Federal Reserve Act.

Fifth Third, with total consolidated assets of approximately $44.7 billion, is the 24th largest commercial banking organization in the United States.[4] Fifth Third operates subsidiary depository institutions in Arizona, Florida, Kentucky, Indiana, Illinois, Michigan, and Ohio. Fifth Third is the second largest commercial banking organization in Ohio, controlling deposits of $16.4 billion, representing approximately 10 percent of total deposits in insured depository institutions in the state ("state deposits").[5] In Michigan, Fifth Third is the 14th largest commercial banking organization, controlling deposits of $1.2 billion, representing approximately 1 percent of state deposits.

Old Kent, with total consolidated assets of $22.2 billion, is the 41st largest commercial banking organization in the United States. Old Kent operates subsidiary depository institutions in Illinois, Indiana, and Michigan. Old Kent is the fourth largest commercial banking organization in Michigan, controlling deposits of $10.7 billion, representing approximately 9.1 percent of state deposits.

On consummation of the proposal and after accounting for the proposed divestitures in this order, Fifth Third would become the 21st largest commercial banking organization in the United States, with total consolidated assets of $66.9 billion, representing approximately 1.1 percent of total banking assets of commercial banks in the United States. Fifth Third would become the third largest commercial banking organization in Michigan, controlling deposits of $1.8 billion, representing approximately 10.1 percent of state deposits.

Interstate Analysis

Section 3(d) of the BHC Act allows the Board to approve an application by a bank holding company to acquire control of a bank located in a state other than the home state of the bank holding company if certain conditions are met.[6] For purposes of the BHC Act, the home state of Fifth Third is Ohio, and Old Kent's subsidiary banks are located in Illinois, Indiana, and Michigan.[7]

All the conditions for an interstate acquisition enumerated in section 3(d) of the BHC Act are met in this case.[8] Fifth Third is adequately capitalized and adequately managed, as defined by applicable law.[9] Each subsidiary bank of Old Kent located in a state with a minimum age requirement has been in existence and operated continuously for at least the period of time required by applicable state law.[10] On consummation of the proposal and after accounting for the proposed divestitures, Fifth Third and its affiliates would control less than 30 percent, or the applicable percentage established by state law, of total deposits held by insured depository institutions in each state in which the insured depository institutions of both Fifth Third and Old Kent are located.[11] All other requirements of section 3(d) would be met in this case. Accordingly, based on all the facts of record, the Board is permitted to approve the proposal under section 3(d) of the BHC Act.

Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or would be in furtherance of any attempt to monopolize the business of banking in any relevant market. The BHC Act also prohibits the Board from approving a proposed bank acquisition that would substantially lessen competition in any relevant banking market, unless the Board finds that the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served.[12]

Fifth Third and Old Kent compete directly in eight local banking markets in Michigan and Indiana.[13] The Board has reviewed carefully the competitive effects of the proposal in each of these markets in light of comments received and all the facts of record.[14] In particular, the Board has considered the number of competitors that would remain in the markets, the relative share of total deposits in depository institutions in the markets ("market deposits") controlled

3. These nonbanking activities are listed in Appendix A.
4. Asset and ranking data are as of June 30, 2000.
5. Deposit and ranking data are as of June 30, 2000. In this context, depository institutions include commercial banks, savings banks, and savings associations.

6. *See* 12 U.S.C. § 1842(d). A bank holding company's home state is the state in which the total deposits of all banking subsidiaries of such company were the largest on the later of July 1, 1966, or the date on which the company became a bank holding company. 12 U.S.C. § 1842(o)(4)(C).
7. For purposes of section 3(d) of the BHC Act, the Board considers a bank to be located in the states in which the bank is chartered, headquartered, or operates a branch.
8. *See* 205 Ill. Comp. Stat. Ann. 10/3.071(i)(1) (West 2000); Ind. Code. Ann. § 28-2-16-17 (Michie 2000); Mich. Comp. Laws § 23.710(11104) (8) (2000).
9. *See* 12 U.S.C. § 1842(d)(1)(A).
10. *See* 12 U.S.C. § 1842(d)(1)(B).
11. *See* 12 U.S.C. § 1842(d)(2)(B).
12. *See* 12 U.S.C. § 1842(c)(1).
13. These banking markets are described in Appendix B.
14. Two commenters expressed concern that the proposal would have anticompetitive effects in certain banking markets.

by Fifth Third and Old Kent,[15] the concentration level of market deposits and the increase in this level as measured by the Herfindahl–Hirschman Index ("HHI") under the Department of Justice Merger Guidelines ("DOJ Guidelines"),[16] other characteristics of the markets, and commitments made by Fifth Third to divest certain branches.[17]

Consummation of the proposal without divestitures would be consistent with Board precedent and the DOJ Guidelines in the Allegan, Michigan and the Elkhart-Niles-South Bend, Michigan/Indiana banking markets.[18] After consummation of the proposal, these banking markets would remain moderately concentrated as measured by the HHI.

To reduce the potential for adverse effects on competition in four of the remaining six Michigan markets in which Fifth Third and Old Kent compete directly, Fifth Third has committed to divest six branches that account for approximately $203.6 million in deposits.[19] In light of the proposed divestitures, consummation of the proposal would be consistent with Board precedent and the DOJ Guidelines in the Fremont-Newaygo and Muskegon-Grand Haven banking markets.[20]

Fifth Third and Old Kent compete directly in four banking markets in Michigan where the proposal would result in concentration levels that warrant a more detailed review under the DOJ Guidelines and Board precedent: Holland, Benton Harbor-St. Joseph ("Benton Harbor"), Grand Rapids, and Ludington. In each of these banking markets, the Board has carefully considered whether other factors either mitigate the competitive effects of the proposal in the market or indicate that the proposal would have a significantly adverse effect on competition in the market. The number and strength of factors necessary to mitigate the competitive effects of a proposal depend on the level of concentration and size of the increase in market concentration.[21]

Holland. Fifth Third operates the fourth largest depository institution in the Holland banking market, controlling deposits of $202.3 million, representing approximately 13.6 percent of market deposits. Old Kent operates the second largest depository institution in the market, controlling deposits of $308.1 million, representing approximately 20.7 percent of market deposits. To reduce the potential for adverse competitive effects in this banking market, Fifth Third has committed to divest two branches in the market, with total deposits of $82.3 million, representing approximately 5.5 percent of market deposits, to an out-of-market commercial banking organization or an in-market commercial banking organization that currently controls less than 2 percent of market deposits. After the proposed merger and divestiture, Fifth Third would operate the largest depository institution in the market, controlling deposits of $428.1 million, representing 28.7 percent of market deposits. The HHI would increase by not more than 260 points and would not exceed 1962.[22]

Several factors indicate that the increase in concentration in the Holland banking market as measured by the HHI does not reflect a significantly adverse effect on competition. Many financial institutions, relative to the size of total market deposits, would continue to compete in this market. At least ten commercial banking organizations besides Fifth Third and one thrift institution would remain in the market after consummation of the proposal. At least two other banking organizations would each control more than 14 percent of market deposits, including a large multistate banking organization with $416.2 million in deposits, representing 27.9 percent of market deposits. In addition, three other banking organizations each would control more than 5 percent of market deposits, and three other large multistate banking organizations would remain in the market after consummation.

15. Market share data are as of June 30, 2000, and are based on calculations in which the deposits of thrift institutions are included at 50 percent, except as discussed in this order. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See, e.g., Midwest Financial Group,* 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation,* 70 *Federal Reserve Bulletin* 743 (1984). Thus, the Board regularly has included thrift deposits in the market share calculation on a 50-percent weighted basis. *See, e.g., First Hawaiian, Inc.,* 77 *Federal Reserve Bulletin* 52 (1991).

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

17. With respect to each market in which Fifth Third has committed to divest offices to mitigate the anticompetitive effects of the proposal, Fifth Third has committed to execute, before consummation of the proposal, a sales agreement for the proposed divestitures with a purchaser determined by the Board to be competitively suitable and to complete the divestitures within 180 days after consummation of the proposal. Fifth Third also has committed that, if it is unsuccessful in completing any divestiture within 180 days after consummation of the acquisition of Old Kent, Fifth Third will transfer the unsold branch(es) to an independent trustee that is acceptable to the Board and will instruct the trustee to sell the branch(es) promptly to one or more alternative purchasers acceptable to the Board. *See BankAmerica Corporation,* 78 *Federal Reserve Bulletin* 338 (1992); *United New Mexico Financial Corporation,* 77 *Federal Reserve Bulletin* 484 (1991).

18. The effects of the proposal on the concentration of banking resources in these markets are described in Appendix C.

19. These markets are Muskegon-Grand Haven, Fremont-Newaygo, Holland, and Benton-Harbor, all in Michigan.

20. The effects of the proposal on the concentration of banking resources in the banking markets are described in Appendix D. As discussed in the Appendix, the transaction would result in no increase in the HHI in the Fremont-Newaygo banking market, and the increase in the HHI in the Muskegon-Grand Haven banking market would be within the threshold levels in the DOJ Guidelines.

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

22. If Fifth Third were to divest the relevant Holland branches to an out-of-market firm, the HHI would increase by 244 points to 1946.

The significant recent entries into the Holland banking market confirm that the market is attractive for entry. Since 1997, two *de novo* banking organizations have been organized and chartered in the banking market. Although these banking organizations did not begin to compete in the market until November 1997 and October 1998, they already are the third and fifth largest banking organizations, respectively, in the banking market, as measured by deposits. In addition, five banking organizations have entered the Holland banking market by opening *de novo* branches since 1997, and three other banking organizations besides Fifth Third have entered the market through acquisitions.

Other factors indicate that the Holland banking market is attractive for entry. For example, from 1996 to 1999, the percentage increase in total market deposits in the Holland banking market exceeded the percentage increase in total deposits statewide. During that same time period, the percentage increase in population in the Holland market exceeded that of the state by almost 6 percent.[23]

The Board has concluded that these considerations and other factors mitigate the potential adverse competitive effects of the proposal in the Holland banking market.

Benton Harbor. Fifth Third operates the second largest depository institution in the Benton Harbor banking market, controlling deposits of $319.8 million, representing approximately 23.1 percent of market deposits. Old Kent operates the fourth largest depository institution in the market, controlling deposits of $146.9 million, representing approximately 10.6 percent of market deposits. To reduce the potential for adverse competitive effects in this banking market, Fifth Third has committed to divest two branches with total deposits of $63.8 million, representing approximately 4.6 percent of market deposits, to an out-of-market commercial banking organization or an in-market commercial banking organization that currently controls less than 2 percent of market deposits. After the proposed merger and divestiture, Fifth Third would operate the second largest depository institution in the market, controlling deposits of $402.8 million, representing 29.1 percent of market deposits. The HHI would increase by not more than 239 points and would not exceed 2699.[24]

Several mitigating factors indicate that the increase in market concentration in the Benton Harbor banking market, as measured by the HHI, does not reflect a significantly adverse effect on competition. Many financial institutions, relative to the size of total market deposits, would continue to compete in this market. At least seven commercial banking organizations besides Fifth Third and two thrift institutions would remain in the market after consummation of the proposal. One of the commercial banking organizations would remain the largest depository institution in the market, with 40.3 percent of market deposits. In addition, two large multistate banking organizations would remain in the banking market and control 5.4 and 12 percent of market deposits.

The Benton Harbor banking market also had *de novo* entry in recent years. Since 1997, two banking organizations have entered the Benton Harbor banking market by opening *de novo* branches, and nine banking organizations have entered the market through the acquisition of branches. Other factors also indicate that the Benton Harbor market is attractive for entry. From 1996 to 1999, the percentage increase in per capita income in Van Buren and Berrien Counties, portions of which are in the Benton Harbor banking market, exceeded the average Metropolitan Statistical Area ("MSA") counties in Michigan. In addition, the percentage increase in total market deposits in Van Buren County exceeded the average percentage increase for all MSA counties in Michigan during the same time period. The Board also has considered the competitive effect of credit unions operating in the Benton Harbor banking market. Five credit unions control approximately 21 percent of the market deposits and offer a full range of retail banking products. The largest credit union, which controls approximately 13 percent of market deposits, would be the third largest competitor in the market.

The Board has concluded that these considerations and other factors mitigate the potential adverse competitive effects of the proposal in the Benton Harbor banking market.

Grand Rapids. Fifth Third, which did not enter the Grand Rapids banking market until December 2000 by acquiring a thrift institution, operates the eighth largest depository institution in the market, controlling deposits of $261 million, representing only 2.9 percent of market deposits. Old Kent, which is headquartered in Grand Rapids, operates the largest depository institution in the market, controlling deposits of $4.2 billion, representing approximately 46.7 percent of market deposits. After consummation of the proposal, Fifth Third would operate the largest depository institution in the market, controlling deposits of $4.5 billion, representing 49.5 percent of market deposits. The HHI would increase by 268 points to 2713.

Although the structural effects as measured by the HHI would be sizeable, the Board finds that a number of factors mitigate the potential anticompetitive effects of the transaction. In this proposal, a competitor that only has a very small presence in the market and that only recently entered the Grand Rapids market is acquiring the longstanding largest competitor. The presence of numerous other depository institution competitors also is an important consideration in this market. Twenty-five other commercial banking organizations, including five multistate organizations, each with at least 20 branch offices in the market, and two thrift institutions would remain after consummation of the proposal. A large multistate bank holding company would remain the second largest depository institution in the market, controlling more than 11 percent of market deposits, and two other large multistate banking organizations would each control between 5 percent and 10 percent of market deposits.

23. From 1996 to 1999, the population in the Holland banking market increased by 7.1 percent, while the population of Michigan increased by 1.3 percent.

24. If Fifth Third were to divest the relevant Benton Harbor branches to an out-of-market firm, the HHI would increase by 222 points to 2682.

In addition, the attractiveness of the Grand Rapids banking market is demonstrated by the significant new entry in recent years. Four *de novo* commercial banks have been organized in the Grand Rapids banking market since 1995, including one organized in December 1997 that already is the fifth largest depository institution with more than $362 million in market deposits. In addition, five commercial banks and one thrift institution have entered the Grand Rapids banking market since 1995 by opening *de novo* branches, and four other commercial banking organizations besides Fifth Third have entered the market through branch acquisitions. Other factors indicate that the Grand Rapids banking market is attractive for entry. For example, the statistics for Kent County have exceeded the averages for all MSA counties in Michigan, in recent years, with respect to total deposits per banking office, per capita income, and percentage increases in market population, market deposits, and per capita income.

Based on all the facts of record, the Board concludes that these considerations, including the number and strength of competitors in the market, the significant recent *de novo* entry in the market, the attractiveness of the market for future entry by out-of-market competitors, and other factors, mitigate the potentially adverse competitive effects of the proposal in the Grand Rapids banking market.[25]

Ludington. Fifth Third operates the seventh largest depository institution in the Ludington banking market, controlling deposits of $45.3 million, representing approximately 8.7 percent of market deposits. Old Kent operates the second largest depository institution in the market, controlling deposits of $80.8 million, representing approximately 15.5 percent of market deposits. After the proposed merger, Fifth Third would operate the second largest depository institution in the market, controlling deposits of $126.1 million, representing 24.7 percent of market deposits. The HHI would increase by 282 points to 1904.

Several factors suggest that this increase in market concentration in the Ludington banking market as measured by the HHI does not reflect a significantly adverse effect on competition in the market. The Board has considered that one savings association operating in the market serves as a significant source of commercial loans and provides a broad range of consumer, mortgage, and other banking products. Competition from this savings association closely approximates competition from a commercial bank. Accordingly, the Board has concluded that deposits controlled by this organization should be weighted at 100 percent in calculating market concentration under the DOJ Guidelines.[26]

The presence and competitive strength of other bank competitors is an important factor in this market. After consummation of the proposal, six depository institutions besides Fifth Third would compete in the market, including two large multistate banking organizations. The largest competitor in the banking market would control more than 27.8 percent, and two other commercial banking organizations would each control more than 10 percent of market deposits. Further, two of the three other remaining commercial banking organizations would each control more than 9 percent of market deposits.

In addition, factors indicate that the Ludington market is attractive for entry. For example, the averages for the counties in the Ludington banking market have exceeded the averages for all non-MSA counties in Michigan, in recent years, with respect to the following statistical categories: population per banking office, total deposits per banking office, and percentage increases in total market deposits, market population, and per capita income.

The Board has concluded that these considerations and other factors mitigate the potential adverse competitive effects of the proposal in the Ludington banking market.

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

After carefully reviewing all the facts of record, including public comments on the competitive effects of the proposal, and for the reasons discussed above and in the appendices, the Board has concluded that consummation of the proposal would not result in a significantly adverse effect on competition or on the concentration of banking resources in any of the eight markets in which Fifth Third and Old Kent compete directly or in any other relevant banking market.[27] Accordingly, based on all the facts of record and subject to completion of the proposed divesti-

25. Fifth Third contends that, for purposes of evaluating the competitive factors in the Grand Rapids market, the Board should exclude certain categories of Old Kent's deposits, primarily brokered certificates of deposits. The Board continues to believe that deposits maintained by a banking organization in a specific market, including deposits generated outside the market, represent an important measure of the banking organization's capacity to compete in that market. *See, e.g., First Security Corporation,* 86 *Federal Reserve Bulletin* 122 (2000). The Board has adjusted market indices to account for certain types of deposits only under very limited circumstances, such as when the bank holding company was limited by law, contract, or duration of relationship in its ability to use the deposits for any activity other than supporting the deposit account.

26. The Board previously has indicated that it may consider the competitiveness of a saving association at a level greater than 50 percent of the savings association's deposits, if appropriate. *See, e.g., Banknorth Group, Inc.,* 75 *Federal Reserve Bulletin* 703 (1989). On consummation of the proposal, and after taking into account the deposits controlled by this thrift, the HHI would increase by 268 points to 1830.

27. One commenter criticized Fifth Third for not identifying the specific branches that it would divest in connection with the proposal in the nonconfidential portion of its application during the comment period and indicated that this omission hindered the commenter's ability to submit views on the competitive effects of the proposal. The Board has concluded that the publicly available information provided by Fifth Third on the proposal is sufficient for interested persons to evaluate and comment on the competitive effects of the proposal.

tures, the Board has determined that competitive factors are consistent with approval of the proposal.

Financial, Managerial, and Other Supervisory Factors

Section 3 of the BHC Act requires the Board to consider the financial and managerial resources and future prospects of the companies and banks involved in the proposal and other supervisory factors. The Board has carefully considered these factors in light of all the facts of record, including public comments, reports of examination, other confidential supervisory information assessing the financial and managerial resources of the organizations, and other information provided by Fifth Third and Old Kent.[28]

In evaluating financial factors in expansion proposals by a banking organization, the Board consistently has considered capital adequacy to be especially important. Fifth Third, Old Kent, and each of their subsidiary depository institutions are, and on consummation of the proposed transaction would remain, well capitalized and the earnings of each company have been strong. The proposed acquisition is structured as an exchange of shares of Fifth Third for shares of Old Kent, and Fifth Third would not incur any debt as a result of the transaction.

The Board also has considered the managerial resources of Fifth Third and Old Kent and the examination records of those organizations and their subsidiary depository institutions by the appropriate federal financial supervisory agencies. Fifth Third, Old Kent, and their subsidiary depository institutions are well managed and have appropriate risk management systems in place. The Board also has considered the plans of Fifth Third to implement the proposed acquisition, including its available managerial resources. The Board has considered that Fifth Third recently acquired other bank holding companies and that Fifth Third's management successfully integrated the acquired institutions into its existing operations.

Based on all the facts of record, including confidential reports of examination and other supervisory information, the Board has concluded that considerations relating to the financial and managerial resources and future prospects of Fifth Third, Old Kent, and their respective subsidiary depository institutions are consistent with approval, as are the other supervisory factors that the Board must consider under section 3 of the BHC Act.

Convenience and Needs Considerations

In acting on a proposal under section 3 of the BHC Act, the Board is required to consider the effects of the proposal on the convenience and needs of the communities to be served and to take into account the records of the relevant depository institutions under the Community Reinvestment Act ("CRA").[29] The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of local communities in which they operate, consistent with safe and sound operation, and requires the appropriate federal financial supervisory agency to take into account an institution's record of meeting the credit needs of its entire community, including low- and moderate-income ("LMI") neighborhoods, in evaluating bank expansion proposals. The Board has carefully considered the convenience and needs factor and the CRA performance records of the subsidiary depository institutions of Fifth Third and Old Kent in light of all the facts of record, including public comments received on the effect the proposal would have on the communities to be served by the combined organization.

A. Summary of Public Comments

The Board received timely comments on the proposal from 17 commenters. Fourteen supported the proposal or commented favorably on Fifth Third's or Old Kent's CRA-related activities. Many of these commenters commended Fifth Third's efforts to increase lending in LMI and predominantly minority communities, including through activities such as homebuyer training seminars, community development grants, and financial, strategic, and technical assistance to community development organizations. For example, one local government agency and three private organizations involved in community development in Akron, Ohio, commented favorably on their experiences with Fifth Third. They noted that Fifth Third has provided below-market rate loans to build and renovate homes in Akron for LMI families, helped community development groups expand their activities and services, and provided numerous grants and scholarships to LMI individuals. Other favorable comments commended Fifth Third's active participation in community development efforts in Columbus and Springfield, Ohio, and Lexington, Kentucky.

Three commenters opposed the proposal and expressed concerns about the CRA performance records of Fifth Third or Old Kent. Commenters criticized the level of banking services that Fifth Third and Old Kent provided to LMI or predominantly minority neighborhoods, expressed concerns about their records of providing home mortgage loans to minorities in the communities they serve, or requested that the Board approve the proposal subject to conditions suggested by the commenters.[30] Two comment-

28. One commenter criticized Fifth Third for not disclosing in its application an agreement it reached with the U.S. Department of Labor in March 2000 to resolve allegations of race and gender discrimination at the company. The Board previously has noted that the racial composition of a company's management or work force is not among the factors the Board is authorized to consider under the BHC Act. *See, e.g., Deutsche Bank AG*, 85 *Federal Reserve Bulletin* 509 (1999).

29. 12 U.S.C. § 2901 *et seq.*

30. Commenters requested that Fifth Third provide certain commitments, take certain actions, and answer certain questions, or that the Board impose specific CRA performance-related conditions. The Board notes that the CRA requires that, in considering an acquisition proposal, the Board carefully review the actual performance records of the relevant depository institutions in helping to meet the credit

ers also expressed concerns about the level of Fifth Third's community development activity. In addition, two commenters alleged that Fifth Third and Old Kent engaged in disparate treatment of minority individuals in home mortgage lending, based on data submitted under the Home Mortgage Disclosure Act ("HMDA").[31]

B. CRA Performance Examinations

As provided in the CRA, the Board has evaluated the convenience and needs factor in light of examinations by the appropriate federal supervisors of the CRA performance records of the relevant insured depository institutions. An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, onsite evaluation of the institution's overall record of performance under the CRA by its appropriate federal supervisor.[32]

All the subsidiary insured depository institutions of Fifth Third received either "outstanding" or "satisfactory" ratings at the most recent examinations of their CRA performance. In particular, Fifth Third's lead bank, Fifth Third Bank, Cincinnati, Ohio ("Fifth Third Bank"), which currently accounts for approximately 71.2 percent of the total consolidated assets of Fifth Third,[33] received a "satisfactory" rating at its most recent CRA performance evaluation by the Federal Reserve Bank of Cleveland, as of March 8, 1999.[34] All the subsidiary banks of Old Kent also received "satisfactory" ratings at the most recent examinations of their CRA performance. In particular, Old Kent Bank, Grand Rapids, which is Old Kent's lead bank and now represents approximately 98.3 percent of the total consolidated assets controlled by Old Kent, received a "satisfactory" rating at its most recent CRA performance evaluation by the Federal Reserve Bank of Chicago, as of August 9, 1999.[35]

Examiners found no evidence of prohibited discrimination or other illegal credit practices at any of the insured depository institutions involved in this proposal and found no violations of substantive provisions of the fair lending laws. Examiners also reviewed the assessment areas delineated by the subsidiary banks of Fifth Third and Old Kent and did not report that these assessment areas were unreasonable or arbitrarily excluded LMI areas.[36]

In recent years, Fifth Third has acquired other banking organizations and consolidated their subsidiary banks. The most recent CRA performance evaluations of Fifth Third's subsidiary banks predated the current structure of the organization. Old Kent also has acquired other banking organizations since the most recent CRA performance evaluations of its subsidiary banks. Therefore, the Board also has evaluated substantial information submitted by Fifth Third and Old Kent concerning their CRA performance since the dates of their most recent performance evaluations.

C. Fifth Third's CRA Performance Record

In the most recent CRA performance evaluations of Fifth Third's subsidiary insured depository institutions, examiners commended the depository institutions for their responsiveness to the credit needs in the communities they serve, particularly with respect to the percentages of loans the

needs of their communities. Neither the CRA nor the federal banking agencies' CRA regulations require depository institutions to make pledges concerning future performance under the CRA. The Board also notes that future activities of Fifth Third's subsidiary depository institutions will be reviewed by the appropriate federal financial supervisors in future performance examinations, and that such CRA performance records will be considered by the Board in any subsequent applications by Fifth Third to acquire a depository institution.

31. 12 U.S.C. § 2801 *et seq.*

32. *See Interagency Questions and Answers Regarding Community Reinvestment*, 65 *Federal Register* 25,088 and 25,107 (2000).

33. Total consolidated asset data for Fifth Third and Old Kent are as of December 31, 2000, and include acquisitions by both companies as of that date, except Fifth Third's acquisition of Capital Holdings, Inc.

34. Fifth Third Bank is the surviving bank from Fifth Third's consolidation of its Ohio subsidiary banks in December 2000. The predecessor banks involved in the Ohio consolidation were Fifth Third Bank of Western Ohio, Dayton; Fifth Third Bank of Central Ohio, Columbus; Fifth Third Bank of Northwestern Ohio, N.A., Toledo ("Fifth Third Bank, N.A."); and Fifth Third Bank, Ohio Valley, Hillsboro, all in Ohio. Each of these banks received a "satisfactory" rating from the Federal Reserve Bank of Cleveland, as of March 8, 1999, except for Fifth Third Bank, N.A., which received a "satisfactory" rating from the OCC, as of February 17, 1998.

Fifth Third's other subsidiary insured depository institutions and their CRA performance evaluation ratings are: Fifth Third Bank, Indiana, St. Joseph, Michigan (the former Civitas Bank, Evansville, Indiana)— "satisfactory" rating from the Federal Reserve Bank of Chicago ("FRB Chicago"), as of August 9, 1999; Fifth Third Bank of Florida, Naples, Florida—"satisfactory" rating from the Federal Reserve Bank of Atlanta, as of October 28, 1996; Fifth Third Bank of Kentucky, Louisville, Kentucky—"outstanding" rating from Federal Reserve Bank of St. Louis ("FRB SL"), as of March 22, 1999; Fifth Third Bank of Northern Kentucky, Florence, Kentucky—"satisfactory" rating from FRB SL, as of March 8, 1999; and Fifth Third Bank, Southwest, F.S.B., Scottsdale, Arizona—"satisfactory" rating from the Office of Thrift Supervision, as of February 22, 2000. Fifth Third Bank, Indianapolis, Indiana ("Fifth Third Bank IN"), which received a "satisfactory" rating from FRB of Chicago, as of March 8, 1999, was merged into Civitas Bank in March 2000. The resulting institution was named "Fifth Third Bank, Indiana" and its headquarters were relocated to St. Joseph.

A commenter contended that Fifth Third Bank of Northeastern Ohio, Cleveland, Ohio, a predecessor bank of Fifth Third Bank, N.A., was not examined for CRA performance. This bank was merged into Fifth Third Bank, N.A., in March 1998, and its CRA performance was reviewed by the OCC as part of that bank's most recent CRA performance evaluation in March 1999.

35. Old Kent's other bank subsidiary, Old Kent Bank, N.A., received a "satisfactory" rating at its most recent CRA performance evaluation by the OCC, as of April 12, 1999.

36. Using information submitted by Old Kent, a commenter noted that Old Kent Bank deleted low-income census tracts from its Ann Arbor MSA assessment area. The Board has considered this comment in light of the fact that Old Kent Bank closed its Ann Arbor banking center in 1999, which was the only Old Kent banking center in the county where Ann Arbor is located, Washtenaw County. Accordingly, Old Kent Bank modified its assessment area by eliminating the 81 census tracts in the county, including 55 middle- and upper-income census tracts. Since its CRA performance evaluation in 1999, Old Kent has increased the total number of branches in LMI census tracts in other areas from 28 to 35.

institutions made in their assessment areas. Examiners commented favorably on efforts by Fifth Third's insured depository institutions to increase consumer and mortgage lending to LMI borrowers. Examiners uniformly reported that Fifth Third's depository institutions offered an array of innovative lending products to enhance their ability to meet the credit needs of their assessment areas, including LMI areas, and noted the depository institutions' extensive use of innovative and flexible lending criteria.

Fifth Third has implemented the Good Neighbor home mortgage loan program, which provides flexible, affordable home purchase loans for LMI borrowers, no or reduced downpayments, higher debt-to-income ratios, reduced closing costs, and a homebuyer training course. Examiners noted that, as of their latest CRA performance evaluations, Fifth Third's depository institutions provided loans under this program totaling more than $37 million. Fifth Third stated that, from May 1999 through year-end 2000, mortgage loans provided through its Good Neighbor mortgage loan program totaled more than $268 million. To increase home mortgage and consumer lending to LMI residents, Fifth Third has reduced closing costs on its Good Neighbor mortgage loan product that features no down payment and offered a 50 basis point discount on interest rates for home improvement, auto loans, and other consumer loans.

Fifth Third's depository institution subsidiaries also participate in a number of government-sponsored home mortgage loan programs, including Federal Housing Administration ("FHA") and Veterans Administration ("VA") programs. For example, examiners noted that Fifth Third Bank and Fifth Third Bank IN made FHA loans totaling more than $7.5 million and VA loans totaling more than $6.3 million during the applicable review periods. Examiners also reported that Fifth Third's subsidiary banks participated in a number of state and locally sponsored programs.

Examiners generally commended Fifth Third's banks, particularly those in Ohio, for good penetration in small business lending among businesses of different sizes and in LMI areas.[37] In addition, examiners noted Fifth Third's varied small business lending efforts and active participation in state and federal government-sponsored small business lending programs. For example, they cited Fifth Third Bank of Northwestern Ohio's participation in the State of Ohio Link Deposit program, a program to provide lower-cost funds for Ohio businesses.

Examiners also commended each of Fifth Third's subsidiary banks for its community development activities.[38] In particular, examiners determined that seven of Fifth Third's subsidiary banks provided a significant level of qualified community development investments or grants or made significant use of innovative and complex investments to support community development initiatives.[39]

Although the composition of community development investments or grants used by Fifth Third's banks to meet the needs of their assessment areas varied, examiners generally noted two corporate community development investment vehicles: the Fifth Third Foundation ("FTF") and the Fifth Third Community Development Corporation ("CDC").[40] For each Fifth Third depository institution, the FTF manages a charitable trust that is funded from the institution's profits to provide grants and contributions to the community and to neighborhood, health and human services, educational, and cultural organizations. The CDC makes community development investments through low-income housing tax credits and small business venture capital equity funds. These equity funds invest primarily in small businesses in the assessment areas of Fifth Third's insured depository institutions.

In the 1999 CRA performance evaluations of five Fifth Third banks, the examiners noted that the FTF had made more than $1.6 million in contributions annually and that the CDC had funded almost $7.9 million of approximately $15 million in total commitments made on behalf of the five banks.[41] Examiners also reported that the CDC had, on behalf of the individual banks, funded a combined total of more than $3.3 million in small business venture capital equity funds since the previous CRA performance evaluation of each bank.[42]

Fifth Third stated that, between August 1999 and October 2000, it provided $54 million in low-income housing tax credit, venture capital project investments, and charitable contributions. Fifth Third also stated that it had commu-

37. In this context, "small business loans" refers to commercial loans with an original amount of less than $1 million.

38. A commenter alleged that Fifth Third had not sufficiently participated in community development programs related to housing development and financing in Akron. Fifth Third denied the allegation and noted that it had pledged $300,000 in financial support for the affordable housing activities of the Local Initiatives Support Corporation in Akron and provided financial and technical assistance to various other community development organizations in Akron.

The commenter also expressed concerns that Fifth Third had not fulfilled an earlier CRA agreement with community groups in Akron. Neither the CRA nor the federal banking agencies' CRA regulations require depository institutions to make pledges or enter into agreements with any organization. The Board, therefore, views such pledges and agreements and their enforceability as matters outside the CRA and focuses on the existing record of an applicant and the programs that the applicant has in place to serve the credit needs of its community. *See, e.g., Fleet Financial Group, Inc.*, 85 *Federal Reserve Bulletin* 747, 765 (1999).

39. These banks included Fifth Third Bank Western Ohio; Fifth Third Bank, Florida; Fifth Third Bank IN; Fifth Third Bank Kentucky, Inc.; Fifth Third Bank; Fifth Third Bank of Central Ohio; and Fifth Third Bank of Northern Kentucky. Examiners stated that Fifth Third's other two subsidiary banks at the time, Fifth Third Bank, N.A., and Fifth Third Bank of Southern Ohio, affirmatively addressed the needs of their assessment areas through their community development investment activities.

40. FTF operates as a department of the Fifth Third Investment Advisors division at each bank. The CDC is a direct subsidiary of Fifth Third Bancorp.

41. These banks included Fifth Third Bank, Fifth Third Bank of Central Ohio, Fifth Third Bank of Northern Kentucky, Fifth Third Bank of Kentucky, and Fifth Third Bank IN.

42. The CRA performance evaluation of each bank before its 1999 performance evaluation took place in 1997, with the exception of the previous evaluation of Fifth Third Bank of Central Ohio, which was in December 1996.

nity development loans outstanding totaling $97.7 million in 2000, including more than $78 million in the assessment areas of its Ohio subsidiary banks. Examples of Fifth Third Bank's community development loans since the last CRA performance evaluations include a $3.7 million loan to a nonprofit organization for the development of a project that provided 62 units of low-income residential housing in Cincinnati; a $1.45 million loan to a developer to purchase an apartment building and provide affordable housing for LMI residents in East Cleveland, Ohio; and two loans totaling almost $500,000 to nonprofit organizations in Kentucky to construct housing for LMI individuals who are chemically dependent.

Examiners generally found that Fifth Third's banks provided a good level of banking services to their assessment areas, including LMI areas.[43] In addition, examiners determined that the retail banking and alternative delivery services of Fifth Third's subsidiary depository institutions were generally accessible to all geographies in their assessment areas and that no branch closing had adversely affected the accessibility of its delivery systems in the communities served, including LMI communities.

Fifth Third stated that its current policy for "banking center closures, consolidations and reductions in service" would apply for any such event after consummation of the proposal.[44] Under this policy, the Fifth Third subsidiary bank must consider the impact of any proposed banking center closing, consolidation, or reduction in service on the community in which the facility is located, in light of the bank's ability to provide continuity of service through other offices, the physical proximity of the bank's other offices, and the presence of other financial institutions in the community. Before any banking center is closed, Fifth Third Bank also must review and evaluate alternatives to closing to determine the feasibility of continuing to serve the surrounding community by restructuring the services offered at the banking center.[45]

D. Old Kent's CRA Performance Record

Old Kent Bank's most recent CRA performance evaluation reviewed the bank's activities from July 1, 1997, through June 30, 1999 ("review period").[46] Examiners found that the bank's loan volume and general responsiveness to the credit needs of its assessment area during the review period were good. Examiners favorably noted that Old Kent Bank's geographic distribution of HMDA-reportable loans had improved each successive year since the bank's previous performance evaluation.

In particular, examiners found that during the review period 95 percent of the bank's HMDA-reportable loans were originated in Old Kent Bank's delineated community. Examiners noted that Old Kent Bank ranked as the first or second highest lender among HMDA-loan reporters in six assessment areas in 1998. During the review period, Old Kent Bank and Old Kent Mortgage Company ("OKMC") originated housing-related loans to borrowers in LMI census tracts totaling more than $354 million. Examiners commended Old Kent Bank and OKMC for originating more than 28 percent of their number of multifamily loans in LMI geographies and noted that this figure compared favorably with the percentage of LMI geographies in the bank's assessment area.

Old Kent stated that, in the bank's assessment area in 1999, Old Kent and OKMC originated or purchased housing-related loans to borrowers in LMI census tracts totaling more than $216 million and more than $573 million in housing-related loans to LMI borrowers. In addition, Old Kent noted that OKMC began a "Home Club" program in Grand Rapids for LMI residents referred by the Grand Rapids Housing Commission. Since the program's inception in 1999, 21 members have received home purchase or refinance loans from OKMC totaling more than $1.3 million. Old Kent also noted that it participates in the Michigan State Housing Development Authority Property Improvement Program, which provides lower interest rate loans of up to $25,000 to LMI borrowers for residential property improvements.

Examiners commended the community development activities of Old Kent Bank and noted that the bank originated more than $33 million in community development loans during the review period. Old Kent stated that, dur-

43. A commenter alleged that Fifth Third had not sufficiently marketed its loan products and banking services, or opened a full-service branch, in the LMI areas in Akron. Fifth Third began operating in Akron in 1995 by acquiring a thrift institution. Since that time, Fifth Third has marketed its products and services through a variety of media, including radio stations and publications with predominately minority audiences. Fifth Third stated that its marketing efforts have led to a threefold increase in its home improvement lending in Akron's LMI areas.

44. The policy defines a "banking center" as a traditional "brick and mortar" building or similar banking facility at which deposits are received, checks are paid, or money is lent, but does not include an automated teller machine or a temporary office.

45. Two commenters criticized Fifth Third for not publicly disclosing in its proposal which branches it would close or consolidate after consummating the acquisition of Old Kent. Federal banking law provides a specific mechanism for addressing branch closings that requires insured depository institutions to provide notice to the public and to the appropriate federal regulatory agency at least 30 days before closing a branch. *See* 12 U.S.C. § 1831r-1 (as implemented by the Interagency Policy Statement on Branch Closings (64 *Federal Register* 34,844 (1999)). The law does not authorize federal regulators to prevent the closing of any branch. Any branch closings resulting from the proposed transaction will be considered by the appropriate federal financial supervisor as part of the CRA examination of the relevant subsidiary bank.

46. The April 1999 CRA performance evaluation of Old Kent's other subsidiary bank, Old Kent Bank, N.A., was the bank's first CRA performance evaluation since the bank was chartered in April 1997. Old Kent Bank, N.A., is a relatively small bank in a rural community in Michigan, without any LMI census tracts in its assessment area. As of June 30, 2000, the bank represented less than 1 percent of Old Kent's total assets. Examiners generally found that Old Kent Bank, N.A., addressed community credit needs in a manner consistent with its size, resources, and capabilities. Examiners commended the bank's consumer lending efforts, primarily through home equity and direct consumer loans. Examiners also favorably noted the community development services provided by Old Kent Bank, N.A., particularly through job training. Examiners identified the bank's job training program as benefiting LMI individuals in the bank's assessment area.

ing 1999 and 2000, it made community development loans totaling more than $65 million, including almost $13 million in Grand Rapids. For example, Old Kent Bank partially funded its $1.1 million in participation commitments to two loan pools administered by nonprofit organizations to fund residential mortgages in LMI areas of Grand Rapids and Muskegon. Old Kent added that Old Kent Bank has remained an active participant in the Community Investment Program of the Federal Home Loan Bank of Indianapolis. Through this program in 1999, Old Kent Bank provided a $3.9 million construction and permanent loan for a 120-unit affordable housing project in Holland, Michigan. In addition, Old Kent Bank provided more than $2 million in financing for projects to develop 144 units of affordable housing in western Michigan in 2000. Old Kent also stated that, in 1999 and 2000, it made CRA-qualified investments totaling almost $54 million.

Examiners characterized Old Kent Bank as an active small business and small farm lender in its assessment areas and noted that Old Kent Bank's distribution of loans among small businesses and farms of different sizes was reasonable and consistent with the demographics of its combined assessment area. Between July 1997 and July 1999, Old Kent Bank originated small business loans totaling $2.56 billion, including almost $412 million to businesses in LMI census tracts. Seventy-five percent of the total small business loans were originated to businesses with gross annual revenues of $1 million or less. Old Kent stated that, in 2000, its small business loans totaled more than $1.57 billion, including more than $253 million in loans to businesses in LMI census tracts in its assessment areas.

In addition, examiners found that the bank was an active participant in Small Business Administration ("SBA") lending programs. Examiners noted that, during 1998 and 1999, Old Kent Bank originated SBA loans totaling $39.4 million and, as of June 30, 1999, the bank's SBA portfolio totaled $60.7 million. In 2000, Old Kent Bank was awarded the SBA's Lender of the Year in Michigan and was the largest SBA lender in Michigan, and the fourth largest in Illinois, based on quantity of loan approvals.

In addition, examiners found that Old Kent Bank has established a network of branches and alternative delivery systems that provide customers reasonable convenience and accessibility in its assessment areas.[47] Examiners commended the bank's recognition of the community's need for its financial expertise, through the involvement of bank representatives in community development organizations and activities, including Bankers Alliance for Neighborhood Development, a loan pool to fund residential mortgages in LMI census tracts in Grand Rapids, and the Grand Rapids Housing Commission, which provides financing to rental clients unable to qualify for conventional financing.

E. HMDA Data

The Board also has carefully considered the lending records of Fifth Third and Old Kent in light of comments about HMDA data reported by their subsidiaries.[48] Some categories of Fifth Third's housing-related lending to minority individuals and in predominantly minority communities were below the average lending levels of the HMDA-reporting lenders in the aggregate (the "aggregate") in some of Fifth Third's CRA assessment areas, while in others it exceeded the aggregate's lending levels. For example, the 1998 and 1999 HMDA data indicate that Fifth Third's housing-related loan originations to African-American applicants as a percentage of its total housing-related loan originations ("percentage of originations") generally was below that of the aggregate in the states and MSAs reviewed, but its percentage of originations to African-American applicants exceeded that of the aggregate in the Akron, Cleveland, and Toledo MSAs in 1998, and in the Tucson and Toledo MSAs in 1999. The HMDA data for those years also indicate that Fifth Third's percentage of originations to Hispanics generally was below that of the aggregate, but exceeded the aggregate's percentage in the Lexington, Tucson, Cleveland, and Toledo MSAs in 1998, and in the Tuscon and Cleveland MSAs in 1999.[49]

The 1998 and 1999 HMDA data also indicate that Old Kent's percentage of housing-related loan originations to African-Americans in its assessment areas generally was lower than that of the aggregate. With respect to housing-related loan originations to Hispanics, Old Kent's percentage of originations generally was lower than the aggregate's percentage of originations in its assessment areas. However, Old Kent's percentage of housing-related loans to Hispanics exceeded the aggregate's percentage in Michigan and the Grand Rapids MSA in 1998 and 1999, and in the Detroit MSA in 1999.

The Board is concerned when an institution's record indicates disparities in lending and believes that all banks

47. A commenter expressed concern about the services to minorities at branches in a predominantly minority community in Grand Rapids and about the fees that Old Kent Bank allegedly charged for cashing checks for minority residents who were not the bank's customers. The commenter also alleged that Old Kent had not made subsequent contact with community leaders after a meeting in May 2000. Old Kent stated that the purpose of the May meeting was to identify how Old Kent Bank could better serve the predominantly minority community and that Old Kent Bank initiated subsequent contacts with various participants. After these meetings, Old Kent Bank introduced a free checking account for all homeowners (regardless of whether they had received a mortgage loan from the bank) with no minimum balance requirement, monthly account fee, or per-check charge. Old Kent stated that consumers had opened more than 30,000 of these accounts throughout the banks' assessment area. In January 2001, Old Kent Bank began offering another free checking account with the same terms but without a homeownership requirement.

48. Commenters criticized Fifth Third's record of home mortgage lending to African-American or Hispanic individuals in the following MSAs: Cincinnati, Cleveland, Akron, Dayton, Columbus, Tuscon, Louisville, and Lexington. Commenters also criticized Old Kent's record of home mortgage lending to minority applicants in the Grand Rapids, Detroit, and Chicago MSAs.

49. Fifth Third's origination rates to Hispanics were comparable with the aggregate's origination rate in the following states or MSAs in the years indicated: Kentucky in 1998; Cincinnati in 1998 and 1999; Louisville in 1998; and Columbus and Dayton in 1999.

are obligated to ensure that their lending practices are based on criteria that ensure not only safe and sound banking, but also equal access to credit by creditworthy applicants, regardless of their race or income level. The Board recognizes, however, that HMDA data alone provide an incomplete measure of an institution's lending in its community because the data cover only a few categories of housing-related lending.[50] HMDA data, moreover, provide only limited information about the covered loans. HMDA data, therefore, have limitations that make the data an inadequate basis, absent other information, for concluding that an institution has not adequately assisted in meeting its communities' credit needs or has engaged in illegal discrimination in making lending decisions.

Because of the limitations of HMDA data, the Board has carefully considered the data in light of other information, including examination reports that provide an on-site evaluation of compliance by the subsidiary banks of Fifth Third and Old Kent with fair lending laws and the overall lending and community development activities of the banks, and a fair lending examination of OKMC. Examiners found no evidence of prohibited discrimination or illegal credit practices at the subsidiary depository institutions of Fifth Third or Old Kent, and examiners considered OKMC's fair lending policies, procedures, training programs, and internal monitoring programs to be satisfactory. The record indicates that Fifth Third and Old Kent have taken a number of affirmative steps to ensure compliance with fair lending laws. Fifth Third requires all lending personnel to receive training on corporate lending policies and procedures, including compliance with fair lending laws. Old Kent also requires banking center managers and staff to receive regular fair lending training. During 2000, all OKMC loan officers received fair lending training. Fifth Third and Old Kent also have implemented a second review process for all denied loan applications and special computer software to analyze underwriting patterns and practices to help ensure fair treatment of all applicants.[51]

The Board has considered the HMDA data in light of the overall lending records of Fifth Third and Old Kent, including the lending and community development programs discussed above, which show that they assist significantly in meeting the credit needs of their communities.

F. Conclusion on Convenience and Needs

In reviewing the effect of the proposal on the convenience and needs of the communities to be served, the Board has carefully considered the entire record, all the information provided by commenters, Fifth Third, and Old Kent, evaluations of the performance of each of Fifth Third's and Old Kent's insured depository institution subsidiaries under the CRA, and confidential supervisory information.

Based on all the facts of record, and for the reasons discussed above, the Board concludes that considerations relating to the convenience and needs factor, including the CRA performance records of the relevant depository institutions, are consistent with approval of the proposal.

Nonbanking Activities

Fifth Third also has filed a notice under section 4(c)(8) and (j) of the BHC Act (12 U.S.C. § 1843(c)(8) and (j)) to acquire certain nonbanking subsidiaries of Old Kent. Fifth Third would engage in a number of permissible nonbanking activities, including financial investment advising, securities brokerage, credit-related insurance, and community development activities. The Board has determined by regulation that each of the activities for which Fifth Third has provided notice under section 4 of the BHC Act is closely related to banking for purposes of the BHC Act.[52] Moreover, the Federal Reserve System previously has approved applications by Old Kent to engage in all the proposed activities, and Fifth Third has committed to conduct these nonbanking activities in accordance with the limitations set forth in Regulation Y and the Board's orders and interpretations thereunder.

To approve this notice, the Board is required by section 4(j)(2)(A) of the BHC Act to determine that the acquisition of the nonbanking subsidiaries of Old Kent by Fifth Third "can reasonably be expected to produce bene-

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

51. A commenter generally noted that Old Kent engages in subprime mortgage lending through a subsidiary of Old Kent Bank, OKMC, and characterized OKMC as a significant competitor in the subprime lending market. The commenter also alleged that Old Kent's subprime lending activities had resulted in predatory lending litigation against a division of Old Kent, National Pacific Mortgage ("NPM"), and concluded that Fifth Third should have noted these issues in its proposal to the Board.

NPM does not engage in subprime lending activities, and the pending litigation against NPM has not established that its lending activities violate federal or state law. Old Kent conducts subprime lending exclusively through Old Kent Financial Services, a division of OKMC. The Board notes that subprime lending is a permissible activity and provides needed credit to consumers who have difficulty meeting conventional underwriting criteria.

The Board has considered information submitted by Old Kent on OKMC's lending practices, including the processes by which OKMC makes credit available to consumers, the fair lending policies and procedures of OKMC, the compliance procedures established by OKMC, and the relationship of OKMC with loan brokers and correspondents. As discussed above, Old Kent has taken a number of affirmative steps to ensure compliance with fair lending laws, including extensive fair lending training and second review processes. In addition, Old Kent has implemented a procedure for referring borrowers that appear to qualify for traditional "prime" home mortgage loans to OKMC's prime lending division. The Board has forwarded copies of the comments on OKMC's lending activities to the Department of Housing and Urban Development, the Department of Justice, and the Federal Trade Commission, which have responsibility for fair lending law compliance by nondepository companies like OKMC. The Board also has consulted with these agencies.

52. *See* 12 C.F.R. 225.28(b)(6), (7), (11), and (12).

fits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[53]

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

The Board also has considered the competitive effects of Fifth Third's proposed acquisition of the nonbanking subsidiaries of Old Kent in light of all the facts of record. Community development markets are local in nature, but Fifth Third's and Old Kent's nonbanking subsidiaries do not directly compete in any markets. The other nonbanking activities of the subsidiaries of Fifth Third and Old Kent—securities brokerage, financial and investment advisory, and credit-related insurance services—are national or regional in scope, are conducted in unconcentrated markets, and involve numerous competitors. As a result, the Board expects that consummation of the proposal would have a *de minimis* effect on competition for each of these services. Based on all the facts of record, the Board concludes that it is unlikely that significantly adverse competitive effects would result from the nonbanking acquisitions proposed in this transaction.

Fifth Third has indicated that the proposal would enhance its ability to serve the needs of all segments of the communities it serves, including LMI areas, through an expanded range of products and services and through improved operating efficiencies in Old Kent's nonbanking subsidiaries. Fifth Third has stated that the proposal also would provide Old Kent's customers with a broader range of banking and nonbanking services. In addition, the expanded community development activities would benefit the convenience and needs of the LMI communities in which Fifth Third operates.

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

As required by section 25 of the Federal Reserve Act and section 211.4(f) of the Board's Regulation K (12 C.F.R. 211.4(f)), Fifth Third also has provided notice of its intention to acquire Old Kent Hong Kong LLC, Grand Rapids, which is organized under section 25A of the Federal Reserve Act. The Board concludes that all the factors it is required to consider under the Federal Reserve Act and Regulation K are consistent with the approval of the notice.

Financial Holding Company Declaration

FTFC also has filed with the Board an election to become a financial holding company pursuant to section 4(k) and (l) of the BHC Act and section 225.83 of Regulation Y. FTFC has certified that all depository institutions that it proposes to control are well capitalized and well managed and has provided all the information required under Regulation Y. The Board has reviewed the examination ratings received by each insured depository institution controlled by FTFC and Old Kent under the CRA and other relevant examination reports and information. Based on all the facts of record, the Board has determined that this election to become a financial holding company will become effective on consummation of the acquisition of Old Kent by Fifth Third and FTFC, as long as each of the relevant depository institutions continue to be well capitalized and well managed and they each have at least a satisfactory CRA rating on that date.

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the applications and notices should be, and hereby are, approved.[54] In reaching its conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act and other applicable statutes. The Board's approval is specifically conditioned on compliance by Fifth

53. 12 U.S.C. § 1843(j)(2)(A).

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

Under its rules, the Board also may, in its discretion, hold a public meeting or hearing on an application to acquire a bank if a meeting or hearing is necessary or appropriate to clarify factual issues related to the application and to provide an opportunity for testimony. 12 C.F.R. 225.16(e). Section 4 of the BHC Act and the Board's rules thereunder provide for a hearing on a notice to acquire nonbanking companies if there are disputed issues of material fact that cannot be resolved in some other manner. 12 U.S.C. § 1843(c)(8); 12 C.F.R. 225.25(a)(2). The Board has considered carefully the commenters' requests in light of all the facts of record. In the Board's view, commenters have had ample opportunity to submit their views, and they submitted written comments that have been considered carefully by the Board in acting on the proposal. The commenters' requests fail to demonstrate why their written comments do not present their evidence adequately and fail to identify disputed issues of fact that are material to the Board's decision that would be clarified by a public meeting or hearing. For these reasons, and based on all the facts of record, the Board has determined that a public meeting or hearing is not required or warranted in this case. Accordingly, the requests for a public meeting or hearing on the proposal are denied.

Third with all commitments made in connection with the applications and notices, including the divestiture commitments discussed in this order. These commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective March 12, 2001.

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

ROBERT DEV. FRIERSON
Associate Secretary of the Board

Appendix A

Nonbanking Activities of Old Kent to be Acquired Under Section 4 of the BHC Act

Engaging in financial and investment advisory and securities brokerage activities pursuant to sections 225.28(b)(6) and (7) of Regulation Y (12 C.F.R. 225.28(b)(6) and (7)), through Old Kent Securities Corporation, Grand Rapids, Michigan;

Engaging in credit-related reinsurance activities pursuant to sections 225.28(b)(11) of Regulation Y (12 C.F.R. 225.28(b)(11), through Old Kent Financial Life Insurance Company, Grand Rapids, Michigan; and

Engaging in community development activities pursuant to section 225.28(b)(12) of Regulation Y (12 C.F.R. 225.28(12)), through CFSB-Eastbrook Apartments Investor, LLC, Lansing; Eastbrook Apartment Limited Housing Association Limited Partnership, Lansing; Gladshire Limited Dividend Housing Association LP, Kalamazoo; Grand Rapids Hope Limited Partnership, Grand Rapids; Grand Rapids Hope II Limited Partnership, Grand Rapids; Hayward-Wells Limited Dividend Housing Association Limited Partnership, Benton Harbor; Independence Village of Brighton Limited Dividend Housing Association LP, Brighton; Michigan Capital Fund for Housing Limited Partnership I, Lansing; Michigan Capital Fund for Housing Limited Partnership II, Lansing; Mount Mercy LP, Grand Rapids; New Hope Homes Limited Dividend Housing Association LP, Grand Rapids; Pleasant Prospect Limited Dividend Housing Association LP, Grand Rapids; Pleasant Prospect II Limited Dividend Housing Association LP, Grand Rapids; and Trinity Village II Limited Dividend Housing Association LP, Muskegon, all in Michigan.

Appendix B

Banking Markets in which Fifth Third and Old Kent Compete Directly

A. Michigan Banking Markets

Allegan
: Allegan County, excluding Laketown, Fillmore, Overisel, Salem, Dorr, Leighton, Otsego, and Gunplain townships.

Benton Harbor-St. Joseph
: Van Buren County, excluding the eastern two tiers of townships and the northwestern portion of Berrien County (Watervliet, Coloma, Hagar, Bainbridge, Benton, St. Joseph, Pipestone, Sodus, Royalton, Lincoln, Baroda, Lake, and Chikaming townships).

Fremont-Newaygo
: The southern two-thirds of Newaygo County (Denver, Lincoln, Wilcox, Goodwell, Dayton, Sherman, Everett, Big Prairie, Sheridan, Garfield, Brooks, Croton, Bridgeton, Ashland, Grant, and Ensley townships).

Grand Rapids
: Kent County, excluding Oakfield and Spencer townships; Yankee Springs, Thornapple, and Irving townships in Barry County; Casnovia township in Muskegon County; Salem, Dorr, and Leighton townships in Allegan County; and Jamestown, Georgetown, Blendon, Allendale, Tallmadge, Polkton, Wright, and Chester townships in Ottawa County.

Holland
: Park, Holland, Zeeland, Olive, and Port Sheldon townships in Ottawa County; and Laketown, Fillmore, and Overisel townships in Allegan County.

Ludington
: Mason County, excluding Grant, Freesoil, and Meade townships; Lake County, excluding Elk and Eden townships; Oceana County; and the northern third of Newaygo County (Barton, Beaver, Home, Lilley, Merrill, Monroe, Norwich, and Troy townships).

Muskegon-Grand Haven
: Muskegon County, excluding Casnovia township; and Grand Haven, Spring Lake, Crockery, and Robinson townships in Ottawa County.

B. Banking Market Located in Michigan and Indiana

Elkhart-Niles-South Bend
: Elkhart County, Indiana; St. Joseph County, Indiana, excluding Olive and Warren townships; Scott, Jefferson, Van Buren, and Turkey Creek townships in Kosciusko County, Indiana; Cass County, Michigan; and Oronoko, Berrien, Buchanan, Niles, and Bertrand townships in Berrien County, Michigan.

Appendix C

Certain Banking Markets without Divestitures

Allegan, Michigan

Fifth Third operates the seventh largest out of ten depository institutions in the market, controlling deposits of $14.1 million, representing approximately 4 percent of market deposits. Old Kent operates the fourth largest depository institution in the market, controlling deposits of $50 million, representing approximately 14.3 percent of market deposits. After the proposed merger, Fifth Third would operate the largest depository institution in the market, controlling deposits of $64.1 million, representing 18.3 percent of market deposits. The HHI would increase by 115 points to 1607.

Elkhart-Niles-South Bend Indiana/Michigan

Fifth Third operates the sixteenth largest out of 23 depository institutions in the market, controlling deposits of $26.9 million, representing less than 1 percent of market deposits. Old Kent operates the sixth largest depository institution in the market controlling deposits of $314.2 million, representing approximately 5.8 percent of market deposits. After the proposed merger, Fifth Third would operate the sixth largest depository institution in the market, controlling deposits of $341.1 million, representing 6.3 percent of market deposits. The HHI would increase by 6 points to 1670.

Appendix D

Certain Michigan Banking Markets with Divestitures

Fremont-Newaygo

Fifth Third operates the fifth largest out of six depository institutions in the market, controlling deposits of $28 million representing approximately 11.3 percent of market deposits. Old Kent operates the second largest depository institution in the market, controlling deposits of $57.5 million, representing approximately 23.2 percent of market deposits. Fifth Third proposes to divest one branch in the market, with $26.5 million of deposits, representing approximately 10.7 percent of market deposits, to an out-of-market commercial banking organization. After the proposed merger and divestiture, Fifth Third would operate the second largest depository institution in the market, controlling deposits of $59 million, representing 23.8 percent of market deposits. There would be no resulting change in the HHI. Five commercial banking organizations, other than Fifth Third would remain in the market.

Muskegon-Grand Haven

Fifth Third operates the fifth largest out of 14 depository institutions in the market, controlling deposits of $194.5 million, representing approximately 11.2 percent of market deposits. Old Kent operates the ninth largest depository institution in the market, controlling deposits of $374.9 million, representing approximately 21.6 percent of market deposits. Fifth Third proposes to divest a branch in the market, with $31 million of deposits, representing approximately 1.8 percent of market deposits, to an out-of-market commercial banking organization or an in-market banking organization that currently controls less than 2 percent of market deposits. After the proposed merger and divestiture, Fifth Third would operate the largest depository institution in the market, controlling deposits of $538.4 million, representing 31 percent of market deposits. The HHI would increase by not more than 383 points and would not exceed 1718.[1] At least eleven commercial banking organizations besides Fifth Third would remain in the market.

1. If Fifth Third were to divest the relevant Muskegon-Grand Haven branch to an out-of-market firm, the HHI would increase by 378 points to 1713.

Franklin Resources, Inc.
San Mateo, California

Order Approving Formation of a Bank Holding Company and Determination on a Financial Holding Company Election

Franklin Resources, Inc. ("Franklin") has requested the Board's approval under section 3 of the Bank Holding Company Act ("BHC Act") (12 U.S.C. § 1842) to become a bank holding company by acquiring all the shares of Fiduciary Trust Company International, New York, New York ("Fiduciary"), a New York chartered trust company. As part of its proposal to become a bank holding company, Franklin has also filed with the Board an election to become a financial holding company pursuant to section 4(k) and (*l*) of the BHC Act (12 U.S.C. § 1843(k) & (*l*)) and section 225.82 of the Board's Regulation Y (12 C.F.R. 225.82).

Franklin has also requested the Board's approval under section 4(c)(8) and (j) of the BHC Act (12 U.S.C. § 1843(c)(8) and (j)) and section 225.24 of the Board's Regulation Y (12 C.F.R. 225.24) to retain its interest in Franklin Templeton Bank & Trust, F.S.B., Salt Lake City, Utah ("Franklin B&T").[1]

1. Franklin also has requested the Board's approval to hold and exercise an option to acquire up to 19.9 percent of the shares of Fiduciary's common stock. The option would expire on consummation of the proposal.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (66 *Federal Register* 798 and 749 (2001)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in sections 3 and 4 of the BHC Act.

Franklin, with total consolidated assets of $4 billion, is an investment management firm engaged principally in providing investment advisory and related services to mutual funds and institutional and private investors. Through its ownership of Franklin B&T, Franklin is also the 37th largest depository organization in Utah, controlling deposits of $56.8 million, representing less than 1 percent of total deposits in insured depository institutions in the state ("state deposits").[2] Franklin also engages in a variety of other financial activities in the United States and overseas, including underwriting and distribution of mutual fund shares and providing transfer agency, mutual fund administration, custodial, trustee, and fiduciary services. Franklin also provides consumer lending and other banking services to the public through Franklin B&T.

Fiduciary, with total consolidated assets of $642 million, is the 68th largest commercial banking organization in New York, controlling deposits of $505 million, representing less than 1 percent of state deposits.[3] Fiduciary and its subsidiaries engage primarily in providing investment management, custody and administration, trust, estate and tax planning, and private banking services to high-net-worth individuals and families and institutional customers in the United States and internationally. Fiduciary also engages through subsidiaries in securities brokerage and investment advisory activities in the United States.

Factors Governing Board Review of Transaction

The BHC Act sets forth the factors that the Board must consider when reviewing the formation of a bank holding company or the acquisition of a bank. These factors are the competitive effects of the proposal in the relevant geographic markets; the financial and managerial resources and future prospects of the companies and banks involved in the proposal; the convenience and needs of the communities to be served, including the records of performance under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA") of the insured depository institutions involved in the transaction; and the availability of information needed to determine and enforce compliance with the BHC Act and other applicable federal banking laws.[4]

2. Asset data for Franklin are as of September 30, 2000. Deposit and ranking data for Franklin B&T are as of June 30, 2000.

3. Asset and deposit data for Fiduciary are as of June 30, 2000.

4. In cases involving interstate bank acquisitions by bank holding companies, the Board also must consider the concentration of deposits nationwide and in relevant individual states, as well as compliance with the other provisions of section 3(d) of the BHC Act. As a result of this transaction, Franklin will become a bank holding company and its home state will be New York.

Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly. The BHC Act also prohibits the Board from approving a proposed bank acquisition that would substantially lessen competition in any relevant banking market unless the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served.[5]

As part of its review of these factors, the Board has considered carefully the competitive effects of the proposal in light of all the facts of record.[6] The proposal involves the acquisition of a bank by Franklin, which owns Franklin B&T and a variety of nonbanking companies. Franklin B&T and Fiduciary do not compete directly in any relevant banking market. Based on all the facts of record, the Board concludes that consummation of the proposal would not result in a monopoly or in any significantly adverse effects on competition or on the concentration of banking resources in any relevant banking market.

Financial and Managerial Considerations

The Board has carefully considered the financial and managerial resources and future prospects of the companies and bank involved in the proposal, the effect the proposed transaction would have on such resources, and other supervisory factors in light of all the facts of record. In evaluating the financial and managerial factors, the Board has reviewed confidential examination information and other supervisory information assessing the financial and managerial strength of Franklin and its subsidiaries and of Fiduciary and its subsidiaries. In addition, the Board has reviewed public and confidential supervisory reports and information regarding the activities and financial position of the regulated subsidiaries of Franklin.

The Board consistently has considered capital adequacy to be an especially important aspect in analyzing financial factors.[7] Fiduciary and all the subsidiaries of Fiduciary and Franklin that are subject to regulatory capital requirements currently exceed the relevant minimum regulatory requirements. In addition, Fiduciary and Franklin B&T are currently well capitalized under applicable federal guidelines. Franklin would also be well capitalized on a *pro forma* basis on consummation of the proposal. Moreover, the transaction is structured as a stock-for-stock combination and would not increase the debt service requirements of the combined company and is not expected to have a significantly adverse effect on the financial resources of Franklin. Other financial factors are consistent with approval.

5. 12 U.S.C. § 1842(c)(1).

6. *See First Hawaiian, Inc.*, 79 *Federal Reserve Bulletin* 966 (1993).

7. *See Chemical Banking Corporation*, 82 *Federal Reserve Bulletin* 230 (1996).

The Board also has carefully considered the managerial resources of Franklin and Fiduciary in light of all the facts of record, including confidential examination and other supervisory information and information provided by Franklin on its existing and proposed risk management policies and processes. Based on all the facts of record, the Board concludes that considerations relating to the financial and managerial resources and future prospects of the organizations involved are consistent with approval. The Board notes further that a substantial proportion of Franklin's activities are conducted in subsidiaries that are subject to functional regulation by the Securities and Exchange Commission ("SEC"). The Board will, consistent with the provisions of section 5 of the BHC Act as amended by the Gramm-Leach-Bliley Act, rely heavily on the SEC for examination and other supervisory information in fulfilling the Board's responsibilities as holding company supervisor.

Convenience and Needs Considerations

The Board also has carefully considered the effect of the proposal on the convenience and needs of the communities to be served in light of all the facts of record, including the records of performance of the relevant institutions under the CRA. The Board has long held that consideration of the convenience and needs factor includes a review of the records of the relevant depository institutions under the CRA. As provided in the CRA, the Board evaluates the record of performance of an institution in light of examinations by the appropriate federal supervisors of the CRA performance records of the relevant institutions. An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation of the institution's overall record of performance under the CRA by its appropriate federal supervisor.[8]

Neither Fiduciary nor its subsidiaries are currently subject to CRA.[9] Franklin B&T, then known as Franklin Bank, San Mateo, California, received an overall rating of "satisfactory" from the Federal Deposit Insurance Corporation, which was Franklin Bank's primary federal supervisor, at its most recent evaluation for CRA performance, as of June 1997. Franklin Bank converted from a California State-chartered bank to a federal savings bank in May 2000, becoming Franklin B&T. The Office of Thrift Supervision, Franklin B&T's primary federal supervisor, has not reviewed it for CRA performance. Based on all the facts of record, the Board concludes that considerations related to the convenience and needs of the communities to be served are consistent with approval.

Nonbanking Activities

Franklin has also filed a notice under section 4(c)(8) and 4(j) of the BHC Act to retain its interest in Franklin B&T, and thereby engage in operating a savings association.[10] The Board determined by regulation before November 12, 1999, that this activity is so closely related to banking as to be a proper incident thereto for purposes of section 4(c)(8) of the BHC Act.[11] Franklin has committed that it will conduct this activity in accordance with the Board's regulations and orders approving the activity for bank holding companies.

In order to approve Franklin's proposal to retain its interest in Franklin B&T, the Board is also required by section 4(j)(2)(A) of the BHC Act to determine that the retention of Franklin B&T by Franklin "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[12]

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

The Board also has considered the competitive effects of Franklin's proposed retention of its nonbanking subsidiaries in light of all the facts of record. For the reasons already discussed, the Board has concluded that Franklin's proposed retention of Franklin B&T would not likely result in decreased or unfair competition or undue concentration of resources in any relevant banking market.

Franklin has indicated that the proposed transaction would diversify Franklin's business and could decrease the volatility in Franklin's earnings. In addition, the proposed transaction would make a greater range of financial products and services available to customers of Franklin and Fiduciary. Franklin B&T's principal lines of business are providing credit cards and retail consumer loans and acting as nondiscretionary trustee or custodian for individual retirement accounts, business retirement plans, and 401(k) plans invested in mutual funds offered by Franklin affiliates ("Franklin Templeton funds"). Franklin B&T's credit products are marketed nationwide and are not limited to investors in Franklin Templeton funds. Fiduciary, by contrast, does not provide retail credit or other products, but engages principally in providing discretionary investment

8. The Interagency Questions and Answers Regarding Community Reinvestment provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record. *See* 65 *Federal Register* 25,088 and 25,107 (2000).

9. Fiduciary's primary federal supervisor, the Federal Deposit Insurance Corporation exempts from its CRA regulations "special purpose banks" like Fiduciary that do not grant credit to the public in the ordinary course of business, other than as incident to their specialized operations. 12 C.F.R. 345.11(c)(3); *see also* 12 C.F.R. 228.11(c)(3).

10. Franklin has indicated that its current activities are permissible under section 4(k) of the BHC Act.

11. *See* 12 C.F.R. 225.28(b)(4)(ii).

12. 12 U.S.C. § 1843(j)(2)(A).

management, custody, trust, and related services to high-net-worth individuals and institutional customers.

Based on all the facts of record, the Board has determined that consummation of this proposal can reasonably be expected to produce public benefits that would outweigh any likely adverse effects under the proper incident to banking standard of section 4(j)(2) of the BHC Act.

Conclusion Regarding Bank Acquisition

Based on the foregoing, and in light of all the facts of record, the Board has determined that the application should be, and hereby is, approved. In reaching its conclusion, the Board has considered all the facts of record in light of the factors it is required to consider under the BHC Act and other applicable statutes. The Board's approval is specifically conditioned on compliance by Franklin with all the commitments made in connection with the application. For the purpose of this action, the commitments 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 transaction shall not be consummated before the fifteenth calendar day after the effective date of this order, or later than three months after the effective date of this order, unless such periods are extended for good cause by the Board or the Federal Reserve Bank of San Francisco, acting pursuant to delegated authority.

Financial Holding Company Declaration

Franklin also has filed with the Board an election to become a financial holding company pursuant to section 4(k) and (*l*) of the BHC Act and section 225.82 of Regulation Y. Franklin has certified that Fiduciary and Franklin B&T are well capitalized and well managed, and has provided all the information required under Regulation Y.

The Board has reviewed the examination ratings received by Franklin B&T under the CRA and other relevant examinations and information. Based on all the facts of record, the Board has determined that this election to become a financial holding company will become effective on consummation of the acquisition of Fiduciary by Franklin, as long as Fiduciary and Franklin B&T continue to be well capitalized, well managed, and Franklin B&T has at least a satisfactory CRA rating on that date.[13]

By order of the Board of Governors, effective March 26, 2001.

This action was taken pursuant to the Board's Rules Regarding Delegation of Authority (12 C.F.R. 265.4(b)(1)) by a committee of Board members. Voting for this action: Chairman Greenspan and Governors Kelley and Meyer. Absent and not voting: Vice Chairman Ferguson and Governor Gramlich.

ROBERT DEV. FRIERSON
Associate Secretary of the Board

13. As noted above, Fiduciary is not subject to CRA.

Friedman, Billings, Ramsey Group, Inc.
Arlington, Virginia

FBR Bancorp, Inc.
Arlington, Virginia

Money Management Associates, Inc.
Arlington, Virginia

Money Management Associates (LP), Inc.
Arlington, Virginia

Money Management Associates, L.P.
Bethesda, Maryland

Order Approving Formation of Bank Holding Companies and Determination on Financial Holding Company Elections

Friedman, Billings, Ramsey Group, Inc. ("FBR Group") and its wholly owned subsidiaries, FBR Bancorp, Inc., Money Management Associates, Inc., and Money Management Associates (LP), Inc. (collectively, "FBR") have requested the Board's approval under section 3 of the Bank Holding Company Act ("BHC Act") (12 U.S.C. § 1842) to become bank holding companies by acquiring all the shares of Money Management Associates, L.P. ("MMA"), and thereby indirectly acquiring FBR National Bank, both of Bethesda, Maryland ("Bank").[1] As part of its proposal to become a bank holding company, FBR also has filed with the Board an election to become a financial holding company pursuant to sections 4(k) and (l) of the BHC Act (12 U.S.C. §§ 1843(k) and (l)) and section 225.82 of the Board's Regulation Y (12 C.F.R. 225.82).

Notice of the proposal under section 3 of the BHC Act, affording interested persons an opportunity to submit comments, has been published (65 *Federal Register* 45,602 (2000)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

FBR Group, with total consolidated assets of $252 million, is a securities and financial services firm engaged

1. MMA currently owns Rushmore Trust and Savings, FSB, Bethesda, Maryland ("RTS"), a savings association that is not a bank for purposes of the BHC Act. RTS has applied to the Office of the Comptroller of the Currency ("OCC") to convert to a national bank and change its name to FBR National Bank. The conversion will occur immediately before RTS's acquisition by FBR, and RTS will not operate as a national bank before its acquisition by FBR. The Board's approval of the present applications is conditioned upon the OCC's approval of RTS's conversion application. After consummation of the proposal, MMA would be a wholly owned subsidiary of FBR Group. Accordingly, FBR Group also has sought the Board's approval under section 3 of the BHC Act for MMA to become a bank holding company and references to "FBR" include MMA.

primarily in securities underwriting and dealing, securities brokerage, investment advisory, and merchant banking activities.[2] FBR Group engages in these and other financial activities in the United States and overseas. In the United States, FBR Group conducts its securities and advisory activities through a number of subsidiaries that are subject to regulation by the Securities and Exchange Commission ("SEC"), including Friedman, Billings, Ramsey & Co., Inc., Arlington, Virginia, a broker-dealer registered with the SEC under section 15 of the Securities Exchange Act of 1934 (15 U.S.C. § 78*o*).

Bank, with total consolidated assets of $26.4 million, is the 113th largest depository institution in Maryland, controlling deposits of approximately $27.4 million, representing less than 1 percent of deposits in the state.[3]

Factors Governing Board Review of Bank Transaction

The BHC Act sets forth the factors that the Board must consider when reviewing the formation of a bank holding company or the acquisition of a bank. These factors are the competitive effects of the proposal in the relevant geographic banking markets; the financial and managerial resources and future prospects of the companies and banks involved in the proposal; the convenience and needs of the communities to be served, including the records of performance under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA") of the insured depository institutions involved in the transaction; and the availability of information needed to determine and enforce compliance with the BHC Act and other applicable federal banking laws.[4]

Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly. The BHC Act also prohibits the Board from approving a proposed bank acquisition that would substantially lessen competition in any relevant banking market unless the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served.[5]

The proposal involves the acquisition of a commercial bank by FBR, which does not currently control any commercial bank. Based on all the facts of record, the Board concludes that consummation of the proposal would not result in any significantly adverse effects on competition or on the concentration of banking resources in any relevant banking market. Accordingly, the Board has determined that competitive factors under section 3 of the BHC Act are consistent with approval of the proposal.

Financial and Managerial Considerations

The Board has carefully considered the financial and managerial resources and future prospects of the companies and bank involved in the proposal, the effect the proposed transaction would have on such resources, and other supervisory factors in light of all the facts of record. In evaluating the financial and managerial factors, the Board has reviewed confidential examination and other supervisory information evaluating the financial and managerial resources of FBR Group and its subsidiaries, including its regulated subsidiaries, and of Bank.

The Board consistently has considered capital adequacy to be an especially important aspect in analyzing financial factors.[6] Bank currently is well capitalized under applicable federal guidelines and all of the subsidiaries of FBR Group that are subject to regulatory capital requirements currently exceed the relevant regulatory minimum capital requirements. In addition, after consummation of the proposal, FBR Group would have capital levels that significantly exceed the well capitalized thresholds for bank holding companies, and the transaction would not have a significant effect on FBR Group's financial resources. Other financial factors also are consistent with approval.

The Board also has carefully considered the managerial resources of FBR Group and Bank in light of all the facts of record, including confidential examination and other supervisory information provided by the primary federal supervisors for RTS and Bank. In addition, the Board has considered confidential examination and other supervisory information provided by the SEC concerning FBR Group's SEC-regulated subsidiaries. The Board also has considered confidential information submitted by FBR Group concerning its risk management policies, procedures, and systems and the enhancements that FBR Group has made to these policies, procedures, and systems in anticipation of the proposed transaction. Based on all the facts of record, the Board concludes that considerations relating to 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 must consider under section 3 of the BHC Act.

The Board notes further that a substantial portion of FBR Group's activities are conducted through subsidiaries that are subject to functional regulation by the SEC. Accordingly, the Board has in this case consulted with the SEC and will, consistent with the provisions of section 5 of the BHC Act as amended by the Gramm-Leach-Bliley Act, rely heavily on the SEC for examination and other supervisory information in fulfilling the Board's responsibilities as holding company supervisor.

2. Asset data for FBR Group are as of December 31, 2000.

3. Asset data for Bank are as of September 30, 2000, and deposit and ranking data are as of June 30, 2000.

4. In cases involving interstate bank acquisitions by bank holding companies, the Board also must consider the concentration of deposits nationwide and in the relevant individual states, as well as compliance with the other provisions of section 3(d) of the BHC Act.

5. 12 U.S.C. § 1842(c)(1).

6. *See Chemical Banking Corporation*, 82 *Federal Reserve Bulletin* 230 (1996).

Convenience and Needs Considerations

The Board also has carefully considered the effect of the proposal on the convenience and needs of the communities to be served in light of all the facts of record. As part of this review, the Board has considered the record of the relevant insured depository institution under the CRA. FBR Group currently does not control any insured depository institution subject to evaluation under the CRA. RTS, the predecessor to Bank, received an overall rating of "satisfactory" from the Office of Thrift Supervision, its primary federal supervisor, at its most recent evaluation for CRA performance, as of June 1999. Based on all the facts of record, the Board concludes that considerations related to the convenience and needs of the communities to be served are consistent with approval.

Conclusion Regarding Section 3 Application

Based on the foregoing, and in light of all the facts of record, the Board has determined that the application under section 3 of the BHC Act should be, and hereby is, approved. The Board's approval is specifically conditioned on compliance by FBR with all the commitments made in connection with the application. 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 Bank shall not be consummated before the fifteenth calendar day after the effective date of this order, or later than three months after the effective date of this order, unless such period is extended for good cause by the Board or the Federal Reserve Bank of Richmond, acting pursuant to delegated authority.

Financial Holding Company Declaration

FBR also has filed with the Board an election to become a financial holding company pursuant to sections 4(k) and (*l*) of the BHC Act and section 225.82(f) of Regulation Y. FBR has stated that RTS is well capitalized and well managed, has certified that Bank will be well capitalized and well managed on the date FBR consummates the proposal, and has provided all the information required under Regulation Y.

The Board has reviewed the examination ratings received by Bank under the CRA and other relevant examinations and information. Based on all the facts of record, the Board has determined that this election to become a financial holding company will become effective on consummation of the acquisition of Bank by FBR, provided that Bank continues to be well capitalized, well managed, and have at least a satisfactory CRA rating on that date.

Request to Exceed Merchant Banking Investment Thresholds

Bank holding companies that have made an effective election to become financial holding companies may own or control merchant banking investments in accordance with the requirements and limitations of section 4(k)(4)(H) of the BHC Act and Subpart J of Regulation Y.[7] Section 225.174 of Subpart J provides that a financial holding company may, with the Board's approval, make merchant banking investments under section 4(k)(4)(H) of the BHC Act that, in the aggregate, have a carrying value that exceeds certain thresholds.[8] These investment thresholds will automatically sunset once a final capital rule addressing the appropriate capital treatment of merchant banking investments is adopted by the Board and becomes effective.[9]

FBR engages in a significant amount of merchant banking investment activities, both directly and through private equity funds, and has requested the Board's approval for its merchant banking investments to exceed the aggregate thresholds currently applicable under Subpart J. In light of this request, the Board has reviewed confidential information received from FBR concerning the risk management policies, procedures and systems that FBR has in place to monitor and control the financial and operational risks associated with its investment activities and its experience in managing those risks. The Board also has carefully reviewed FBR's capital adequacy in light of the current and projected scope and nature of its merchant banking investment activities. The Board notes that FBR's *pro forma* capital levels would significantly exceed the well capitalized levels for bank holding companies under both the Board's existing capital guidelines and the proposed amendments to the Board's capital guidelines relating to merchant banking and other equity investments.

Based on these and all other facts of record, the Board has approved FBR's request for its merchant banking investments to exceed the aggregate thresholds set forth in section 225.174 of Regulation Y. The Board expects FBR to continue to operate with capital levels commensurate with the nature and extent of its merchant banking activities.

By order of the Board of Governors, effective March 13, 2001.

7. *See* 12 U.S.C. 1843(k)(4)(H); 12 C.F.R. 225.170 through 225.175; 66 *Federal Register* 8,465 (2001).

8. These thresholds are (i) 30 percent of the company's Tier 1 capital, or (ii) 20 percent of the company's Tier 1 capital after excluding investments in private equity funds (as defined in Subpart J). *See* 12 C.F.R. 225.174.

9. *See* 12 C.F.R. 225.174(c). The Board, the OCC, and the Federal Deposit Insurance Corporation have requested comment on proposed rules that would establish new minimum regulatory capital requirements for merchant banking investments made by financial holding companies and similar equity investments made by banks and bank holding companies. *See* 66 *Federal Register* 10,212 (2001).

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

ROBERT DEV. FRIERSON
Associate Secretary of the Board

Mitsubishi Tokyo Financial Group, Inc.
Tokyo, Japan

Order Approving Formation of a Bank Holding Company and Acquisition of Nonbanking Companies

Mitsubishi Tokyo Financial Group, Inc. (In Formation) ("MTFG") has requested the Board's approval under section 3 of the Bank Holding Company Act (12 U.S.C. § 1842) ("BHC Act") to become a bank holding company by acquiring The Bank of Tokyo-Mitsubishi, Ltd. ("Tokyo Bank"), a registered bank holding company, and its subsidiary banks, and The Mitsubishi Trust and Banking Corporation ("Mitsubishi Trust"), both in Tokyo, Japan, a registered bank holding company, and its subsidiary bank.[1] MTFG also has requested the Board's approval under section 4(c)(8) and (j) of the BHC Act (12 U.S.C. § 1843(c)(8) and (j)) and section 225.24 of the Board's Regulation Y (12 C.F.R. 225.24) to acquire the direct and indirect U.S. nonbanking subsidiaries of Tokyo Bank and Mitsubishi Trust and thereby engage in certain permissible nonbanking activities.[2] In addition, MTFG proposes to indirectly acquire Union Bank of California International, New York, New York ("UBCI"), an Edge corporation, and BTM North America International, Inc., New York, New York, ("BNAI"), an agreement corporation subsidiary of Tokyo Bank, pursuant to sections 25 and 25A of the Federal Reserve Act (12 U.S.C. § 601 *et seq.*) and Regulation K (12 C.F.R. 211).

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (65 *Federal Register* 70,911 (2000)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in sections 3 and 4 of the BHC Act and the Federal Reserve Act.

MTFG is a corporation that would be formed under the laws of Japan to acquire Tokyo Bank and Mitsubishi Trust.[3] On consummation of the proposal, MTFG would become one of the largest banking organizations in the world, with total consolidated assets of approximately $860 billion.[4]

Tokyo Bank, with total consolidated assets of $698 billion, is the largest bank in Japan. In the United States, Tokyo Bank owns UnionBanCal, and indirectly owns Union Bank. Tokyo Bank operates branches in Los Angeles and San Francisco, California; Chicago, Illinois; New York, New York; Portland, Oregon; and Seattle, Washington; agencies in Atlanta, Georgia; and Houston, Texas; and representative offices in Washington, D.C.; Minneapolis, Minnesota; and Dallas, Texas.

Mitsubishi Trust, with total consolidated assets of $156 billion, is the 13th largest bank in Japan. In the United States, Mitsubishi Trust owns Mitsubishi Trust-NY. Mitsubishi Trust also operates branches in Chicago, Illinois, and New York, New York, and an agency in Los Angeles, California.

In addition, Tokyo Bank and Mitsubishi Trust engage in a broad range of permissible nonbanking activities in the United States through subsidiaries.

Factors Governing Board Review of Transaction

The BHC Act sets forth the factors that the Board must consider when reviewing the formation of a bank holding company or the acquisition of banks. These factors are the competitive effects of the proposal in the relevant geographic markets; the financial and managerial resources and future prospects of the companies and banks involved in the proposal; the convenience and needs of the communities to be served, including the records of performance under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA") of the insured depository institutions involved in the transaction; the availability of information needed to determine and enforce compliance with the BHC Act and other applicable federal banking law; and, in the case of applications involving foreign banks, whether the foreign banks involved are subject to comprehensive supervision and regulation on a consolidated basis by their home country supervisor. The Board also must consider interstate bank acquisitions in light of the concentration of deposits nationwide and in each relevant state, and compliance with other provisions of section 3(d) of the BHC Act.

The Board has considered these factors in light of a record that includes information provided by MTFG, Tokyo Bank, and Mitsubishi Trust; confidential supervisory and examination information; and publicly reported financial and other information. The Board also has considered information collected from the primary home country supervisor of Tokyo Bank and Mitsubishi Trust and from appropriate federal and state agencies.

1. Tokyo Bank's banking subsidiaries are: Bank of Tokyo-Mitsubishi Trust Company ("Tokyo Bank-NY"), New York, New York; and UnionBanCal Corporation ("UnionBanCal"), a registered bank holding company, and its subsidiary bank, Union Bank of California, N.A. ("Union Bank"), both in San Francisco, California. Mitsubishi Trust's subsidiary bank is Mitsubishi Trust & Banking Corporation (U.S.A.) ("Mitsubishi Trust-NY"), New York, New York.

2. The nonbanking activities of Tokyo Bank and Mitsubishi Trust for which MTFG has sought Board approval under section 4(c)(8) and (j) of the BHC Act are listed in the Appendix.

3. The transaction would be effected through an exchange of shares. MTFG's existence would begin on the date on which it consummates the exchange of shares. *See* Japanese Commercial Code, art. 370. On consummation, MTFG would also acquire Nippon Trust Bank Limited and The Tokyo Trust Bank, Ltd., both in Tokyo, Japan. Neither bank has operations in the United States.

4. Asset and ranking data are as of March 31, 2000, and are based on the exchange rate then applicable.

Interstate Analysis

Section 3(d) of the BHC Act allows the Board to approve an application by a bank holding company to acquire control of a bank located in a state other than the home state of the bank holding company if certain conditions are met. For purposes of the BHC Act, the home state of MTFG is California,[5] and MTFG's subsidiary banks would be located in California, New York, Oregon, and Washington.[6] All the conditions for an interstate acquisition enumerated in section 3(d) are met in this case.[7] In light of all the facts of record, the Board is permitted to approve the proposal under section 3(d) of the BHC Act.

Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly. The BHC Act also prohibits the Board from approving a proposed bank acquisition that would substantially lessen competition in any relevant banking market unless the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served.[8]

Tokyo Bank and Mitsubishi Trust control banking operations that compete directly in the New York/New Jersey Metropolitan banking market ("New York banking market").[9] Consummation of the proposal would result in an increase of less than 1 point in the Herfindahl-Hirschman Index ("HHI") in the New York banking market, which would remain unconcentrated with numerous competitors operating in the market.[10] Based on these and all other facts of record, the Board concludes that consummation of the proposal would not result in any significantly adverse effects on competition or on the concentration of banking resources in this market or any other relevant banking markets.

Financial and Managerial Considerations

The Board also has considered carefully the financial and managerial resources and future prospects of MTFG and the banks involved in the proposal, the effect the proposed transaction would have on such resources, and other supervisory factors in light of all the facts of record. The Board notes that the proposal is intended to enhance the overall financial strength and future prospects of the combined organization. The transaction would occur through an exchange of shares and Tokyo Bank, and Mitsubishi Tokyo would not incur any additional debt as part of the transaction. MTFG's *pro forma* capital levels would exceed the minimum levels that would be required under the Basle Capital Accord, and its capital levels are considered equivalent to the capital levels that would be required of a U.S. banking organization under similar circumstances.

In addition, the Board has reviewed supervisory information from the home country authorities responsible for supervising Tokyo Bank and Mitsubishi Trust concerning the proposal and condition of the parties, confidential financial information from Tokyo Bank and Mitsubishi Trust, and reports of examination from the appropriate federal and state supervisors of the affected organizations assessing the financial and managerial resources of the organization.[11] Based on all the facts of record, the Board has concluded that the financial and managerial resources and future prospects of the organizations involved in the proposal are consistent with approval.

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

6. For purposes of section 3(d), the Board considers a bank to be located in the states in which the bank is chartered, headquartered, or operates a branch.

7. MTFG is adequately capitalized and adequately managed, as defined by applicable law. 12 U.S.C. § 1842(d)(1)(A). On consummation of the proposal, MTFG and its affiliates would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States (12 U.S.C. § 1842(d)(2)), and would not exceed applicable deposit limitations in any state as calculated under state and federal law. All other requirements of section 3(d) of the BHC Act would be met on consummation of the proposal.

8. 12 U.S.C. § 1842(c)(1).

9. The New York 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.

10. Market share data are as of June 30, 1999, and are based on calculations in which the uninsured deposits of the branches of Tokyo Bank and Mitsubishi Trust are included at 100 percent. Tokyo Bank controls deposits of $3.1 billion in the New York banking market, representing less than 1 percent of total deposits in depository institutions in the market ("market deposits"). Mitsubishi Trust controls deposits of $666 million in the market, representing less than 1 percent of total market deposits. After consummation of the proposal, MTFG would remain one of the smaller banking organizations in the New York banking market, with less than 1 percent of market deposits. The HHI for the New York banking market would remain unchanged at 931 after consummation of the proposal. Under the revised Department of Justice Merger Guideline, 49 *Federal Register* 26,823 (June 29, 1984), a market is considered unconcentrated if the post-merger HHI is less than 1000. The Department of Justice has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the postmerger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Department of Justice has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effects of limited-purpose lenders and other nondepository financial entities.

11. The Japanese Financial Services Agency ("FSA") has approved the formation of MTFG.

Convenience and Needs Considerations

The Board also has carefully considered the effect of the proposal on the convenience and needs of the communities to be served in light of all the facts of record.

The Board has long held that consideration of the convenience and needs factor includes a review of the records of the relevant depository institutions under the CRA. As provided in the CRA, the Board evaluates the record of performance of an institution in light of examination by the appropriate federal supervisors of the CRA performance records. An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation of the institution's overall record of performance under the CRA by its appropriate federal supervisor.[12]

This proposal involves the proposed formation of a new bank holding company. Accordingly, the Board has reviewed in detail the CRA performance records of the U.S. subsidiary insured depository institutions of the organizations involved in this transaction: Tokyo Bank-NY received an "outstanding"CRA performance rating from the Federal Deposit Insurance Corporation ("FDIC") at its most recent examination, as of June 1999; Union Bank received a "satisfactory" CRA performance rating from the Office of the Comptroller of the Currency at its most recent examination, as of March 1998; and Mitsubishi Trust-NY received a "satisfactory" CRA performance rating from the FDIC at its most recent examination, as of October 1998.

Examiners found no evidence of prohibited discrimination or other illegal credit practices and found no violations of fair lending laws at any of the insured depository institutions involved in the proposal. Examiners also reviewed the assessment areas delineated by these insured depository institutions and found that the respective assessment areas were reasonable and did not arbitrarily exclude low- and moderate-income areas.

In light of all the facts of record, the Board has concluded that considerations relating to the convenience and needs of the communities to be served, including the records of performance of the relevant depository institutions under the CRA, are consistent with approval.

Certain Supervisory Considerations

Under section 3 of the BHC Act, the Board may not approve an application involving a foreign bank unless the bank is "subject to comprehensive supervision or regulation on a consolidated basis by the appropriate authorities in the bank's home country."[13] The Board has determined previously that certain Japanese banks, including Tokyo Bank, are subject to comprehensive consolidated supervision by their home country supervisor.[14] In this case, the Board has determined that Mitsubishi Trust is supervised on substantially the same terms and conditions as these other Japanese banks. In addition, the FSA has supervisory authority with respect to MTFG and its nonbanking subsidiaries. The FSA may conduct inspections of MTFG and its subsidiaries and require MTFG to submit reports about its operations on a consolidated basis. The FSA also may review transactions between MTFG and its subsidiaries and has authority to require MTFG to take measures necessary to ensure the safety and soundness of the MTFG organization. Based on all the facts of record, the Board has concluded that Tokyo Bank and Mitsubishi Trust are subject to comprehensive supervision and regulation on a consolidated basis by their home country supervisor.

The BHC Act also requires the Board to determine that foreign banks have provided adequate assurances that they will make available to the Board such information on their operations and activities and those of their affiliates that the Board deems appropriate to determine and enforce compliance with the BHC Act. The Board has reviewed the restrictions on disclosure in jurisdictions where Tokyo Bank and Mitsubishi Trust have, and MTFG would have, material operations and has communicated with relevant government authorities concerning access to information. MTFG has committed that, to the extent not prohibited by applicable law, it will make available to the Board such information on the operations of MTFG and any of its affiliates that the Board deems necessary to determine and enforce compliance with the BHC Act and other applicable federal law. MTFG also has committed to cooperate with the Board to obtain any waivers or exemptions that may be necessary in order to enable MTFG to make any such information available to the Board. In light of these commitments and other facts of record, the Board has concluded that MTFG has provided adequate assurances of access to any appropriate information the Board may request. For these reasons, and based on all the facts of record, the Board has concluded that the supervisory factors it is required to consider under section 3(c)(3) of the BHC Act are consistent with approval.

12. The Interagency Questions and Answers Regarding Community Reinvestment provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record. *See* 65 *Federal Register* 25,088 and 25,107 (2000).

13. 12 U.S.C. § 1842(c)(3)(B). As provided in Regulation Y (12 C.F.R. 225.13(a)(4)), the Board determines whether a foreign bank is subject to consolidated home country supervision under the standards set forth in Regulation K. Regulation K provides that a foreign bank may be considered subject to consolidated supervision if the Board determines that the bank is supervised or regulated in such a manner that its home country supervisor receives sufficient information on the worldwide operations of the foreign bank, including the relationships of the bank to its affiliates, to assess the foreign bank's overall financial condition and compliance with law and regulation. 12 C.F.R. 211.24(c)(1)(ii).

14. *See The Mitsubishi Bank, Limited,* 82 *Federal Reserve Bulletin* 436 (1996); *The Chuo Mitsui Trust & Bank Co. Ltd.* 86 *Federal Reserve Bulletin* 702 (2000).

Nonbanking Activities

MTFG also has filed notices under section 4(c)(8) and 4(j) of the BHC Act to acquire the U.S. nonbanking subsidiaries of Tokyo Bank and Mitsubishi Trust and to engage in the United States in various permissible nonbanking activities. Through these subsidiaries, MTFG would directly and indirectly engage in a number of nonbanking activities listed in the Appendix, including engaging in lending activities and activities related to extending credit, engaging in leasing activities, performing trust company functions, providing investment and financial advisory services, providing securities brokerage services,[15] engaging in riskless principal transactions, providing private-placement services, acting as a futures commission merchant,[16] engaging as principal in foreign exchange and forward contracts, options, futures, options on futures, swaps, and similar contracts based on any rate, price, or financial asset,[17] providing to customers as agent transactional services with respect to swaps and similar transactions based on any rate, price, or financial asset, underwriting and dealing in government obligations and money market instruments, and engaging in data processing and transmission activities. The Board determined by regulation before November 12, 1999, that the types of activities for which notice has been provided are closely related to banking for purposes of section 4(c)(8) of the BHC Act.[18] MTFG has committed that it will conduct these activities in accordance with the Board's regulations and in accordance with the orders approving these activities for bank holding companies.

In order to approve the notice, the Board also must determine that the acquisition of the U.S. nonbank subsidiaries of Tokyo Bank and Mitsubishi Trust and the performance of the proposed activities by MTFG can reasonably be expected to produce benefits to the public that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices.[19]

MTFG has indicated that the proposal would improve the financial position and future business prospects of the banking and nonbanking subsidiaries of Tokyo Bank and Mitsubishi Trust. The proposal would enable Tokyo Bank, through its indirect subsidiary bank, Union Bank, to provide Mitsubishi Trust's customers with access to a broader array of products and services, including commercial retail bank products which Mitsubishi Trust-NY does not offer as a wholesale bank. Furthermore, customers of Tokyo Bank and Mitsubishi Trust would have an expanded service area, with numerous branches, agencies, and representative offices nationwide, including a significant retail banking branch network in California. Based on all the facts of record, the Board has determined that consummation of this proposal can reasonably be expected to produce public benefits that would outweigh any likely adverse effects under the standard of section 4(j)(2) of the BHC Act.

The Board has carefully considered the competitive effects of the proposed transaction under section 4 of the BHC Act. To the extent that Tokyo Bank and Mitsubishi Trust offer different types of nonbanking products, the proposal would result in no loss of competition. Certain nonbanking subsidiaries of Tokyo Bank and Mitsubishi Trust compete, however, in the markets for lending, leasing, and trust company services. The market for these nonbanking activities are regional or national and are unconcentrated. The record in this case also indicates that there are numerous providers of these services. For the reasons discussed, and based on all the facts of record, the Board concludes that consummation of the proposal would have a *de minimis* effect on competition for the relevant nonbanking activities.

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

MTFG also has provided notice under sections 25 and 25A of the Federal Reserve Act and section 211.4 of Regulation K (12 C.F.R. 211.4) to acquire UBCI and BNAI, companies organized under sections 25 and 25A of the Federal Reserve Act. The Board concludes that all the factors required to be considered under the Federal Reserve Act and Regulation K are consistent with approval of the proposal.

Conclusion

Based on the foregoing, the Board has determined that the transaction should be, and hereby is approved. In reaching its conclusion, the Board has considered all the facts of record in light of the factors that it Board is required to consider under the BHC Act and other applicable statutes. The Board's approval is specifically conditioned on com-

15. Specifically, MTFG has requested the Board's authorization to retain certain securities-related, foreign exchange, brokerage, investment advisory, leasing, and data processing activities and activities related to extending credit which Tokyo Bank currently conducts through BTM Capital Corporation, Boston, Massachusetts, and Tokyo-Mitsubishi Securities (U.S.A.), New York, New York. MTFG has committed to comply with commitments and limitations regarding this activity in accordance with the Board's orders approving Tokyo Bank's notice to engage in these activities. *See The Mitsubishi Bank, Limited,* 82 *Federal Reserve Bulletin* 436 (1996); *The Bank of Tokyo, Ltd.,*76 *Federal Reserve Bulletin* 654 (1990).

16. MTFG's authority to operate as a futures commission merchant is limited to the authority approved in *The Mitsubishi Bank, Limited,* 82 *Federal Reserve Bulletin* 436 (1996).

17. MTFG's authority to trade for its own account or to act as agent for others in transactions is limited to the authority approved in *The Mitsubishi Bank, Limited,* 77 *Federal Reserve Bulletin* 337 (1991), and *The Bank of Tokyo, Ltd.,* 76 *Federal Reserve Bulletin* 654 (1990).

18. *See* 12 C.F.R. 225.28(b)(1), (2), (3), (5), (6), (7), (8), and (14).

19. *See* 12 U.S.C. § 1843(j)(2)(A).

pliance by MTFG with all the commitments and conditions set forth in this order and the regulations and orders cited above, and on the Board's receiving access to information on the operations or activities of MTFG and any of its affiliates that the Board determines to be appropriate to determine and enforce compliance by MTFG and its affiliates with applicable federal statutes. The Board's approval of the nonbanking aspects of the proposal also is subject to all the conditions set forth in Regulation Y, including those in sections 225.7 and 225.25(c) of Regulation Y (12 C.F.R. 225.7 and 225.25(c)), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. These commitments and conditions are deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective March 14, 2001.

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

ROBERT DEV. FRIERSON
Associate Secretary of the Board

Appendix

Nonbanking activities of Tokyo Bank and Mitsubishi Trust in which MTFG proposes to engage:

(1) Extending credit and servicing loans in accordance with section 225.28(b)(1) of Regulation Y (12 C.F.R. 225.28(b)(1));
(2) Activities related to extending credit in accordance with section 225.28(b)(2) of Regulation Y (12 C.F.R. 225.28(b)(2));
(3) Providing leasing services in accordance with section 225.28(b)(3) of Regulation Y (12 C.F.R. 225.28(b)(3));
(4) Performing trust company functions in accordance with section 225.28(b)(5) of Regulation Y (12 C.F.R. 225.28(b)(5));
(5) Providing financial and investment advisory services in accordance with section 225.28(b)(6) of Regulation Y (12 C.F.R. 225.28(b)(6));
(6) Providing securities brokerage, riskless principal, and private placement services in accordance with section 225.28(b)(7)(i)-(iii) of the Board's Regulation Y (12 C.F.R. 225.28(b)(7)(i)-(iii));
(7) Acting as a futures commission merchant in accordance with section 225.28(b)(7)(iv) of Regulation Y (12 C.F.R. 225.28(b)(7)(iv)), and *The Mitsubishi Bank, Limited* 82 *Federal Reserve Bulletin* 436 (1996);
(8) Providing to customers as agent transactional services with respect to swaps and similar transactions based on any rate, price, or financial asset in accordance with section 225.28(b)(7)(v) of Regulation Y and *The Mitsubishi Bank, Limited*, 82 *Federal Reserve Bulletin* 436 (1996), and *The Mitsubishi Bank, Limited*, 77 *Federal Reserve Bulletin* 337 (1991);
(9) Underwriting and dealing in government obligations and money market instruments in accordance with 225.28(b)(8)(i) of Regulation Y (12 C.F.R. 225.28(b)(8)(i));
(10) Engaging as principal in foreign exchange and forward contracts, options, futures, options on futures, swaps, and similar contracts based on any rate, price, or financial asset in accordance with section 225.28(b)(8)(ii)(A) & (B) of Regulation Y (12 C.F.R. 225.28(b)(8)(ii)(A) & (B)) and *The Mitsubishi Bank, Limited*, 77 *Federal Reserve Bulletin* 337 (1991), and *The Bank of Tokyo, Ltd.*, 76 *Federal Reserve Bulletin* 654 (1990); and
(11) Data processing and transmission activities in accordance with section 225.28(b)(14) of Regulation Y (12 C.F.R. 225.28(b)(14)).

Orders Issued Under International Banking Act

Société Générale
Paris, France

Order Approving Establishment of an Agency

Société Générale ("Bank"), Paris, France, 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 establish a state-licensed agency in Greenwich, Connecticut. The Foreign Bank Supervision Enhancement Act of 1991, which amended the IBA, provides that a foreign bank must obtain the Board's approval to establish an agency 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, Connecticut (*Greenwich Time*, November 1, 2000). The time for filing comments has expired, and the Board has considered all comments received.

Bank, with total consolidated assets of approximately \$412 billion, is one of the largest banking organizations in

France.[1] Bank's shares are publicly traded and widely held, with no single shareholder owning more than 10 percent of shares.

Bank engages in retail and commercial banking and other financial activities, including asset management, directly and through its bank and nonbank subsidiaries. Outside France, Bank has operations in Europe, Africa, the Middle-East, the Americas, Asia, and Oceania. In the United States, Bank operates branches in New York, New York, Chicago, Illinois, and Los Angeles, California; an agency in Dallas, Texas; and representative offices in San Francisco, California, and Houston, Texas; and engages in nonbanking activities through a number of subsidiaries. Bank is a qualifying foreign banking organization within the meaning of Regulation K (12 C.F.R. 211.23(b)).

Bank proposes to establish an agency for the purpose of relocating certain of its operations from Bank's New York branch to Greenwich, Connecticut. The agency would manage Bank's global U.S. dollar derivative market-making activities, market fixed-income derivatives and financial products, market and trade credit derivatives and structured and tax-driven financial products, and engage in limited municipal finance activities.

In order to approve an application by a foreign bank to establish an agency 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 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. § 3105(d)(2); 12 C.F.R. 211.24).[2] The Board may also take into account additional standards as set forth in the IBA and Regulation K (12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)(3)).

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

With respect to supervision by home country authorities, the Board previously has determined, in connection with applications involving other banks in France, that those banks were subject to home country supervision on a consolidated basis.[3] Bank is supervised by the French Banking Commission on substantially the same terms and conditions as those other banks. Based on all the facts of record, the Board has determined 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 and Regulation K (*see* 12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)-(3)). The French Banking Commission has no objection to the establishment of the proposed agency.

France's risk-based capital standards conform to the European Union capital standards, which are consistent with those established by the Basle Capital Accord. 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 agency. In addition, Bank has established controls and procedures for the proposed agency to ensure compliance with U.S. law, as well as controls and procedures for its worldwide operations generally.

With respect to access to information about Bank's operations, the Board has reviewed the restrictions on disclosure in relevant jurisdictions in which Bank operates and has communicated with 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 and other applicable federal law. To the extent that the provision of such information to the Board may be prohibited by law or otherwise, Bank has committed to cooperate with the Board to obtain any necessary consents or waivers that might be required from third parties for disclosure of such information. In addition, subject to certain conditions, the French Banking Commission 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 that 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

1. Asset data are as of September 30, 2000.

2. In assessing this standard, the Board considers, among other factors, the extent to which the home country supervisors:

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

3. *See Paribas*, 85 *Federal Reserve Bulletin* 449 (1999); *Credit Agricole Indosuez*, 83 *Federal Reserve Bulletin* 1025 (1997); *Caisse Nationale de Credit Agricole*, 81 *Federal Reserve Bulletin* 1055 (1995); *Banque Nationale de Paris*, 81 *Federal Reserve Bulletin* 515 (1995).

conditions set forth in this order, the Board has determined that Bank's application to establish an agency should be, and hereby is, approved. Should any restrictions on access to information on the operations or activities of Bank and its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by Bank or its affiliates with applicable federal statutes, the Board may require termination of any of Bank's direct or indirect activities in the United States. Approval of this application also is specifically conditioned on compliance by Bank 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 March 5, 2001.

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

ROBERT DEV. FRIERSON
Associate Secretary of the Board

4. The Board's authority to approve the establishment of the proposed agency parallels the continuing authority of the State of Connecticut to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the Connecticut Department of Banking ("Department") to license the proposed office of Bank in accordance with any terms or conditions that the 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
Trustmark Corporation, Jackson, Mississippi	Barrett Bancorp, Inc., Barretville, Tennessee Peoples Bank, Barretville, Tennessee The Somerville Bank & Trust Company, Somerville, Tennessee	March 2, 2001
Wesbanco Inc., Wheeling, West Virginia	Freedom Bancshares, Inc., Belington, West Virginia	March 12, 2001

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
1st Choice Bancorp, Inc., Houston, Texas 1st Choice Bancorp of Delaware, Inc. Wilmington, Delaware	1st Choice Bank, Houston, Texas	Dallas	March 5, 2001
ABC Bancorp, Moultrie, Georgia	Tri-County Bank, Trenton, Florida	Atlanta	March 16, 2001

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Admiral Family Banks, Inc., Alsip, Illinois	Federated Bancorp, Loda, Illinois Federated Bank, Onarga, Illinois	Chicago	March 29, 2001
American State Bancshares, Inc., Great Bend, Kansas	American State Bank, National Association, Great Bend, Kansas	Kansas City	March 15, 2001
Astra Financial Corporation, Prairie Village, Kansas	First Missouri Bancshares, Inc., Brookfield, Missouri First Missouri National Bank, Brookfield, Missouri	Kansas City	March 14, 2001
BSB Community Bancorporation, Inc., Benton, Wisconsin	Benton State Bank, Benton, Wisconsin	Chicago	March 5, 2001
CCB Corporation, Kansas City, Missouri	Acquisition Corporation, Leawood, Kansas	Kansas City	March 8, 2001
Centra Financial Holdings, Inc., Morgantown, West Virginia	Centra Financial Corporation-Morgantown, Inc., Morgantown, West Virginia Centra Financial Corporation-Martinsburg, Inc., Martinsburg, West Virginia Centra Bank, Inc., Morgantown, West Virginia	Richmond	March 9, 2001
Chittenden Corporation, Burlington, Vermont	Maine Bank Corporation, Portland, Maine Maine Bank and Trust Company, Portland, Maine	Boston	March 28, 2001
First Olathe Bancshares, Inc., Kansas City, Missouri	Bannister Bancshares, Inc., Kansas City, Missouri	Kansas City	March 9, 2001
Foster Bankshares, Inc., Chicago, Illinois	Foster Bank, Chicago, Illinois	Chicago	March 1, 2001
Grant County State Bancshares, Inc., Employee Stock Ownership Plan, Swayzee, Indiana	Grant County State Bancshares, Swayzee, Indiana	Chicago	March 22, 2001
Heartland Bancorp, Inc., Bloomington, Illinois	Court Acceptance Company, Pekin, Illinois First State Bank of Pekin, Pekin, Illinois	Chicago	March 27, 2001
Innovative Bancorp, Calabasas, California	Bank of Oakland, Oakland, California	San Francisco	March 14, 2001
Katy Bancshares, Inc., Katy, Texas	Katy Bancshares Delaware, Inc., Wilmington, Delaware Katy Bank, National Association, Katy, Texas	Dallas	March 8, 2001
Plymouth Financial Corporation, Plymouth, Michigan	New Liberty Bank, Plymouth, Michigan	Chicago	March 6, 2001
Shelby Bancshares, Inc., Center, Texas Shelby Savings of Nevada, Inc., Carson City, Nevada	Shelby Savings Bank, SSB, Center, Texas	Dallas	February 27, 2001

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Sterling Bancshares, Inc., Houston, Texas Sterling Bancorporation, Inc., Wilmington, Delaware	CaminoReal Bancshares, Inc., San Antonio, Texas CaminoReal Delaware, Inc., Wilmington, Delaware CaminoReal Bank National Association, San Antonio, Texas	Dallas	January 26, 2001
Texas Financial Bancorporation, Inc., Minneapolis, Minnesota Delaware Financial, Inc., Wilmington, Delaware	First National Bank of Texas, Decatur, Texas	Dallas	February 23, 2001
United Bancorp, Inc., Tecumseh, Michigan	United Bank & Trust - Washtenaw, Ann Arbor, Michigan	Chicago	March 9, 2001
United Financial Holdings, Inc., St. Petersburg, Florida	First Security Bank, Sarasota, Florida	Atlanta	March 16, 2001
WB&T Bankshares, Inc., Waycross, Georgia	Guardian Bank, Valdosta, Georgia	Atlanta	March 9, 2001

Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
AmericaUnited Bancorp, Inc., Schaumburg, Illinois	AmericaUnited Bank and Trust Company USA, Schaumburg, Illinois	Chicago	February 27, 2001
Bank One Corporation, Chicago, Illinois	To expand its community development activities to an aggregate investment	Chicago	March 16, 2001
Capital Bank Corporation, Raleigh, North Carolina	Capital Bank Investment Services, Inc., Raleigh, North Carolina	Richmond	March 21, 2001
Commonwealth Bancshares, Inc., Shelbyville, Kentucky	SMC Capital, Inc., Louisville, Kentucky	St. Louis	February 28, 2001
First Ainsworth Company, Ainsworth, Nebraska	To engage *de novo* in extending credit and servicing loans	Kansas City	March 7, 2001
Hawarden Banshares, Inc., Hawarden, Iowa	G.W. Insurance Services, Inc., Hawarden, Iowa Farmers State Agency, Hawarden, Iowa	Chicago	March 21, 2001
Mitsubishi Tokyo Financial Group, Inc., Tokyo, Japan The Bank of Tokyo-Mitsubishi, Ltd., Tokyo, Japan	KOKUSAI America Incorporated, New York, New York	San Francisco	March 28, 2001
Southern Community Bancorp. Inc., Orlando, Florida	Southern Community Banc Mortgage, LLC, Longwood, Florida	Atlanta	March 23, 2001

Sections 3 and 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
First National Bank of Moose Lake Profit Sharing and ESOP, Moose Lake, Minnesota	First Financial Services of Moose Lake, Inc., Moose Lake, Minnesota	Minneapolis	March 15, 2001
F.N.B. Corporation, Hermitage, Pennsylvania	Citizens Community Bancorp, Inc., Marco Island, Florida Citizens Financial Corporation, Naples, Florida CCB Mortgage Corporation, Marco Island, Florida	Cleveland	February 27, 2001

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
WesbancoBank, Inc., Wheeling, West Virginia	Belington Bank, Belington, West Virginia	March 12, 2001

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
Dacotah Bank, Rolla, North Dakota	First National Bank, Bowbells, North Dakota	Minneapolis	March 21, 2001
Iron and Glass Bank, Pittsburgh, Pennsylvania	First Commonwealth Bank, Indiana, Pennsylvania	Cleveland	February 22, 2001
M&I Marshall & Ilsley Bank, Milwaukee, Wisconsin	M&I Bank of LaCrosse, LaCrosse, Wisconsin M&I Bank South Central, Watertown, Wisconsin M&I Bank South, Janesville, Wisconsin M&I Bank of Mayville, Mayville, Wisconsin M&I Community State Bank, Eau Claire, Wisconsin M&I Bank of Southern Wisconsin, Madison, Wisconsin M&I Thunderbird Bank, Phoenix, Arizona	Chicago	March 1, 2001
Pointe Bank, Boca Raton, Florida	Republic Bank, St. Petersburg, Florida	Atlanta	March 1, 2001
Placer Sierra Bank, Auburn, California	Sacramento Commercial Bank, Sacramento, California	San Francisco	February 22, 2001

Federal Reserve Banks—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
The Sylvan State Bank, Sylvan Grove, Kansas	Boonslick Bank, Boonville, Missouri	Kansas City	March 21, 2001

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.

Artis v. Greenspan, No. 01-CV-0400(ESG) (D.D.C., complaint filed February 22, 2001. Employment discrimination action.

Dime Bancorp, Inc. v. Board of Governors, No. 00–4249 (2d Cir., filed December 11, 2000). Petition for review of a Board order dated September 27, 2000, approving the applications of North Fork Corporation, Inc., Melville, New York, to acquire control of Dime Bancorp, Inc. and to thereby acquire its wholly owned subsidiary, The Dime Savings Bank of New York, FSB, both of New York, New York.

Nelson v. Greenspan, No. 99–215(EGS) (D.D.C., amended complaint filed December 8, 2000). Employment discrimination action.

Howe v. Bank for International Settlements, No. 00CV12485 RCL (D. Mass., filed December 7, 2000). Action seeking damages in connection with gold market activities and the repurchase of privately-owned shares of the Bank for International Settlements.

Barnes v. Reno, No. 1:00CV02900 (D.D.C., filed December 4, 2000). Civil rights action.

El Bey v. United States, No. 00–5293 (D.C. Cir., filed August 31, 2000). Appeal from district court order dismissing *pro se* action as lacking arguable basis in law. On January 11, 2001, the court dismissed the appeal.

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

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

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

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

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

Albrecht v. Board of Governors, No. 00-CV-317 (CKK) (D.D.C., filed February 18, 2000). Action challenging the method of funding of the retirement plan for certain Board employees. On March 30, 2001, the district court granted in part and denied in part the Board's motion to dismiss.

Guerrero v. United States, No. CV-F-99–6771(OWW) (E.D. Cal., filed November 29, 1999). Prisoner suit.

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

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

FINAL ENFORCEMENT DECISION ISSUED BY THE BOARD OF GOVERNORS

In the Matter of Guillaume Henry Andre Fonkenell A Former Institution-Affiliated Party of

Bankers Trust Company,
New York, New York

Docket No. 98–032-B-I, 98–032-CMP-I

Final Decision

This is an administrative proceeding of the Board of Governors of the Federal Reserve System (the "Board"), based upon the issuance on October 29, 1998, of a "Notice of Charges and of Hearing and Notice of the Assessment of a Civil Money Penalty Issued Pursuant to Sections 8(b) and (i) of the Federal Deposit Insurance Act, as Amended" (the "Notice"). The Notice alleges that respondent Guillaume Henri Andre Fonkenell, a former derivatives trader at Bankers Trust Company, New York, New York, violated the law and engaged in unsafe or unsound practices in connection with two leveraged derivative trades in which he was involved. The Notice, as amended, seeks a civil money penalty of $250,000 and a cease and desist order prohibiting Fonkenell from serving as an institution-affiliated party of any financial institution where his duties include participating in structuring derivative transactions for sale or marketing to customers, advising customers regarding the purchase, sale, or structuring of a derivative transaction, and preparing marketing materials regarding derivatives transactions.[1]

Following an extensive hearing and submission of post-hearing filings, administrative law judge Walter J. Alprin (the "ALJ") issued a Recommended Decision ("RD") recommending that the Board find that the allegations in the Notice are not supported by the record, and that the Board dismiss the Notice in its entirety. Enforcement Counsel filed exceptions to the RD, in which they argued that while the ALJ's factual findings were correct, they did not include certain facts supported by the record. Enforcement Counsel also excepted to the ALJ's conclusions of law. Fonkenell's exception was limited to his contention that the ALJ erred in permitting the testimony of Enforcement Counsel's expert witness.[2]

Upon review of the administrative record, the Board hereby makes its Final Decision and adopts the ALJ's Recommended Decision, Recommended Findings of Fact, and Recommended Conclusions of Law, except as specifically supplemented or modified herein. The Board therefore determines that no enforcement order is warranted under the facts of this case, and dismisses the Notice.

Statutory Overview

The Federal Deposit Insurance Act (the "FDI Act") provides that the appropriate Federal banking agency may issue a cease and desist notice against a depository institution or an institution- affiliated party within its jurisdiction if it has reasonable cause to believe that the institution or party has engaged in an unsafe or unsound practice, or has violated a law, rule, regulation, or certain conditions imposed in writing. 12 U.S.C. § 1818(b)(1). Following issuance of a Notice, the Board's Rules of Practice assign responsibility to an ALJ to hear the matter and make a recommended decision to the Board. 12 C.F.R. 263.5. The parties may file exceptions to the ALJ's recommended decision, and the Board makes final findings of fact and conclusions of law, and determines whether to issue a cease and desist order. 12 C.F.R. 263.40.

A cease and desist order may be issued if the agency finds on review of the record "that any violation or unsafe or unsound practice specified in the notice of charges has been established." In that event, the Board may issue an order requiring the respondent to cease and desist from the practice, and "to take affirmative action to correct the conditions resulting from any such violation or practice." 12 U.S.C. § 1818(b)(1). This authority includes the authority, among other things, to require the respondent to "take such other action as the banking agency determines to be appropriate" (12 U.S.C. § 1818(b)(6)(F)) and the authority to "place limitations on the activities or functions of . . . any institution-affiliated party." 12 U.S.C. § 1818(b)(7).

The appropriate Federal banking agency may assess a civil money penalty at various levels under various conditions set forth in the statute. A "first tier" civil money penalty of $5000 per day may be assessed against any institution-affiliated party who violates a law, regulation, final order, condition imposed in writing, or written agreement with the agency. 12 U.S.C. § 1818(i)(2)(A). A "second-tier" civil money penalty of $25,000 per day may be assessed against an institution-affiliated party who commits any of the above violations, or who "recklessly engages in an unsafe or unsound practice in conducting the affairs" of the institution, or who breaches a fiduciary duty, if the Board makes the additional finding that the violation, practice, or breach was either part of a pattern of misconduct, or caused (or was likely to cause) more than a minimal loss to the institution, or resulted in pecuniary gain or other benefit to the respondent. 12 U.S.C. § 1818(i)(2)(B).

As with a cease and desist proceeding, the respondent has a right to a hearing before an ALJ, and the Board makes the final decision regarding the imposition of a penalty. 12 C.F.R. 263.40.

An ALJ's findings of fact are not conclusive on the agency. Under the Administrative Procedure Act, it is the agency, not the ALJ, that has the responsibility for making findings of fact based on the record, and drawing legal conclusions from them. *Greater Boston Television Corp. v. FCC,* 444 F.2d 841, 853 (D.C. Cir. 1970), *cert. denied,* 403 U.S. 923 (1971). Nonetheless, because the ALJ has had an opportunity to hear the evidence directly and assess the credibility of witnesses, agencies generally defer an ALJ's credibility assessment unless the evidence clearly warrants rejection of that assessment. *See, e.g., Stanley v. Board of Governors,* 940 F.2d 267, 272 (7th Cir. 1991).

Discussion

The facts of this case revolve around two separate sets of transactions, the "Indonesian Transactions" and the "Procter & Gamble [or P&G] Transaction." Both were leveraged derivative transactions sold by Bankers Trust to clients, and in both cases Fonkenell was involved in his capacity as a trader on Bankers Trust's dollar derivatives desk. In both cases, Enforcement Counsel contends that Fonkenell's actions constituted an unsafe or unsound practice justifying imposition of the civil money penalty and

1. The original Notice sought in addition a cease and desist order precluding Fonkenell's service as an institution-affiliated party at any financial institution or agency identified in 12 U.S.C. § 1818(e)(7)(a) without Federal Reserve approval. On May 7, 1999, the Board amended the notice to delete that requested relief and to substitute a request that the Board order "other appropriate restrictions on [Fonkenell's] future activities as an institution-affiliated party as are warranted based on the record in this proceeding."

2. This issue is not properly an exception, as the ALJ did not make any findings based on the expert's challenged testimony. Accordingly, the Board takes no position on the propriety of the admission of this testimony.

cease-and-desist relief sought.[3] Apart from these similarities, the facts of the two transactions do not overlap, and the Board, like the ALJ, will consider them separately.

A. The Indonesian Transactions

A derivative is a financial product the value of which is based on, or derived from, something other than the transaction itself. During the late 1980s and through the mid-1990s, the market for derivatives products increased substantially, and Bankers Trust was at the forefront of this expansion. Among the Bankers Trust employees involved in the derivatives trade were marketers, who presented transactions to clients, and traders, who developed and structured derivatives transactions, priced the transactions, and hedged the risk associated with the transactions. Generally, traders had little or no contact with customers, and this was true for Fonkenell in connection with the Indonesian transactions.

In 1993 and 1994, Fonkenell was a trader in Bankers Trust's "dollar derivatives" desk, responsible for several trading books and also for developing derivatives transactions for marketers. Fonkenell was located in Bankers Trust's offices in New York. One of the marketers with whom Fonkenell interacted was Hogi Hyun, a well-regarded managing director of Bankers Trust based in Southeast Asia.

As part of his job developing potential transactions for marketers, on January 18, 1994, Fonkenell sent an electronic mail message to Hyun and others, proposing a so-called "barrier swap" trade for "one of the PT's," a term for Indonesian corporations. Board Ex. 18. Under this type of trade, Bankers Trust would pay the customer a fixed rate on the principal (or "notional") amount to maturity, and the customer would make payments to Bankers Trust calculated by applying an agreed-upon formula to the notional amount. The formula proposed in the January 18 message was that the customer would make payments to Bankers Trust based on the "12-month late LIBOR rate" plus a specified "spread," which would in turn be calculated based on the movement of interest rates in the market.[4] If the 6-month LIBOR rate never traded above 4.75 percent during the first year of the contract, the spread would be zero (and the customer would pay just the 12-month late LIBOR rate). If that interest rate "barrier" were breached within the first year after the trade, the customer would pay in addition a spread equal to ten times the difference between the six-month LIBOR rate and 3.75 percent. The spread formulation in the January 18 message was expressed as "10 x [6mLIB - 3.75%]." Because the customer would pay ten times the difference in the rates, the leverage factor in the formula was 10.

Fonkenell and Hyun subsequently spoke about the proposal. Hyun indicated that he liked the idea, but that he wanted to "hide the leverage" in the trade. Fonkenell discussed the proposed trade and Hyun's request to hide the leverage with Oliver Lu, a trader assisting Hyun, on January 19 and again on January 24, 1994. In each of these tape-recorded conversations Fonkenell and Lu discussed various methods of reformulating the spread in order to "hide the leverage" in the transaction.[5] Among the methods they discussed was the use of a divisor rather than a multiplier to express the leverage in the transaction. In neither of the taped conversations did Fonkenell or Lu discuss why Hyun would want to hide the leverage in the transaction. They did, however, discuss moving the interest rate "barrier" up to a figure higher than the 4.75 percent favored by Hyun. Raising the barrier would mean that the customer was less likely to have to pay the spread. Lu commented in this regard, "I don't want to be too greedy... I want to make sure the guy wins," to which Fonkenell replied, "yeah me too exactly. Yeah, we should, I was looking on what barrier, I was looking I think 5 %." Board Ex. 16A at 10.

After the second conversation with Lu, Fonkenell sent a second message to Hyun, stating that he had "thought about ways to hide the leverage and came up with the following." Board Ex. 19. The trade proposed in this second message differed in a number of respects from that shown in the January 18 message. The barrier was 5 percent, and the amount Bankers Trust paid to the customer on its side of the swap was calculated differently. But most importantly for purposes of this proceeding, the spread if the barrier were breached was expressed as follows:

SPREAD = (6mLIBOR / 4.3125%) - 1.

In this formulation, the spread is calculated by dividing a rate (6-month LIBOR) by a percentage - 4.3125 percent. Dividing a number by 4.3125 percent is the mathematical equivalent of multiplying that number by approximately 23, making the leverage factor for this formula about 23.

In late January and February 1994, Hyun sent barrier swap proposals based loosely on the proposal set forth in Fonkenell's second message to two Indonesian customers. Board Ex. 20, 21. In both cases, the spread if the barrier was breached was expressed as the 6-month LIBOR rate divided by a percentage (4.3 percent in one case, 4.5 percent in the other), minus one. In one case, the barrier under which the spread would be zero was 5 percent, and in the other it was 5.25 percent. In each case, the proposal informed the customer that "as the likelihood of 6-month USD LIBOR trading above [the barrier] is very small," the

3. Enforcement Counsel originally contended that Fonkenell's involvement in the Indonesian transactions constituted wire fraud in violation of 18 U.S.C. § 1343, and that his actions in connection with the P&G transaction resulted in a false entry in the books and records of a financial institution in violation of 18 U.S.C. § 1005. The ALJ rejected these claims in the Recommended Decision, and in its post-decision filings Enforcement Counsel did not except to the ALJ's conclusions. Enforcement Counsel also has not argued that Fonkenell's actions constituted a breach of any fiduciary duty.

4. "LIBOR" refers to the London Inter Bank Offered Rate, a set of interest rates published daily and widely used in such instruments.

5. At Bankers Trust, as elsewhere, traders' telephone lines were recorded in order to provide confirmation of orders, and for other purposes.

customer was likely to enjoy a low cost of funds under the proposal. The proposals were also accompanied by discussions of the U.S. economic outlook which projected the 6-month LIBOR rate to be well below the barrier by year-end 1994 (the time when the barrier would be tested), and a "sensitivity analysis" that failed to show clearly the effect of the transaction at higher interest rate levels. It is undisputed that Fonkenell had no responsibility for or input into the marketing material presented to these customers.

Interest rates rose dramatically in 1994, and these trades resulted in substantial losses to the Indonesian customers. Both customers complained about the trades, and in particular the sales practices used to market them. Both transactions ended up in court, where the disputes were ultimately settled by the parties.

On the basis of these facts, Enforcement Counsel asserts that Fonkenell engaged in an unsafe or unsound practice in that he "intended to deceive" the Indonesian customers by providing a formula to "hide the leverage." On this record, the Board cannot agree. The record contains no evidence that any customer was defrauded or misled by *the spread formula itself*, which is the only part of the transaction in which Fonkenell had a role. Indeed, there is no evidence that any customer was defrauded at all. The fact that Bankers Trust entered into a settlement with customers, with a disclaimer of wrongdoing, cannot be considered evidence of fraud.[6] Commercial enterprises settle claims for a variety of reasons, some of which have nothing to do with the merits. Moreover, even if there were legitimate liability on the part of Bankers Trust, on this record it is more reasonable to assume that it stemmed from the marketing materials - which were outside of Fonkenell's responsibility or control - than from the spread formula itself, which admittedly accurately set out the terms of the transaction. It is important in this regard to put Fonkenell's actions in context. At that time at Bankers Trust, the use of formulas in which the leverage factor was expressed as a divisor was commonplace. Use of such a formula violated no rule, regulation, or policy of the Federal Reserve or any other regulator - indeed, there still is no prohibition or limitation on the use of divisors to express leverage. Thus, the only basis for Enforcement Counsel's claim that Fonkenell's actions constituted an unsafe or unsound practice is that Fonkenell created the formula in order to respond to a request to "hide the leverage," and Enforcement Counsel's assertion that Fonkenell intended that the formula he developed would in fact "hide the leverage" from - and thus defraud - Bankers Trust customers.

While the use of the phrase "hide the leverage" certainly raises concerns, in the context of this type of transaction the concerns do not appear to be well-founded. A formula that accurately states the leverage factor cannot by itself be misleading. The leverage factor might be more obvious to some customers when expressed as a multiplier rather than as a divisor, but the mathematical result is the same. It is undisputed that Fonkenell did not know the identity of any particular customer to whom the barrier trade might be marketed, so he had no basis on which to presume greater or lesser mathematical sophistication on the part of the customer. Fonkenell explained that he understood the purpose of "hiding the leverage" to be to permit a marketer to discuss a complex transaction with a potential customer in a way that would allow full consideration of the transaction's risks and rewards, rather than focusing on the leverage factor which was only one component of risk. Fonkenell was aware that a sensitivity analysis would normally be provided to customers showing a wide range of outcomes of the trade, both positive and negative, based on a wide range of possible rates in the market. Tr. at 1930. While such an analysis appears not to have been presented in connection with these particular trades, there is nothing in the record to suggest that Fonkenell had either any responsibility for that failing or even any basis to believe it would occur. In short, Fonkenell's use of the phrase "hide the leverage" is not enough to turn his otherwise legal actions into an unsafe or unsound practice.

A. The Proctor & Gamble Transaction

1. *Background*

Fonkenell began his career at Bankers Trust in June 1990, as a junior swap trader. By November 1993, Fonkenell was a relatively senior trader in Bankers Trust's New York office. He was responsible for oversight of several options books - portfolios of common transactions linked to one or more particular market variables - although by late 1993 he no longer had day-to-day responsibility for any book. Among the books for which he had oversight responsibility was the so-called T24 book. A more junior colleague, Kassy Kabede, had day-to-day responsibility as the "book runner" for the T24 book. Fonkenell and Kabede reported to Ari Bergmann, who managed the dollar derivative desk as a whole.

At the end of October 1993, Kabede and Bankers Trust marketer Kevin Hudson were working on a major derivatives transaction with Procter & Gamble (the "P&G Trade"). The P&G Trade was an "exotic" trade involving an option linked to the value of Treasury instruments, and as such it would be recorded and managed principally on the T24 book for which Kebede was chiefly responsible. Kebede, however, was out of the country during the week beginning November 1, 1993, and in his absence Fonkenell filled in for him as book runner for the T24 book.

The P&G Trade was a "5s/30s swap", under which Bankers Trust would pay P&G a fixed rate for the six-year life of the transaction, and P&G would pay Bankers Trust a variable rate based on the future prices of the 5-year Treasury note and the 30-year Treasury bond, as determined six months after the trade date. With a notional amount of $200 million, the P&G Trade was one of the largest derivative transactions Bankers Trust had entered into.

6. In fact, as the ALJ pointed out, there is no evidence that the amounts paid to the customers by Bankers Trust under these settlements even exceeded the amounts it was obligated to pay under the terms of the swap transactions. RD at 34.

At Bankers Trust, the trader's role in executing a trade like the P&G Trade involved a number of steps. The trader was involved with the marketer in pricing the trade. Following its execution, the trader was responsible for hedging the Bankers Trust's risks associated with the transaction. In addition, the trader was responsible for working with Bankers Trust's "back office" operation to book the transaction, including allocation of portions of the trade's expected profits among various trading books. The back office person responsible for booking the P&G Trade was Joseph Mancino.

The back office entered the trade into the bank's books, and marked the books to market every day by recalculating the value of the various trades in the book to take account of market changes in the various components of the transactions in the portfolio. One of the components of the trades in the T24 book was the "volatility" of the underlying instruments to which the trades were linked, including the 5-year Treasury Note and the 30-year Treasury Bond. Volatility is a measure of the degree of uncertainty of future price movements. When volatility goes up, the price of an option goes up. While there is a market for volatility, it is unlike other components of the trades in the T24 book, because the level at which volatility trades on a given day is not widely available. Instead, volatility is determined or derived from options that are traded in the market by using a model that calculates volatility based on an option's strike rate, time to expiration, discount rate, and other factors.

In the options market, volatility trades within a range, known as the "bid/ask spread." When pricing a trade or selecting an appropriate volatility figure at which to value the trade for booking purposes, a trader must take account of the fact that he will be hedging the risk of the trade by engaging in opposing transactions, and that his hedges will be executed at either the bid or the offer side of the market, depending on whether he is buying or selling volatility. The trader will therefore select a volatility number that is either on the bid or the ask side of the market when pricing a transaction. At Bankers Trust, the same factors were taken into consideration when providing a volatility figure to the back office for purposes of booking and valuing a transaction. When a book such as the T24 book was long on volatility, as it was following the execution of the P&G Trade, the trader was expected to use a figure at the lower end of the bid/ask range when supplying volatility figures to the back office for purposes of marking the bank's books to market.[7]

Because of the complexity of exotic transactions such as the P&G Trade, pricing and booking operations were aided by computer spreadsheets, which contained all the terms of the transactions. The spreadsheets would generate the total value, or expected profit, on the transaction, depending on the known terms (such as notional amount and length of time the transaction was to be outstanding) and the variables such as the current price of volatilities and other components of the trade. Traders would save the spreadsheet for a particular transaction to a computer system that could be accessed both by the back-office personnel for purposes of booking the transaction, and by the bank's controllers whose job was to ensure that the accuracy of the bank's books. The responsible back-office person would then enter the new trade figures from the spreadsheet model into the pre-existing inventory of trades for the book.

A chief function of the back office was to mark the bank's investments to market on a daily basis. Marking to market refers to the process of marking the bank's books and records with values for the bank's trading positions that are as close as possible to the market at a given point in time. A bank's trading books must be marked to market on a daily basis in order to provide bank management with an accurate picture of the bank's investment exposure and allow an assessment of the bank's earnings in comparison to its risk.

As part of the function of marking the bank's books to market, daily statements of profit and loss were generated at Bankers Trust for each of the derivatives books. In 1993, the back office that generated these statements at Bankers Trust received its market input information from the traders, who had the greatest familiarity with the market. When a new trade was put on the books, the trader was not required to use the market inputs that existed on the books prior to the trade. Rather, the trader was expected to determine the appropriate values based on the market at the time, and to mark the new trade and all existing trades in a particular book with the same market inputs. Thus, for example, the T24 book included transactions whose value depended, among other things, on the volatilities of the 5-year Treasury Note and the 30-year Treasury Bond. When the P&G Trade was recorded on November 2, 1993, Fonkenell was not required to use the volatilities for those instruments in use in the T24 book prior to the execution of the trade, but was expected to identify the volatilities in the market and then have the back office mark all of the T24 book consistently with those volatilities. The selection of a particular volatility figure would affect the recorded value of a derivative trade (and, indeed, the entire book).

The day a trade is put on the books at Bankers Trust, its expected value is known as "new deal profit." New deal profit at Bankers Trust was shown on a specific line in the bank's profit and loss explanation system; the remainder of the profit (or loss) realized in a particular trading book shown on the system was known generally as "trading profit." Bankers Trust tracked the profitability of each trading book in the profit and loss explanation system in order to understand and manage its portfolios, and not for purposes of determining trader compensation. Traders were generally expected to maintain or protect new deal profit, and possibly to enhance it, through their hedging and trading activities. Traders made most of their compensa-

7. Enforcement Counsel's expert witness testified that institutions generally mark to market using a mid-market volatility figure, about halfway between the bid and the ask price. Testimony from Bankers Trust witnesses established, however, that this was not the practice at Bankers Trust in 1993.

tion from Bankers Trust in the form of a year-end bonus, rather than as a salary. A trader's bonus was not determined by a simple mathematical calculation based on the profit and loss of his trading books, however. Rather, traders' bonuses were based on a number of subjective factors, including the trader's ability to structure new deals and work with marketers. One of these factors was the trader's ability to preserve new deal profit, but the evidence did not establish that this was the primary or even an important determinant of a trader's bonus.

With respect to the P&G Trade, the lower the volatility figure employed when the trade was first put on the bank's books, the lower the new deal, or expected, profit that would be booked on the first day of the trade. The size of the P&G Trade was so substantial that one point change in either the 5-year or the 30-year volatility figure would result in a profit or loss of $1.5 million; a one-point change in both volatility figures would result in profit or loss of $3 million.

2. *The conduct at issue*

Fonkenell is accused of manipulating the 5-year and 30-year volatilities recorded in Bankers Trust's T24 book by reporting artificially low figures to the back office on the day the P&G Trade was executed, and then raising the volatility figures over the next several days so that they again reflected the market. This would have had the effect of reducing artificially the "new deal profit" and increasing the "trading profit" associated with the T24 book. The alleged motive for these actions was greed: by artificially increasing trading profit, Fonkenell would allegedly have made himself look like a more competent trader, leading to an increase in his year-end bonus.

The facts relating to the booking of the P&G Trade are complex and involved considerable apparent confusion and misunderstanding between Fonkenell and Mancino, the back-office worker responsible for the T24 book. On November 2 and 3, immediately after the execution of the P&G Trade, Fonkenell was engaged in carrying out extensive and complex hedging activities with respect to the trade, in addition to discussing with Mancino and others the booking of the trade and the allocation of various aspects of the trade to various trading books in addition to T24. Mancino was also occupied with other tasks, and was relatively new to the T24 book. These other distractions may have been partly responsible for the apparent lack of communication between Fonkenell and Mancino; in any event, it is evident from the transcripts of the conversations that Fonkenell was not alone in his lack of clarity.

There appears to be no dispute, however, and the ALJ found, that prior to execution of the P&G Trade on November 2, 1993, the volatilities for the 5-year Treasury Note and the 30-year Treasury Bond were marked in the T24 book at 18 and 10, respectively. There also is no dispute that following the execution of the P&G Trade, Fonkenell directed the back-office worker, Mancino, to mark both volatilities down one, to 17 and 9, throughout the T24 book, and that the P&G Trade was booked with those same volatilities. RD at 25–28.[8] There is no dispute that the volatility for the 5-year Note was increased from 17 to 18 on November 3, and the volatility for the 30-year Bond was increased from 9 to 10 on November 8. These changes resulted in an increase in the "trading profit" in the T24 book associated with the P&G Trade of approximately $3 million. Finally, there is no dispute that 17 and 9 were appropriate, prudent figures at which to mark those volatilities on November 2, following the execution of the P&G Trade, and that the increases in those volatilities in the following days also reflected the market and were not in any sense "improper" figures. RD at 35.

On the basis of these facts, the ALJ concluded that Fonkenell did not engage in an unsafe or unsound practice or a violation of law with regard to manipulation of the volatilities for the P&G Trade. RD at 34–36. The Board agrees.

Although some evidence in the record suggested that manipulating volatility figures used to mark a bank's books to market could cause management to underestimate the degree of risk associated with the bank's portfolio, no evidence was presented regarding whether this potential existed where the volatilities chosen were within the range of reasonable, prudent market figures.[9] Thus, the record does not reflect that the precise actions of which Fonkenell was accused - manipulating volatilities within the range of prudent market figures - could have caused any harm to the institution. We do not conclude that engaging in a scheme to manipulate volatilities in order to enhance personal benefits is by definition *not* an unsafe or unsound practice, so long as the volatilities chosen are within a reasonable market range. We conclude simply that the evidence in this case does not establish the potential risk of such a practice.

Moreover, this case involved a single incident of alleged manipulation. Potentially, a different result would be called for if the conduct alleged had involved a pattern of minimizing the volatility figures, but the evidence did not suggest that this alleged manipulation occurred at any other time. Finally, the alleged motivation for the manipulation - Fonkenell's asserted desire to increase his bonus by increasing "trading profit" - also was not supported by the record evidence. Rather, a former Bankers Trust supervisor testified that he did not believe there was any useful distinction between "new deal" profit and "trading profit" in connection with setting a trader's bonus, and that bo-

8. Although the P&G Trade was marked with volatilities of 17 and 9 on the day it was executed, the rest of the T24 book was marked at 18 and 9 on that day, because Mancino failed to carry out Fonkenell's instruction and mistakenly lowered the volatility on the 3-year Note, known in Bankers Trust's parlance as "Losh," rather than the 5-year Note, known as "Bosh."

9. There is reason to question whether management's assessment of risk could be impaired if volatilities are chosen within a range of prudent, reasonable market-based figures. Evidence in the record showed that marking a bank's books to market involves a number of judgment calls; for example, some banks evidently use a mid-market volatility figure5 for purposes of marking to market, while others, such as Bankers Trust, do not. Management's assessment of risk may well take into account the variation in value that can result from choosing one volatility rather than another equally defensible one.

nuses were set by reference to a large number of subjective measures. Moreover, no evidence was presented that Fonkenell's actual bonus was affected in any manner by the alleged manipulations.

Conclusion

The Board has considered the entire record in this proceeding, including the ALJ's Recommended Decision and the Exceptions to the Recommended Decision filed by both parties, and has concluded that the allegations of the Notice are not supported by the record.

Accordingly, it is hereby ordered that the Notice against Respondent Guillaume Henri Andre Fonkenell is dismissed.

By Order of the Board of Governors, this 14th day of March, 2001.

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

JENNIFER J. JOHNSON
Secretary of the Board

WRITTEN AGREEMENT APPROVED BY FEDERAL RESERVE BANKS

USABancShares.com, Inc.
Philadelphia, Pennsylvania

The Federal Reserve Board announced on March 16, 2001, the execution of a Written Agreement by and between USABancShares.com, Inc., Philadelphia, Pennsylvania, and the Federal Reserve Bank of Philadelphia.

Financial and Business Statistics

INTERNATIONAL STATISTICS

Summary Statistics

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Reported by Nonbanking Business Enterprises in the United States

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Interest and Exchange Rates

SPECIAL TABLES

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
ABS	Asset-backed security
ATS	Automatic transfer service
BIF	Bank insurance fund
CD	Certificate of deposit
CMO	Collateralized mortgage obligation
CRA	Community Reinvestment Act of 1977
FAMC	Federal Agriculture Mortgage Corporation
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
FSA	Farm Service Agency
FSLIC	Federal Savings and Loan Insurance Corporation
G-7	Group of Seven
G-10	Group of Ten
GDP	Gross domestic product
GNMA	Government National Mortgage Association
HUD	Department of Housing and Urban Development
IMF	International Monetary Fund
IOs	Interest only, stripped, mortgage-back securities
IPCs	Individuals, partnerships, and corporations
IRA	Individual retirement account
MMDA	Money market deposit account
MSA	Metropolitan statistical area
NOW	Negotiable order of withdrawal
OCDs	Other checkable deposits
OPEC	Organization of Petroleum Exporting Countries
OTS	Office of Thrift Supervision
PMI	Private mortgage insurance
POs	Principal only, stripped, mortgage-back securities
REIT	Real estate investment trust
REMICs	Real estate mortgage investment conduits
RHS	Rural Housing Service
RP	Repurchase agreement
RTC	Resolution Trust Corporation
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, AND DEBT MEASURES

Percent annual rate of change, seasonally adjusted[1]

Monetary or credit aggregate	2000				2000[r]			2001	
	Q1[r]	Q2	Q3[r]	Q4[r]	Oct.	Nov.	Dec.	Jan.[r]	Feb.
Reserves of depository institutions[2]									
1 Total	2.4	−10.9[r]	−8.3	−8.7	−11.1	.1	−15.9	10.0	−.2
2 Required	.6	−7.7[r]	−8.6	−10.4	−12.3	−1.7	−20.3	12.7	−3.4
3 Nonborrowed	3.0	−12.5[r]	−9.9	−6.4	−9.4	4.3	−13.7	14.3	.5
4 Monetary base[3]	4.0	−3.6[r]	2.5	2.8	2.8	3.5	5.3	11.2	3.3
Concepts of money and debt[4]									
5 M1	2.0	−1.8	−3.6	−3.0	.4	−8.3	2.0	12.0	.0
6 M2	5.8	6.4	5.8	6.6	5.5	4.2	9.6	12.3	10.8
7 M3	10.7	9.0	8.9	7.0	3.8	4.2	13.8	16.0	11.7
8 Debt	5.6	6.1	4.9	4.6	3.5	5.4	5.8	3.8	n.a.
Nontransaction components									
9 In M2[5]	7.1	8.9	8.7	9.4	7.0	7.9	11.8	12.4	13.8
10 In M3 only[6]	22.9	15.2[r]	16.3	7.9	−.2	4.1	23.7	24.6	13.7
Time and savings deposits									
Commercial banks									
11 Savings, including MMDAs	2.5	7.8	11.8	11.9	5.0	10.4	16.3	13.2	23.8
12 Small time[7]	9.4	13.2	10.5	6.1	3.7	7.7	9.5	5.0	−5.8
13 Large time[8,9]	20.2	17.1	11.5	3.5	−9.0	4.8	39.2	22.0	−39.9
Thrift institutions									
14 Savings, including MMDAs	−2.9	1.6	3.3	.0	3.2	−3.4	−9.2	1.9	27.6
15 Small time[7]	7.2	3.3	10.8	9.7	9.9	9.1	5.6	14.6	6.8
16 Large time[8]	14.5	.6[r]	23.0	14.0	20.1	4.6	−6.9	34.9	6.8
Money market mutual funds									
17 Retail	17.8	13.3	4.6	12.7	13.2	9.3	19.5	21.2	9.2
18 Institution-only	22.8	18.0	29.2	18.6	10.4	12.9	24.9	52.5	86.9
Repurchase agreements and eurodollars									
19 Repurchase agreements[10]	20.7	10.7[r]	8.0	−3.4	−3.3	−14.6	12.4	−10.7	−30.2
20 Eurodollars[10]	42.6	15.0[r]	.6	2.0	−12.5	2.5	−1.3	−17.0	.6
Debt components[4]									
21 Federal	−4.9	−7.5	−7.3	−8.0	−10.1	−9.2	−6.6	−7.1	n.a.
22 Nonfederal	8.4	9.6	7.9	7.6	6.7	8.8	8.6	6.3	n.a.

1. Unless otherwise noted, rates of change are calculated from average amounts outstanding during preceding month or quarter.

2. Figures incorporate adjustments for discontinuities, or "breaks," associated with regulatory changes in reserve requirements. (See also table 1.20.)

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

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

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

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

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

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

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

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

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

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

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

10. Includes both overnight and term.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT[1]

Millions of dollars

Factor	Average of daily figures			Average of daily figures for week ending on date indicated						
	2000	2001		2001						
	Dec.	Jan.	Feb.	Jan. 17	Jan. 24	Jan. 31	Feb. 7	Feb. 14	Feb. 21	Feb. 28
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	578,891	577,991	574,233	577,821	577,550	573,706	572,082	572,626	577,131	575,091
U.S. government securities[2]										
2 Bought outright—System account[3]	514,072	515,712	517,974	516,288	516,988	516,799	515,579	515,909	519,669	520,739
3 Held under repurchase agreements	0	0	0	0	0	0	0	0	0	0
Federal agency obligations										
4 Bought outright	130	130	81	130	130	130	121	110	81	10
5 Held under repurchase agreements	0	0	0	0	0	0	0	0	0	0
6 Repurchase agreements—triparty[4]	27,923	24,662	19,085	24,228	22,429	18,986	18,921	17,757	21,976	17,685
7 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
8 Adjustment credit	96	43	29	4	79	12	6	24	13	72
9 Seasonal credit	114	32	19	26	23	31	19	23	17	17
10 Special Liquidity Facility credit	0	0	0	0	0	0	0	0	0	0
11 Extended credit	0	0	0	0	0	0	0	0	0	0
12 Float	1,502	873	1,231	731	1,172	675	623	1,543	955	1,802
13 Other Federal Reserve assets	35,054	36,539	35,815	36,415	36,730	37,072	36,814	37,260	34,421	34,766
14 Gold stock	11,046	11,046	11,046	11,046	11,046	11,046	11,046	11,046	11,046	11,046
15 Special drawing rights certificate account	2,652	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200
16 Treasury currency outstanding	31,528	31,800[r]	31,923	31,793[r]	31,841[r]	31,888[r]	31,902	31,916	31,930	31,944
ABSORBING RESERVE FUNDS										
17 Currency in circulation	584,582	584,006[r]	582,422	584,339[r]	580,581[r]	578,487[r]	579,960	581,796	584,023	583,909
18 Reverse repurchase agreements—triparty[4]	0	0	0	0	0	0	0	0	0	0
19 Treasury cash holdings	403	452	485	456	445	455	478	485	488	489
Deposits, other than reserve balances, with Federal Reserve Banks										
20 Treasury	5,758	6,682	4,894	6,529	7,078	8,903	4,849	5,023	4,836	4,868
21 Foreign	115	104	94	106	85	110	89	79	107	100
22 Service-related balances and adjustments	6,959	6,841[r]	6,533	6,632	6,948[r]	6,578[r]	6,448	6,533	6,531	6,623
23 Other	355	305	302	199	267	277	339	323	257	290
24 Other Federal Reserve liabilities and capital	18,401	18,124	18,168	18,265	18,248	18,198	18,032	18,232	18,162	18,246
25 Reserve balances with Federal Reserve Banks[5]	7,543	6,521[r]	6,502	6,333	8,984[r]	5,832[r]	7,035	5,317	7,903	5,755

Factor	End-of-month figures			Wednesday figures						
	Dec.	Jan.	Feb.	Jan. 17	Jan. 24	Jan. 31	Feb. 7	Feb. 14	Feb. 21	Feb. 28
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	593,092	573,194	578,124	578,853	589,511	573,194	579,003	574,244	587,381	578,124
U.S. government securities[2]										
2 Bought outright—System account[3]	511,703	516,018	519,618	516,778	518,441	516,018	516,486	514,561	521,118	519,618
3 Held under repurchase agreements	0	0	0	0	0	0	0	0	0	0
Federal agency obligations										
4 Bought outright	130	130	10	130	130	130	110	110	10	10
5 Held under repurchase agreements	0	0	0	0	0	0	0	0	0	0
6 Repurchase agreements—triparty[4]	43,375	18,920	23,665	22,520	33,000	18,920	23,985	17,510	28,765	23,665
7 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
8 Adjustment credit	33	5	2	1	4	5	11	11	17	2
9 Seasonal credit	77	30	15	24	24	30	20	24	15	15
10 Special Liquidity Facility credit	0	0	0	0	0	0	0	0	0	0
11 Extended credit	0	0	0	0	0	0	0	0	0	0
12 Float	901	1,536	1,016	2,902	924	1,536	1,345	4,463	2,823	1,016
13 Other Federal Reserve assets	36,873	36,555	33,798	36,498	36,989	36,555	37,046	37,565	34,633	33,798
14 Gold stock	11,046	11,046	11,046	11,046	11,046	11,046	11,046	11,046	11,046	11,046
15 Special drawing rights certificate account	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200
16 Treasury currency outstanding	31,643	31,888[r]	31,944	31,793[r]	31,841[r]	31,888[r]	31,902	31,916	31,930	31,944
ABSORBING RESERVE FUNDS										
17 Currency in circulation	593,694	579,781[r]	584,987	583,690[r]	580,073[r]	579,781[r]	582,088	583,458	584,970	584,987
18 Reverse repurchase agreements—triparty[4]	0	0	0	0	0	0	0	0	0	0
19 Treasury cash holdings	450	477	505	445	451	477	485	489	487	505
Deposits, other than reserve balances, with Federal Reserve Banks										
20 Treasury	5,149	5,256	4,956	7,979	7,357	5,256	3,905	6,713	4,100	4,956
21 Foreign	216	199	196	103	69	199	96	72	77	196
22 Service-related balances and adjustments	7,428	6,578[r]	6,623	6,632	6,948[r]	6,578[r]	6,448	6,533	6,531	6,623
23 Other	1,382	306	377	283	262	306	335	286	256	377
24 Other Federal Reserve liabilities and capital	17,962	17,648	17,842	17,936	17,937	17,648	17,906	17,921	17,935	17,842
25 Reserve balances with Federal Reserve Banks[5]	11,701	8,082[r]	7,830	6,824	21,501[r]	8,082[r]	12,888	3,935	18,201	7,830

1. Amounts of cash held as reserves are shown in table 1.12, line 2.
2. Includes securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale–purchase transactions.
3. Includes compensation that adjusts for the effects of inflation on the principal of inflation-indexed securities.
4. Cash value of agreements arranged through third-party custodial banks. These agreements are collateralized by U.S. government and federal agency securities.
5. Excludes required clearing balances and adjustments to compensate for float.

1.12 RESERVES AND BORROWINGS Depository Institutions[1]

Millions of dollars

Reserve classification	Prorated monthly averages of biweekly averages									
	1998	1999	2000	2000					2001	
	Dec.	Dec.	Dec.	Aug.[r]	Sept.[r]	Oct.[r]	Nov.[r]	Dec.	Jan.[r]	Feb.
1 Reserve balances with Reserve Banks[2]	9,026	5,262[r]	7,159[r]	6,933	6,852	6,778	7,156	7,159[r]	7,190	6,616
2 Total vault cash[3]	44,294	60,619	45,120	45,319	44,807	45,178	44,546	45,120	47,506	48,397
3 Applied vault cash[4]	36,183	36,392	31,381	32,531	32,316	31,998	31,629	31,381	32,601	32,687
4 Surplus vault cash[5]	8,111	24,227	13,739	12,788	12,491	13,180	12,917	13,739	14,905	15,710
5 Total reserves[6]	45,209	41,654[r]	38,540[r]	39,464	39,168	38,776	38,786	38,540[r]	39,791	39,302
6 Required reserves	43,695	40,357[r]	37,216[r]	38,460	38,050	37,629	37,584	37,216[r]	38,538	37,949
7 Excess reserve balances at Reserve Banks[7]	1,514	1,297[r]	1,325	1,004	1,119	1,147	1,201	1,325	1,253	1,353
8 Total borrowing at Reserve Banks	117	320	210	579	477	418	283	210	73	51
9 Adjustment	101	179	99	25	50	119	124	99	39	30
10 Seasonal	15	67	111	554	427	299	159	111	34	21
11 Special Liquidity Facility[8]	0	74	0	0	0	0	0	0	0	...
12 Extended credit[9]	0	0	0	0	0	0	0	0	0	0

Reserve classification	Biweekly averages of daily figures for two-week periods ending on dates indicated									
	2000					2001				
	Nov. 1[r]	Nov. 15	Nov. 29	Dec. 13	Dec. 27	Jan 10	Jan. 24	Feb. 7[r]	Feb. 21	Mar. 7
1 Reserve balances with Reserve Banks[2]	6,965	6,709	7,620	7,131	7,208	7,085	7,656	6,410	6,612	6,829
2 Total vault cash[3]	44,523	44,633	44,539	43,452	46,220	46,696	45,558	52,561	48,505	44,017
3 Applied vault cash[4]	32,180	31,056	32,262[r]	30,255	32,370	31,579	32,316	34,631	32,303	31,512
4 Surplus vault cash[5]	12,343	13,577	12,277[r]	13,197	13,850	15,117	13,243	17,930	16,202	12,505
5 Total reserves[6]	39,145	37,765	39,881	37,386	39,578	38,664	39,972	41,041	38,914	38,341
6 Required reserves	37,961	36,763[r]	38,475[r]	36,254[r]	38,124	37,165	38,866	39,844	37,356	37,242
7 Excess reserve balances at Reserve Banks[7]	1,184	1,002[r]	1,406[r]	1,132[r]	1,453[r]	1,499	1,106	1,196	1,559	1,098
8 Total borrowing at Reserve Banks	355	190	380	159	285	110	66	34	38	95
9 Adjustment	97	25	232	37	169	56	42	9	18	76
10 Seasonal	259	165	148	123	117	55	25	25	20	19
11 Special Liquidity Facility[8]	...	...	...	...	...	...	...	...	...	...
12 Extended credit[9]	0	0	0	0	0	0	0	0	0	0

1. Data in this table also appear in the Board's H.3 (502) weekly statistical release. For ordering address, see inside front cover. Data are not break-adjusted or seasonally adjusted.
2. Excludes required clearing balances and adjustments to compensate for float and includes other off-balance-sheet "as-of" adjustments.
3. Vault cash eligible to satisfy reserve requirements. It includes only vault cash held by those banks and thrift institutions that are not exempt from reserve requirements. Dates refer to the maintenance periods in which the vault cash can be used to satisfy reserve requirements.
4. All vault cash held during the lagged computation period by "bound" institutions (that is, those whose required reserves exceed their vault cash) plus the amount of vault cash applied during the maintenance period by "nonbound" institutions (that is, those whose vault cash exceeds their required reserves) to satisfy current reserve requirements.
5. Total vault cash (line 2) less applied vault cash (line 3).
6. Reserve balances with Federal Reserve Banks (line 1) plus applied vault cash (line 3).
7. Total reserves (line 5) less required reserves (line 6).
8. Borrowing at the discount window under the terms and conditions established for the Century Date Change Special Liquidity Facility in effect from October 1, 1999, through April 7, 2000.
9. Consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as with traditional short-term adjustment credit, the money market effect of extended credit is similar to that of nonborrowed reserves.

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per year

Current and previous levels

Federal Reserve Bank	Adjustment credit[1]			Seasonal credit[2]			Extended credit[3]		
	On 4/6/01	Effective date	Previous rate	On 4/6/01	Effective date	Previous rate	On 4/6/01	Effective date	Previous rate
Boston	4.50	3/20/01	5.00	4.95	4/5/01	5.15	5.45	4/5/01	5.65
New York		3/20/01							
Philadelphia		3/20/01							
Cleveland		3/20/01							
Richmond		3/20/01							
Atlanta		3/20/01							
Chicago		3/20/01							
St. Louis		3/21/01							
Minneapolis		3/20/01							
Kansas City		3/20/01							
Dallas		3/20/01							
San Francisco	4.50	3/20/01	5.00	4.95	4/5/01	5.15	5.45	4/5/01	5.65

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
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

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1982—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

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
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
1998—Oct. 15	4.75–5.00	4.75
16	4.75	4.75
Nov. 17	4.50–4.75	4.50
19	4.50	4.50
1999—Aug. 24	4.50–4.75	4.75
26	4.75	4.75
Nov. 16	4.75–5.00	4.75
18	5.00	5.00
2000—Feb. 2	5.00–5.25	5.25
4	5.25	5.25
Mar. 21	5.25–5.50	5.50
23	5.50	5.50
May 16	5.50–6.00	5.50
19	6.00	6.00
2001—Jan. 3	5.75–6.00	5.75
4	5.50–5.75	5.50
5	5.50	5.50
31	5.00–5.50	5.00
Feb. 1	5.00	5.00
Mar. 20	4.50–5.00	4.50
21	4.50	4.50
In effect Apr. 6, 2001	4.50	4.50

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–$42.8 million[3]	3	12/28/00
2 More than $42.8 million[4]	10	12/28/00
3 Nonpersonal time deposits[5]	0	12/27/90
4 Eurocurrency liabilities[6]	0	12/27/90

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

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

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

Under the Garn–St Germain Depository Institutions Act of 1982, the Board adjusts the amount of reservable liabilities subject to a zero percent reserve requirement each year for the succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is made in the event of a decrease. The exemption applies only to accounts that would be subject to a 3 percent reserve requirement. Effective with the reserve maintenance period beginning December 28, 2000, for depository institutions that report weekly, and with the period beginning January 18, 2001, for institutions that report quarterly, the exemption was raised from $5.0 million to $5.5 million.

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

5. For institutions that report weekly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1.5 years was reduced from 3 percent to 1.5 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 1.5 years was reduced from 3 percent to zero on Jan. 17, 1991.

The reserve requirement on nonpersonal time deposits with an original maturity of 1.5 years or more has been zero since Oct. 6, 1983.

6. The reserve requirement on eurocurrency liabilities was reduced from 3 percent to zero in the same manner and on the same dates as the reserve requirement on nonpersonal time deposits with an original maturity of less than 1.5 years (see note 5).

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

Type of transaction and maturity	1998	1999	2000	2000 July	2000 Aug.	2000 Sept.	2000 Oct.	2000 Nov.	2000 Dec.	2001 Jan.
U.S. TREASURY SECURITIES[2]										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	3,550	0	8,676	1,825	531	231	779	2,507	509	520
2 Gross sales	0	0	0	0	0	0	0	0	0	0
3 Exchanges	450,835	464,218	477,904	33,718	42,797	37,006	38,142	45,182	39,428	40,769
4 For new bills	450,835	464,218	477,904	33,718	42,797	37,006	38,142	45,182	39,428	40,769
5 Redemptions	2,000	0	24,522	4,902	3,438	3,898	2,656	1,021	1,145	228
Others within one year										
6 Gross purchases	6,297	11,895	8,809	1,284	2,770	716	0	580	1,420	0
7 Gross sales	0	0	0	0	0	0	0	0	0	0
8 Maturity shifts	46,062	50,590	62,025	5,152	7,040	0	8,663	7,957	0	5,405
9 Exchanges	−49,434	−53,315	−54,656	−3,333	−7,396	0	−6,608	−7,012	0	−6,667
10 Redemptions	2,676	1,429	3,779	367	887	0	787	780	0	2,422
One to five years										
11 Gross purchases	12,901	19,731	14,482	2,259	2,508	2,385	734	1,332	1,045	925
12 Gross sales	0	0	0	0	0	0	0	0	0	0
13 Maturity shifts	−37,777	−44,032	−52,068	−5,152	−3,439	0	−8,663	−5,997	0	−5,405
14 Exchanges	37,154	42,604	46,177	3,333	5,418	0	6,608	5,737	0	6,667
Five to ten years										
15 Gross purchases	2,294	4,303	5,871	0	1,914	448	0	510	771	1,283
16 Gross sales	0	0	0	0	0	0	0	0	0	0
17 Maturity shifts	−5,908	−5,841	−6,801	0	−3,601	0	0	−699	0	0
18 Exchanges	7,439	7,583	6,585	0	1,254	0	0	1,275	0	0
More than ten years										
19 Gross purchases	4,884	9,428	5,833	500	727	547	982	0	0	296
20 Gross sales	0	0	0	0	0	0	0	0	0	0
21 Maturity shifts	−2,377	−717	−3,155	0	0	0	0	−1,261	0	0
22 Exchanges	4,842	3,139	1,894	0	724	0	0	0	0	0
All maturities										
23 Gross purchases	29,926	45,357	43,670	5,868	8,450	4,326	2,495	4,929	3,745	3,024
24 Gross sales	0	0	0	0	0	0	0	0	0	0
25 Redemptions	4,676	1,429	28,301	5,269	4,325	3,898	3,443	1,802	1,145	2,650
Matched transactions										
26 Gross purchases	4,430,457	4,413,430	4,399,257	344,935	381,349	335,321	344,920	351,391	345,680	356,250
27 Gross sales	4,434,358	4,431,685	4,381,188	344,384	381,475	334,530	346,428	351,232	348,917	352,336
Repurchase agreements										
28 Gross purchases	512,671	281,599	0	0	0	0	0	0	0	0
29 Gross sales	514,186	301,273	0	0	0	0	0	0	0	0
30 Net change in U.S. Treasury securities	19,835	5,999	33,439	1,150	3,999	1,219	−2,457	3,286	−637	4,289
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
31 Gross purchases	0	0	0	0	0	0	0	0	0	0
32 Gross sales	25	0	0	0	0	0	0	0	0	0
33 Redemptions	322	157	51	0	0	10	0	0	0	0
Repurchase agreements										
34 Gross purchases	284,316	360,069	0	0	0	0	0	0	0	0
35 Gross sales	276,266	370,772	0	0	0	0	0	0	0	0
36 Net change in federal agency obligations	7,703	−10,859	−51	0	0	−10	0	0	0	0
Reverse repurchase agreements										
37 Gross purchases	0	0	0	0	0	0	0	0	0	0
38 Gross sales	0	0	0	0	0	0	0	0	0	0
Repurchase agreements										
39 Gross purchases	0	304,989	890,236	66,485	47,265	66,080	64,428	87,125	95,470	104,930
40 Gross sales	0	164,349	987,501	75,925	46,230	67,285	62,308	79,295	79,365	129,385
41 Net change in triparty obligations	0	140,640	−97,265	−9,440	1,035	−1,205	2,120	7,830	16,105	−24,455
42 Total net change in System Open Market Account	**27,538**	**135,780**	**−63,877**	**−8,290**	**5,034**	**4**	**−337**	**11,116**	**15,468**	**−20,166**

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

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

1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements[1]

Millions of dollars

Account	Wednesday					End of month		
	2001					2000	2001	
	Jan. 31	Feb. 7	Feb. 14	Feb. 21	Feb. 28	Dec. 31	Jan. 31	Feb. 28
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,046	11,046	11,046	11,046	11,046	11,046	11,046	11,046
2 Special drawing rights certificate account	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200
3 Coin	1,066	1,095	1,120	1,112	1,115	949	1,066	1,115
Loans								
4 To depository institutions	35	31	35	32	18	110	35	18
5 Other	0	0	0	0	0	0	0	0
6 Acceptances held under repurchase agreements	0	0	0	0	0	0	0	0
Triparty Obligations								
7 Repurchase agreements—triparty[2]	18,920	23,985	17,510	28,765	23,665	43,375	18,920	23,665
Federal agency obligations[3]								
8 Bought outright	130	110	110	10	10	130	130	10
9 Held under repurchase agreements	0	0	0	0	0	0	0	0
10 **Total U.S. Treasury securities**[3]	**516,018**	**516,486**	**514,561**	**521,118**	**519,618**	**511,703**	**516,018**	**519,618**
11 Bought outright[4]	516,018	516,486	514,561	521,118	519,618	511,703	516,018	519,618
12 Bills	182,949	183,417	179,718	183,912	182,998	178,741	182,949	182,998
13 Notes	239,725	239,724	240,940	242,437	241,792	240,178	239,725	241,792
14 Bonds	93,345	93,345	93,904	94,770	94,827	92,784	93,345	94,827
15 Held under repurchase agreements	0	0	0	0	0	0	0	0
16 **Total loans and securities**	**535,103**	**540,611**	**532,216**	**549,925**	**543,311**	**555,318**	**535,103**	**543,311**
17 Items in process of collection	10,023	10,270	13,497	14,267	9,019	7,105	10,023	9,019
18 Bank premises	1,467	1,468	1,469	1,469	1,476	1,461	1,467	1,476
Other assets								
19 Denominated in foreign currencies[5]	15,495	15,502	15,509	15,516	15,386	15,670	15,495	15,386
20 All other[6]	19,673	20,115	20,662	17,724	17,534	19,766	19,673	17,534
21 **Total assets**	**596,072**	**602,308**	**597,719**	**613,259**	**601,086**	**613,514**	**596,072**	**601,086**
LIABILITIES								
22 Federal Reserve notes	549,436	551,766	553,151	554,638	554,662	563,450	549,436	554,662
23 Reverse repurchase agreements—triparty[2]	0	0	0	0	0	0	0	0
24 **Total deposits**	**21,182**	**24,283**	**18,996**	**29,427**	**20,667**	**25,792**	**21,182**	**20,667**
25 Depository institutions	15,420	19,947	11,925	24,993	15,139	19,045	15,420	15,139
26 U.S. Treasury—General account	5,256	3,905	6,713	4,100	4,956	5,149	5,256	4,956
27 Foreign—Official accounts	199	96	72	77	196	216	199	196
28 Other	306	335	286	256	377	1,382	306	377
29 Deferred credit items	7,806	8,353	7,651	11,259	7,915	6,310	7,806	7,915
30 Other liabilities and accrued dividends[7]	3,960	3,996	3,980	3,907	3,931	4,170	3,960	3,931
31 **Total liabilities**	**582,384**	**588,397**	**583,778**	**599,231**	**587,175**	**599,723**	**582,384**	**587,175**
CAPITAL ACCOUNTS								
32 Capital paid in	7,014	7,016	7,012	7,014	7,023	6,997	7,014	7,023
33 Surplus	6,265	6,299	6,333	6,367	6,355	6,794	6,265	6,355
34 Other capital accounts	409	595	595	648	534	0	409	534
35 **Total liabilities and capital accounts**	**596,072**	**602,308**	**597,719**	**613,259**	**601,086**	**613,514**	**596,072**	**601,086**
MEMO								
36 Marketable U.S. Treasury securities held in custody for foreign and international accounts	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Federal Reserve note statement							
37 Federal Reserve notes outstanding (issued to Banks)	746,920	746,182	745,878	745,316	744,972	751,714	746,920	744,972
38 LESS: Held by Federal Reserve Banks	197,484	194,416	192,727	190,678	190,310	188,264	197,484	190,310
39 Federal Reserve notes, net	549,436	551,766	553,151	554,638	554,662	563,450	549,436	554,662
Collateral held against notes, net								
40 Gold certificate account	11,046	11,046	11,046	11,046	11,046	11,046	11,046	11,046
41 Special drawing rights certificate account	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200
42 Other eligible assets	1,122	0	7,724	0	0	0	1,122	0
43 U.S. Treasury and agency securities	535,068	538,520	532,181	541,393	541,417	550,205	535,068	541,417
44 **Total collateral**	**549,436**	**551,766**	**553,151**	**554,638**	**554,662**	**563,450**	**549,436**	**554,662**

1. Some of the data in this table also appear in the Board's H.4.1 (503) weekly statistical release. For ordering address, see inside front cover.
2. Cash value of agreements arranged through third-party custodial banks.
3. Face value of the securities.
4. Includes securities loaned—fully guaranteed by U.S. Treasury securities pledged with Federal Reserve Banks—and includes compensation that adjusts for the effects of inflation on the principal of inflation-indexed securities. Excludes securities sold and scheduled to be bought back under matched sale–purchase transactions.
5. Valued monthly at market exchange rates.
6. Includes special investment account at the Federal Reserve Bank of Chicago in Treasury bills maturing within ninety days.
7. Includes exchange-translation account reflecting the monthly revaluation at market exchange rates of foreign exchange commitments.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holding

Millions of dollars

Type of holding and maturity	Wednesday					End of month		
	2001					2000	2001	
	Jan. 24	Feb. 7	Feb. 14	Feb. 21	Feb. 28	Dec. 31	Jan. 31	Feb. 28
1 **Total loans**	**28**	**31**	**35**	**32**	**18**	**110**	**35**	**18**
2 Within fifteen days[1]	0	17	35	32	16	96	30	16
3. Sixteen days to ninety days	0	14	0	0	2	14	5	2
4. 91 days to 1 year	0	0	0	0	0	0	0	0
5 **Total U.S. Treasury securities**[2]	**518,441**	**516,486**	**514,561**	**521,118**	**519,618**	**511,702**	**516,018**	**519,618**
6 Within fifteen days[1]	22,272	17,723	22,050	17,859	12,450	18,053	20,921	12,450
7 Sixteen days to ninety days	111,129	115,089	112,965	118,796	116,644	108,961	112,430	116,644
8 Ninety-one days to one year	124,918	125,624	120,844	121,988	128,775	125,539	124,617	128,775
9 One year to five years	132,160	130,088	130,246	134,991	134,268	132,792	130,088	134,268
10 Five years to ten years	56,750	56,750	56,749	54,894	54,893	55,461	56,750	54,893
11 More than ten years	71,212	71,212	71,707	72,589	72,589	70,896	71,212	72,589
12 **Total federal agency obligations**	**130**	**110**	**110**	**10**	**10**	**130**	**130**	**10**
13 Within fifteen days[1]	0	0	0	0	0	0	0	0
14 Sixteen days to ninety days	0	0	0	0	0	0	0	0
15 Ninety-one days to one year	0	0	0	0	0	0	0	0
16 One year to five years	130	110	110	10	10	130	130	10
17 Five years to ten years	0	0	0	0	0	0	0	0
18 More than ten years	0	0	0	0	0	0	0	0

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

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

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE[1]

Billions of dollars, averages of daily figures

Item	1997 Dec.	1998 Dec.	1999 Dec.[r]	2000 Dec.[r]	2000[r] July	2000[r] Aug.	2000[r] Sept.	2000[r] Oct.	2000[r] Nov.	2000[r] Dec.	2001 Jan.[r]	2001 Feb.
	Seasonally adjusted											
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]												
1 Total reserves[3]	46.85[r]	45.18[r]	41.78	38.51	40.12	39.64	39.39	39.02	39.02	38.51	38.83	38.82
2 Nonborrowed reserves[4]	46.52[r]	45.07	41.46	38.30	39.56	39.06	38.91	38.60	38.74	38.30	38.75	38.77
3 Nonborrowed reserves plus extended credit[5]	46.52[r]	45.07	41.46	38.30	39.56	39.06	38.91	38.60	38.74	38.30	38.75	38.77
4 Required reserves	45.16[r]	43.67[r]	40.48	37.18	38.98	38.64	38.27	37.87	37.82	37.18	37.57	37.47
5 Monetary base[6]	479.47[r]	513.49[r]	593.09	583.97	576.96	577.53	578.34	579.70	581.40	583.97	589.40	591.03
	Not seasonally adjusted											
6 Total reserves[7]	48.01	45.31	41.89	38.60	39.93	39.51	39.22	38.84	38.85	38.60	39.78	39.33
7 Nonborrowed reserves	47.69	45.19	41.57	38.39	39.36	38.93	38.75	38.42	38.56	38.39	39.70	39.28
8 Nonborrowed reserves plus extended credit[5]	47.69	45.19	41.57	38.39	39.36	38.93	38.75	38.42	38.56	38.39	39.70	39.28
9 Required reserves[8]	46.33	43.80	40.59	37.27	38.79	38.51	38.11	37.69	37.65	37.27	38.52	37.98
10 Monetary base[9]	484.98	518.27	600.72	590.20	577.49	576.66	576.84	578.29	582.36	590.20	591.49	588.94
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[10]												
11 Total reserves[11]	47.92	45.21	41.65	38.54	39.88	39.46	39.17	38.78	38.79	38.54	39.79	39.30
12 Nonborrowed reserves	47.60	45.09	41.33	38.33	39.32	38.89	38.69	38.36	38.50	38.33	39.72	39.25
13 Nonborrowed reserves plus extended credit[5]	47.60	45.09	41.33	38.33	39.32	38.89	38.69	38.36	38.50	38.33	39.72	39.25
14 Required reserves	46.24	43.70	40.36	37.22	38.74	38.46	38.05	37.63	37.58	37.22	38.54	37.95
15 Monetary base[12]	491.79	525.06	608.02	597.12	584.28	583.40	583.52	585.01	589.12	597.12	598.37	595.49
16 Excess reserves[13]	1.69	1.51	1.30	1.33	1.14	1.00	1.12	1.15	1.20	1.33	1.25	1.35
17 Borrowings from the Federal Reserve	.32	.12	.32	.21	.57	.58	.48	.42	.28	.21	.07	.05

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

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

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

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

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

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

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

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

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

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

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

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

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

1.21 MONEY STOCK AND DEBT MEASURES[1]

Billions of dollars, averages of daily figures

Item	1997 Dec.	1998 Dec.	1999 Dec.[r]	2000 Dec.[r]	2000[r] Nov.	2000[r] Dec.	2001 Jan.[r]	2001 Feb.
	Seasonally adjusted							
Measures[2]								
1 M1	1,073.4	1,097.0	1,124.3	1,090.3	1,088.5	1,090.3	1,101.2	1,101.2
2 M2	4,030.4[r]	4,383.4[r]	4,650.0	4,947.3	4,908.0	4,947.3	4,998.2	5,043.0
3 M3	5,427.8[r]	6,027.3[r]	6,526.8	7,095.9	7,015.0	7,095.9	7,190.8	7,260.7
4 Debt	15,223.0[r]	16,277.8[r]	17,379.9	18,304.0	18,216.5	18,304.0	18,362.0	n.a.
M1 components								
5 Currency[3]	424.3	459.2	516.7	530.1	527.7	530.1	534.5	537.3
6 Travelers checks[4]	8.1	8.2	8.2	8.0	8.0	8.0	8.1	8.0
7 Demand deposits[5]	395.4	379.4	355.6	313.2	314.8	313.2	317.0	314.7
8 Other checkable deposits[6]	245.7	250.1	243.7	239.0	238.0	239.0	241.7	241.1
Nontransaction components								
9 In M2[7]	2,957.0[r]	3,286.4[r]	3,525.7	3,857.0	3,819.5	3,857.0	3,897.0	3,941.8
10 In M3 only[8]	1,397.4[r]	1,643.9[r]	1.876.8	2.148.6	2,107.0	2.148.6	2,192.6	2,217.7
Commercial banks								
11 Savings deposits, including MMDAs	1,021.1	1,185.8	1,287.0	1,420.3	1,401.3	1,420.3	1,435.9	1,464.4
12 Small time deposits[9]	625.5	626.4	635.2	699.9	694.4	699.9	702.8	699.4
13 Large time deposits[10, 11]	517.6[r]	575.4[r]	648.6	726.9	703.9	726.9	740.2	715.6
Thrift institutions								
14 Savings deposits, including MMDAs	376.8	414.1	449.3	451.7	455.2	451.7	452.4	462.8
15 Small time deposits[9]	342.9	325.8	320.9	346.3	344.7	346.3	350.5	352.5
16 Large time deposits[10]	85.5	88.7	91.3	103.1	103.7	103.1	106.1	106.7
Money market mutual funds								
17 Retail	590.6[r]	734.3[r]	833.4	938.8	923.8	938.8	955.4	962.7
18 Institution-only	390.0[r]	530.4[r]	622.4	767.4	751.8	767.4	801.0	859.0
Repurchase agreements and eurodollars								
19 Repurchase agreements[12]	254.3[r]	297.5[r]	341.2	360.5	356.8	360.5	357.3	348.3
20 Eurodollars[12]	150.0	151.8	173.3	190.7	190.9	190.7	188.0	188.1
Debt components								
21 Federal debt	3,800.6	3,751.2	3,660.3	3,400.5	3,419.3	3,400.5	3,380.4	n.a.
22 Nonfederal debt	11,422.5	12,526.6[r]	13,719.6	14,903.5	14,797.2	14,903.5	14,981.6	n.a.
	Not seasonally adjusted							
Measures[2]								
23 M1	1,096.9	1,120.4	1,147.8	1,114.6	1,094.7	1,114.6	1,101.4	1.088.6
24 M2	4,051.8[r]	4,405.7[r]	4,674.0	4,976.0	4,900.2	4,976.0	5,007.6	5,041.8
25 M3	5,453.1[r]	6,059.4[r]	6,564.2	7,140.9	7,010.6	7,140.9	7,220.9	7,295.6
26 Debt	15,218.8[r]	16,273.1[r]	17,375.3	18,296.1	18,191.7	18,296.1	18,359.7	n.a.
M1 components								
27 Currency[3]	428.1	463.3	521.5	535.4	528.3	535.4	532.3	535.9
28 Travelers checks[4]	8.3	8.4	8.4	8.1	8.2	8.1	8.2	8.2
29 Demand deposits[5]	412.4	395.9	371.2	328.6	320.1	328.6	317.0	305.7
30 Other checkable deposits[6]	248.2	252.8	246.6	242.5	238.0	242.5	243.9	238.9
Nontransaction components								
31 In M2[7]	2,954.9[r]	3,285.3[r]	3,526.3	3,861.4	3,805.5	3,861.4	3,906.2	3,953.3
32 In M3 only[8]	1,401.3[r]	1,653.7[r]	1,890.2	2,164.9	2,110.5	2,164.9	2,213.4	2,253.8
Commercial banks								
33 Savings deposits, including MMDAs	1,020.4	1,186.0	1,288.5	1,425.0	1,397.1	1,425.0	1,433.6	1,456.1
34 Small time deposits[9]	625.3	626.5	635.4	700.1	695.8	700.1	704.1	701.7
35 Large time deposits[10, 11]	517.0[r]	574.8[r]	648.0	726.2	705.0	726.2	733.9	716.1
Thrift institutions								
36 Savings deposits, including MMDAs	376.5	414.2	449.8	453.2	453.8	453.2	451.7	460.2
37 Small time deposits[9]	342.8	325.8	321.0	346.4	345.4	346.4	351.1	353.7
38 Large time deposits[10]	85.4	88.6	91.2	103.0	103.9	103.0	105.2	106.8
Money market mutual funds								
39 Retail	589.9[r]	732.7[r]	831.5	936.6	913.4	936.6	965.7	981.5
40 Institution-only	397.0	542.4[r]	637.3	785.3	755.5	785.3	827.8	889.0
Repurchase agreements and eurodollars								
41 Repurchase agreements[12]	249.5[r]	293.4[r]	337.7	357.5	356.0	357.5	356.7	352.8
42 Eurodollars[12]	152.3	154.5	176.0	193.0	190.1	193.0	189.8	189.2
Debt components								
43 Federal debt	3,805.8	3,754.9	3,663.2	3,403.5	3,401.2	3,403.5	3,373.2	n.a
44 Nonfederal debt	11.413.0[r]	12,518.2[r]	13,712.1	14,892.6	14,790.5	14,892.6	14,986.5	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. Excludes individual retirement accounts (IRAs) and Keogh balances at depository institutions and money market funds. Seasonally adjusted M2 is calculated by summing savings deposits, small-denomination time deposits, and retail money fund balances, each seasonally adjusted separately, and adding this result to seasonally adjusted M1.

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

Debt: The debt aggregate is the outstanding credit market debt of the domestic nonfinancial sectors—the federal sector (U.S. government, not including government-sponsored 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.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]

A. All commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	2000	2000[r]					2001		2001			
	Feb.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[r]	Feb.	Feb. 7	Feb. 14	Feb. 21	Feb. 28
	Seasonally adjusted											
Assets												
1 Bank credit	4,839.9[r]	5,122.7	5,170.9	5,150.1	5,162.3	5,225.5	5,265.0	5,287.9	5,268.0	5,273.2	5,284.6	5,325.8
2 Securities in bank credit	1,272.5[r]	1,321.1	1,331.7	1,310.0	1,303.0	1,335.5	1,357.3	1,354.4	1,350.6	1,355.2	1,353.4	1,358.5
3 U.S. government securities	816.1[r]	813.5	808.1	794.4	784.3	786.5	786.9	775.2	775.3	780.2	773.5	771.6
4 Other securities	456.4[r]	507.6	523.6	515.6	518.6	549.1	570.3	579.2	575.2	574.9	579.9	586.9
5 Loans and leases in bank credit[2]	3,567.4	3,801.7	3,839.2	3,840.0	3,859.3	3,889.9	3,907.8	3,933.5	3,917.4	3,918.0	3,931.1	3,967.4
6 Commercial and industrial	1,024.7	1,081.3	1,081.1	1,081.2	1,082.5	1,091.5	1,106.4	1,114.7	1,114.0	1,111.0	1,116.1	1,117.6
7 Real estate	1,508.2	1,624.5	1,635.4	1,635.2	1,646.6	1,653.3	1,652.3	1,665.3	1,659.4	1,660.5	1,665.8	1,675.7
8 Revolving home equity	106.2	120.6	122.4	125.3	127.0	128.5	129.5	131.0	130.4	130.7	131.2	131.7
9 Other	1,402.0	1,503.9	1,513.0	1,509.9	1,519.7	1,524.9	1,522.8	1,534.3	1,528.9	1,529.8	1,534.6	1,544.0
10 Consumer	500.8	528.7	532.0	532.2	535.3	536.7	539.0	539.9	538.7	540.8	542.3	537.8
11 Security[3]	142.8	158.2	178.8	176.5	178.1	186.5	184.2	183.8	176.4	179.1	179.6	200.1
12 Other loans and leases	390.8	408.9	411.9	414.8	416.8	421.9	425.9	429.7	428.9	426.5	427.4	436.1
13 Interbank loans	225.0	247.6	240.0	248.1	247.2	252.8	270.2	264.2	267.8	254.3	262.0	272.6
14 Cash assets[4]	291.1[r]	270.7	268.1	266.8	254.4	266.1	273.7	263.6	264.2	249.2	272.2	268.9
15 Other assets[5]	359.7	395.8	396.1	418.0	407.5	407.3	421.9	421.0	411.7	414.6	436.5	421.2
16 **Total assets**[6]	**5,656.7**[r]	**5,974.8**	**6,012.7**	**6,020.9**	**6,009.0**	**6,088.2**	**6,166.5**	**6,172.0**	**6,147.0**	**6,126.6**	**6,190.4**	**6,223.9**
Liabilities												
17 Deposits	3,512.1	3,753.4	3,771.1	3,784.2	3,772.1	3,848.5	3,891.3	3,904.3	3,882.7	3,887.7	3,913.0	3,933.6
18 Transaction	648.0	617.1	609.6	612.5	597.8	596.8	606.6	602.6	577.5	588.3	616.2	628.3
19 Nontransaction	2,864.1	3,136.2	3,161.5	3,171.7	3,174.3	3,251.7	3,284.7	3,301.7	3,305.2	3,299.4	3,296.7	3,305.3
20 Large time	846.4	931.1	920.5	914.7	911.8	929.2	943.2	936.7	939.9	937.6	938.9	930.5
21 Other	2,017.7	2,205.2	2,241.0	2,257.1	2,262.5	2,322.5	2,341.6	2,365.0	2,365.4	2,361.8	2,357.9	2,374.8
22 Borrowings	1,141.3	1,228.0	1,220.8	1,213.7	1,209.9	1,241.4	1,270.8	1,270.2	1,267.8	1,274.6	1,251.6	1,286.6
23 From banks in the U.S.	367.2	389.4	373.9	370.2	365.8	393.0	404.3	403.2	405.2	401.0	392.9	413.6
24 From others	774.2	838.6	846.9	843.5	844.1	848.3	866.4	866.9	862.6	873.6	858.7	872.9
25 Net due to related foreign offices	231.3	269.7	269.2	251.9	241.5	224.3	223.0	212.2	223.3	188.3	217.4	219.8
26 Other liabilities	298.6	312.2	331.4	349.8	350.0	348.4	367.7	349.5	351.1	348.5	350.6	347.9
27 **Total liabilities**	**5,183.4**	**5,563.3**	**5,592.4**	**5,599.7**	**5,573.5**	**5,662.7**	**5,752.8**	**5,736.1**	**5,724.9**	**5,699.1**	**5,732.6**	**5,787.9**
28 Residual (assets less liabilities)[7]	473.3[r]	411.5	420.2	421.2	435.6	425.5	413.7	435.9	422.1	427.4	457.8	436.1
	Not seasonally adjusted											
Assets												
29 Bank credit	4,842.5[r]	5,093.9	5,157.7	5,163.6	5,193.3	5,259.0	5,288.9	5,287.6	5,276.7	5,278.6	5,272.2	5,322.8
30 Securities in bank credit	1,276.6[r]	1,308.3	1,326.5	1,314.5	1,317.9	1,345.3	1,366.6	1,358.0	1,358.8	1,360.2	1,352.9	1,360.0
31 U.S. government securities	820.0[r]	804.6	800.1	789.3	786.9	788.2	788.6	779.2	780.0	783.9	776.4	776.5
32 Other securities	456.6[r]	503.7	526.4	525.2	531.0	557.1	578.1	578.8	578.8	576.3	576.5	583.5
33 Loans and leases in bank credit[2]	3,565.9	3,785.6	3,831.2	3,849.2	3,875.4	3,913.8	3,922.2	3,929.6	3,917.9	3,918.4	3,919.3	3,962.8
34 Commercial and industrial	1,025.3	1,071.0	1,077.0	1,082.0	1,086.7	1,094.1	1,103.8	1,114.7	1,112.0	1,111.2	1,115.2	1,120.6
35 Real estate	1,505.1	1,624.6	1,635.8	1,640.9	1,654.6	1,658.6	1,656.4	1,661.7	1,660.3	1,659.8	1,657.9	1,668.7
36 Revolving home equity	105.9	120.8	123.2	125.9	127.5	128.9	129.8	130.6	130.3	130.5	130.6	131.1
37 Other	1,399.2	1,503.8	1,512.7	1,515.0	1,527.1	1,529.6	1,526.6	1,531.0	1,530.0	1,529.2	1,527.3	1,537.6
38 Consumer	502.9	527.6	532.8	529.9	534.3	542.6	545.1	541.1	541.0	542.3	543.0	537.9
39 Credit cards and related plans	n.a.	204.4	208.1	206.9	210.3	219.4	219.8	214.8	213.4	215.4	217.6	212.8
40 Other	n.a.	323.2	324.6	323.1	324.0	323.2	325.4	326.3	327.6	327.0	325.4	325.0
41 Security[3]	144.4	153.1	171.9	180.3	180.4	190.7	188.6	185.7	178.6	181.3	180.0	203.0
42 Other loans and leases	388.3	409.4	413.7	415.9	419.3	427.8	428.4	426.4	426.0	423.8	423.1	432.7
43 Interbank loans	226.4	237.6	233.5	241.9	252.1	260.2	271.2	266.1	269.9	258.4	260.9	275.0
44 Cash assets[4]	291.6[r]	258.3	263.8	267.8	262.3	285.0	287.3	264.6	252.3	250.1	285.6	270.1
45 Other assets[5]	362.0	394.1	394.6	410.8	404.5	407.2	420.4	423.2	414.4	416.4	435.9	426.0
46 **Total assets**[6]	**5,663.6**[r]	**5,921.8**	**5,986.9**	**6,022.0**	**6,049.7**	**6,147.8**	**6,203.8**	**6,176.7**	**6,148.8**	**6,138.9**	**6,190.0**	**6,229.3**
Liabilities												
47 Deposits	3,511.0	3,721.1	3,755.0	3,777.3	3,801.5	3,889.6	3,903.4	3,903.2	3,880.5	3,891.8	3,907.9	3,932.5
48 Transaction	640.7	601.5	603.3	604.5	605.4	627.9	617.0	596.0	563.1	584.6	613.2	623.0
49 Nontransaction	2,870.2	3,119.6	3,151.7	3,172.8	3,196.1	3,261.7	3,286.4	3,307.2	3,317.4	3,307.2	3,294.7	3,309.5
50 Large time	859.1	914.1	909.5	912.0	922.6	945.5	956.1	949.9	953.6	950.9	950.3	944.6
51 Other	2,011.2	2,205.5	2,242.1	2,260.9	2,273.5	2,316.2	2,330.3	2,357.3	2,363.8	2,356.3	2,344.4	2,364.9
52 Borrowings	1,145.5	1,200.7	1,216.4	1,215.6	1,219.0	1,252.1	1,288.3	1,272.5	1,269.8	1,278.7	1,256.0	1,285.4
53 From banks in the U.S.	368.8	385.0	373.5	369.3	369.3	398.8	407.3	402.9	403.3	401.8	393.8	412.7
54 From others	776.8	815.7	842.9	846.3	849.7	853.4	881.0	869.6	866.5	876.9	862.2	872.7
55 Net due to related foreign offices	245.8	267.0	264.2	253.0	246.6	230.7	225.5	225.6	227.1	197.3	238.9	239.1
56 Other liabilities	301.0	311.7	330.7	348.8	351.1	350.9	369.2	351.8	353.7	350.8	352.5	350.2
57 **Total liabilities**	**5,203.2**	**5,500.6**	**5,566.3**	**5,594.7**	**5,618.3**	**5,723.3**	**5,786.4**	**5,753.1**	**5,731.1**	**5,718.6**	**5,755.3**	**5,807.3**
58 Residual (assets less liabilities)[7]	460.3[r]	421.2	420.6	427.3	431.4	424.5	417.4	423.7	417.7	420.2	434.7	422.1

Footnotes appear on p. A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

B. Domestically chartered commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	2000	2000r					2001		2001			
	Feb.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.r	Feb.	Feb. 7	Feb. 14	Feb. 21	Feb. 28
	Seasonally adjusted											
Assets												
1 Bank credit	4,296.4r	4,535.9	4,577.1	4,567.4	4,585.1	4,625.0	4,649.9	4,676.8	4,662.8	4,668.6	4,674.0	4,701.7
2 Securities in bank credit	1,077.1r	1,109.8	1,122.1	1,115.3	1,116.5	1,131.5	1,149.7	1,152.1	1,151.4	1,154.9	1,149.9	1,152.0
3 U.S. government securities	740.1r	734.3	731.2	724.0	717.6	718.4	720.2	710.8	713.7	716.6	708.5	704.3
4 Other securities	337.0r	375.6	390.9	391.3	398.8	413.1	429.4	441.3	437.7	438.4	441.4	447.8
5 Loans and leases in bank credit[2]	3,219.3	3,426.1	3,455.0	3,452.1	3,468.6	3,493.6	3,500.2	3,524.7	3,511.4	3,513.7	3,524.2	3,549.7
6 Commercial and industrial	828.2	874.8	877.2	879.0	880.2	885.9	893.8	899.0	897.7	897.4	901.4	899.4
7 Real estate	1,491.3	1,606.1	1,616.5	1,617.5	1,628.4	1,635.0	1,634.0	1,647.3	1,641.3	1,642.5	1,647.7	1,657.8
8 Revolving home equity	106.2	120.6	122.4	125.3	127.0	128.5	129.5	131.0	130.4	130.7	131.2	131.7
9 Other	1,385.1	1,485.6	1,494.1	1,492.2	1,501.4	1,506.5	1,504.4	1,516.3	1,510.9	1,511.8	1,516.5	1,526.0
10 Consumer	500.8	528.7	532.0	532.2	535.3	536.7	539.0	539.9	538.7	540.8	542.3	537.8
11 Security[3]	76.0	76.5	84.6	75.0	75.3	80.4	73.9	76.3	72.3	73.4	72.2	87.2
12 Other loans and leases	322.9	339.9	344.6	348.3	349.4	355.5	359.5	362.3	361.4	359.5	360.6	367.5
13 Interbank loans	192.3	225.1	216.0	221.1	220.5	226.0	241.0	236.0	239.9	229.8	232.5	241.7
14 Cash assets[4]	241.2	226.4	223.6	224.4	215.5	225.8	230.4	219.9	221.0	207.4	227.4	224.0
15 Other assets[5]	322.0	354.8	356.1	376.5	367.6	371.5	385.0	385.0	376.5	377.6	399.9	386.1
16 **Total assets[6]**	**4,993.3r**	**5,280.6**	**5,310.6**	**5,327.7**	**5,326.7**	**5,385.1**	**5,442.3**	**5,453.4**	**5,436.0**	**5,419.1**	**5,469.3**	**5,489.2**
Liabilities												
17 Deposits	3,134.9	3,357.8	3,383.1	3,401.7	3,391.0	3,464.9	3,500.1	3,521.1	3,498.4	3,506.1	3,524.7	3,555.2
18 Transaction	637.1	606.3	599.9	602.0	587.2	586.5	596.3	592.9	567.5	578.8	606.8	618.4
19 Nontransaction	2,497.9	2,751.5	2,783.2	2,799.7	2,803.8	2,878.4	2,903.8	2,928.2	2,930.8	2,927.3	2,917.9	2,936.8
20 Large time	479.1	548.8	544.8	545.3	543.9	559.2	563.1	564.2	565.5	566.1	561.2	563.9
21 Other	2,018.7	2,202.7	2,238.4	2,254.4	2,259.8	2,319.2	2,340.6	2,364.0	2,365.3	2,361.2	2,356.6	2,372.9
22 Borrowings	965.9	1,029.1	1,005.9	992.0	984.9	998.6	1,025.5	1,030.2	1,038.1	1,032.9	1,018.7	1,030.9
23 From banks in the U.S.	348.7	372.4	354.3	350.7	345.8	368.3	376.4	378.6	384.2	376.5	373.3	380.3
24 From others	617.2	656.7	651.6	641.3	639.2	630.3	649.1	651.6	653.9	656.4	645.5	650.6
25 Net due to related foreign offices	203.9	246.4	244.9	235.3	235.4	226.3	218.3	206.1	210.0	189.8	211.0	213.7
26 Other liabilities	224.4	239.7	255.7	269.3	275.3	275.8	290.0	271.9	273.3	271.8	272.9	269.5
27 **Total liabilities**	**4,529.2**	**4,873.0**	**4,889.5**	**4,898.3**	**4,886.6**	**4,965.6**	**5,033.8**	**5,029.3**	**5,019.8**	**5,000.7**	**5,027.3**	**5,069.3**
28 Residual (assets less liabilities)[7]	464.1r	407.6	421.1	429.3	440.0	419.5	408.5	424.1	416.2	418.4	442.0	419.9
	Not seasonally adjusted											
Assets												
29 Bank credit	4,294.8r	4,517.0	4,564.6	4,572.1	4,601.8	4,647.6	4,664.5	4,672.8	4,664.9	4,668.2	4,662.0	4,696.0
30 Securities in bank credit	1,079.9r	1,102.9	1,116.7	1,112.2	1,120.6	1,137.1	1,154.0	1,154.7	1,155.7	1,157.5	1,151.0	1,154.5
31 U.S. government securities	743.9r	727.0	725.2	719.3	718.8	719.0	721.3	714.8	717.7	720.1	711.7	709.5
32 Other securities	336.0r	375.9	391.4	392.9	401.8	418.2	432.7	440.0	438.0	437.4	439.3	445.1
33 Loans and leases in bank credit[2]	3,214.9	3,414.1	3,447.9	3,459.9	3,481.2	3,510.5	3,510.5	3,518.1	3,509.1	3,510.7	3,510.9	3,541.5
34 Commercial and industrial	826.4	867.1	873.2	878.4	881.0	884.5	889.6	896.5	894.4	894.4	898.0	899.2
35 Real estate	1,487.9	1,606.4	1,617.2	1,622.9	1,636.3	1,640.3	1,637.9	1,643.4	1,641.9	1,641.5	1,639.6	1,650.5
36 Revolving home equity	105.9	120.8	123.2	125.9	127.5	128.9	129.8	130.6	130.3	130.5	130.6	131.1
37 Other	1,382.0	1,485.6	1,494.0	1,497.0	1,508.8	1,511.4	1,508.0	1,512.7	1,511.7	1,510.9	1,509.0	1,519.4
38 Consumer	502.9	527.6	532.8	529.9	534.3	542.6	545.1	541.1	541.0	542.3	543.0	537.9
39 Credit cards and related plans	n.a.	204.4	208.1	206.9	210.3	219.4	219.8	214.8	213.4	215.4	217.6	212.8
40 Other	n.a.	323.2	324.6	323.1	324.0	323.2	325.4	326.3	327.6	327.0	325.4	325.0
41 Security[3]	77.7	71.2	77.9	79.4	78.4	84.2	77.7	78.5	74.2	76.2	73.7	89.7
42 Other loans and leases	320.0	341.8	346.9	349.2	351.2	358.9	360.2	358.7	357.6	356.3	356.6	364.2
43 Interbank loans	193.7	215.1	209.5	214.9	225.4	233.3	242.0	237.9	242.1	233.9	231.4	244.1
44 Cash assets[4]	242.3	215.6	220.1	224.5	221.0	241.3	242.1	221.4	209.3	208.4	241.7	226.1
45 Other assets[5]	322.4	353.8	355.2	370.1	364.5	369.2	381.8	385.5	377.2	377.6	398.0	389.1
46 **Total assets[6]**	**4,994.6r**	**5,239.7**	**5,287.1**	**5,319.9**	**5,350.6**	**5,428.2**	**5,466.9**	**5,453.2**	**5,429.2**	**5,423.9**	**5,468.7**	**5,491.1**
Liabilities												
47 Deposits	3,126.8	3,337.5	3,373.3	3,399.2	3,417.2	3,497.0	3,504.0	3,512.3	3,487.9	3,503.0	3,513.0	3,545.3
48 Transaction	629.9	590.8	593.1	593.8	594.7	616.9	606.6	586.4	553.3	575.1	603.7	613.4
49 Nontransaction	2,496.9	2,746.7	2,780.2	2,805.4	2,822.5	2,880.1	2,897.4	2,925.9	2,934.6	2,927.8	2,909.3	2,931.9
50 Large time	485.7	543.4	540.3	546.8	551.2	566.1	569.3	570.8	573.1	573.8	567.1	569.3
51 Other	2,011.2	2,203.3	2,239.9	2,258.7	2,271.3	2,314.0	2,328.1	2,355.1	2,361.6	2,354.1	2,342.2	2,362.7
52 Borrowings	970.1	1,001.8	1,001.5	993.9	994.0	1,009.4	1,043.0	1,032.5	1,040.1	1,037.0	1,023.1	1,029.7
53 From banks in the U.S.	350.3	368.0	353.9	349.8	349.3	374.1	379.4	378.3	382.3	377.2	374.1	379.5
54 From others	619.7	633.8	647.6	644.1	644.8	635.4	663.6	654.2	657.7	659.8	649.0	650.3
55 Net due to related foreign offices	216.1	243.8	240.6	236.3	239.0	227.7	218.7	217.6	214.9	196.7	229.7	228.9
56 Other liabilities	224.7	239.6	255.4	268.9	275.3	276.0	289.6	272.4	273.9	272.2	273.4	270.1
57 **Total liabilities**	**4,537.7**	**4,822.7**	**4,870.8**	**4,898.2**	**4,925.5**	**5,010.2**	**5,055.4**	**5,034.7**	**5,016.7**	**5,008.9**	**5,039.2**	**5,074.0**
58 Residual (assets less liabilities)[7]	456.9r	416.9	416.3	421.7	425.1	418.0	411.5	418.6	412.6	415.0	429.5	417.1

Footnotes appear on p. A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

C. Large domestically chartered commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	2000	2000r					2001		2001			
	Feb.r	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.r	Feb.	Feb. 7	Feb. 14	Feb. 21	Feb. 28
	Seasonally adjusted											
Assets												
1 Bank credit	2,424.3	2,544.0	2,566.9	2,543.8	2,542.5	2,561.2	2,568.7	2,584.8	2,575.6	2,575.1	2,578.3	2,610.3
2 Securities in bank credit	562.2	579.2	587.2	577.4	573.4	581.3	592.0	592.4	593.1	593.5	589.6	593.3
3 U.S. government securities	363.2	362.7	360.8	354.7	348.1	351.3	353.0	346.1	349.0	348.8	343.8	342.6
4 Trading account	21.6	23.8	23.3	21.2	20.5	29.1	33.3	35.9	35.0	35.1	35.4	38.0
5 Investment account	341.6	339.0	337.5	333.5	327.6	322.2	319.7	310.2	314.0	313.7	308.4	304.6
6 Other securities	199.0	216.5	226.4	222.7	225.2	230.0	239.0	246.3	244.1	244.6	245.8	250.7
7 Trading account	85.9	102.5	114.5	112.7	116.0	122.0	127.6	129.3	128.5	127.6	128.5	132.7
8 Investment account	113.1	113.9	112.0	110.1	109.3	108.0	111.4	117.0	115.6	117.0	117.3	118.0
9 State and local government	24.5	25.9	25.8	26.1	26.3	26.7	27.2	27.4	27.1	27.3	27.7	27.6
10 Other	88.6	88.1	86.2	83.9	82.9	81.3	84.2	89.6	88.5	89.8	89.6	90.4
11 Loans and leases in bank credit[2]	1,862.1	1,964.8	1,979.6	1,966.4	1,969.1	1,979.9	1,976.7	1,992.4	1,982.4	1,981.7	1,988.7	2,017.0
12 Commercial and industrial	568.1	590.7	591.2	591.0	589.2	594.1	598.8	602.1	601.2	600.6	604.2	602.3
13 Bankers acceptances	1.0	.9	.9	.8	.9	.9	.8	.8	.8	.8	.8	.8
14 Other	567.1	589.8	590.3	590.2	588.4	593.3	598.0	601.3	600.4	599.8	603.4	601.5
15 Real estate	763.9	824.4	825.4	817.4	820.2	818.7	815.1	821.9	818.6	817.3	821.1	830.5
16 Revolving home equity	68.1	79.1	78.0	80.0	81.2	82.1	82.4	83.4	82.9	83.1	83.5	84.0
17 Other	695.7	745.3	747.4	737.4	739.0	736.6	732.7	738.5	735.6	734.2	737.7	746.5
18 Consumer	225.3	233.6	234.0	234.7	236.3	235.6	234.7	238.1	237.2	238.1	238.7	238.2
19 Security[3]	69.9	69.5	77.7	67.9	68.1	72.8	66.5	68.4	64.4	65.8	64.4	79.0
20 Federal funds sold to and repurchase agreements with broker-dealers	47.1	50.7	58.2	49.1	50.0	56.1	49.0	51.0	46.4	48.3	47.6	61.7
21 Other	22.8	18.8	19.5	18.7	18.1	16.7	17.5	17.4	18.0	17.5	16.8	17.3
22 State and local government	12.4	12.5	12.6	12.6	12.6	12.4	12.6	12.7	12.7	12.7	12.8	12.8
23 Agricultural	9.5	9.6	9.4	9.4	9.5	9.7	9.8	10.1	10.0	10.0	10.1	10.1
24 Federal funds sold to and repurchase agreements with others	13.4	14.1	16.2	16.9	19.0	20.9	25.7	26.1	26.1	25.9	25.1	27.4
25 All other loans	81.7	84.3	86.3	87.6	85.1	86.6	85.1	84.9	83.9	83.1	84.1	88.3
26 Lease-financing receivables	118.0	126.2	126.8	128.7	129.1	129.1	128.3	128.3	128.4	128.2	128.2	128.3
27 Interbank loans	132.7	141.1	131.5	137.0	140.8	140.5	153.6	139.1	146.5	138.0	134.4	137.4
28 Federal funds sold to and repurchase agreements with commercial banks	62.0	66.9	57.2	58.3	61.5	64.1	77.3	70.1	71.5	69.7	68.6	70.5
29 Other	70.8	74.1	74.3	78.7	79.3	76.3	76.4	69.0	74.9	68.3	65.8	66.9
30 Cash assets[4]	150.6	145.3	142.2	142.8	137.6	144.5	146.6	137.0	137.6	128.1	143.4	138.9
31 Other assets[5]	223.9	246.1	248.2	263.6	259.8	257.5	264.5	261.7	258.7	260.5	262.5	265.3
32 **Total assets**[6]	**2,896.7**	**3,040.9**	**3,053.1**	**3,051.8**	**3,045.2**	**3,067.2**	**3,096.1**	**3,084.9**	**3,080.6**	**3,064.0**	**3,080.7**	**3,114.3**
Liabilities												
33 Deposits	1,625.3	1,647.8	1,647.5	1,650.7	1,634.6	1,665.3	1,673.6	1,678.1	1,662.8	1,670.8	1,677.9	1,700.8
34 Transaction	316.5	306.1	302.2	304.5	294.3	295.3	300.0	297.6	281.0	289.7	306.8	312.9
35 Nontransaction	1,308.8	1,341.7	1,345.3	1,346.2	1,340.2	1,370.0	1,373.6	1,380.5	1,381.8	1,381.1	1,371.1	1,387.8
36 Large time	234.0	266.9	258.9	255.8	251.6	261.7	263.7	258.8	259.5	259.7	256.1	260.1
37 Other	1,074.8	1,074.8	1,086.4	1,090.4	1,088.7	1,108.3	1,109.8	1,121.6	1,122.4	1,121.4	1,115.0	1,127.7
38 Borrowings	633.7	690.9	673.0	665.9	662.9	671.6	683.6	687.1	693.4	690.8	676.0	688.2
39 From banks in the U.S.	193.3	208.0	192.6	196.9	194.3	212.8	215.9	215.6	221.0	215.3	209.5	216.5
40 From others	440.4	483.0	480.4	469.0	468.7	458.8	467.7	471.5	472.3	475.5	466.5	471.7
41 Net due to related foreign offices	203.9	222.7	224.4	211.9	211.8	205.4	201.4	189.4	193.5	174.8	190.8	198.6
42 Other liabilities	163.7	193.7	208.1	216.5	221.1	221.6	236.0	217.8	220.5	218.5	217.2	215.0
43 **Total liabilities**	**2,626.6**	**2,755.1**	**2,752.9**	**2,744.9**	**2,730.4**	**2,763.9**	**2,794.6**	**2,772.4**	**2,770.2**	**2,754.9**	**2,761.9**	**2,802.5**
44 Residual (assets less liabilities)[7]	270.0	285.8	300.2	306.8	314.8	303.3	301.5	312.5	310.4	309.1	318.8	311.7

Footnotes appear on p. A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

C. Large domestically chartered commercial banks—Continued

Billions of dollars

Account	Monthly averages								Wednesday figures			
	2000	2000[r]					2001		2001			
	Feb.[r]	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[r]	Feb.	Feb. 7	Feb. 14	Feb. 21	Feb. 28
	Not seasonally adjusted											
Assets												
45 Bank credit	2,435.5	2,521.6	2,550.0	2,546.5	2,558.8	2,582.0	2,590.3	2,596.7	2,592.0	2,590.6	2,584.4	2,619.6
46 Securities in bank credit	568.3	572.7	583.2	576.9	579.1	586.9	597.7	598.7	600.5	599.8	595.2	599.1
47 U.S. government securities	369.5	356.1	355.8	352.5	351.1	352.4	355.8	352.7	355.5	355.2	350.1	349.9
48 Trading account	22.6	23.1	22.6	21.1	21.8	28.9	34.5	37.9	36.6	37.1	37.4	40.3
49 Investment account	346.9	333.0	333.2	331.5	329.4	323.5	321.3	314.8	318.9	318.1	312.7	309.6
50 Mortgage-backed securities	223.0	208.4	208.8	210.9	211.2	213.1	219.5	215.4	218.6	218.1	212.6	212.2
51 Other	123.8	124.6	124.5	120.6	118.2	110.4	101.9	99.4	100.3	100.0	100.1	97.4
52 One year or less	28.2	32.5	33.3	32.0	32.7	31.3	31.4	33.5	33.0	33.7	34.3	33.1
53 One to five years	56.5	54.2	53.7	51.6	49.9	45.0	38.4	37.0	36.6	37.7	37.4	36.3
54 More than five years	39.2	37.9	37.5	37.0	35.6	34.1	32.0	28.9	30.7	28.6	28.5	28.0
55 Other securities	198.8	216.6	227.5	224.4	228.0	234.5	241.9	246.0	245.1	244.6	245.1	249.3
56 Trading account	85.9	102.5	114.5	112.7	116.0	122.0	127.6	129.3	128.5	127.6	128.5	132.7
57 Investment account	112.9	114.1	113.0	111.7	112.0	112.5	114.3	116.7	116.5	116.9	116.6	116.6
58 State and local government	24.7	25.6	25.7	26.1	26.6	26.9	27.5	27.6	27.3	27.5	27.9	27.8
59 Other	88.2	88.5	87.3	85.6	85.4	85.6	86.8	89.1	89.2	89.5	88.7	88.8
60 Loans and leases in bank credit[2]	1,867.3	1,948.9	1,966.7	1,969.6	1,979.7	1,995.1	1,992.6	1,998.0	1,991.4	1,990.8	1,989.2	2,020.5
61 Commercial and industrial	567.4	585.0	588.8	590.8	591.5	593.2	595.9	601.3	599.7	599.5	602.6	603.3
62 Bankers acceptances	1.0	.9	.9	.8	.9	.9	.8	.8	.8	.8	.8	.8
63 Other	566.5	584.0	588.0	589.9	590.6	592.3	595.1	600.5	598.9	598.7	601.8	602.5
64 Real estate	765.2	821.9	823.0	819.4	825.4	824.7	821.6	823.5	824.1	821.7	819.7	828.5
65 Revolving home equity	68.0	79.3	78.3	80.2	81.3	82.3	82.8	83.3	83.1	83.2	83.3	83.6
66 Other	422.9	457.8	460.2	454.2	457.3	455.7	454.2	454.2	455.5	452.7	450.3	458.2
67 Commercial	274.2	284.7	284.5	285.0	286.8	286.7	284.6	286.0	285.5	285.7	286.1	286.7
68 Consumer	228.3	231.7	233.0	232.7	234.7	238.2	240.1	240.7	240.7	241.0	241.1	240.1
69 Credit cards and related plans	n.a.	74.3	75.4	76.5	78.0	82.3	83.3	83.0	81.7	83.1	84.1	83.1
70 Other	n.a.	157.4	157.6	156.2	156.7	155.9	156.8	157.7	158.9	157.9	157.0	157.0
71 Security[3]	71.6	64.2	70.9	72.3	71.2	76.6	70.3	70.6	66.4	68.6	66.0	81.5
72 Federal funds sold to and repurchase agreements with broker–dealers	49.7	45.7	51.8	53.8	53.6	59.7	53.4	53.8	49.7	52.0	49.7	63.9
73 Other	22.0	18.5	19.2	18.5	17.6	16.8	16.9	16.8	16.6	16.6	16.3	17.6
74 State and local government	12.3	12.7	12.8	12.8	12.7	12.5	12.6	12.6	12.6	12.6	12.7	12.7
75 Agricultural	9.2	9.7	9.6	9.6	9.6	9.7	9.8	9.8	9.8	9.8	9.8	9.9
76 Federal funds sold to and repurchase agreements with others	13.4	14.1	16.2	16.9	19.0	20.9	25.7	26.1	26.1	25.9	25.1	27.4
77 All other loans	79.9	84.5	87.1	87.6	87.7	90.6	86.2	83.1	81.9	81.7	82.1	86.8
78 Lease-financing receivables	119.9	125.2	125.2	127.5	127.8	128.7	130.5	130.2	130.4	130.1	130.1	130.2
79 Interbank loans	133.0	135.1	128.0	131.1	139.2	141.2	154.7	139.6	145.3	139.8	134.1	139.0
80 Federal funds sold to and repurchase agreements with commercial banks	61.6	63.1	55.5	56.5	62.2	65.2	79.2	69.9	70.9	70.6	66.7	71.3
81 Other	71.4	72.0	72.5	74.6	77.0	76.0	75.6	69.7	74.4	69.3	67.4	67.7
82 Cash assets[4]	152.2	137.3	139.1	143.1	139.9	155.3	156.7	139.0	130.0	130.1	154.8	141.0
83 Other assets[5]	225.1	243.4	247.8	257.2	255.3	255.7	264.2	263.8	260.9	262.5	262.4	269.2
84 **Total assets**[6]	**2,911.2**	**3,001.7**	**3,029.0**	**3,042.7**	**3,057.4**	**3,097.6**	**3,128.9**	**3,101.3**	**3,090.5**	**3,085.3**	**3,098.1**	**3,131.2**
Liabilities												
85 Deposits	1,625.6	1,632.1	1,639.8	1,645.3	1,647.8	1,688.3	1,684.5	1,679.5	1,661.3	1,677.3	1,678.2	1,701.3
86 Transaction	313.0	295.0	297.6	298.6	298.1	314.4	308.7	294.7	271.3	289.6	306.8	311.0
87 Nontransaction	1,312.6	1,337.1	1,342.2	1,346.6	1,349.7	1,373.9	1,375.9	1,384.8	1,390.0	1,387.7	1,371.4	1,390.3
88 Large time	240.6	261.6	254.4	257.2	258.8	268.6	269.9	265.4	267.0	267.3	262.0	265.5
89 Other	1,072.1	1,075.6	1,087.8	1,089.4	1,090.9	1,105.4	1,105.9	1,119.4	1,123.0	1,120.4	1,109.4	1,124.8
90 Borrowings	642.2	660.5	662.9	664.8	669.9	678.1	703.7	695.9	704.4	700.6	685.2	693.6
91 From banks in the U.S.	197.5	200.7	188.6	193.4	196.8	215.8	220.1	219.9	225.0	220.2	214.1	220.3
92 From nonbanks in the U.S.	444.7	459.8	474.2	471.4	473.2	462.4	483.6	476.0	479.4	480.4	471.1	473.2
93 Net due to related foreign offices	216.1	220.1	220.0	212.8	215.3	206.8	201.9	200.8	198.3	181.7	209.6	213.8
94 Other liabilities	163.7	193.7	208.1	216.5	221.1	221.6	236.0	217.8	220.5	218.5	217.2	215.0
95 **Total liabilities**	**2,647.7**	**2,706.4**	**2,730.7**	**2,739.4**	**2,754.2**	**2,794.9**	**2,826.2**	**2,794.0**	**2,784.5**	**2,778.0**	**2,790.1**	**2,823.6**
96 Residual (assets less liabilities)[7]	263.5	295.3	298.3	303.3	303.2	302.7	302.8	307.2	306.0	307.3	308.0	307.6

Footnotes appear on p. A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

D. Small domestically chartered commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	2000	2000[r]					2001		2001			
	Feb.[r]	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[r]	Feb.	Feb. 7	Feb. 14	Feb. 21	Feb. 28
	Seasonally adjusted											
Assets												
1 Bank credit	1,872.2	1,992.0	2,010.2	2,023.6	2,042.5	2,063.8	2,081.2	2,092.0	2,087.3	2,093.5	2,095.8	2,091.4
2 Securities in bank credit	515.0	530.6	534.8	537.9	543.1	550.2	557.7	559.7	558.2	561.5	560.3	558.7
3 U.S. government securities	377.0	371.6	370.4	369.3	369.5	367.1	367.2	364.7	364.7	367.7	364.7	361.6
4 Other securities	138.0	159.1	164.5	168.6	173.6	183.1	190.5	195.0	193.6	193.7	195.6	197.1
5 Loans and leases in bank credit[2]	1,357.2	1,461.3	1,475.4	1,485.7	1,499.5	1,513.6	1,523.5	1,532.3	1,529.0	1,532.0	1,535.5	1,532.7
6 Commercial and industrial	260.1	284.1	286.0	288.0	291.0	291.8	295.0	296.9	296.5	296.8	297.2	297.1
7 Real estate	727.4	781.8	791.1	800.1	808.1	816.3	818.9	825.5	822.7	825.2	826.6	827.3
8 Revolving home equity	38.1	41.5	44.4	45.3	45.8	46.3	47.2	47.6	47.5	47.6	47.7	47.8
9 Other	689.3	740.3	746.7	754.7	762.3	769.9	771.7	777.8	775.3	777.7	778.9	779.5
10 Consumer	275.5	295.2	298.0	297.5	299.0	301.2	304.3	301.9	301.6	302.7	303.6	299.6
11 Security[3]	6.1	7.0	7.0	7.1	7.2	7.6	7.4	7.9	7.9	7.6	7.7	8.2
12 Other loans and leases	88.1	93.3	93.3	93.0	94.1	96.8	98.0	100.2	100.4	99.7	100.4	100.5
13 Interbank loans	59.6	84.1	84.5	84.1	79.7	85.6	87.4	96.9	93.4	91.8	98.1	104.2
14 Cash assets[4]	90.7	81.0	81.3	81.6	77.9	81.3	83.8	82.9	83.4	79.3	84.0	85.0
15 Other assets[5]	98.1	108.7	107.8	112.9	107.8	114.0	120.5	123.3	117.9	117.2	137.4	120.8
16 **Total assets**[6]	**2,096.6**	**2,239.7**	**2,257.4**	**2,275.9**	**2,281.5**	**2,318.0**	**2,346.2**	**2,368.5**	**2,355.4**	**2,355.1**	**2,388.7**	**2,374.9**
Liabilities												
17 Deposits	1,509.7	1,710.0	1,735.6	1,751.0	1,756.4	1,799.6	1,826.5	1,843.0	1,835.5	1,835.3	1,846.8	1,854.4
18 Transaction	320.6	300.3	297.7	297.5	292.9	291.2	296.3	295.3	286.5	289.1	300.0	305.5
19 Nontransaction	1,189.1	1,409.8	1,437.9	1,453.6	1,463.5	1,508.5	1,530.2	1,547.7	1,549.0	1,546.2	1,546.8	1,549.0
20 Large time	245.2	281.8	285.9	289.5	292.4	297.6	299.4	305.4	306.1	306.5	305.1	303.8
21 Other	943.9	1,127.9	1,152.0	1,164.0	1,171.2	1,210.9	1,230.8	1,242.4	1,242.9	1,239.8	1,241.6	1,245.2
22 Borrowings	332.2	338.2	332.8	326.2	322.0	327.1	341.9	343.1	344.7	342.1	342.8	342.7
23 From banks in the U.S.	155.4	164.5	161.7	153.8	151.5	155.6	160.6	163.0	163.2	161.2	163.8	163.8
24 From others	176.8	173.7	171.2	172.3	170.5	171.5	181.3	180.1	181.5	180.9	179.0	178.9
25 Net due to related foreign offices	0.0	23.7	20.6	23.4	23.7	20.9	16.8	16.7	16.5	15.0	20.2	15.1
26 Other liabilities	60.6	45.9	47.6	52.8	54.1	54.1	54.0	54.1	52.8	53.4	55.7	54.5
27 **Total liabilities**	**1,902.5**	**2,117.9**	**2,136.6**	**2,153.4**	**2,156.3**	**2,201.7**	**2,239.2**	**2,256.9**	**2,249.6**	**2,245.8**	**2,265.5**	**2,266.8**
28 Residual (assets less liabilities)[7]	194.1	121.8	120.8	122.5	125.2	116.2	107.0	111.6	105.8	109.3	123.2	108.1
	Not seasonally adjusted											
Assets												
29 Bank credit	1,859.3	1,995.4	2,014.6	2,025.6	2,043.0	2,065.6	2,074.2	2,076.1	2,072.9	2,077.6	2,077.5	2,076.4
30 Securities in bank credit	511.7	530.2	533.4	535.3	541.5	550.2	556.3	556.0	555.2	557.7	555.8	555.4
31 U.S. government securities	374.4	370.9	369.5	366.8	367.7	366.6	365.5	362.1	362.2	364.9	361.6	359.6
32 Other securities	137.2	159.3	164.0	168.5	173.8	183.7	190.8	194.0	193.0	192.8	194.2	195.8
33 Loans and leases in bank credit[2]	1,347.6	1,465.2	1,481.2	1,490.3	1,501.5	1,515.3	1,517.9	1,520.1	1,517.7	1,519.9	1,521.7	1,521.0
34 Commercial and industrial	259.0	282.2	284.3	287.7	289.5	291.3	293.7	295.2	294.7	295.0	295.3	295.9
35 Real estate	722.7	784.5	794.2	803.5	810.8	815.6	816.3	819.9	817.9	819.8	819.9	821.9
36 Revolving home equity	37.9	41.4	44.9	45.7	46.2	46.6	47.0	47.3	47.2	47.3	47.3	47.4
37 Other	684.9	743.1	749.3	757.8	764.7	769.0	769.2	772.5	770.7	772.5	772.6	774.5
38 Consumer	274.5	295.9	299.8	297.2	299.6	304.4	305.0	300.4	300.3	301.4	302.0	297.8
39 Credit cards and related plans	n.a.	130.2	132.7	130.4	132.3	137.2	136.5	131.8	131.6	132.3	133.6	129.8
40 Other	n.a.	165.7	167.1	166.9	167.3	167.2	168.5	168.6	168.7	169.1	168.4	168.0
41 Security[3]	6.1	7.0	7.0	7.1	7.2	7.6	7.4	7.9	7.9	7.6	7.7	8.2
42 Other loans and leases	85.3	95.6	95.9	94.8	94.4	96.5	95.6	96.8	96.9	96.2	96.8	97.2
43 Interbank loans	60.6	80.0	81.6	83.7	86.2	92.1	87.3	98.3	96.8	94.0	97.3	105.1
44 Cash assets[4]	90.1	78.3	81.0	81.4	81.1	86.0	85.4	82.4	79.3	78.4	86.9	85.1
45 Other assets[5]	97.2	110.4	107.4	112.8	109.3	113.5	117.6	121.7	116.3	115.1	135.6	120.0
46 **Total assets**[6]	**2,083.3**	**2,237.9**	**2,258.1**	**2,277.2**	**2,293.2**	**2,330.6**	**2,338.0**	**2,352.0**	**2,338.7**	**2,338.6**	**2,370.7**	**2,360.0**
Liabilities												
47 Deposits	1,501.2	1,705.4	1,733.6	1,754.0	1,769.4	1,808.8	1,819.5	1,832.8	1,826.6	1,825.7	1,834.8	1,844.1
48 Transaction	316.9	295.8	295.5	295.1	296.6	302.6	297.9	291.7	282.0	285.6	296.9	302.4
49 Nontransaction	1,184.3	1,409.6	1,438.1	1,458.8	1,472.8	1,506.2	1,521.5	1,541.1	1,544.7	1,540.1	1,537.9	1,541.7
50 Large time	245.2	281.8	285.9	289.5	292.4	297.6	299.4	305.4	306.1	306.5	305.1	303.8
51 Other	939.1	1,127.7	1,152.1	1,169.3	1,180.4	1,208.6	1,222.2	1,235.7	1,238.6	1,233.7	1,232.8	1,237.9
52 Borrowings	327.8	341.3	338.7	329.1	324.1	331.3	339.3	336.5	335.7	336.4	337.9	336.2
53 From banks in the U.S.	152.8	167.4	165.3	156.4	152.5	158.3	159.3	158.4	157.3	157.0	160.0	159.1
54 From others	175.0	174.0	173.4	172.6	171.6	173.0	180.0	178.2	178.4	179.4	177.9	177.0
55 Net due to related foreign offices	0.0	23.7	20.6	23.4	23.7	20.9	16.8	16.7	16.5	15.0	20.2	15.1
56 Other liabilities	61.0	45.9	47.4	52.4	54.1	54.4	53.6	54.6	53.4	53.7	56.3	55.1
57 **Total liabilities**	**1,890.0**	**2,116.3**	**2,140.1**	**2,158.9**	**2,171.3**	**2,215.4**	**2,229.2**	**2,240.7**	**2,232.2**	**2,230.9**	**2,249.1**	**2,250.5**
58 Residual (assets less liabilities)[7]	193.3	121.6	118.0	118.3	121.9	115.2	108.8	111.3	106.5	107.7	121.5	109.5

Footnotes appear on p. A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

E. Foreign-related institutions

Billions of dollars

Account	Monthly averages								Wednesday figures			
	2000	2000[r]					2001		2001			
	Feb.	Aug.	Sept.	Oct.	Nov.	Dec	Jan.	Feb.	Feb. 7	Feb. 14	Feb. 21	Feb. 28
	Seasonally adjusted											
Assets												
1 Bank credit	543.4[r]	586.8	593.8	582.7	577.2	600.4	615.2[r]	611.1	605.2	604.6	610.5	624.1
2 Securities in bank credit	195.3[r]	211.2	209.6	194.7	186.5	204.0	207.6[r]	202.3	199.2	200.2	203.5	206.4
3 U.S. government securities	76.0	79.2	76.9	70.4	66.7	68.1	66.7[r]	64.4	61.7	63.7	65.0	67.3
4 Other securities	119.4[r]	132.0	132.7	124.3	119.8	136.0	140.9[r]	137.9	137.5	136.6	138.5	139.1
5 Loans and leases in bank credit[2]	348.1	375.6	384.2	388.0	390.7	396.4	407.6	408.8	406.0	404.3	407.0	417.7
6 Commercial and industrial	196.4	206.5	203.9	202.2	202.3	205.6	212.5[r]	215.7	216.3	213.6	214.7	218.3
7 Real estate	16.9	18.4	18.8	17.7	18.3	18.4	18.3[r]	18.0	18.0	18.0	18.1	18.0
8 Security[3]	66.8	81.7	94.2	101.6	102.8	106.1	110.3	107.5	104.2	105.7	107.4	112.9
9 Other loans and leases	67.9	69.0	67.3	66.5	67.3	66.4	66.4	67.5	67.4	67.0	66.8	68.6
10 Interbank loans	32.7	22.5	24.0	27.0	26.7	26.8	29.1	28.2	27.9	24.5	29.5	30.9
11 Cash assets[4]	49.9[r]	44.3	44.5	42.4	38.9	40.4	43.3[r]	43.7	43.2	41.8	44.8	44.9
12 Other assets[5]	37.7	41.0	40.1	41.5	39.9	35.8	37.0	36.0	35.1	37.0	36.6	35.1
13 **Total assets**[6]	**663.5**[r]	**694.2**	**702.1**	**693.2**	**682.4**	**703.0**	**724.2**[r]	**718.6**	**711.0**	**707.5**	**721.1**	**734.7**
Liabilities												
14 Deposits	377.2	395.6	388.0	382.5	381.1	383.6	391.2[r]	383.2	384.4	381.6	388.3	378.4
15 Transaction	10.9	10.8	9.7	10.6	10.6	10.3	10.3	9.7	10.0	9.5	9.4	9.8
16 Nontransaction	366.3	384.8	378.3	372.0	370.5	373.3	381.0	373.5	374.4	372.1	378.9	368.5
17 Borrowings	175.5	198.9	214.9	221.7	225.0	242.7	245.3	240.0	229.7	241.7	232.9	255.7
18 From banks in the U.S.	18.4	17.0	19.6	19.5	20.0	24.7	27.9	24.6	21.0	24.6	19.7	33.3
19 From others	157.0	181.9	195.3	202.2	204.9	218.0	217.4	215.4	208.7	217.1	213.2	222.4
20 Net due to related foreign offices	27.4	23.4	24.3	16.6	6.0	−2.0	4.7	6.0	13.2	−1.5	6.4	6.1
21 Other liabilities	74.2	72.5	75.7	80.6	74.7	72.7	77.7	77.7	77.8	76.7	77.7	78.4
22 **Total liabilities**	**654.2**	**690.4**	**702.9**	**701.4**	**686.8**	**697.1**	**719.0**[r]	**706.8**	**705.1**	**698.5**	**705.2**	**718.5**
23 Residual (assets less liabilities)[7]	9.2[r]	3.9	−.9	−8.1	−4.4	6.0	5.2	11.7	5.9	9.0	15.8	16.2
	Not seasonally adjusted											
Assets												
24 Bank credit	547.7[r]	576.9	593.1	591.5	591.4	611.4	624.4[r]	614.8	611.8	610.4	610.3	626.8
25 Securities in bank credit	196.7[r]	205.4	209.8	202.2	197.3	208.1	212.7[r]	203.3	203.1	202.7	201.9	205.5
26 U.S. government securities	76.1	77.6	74.8	70.0	68.1	69.2	67.3[r]	64.5	62.4	63.8	64.7	67.1
27 Trading account	7.3	13.9	14.2	11.8	10.8	11.7	11.1	10.4	8.9	10.3	10.9	11.3
28 Investment account	68.8	63.7	60.6	58.2	57.2	57.5	56.2[r]	54.1	53.4	53.5	53.8	55.7
29 Other securities	120.6[r]	127.8	135.0	132.3	129.2	138.9	145.4[r]	138.8	140.7	138.9	137.2	138.4
30 Trading account	77.4[r]	83.3	91.9	90.3	87.8	90.3	95.6[r]	90.9	93.1	90.6	89.2	90.7
31 Investment account	43.2	44.6	43.0	42.0	41.5	48.6	49.7[r]	47.9	47.6	48.2	48.0	47.7
32 Loans and leases in bank credit[2]	351.1	371.5	383.3	389.3	394.1	403.3	411.7	411.5	408.7	407.7	408.4	421.3
33 Commercial and industrial	198.9	203.8	203.9	203.6	205.7	209.6	214.2[r]	218.2	217.6	216.7	217.3	221.4
34 Real estate	17.2	18.2	18.6	18.0	18.3	18.3	18.6[r]	18.3	18.4	18.3	18.3	18.2
35 Security[3]	66.6	81.9	94.0	100.9	102.0	106.5	110.9	107.3	104.4	105.1	106.3	113.3
36 Other loans and leases	68.3	67.6	66.8	66.7	68.1	68.8	68.1[r]	67.7	68.4	67.5	66.5	68.4
37 Interbank loans	32.7	22.5	24.0	27.0	26.7	26.8	29.1	28.2	27.9	24.5	29.5	30.9
38 Cash assets[4]	49.3[r]	42.8	43.7	43.3	41.3	43.7	45.2[r]	43.2	43.0	41.7	44.0	44.0
39 Other assets[5]	39.6	40.3	39.4	40.7	40.0	37.9	38.5	37.7	37.2	38.8	37.8	36.8
40 **Total assets**[6]	**669.0**[r]	**682.1**	**699.8**	**702.1**	**699.1**	**719.6**	**736.9**	**723.5**	**719.5**	**715.0**	**721.2**	**738.2**
Liabilities												
41 Deposits	384.2	383.6	381.7	378.1	384.3	392.5	399.4	390.9	392.6	388.8	394.9	387.2
42 Transaction	10.8	10.7	10.2	10.7	10.8	10.9	10.4	9.6	9.9	9.5	9.5	9.6
43 Nontransaction	373.3	372.9	371.5	367.4	373.6	381.6	389.0	381.3	382.8	379.3	385.4	377.5
44 Borrowings	175.5	198.9	214.9	221.7	225.0	242.7	245.3	240.0	229.7	241.7	232.9	255.7
45 From banks in the U.S.	18.4	17.0	19.6	19.5	20.0	24.7	27.9	24.6	21.0	24.6	19.7	33.3
46 From others	157.0	181.9	195.3	202.2	204.9	218.0	217.4	215.4	208.7	217.1	213.2	222.4
47 Net due to related foreign offices	29.7	23.2	23.6	16.8	7.6	3.0	6.8	8.1	12.2	.6	9.2	10.2
48 Other liabilities	76.2	72.1	75.3	79.9	75.9	74.8	79.5	79.4	79.8	78.6	79.1	80.2
49 **Total liabilities**	**665.5**	**677.8**	**695.5**	**696.5**	**692.8**	**713.0**	**731.0**	**718.4**	**714.4**	**709.8**	**716.0**	**733.2**
50 Residual (assets less liabilities)[7]	3.5[r]	4.3	4.3	5.7	6.3	6.5	5.9	5.1	5.1	5.2	5.2	5.0

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

F. Memo items

Billions of dollars

Account	Monthly averages								Wednesday figures			
	2000	2000[r]					2001		2001			
	Feb.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[r]	Feb.	Feb. 7	Feb. 14	Feb. 21	Feb. 28
	Not seasonally adjusted											
MEMO												
Large domestically chartered banks, adjusted for mergers												
1 Revaluation gains on off-balance-sheet items[8]	64.5	66.5	74.4	70.9	68.0	77.8	79.5	77.6	77.3	76.4	76.2	80.6
2 Revaluation losses on off-balance-sheet items[8]	64.3	67.3	73.9	72.8	72.6	83.1	82.5	81.0	80.9	80.0	79.9	83.3
3 Mortgage-backed securities[9]	253.2[r]	238.6	238.8	240.3	240.4	242.3	247.7	244.3	247.5	247.0	241.7	240.9
4 Pass-through	175.5[r]	170.2	170.7	173.6	174.0	177.3	182.5	179.2	182.0	181.6	176.8	176.6
5 CMO, REMIC, and other	77.7[r]	68.5	68.1	66.6	66.4	65.0	65.2	65.0	65.5	65.4	64.9	64.4
6 Net unrealized gains (losses) on available-for-sale securities[10]	−10.8	−8.6	−7.4	−4.7	−3.3	−.4	−2.3	−.5	−.6	−1.0	−.7	.1
7 Off-shore credit to U.S. residents[11]	23.6	22.1	22.1	22.3	23.1	23.4	23.0	22.7	22.8	22.7	22.5	22.8
8 Securitized consumer loans[12]	n.a.	86.6	85.9	80.8	80.5	82.2	82.4	80.8	81.8	80.3	80.0	80.9
9 Credit cards and related plans	n.a.	72.0	71.8	67.2	67.3	68.6	68.5	67.3	68.1	66.9	66.7	67.6
10 Other	n.a.	14.6	14.1	13.6	13.2	13.6	13.9	13.4	13.7	13.4	13.4	13.3
11 Securitized business loans[12]	n.a.	16.2	15.3	15.2	17.8	18.6	18.4	18.6	18.6	18.5	18.5	18.6
Small domestically chartered commercial banks, adjusted for mergers												
12 Mortgage-backed securities[9]	202.4[r]	209.6	211.0	211.8	213.2	214.7	218.2	222.2	219.0	221.0	223.3	225.7
13 Securitized consumer loans[12]	n.a.	220.9	221.6	224.4	225.4	230.7	231.0	235.2	234.3	233.4	234.6	238.4
14 Credit cards and related plans	n.a.	212.0	213.0	215.1	215.9	221.6	222.0	226.4	225.4	224.6	225.8	229.7
15 Other	n.a.	8.9	8.6	9.3	9.5	9.1	9.0	8.8	8.8	8.8	8.8	8.7
Foreign-related institutions												
16 Revaluation gains on off-balance-sheet items[8]	42.8	43.0	48.6	47.3	44.7	45.6	51.0	49.8	49.9	49.3	49.6	50.3
17 Revaluation losses on off-balance-sheet items[8]	42.3	40.1	45.0	44.7	41.0	41.7	47.4	47.8	47.8	47.6	47.7	48.1
18 Securitized business loans[12]	n.a.	23.7	23.1	23.0	22.8	23.1	23.2	22.4	22.8	22.2	22.3	22.2

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

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

1. Covers the following types of institutions in the fifty states and the District of Columbia: domestically chartered commercial banks that submit a weekly report of condition (large domestic); other domestically chartered commercial banks (small domestic); branches and agencies of foreign banks, and Edge Act and agreement corporations (foreign-related institutions). Excludes International Banking Facilities. Data are Wednesday values or pro rata averages of Wednesday values. Large domestic banks constitute a universe; data for small domestic banks and foreign-related institutions are estimates based on weekly samples and on quarter-end condition reports. Data are adjusted for breaks caused by reclassifications of assets and liabilities.

The data for large and small domestic banks presented on pp. A17–19 are adjusted to remove the estimated effects of mergers between these two groups. The adjustment for mergers changes past levels to make them comparable with current levels. Estimated quantities of balance sheet items acquired in mergers are removed from past data for the bank group that contained the acquired bank and put into past data for the group containing the acquiring bank. Balance sheet data for acquired banks are obtained from Call Reports, and a ratio procedure is used to adjust past levels.

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

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

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

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

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

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

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

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

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

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

12. Total amount outstanding.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

A. Commercial Paper

Millions of dollars, seasonally adjusted, end of period

Item	Year ending December					2000					2001
	1996	1997	1998	1999	2000	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
1 **All issuers**	**775,371**	**966,699**	**1,163,303**	**1,403,023**	**1,615,341**	**1,559,054**	**1,557,700**	**1,587,591**	**1,624,421**	**1,615,341**	**1,566,104**
Financial companies[1]											
2 Dealer-placed paper, total[2]	361,147	513,307	614,142	786,643	973,060	905,634	899,853	912,739	960,701	973,060	976,735
3 Directly placed paper, total[3]	229,662	252,536	322,030	337,240	298,848	303,307	315,039	328,049	312,438	298,848	270,922
4 Nonfinancial companies[4]	184,563	200,857	227,132	279,140	343,433	350,113	342,809	346,803	351,282	343,433	318,447

1. Institutions engaged primarily in commercial, savings, and mortgage banking; sales, personal, and mortgage financing; factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.
2. Includes all financial-company paper sold by dealers in the open market.
3. As reported by financial companies that place their paper directly with investors.
4. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.

B. Bankers Dollar Acceptances[1]

Millions of dollars, not seasonally adjusted, year ending September[2]

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

1. Includes eligible, dollar-denominated bankers acceptances legally payable in the United States. Eligible acceptances are those that are eligible for discount by Federal Reserve Banks; that is, those acceptances that meet the criteria of Paragraph 7 of Section 13 of the Federal Reserve Act (12 U.S.C. §372).
2. Data on bankers dollar acceptances are gathered from approximately 40 institutions; includes U.S. chartered commerical banks (domestic and foreign offices), U.S. branches and agencies of foreign banks, and Edge and agreement corporations. The reporting group is revised every year.

1.33 PRIME RATE CHARGED BY BANKS Short-Term Business Loans[1]

Percent per year

Date of change	Rate	Period	Average rate	Period	Average rate	Period	Average rate
1998—Jan. 1	8.50	1998	8.35	1999—Jan.	7.75	2000—Jan.	8.50
Sept. 30	8.25	1999	8.00	Feb.	7.75	Feb.	8.73
Oct. 16	8.00	2000	9.23	Mar.	7.75	Mar.	8.83
Nov. 18	7.75			Apr.	7.75	Apr.	9.00
		1998—Jan.	8.50	May	7.75	May	9.24
1999—July 1	8.00	Feb.	8.50	June	7.75	June	9.50
Aug. 25	8.25	Mar.	8.50	July	8.00	July	9.50
Nov. 17	8.50	Apr.	8.50	Aug.	8.06	Aug.	9.50
		May	8.50	Sept.	8.25	Sept.	9.50
2000—Feb. 3	8.75	June	8.50	Oct.	8.25	Oct.	9.50
Mar. 22	9.00	July	8.50	Nov.	8.37	Nov.	9.50
May 17	9.50	Aug.	8.50	Dec.	8.50	Dec.	9.50
		Sept.	8.49				
2001—Jan. 4	9.00	Oct.	8.12			2001—Jan.	9.05
Feb. 1	8.50	Nov.	7.89			Feb.	8.50
Mar. 21	8.00	Dec.	7.75			Mar.	8.32

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	1998	1999	2000	2000 Nov.	2000 Dec.	2001 Jan.	2001 Feb.	2001, week ending Jan. 26	2001, week ending Feb. 2	Feb. 9	Feb. 16	Feb. 23
MONEY MARKET INSTRUMENTS												
1 Federal funds[1,2,3]	5.35	4.97	6.24	6.51	6.40	5.98	5.49	5.96	5.94	5.51	5.47	5.50
2 Discount window borrowing[2,4]	4.92	4.62	5.73	6.00	6.00	5.52	5.00	5.50	5.43	5.00	5.00	5.00
Commercial paper[3,5,6]												
Nonfinancial												
3 1-month	5.40	5.09	6.27	6.49	6.51	5.74	5.39	5.60	5.44	5.43	5.43	5.43
4 2-month	5.38	5.14	6.29	6.52	6.42	5.59	5.25	5.47	5.34	5.26	5.31	5.29
5 3-month	5.34	5.18	6.31	6.50	6.34	5.49	5.14	5.35	5.27	5.19	5.18	5.16
Financial												
6 1-month	5.42	5.11	6.28	6.49	6.52	5.75	5.41	5.59	5.48	5.45	5.45	5.46
7 2-month	5.40	5.16	6.30	6.54	6.42	5.62	5.29	5.50	5.40	5.34	5.33	5.33
8 3-month	5.37	5.22	6.33	6.52	6.33	5.51	5.19	5.42	5.30	5.23	5.23	5.21
Commercial paper (historical)[3,5,7]												
9 1-month	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 3-month	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
11 6-month	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Finance paper, directly placed (historical)[3,5,8]												
12 1-month	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
13 3-month	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
14 6-month	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Bankers acceptances[3,5,9]												
15 3-month	5.39	5.24	6.23	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
16 6-month	5.30	5.30	6.37	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Certificates of deposit, secondary market[3,10]												
17 1-month	5.49	5.19	6.35	6.56	6.62	5.83	5.47	5.68	5.53	5.53	5.53	5.49
18 3-month	5.47	5.33	6.46	6.65	6.45	5.62	5.26	5.52	5.38	5.33	5.32	5.27
19 6-month	5.44	5.46	6.59	6.63	6.30	5.45	5.12	5.35	5.20	5.18	5.19	5.11
20 Eurodollar deposits, 3-month[3,11]	5.45	5.31	6.45	6.64	6.43	5.62	5.26	5.51	5.37	5.33	5.32	5.25
U.S. Treasury bills[5]												
Secondary market[3,5]												
21 3-month	4.78	4.64	5.82	6.17	5.77	5.15	4.88	5.11	4.91	4.94	4.93	4.87
22 6-month	4.83	4.75	5.90	6.06	5.68	4.95	4.71	4.92	4.72	4.76	4.80	4.69
23 1-year	4.80	4.81	5.78	5.84	5.33	4.63	4.51	4.64	4.47	4.54	4.61	4.54
Auction high[3,5,12]												
24 3-month	4.81	4.66	5.66	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
25 6-month	4.85	4.76	5.85	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
26 1-year	4.85	4.78	5.85	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
U.S. TREASURY NOTES AND BONDS												
Constant maturities[13]												
27 1-year	5.05	5.08	6.11	6.09	5.60	4.81	4.68	4.83	4.66	4.72	4.80	4.69
28 2-year	5.13	5.43	6.26	5.88	5.35	4.76	4.66	4.79	4.66	4.70	4.78	4.64
29 3-year	5.14	5.49	6.22	5.79	5.26	4.77	4.71	4.81	4.70	4.74	4.81	4.72
30 5-year	5.15	5.55	6.16	5.70	5.17	4.86	4.89	4.94	4.87	4.90	4.95	4.93
31 7-year	5.28	5.79	6.20	5.78	5.28	5.13	5.10	5.23	5.12	5.10	5.14	5.14
32 10-year	5.26	5.65	6.03	5.72	5.24	5.16	5.10	5.29	5.20	5.13	5.11	5.13
33 20-year	5.72	6.20	6.23	5.98	5.64	5.65	5.62	5.75	5.65	5.59	5.65	5.69
34 30-year	5.58	5.87	5.94	5.78	5.49	5.54	5.45	5.64	5.56	5.47	5.45	5.49
Composite												
35 More than 10 years (long-term)	5.69	6.14	6.41	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a	n.a.
STATE AND LOCAL NOTES AND BONDS												
Moody's series[14]												
36 Aaa	4.93	5.28	5.58	5.38	5.11	4.99	5.09	5.10	5.04	5.04	5.14	5.12
37 Baa	5.14	5.70	6.19	6.17	5.85	5.76	5.86	5.85	5.83	5.83	5.90	5.89
38 *Bond Buyer* series[15]	5.09	5.43	5.71	5.54	5.22	5.10	5.18	5.20	5.15	5.15	5.20	5.21
CORPORATE BONDS												
39 Seasoned issues, all industries[16]	6.87	7.45	7.98	7.90	7.65	7.55	7.50	7.60	7.49	7.47	7.53	7.57
Rating group												
40 Aaa	6.53	7.05	7.62	7.45	7.21	7.15	7.10	7.21	7.13	7.12	7.12	7.13
41 Aa	6.80	7.36	7.83	7.75	7.48	7.38	7.32	7.44	7.32	7.28	7.36	7.40
42 A	6.93	7.53	8.11	8.09	7.88	7.75	7.69	7.80	7.66	7.63	7.72	7.78
43 Baa	7.22	7.88	8.36	8.28	8.02	7.93	7.87	7.95	7.84	7.83	7.91	7.96
MEMO												
Dividend–price ratio[17]												
44 Common stocks	1.49	1.25	1.15	1.16	1.19	1.16	1.22	1.15	1.14	1.17	1.19	1.25

NOTE. Some of the data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

1. The daily effective federal funds rate is a weighted average of rates on trades through New York brokers.
2. Weekly figures are averages of seven calendar days ending on Wednesday of the current week; monthly figures include each calendar day in the month.
3. Annualized using a 360-day year or bank interest.
4. Rate for the Federal Reserve Bank of New York.
5. Quoted on a discount basis.
6. Interest rates interpolated from data on certain commercial paper trades settled by the Depository Trust Company. The trades represent sales of commercial paper by dealers or direct issuers to investors (that is, the offer side). See the Board's Commercial Paper web pages (http://www.federalreserve.gov/releases/cp) for more information.
7. An average of offering rates on commercial paper for firms whose bond rating is AA or the equivalent. Series ended August 29, 1997.
8. An average of offering rates on paper directly placed by finance companies Series ended August 29, 1997.
9. Representative closing yields for acceptances of the highest-rated money center banks.
10. An average of dealer offering rates on nationally traded certificates of deposit.
11. Bid rates for eurodollar deposits collected around 9:30 a.m. Eastern time. Data are for indication purposes only.
12. Auction date for daily data; weekly and monthly averages computed on an issue-date basis. On or after October 28, 1998, data are stop yields from uniform-price auctions. Before that, they are weighted average yields from multiple-price auctions.
13. Yields on actively traded issues adjusted to constant maturities. Source: U.S. Department of the Treasury.
14. General obligation bonds based on Thursday figures; Moody's Investors Service.
15. State and local government general obligation bonds maturing in twenty years are used in compiling this index. The twenty-bond index has a rating roughly equivalent to Moody's A1 rating. Based on Thursday figures.
16. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
17. Standard & Poor's corporate series. Common stock ratio is based on the 500 stocks in the price index.

1.36 STOCK MARKET Selected Statistics

Indicator	1998	1999	2000	2000 June	2000 July	2000 Aug.	2000 Sept.	2000 Oct.	2000 Nov	2000 Dec.	2001 Jan.	2001 Feb.
	Prices and trading volume (averages of daily figures)											
Common stock prices (indexes)												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	550.65	619.52	643.71	649.61	653.27	666.14	667.05	646.53	646.64	645.44	650.55	648.05
2 Industrial	684.35	775.29	809.40	819.54	825.28	837.23	829.99	797.00	800.88	792.66	796.74	799.38
3 Transportation	468.61	491.62	414.73	395.09	410.67	419.84	404.23	403.20	434.92	457.53	471.21	482.26
4 Utility	190.52	284.82	478.99	501.93	484.19	459.91	463.76	469.16	455.66	444.16	440.36	424.53
5 Finance	516.65	530.97	552.48	544.51	556.32	597.17	616.89	587.76	600.45	621.62	634.17	626.41
6 Standard & Poor's Corporation (1941–43 = 10)[1]	1,085.50	1,327.33	1,427.22	1,461.96	1,473.00	1,485.46	1,468.06	1,390.14	1,375.04	1,330.93	1,335.63	1,305.75
7 American Stock Exchange (Aug. 31, 1973 = 50)[2]	682.69	770.90	922.22	934.90	930.66	920.54	952.74	913.64	892.60	870.16	898.18	923.99
Volume of trading (thousands of shares)												
8 New York Stock Exchange	666,534	799,554	1,026,867	971,137	941,694	875,087	1,026,597	1,167,025	1,015,606	1,183,149	1,299,986	1,117,977
9 American Stock Exchange	28,870	32,629	51,437	42,490	36,486	35,695	47,047	57,915	58,541	73,759	72,312	70,648
	Customer financing (millions of dollars, end-of-period balances)											
10 **Margin credit at broker–dealers**[3]	**140,980**[c]	**228,530**[c]	**198,790**[c]	**247,200**	**244,970**	**247,560**	**250,780**	**233,376**	**219,110**	**198,790**	**197,110**	**186,870**
Free credit balances at brokers[4]												
11 Margin accounts[5]	40,250[r]	55,130[c]	100,680[c]	64,970	71,730	68,020	70,959	83,131	96,730	100,680	90,380	99,400
12 Cash accounts	62,450[c]	79,070[c]	84,400[c]	74,140	74,970	72,640	74,766	73,271	74,050	84,400	80,470	78,670

Indicator	Margin requirements (percent of market value and effective date)[6] Mar. 11, 1968	June 8, 1968	May 6, 1970	Dec. 6, 1971	Nov. 24, 1972	Jan. 3, 1974
13 Margin stocks	70	80	65	55	65	50
14 Convertible bonds	50	60	50	50	50	50
15 Short sales	70	80	65	55	65	50

1. In July 1976 a financial group, composed of banks and insurance companies, was added to the group of stocks on which the index is based. The index is now based on 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.
2. On July 5, 1983, the American Stock Exchange rebased its index, effectively cutting previous readings in half.
3. Since July 1983, under the revised Regulation T, margin credit at broker–dealers has included credit extended against stocks, convertible bonds, stocks acquired through the exercise of subscription rights, corporate bonds, and government securities. Separate reporting of data for margin stocks, convertible bonds, and subscription issues was discontinued in April 1984.
4. Free credit balances are amounts in accounts with no unfulfilled commitments to brokers and are subject to withdrawal by customers on demand.
5. Series initiated in June 1984.
6. Margin requirements, stated in regulations adopted by the Board of Governors pursuant to the Securities Exchange Act of 1934, limit the amount of credit that can be used to purchase and carry "margin securities" (as defined in the regulations) when such credit is collateralized by securities. Margin requirements on securities are the difference between the market value (100 percent) and the maximum loan value of collateral as prescribed by the Board. Regulation T was adopted effective Oct. 15, 1934; Regulation U, effective May 1, 1936; Regulation G, effective Mar. 11, 1968; and Regulation X, effective Nov. 1, 1971.

On Jan. 1, 1977, the Board of Governors for the first time established in Regulation T the initial margin required for writing options on securities, setting it at 30 percent of the current market value of the stock underlying the option. On Sept. 30, 1985, the Board changed the required initial margin, allowing it to be the same as the option maintenance margin required by the appropriate exchange or self-regulatory organization; such maintenance margin rules must be approved by the Securities and Exchange Commission.

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year			Calendar year					
				2000				2001	
	1998	1999	2000	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
U.S. budget[1]									
1 Receipts, total	1,721,798	1,827,302	2,025,218	219,474	135,111	125,666	200,489	219,215	110,481
2 On-budget	1,305,999	1,382,986	1,544,634	176,695	101,121	89,216	161,737	171,001	70,555
3 Off-budget	415,799	444,468	480,584	42,779	33,990	36,450	38,752	48,214	39,926
4 Outlays, total	1,652,224	1,702,942	1,788,826	153,727	146,431	149,356	167,823	142,836	158,649
5 On-budget	1,335,948	1,382,262	1,458,061	114,751	115,840	116,737	132,747	144,448	123,573
6 Off-budget	316,604	320,778	330,765	38,901	30,592	32,619	35,075	−1,613	35,076
7 Surplus or deficit (−), total	69,246	124,414	236,392	65,747	−11,321	−23,690	32,666	76,379	−48,168
8 On-budget	−29,949	724	86,573	61,944	−14,719	−27,521	28,990	26,553	−53,018
9 Off-budget	99,195	123,690	149,819	3,878	3,398	3,831	3,677	49,827	4,850
Source of financing (total)									
10 Borrowing from the public	−51,211	−88,674	−222,672	−32,334	−29,666	41,325	−36,689	−23,990	15,100
11 Operating cash (decrease, or increase [−])	4,743	−17,580	3,799	−39,479	42,653	−1,431	−9,632	−45,761	45,717
12 Other[2]	−22,778	−18,160	−17,519	6,066	−1,666	−16,204	13,655	−6,628	−12,649
MEMO									
13 Treasury operating balance (level, end of period)	38,878	56,458	52,659	52,659	10,006	11,437	21,069	66,830	21,113
14 Federal Reserve Banks	4,952	6,641	8,459	8,459	5,360	4,382	5,149	5,256	4,956
15 Tax and loan accounts	33,926	49,817	44,199	44,199	4,646	7,055	15,920	61,574	16,158

1. Since 1990, off-budget items have been the social security trust funds (Federal Old-Age, Survivors, and Disability Insurance) and the U.S. Postal Service.

2. Includes special drawing rights (SDRs); reserve position on the U.S. quota in the International Monetary Fund (IMF); loans to the IMF; other cash and monetary assets; accrued interest payable to the public; allocations of SDRs; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seigniorage; increment on gold; net gain or loss for U.S. currency valuation adjustment; net gain or loss for IMF loan-valuation adjustment; and profit on sale of gold.

SOURCE. Monthly totals: U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*; fiscal year totals: U.S. Office of Management and Budget, *Budget of the U.S. Government* when available.

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS[1]

Millions of dollars

Source or type	Fiscal year 1999	Fiscal year 2000	Calendar year 1999 H1	Calendar year 1999 H2	Calendar year 2000 H1	Calendar year 2000 H2	Calendar year 2000 Dec.	Calendar year 2001 Jan.	Calendar year 2001 Feb.
RECEIPTS									
1 **All sources**	**1,827,302[r]**	**2,025,218**	**966,045**	**892,266**	**1,089,763[r]**	**952,942[r]**	**200,489**	**219,215**	**110,481**
2 Individual income taxes, net	879,480	1,004,462	481,907	425,451	550,208	458,679	83,485	135,702	48,030
3 Withheld	693,940	780,397	351,068	372,012	388,526	395,572	78,133	84,319	70,179
4 Nonwithheld	308,185	358,049	240,278	68,302	281,103	77,732	6,468	52,713	3,454
5 Refunds	122,706	134,046	109,467	14,841	119,477	14,628	1,116	1,330	25,610
Corporation income taxes									
6 Gross receipts	216,324	235,655	106,861	110,111	119,166	123,962	53,192	7,778	3,474
7 Refunds	31,645	28,367	17,092	13,996	13,781	15,776	1,886	2,066	4,973
8 Social insurance taxes and contributions, net	611,833	652,852	324,831	292,551	353,514	310,122	53,559	64,214	53,473
9 Employment taxes and contributions[2]	580,880	620,451	306,235	280,059	333,584	297,665	52,932	62,259	50,868
10 Unemployment insurance	26,480	27,640	16,378	10,173	17,562	10,097	260	1,596	2,147
11 Other net receipts[3]	4,473	4,761	2,216	2,319	2,368	2,360	367	359	457
12 Excise taxes	70,414	68,865	31,015	34,262	33,532	35,501	5,865	5,307	4,074
13 Customs deposits	18,336	19,914	8,440	10,287	9,218	10,676	1,461	1,694	1,474
14 Estate and gift taxes	27,782	29,010	14,915	14,001	15,073	13,216	1,863	2,403	1,879
15 Miscellaneous receipts[4]	34,929	42,826	15,140	19,569	22,831	16,556	2,949	4,183	3,050
OUTLAYS									
16 **All types**	**1,702,942**	**1,788,826**	**817,227**	**882,465**	**892,947**	**894,905[r]**	**167,823**	**142,836**	**158,649**
17 National defense	274,873	294,494	134,414	149,573	143,476	147,651	29,176	21,792	22,555
18 International affairs	15,243	17,216	6,879	8,530	7,250	11,902	4,828	1,289	1,153
19 General science, space, and technology	18,125	18,637	9,319	10,089	9,601	10,389	1,868	1,383	1,619
20 Energy	912	−1,060	797	−90	−893	−595	182	−378	−174
21 Natural resources and environment	23,970	25,031	10,351	12,100	10,814	12,907	2,083	1,708	1,737
22 Agriculture	23,011	36,641	9,803	20,887	11,164	20,977	3,618	3,870	2,003
23 Commerce and housing credit	2,649	3,211	−1,629	7,353	−2,497	4,408	555	−943	−487
24 Transportation	42,531	46,854	17,082	23,199	21,054	25,841	4,035	3,323	3,502
25 Community and regional development	11,870	10,629	5,368	6,806	5,050	5,962	822	722	939
26 Education, training, employment, and social services	56,402	59,201	29,003	27,532	31,234	29,263	6,122	5,660	5,957
27 Health	141,079	154,534	69,320	74,490	75,871	81,413	12,975	14,087	13,011
28 Social security and Medicare	580,488	606,549	261,146	295,030	306,966	307,473	54,224	50,633	52,154
29 Income security	237,707	247,895	126,552	113,504	133,915	113,212	23,882	18,473	33,203
30 Veterans benefits and services	43,212	47,083	20,105	23,412	23,174	22,615	5,520	2,101	4,089
31 Administration of justice	25,924	27,820	13,149	13,459	13,981	14,635	2,495	2,602	2,201
32 General government	15,771	13,454	6,641	7,010	6,198	6,461	1,205	707	2,400
33 Net interest[5]	229,735	223,218	116,655	112,420	115,545	104,685	17,122	19,575	17,590
34 Undistributed offsetting receipts[6]	−40,445	−42,581	−17,724	−22,850	−19,346	−24,070	−2,889	−3,767	−4,802

1. Functional details do not sum to total outlays for calendar year data because revisions to monthly totals have not been distributed among functions. Fiscal year total for receipts and outlays do not correspond to calendar year data because revisions from the *Budget* have not been fully distributed across months.
2. Old-age, disability, and hospital insurance, and railroad retirement accounts.
3. Federal employee retirement contributions and civil service retirement and disability fund.
4. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.
5. Includes interest received by trust funds.
6. Rents and royalties for the outer continental shelf, U.S. government contributions for employee retirement, and certain asset sales.

SOURCE. Fiscal year totals: U.S. Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 2002*; monthly and half-year totals: U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government.*

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars, end of month

Item	1998	1999				2000			
	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept 30	Dec. 31
1 **Federal debt outstanding**	**5,643**	**5,681**	**5,668**	**5,685**	**5,805**	**5,802**	**5,714**	**5,702**	**5,690**
2 Public debt securities	5,614	5,652	5,639	5,656	5,776	5,773	5,686	5,674	5,662
3 Held by public	3,787	3,795	3,685	3,667	3,716	3,688	3,496	3,439	3,414[r]
4 Held by agencies	1,827	1,857	1,954	1,989	2,061	2,085	2,190	2,236	2,249
5 Agency securities	29	29	29	29	29	28	28	28	27
6 Held by public	29	28	28	28	28	28	28	28	27
7 Held by agencies	1	1	1	1	1	0	0	0	0
8 **Debt subject to statutory limit**	**5,530**	**5,566**	**5,552**	**5,568**	**5,687**	**5,687**	**5,601**	**5,592**	**5,581**
9 Public debt securities	5,530	5,566	5,552	5,568	5,687	5,686	5,601	5,591	5,580
10 Other debt[1]	0	0	0	0	0	0	0	0	0
MEMO									
11 Statutory debt limit	5,950	5,950	5,950	5,950	5,950	5,950	5,950	5,950	5,950

1. Consists of guaranteed debt of U.S. Treasury and other federal agencies, specified participation certificates, notes to international lending organizations, and District of Columbia stadium bonds.

SOURCE. U.S. Department of the Treasury, *Monthly Statement of the Public Debt of the United States* and *Monthly Treasury Statement.*

1.41 GROSS PUBLIC DEBT OF U.S. TREASURY Types and Ownership

Billions of dollars, end of period

Type and holder	1997	1998	1999	2000	2000			
					Q1	Q2	Q3	Q4
1 **Total gross public debt**	**5,502.4**	**5,614.2**	**5,776.1**	**5,662.2**	**5,773.4**	**5,685.9**	**5,674.2**	**5,662.2**
By type								
2 Interest-bearing	5,494.9	5,605.4	5,766.1	5,618.1	5,763.8	5,675.9	5,622.1	5,618.1
3 Marketable	3,456.8	3,355.5	3,281.0	2,966.9	3,261.2	3,070.7	2,992.8	2,966.9
4 Bills	715.4	691.0	737.1	646.9	753.3	629.9	616.2	646.9
5 Notes	2,106.1	1,960.7	1,784.5	1,557.3	1,732.6	1,679.1	1,611.3	1,557.3
6 Bonds	587.3	621.2	643.7	626.5	653.0	637.7	635.3	626.5
7 Inflation-indexed notes and bonds[1]	33.0	67.6	100.7	121.2	107.4	109.0	115.0	121.2
8 Nonmarketable[2]	2,038.1	2,249.9	2,485.1	2,651.2	2,502.6	2,605.2	2,629.3	2,651.2
9 State and local government series	124.1	165.3	165.7	151.0	161.9	160.4	153.3	151.0
10 Foreign issues[3]	36.2	34.3	31.3	27.2	28.8	27.7	25.4	27.2
11 Government	36.2	34.3	31.3	27.2	28.8	27.7	25.4	27.2
12 Public	.0	.0	.0	.0	.0	.0	.0	.0
13 Savings bonds and notes	181.2	180.3	179.4	176.9	178.6	177.7	177.7	176.9
14 Government account series[4]	1,666.7	1,840.0	2,078.7	2,266.1	2,103.3	2,209.4	2,242.9	2,266.1
15 Non-interest-bearing	7.5	8.8	10.0	44.2	9.6	10.1	52.1	44.2
By holder[5]								
16 U.S. Treasury and other federal agencies and trust funds	1,657.1[r]	1,828.1[r]	2,064.2[r]	2,270.2	2,088.9[r]	2,193.6[r]	2,226.5[r]	2,270.2
17 Federal Reserve Banks[6]	430.7[r]	452.1[r]	478.0[r]	511.7	501.7	504.9	511.4	511.7
18 Private investors	3,414.6	3,334.0	3,233.9	2,880.4	3,182.8	2,987.4	2,936.2	2,880.4
19 Depository institutions	300.3	237.3	246.5[r]	197.9	234.9[r]	219.4	218.3	197.9
20 Mutual funds	321.5	343.2	348.6	336.4	339.6[r]	322.4	323.7	336.4
21 Insurance companies	176.6	144.5	125.3	119.5	124.1[r]	121.3	120.6	119.5
22 State and local treasuries[7]	239.3	269.3	266.8	246.2	257.2	256.4	246.9	246.2
Individuals								
23 Savings bonds	186.5	186.6[r]	186.4[r]	184.8	185.3	184.6	184.3[r]	184.8
24 Pension funds	360.5[r]	375.3[r]	380.9[r]	375.8	382.1[r]	384.1[r]	379.1	375.8
25 Private	143.5[r]	157.6[r]	167.7[r]	181.3	171.0[r]	173.6[r]	179.2	181.3
26 State and Local	216.9	217.7[r]	213.2	194.5	211.1	210.5[r]	199.9	194.5
27 Foreign and international[8]	1,241.6	1,278.7	1,268.8	1,220.8	1,273.9	1,248.9	1,225.2	1,220.8
28 Other miscellaneous investors[7,9]	589.5	498.8	407.1	n.a.	382.1[r]	246.7[r]	224.4	n.a.

1. The U.S. Treasury first issued inflation-indexed securities during the first quarter of 1997.
2. Includes (not shown separately) securities issued to the Rural Electrification Administration, depository bonds, retirement plan bonds, and individual retirement bonds.
3. Nonmarketable series denominated in dollars, and series denominated in foreign currency held by foreigners.
4. Held almost entirely by U.S. Treasury and other federal agencies and trust funds.
5. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.
6. U.S. Treasury securities bought outright by Federal Reserve Banks, see *Bulletin* table 1.18.
7. In March 1996, in a redefinition of series, fully defeased debt backed by nonmarketable federal securities was removed from "Other miscellaneous investors" and added to "State and local treasuries." The data shown here have been revised accordingly.
8. Includes nonmarketable foreign series Treasury securities and Treasury deposit funds. Excludes Treasury securities held under repurchase agreements in custody accounts at the Federal Reserve Bank of New York.
9. Includes individuals, government-sponsored enterprises, brokers and dealers, bank personal trusts and estates, corporate and noncorporate businesses, and other investors.

SOURCES. Data by type of security, U.S. Treasury Department, *Monthly Statement of the Public Debt of the United States*; data by holder, Federal Reserve Board of Governors, *Flow of Funds Accounts of the United States* and U.S. Treasury Department, *Treasury Bulletin*, unless otherwise noted.

1.42 U.S. GOVERNMENT SECURITIES DEALERS Transactions[1]

Millions of dollars, daily averages

Item	2000		2001	2001, week ending								
	Nov.	Dec.	Jan.	Jan. 3	Jan. 10	Jan. 17	Jan. 24	Jan. 31	Feb. 7	Feb. 14	Feb. 21	Feb. 28
OUTRIGHT TRANSACTIONS[2]												
By type of security												
1 U.S. Treasury bills	33,213	33,972	30,524	46,063	31,026	31,192	25,294	28,501	26,276	23,666	23,684	48,699
Coupon securities, by maturity												
2 Five years or less	116,403	142,810	184,852	138,635	233,089	167,473	184,622	169,233	169,260	164,570	162,784	208,772
3 More than five years	62,146	80,454	92,425	70,178	108,729	88,749	83,347	97,040	106,574	97,364	73,762	106,457
4 Inflation-indexed	1,033	1,441	2,801	2,034	5,306	2,310	2,387	1,411	1,670	950	1,910	2,209
Federal agency												
5 Discount notes	52,139	54,545	62,160	63,200	53,350	66,652	61,610	67,509	66,661	62,908	64,851	70,415
Coupon securities, by maturity												
6 One year or less	1,094	1,821	1,451	1,225	1,246	2,800	793	1,324	1,823	1,118	1,742	1,005
7 More than one year, but less than or equal to five years	9,936	10,987	15,202	10,168	21,825	13,689	13,104	13,901	14,215	16,041	13,458	32,471
8 More than five years	7,450	12,455	12,984	7,280	17,020	10,642	13,583	12,505	11,961	9,160	7,461	10,665
9 Mortgage-backed	80,031	77,576	100,680	54,267	144,559	114,402	104,151	60,919	128,664	140,877	80,090	78,285
By type of counterparty												
With interdealer broker												
10 U.S. Treasury	92,335	117,395	145,363	117,676	178,968	139,148	135,431	137,738	143,319	136,292	120,840	165,470
11 Federal agency	8,654	11,965	13,683	11,240	18,578	11,889	12,816	12,066	12,146	11,317	10,849	15,803
12 Mortgage-backed	23,812	26,775	31,191	22,031	44,970	30,924	30,977	21,504	41,121	38,985	20,191	27,846
With other												
13 U.S. Treasury	120,459	141,282	165,238	139,234	199,182	150,575	160,220	158,446	160,461	150,258	141,300	200,667
14 Federal agency	61,966	67,843	78,114	70,633	74,862	81,895	76,273	83,173	82,514	77,910	76,663	98,753
15 Mortgage-backed	56,219	50,801	69,489	32,236	99,589	83,479	73,174	39,415	87,543	101,892	59,899	50,439
FUTURES TRANSACTIONS[3]												
By type of deliverable security												
16 U.S. Treasury bills	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0	n.a.	n.a.	n.a.
Coupon securities, by maturity												
17 Five years or less	3,309	3,629	3,821	2,637	4,007	3,831	4,256	3,666	3,221	3,734	3,685	6,171
18 More than five years	13,051	14,020	15,474	11,731	17,813	15,512	15,182	14,893	14,148	16,827	15,705	22,167
19 Inflation-indexed	0	0	0	0	0	0	0	0	0	0	0	0
Federal agency												
20 Discount notes	0	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity												
21 One year or less	0	0	0	0	0	0	0	0	0	0	0	0
22 More than one year, but less than or equal to five years	0	0	0	0	0	0	n.a.	0	0	0	0	0
23 More than five years	72	325	63	n.a.	118	55	20	58	17	n.a.	36	139
24 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0	0
OPTIONS TRANSACTIONS[4]												
By type of underlying security												
25 U.S. Treasury bills	0	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity												
26 Five years or less	1,548	1,380	1,116	407	1,628	1,553	754	902	826	1,172	1,188	743
27 More than five years	3,619	4,111	4,423	3,491	6,201	4,420	3,853	3,590	4,190	4,683	3,975	3,778
28 Inflation-indexed	0	0	0	0	0	0	0	0	0	0	0	0
Federal agency												
29 Discount notes	0	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity												
30 One year or less	0	0	0	0	0	0	0	0	0	0	0	0
31 More than one year, but less than or equal to five years	n.a.	0	20	0	0	0	0	0	0	0	0	0
32 More than five years	124	14	105	0	n.a.	n.a.	55	197	0	93	101	278
33 Mortgage-backed	1,272	1,228	1,269	1,092	2,105	692	1,206	1,029	2,048	1,445	1,113	1,104

1. Transactions are market purchases and sales of securities as reported to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Monthly averages are based on the number of trading days in the month. Transactions are assumed to be evenly distributed among the trading days of the report week. Immediate, forward, and futures transactions are reported at principal value, which does not include accrued interest; options transactions are reported at the face value of the underlying securities.

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.

1.43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing[1]

Millions of dollars

Item	2000 Nov.	2000 Dec.	2001 Jan.	2001, week ending Jan. 3	Jan. 10	Jan. 17	Jan. 24	Jan. 31	Feb. 7	Feb. 14	Feb. 21
						Positions[2]					
NET OUTRIGHT POSITIONS[3]											
By type of security											
1 U.S. Treasury bills	6,870	15,431	10,534	12,648	11,859	6,987	12,609	9,774	8,105	1,309	1,840
Coupon securities, by maturity											
2 Five years or less	−28,545	−18,515	−12,508	−13,626	−10,388	−12,565	−13,972	−12,628	−15,217	−15,619	−19,210
3 More than five years	−11,005	−13,463	−10,547	−13,363	−10,442	−10,434	−9,383	−10,721	−6,115	−2,686	−3,145
4 Inflation-indexed	3,015	1,713	3,571	1,400	4,458	3,628	3,733	3,395	2,963	3,590	4,506
Federal agency											
5 Discount notes	29,599	31,108	30,005	29,242	29,498	33,882	31,607	25,360	31,734	36,194	32,880
Coupon securities, by maturity											
6 One year or less	16,088	16,590	17,285	17,187	15,160	17,826	17,686	18,509	19,374	17,588	17,919
7 More than one year, but less than or equal to five years	7,057	7,293	6,450	5,520	6,757	6,822	6,942	5,678	6,930	6,419	5,088
8 More than five years	4,043	5,104	6,360	6,141	6,573	8,037	6,179	4,747	5,215	6,120	5,169
9 Mortgage-backed	12,132	14,596	15,656	20,050	17,785	16,521	13,052	13,385	11,541	10,241	10,827
NET FUTURES POSITIONS[4]											
By type of deliverable security											
10 U.S. Treasury bills	n.a.	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Coupon securities, by maturity											
11 Five years or less	1,921	−252	1,131	601	−859	−475	2,870	3,215	3,632	1,938	2,855
12 More than five years	−2,745	−3,090	−6,366	−1,608	−4,660	−6,726	−8,017	−8,099	−10,962	−14,479	−10,334
13 Inflation-indexed	0	0	0	0	0	0	0	0	0	0	0
Federal agency											
14 Discount notes	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity											
15 One year or less	0	0	0	0	0	0	0	0	0	0	0
16 More than one year, but less than or equal to five years	0	0	0	0	0	0	n.a.	n.a.	n.a.	n.a.	n.a.
17 More than five years	−1,364	−521	−91	−215	−68	−56	−62	−124	−153	−347	−361
18 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0
NET OPTIONS POSITIONS											
By type of deliverable security											
19 U.S. Treasury bills	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity											
20 Five years or less	−1,768	−684	767	−344	1,248	1,421	1,634	−758	649	1,571	305
21 More than five years	−203	−93	1,054	1,043	1,021	1,294	1,100	807	243	−688	−1,604
22 Inflation-indexed	0	0	0	0	0	0	0	0	0	0	0
Federal agency											
23 Discount notes	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity											
24 One year or less	0	0	0	0	0	0	0	0	0	0	0
25 More than one year, but less than or equal to five years	−209	−528	−529	−660	−586	−561	−448	−464	−489	−740	−734
26 More than five years	259	533	603	731	836	268	383	868	500	340	313
27 Mortgage-backed	2,892	2,031	894	−537	−207	360	2,357	1,680	2,064	1,258	1,247
						Financing[5]					
Reverse repurchase agreements											
28 Overnight and continuing	310,115	336,969	348,805	344,120	349,812	344,926	338,103	364,387	327,737	343,786	342,527
29 Term	824,867	821,860	803,216	716,768	771,154	802,742	837,898	838,120	887,333	904,553	791,217
Securities borrowed											
30 Overnight and continuing	271,420	263,064	270,561	268,404	280,055	273,500	267,513	262,101	281,075	279,487	285,069
31 Term	123,967	137,491	129,862	138,307	132,370	128,726	128,360	126,371	117,049	121,425	115,014
Securities received as pledge											
32 Overnight and continuing	2,748	3,029	3,382	n.a.	n.a.	n.a.	3,042	2,418	2,584	2,912	2,730
33 Term	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Repurchase agreements											
34 Overnight and continuing	724,736	769,228	794,087	775,926	784,189	802,148	783,734	814,061	781,539	808,069	787,131
35 Term	796,328	785,387	764,792	692,715	744,867	766,159	791,009	788,021	833,380	858,292	750,884
Securities loaned											
36 Overnight and continuing	8,221	8,587	9,914	9,754	10,354	9,765	9,862	9,743	9,792	9,562	9,527
37 Term	4,465	4,284	4,185	4,179	4,168	4,171	4,103	4,301	4,258	4,246	4,078
Securities pledged											
38 Overnight and continuing	56,285	56,939	54,311	59,944	58,504	54,998	51,701	49,627	50,507	51,934	52,388
39 Term	3,981	4,207	4,032	4,212	4,228	3,786	3,878	4,159	4,188	5,904	4,422
Collateralized loans											
40 Total	26,695	25,778	24,507	28,184	26,103	25,033	26,837	18,479	24,975	20,291	21,331

1. Data for positions and financing are obtained from reports submitted to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Weekly figures are close-of-business Wednesday data. Positions for calendar days of the report week are assumed to be constant. Monthly averages are based on the number of calendar days in the month.

2. Securities positions are reported at market value.

3. Net outright positions include immediate and forward positions. Net immediate positions include securities purchased or sold (other than mortgage-backed agency securities) that have been delivered or are scheduled to be delivered in five business days or less and "when-issued" securities that settle on the issue date of offering. Net immediate positions for mortgage-backed agency securities include securities purchased or sold that have been delivered or are scheduled to be delivered in thirty business days or less.

Forward positions reflect agreements made in the over-the-counter market that specify delayed delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.

4. Futures positions reflect standardized agreements arranged on an exchange. All futures positions are included regardless of time to delivery.

5. Overnight financing refers to agreements made on one business day that mature on the next business day; continuing contracts are agreements that remain in effect for more than one business day but have no specific maturity and can be terminated without advance notice by either party; term agreements have a fixed maturity of more than one business day. Financing data are reported in terms of actual funds paid or received, including accrued interest.

NOTE. "n.a." indicates that data are not published because of insufficient activity.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1997	1998	1999	2000	2000				
					Aug.	Sept.	Oct.	Nov.	Dec.
1 **Federal and federally sponsored agencies**	**1,022,609**	**1,296,477**	**1,616,492**	**1,851,632**	**1,763,089**	**1,776,334**	n.a.	**1,833,155**	**1,851,632**
2 Federal agencies	27,792	26,502	26,376	25,666	25,892	25,993	25,523	25,555	25,666
3 Defense Department[1]	6	6	6	6	6	6	6	6	6
4 Export-Import Bank[2,3]	552	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5 Federal Housing Administration[4]	102	205	126	255	210	227	237	239	255
6 Government National Mortgage Association certificates of participation[5]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
7 Postal Service[6]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
8 Tennessee Valley Authority	27,786	26,496	26,370	25,660	25,886	25,987	25,517	25,549	25,660
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]	994,817	1,269,975	1,590,116	1,825,966	1,737,197	1,750,341	1,777,824	1,807,600	1,825,966
11 Federal Home Loan Banks	313,919	382,131	529,005	594,404	572,836	580,579	576,689	580,957	594,404
12 Federal Home Loan Mortgage Corporation	169,200	287,396	360,711	426,899	412,656	406,936	422,960	429,617	426,899
13 Federal National Mortgage Association	369,774	460,291	547,619	642,700	595,117	607,000	615,463	633,100	642,700
14 Farm Credit Banks[8]	63,517	63,488	68,883	74,181	70,139	71,055	71,345	71,667	74,181
15 Student Loan Marketing Association[9]	37,717	35,399	41,988	45,375	44,113	42,423	48,988	50,016	45,375
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]	**49,090**	**44,129**	**42,152**	**40,575**	**38,040**	**42,837**	**41,280**	**40,170**	**40,575**
Lending to federal and federally sponsored agencies									
20 Export-Import Bank[3]	552	↑	↑	↑	↑	↑	↑	↑	↑
21 Postal Service[6]	n.a.								
22 Student Loan Marketing Association	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
23 Tennessee Valley Authority	n.a.								
24 United States Railway Association[6]	n.a.	↓	↓	↓	↓	↓	↓	↓	↓
Other lending[14]									
25 Farmers Home Administration	13,530	9,500	6,665	5,275	5,660	5,540	5,540	5,320	5,275
26 Rural Electrification Administration	14,898	14,091	14,085	13,126	13,238	12,989	12,891	13,023	13,126
27 Other	20,110	20,538	21,402	22,174	19,142	24,308	22,849	21,827	22,174

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	1998	1999	2000	2000						2001	
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
1 **All issues, new and refunding**[1]	**262,342**	**215,427**	**180,403**	**12,827**	**15,284**	**15,598**	**18,035**	**18,079**	**15,348**	**11,255**	**19,829**
By type of issue											
2 General obligation	87,015	73,308	64,475	4,256	5,194	6,888	5,871	5,044	5,060	6,256	9,389
3 Revenue	175,327	142,120	115,928	8,572	10,090	8,710	12,163	13,036	10,288	4,999	10,441
By type of issuer											
4 State	23,506	16,376	19,944	783	1,011	2,022	3,005	1,942	1,640	1,738	3,268
5 Special district or statutory authority[2]	178,421	152,418	111,695	8,545	10,728	10,152	11,224	12,311	1,053	7,061	11,011
6 Municipality, county, or township	60,173	46,634	39,273	3,500	3,545	3,424	3,806	3,827	3,165	2,456	5,550
7 **Issues for new capital**	**160,568**	**161,065**	**154,257**	**11,297**	**12,402**	**13,968**	**16,387**	**14,520**	**13,286**	**8,758**	**13,384**
By use of proceeds											
8 Education	36,904	36,563	38,665	3,185	3,630	3,210	3,492	3,446	2,919	2,786	3,102
9 Transportation	19,926	17,394	19,730	1,947	1,979	1,574	2,575	2,124	1,381	780	2,411
10 Utilities and conservation	21,037	15,098	11,917	353	1,409	1,408	1,272	1,973	1,307	678	1,335
11 Social welfare	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
12 Industrial aid	8,594	9,099	7,122	632	281	387	730	500	615	63	281
13 Other purposes	42,450	47,896	47,309	2,543	3,564	5,243	6,558	3,787	4,264	3,013	4,742

1. Par amounts of long-term issues based on date of sale.
2. Includes school districts

SOURCE. Securities Data Company beginning January 1990; *Investment Dealer's Digest* before then.

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue, offering, or issuer	1998	1999	2000[r]	2000							2001
				June	July	Aug.	Sept.	Oct	Nov.	Dec.	Jan.
1 **All issues**[1]	**1,128,491**	**1,072,866**	**942,198**	**100,615**	**65,511**	**82,752**	**94,492**	**62,466**	**95,595**	**61,378**[r]	**128,930**
2 **Bonds**[2]	**1,001,736**	**941,298**	**807,281**	**92,742**	**57,476**	**69,875**	**88,102**	**53,345**	**84,094**	**58,713**[r]	**118,372**
By type of offering											
3 Sold in the United States	923,771	818,683	684,484	75,271	40,753	56,133	73,516	47,415	76,383	57,189	115,583
4 Sold abroad	77,965	122,615	122,798	17,471	16,723	13,742	14,586	5,930	7,712	1,525	2,789
MEMO											
5 Private placements, domestic	n.a.	n.a.	n.a.	3,391	1,038	241	376	127	5,534	3,709	26
By industry group											
6 Nonfinancial	307,711[r]	293,963	242,452	29,412	15,885	17,947	24,483	12,547	25,784	18,219	44,443
7 Financial	694,025[r]	647,335	564,829	63,331	41,592	51,928	63,619	40,799	58,310	40,495	73,928
8 **Stocks**[3]	**205,605**	**217,868**	**134,917**	**7,873**	**8,035**	**12,877**	**6,390**	**9,121**	**11,501**	**2,665**	**7,459**
By type of offering											
9 Public	126,755	131,568	134,917	7,873	8,035	12,877	6,390	9,121	11,501	2,665	7,459
10 Private placement[4]	78,850	86,300	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By industry group											
11 Nonfinancial	74,113	110,284	118,369	6,521	7,773	8,645	6,205	8,278	10,794	2,146	4,349
12 Financial	52,642	21,284	16,548	1,352	262	4,232	185	843	707	519	3,110

1. Figures represent gross proceeds of issues maturing in more than one year; they are the principal amount or number of units calculated by multiplying by the offering price. Figures exclude secondary offerings, employee stock plans, investment companies other than closed-end, intracorporate transactions, and Yankee bonds. Stock data include ownership securities issued by limited partnerships.
2. Monthly data include 144(a) offerings.
3. Monthly data cover only public offerings.
4. Data are not available.

SOURCE. Securities Data Company and the Board of Governors of the Federal Reserve System.

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Assets[1]

Millions of dollars

Item	1999	2000	2000						2001	
			July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[r]	Feb.
1 **Sales of own shares**[2]	**1,791,894**	**2,279,315**	**166,815**	**179,890**	**159,809**	**169,071**	**143,412**	**170,255**	**206,765**	**148,308**
2 Redemptions of own shares	1,621,987	2,057,277	151,717	159,027	147,644	153,067	138,791	160,918	171,819	141,568
3 Net sales[3]	169,906	222,038	15,098	20,864	12,166	16,004	4,621	9,337	34,946	6,740
4 **Assets**[4]	**5,233,191**	**5,123,747**	**5,392,308**	**5,745,264**	**5,550,176**	**5,442,937**	**4,993,008**	**5,123,747**	**5,280,222**	**4,877,931**
5 Cash[5]	219,189	277,386	258,472	261,967	280,192	302,682	300,133	277,386	280,472	270,886
6 Other	5,014,002	4,846,361	5,133,836	5,483,298	5,269,984	5,140,255	4,692,875	4,846,361	4,999,750	4,607,045

1. Data include stock, hybrid, and bond mutual funds and exclude money market mutual funds.
2. Excludes reinvestment of net income dividends and capital gains distributions and share issue of conversions from one fund to another in the same group.
3. Excludes sales and redemptions resulting from transfers of shares into or out of money market mutual funds within the same fund family.
4. Market value at end of period, less current liabilities.
5. Includes all U.S. Treasury securities and other short-term debt securities.

SOURCE. Investment Company Institute. Data based on reports of membership, which comprises substantially all open-end investment companies registered with the Securities and Exchange Commission. Data reflect underwritings of newly formed companies after their initial offering of securities.

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data at seasonally adjusted annual rates

Account	1998	1999	2000	1999				2000			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1 Profits with inventory valuation and capital consumption adjustment	815.0	856.0	946.2	852.0	836.8	842.0	893.2	936.3	963.6	970.3	914.7
2 Profits before taxes	758.2	823.0	925.6	797.6	804.5	819.0	870.7	920.7	942.5	945.1	894.1
3 Profits-tax liability	244.6	255.9	284.2	247.8	250.8	254.2	270.8	286.3	292.0	290.6	267.7
4 Profits after taxes	513.6	567.1	641.4	549.9	553.7	564.8	599.9	634.4	650.4	654.4	626.4
5 Dividends	351.5	370.7	397.0	361.1	367.2	373.9	380.6	387.3	393.0	400.1	407.6
6 Undistributed profits	162.1	196.4	244.4	188.7	186.5	190.9	219.3	247.1	257.4	254.4	218.8
7 Inventory valuation	17.0	−9.1	−12.9	11.4	−8.9	−19.7	−19.2	−25.0	−13.6	−4.5	−8.5
8 Capital consumption adjustment	39.9	42.1	33.5[r]	42.9	41.2	42.7	41.6	40.6	34.7	29.7	29.1[r]

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	1998	1999	2000	1999			2000			
				Q2	Q3	Q4	Q1	Q2	Q3	Q4
ASSETS										
1 Accounts receivable, gross[2]	711.7	811.5	915.3	756.5	776.3	811.5	848.7	884.4	900.1	915.3
2 Consumer	261.8	279.8	296.1	269.2	271.0	279.8	285.4	294.1	301.9	296.1
3 Business	347.5	405.2	471.1	373.7	383.0	405.2	434.6	454.1	455.7	471.1
4 Real estate	102.3	126.5	148.1	113.5	122.3	126.5	128.8	136.2	142.4	148.1
5 LESS: Reserves for unearned income	56.3	53.5	59.9	53.4	54.0	53.5	54.0	57.1	58.8	59.9
6 Reserves for losses	13.8	13.5	14.7	13.4	13.6	13.5	14.0	14.4	14.2	14.7
7 Accounts receivable, net	641.6	744.6	840.6	689.7	708.6	744.6	780.7	813.0	827.1	840.6
8 All other	337.9	406.3	463.0	373.2	368.5	406.3	412.7	418.3	441.4	463.0
9 **Total assets**	**979.5**	**1,150.9**	**1,303.7**	**1,062.9**	**1,077.2**	**1,150.9**	**1,193.4**	**1,231.3**	**1,268.4**	**1,303.7**
LIABILITIES AND CAPITAL										
10 Bank loans	26.3	35.1	35.6	25.1	27.0	35.1	28.5	32.5	35.4	35.6
11 Commercial paper	231.5	227.9	235.2	231.0	205.3	227.9	230.2	221.3	215.6	235.2
Debt										
12 Owed to parent	61.8	123.8	145.8	65.4	84.5	123.8	145.1	137.1	144.3	145.8
13 Not elsewhere classified	339.7	397.0	464.1	383.1	396.2	397.0	412.0	445.4	465.5	464.1
14 All other liabilities	203.2	222.7	280.4	226.1	216.0	222.7	247.6	259.3	269.2	280.4
15 Capital, surplus, and undivided profits	117.0	144.5	142.6	132.2	148.2	144.5	130.1	135.6	138.3	142.6
16 **Total liabilities and capital**	**979.5**	**1,150.9**	**1,303.6**	**1,062.9**	**1,077.2**	**1,150.9**	**1,193.4**	**1,231.3**	**1,268.4**	**1,303.6**

1. Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data are amounts carried on the balance sheets of finance companies; securitized pools are not shown, as they are not on the books.
2. Before deduction for unearned income and losses. Excludes pools of securitized assets.

1.52 DOMESTIC FINANCE COMPANIES Owned and Managed Receivables[1]

Billions of dollars, amounts outstanding

Type of credit	1998	1999	2000	2000					2001
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
	Seasonally adjusted								
1 **Total**	**875.8**	**993.9**	**1,145.0**	**1,094.1**	**1,112.1**	**1,134.9**	**1,136.2**	**1,145.0**	**1,157.9**
2 Consumer	352.8	385.3	439.3	411.1	419.7	437.3	439.8	439.3	445.3
3 Real estate	131.4	154.7	174.7	169.0	170.9	174.4	176.6	174.7	177.5
4 Business	391.6	453.9	531.0	514.1	521.6	523.2	519.7	531.0	535.1
	Not seasonally adjusted								
5 **Total**	**884.0**	**1,003.2**	**1,155.7**	**1,087.9**	**1,106.8**	**1,132.9**	**1,137.9**	**1,155.7**	**1,157.8**
6 Consumer	356.1	388.8	443.4	412.3	421.0	437.9	441.4	443.4	445.4
7 Motor vehicles loans	103.1	114.7	122.5	130.7	130.1	131.8	127.8	122.5	117.5
8 Motor vehicle leases	93.3	98.3	102.9	105.4	104.6	104.3	104.0	102.9	103.8
9 Revolving[2]	32.3	33.8	38.3	33.6	35.4	37.1	38.0	38.3	38.1
10 Other[3]	33.1	33.1	32.4	32.3	31.7	31.9	32.0	32.4	32.4
Securitized assets[4]									
11 Motor vehicle loans	54.8	71.1	97.1	76.2	78.8	84.3	91.5	97.1	103.9
12 Motor vehicle leases	12.7	9.7	6.6	7.4	7.2	7.0	6.8	6.6	6.3
13 Revolving	8.7	10.5	27.5	10.7	17.2	25.8	25.8	27.5	27.6
14 Other	18.1	17.7	16.0	16.2	16.0	15.7	15.5	16.0	15.8
15 Real estate	131.4	154.7	174.7	169.0	170.9	174.4	176.6	174.7	177.5
16 One- to four-family	75.7	88.3	105.2	101.7	100.9	104.6	107.0	105.2	108.0
17 Other	26.6	38.3	42.9	40.2	41.5	42.1	42.7	42.9	43.2
Securitized real estate assets[4]									
18 One- to four-family	29.0	28.0	24.7	26.8	26.5	25.7	25.0	24.7	24.4
19 Other	.1	.2	1.9	.2	1.9	1.9	1.9	1.9	1.9
20 Business	396.5	459.6	537.7	506.7	514.9	520.6	519.9	537.7	535.0
21 Motor vehicles	79.6	87.8	95.2	89.6	94.1	95.9	93.3	95.2	93.6
22 Retail loans	28.1	33.2	31.0	34.3	34.8	34.7	32.3	31.0	30.8
23 Wholesale loans[5]	32.8	34.7	39.6	32.6	35.5	37.5	37.3	39.6	38.2
24 Leases	18.7	19.9	24.6	22.7	23.7	23.7	23.8	24.6	24.6
25 Equipment	198.0	221.9	267.3	250.0	256.7	259.4	259.3	267.3	266.2
26 Loans	50.4	52.2	56.2	54.3	55.8	56.1	54.7	56.2	56.3
27 Leases	147.6	169.7	211.1	195.8	200.9	203.3	204.6	211.1	209.9
28 Other business receivables[6]	69.9	95.5	108.6	108.3	104.9	103.7	103.2	108.6	109.7
Securitized assets[4]									
29 Motor vehicles	29.2	31.5	37.8	29.6	31.9	34.2	37.0	37.8	37.3
30 Retail loans	2.6	2.9	3.2	2.7	2.4	2.3	3.1	3.2	3.1
31 Wholesale loans	24.7	26.4	32.5	24.5	27.1	29.5	31.5	32.5	32.1
32 Leases	1.9	2.1	2.2	2.4	2.4	2.4	2.4	2.2	2.2
33 Equipment	13.0	14.6	23.1	22.4	21.4	21.7	21.3	23.1	22.5
34 Loans	6.6	7.9	15.5	15.9	15.1	14.9	14.6	15.5	14.7
35 Leases	6.4	6.7	7.6	6.5	6.4	6.7	6.7	7.6	7.8
36 Other business receivables[6]	6.8	8.4	5.6	6.8	5.8	5.8	5.8	5.6	5.6

NOTE. This table has been revised to incorporate several changes resulting from the benchmarking of finance company receivables to the June 1996 Survey of Finance Companies. In that benchmark survey, and in the monthly surveys that have followed, more detailed breakdowns have been obtained for some components. In addition, previously unavailable data on securitized real estate loans are now included in this table. The new information has resulted in some reclassification of receivables among the three major categories (consumer, real estate, and business) and in discontinuities in some component series between May and June 1996.

Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data in this table also appear in the Board's G.20 (422) monthly statistical release. For ordering address, see inside front cover.

1. Owned receivables are those carried on the balance sheet of the institution. Managed receivables are outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator. Data are shown before deductions for unearned income and losses. Components may not sum to totals because of rounding.

2. Excludes revolving credit reported as held by depository institutions that are subsidiaries of finance companies.

3. Includes personal cash loans, mobile home loans, and loans to purchase other types of consumer goods, such as appliances, apparel, boats, and recreation vehicles.

4. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.

5. Credit arising from transactions between manufacturers and dealers, that is, floor plan financing.

6. Includes loans on commercial accounts receivable, factored commercial accounts, and receivable dealer capital; small loans used primarily for business or farm purposes; and wholesale and lease paper for mobile homes, campers, and travel trailers.

1.53 MORTGAGE MARKETS Mortgages on New Homes

Millions of dollars except as noted

Item	1998	1999	2000	2000					2001	
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Terms[1]										
1 Purchase price (thousands of dollars)	195.2	210.7	234.5	237.0	241.9	240.2	247.2	250.0	238.7	245.0
2 Amount of loan (thousands of dollars)	151.1	161.7	177.0	179.7	182.5	180.4	184.2	187.3	181.6	185.4
3 Loan-to-price ratio (percent)	80.0	78.7	77.4	77.7	77.1	77.2	76.2	76.5	78.2	77.9
4 Maturity (years)	28.4	28.8	29.2	29.3	29.2	29.2	29.2	29.1	29.4	29.0
5 Fees and charges (percent of loan amount)[2]	.89	.77	.70	.68	.70	.69	.69	.73	.71	.70
Yield (percent per year)										
6 Contract rate[1]	6.95	6.94	7.41	7.44	7.41	7.43	7.36	7.29	7.09	6.99
7 Effective rate[1,3]	7.08	7.06	7.52	7.54	7.52	7.53	7.47	7.40	7.20	7.10
8 Contract rate (HUD series)[4]	7.00	7.45	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (Section 203)[5]	7.04	7.74	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 GNMA securities[6]	6.43	7.03	7.57	7.44	7.43	7.30	7.22	6.83	6.57	6.61
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	414,515	523,941	610,122	568,187	574,087	586,756	598,951	610,122	623,950	632,850
12 FHA/VA insured	33,770	55,318	61,539	60,150	59,961	60,329	60,694	61,539	62,970	63,337
13 Conventional	380,745	468,623	548,583	508,037	514,126	526,427	538,257	548,583	560.980	569,513
14 Mortgage transactions purchased (during period)	188,448	195,210	154,231	13,352	11,501	18,444	17,322	17,193	20,598	17,230
Mortgage commitments (during period)										
15 Issued[7]	193,795	187,948	163,689	14,253	16,143	17,435	15,287	20,120	27,325	25,471
16 To sell[8]	1,880	5,900	11,786	236	693	268	676	1,436	766	835
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	255,010	324,443	385,693	357,002	361,624	365,198	372,819	385,693	391,679	407,086
18 FHA/VA insured	785	1,836	3,332	2,903	3,517	3,530	3,321	3,332	3,307	3,319
19 Conventional	254,225	322,607	382,361	354,099	358,107	361,668	369,498	382,361	388,372	403,767
Mortgage transactions (during period)										
20 Purchases	267,402	239,793	174,043	16,056	21,748	16,195	19,402	24,313	15,658	16,536
21 Sales	250,565	233,031	166,901	15,558	21,189	15,614	18,823	22,277	15,364	15,549
22 Mortgage commitments contracted (during period)[9]	281,899	228,432	169,231	17,468	19,481	17,915	20,012	21,780	18,685	17,664

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 the Federal National Mortgage Association exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING[1]

Millions of dollars, end of period

Type of holder and property	1996	1997	1998	1999		2000		
				Q3	Q4	Q1	Q2	Q3
1 **All holders**	**4,868,298**	**5,204,119**	**5,737,161**	**6,236,316**	**6,385,916**	**6,481,515**	**6,651,208**	**6,803,226**
By type of property								
2 One- to four-family residences	3,718,683	3,973,692	4,362,699	4,698,263	4,793,966	4,853,759	4,977,879	5,104,650
3 Multifamily residences	288,837	302,291	332,121	360,939	374,596	382,386	392,595	399,882
4 Nonfarm, nonresidential	773,643	837,837	945,836	1,075,719	1,114,392	1,141,622	1,174,687	1,191,463
5 Farm	87,134	90,299	96,506	101,395	102,962	103,748	106,047	107,232
By type of holder								
6 Major financial institutions	1,981,886	2,083,981	2,194,813	2,321,356	2,394,923	2,456,786	2,548,570	2,603,713
7 Commercial banks[2]	1,145,389	1,245,315	1,337,217	1,418,819	1,495,502	1,546,816	1,614,307	1,648,734
8 One- to four-family	677,603	745,510	797,492	827,291	879,552	904,581	948,496	968,069
9 Multifamily	45,451	49,670	54,116	63,964	67,591	72,431	75,713	76,945
10 Nonfarm, nonresidential	397,452	423,148	456,574	496,246	516,520	537,131	556,382	569,801
11 Farm	24,883	26,986	29,035	31,320	31,839	32,673	33,717	33,919
12 Savings institutions[3]	628,335	631,826	643,957	676,346	668,634	680,745	701,992	721,488
13 One- to four-family	513,712	520,782	533,918	560,622	549,072	560,046	578,641	595,472
14 Multifamily	61,570	59,540	56,821	57,282	59,138	57,759	59,142	60,044
15 Nonfarm, nonresidential	52,723	51,150	52,801	57,983	59,948	62,447	63,691	65,441
16 Farm	331	354	417	459	475	493	518	531
17 Life insurance companies	208,162	206,840	213,640	226,190	230,787	229,225	232,270	233,491
18 One- to four-family	6,977	7,187	6,590	7,432	5,934	5,874	5,949	5,999
19 Multifamily	30,750	30,402	31,522	31,998	32,818	32,602	33,037	33,206
20 Nonfarm, nonresidential	160,315	158,779	164,004	174,571	179,048	177,870	180,243	181,167
21 Farm	10,120	10,472	11,524	12,189	12,987	12,879	13,041	13,119
22 Federal and related agencies	295,192	286,194	293,613	322,572	322,352	323,145	332,868	336,871
23 Government National Mortgage Association	2	8	7	8	7	7	7	6
24 One- to four-family	2	8	7	8	7	7	7	6
25 Multifamily	0	0	0	0	0	0	0	0
26 Farmers Home Administration[4]	41,596	41,195	40,851	73,705	73,871	72,899	72,896	73,009
27 One- to four-family	17,303	17,253	16,895	16,583	16,506	16,456	16,435	16,444
28 Multifamily	11,685	11,720	11,739	11,745	11,741	11,732	11,729	11,734
29 Nonfarm, nonresidential	6,841	7,370	7,705	41,068	41,355	40,509	40,554	40,665
30 Farm	5,768	4,852	4,513	4,308	4,268	4,202	4,179	4,167
31 Federal Housing and Veterans' Administrations	6,244	3,811	3,674	3,889	3,712	3,794	3,845	3,395
32 One- to four-family	3,524	1,767	1,849	2,013	1,851	1,847	1,832	1,327
33 Multifamily	2,719	2,044	1,825	1,876	1,861	1,947	2,013	2,068
34 Resolution Trust Corporation	0	0	0	0	0	0	0	0
35 One- to four-family	0	0	0	0	0	0	0	0
36 Multifamily	0	0	0	0	0	0	0	0
37 Nonfarm, nonresidential	0	0	0	0	0	0	0	0
38 Farm	0	0	0	0	0	0	0	0
39 Federal Deposit Insurance Corporation	2,431	724	361	163	152	98	72	82
40 One- to four-family	365	117	58	26	25	16	12	13
41 Multifamily	413	140	70	31	29	19	14	16
42 Nonfarm, nonresidential	1,653	467	233	105	98	63	46	53
43 Farm	0	0	0	0	0	0	0	0
44 Federal National Mortgage Association	168,813	161,308	157,675	153,172	151,500	150,312	153,507	153,114
45 One- to four-family	155,008	149,831	147,594	142,982	141,195	139,986	142,478	141,786
46 Multifamily	13,805	11,477	10,081	10,190	10,305	10,326	11,029	11,328
47 Federal Land Banks	29,602	30,657	32,983	34,217	34,187	34,142	34,830	35,549
48 One- to four-family	1,742	1,804	1,941	2,013	2,012	2,009	2,049	2,092
49 Farm	0	0	0	0	0	0	0	0
50 Federal Home Loan Mortgage Corporation	46,504	48,454	57,085	55,695	56,676	57,009	56,972	57,046
51 One- to four-family	41,758	42,629	49,106	44,010	44,321	43,384	42,892	42,138
52 Multifamily	4,746	5,825	7,979	11,685	12,355	13,625	14,080	14,908
53 Mortgage pools or trusts[5]	2,040,847	2,239,350	2,589,800	2,891,187	2,954,784	2,982,316	3,034,134	3,112,824
54 Government National Mortgage Association	506,246	536,879	537,446	569,038	582,263	589,192	590,830	602,794
55 One- to four-family	494,064	523,225	522,498	552,670	565,189	571,506	572,783	584,318
56 Multifamily	12,182	13,654	14,948	16,368	17,074	17,686	18,047	18,476
57 Federal Home Loan Mortgage Corporation	554,260	579,385	646,459	738,581	749,081	757,106	768,641	790,891
58 One- to four-family	551,513	576,846	643,465	735,088	744,619	752,607	763,890	786,007
59 Multifamily	2,747	2,539	2,994	3,493	4,462	4,499	4,751	4,884
60 Federal National Mortgage Association	650,779	709,582	834,517	938,484	960,883	975,815	995,815	1,020,828
61 One- to four-family	633,209	687,981	804,204	903,531	924,941	938,898	957,584	981,206
62 Multifamily	17,570	21,601	30,313	34,953	35,942	36,917	38,231	39,622
63 Farmers Home Administration[4]	3	2	1	0	0	0	0	0
64 One- to four-family	0	0	0	0	0	0	0	0
65 Multifamily	0	0	0	0	0	0	0	0
66 Nonfarm, nonresidential	0	0	0	0	0	0	0	0
67 Farm	3	2	1	0	0	0	0	0
68 Private mortgage conduits	329,559	413,502	571,378	645,083	662,557	660,203	678,848	698,311
69 One- to four-family[6]	258,800	316,400	412,700	455,276	462,600	455,623	464,593	477,899
70 Multifamily	16,369	21,591	34,329	40,935	42,628	43,268	44,290	44,513
71 Nonfarm, nonresidential	54,390	75,511	124,348	148,872	157,330	161,312	169,965	175,899
72 Farm	0	0	0	0	0	0	0	0
73 Individuals and others[7]	550,372	594,594	658,935	701,202	713,857	719,268	735,636	749,818
74 One- to four-family	363,104	382,315	423,416	447,171	454,126	456,285	469,801	487,534
75 Multifamily	68,830	72,088	75,374	76,242	78,420	79,326	80,219	81,808
76 Nonfarm, nonresidential	100,269	121,412	140,171	156,874	160,093	162,289	163,806	158,437
77 Farm	18,169	18,779	19,974	20,915	21,217	21,368	21,811	22,039

1. Multifamily debt refers to loans on structures of five or more units.
2. Includes loans held by nondeposit trust companies but not loans held by bank trust departments.
3. Includes savings banks and savings and loan associations.
4. FmHA-guaranteed securities sold to the Federal Financing Bank were reallocated from FmHA mortgage pools to FmHA mortgage holdings in 1986:Q4 because of accounting changes by the Farmers Home Administration.
5. Outstanding principal balances of mortgage-backed securities insured or guaranteed by the agency indicated.
6. Includes securitized home equity loans.
7. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and finance companies.

SOURCE. Based on data from various institutional and government sources. Separation of nonfarm mortgage debt by type of property, if not reported directly, and interpolations and extrapolations, when required for some quarters, are estimated in part by the Federal Reserve. Line 69 from Inside Mortgage Securities and other sources.

1.55 CONSUMER CREDIT[1]

Millions of dollars, amounts outstanding, end of period

Holder and type of credit	1998	1999	2000[r]	2000					2001
				Aug.	Sept.	Oct.	Nov.	Dec.[r]	Jan.
	Seasonally adjusted								
1 **Total**	**1,301,023**	**1,393,657**	**1,533,800**	**1,484,081**	**1,492,934**	**1,509,568**	**1,522,000**	**1,533,800**	**1,550,000**
2 Revolving	560,504	595,610	663,000	645,121	649,297	656,666	662,800	663,000	680,900
3 Nonrevolving[2]	740,519	798,047	870,800	838,961	843,637	852,902	862,200	870,800	882,600
	Not seasonally adjusted								
4 **Total**	**1,331,742**	**1,426,151**	**1,568,800**	**1,486,048**	**1,495,627**	**1,513,688**	**1,529,800**	**1,568,800**	**1,558,700**
By major holder									
5 Commercial banks	508,932	499,758	543,700	520,431	521,767	521,515	527,200	543,700	533,300
6 Finance companies	168,491	181,573	193,200	196,555	197,276	200,815	197,800	193,200	189,600
7 Credit unions	155,406	167,921	185,300	180,679	181,597	183,010	184,200	185,300	184,100
8 Savings institutions	51,611	61,527	64,000	62,037	62,580	62,815	63,100	64,000	64,100
9 Nonfinancial business	74,877	80,311	82,700	73,030	72,091	70,842	73,800	82,700	73,000
10 Pools of securitized assets[3]	372,425	435,061	500,000	453,316	460,316	474,691	483,800	500,000	514,400
By major type of credit[4]									
11 Revolving	586,528	623,245	692,800	641,298	645,820	654,678	664,300	692,800	681,700
12 Commercial banks	210,346	189,352	218,100	204,016	202,362	201,874	206,100	218,100	205,900
13 Finance companies	32,309	33,814	38,251	33,558	35,405	37,147[r]	37,956[r]	38,251	38,074
14 Credit unions	19,930	20,641	21,759	20,796	20,779[r]	20,804	21,276	21,759	21,313
15 Savings institutions	12,450	15,838	16,556	16,036	16,327	16,403[r]	16,480[r]	16,556	16,775
16 Nonfinancial business	39,166	42,783	42,430	36,669	35,817	34,484	36,430	42,430	38,845
17 Pools of securitized assets[3]	272,327	320,817	355,762	330,223	335,126	343,313	345,817	355,762	355,965
18 Nonrevolving	745,214	802,906	875,985	844,750	849,772[r]	861,838[r]	870,362[r]	875,985	879,988
19 Commercial banks	298,586	310,406	325,648	316,415	319,423[r]	321,998[r]	325,284[r]	325,648	329,723
20 Finance companies	136,182	147,759	154,938	162,997	161,871	163,700[r]	159,803[r]	154,938	149,937
21 Credit unions	135,476	147,280	163,493	159,883	160,818[r]	162,359	162,960	163,493	163,461
22 Savings institutions	39,161	45,689	47,452	46,001	46,196[r]	46,615[r]	47,034[r]	47,452	47,255
23 Nonfinancial business	35,711	37,528	40,244	36,361	36,274	36,308[r]	37,347[r]	40,244	38,723
24 Pools of securitized assets[3]	100,098	114,244	144,209	123,093	125,190	130,858	137,934	144,209	150,889

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals, excluding loans secured by real estate. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.
2. Comprises motor vehicle loans, mobile home loans, and all other loans that are not included in revolving credit, such as loans for education, boats, trailers, or vacations. These loans may be secured or unsecured.
3. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.
4. Totals include estimates for certain holders for which only consumer credit totals are available.

1.56 TERMS OF CONSUMER CREDIT[1]

Percent per year except as noted

Item	1998[r]	1999[r]	2000[r]	2000						2001
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
INTEREST RATES										
Commercial banks[2]										
1 48-month new car	8.72	8.44	9.34	n.a.	9.62	n.a.	n.a.	9.63	n.a.	n.a.
2 24-month personal	13.74	13.39	13.90	n.a.	13.85	n.a.	n.a.	14.12	n.a.	n.a.
Credit card plan										
3 All accounts	15.71	15.21	15.71	n.a.	15.98	n.a.	n.a.	15.99	n.a.	n.a.
4 Accounts assessed interest	15.59	14.81	14.91	n.a.	15.35	n.a.	n.a.	15.23	n.a.	n.a.
Auto finance companies										
5 New car	6.30	6.66	6.61	6.55	7.46	7.16	4.74	5.41	7.45	7.29
6 Used car	12.64	12.60	13.55	13.64	13.70	13.91	13.87	13.66[r]	13.58[r]	13.11
OTHER TERMS[3]										
Maturity (months)										
7 New car	52.1	52.7	54.9	55.6	55.7	55.9	57.6	57.3	55.2	54.3
8 Used car	53.5	55.9	57.0	57.2	57.2	57.0	57.0	56.8	56.6	57.8
Loan-to-value ratio										
9 New car	92	92	92	92	92	91	93	93	91	90
10 Used car	99	99	99	100	100	100	100	100	100	98
Amount financed (dollars)										
11 New car	19,083	19,880	20,923	20,406	20,664	21,010	22,069	22,443	21,867	21,315
12 Used car	12,691	13,642	14,058	14,269	14,166	13,950	13,978	14,325	14,591	14,155

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.
2. Data are available for only the second month of each quarter.
3. At auto finance companies.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]

Billions of dollars; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1995	1996	1997	1998	1999	1999 Q2	1999 Q3	1999 Q4	2000 Q1	2000 Q2	2000 Q3	2000 Q4
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**711.1**	**731.3**	**804.6**	**1,044.6**	**1,121.5**	**939.8**	**1,178.0**	**1,089.5**	**924.0**	**971.5**	**779.9**	**835.7**
By sector and instrument												
2 Federal government	144.4	145.0	23.1	−52.6	−71.2	−98.5	−68.9	−34.0	−215.5	−414.0	−219.5	−334.5
3 Treasury securities	142.9	146.6	23.2	−54.6	−71.0	−99.1	−68.9	−34.0	−213.5	−415.8	−217.1	−333.3
4 Budget agency securities and mortgages	1.5	−1.6	−.1	2.0	−.2	.6	.0	.0	−2.1	1.8	−2.4	−1.2
5 Nonfederal	566.7	586.3	781.5	1,097.2	1,192.7	1,038.3	1,247.0	1,123.5	1,139.6	1,385.4	999.4	1,170.2
By instrument												
6 Commercial paper	18.1	−.9	13.7	24.4	37.4	−2.6	49.8	44.0	29.8	110.4	56.1	−4.0
7 Municipal securities and loans	−48.2	2.6	71.4	96.8	68.2	56.8	71.3	52.5	8.9	34.0	29.8	68.6
8 Corporate bonds	91.1	116.3	150.5	218.7	229.9	287.6	202.8	155.2	186.2	153.8	184.4	175.6
9 Bank loans n.e.c.	103.7	70.5	106.5	108.2	82.7	24.0	112.3	108.6	131.9	163.1	31.8	84.2
10 Other loans and advances	67.2	33.5	69.1	74.3	71.2	2.3	79.2	55.4	153.3	124.4	−2.5	141.1
11 Mortgages	195.8	275.7	317.7	507.2	608.9	608.9	655.4	598.3	484.9	662.6	577.0	570.5
12 Home	181.0	242.1	252.3	386.8	432.0	440.2	479.4	397.1	344.1	489.4	429.6	414.1
13 Multifamily residential	6.1	9.0	8.2	20.8	40.2	33.0	41.3	50.9	29.5	44.7	31.3	36.6
14 Commercial	7.1	22.0	54.1	93.4	131.2	126.7	127.6	147.9	104.4	119.7	110.7	116.8
15 Farm	1.6	2.6	3.2	6.2	5.5	9.0	7.0	2.5	6.9	8.9	5.3	3.0
16 Consumer credit	138.9	88.8	52.5	67.6	94.4	61.4	76.2	109.5	144.6	137.2	122.9	134.2
By borrowing sector												
17 Household	363.5	357.8	337.1	479.1	538.2	512.9	580.6	498.0	523.0	638.9	552.2	576.0
18 Nonfinancial business	254.7	235.3	388.2	537.8	602.1	481.8	613.9	591.9	612.8	725.7	423.5	533.9
19 Corporate	227.5	149.1	266.5	418.1	481.6	372.8	473.8	453.6	481.3	592.4	309.1	404.5
20 Nonfarm noncorporate	24.3	81.4	115.6	112.0	115.3	107.2	131.6	132.7	116.5	125.1	109.3	117.6
21 Farm	2.9	4.8	6.2	7.7	5.2	1.7	8.5	5.6	15.0	8.3	5.1	11.7
22 State and local government	−51.5	−6.8	56.1	80.3	52.3	43.6	52.5	33.6	3.8	20.8	23.6	60.3
23 Foreign net borrowing in United States	78.5	88.4	71.8	43.3	25.3	−24.5	77.3	17.6	118.0	−7.6	89.2	47.8
24 Commercial paper	13.5	11.3	3.7	7.8	16.3	−27.5	41.1	33.6	57.8	12.0	7.0	50.1
25 Bonds	57.1	67.0	61.4	34.8	14.2	.2	44.0	−2.7	45.7	−27.4	71.7	−15.3
26 Bank loans n.e.c.	8.5	9.1	8.5	6.7	.5	5.6	−6.6	2.3	15.4	5.7	11.9	12.2
27 Other loans and advances	−.5	1.0	−1.8	−6.0	−5.7	−2.8	−1.1	−15.5	−.9	2.0	−1.5	.8
28 **Total domestic plus foreign**	**789.6**	**819.7**	**876.3**	**1,087.9**	**1,146.8**	**915.3**	**1,255.4**	**1,107.1**	**1,042.0**	**963.9**	**869.0**	**883.5**
	Financial sectors											
29 **Total net borrowing by financial sectors**	**454.0**	**545.7**	**653.8**	**1,073.9**	**1,087.9**	**995.3**	**1,064.2**	**1,063.2**	**617.7**	**817.5**	**733.2**	**1,079.0**
By instrument												
30 Federal government-related	204.2	231.4	212.9	470.9	592.0	576.6	651.6	550.1	248.6	370.9	503.5	607.9
31 Government-sponsored enterprise securities	105.9	90.4	98.4	278.3	318.2	304.7	407.1	367.9	104.9	248.9	278.1	300.5
32 Mortgage pool securities	98.3	141.0	114.6	192.6	273.8	271.9	244.5	182.2	143.7	122.1	225.4	307.4
33 Loans from U.S. government	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
34 Private	249.8	314.4	440.9	603.0	495.9	418.8	412.6	513.0	369.2	446.6	229.7	471.1
35 Open market paper	42.7	92.2	166.7	161.0	176.2	57.3	89.9	479.0	130.9	77.4	65.2	237.5
36 Corporate bonds	195.9	173.8	210.5	296.9	221.8	254.8	179.5	−21.0	166.5	230.7	195.9	220.9
37 Bank loans n.e.c.	2.5	12.6	13.2	30.1	−14.3	11.0	−5.9	−55.6	.3	5.4	−.7	−12.7
38 Other loans and advances	3.4	27.9	35.6	90.2	107.1	107.9	139.8	107.5	64.4	123.1	−36.7	19.1
39 Mortgages	5.3	7.9	14.9	24.8	5.1	−12.3	9.4	3.2	7.0	10.0	6.0	6.4
By borrowing sector												
40 Commercial banking	22.5	13.0	46.1	72.9	67.2	61.5	107.0	54.1	72.4	113.2	23.5	31.1
41 Savings institutions	2.6	25.5	19.7	52.2	48.0	59.2	51.9	5.8	40.6	59.1	−23.4	32.5
42 Credit unions	−.1	.1	.1	.6	2.2	1.4	2.8	3.3	−2.9	.9	1.1	1.0
43 Life insurance companies	−.1	1.1	.2	.7	.7	3.0	1.1	−4.4	−.7	−1.1	−.3	−.7
44 Government-sponsored enterprises	105.9	90.4	98.4	278.3	318.2	304.7	407.1	367.9	104.9	248.9	278.1	300.5
45 Federally related mortgage pools	98.3	141.0	114.6	192.6	273.8	271.9	244.5	182.2	143.7	122.1	225.4	307.4
46 Issuers of asset-backed securities (ABSs)	142.4	150.8	202.2	321.4	234.0	301.5	220.5	124.2	166.0	154.8	155.6	298.8
47 Finance companies	50.2	45.9	48.7	43.0	62.4	90.5	−17.2	99.2	52.3	103.9	96.9	46.8
48 Mortgage companies	−2.2	4.1	−4.6	1.6	.2	5.1	−6.1	6.2	−3.0	2.7	−.3	1.0
49 Real estate investment trusts (REITs)	4.5	11.9	39.6	62.7	6.3	−19.7	7.9	11.3	11.5	9.8	−2.4	10.4
50 Brokers and dealers	−5.0	−2.0	8.1	7.2	−17.2	−18.3	17.8	−37.3	44.4	−.7	25.4	−6.7
51 Funding corporations	34.9	64.1	80.7	40.7	92.2	−65.3	27.0	250.6	−11.4	4.0	−46.4	56.9

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]—Continued

Billions of dollars; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1995	1996	1997	1998	1999	1999			2000			
						Q2	Q3	Q4	Q1	Q2	Q3	Q4
	All sectors											
52 **Total net borrowing, all sectors**	**1,243.7**	**1,365.4**	**1,530.1**	**2,161.8**	**2,234.6**	**1,910.7**	**2,319.6**	**2,170.3**	**1,659.8**	**1,781.4**	**1,602.2**	**1,962.6**
53 Open market paper	74.3	102.6	184.1	193.1	229.9	27.2	180.7	556.6	218.4	199.8	128.4	283.6
54 U.S. government securities	348.6	376.4	236.0	418.3	520.7	478.1	582.7	516.1	33.0	−43.0	284.0	273.4
55 Municipal securities	−48.2	2.6	71.4	96.8	68.2	56.8	71.3	52.5	8.9	34.0	29.8	68.6
56 Corporate and foreign bonds	344.1	357.0	422.4	550.4	465.9	542.6	426.3	131.5	398.4	357.2	452.0	381.2
57 Bank loans n.e.c.	114.7	92.1	128.2	145.0	68.9	40.6	99.8	55.2	147.7	174.2	43.0	83.6
58 Other loans and advances	70.1	62.5	102.8	158.5	172.6	107.5	217.9	147.3	216.9	249.5	−40.7	161.0
59 Mortgages	201.1	283.5	332.6	532.0	614.0	596.6	664.8	601.5	491.9	672.6	583.0	576.9
60 Consumer credit	138.9	88.8	52.5	67.6	94.4	61.4	76.2	109.5	144.6	137.2	122.9	134.2
	Funds raised through mutual funds and corporate equities											
61 **Total net issues**	**131.5**	**231.9**	**181.2**	**100.0**	**156.5**	**173.1**	**124.5**	**172.9**	**410.7**	**168.9**	**208.1**	**−105.7**
62 Corporate equities	−16.0	−5.7	−83.9	−174.6	−31.8	−39.3	−3.0	.1	104.6	−68.7	−51.7	−282.0
63 Nonfinancial corporations	−58.3	−69.5	−114.4	−267.0	−143.5	−338.4	−128.4	−55.0	62.8	−248.8	−75.6	−350.8
64 Foreign shares purchased by U.S. residents	50.4	82.8	57.6	101.2	114.4	284.4	121.7	71.3	63.3	180.1	50.0	71.5
65 Financial corporations	−8.1	−19.0	−27.1	−8.9	−2.8	14.7	3.7	−16.2	−21.4	−.1	−26.1	−2.8
66 Mutual fund shares	147.4	237.6	265.1	274.6	188.3	212.4	127.5	172.8	306.1	237.6	259.8	176.3

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.2 through F.4. For ordering address, see inside front cover.

1.58 SUMMARY OF FINANCIAL TRANSACTIONS[1]

Billions of dollars except as noted; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1995	1996	1997	1998	1999	1999			2000			
						Q2	Q3	Q4	Q1	Q2	Q3	Q4
NET LENDING IN CREDIT MARKETS[2]												
1 **Total net lending in credit markets**	**1,243.7**	**1,365.4**	**1,530.1**	**2,161.8**	**2,234.6**	**1,910.7**	**2,319.6**	**2,170.3**	**1,659.8**	**1,781.4**	**1,602.2**	**1,962.6**
2 Domestic nonfederal nonfinancial sectors	−61.0	79.5	−13.7	132.3	264.5	360.2	234.2	−8.8	−156.0	151.0	−178.1	−212.4
3 Household	34.5	127.8	1.0	−16.2	200.5	279.4	242.8	9.7	−251.3	84.3	−186.6	−219.4
4 Nonfinancial corporate business	−8.8	−10.2	−12.7	14.0	19.1	−1.4	33.0	−22.3	90.4	22.6	3.7	−29.4
5 Nonfarm noncorporate business	4.7	−4.3	−2.1	.1	1.5	1.2	.8	1.4	2.6	2.8	3.8	4.3
6 State and local governments	−91.4	−33.7	.1	134.5	43.4	81.0	−42.4	2.4	2.3	41.4	1.0	32.1
7 Federal government	−.5	−7.2	5.1	13.5	5.8	6.7	11.2	−11.7	6.5	7.7	4.5	15.0
8 Rest of the world	273.9	414.4	311.3	254.2	210.6	61.6	385.3	138.7	325.9	207.1	195.0	390.9
9 Financial sectors	1,031.2	878.7	1,227.5	1,761.7	1,753.7	1,482.1	1,688.9	2,052.2	1,483.4	1,415.6	1,580.8	1,769.1
10 Monetary authority	12.7	12.3	38.3	21.1	25.7	59.8	20.6	−42.2	103.4	−3.9	27.3	7.9
11 Commercial banking	265.9	187.5	324.3	305.2	308.2	166.6	449.4	548.7	377.1	484.6	369.3	206.1
12 U.S.-chartered banks	186.5	119.6	274.9	312.0	317.6	259.4	421.9	457.7	409.2	505.6	332.8	113.9
13 Foreign banking offices in United States	75.4	63.3	40.2	−11.9	−20.1	−102.5	33.2	42.0	4.8	−29.9	30.9	90.4
14 Bank holding companies	−.3	3.9	5.4	−.9	6.2	.4	−12.4	42.6	−42.2	3.5	−6.7	−3.3
15 Banks in U.S.-affiliated areas	4.2	.7	3.7	6.0	4.4	9.2	6.6	6.3	5.4	5.4	12.3	5.1
16 Savings institutions	−7.6	19.9	−4.7	36.3	68.7	85.3	58.1	20.2	50.2	73.0	56.5	43.0
17 Credit unions	16.2	25.5	16.8	19.0	27.5	32.7	27.5	18.8	35.6	36.6	28.5	25.4
18 Bank personal trusts and estates	−8.3	−7.7	−25.0	−12.8	27.8	27.8	27.8	27.8	18.9	13.8	17.6	18.1
19 Life insurance companies	100.0	69.6	104.8	76.9	53.5	68.2	36.8	30.7	57.2	52.0	85.9	79.7
20 Other insurance companies	21.5	22.5	25.2	20.4	−4.2	26.7	−14.4	−9.4	−14.0	−18.1	6.0	6.3
21 Private pension funds	19.9	−4.1	47.6	56.4	45.0	68.7	5.9	49.8	46.8	24.7	68.9	21.4
22 State and local government retirement funds	33.6	37.3	63.8	71.5	49.9	25.1	40.0	58.2	55.3	20.7	−32.1	8.5
23 Money market mutual funds	86.5	88.8	87.5	244.0	182.0	−67.0	224.8	354.5	208.8	−156.2	244.9	299.4
24 Mutual funds	52.5	48.9	80.9	124.8	47.2	117.2	−13.0	−12.7	−77.8	63.7	46.3	72.2
25 Closed-end funds	10.5	4.7	−2.9	4.5	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1
26 Government-sponsored enterprises	86.7	84.2	94.3	261.7	235.5	251.7	275.9	225.3	139.2	222.5	158.9	264.5
27 Federally related mortgage pools	98.3	141.0	114.6	192.6	273.8	271.9	244.5	182.2	143.7	122.1	225.4	307.4
28 Asset-backed securities issuers (ABSs)	120.6	120.5	163.8	281.7	215.8	284.8	212.0	94.4	145.3	120.3	120.4	269.9
29 Finance companies	49.9	18.4	21.9	51.9	94.9	88.1	91.7	114.4	132.9	138.9	81.4	43.4
30 Mortgage companies	−3.4	8.2	−9.1	3.2	.3	10.2	−12.1	12.3	−6.0	5.5	−.5	2.0
31 Real estate investment trusts (REITs)	1.4	4.4	20.2	−5.1	−2.6	−2.2	−2.7	−7.0	−16.3	−2.5	−3.6	−5.4
32 Brokers and dealers	90.1	−15.7	14.9	6.8	−34.7	−135.9	−6.7	−30.5	122.5	38.1	176.8	−52.9
33 Funding corporations	−15.7	12.6	50.4	1.6	136.3	99.4	19.7	413.6	−42.6	176.8	−100.2	149.2
RELATION OF LIABILITIES TO FINANCIAL ASSETS												
34 **Net flows through credit markets**	**1,243.7**	**1,365.4**	**1,530.1**	**2,161.8**	**2,234.6**	**1,910.7**	**2,319.6**	**2,170.3**	**1,659.8**	**1,781.4**	**1,602.2**	**1,962.6**
Other financial sources												
35 Official foreign exchange	8.8	−6.3	.7	6.6	−8.7	−5.4	−8.5	−7.0	1.5	−8.8	.7	8.7
36 Special drawing rights certificates	2.2	−.5	−.5	.0	−3.0	.0	−4.0	−4.0	.0	−8.0	−4.0	−4.0
37 Treasury currency	.7	.5	.5	.6	1.0	2.1	2.0	.0	2.2	3.2	4.2	.0
38 Foreign deposits	35.3	85.9	108.9	2.0	86.5	110.1	69.4	52.7	258.5	8.5	−89.2	−80.0
39 Net interbank transactions	10.0	−51.6	−19.7	−32.3	17.6	93.4	−30.8	−40.7	−71.1	177.7	−61.3	−84.6
40 Checkable deposits and currency	−12.8	15.7	41.2	47.4	151.4	37.5	139.3	365.2	−219.1	−65.0	49.2	−49.4
41 Small time and savings deposits	96.6	97.2	97.1	152.4	44.7	106.6	119.1	28.0	104.3	130.3	238.5	298.8
42 Large time deposits	65.6	114.0	122.5	92.1	130.6	42.4	102.7	359.4	149.2	108.4	141.5	64.9
43 Money market fund shares	141.2	145.4	155.9	287.2	249.1	115.3	174.3	485.5	241.0	48.2	241.9	402.8
44 Security repurchase agreements	110.5	41.4	120.9	91.3	169.7	−80.7	191.4	310.5	284.1	130.4	238.2	−200.6
45 Corporate equities	−16.0	−5.7	−83.9	−174.6	−31.8	−39.3	−3.0	.1	104.6	−68.7	−51.7	−282.0
46 Mutual fund shares	147.4	237.6	265.1	274.6	188.3	212.4	127.5	172.8	306.1	237.6	259.8	176.3
47 Trade payables	127.5	113.5	132.1	29.0	197.3	224.4	243.6	199.5	228.2	124.8	132.6	100.5
48 Security credit	26.7	52.4	111.0	103.3	104.3	128.2	29.7	321.3	523.4	−99.8	104.1	14.4
49 Life insurance reserves	45.8	44.5	59.3	48.0	50.8	42.1	48.1	57.6	49.8	59.7	51.7	55.6
50 Pension fund reserves	158.7	148.1	201.2	202.5	187.7	199.0	191.6	177.3	217.6	220.4	196.2	129.3
51 Taxes payable	6.2	16.2	15.7	12.0	15.7	47.3	.4	16.8	22.5	31.6	−6.0	19.3
52 Investment in bank personal trusts	6.4	−5.3	−49.9	−42.5	−7.1	−7.1	−7.2	−6.9	−5.9	−10.6	−6.6	−5.5
53 Noncorporate proprietors' equity	34.6	−3.4	−46.0	−41.4	−8.0	23.8	−56.5	10.2	−13.4	−2.4	39.9	−18.2
54 Miscellaneous	505.4	532.1	487.5	841.6	749.1	1,436.1	534.8	584.9	701.5	1,105.4	1,189.7	1,063.7
55 **Total financial sources**	**2,744.3**	**2,937.2**	**3,249.7**	**4,061.4**	**4,519.7**	**4,598.8**	**4,183.4**	**5,253.8**	**4,544.7**	**3,904.2**	**4,271.5**	**3,572.7**
Liabilities not identified as assets (−)												
56 Treasury currency	−.3	−.4	−.2	−.1	−.7	.6	.2	−2.2	−1.8	−.7	.9	−1.6
57 Foreign deposits	25.1	59.6	107.4	−6.4	66.5	96.8	27.3	92.5	209.4	−65.7	−111.7	−132.1
58 Net interbank liabilities	−3.1	−3.3	−19.9	3.4	3.5	−4.8	−7.0	−23.7	24.4	−4.3	−18.3	68.5
59 Security repurchase agreements	25.7	2.4	63.2	61.3	30.1	−.4	133.2	−225.9	561.2	27.6	119.3	−249.6
60 Taxes payable	21.1	23.1	28.0	13.9	3.2	25.0	3.0	−6.4	7.7	7.4	−15.4	−9.9
61 Miscellaneous	−166.0	−82.8	−84.7	−56.4	−317.5	−101.4	−489.7	−157.6	−340.6	−267.1	−38.6	21.7
Floats not included in assets (−)												
62 Federal government checkable deposits	−6.0	.5	−2.7	2.6	−7.4	−27.0	8.6	−9.2	28.7	−2.6	−2.0	13.7
63 Other checkable deposits	−3.8	−4.0	−3.9	−3.1	−.8	−.9	−.3	.0	.6	1.5	1.9	2.7
64 Trade credit	14.1	−21.9	−28.5	−40.1	54.0	−64.6	73.1	161.7	−2.9	−38.3	−41.4	32.2
65 **Total identified to sectors as assets**	**2,837.6**	**2,964.2**	**3,190.9**	**4,086.3**	**4,688.9**	**4,675.5**	**4,434.9**	**5,424.6**	**4,058.0**	**4,246.5**	**4,376.7**	**3,827.0**

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.1 and F.5. 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	1996	1997	1998	1999	1999			2000			
					Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Nonfinancial sectors										
1 **Total credit market debt owed by domestic nonfinancial sectors**	**14,443.7**	**15,246.8**	**16,291.4**	**17,447.5**	**16,786.7**	**17,109.0**	**17,447.5**	**17,677.2**	**17,857.4**	**18,064.0**	**18,344.3**
By sector and instrument											
2 Federal government	3,781.8	3,804.9	3,752.2	3,681.0	3,651.7	3,633.4	3,681.0	3,653.5	3,464.0	3,410.2	3,385.2
3 Treasury securities	3,755.1	3,778.3	3,723.7	3,652.8	3,623.4	3,605.1	3,652.8	3,625.8	3,435.7	3,382.6	3,357.8
4 Budget agency securities and mortgages	26.6	26.5	28.5	28.3	28.3	28.3	28.3	27.8	28.2	27.6	27.3
5 Nonfederal	10,662.0	11,441.9	12,539.1	13,766.5	13,135.0	13,475.6	13,766.5	14,023.7	14,393.5	14,653.9	14,959.2
By instrument											
6 Commercial paper	156.4	168.6	193.0	230.3	232.4	239.3	230.3	260.8	296.8	307.0	278.4
7 Municipal securities and loans	1,296.0	1,367.5	1,464.3	1,532.5	1,510.0	1,518.6	1,532.5	1,539.2	1,551.6	1,550.3	1,567.8
8 Corporate bonds	1,460.4	1,610.9	1,829.6	2,059.5	1,970.0	2,020.7	2,059.5	2,106.0	2,144.5	2,190.6	2,234.5
9 Bank loans n.e.c.	934.1	1,040.5	1,148.8	1,231.5	1,178.5	1,202.9	1,231.5	1,259.1	1,307.2	1,311.6	1,334.2
10 Other loans and advances	770.4	839.5	913.8	985.3	956.0	969.8	985.3	1,030.2	1,059.0	1,063.6	1,100.4
11 Mortgages	4,833.1	5,150.8	5,658.0	6,301.3	5,947.8	6,154.2	6,301.3	6,412.4	6,580.4	6,735.2	6,875.0
12 Home	3,719.0	3,971.3	4,358.1	4,790.1	4,563.8	4,693.3	4,790.1	4,865.9	4,990.6	5,108.6	5,209.4
13 Multifamily residential	278.4	286.6	307.4	347.8	324.8	335.1	347.8	355.2	366.4	374.2	383.3
14 Commercial	748.6	802.6	896.0	1,061.4	959.6	1,024.4	1,061.4	1,087.5	1,117.4	1,145.1	1,174.3
15 Farm	87.1	90.3	96.5	102.0	99.6	101.4	102.0	103.7	106.0	107.3	108.0
16 Consumer credit	1,211.6	1,264.1	1,331.7	1,426.2	1,340.4	1,370.1	1,426.2	1,416.0	1,454.0	1,495.6	1,568.8
By borrowing sector											
17 Household	5,222.5	5,559.9	6,039.0	6,577.5	6,260.7	6,424.7	6,577.5	6,647.5	6,816.7	6,985.8	7,169.1
18 Nonfinancial business	4,376.1	4,762.5	5,300.3	5,936.8	5,636.0	5,808.5	5,936.8	6,118.9	6,311.0	6,405.0	6,510.8
19 Corporate	3,095.3	3,359.9	3,778.0	4,294.0	4,062.0	4,199.7	4,294.0	4,445.5	4,601.2	4,667.0	4,740.8
20 Nonfarm noncorporate	1,130.9	1,246.5	1,358.4	1,473.8	1,408.0	1,440.2	1,473.8	1,503.2	1,534.5	1,561.1	1,590.9
21 Farm	149.9	156.1	163.8	169.0	166.1	168.6	169.0	170.2	175.4	176.9	179.1
22 State and local government	1,063.4	1,119.5	1,199.8	1,252.1	1,238.2	1,242.4	1,252.1	1,257.3	1,265.7	1,263.1	1,279.3
23 **Foreign credit market debt held in United States**	**542.2**	**608.0**	**651.4**	**676.9**	**652.7**	**672.9**	**676.9**	**704.6**	**699.3**	**727.8**	**738.8**
24 Commercial paper	67.5	65.1	72.9	89.2	70.1	81.8	89.2	101.6	101.2	109.8	120.9
25 Bonds	366.3	427.7	462.5	476.7	466.4	477.4	476.7	488.1	481.3	499.2	495.4
26 Bank loans n.e.c.	43.7	52.1	58.9	59.4	60.5	58.8	59.4	63.3	64.7	67.7	70.7
27 Other loans and advances	64.7	63.0	57.2	51.7	55.8	55.0	51.7	51.7	52.1	51.2	51.8
28 **Total credit market debt owed by nonfinancial sectors, domestic and foreign**	**14,985.9**	**15,854.7**	**16,942.8**	**18,124.4**	**17,439.4**	**17,781.9**	**18,124.4**	**18,381.8**	**18,556.7**	**18,791.9**	**19,083.1**
	Financial sectors										
29 **Total credit market debt owed by financial sectors**	**4,824.5**	**5,445.2**	**6,519.1**	**7,607.0**	**7,073.3**	**7,346.8**	**7,607.0**	**7,744.3**	**7,964.4**	**8,160.1**	**8,430.8**
By instrument											
30 Federal government-related	2,608.2	2,821.1	3,292.0	3,884.0	3,580.7	3,745.9	3,884.0	3,940.1	4,035.5	4,164.2	4,316.7
31 Government-sponsored enterprise securities	896.9	995.3	1,273.6	1,591.7	1,398.0	1,499.8	1,591.7	1,618.0	1,680.2	1,749.7	1,824.8
32 Mortgage pool securities	1,711.3	1,825.8	2,018.4	2,292.2	2,182.7	2,246.1	2,292.2	2,322.1	2,355.3	2,414.5	2,491.9
33 Loans from U.S. government	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
34 Private	2,216.3	2,624.1	3,227.1	3,723.0	3,492.6	3,601.0	3,723.0	3,804.2	3,928.9	3,995.9	4,114.1
35 Open market paper	579.1	745.7	906.7	1,082.9	940.9	963.4	1,082.9	1,115.7	1,135.2	1,151.6	1,210.7
36 Corporate bonds	1,378.4	1,555.9	1,852.8	2,074.6	2,042.8	2,091.1	2,074.6	2,114.2	2,183.2	2,239.3	2,290.1
37 Bank loans n.e.c.	64.0	77.2	107.2	92.9	106.8	105.2	92.9	91.4	92.7	92.5	91.0
38 Other loans and advances	162.9	198.5	288.7	395.8	328.6	365.4	395.8	404.4	436.9	430.2	438.3
39 Mortgages	31.9	46.8	71.6	76.7	73.6	75.9	76.7	78.5	81.0	82.5	84.1
By borrowing sector											
40 Commercial banks	113.6	140.6	188.6	230.0	202.7	224.2	230.0	242.2	265.4	265.2	266.8
41 Bank holding companies	150.0	168.6	193.5	219.3	205.5	211.8	219.3	221.4	229.3	236.9	242.5
42 Savings institutions	140.5	160.3	212.4	260.4	241.6	255.4	260.4	266.9	280.7	276.0	287.7
43 Credit unions	.4	.6	1.1	3.4	1.8	2.5	3.4	2.6	2.9	3.1	3.4
44 Life insurance companies	1.6	1.8	2.5	3.2	4.0	4.3	3.2	3.0	2.7	2.7	2.5
45 Government-sponsored enterprises	896.9	995.3	1,273.6	1,591.7	1,398.0	1,499.8	1,591.7	1,618.0	1,680.2	1,749.7	1,824.8
46 Federally related mortgage pools	1,711.3	1,825.8	2,018.4	2,292.2	2,182.7	2,246.1	2,292.2	2,322.1	2,355.3	2,414.5	2,491.9
47 Issuers of asset-backed securities (ABSs)	863.3	1,076.6	1,398.0	1,632.0	1,539.9	1,599.1	1,632.0	1,665.8	1,706.4	1,753.6	1,837.8
48 Brokers and dealers	27.3	35.3	42.5	25.3	30.2	34.6	25.3	36.4	36.2	42.6	40.9
49 Finance companies	529.8	554.5	597.5	659.9	639.2	628.5	659.9	670.7	699.2	716.5	734.8
50 Mortgage companies	20.6	16.0	17.7	17.8	17.8	16.3	17.8	17.1	17.8	17.7	17.9
51 Real estate investment trusts (REITs)	56.5	96.1	158.8	165.1	160.3	162.2	165.1	167.9	170.4	169.8	172.4
52 Funding corporations	312.7	373.7	414.4	506.6	449.7	462.0	506.6	510.1	517.9	511.9	507.4
	All sectors										
53 **Total credit market debt, domestic and foreign**	**19,810.4**	**21,300.0**	**23,461.9**	**25,731.4**	**24,512.7**	**25,128.7**	**25,731.4**	**26,126.1**	**26,521.1**	**26,952.0**	**27,513.9**
54 Open market paper	803.0	979.4	1,172.6	1,402.4	1,243.3	1,284.5	1,402.4	1,478.1	1,533.3	1,568.3	1,610.0
55 U.S. government securities	6,389.9	6,626.0	7,044.3	7,565.0	7,232.4	7,379.2	7,565.0	7,593.6	7,499.4	7,574.4	7,701.8
56 Municipal securities	1,296.0	1,367.5	1,464.3	1,532.5	1,510.0	1,518.6	1,532.5	1,539.2	1,551.6	1,550.3	1,567.8
57 Corporate and foreign bonds	3,205.1	3,594.5	4,144.9	4,610.8	4,479.2	4,589.1	4,610.8	4,708.3	4,808.9	4,929.0	5,019.9
58 Bank loans n.e.c.	1,041.7	1,169.8	1,314.9	1,383.8	1,345.7	1,366.9	1,383.8	1,413.7	1,464.6	1,471.7	1,495.9
59 Other loans and advances	998.0	1,101.0	1,259.6	1,432.7	1,340.3	1,390.1	1,432.7	1,486.3	1,548.0	1,545.0	1,590.5
60 Mortgages	4,865.1	5,197.7	5,729.6	6,378.0	6,021.4	6,230.1	6,378.0	6,490.8	6,661.3	6,817.7	6,959.1
61 Consumer credit	1,211.6	1,264.1	1,331.7	1,426.2	1,340.4	1,370.1	1,426.2	1,416.0	1,454.0	1,495.6	1,568.8

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	1996	1997	1998	1999	1999			2000			
					Q2	Q3	Q4	Q1	Q2	Q3	Q4
CREDIT MARKET DEBT OUTSTANDING[2]											
1 **Total credit market assets**	**19,810.4**	**21,300.0**	**23,461.9**	**25,731.4**	**24,512.7**	**25,128.7**	**25,731.4**	**26,126.1**	**26,521.1**	**26,952.0**	**27,513.9**
2 Domestic nonfederal nonfinancial sectors	3,032.1	2,974.7	3,078.7	3,413.3	3,233.9	3,291.4	3,413.3	3,343.6	3,355.1	3,317.0	3,326.4
3 Household	2,119.1	2,076.4	2,031.9	2,302.5	2,133.6	2,191.8	2,302.5	2,233.7	2,224.0	2,182.1	2,171.2
4 Nonfinancial corporate business	270.2	257.5	271.5	290.6	268.5	280.5	290.6	288.9	296.5	301.5	312.4
5 Nonfarm noncorporate business	38.0	35.9	35.9	37.5	36.9	37.1	37.5	38.1	38.8	39.8	40.8
6 State and local governments	604.8	605.0	739.4	782.8	794.8	781.9	782.8	782.9	795.8	793.7	802.0
7 Federal government	200.2	205.4	219.1	258.0	225.0	260.7	258.0	259.6	261.6	262.7	266.4
8 Rest of the world	1,926.6	2,257.3	2,539.8	2,678.0	2,621.3	2,718.1	2,678.0	2,763.6	2,812.8	2,862.0	2,957.7
9 Financial sectors	14,651.5	15,862.5	17,624.3	19,382.0	18,432.5	18,858.5	19,382.0	19,759.3	20,091.6	20,510.3	20,963.3
10 Monetary authority	393.1	431.4	452.5	478.1	485.1	489.3	478.1	501.9	505.1	511.5	511.8
11 Commercial banking	3,707.7	4,031.9	4,335.7	4,643.9	4,383.4	4,488.3	4,643.9	4,725.0	4,847.4	4,931.0	5,003.1
12 U.S.-chartered banks	3,175.8	3,450.7	3,761.2	4,078.9	3,847.6	3,944.3	4,078.9	4,171.3	4,295.4	4,368.2	4,419.3
13 Foreign banking offices in United States	475.8	516.1	504.2	484.1	465.7	475.3	484.1	482.0	478.1	487.5	508.1
14 Bank holding companies	22.0	27.4	26.5	32.7	25.1	22.0	32.7	22.1	23.0	21.3	20.5
15 Banks in U.S.-affiliated areas	34.1	37.8	43.8	48.3	45.0	46.7	48.3	49.6	51.0	54.0	55.3
16 Savings institutions	933.2	928.5	964.8	1,033.4	1,011.4	1,030.8	1,033.4	1,044.5	1,061.7	1,080.9	1,089.1
17 Credit unions	288.5	305.3	324.2	351.7	341.0	348.5	351.7	359.0	370.8	378.6	383.2
18 Bank personal trusts and estates	232.0	207.0	194.1	222.0	208.0	215.0	222.0	226.7	230.2	234.6	239.1
19 Life insurance companies	1,657.0	1,751.1	1,828.0	1,886.0	1,869.6	1,880.4	1,886.0	1,901.5	1,913.4	1,936.5	1,954.7
20 Other insurance companies	491.2	515.3	535.7	531.6	537.5	533.9	531.6	528.0	523.5	525.0	526.6
21 Private pension funds	627.0	674.6	731.0	775.9	762.0	763.5	775.9	787.6	793.8	811.0	816.4
22 State and local government retirement funds	568.2	632.0	703.6	753.4	728.9	738.9	753.4	767.2	772.4	764.4	766.5
23 Money market mutual funds	634.3	721.9	965.9	1,147.8	1,001.8	1,049.7	1,147.8	1,217.1	1,159.4	1,212.5	1,297.1
24 Mutual funds	820.2	901.1	1,025.9	1,073.1	1,083.7	1,083.0	1,073.1	1,053.7	1,073.9	1,088.1	1,099.2
25 Closed-end funds	101.1	98.3	102.8	105.9	104.3	105.1	105.9	106.7	107.4	108.2	109.0
26 Government-sponsored enterprises	807.9	902.2	1,163.9	1,399.5	1,268.5	1,339.1	1,399.5	1,426.6	1,483.8	1,532.8	1,602.9
27 Federally related mortgage pools	1,711.3	1,825.8	2,018.4	2,292.2	2,182.7	2,246.1	2,292.2	2,322.1	2,355.3	2,414.5	2,491.9
28 Asset-backed securities issuers (ABSs)	773.9	937.7	1,219.4	1,435.3	1,352.7	1,409.8	1,435.3	1,463.9	1,495.8	1,534.3	1,611.2
29 Finance companies	544.5	566.4	618.4	713.3	660.9	678.2	713.3	747.0	780.6	795.5	812.4
30 Mortgage companies	41.2	32.1	35.3	35.6	35.6	32.5	35.6	34.1	35.5	35.4	35.9
31 Real estate investment trusts (REITs)	30.4	50.6	45.5	42.9	45.3	44.7	42.9	38.8	38.2	37.3	36.0
32 Brokers and dealers	167.7	182.6	189.4	154.7	158.8	166.8	154.7	201.1	189.3	243.5	225.8
33 Funding corporations	121.0	166.7	169.8	305.8	211.1	214.9	305.8	306.7	354.2	334.6	351.6
RELATION OF LIABILITIES TO FINANCIAL ASSETS											
34 **Total credit market debt**	**19,810.4**	**21,300.0**	**23,461.9**	**25,731.4**	**24,512.7**	**25,128.7**	**25,731.4**	**26,126.1**	**26,521.1**	**26,952.0**	**27,513.9**
Other liabilities											
35 Official foreign exchange	53.7	48.9	60.1	50.1	50.9	52.1	50.1	49.4	46.5	44.9	46.1
36 Special drawing rights certificates	9.7	9.2	9.2	6.2	8.2	7.2	6.2	6.2	4.2	3.2	2.2
37 Treasury currency	18.9	19.3	19.9	20.9	20.4	20.9	20.9	21.4	22.1	23.2	23.2
38 Foreign deposits	521.7	619.7	639.0	725.8	694.9	712.3	725.8	790.4	792.6	770.3	750.3
39 Net interbank liabilities	240.8	219.4	189.0	204.5	207.1	199.6	204.5	168.1	215.9	200.3	198.5
40 Checkable deposits and currency	1,244.8	1,286.1	1,333.4	1,484.8	1,353.1	1,353.8	1,484.8	1,392.9	1,409.7	1,385.7	1,413.7
41 Small time and savings deposits	2,377.0	2,474.1	2,626.5	2,671.2	2,644.6	2,665.9	2,671.2	2,728.0	2,738.8	2,790.9	2,864.2
42 Large time deposits	590.9	713.4	805.5	936.1	809.0	837.5	936.1	966.5	987.4	1,025.9	1,052.1
43 Money market fund shares	886.7	1,042.5	1,329.7	1,578.8	1,393.5	1,444.9	1,578.8	1,666.0	1,627.1	1,697.8	1,812.3
44 Security repurchase agreements	701.5	822.4	913.7	1,083.4	957.1	999.4	1,083.4	1,155.8	1,185.1	1,238.6	1,196.5
45 Mutual fund shares	2,342.4	2,989.4	3,610.5	4,553.4	4,049.1	3,931.5	4,553.4	4,863.3	4,759.6	4,815.0	4,432.8
46 Security credit	358.1	469.1	572.3	676.6	586.5	593.1	676.6	803.7	780.5	805.8	812.1
47 Life insurance reserves	610.6	665.0	718.3	783.9	749.8	756.2	783.9	799.9	809.4	822.3	823.5
48 Pension fund reserves	6,582.4	7,725.5	8,760.0	9,747.7	9,294.3	8,959.6	9,747.7	9,952.3	9,869.2	10,021.9	9,847.5
49 Trade payables	1,809.3	1,941.4	1,970.3	2,167.6	2,030.8	2,097.9	2,167.6	2,198.3	2,229.9	2,269.9	2,314.1
50 Taxes payable	123.8	139.5	151.5	167.2	162.4	167.5	167.2	180.5	180.0	184.1	184.1
51 Investment in bank personal trusts	871.3	942.5	1,001.0	1,130.4	1,061.0	1,019.0	1,130.4	1,163.0	1,124.1	1,122.3	1,039.0
52 Miscellaneous	6,349.1	6,670.6	7,237.9	7,787.5	7,431.5	7,448.5	7,787.5	7,915.4	8,164.1	8,609.7	8,777.6
53 **Total liabilities**	**45,502.9**	**50,097.8**	**55,409.7**	**61,507.5**	**58,017.0**	**58,395.6**	**61,507.5**	**62,947.3**	**63,467.3**	**64,783.9**	**65,103.6**
Financial assets not included in liabilities (+)											
54 Gold and special drawing rights	21.4	21.1	21.6	21.4	20.8	21.3	21.4	21.4	21.5	21.4	21.6
55 Corporate equities	10,255.8	13,201.3	15,427.8	19,576.3	17,060.4	16,214.9	19,576.3	20,232.0	19,258.1	19,066.7	17,168.8
56 Household equity in noncorporate business	3,889.2	4,164.4	4,414.7	4,704.5	4,548.9	4,623.1	4,704.5	4,732.2	4,779.2	4,835.0	4,915.7
Liabilities not identified as assets (−)											
57 Treasury currency	−6.1	−6.3	−6.4	−7.1	−6.6	−6.6	−7.1	−7.6	−7.9	−7.6	−8.0
58 Foreign deposits	437.0	538.3	548.2	615.0	584.7	591.5	615.0	667.4	650.9	623.0	590.0
59 Net interbank transactions	−10.6	−32.2	−27.0	−25.5	−10.6	−13.2	−25.5	−13.9	−11.6	−17.6	−4.1
60 Security repurchase agreements	109.8	172.9	234.3	264.4	291.6	325.0	264.4	411.3	416.5	445.3	379.0
61 Taxes payable	76.9	92.6	102.0	95.3	112.2	96.5	95.3	89.1	103.0	93.7	96.2
62 Miscellaneous	−1,517.9	−1,889.8	−2,434.3	−2,884.0	−2,673.2	−2,988.0	−2,884.0	−3,029.7	−3,035.6	−2,805.8	−3,126.0
Floats not included in assets (−)											
63 Federal government checkable deposits	−1.6	−8.1	−3.9	−9.9	−12.4	−10.2	−9.9	−6.5	−5.2	−7.8	−2.3
64 Other checkable deposits	30.1	26.2	23.1	22.3	22.1	14.5	22.3	18.7	22.5	15.5	24.0
65 Trade credit	171.8	133.5	94.5	145.9	19.2	36.2	145.9	94.7	62.3	51.5	133.3
66 **Total identified to sectors as assets**	**60,380.0**	**68,457.3**	**76,743.2**	**87,593.4**	**81,320.0**	**81,209.2**	**87,593.4**	**89,709.3**	**89,331.2**	**90,316.8**	**89,127.7**

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.1 and L.5. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

Monthly data seasonally adjusted, and indexes 1992=100, except as noted

Measure	1998	1999	2000	2000							2001	
				June	July	Aug.	Sept.	Oct.	Nov.[r]	Dec.[r]	Jan.	Feb.[p]
1 **Industrial production**[1]	**134.0**	**139.6**	**147.5**	**147.9**	**147.6**	**148.6**	**149.0**	**148.7**	**148.2**	**147.7**	**146.8**	**146.0**
Market groups												
2 Products, total	127.2	131.2	136.2	136.0	135.8	136.6	136.7	136.3	136.3	136.3	135.6	134.9
3 Final, total	129.3	133.3	138.7[r]	138.3	138.1	139.2	139.3	138.8	138.8	138.8	138.1	137.5
4 Consumer goods	118.4	120.8	123.0	124.2	122.9	123.8	123.8	122.7	122.4	122.8	121.7	121.2
5 Equipment	147.1	153.8	166.1[r]	164.3	166.3	167.9	168.3	169.1	169.9	169.0	168.9	168.5
6 Intermediate	121.0	125.1	128.8	129.0	128.7	128.8	128.6	128.7	128.5	128.5	128.2	127.0
7 Materials	145.7	154.5	167.9	169.4	169.0	170.5	171.3	171.1	169.9	168.4	167.1	166.0
Industry groups												
8 Manufacturing	138.2	144.8	153.6	153.8	153.7	154.6	155.1	154.9	154.1	152.9	152.0	151.3
9 Capacity utilization, manufacturing (percent)[2]	81.3	80.5	81.3	82.0	81.6	81.7	81.7	81.2	80.5	79.5	78.7	78.1
10 Construction contracts[3]	122.5[r]	135.2[r]	141.7[r]	146.0[r]	139.0[r]	138.0[r]	142.0[r]	149.0[r]	142.0	142.0	150.0	147.0
11 Nonagricultural employment, total[4]	123.5	126.3	128.9	129.1	129.1	129.0	129.2	129.3	129.3	129.4	129.6	129.7
12 Goods-producing, total	103.0	103.3	104.0	104.2	104.4	103.9	103.9	104.0	103.9	103.6	103.9	103.6
13 Manufacturing, total	99.0	97.6	97.0	97.3	97.6	97.0	96.7	96.7	96.6	96.4	95.9	95.4
14 Manufacturing, production workers	100.0	98.4	97.6	97.9	98.4	97.5	97.2	97.1	97.0	96.6	96.1	95.4
15 Service-producing	130.0	133.7	136.8	137.1	137.0	137.0	137.3	137.3	137.4	137.6	137.8	138.0
16 Personal income, total	186.5	196.6	209.0	208.9	209.5	210.1	212.5	212.1	212.5	213.4	214.6	n.a.
17 Wages and salary disbursements	184.6	196.9	210.1	209.8	211.0	211.3	212.7	214.0	214.6	215.0	216.6	n.a.
18 Manufacturing	152.3	157.4	164.2	164.3	165.8	164.9	165.1	166.6	166.9	165.4	165.9	n.a.
19 Disposable personal income[5]	182.7	191.9	202.0	202.1	202.5	202.9	205.2	204.4	204.6	205.4	206.4	n.a.
20 Retail sales[5]	178.4	194.7	209.9[r]	209.3	211.1	211.0	212.7	212.5	211.3	211.6	214.4	214.1
Prices[6]												
21 Consumer (1982–84=100)	163.0	166.6	172.2	172.4	172.8	172.8	173.7	174.0	174.1	174.0	175.1	175.8
22 Producer finished goods (1982=100)	130.7	133.0	138.0	138.6	138.6	138.2	139.4	140.1[r]	139.9	139.7	141.2	141.5

1. Data in this table appear in the Board's G.17 (419) monthly statistical release. The data are also available on the Board's web site, http://www.federalreserve.gov/releases/g17. The latest historical revision of the industrial production index and the capacity utilization rates was released in December 2000. The recent annual revision is described in an article in the March 2001 issue of the *Bulletin*. For a description of the methods of estimating industrial production and capacity utilization, see "Industrial Production and Capacity Utilization: Historical Revision and Recent Developments," *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67–92, and the references cited therein. For details about the construction of individual industrial production series, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.

2. Ratio of index of production to index of capacity. Based on data from the Federal Reserve, U.S. Department of Commerce, and other sources.

3. Index of dollar value of total construction contracts, including residential, nonresidential, and heavy engineering, from McGraw-Hill Information Systems Company, F.W. Dodge Division.

4. Based on data from the U.S. Department of Labor, *Employment and Earnings*. Series covers employees only, excluding personnel in the armed forces.

5. Based on data from U.S. Department of Commerce, *Survey of Current Business*.

6. Based on data not seasonally adjusted. Seasonally adjusted data for changes in the price indexes can be obtained from the U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*.

NOTE. Basic data (not indexes) for series mentioned in notes 4 and 5, and indexes for series mentioned in notes 3 and 6, can also be found in the *Survey of Current Business*.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data seasonally adjusted

Category	1998	1999	2000	2000						2001	
				July	Aug.	Sept.	Oct.	Nov.	Dec.[r]	Jan.[r]	Feb.
HOUSEHOLD SURVEY DATA[1]											
1 Civilian labor force[2]	137,673	139,368	140,863	140,546	140,724	140,847	141,000	141,136	141,489	141,955	141,751
Employment											
2 Nonagricultural industries[3]	128,085	130,207	131,903	131,603	131,622	131,954	132,223	132,302	132,562	132,819	132,680
3 Agriculture	3,378	3,281	3,305	3,295	3,317	3,356	3,241	3,176	3,274	3,179	3,135
Unemployment											
4 Number	6,210	5,880	5,655	5,648	5,785	5,537	5,536	5,658	5,653	5,956	5,936
5 Rate (percent of civilian labor force)	4.5	4.2	4.0	4.0	4.1	3.9	3.9	4.0	4.0	4.2	4.2
ESTABLISHMENT SURVEY DATA											
6 **Nonagricultural payroll employment**[4]	**125,865**	**128,786**	**131,417**	**131,607**	**131,528**	**131,723**	**131,789**	**131,842**	**131,878**	**132,102**	**132,237**
7 Manufacturing	18,805	18,543	18,437	18,548	18,432	18,380	18,378	18,360	18,312	18,216	18,122
8 Mining	590	535	538	538	537	539	542	541	540	548	551
9 Contract construction	6,020	6,404	6,687	6,670	6,675	6,720	6,745	6,734	6,717	6,875	6,891
10 Transportation and public utilities	6,611	6,826	6,993	7,010	6,941	7,037	7,046	7,060	7,086	7,077	7,105
11 Trade	29,095	29,712	30,191	30,246	30,253	30,249	30,280	30,331	30,330	30,324	30,358
12 Finance	7,389	7,569	7,618	7,586	7,608	7,622	7,638	7,647	7,661	7,676	7,692
13 Service	37,533	39,027	40,384	40,403	40,572	40,685	40,696	40,764	40,797	40,884	40,979
14 Government	19,823	20,170	20,570	20,606	20,510	20,491	20,464	20,405	20,435	20,502	20,539

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	2000				2000				2000			
	Q1	Q2	Q3	Q4[r]	Q1	Q2	Q3	Q4[r]	Q1	Q2	Q3	Q4[r]
	Output (1992=100)				Capacity (percent of 1992 output)				Capacity utilization rate (percent)[2]			
1 **Total industry**	**144.4**	**147.1**	**148.4**	**148.2**	**176.1**	**178.1**	**180.1**	**182.1**	**82.0**	**82.6**	**82.4**	**81.4**
2 Manufacturing	150.1	153.0	154.4	153.9	184.6	186.9	189.2	191.5	81.3	81.9	81.7	80.4
3 Primary processing[3]	173.5	178.6	180.3	178.8	203.0	206.9	211.2	216.0	85.4	86.4	85.4	82.8
4 Advanced processing[4]	137.3	139.0	140.3	140.3	172.7	174.1	175.2	176.2	79.5	79.8	80.1	79.6
5 Durable goods	186.7	192.9	196.7	196.6	228.5	233.3	238.3	243.6	81.7	82.7	82.5	80.7
6 Lumber and products	122.4	120.3	117.0	113.1	147.0	147.5	147.9	148.4	83.3	81.6	79.1	76.2
7 Primary metals	136.1	137.0	133.4	127.5	153.0	153.3	153.4	153.5	88.9	89.4	87.0	83.1
8 Iron and steel	135.0	136.1	130.5	121.5	152.8	153.1	153.4	153.6	88.4	88.9	85.1	79.1
9 Nonferrous	137.4	138.2	137.0	134.7	153.2	153.4	153.4	153.4	89.7	90.1	89.3	87.8
10 Industrial machinery and equipment	242.2	249.4	257.3	261.9	296.3	304.5	311.1	317.3	81.7	81.9	82.7	82.5
11 Electrical machinery	476.7	535.1	581.1	605.6	552.1	591.7	639.1	694.1	86.3	90.4	90.9	87.3
12 Motor vehicles and parts	171.8	175.9	170.8	159.7	207.0	208.2	209.2	210.1	83.0	84.5	81.7	76.0
13 Aerospace and miscellaneous transportation equipment	93.7	92.9	93.5	94.8	130.7	130.7	130.4	130.2	71.7	71.1	71.7	72.8
14 Nondurable goods	116.3	116.7	116.2	115.4	143.8	144.1	144.4	144.6	80.9	80.9	80.5	79.8
15 Textile mill products	104.0	103.3	99.8	94.7	124.4	123.9	123.3	122.8	83.6	83.4	80.9	77.1
16 Paper and products	117.6	117.9	114.0	114.9	136.9	137.2	137.5	137.9	85.8	85.9	82.9	83.3
17 Chemicals and products	124.8	125.8	125.4	124.5	161.9	163.0	164.1	164.8	77.1	77.2	76.4	75.5
18 Plastics materials	141.6	140.9	137.6	131.0	151.5	151.6	151.9	152.3	93.5	93.0	90.5	86.0
19 Petroleum products	116.0	118.3	117.3	116.1	123.2	123.2	123.2	123.1	94.1	96.0	95.3	94.3
20 Mining	99.4	100.0	100.6	100.5	116.7	116.5	116.3	115.8	85.2	85.8	86.6	86.7
21 Utilities	117.4	120.7	121.0	123.9	131.2	132.3	133.4	134.5	89.5	91.2	90.7	92.1
22 Electric	120.5	124.3	123.9	128.0	129.5	130.9	132.3	133.8	93.1	94.9	93.7	95.6

Series	1973	1975	Previous cycle[5]		Latest cycle[6]		2000	2000				2001	
	High	Low	High	Low	High	Low	Feb.	Sept.	Oct.	Nov.[r]	Dec.[r]	Jan.	Feb.[p]
	Capacity utilization rate (percent)[2]												
1 **Total industry**	**89.2**	**72.6**	**87.3**	**71.1**	**85.4**	**78.1**	**82.0**	**82.4**	**82.0**	**81.4**	**80.8**	**80.1**	**79.4**
2 Manufacturing	88.5	70.5	86.9	69.0	85.7	76.6	81.2	81.7	81.2	80.5	79.5	78.7	78.1
3 Primary processing[3]	91.2	68.2	88.1	66.2	88.9	77.7	85.2	85.2	84.5	82.8	81.1	79.7	78.8
4 Advanced processing[4]	87.2	71.8	86.7	70.4	84.2	76.1	79.4	80.2	79.9	79.7	79.2	78.8	78.4
5 Durable goods	89.2	68.9	87.7	63.9	84.6	73.1	81.5	82.7	81.7	80.8	79.7	78.3	77.5
6 Lumber and products	88.7	61.2	87.9	60.8	93.6	75.5	83.2	78.9	77.5	76.3	75.0	73.3	73.6
7 Primary metals	100.2	65.9	94.2	45.1	92.7	73.7	88.1	87.3	84.1	82.9	82.3	80.5	80.0
8 Iron and steel	105.8	66.6	95.8	37.0	95.2	71.8	87.4	86.0	80.6	79.4	77.3	75.7	76.1
9 Nonferrous	90.8	59.8	91.1	60.1	89.3	74.2	89.0	89.0	88.2	87.1	88.1	86.0	84.6
10 Industrial machinery and equipment	96.0	74.3	93.2	64.0	85.4	72.3	81.7	83.1	83.0	82.5	82.1	80.7	79.8
11 Electrical machinery	89.2	64.7	89.4	71.6	84.0	75.0	86.0	90.2	88.5	87.1	86.2	84.9	83.3
12 Motor vehicles and parts	93.4	51.3	95.0	45.5	89.1	55.9	82.3	83.8	79.7	76.2	72.1	65.3	65.1
13 Aerospace and miscellaneous transportation equipment	78.4	67.6	81.9	66.6	87.3	79.2	71.5	70.7	71.9	73.3	73.4	73.0	72.4
14 Nondurable goods	87.8	71.7	87.5	76.4	87.3	80.7	80.9	80.3	80.4	79.9	79.1	79.1	78.7
15 Textile mill products	91.4	60.0	91.2	72.3	90.4	77.7	83.4	79.9	78.6	75.6	77.1	75.7	74.9
16 Paper and products	97.1	69.2	96.1	80.6	93.5	85.0	85.7	82.6	85.0	83.2	81.7	80.4	80.4
17 Chemicals and products	87.6	69.7	84.6	69.9	86.2	79.3	77.1	76.3	76.4	75.7	74.5	74.6	74.4
18 Plastics materials	102.0	50.6	90.9	63.4	97.0	74.8	92.6	89.8	90.5	87.7	79.8	82.5	81.6
19 Petroleum products	96.7	81.1	90.0	66.8	88.5	85.1	93.7	95.4	94.6	94.9	93.4	92.7	93.9
20 Mining	94.3	88.2	96.0	80.3	88.0	87.0	84.9	86.4	86.3	87.3	86.7	88.6	88.2
21 Utilities	96.2	82.9	89.1	75.9	92.6	83.4	91.1	91.0	89.5	90.7	96.3	92.8	90.4
22 Electric	99.0	82.7	88.2	78.9	95.0	87.1	93.5	93.9	93.1	95.1	98.6	95.0	92.4

1. Data in this table appear in the Board's G.17 (419) monthly statistical release. The data are also available on the Board's web site, http://www.federalreserve.gov/releases/g17. The latest historical revision of the industrial production index and the capacity utilization rates was released in December 2000. The recent annual revision is described in an article in the March 2001 issue of the *Bulletin*. For a description of the methods of estimating industrial production and capacity utilization, see "Industrial Production and Capacity Utilization: Historical Revision and Recent Developments," *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67–92, and the references cited therein. For details about the construction of individual industrial production series, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.

2. Capacity utilization is calculated as the ratio of the Federal Reserve's seasonally adjusted index of industrial production to the corresponding index of capacity.

3. Primary processing includes textiles, lumber, paper; industrial chemicals; synthetic materials; fertilizer materials; petroleum products; rubber and plastics; stone, clay, and glass; primary metals; and fabricated metals.

4. Advanced processing includes foods, tobacco, apparel, furniture and fixtures, printing and publishing, chemical products such as drugs and toiletries, agricultural chemicals, leather and products, machinery, transportation equipment, instruments, and miscellaneous manufactures.

5. Monthly highs, 1978–80; monthly lows, 1982.

6. Monthly highs, 1988–89; monthly lows, 1990–91.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]

Monthly data seasonally adjusted

Group	1992 proportion	2000 avg.	2000 Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.[r]	Dec.[r]	2001 Jan.	Feb.[p]
			Index (1992=100)												
MAJOR MARKETS															
1 **Total index**	**100.0**	**147.5**	**144.3**	**145.2**	**146.3**	**147.2**	**147.9**	**147.6**	**148.6**	**149.0**	**148.7**	**148.2**	**147.7**	**146.8**	**146.0**
2 Products	60.5	136.2	134.2	134.4	135.3	135.5	136.0	135.8	136.6	136.7	136.3	136.3	136.3	135.6	134.9
3 Final products	46.3	138.7	135.9	136.0	137.2	137.5	138.3	138.1	139.2	139.3	138.8	138.8	138.8	138.1	137.5
4 Consumer goods, total	29.1	123.0	122.8	122.2	123.2	123.5	124.2	122.9	123.8	123.8	122.7	122.4	122.8	121.7	121.2
5 Durable consumer goods	6.1	160.8	162.6	162.1	164.7	163.8	164.4	158.7	160.0	162.8	157.3	154.3	153.6	149.0	149.7
6 Automotive products	2.6	153.2	154.8	155.3	157.6	157.9	157.8	149.4	153.8	156.7	148.0	143.6	140.8	132.4	134.7
7 Autos and trucks	1.7	166.9	169.0	170.3	173.7	175.7	174.8	160.5	169.8	172.7	159.1	153.0	144.1	133.5	137.3
8 Autos, consumer	.9	114.0	116.3	115.1	118.5	119.7	118.1	113.6	120.3	120.5	107.8	103.0	94.3	99.4	99.0
9 Trucks, consumer	.7	221.6	223.7	227.3	230.7	233.7	233.2	209.8	221.8	227.1	212.0	204.3	194.7	170.6	178.1
10 Auto parts and allied goods	.9	131.8	132.5	131.9	132.7	130.6	131.6	131.6	129.1	132.1	130.2	128.2	133.9	128.8	129.0
11 Other	3.5	167.1	169.1	167.7	170.6	168.5	169.8	166.7	165.2	167.7	165.4	163.7	165.1	164.2	163.4
12 Appliances, televisions, and air conditioners	1.0	332.7	336.1	332.3	341.1	334.6	348.2	322.3	325.0	340.5	332.5	332.7	343.9	341.4	342.7
13 Carpeting and furniture	.8	129.7	129.7	128.3	131.8	130.8	130.1	131.5	128.6	131.9	129.8	125.4	127.3	124.0	123.5
14 Miscellaneous home goods	1.6	120.4	122.7	122.1	122.7	121.6	120.5	121.3	119.7	118.1	117.5	117.1	115.5	116.6	115.2
15 Nondurable consumer goods	23.0	114.1	113.5	112.9	113.6	114.1	114.8	114.5	115.2	114.7	114.5	114.6	115.3	114.9	114.1
16 Foods and tobacco	10.3	110.7	110.6	110.8	110.9	110.3	110.8	111.0	111.4	110.5	110.4	110.7	110.1	109.7	109.2
17 Clothing	2.4	85.0	87.5	87.2	87.5	86.8	85.1	85.6	84.2	83.1	82.7	83.2	82.4	82.5	80.7
18 Chemical products	4.5	137.0	133.5	134.9	136.5	138.5	139.3	137.4	139.4	138.4	139.0	138.5	139.0	140.1	140.1
19 Paper products	2.9	111.1	109.6	108.3	108.2	109.0	111.6	112.4	112.4	112.4	113.8	112.5	112.2	113.6	111.8
20 Energy	2.9	116.1	116.2	110.7	113.6	116.0	117.0	114.9	117.1	118.4	115.5	117.3	123.4	119.5	118.2
21 Fuels	.8	113.0	111.0	114.9	112.1	113.1	113.4	112.6	113.1	115.8	113.0	115.5	112.3	111.5	112.4
22 Residential utilities	2.1	117.5	118.5	107.4	113.8	117.1	118.5	115.6	119.0	119.1	116.2	117.6	130.0	124.0	121.1
23 Equipment	17.2	166.1	159.8	161.3	162.8	163.1	164.3	166.3	167.9	168.3	169.1	169.9	169.0	168.9	168.5
24 Business equipment	13.2	194.3	187.0	188.9	191.1	191.6	192.8	195.0	197.8	199.5	200.0	200.6	199.4	198.6	198.1
25 Information processing and related	5.4	312.2	289.2	293.5	298.8	302.5	307.0	313.9	322.1	327.2	332.3	336.7	336.0	341.7	344.0
26 Computer and office equipment	1.1	1,157.6	1,019.5	1,044.0	1,062.0	1,087.8	1,130.8	1,182.8	1,229.0	1,264.1	1,286.4	1,305.0	1,318.3	1,333.4	1,348.0
27 Industrial	4.0	144.6	142.1	142.2	142.9	143.4	143.8	144.4	147.7	146.5	146.9	147.4	145.7	145.1	141.4
28 Transit	2.5	127.7	130.6	131.5	131.3	129.0	130.1	127.6	126.8	127.7	121.6	121.8	117.6	112.2	111.3
29 Autos and trucks	1.2	145.6	154.2	154.0	156.5	153.9	152.9	141.5	142.8	144.2	131.4	130.4	122.0	115.1	114.5
30 Other	1.3	145.7	138.5	142.9	146.7	145.8	142.8	148.1	144.8	149.3	154.2	148.6	153.9	150.6	155.5
31 Defense and space equipment	3.3	76.2	75.9	76.0	75.5	75.5	76.3	77.9	76.1	73.7	75.3	77.0	77.5	78.5	78.5
32 Oil and gas well drilling	.6	131.8	124.6	126.7	126.7	130.3	130.8	136.2	137.1	132.8	136.5	138.9	139.1	146.7	146.1
33 Manufactured homes	.2	116.2	133.8	131.7	127.2	122.9	121.9	116.8	115.5	109.3	98.8	90.9	83.5	73.5	74.8
34 Intermediate products, total	14.2	128.8	128.9	129.5	129.3	129.4	129.0	128.7	128.8	128.6	128.7	128.5	128.5	128.2	127.0
35 Construction supplies	5.3	143.2	143.4	144.6	144.4	143.1	143.4	143.8	142.7	143.1	142.3	141.6	141.5	141.6	140.3
36 Business supplies	8.9	120.3	120.3	120.6	120.4	121.3	120.5	119.8	120.6	120.0	120.7	120.7	120.7	120.2	119.1
37 Materials	39.5	167.9	162.4	164.7	166.1	168.4	169.4	169.0	170.5	171.3	171.1	169.9	168.4	167.1	166.0
38 Durable goods materials	20.8	227.7	215.4	220.0	222.7	227.6	230.3	230.5	233.8	235.7	235.0	232.9	230.9	228.0	226.6
39 Durable consumer parts	4.0	165.3	163.2	164.9	162.2	169.9	165.7	158.3	168.3	169.0	168.5	161.8	157.3	146.0	143.1
40 Equipment parts	7.6	478.6	416.6	434.2	451.9	466.8	486.2	499.9	505.7	512.1	515.9	521.4	525.5	529.5	531.0
41 Other	9.2	134.6	134.8	135.9	135.7	135.9	135.9	135.3	134.7	135.5	133.7	131.8	129.8	129.1	127.8
42 Basic metal materials	3.1	128.7	128.8	131.1	131.9	130.8	130.7	128.5	127.5	129.2	125.9	124.4	123.0	119.9	119.4
43 Nondurable goods materials	8.9	113.8	115.3	115.6	115.2	115.7	115.2	113.9	112.8	112.7	113.4	110.7	108.6	108.4	107.8
44 Textile materials	1.1	97.9	101.9	102.2	101.1	100.9	101.7	97.9	99.3	95.9	94.0	89.5	90.3	90.1	88.1
45 Paper materials	1.8	115.8	116.7	118.1	118.7	117.5	118.1	114.9	112.8	113.8	117.2	113.4	109.4	110.0	109.4
46 Chemical materials	3.9	117.0	118.6	118.6	118.1	119.8	118.4	117.0	116.8	116.3	115.9	113.7	109.8	110.7	110.1
47 Other	2.1	113.0	113.0	113.5	112.6	112.4	112.3	113.7	110.2	112.0	114.0	111.9	113.9	111.0	110.9
48 Energy materials	9.7	103.4	102.1	102.5	103.5	103.3	103.1	102.9	104.2	104.3	103.9	105.4	105.5	105.4	104.7
49 Primary energy	6.3	98.2	96.2	97.7	98.8	98.3	98.4	98.7	98.9	98.5	97.8	99.3	99.7	101.1	100.5
50 Converted fuel materials	3.3	114.4	114.6	112.3	113.0	113.7	112.4	110.8	115.1	116.6	117.2	118.7	117.8	113.3	112.5
SPECIAL AGGREGATES															
51 Total excluding autos and trucks	97.1	147.2	143.8	144.8	145.7	146.7	147.5	147.5	148.4	148.7	148.8	148.4	148.2	147.5	146.6
52 Total excluding motor vehicles and parts	95.1	146.3	143.0	143.9	144.9	145.8	146.5	146.9	147.4	147.7	147.8	147.7	147.6	147.4	146.6
53 Total excluding computer and office equipment	98.2	140.5	137.8	138.6	139.6	140.4	141.0	140.5	141.4	141.6	141.2	140.8	140.2	139.4	138.5
54 Consumer goods excluding autos and trucks	27.4	120.6	120.3	119.6	120.5	120.7	121.5	120.9	121.3	121.2	120.7	120.6	121.5	120.9	120.2
55 Consumer goods excluding energy	26.2	123.9	123.5	123.6	124.4	124.4	125.0	123.9	124.5	124.4	123.6	122.9	122.5	121.9	121.4
56 Business equipment excluding autos and trucks	12.0	200.1	190.8	193.1	195.2	196.1	197.6	201.5	204.5	206.3	208.5	209.4	209.1	209.2	208.7
57 Business equipment excluding computer and office equipment	12.1	158.4	154.4	155.7	157.4	157.3	157.6	158.6	160.3	161.2	161.2	161.5	160.1	159.1	158.4
58 Materials excluding energy	29.8	188.5	181.5	184.6	186.0	189.3	190.7	190.3	191.8	193.0	192.8	190.4	188.2	186.4	185.2

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]—Continued

Monthly data seasonally adjusted

Group	SIC[2] code	1992 proportion	2000 avg.	2000 Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.[r]	Dec.[r]	2001 Jan.	Feb.[p]
				Index (1992=100)												
MAJOR INDUSTRIES																
59 **Total index**	...	**100.0**	**147.5**	**144.3**	**145.2**	**146.3**	**147.2**	**147.9**	**147.6**	**148.6**	**149.0**	**148.7**	**148.2**	**147.7**	**146.8**	**146.0**
60 Manufacturing	...	85.4	153.6	149.9	151.3	152.2	153.1	153.8	153.7	154.6	155.1	154.9	154.1	152.9	152.0	151.3
61 Primary processing	...	26.5	178.0	173.0	175.5	177.1	178.7	180.1	179.4	180.3	181.2	181.1	178.8	176.6	174.6	173.6
62 Advanced processing	...	58.9	139.3	137.1	137.9	138.5	139.1	139.4	139.5	140.5	140.8	140.5	140.5	139.8	139.4	138.9
63 Durable goods	...	45.0	193.5	186.3	188.9	191.0	193.0	194.6	194.7	196.9	198.4	197.6	196.7	195.5	193.4	192.6
64 Lumber and products	24	2.0	118.3	122.3	121.9	121.6	120.5	118.7	118.6	115.5	116.8	114.8	113.2	111.4	109.0	109.5
65 Furniture and fixtures	25	1.4	142.9	140.7	139.3	140.7	143.0	141.9	142.6	143.8	146.6	147.2	145.0	145.6	145.4	144.3
66 Stone, clay, and glass products	32	2.1	134.7	133.6	134.4	132.9	134.2	134.6	136.3	136.1	136.5	137.3	134.6	132.3	133.1	131.1
67 Primary metals	33	3.1	133.7	134.7	137.1	137.8	136.7	136.4	133.9	132.4	133.9	129.0	127.3	126.3	123.5	122.8
68 Iron and steel	331,2	1.7	131.1	133.5	136.9	136.8	135.9	135.5	129.9	129.7	131.9	123.7	122.0	118.9	116.4	116.9
69 Raw steel	331PT	.1	120.9	121.7	125.8	127.3	127.1	128.2	126.4	123.9	117.7	115.6	106.3	104.6	108.3	108.6
70 Nonferrous	333–6,9	1.4	136.8	136.4	137.6	139.1	137.9	137.6	138.8	135.7	136.5	135.3	133.6	135.1	132.0	129.8
71 Fabricated metal products	34	5.0	135.6	135.8	135.6	135.9	136.2	135.7	136.1	136.3	136.0	136.0	134.7	133.2	133.7	131.9
72 Industrial machinery and equipment	35	8.0	252.8	242.1	245.8	247.2	249.9	250.9	253.9	257.9	260.0	261.5	261.9	262.2	259.3	258.2
73 Computer and office equipment	357	1.8	1,343.6	1,195.9	1,224.7	1,245.1	1,272.3	1,316.2	1,370.4	1,421.6	1,464.2	1,487.4	1,502.8	1,508.3	1,522.7	1,537.6
74 Electrical machinery	36	7.3	550.2	474.8	495.2	516.5	533.8	555.0	571.2	580.0	592.2	597.4	604.4	615.1	619.7	621.0
75 Transportation equipment	37	9.5	131.0	130.7	131.9	132.1	133.6	133.5	128.0	132.4	132.4	129.2	126.8	122.9	115.9	115.4
76 Motor vehicles and parts	371	4.9	170.5	170.3	172.5	174.1	177.6	176.1	163.1	173.9	175.5	167.2	160.1	151.8	137.6	137.4
77 Autos and light trucks	371PT	2.6	153.0	155.1	156.0	159.2	161.1	160.1	147.8	156.4	158.8	145.8	140.1	131.5	123.7	126.7
78 Aerospace and miscellaneous transportation equipment	372–6,9	4.6	93.8	93.5	93.7	92.7	92.3	93.6	94.9	93.5	92.1	93.6	95.4	95.5	94.9	94.2
79 Instruments	38	5.4	122.2	119.7	120.2	121.5	121.3	122.2	122.6	123.3	123.7	123.5	124.6	123.2	124.9	125.2
80 Miscellaneous	39	1.3	130.8	130.9	130.6	130.9	130.7	130.5	132.1	130.8	130.9	131.1	130.2	129.4	130.4	128.7
81 Nondurable goods	...	40.4	116.9	116.3	116.6	116.7	116.7	116.7	116.3	116.3	116.0	116.3	115.5	114.4	114.4	113.9
82 Foods	20	9.4	114.7	114.1	114.9	114.7	114.2	114.9	115.0	115.1	114.6	114.8	115.0	114.2	113.4	113.2
83 Tobacco products	21	1.6	95.3	97.4	94.3	95.6	95.3	93.8	95.8	96.6	94.5	93.7	93.1	94.2	95.2	93.6
84 Textile mill products	22	1.8	100.1	103.8	104.4	104.4	102.6	103.1	101.4	99.4	98.4	96.7	92.8	94.6	92.6	91.5
85 Apparel products	23	2.2	91.7	94.3	94.1	94.6	93.0	91.2	92.0	90.7	89.5	89.2	89.2	88.1	88.6	86.7
86 Paper and products	26	3.6	116.1	117.4	117.8	118.4	116.5	118.8	114.9	113.3	113.7	117.1	114.7	112.7	111.1	111.1
87 Printing and publishing	27	6.7	110.0	108.9	109.7	109.1	109.9	109.1	110.0	110.4	110.9	111.6	111.2	110.6	111.4	110.1
88 Chemicals and products	28	9.9	128.3	124.9	124.9	125.2	126.3	125.9	124.8	125.9	125.4	125.8	124.8	122.9	123.2	123.0
89 Petroleum products	29	1.4	117.1	115.5	118.9	117.2	118.9	118.8	117.0	117.6	117.4	116.5	116.9	114.9	114.1	115.6
90 Rubber and plastic products	30	3.5	142.3	143.2	143.0	143.5	142.6	143.5	144.4	142.1	141.9	141.3	139.1	137.6	139.3	137.8
91 Leather and products	31	.3	69.7	71.4	70.6	70.0	70.5	69.3	70.0	68.8	69.8	68.6	68.9	66.9	66.9	65.5
92 Mining	...	6.9	100.0	99.1	100.4	99.9	99.6	100.4	100.5	101.0	100.4	100.1	101.1	100.2	102.3	101.8
93 Metal	10	.5	96.8	99.1	99.7	98.8	95.7	97.5	92.9	95.8	99.3	96.3	93.7	92.8	92.6	91.6
94 Coal	12	1.0	108.9	102.6	110.1	112.6	112.2	113.6	110.3	109.3	107.0	110.2	108.6	106.1	115.2	110.7
95 Oil and gas extraction	13	4.8	95.0	94.0	94.6	94.0	94.3	94.8	95.7	96.3	95.7	95.1	96.6	95.9	97.5	97.4
96 Stone and earth minerals	14	.6	126.6	131.7	133.4	130.4	123.9	127.7	124.4	125.0	123.7	124.6	123.2	123.0	124.2	122.8
97 Utilities	...	7.7	120.5	119.5	114.7	118.7	121.6	121.7	119.1	122.1	121.7	120.0	121.9	129.8	125.5	122.6
98 Electric	491,3PT	6.2	124.0	121.0	119.7	122.8	125.2	124.8	121.1	126.1	124.7	124.2	127.3	132.4	128.0	125.0
99 Gas	492,3PT	1.6	109.2	113.1	98.3	104.4	108.7	110.5	111.0	108.4	110.5	105.8	104.5	119.4	115.7	113.3
SPECIAL AGGREGATES																
100 Manufacturing excluding motor vehicles and parts	...	80.5	152.6	148.7	150.1	151.0	151.7	152.6	153.2	153.5	153.9	154.3	153.8	153.1	153.0	152.3
101 Manufacturing excluding computer and office equipment	..	83.6	145.5	142.3	143.6	144.4	145.2	145.8	145.4	146.2	146.5	146.2	145.4	144.2	143.3	142.6
102 Computers, communications equipment, and semiconductors	.	5.9	1,196.1	999.4	1,048.5	1,097.8	1,140.2	1,193.1	1,248.0	1,281.6	1,310.3	1,334.8	1,358.1	1,378.0	1,392.5	1,403.4
103 Manufacturing excluding computers and semiconductors	...	81.1	128.3	127.1	127.8	128.0	128.4	128.4	127.7	128.2	128.4	128.0	127.1	125.8	124.9	124.3
104 Manufacturing excluding computers, communications equipment, and semiconductors	...	79.5	125.1	124.3	124.9	125.1	125.4	125.3	124.5	124.9	125.0	124.6	123.6	122.3	121.3	120.6
		Gross value (billions of 1992 dollars, annual rates)														
Major Markets																
105 **Products, total**	...	**2,001.9**	**2,860.8**	**2,846.9**	**2,853.1**	**2,868.9**	**2,872.7**	**2,883.5**	**2,865.7**	**2,882.9**	**2,889.1**	**2,867.4**	**2,863.2**	**2,854.7**	**2,826.2**	**2,815.8**
106 Final	...	1,552.1	2,203.2	2,183.5	2,186.3	2,202.8	2,205.6	2,218.6	2,202.8	2,220.5	2,228.1	2,205.4	2,203.7	2,195.2	2,169.0	2,163.9
107 Consumer goods	...	1,049.6	1,339.7	1,342.3	1,338.5	1,347.2	1,349.8	1,357.8	1,338.7	1,348.7	1,353.7	1,334.7	1,331.2	1,329.7	1,310.7	1,307.7
108 Equipment	...	502.5	865.7	846.2	854.0	862.2	862.2	867.3	872.8	880.8	883.3	880.9	883.3	875.3	868.9	866.8
109 Intermediate	...	449.9	657.3	662.3	665.6	665.0	666.0	663.9	661.8	661.5	660.2	661.0	658.6	658.5	656.0	650.8

1. Data in this table appear in the Board's G.17 (419) monthly statistical release. The data are also available on the Board's web site, http://www.federalreserve.gov/releases/g17. The latest historical revision of the industrial production index and the capacity utilization rates was released in December 2000. The recent annual revision is described in an article in the March 2001 issue of the *Bulletin*. For a description of the methods of estimating industrial production and capacity utilization, see "Industrial Production and Capacity Utilization: Historical Revision and Recent Developments," *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67–92, and the references cited therein. For details about the construction of individual industrial production series, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.

2. Standard industrial classification.

2.14 HOUSING AND CONSTRUCTION

Monthly figures at seasonally adjusted annual rates except as noted

Item	1998	1999	2000^{r}	2000 Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.^{r}	Dec.^{r}	2001 Jan.
	Private residential real estate activity (thousands of units except as noted)												
NEW UNITS													
1 Permits authorized	1,612	1,664	1,574	1,559	1,511	1,528	1,511	1,486	1,518	1,546	1,598	1,507	1,724
2 One-family	1,188	1,247	1,184	1,164	1,150	1,127	1,117	1,140	1,157	1,191	1,183	1,158	1,287
3 Two-family or more	425	417	391	395	361	401	394	346	361	355	415	349	437
4 Started	1,617	1,667	1,593	1,652	1,591	1,571	1,527	1,519	1,537	1,529	1,564	1,577	1,653
5 One-family	1,271	1,335	1,262	1,310	1,258	1,227	1,201	1,229	1,226	1,232	1,233	1,298	1,347
6 Two-family or more	346	332	331	342	333	344	326	290	311	297	331	279	306
7 Under construction at end of period[1]	971	993	975	1,029	1,023	1,024	1,020	1,016	1,009	1,011	1,009	1,005	1,021
8 One-family	659	679	655	703	697	696	691	692	689	691	686	683	699
9 Two-family or more	312	314	321	326	326	328	329	324	320	320	323	322	322
10 Completed	1,474	1,636	1,608	1,660	1,705	1,545	1,531	1,612	1,559^{r}	1,546	1,589	1,578	1,460
11 One-family	1,160	1,307	1,282	1,354	1,377	1,222	1,216	1,266	1,215^{r}	1,212	1,290	1,265	1,136
12 Two-family or more	315	329	326	306	328	323	315	346	344^{r}	334	299	313	324
13 Mobile homes shipped	374	348	250	271	265	262	251	249	231	213	196	176	164
Merchant builder activity in one-family units													
14 Number sold	886	907	903	865	875	827	914	860	924	940	890	986	933
15 Number for sale at end of period[1]	300	326	313	305	308	312	311	313	309	312	316	310	310
Price of units sold (thousands of dollars)[2]													
16 Median	152.5	160.0	169.0	163.1	165.0	159.9	168.6	165.0	171.5	176.0	174.0	159.9	166.9
17 Average	181.9	195.8	206.4	207.5	200.1	197.7	202.4	200.4	208.4	215.0	210.9	206.5	204.4
EXISTING UNITS (one-family)													
18 Number sold	4,970^{r}	5,205^{r}	5,113	4,980^{r}	5,190	5,180^{r}	4,820^{r}	5,240	5,160^{r}	5,070^{r}	5,300	4,940	5,200
Price of units sold (thousands of dollars)[2]													
19 Median	128.4	133.3	139.0	136.1	137.6	140.2	143.3	143.2	141.6	138.6	139.5	139.7	137.1
20 Average	159.1	168.3	176.2	173.3	176.0	178.9	177.7	183.0	178.6	176.9	176.5	178.5	175.8
	Value of new construction (millions of dollars)[3]												
CONSTRUCTION													
21 **Total put in place**	**710,104**	**765,719**	**809,258**	**816,156**	**811,816**	**798,860**	**793,036**	**801,748**	**813,477**	**803,893^{r}**	**808,948**	**811,535**	**829,411**
22 Private	550,983	592,037	624,613	629,491	629,820	624,383	619,046	616,918	625,317	618,738^{r}	624,580	625,141	639,196
23 Residential	314,058	348,584	359,315	368,948	367,653	363,756	355,196	350,783	351,682	348,076^{r}	348,998	350,679	355,887
24 Nonresidential	236,925	243,454	265,297	260,543	262,167	260,627	263,850	266,135	273,635	270,662^{r}	275,582	274,462	283,309
25 Industrial buildings	40,464	35,016	40,406	38,670	39,814	39,951	42,081	41,552	40,872	42,811^{r}	46,894	40,716	47,056
26 Commercial buildings	95,753	103,759	114,898	115,042	113,381	112,834	112,114	115,279	118,445	117,039^{r}	116,224	118,987	122,151
27 Other buildings	39,607	41,279	45,486	44,136	45,540	44,559	45,689	46,779	46,689	46,690^{r}	46,060	44,974	47,124
28 Public utilities and other	61,101	63,400	64,507	62,695	63,432	63,283	63,966	62,525	67,629	64,122^{r}	66,404	69,785	66,978
29 Public	159,121	173,682	184,645	186,665	181,995	174,477	173,990	184,830	188,160	185,155^{r}	184,368	186,393	190,215
30 Military	2,538	2,122	2,255	2,180	2,246	2,157	2,100	2,331	2,418	1,880^{r}	2,612	2,097	2,253
31 Highway	48,339	54,447	52,461	55,923	51,966	48,148	49,262	52,694	53,183	47,932^{r}	46,825	48,073	49,067
32 Conservation and development	5,421	6,002	6,026	5,840	5,363	5,832	4,875	5,629	6,158	6,989^{r}	5,603	6,330	7,398
33 Other	102,823	111,110	123,904	122,722	122,420	118,340	117,753	124,176	126,401	128,354^{r}	129,328	129,893	131,497

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, Feb. 2001[1]
	2000 Feb.	2001 Feb.	2000				2000			2001		
			Mar.	June	Sept.	Dec.	Oct.	Nov.	Dec.	Jan.	Feb.	
CONSUMER PRICES[2] (1982–84=100)												
1 **All items**	**3.2**	**3.5**	**5.6**	**2.4**	**3.3**	**2.3**	**.2**	**.2**	**.2**	**.6**	**.3**	**175.8**
2 Food	1.8	3.0	2.4	1.9	4.1	2.1	.1	−.1	.5	.3	.5	171.3
3 Energy items	19.9	13.1	43.4	5.6	7.9	3.8	.5	.2	.3	3.9	−.2	132.0
4 All items less food and energy	2.2	2.7	2.9	2.2	2.9	2.0	.1	.3	.1	.3	.3	184.4
5 Commodities	.3	.9	1.1	−.6	1.7	.0	−.1	.2	−.1	.1	.3	145.5
6 Services	2.9	3.6	3.9	3.4	3.2	3.2	.2	.3	.2	.4	.3	206.8
PRODUCER PRICES (1982=100)												
7 Finished goods	4.0	4.0	7.9	2.3	2.0	2.9	.4	.1	.2	1.1	.1	141.5
8 Consumer foods	1.4	2.6	2.7	3.3	−1.2	2.4	.7	.2[r]	−.4	.8	.6	139.5
9 Consumer energy	24.8	18.4	53.1	6.5	6.4	13.8	1.5[r]	.9[r]	.8	3.8	1.4	103.6
10 Other consumer goods	1.5	1.5	.8	1.3	2.4	.3	.1[r]	−.2[r]	.2	.8	−.4	155.9
11 Capital equipment	.4	.9	.9	1.5	1.7	.3	−.1	.0	.1	.3	−.3	139.7
Intermediate materials												
12 Excluding foods and feeds	5.7	3.5	9.5	3.1	3.1	1.2	.2	−.2[r]	.2	.8	−.1	132.3
13 Excluding energy	2.8	1.3	4.2	2.7	.3	−.6	.0	−.1	.0	.2	.1	137.3
Crude materials												
14 Foods	−.6	7.1	15.0	−7.3	−8.2	36.0	3.1	1.3	3.4	2.2	−1.6	104.5
15 Energy	70.4	48.0	84.9	163.6	20.0	64.0	5.9[r]	−6.9[r]	14.8	25.0	−23.3	148.3
16 Other	15.6	−10.0	9.9	−11.9	−8.8	−10.2	−.8[r]	−2.2[r]	3	.5	−2.5	136.1

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	1998	1999	2000[r]	1999	2000			
				Q4	Q1	Q2	Q3	Q4[r]
GROSS DOMESTIC PRODUCT								
1 **Total**	**8,790.2**	**9,299.2**	**9,963.1**	**9,559.7**	**9,752.7**	**9,945.7**	**10,039.4**	**10,114.4**
By source								
2 Personal consumption expenditures	5,850.9	6,268.7	6,757.3	6,446.2	6,621.7	6,706.3	6,810.8	6,890.2
3 Durable goods	693.9	761.3	820.3	787.6	826.3	814.3	824.7	815.8
4 Nondurable goods	1,707.6	1,845.5	2,010.0	1,910.2	1,963.9	1,997.6	2,031.5	2,046.9
5 Services	3,449.3	3,661.9	3,927.0	3,748.5	3,831.6	3,894.4	3,954.6	4,027.5
6 Gross private domestic investment	1,549.9	1,650.1	1,832.7	1,723.7	1,755.7	1,852.6	1,869.3	1,853.3
7 Fixed investment	1,472.9	1,606.8	1,778.2	1,651.0	1,725.8	1,780.5	1,803.0	1,803.5
8 Nonresidential	1,107.5	1,203.1	1,362.2	1,242.2	1,308.5	1,359.2	1,390.6	1,390.4
9 Structures	283.2	285.6	324.2	290.4	308.9	315.1	330.1	342.8
10 Producers' durable equipment	824.3	917.4	1,038.0	951.8	999.6	1,044.1	1,060.5	1,047.6
11 Residential structures	365.4	403.8	416.0	408.8	417.3	421.3	412.4	413.1
12 Change in business inventories	77.0	43.3	54.5	72.7	29.9	72.0	66.4	49.8
13 Nonfarm	76.4	43.6	55.8	71.8	32.4	72.2	67.5	51.0
14 Net exports of goods and services	−151.5	−254.0	−370.7	−299.1	−335.2	−355.4	−389.5	−402.7
15 Exports	966.0	990.2	1,097.3	1,031.0	1,051.9	1,092.9	1,130.8	1,113.7
16 Imports	1,117.5	1,244.2	1,468.0	1,330.1	1,387.1	1,448.3	1,520.3	1,516.4
17 Government consumption expenditures and gross investment	1,540.9	1,634.4	1,743.7	1,688.8	1,710.4	1,742.2	1,748.8	1,773.6
18 Federal	540.6	568.6	595.2	591.6	580.1	604.5	594.2	602.0
19 State and local	1,000.3	1,065.8	1,148.6	1,097.3	1,130.4	1,137.7	1,154.6	1,171.6
By major type of product								
20 Final sales, total	8,713.2	9,255.9	9,908.5	9,486.9	9,722.8	9,873.7	9,973.1	10,064.6
21 Goods	3,239.3	3,467.0	3,739.0	3,566.0	3,680.3	3,734.1	3,776.5	3,764.9
22 Durable	1,532.3	1,651.1	1,806.7	1,701.8	1,773.7	1,809.6	1,830.6	1,812.7
23 Nondurable	1,707.1	1,815.8	1,932.3	1,864.1	1,906.6	1,924.5	1,945.9	1,952.2
24 Services	4,673.0	4,934.6	5,254.1	5,050.3	5,135.2	5,231.4	5,281.6	5,368.0
25 Structures	800.9	854.3	915.6	870.7	907.4	908.2	915.0	931.7
26 Change in business inventories	77.0	43.3	54.5	72.7	29.9	72.0	66.4	49.8
27 Durable goods	45.8	27.2	37.2	47.5	20.7	48.3	39.2	40.7
28 Nondurable goods	31.2	16.1	17.3	25.2	9.2	23.7	27.2	9.0
MEMO								
29 **Total GDP in chained 1996 dollars**	**8,515.7**	**8,875.8**	**9,318.5**	**9,084.1**	**9,191.8**	**9,318.9**	**9,369.5**	**9,393.7**
NATIONAL INCOME								
30 **Total**	**7,038.1**	**7,469.7**	**8,002.0**	**7,680.7**	**7,833.5**	**7,983.2**	**8,088.5**	**8,102.8**
31 Compensation of employees	4,984.2	5,299.8	5,638.2	5,421.1	5,512.2	5,603.5	5,679.6	5,757.5
32 Wages and salaries	4,192.8	4,475.1	4,769.4	4,583.5	4,660.4	4,740.1	4,804.9	4,872.0
33 Government and government enterprises	692.7	724.4	760.9	734.5	749.9	760.2	765.4	768.2
34 Other	3,500.1	3,750.7	4,008.5	3,849.0	3,910.5	3,980.0	4,039.5	4,103.9
35 Supplement to wages and salaries	791.4	824.6	868.8	837.7	851.8	863.3	874.7	885.5
36 Employer contributions for social insurance	305.9	323.6	344.8	330.3	337.8	342.9	347.1	351.5
37 Other labor income	485.5	501.0	524.0	507.4	514.0	520.5	527.6	534.0
38 Proprietors' income[1]	620.7	663.5	710.4	689.6	693.9	709.5	724.8	713.2
39 Business and professional[1]	595.2	638.2	687.8	657.9	674.8	688.1	693.1	695.2
40 Farm[1]	25.4	25.3	22.6	31.7	19.1	21.5	31.7	18.0
41 Rental income of persons[2]	135.4	143.4	140.0	146.2	145.6	140.8	138.1	135.4
42 Corporate profits[1]	815.0	856.0	946.2	893.2	936.3	963.6	970.3	914.7
43 Profits before tax[3]	758.2	823.0	925.6	870.7	920.7	942.5	945.1	894.1
44 Inventory valuation adjustment	17.0	−9.1	−12.9	−19.2	−25.0	−13.6	−4.5	−8.5
45 Capital consumption adjustment	39.9	42.1	33.5	41.6	40.6	34.7	29.7	29.1
46 Net interest	482.7	507.1	567.2	530.6	545.4	565.9	575.7	582.0

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	1998	1999	2000	1999	2000			
				Q4	Q1	Q2	Q3	Q4[r]
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**7,391.0**	**7,789.6**	**8,281.7**	**7,972.3**	**8,105.8**	**8,242.1**	**8,349.0**	**8,429.7**
2 Wage and salary disbursements	4,190.7	4,470.0	4,769.4	4,578.3	4,660.4	4,740.1	4,804.9	4,872.0
3 Commodity-producing industries	1,038.6	1,089.2	1,153.2	1,111.2	1,130.9	1,147.1	1,161.4	1,173.3
4 Manufacturing	756.6	782.4	815.9	795.1	802.8	813.1	821.4	826.4
5 Distributive industries	949.1	1,020.3	1,107.3	1,049.4	1,070.9	1,095.7	1,118.1	1,144.4
6 Service industries	1,510.3	1,636.0	1,748.0	1,683.2	1,708.6	1,737.2	1,760.1	1,786.2
7 Government and government enterprises	692.7	724.4	760.9	734.5	749.9	760.2	765.4	768.2
8 Other labor income	485.5	501.0	524.0	507.4	514.0	520.5	527.6	534.0
9 Proprietors' income[1]	620.7	663.5	710.4	689.6	693.9	709.5	724.8	713.2
10 Business and professional[1]	595.2	638.2	687.8	657.9	674.8	688.1	693.1	695.2
11 Farm[1]	25.4	25.3	22.6	31.7	19.1	21.5	31.7	18.0
12 Rental income of persons[2]	135.4	143.4	140.0	146.2	145.6	140.8	138.1	135.4
13 Dividends	351.1	370.3	396.6	380.2	386.9	392.6	399.7	407.2
14 Personal interest income	940.8	963.7	1,034.3	989.0	1,011.6	1,031.3	1,042.9	1,051.5
15 Transfer payments	983.0	1,016.2	1,067.8	1,027.4	1,046.9	1,066.1	1,074.2	1,084.0
16 Old-age survivors, disability, and health insurance benefits	578.0	588.0	622.4	592.8	607.9	624.3	627.2	630.4
17 LESS: Personal contributions for social insurance	316.2	338.5	360.7	345.9	353.4	358.8	363.1	367.6
18 EQUALS: Personal income	7,391.0	7,789.6	8,281.7	7,972.3	8,105.8	8,242.1	8,349.0	8,429.7
19 LESS: Personal tax and nontax payments	1,070.9	1,152.0	1,291.9	1,197.3	1,239.3	1,277.2	1,308.1	1,342.7
20 EQUALS: Disposable personal income	6,320.0	6,637.7	6,989.8	6,775.0	6,866.5	6,964.9	7,040.9	7,087.0
21 LESS: Personal outlays	6,054.7	6,490.1	6,998.3	6,674.1	6,855.6	6,944.3	7,054.7	7,138.6
22 EQUALS: Personal saving	265.4	147.6	−8.5	101.0	11.0	20.6	−13.8	−51.6
MEMO								
Per capita (chained 1996 dollars)								
23 Gross domestic product	31,474.2	32,511.9	33,836.1	33,153.5	33,485.6	33,874.7	33,984.3	33,985.9
24 Personal consumption expenditures	20,988.5	21,900.4	22,855.1	22,266.4	22,635.5	22,757.7	22,959.1	23,058.3
25 Disposable personal income	22,672.0	23,191.0	23,640.0	23,404.0	23,472.0	23,639.0	23,732.0	23,718.0
26 Saving rate (percent)	4.2	2.2	−.1	1.5	.2	.3	−.2	−.7
GROSS SAVING								
27 **Gross saving**	**1,654.4**	**1,717.6**	**1,825.1**	**1,746.3**	**1,777.0**	**1,844.5**	**1,854.7**	**1,824.2**
28 Gross private saving	1,375.7	1,343.5	1,297.1	1,331.4	1,279.2	1,328.8	1,319.2	1,261.2
29 Personal saving	265.4	147.6	−8.5	101.0	11.0	20.6	−13.8	−51.6
30 Undistributed corporate profits[1]	218.9	229.4	265.0	241.7	262.7	278.5	279.6	239.4
31 Corporate inventory valuation adjustment	17.0	−9.1	−12.9	−19.2	−25.0	−13.6	−4.5	−8.5
Capital consumption allowances								
32 Corporate	624.3	676.9	739.4	694.8	711.5	731.1	750.0	765.2
33 Noncorporate	265.1	284.5	301.1	288.7	294.1	298.7	303.3	308.2
34 Gross government saving	278.7	374.1	528.0	414.9	497.7	515.7	535.5	563.0
35 Federal	137.4	217.3	351.6	238.4	333.0	339.9	354.1	379.3
36 Consumption of fixed capital	88.4	92.8	99.8	95.0	97.2	98.9	100.8	102.3
37 Current surplus or deficit (−), national accounts	49.0	124.4	251.8	143.3	235.8	240.9	253.3	277.0
38 State and local	141.3	156.8	176.4	176.6	164.7	175.8	181.4	183.7
39 Consumption of fixed capital	99.5	106.8	116.8	109.9	112.7	115.6	118.2	120.6
40 Current surplus or deficit (−), national accounts	41.7	50.0	59.6	66.6	52.0	60.1	63.2	63.1
41 **Gross investment**	**1,629.6**	**1,645.6**	**1,741.3**	**1,678.5**	**1,699.3**	**1,771.9**	**1,752.8**	**1,741.3**
42 Gross private domestic investment	1,549.9	1,650.1	1,832.7	1,723.7	1,755.7	1,852.6	1,869.3	1,853.3
43 Gross government investment	278.8	308.7	336.6	324.4	334.2	331.9	333.6	346.5
44 Net foreign investment	−199.1	−313.2	−427.9	−369.6	−390.7	−412.5	−450.1	−458.5
45 **Statistical discrepancy**	**−24.8**	**−71.9**	**−83.7**	**−67.8**	**−77.7**	**−72.5**	**−101.8**	**−82.9**

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	1998	1999	2000	1999	2000			
				Q4	Q1	Q2	Q3[r]	Q4[p]
1 Balance on current account	−217,138	−331,479	−435,377	−96,223	−101,768[r]	−105,239[r]	−113,110	−115,266
2 Balance on goods and services	−166,898	−264,971	−368,480	−76,280	−85,260[r]	−88,745[r]	−95,630	−98,853
3 Exports	932,977	956,242	1,069,531	249,653	255,936[r]	265,925[r]	275,411	272,256
4 Imports	−1,099,875	−1,221,213	−1,438,011	−325,933	−341,196[r]	−354,670[r]	−371,041	−371,109
5 Income, net	−6,211	−18,483	−13,656	−5,683	−4,421[r]	−4,160[r]	−4,531	−541
6 Investment, net	−1,036	−13,102	−8,142	−4,319	−3,050[r]	−2,769[r]	−3,184	864
7 Direct	67,728	62,704	83,776	16,275	17,026[r]	18,973[r]	21,537	26,241
8 Portfolio	−68,764	−75,806	−91,918	−20,594	−20,076[r]	−21,742[r]	−24,721	−25,377
9 Compensation of employees	−5,175	−5,381	−5,514	−1,364	−1,371[r]	−1,391[r]	−1,347	−1,405
10 Unilateral current transfers, net	−44,029	−48,025	−53,241	−14,260	−12,087[r]	−12,334[r]	−12,949	−15,872
11 *Change in U.S. government assets other than official reserve assets, net (increase, −)*	−422	2,751	−715	3,711	−131	−574	114	−124
12 Change in U.S. official reserve assets (increase, −)	−6,783	8,747	−290	1,569	−554	2,020	−346	−1,410
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	−147	10	−722	−178	−180	−180	−182	−180
15 Reserve position in International Monetary Fund	−5,119	5,484	2,308	1,800	−237	2,328	1,300	−1,083
16 Foreign currencies	−1,517	3,253	−1,876	−53	−137	−128	−1,464	−147
17 Change in U.S. private assets abroad (increase, −)	−328,231	−441,685	−552,344	−120,162	−178,262[r]	−93,859[r]	−93,188	−187,032
18 Bank-reported claims[2]	−35,572	−69,862	−110,173	−45,304	−55,511	18,320	−5,964	−67,018
19 Nonbank-reported claims	−10,612	−92,328	−156,988	−24,428	−52,563	−36,507	−17,807	−50,111
20 U.S. purchases of foreign securities, net	−135,995	−128,594	−123,606	−17,150	−27,236	−38,196	−33,242	−24,932
21 U.S. direct investments abroad, net	−146,052	−150,901	−161,577	−33,280	−42,952[r]	−37,476[r]	−36,175	−44,971
22 Change in foreign official assets in United States (increase, +)	−20,127	42,864	35,909	27,495	22,015	6,346	11,901	−4,353
23 U.S. Treasury securities	−9,921	12,177	−11,377	5,122	16,198	−4,000	−9,001	−14,574
24 Other U.S. government obligations	6,332	20,350	40,909	6,730	8,107	10,334	14,272	8,196
25 Other U.S. government liabilities[2]	−3,550	−3,255	−2,540	89	−644	−781	−620	−495
26 Other U.S. liabilities reported by U.S. banks[2]	−9,501	12,692	5,790	14,427	−2,577	−111	6,938	1,540
27 Other foreign official assets[3]	−3,487	900	3,127	1,127	931	904	312	980
28 Change in foreign private assets in United States (increase, +)	502,362	710,700	916,521	157,072	214,623[r]	238,906[r]	183,424	279,564
29 U.S. bank-reported liabilities[4]	39,769	67,403	79,485	19,618	−8,824	46,943	−1,394	42,760
30 U.S. nonbank-reported liabilities	−7,001	34,298	105,728	792	58,061	24,038	1,506	22,123
31 Foreign private purchases of U.S. Treasury securities, net	48,581	−20,464	−52,206	−17,191	−9,248	−20,597	−12,513	−9,848
32 U.S. currency flows	16,622	22,407	1,129	12,213	−6,847	989	757	6,230
33 Foreign purchases of other U.S. securities, net	218,075	331,523	465,858	92,250	132,416	87,107	122,387	123,948
34 Foreign direct investments in United States, net	186,316	275,533	316,527	49,390	49,065[r]	100,426[r]	72,681	94,351
35 Capital account transactions, net[5]	637	−3,500	680	−3,993	166	170	167	177
36 Discrepancy	69,702	11,602	35,616	30,531	43,911[r]	−47,770[r]	11,038	28,444
37 Due to seasonal adjustment	...	...	...	5,738	5,873[r]	−2,361[r]	−9,215	5,710
38 Before seasonal adjustment	69,702	11,602	35,616	24,793	38,038	−45,409	20,253	22,734
MEMO								
Changes in official assets								
39 U.S. official reserve assets (increase, −)	−6,783	8,747	−290	1,569	−554	2,020	−346	−1,410
40 Foreign official assets in United States, excluding line 25 (increase, +)	−16,577	46,119	38,449	27,406	22,659	7,127	12,521	−3,858
41 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22)	−11,531	1,331	11,989	−1,673	6,109	1,913	3,803	164

1. Seasonal factors are not calculated for lines 11–16, 18–20, 22–35, and 38–41.
2. Associated primarily with military sales contracts and other transactions arranged with or through foreign official agencies.
3. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.
4. Reporting banks included all types of depository institutions as well as some brokers and dealers.
5. Consists of capital transfers (such as those of accompanying migrants entering or leaving the country and debt forgiveness) and the acquisition and disposal of nonproduced nonfinancial assets.

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business.*

3.11 U.S. FOREIGN TRADE[1]

Millions of dollars; monthly data seasonally adjusted

Item	1998	1999	2000	2000						2001
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.p
1 Goods and services, balance	−166,898	−264,971	−368,865	−32,129	−29,951	−33,546	−33,168	−32,875	−33,199	−33,262
2 Merchandise	−246,854	−345,559	−449,853	−38,590	−36,750	−39,395	−39,954	−39,124	−39,569	−39,500
3 Services	79,956	80,588	80,988	6,461	6,799	5,849	6,786	6,249	6,370	6,238
4 Goods and services, exports	932,977	956,242	1,068,741	89,742	92,883	92,793	91,425	90,825	89,201	89,650
5 Merchandise	670,324	684,358	772,514	65,075	67,952	67,815	66,325	65,850	64,114	64,705
6 Services	262,653	271,884	296,227	24,667	24,931	24,978	25,100	24,975	25,087	24,945
7 Goods and services, imports	1,099,875	1,221,213	1,437,606	−121,871	−122,834	−126,339	−124,593	−123,700	−122,400	−122,912
8 Merchandise	917,178	1,029,917	1,222,367	−103,665	−104,702	−107,210	−106,279	−104,974	−103,683	−104,205
9 Services	182,697	191,296	215,239	−18,206	−18,132	−19,129	−18,314	−18,726	−18,717	−18,707

1. Data show monthly values consistent with quarterly figures in the U.S. balance of payments accounts.

SOURCE. *FT900*, U.S Department of Commerce, Bureau of the Census and Bureau of Economic Analysis.

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Asset	1997	1998	1999	2000					2001		
				Aug	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.p
1 **Total**	**69,954**	**81,761**	**71,516**	**65,333**	**66,256**	**65,257**	**65,523**	**67,647**	**67,542**	**66,486**	**64,222**
2 Gold stock[1]	11,047	11,046	11,048	11,046	11,046	11,046	11,046	11,046	11,046	11,046	11,046
3 Special drawing rights[2,3]	10,027	10,603	10,336	10,371	10,316	10,169	10,369	10,539	10,497	10,641	10,379
4 Reserve position in International Monetary Fund[2]	18,071	24,111	17,950	13,798	13,685	13,528	13,491	14,824	15,079	14,107	13,177
5 Foreign currencies[4]	30,809	36,001	32,182	30,118	31,209	30,514	30,617	31,238	30,920	30,692	29,020

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	1997	1998	1999	2000					2001		
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.p
1 **Deposits**	**457**	**167**	**71**	**78**	**139**	**115**	**104**	**215**	**199**	**196**	**70**
Held in custody											
2 U.S. Treasury securities[2]	620,885	607,574	632,482	628,001	611,641	595,591	591,071	594,094	594,694	603,906	609,440
3 Earmarked gold[3]	10,763	10,343	9,933	9,674	9,620	9,565	9,505	9,451	9,397	9,343	9,289

1. Excludes deposits and U.S. Treasury securities held for international and regional organizations.

2. Marketable U.S. Treasury bills, notes, and bonds and nonmarketable U.S. Treasury securities, in each case measured at face (not market) value.

3. Held in foreign and international accounts and valued at $42.22 per fine troy ounce; not included in the gold stock of the United States.

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1998	1999	2000						2001
			July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[p]
1 **Total**[1]	**759,928**	**806,318**	**848,281**	**850,445**	**849,206**	**850,116**	**849,049**	**845,926**	**867,344**
By type									
2 Liabilities reported by banks in the United States[2]	125,883	138,847	141,163	138,259	143,670	146,452	147,631	144,650	155,294
3 U.S. Treasury bills and certificates[3]	134,177	156,177	160,093	159,781	155,498	155,101	155,061	153,010	158,967
U.S. Treasury bonds and notes									
4 Marketable	432,127	422,266	433,190	433,639	427,013	419,863	414,896	415,964	418,190
5 Nonmarketable[4]	6,074	6,111	5,180	5,213	5,247	5,280	5,313	5,348	5,383
6 U.S. securities other than U.S. Treasury securities[5]	61,667	82,917	108,655	113,553	117,778	123,420	126,148	126,954	129,510
By area									
7 Europe[1]	256,026	244,805	258,352	256,275	258,138	264,131	262,099	253,592	259,829
8 Canada	10,552	12,503	13,728	12,692	12,821	12,632	11,744	12,394	11,220
9 Latin America and Caribbean	79,503	73,518	74,246	76,983	77,568	77,526	78,742	76,812	80,577
10 Asia	400,631	463,703	487,417	490,110	486,890	481,344	481,094	488,168	499,924
11 Africa	10,059	7,523	8,656	8,707	8,466	8,323	8,012	9,165	8,965
12 Other countries	3,157	4,266	5,882	5,678	5,323	6,160	7,358	5,795	6,829

1. Includes the Bank for International Settlements.
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
3. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes current value of zero-coupon Treasury bond issues to foreign governments as follows: Mexico, beginning March 1988, 20-year maturity issue and beginning March 1990, 30-year maturity issue; Venezuela, beginning December 1990, 30-year maturity issue; Argentina, beginning April 1993, 30-year maturity issue.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.

SOURCE. Based on U.S. Department of the Treasury data and on data reported to the department by banks (including Federal Reserve Banks) and securities dealers in the United States, and on the 1994 benchmark survey of foreign portfolio investment in the United States.

3.16 LIABILITIES TO, AND CLAIMS ON, FOREIGNERS Reported by Banks in the United States[1] Payable in Foreign Currencies

Millions of dollars, end of period

Item	1997	1998	1999	2000			
				Mar.	June	Sept.	Dec.
1 Banks' liabilities	117,524	101,125	88,537	85,649	85,842	78,852[r]	76,120
2 Banks' claims	83,038	78,162	67,365	63,492	67,862	60,355	56,867
3 Deposits	28,661	45,985	34,426	32,967	31,224	25,847	22,907
4 Other claims	54,377	32,177	32,939	30,525	36,638	34,508	33,960
5 Claims of banks' domestic customers[2]	8,191	20,718	20,826	21,753	18,802	19,123	29,782

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	1998	1999	2000	2000						2001
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[p]
BY HOLDER AND TYPE OF LIABILITY										
1 **Total, all foreigners**	**1,347,837[r]**	**1,408,740[r]**	**1,523,669[r]**	**1,480,320[r]**	**1,444,533[r]**	**1,453,643[r]**	**1,511,173[r]**	**1,525,179[r]**	**1,523,669[r]**	**1,568,401**
2 Banks' own liabilities	884,939[r]	971,536[r]	1,049,070[r]	1,050,469[r]	1,013,471[r]	1,027,138[r]	1,074,575[r]	1,073,536[r]	1,049,070[r]	1,085,661
3 Demand deposits	29,558	42,884	33,553	34,914	30,101	31,964	29,500	31,701	33,553	31,977
4 Time deposits[2]	151,761	163,620	191,791	186,485	184,821	184,823	185,454	192,422	191,791	187,385
5 Other[3]	140,752	155,853	173,233	172,466	174,021	174,473	194,659	187,066	173,233	202,150
6 Own foreign offices[4]	562,868[r]	609,179[r]	650,493[r]	656,604[r]	624,528[r]	635,878[r]	664,962[r]	662,347[r]	650,493[r]	664,149
7 Banks' custodial liabilities[5]	462,898	437,204	474,599	429,851	431,062	426,505	436,598	451,643	474,599	482,740
8 U.S. Treasury bills and certificates[6]	183,494	185,676	177,742	182,699	180,925	174,604	173,984	173,896	177,742	182,276
9 Short-term agency securities[7]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	56,565
10 Other negotiable and readily transferable instruments[8]	141,699	132,617	144,858	120,624	119,212	120,296	129,753	132,453	144,858	86,733
11 Other	137,705	118,911	151,999	126,528	130,925	131,605	132,861	145,294	151,999	157,166
12 Nonmonetary international and regional organizations[9]	11,883	15,276	12,560	16,689	14,630	15,658	17,104	17,074	12,560	10,938
13 Banks' own liabilities	10,850	14,357	12,158	16,294	14,377	15,404	16,751	16,676	12,158	10,595
14 Demand deposits	172	98	41	30	26	19	48	30	41	327
15 Time deposits[2]	5,793	10,349	6,264	10,305	9,062	7,627	5,918	6,542	6,264	5,641
16 Other[3]	4,885	3,910	5,853	5,959	5,289	7,758	10,785	10,104	5,853	4,627
17 Banks' custodial liabilities[5]	1,033	919	402	395	253	254	353	398	402	343
18 U.S. Treasury bills and certificates[6]	636	680	252	371	217	223	215	249	252	294
19 Short-term agency securities[7]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	26
20 Other negotiable and readily transferable instruments[8]	397	233	149	21	26	26	138	147	149	23
21 Other	0	6	1	3	10	5	0	2	1	0
22 Official institutions[10]	260,060	295,024	297,660	301,256	298,040	299,168	301,553	302,692	297,660	314,261
23 Banks' own liabilities	80,256	97,615	97,052	94,275	92,255	95,709	102,654	102,110	97,052	103,446
24 Demand deposits	3,003	3,341	3,950	4,063	4,573	5,213	4,361	4,702	3,950	4,014
25 Time deposits[2]	29,506	28,942	35,638	35,537	32,639	36,699	34,035	35,335	35,638	33,026
26 Other[3]	47,747	65,332	57,464	54,675	55,043	53,797	64,258	62,073	57,464	66,406
27 Banks' custodial liabilities[5]	179,804	197,409	200,608	206,981	205,785	203,459	198,899	200,582	200,608	210,815
28 U.S. Treasury bills and certificates[6]	134,177	156,177	153,010	160,093	159,781	155,498	155,101	155,061	153,010	158,967
29 Short-term agency securities[7]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	44,884
30 Other negotiable and readily transferable instruments[8]	44,953	41,182	47,360	46,363	45,644	47,660	43,753	44,828	47,360	5,837
31 Other	674	50	238	525	360	301	45	693	238	1,127
32 Banks[11]	885,336	900,379	981,552	954,566	920,591	926,474	963,643	973,539	981,552	1,008,148
33 Banks' own liabilities	676,057	728,492	789,052	791,432	753,503	761,767	797,391	794,924	789,052	809,779
34 Unaffiliated foreign banks	113,189	119,313	138,559	134,828	128,975	125,889	132,429	132,577	138,559	145,630
35 Demand deposits	14,071	17,583	15,532	17,508	11,959	12,918	12,160	12,834	15,532	14,297
36 Time deposits[2]	45,904	48,140	67,498	60,703	62,841	59,958	64,301	68,828	67,498	70,896
37 Other[3]	53,214	53,590	55,529	56,617	54,175	53,013	55,968	50,915	55,529	60,437
38 Own foreign offices[4]	562,868	609,179	650,493	656,604	624,528	635,878	664,962	662,347	650,493	664,149
39 Banks' custodial liabilities[5]	209,279	171,887	192,500	163,134	167,088	164,707	166,252	178,615	192,500	198,369
40 U.S. Treasury bills and certificates[6]	35,359	16,796	15,919	12,657	12,251	10,667	9,972	10,285	15,919	14,484
41 Short-term agency securities[7]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	7,439
42 Other negotiable and readily transferable instruments[8]	45,332	45,695	35,104	34,018	33,893	32,679	34,261	34,643	35,104	30,757
43 Other	128,588	109,396	141,477	116,459	120,944	121,361	122,019	133,687	141,477	145,689
44 Other foreigners	190,558	198,061	231,897	207,809	211,272	212,343	228,873	231,874	231,897	235,054
45 Banks' own liabilities	117,776	131,072	150,808	148,468	153,336	154,258	157,779	159,826	150,808	161,841
46 Demand deposits	12,312	21,862	14,030	13,313	13,543	13,814	12,931	14,135	14,030	13,339
47 Time deposits[2]	70,558	76,189	82,391	79,940	80,279	80,539	81,200	81,717	82,391	77,822
48 Other[3]	34,906	33,021	54,387	55,215	59,514	59,905	63,648	63,974	54,387	70,680
49 Banks' custodial liabilities[5]	72,782	66,989	81,089	59,341	57,936	58,085	71,094	72,048	81,089	73,213
50 U.S. Treasury bills and certificates[6]	13,322	12,023	8,561	9,578	8,676	8,216	8,696	8,301	8,561	8,531
51 Short-term agency securities[7]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4,216
52 Other negotiable and readily transferable instruments[8]	51,017	45,507	62,245	40,222	39,649	39,931	51,601	52,835	62,245	50,116
53 Other	8,443	9,459	10,283	9,541	9,611	9,938	10,797	10,912	10,283	10,350
MEMO										
54 Negotiable time certificates of deposit in custody for foreigners	27,026	30,345	34,088	26,186	25,911	25,991	27,164	25,854	34,088	31,389
55 Repurchase agreements[7]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	93,821

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. Data available beginning January 2001.
8. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
9. 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.
10. Foreign central banks, foreign central governments, and the Bank for International Settlements.
11. Excludes central banks, which are included in "Official institutions."

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]—Continued
Payable in U.S. dollars

Millions of dollars, end of period

Item	1998	1999	2000	2000						2001
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
AREA										
56 **Total, all foreigners**	**1,347,837**	**1,408,740**	**1,523,669**	**1,480,320**	**1,444,533**	**1,453,643**	**1,511,173**	**1,525,179**	**1,523,669**	**1,568,401**
57 **Foreign countries**	**1,335,954**	**1,393,464**	**1,511,108**	**1,463,671**	**1,429,903**	**1,437,985**	**1,494,069**	**1,508,105**	**1,511,108**	**1,557,462**
58 Europe	427,375	441,810	449,152	479,531	454,624	463,391	483,826	471,979	449,152	476,418
59 Austria	3,178	2,789	2,724	3,239	2,783	2,541	2,037	2,671	2,724	2,366
60 Belgium[12]	42,818	44,692	33,401	33,282	31,281	29,828	29,648	32,389	33,401	7,356
61 Denmark	1,437	2,196	3,001	3,521	3,689	3,429	3,001	3,531	3,001	3,391
62 Finland	1,862	1,658	1,412	1,751	1,618	1,512	1,418	1,874	1,412	1,155
63 France	44,616	49,790	37,840	42,379	42,723	39,693	41,736	43,534	37,840	48,385
64 Germany	21,357	24,753	35,535	26,484	25,893	26,212	28,633	27,084	35,535	30,250
65 Greece	2,066	3,748	2,013	2,917	3,455	3,331	3,445	3,344	2,013	1,888
66 Italy	7,103	6,775	5,079	5,700	5,566	5,959	5,594	5,521	5,079	4,997
67 Luxembourg[12]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	27,092
68 Netherlands	10,793	8,143	7,485	12,313	13,087	10,311	14,450	13,283	7,485	8,504
69 Norway	710	1,327	2,305	2,337	1,636	3,501	4,102	5,159	2,305	4,762
70 Portugal	3,236	2,228	2,404	2,169	2,144	2,244	2,262	2,379	2,404	2,571
71 Russia	2,439	5,475	19,020	14,960	14,252	15,970	17,260	20,022	19,020	17,233
72 Spain	15,781	10,426	7,801	8,829	8,791	8,421	9,270	6,900	7,801	8,129
73 Sweden	3,027	4,652	6,498	5,100	5,992	6,209	6,247	7,362	6,498	5,648
74 Switzerland	50,654	63,485	74,732	76,255	77,578	88,276	97,151	86,154	74,732	83,096
75 Turkey	4,286	7,842	7,548	8,341	7,999	8,173	8,492	4,525	7,548	7,783
76 United Kingdom	181,554	172,687	169,484	196,978	173,798	175,663	173,254	172,281	169,484	179,363
77 Channel Islands & Isle of Man[13]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	406
78 Yugoslavia[14]	233	286	276	277	277	275	270	279	276	287
79 Other Europe and other former U.S.S.R.[15]	30,225	28,858	30,594	32,699	32,062	31,843	35,556	33,687	30,594	31,756
80 Canada	30,212	34,214	31,059	37,231	33,722	33,869	34,367	31,252	31,059	23,927
81 Latin America	121,327	117,495	121,719	117,727	119,261	120,099	121,417	121,353	121,719	118,930
82 Argentina	19,014	18,633	19,493	19,092	17,552	18,560	18,746	17,886	19,493	18,936
83 Brazil	15,815	12,865	10,953	11,950	12,351	11,537	10,204	11,663	10,953	10,542
84 Chile	5,015	7,008	5,895	5,440	5,296	5,346	5,105	5,327	5,895	5,647
85 Colombia	4,624	5,669	4,555	4,627	4,735	4,658	4,945	4,560	4,555	4,552
86 Ecuador	1,572	1,956	2,119	2,219	2,082	2,074	2,084	2,059	2,119	2,157
87 Guatemala	1,336	1,626	1,637	1,730	1,659	1,671	1,667	1,678	1,637	1,581
88 Mexico	37,157	30,717	33,157	33,379	33,291	33,878	36,054	33,856	33,157	33,723
89 Panama	3,864	4,415	4,292	3,353	3,561	3,661	3,788	3,980	4,292	3,615
90 Peru	840	1,142	1,435	1,097	1,065	1,091	1,153	1,194	1,435	1,355
91 Uruguay	2,486	2,386	3,006	2,179	2,541	2,567	2,512	2,944	3,006	2,798
92 Venezuela	19,894	20,192	24,779	21,462	23,909	23,997	24,288	25,963	24,779	26,996
93 Other Latin America[16]	9,710	10,886	10,398	11,199	11,219	11,059	10,871	10,243	10,398	7,028
94 Caribbean	433,539	461,200	580,562	523,062	510,847	513,720	533,961	560,281	580,562	601,776
95 Bahamas	118,085	135,811	189,454	167,569	173,061	167,671	178,113	176,823	189,454	186,180
96 Bermuda	6,846	7,874	9,695	7,074	8,157	8,100	8,730	8,404	9,695	9,487
97 British West Indies[17]	302,486	312,278	374,107	339,700	321,573	331,097	340,926	368,175	374,107	0
98 Caymen Islands[17]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	384,280
99 Cuba	62	75	90	124	92	89	94	88	90	130
100 Jamaica	577	520	815	725	915	830	680	722	815	792
101 Netherlands Antilles	5,010	4,047	5,496	7,164	6,373	5,159	4,614	5,318	5,496	6,565
102 Trinidad and Tobago	473	595	905	706	676	774	804	751	905	797
103 Other Caribbean[16]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a	13,545
104 Asia	307,960	319,489	306,412	285,018	291,017	286,551	299,164	301,595	306,412	315,245
China										
105 Mainland	13,441	12,325	16,538	9,385	11,769	11,830	13,719	15,835	16,538	27,451
106 Taiwan	12,708	13,603	17,690	13,156	14,675	15,140	18,289	17,630	17,690	19,865
107 Hong Kong	20,900	27,701	26,768	25,675	26,749	26,583	25,784	25,924	26,768	27,013
108 India	5,250	7,367	4,532	5,712	5,547	5,838	5,548	5,173	4,532	4,197
109 Indonesia	8,282	6,567	8,524	7,342	7,318	7,310	7,589	8,375	8,524	8,536
110 Israel	7,749	7,488	8,055	5,794	5,951	7,132	6,668	6,538	8,055	7,666
111 Japan	168,563	159,075	150,434	147,549	146,382	142,782	150,196	149,679	150,434	148,810
112 Korea (South)	12,524	12,988	7,967	8,618	8,819	9,043	6,684	6,689	7,967	7,155
113 Philippines	3,324	3,268	2,430	1,649	1,679	1,822	1,676	2,334	2,430	1,769
114 Thailand	7,359	6,050	3,129	3,900	3,504	3,330	3,178	3,477	3,129	3,157
115 Middle Eastern oil-exporting countries[18]	15,609	21,314	23,760	22,195	21,968	21,851	23,856	23,732	23,760	22,425
116 Other	32,251	41,743	36,585	34,043	36,656	33,890	35,977	36,209	36,585	37,201
117 Africa	8,905	9,468	10,836	9,739	9,607	9,821	9,663	9,515	10,836	10,552
118 Egypt	1,339	2,022	2,622	1,780	1,615	1,544	1,546	1,655	2,622	2,552
119 Morocco	97	179	139	118	109	112	121	100	139	157
120 South Africa	1,522	1,495	1,011	792	708	842	767	853	1,011	843
121 Congo (formerly Zaire)	5	14	4	5	7	5	4	4	4	10
122 Oil-exporting countries[19]	3,088	2,914	4,052	4,258	4,470	4,499	4,405	4,027	4,052	4,317
123 Other	2,854	2,844	3,008	2,786	2,698	2,819	2,820	2,876	3,008	2,673
124 Other Countries	6,636	9,788	11,368	11,363	10,825	10,534	11,671	12,130	11,368	10,614
125 Australia	5,495	8,377	10,090	10,346	9,825	9,507	10,562	10,961	10,090	8,854
126 New Zealand[20]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1,032
127 All other	1,141	1,411	1,278	1,017	1,000	1,027	1,109	1,169	1,278	728
128 Nonmonetary international and regional organizations	11,883	15,276	12,561	16,689	14,630	15,658	17,104	17,074	12,561	10,939
129 International[21]	10,221	12,876	11,288	15,295	13,118	14,387	16,133	16,068	11,288	9,024
130 Latin American regional[22]	594	1,150	740	786	1,146	888	582	523	740	1,493
131 Other regional[23]	1,068	1,250	533	608	366	383	389	483	533	422

12. Before January 2001, combined data reported for Belgium-Luxembourg.
13. Before January 2001, data included in United Kingdom.
14. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.
15. Includes the Bank for International Settlements and European Central Bank. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.
16. Before January 2000, "Other Latin America" and "Other Caribbean" were reported as combined "Other Latin America and Caribbean."
17. Beginning January 2001, Cayman Islands replaced British West Indies in the data series.
18. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
19. Comprises Algeria, Gabon, Libya, and Nigeria.
20. Before January 2001, included in "All other."
21. Principally the International Bank for Reconstruction and Development. Excludes "holdings of dollars" of the International Monetary Fund.
22. Principally the Inter-American Development Bank.
23. 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	1998	1999	2000	2000						2001
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
1 **Total, all foreigners**	**734,995**	**793,139**	**911,879**	**846,338**	**813,193**	**856,474**	**879,626**	**882,419**	**911,879**	**958,982**
2 **Foreign countries**	**731,378**	**788,576**	**907,193**	**842,452**	**809,416**	**851,609**	**874,403**	**878,579**	**907,193**	**955,755**
3 Europe	233,321	311,686	383,876	358,004	327,433	359,889	365,709	371,894	383,876	422,081
4 Austria	1,043	2,643	2,941	2,479	1,956	2,584	2,809	2,681	2,941	3,664
5 Belgium[2]	7,187	10,193	5,540	6,464	5,843	6,368	6,044	5,060	5,540	4,635[r]
6 Denmark	2,383	1,669	3,312	3,349	3,278	3,403	3,093	3,462	3,312	3,402
7 Finland	1,070	2,020	7,402	2,897	2,701	3,561	4,927	6,517	7,402	6,772
8 France	15,251	29,142	40,303	25,845	23,229	27,062	34,217	34,547	40,303	43,290
9 Germany	15,923	29,205	36,973	30,452	31,804	33,229	33,017	32,160	36,973	39,739
10 Greece	575	806	658	754	557	516	628	876	658	526
11 Italy	7,284	8,496	7,629	6,447	7,358	6,215	6,482	6,738	7,629	6,308
12 Luxembourg[2]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2,737
13 Netherlands	5,697	11,810	17,294	13,159	14,999	15,507	16,165	15,975	17,294	18,864
14 Norway	827	1,000	5,012	2,401	1,448	4,474	4,655	6,159	5,012	2,971
15 Portugal	669	1,571	1,382	1,454	1,273	1,480	1,574	1,249	1,382	1,109
16 Russia	789	713	517	718	666	643	647	663	517	518
17 Spain	5,735	3,796	2,848	4,767	3,566	3,208	3,360	2,593	2,848	3,807
18 Sweden	4,223	3,264	9,301	8,404	8,761	8,501	8,504	8,815	9,301	10,353
19 Switzerland	46,874	79,158	82,383	94,550	87,172	100,345	103,818	107,986	82,383	102,545
20 Turkey	1,982	2,617	3,175	2,735	2,855	2,821	2,831	3,260	3,175	3,300
21 United Kingdom	106,349	115,971	148,875	143,459	123,360	132,503	122,829	125,223	148,875	156,804
22 Channel Islands & Isle of Man[3]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	670
23 Yugoslavia[4]	53	50	50	49	49	49	49	49	50	50
24 Other Europe and other former U.S.S.R.[5]	9,407	7,562	8,281	7,621	6,558	7,420	10,060	7,881	8,281	9,965
25 Canada	47,037	37,206	40,068	40,420	37,934	37,618	38,648	39,291	40,068	41,587
26 Latin America	79,976[r]	74,040[r]	76,614[r]	71,632[r]	72,499[r]	72,664[r]	73,692[r]	74,399[r]	76,614	74,482[r]
27 Argentina	9,552	10,894	11,546	10,660	10,597	10,840	11,166	11,468	11,546	11,317
28 Brazil	16,184	16,987	20,567	18,199	18,555	19,038	20,202	19,840	20,567	20,372
29 Chile	8,250	6,607	5,816	6,069	5,985	5,953	5,756	5,772	5,816	6,223
30 Colombia	6,507	4,524	4,370	3,909	3,953	3,851	3,846	3,938	4,370	3,816
31 Ecuador	1,400	760	635	610	607	623	639	629	635	563
32 Guatemala	1,127	1,135	1,246	1,215	1,277	1,226	1,245	1,247	1,246	1,364
33 Mexico	21,212	17,899	17,430	16,412	16,825	16,808	16,723	16,945	17,430	17,589
34 Panama	3,584	3,387	2,935	2,981	2,882	2,781	2,668	2,839	2,935	2,774
35 Peru	3,275	2,529	2,808	2,488	2,487	2,697	2,653	2,713	2,808	2,689
36 Uruguay	1,126	801	675	649	777	728	663	677	675	641
37 Venezuela	3,089	3,494	3,520	3,357	3,410	3,390	3,321	3,451	3,520	3,298
38 Other Latin America[6]	4,670	5,023	5,066	5,083	5,144	4,729	4,810	4,880	5,066	3,836
39 Caribbean	262,678	281,128[r]	319,512[r]	279,690[r]	282,931[r]	290,974[r]	300,805[r]	301,544[r]	319,512	317,826
40 Bahamas	96,455	99,066	114,090	92,959	95,577	99,278	100,445	96,718	114,090	109,275
41 Bermuda	5,011	8,007	9,343	6,906	4,684	6,265	8,426	8,324	9,343	8,473
42 British West Indies[7]	153,749	167,189	189,315	172,232	175,936	178,744	184,812	188,994	189,315	0
43 Caymen Islands[7]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	185,105
44 Cuba	0	0	0	0	3	0	0	0	0	117
45 Jamaica	239	295	355	299	305	337	379	355	355	357
46 Netherlands Antilles	6,779	5,982	5,801	6,652	5,804	5,770	6,158	6,554	5,801	9,076
47 Trinidad and Tobago	445	589	608	642	622	580	585	599	608	658
48 Other Caribbean[6]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4,765
49 Asia	98,607	75,143	78,762	83,129	79,028	81,584	87,682	83,359	78,762	90,285
China										
50 Mainland	1,261	2,110	1,606	1,822	1,601	1,519	1,912	1,644	1,606	1,558
51 Taiwan	1,041	1,390	2,247	922	790	2,475	3,691	2,483	2,247	1,037
52 Hong Kong	9,080	5,903	6,715	5,777	5,403	6,019	6,540	6,454	6,715	7,419
53 India	1,440	1,738	2,178	2,014	2,038	2,006	1,787	1,736	2,178	1,885
54 Indonesia	1,942	1,776	1,914	1,940	1,880	1,982	2,009	1,958	1,914	2,075
55 Israel	1,166	1,875	2,729	1,982	2,281	1,116	1,551	1,911	2,729	2,343
56 Japan	46,713	28,641	35,109	31,210	32,499	35,240	35,773	36,467	35,109	38,901
57 Korea (South)	8,289	9,426	7,784	18,915	16,924	14,375	18,589	16,189	7,784	18,736
58 Philippines	1,465	1,410	1,784	1,802	1,483	1,495	1,473	1,758	1,784	1,217
59 Thailand	1,807	1,515	1,381	1,051	1,059	1,071	1,046	1,221	1,381	1,170
60 Middle Eastern oil-exporting countries[8]	16,130	14,267	10,091	10,367	10,006	9,961	9,867	8,487	10,091	10,546
61 Other	8,273	5,092	5,224	5,327	3,064	4,325	3,444	3,051	5,224	3,398
62 Africa	3,122	2,268	2,151	2,505	2,215	2,597	2,291	1,977	2,151	2,176
63 Egypt	257	258	201	217	186	176	201	184	201	170
64 Morocco	372	352	204	272	247	254	252	235	204	182
65 South Africa	643	622	366	411	358	372	322	341	366	492
66 Congo (formerly Zaire)	0	24	0	0	0	0	0	0	0	19
67 Oil-exporting countries[9]	936	276	471	751	616	913	656	342	471	582
68 Other	914	736	909	854	808	882	860	875	909	731
69 Other countries	6,637	7,105	6,210	7,072	7,376	6,283	5,576	6,115	6,210	7,318
70 Australia	6,173	6,824	5,961	6,891	7,036	6,036	5,238	5,937	5,961	6,894
71 New Zealand[10]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	283
72 All other	464	281	249	181	340	247	338	178	249	141
73 Nonmonetary international and regional organizations[11]	3,617	4,563	4,686	3,886	3,777	4,865	5,223	3,840	4,686	3,363

1. Reporting banks include all types of depository institutions as well as some brokers and dealers.
2. Before January 2001, combined data reported for Belgium-Luxembourg.
3. Before January 2001, data included in United Kingdom.
4. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.
5. Includes the Bank for International Settlements and European Central Bank. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.
6. Before January 2001, "Other Latin America" and "Other Caribbean" were reported as combined "Other Latin America and Caribbean."
7. Beginning 2001, Cayman Islands replaced British West Indies in the data series.
8. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
9. Comprises Algeria, Gabon, Libya, and Nigeria.
10. Before January 2001, included in "All other."
11. 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	1998	1999	2000	2000						2001
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[p]
1 **Total**	**875,891**	**944,937**	**1,102,595**	..	...	**1,025,751**	.	..	**1,102,595**	.
2 Banks' claims	734,995	793,139	911,879	846,338	813,193	856,474	879,626	882,419	911,879	958,982
3 Foreign public borrowers	23,542	35,090	38,327	48,478	41,459	40,437	49,693	49,373	38,327	52,987
4 Own foreign offices[2]	484,535	529,682	630,105	574,063	560,852	592,647	603,873	610,839	630,105	645,069
5 Unaffiliated foreign banks	106,206	97,186	99,622	85,739	78,562	87,144	83,035	82,962	99,622	102,166
6 Deposits	27,230	34,538	23,886	21,856	21,822	23,765	23,598	23,756	23,886	23,607
7 Other	78,976	62,648	75,736	63,883	56,740	63,379	59,437	59,206	75,736	78,559
8 All other foreigners	120,712	131,181	143,825	138,058	132,320	136,246	143,025	139,245	143,825	158,760
9 Claims of banks' domestic customers[3]	140,896	151,798	190,716	.	..	169,277	...	.	190,716	.
10 Deposits	79,363	88,006	99,846	..	..	87,108	...	.	99,846	...
11 Negotiable and readily transferable instruments[4]	47,914	51,161	78,147	.	...	70,334	..	..	78,147	..
12 Outstanding collections and other claims	13,619	12,631	12,723		..	11,835	...	...	12,723	.
MEMO										
13 Customer liability on acceptances	4,520	4,553	4,258	.	...	4,701	..	..	4,258	..
14 Banks' loans under resale agreements[5]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a	85,307
15 Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[6]	39,978	31,125	53,153	46,337	55,293	57,784	53,848	55,899	53,153	59,893

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. Data available beginning January 2001.
6. 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]	1997	1998	1999	2000			
				Mar.	June	Sept.	Dec.
1 **Total**	**276,550**	**250,418**	**267,082**	**256,536**	**268,904**	**263,383**	**281,208**
By borrower	205,781	186,526	187,894	175,413	181,814	174,650	187,815
2 Maturity of one year or less	12,081	13,671	22,811	23,438	24,849	23,646	21,399
3 Foreign public borrowers	193,700	172,855	165,083	151,975	156,965	151,004	166,416
4 All other foreigners	70,769	63,892	79,188	81,123	87,090	88,733	93,393
5 Maturity of more than one year	8,499	9,839	12,013	12,850	15,900	16,238	16,258
6 Foreign public borrowers	62,270	54,053	67,175	68,273	71,190	72,495	77,135
7 All other foreigners							
By area							
Maturity of one year or less	58,294	68,679	80,842	74,011	71,492	69,447	72,754
8 Europe	9,917	10,968	7,859	8,408	7,344	8,225	7,995
9 Canada	97,207	81,766	69,498	62,912	66,096	65,881	77,282
10 Latin America and Caribbean	33,964	18,007	21,802	23,003	29,091	23,791	22,755
11 Asia	2,211	1,835	1,122	957	1,520	1,594	1,168
12 Africa	4,188	5,271	6,771	6,122	6,271	5,712	5,861
13 All other[3]							
Maturity of more than one year	13,240	14,923	22,951	23,952	25,417	27,589	33,681
14 Europe	2,525	3,140	3,192	3,126	3,323	3,261	3,712
15 Canada	42,049	33,442	39,051	39,714	42,291	41,168	41,870
16 Latin America and Caribbean	10,235	10,018	11,257	11,612	12,550	13,132	10,154
17 Asia	1,236	1,232	1,065	965	924	895	891
18 Africa	1,484	1,137	1,672	1,754	2,585	2,688	3,085
19 All other[3]							

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	1996	1997	1998	1999				2000			
			Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.p
1 **Total**	**645.8**	**721.8**	**1051.6**	**981.9**	**930.4**	**930.4**	**934.5**	**949.4**	**989.6**	**952.9**	**1034.5**
2 G-10 countries and Switzerland	228.3	242.8	217.7	208.9	224.0	208.2	232.3	278.5	320.0	286.9	312.6
3 Belgium and Luxembourg	11.7	11.0	10.7	15.6	16.2	15.7	14.3	14.2	13.8	13.0	14.3
4 France	16.6	15.4	18.4	21.6	20.7	20.0	29.0	27.1	32.6	29.1	29.9
5 Germany	29.8	28.6	30.9	34.7	32.1	37.4	38.7	37.3	31.5	37.8	45.2
6 Italy	16.0	15.5	11.5	17.8	16.4	15.0	18.1	20.0	20.8	18.8	21.3
7 Netherlands	4.0	6.2	7.8	10.7	13.3	11.7	12.3	17.1	16.1	17.6	18.7
8 Sweden	2.6	3.3	2.3	4.0	2.6	3.6	3.0	3.9	3.5	4.3	3.7
9 Switzerland	5.3	7.2	8.5	7.8	8.3	8.8	10.3	10.1	13.8	10.9	13.5
10 United Kingdom	104.7	113.4	85.4	56.2	74.7	52.3	68.2	107.8	144.3	118.7	125.9
11 Canada	14.0	13.7	16.8	15.9	17.1	17.9	16.3	17.5	18.3	18.7	16.9
12 Japan	23.7	28.6	25.4	24.6	22.6	25.7	22.1	23.5	25.4	18.1	23.1
13 Other industrialized countries	66.1	65.5	69.0	80.1	79.7	71.7	68.4	62.8	75.2	73.8	75.3
14 Austria	1.1	1.5	1.4	2.8	2.8	3.0	3.5	2.6	2.8	3.5	4.1
15 Denmark	1.5	2.4	2.2	3.4	2.9	2.1	2.6	1.5	1.2	1.8	1.9
16 Finland	.8	1.3	1.4	1.5	.9	.9	.9	.8	1.2	2.8	1.5
17 Greece	6.7	5.1	5.9	6.5	5.9	6.6	6.0	5.7	6.8	6.4	8.3
18 Norway	8.0	3.6	3.2	3.1	3.0	3.8	3.3	3.0	4.6	8.5	8.3
19 Portugal	.9	.9	1.4	1.4	1.2	1.2	1.0	1.0	2.0	1.5	2.0
20 Spain	13.3	12.6	13.7	15.7	16.6	15.1	12.1	11.3	12.2	10.5	10.6
21 Turkey	2.7	4.5	4.8	5.2	4.9	4.7	4.8	5.1	5.6	5.6	6.0
22 Other Western Europe	4.9	8.3	10.4	10.2	10.3	9.2	6.8	8.3	8.0	8.4	6.7
23 South Africa	2.0	2.2	4.4	4.8	4.7	4.0	3.8	4.8	4.5	4.2	3.7
24 Australia	24.0	23.1	20.3	25.4	26.6	21.1	23.5	18.6	26.3	20.5	22.2
25 OPEC[2]	19.8	26.0	27.1	26.2	26.2	30.1	31.4	28.9	32.3	31.8	29.6
26 Ecuador	1.1	1.3	1.3	1.2	1.1	.9	.8	.7	.7	.6	6
27 Venezuela	2.4	2.5	3.2	3.5	3.2	3.0	2.8	3.0	2.9	2.9	2.5
28 Indonesia	5.2	6.7	4.7	4.5	5.0	4.4	4.2	3.9	4.1	4.4	4.6
29 Middle East countries	10.7	14.4	17.0	16.7	16.5	21.4	23.1	21.1	24.0	22.7	21.1
30 African countries	.4	1.2	1.0	.4	.5	.5	.5	.2	.7	1.2	.8
31 Non-OPEC developing countries	130.3	139.2	143.4	146.4	148.6	144.6	149.4	154.8	158.3	149.6	145.7
Latin America											
32 Argentina	14.3	18.4	23.1	24.4	22.8	22.8	23.2	22.4	21.6	21.4	21.4
33 Brazil	20.7	28.6	24.7	24.2	25.2	23.5	27.7	28.1	28.3	28.5	28.8
34 Chile	7.0	8.7	8.3	8.6	8.2	7.7	7.4	8.2	8.1	7.4	7.6
35 Colombia	4.1	3.4	3.2	3.3	3.1	2.7	2.5	2.5	2.4	2.4	2.4
36 Mexico	16.2	17.4	18.9	19.7	18.5	19.4	18.7	18.3	20.5	17.5	15.7
37 Peru	1.6	2.0	2.2	2.2	2.1	1.8	1.7	1.9	2.1	2.1	2.0
38 Other	3.3	4.1	5.4	5.3	5.5	5.5	5.9	6.5	6.7	6.3	6.5
Asia											
China											
39 Mainland	2.5	3.2	3.0	5.0	5.3	3.3	3.6	4.6	3.8	3.4	2.9
40 Taiwan	10.3	9.5	13.3	11.8	12.6	12.3	12.0	12.6	12.6	12.8	10.8
41 India	4.3	4.9	5.5	5.5	6.7	7.0	7.7	7.9	8.2	5.8	9.1
42 Israel	.5	.7	1.1	1.1	2.0	1.0	1.8	3.3	1.5	1.1	2.7
43 Korea (South)	21.5	15.6	13.7	13.7	15.3	16.0	15.2	17.4	21.2	21.0	15.1
44 Malaysia	6.0	5.1	5.6	5.9	6.0	6.1	6.1	6.5	6.8	6.9	7.1
45 Philippines	5.8	5.7	5.1	5.4	5.7	5.8	6.2	5.3	5.3	4.7	5.1
46 Thailand	5.7	5.4	4.7	4.5	4.2	4.0	4.1	4.3	4.0	3.9	4.0
47 Other Asia	4.1	4.3	2.9	3.0	2.8	2.9	2.9	2.6	2.5	2.3	2.4
Africa											
48 Egypt	.7	.9	1.3	1.4	1.4	1.3	1.4	1.4	1.3	1.1	1.1
49 Morocco	.7	.6	.5	.5	.5	.5	.4	.3	.3	.4	.3
50 Zaire	.1	.0	.0	.0	.0	.0	.0	0	.0	.0	.0
51 Other Africa[3]	.9	.8	1.0	.9	1.0	1.0	1.0	.9	.9	.8	.7
52 Eastern Europe	6.9	9.1	5.5	6.8	5.7	5.4	5.2	6.3	9.4	9.0	10.1
53 Russia[4]	3.7	5.1	2.2	2.0	2.1	2.0	1.6	1.7	1.5	1.4	1.0
54 Other	3.2	4.0	3.3	4.8	3.7	3.4	3.6	4.7	7.9	7.6	9.1
55 Offshore banking centers	135.1	140.2	93.9	83.0	66.0	79.1	59.9	42.0	52.4	50.6	69.9
56 Bahamas	20.5	24.2	35.4	22.0	10.4	18.2	13.7	2.4	.5	.6	6.9
57 Bermuda	4.5	9.8	4.6	3.9	5.7	8.2	8.0	7.3	6.3	6.3	9.0
58 Cayman Islands and other British West Indies	37.2	43.4	12.8	13.9	7.2	6.3	1.3	.0	5.1	5.9	14.6
59 Netherlands Antilles	26.1	14.6	2.6	2.7	1.3	9.1	1.7	2.5	2.6	1.9	1.9
60 Panama[5]	2.0	3.1	3.9	3.9	3.9	3.9	3.9	3.4	3.3	2.5	3.2
61 Lebanon	1	.1	1	.1	.1	.2	.1	1	.1	.1	.1
62 Hong Kong, China	27.9	32.2	23.3	22.8	22.0	22.4	21.0	22.2	20.7	20.6	18.8
63 Singapore	16.7	12.7	11.1	13.5	15.2	10.6	10.1	4.1	13.6	12.7	15.2
64 Other[6]	.1	.1	.2	.2	.1	.2	.1	.1	.1	.1	.2
65 Miscellaneous and unallocated[7]	59.6	99.1	495.1	430.4	380.2	391.2	387.9	376.1	342.1	351.1	391.2

1. The banking offices covered by these data include U.S. offices and foreign branches of U.S. banks, including U.S. banks that are subsidiaries of foreign banks. Offices not covered include U.S. agencies and branches of foreign banks. Beginning March 1994, the data include large foreign subsidiaries of U.S. banks. The data also include other types of U.S. depository institutions as well as some types of brokers and dealers. To eliminate duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution.

These data are on a gross claims basis and do not necessarily reflect the ultimate country risk or exposure of U.S. banks. More complete data on the country risk exposure of U.S. banks are available in the quarterly Country Exposure Lending Survey published by the Federal Financial Institutions Examination Council.

2. Organization of Petroleum Exporting Countries, shown individually; other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates); and Bahrain and Oman (not formally members of OPEC).
3. Excludes Liberia. Beginning March 1994 includes Namibia.
4. As of December 1992, excludes other republics of the former Soviet Union.
5. Includes Canal Zone.
6. Foreign branch claims only.
7. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States

Millions of dollars, end of period

Type of liability, and area or country	1997	1998	1999	1999		2000			
				Sept.	Dec.	Mar.	June	Sept.	Dec.
1 **Total**	**57,382**	**46,570**	**53,044**	**52,979**	**53,044**	**53,489**	**70,534**	**76,644**	**74,107**
2 Payable in dollars	41,543	36,668	37,605	36,296	37,605	35,614	47,864	51,451	49,424
3 Payable in foreign currencies	15,839	9,902	15,415	16,683	15,415	17,875	22,670	25,193	24,683
By type									
4 Financial liabilities	26,877	19,255	27,980	27,422	27,980	29,180	44,068	49,895	47,419
5 Payable in dollars	12,630	10,371	13,883	12,231	13,883	12,858	22,803	26,159	25,246
6 Payable in foreign currencies	14,247	8,884	14,097	15,191	14,097	16,322	21,265	23,736	22,173
7 Commercial liabilities	30,505	27,315	25,064	25,557	25,064	24,309	26,466	26,749	26,688
8 Trade payables	10,904	10,978	12,857	12,651	12,857	12,401	13,764	13,918	14,305
9 Advance receipts and other liabilities	19,601	16,337	12,207	12,906	12,207	11,908	12,702	12,831	12,383
10 Payable in dollars	28,913	26,297	23,722	24,065	23,722	22,756	25,061	25,292	24,178
11 Payable in foreign currencies	1,592	1,018	1,318	1,492	1,318	1,553	1,405	1,457	2,510
By area or country									
Financial liabilities									
12 Europe	18,027	12,589	23,241	21,695	23,241	24,050	30,332	36,175	34,172
13 Belgium and Luxembourg	186	79	31	50	31	4	163	169	147
14 France	1,425	1,097	1,659	1,675	1,659	1,849	1,702	1,299	1,480
15 Germany	1,958	2,063	1,974	1,712	1,974	1,880	1,671	2,132	2,168
16 Netherlands	494	1,406	1,996	2,066	1,996	1,970	2,035	2,040	2,016
17 Switzerland	561	155	147	133	147	97	137	178	104
18 United Kingdom	11,667	5,980	16,521	15,096	16,521	16,579	21,463	28,601	26,362
19 Canada	2,374	693	284	344	284	313	714	249	411
20 Latin America and Caribbean	1,386	1,495	892	1,180	892	846	2,874	3,447	4,125
21 Bahamas	141	7	1	1	1	1	78	105	6
22 Bermuda	229	101	5	26	5	1	1,016	1,182	1,739
23 Brazil	143	152	126	122	126	128	146	132	148
24 British West Indies	604	957	492	786	492	489	463	501	406
25 Mexico	26	59	25	28	25	22	26	35	26
26 Venezuela	1	2	0	0	0	0	0	0	2
27 Asia	4,387	3,785	3,437	3,622	3,437	3,275	9,453	9,320	7,965
28 Japan	4,102	3,612	3,142	3,384	3,142	2,985	6,024	4,782	6,216
29 Middle Eastern oil-exporting countries[1]	27	0	4	3	4	4	5	7	11
30 Africa	60	28	28	31	28	28	33	48	52
31 Oil-exporting countries[2]	0	0	0	0	0	0	0	0	0
32 All other[3]	643	665	98	550	98	668	662	656	694
Commercial liabilities									
33 Europe	10,228	10,030	9,262	9,265	9,262	8,646	9,293	9,411	9,625
34 Belgium and Luxembourg	666	278	140	128	140	78	178	201	293
35 France	764	920	672	620	672	539	711	716	979
36 Germany	1,274	1,392	1,131	1,201	1,131	914	948	1,023	1,046
37 Netherlands	439	429	507	535	507	648	562	424	299
38 Switzerland	375	499	626	593	626	536	565	647	502
39 United Kingdom	4,086	3,697	3,071	3,175	3,071	2,661	2,982	2,951	2,845
40 Canada	1,175	1,390	1,775	1,753	1,775	2,024	2,053	1,889	1,932
41 Latin America and Caribbean	2,176	1,618	2,310	1,957	2,310	2,286	2,607	2,443	2,381
42 Bahamas	16	14	22	24	22	9	10	15	31
43 Bermuda	203	198	152	178	152	287	300	377	281
44 Brazil	220	152	145	120	145	115	119	167	114
45 British West Indies	12	10	48	39	48	23	22	19	76
46 Mexico	565	347	887	704	887	805	1,073	1,079	841
47 Venezuela	261	202	305	182	305	193	239	124	284
48 Asia	14,966	12,342	9,886	10,428	9,886	9,681	10,965	11,133	10,974
49 Japan	4,500	3,827	2,609	2,689	2,609	2,274	2,200	1,998	2,752
50 Middle Eastern oil-exporting countries[1]	3,111	2,852	2,551	2,618	2,551	2,308	3,489	3,706	2,831
51 Africa	874	794	950	959	950	943	950	1,220	940
52 Oil-exporting countries[2]	408	393	499	584	499	536	575	663	475
53 Other[3]	1,086	1,141	881	1,195	881	729	598	653	836

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	1997	1998	1999	1999		2000			
					Sept.	Dec.	Mar.	June	Sept.	Dec.
1	**Total**	**68,128**	**77,462**	**76,669**	**67,566**	**76,669**	**84,266**	**80,725**	**94,803**	**90,951**
2	Payable in dollars	62,173	72,171	69,170	60,456	69,170	74,331	72,294	82,872	81,176
3	Payable in foreign currencies	5,955	5,291	7,472	7,110	7,472	9,935	8,431	11,931	9,775
	By type									
4	Financial claims	36,959	46,260	40,231	33,877	40,231	47,798	44,303	58,303	53,031
5	Deposits	22,909	30,199	18,566	15,192	18,566	23,316	17,462	30,928	23,374
6	Payable in dollars	21,060	28,549	16,373	13,240	16,373	21,442	15,361	27,974	21,015
7	Payable in foreign currencies	1,849	1,650	2,193	1,952	2,193	1,874	2,101	2,954	2,359
8	Other financial claims	14,050	16,061	21,665	18,685	21,665	24,482	26,841	27,375	29,657
9	Payable in dollars	11,806	14,049	18,593	15,718	18,593	19,659	22,384	20,541	25,142
10	Payable in foreign currencies	2,244	2,012	3,072	2,967	3,072	4,823	4,457	6,834	4,515
11	Commercial claims	31,169	31,202	36,438	33,689	36,438	36,468	36,422	36,500	37,920
12	Trade receivables	27,536	27,202	32,629	29,397	32,629	31,443	31,277	31,530	33,458
13	Advance payments and other claims	3,633	4,000	3,809	4,292	3,809	5,025	5,145	4,970	4,462
14	Payable in dollars	29,307	29,573	34,204	31,498	34,204	33,230	34,549	34,357	35,019
15	Payable in foreign currencies	1,862	1,629	2,207	2,191	2,207	3,238	1,873	2,143	2,901
	By area or country									
	Financial claims									
16	Europe	14,999	12,294	13,023	13,878	13,023	16,789	18,254	23,706	23,136
17	Belgium and Luxembourg	406	661	529	574	529	540	317	304	296
18	France	1,015	864	967	1,212	967	1,835	1,292	1,477	1,206
19	Germany	427	304	504	549	504	669	576	696	848
20	Netherlands	677	875	1,229	1,067	1,229	1,981	1,984	2,486	1,396
21	Switzerland	434	414	643	559	643	612	624	626	699
22	United Kingdom	10,337	7,766	7,561	8,157	7,561	9,044	11,668	16,191	15,900
23	Canada	3,313	2,503	2,553	3,172	2,553	3,175	5,799	7,517	4,576
24	Latin America and Caribbean	15,543	27,714	18,206	12,749	18,206	21,945	14,874	21,691	19,317
25	Bahamas	2,308	403	1,593	755	1,593	1,299	655	1,358	1,353
26	Bermuda	108	39	11	524	11	11	34	22	19
27	Brazil	1,313	835	1,476	1,265	1,476	1,646	1,666	1,568	1,827
28	British West Indies	10,462	24,388	12,099	7,263	12,099	15,814	7,751	15,722	12,596
29	Mexico	537	1,245	1,798	1,791	1,798	1,979	2,048	2,280	2,448
30	Venezuela	36	55	48	47	48	65	78	101	87
31	Asia	2,133	3,027	5,457	3,205	5,457	4,430	3,923	4,002	4,697
32	Japan	823	1,194	3,262	1,250	3,262	2,021	1,410	1,726	1,631
33	Middle Eastern oil-exporting countries[1]	11	9	23	5	23	29	42	85	80
34	Africa	319	159	286	251	286	232	320	284	411
35	Oil-exporting countries[2]	15	16	15	12	15	15	39	3	57
36	All other[3]	652	563	706	622	706	1,227	1,133	1,103	894
	Commercial claims									
37	Europe	12,120	13,246	16,389	14,367	16,389	16,118	15,928	16,486	15,938
38	Belgium and Luxembourg	328	238	316	289	316	271	425	393	452
39	France	1,796	2,171	2,236	2,375	2,236	2,520	2,692	2,921	3,095
40	Germany	1,614	1,822	1,960	1,944	1,960	2,034	1,906	2,159	1,982
41	Netherlands	597	467	1,429	617	1,429	1,337	1,242	1,310	1,729
42	Switzerland	554	483	610	714	610	611	563	684	763
43	United Kingdom	3,660	4,769	5,827	4,789	5,827	5,354	4,929	5,193	4,502
44	Canada	2,660	2,617	2,757	2,638	2,757	3,088	3,250	2,953	3,505
45	Latin America and Caribbean	5,750	6,296	5,959	5,879	5,959	5,899	5,792	5,788	5,842
46	Bahamas	27	24	20	29	20	15	48	75	37
47	Bermuda	244	536	390	549	390	404	381	387	376
48	Brazil	1,162	1,024	905	763	905	849	894	981	956
49	British West Indies	109	104	181	157	181	95	51	55	137
50	Mexico	1,392	1,545	1,678	1,613	1,678	1,529	1,565	1,612	1,507
51	Venezuela	576	401	439	365	439	435	466	379	326
52	Asia	8,713	7,192	9,165	8,579	9,165	9,101	9,173	8,986	9,636
53	Japan	1,976	1,681	2,074	1,823	2,074	2,082	1,882	2,074	2,791
54	Middle Eastern oil-exporting countries[1]	1,107	1,135	1,625	1,479	1,625	1,533	1,241	1,199	1,024
55	Africa	680	711	631	682	631	716	766	895	671
56	Oil-exporting countries[2]	119	165	171	221	171	82	160	392	179
57	Other[3]	1,246	1,140	1,537	1,544	1,537	1,546	1,513	1,392	2,328

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	1999	2000	2001 Jan.–Jan.	2000 July	2000 Aug.	2000 Sept.	2000 Oct.	2000 Nov.	2000 Dec.	2001 Jan.
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	2,340,659	3,605,196	301,650	271,572	286,819	297,677	339,995	284,909	286,161	301,650
2 Foreign sales	2,233,137	3,430,306	277,706	255,999	262,546	289,118	323,659	275,855	275,034	277,706
3 Net purchases, or sales (−)	**107,522**	**174,890**	**23,944**	**15,573**	**24,273**	**8,559**	**16,336**	**9,054**	**11,127**	**23,944**
4 Foreign countries	**107,578**	**174,903**	**23,906**	**15,563**	**24,249**	**8,603**	**16,338**	**9,068**	**11,145**	**23,906**
5 Europe	98,060	164,656	12,329	13,349	15,678	10,014	14,040	7,485	10,779	12,329
6 France	3,813	5,727	243	1,292	575	−565	1,757	408	40	243
7 Germany	13,410	31,752	2,380	371	2,670	643	1,383	988	777	2,380
8 Netherlands	8,083	4,915	2,206	554	594	792	−135	323	1,691	2,206
9 Switzerland	5,650	11,960	70	1,702	1,114	780	488	−598	−684	70
10 United Kingdom	42,902	58,736	3,064	6,460	7,098	5,163	6,283	3,210	7,773	3,064
11 Channel Islands & Isle of Man[1]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	−13
12 Canada	−335	5,956	1,490	−166	1,267	−924	194	1,477	1,468	1,490
13 Latin America and Caribbean	5,187	−17,812	5,445	1,363	4,907	−3,406	−4,400	−2,979	−2,759	5,529
14 Middle East[2]	−1,066	9,189	−554	98	908	52	754	340	277	−554
15 Other Asia	4,445	12,494	5,565	815	1,789	2,707	5,840	3,310	1,451	5,565
16 Japan	5,723	2,070	1,002	492	568	2,467	2,640	662	1,615	1,002
17 Africa	372	415	−362	−124	2	−56	−27	80	−45	−362
18 Other countries	915	5	−7	228	−302	216	−63	−645	−26	−7
19 Nonmonetary international and regional organizations	**−56**	**−11**	**38**	**10**	**24**	**−42**	**−2**	**−14**	**−18**	**38**
BONDS[3]										
20 Foreign purchases	854,692	1,206,662	138,295	87,580	107,808	106,384	103,028	114,686	117,904	138,295
21 Foreign sales	602,100	871,418	111,327	67,010	69,514	76,225	71,686	77,596	90,143	111,327
22 Net purchases, or sales (−)	**252,592**	**335,244**	**26,968**	**20,570**	**38,294**	**30,159**	**31,342**	**37,090**	**27,761**	**26,968**
23 Foreign countries	**252,994**	**335,348**	**27,065**	**20,482**	**38,215**	**30,161**	**31,356**	**37,224**	**27,759**	**27,065**
24 Europe	140,674	179,706	17,397	7,789	21,618	17,058	16,965	16,522	16,560	17,397
25 France	1,870	2,216	405	85	334	−819	347	272	138	405
26 Germany	7,723	4,067	2,450	154	1,185	44	433	537	−78	2,450
27 Netherlands	2,446	1,130	664	−575	850	−818	848	183	275	664
28 Switzerland	4,553	3,833	321	1,003	757	333	350	483	−89	321
29 United Kingdom	106,344	140,152	11,251	4,003	15,909	15,950	12,503	12,952	12,825	11,251
30 Channel Islands & Isle of Man[1]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	107
31 Canada	6,043	13,287	376	943	1,965	811	897	1,179	414	376
32 Latin America and Caribbean	58,783	59,443	4,969	4,743	3,829	6,338	5,018	6,600	4,126	6,636
33 Middle East[1]	1,979	2,076	726	264	54	−702	−54	437	1,077	726
34 Other Asia	42,817	78,280	3,514	6,601	10,562	6,777	8,215	11,839	5,535	3,514
35 Japan	17,541	38,842	910	3,320	5,664	3,573	3,690	7,435	2,932	910
36 Africa	1,411	938	29	10	37	49	58	25	76	29
37 Other countries	1,287	1,618	54	132	150	−170	257	622	−29	54
38 Nonmonetary international and regional organizations	**−402**	**−70**	**−97**	**88**	**110**	**−2**	**−14**	**−134**	**2**	**−97**
	Foreign securities									
39 Stocks, net purchases, or sales (−)	15,640	−9,297	−2,940	−14,970	672	10,217	3,011	5,563	−3,195	−2,940
40 Foreign purchases	1,177,303	1,802,452	148,111	136,467	142,850	148,664	152,872	141,600	135,417	148,111
41 Foreign sales	1,161,663	1,811,749	151,051	151,437	142,178	138,447	149,861	136,037	138,612	151,051
42 Bonds, net purchases, or sales (−)	−5,676	−3,878	−1,360	−6,488	−2,812	265	−3,443	8,434	−1,175	−1,360
43 Foreign purchases	798,267	959,408	120,666	68,425	74,803	92,179	98,519	94,938	83,721	120,666
44 Foreign sales	803,943	963,286	122,026	74,913	77,615	91,914	101,962	86,504	84,896	122,026
45 Net purchases, or sales (−), of stocks and bonds	**9,964**	**−13,175**	**−4,300**	**−21,458**	**−2,140**	**10,482**	**−432**	**13,997**	**−4,370**	**−4,300**
46 Foreign countries	**9,679**	**−13,311**	**−4,011**	**−21,217**	**−1,986**	**10,307**	**−599**	**13,758**	**−3,951**	**−4,011**
47 Europe	59,247	−23,609	−4,878	−23,431	−5,786	6,353	−3,879	7,373	−4,452	−4,878
48 Canada	−999	−3,856	767	255	910	−1,122	1,813	574	−1,357	767
49 Latin America and Caribbean	−4,726	−15,116	863	−979	−892	585	1,010	−521	−205	641
50 Asia	−42,961	25,975	−1,005	2,977	3,159	3,842	−73	5,742	1,872	−1,005
51 Japan	−43,637	21,886	164	4,119	1,478	2,063	−1,262	2,067	1,824	164
52 Africa	710	947	−70	532	−50	48	14	−28	−4	−70
53 Other countries	−1,592	2,348	312	−571	673	601	516	618	195	312
54 Nonmonetary international and regional organizations	**285**	**150**	**−289**	**−241**	**−154**	**179**	**167**	**239**	**−419**	**−289**

1. Before January 2001, these data were included in United Kingdom.
2. Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. 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	1999	2000	2001	2000						2001
			Jan.–Jan.	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[p]
1 **Total estimated**	**−9,953**	**−53,790**	**−9,064**	**−6,061**	**−114**	**−8,516**	**−3,038**	**−14,106**	**−9,789**	**−9,064**
2 Foreign countries	−10,518	−53,329	−8,531	−5,746	−117	−8,741	−3,223	−13,959	−9,904	−8,531
3 Europe	−38,228	−50,704	−5,000	−6,351	3,707	−1,284	−3,707	−10,991	−6,850	−5,000
4 Belgium[2]	−81	73	164	−138	138	−127	320	53	−96	164
5 Germany	2,285	−7,304	−873	−2,199	−36	−1,738	1,424	−2,185	−1,065	−873
6 Luxembourg[2]	n.a.	n.a.	411	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	411
7 Netherlands	2,122	2,140	−793	−584	91	836	183	264	−1,622	−793
8 Sweden	1,699	1,082	218	114	56	214	−118	−104	328	218
9 Switzerland	−1,761	−10,326	755	−1,398	−338	−959	−57	−301	64	755
10 United Kingdom	−20,232	−33,669	−2,695	−4,372	3,054	−1,865	−3,793	−6,035	−4,199	−2,695
11 Channel Islands and Isle of Man[3]	n.a.	n.a.	−98	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	−98
12 Other Europe and former U.S.S.R.	−22,260	−2,700	−2,089	2,226	742	2,355	−1,666	−2,683	−260	−2,089
13 Canada	7,348	−308	−2,067	−872	222	1,417	160	−1,173	−1,492	−2,067
14 Latin America and Caribbean	−7,523	−4,914	2,407	1,415	245	−4,979	3,963	−507	−245	2,407
15 Venezuela	362	1,288	227	89	45	314	152	251	300	227
16 Other Latin America and Caribbean	1,661	−11,581	3,261	1,261	61	−4,936	3,030	−1,262	−1,746	3,261
17 Netherlands Antilles	−9,546	5,379	−1,081	65	139	−357	781	504	1,201	−1,081
18 Asia	29,359	1,639	−4,641	−488	−4,918	−3,319	−4,688	−1,289	−458	−4,641
19 Japan	20,102	10,580	−4,261	672	367	1,717	1,608	4,445	−3,855	−4,261
20 Africa	−3,021	−414	−91	4	9	−139	−6	−16	−44	−91
21 Other	1,547	1,372	861	546	618	−437	1,056	17	−815	861
22 Nonmonetary international and regional organizations	565	−461	−533	−315	3	225	185	−147	115	−533
23 International	190	−483	−275	−333	15	391	39	−146	24	−275
24 Latin American regional	666	76	1	−1	−10	1	28	−1	6	1
MEMO										
25 Foreign countries	−10,518	−53,329	−8,531	−5,746	−117	−8,741	−3,222	−13,959	−9,904	−8,531
26 Official institutions	−9,861	−6,302	2,226	−639	449	−6,626	−7,150	−4,967	1,068	2,226
27 Other foreign	−657	−47,027	−10,757	−5,107	−566	−2,115	3,928	−8,992	−10,972	−10,757
Oil-exporting countries										
28 Middle East[4]	2,207	3,483	−176	267	217	−1,030	−724	−888	48	−176
29 Africa[5]	0	0	−6	0	0	0	0	0	0	−6

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. Before January 2001, combined data reported for Belgium and Luxembourg.
3. Before January 2001, these data were included in United Kingdom.
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. Comprises Algeria, Gabon, Libya, and Nigeria.

3.28 FOREIGN EXCHANGE RATES AND INDEXES OF THE FOREIGN EXCHANGE VALUE OF THE U.S. DOLLAR[1]

Currency units per U.S. dollar except as noted

Item	1998	1999	2000	2000 Oct.	2000 Nov.	2000 Dec.	2001 Jan.	2001 Feb.	2001 Mar.
	Exchange rates								
COUNTRY/CURRENCY UNIT									
1 Australia/dollar[2]	62.91	64.54	58.15	52.80	52.18	54.66	55.52	53.38	50.31
2 Austria/schilling	12.379	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
3 Belgium/franc	36.31	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
4 Brazil/real	1.1605	1.8207	1.8301	1.8813	1.9483	1.9632	1.9561	2.0060	2.0955
5 Canada/dollar	1.4836	1.4858	1.4855	1.5125	1.5426	1.5219	1.5032	1.5216	1.5587
6 China, P.R./yuan	8.3008	8.2783	8.2784	8.2785	8.2774	8.2771	8.2776	8.2771	8.2775
7 Denmark/krone	6.7030	6.9900	8.0953	8.7276	8.6992	8.3059	7.9629	8.1103	8.2229
8 European Monetary Union/euro[3]	n.a.	1.0653	0.9232	0.8525	0.8552	0.8983	0.9376	0.9205	0.9083
9 Finland/markka	5.3473	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 France/franc	5.8995	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
11 Germany/deutsche mark	1.7597	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
12 Greece/drachma	295.70	306.30	365.92	398.29	397.94	379.58	n.a.	n.a.	366.52
13 Hong Kong/dollar	7.7467	7.7594	7.7924	7.7977	7.7991	7.7991	7.7998	7.7999	7.7999
14 India/rupee	41.36	43.13	45.00	46.43	46.82	46.78	46.61	46.56	46.65
15 Ireland/pound[2]	142.48	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
16 Italy/lira	1,736.85	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
17 Japan/yen	130.99	113.73	107.80	108.44	109.01	112.21	116.67	116.23	121.51
18 Malaysia/ringgit	3.9254	3.8000	3.8000	3.8000	3.8000	3.8000	3.8000	3.8000	3.8000
19 Mexico/peso	9.152	9.553	9.459	9.537	9.508	9.467	9.769	9.711	9.599
20 Netherlands/guilder	1.9837	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
21 New Zealand/dollar[2]	53.61	52.94	45.68	40.01	39.90	42.97	44.42	43.45	41.82
22 Norway/krone	7.5521	7.8071	8.8131	9.3794	9.3524	9.0616	8.7817	8.9180	8.9859
23 Portugal/escudo	180.25	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
24 Singapore/dollar	1.6722	1.6951	1.7250	1.7525	1.7478	1.7361	1.7380	1.7435	1.7732
25 South Africa/rand	5.5417	6.1191	6.9468	7.4902	7.6889	7.6439	7.7786	7.8214	7.8980
26 South Korea/won	1,400.40	1,189.84	1,130.90	1,131.10	1,156.54	1,216.94	1,272.63	1,252.85	1,291.41
27 Spain/peseta	149.41	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
28 Sri Lanka/rupee	65.006	70.868	76.964	79.291	80.381	82.030	85.833	87.136	85.730
29 Sweden/krona	7.9522	8.2740	9.1735	9.9930	10.0965	9.6604	9.4910	9.7518	10.0516
30 Switzerland/franc	1.4506	1.5045	1.6904	1.7745	1.7779	1.6855	1.6305	1.6686	1.6908
31 Taiwan/dollar	33.547	32.322	31.260	31.846	32.433	33.123	32.673	32.330	32.622
32 Thailand/baht	41.262	37.887	40.210	43.334	43.791	43.246	43.149	42.665	43.988
33 United Kingdom/pound[2]	165.73	161.72	151.56	145.06	142.58	146.29	147.75	145.25	144.45
34 Venezuela/bolivar	548.39	606.82	680.52	692.86	695.77	698.85	700.02	703.36	706.06
	Indexes[4]								
NOMINAL									
35 Broad (January 1997=100)[5]	116.48	116.87	119.93	123.27	124.21	123.28	123.14	123.77	125.91
36 Major currencies (March 1973=100)[6]	95.79	94.07	98.34	102.24	103.08	101.26	100.24	101.44	103.98
37 Other important trading partners (January 1997=100)[7]	126.03	129.94	130.26	131.99	132.87	133.61	135.01	134.52	135.56
REAL									
38 Broad (March 1973=100)[5]	99.20	98.52	102.18	105.23	105.73	104.85[r]	105.27[r]	106.04[r]	108.66
39 Major currencies (March 1973=100)[6]	97.23	96.66	102.85	107.30	108.12	106.17	105.95[r]	107.43[r]	110.60
40 Other important trading partners (March 1973=100)[7]	108.11	107.23	107.68	109.07[r]	109.19[r]	109.65[r]	110.94[r]	110.81[r]	112.90

1. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) monthly statistical release. For ordering address, see inside front cover.

2. U.S. cents per currency unit.

3. The euro is reported in place of the individual euro area currencies. By convention, the rate is reported in U.S. dollars per euro. The bilateral currency rates can be derived from the euro rate by using the fixed conversion rates (in currencies per euro) as shown below:

Euro equals

13.7603	Austrian schillings	1936.27	Italian lire
40.3399	Belgian francs	40.3399	Luxembourg francs
5.94573	Finnish markkas	2.20371	Netherlands guilders
6.55957	French francs	200.482	Portuguese escudos
1.95583	German marks	166.386	Spanish pesetas
.787564	Irish pounds	340.750	Greek drachmas

4. Starting with the February 2001 *Bulletin*, revised index values resulting from the annual revision of data that underlie the calculated trade weights are reported. For more information on the indexes of foreign exchange value of the dollar, see *Federal Reserve Bulletin*, vol. 84 (October 1998), pp. 811–818.

5. Weighted average of the foreign exchange value of the U.S. dollar against the currencies of a broad group of U.S. trading partners. The weight for each currency is computed as an average of U.S. bilateral import shares from and export shares to the issuing country and of a measure of the importance to U.S. exporters of that country's trade in third country markets.

6. Weighted average of the foreign exchange value of the U.S. dollar against a subset of broad index currencies that circulate widely outside the country of issue. The weight for each currency is its broad index weight scaled so that the weights of the subset of currencies in the index sum to one.

7. Weighted average of the foreign exchange value of the U.S. dollar against a subset of broad index currencies that do not circulate widely outside the country of issue. The weight for each currency is its broad index weight scaled so that the weights of the subset of currencies in the index sum to one.

Guide to Statistical Releases and Special Tables

STATISTICAL RELEASES—List Published Semiannually, with Latest Bulletin *Reference*

SPECIAL TABLES—Data Published Irregularly, with Latest Bulletin *Reference*

4.20 DOMESTIC AND FOREIGN OFFICES Insured Commercial Bank Assets and Liabilities
Consolidated Report of Condition, December 31, 2000

Millions of dollars except as noted

Item	Total	Domestic total	Banks with foreign offices[1]		Banks with domestic offices only[2]	
			Total	Domestic	Over 100	Under 100
1 **Total assets**[3]	**6,164,193**	**5,429,062**	**4,311,426**	**3,576,296**	**1,579,256**	**273,510**
2 Cash and balances due from depository institutions	362,532	264,805	282,029	184,302	67,119	13,384
3 Cash items in process of collection, unposted debits, and currency and coin	n.a.	n.a.	141,958	138,903	34,177	n.a.
4 Cash items in process of collection and unposted debits	n.a.	n.a.	n.a.	107,768	22,563	n.a.
5 Currency and coin	n.a.	n.a.	n.a.	31,135	11,615	n.a.
6 Balances due from depository institutions in the United States	n.a.	n.a.	38,280	25,048	22,668	n.a.
7 Balances due from banks in foreign countries and foreign central banks	n.a.	n.a.	87,930	6,573	1,084	n.a.
8 Balances due from Federal Reserve Banks	n.a.	n.a.	13,860	13,778	9,189	n.a.
MEMO						
9 Non-interest-bearing balances due from commercial banks in the United States (included in balances due from depository institutions in the United States)	n.a.	36,153	n.a.	13,810	17,063	5,280
10 Total securities, held-to-maturity (amortized cost) and available-for-sale (fair value)	1,057,966	n.a.	607,087	n.a.	384,256	66,623
11 U.S. Treasury securities	74,346	n.a.	48,481	n.a.	21,161	4,703
12 U.S. government agency and corporation obligations (excludes mortgage-backed securities)	219,116	n.a.	79,628	n.a.	104,442	35,046
13 Issued by U.S. government agencies	4,964	n.a.	2,504	n.a	1,835	625
14 Issued by U.S. government-sponsored agencies	214,152	n.a.	77,124	n.a.	102,607	34,421
15 Securities issued by states and political subdivisions in the United States	92,210	n.a.	32,488	n.a.	48,383	11,339
16 General obligations	65,688	n.a.	21,277	n.a.	36,279	8,131
17 Revenue obligations	25,858	n.a.	10,786	n.a.	11,908	3,164
18 Industrial development and similar obligations	665	n.a	425	n.a.	195	44
19 Mortgage-backed securities (MBS)	463,632	n.a.	309,407	n.a.	142,213	12,012
20 Pass-through securities	292,325	n.a.	209,659	n.a.	74,537	8,129
21 Guaranteed by GNMA	70,775	n.a.	41,942	n.a.	25,772	3,062
22 Issued by FNMA and FHLMC	218,986	n.a.	166,193	n.a.	47,776	5,017
23 Privately issued	2,564	n.a.	1,524	n.a.	990	50
24 Other mortgage-backed securities (includes CMOs, REMICs, and stripped MBS)	171,307	n.a.	99,747	n.a.	67,676	3,884
25 Issued or guaranteed by FNMA, FHLMC, or GNMA	108,811	n.a.	67,451	n.a.	37,802	3,557
26 Collateralized by MBS issued or guaranteed by FNMA, FHLMC, or GNMA	4,313	n.a.	3,524	n.a.	681	108
27 All other mortgage-backed securities	58,183	n.a.	28,772	n.a.	29,192	219
28 Other debt securities	168,087	n.a.	109,201	n.a.	56,719	2,167
29 Other domestic debt securities	n.a.	n.a.	51,928	n.a.	52,404	n.a.
30 Foreign debt securities	n.a.	n.a.	57,273	n.a.	4,316	n.a.
31 Equity securities	40,575	n.a.	27,882	n.a.	11,337	1,356
32 Investments in mutual funds and other equity securities with readily determinable fair value	13,827	n.a.	10,473	n.a	3,035	319
33 All other equity securities	26,748	n.a.	17,410	n.a.	8,302	1,036
34 Federal funds sold and securities purchased under agreements to resell	279,437	224,703	220,201	165,467	46,497	12,739
35 Total loans and lease-financing receivables, gross	3,776,942	3,486,494	2,588,085	2,297,637	1,017,294	171,563
36 LESS: Unearned income on loans	2,829	2,216	1,473	859	1,111	245
37 Total loans and leases (net of unearned income)	3,774,113	3,484,279	2,586,613	2,296,779	1,016,183	171,317
38 LESS: Allowance for loan and lease losses	62,848	n.a.	43,925	n.a.	16,610	2,313
39 LESS: Allocated transfer risk reserves	146	n.a.	145	n.a.	1	0
40 EQUALS: Total loans and leases, net	3,711,119	n.a.	2,542,543	n.a.	999,572	169,004
Total loans and leases, gross, by category						
41 Loans secured by real estate	1,658,136	1,626,129	987,539	955,532	569,886	100,710
42 Construction and land development	n.a.	160,666	n.a.	87,281	63,777	9,608
43 Farmland	n.a.	34,016	n.a.	6,656	16,018	11,342
44 One- to four-family residential properties	n.a.	908,626	n.a.	595,849	265,194	47,583
45 Revolving, open-end loans, extended under lines of credit	n.a.	127,488	n.a.	93,783	30,944	2,761
46 All other loans	n.a.	781,138	n.a.	502,066	234,250	44,822
47 Multifamily (five or more) residential properties	n.a.	60,135	n.a.	33,552	24,267	2,315
48 Nonfarm nonresidential properties	n.a.	462,686	n.a.	232,194	200,630	29,862
49 Loans to depository institutions	120,444	104,838	109,092	93,485	11,252	101
50 Commercial banks in the United States	n.a.	n.a.	76,849	76,389	10,983	n.a.
51 Other depository institutions in the United States	n.a.	n.a.	10,111	9,990	170	n.a.
52 Banks in foreign countries	n.a.	n.a.	22,131	7,107	98	n.a.
53 Loans to finance agricultural production and other loans to farmers	47,841	46,919	13,552	12,630	18,466	15,823
54 Commercial and industrial loans	1,041,930	879,104	836,977	674,152	174,424	30,528
55 U.S. addressees (domicile)	n.a.	n.a.	684,508	663,458	173,623	n.a.
56 Non-U.S. addressees (domicile)	n.a.	n.a.	152,469	10,693	801	n.a.
57 Acceptances of other banks	1,548	933	1,465	849	77	7
58 U.S. banks	n.a.	n.a.	381	328	n.a	n.a.
59 Foreign banks	n.a.	n.a.	1,084	521	n.a	n.a.
60 Loans to individuals for household, family, and other personal expenditures (includes purchased paper)	587,985	543,657	346,427	302,099	219,486	22,073
61 Credit cards and related plans	232,682	n.a.	132,415	n.a.	99,490	777
62 Other (includes single payment and installment)	355,303	n.a.	214,012	n.a.	119,996	21,296
63 Obligations (other than securities) of states and political subdivisions in the United States (includes nonrated industrial development obligations)	20,950	20,937	14,133	14,120	6,030	787
64 All other loans	132,555	104,384	124,238	96,067	7,511	806
65 Loans to foreign governments and official institutions	n.a.	n.a.	6,362	1,669	21	n.a.
66 Other loans	n.a.	n.a.	117,875	94,397	7,490	n.a.
67 Loans for purchasing and carrying securities	n.a.	n.a.	n.a.	16,722	1,424	n.a.
68 All other loans (excludes consumer loans)	n.a.	n.a.	n.a.	77,676	6,066	n.a.
69 Lease-financing receivables	165,553	159,594	154,662	148,704	10,162	728
70 Assets held in trading accounts	304,196	n.a.	303,581	n.a.	604	1
71 Premises and fixed assets (including capitalized leases)	75,022	n.a.	46,917	n.a.	22,730	5,376
72 Other real estate owned	3,170	n.a.	1,697	n.a.	1,175	297
73 Investments in unconsolidated subsidiaries and associated companies	6,475	n.a.	6,051	n.a.	373	52
74 Customers' liability on acceptances outstanding	8,055	n.a.	7,862	n.a	191	2
75 Net due from own foreign offices, Edge Act and agreement subsidiaries, and IBFs	n.a.	24,805	n.a.	24,805	n.a.	n.a.
76 Intangible assets	99,813	n.a.	85,505	n.a.	13,449	859
77 All other assets	256,409	n.a.	207,955	n.a.	43,291	5,164

4.20 DOMESTIC AND FOREIGN OFFICES Insured Commercial Bank Assets and Liabilities—Continued
Consolidated Report of Condition, December 31, 2000

Millions of dollars except as noted

	Item	Total	Domestic total	Banks with foreign offices[1]		Banks with domestic offices only[2]	
				Total	Domestic	Over 100	Under 100
78	**Total liabilities, limited-life preferred stock, and equity capital**	**6,164,193**	n.a.	**4,311,426**	n.a.	**1,579,256**	**273,510**
79	**Total liabilities**	**5,644,358**	**4,909,227**	**3,965,434**	**3,230,304**	**1,434,622**	**244,301**
80	Total deposits	4,146,787	3,440,035	2,759,158	2,052,406	1,156,621	231,008
81	Individuals, partnerships, and corporations	3,703,713	3,195,491	2,426,142	1,917,920	1,069,742	207,829
82	U.S. government	n.a.	8,513	n.a.	7,454	915	143
83	States and political subdivisions in the United States	n.a.	160,201	n.a.	73,968	67,384	18,849
84	Commercial banks in the United States	101,924	37,444	92,823	28,343	8,021	1,079
85	Other depository institutions in the United States	n.a.	8,392	n.a.	3,616	3,330	1,446
86	Foreign banks, governments, and official institutions	138,725	12,688	137,986	11,949	728	12
87	Banks	n.a.	n.a.	105,331	10,576	726	n.a.
88	Governments and official institutions	n.a.	n.a.	32,655	1,372	2	n.a.
89	Certified and official checks	18,532	17,306	10,382	9,156	6,500	1,650
90	Total transaction accounts	n.a.	670,848	n.a.	393,237	212,690	64,921
91	Individuals, partnerships, and corporations	n.a.	564,126	n.a.	325,901	181,831	56,394
92	U.S. government	n.a.	2,174	n.a.	1,639	466	69
93	States and political subdivisions in the United States	n.a.	47,637	n.a.	22,742	18,446	6,449
94	Commercial banks in the United States	n.a.	27,545	n.a.	22,900	4,380	265
95	Other depository institutions in the United States	n.a.	2,772	n.a.	1,940	750	83
96	Foreign banks, governments, and official institutions	n.a.	9,288	n.a.	8,960	317	11
97	Banks	n.a.	n.a.	n.a.	8,181	316	n.a.
98	Governments and official institutions	n.a.	n.a.	n.a.	779	2	n.a.
99	Certified and official checks	n.a.	17,306	n.a.	9,156	6,500	1,650
100	Demand deposits (included in total transaction accounts)	n.a.	525,217	n.a.	350,891	139,474	34,852
101	Individuals, partnerships, and corporations	n.a.	445,723	n.a.	292,358	121,785	31,579
102	U.S. government	n.a.	2,061	n.a.	1,599	404	59
103	States and political subdivisions in the United States	n.a.	20,619	n.a.	13,987	5,426	1,206
104	Commercial banks in the United States	n.a.	27,467	n.a.	22,899	4,304	264
105	Other depository institutions in the United States	n.a.	2,759	n.a.	1,939	739	82
106	Foreign banks, governments, and official institutions	n.a.	9,282	n.a.	8,954	317	11
107	Banks	n.a.	n.a.	n.a.	8,181	316	n.a.
108	Governments and official institutions	n.a.	n.a.	n.a.	773	2	n.a.
109	Certified and official checks	n.a.	17,306	n.a.	9,156	6,500	1,650
110	Total nontransaction accounts	n.a.	2,769,187	n.a.	1,659,169	943,931	166,087
111	Individuals, partnerships, and corporations	n.a.	2,631,366	n.a.	1,592,020	887,911	151,435
112	U.S. government	n.a.	6,339	n.a.	5,815	449	75
113	States and political subdivisions in the United States	n.a.	112,564	n.a.	51,226	48,939	12,400
114	Commercial banks in the United States	n.a.	9,899	n.a.	5,443	3,642	814
115	Other depository institutions in the United States	n.a.	5,620	n.a.	1,676	2,580	1,363
116	Foreign banks, governments, and official institutions	n.a.	3,400	n.a.	2,989	411	0
117	Banks	n.a.	n.a.	n.a.	2,396	411	n.a.
118	Governments and official institutions	n.a.	n.a.	n.a.	593	0	n.a.
119	Federal funds purchased and securities sold under agreements to repurchase	465,202	436,256	379,844	350,898	82,123	3,235
120	Demand notes issued to the U.S. Treasury	14,210	14,210	12,763	12,763	1,381	66
121	Trading liabilities	211,663	n.a.	211,552	n.a.	111	1
122	Other borrowed money	532,303	483,216	363,086	313,999	161,634	7,583
123	Banks' liability on acceptances executed and outstanding	8,142	5,968	7,948	5,775	192	2
124	Notes and debentures subordinated to deposits	86,397	n.a.	82,380	n.a.	3,990	27
125	Net due to own foreign offices, Edge Act and agreement subsidiaries, and IBFs	n.a.	193,946	n.a.	193,946	n.a.	n.a.
126	All other liabilities	179,654	n.a.	148,703	n.a.	28,571	2,380
127	**Total equity capital**	**519,835**	n.a.	**345,992**	n.a.	**144,634**	**29,209**
	MEMO						
128	Trading assets at large banks[4]	304,133	146,583	303,581	146,032	552	n.a.
129	U.S. Treasury securities (domestic offices)	n.a.	14,099	n.a.	14,092	6	n.a.
130	U.S. government agency corporation obligations	n.a.	12,549	n.a.	12,431	118	n.a.
131	Securities issued by states and political subdivisions in the United States	n.a.	1,469	n.a.	1,315	153	n.a.
132	Mortgage-backed securities	n.a.	6,286	n.a.	6,184	102	n.a.
133	Other debt securities	n.a.	25,437	n.a.	25,437	0	n.a.
134	Other trading assets	n.a.	15,645	n.a.	15,540	106	n.a.
135	Trading assets in foreign banks	157,549	0	157,549	0	0	n.a.
136	Revaluation gains on interest rate, foreign exchange rate, and other commodity and equity contracts	71,099	71,099	71,033	71,033	67	n.a.
137	Total individual retirement (IRA) and Keogh plan accounts	n.a.	168,960	n.a.	81,290	76,450	11,220
138	Total brokered deposits	n.a.	189,469	n.a.	85,637	101,439	2,393
139	Fully insured brokered deposits	n.a.	135,839	n.a.	49,220	84,450	2,169
140	Issued in denominations of less than $100,000	n.a.	27,231	n.a.	7,240	18,864	1,128
141	Issued in denominations of $100,000, or in denominations greater than $100,000 and participated out by the broker in shares of $100.000 or less	n.a.	108,609	n.a.	41,980	65,587	1,041
142	Money market deposit accounts (MMDAs)	n.a.	991,097	n.a.	674,269	290,340	26,487
143	Other savings deposits (excluding MMDAs)	n.a.	422,359	n.a.	266,637	136,539	19,184
144	Total time deposits of less than $100,000	n.a.	792,164	n.a.	387,259	321,134	83,771
145	Total time deposits of $100,000 or more	n.a.	563,567	n.a.	331,003	195,919	36,645
146	All negotiable order of withdrawal (NOW) accounts	n.a.	143,582	n.a.	42,236	71,881	29,466
147	Number of banks	8,289	8,289	160	n.a.	2,963	5,166

NOTE. The notation "n.a." indicates the lesser detail available from banks that don't have foreign offices, the inapplicability of certain items to banks that have only domestic offices, or the absence of detail on a fully consolidated basis for banks that have foreign offices.

1. All transactions between domestic and foreign offices of a bank are reported in "net due from" and "net due to" lines. All other lines represent transactions with parties other than the domestic and foreign offices of each bank. Because these intra-office transactions are nullified by consolidation, total assets and total liabilities for the entire bank may not equal the sum of assets and liabilities respectively of the domestic and foreign offices.

Foreign offices include branches in foreign countries, Puerto Rico, and U.S. territories and possessions; subsidiaries in foreign countries; all offices of Edge Act and agreement corporations wherever located; and IBFs.

2. "Over 100" refers to banks whose assets, on June 30 of the preceding calendar year, were $100 million or more. (These banks file the FFIEC 032 or FFIEC 033 Call Report.) "Under 100" refers to banks whose assets, on June 30 of the preceding calendar year, were less than $100 million. (These banks file the FFIEC 034 Call Report.)

3. Because the domestic portion of allowances for loan and lease losses and allocated transfer risk reserves are not reported for banks with foreign offices, the components of total assets (domestic) do not sum to the actual total (domestic).

4. Components of "Trading assets at large banks" are reported only by banks with either total assets of $1 billion or more or with $2 billion or more in the par/notional amount of their off-balance-sheet derivative contracts.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, March 31, 2001

A. Commercial and industrial loans made by all commercial banks[1]

Item	Weighted-average effective loan rate (percent)[2]	Amount of loans (millions of dollars)	Average loan size (thousands of dollars)	Weighted-average maturity[3]	Amount of loans (percent): Secured by collateral	Callable	Subject to prepayment penalty	Made under commitment	Most common base pricing rate[4]
				Days					
LOAN RISK[5]									
1 All commercial and industrial loans	7.19	102,426	652	341	39.9	9.8	30.9	75.4	Foreign
2 Minimal risk	6.23	7,961	1,628	289	28.7	8.5	66.5	84.3	Fed funds
3 Low risk	6.54	18,663	1,061	350	23.0	18.4	44.8	75.4	Foreign
4 Moderate risk	7.28	30,661	551	460	37.0	9.6	34.8	88.4	Foreign
5 Other	7.97	19,725	444	283	42.7	5.9	22.1	74.3	Foreign
By maturity/repricing interval[6]									
6 Zero interval	7.87	23,771	398	329	62.8	9.8	4.3	67.6	Prime
7 Minimal risk	6.92	330	224	822	22.3	12.8	69.2	95.8	Other
8 Low risk	7.45	1,817	414	427	58.6	36.7	10.8	90.0	Prime
9 Moderate risk	8.34	5,372	236	460	51.2	15.4	9.9	93.1	Prime
10 Other	9.48	2,776	136	467	73.7	12.4	2.6	95.4	Prime
11 Daily	6.88	31,747	863	270	29.7	8.8	43.0	69.5	Fed funds
12 Minimal risk	6.12	4,629	10,347	293	38.2	4.1	70.1	85.0	Fed funds
13 Low risk	6.37	5,633	2,887	271	7.1	6.5	59.3	69.7	Domestic
14 Moderate risk	6.96	9,812	831	377	25.8	13.2	37.3	79.9	Fed funds
15 Other	7.42	5,881	596	146	45.5	4.8	18.6	50.6	Fed funds
16 2 to 30 days	6.94	30,576	1,452	301	23.5	5.6	44.0	87.0	Foreign
17 Minimal risk	6.18	2,261	4,632	231	9.5	5.3	72.8	95.3	Foreign
18 Low risk	6.40	7,093	1,650	341	12.6	12.3	56.5	86.4	Foreign
19 Moderate risk	6.92	11,384	1,683	384	32.0	3.1	46.1	95.4	Foreign
20 Other	7.76	7,707	988	201	27.5	2.1	27.0	79.2	Foreign
21 31 to 365 days	7.22	9,465	425	480	35.3	8.0	33.1	80.5	Foreign
22 Minimal risk	6.63	673	369	129	26.9	44.1	26.4	39.1	Domestic
23 Low risk	6.48	2,416	551	312	19.3	12.2	24.8	77.0	Foreign
24 Moderate risk	7.38	2,633	356	719	52.3	1.5	43.5	92.8	Foreign
25 Other	7.94	2,692	874	495	36.2	3.9	38.1	90.1	Foreign
				Months					
26 More than 365 days	8.48	2,391	178	44	71.2	14.0	8.5	66.9	Other
27 Minimal risk	8.13	61	94	58	57.3	33.9	2.0	61.8	Other
28 Low risk	8.30	564	233	42	61.8	17.4	1.7	87.5	Foreign
29 Moderate risk	8.32	1,190	220	43	75.2	15.2	8.3	58.6	Prime
30 Other	9.53	319	155	54	83.9	8.0	25.0	61.2	Other
			Weighted-average risk rating[5]	Weighted-average maturity/repricing interval[6]					
				Days					
SIZE OF LOAN (thousands of dollars)									
31 1–99	9.45	2,760	3.3	178	83.7	27.8	3.0	77.7	Prime
32 100–999	8.63	10,194	3.2	93	70.2	17.7	8.8	83.8	Prime
33 1,000–9,999	7.50	31,000	3.0	53	38.0	7.4	28.3	79.1	Foreign
34 10,000 or more	6.66	58,472	2.7	28	33.6	8.9	37.5	71.9	Foreign
									Average size (thousands of dollars)
BASE RATE OF LOAN[4]									
35 Prime[7]	9.20	18,266	3.3	59	70.2	19.4	1.2	73.2	179
36 Fed funds	6.34	21,400	2.7	8	33.9	9.4	21.6	56.8	6,971
37 Other domestic	6.55	12,320	2.3	19	12.6	19.8	72.4	67.1	3,033
38 Foreign	6.95	30,156	2.8	47	28.0	3.6	49.8	87.0	2,837
39 Other	7.00	20,284	3.1	92	53.2	4.9	14.3	85.0	543

Footnotes appear at end of table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, March 31, 2001—Continued

B. Commercial and industrial loans made by all domestic banks[1]

Item	Weighted-average effective loan rate (percent)[2]	Amount of loans (millions of dollars)	Average loan size (thousands of dollars)	Weighted-average maturity[3]	Amount of loans (percent)				Most common base pricing rate[4]
				Days	Secured by collateral	Callable	Subject to prepayment penalty	Made under commitment	
LOAN RISK[5]									
1 All commercial and industrial loans	7.50	65,881	441	506	42.7	13.2	27.3	77.4	Foreign
2 Minimal risk	6.27	5,183	1,132	434	43.9	13.1	78.6	88.5	Fed funds
3 Low risk	6.64	13,811	822	467	30.7	23.6	41.0	81.1	Foreign
4 Moderate risk	7.46	23,932	446	580	39.9	10.8	29.0	89.3	Other
5 Other	8.64	9,851	238	532	66.2	9.2	12.8	86.7	Prime
By maturity/repricing interval[6]									
6 Zero interval	8.43	17,661	304	429	52.5	12.3	5.6	56.7	Prime
7 Minimal risk	6.91	327	224	789	22.0	12.9	69.8	95.8	Other
8 Low risk	7.42	1,777	410	426	59.1	37.5	11.0	89.9	Prime
9 Moderate risk	8.33	5,212	233	464	51.6	15.8	9.6	93.6	Prime
10 Other	9.47	2,547	128	449	77.4	13.6	2.8	95.0	Prime
11 Daily	7.05	19,806	560	437	36.8	12.4	46.5	87.2	Domestic
12 Minimal risk	6.12	3,223	10,303	420	54.9	5.9	93.0	95.1	Fed funds
13 Low risk	6.40	3,399	1,952	437	11.6	7.5	74.7	98.5	Domestic
14 Moderate risk	7.01	8,068	706	452	30.1	13.5	42.6	81.8	Domestic
15 Other	8.26	2,398	254	374	59.0	10.5	8.9	71.8	Prime
16 2 to 30 days	7.09	17,983	976	494	30.1	8.1	34.9	93.0	Foreign
17 Minimal risk	6.12	1,075	3,039	453	19.8	11.0	74.9	97.9	Foreign
18 Low risk	6.54	4,948	1,266	464	17.5	16.2	48.4	84.9	Foreign
19 Moderate risk	7.16	7,345	1,238	585	30.8	3.4	34.1	98.8	Foreign
20 Other	8.25	3,192	475	449	56.0	3.3	17.6	93.5	Other
21 31 to 365 days	7.32	6,415	303	646	47.2	11.7	17.5	76.8	Foreign
22 Minimal risk	6.95	490	273	145	37.0	60.6	8.2	23.2	Domestic
23 Low risk	6.51	1,983	466	360	22.9	14.8	16.0	77.1	Foreign
24 Moderate risk	7.59	1,906	269	962	61.4	1.7	22.9	90.8	Foreign
25 Other	8.38	1,200	493	896	74.6	8.7	27.0	88.6	Foreign
				Months					
26 More than 365 days	8.47	2,357	175	45	70.8	14.2	7.1	66.5	Other
27 Minimal risk	8.13	61	94	58	57.3	33.9	2.0	61.8	Other
28 Low risk	8.30	564	233	42	61.8	17.4	1.7	87.5	Foreign
29 Moderate risk	8.29	1,155	214	43	74.5	15.6	5.5	57.3	Prime
30 Other	9.53	319	155	54	83.9	8.0	25.0	61.2	Other
			Weighted-average risk rating[5]	Weighted-average maturity/repricing interval[6]					
				Days					
SIZE OF LOAN (thousands of dollars)									
31 1–99	9.45	2,718	3.2	180	84.0	27.8	2.8	77.5	Prime
32 100–999	8.76	9,049	3.2	101	73.5	17.6	5.5	83.4	Prime
33 1,000–9,999	7.78	20,863	2.9	66	42.4	8.2	21.4	77.0	Foreign
34 10,000 or more	6.82	33,251	2.5	39	31.2	13.9	38.9	76.1	Foreign
									Average size (thousands of dollars)
BASE RATE OF LOAN[4]									
35 Prime[7]	9.23	16,537	3.3	62	72.1	15.5	1.3	71.1	166
36 Fed funds	6.26	8,282	2.3	12	42.6	23.6	33.3	57.2	5,547
37 Other domestic	6.48	9,605	2.3	23	15.8	25.4	64.9	85.3	2,587
38 Foreign	7.10	17,751	2.7	56	36.7	4.8	34.1	81.2	2,168
39 Other	7.39	13,706	3.0	124	34.0	6.5	19.8	86.8	377

Footnotes appear at end of table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, March 31, 2001—Continued

C. Commercial and industrial loans made by large domestic banks[1]

Item	Weighted-average effective loan rate (percent)[2]	Amount of loans (millions of dollars)	Average loan size (thousands of dollars)	Weighted-average maturity[3]	Amount of loans (percent): Secured by collateral	Callable	Subject to prepayment penalty	Made under commitment	Most common base pricing rate[4]
				Days					
LOAN RISK[5]									
1 All commercial and industrial loans	7.36	59,378	776	496	39.3	12.4	29.4	77.6	Foreign
2 Minimal risk	6.12	4,886	4,752	437	41.6	12.4	83.1	91.2	Fed funds
3 Low risk	6.46	12,482	1,897	448	26.8	25.2	45.0	82.1	Foreign
4 Moderate risk	7.31	21,872	783	572	36.6	9.8	30.5	90.7	Other
5 Other	8.55	8,613	355	520	64.2	7.4	12.3	88.1	Prime
By maturity/repricing interval[6]									
6 Zero interval	8.34	14,689	578	432	48.3	8.4	5.8	50.9	Prime
7 Minimal risk	6.42	251	956	906	10.5	6.2	86.4	98.5	Other
8 Low risk	7.23	1,251	1,115	387	62.9	48.6	13.4	99.1	Foreign
9 Moderate risk	8.12	4,177	352	472	45.9	10.9	10.4	95.4	Prime
10 Other	9.43	1,952	215	473	78.0	7.9	2.1	97.1	Prime
11 Daily	6.99	19,252	631	435	35.6	12.5	47.8	87.6	Domestic
12 Minimal risk	6.11	3,222	10,685	420	54.9	5.9	93.1	95.1	Fed funds
13 Low risk	6.36	3,336	2,917	432	11.1	7.6	76.1	98.6	Domestic
14 Moderate risk	6.93	7,773	854	451	28.0	13.7	44.1	82.5	Domestic
15 Other	8.21	2,296	282	372	57.3	10.9	9.2	71.1	Prime
16 2 to 30 days	7.06	17,184	1,280	508	28.8	7.9	35.7	93.5	Foreign
17 Minimal risk	6.10	1,054	5,574	458	18.6	11.2	76.4	99.1	Foreign
18 Low risk	6.53	4,850	1,565	470	16.9	16.3	49.3	85.2	Foreign
19 Moderate risk	7.15	7,144	1,666	599	30.5	3.3	33.9	98.9	Foreign
20 Other	8.23	2,996	585	446	53.8	3.0	17.0	94.8	Other
21 31 to 365 days	6.93	5,152	1,761	660	41.9	12.1	18.7	79.4	Foreign
22 Minimal risk	5.81	318	1,790	120	8.3	80.1	12.3	20.1	Domestic
23 Low risk	6.08	1,677	2,126	371	13.8	17.2	18.6	79.2	Foreign
24 Moderate risk	7.26	1,631	1,854	934	60.1	1.3	21.0	95.4	Foreign
25 Other	8.36	1,021	1,368	1,006	76.4	5.6	26.3	90.4	Foreign
				Months					
26 More than 365 days	8.07	1,466	741	40	56.8	17.4	5.2	73.8	Other
27 Minimal risk	7.13	33	394	72	22.0	60.5	3.6	84.6	Domestic
28 Low risk	7.49	232	703	44	9.0	30.0	1.1	99.2	Other
29 Moderate risk	8.01	910	1,130	39	70.8	17.3	4.8	62.7	Prime
30 Other	9.64	154	388	42	75.6	3.9	14.2	89.6	Other
			Weighted-average risk rating[5]	Weighted-average maturity/repricing interval[6]					
				Days					
SIZE OF LOAN (thousands of dollars)									
31 1–99	9.16	1,381	3.4	38	83.4	29.4	1.9	87.2	Prime
32 100–999	8.64	6,454	3.3	58	69.4	16.1	4.2	86.5	Prime
33 1,000–9,999	7.73	18,795	3.0	52	39.8	7.4	22.8	76.7	Foreign
34 10,000 or more	6.81	32,748	2.5	39	31.2	13.8	39.2	75.9	Foreign
									Average size (thousands of dollars)
BASE RATE OF LOAN[4]									
35 Prime[7]	9.20	13,319	3.4	53	69.9	12.9	.5	69.8	236
36 Fed funds	6.25	8,256	2.3	10	42.4	23.6	33.4	57.1	7,299
37 Other domestic	6.46	9,462	2.3	17	14.6	25.6	65.8	85.6	4,942
38 Foreign	7.05	16,593	2.7	43	35.4	5.0	34.9	80.4	2,431
39 Other	7.19	11,748	3.0	84	27.7	3.7	22.1	90.4	1,152

Footnotes appear at end of table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, March 31, 2001—Continued

D. Commercial and industrial loans made by small domestic banks[1]

Item	Weighted-average effective loan rate (percent)[2]	Amount of loans (millions of dollars)	Average loan size (thousands of dollars)	Weighted-average maturity[3]	Amount of loans (percent)				Most common base pricing rate[4]
				Days	Secured by collateral	Callable	Subject to prepayment penalty	Made under commitment	
LOAN RISK[5]									
1 All commercial and industrial loans	8.79	6,503	89	593	74.0	20.3	8.4	75.9	Prime
2 Minimal risk	8.81	297	84	368	82.8	24.0	4.2	44.7	Prime
3 Low risk	8.33	1,330	130	643	66.8	8.2	3.4	71.9	Other
4 Moderate risk	9.05	2,060	80	668	74.2	22.1	12.9	74.5	Prime
5 Other	9.27	1,237	72	607	79.9	22.2	16.0	77.2	Prime
By maturity/repricing interval[6]									
6 Zero interval	8.91	2,972	91	409	73.3	31.5	4.6	85.1	Prime
7 Minimal risk	8.52	76	63	371	60.1	35.1	15.0	86.8	Prime
8 Low risk	7.87	527	164	533	50.1	11.0	5.3	68.2	Prime
9 Moderate risk	9.16	1,034	98	433	74.7	35.7	6.3	86.3	Prime
10 Other	9.62	595	55	370	75.3	32.2	5.1	87.9	Prime
11 Daily	9.06	554	114	501	81.0	7.9	3.6	75.5	Prime
12 Minimal risk	*	*	*	*	*	*	*	*	*
13 Low risk	8.54	62	104	686	36.9	3.3	1.2	92.8	Other
14 Moderate risk	8.99	295	126	456	87.1	9.1	2.3	63.4	Prime
15 Other	9.37	102	78	421	95.5	2.4	1.4	87.6	Prime
16 2 to 30 days	7.65	799	160	190	57.2	13.7	17.3	81.2	Foreign
17 Minimal risk	*	*	*	*	*	*	*	*	*
18 Low risk	7.18	98	122	147	47.2	10.7	4.4	69.9	Other
19 Moderate risk	7.54	200	122	111	42.5	8.0	40.2	92.1	Foreign
20 Other	8.68	196	123	494	90.2	7.2	26.7	74.0	Foreign
21 31 to 365 days	8.87	1,262	69	590	69.2	10.2	12.7	66.1	Other
22 Minimal risk	9.04	172	106	191	90.0	24.6	.6	29.0	Prime
23 Low risk	8.89	306	88	303	72.6	1.6	1.8	66.2	Other
24 Moderate risk	9.54	275	44	1,127	69.2	3.7	34.1	63.4	Other
25 Other	8.50	179	106	254	64.2	26.4	31.0	78.2	Other
				Months					
26 More than 365 days	9.12	890	78	51	93.7	8.9	10.3	54.4	Other
27 Minimal risk	9.34	27	49	51	100.0	1.5	*	34.1	Other
28 Low risk	8.86	331	158	40	98.8	8.6	2.1	79.2	Foreign
29 Moderate risk	9.34	245	53	58	88.3	9.5	8.1	37.4	Other
30 Other	9.43	165	99	66	91.7	11.7	35.2	34.6	Other
			Weighted-average risk rating[5]	Weighted-average maturity/repricing interval[6]					
				Days					
SIZE OF LOAN (thousands of dollars)									
31 1–99	9.76	1,337	3.1	322	84.6	26.2	3.8	67.4	Prime
32 100–999	9.03	2,595	3.0	207	83.7	21.4	8.8	75.6	Prime
33 1,000–9,999	8.29	2,068	2.7	189	65.9	15.7	9.1	79.9	Prime
34 10,000 or more	7.01	503	2.5	34	29.0	17.9	16.0	83.9	Foreign
									Average size (thousands of dollars)
BASE RATE OF LOAN[4]									
35 Prime[7]	9.36	3,217	3.0	95	81.1	26.1	4.8	76.4	74
36 Fed funds	8.47	26	3.7	633	82.6	17.0	29.2	94.1	73
37 Other domestic	8.24	143	2.3	434	93.3	9.5	5.1	68.7	79
38 Foreign	7.72	1,158	2.9	247	55.4	1.3	22.3	93.1	849
39 Other	8.54	1,958	2.7	360	71.8	22.8	6.1	65.2	75

Footnotes appear at end of table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, March 31, 2001—Continued

E. Commercial and industrial loans made by U.S. branches and agencies of foreign banks[1]

Item	Weighted-average effective loan rate (percent)[2]	Amount of loans (millions of dollars)	Average loan size (thousands of dollars)	Weighted-average maturity[3]	Amount of loans (percent)				Most common base pricing rate[4]
				Days	Secured by collateral	Callable	Subject to prepayment penalty	Made under commitment	
LOAN RISK[5]									
1 All commercial and industrial loans	6.63	36,544	4,748	33	34.8	3.8	37.5	71.9	Fed funds
2 Minimal risk	6.16	2,778	8,990	23	.2	*	44.1	76.4	Foreign
3 Low risk	6.24	4,852	6,148	42	1.3	3.9	55.5	59.2	Foreign
4 Moderate risk	6.66	6,729	3,494	31	26.7	5.1	55.6	85.3	Foreign
5 Other	7.31	9,874	3,273	46	19.2	2.5	31.5	62.0	Foreign
By maturity/repricing interval[6]									
6 Zero interval	6.23	6,109	3,626	45	92.4	2.5	.6	99.1	Other
7 Minimal risk	*	*	*	*	*	*	*	*	*
8 Low risk	8.71	40	673	572	36.6	5.0	1.5	94.9	Prime
9 Moderate risk	8.82	161	398	155	37.5	.9	22.5	76.6	Prime
10 Other	9.60	228	428	924	32.6	*	*	99.4	Prime
11 Daily	6.59	11,941	8,455	3	17.9	3.0	37.0	40.1	Fed funds
12 Minimal risk	6.14	1,406	10,447	1	*	*	17.5	61.9	Fed funds
13 Low risk	6.33	2,234	10,672	10	.3	5.0	35.9	25.9	Fed funds
14 Moderate risk	6.74	1,744	4,605	2	5.6	11.8	12.8	70.8	Fed funds
15 Other	6.84	3,484	8,190	2	36.2	.9	25.3	36.0	Fed funds
16 2 to 30 days	6.73	12,594	4,776	32	14.1	1.9	57.1	78.4	Foreign
17 Minimal risk	6.22	1,187	8,817	30	.3	*	70.9	92.9	Foreign
18 Low risk	6.09	2,145	5,492	60	1.3	3.5	75.0	89.7	Foreign
19 Moderate risk	6.48	4,039	4,862	22	34.1	2.6	67.9	89.4	Foreign
20 Other	7.40	4,515	4,155	30	7.4	1.3	33.7	69.2	Foreign
21 31 to 365 days	7.03	3,050	2,664	119	10.2	.2	65.9	88.3	Foreign
22 Minimal risk	*	*	*	*	*	*	*	*	*
23 Low risk	6.34	433	3,341	90	2.9	*	65.0	76.3	Foreign
24 Moderate risk	6.83	727	2,445	82	28.3	1.0	97.4	98.0	Foreign
25 Other	7.59	1,492	2,320	153	5.4	*	47.1	91.3	Foreign
				Months					
26 More than 365 days	*	*	*	*	*	*	*	*	*
27 Minimal risk	*	*	*	*	*	*	*	*	*
28 Low risk	*	*	*	*	*	*	*	*	*
29 Moderate risk	*	*	*	*	*	*	*	*	*
30 Other	*	*	*	*	*	*	*	*	*
			Weighted-average risk rating[5]	Weighted-average maturity/repricing interval[6]					
				Days					
SIZE OF LOAN (thousands of dollars)									
31 1–99	8.99	41	3.7	16	63.6	29.0	12.1	94.1	Prime
32 100–999	7.65	1,145	3.4	23	44.0	17.9	34.7	87.4	Prime
33 1,000–9,999	6.91	10,137	3.2	25	28.8	5.8	42.4	83.5	Foreign
34 10,000 or more	6.46	25,221	3.0	13	36.7	2.3	35.6	66.4	Fed funds
									Average size (thousands of dollars)
BASE RATE OF LOAN[4]									
35 Prime[7]	8.96	1,729	3.4	20	51.8	57.2	.4	93.5	734
36 Fed funds	6.39	13,118	3.1	6	28.4	.4	14.2	56.5	8,320
37 Other domestic	6.79	2,715	2.2	5	1.5	*	99.2	2.6	7,781
38 Foreign	6.75	12,405	2.9	35	15.5	1.9	72.2	95.2	5,079
39 Other	6.20	6,577	4.6	4	93.3	1.6	2.7	81.3	6,767

Footnotes appear at end of table.

NOTES TO TABLE 4.23

NOTE. The Survey of Terms of Business Lending collects data on gross loan extensions made during the first full business week in the mid-month of each quarter. The authorized panel size for the survey is 348 domestically chartered commercial banks and 50 U.S. branches and agencies of foreign banks. The sample data are used to estimate the terms of loans extended during that week at all domestic commercial banks and all U.S. branches and agencies of foreign banks. Note that the terms on loans extended during the survey week may differ from those extended during other weeks of the quarter. The estimates reported here are not intended to measure the average terms on all business loans in bank portfolios.

1. As of December 31, 1996, assets of most of the large banks were at least $7.0 billion. Median total assets for all insured banks were roughly $62 million. Assets at all U.S. branches and agencies averaged 1.3 billion.

2. Effective (compounded) annual interest rates are calculated from the stated rate and other terms of the loans and weighted by loan amount. The standard error of the loan rate for all commercial and industrial loans in the current survey (line 1, column 1) is 0.13 percentage point. The chances are about two out of three that the average rate shown would differ by less than this amount from the average rate that would be found by a complete survey of the universe of all banks.

3. Average maturities are weighted by loan amount and exclude loans with no stated maturities.

4. The most common base pricing rate is that used to price the largest dollar volume of loans. Base pricing rates include the prime rate (sometimes referred to as a bank's "base" or "reference" rate); the federal funds rate; domestic money market rates other than the prime rate and the federal funds rate; foreign money market rates; and other base rates not included in the foregoing classifications.

5. A complete description of these risk categories is available from the Banking Analysis Section, Mail Stop 81, Board of Governors of the Federal Reserve System, Washington, DC 20551. The category "Moderate risk" includes the average loan, under average economic conditions, at the typical lender. The category "Other" includes loans rated "acceptable" as well as special mention or classified loans. The weighted-average risk ratings published for loans in rows 31–39 are calculated by assigning a value of "1" to minimal risk loans; "2" to low risk loans; "3" to moderate risk loans, "4" to acceptable risk loans; and "5" to special mention and classified loans. These values are weighted by loan amount and exclude loans with no risk rating. Some of the loans in lines 1, 6, 11, 16, 21, 26, and 31–39 are not rated for risk.

6. The maturity/repricing interval measures the period from the date the loan is made until it first may reprice or it matures. For floating-rate loans that are subject to repricing at any time—such as many prime-based loans—the maturity/repricing interval is zero. For floating-rate loans that have a scheduled repricing interval, the maturity/repricing interval measures the number of days between the date the loan is made and the date on which it is next scheduled to reprice. For loans having rates that remain fixed until the loan matures (fixed-rate loans), the maturity/repricing interval measures the number of days between the date the loan is made and the date on which it matures. Loans that reprice daily mature or reprice on the business day after they are made. Owing to weekends and holidays, such loans may have maturity/repricing intervals in excess of one day; such loans are not included in the "2 to 30 day" category.

7. For the current survey, the average reported prime rate, weighted by the amount of loans priced relative to a prime base rate, was 8.52 percent for all banks; 8.50 percent for large domestic banks, 8.61 percent for small domestic banks; and 8.50 percent for U.S. branches and agencies of foreign banks.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, December 31, 2000[1]

Millions of dollars except as noted

Item	All states[2]		New York		California		Illinois	
	Total including IBFs[3]	IBFs only[3]	Total including IBFs	IBFs only	Total including IBFs	IBFs only	Total including IBFs	IBFs only
1 **Total assets**[4]	**984,296**	**185,168**	**825,972**	**159,638**	**26,474**	**7,161**	**42,008**	**3,812**
2 Claims on nonrelated parties	785,032	78,408	645,211	71,169	25,855	2,275	41,997	176
3 Cash and balances due from depository institutions	77,024	34,714	75,100	34,210	772	196	335	135
4 Cash items in process of collection and unposted debits	1,950	0	1,893	0	6	0	11	0
5 Currency and coin (U.S. and foreign)	17	n.a	12	n.a.	1	n.a.	0	n.a
6 Balances with depository institutions in United States	52,562	16,334	51,052	16,056	641	122	186	10
7 U.S branches and agencies of other foreign banks (including IBFs)	45,697	15,661	44,586	15,409	490	121	169	10
8 Other depository institutions in United States (including IBFs)	6,865	673	6,465	647	152	1	17	0
9 Balances with banks in foreign countries and with foreign central banks	22,124	18,380	21,865	18,154	82	74	128	125
10 Foreign branches of U.S. banks	800	719	699	619	0	0	100	100
11 Banks in home country and home-country central banks	7,609	6,630	7,591	6,619	8	8	1	0
12 All other banks in foreign countries and foreign central banks	13,716	11,031	13,575	10,916	74	66	27	25
13 Balances with Federal Reserve Banks	371	n.a.	278	n.a.	42	n.a.	9	n.a.
14 **Total securities and loans**	**454,332**	**37,480**	**364,336**	**31,014**	**24,209**	**2,024**	**28,665**	**32**
15 Total securities, book value	110,895	3,944	103,055	3,476	1,192	420	4,782	12
16 U.S. Treasury	12,115	n.a.	11,826	n.a.	45	n.a.	231	n.a.
17 Obligations of U.S. government agencies and corporations	45,319	n.a.	42,963	n.a.	200	n.a.	1,931	n.a.
18 Other bonds, notes, debentures, and corporate stock (including state and local securities)	53,461	3,944	48,267	3,476	947	420	2,619	12
19 Securities of foreign governmental units	9,637	1,870	9,454	1,809	149	48	12	12
20 All Other	43,823	2,075	38,813	1,667	799	373	2,607	0
21 Federal funds sold and securities purchased under agreements to resell	111,185	4,098	108,074	3,971	291	12	1,372	0
22 U.S. branches and agencies of other foreign banks	11,183	2,654	10,890	2,558	41	4	100	0
23 Commercial banks in United States	13,220	172	12,619	163	238	8	4	0
24 Other	86,782	1,271	84,565	1,250	12	0	1,269	0
25 Total loans, gross	343,820	33,580	261,573	27,581	23,061	1,605	23,899	20
26 LESS: Unearned income on loans	383	44	292	43	43	1	16	0
27 EQUALS: Loans, net	343,436	33,536	261,280	27,538	23,018	1,604	23,883	20
Total loans, gross, by category								
28 Real estate loans	17,155	68	12,393	68	3,032	0	135	0
29 Loans to depository institutions	25,703	15,810	19,097	11,697	2,007	1,392	182	16
30 Commercial banks in United States (including IBFs)	6,804	2,529	4,736	1,466	1,590	1,003	2	0
31 U.S. branches and agencies of other foreign banks	4,799	2,439	2,966	1,376	1,528	1,003	1	0
32 Other commercial banks in United States	2,005	90	1,770	90	62	0	1	0
33 Other depository institutions in United States (including IBFs)	15	0	0	0	0	0	0	0
34 Banks in foreign countries	18,884	13,281	14,361	10,231	416	389	180	16
35 Foreign branches of U.S. banks	294	257	291	254	0	0	0	0
36 Other banks in foreign countries	18,590	13,024	14,070	9,977	416	389	180	16
37 Loans to other financial institutions	51,033	2,001	40,619	1,814	1,261	0	5,271	0
38 Commercial and industrial loans	221,808	13,446	164,652	11,905	16,175	191	17,032	0
39 U.S. addressees (domicile)	182,063	42	135,663	42	14,866	0	14,733	0
40 Non-U.S. addressees (domicile)	39,745	13,404	28,989	11,864	1,308	191	2,299	0
41 Acceptances of other banks	565	13	141	13	26	0	398	0
42 U.S. banks	8	0	5	0	3	0	0	0
43 Foreign banks	557	13	136	13	23	0	398	0
44 Loans to foreign governments and official institutions (including foreign central banks)	3,975	2,158	3,368	2,021	139	22	259	3
45 Loans for purchasing or carrying securities (secured and unsecured)	14,969	0	14,638	0	0	0	5	0
46 All other loans	7,967	86	6,410	63	421	0	230	0
47 Lease financing receivables (net of unearned income)	644	0	255	0	0	0	388	0
48 U.S. addressees (domicile)	644	0	255	0	0	0	388	0
49 Non-U.S. addressees (domicile)	0	0	0	0	0	0	0	0
50 Trading assets	106,624	644	65,832	644	54	0	9,725	0
51 All other assets	35,868	1,472	31,870	1,330	528	43	1,900	9
52 Customers' liabilities on acceptances outstanding	1,402	n.a.	1,019	n.a.	178	n.a.	166	n.a.
53 U.S. addressees (domicile)	702	n.a.	522	n.a.	169	n.a.	7	n.a.
54 Non-U.S. addressees (domicile)	700	n.a.	497	n.a.	9	n.a.	159	n.a.
55 Other assets including other claims on nonrelated parties	34,466	1,472	30,851	1,330	351	43	1,734	9
56 Net due from related depository institutions[5]	199,264	106,760	180,761	88,469	619	4,886	11	3,636
57 Net due from head office and other related depository institutions[5]	199,264	n.a.	180,761	n.a.	619	n.a.	11	n.a.
58 Net due from establishing entity, head office, and other related depository institutions[5]	n.a.	106,760	n.a.	88,469	n.a.	4,886	n.a.	3,636
59 **Total liabilities**[4]	**984,296**	**185,168**	**825,972**	**159,638**	**26,474**	**7,161**	**42,008**	**3,812**
60 Liabilities to nonrelated parties	867,955	169,823	752,840	145,183	11,580	7,016	34,866	3,779

Footnotes appear at end of table.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, December 31, 2000[1]—Continued

Millions of dollars except as noted

Item	All states[2]		New York		California		Illinois	
	Total excluding IBFs[3]	IBFs only[3]	Total excluding IBFs	IBFs only	Total excluding IBFs	IBFs only	Total excluding IBFs	IBFs only
61 Total deposits and credit balances	388,659	123,950	333,058	111,077	3,106	1,300	13,413	2,535
62 Individuals, partnerships, and corporations	283,873	10,702	238,095	5,537	2,652	180	12,407	13
63 U.S. addressees (domicile)	267,017	3	228,054	3	948	0	12,370	0
64 Non-U.S. addressees (domicile)	16,855	10,699	10,041	5,534	1,704	180	36	13
65 Commercial banks in United States (including IBFs)	53,671	15,394	47,773	15,049	314	99	621	101
66 U.S. branches and agencies of other foreign banks	25,606	14,189	21,948	13,854	0	99	140	101
67 Other commercial banks in United States	28,065	1,206	25,825	1,195	314	0	481	0
68 Banks in foreign countries	6,647	69,358	6,471	66,776	13	121	0	812
69 Foreign branches of U.S. banks	1,727	3,628	1,727	3,474	0	20	0	134
70 Other banks in foreign countries	4,919	65,731	4,744	63,302	13	101	0	677
71 Foreign governments and official institutions (including foreign central banks)	22,053	28,471	19,672	23,690	12	900	383	1,610
72 All other deposits and credit balances	22,178	25	20,846	25	105	0	0	0
73 Certified and official checks	237	n.a.	201	n.a.	9	n.a.	1	n.a.
74 Transaction accounts and credit balances (excluding IBFs)	8,798	n.a.	6,978	n.a.	325	n.a.	208	n.a.
75 Individuals, partnerships, and corporations	6,884	n.a.	5,267	n.a.	299	n.a.	206	n.a.
76 U.S. addressees (domicile)	4,623	n.a.	3,910	n.a.	191	n.a.	204	n.a.
77 Non-U.S. addressees (domicile)	2,261	n.a.	1,356	n.a.	108	n.a.	2	n.a.
78 Commercial banks in United States (including IBFs)	153	n.a.	150	n.a.	0	n.a.	0	n.a.
79 U.S. branches and agencies of other foreign banks	79	n.a.	78	n.a.	0	n.a.	0	n.a.
80 Other commercial banks in United States	74	n.a.	72	n.a.	0	n.a.	0	n.a.
81 Banks in foreign countries	813	n.a.	690	n.a.	13	n.a.	0	n.a.
82 Foreign branches of U.S. banks	12	n.a.	12	n.a.	0	n.a.	0	n.a.
83 Other banks in foreign countries	801	n.a.	678	n.a.	13	n.a.	0	n.a.
84 Foreign governments and official institutions (including foreign central banks)	597	n.a.	559	n.a.	3	n.a.	0	n.a.
85 All other deposits and credit balances	114	n.a.	110	n.a.	1	n.a.	0	n.a.
86 Certified and official checks	237	n.a.	201	n.a.	9	n.a.	1	n.a.
87 Demand deposits (included in transaction accounts and credit balances)	8,196	n.a.	6,643	n.a.	256	n.a.	205	n.a.
88 Individuals, partnerships, and corporations	6,409	n.a.	5,057	n.a.	230	n.a.	203	n.a.
89 U.S addressees (domicile)	4,439	n.a.	3,851	n.a.	169	n.a.	201	n.a.
90 Non-U.S. addressees (domicile)	1,970	n.a.	1,205	n.a.	61	n.a.	2	n.a.
91 Commercial banks in United States (including IBFs)	129	n.a.	127	n.a.	0	n.a.	0	n.a.
92 U.S. branches and agencies of other foreign banks	73	n.a.	72	n.a.	0	n.a.	0	n.a.
93 Other commercial banks in United States	57	n.a.	55	n.a.	0	n.a.	0	n.a.
94 Banks in foreign countries	787	n.a.	665	n.a.	13	n.a.	0	n.a.
95 Foreign branches of U.S. banks	1	n.a.	1	n.a.	0	n.a.	0	n.a.
96 Other banks in foreign countries	786	n.a.	664	n.a.	13	n.a.	0	n.a.
97 Foreign governments and official institutions (including foreign central banks)	590	n.a.	552	n.a.	3	n.a.	0	n.a.
98 All other deposits and credit balances	43	n.a.	41	n.a.	0	n.a.	0	n.a.
99 Certified and official checks	237	n.a.	201	n.a.	9	n.a.	1	n.a.
100 Nontransaction accounts (including MMDAs, excluding IBFs)	379,861	n.a.	326,080	n.a.	2,781	n.a.	13,204	n.a.
101 Individuals, partnerships, and corporations	276,989	n.a.	232,828	n.a.	2,353	n.a.	12,200	n.a.
102 U.S. addressees (domicile)	262,395	n.a.	224,143	n.a.	757	n.a.	12,166	n.a.
103 Non-U.S. addressees (domicile)	14,594	n.a.	8,685	n.a.	1,596	n.a.	34	n.a.
104 Commercial banks in United States (including IBFs)	53,518	n.a.	47,623	n.a.	314	n.a.	621	n.a.
105 U.S. branches and agencies of other foreign banks	25,527	n.a.	21,870	n.a.	0	n.a.	140	n.a.
106 Other commercial banks in United States	27,991	n.a.	25,753	n.a.	314	n.a.	481	n.a.
107 Banks in foreign countries	5,834	n.a.	5,781	n.a.	0	n.a.	0	n.a.
108 Foreign branches of U.S. banks	1,715	n.a.	1,715	n.a.	0	n.a.	0	n.a.
109 Other banks in foreign countries	4,119	n.a.	4,065	n.a.	0	n.a.	0	n.a.
110 Foreign governments and official institutions (including foreign central banks)	21,456	n.a.	19,112	n.a.	9	n.a.	383	n.a.
111 All other deposits and credit balances	22,064	n.a.	20,736	n.a.	105	n.a.	0	n.a.
112 IBF deposit liabilities	n.a.	123,950	n.a.	111,077	n.a.	1,300	n.a.	2,535
113 Individuals, partnerships, and corporations	n.a.	10,702	n.a.	5,537	n.a.	180	n.a.	13
114 U.S. addressees (domicile)	n.a.	3	n.a.	3	n.a.	0	n.a.	0
115 Non-U.S. addressees (domicile)	n.a.	10,699	n.a.	5,534	n.a.	180	n.a.	13
116 Commercial banks in United States (including IBFs)	n.a.	15,394	n.a.	15,049	n.a.	99	n.a.	101
117 U.S. branches and agencies of other foreign banks	n.a.	14,189	n.a.	13,854	n.a.	99	n.a.	101
118 Other commercial banks in United States	n.a.	1,206	n.a.	1,195	n.a.	0	n.a.	0
119 Banks in foreign countries	n.a.	69,358	n.a.	66,776	n.a.	121	n.a.	812
120 Foreign branches of U.S. banks	n.a.	3,628	n.a.	3,474	n.a.	20	n.a.	134
121 Other banks in foreign countries	n.a.	65,731	n.a.	63,302	n.a.	101	n.a.	677
122 Foreign governments and official institutions (including foreign central banks)	n.a.	28,471	n.a.	23,690	n.a.	900	n.a.	1,610
123 All other deposits and credit balances	n.a.	25	n.a.	25	n.a.	0	n.a.	0

Footnotes appear at end of table.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, December 31, 2000[1]—Continued

Millions of dollars except as noted

Item	All states[2]		New York		California		Illinois	
	Total including IBFs[3]	IBFs only[3]	Total including IBFs	IBFs only	Total including IBFs	IBFs only	Total including IBFs	IBFs only
124 Federal funds purchased and securities sold under agreements to repurchase	175,938	20,281	165,764	14,882	836	384	3,337	1,209
125 U.S. branches and agencies of other foreign banks	12,861	3,246	10,796	2,354	420	291	845	201
126 Other commercial banks in United States	12,139	484	10,954	279	240	30	420	175
127 Other	150,938	16,551	144,014	12,249	176	63	2,072	833
128 Other borrowed money	79,224	23,399	61,651	17,197	5,920	5,276	5,694	19
129 Owed to nonrelated commercial banks in United States (including IBFs)	12,693	4,336	10,523	3,180	1,363	1,092	314	2
130 Owed to U.S. offices of nonrelated U.S. banks	5,585	696	4,955	592	176	104	207	0
131 Owed to U.S. branches and agencies of nonrelated foreign banks	7,108	3,640	5,568	2,588	1,187	988	107	2
132 Owed to nonrelated banks in foreign countries	17,196	13,676	13,098	9,756	3,152	3,114	22	17
133 Owed to foreign branches of nonrelated U.S. banks	1,089	744	867	545	199	199	0	0
134 Owed to foreign offices of nonrelated foreign banks	16,107	12,932	12,231	9,211	2,953	2,915	22	17
135 Owed to others	49,335	5,387	38,031	4,261	1,406	1,070	5,358	0
136 All other liabilities	100,184	2,193	81,289	2,026	418	57	9,887	16
137 Branch or agency liability on acceptances executed and outstanding	1,782	n.a.	1,156	n.a.	178	n.a.	402	n.a.
138 Trading liabilities	67,247	38	52,926	38	44	0	8,254	0
139 Other liabilities to nonrelated parties	31,156	2,155	27,208	1,988	196	57	1,231	16
140 Net due to related depository institutions[5]	116,341	15,345	73,132	14,455	14,894	144	7,142	32
141 Net due to head office and other related depository institutions[5]	116,341	n.a.	73,132	n.a.	14,894	n.a.	7,142	n.a.
142 Net due to establishing entity, head office, and other related depository institutions[5]	n.a.	15,345	n.a	14,455	n.a.	144	n.a.	32
MEMO								
143 Non-interest-bearing balances with commercial banks in United States	1,208	0	1,128	0	37	0	6	0
144 Holding of own acceptances included in commercial and industrial loans	1,806		1,360		147		207	
145 Commercial and industrial loans with remaining maturity of one year or less (excluding those in nonaccrual status)	108,210		76,589		8,494		8,658	
146 Predetermined interest rates	57,483	n.a.	38,777	n.a.	3,915	n.a.	6,230	n.a.
147 Floating interest rates	50,727		37,812		4,579		2,429	
148 Commercial and industrial loans with remaining maturity of more than one year (excluding those in nonaccrual status)	111,112		86,076		7,607		8,273	
149 Predetermined interest rates	28,793		20,898		1,036		4,812	
150 Floating interest rates	82,319		65,178		6,571		3,461	

Footnotes appear at end of table.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, December 31, 2000[1]—Continued

Millions of dollars except as noted

Item	All states[2] Total excluding IBFs[3]	All states[2] IBFs only[3]	New York Total excluding IBFs	New York IBFs only	California Total excluding IBFs	California IBFs only	Illinois Total excluding IBFs	Illinois IBFs only
151 Components of total nontransaction accounts, included in total deposits and credit balances (excluding IBFs)	380,535	n.a.	328,249	n.a.	2,609	n.a.	13,129	n.a.
152 Time deposits of $100,000 or more	373,632	n.a.	321,399	n.a.	2,591	n.a.	13,126	n.a.
153 Time CDs in denominations of $100,000 or more with remaining maturity of more than 12 months	6,903	n.a.	6,850	n.a.	18	n.a.	2	n.a.
	All states[2] Total including IBFs	**All states[2] IBFs only**	**New York Total including IBFs**	**New York IBFs only**	**California Total including IBFs**	**California IBFs only**	**Illinois Total including IBFs**	**Illinois IBFs only**
154 Immediately available funds with a maturity greater than one day included in other borrowed money	28,837	n.a.	24,459	n.a.	3,107	n.a.	422	n.a.
155 Number of reports filed[6]	340		177		69		28	

1. Data are aggregates of categories reported on the quarterly form FFIEC 002, "Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks." The form was first used for reporting data as of June 30, 1980, and was revised as of December 31, 1985. From November 1972 through May 1980, U.S. branches and agencies of foreign banks had filed a monthly FR 886a report. Aggregate data from that report were available through the Federal Reserve monthly statistical release G.11, last issued on July 10, 1980. Data in this table and in the G.11 tables are not strictly comparable because of differences in reporting panels and in definitions of balance sheet items.

2. Includes the District of Columbia.

3. Effective December 1981, the Federal Reserve Board amended Regulations D and Q to permit banking offices located in the United States to operate international banking facilities (IBFs). Since December 31, 1985, data for IBFs have been reported in a separate column. These data are either included in or excluded from the total columns as indicated in the headings. The notation "n.a." indicates that no IBF data have been reported for that item, either because the item is not an eligible IBF asset or liability or because that level of detail is not reported for IBFs. From December 1981 through September 1985, IBF data were included in all applicable items reported.

4. Total assets and total liabilities include *net* balances, if any, due from or owed to related banking institutions in the United States and in foreign countries (see note 5). On the former monthly branch and agency report, available through the G.11 monthly statistical release, *gross* balances were included in total assets and total liabilities. Therefore, total asset and total liability figures in this table are not comparable to those in the G.11 tables.

5. Related depository institutions includes the foreign head office and other U.S. and foreign branches and agencies of a bank, a bank's parent holding company, and majority-owned banking subsidiaries of the bank and of its parent holding company (including subsidiaries owned both directly and indirectly).

6. In some cases, two or more offices of a foreign bank within the same metropolitan area file a consolidated report.

Index to Statistical Tables

References are to pages A3–A75, although the prefix "A" is omitted in this index.

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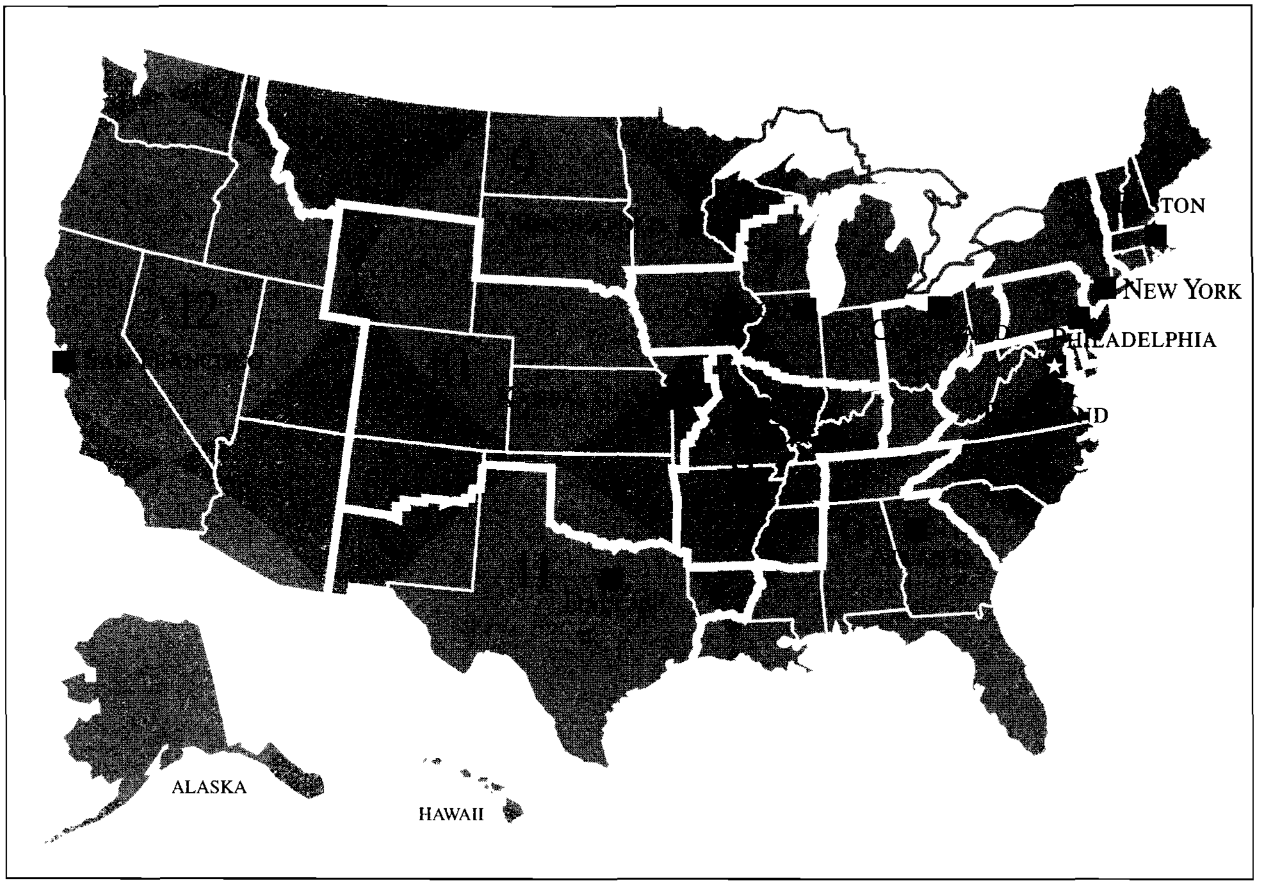

Legend

Both pages

■ Federal Reserve Bank city

⊡ Board of Governors of the Federal Reserve System, Washington, D.C.

Facing page

• Federal Reserve Branch city

— Branch boundary

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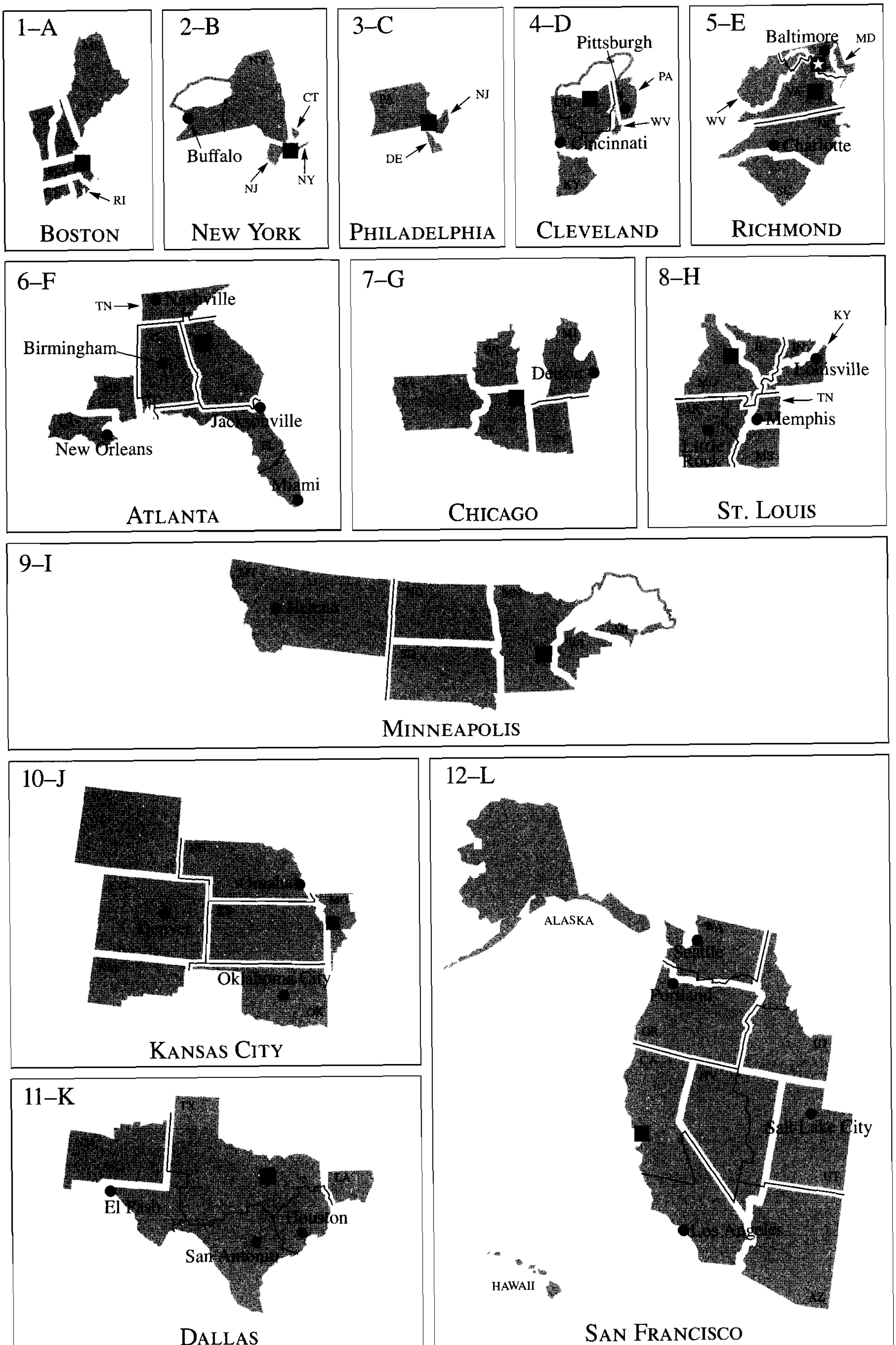
The Federal Reserve officially identifies Districts by number and Reserve Bank city (shown on both pages) and by letter (shown on the facing page).

In the 12th District, the Seattle Branch serves Alaska, and the San Francisco Bank serves Hawaii.

The System serves commonwealths and territories as follows: the New York Bank serves the Commonwealth of Puerto Rico and the U.S. Virgin Islands; the San Francisco Bank serves American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands. The Board of Governors revised the branch boundaries of the System most recently in February 1996.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